

**Premium Pork
International A/S**
Dannevirkevej 6
7000 Fredericia
Central Business Registration No
37875058

Annual report 2016

The Annual General Meeting adopted the annual report on 28.04.2017

Chairman of the General Meeting

Name: Bo Holse

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2016	8
Balance sheet at 31.12.2016	9
Statement of changes in equity for 2016	11
Notes	12
Accounting policies	15

Entity details

Entity

Premium Pork International A/S
Dannevirkevej 6
7000 Fredericia

Central Business Registration No: 37875058
Registered in: Fredericia
Financial year: 14.07.2016 - 31.12.2016

Board of Directors

Torben Svejgård, chairman
Bo Holse
Carsten Lind Pedersen
Ole Sloth Nielsen

Executive Board

Lars Vester Drescher
Morten Beider

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Premium Pork International A/S for the financial year 14.07.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 14.07.2016 - 31.12.2016.

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.

Fredericia, 04.04.2017

Executive Board

Lars Vester Drescher

Morten Beider

Board of Directors

Torben Svejgård
chairman

Bo Holse

Carsten Lind Pedersen

Ole Sloth Nielsen

Independent auditor's report

To the shareholders of Premium Pork International A/S

Opinion

We have audited the financial statements of Premium Pork International A/S for the financial year 14.07.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2016 and of the results of its operations for the financial year 14.07.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Emphasis of matter regarding circumstances in the financial statements

Without modifying our opinion, we draw attention to note 1, which states that the outcome of major pending legal proceedings against one of the Group's subsidiaries relating to repayment of various grants of EUR 1,592k received from the Romanian state in 2011 and 2012 is subject to uncertainty. The court has decided in favour of the company in two of a total of three legal cases. The last case was lost in the court of first instance in February 2016 and afterwards appealed. The Company's management and its legal advisors still assess that the Company will be successful in the appeal case. No provisions have been made for repayment of the grants.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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

Independent auditor's report

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 judgement and maintain professional scepticism 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Aalborg, 04.04.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Thomas Skovsgaard
State Authorised Public Accountant

Rasmus Brodd Johnsen
State Authorised Public Accountant

Management commentary

Primary activities

The purpose of the company is to act as a holding company.

Development in activities and finances

The company was established through a deposit of controlling shares from the owner DCH International A/S. Please refer to note 1 for a specification of the shares. The book value method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at book value at the acquisition date. There has not been restatement of comparative numbers according to section 123(2) of the Danish Financial Statement Act.

Please refer to the annual report of the parent company, DCH International A/S, for a more extensive description of the company's operations and financial position.

In future, the company's annual report will include the consolidated Group on the following consolidated balance sheet as of 31.12.2016:

	<u>EUR</u>
Intangible fixed assets in total	<u>105</u>
Land and buildings	48.541
Plant and machinery	16.958
Property, plant and machinery in progress	2.482
Breeding herd	<u>6.399</u>
Tangible assets in total	<u>74.381</u>
Deposits/other financial fixed assets	<u>149</u>
Commercial herd	10.818
Inventories and consumables	<u>6.214</u>
Total inventories	<u>17.032</u>
Trade receivables	5.385
Other receivables	10.638
Prepayments	<u>1.323</u>
Total receivables	<u>17.346</u>
Cash and cash equivalents	<u>7.264</u>
Total current assets	<u>41.643</u>
Total assets	<u>116.278</u>

Management commentary

	<u>EUR</u>
Shareholders equity:	
Share capital	690
Net revaluation reserve	2.910
Retained earnings	<u>52.733</u>
Total equity	<u>56.333</u>
Provision for deferred tax	<u>2.323</u>
Bank debt	19.163
Lease commitments	1.395
Accounts owed to shareholders	<u>7.951</u>
Total long-term liabilities	<u>28.509</u>
Short term part of long-term debt	5.967
Other bank debt	12.990
Trade payables	3.007
Short-term part of accounts owed to shareholders	1.551
Other payables	5.068
Deferred income	<u>530</u>
Total short-term liabilities	<u>29.113</u>
Total liabilities	<u>57.622</u>
Equity and liabilities	<u>116.278</u>

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>EUR'000</u>
Gross loss		(214)
Income from investments in group enterprises		8.382
Other financial expenses		<u>(1)</u>
Profit/loss for the year		<u>8.167</u>
Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method		8.382
Retained earnings		<u>(215)</u>
		<u>8.167</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>EUR'000</u>
Investments in group enterprises		56.551
Receivables from group enterprises		<u>6.500</u>
Fixed asset investments	1	<u>63.051</u>
Fixed assets		<u>63.051</u>
Other receivables		<u>53</u>
Receivables		<u>53</u>
Cash		<u>11</u>
Current assets		<u>64</u>
Assets		<u>63.115</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>EUR'000</u>
Contributed capital	2	690
Reserve for net revaluation according to the equity method		10.661
Retained earnings		<u>44.985</u>
Equity		<u>56.336</u>
Subordinate loan capital		<u>6.500</u>
Non-current liabilities other than provisions	3	<u>6.500</u>
Trade payables		263
Other payables		<u>16</u>
Current liabilities other than provisions		<u>279</u>
Liabilities other than provisions		<u>6.779</u>
Equity and liabilities		<u>63.115</u>
Contingent liabilities	4	
Related parties with controlling interest	5	
Transactions with related parties	6	
Group relations	7	

Statement of changes in equity for 2016

	Contributed capital EUR'000	Reserve for net revaluation according to the equity method EUR'000	Retained earnings EUR'000	Total EUR'000
Contributed upon formation	690	0	45.200	45.890
Exchange rate adjustments	0	(405)	0	(405)
Value adjustments	0	2.910	0	2.910
Other equity postings	0	(212)	0	(212)
Tax of equity postings	0	(14)	0	(14)
Profit/loss for the year	0	8.382	(215)	8.167
Equity end of year	690	10.661	44.985	56.336

Notes

	Investments in group enterprises EUR'000	Receivables from group enterprises EUR'000
1. Fixed asset investments		
Additions	45.890	6.500
Cost end of year	45.890	6.500
Exchange rate adjustments	(405)	0
Adjustments on equity	(226)	0
Share of profit/loss for the year	8.382	0
Fair value adjustments	2.910	0
Revaluations end of year	10.661	0
Carrying amount end of year	56.551	6.500

The Ministry of Agriculture in Romania raised in 2014 a claim for repayment of EUR 1,592k against the subsidiary company Premium Porc SRL. The repayment claim is EUR 1,337k after tax. This claim is based on an error in the application for diesel subsidy for 2011. An error which was detected and corrected in 2012. Premium Porc SRL appealed in 2014 against the claims and prevailed in respect of 2 out of 3 cases. The last of the 3 cases is in beginning of February 2016 lost in first court and afterwards appealed as the company's management and legal advisors assess that the repayment claim is invalid, and the company are expected to win the appeal.

Based on the management and the company's legal advisors opinion that the repayment claim is invalid, no provisions for repayment of subsidies are stated in the financial statements.

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity EUR'000</u>	<u>Profit/loss EUR'000</u>
Investments in group enterprises comprise:					
Premium Porc	Romania	SRL	100,0	18.191	1.492
Consinterfin	Romania	SRL	100,0	9.745	1.471
Agro Investments Moldova	Romania	SRL	100,0	4.034	492
Premium Porc Negreni	Romania	SRL	100,0	5.326	1.686
Premium Porc Feed	Romania	SRL	100,0	6.342	101
Degaro	Romania	SRL	100,0	12.977	2.892
Olsuin	Romania	SRL	100,0	(82)	26
Gulsuin Impar	Romania	SRL	100,0	12	135
Sabsuin	Romania	SRL	100,0	23	105
Premium Vet Depot	Romania	SRL	100,0	(18)	(18)
Premium Porc Sibiu	Romania	SRL	100,0	0	0

	<u>Number</u>	<u>Par value EUR'000</u>	<u>Nominal value EUR'000</u>	<u>EUR'000</u>
2. Contributed capital				
Aktier	690.000	1	690	690
	690.000		690	690

	Outstanding after 5 years EUR'000
3. Liabilities other than provisions	
Subordinate loan capital	6.500
	6.500

The subordinated loan carries an interest of approx. 6%.

4. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which DCHI International A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the

Notes

Entity is therefore liable from the financial year 2016 for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

5. Related parties with controlling interest

DCH International A / S owns all shares in the company and thus exercises control based on this.

6. Transactions with related parties

Information on transactions with related parties is only listed in the annual report if these transactions have not been carried out on a market term basis. Such transactions have not been conducted in the financial year.

7. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

DCH International A/S, Fredericia

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

DCH International A/S, Fredericia

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of 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.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The book value method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at book value at the acquisition date. There has not been restatement of comparative numbers according to section 123(2) of the Danish Financial Statement Act.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Accounting policies

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial expenses

Other financial expenses comprise interest expenses.

Balance sheet

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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