DANISH CROWN

For a more sustainable future.

Annual report
2017/18

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Throughout the year Danish Crown's farmers and employees produce billions of meals to people all over the world.

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For many years, our members have worked hard to reduce the environmental impact of their activities, and with a certification we are strengthening our continued focus on doing so.

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Following many years of effort to obtain an export licence for exporting processed products to China, we are now working intensively to gain a foothold in the Chinese market.

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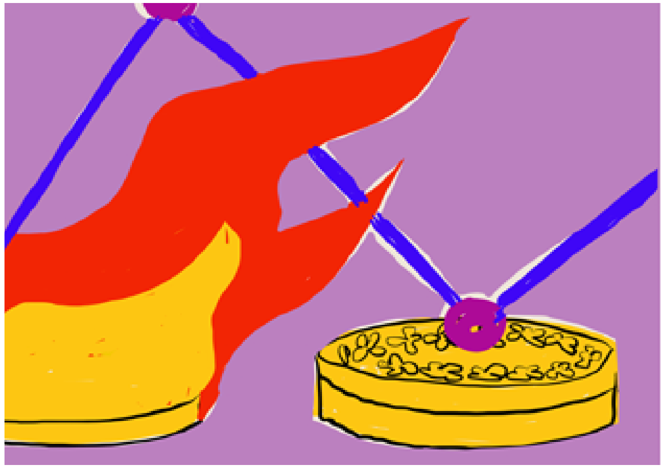

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We pursue a low-risk profile, which means that currency, interest rate and credit risks arise only as a result of commercial activities.

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1 Reports

Danish Crown is composed of Danish farmers, who have laid the cornerstones for the company. Together with 28,892 employees they work every day to deliver food to people all over the world.

One of the owners is Aage Lauritzen from Hjortvad near Ribe in Denmark.

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Market pressures have impacted earnings for owners

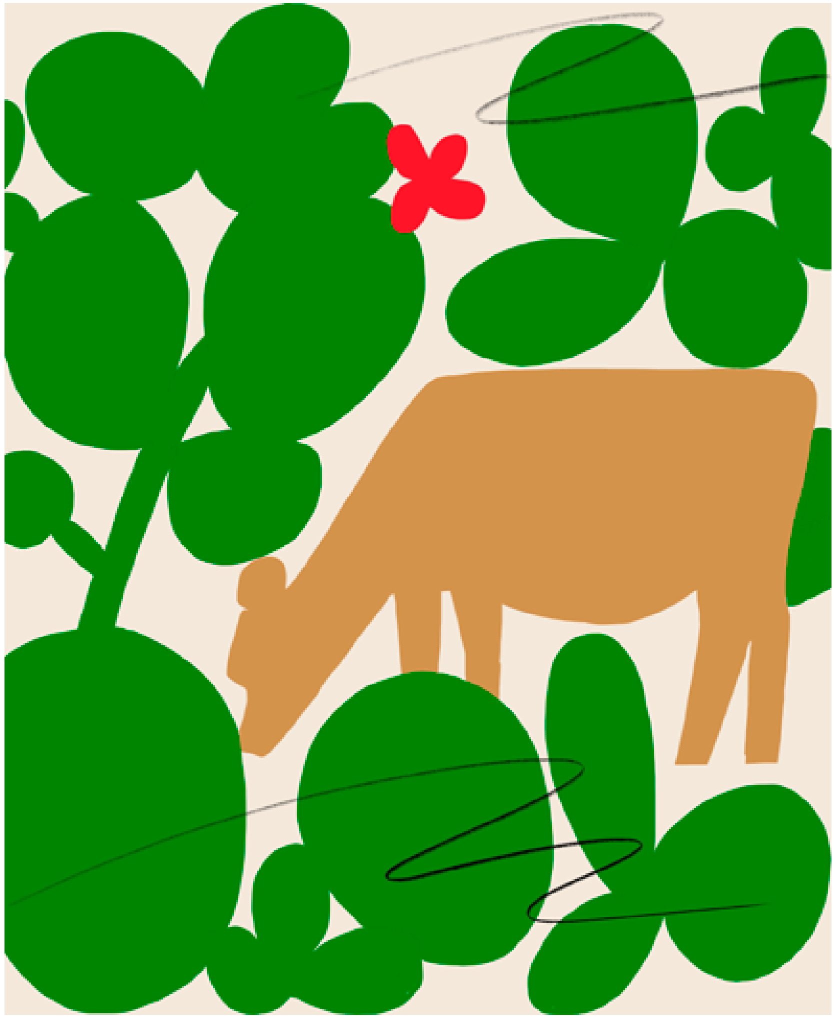
Activity levels have been high in the past year, and I see that we have delivered on more of the activities in our 4WD strategy. Once we succeed in reversing the development in the UK, we will be strongly positioned to strengthen earnings for our owners.

After a good year for our owners in 2016/17 characterised by high pig prices, in early 2018 prices started declining to an unsatisfactorily low level. The price level remained low over the summer, which is a time of year when we normally see price increases. For most of the year, cattle prices have been higher than last year. Pig and cattle prices mirror trends in the market, and we believe our prices have been sufficiently aligned with market developments. However, this does not change the fact that farmers' bottom lines have been heavily impacted.

I have no doubts about our business strategy, and I am confident that the strategic initiatives we have launched will deliver as expected. However, this year, our consolidated results have been challenged by our UK business delivering earnings which have fallen substantially short of expectations. The turnaround of Tulip Ltd is taking longer than originally assumed. We have therefore devoted considerable management resources to the task and implemented a comprehensive cost-cutting programme to get the company back on track. The situation in Tulip Ltd has meant that we have not progressed as planned with our strategic targets for the period up until 2021. I am sorry to see this; not least given the otherwise solid and efficient work I see being done in all parts of the company.

Equity of 1.5 billion DKK returned to our owners
In the past year, we have taken an important step in terms of welcoming new cooperative members, and also in relation to existing cooperative members wanting to increase their production by stopping the depositing and accumulation of capital in member's accounts. The decision will take effect in 2017/18 and has been welcomed by our owners. The member's account was established in the late 1990s to provide capital for developing Danish Crown through investments in abattoirs and through the acquisition of companies in both Denmark and abroad. Danish Crown's equity position is now so strong that we will soon be able to say thank you and return the money to the owners without hampering our development possibilities.

"We believe our prices have been sufficiently aligned with market developments. However, this does not change the fact that farmers' bottom lines have been heavily impacted."



Closer to consumers
As part of our initiatives aimed at moving closer to consumers, we will increasingly use the cooperative members actively in our narrative and in the marketing of our products. In a cooperative company, the owners and the company are specially connected by the chain from farm to fork. The narrative is relevant for consumers, and we need to draw more attention to it.

There is no doubt that consumers will expect more sustainable meat in the future. We are going to show the way and find solutions for a sustainable future for our owners and our employees, both environmentally and financially – for the benefit of consumers and for the benefit of our climate. Activity levels have been high in the past year, and we have delivered on more of the activities in our 4WD strategy. Once we succeed in reversing the development in the UK, we will be strongly positioned to strengthen earnings for our owners.

Best regards,

Erik Bredholt, Chairman

For Danish Crown, 2017/18 was a very unusual year. Market developments over the spring and summer were atypical. The Asian markets started to recover at the end of the year.

Right course in a challenged market

The past year has in many ways been a very unusual one for Danish Crown. Although we are gaining market shares within our strategic categories and succeeding in getting more high-price products onto the shelves, the consolidated results are affected by a disappointing loss posted by our company in the UK; and unfortunately, this also affects our owners' earnings.

After a strong first quarter, our markets started developing very unexpectedly. Back in January, we started noticing an imbalance in the German market, with fewer pigs being supplied, while capacity remained high. This resulted in greater competition for pigs.

Over the summer this also led to increasing prices for German pigs, and our pig price, which is measured against the German pig price among others, could not keep pace.

Towards the end of the year, the German pig price started declining, but we still expect large fluctuations in the German market in the coming year. In the first months of the year, our Beef business has also been challenged by an imbalance between buying and selling prices in Germany.

Despite a weak international market, particularly in China, Danish Crown managed throughout the year to increase the number of pigs slaughtered in Denmark

"We see considerable potential for Danish pigs and the quality we can deliver to quality-conscious Asian consumers."

by four per cent, and a number of further initiatives have been launched to strengthen our competitiveness.

Demand for the processed products we will be supplying from our production facility in Pinghu in China is considerable, and we are seeing a lot of interest from Chinese customers. Our expectations are also high for sales of canned products to China following the granting of access to the Chinese market this year after almost ten years of negotiations.

The escalating trade war between China and the US has already led to markedly lower prices internationally and will undoubtedly influence the market in the coming year. An outbreak of African swine fever in China also has the potential to change market dynamics. At the same time, we have broadened our access to the Asian market, which has made us more robust. During the year, ESS-FOOD opened new offices in Vietnam, Taiwan and the Philippines.

We see considerable potential for Danish pigs and the quality we can deliver to quality-conscious Asian consumers. In the Japanese market, which historically has been one of our strong markets, we have successfully introduced a new product, and the resulting exports have created more jobs at our Danish abattoirs in the past year. Further, a free trade agreement has been signed by the EU and Japan, which will be implemented gradually over the next ten years.

Except for the UK market, developments have been positive for our other domestic markets. We have taken further steps forward in Poland with the continued expansion of our Sokołów brand. In May, we acquired Gzella, a well-invested processing company in northern Poland that supplements our Sokołów product portfolio.

In Denmark, Danish meat has opened new doors. Profiling the Danish origins of the meat on our products has won market shares for fresh pork and beef, and we will continue our good collaboration with our Danish customers. The same applies in Sweden, except here the demand is for Swedish meat. KLS Ugglarps is again posting growth in both the retail and foodservice segments.

However, in the UK, the picture is quite different. We are highly challenged by intensified competition in the UK retail sector, but also by the need to make our UK operations as robust as in the rest of Danish Crown. Having seen signs of a turnaround in the Tulip Ltd business in the first quarter, we realised that the changes were not solidly anchored, and our efforts were basically not resulting in the necessary progress.

A major cost-cutting plan, a restructuring of the company and a change of management are some of the initiatives which have now been launched. The whole exercise is essentially about ensuring focus on day-to-day operations, transparency in the entire value chain and clearer pricing. Quite a lot of energy has also been devoted to the ongoing Brexit negotiations.

On the other hand, DAT-Schaub's natural casings business has delivered higher-than-expected earnings. Acquisitions during the year in South America, Spain, the US and China have turned the company into a globally leading supplier of natural casings for sausages and raw material to the pharmaceutical industry.

Following two major acquisitions of producers of pizza toppings and bacon, Tulip Food Company is now leading these two categories in Europe, which is in line with the adopted strategy. DK-Foods in Denmark and Zandbergen in the Netherlands are both highly specialised suppliers of pizza toppings and bacon, respectively.

"Having seen signs of a turnaround in the Tulip Ltd business in the first quarter, we realised that the changes were not solidly anchored."

← In Denmark, Danish meat has opened new doors. Profiling the Danish origins of the meat on our products has won market shares for fresh pork and beef.

The acquisitions will enable us to develop new products and offer a wider product range to our customers. Within finance, the year saw the start of a process aimed at standardising and simplifying our administration processes. This involves the establishment of a global business services centre in Krakow in Poland. Unfortunately, this also means that we have had to say goodbye to a number of employees in Denmark and Sweden, whose tasks will initially be transferred to Krakow.

During the year, we invited participants from home and abroad to the MEAT2030 conference with the aim of finding answers to the question of how to make our meat the most sustainable before 2030.

As a major player, we want to challenge our own industry and lead the way when it comes to finding sustainable solutions from farm to fork.

I would like to thank our many employees for their dedicated efforts to implement the 4WD strategy in a volatile and difficult market situation where our owners, the Danish farmers, have been challenged by low market prices as well as an unusual drought.

Best regards,

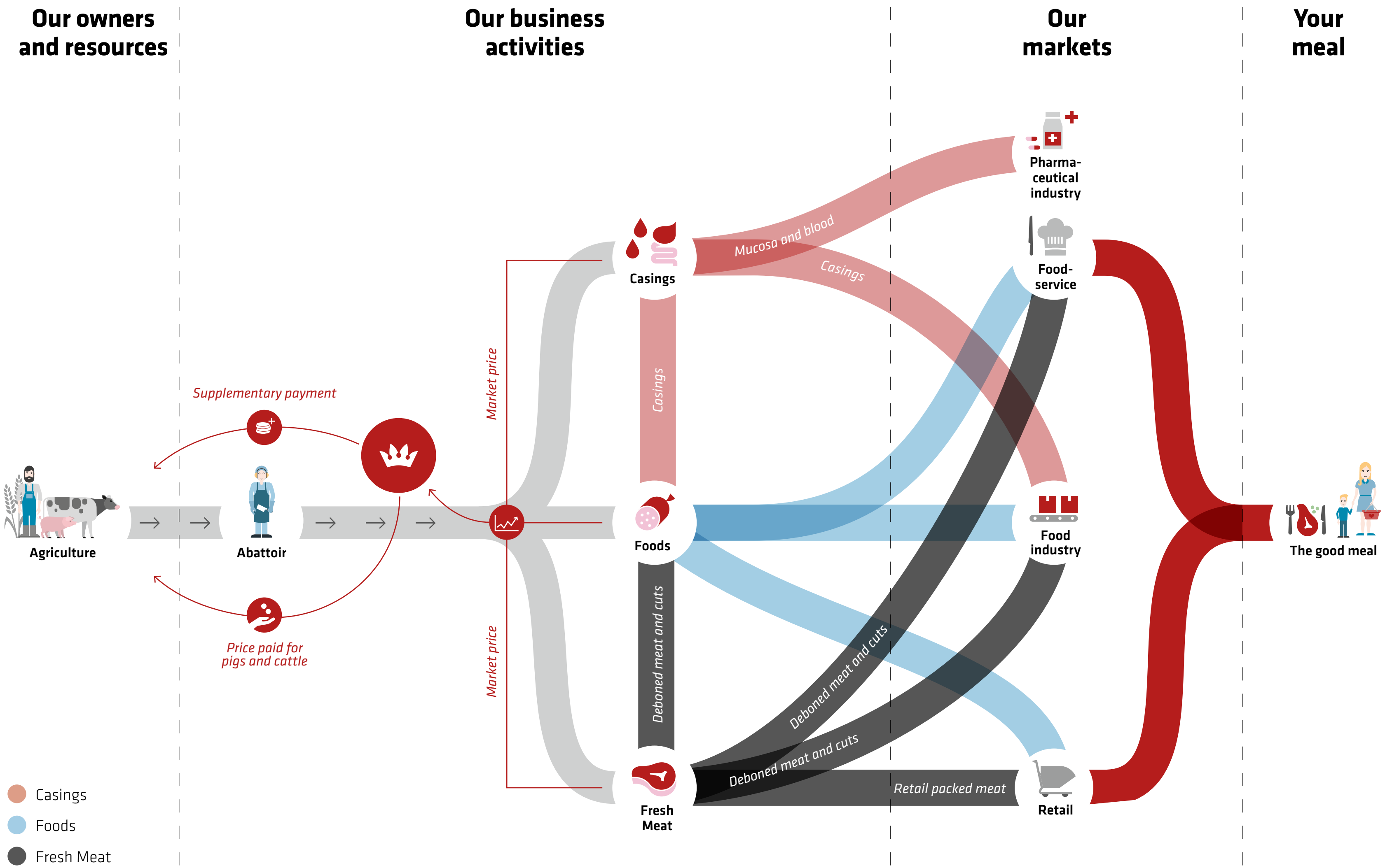
Jais Valeur, Group CEO

Strategy and business model

Danish Crown's strategy and business model give the company's employees an idea of how to create more value for our owners, customers and consumers.

Our business model

Danish Crown is a global food company originating from Denmark. The company is a cooperative society and 100 per cent owned by the Danish farmers who supply pigs and cattle to the company. Danish Crown receives animals for slaughter from its suppliers and sells fresh and processed meat.



Our business structure

6,830 farmers are cooperative members of Danish Crown and thereby its owners. In line with the cooperative model, Danish Crown is obliged to accept the animals supplied by the farmer, and our job is then to process the animals in such a way that the highest possible earnings are generated for the farmer. All the profit which Danish Crown earns from selling the animals on the world market goes back to the farmer. As a co-operative member, your sales are therefore guaranteed, and you are also paid the best possible price which the company can pay.

Our company comprises four business areas: Agriculture, which rears the animals; Fresh Meat, which slaughters the animals; Foods, which processes the products; and Casings, which sells casings worldwide. Our markets include the food industry, retail, foodservice and the pharmaceutical industry.

Our business model is interrelated in a unique value chain from farm to fork, and it gives consumers the opportunity to follow all steps of the chain. In this way, Danish Crown's products go all the way to the consumer, where they are transformed into exciting meals.

Group financial key figures

Sustainability

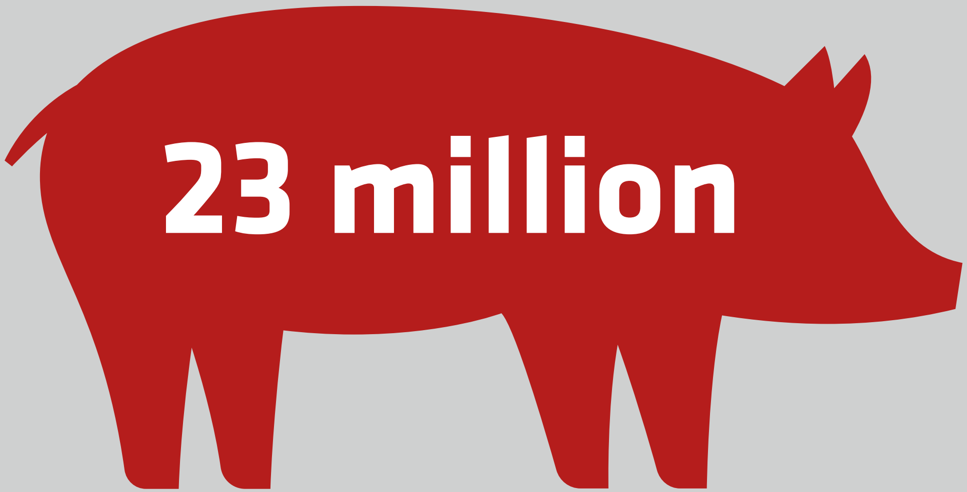
In September 2018, Danish Crown invited more than 200 participants from Denmark and abroad to the conference MEAT2030.

ACTION FOR A SUSTAINABLE FUTURE
MEAT 2030

Revenue in DKK

61 billion

Delivery: pigs and sows



Share of revenue

53% Fresh Meat
40% Foods
7% Casings

Share of EBIT

63% Fresh Meat
14% Foods
23% Casings

Meals supplied

10 billion

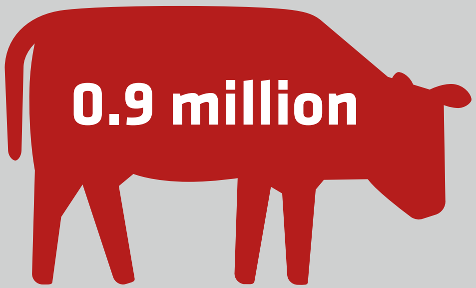
Employees worldwide

28,892
Employees

Danish owners

6,830
Cooperative members

Delivery: cattle



Despite bumps along the way, the 4WD strategy is still moving forwards

The business has pursued and delivered on more of the strategic goals which Danish Crown adopted in 2016 under the heading '4WD'.

Despite the completely atypical year for the market, which has negatively impacted the entire industry, combined with the ongoing challenges in Danish Crown's UK company Tulip Ltd, we have nevertheless succeeded in maintaining progress on more of the activities in the plan. However, there has been a delay in delivering the financial targets. An action plan has been initiated.

In general, the mounting trade war between the US and China, e.g. in the form of new tariffs, as well as an atypical market with unusual price movements have put an entire industry under pressure, and these are some of the reasons why we are behind – also with internal initiatives. Even though the entire market has been affected, our strategic initiatives have meant that we have strengthened the company's positions on a number of categories in our domestic markets.

Strategic targets achieved

We are now two years into our 4WD strategy. The 4WD vehicle illustrates that the company must deliver by both having an efficient production and by creating more value. The four wheels in the strategy are: a leading position in the domestic markets, being driven by the consumer, creating value for our customers and, finally, acting as a united group.

On our four domestic markets – Denmark, Sweden, Poland and the UK – the ambition is to be leading within a broad portfolio of products. In addition, we have set a goal of becoming a global category leader for bacon, pizza toppings, canned products and snack products. Through the acquisition of Zandbergen and the pepperoni producer DK-Foods, we have become market-leading within bacon and pizza toppings while still holding a strong position within canned products. Due to the acquisitions in the first two categories, we have decided to postpone new initiatives within the snack category. Moreover, our Polish company Sokołów has acquired the processing company Gzella, thereby achieving its goal of growth on the Polish market. During the year, DAT-Schaub has acquired companies in South America, Spain, the US and China, and taken a big step towards fulfilling the ambition of becoming the global leader within natural casings.

As regards consumers, we are heeding the new trends being seen in the market for greater focus on sustainability, meat-free days and high quality of the meat that we do eat, while at the same time keeping an eye on traditional consumption patterns, with spaghetti Bolognese and beefburgers still proving popular with many people, and adapting our products accordingly. We are creating value for our customers through, among other things, delivering a uniformly high quality as a standardised product that matches the recipient's production.

Finally, it is our clear vision that we must 'Act as One'. This means saying goodbye to the 'silo' approach to our work, and instead acting as the united business we are. We are well on the way to achieving this goal, but there is still some way to go. We have combined procurement across the group and have set ambitious cost-savings targets. We are standardising our processes in finance in relation to bookkeeping and invoicing, with procurement, quality, production management to follow. In addition, we are establishing joint functions, so that good ideas, systems and solutions to a greater extent are pooled and shared internally in Danish Crown, which together is helping to simplify the business and support the financial targets.

Financial targets delayed

In the financial area, we have generally delivered on our plan. However, in one area we are not where we should be, because our earnings have been impacted by the very disappointing performance of our UK company Tulip Ltd. The reason is a combination of internal and external factors in the form of a tough UK retail market, where there is an intense battle for market shares in a market with significant price pressure.

An action plan has been launched for our business in the UK, but the challenges mean that we are lagging behind in terms of delivering on our strategy promise of paying DKK 0.60 more per kg to our owners compared to 2015/16. However, we are maintaining this target. The task now is to address those areas which are failing to deliver on the financial targets and bring Tulip Ltd back on track, and also to restore the balance between the financial and the strategic tracks in the business to ensure progress and the realisation of the strategic targets.

This year, we took an important step towards having a more sustainable production with the decision that our owners must set sustainability goals for their farms. At the same time, Danish Crown raised the issue of a sustainable future for meat at its MEAT2030 conference.

The four main elements

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

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

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

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

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

2 Business areas

Our business areas cover all steps of the food chain from farm to fork: Agriculture, Fresh Meat, Foods and Casings.

11 Danish Crown in the world

12 Agriculture

14 Fresh Meat

16 Foods

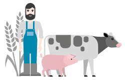
18 Casings

Danish Crown in the world

We operate in a global market and are close to our stakeholders worldwide.

Agriculture

Danish farmers are set to start producing sustainable pigs.



As a company owned by its cooperative members, Danish Crown was established to generate earnings for these farmers. In future, we will be rewarding good production data and generally helping our owners to embrace the future in the best possible way, where sustainable production will be crucial.

This summer's drought has been tough for many farmers in Denmark, northern Germany, the UK and Sweden, and the poor harvest will lead to higher feed prices. As a result, Danish and Swedish farmers have been sending more animals for slaughter. In Sweden, the number of slaughterings is up significantly compared to last year. Moreover, farmers are expected to cut back on investments in their livestock production due to the high feed prices. This means that in Sweden we are expecting a shortage of animals in the coming financial year.

Better forecasts
In Denmark, our pig-slaughtering forecasts proved inadequate, as we started by receiving far fewer pigs than expected, and then more than predicted. This resulted in a difficult spring where we ended up with too many pigs awaiting slaughter out on the farms, leading to considerable inconvenience for the company, for the farmers and for our customers.

Because the lack of information regarding pig populations on the farms is problematic for the company, for our farmers and for our customers, in future we will ensure that we have a much more accurate overview of the pipeline of pigs for slaughter. Therefore, Danish Crown Pork is now rewarding solid data and reports of how many pigs are ready for slaughter on the farm by paying 0.10 DKK more per kg of pork to farmers who upload data via our owners app. For the past couple of years, farmers have been able to use the app to register pig and cattle for slaughter, as well as to see current pig and cattle prices, their own settlements and a weekly market report.

We are delighted that so far the app has been proving popular with our owners, as it is an important step in the continued digitalisation of Danish Crown.

> ***"We are helping our owners to prepare in the best possible way for a future where sustainable production will be crucial."***

Advisory farmer programme leads to productivity increases

→ Based on specific knowledge about the individual farmer's production, our advisers can provide extremely valuable advice.

Advisory programme leads to productivity increases
Productivity on Danish pig farms has increased markedly, and the national averages in 2017 saw the most progress in ten years.

One of the reasons for this increase is the slaughter pigs advisory programme established by Danish Crown three years ago. Under this programme, our advisors pay four visits a year, and focus on helping farmers tackle three key areas which can improve their production. The advice can relate to optimising slaughter stock, feed efficiency and daily weight gain and mortality, but optimising expansion projects or succession planning can also be discussed. It is an initiative that will remain a focus area. We hope that in future we can take advantage of the large volumes of data we receive via the owners app to increase production further – or at least maintain the fine development achieved.

During the year, our advisory programme has also been rolled out in Sweden for the farmers supplying KLS Ugglarps.

Sustainability to carry us into the future
Another important commitment which has a high priority is helping our owners prepare in the best possible way for a future where sustainable production will be crucial. Danish farmers have developed the pigs we have today, and which are sold globally as high-value products. Therefore, they can also take the next step, where it is not only about meat quality but also about how sustainable the meat is.

As the first step on the journey to producing tomorrow's sustainable pig, including animal welfare, health, food safety and sustainability standards, we are now certifying our Danish pig suppliers in terms of various sustainability parameters. This is being done

Digital control at their fingertips

Danish Crown's owners can register pig and cattle for slaughter via our app.

Danish Crown's app solution is a digital instrument enabling the farmer – via his or her mobile phone – to follow the development of pig and cattle prices, register pigs and cattle for slaughter as well as read news from Danish Crown.

The app is being continuously developed and is to be a tool used on a daily basis to give the farmer an overview and direct access to knowledge about operation on the farm.

by setting specific improvement goals for the individual farms, for example a lower carbon footprint for pork, whereby we can highlight our increased focus on taking a responsible approach to issues like our carbon emissions. For many years, our members have worked hard to reduce the environmental impact of their activities, and with a certification, we are strengthening our continued focus while responding to the growing level of interest from customers and society.

In addition, pigs raised without antibiotics are a major strategic initiative. It started on the Danish island of Bornholm, and since 2015 has developed and become well-established on the Danish market, where the level of interest continues to grow. Thus, the area has the potential to develop positively in the coming years.

In the UK, we are cooperating with more than 900 farmers supplying our UK business with pigs. In addition, we are the biggest player in the market for the rearing of free-range pigs.

Since 2007, Sokołów has worked together with its Polish farmers under the 'Together into the Future' programme. Today, 2,000 Polish farmers are involved in this programme, and they are supplying almost 60 per cent of our raw materials for pork in Poland.

Positive response to abolition of member's accounts

Yet another significant event this year was the abolition of the member's accounts, so that neither old nor new cooperative members have to pay in money to personal accounts for Danish Crown's equity. Until now, Danish Crown has retained 0.15 DKK per kg of pork and 0.30 DKK per kg of beef, which was deposited in personal members' accounts. Existing cooperative members will receive the money for the growth they create, and new cooperative members avoid having to pay money into the members' accounts. This has led to growing levels of interest in becoming a cooperative member as well as more animals for slaughter. In this way, Danish Crown is helping to strengthen liquidity among its owners.

"We are now certifying our Danish pig suppliers in terms of various sustainability parameters."

"It gives me the chance to develop my business"

The Board of Directors' decision to abolish the member's accounts was the reason why Aage Lauritzen switched to Danish Crown.

Aage Lauritzen (40) has run his own pig production since 2005. He heard Danish Crown's CEO Jais Valeur speaking at the annual pig congress, and he liked what he heard. However, he needed a good reason for investing a lot of money in a member's account in order to switch company and become a cooperative member with Danish Crown.

"I needed a good reason to do so, all else being equal, and Jais replied that it was a particularly sharp and relevant question," recalls Aage. And so, when Danish Crown's Board of Directors abolished the member's accounts, he was ready to come on board.

"It is giving me the chance to develop my business. In addition, I am buying into Danish Crown's strategy. I like the idea that they want to move our products up the shelf. And I think that Danish Crown is better at taking the lead in the market within, for example, animal welfare, which is becoming a prerequisite for us farmers. So, I just hope that they manage to execute the strategy plan and remember that Danish Crown exists for us farmers – and not the other way around," he says.

Fresh Meat

The main companies in Fresh Meat are: Danish Crown Pork, Danish Crown Beef and KLS Ugglarps.

→ The number of consumers who want to be able to buy locally produced meat in the local markets has grown in recent years.

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

'Declining prices' are probably the words that best describe the fresh meat markets in the past year. Both the global market and the local markets have been characterised by a large supply of slaughter animals and weak demand.

The largest price decrease was seen in the pork market, where weak demand, especially on the large Chinese market, combined with increasing global production made it difficult to realise good prices for our products. For us as European producers, the pressure on prices has been compounded by the strong EUR, especially versus the USD, GBP and YEN, and thus primarily in our traditionally high-price markets, Japan and the UK. In addition to the threat from Brexit, the still growing trade war with the US at its epicentre escalated. On top of which, the very hot summer in especially Northern Europe had a negative impact on the demand for barbecue products. The drought resulted in barbecue bans imposed by the authorities in many parts of both Sweden and Denmark, among others.

The increasing global production of pigs was driven by the US, Canada, China, Russia and to a certain extent Europe. However, on the large German market, production decreased – in particular over the summer – which led to high raw material prices on this market. These raw material prices did not reflect the market prices for meat, which is why earnings from our abattoir operations in Germany were challenged.

The added value for pork that our global market access has traditionally ensured did not materialise in a year characterised by very unusual market conditions. On the other hand, our efforts to add even more value to our products through increased processing and other product adaptations aimed at greater differentiation and added value produced more positive results.

On the Swedish market, product development led to a number of new product launches which have sold well with existing customers, and also attracted many new customers; this includes the foodservice

→ The vision is systems that ensure full traceability back to the farmer.

Revenue (million DKK)

32,285

Fresh Meat in figures

	2017/18	2016/17
Revenue (DKKm)	32,285	33,022
Operating profit before special items (EBIT), DKKm	1,219	1,313
Operating profit before special items (EBIT), in %	3.8	4.0
No. of employees (average)	8,300	7,969

Robots help both farmers and employees

The vision is for Danish Crown to lead the way within automation.

Danish Crown is continually working to automate its production as much as possible in order to maintain our competitiveness, ensure a good working environment and uphold our high quality standards. Now, a brand new technology is being introduced at Danish Crown's abattoirs.

"To date, a lot of focus has been on efficiency and cost savings, but the future will see new requirements for adaptability, traceability, the working environment and making even better use of the pig," says Per Laursen, Senior Vice President, Pork Production at Danish Crown. He points to the fact that industrial robots will begin to play a much bigger role, not just on the slaughter line and in the packaging department with specially developed tools, but also as 'co-workers' for simple packing tasks and moving products from one place to another. In terms of data, the vision is having systems that ensure full traceability back to the farmer.

Surplus calves turn into gastronomy

Thanks to a new type of veal, Danish Crown's bull calves are now being used in restaurants rather than ending as food waste.

Denmark is well known for its high-quality dairy products, and as a natural part of milk production, bull calves are fattened up and used to produce veal. However, some of the bull calves, typically Jersey calves, have never been able to produce enough meat in relation to how much feed they consume, and have therefore traditionally been slaughtered.

"This is something that we, the farmers and consumers have all been unhappy about, but now a new type of veal has successfully been developed that meets consumer wishes for animal welfare and sustainability as well as addressing the challenges that bull calves pose for farmers," says Finn Klostermann, CEO of Danish Crown Beef. The new type of meat, which is being sold to catering establishments, canteens and restaurants under the 'Dansk Gastro Kalv' label, comes from a so-called crossbred calf, where the mother is a milk-producing Jersey cow and the father is a meat-producing bull.

"With this genetic combination, we can kill two birds with one stone: If the farmer gets a heifer calf, it will grow up and become a milk-producing cow. And when it is a bull calf, the genes from the father will help to ensure that it is now much better at transforming feed into meat. In this way, new technology is being used to take better care of our resources, because the newborn bull calves now hold potential rather than being a problem," says Finn.

← Newborn bull calves hold potential rather than being a problem.

segment, where traditionally we have not enjoyed such a strong position. Thanks to our local presence in Sweden, we are benefitting from the consumer preference for Swedish meat, which is a trend in Sweden.

At our production facilities in both Denmark and Germany, we have invested in equipment that increases the level of processing. Thus, part of the factory in Ringsted in Denmark is now dedicated to producing high-price products primarily for the Asian markets. At the same time, construction of our processing facility in Pinghu in China is progressing according to plan. We expect to be able to start up production at the facility in May 2019, when Danish pork will be used to produce processed products specially developed for the Chinese market.

However, consumer-driven developments are also being seen within raw materials. For many years, we have slaughtered organic pigs and pigs from Friland. In Denmark, we have now introduced the concept of pigs raised without the use of antibiotics. The product was launched at the end of the year in cooperation with a large Danish retail customer.

Even though the beef and veal market was not impacted to the same extent by declining prices, similar trends were seen here. The drought in Northern Europe led to many farmers sending more animals than usual to slaughter due to feed shortages, while imports from South America grew as a result of increased production and a weak currency. At the same time, the traditionally high consumption of beef in the barbecue season was negatively impacted by the very hot weather because of the barbecue ban. Fortunately, the market for beef and veal in Southern Europe developed positively as a result of the recent economic recovery in Greece, Italy and Spain. Among other factors, the growth stems from a bigger influx of tourists and greater purchasing power among the local population. The Asian market for by-products has also been growing.

At the same time, we have increased value creation for our products through new product launches such as the 'Dansk Gastro Kalv' label, burgers and other fresh convenience products, constantly endeavouring to cater for changing consumer habits and trends.

> ***"On top of which, the very hot summer in especially Northern Europe had a negative impact on the demand for barbecue products. The drought resulted in barbecue bans imposed by the authorities in many parts of both Sweden and Denmark, among others."***

The consumer trend for buying locally produced meat on the local markets has grown in recent years. Our local presence in Germany, Sweden and Denmark is therefore helping to ensure a ready market.

At our German cattle abattoir in Teterow, which we took over in 2017, we have established a new deboning plant to increase value creation locally. At the same time, focus has been on integrating the company in the German organisation to optimise the business as a whole.

The market for oxhides has been negatively impacted by increased production; in addition, stricter environmental standards in the Chinese tanning industry have led to reduced sales on the Chinese market. Moreover, the European fashion industry is increasingly choosing textiles as an alternative to leather, placing even more pressure on prices in the market.

Efforts are continuously being made at all our production facilities to improve productivity and working conditions for our employees. This is being achieved through both investments and Lean projects, involving production employees in making ongoing improvements to the production processes.

As part of our technology vision, we are working on automating our production. Articulated robots have arrived at the abattoirs, where they are being used for cutting up pig carcasses. Such investments lead to improvements in production efficiency, but they also contribute to our objective of making our workplaces safer. At the same time, we have been working to improve the processes relating to the registration, collection and transport of slaughter animals in Denmark. The launch of our owners app for increased communication with farmers and the introduction of a financial contribution for early reporting will hopefully improve our pig supply data, ensure more stable supplies and strengthen our forecasts, and thus enable us to further intensify our sales optimisation measures and streamlining of production.

We believe that with all these positive initiatives, we are well prepared for the coming year, where market conditions will hopefully improve.

Foods

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

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

Foods' primary markets are the UK, Poland, Denmark, Sweden and Germany, but altogether its products are sold in more than 120 countries. The companies operate in different markets. While Tulip Ltd and Sokołów focus primarily on their local markets in the UK and Poland respectively, Tulip Food Company has, in addition to its sales to the Danish market, significant exports to a large number of countries also outside Europe.

Key elements of the 4WD strategy include focusing on the product categories bacon and pizza toppings, as well as doubling our business in Poland. All three focus areas have resulted in acquisitions this year. Zandbergen in the Netherlands was acquired in July. In recent years, the company has been experiencing strong growth – growth which is expected to continue in the coming years. The Danish pepperoni manufacturer DK-Foods was acquired in March. This company has also been growing strongly in recent years. The intention is to consolidate the strategic aim of becoming a leader within pizza toppings around DK-Foods, focusing on the European pizza industry and QSR (Quick Service Restaurants).

In May, we acquired the Polish company Gzella, an important local producer with its own shops, primarily in the northern part of Poland. The aim is to integrate Gzella and the existing Sokołów business to achieve synergies and to grow the product portfolio for current customers while at the same time becoming an interesting supplier for new customers.

During 2017/18, raw material prices for meat saw a marked decline. In the short term, this led to improved earnings, but also to increased price pressure on suppliers to the fiercely competitive retail market.

In the Polish market, Sokołów has maintained its focus on securing earnings in a highly competitive retail market, where discount stores are growing. In this difficult market, the strength of the Sokołów

> ***"We are working according to a consumer first mindset. Health, animal welfare and convenience are still focus areas."***

Revenue (million DKK)

23,910

Foods in figures

	2017/18	2016/17
Revenue (DKKm)	23,910	24,534
Operating profit before special items (EBIT), DKKm	269	282
Operating profit before special items (EBIT), in %	1.1	1.2
No. of employees (average)	15,362	15,961

Strong foundation for future growth

Acquisition of Gzella boosts growth in Poland.

The goal is clear: By 2021, Danish Crown must double its activities in Poland, and following the acquisition of Gzella, we have taken a big step towards realising this aim. In addition to being a strong and well-known brand, the food processing company Gzella enjoys a solid market position in northern Poland, while Danish Crown's Polish company Sokołów is stronger further south.

"The acquisition thus fills in the blanks on the map, and with a far more complete coverage we are creating a strong foundation for future growth in a country with a population of 38 million," says Bogusław Miszczuk, CEO of Sokołów.

The company announced the acquisition of Gzella earlier this year. Bogusław is convinced that the acquisition will be lucrative for Danish Crown's owners, as the company will be able to generate higher revenue as well as higher earnings from processed products as opposed to raw, unprocessed meat.

Everyone (still) loves bacon

In acquiring Zandbergen, Danish Crown is now the biggest bacon producer in Europe.

In July, Tulip Food Company acquired the Dutch bacon specialist Zandbergen, and according to CEO Kasper Lenbroch, there are several good reasons why this significant investment is a really good idea.

"Firstly, we are good at bacon, which has been our core competence since 1912, and now we are also the biggest player. This puts us in a strong position as far as quickly getting a return on our investment is concerned, and it gives us an important expert role. In addition, the acquisition boosts our sales in a category which is still growing, because even at a time of increased focus on health, and also, to some extent, on eating less meat, everyone still loves bacon," says Kasper.

At the same time, Zandbergen is a key player on the market for eating out, where Tulip Food Company also wants a bigger slice of the cake, and finally Zandbergen's strong market position in the Netherlands offers access to a geographical area where sales can be increased for existing products such as pulled pork and canned products.

← We are good at producing bacon, which has been our core competence since 1912.

brand is nevertheless evident, as it remains top-of-mind among consumers. Sales to the discount chains have increased, partly due to a number of successful product launches. Innovation often takes place in co-operation with customers and consumers in order to keep abreast of changing trends. Thus, we have developed vegetarian products in response to the growing consumer trend for vegetarian foods – a trend which is expected to continue in the coming years.

The Polish market for raw materials is still impacted by the closing of a number of export markets as a result of African swine fever in Poland. Despite joint initiatives from the industry and the Polish authorities, it has not been possible to prevent new outbreaks. However, the disease is not spreading at the same rate as last year.

In the UK market, we remain challenged in our efforts to restore earnings in Tulip Ltd; internally, these challenges stem from poor capacity utilisation and related inefficiencies. At the same time, the UK retail trade has gone through a period of intense competition for market shares, which has resulted in a downward pressure on prices in the market.

The management of our UK business is now focusing on a seven-point plan to restore earnings in the short term, while at the same time creating the basis for a long-term strategy. The plan involves new investments, the streamlining of existing facilities and the closure of non-profitable production lines. This entails the impairment of plant that will no longer be used in the company, which in turn has negatively impacted the results for the year.

In addition, measures are being taken to optimise the processes both internally at Tulip Ltd and in other parts of our company to create the best possible synergies.

At the beginning of the year, the UK competition authorities approved the acquisition of Easey Holdings, a producer of UK outdoor bred pigs, which will guarantee supplies of pigs produced to higher animal welfare standards.

> ***"Within the past couple of years, Tulip Food Company has bolstered its activities and really geared its business for the future."***

Following the UK's decision to leave the EU within the next few years, the value of the GBP has decreased significantly against other European currencies, resulting in increased inflation in the UK market. Other than that, the decision has not yet had any significant impacts, but in the long term there is deemed to be a risk of labour shortages in some industries.

For Danish Crown, the UK is a big and important market with a good balance between locally produced goods and imported products. We expect the UK to remain an important market for the group, and we are therefore monitoring political developments closely.

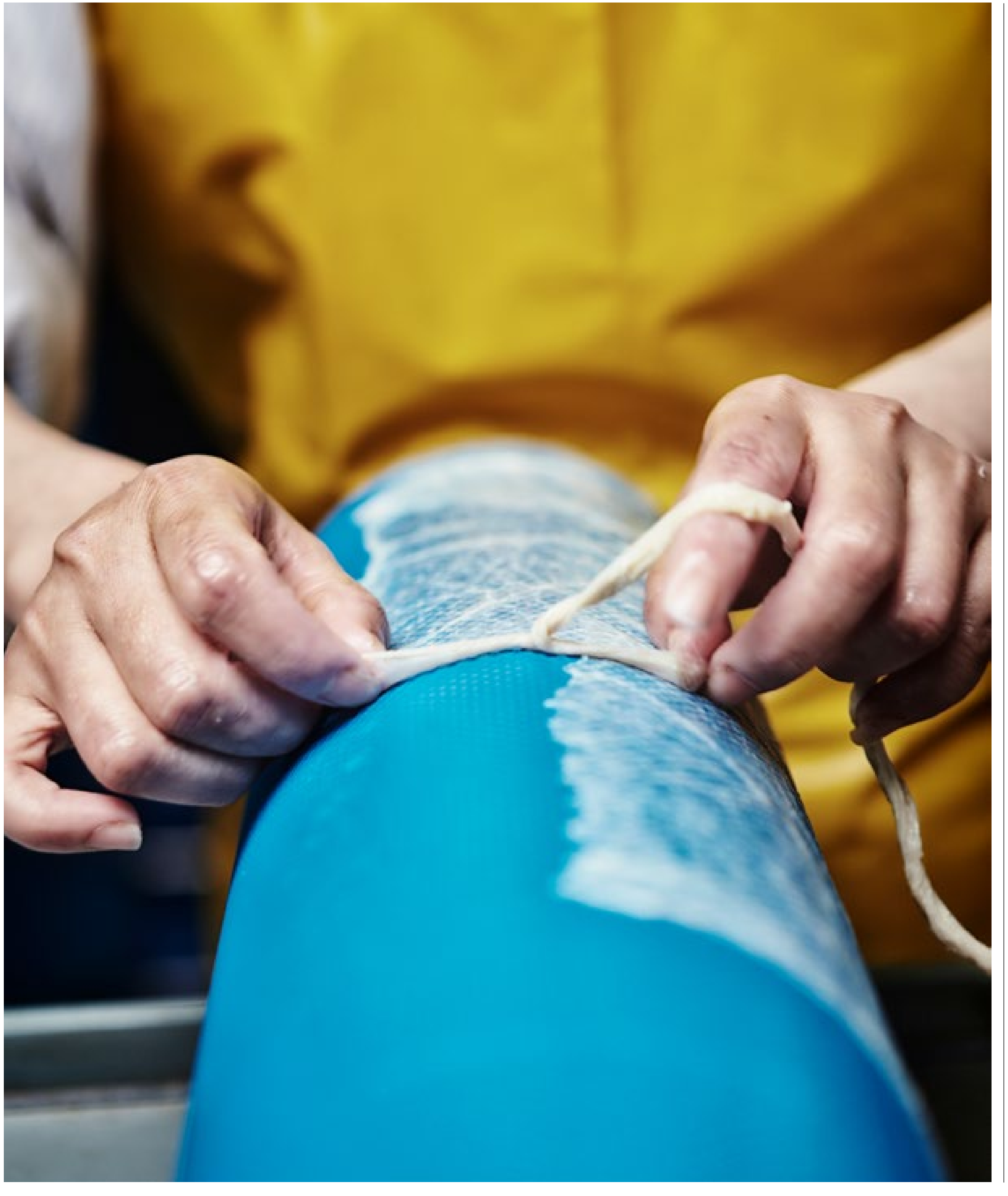
Within the past couple of years, Tulip Food Company has bolstered its activities and really geared its business for the future. In particular, the two significant milestone acquisitions of Zandbergen and DK-Foods during the year have expanded the business significantly as part of the 4WD strategy. A major task now lies ahead in integrating the two companies into the existing business; both companies are characterised by a low level of complexity and a very lean production.

Having devoted efforts for a number of years to obtaining an export licence for exporting processed products to China, we are now working hard to gain a foothold in the Chinese market – also in this area. Initially, focus is on the product categories pepperoni, sausages and pork luncheon meat, which in different variants is the biggest product in Tulip Food Company's global canned products category.

Despite the challenges posed by a strong EUR, which have reduced earnings on a number of markets, the improved balance between selling and raw material prices has improved earnings. Competition is tough in both the Danish and international markets, and we are working hard to maintain our customer and consumer focus and deliver tomorrow's solutions. In all contexts, we work according to a 'consumer first' mindset. Health, animal welfare and convenience are still focus areas, with consumers increasingly demanding welfare solutions in both the fresh and processed meat segments.

Casings

The main company in Casings is: DAT-Schaub.



← Natural casings which are used in sausage production all over the world are cleaned at DAT-Schaub.

Revenue (million DKK)

4,170

Casings in figures

	2017/18	2016/17*
Revenue (DKKm)	4,170	3,666
Operating profit before special items (EBIT), DKKm.	450	424
Operating profit before special items (EBIT), in %	10.8	11.6
No. of employees (average)	2,324	1,706

* continued operations

Casings is one of the leading companies within the procurement, processing and sale of natural casings and, to a lesser extent, also trading in artificial casings and stomachs. Sales go to processing companies worldwide. In addition, the mucosa from the hog casings is used for production of heparin for the pharmaceutical industry.

Last year's trend of good earnings continued in the market for hog casings. Sales by our US company were particularly positive. However, we saw some stabilisation towards the end of this year, which is expected to continue into next year.

DAT-Schaub enjoys a strong market position within hog casings, with raw materials sourced from both the US and Europe. Both through organic measures and acquisitions, we have increased the proportion of raw materials sourced from markets outside Denmark, so that Danish raw materials only account for approx. 17 per cent of our raw materials.

We are working continuously to expand our portfolio of raw materials in order to safeguard sales. This applies both in existing and new markets. As relations

between abattoirs and casings' producers are often long-standing, this will be a long haul.

The market for stomachs and other products from pigs has, on the other hand, not developed as positively, and we have been faced with declining prices.

In 2017/18, the market for sheep casings stabilised compared to the declining sales potential and prices seen in previous years. This has resulted in stable revenue and earnings from sheep casings.

The market for artificial casings is still growing. In the French and Polish markets in particular, DAT-Schaub has realised satisfactory sales growth. In France, solid growth was also realised in sales of blends from DAT-Schaub's facilities in northern France.

In line with the 4WD strategy, during the year we have made a strategically important acquisition – of

"DAT-Schaub enjoys a strong market position within hog casings, with raw materials sourced from both the US and Europe."

Agrimares in South America and Spain. Moreover, the company's production set-up has been strengthened through the acquisition of a controlling interest in Shanghai Natural Casing, a sorting and processing factory located in China. Finally, we have expanded our activities within heparin production through the acquisition of a facility in Iowa in the US. With this acquisition, the company is reinforcing its position as a key supplier to the global pharmaceutical industry within the production of anticoagulant medicine.

As part of our increasingly focused strategy, we have divested our spices and packaging activities in Norway. In addition, it has been decided to close down our ingredients activities.

Following the latest acquisitions and the positive developments within Casings, we are well on the way to realising the objective of our 4WD strategy of being market leader within the production and sale of natural casings.

← DAT-Schaub enjoys a strong market position within hog casings, with raw materials coming from both the US and Europe.

→ All parts of the pig which can be eaten are eaten.

The entire pig is used

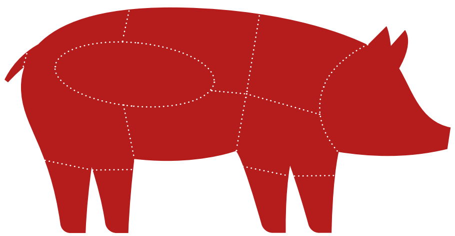
Environmental concerns and the economy are the main reasons for using the entire pig.

"Our job is to get as much value as possible out of the product we are selling for our owners, while at the same time taking good care of the environment; consequently, all parts of the pig are used," says Jan Roelsgaard, CEO of Danish Crown's casings company DAT-Schaub.

Using the by-products from pig production at DAT-Schaub is a good example of a so-called circular economy. It helps to reduce food waste while ensuring optimum resource utilisation. Pig stomachs are eaten as a delicacy in China. The small intestinal mucosa is used to produce anticoagulants such as heparin. Natural casings are used in the production of sausages in France and to produce Felino salamis in Italy. Pig's trotters are a delicacy in many countries. In fact, a single pig ends up as approx. 180 products.

"All parts of the pig which can be eaten are eaten. Everything else is collected and used as well as possible," says Jan.

World ressources are not infinite, nor so when we as a company organise our production. A circular economy makes financial sense to the farmer as well as to society. It may also lead to new innovation – of foods, dishes and products.



3 Governance

The Danish Crown organisation is undergoing major changes these years. The development of a Code of Conduct provides the company with a set of common rules of conduct to guide us in our actions and choices.

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Sustainability

Responsibility from farm to fork

Danish Crown has been working systematically with Corporate Social Responsibility (CSR) for many years, and since 2011 we have signed up to the UN Global Compact principles for companies' work with corporate social responsibility.

As a cooperative owned by farmers, the values and traditions of good farming practices and modern food production are deeply ingrained in our business, with food safety, the environment, animal welfare and the working environment as our primary focus areas.

The sustainability strategy defines our overall focus areas, targets and activities for the coming years. Our ambition is to contribute to promoting and fulfilling the UN's 2030 agenda with the 17 Sustainable Development Goals.

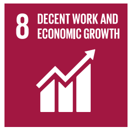
The strategy is divided into five main tracks that support selected sustainable development goals and enable us to act on important issues and encourage cooperation across the organisation in order to achieve our goals.

Under the heading 'Feeding the world', our sustainability strategy covers the entire value chain from farm to fork. It sets the direction for the way in which we tackle the global challenges facing the agricultural sector and meat-based foods as well as setting out our contributions to creating a sustainable future.

Together with customers and consumers

We will earn customers' and consumers' confidence and preference with healthy, safe and responsible products.

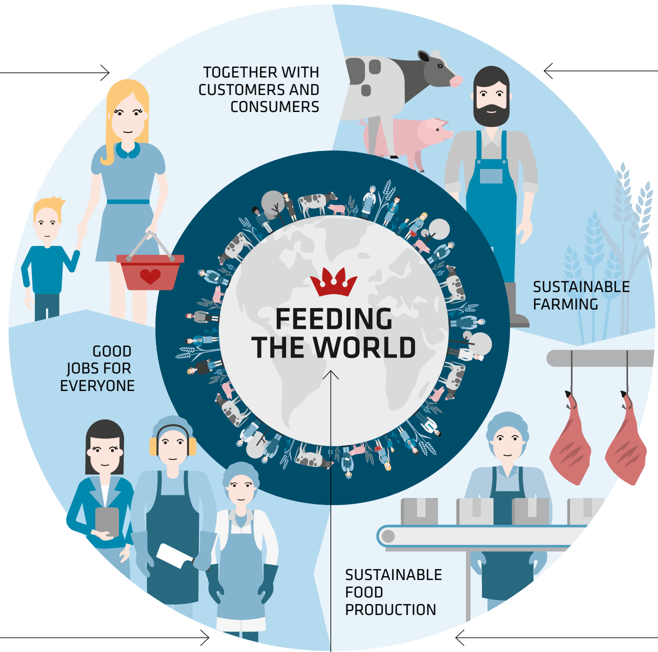
How we contribute: Each year, we contribute billions of meals to feeding consumers worldwide. Together with our customers, we are constantly developing new food concepts, and our focus is increasingly on healthy and sustainable food products. We are experts in organics and in farming without the use of antibiotics, and we seek to influence the market by demanding more sustainable solutions.



Good jobs for everyone

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

How we contribute: We have 28,892 employees with no fewer than 80 different nationalities. More than half of our employees are unskilled. In addition to diversity and social integration in our workforce, we work for safe and healthy workplaces.



Feeding the world

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

How we contribute: Every day we produce 5,000 tonnes of fresh meat and 2,500 tonnes of processed foods and deliver vital proteins, nutrients and tasty food products to people all over the world. Through partnerships and investments in research and development, we strive to make our products and processes more sustainable.

Sustainable farming

We will build a strong future for our farmers.

How we contribute: Danish Crown is owned by 6,830 Danish farmers. We work closely together to develop sustainable livestock production set-ups of a high quality and based on modern technology, science, tradition and a deep understanding of animals and ecosystems.

Sustainable food production

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

How we contribute: For decades, minimising the environmental footprint of our food production has been part of the daily work in all our business areas, in particular with regard to the consumption of natural resources, the minimisation of waste and the implementation of cleaner technologies. We use the whole animal, and seek to ensure that none of the animal raw material goes to waste.

Most important CSR issues and activities

Our strategy for sustainability builds on the issues which are identified as significant for both Danish Crown and our stakeholders. We have categorised these in five strategy tracks so that they can guide our way of thinking and drive our activities to higher sustainability in the whole value chain from farm to fork.

Our CSR platform

Goals
UN Sustainable Development Goals

↓

Strategy and purpose
Feeding the world

↓

CSR policy and effort
UN Global Compact
UN Guiding Principles on Business and Human Rights

↓

Documentation
Will be inspired by the Global Reporting Initiative

↓

Reporting
Annual report
CSR report

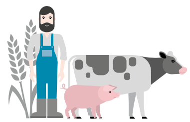
→

● Completed
◑ Under implementation
○ Under development

Feeding the world

Most important issues
- Meat and climate change impact
- The role of meat in sustainable diets
- Future farming
- Sustainable animal feed
- Alternative proteins for nutrition

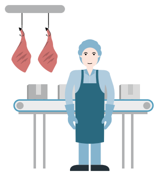
Primary activities 2017/18
- Hosting MEAT2030 conference at which more than 200 stakeholders from the entire food value chain ideated new solutions for a sustainable future for meat ●
- Workshop on the future of pig production with farmers, customers, chefs, scientists and NGOs ●
- Partnership with European food companies and industry organisations on the development of the European Commission's common European methods for documentation and communication of the environmental footprint of red meat (PEF) ○
- Meal partner at the People's Political Festival on Bornholm in Denmark to encourage debate on the future of food ●
- Participation in the National Bioeconomy Panel in Denmark ○



Sustainable farming

Most important issues
- The farmer's finances
- Environment and climate change impact
- Animal welfare
- Veterinary safety
- Use of antibiotics
- Human rights

Primary activities 2017/18
- New certification programme for sustainability performance management and transparency ◑
- Collaboration on sustainable meat is high on the agenda at meetings with our cooperative members ○
- New method for lifecycle assessments of the environmental impact of pig production ○
- New transport agreement for collection of cattle increases animal welfare and reduces the risk of infection ●
- Collaboration with the value chain to reduce the environmental impact of animal feed via Forum for the Future on the UK Feed Compass ○



Sustainable food production

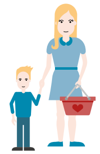
Most important issues
- Environment and climate change impact
- Circular bioeconomics and food waste
- Use of water, energy and other natural resources
- Supply chain ethics
- Human rights
- Business ethics

Primary activities 2017/18
- Strengthened governance within risk management, compliance and sustainable production ◑
- Mapping of CSR risks at our own facilities as a baseline for supplier requirements ◑
- Risk assessment of corruption as a basis for future anti-corruption policy ◑
- Pilot projects for sustainable packaging as a basis for future packaging strategy ◑
- Environmental management according to new ISO 14001 standard in Danish Crown Pork ●
- New training programme in animal welfare at the abattoirs ◑
- Mapping of the potential for reusing process water from abattoirs and meat-processing activities ●
- Tulip Ltd to switch to green energy from October 2018 ◑
- Signed up to the targets of the UK Plastics Pact (WRAP), an initiative designed to create a circular economy for plastics ◑
- Partnership on the development of sustainable water and production technologies for the food industry (DRIP) ○

Good jobs for everyone

Most important issues
- Working environment
- Social integration
- Employee attraction
- Employer-employee relations
- Labour rights
- Human rights

Primary activities 2017/18
- Sokołów winner of the '2017 Reliable Employer of the Year' award in Poland ●
- Lean principles in the working environment reduce accidents and injuries ◑
- Strengthened efforts to prevent muscular and skeletal disorders ◑
- Continued focus on conceptualising and promoting social integration ◑
- New training and career paths for unskilled workers ○



Together with customers and consumers

Most important issues
- Food safety
- Sustainable meat consumption
- Healthy products
- Sustainable product range
- Appetite for meat

Primary activities 2017/18
- Market breakthrough for slaughter pigs raised without use of antibiotics in partnership with Danish retail chain ◑
- New partnerships working to eliminate killings of bull calves, including the 'Dansk Gastro Kalv' label ◑
- New sustainable products in product range – from organic bacon to vegetarian dishes group-wide ○
- Partnership between KLS Ugglarps, a Swedish fast-food chain and the Swedish University of Agricultural Sciences on the creation of a circular system for resources between food producers and consumers for an improved carbon footprint ○

MEAT2030

How can we rethink our way of farming to achieve a more sustainable production of meat? How can transparency in the value chain drive the necessary changes? And how can we accelerate consumer demand for sustainable, high-quality meat? We need to find good answers and solutions to these and other important questions to ensure a sustainable balance for people, animals, nature and the climate as well as for our farmers.

As we do not hold all the answers, in September 2018 we invited a large number of key stakeholders to the MEAT2030 conference with the aim of discussing and creating the important building blocks for the Danish Crown of the future. Among the more than 200 participants were NGOs, farmers, food developers, sustainability thinkers, retail chains, politicians, researchers and experts with an interest in the future of food production. At the MEAT2030 conference, inspiring speakers from Denmark and abroad zoomed in on the challenges facing the meat production industry. Subsequently, a number of workshops were held under three headings: agriculture, transparency in the value chain and changing consumer behaviour.

The conference was only the first step for Danish Crown. We must actively face up to a new reality. We will now examine the contributions received from the participants and then compile a catalogue of initiatives which can inspire our own work. The catalogue will also be made available to the public as a source of inspiration for others. The foundation has thus been laid for a dialogue forum between all stakeholders with knowledge and new ideas for a sustainable future for meat.

Read more

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

HR strategy

The HR strategy prepares our employees for the future.

Through dialogue with all parts of the organisation, we will ensure that we deliver on what really matters for our employees.

Through clear internal targets, among other things for management development and the creation of a stronger external identity for Danish Crown as a workplace, for example through graduate programmes, our HR strategy is contributing to realising the company's overall business strategy.

The foundation for realising all Danish Crown's strategic initiatives is our competent staff, and our HR strategy is therefore strongly focused on developing our managers and our employees, and on ensuring that we can attract highly qualified candidates for all positions. This is key to our 4WD strategy.

Internally, our HR department is working to prepare the entire organisation for the future, a process which is progressing at different rates. At the core is the development of five new leadership principles, which reflect the good behaviour required by managers and employees to deliver on the strategy. While the strategy sets the direction and provides an overview of where Danish Crown is going, the leadership principles provide managers and employees with a common understanding of what constitutes good leadership in Danish Crown, and what we expect from each other.

Based on five clear pointers as to what constitutes good leadership and behaviour, HR is now focused on training and developing our managers, among other things to enable them to provide qualified feedback and coaching to our employees and also at aligning expectations so that they are aware of what is expected of them in terms of their managerial responsibilities towards their employees. It is worth noting that Danish Crown's development programmes are aimed at training the entire value chain, and so the leadership development is targeted both at leading employees, leading leaders and leading functions (such as production or procurement).

> *"Five new leadership principles define good leadership in Danish Crown."*

In addition to focusing on behaviour, from the start of the new financial year the Danish Crown Group is also setting clear targets for what the individual employee must deliver. This means that everybody knows what is expected of them, while the individual units have a plan and also an idea about what the group must achieve during the year, thereby ensuring that everyone throws their weight behind the task.

In terms of our human resources, we will be investing in training and focusing our efforts on a small number of key business-critical skills. For example, we want to ensure that everybody is sufficiently proficient in their local language and in our corporate language, which is English, and in mathematics. Focus could

Our leadership principles

Be an ambassador

Develop and empower people

We are one team

Dedicated to results

Together with consumers and customers

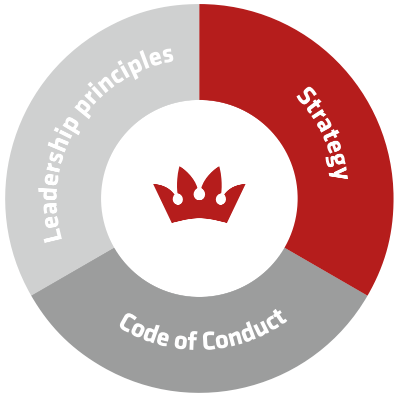
also be on lean thinking with a view to accelerating our efforts to reduce waste and optimise our production without necessarily having to work faster, ensuring that both quantity and quality are rewarded. Our clear focus on training will hopefully contribute to clarifying possible career paths for our employees in production, among other things by offering further training for selected employees along two to three tracks, for example within maintenance or through supplementary training as industrial operators.

The purpose of all the initiatives is to help reduce employee turnover, which is too high in some of our business units, and to retain talented managers and employees through training, education and development.

Awareness of possible career opportunities in the food industry also needs raising externally as part of the work with our brand and image. Few parents would probably tell their children that it is a good investment to spend a couple of years working in an abattoir or a food processing company, and we would like to change this attitude. In Denmark, we are, for example, involved in establishing a vocational training programme for abattoir workers, while also focusing on mechanical engineers so they know that our production facilities are full of state-of-the-art process plant and equipment which could be interesting for them to work with.

Danish Crown is one of a small number of companies where you can find employment as an unskilled worker with opportunities for development. In Denmark, we work closely with the local authorities, including the job centres, as part of efforts to recruit people outside the labour market. Not only do we offer training for these people, we also have jobs for them. Moreover, we give presentations at schools, universities and other educational institutions, and a new graduate programme is part of these efforts. As part of this programme, new Bachelor's and Master's degree graduates are offered a chance to spend time in three of our business units, working on their own day-to-day operational tasks while also working on joint projects. The programme provides them with a fantastic network and an in-depth understanding of

Principles and guidelines support the strategy



large parts of our value chain. During the year, a direction and a framework have been established for Danish Crown's Code of Conduct. Now we start elaborating on the individual rules.

As part of the strategy plan, HR supports the whole recruitment process, thereby securing both an internal and an external pipeline – not least from the point of view of diversity. Unfortunately, we have not succeeded in attracting more women and more international candidates to top positions in our organisation. Danish Crown must increase its focus on identifying women or international candidates who are doing a good job, and whom we might be able to attract. As regards our external pipeline, going forward half of our graduates must be women or international candidates, and when presenting applicants, our external recruitment agencies must include women and international candidates in the top 3.

Our HR strategy generally sets out some very ambitious requirements internally, while also aiming to create a stronger external identity as well as an even stronger winning culture, which is a prerequisite for bringing Danish Crown safely into the future.

→ The employee satisfaction survey produced the best result for many years, ranking Danish Crown above the benchmark average for global companies.

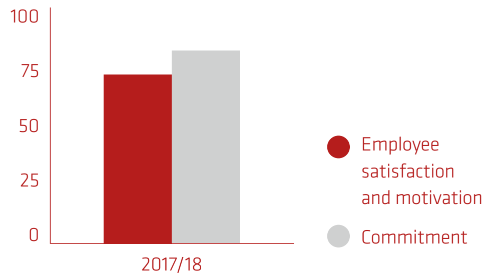
Strong employee satisfaction scores must be maintained in future

Dialogue will ensure that the positive results from this year's employee satisfaction survey do not end up as numbers on a piece of paper.

With 34 questions, Danish Crown has measured employee satisfaction when it comes to motivation, commitment and satisfaction with the management, working conditions etc. And after a couple of years of declining scores, employee satisfaction is now back at 2011 levels, which Andreas Friis, Senior Vice President, Group HR in Danish Crown, is very pleased about.

"The result is generally a sign of an organisation which is more energised – not least with respect to our strategy. And then it is an acknowledgement of the fact that we have actively sought cooperation with all parts of the organisation and invited a dialogue which will ensure that we deliver on what really matters for our employees, in terms of their well-being, motivation and commitment," he says. In future, an ongoing dialogue will ensure that the positive results are sustained, and that we focus on what works well and what does not work so well, for example in relation to holding good meetings or ensuring confidence in your immediate superior. *"We are monitoring developments both at team level and one-to-one. But no matter what, success always starts with the individual,"* says Andreas.

Employee satisfaction survey



Diversity

Diversity must be our strength in Danish Crown.

Danish Crown is a diverse, socially inclusive company and a workplace for large numbers of unskilled workers. However, we are still working to ensure more women in management and strengthen the internationalisation of the company.

All our production facilities in Poland, Germany, Denmark, Sweden and the UK are characterised by multicultural working environments, in which we successfully navigate the cultural differences and language barriers resulting from employing no fewer than 80 different nationalities. In addition to having employees from many different countries, we also have employees from many different parts of society – including people on benefits, of whom some have been outside the labour market for more than ten years, unskilled workers, refugees and young people who have not yet decided what they want to do for a living.

New employees from very different backgrounds can walk in off the street, and after the right training start in a job very quickly – and we are proud of being a workplace for many unskilled workers and a very socially inclusive one too.

However, the valuable diversity is to some extent still lacking when it comes to the representation of women at all management levels of the company. Our target in the present diversity policy was to have a minimum of 25 per cent women in management positions by 2017. This target was reached with 29 per cent of managers being female in 2017/18, and it is our clear intention to continue the upward trend. Externally, the lack of diversity can be ascribed to the fact that it has been difficult to find female candidates for including in the top 3 candidates for jobs, while internally our initiatives aimed at drawing attention to our female talents are still relatively new and have not yet produced noticeable results. However, we are confident that the results will materialise as we continue our systematic efforts in the coming year. Also, a couple of our cooperation partners are currently building an external pool of female talents who can be brought into the top 3 or further down in the organisation as the need arises.

> ***"For several of the companies, the real challenge is the gender balance among Danish Crown's owners."***

Danish Crown is currently working on setting new goals for a diverse and inclusive workforce and the role of women in the future management is an integrated part of this process. The new diversity policy is expected to be finalised in the beginning of 2019, where it will be available on our homepage.

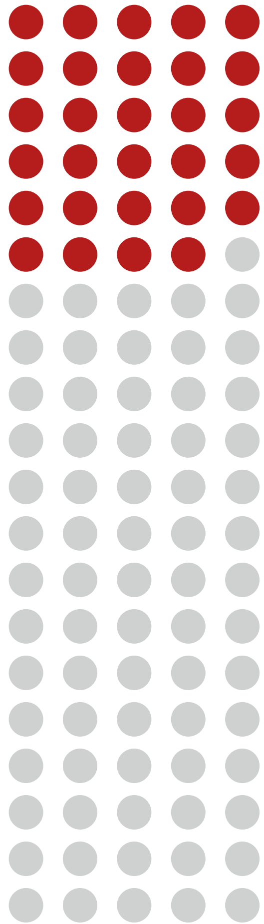
In the past year, another female member has joined the Board of Directors of Danish Crown A/S. This means that two out of ten board members elected at the general shareholders' meeting are now women. Our target of 20 per cent women on the Board of Directors of Danish Crown A/S by 2021 has thereby been achieved.

The ratios of men and women on the boards of directors of Leverandørselskabet Danish Crown AmbA, Tulip Food Company A/S, DAT-Schaub A/S, ESS-FOOD A/S, Scan-Hide A.m.b.a. and SPF-Danmark A/S show that there is still a need to actively work for a more equal representation. In only two out of six companies do the ratios meet the local targets. There are still no women on the Board of Directors of Leverandørselskabet Danish Crown AmbA, which therefore does not live up to the target of 10 per cent female representation. For several of the companies, the real challenge is the gender balance among Danish Crown's owners.

It is crucial that our organisation reflects the composition of our consumers. They are extremely diverse, and women often make the decisions when out shopping. We therefore need more women in our management who know how women think – moreover, we will need to employ a lot of people in the future. By employing mainly men, we end up foregoing 50 per cent of the available talent pool.

In addition, we are focusing on strengthening the internationalisation of Danish Crown as a whole and implementing English as our corporate language. The aim is to attract more international profiles and to be able to move employees between countries. We see huge potential in doing so, as moving employees also means moving good ideas and best practices and being able to introduce standardisation across the business.

Distribution of women and men in management positions



29% Women **71%** Men

Financial review

Market challenges and acquisitions reflected in the figures.

Decreasing prices in the company's main markets are reflected in revenue, which despite a number of acquisitions and organic growth declined by approx. 1 per cent. Organic growth impacted revenue positively by 1.1 billion DKK, and acquisitions and divestments resulted in a net revenue increase of 0.6 billion DKK.

The gross margin developed positively for all business units.

Distribution costs and administrative expenses increased by 5 per cent, of which 3 per cent is attributable to increased business volume. In addition, investments were made in the standardisation and automation of internal processes.

A provision of 91 million DKK was made to cover a claim which is expected to be filed against one of the group's foreign companies. The amount has been recognised under other operating expenses. The claim has not yet been formalised, nor has the size of the claim been determined, which means that it is subject to some uncertainty.

Overall, earnings before special items (EBIT) decreased by 0.2 billion DKK compared to last year, primarily due to the above-mentioned provision.

Our UK Tulip Ltd business continued to impact results negatively. After a positive first quarter, it became clear that major efforts are still needed to improve the financial situation. A new organisation with a new management has been established, and a turnaround plan has been launched. The plan includes initiatives aimed both at improving customer service and internally at increasing production efficiency and reducing cost levels in general. As part of the turnaround plan, the UK production assets have been reviewed, and an investment plan has been prepared to support the future business. This has resulted in impairment of assets in the amount of 288 million DKK (34 million GBP). The amount has been expensed under special items.

During the year, the group divested activities in Norway and Denmark, resulting in an accounting gain. At the same time, a warranty provision made last year in connection with the divestment of Plumrose has been recognised as income. Altogether, this has resulted in income of 294 million DKK, which has been recognised under special items.

Following a number of acquisitions, interest-bearing debt and thus net finance costs increased compared to last year; however, only to a limited extent due to continued low interest rate levels.

A net profit of 1.4 billion DKK was posted, which is lower than expected, primarily due to the market challenges faced by the company during the year. The results are not considered satisfactory.

←
Consumers are central to the development of new products. Keywords are health, animal welfare and convenience.

Assets

Total assets increased by 3.6 billion DKK, of which 2.5 billion DKK can be ascribed to the acquisition of businesses, while the remaining increase is attributable to increasing funds being tied up in inventories.

The year's plant investments amounted to 1.3 billion DKK, up 0.3 billion DKK on last year. About half of this year's investments concerned the company's processing facilities in Denmark, Poland and the UK. In Fresh Meat, the largest single investment concerned the factory in China, while a total of 0.3 billion DKK was invested in the Danish abattoirs.

Net working capital increased during the year, among other things due to acquisitions and increasing prices for casings. Conversely, meat prices decreased, which has contributed to driving net working capital down. Net working capital is expected to be reduced in 2018/19.

Equity

Equity amounted to 7.5 billion DKK at the end of 2017/18. At the end of the year, a decrease in our UK pension obligations (after tax) affected equity positively by 121 million DKK.

At the end of 2017/18, the solvency ratio decreased from 31.2 per cent last year to 26.9 per cent. The decrease is attributable both to payment of a share of the proceeds from the divestment of Plumrose together with the supplementary payments for 2016/17 and also to the acquisition of businesses. The solvency ratio will increase again in step with the acquisitions being integrated in the existing business and contributing more to earnings.

Cash flow statement

Cash flows from operating activities for the year amounted to 1.7 billion DKK, which is a decline of 0.9 billion DKK compared to last year. The decline is due partly to the lower net profit and partly to increased capital tie-ups in inventories.

Cash flows from investing activities include considerations relating to acquisitions in the year amounting to 2.4 billion DKK and selling prices relating to divestments amounting to 0.3 billion DKK. Investments in property, plant and equipment increased compared to last year, when parts of the investment programme were delayed.

Liabilities

During the year, net interest-bearing debt increased by 3.4 billion DKK, primarily due to acquisitions, and now totals 12.6 billion DKK.

The financial gearing is 4.1 as the acquired businesses do not contribute a full year's earnings, while debt is fully included in the calculation of gearing at the end of the year. The gearing is expected to be reduced to a level of 3.0-3.5 during 2018/19.

The group's financing structure is based mainly on credits with a maturity of more than one year. The long-term portion of interest-bearing debt is 94 per cent against 80 per cent last year. The share of interest-bearing debt falling due after more than five years from the balance sheet date is now 43 per cent against 45 per cent last year.

Fixed-rate loans account for approx. 43 per cent of total loans against 35 per cent at the end of 2016/17.

A change in the market rate of 1 percentage point is estimated to have a 74 million DKK impact on total annual financing costs, all other factors aside.

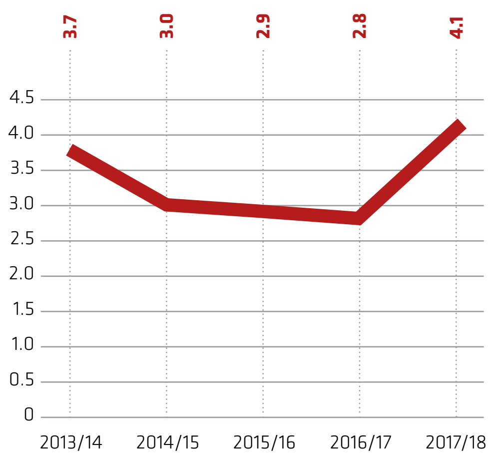
Development in the coming year

Operating profit before special items (EBIT) and net profit are expected to increase to a level corresponding to the average level of previous years as the special market situation is not expected to persist.

←
Chinese consumers are buying more foreign meat in their demand for the quality and food safety that characterise our products in particular.

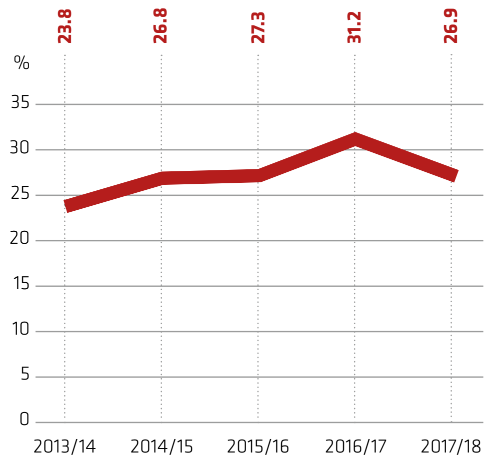
Financial gearing

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



Solvency ratio

The ratio of equity to total assets.



Group financial key figures

DKKm	2013/14	2014/15	2015/16	2016/17	2017/18
Income statement					
Revenue	58,029	59,556	60,038	62,024	60,892
Operating profit before special items (EBIT)	2,178	2,471	2,167	1,923	1,742
Operating profit after special items	2,162	2,403	2,068	2,449	1,758
Net financials	-304	-269	-234	-225	-220
Net profit for the year	1,656	1,821	1,639	2,022	1,361
EBIT %	3.8	4.1	3.6	3.1	2.9
Balance sheet					
Total assets	27,015	26,779	25,257	24,433	27,980
Investments in intangible assets	68	46	47	74	46
Investments in property, plant and equipment	1,282	1,448	1,038	928	1,281
Equity	6,423	7,172	6,897	7,611	7,540
Solvency ratio	23.8%	26.8%	27.3%	31.2%	26.9%
Net interest-bearing debt	13,138	12,039	10,562	9,229	12,643
Finansiel gearing	3.7	3.0	2.9	2.8	4.1
Interest cover	9.8	11.6	12.4	11.3	11.3
Cash flows from operating and investing activities					
Cash flows from operating and investing activities	329	2,908	2,750	1,937	-1,420
No. of employees					
Average no. of full-time employees	23,764	25,873	26,276	25,956	27,921

DKKm	2013/14	2014/15	2015/16	2016/17	2017/18
Supplementary payments, DKK per kg					
Supplementary payments, pigs	0.90	1.05	1.00	0.95	0.80
Supplementary payments, sows	0.80	0.90	0.80	0.80	0.70
Supplementary payments, cattle	1.40	1.55	1.30	1.30	0.95
Total disbursement, DKKm					
Supplementary payments, pigs	1,067	1,261	1,155	1,050	922
Supplementary payments, sows	44	50	41	37	31
Supplementary payments, cattle	107	114	99	100	75
Disbursement according to article 22.2 d and article 22.3.2 in the articles of association	0	0	0	250	42
Total disbursement	**1,218**	**1,425**	**1,295**	**1,437**	**1,070**
Supplies from members weighed in (million kg)					
Pigs	1,185.7	1,200.7	1,155.4	1,104.9	1,152.0
Sows	54.7	55.9	50.9	46.6	44.7
Cattle	76.8	73.6	76.2	77.3	79.2
No. of cooperative members					
No. of cooperative members	8,278	8,020	7,605	7,166	6,830

Achieving our goals through effective risk management

As a global food company with production and sales on several continents, Danish Crown is exposed to various industry-related risks, which may have a significant impact on the earnings, development and future of the company. Therefore, we are working proactively to identify, analyse and continuously monitor the various risks that may cause serious damage to our business and/or have a negative impact on our results.

By controlling a large part of the value chain from farm to fork, Danish Crown is, however, well-protected against individual risks relating to market access, consumer demand and food safety, among other things. The company hedges risks centrally at group level as well as locally in Danish Crown's business units, and risk management is coordinated across the group's companies through the general management structure.

→

Many burger restaurants have introduced veggie burgers on the menu.

Risk management

African swine fever and escalating protectionism when it comes to world trade are some of the risks which Danish Crown tries to mitigate and minimise on a daily basis to ensure the continued positive development of the company and to protect our employees and owners.

Strategic risks

Customers and consumers are at the heart of everything we do. We monitor market and consumer developments closely to be able to respond quickly to changes in both consumer behaviour and market trends.

Consumer demand

Consumers are stepping up their demands and are more concerned about what they eat, and some are even starting to move away from meat.

Consumer interest in the environmental impact from the proteins we consume also means that as a food company, we must work determinedly to make our meat production more sustainable.

Danish Crown's product portfolio covers both fresh and processed products sold to industrial customers, foodservice and retail chains.

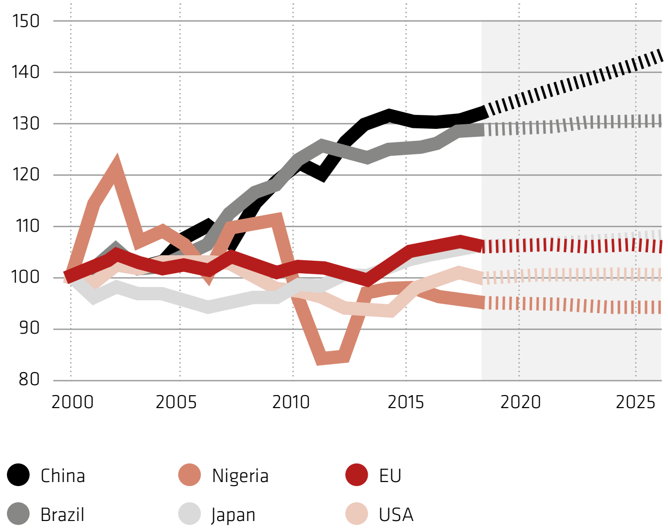
Given our broad product portfolio and especially our presence in many different markets, we are well geared to respond to changes in consumer habits, preferences and demands.

Competitor activity

We operate in a highly competitive market where the competition can quickly change, and consumer preferences for the company's products can be affected by global trends. We mitigate these risks by working closely with a number of customers globally, while at the same time focusing on developing and tailoring our products to regional markets and the individual customer.

The diversification of the company's customer portfolio, geographically and in terms of the segments served, means that Danish Crown as a whole is less exposed to fluctuations in commercial potential.

Growth in consumption of meat per inhabitant for selected countries seen in relation to year 2000



The growth is estimated based on figures from the OECD, who has compiled and projected the consumption of beef, veal, pork and chicken meat per inhabitant on the background of the economic development. Figures after 2016 are projected by the OECD.

Commercial risks

As one of the world's largest exporters of pork, we are dependent on unrestricted market access as well as free and open world trade.

Market access

Danish Crown is exposed to primarily two types of risk: African swine fever as well as the tendency towards protectionism in the form of the escalating trade war between the US and China and the uncertainty surrounding Brexit.

African swine fever, which is a contagious viral disease spread by pigs (including wild boars), has never been detected in Denmark. But if the disease, which has been found in the Baltic States, Poland, the Czech Republic, Hungary and Belgium, among other countries, spreads to Germany, it will have serious consequences for Danish exports of pigs and thus Danish Crown. At the moment, the risk in Poland is high, posing challenges for Danish Crown's company Sokołów. Most recently, cases of African swine fever have been detected in China, which may threaten Chinese pig production.

Danish Crown generates considerable sales and earnings in countries such as China, Japan and the US, which, in the event of an outbreak of African swine fever in Germany, would probably impose a general ban on imports of European pork. Consequently, the European abattoirs would have to sell their products in local markets or other export markets, which would have a serious negative impact on the price. Therefore, the industry has joined forces with the authorities and launched a number of initiatives, including a wild boar fence along the Danish-German border, requirements for the washing of vehicles transporting pigs and information campaigns at lay-bys, as the virus can survive in meat that has not been heat- treated. Furthermore, our Polish company Sokołów is faced with restrictions as a result of African swine fever.

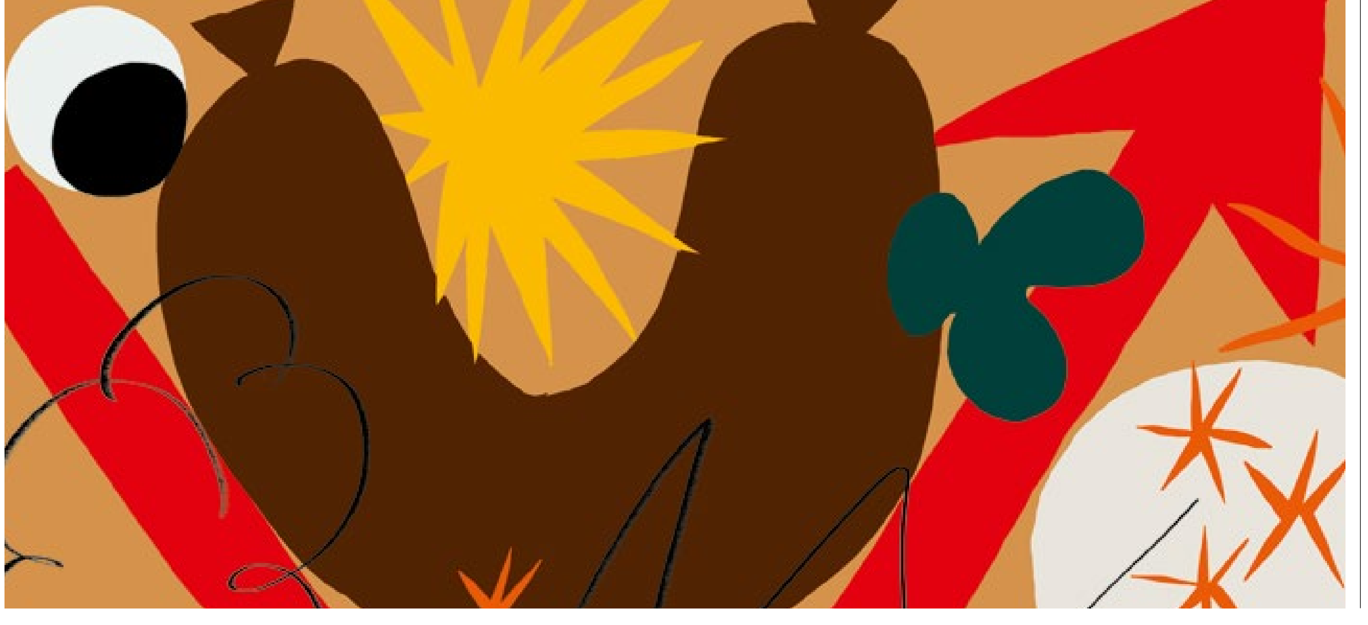
In addition to African swine fever, the escalating trade war between the US and China and the uncertainty surrounding Brexit pose a risk that we monitor closely. Naturally, a hard Brexit will only affect Danish Crown's production in the UK to a minor degree, but there is a risk of extra costs in the form of customs duties and customs clearance being imposed on Danish exports. The escalating trade war between the US and China has affected the international pork market, as increased Chinese customs duties on US pork have led to decreasing international market prices.

During the year, the EU entered into a trade agreement with Mexico and not least with Japan – an agreement which the Danish Agriculture & Food Council and the Danish food authorities have been working for. Furthermore, sales of canned products to China finally started up after ten years of negotiations.

"In addition to African swine fever, the escalating trade war between the US and China and the uncertainty surrounding Brexit pose a risk that we monitor closely."

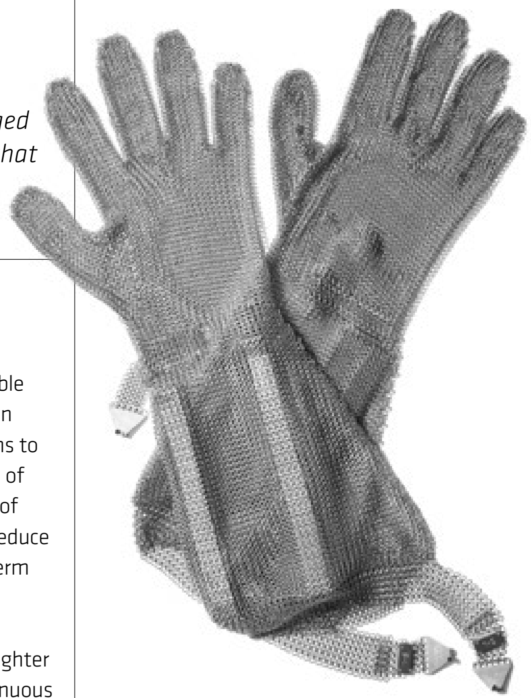
Reputation

We work actively with our reputation to ensure room for manoeuvre and society's support for our company. We want to spread more knowledge about our company and activities and contribute actively to the food debate and matters affecting our owners. A reputation crisis can have serious consequences in the form of loss of sales, loss of talent or closer monitoring by the authorities. We have chosen to take an active stand in the discussion about cutting meat consumption in several of our markets, and we have addressed consumer concern about the climate impact of meat by setting the target of supplying the most sustainable meat by 2030. We are constantly monitoring our surroundings through the media, social media, the agendas of stakeholder organisations etc. to be able to respond quickly and proactively to relevant issues. External benchmarks and reputation measurements are used to identify potential risks and continuously strengthen the robustness of the company's reputation.



Operational risks

Danish Crown's production is managed by skilled operators, who make sure that food safety is given top priority.



Stoppages

The company's production facilities are vulnerable to unforeseen events that may cause production stoppages, such as fires, long-term interruptions to water or energy supplies as well as breakdowns of the integrated IT systems or strikes. A number of measures and plans have been put in place to reduce the consequences of possible major and long-term unforeseen events.

The production and subsequent delivery of slaughter pigs and cattle by farmers take place on a continuous basis. Concurrent and long-term production stoppages at national abattoirs can lead to space problems on the farms. Also, the company's trade with customers is based on contracts for the delivery of certain quantities on certain dates. Consequently, it is crucial that we are able to ensure the continuous slaughtering and processing of raw materials without long-term stoppages. In 2017/18, none of the group's facilities were affected by long-term production stoppages due to IT breakdowns or the interruption of electricity, gas or water supplies. In November 2017, the employees at more of our Danish abattoirs went on strike, which resulted in delays in the collection of pigs from Danish farmers.

The company's production structure with many abattoirs and processing facilities makes it possible to adjust capacity both upwards and downwards. Furthermore, the vast majority of our products can be produced at more than one facility.

Capacity utilisation and inventory levels

Danish Crown maintains its competitiveness through high capacity utilisation at production facilities characterised by a high degree of automation, among other things. We continuously adjust production capacity via investments, structural adjustments and acquisitions with a view to maintaining and improving our overall competitiveness. The desire to maintain a high level of capacity utilisation combined with timing differences between the supply of raw materials and the optimum selling time leads to varying inventory levels. By freezing finished products, it is possible both to uphold high quality standards and sell the products at the desired market price.

Food safety

Danish Crown's food safety standards are high because of the commitment of our farmers and employees to carefully complying with the requirements for production. Our farmers contribute to ensuring a high level of animal welfare, while our employees contribute to guaranteeing high food safety standards, among other things by adhering to all procedures at our abattoirs and meat-processing plants.

Our products are handled countless times from farm to fork, which means that our high food safety standards are based on individual responsibility. We may have a big production apparatus, but the end-product is always food on the consumer's table. This means that we depend on our employees and farmers to know the rules and meet our food safety requirements every single day in order for us to achieve our common goals together.

Risk management in our pig production generally covers three areas of food safety: chemical risks such as antibiotics residues in the pigs, biological risks such as salmonella bacteria in the meat and physical risks covering foreign objects such as plastic which risk ending up in the final product. In addition to African swine fever (see the Market access section), the biggest food safety challenge is the risk that antibiotics residues are found in our production.

Antibiotics must not be present in our products. We are maintaining a constant focus on having proper antibiotics control procedures in place.

In order to ensure due diligence if something goes wrong, Danish Crown maintains emergency and crisis communication plans – not just in relation to antibiotics residues, but in all areas of our production. These plans can be implemented immediately to avoid jeopardising food safety. Food safety is regulated by law, supplemented with a number of international food safety standards, and as a food company we are subject to and comply with all applicable hygiene and food safety requirements. This applies both in the countries where we have production activities and in the countries to which we sell our products.

Food safety and hygiene are checked daily and continuously being optimised. Checks are based on our own internal control procedures, daily inspections by the authorities and external audits. Food safety is thus integrated into our processes and documentation and into our entire supply chain, where we apply the highest denominator in terms of food safety, hygiene and health requirements to ensure that customers and consumers can continue to have confidence in our products. During the year, we have had one product recall in Denmark and two in Poland. In neither case was food safety jeopardised.

Financial risks

The company is exposed to market risks in the form of changes in foreign exchange rates and interest rate levels as well as credit and liquidity risks. Group Treasury manages the company's financial risks centrally and coordinates liquidity management and funding. The company adheres to a financial policy approved by the Board of Directors, according to which the company pursues a low-risk profile, which means that currency, interest rate and credit risks arise only as a result of commercial activities. Our financial policy also stipulates that no active speculation in financial instruments or assets may take place.

The company's use of derivative financial instruments is regulated through a set of rules approved by the Board of Directors and associated internal business procedures, among other things stipulating thresholds and the types of derivative financial instruments that may be used.

Insurable risks

Danish Crown has taken out insurance against all significant insurable risks to the extent that this is deemed to be financially expedient. Confidence in our own risk management means that only large claims are insured, while minor claims such as small fires, which are known to occur during the year, are financed by the company.

In addition to saving money on insurance premiums, which would be higher if the insurance companies were to cover all our claims, this also creates a significant level of risk awareness.

The money saved through the high degree of self-financing is spent on higher insurance sums in the event of serious incidents, for instance a large fire which would mean that we would be unable to slaughter pigs or produce cold cuts for months, or a situation where a large number of people fell ill from eating our products.

Interest rate risks

We aim to ensure a reasonable balance between the company's exposure to variable and fixed interest rates. The interest rate risk is constituted by the annual change in the financial cash flow entailed by a 1 percentage point change in interest rate levels.

Significant changes to the mix of variable and fixed interest rates are approved by the Executive Board.

Currency risks

The company's currency risks are primarily hedged by matching incoming and outgoing payments in the same currency. The difference between incoming and outgoing payments in the same currency constitutes a currency risk, which is normally hedged by drawing on currency overdraft facilities or by means of forward exchange transactions. It is company policy to hedge the company's net currency exposure on an ongoing basis.

Liquidity risks

In connection with the raising of loans, it is company policy to ensure the highest possible flexibility through a spreading of the loans in terms of maturity, renegotiation dates and contracting parties, taking into account pricing etc.

The company's strategy is to have a predominance of long-term commitments to ensure financial stability. The company's strategy is also to have enough cash resources to be able to make the necessary arrangements in the event of unforeseen fluctuations in the outflow of cash.

Credit risks

The company's primary credit risk concerns trade receivables. A credit check is carried out for each individual customer, and based on an overall assessment of the customer's credit rating and geographical location, a decision is made concerning the use of credit insurance, letters of credit, prepayments or open-credit terms.

Agreements on derivative financial instruments with a nominal value exceeding 100 million DKK are generally only concluded with recognised insurance or credit institutions with an A-level Standard & Poor's credit rating as a minimum.

Corporate governance

As a cooperative, Danish Crown is based on financial cooperation between farmers and the company management.

The cooperative members are committed owners who participate actively in the development of their jointly owned company. The company is based on the fundamental principle that the farmers supply their pigs and cattle to Danish Crown, while Danish Crown undertakes to pay the highest possible price to the owners. The principles of corporate governance thus also include creating value for our owners and employees.

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

Corporate governance

Being a cooperative, Danish Crown is not formally obliged to comply with the recommendations on corporate governance which apply to companies whose shares are admitted to trading on a regulated market in Denmark.

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

- The company is not listed on the stock exchange, and therefore the publication of quarterly reports is not deemed to be necessary. The company publishes half-year reports.
- For historical reasons and according to Leverandørselskabet Danish Crown AmbA's articles of association, cooperative members wishing to exercise their influence at the meetings of the Board of Representatives must attend such meetings in person or by written proxy.
- The company's Board of Directors does not meet the recommendations with regard to composition, independence, age, election period and the disclosure of owner's shares, remuneration and remuneration policy. This is due to our close relationship with our owners who are also suppliers to the company, and to Leverandørselskabet Danish Crown AmbA's special status as a cooperative with the resulting election procedures.
- The company does not publish terms of reference for its management committees as these are deemed to be of an internal nature.
- The Board of Directors has not yet decided to establish a whistleblower scheme at group level, but continuously assesses the need for such a scheme.

Cooperative management

Board of Representatives

Leverandørselskabet Danish Crown AmbA is owned by 6,830 Danish farmers. The cooperative's supreme governing body is the Board of Representatives, which consists of up to 90 members elected by and among the company's cooperative members at district elections held every other year as well as 15 observers elected by and among the employees. The election rules are defined in such a way as to ensure representation of both pig and sow suppliers, cattle suppliers and minority groups among the company's cooperative members to create a broad and democratic decision-making basis.

Leverandørselskabet Danish Crown AmbA focuses primarily on the interaction with the company's owners and suppliers (cooperative members) and on the cooperative's overall objective of selling member deliveries in the best possible way and creating value for the cooperative members in the short and long term. The company is managed with reference to its articles of association and accepted Danish cooperative principles:

- During the financial year, district meetings and meetings of the Board of Representatives are held, at which the cooperative members are informed about important matters regarding the operation and current status of the company, including information about quarterly and annual reporting.
- The Board of Representatives also receives information about or adopts, based on a recommendation from the Board of Directors, matters of significance to the company, including its strategy plan, capital structure, annual report, distribution of profit and amendments to the articles of association.

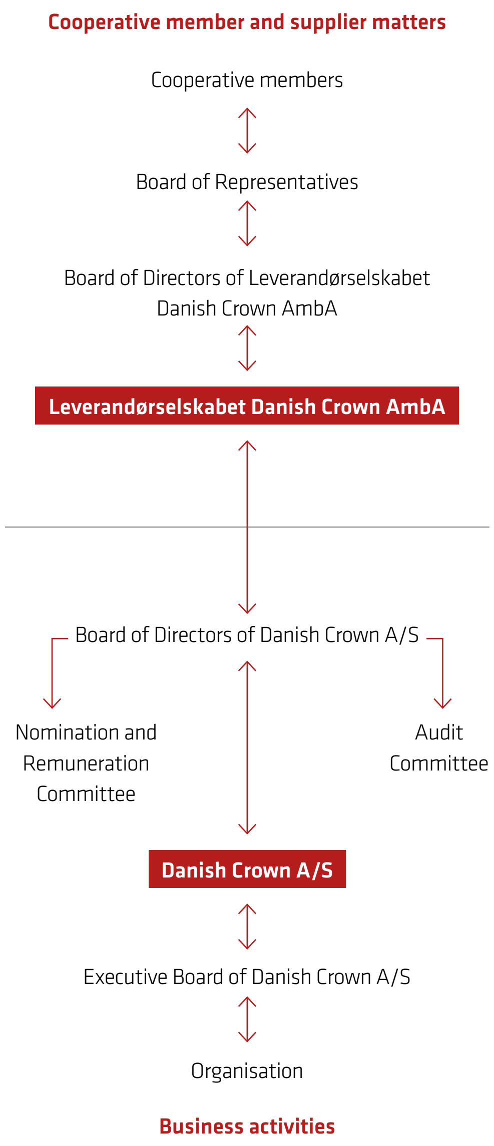
Board of Directors of Leverandørselskabet Danish Crown AmbA

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

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

During the 2017/18 financial year, the Board of Directors held seven ordinary and three extraordinary meetings to address issues relating to the cooperative members and decide on matters of strategic importance to the group, including recommending candidates for the Board of Directors in Danish Crown A/S to the general meeting of this company.

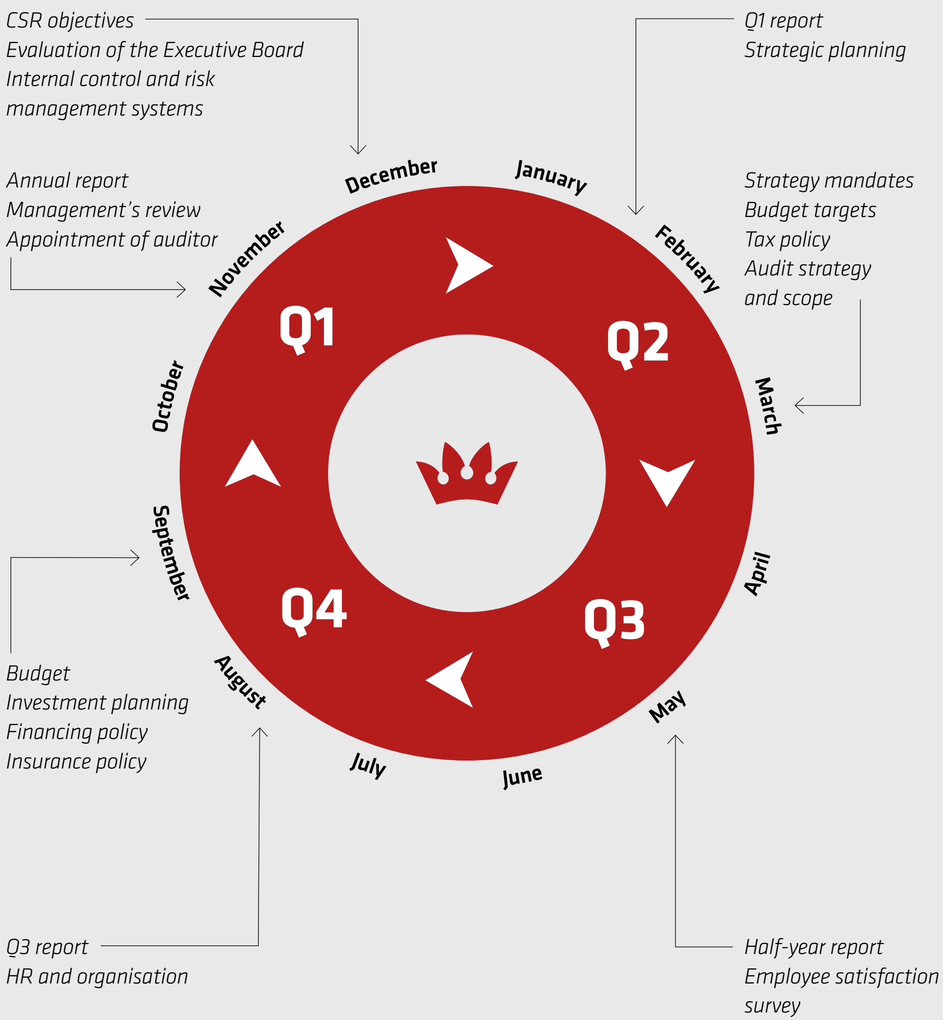
Our management structure



* *Recommendations on Corporate Governance, May 2013, updated May 2014*

Annual plan for the Board of Directors

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



Board of Directors of Danish Crown A/S

The Board of Directors of Danish Crown A/S currently consists of ten members elected by the general shareholders' meeting (elected for one year at a time) and three employee representatives (elected for four years at a time). The Board of Directors elects a chairman and a vice-chairman who, in accordance with recognised principles, do not participate in the day-to-day management unless a specific agreement to this effect and approved by the Board of Directors exists.

In order to maintain value creation and ensure renewal, an annual evaluation of the Board of Directors' composition, contribution and cooperation with the Executive Board is carried out. The Board of Directors currently has four independent members, who contribute to a broadly based decision-making process through their expertise and experience.

Management committees

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

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

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

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

Executive Board of Danish Crown A/S

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

Business management

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

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

Financial reporting and internal control

The company's financial reporting processes are designed to ensure fair and reliable financial reporting. A number of policies, standards and procedures have been defined at group level in fundamental areas such as accounting, IT security, tax and treasury, which combined with a formal division of responsibilities and clear reporting lines are to ensure that the annual report gives a true and fair view. The Board of Directors and the Audit Committee monitor the internal control processes related to financial reporting, and continuously consider specific events or risks that may potentially affect the company's financial affairs.

Executive Board and Board of Directors

Executive Board

Jais Valeur
Group CEO

Appointed: 2015

Member of the boards of:
- Royal Unibrew A/S (Vice-chairman)
- Foss A/S

Member of the following professional bodies:
- Permanent Committee on Business Policies of Confederation of Danish Industry
- Disruption Council – Partnership for Denmark's Future

Preben Sunke
Group CFO

Appointed: 2002

Member of the boards of:
- Santa Fe Group A/S (Vice-chairman)
- Skandia Kalk Holding ApS
- Forenet Kredit

Member of the following professional bodies:
- Energy and Climate Policy Committee of Confederation of Danish Industry (Chairman)
- Employers' Association of Danish Abattoirs (Chairman)
- Board of Representatives of Forenet Kredit

Board of Directors

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

Appointed: 2001

Member of the boards of:
- Industriens Pensionsforsikring A/S
- Livlande Holding A/S

Member of the following professional bodies:
- Danish Bacon and Meat Council
- Company Board, Danish Agriculture & Food Council
- Danish Pig Meat Industry, Danish Agriculture & Food Council
- Employers' Association of Danish Abattoirs (Vice-chairman)
- Danish Pig Levy Fund
- Central Board of Confederation of Danish Industry

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

Appointed: 2003

Member of the board of:
- Norma og Frode Jacobsens Fond

Member of the following professional bodies:
- Danish Bacon and Meat Council (Chairman)
- Chairmanship, Danish Agriculture & Food Council (Vice-chairman)
- Company Board, Danish Agriculture & Food Council (Chairman)
- Primary Sector Board, Danish Agriculture & Food Council
- Danish Pig Meat Industry, Danish Agriculture & Food Council (Chairman)
- Danish Pig Levy Fund (Chairman)
- ICC Danmark (Chairman)
- Industry Committee, Danish Technological Institute

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

Appointed: 2016

Member of the boards of:
- Bang & Olufsen A/S
- Advisory Board of AXCEL

Member of the following professional bodies:
- Central Board of Confederation of Danish Industry (Vice-chairman)
- Executive Committee of Confederation of Danish Industry (Vice-chairman)
- Permanent Committee on Business Policies of Confederation of Danish Industry (Chairman)

Members of the Board of Directors

Peder Philipp *1) 2) 3) 4)

Appointed: 1996

Member of the boards of:
- Fonden Ribe Vikingecenter
- Danish Livestock and Meat Board (Chairman)

Member of the following professional bodies:
- Company Board, Danish Agriculture & Food Council
- Danish Cattle Levy Fund (Chairman)

Peter Fallesen Ravn * 1) 2)

Appointed: 2008

Member of the following professional body:
- Coordination Group for Organic Pork

Palle Joest Andersen *1) 2)

Appointed: 2009

Member of the board of:
- AKV Langholt AmbA

Member of the following professional bodies:
- Company Board, Danish Agriculture & Food Council
- Pig Production, Danish Agriculture & Food Council
- Danish Pig Meat Industry, Danish Agriculture & Food Council

Cay Wulff Sørensen *1)

Appointed: 2009

Member of the following professional body:
- Danish Pig Meat Industry, Danish Agriculture & Food Council

Søren Bonde *1) 2)

Appointed: 2013

Member of the board of:
- NGF Nature Energy Trekanten A/S

Member of the following professional body:
- Trekantsområdets Forening for Biomasseejere

Knud Jørgen Lei *1)

Appointed: 2013

Member of the board of:
- Timis Agro ApS

Member of the following professional body:
- Danish Pig Levy Fund

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

Appointed: 2013

Member of the boards of:
- Realdania
- Danske Spil A/S
- Bang & Olufsen A/S

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

Appointed: 2016

Member of the boards of:
- Danfoss International A/S
- Danfoss Power Electronics A/S

Member of the following professional bodies:
- Central Board of Confederation of Danish Industry
- Manufacturing industry, Confederation of Danish Industry

Members of the Board of Directors

Ulrik Bremholm [*1)]

Appointed: 2017

Member of the following professional bodies:
- Pig Production, Danish Agriculture & Food Council
- Leverandørforeningen Langeland Biogas
- Trade Council of Langeland
- Th. R. Knudsens Mindefond
- Fonden Langelands Elforsynings repræsentantskab

Michael Nielsen [*1)]

Appointed: 2017

Member of the boards of:
- Agropro af 2004 ApS
- Agro Support A/S

Member of the following professional bodies:
- Danish Pig Meat Industry, Danish Agriculture & Food Council (observer)
- Veterinary Committee, Danish Agriculture & Food Council
- The Danish Animal Ethics Council

Camilla Sylvest [2)]
Executive Vice President (EVP), Novo Nordisk A/S

Appointed: 2017

Member of the board of:
- Novo Nordisk A/S

Kurt Høj [2)]

Appointed: 2017
(elected by the employees)

Member of the following professional body:
- The Trade Union NNF, Central and Western Jutland

Kim Tovgaard [2)]

Appointed: 2017
(elected by the employees)

Brian Vestergaard [2)]

Appointed: 2017
(elected by the employees)

Member of the following professional body:
- The Trade Union NNF, Southern Jutland

Karsten Willumsen [*1)]
Observer

Appointed: 2013

Member of the boards of:
- RYK-Fund for Handling of Registration and Milk Yield Recording (Vice-chairman)
- Danish Livestock and Meat Board

Member of the following professional bodies:
- Danish Cattle Levy Fund
- Danish Agriculture & Food Council, Dairy & Cattle Farming (Vice-chairman)

** Independent farmer in privately owned company or corporate form and also a cooperative member*

1) Member of the Board of Directors of Leverandørselskabet Danish Crown AmbA

2) Member of the Board of Directors of Danish Crown A/S

3) Member of the Audit Committee

4) Member of the Nomination and Remuneration Committee

5) Chairman of the Audit Committee

6) Chairman of the Nomination and Remuneration Committee

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Income statement
1 October 2017 - 30 September 2018

DKKm	Note	Group 2017/18	Group 2016/17
Revenue	2	60,892	62,024
Production costs	3,4	-52,924	-54,202
Gross profit		**7,968**	**7,822**
Distribution costs	3,4	-4,281	-4,189
Administrative expenses	3,4,5	-1,918	-1,774
Other operating income		21	18
Other operating expenses	6	-105	-14
Income from equity investments in associates and joint ventures	12	57	60
Operating profit before special items (EBIT)		**1,742**	**1,923**
Special items	7	16	526
Operating profit after special items		**1,758**	**2,449**
Financial income	8	60	74
Financial expenses	8	-280	-299
Profit before tax		**1,538**	**2,224**
Tax on profit for the year	9	-177	-202
Net profit for the year		**1,361**	**2,022**
Distribution of net profit for the year			
Cooperative members of the parent		1,272	1,950
Minority interests		89	72
		1,361	**2,022**

Statement of comprehensive income
1 October 2017 - 30 September 2018

DKKm	Note	Group 2017/18	Group 2016/17
Net profit for the year		**1,361**	**2,022**
Items which are subsequently transferred to the income statement:			
Foreign currency translation adjustment of foreign enterprises		-30	-59
Share of other comprehensive income in associates and joint ventures	12	0	1
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	8	11	18
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	8	-12	-11
Hedging of net investments in foreign enterprises		23	3
Tax on other comprehensive income		-1	1
Transferred to the income statement, special items (foreign currency translation adjustment)	7	0	-53
Items which cannot be transferred to the income statement:			
Actuarial gains/losses on defined-benefit plans etc.	17	145	149
Tax on other comprehensive income	9	-24	-25
Other comprehensive income		**112**	**24**
Comprehensive income		**1,473**	**2,046**
Distribution of comprehensive income			
Cooperative members of the parent		1,379	1,985
Minority interests		94	61
		1,473	**2,046**

Balance sheet – assets
30 September 2018

DKKm	Note	Group 30.09.2018	Group 30.09.2017
Intangible assets	10	4,694	2,728
Property, plant and equipment	11	9,111	8,757
Equity investments in associates and joint ventures	12	275	266
Other securities and equity investments	13	67	347
Biological assets	14	95	68
Deferred tax assets	18	307	378
Non-current assets		**14,549**	**12,544**
Inventories	16	4,922	4,027
Biological assets	14	315	219
Trade receivables	15	6,641	6,282
Receivables from and prepayments to cooperative members	27	391	434
Receivables from associates		40	42
Other receivables		716	617
Prepayments		170	128
Other securities and equity investments	13	57	41
Cash		179	99
Current assets		**13,431**	**11,889**
Total assets		**27,980**	**24,433**

Balance sheet – equity and liabilities
30 September 2018

DKKm	Note	Group 30.09.2018	Group 30.09.2017
Member's accounts	26	1,548	1,560
Personal subordinated accounts	26	282	270
Other reserves		-168	-155
Retained earnings		5,595	5,679
Equity owned by cooperative members of the parent		**7,257**	**7,354**
Equity owned by minority interests		283	257
Equity		**7,540**	**7,611**
Pension obligations	17	42	190
Deferred tax liabilities	18	318	262
Other provisions	19	144	116
Loans and borrowings	20,27	12,459	7,850
Other payables		6	5
Non-current liabilities		**12,969**	**8,423**
Other provisions	19	192	226
Loans and borrowings	20,27	811	1,953
Trade payables		4,066	3,742
Payables to associates		47	42
Income tax payable		90	87
Other payables		2,223	2,306
Deferred income		42	43
Current liabilities		**7,471**	**8,399**
Liabilities		**20,440**	**16,822**
Total equity and liabilities		**27,980**	**24,433**

Statement of changes in equity
30 September 2018

DKKm	Member's accounts	Personal subordinated accounts	Reserve for foreign currency translation adjustments	Reserve for value adjustment of hedging instruments	Retained earnings	Total	Equity owned by minority interests	Total equity
Equity as at 30.09.2016	**1,568**	**215**	**-40**	**-25**	**4,950**	**6,668**	**229**	**6,897**
Net profit for the year	**0**	**55**	**0**	**0**	**1,895**	**1,950**	**72**	**2,022**
Foreign currency translation adjustment of foreign enterprises	0	0	-47	0	0	-47	-12	-59
Share of other comprehensive income in associates and joint ventures	0	0	0	0	1	1	0	1
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	0	0	0	18	0	18	0	18
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	0	0	0	-12	0	-12	1	-11
Hedging of net investments in foreign enterprises	0	0	0	3	0	3	0	3
Actuarial gains/losses on defined-benefit plans etc.	0	0	0	0	149	149	0	149
Tax on other comprehensive income	0	0	3	-2	-25	-24	0	-24
Transferred to the income statement	0	0	-139	86	0	-53	0	-53
Total other comprehensive income	**0**	**0**	**-183**	**93**	**125**	**35**	**-11**	**24**
Comprehensive income for the year	**0**	**55**	**-183**	**93**	**2,020**	**1,985**	**61**	**2,046**
Payment of contributed capital, net	-8	0	0	0	0	-8	0	-8
Supplementary payments disbursed	0	0	0	0	-1,295	-1,295	-28	-1,323
Dilution of minority interests	0	0	0	0	4	4	-5	-1
Equity as at 30.09.2017	**1,560**	**270**	**-223**	**68**	**5,679**	**7,354**	**257**	**7,611**
Net profit for the year	**0**	**12**	**0**	**0**	**1,260**	**1,272**	**89**	**1,361**
Foreign currency translation adjustment of foreign enterprises	0	0	-34	0	0	-34	4	-30
Share of other comprehensive income in associates and joint ventures	0	0	0	0	0	0	0	0
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	0	0	0	11	0	11	0	11
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	0	0	0	-13	0	-13	1	-12
Hedging of net investments in foreign enterprises	0	0	0	23	0	23	0	23
Actuarial gains/losses on defined-benefit plans etc.	0	0	0	0	145	145	0	145
Tax on other comprehensive income	0	0	5	-5	-25	-25	0	-25
Transferred to the income statement	0	0	0	0	0	0	0	0
Total other comprehensive income	**0**	**0**	**-29**	**16**	**120**	**107**	**5**	**112**
Comprehensive income for the year	**0**	**12**	**-29**	**16**	**1,380**	**1,379**	**94**	**1,473**
Payment of contributed capital, net	-12	0	0	0	0	-12	0	-12
Supplementary payments disbursed	0	0	0	0	-1,438	-1.438	-90	-1,528
Acquisitions of minority interests	0	0	0	0	-26	-26	22	-4
Equity as at 30.09.2018	**1,548**	**282**	**-252**	**84**	**5,595**	**7,257**	**283**	**7,540**

Cash flow statement
1 October 2017 - 30 September 2018

DKKm	Note	Group 2017/18	Group 2016/17
Operating profit before special items (EBIT)		**1,742**	**1,923**
Depreciation, amortisation, impairment losses and write-downs	4	1,367	1,387
Income from associates	12	-57	-60
Change in provisions		-3	-167
Change in net working capital	27	-944	-94
Operating cash flows		**2,105**	**2,989**
Financial income received	8	33	33
Financial expenses paid	8	-267	-284
Income tax paid		-205	-208
Cash flows from operating activities		**1,666**	**2,530**
Purchase of intangible assets	10	-46	-74
Sale of intangible assets	10	0	1
Purchase of property, plant and equipment and biological assets	11,14	-1,314	-986
Sale of property, plant and equipment	11	72	124
Purchase of other securities and equity investments	12,13	-86	-339
Sale of other securities and equity investments	12,13	338	56
Acquisition of businesses	21	-2,427	-246
Divestment of businesses	22	328	840
Dividend received	12	49	31
Cash flows from investing activities		**-3,086**	**-593**
Disbursement of supplementary payments		-1,438	-1,295
Disbursement to minority shareholders		-147	-28
Payment from minority shareholders		37	0
Proceeds from borrowings		5,385	399
Repayment of borrowings		-2,325	-1,037
Payment of contributed capital		196	203
Disbursement of contributed capital		-208	-211
Cash flows from financing activities	27	**1,500**	**-1,969**
Change in cash and cash equivalents		**80**	**-32**
Cash and cash equivalents as at 30.09.2017		99	131
Cash and cash equivalents as at 30.09.2018	27	**179**	**99**

Group notes

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1 Significant accounting estimates and assessments

When preparing the annual report in accordance with the group's accounting policies, the management is required to make estimates and assumptions that affect the assets and liabilities recognised, including information on any contingent assets and liabilities included.

The management's estimates are based on historical experience and other assumptions which are deemed relevant at the time. These estimates and assumptions form the basis for the recognised carrying amounts of assets and liabilities and the related effects recognised in the income statement. The actual results may deviate from such estimates and assumptions.

The management considers the following estimates and assessments significant to the preparation of the consolidated financial statements.

Production costs
The purchase of slaughter animals from cooperative members is recognised at the current pig and cattle prices for the year and, consequently, does not include any share of supplementary payments, which is treated as dividend.

Property, plant and equipment
The management makes accounting estimates concerning residual values, and these are reassessed on an annual basis.

In addition, separate assessments are made of the need for impairment in connection with capacity adjustments, closure of facilities or any other situations where there is an indication of a need for impairment as a result of changed production or market conditions.

In connection with the earnings-related challenges in Tulip Ltd in recent years, the UK production assets have been reviewed and assessed, just as investment plans for new production lines have been drawn up. The review identified a need for impairment totalling 288 million DKK (34 million GBP) of existing assets which will be taken out of operation following the restructuring of production processes. In 2016/17, no need for impairment of the group's property, plant and equipment was identified.

Impairment test
At least once a year, the group tests goodwill and intangible assets with indeterminable useful lives for impairment. A further description of the basis of accounting estimates can be found in note 10.

Inventories
When assessing the net realisable value of inventories of fresh/frozen meat and casings, the management makes an estimate of the expected development in market prices. Price developments in the world market may be affected by the group's access to major markets.

No significant write-down of inventories was made in 2017/18.

Reference is made to note 16 for a specification of inventories.

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

In this connection, the management makes an estimate of the coming years' earnings based on budgets and strategy forecasts in the legal entities to which the tax assets relate.

As a result of higher uncertainty as to the future earnings of loss-making units, write-downs have been made of the majority of the tax assets related to tax losses to be carried forward.

Reference is made to note 18 for a specification of deferred tax liabilities and tax assets.

2 Revenue

DKKm	2017/18	2016/17
Distribution by market:		
Denmark	5,813	5,681
International	55,079	56,343
	60,892	**62,024**
Distribution by sector:		
Fresh Meat Pork	23,739	23,913
Fresh Meat Beef	4,954	4,461
Casings	3,859	3,588
Foods	22,967	23,706
Other companies	5,373	6,356
	60,892	**62,024**

3 Staff costs

DKKm	2017/18	2016/17
Salaries and wages	6,891	6,391
Defined-contribution plans	417	383
Defined-benefit plans	5	10
Other social security costs	652	671
	7,965	**7,455**
Staff costs are distributed as follows:		
Production costs	6,110	5,737
Distribution costs	774	750
Administrative expenses	1,081	968
	7,965	**7,455**
Of which:		
Remuneration for the parent's Board of Directors	8	8
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	21	19
	30	**28**
Average no. of employees	27,921	25,956

Remuneration for the Executive Board includes pensions of 1 million DKK (2016/17: 1 million DKK) and provisions for long-term bonus of 1 million DKK (2016/17: 1 million DKK).

The group management consists of the Executive Board. There are no other key persons in the management.

4 Depreciation, amortisation, impairment losses and write-downs

DKKm	2017/18	2016/17
Amortisation of intangible assets:		
Production costs	22	6
Distribution costs	41	26
Administrative expenses	35	35
	98	**67**
Depreciation of property, plant and equipment:		
Production costs	1,179	1,229
Distribution costs	24	27
Administrative expenses	50	48
	1,253	**1,304**
Value adjustment of biological assets:		
Production costs	16	16
	16	**16**
Impairment of property, plant and equipment:		
Special items	278	0
	278	**0**
Gain on disposal of non-current assets	11	11
Loss on disposal of non-current assets	11	13

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

DKKm	2017/18	2016/17
PwC:		
Statutory audit	6	6
Fee for other assurance engagements	0	0
Tax advice	1	1
Other services	2	22
	9	**29**

6 Other operating expenses

Other operating expenses include a provision of 91 million DKK for an expected claim made against one of the group's companies. No formal claim has yet been made and, consequently, the size of the claim is uncertain.

7 Special items

DKKm	2017/18	2016/17
Special items, income:		
Gain on divestment of activities	294	526
	294	**526**
Special items, expenses:		
Impairment of plant (relating to production costs)	278	0
	278	**0**
	16	**526**

8 Net financials

DKKm	2017/18	2016/17
Financial income		
Interest, cash etc.	33	33
Foreign currency exchange gains and losses, net	14	30
Fair value adjustment of derivative financial instruments concluded in order to hedge the fair value of financial instruments	29	-62
Fair value adjustment of hedged financial instruments	-29	62
Fair value adjustment transferred from equity concerning the hedging of future cash flows	13	11
	60	**74**
Financial expenses		
Interest expenses, credit institutions etc.	267	284
Foreign currency exchange gains and losses, net	13	15
	280	**299**

9 Tax on profit for the year

DKKm	2017/18	2016/17
Current tax	238	210
Change in deferred tax	-127	-46
Change in deferred tax resulting from a change in the tax rate	2	6
Adjustment concerning previous years, current tax	-70	-14
Adjustment concerning previous years, deferred tax	73	-5
Write-down of tax assets	46	38
Reversal of previous write-down of tax assets	-3	0
	159	**189**
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	18	13
Tax on profit for the year	**177**	**202**
Tax on profit for the year can be explained as follows:		
Calculated tax at a tax rate of 22%	326	477
Effect of differences in tax rates for foreign enterprises	43	52
Change in deferred tax resulting from a change in the tax rate	2	6
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	18	13
Tax base of profit in cooperatively taxed enterprises	-240	-237
Tax base of non-taxable income	-65	-145
Tax base of non-deductible costs	47	17
Adjustment concerning previous years, current tax	-70	-14
Adjustment concerning previous years, deferred tax	73	-5
Write-down of tax assets	46	38
Reversal of previous write-down of tax assets	-3	0
	177	**202**
Effective tax rate (%)	**11.5**	**9.1**
Foreign currency translation adjustment of foreign enterprises	-4	-3
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	2	4
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	-2	-2
Hedging of net investments in foreign enterprises	5	0
Actuarial gains/losses on defined-benefit plans etc.	24	25
Tax on other comprehensive income	**25**	**24**

10 Intangible assets

DKKm	Goodwill	Software	Acquired trademarks etc.	Total
Cost as at 01.10.2017	2,252	534	889	3,675
Foreign currency translation adjustments	-7	-1	3	-5
Addition in connection with acquisition	1,418	1	605	2,024
Addition	0	33	13	46
Disposal in connection with divestment	0	-1	0	-1
Disposal	0	-5	0	-5
Cost as at 30.09.2018	**3,663**	**561**	**1,510**	**5,734**
Amortisation and impairment losses as at 01.10.2017	0	414	533	947
Foreign currency translation adjustments	0	1	0	1
Amortisation for the year	0	45	53	98
Disposal in connection with divestment	0	-1	0	-1
Amortisation of disposal for the year	0	-5	0	-5
Amortisation and impairment losses as at 30.09.2018	**0**	**454**	**586**	**1,040**
Carrying amount as at 30.09.2018	**3,663**	**107**	**924**	**4,694**
Cost as at 01.10.2016	2,207	519	876	3,602
Foreign currency translation adjustments	-31	-2	-1	-34
Addition in connection with acquisition	76	1	8	85
Addition	0	68	6	74
Disposal in connection with divestment	0	-30	0	-30
Disposal	0	-22	0	-22
Cost as at 30.09.2017	**2,252**	**534**	**889**	**3,675**
Amortisation and impairment losses as at 01.10.2016	0	408	508	916
Foreign currency translation adjustments	0	-1	0	-1
Amortisation for the year	0	42	25	67
Disposal in connection with divestment	0	-14	0	-14
Amortisation of disposal for the year	0	-21	0	-21
Amortisation and impairment losses as at 30.09.2017	**0**	**414**	**533**	**947**
Carrying amount as at 30.09.2017	**2,252**	**120**	**356**	**2,728**

Except for goodwill with an indeterminable useful life, all other intangible assets are considered to have determinable useful lives over which the assets are amortised.

10 Intangible assets (continued)

Impairment test of goodwill
Goodwill resulting from company acquisitions etc. is distributed on the date of acquisition on the cash-generating units which are expected to obtain economic benefits from the business combination.

The carrying amount of goodwill is distributed on the cash-generating units as follows:

DKKm	30.09.2018	30.09.2017
Tulip Ltd	700	605
Sokołów	711	506
DAT-Schaub	486	366
KLS Ugglarps	99	95
Tulip Food Company	1,156	174
ESS-FOOD	7	0
Pork	48	48
Beef	26	26
Danish Crown	430	432
	3,663	**2,252**

Goodwill is tested for impairment at least once a year or more frequently if there are indications of impairment. The annual impairment test is made at the end of the financial year and has not resulted in any impairment of goodwill in the financial year. The recoverable amount for the individual cash-generating units to which the goodwill amounts have been allocated is calculated on the basis of calculations of the units' net present value.

The cash-generating units' net present value is calculated using the cash flows stated in the companies' budgets and strategy plans for the next five financial years. Account is taken of strategy plans that are shifted in time. For financial years following the budget and strategy periods (terminal period), cash flows in the most recent strategy period have been extrapolated, adjusted for expected growth rates for the specific markets. The most important uncertainties in this regard are related to the determination of discount rates and growth rates as well as the uncertainties and risks reflected in the budget and strategy figures.

The fixed discount rates reflect market assessments of the timing value of money, expressed as a risk-free interest rate and the specific risks which are associated with the individual cash-generating unit.

Discount rates are generally determined on an 'after tax' basis based on the estimated weighted average cost of capital (WACC).

The growth rates used are based on the forecasts and strategy plans of the individual companies as well as on expectations for discount rates, interest and inflation levels. The growth rates used do not exceed the expected average long-term growth rate for the markets in question.

The most important budget assumptions are based on expectations for the organic growth in tonnage in the markets in which the companies primarily operate, the possibility of moving up in the value chain (new and more processed products) and the development in raw material prices for the principal products (pork and beef as well as by-products). For Tulip Ltd, Sokołów and KLS Ugglarps, such expectations cover the UK, Polish and Swedish markets, while the assessment for DAT-Schaub and Tulip Food Company covers a number of global primary markets. The estimates of growth and the relationship between selling and raw material prices in the budget and strategy periods are based on historical experience and expectations for future growth and market conditions.

Tulip Ltd has recorded significant losses in recent years, and a turn-around plan has been prepared and implemented. The plan includes a number of initiatives both within sales and production as well as internal processes supporting the business. This also includes initiatives aimed at reducing the company's cost base. As described in note 1, a review and assessment of the UK production assets, including the drawing up of investment plans for new production lines, have resulted in a total impairment of existing production assets to be taken out of operation of 288 million DKK (34 million GBP). The impairment test for Tulip Ltd has been prepared after including the actual impairment of fixed assets and is based on the expected effects of the turn-around plan on results. It is an important prerequisite for the impairment test that the turn-around plan delivers in whole or in part. Sensitivity analyses of the impairment test show that an EBIT level of less than 60 per cent of the earnings level in the years preceding the loss-making years still ensures the value of goodwill.

The most significant parameters used to calculate the recoverable amounts are as follows:

	Growth factor in the terminal period (%)		Risk-free interest rate, 10-year swap interest rate (%)		WACC after tax (%)		WACC before tax (%)	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Tulip Ltd	1.0	1.0	1.4	1.0	5.4	5.4	6.5	6.5
Sokołów	1.0	1.0	3.3	3.2	7.1	7.8	8.7	9.6
DAT-Schaub	1.0	1.0	0.5	0.6	4.6	4.9	5.9	6.3
KLS Ugglarps	1.0	1.0	0.7	0.5	5.3	4.7	6.8	6.0
Tulip Food Company	1.0	1.0	0.5	0.6	4.6	4.9	5.9	6.3
ESS-FOOD	1.0		9.0		11.7		16.2	
Pork	1.0	1.0	0.5	0.6	4.6	4.9	5.9	6.3
Beef	1.0	1.0	0.5	0.6	4.6	4.9	5.9	6.3
Danish Crown	1.0	1.0	0.5	0.6	4.6	4.9	5.9	6.3

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

11 Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Plant under construction	Total
Cost as at 1.10.2017	11,631	11,113	992	348	24,084
Foreign currency translation adjustments	-22	-31	-2	-4	-59
Completion of plant under construction	97	277	30	-404	0
Addition in connection with acquisition	332	327	21	10	690
Addition	113	535	70	563	1,281
Disposal in connection with divestment	0	-12	-14	0	-26
Disposal	-165	-568	-85	0	-818
Cost as at 30.09.2018	**11,986**	**11,641**	**1,012**	**513**	**25,152**
Depreciation and impairment losses as at 1.10.2017	6,740	7,839	748	0	15,327
Foreign currency translation adjustments	-1	-24	1	0	-24
Disposal in connection with divestment	0	-10	-11	0	-21
Impairment losses for the year	167	107	4	0	278
Depreciation for the year	392	772	89	0	1,253
Depreciation of and impairment losses on disposal for the year	-161	-535	-76	0	-772
Depreciation and impairment losses as at 30.09.2018	**7,137**	**8,149**	**755**	**0**	**16,041**
Carrying amount as at 30.09.2018	**4,849**	**3,492**	**257**	**513**	**9,111**
Of which assets held under finance leases	53	36	9	0	98
Of which recognised interest expenses	47	2	0	0	49
Cost as at 1.10.2016	12,308	11,493	1,030	498	25,329
Foreign currency translation adjustments	-80	-108	-7	-4	-199
Completion of plant under construction	52	238	20	-310	0
Addition in connection with acquisition	90	80	9	12	191
Addition	170	510	70	178	928
Disposal in connection with divestment	-559	-742	-14	-26	-1,341
Disposal	-350	-358	-116	0	-824
Cost as at 30.09.2017	**11,631**	**11,113**	**992**	**348**	**24,084**
Depreciation and impairment losses as at 1.10.2016	6,960	7,834	787	0	15,581
Foreign currency translation adjustments	-28	-62	-13	0	-103
Disposal in connection with divestment	-260	-450	-12	0	-722
Depreciation for the year	398	817	89	0	1,304
Depreciation of and impairment losses on disposal for the year	-330	-300	-103	0	-733
Depreciation and impairment losses as at 30.09.2017	**6,740**	**7,839**	**748**	**0**	**15,327**
Carrying amount as at 30.09.2017	**4,891**	**3,274**	**244**	**348**	**8,757**
Of which assets held under finance leases	56	22	7	0	85
Of which recognised interest expenses	50	0	0	0	50

Finance costs of 0 million DKK have been recognised in the cost of property, plant and equipment under construction in the financial year (2016/17: 0 million DKK).

12 Equity investments in associates and joint ventures

DKKm	Associates 30.09.2018	Associates 30.09.2017	Joint ventures 30.09.2018	Joint ventures 30.09.2017
Cost as at 1.10.2017	162	164	17	19
Foreign currency translation adjustments	1	-2	0	0
Addition	0	0	0	0
Disposal	0	0	0	-2
Cost as at 30.09.2018	**163**	**162**	**17**	**17**
Value adjustments as at 1.10.2017	93	63	-6	-4
Foreign currency translation adjustments	0	-2	0	0
Share of net profit	45	62	12	-2
Share of other comprehensive income	0	1	0	0
Distribution during the year	-49	-31	0	0
Addition	0	0	0	0
Disposal	0	0	0	0
Value adjustments as at 30.09.2018	**89**	**93**	**6**	**-6**
Carrying amount as at 30 30.09.2018	**252**	**255**	**23**	**11**

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

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

	Associates		Joint ventures	
DKKm	**2017/18**	**2016/17**	**2017/18**	**2016/17**
Statement of comprehensive income				
Revenue	1,633	1,730	1,148	1,161
Net profit/loss for the year from continuing operations	109	150	24	-4
Net profit for the year from discontinued operations	0	0	0	0
Other comprehensive income	1	3	0	0
Total comprehensive income	**110**	**153**	**24**	**-4**
Dividend received	49	31	0	0
Non-current assets	677	688	7	7
Current assets	610	560	128	123
Non-current liabilities	287	323	0	0
Current liabilities	429	344	88	107
Equity	**572**	**581**	**47**	**23**

13 Other securities and equity investments

DKKm	30.09.2018	30.09.2017
Listed bonds	57	41
Unlisted shares	67	347
	124	**388**
Securities are recognised in the balance sheet as follows:		
Non-current assets	67	347
Current assets	57	41
	124	**388**

14 Biological assets

DKKm	30.09.2018	30.09.2017
Non-current assets:		
Cost as at 1.10.2017	80	80
Foreign currency translation adjustments	0	-2
Addition in connection with acquisition	36	0
Addition	33	58
Disposal	-41	-56
Cost as at 30.09.2018	**108**	**80**
Value adjustment as at 1.10.2017	-12	-11
Foreign currency translation adjustments	0	1
Adjustment for the year	-16	-16
Adjustment of disposal for the year	15	14
Value adjustments as at 30.09.2018	**-13**	**-12**
Carrying amount as at 30.09.2018	**95**	**68**
No. of sows and boars as at 30.09.2018	63,908	45,135
Current assets:		
Slaughter pigs	312	217
Land holdings	3	2
Carrying amount as at 30.09.2018	**315**	**219**
No. of slaughter pigs as at 30.09.2018	563,573	399,498
Kg produced ('000) during the year	81,770	67,090

15 Trade receivables

DKKm	30.09.2018	30.09.2017
Trade receivables (gross)	**6,721**	**6,357**
Write-down for bad debts as at 1.10.2017	-75	-70
Foreign currency translation adjustments	-2	0
Realised losses for the year	4	11
Reversed provisions	8	20
Provisions for bad debts for the year	-15	-36
Write-down for bad debts as at 30.09.2018	**-80**	**-75**
Trade receivables (net)	**6,641**	**6,282**

Receivables are written down directly if the value, based on an individual assessment of the individual debtors' solvency, is reduced, for example as a result of suspension of payments, bankruptcy and the like. Write-downs are made at the calculated net realisable value.

The carrying amount of receivables written down to the net realisable value based on an individual assessment comes to 119 million DKK (30.09.2017: 111 million DKK).

Trade receivables (gross) can be specified as follows:		
Not due	5,566	5,362
Due within 30 days	909	822
Due between 30 and 90 days	141	110
Due after 90 days	105	63
	6,721	**6,357**
Receivables due, but not written down, comprise:		
Due within 30 days	901	824
Due between 30 and 90 days	127	96
Due after 90 days	44	9
	1,072	**929**

During the financial year, no interest income in respect of receivables written down has been recognised as income (2016/17: 0 million DKK).

The maximum credit risk on receivables due, but not written down, and more than 30 days overdue is 55 million DKK (30.09.2017: 58 million DKK).

16 Inventories

DKKm	30.09.2018	30.09.2017
Raw materials and consumables	913	654
Semi-finished products	518	534
Finished goods and goods for resale	3,491	2,839
	4,922	**4,027**
Cost of sales	47,265	48,595
Net write-down for the year of inventories recognised as income (-) or expenses (+) in the income statement	121	-18

17 Pension plans

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

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

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

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

The obligation concerning defined-benefit plans is calculated annually by means of an actuarial specification based on assumptions about future developments in interest rates, inflation and average life expectancy, among other things. The defined-benefit plans in the UK are managed by independent pension providers which invest the contributions made in order to cover the obligations. The plans are closed, which means that no new employees will enter the plans and no new contributions are made. The plans entitle the employees to life-long pension benefits and benefits in the event of death before retirement.

The defined-benefit plan in Denmark is not covered by regular contributions and comprises pensions for retired employees and their surviving relatives. The plan is closed.

The pension plans are exposed to a number of actuarial risks, such as investment risks, interest rate risks, inflation risks and longevity risks.

Investment risks
The present value of the UK plans is calculated using a discount rate corresponding to the interest rate on investment grade corporate bonds. If the return on the assets underlying the plan is below this level, the plan will yield a loss. Due to the long-term nature of the obligation, a relatively large share of the pension assets is invested in shares (69 per cent).

Interest rate risks
A decline in the interest rate on UK corporate bonds or Danish government bonds, respectively, will reduce the discount rate and thus increase the pension obligation.

17 Pension plans (continued)

For the UK plans, however, this will partially be offset by an increase in the return on the plans' bond investments.

Inflation risks
A significant part of the pension benefits paid under the plans in the UK and Denmark is indexed. An increase in inflation rates will entail an increase in the pension obligation.

Longevity risks
The present value of the pension plans' obligations is calculated on the basis of a best estimate of the participants' mortality during and after their employment. An increase in the participants' life expectancy will increase the plans' obligations.

Sensitivity analyses
Considerable actuarial assumptions for determining the pension obligation comprise the discount rate and expected inflation. The sensitivity analysis below is calculated based on probable changes in the respective assumptions existing at the end of the financial year, while maintaining all other variables.

If the discount rate was 0.25 percentage points higher, the pension obligation would decrease by 51 million DKK (2016/17: 62 million DKK). If inflation was 0.25 percentage points higher, the pension obligation would increase by 47 million DKK (2016/17: 58 million DKK). If the discount rate and inflation were 0.25 percentage points lower, the obligation would increase by 54 million DKK (2016/17: 66 million DKK) and decrease by 45 million DKK (2016/17: 55 million DKK), respectively.

If the average lifetime increased or decreased with one year, the pension obligation would increase or decrease, respectively, with 7 million DKK.

The present value in the above sensitivity analysis is calculated using the project unit credit method at the end of the accounting period in the same way as the calculation of the pension obligation recognised in the balance sheet. The sensitivity analysis does not necessarily reflect the actual changes in the obligation as it is unlikely that changes in one assumption will occur separately from changes in other assumptions.

Trustees in the UK plans continuously assess and adjust the plans' expected pension payments, investment returns and investment policy and ensure that the plans' funding complies with UK legislation and the plans' articles of association and conditions.

The average duration of the pension obligation as at 30 September 2018 is 17 years for the plans in the UK and 10 years for the plans in Denmark.

Defined-contribution plans

DKKm	2017/18	2016/17
Contributions to defined-contribution plans recognised in the income statement	417	383
Defined-benefit plans		
Net interest expenses	4	8
Administrative expenses	1	2
Recognised in the income statement under staff costs	**5**	**10**
Remeasurement of defined-benefit plans		
Return on pension assets	-29	-70
Actuarial gains/losses on changes in demographic assumptions	-64	-2
Actuarial gains/losses on changes in financial assumptions	-48	-8
Actuarial gains/losses on adjustments based on experience	-4	-69
Recognised in other comprehensive income as income (-)/expenses (+)	**-145**	**-149**
Recognised in comprehensive income as income (-)/expenses (+)	**-140**	**-139**
The pension obligation recognised in the balance sheet can be specified as follows:		
Present value of hedged pension obligation (UK)	1,216	1,354
Present value of unhedged pension obligation (Denmark)	34	39
	1,250	**1,393**
Fair value of the assets underlying the pension plans	-1,208	-1,203
Net obligation recognised in the balance sheet	**42**	**190**

The group expects to contribute a total of 7 million DKK to the plans during the coming financial year.

17 Pension plans (continued)

DKKm	30.09.2018	30.09.2017
Defined-benefit plans (continued)		
Changes in pension obligations for the year can be specified as follows:		
Present value of pension obligations as at 1.10.2017	1,393	1,543
Foreign currency translation adjustments	-6	-37
Interest on pension obligation	35	33
Actuarial gains and losses:		
Actuarial gains/losses on changes in demographic assumptions	-64	-2
Actuarial gains/losses on changes in financial assumptions	-48	-8
Actuarial gains/losses on adjustments based on experience	-4	-69
Pension benefits paid	-56	-67
Present value of pension obligations as at 30.09.2018	**1,250**	**1,393**
Changes in the assets underlying the pension plans for the year can be specified as follows:		
Fair value of the assets underlying the pension plans as at 1.10.2017	1,203	1,167
Foreign currency translation adjustments	-5	-29
Interest on the assets underlying the pension plans	31	25
Return on the assets underlying the pension plans	29	70
Employer contributions	4	34
Administrative expenses	-1	-2
Pension benefits paid	-53	-62
Fair value of the assets underlying the pension plans as at 30.09.2018	**1,208**	**1,203**
Accumulated actuarial gains and losses included in other comprehensive income	-287	-432

DKKm	30.09.2018	30.09.2017
The UK pension obligations have been calculated on the basis of the following actuarial assumptions:		
Average discount rate	2.80%	2.60%
Average remaining life expectancy at retirement for existing pension recipients:		
Men aged 65 years	22.2 years	22.6 years
Women aged 65 years	23.9 years	24.8 years
Average remaining life expectancy at retirement for current employees:		
Men aged 45 years	23.9 years	24.3 years
Women aged 45 years	25.5 years	26.4 years
Future pension increases	2.00%	2.10%
Inflation, consumer index	2.20%	2.30%
The Danish pension obligations have been calculated on the basis of the following actuarial assumptions:		
Average discount rate	2.20%	2.30%
Future pension increases	2.00%	2.10%

The most recent actuarial statements of the UK pension obligations were calculated on 30 September 2018 by Buch Consultants Ltd, JLT Group and Aviva Group.

	30.09.2018	30.09.2017
The assets underlying the pension plans measured at fair value comprise:		
Cash and cash equivalents	72	121
Shares, listed		
UK shares	182	377
Other shares	647	391
Bonds		
UK government bonds	146	140
UK government-indexed bonds	150	150
Other	3	4
Real property	8	8
Insurance policy	0	12
	1,208	**1,203**

None of the assets underlying the pension plans are related to the consolidated enterprises in the form of, e.g., treasury shares, rental properties or loans.

18 Deferred tax

DKKm	30.09.2018	30.09.2017
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	307	378
Deferred tax liabilities	-318	-262
	-11	**116**

DKKm	30.09.2018	30.09.2017
Tax value of non-recognised deferred tax assets	**305**	**262**
No expiry date	238	224
2018	1	0
2019	1	1
2020	1	1
After 2023	1	3
	242	**229**

The tax base of tax losses amounting to 61 million DKK (2016/17: 36 million DKK) has not been recognised as it has not been deemed sufficiently probable that the losses will be utilised within a foreseeable future.

18 Deferred tax (continued)

2017/18 DKKm	Deferred tax as at 1.10.2017	Exchange rate adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Addition in connection with acquisition	Disposal in connection with divestment	Change in tax rate	Deferred tax as at 30.09.2018
Intangible assets	27	0	0	-7	0	-98	0	10	-68
Property, plant and equipment	182	2	-68	138	0	-28	0	-9	217
Financial assets	2	0	0	-2	0	0	0	0	0
Current assets	29	0	1	-4	0	11	0	-1	36
Non-current liabilities	15	0	1	-6	-24	0	0	0	-14
Current liabilities	76	0	-1	-8	0	0	0	-2	65
Tax losses to be carried forward	52	0	-6	16	0	1	0	0	63
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	0	-6
	377	**2**	**-73**	**127**	**-24**	**-114**	**0**	**-2**	**293**
Adjustment concerning utilisation of tax asset not previously recognised	1	0	0	0	0	0	0	0	1
Write-down of tax assets	-262	0	-13	-29	0	0	0	-1	-305
	116	**2**	**-86**	**98**	**-24**	**-114**	**0**	**-3**	**-11**

2016/17 DKKm	Deferred tax as at 1.10.2016	Exchange rate adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Addition in connection with acquisition	Disposal in connection with divestment	Change in tax rate	Deferred tax as at 30.09.2017
Intangible assets	57	1	0	-29	0	0	-2	0	27
Property, plant and equipment	68	10	-37	69	0	-10	89	-7	182
Financial assets	2	0	-1	0	0	1	0	0	2
Current assets	30	0	13	-12	0	0	-2	0	29
Non-current liabilities	91	-2	-32	-18	-25	0	0	1	15
Current liabilities	-44	0	86	38	0	0	-4	0	76
Tax losses to be carried forward	149	-5	-24	-2	0	0	-66	0	52
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	0	-6
	347	**4**	**5**	**46**	**-25**	**-9**	**15**	**-6**	**377**
Adjustment concerning utilisation of tax asset not previously recognised	1	0	0	0	0	0	0	0	1
Write-down of tax assets	-224	0	-31	-7	0	0	0	0	-262
	124	**4**	**-26**	**39**	**-25**	**-9**	**15**	**-6**	**116**

Deferred tax assets and deferred tax are set off in the balance sheet when a legal right of set-off exists, and the deferred tax asset and deferred tax concern the same legal tax unit/consolidation.

19 Other provisions

DKKm	Employee-related	Specific requirements	Renovation of tenancies etc.	Other	Total
Other provisions as at 1.10.2017	49	83	41	169	342
Foreign currency translation adjustments	0	-1	0	0	-1
Utilised during the year	-4	-2	-18	0	-24
Reversal of unutilised provision	-7	-26	-7	-76	-116
Provisions for acquired companies	1	1	0	0	2
Provisions for the year	27	93	12	1	133
Other provisions as at 30.09.2018	**66**	**148**	**28**	**94**	**336**
Other provisions as at 1.10.2016	70	83	15	70	238
Foreign currency translation adjustments	0	0	0	0	0
Utilised during the year	-23	0	-5	-1	-29
Reversal of unutilised provision	-6	-3	-2	0	-11
Provisions for the year	8	3	33	100	144
Other provisions as at 30.09.2017	**49**	**83**	**41**	**169**	**342**

	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Other provisions can be specified by maturity as follows:				
30.09.2018	**192**	**104**	**40**	**336**
30.09.2017	**226**	**71**	**45**	**342**

The provisions have been made based on the latest information available. The group believes that the risk in the individual areas has been fully provided for and that it will not require additional provisions.

20 Loans and borrowings

Loans can be specified by maturity as follows:

30.09.2018

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Mortgage debt	129	790	3,004	3,923
Other debt, issued bonds	0	1,954	2,069	4,023
Other credit institutions	118	799	622	1,539
Bank debt	543	3,167	0	3,710
Finance lease commitments	21	46	8	75
	811	**6,756**	**5,703**	**13,270**
30.09.2017				
Mortgage debt	127	532	2,206	2,865
Other debt, issued bonds	750	536	2,124	3,410
Other credit institutions	42	631	95	768
Bank debt	1,020	1,681	0	2,701
Finance lease commitments	14	32	13	59
	1,953	**3,412**	**4,438**	**9,803**

Lease commitments	**2017/18**		**2016/17**	
DKKm	**Minimum lease payments**	**Carrying amount**	**Minimum lease payments**	**Carrying amount**
Finance lease commitments	77	75	61	59
Amortisation premiums for future expensing	1		0	
	78		**61**	

21 Acquisition of businesses

	Primary activity	Acquisition date	Acquired owner's share in %	Acquired voting share in %
The group has acquired the following businesses during the financial year:				
2017/18				
Procesadora Insuban SpA.	Casings	24.11.2017	80	80
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	Casings	24.11.2017	70	70
BRC Tripas - Comercio de Tripas Ltda.	Casings	24.11.2017	70	70
Tripas de Colombia S.A.S.	Casings	24.11.2017	70	70
Agrimares S.L.	Casings	24.11.2017	70	70
Overberg Food Distributors Proprietary Ltd	Wholesale trade	17.01.2018	70	70
Shanghai Natural Casing Co., Ltd	Selection of casings	01.08.2018	51	51
Easey Holdings Ltd	Rearing of animals	14.12.2017	100	100
DK-Foods Holding ApS	Food production	19.03.2018	100	100
Zandbergen Group	Food production	11.07.2018	100	100
Gzella Group	Food production	30.05.2018	100	100
Oelwein	Production of raw heparin	13.02.2018	100	100
2016/17				
Danish Crown Teterower Fleisch GmbH (activity)	Abattoir	03.04.2017	100	100
Other companies:				
Charkprodukter i Billesholm AB	Food production	08.11.2016	100	100
Klågevik AB	Property company	08.11.2016	100	100
Leivers Brothers Limited	Wholesale trade	25.02.2017	100	100
Slagter Munch ApS	Butcher's shop	03.01.2017	100	100
Tjæreborg Leverpostej A/S	Food production	01.06.2017	100	100

The acquisitions made in 2017/18 and 2016/17 play an important role in strengthening the group's primary business area and achieving the group's 4WD strategy. In connection with the acquisitions made in 2017/18, goodwill of a total of 1,418 million DKK (2016/17: 74 million DKK) was realised. 0 million DKK (2016/17: 45 million DKK) of the capitalised goodwill is expected to be deductible for tax purposes. As described in note 10, it has not been necessary to impair the capitalised goodwill amounts.

In connection with the acquisitions, a purchase price was paid, which exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities. This positive balance (goodwill) is primarily attributable to expected synergy effects between the activities in the acquired businesses and the group's current activities and future growth opportunities as well as between the staffs of the individual businesses. These synergies have not been recognised separately from goodwill as they are not separately identifiable.

Out of the group's net profit for the year of 1,361 million DKK, 34 million DKK can be attributed to result generated by the acquired Foods companies, and 22 million DKK can be attributed to result generated by other acquired businesses. Out of the group's revenue, 764 million DKK can be attributed to the acquired Foods companies, and 1,016 million DKK can be attributed to revenue generated by other acquired businesses.

Had the businesses been acquired with effect from 1 October 2017, revenue for 2017/18 would have been approx. 3,759 million DKK and the net profit for the year would have been approx. 135 million DKK in the acquired businesses. The management believes that these pro forma figures reflect the group's earnings level after the acquisition of the businesses, and that the amounts may therefore form the basis for comparisons in subsequent financial years.

The calculation of pro forma figures for revenue and net profit for the year is based on the following material assumptions:

- Depreciation of property, plant and equipment and amortisation of intangible assets are calculated on the basis of the fair values determined in the pre-acquisition balance sheet and not the original carrying amounts.
- Financial costs are calculated on the basis of the group's financing needs, credit ratings and debt-equity ratio after the business combinations.

In connection with the acquisition of activities in the acquired companies, transaction costs of 19 million DKK were incurred. Transaction costs comprise consultancy and legal fees which have been recognised in administrative expenses.

21 Acquisition of businesses (continued)

DKKm	Acquired Foods companies	Other companies	2017/18	2016/17
Intangible assets	495	111	606	8
Property, plant and equipment	598	92	690	181
Other non-current assets	0	37	37	4
Non-current assets	**1,093**	**240**	**1,333**	**193**
Inventories	96	108	204	21
Trade receivables	280	116	396	18
Other current assets	112	163	275	13
Current assets	**488**	**387**	**875**	**52**
Non-current liabilities	**-233**	**-103**	**-336**	**-28**
Payables	-82	-4	-86	-14
Trade payables	-179	-153	-332	-15
Other current liabilities	-248	-54	-302	-8
Current liabilities	**-509**	**-211**	**-720**	**-37**
Acquired net assets	**839**	**313**	**1,152**	**180**
Goodwill	1,189	229	1,418	74
Minority interests	0	-17	-17	0
Total consideration	**2,028**	**525**	**2,553**	**254**
Acquired cash	-81	-45	-126	-8
Cash consideration	**1,947**	**480**	**2,427**	**246**

22 Divestment of businesses

DKKm	30.09.2018	30.09.2017
Non-current assets	14	664
Current assets	47	493
Non-current liabilities	0	-652
Current liabilities	-27	-191
Gain on the divestment of businesses recognised in the income statement	294	526
Selling price on the divestment of businesses	**328**	**840**
Cash selling price on the divestment of businesses	**328**	**840**

During the financial year, the group divested Arne B. Corneliussen AS and an activity in SPF-Danmark A/S. In 2016/17, the group divested Plumrose USA Inc.

23 Operating lease commitments

DKKm	30.09.2018	30.09.2017
Total future minimum lease payments in respect of non-cancellable leases (operating equipment and rent) comprise:		
Within 1 year of the balance sheet date	169	151
Between 1 and 5 years of the balance sheet date	365	261
After 5 years of the balance sheet date	38	22
	572	**434**
Minimum lease payments recognised in net profit for the year	218	191

24 Contingent liabilities

DKKm	30.09.2018	30.09.2017
Other guarantees	25	23
Contractual obligations in respect of property, plant and equipment	22	65

The group is involved in some court cases and disputes. The management is of the opinion that the outcome of these will not have any significant impact on the group's financial position.

25 Security

DKKm	30.09.2018	30.09.2017
The following assets have been provided as security for mortgage debt and other long-term debt:		
Nominal mortgage secured on land, buildings and production facilities etc.	4,022	3,796
Carrying amount of the above-mentioned assets	2,356	2,304

26 Rights and liabilities of the cooperative members

The rights of the cooperative members of Leverandørselskabet Danish Crown AmbA are set out in the company's articles of association. The individual cooperative members elect representatives to the company's supreme governing body, the Board of Representatives. Among the members of the Board of Representatives, members are elected to the company's Board of Directors.

It is the Board of Representatives which, in due consideration of the company's articles of association, decides on the Board of Directors' recommendation for the annual supplementary payments out of the net profit for the year. In accordance with the articles of association, the individual cooperative member accumulated up until 2017 a balance in a member's account which corresponds to the company's contributed capital. The accumulation was terminated with effect from 2018. In addition, equity in the form of personal subordinated accounts is accumulated as part of the Board of Representatives' distribution of the net profit for the year. Disbursements from member's accounts and personal subordinated accounts are made in accordance with the relevant provisions of the articles of association and are adopted annually by the Board of Representatives in connection with the approval of the annual report and the adoption of appropriation. According to the articles of association, disbursements from member's accounts and personal subordinated accounts can only be made if deemed proper with regard to the company's creditors. Balances in member's accounts may be disbursed in 2021 at the earliest.

The cooperative members are personally, jointly and severally liable for the liabilities of the parent. The liability of each cooperative member is calculated on the basis of the supplies made by such member and cannot exceed 25,000 DKK.

No. of cooperative members

DKKm	30.09.2018	30.09.2017
No. of cooperative members as at 1.10.2017	7,166	7,605
Net reduction	-366	-439
No. of cooperative members as at 30.09.2018	**6,830**	**7,166**
Total liability	171	179
Proposed supplementary payments for the cooperative members (incl. extraordinary disbursement and return on member's accounts)	1,070	1,437

27 Specifications to the cash flow statement

Change in net working capital

DKKm	2017/18	2016/17
Change in inventories	-707	-206
Change in receivables	-120	-209
Change in other provisions	-6	104
Change in trade payables and other payables	-111	217
	-944	**-94**
Cash and cash equivalents		
Cash and bank deposits, see balance sheet	179	99
	179	**99**

Liabilities in respect of financing activities

Balance as at 1.10.2017	9,369	
Proceeds from borrowings	5,385	
Repayment of borrowings and instalments	-2,325	
Taken over debts by acquisition of businesses	422	
Foreign currency translation adjustments	28	
Balance as at 30.09.2018	**12,879**	

28 Financial risks and financial instruments

Currency risks in respect of assets and liabilities and future cash flows
The currency policy of the group is to hedge the group's net currency exposure on an ongoing basis. The company has a general risk in respect of currency cash flows due to the uncertainty associated with the DKK value of the future cash flow.

The commercial risk is therefore calculated as follows:
Commercial risk = cash and cash equivalents and securities
+ receivables and expected sales
+ trade payables and other payables

Expected sales are calculated as follows:
Expected sales = sales orders concluded
+ specific expected sales in the short term

As part of the hedging of recognised and non-recognised transactions, the group uses hedging instruments in the form of forward exchange contracts, currency loans and currency overdrafts. The hedging of recognised assets and liabilities primarily comprises cash and cash equivalents, securities, receivables and financial liabilities.

As at the balance sheet date, the fair value of the group's derivative financial instruments concluded in order to hedge recognised financial assets and liabilities amounted to -38 million DKK (30.09.2017: -88 million DKK). The fair value of the derivative financial instruments has been recognised under other payables/other receivables and has been set off against the foreign currency translation adjustments of the hedged assets and liabilities in the statement of comprehensive income.

The hedging of expected future cash flows is treated as a cash flow hedge, meaning that the fair value adjustment of the hedging instruments used is recognised in other comprehensive income. The value adjustment of hedging instruments used for the specific expected sales in the short term is calculated on the basis of the value of such sales.

The hedging of sales orders concluded is treated as a fair value hedge, meaning that the fair value adjustment of the hedged orders and the hedging instruments used is recognised in the income statement.

If the group has concluded foreign currency hedging agreements which do not fulfil the criteria for hedge accounting, such agreements are treated as trading portfolios, recognising fair value adjustments continuously in the income statement.

Open forward exchange contracts as at the balance sheet date have a time to maturity of up to 24 months and can be specified as described on page 62 where agreements on the sale of currency are stated with a positive contractual value.

Hedging of net investments in foreign subsidiaries
The Danish Crown Group has a number of investments in foreign subsidiaries where the conversion of equity to DKK is exposed to currency risks. The group hedges some of this currency risk by raising loans in the relevant currency. This applies to net investments in EUR, USD, GBP, SEK and PLN.

The change in the foreign currency translation adjustment of these financial instruments (debt instruments) used to hedge the currency risk concerning investments in foreign currency is recognised in other comprehensive income. To the extent that the fair value adjustment does not exceed the value adjustment of the investment, adjustments of these financial instruments are recognised in other comprehensive income; otherwise the fair value adjustment is recognised in the income statement.

As at the balance sheet date, 18 million DKK (30.09.2017: 3 million DKK) has been recognised in other comprehensive income concerning the foreign currency translation adjustment of instruments for hedging of net investments and loans classified as additions to net investments.

There have been no inefficiencies in the present or previous financial year.

As at the balance sheet date, the fair value of the accumulating foreign currency translation adjustments of instruments for hedging net investments amounts to 81 million DKK (30.09.2017: 63 million DKK).

Currency sensitivity analysis
The group's most important currency exposure with regard to sales concerns GBP, JPY, EUR and USD. Exchange rate fluctuations in respect of these currencies will not impact the group's financial results significantly as commercial currency positions are hedged in accordance with the group's risk policy, meaning that sales and net positions in the balance sheet are hedged.

The table below shows the effect it would have had on net profit and equity if the exchange rate of the most important currencies carrying a risk of significant exchange rate fluctuations had been 10 per cent lower than the exchange rate actually applied. If the exchange rate had been 10 per cent higher than the actual exchange rate, this would have had an equally positive effect on net profit and equity.

Embedded derivative financial instruments:
The group has performed a systematic review of contracts which may contain conditions which make the contract or parts of it a derivative financial instrument. The review did not give rise to any recognition of derivative financial instruments.

	Effect on net profit		Effect on equity	
DKKm	**30.09.2018**	**30.09.2017**	**30.09.2018**	**30.09.2017**
Effect if EUR exchange rate was 10% lower than actual exchange rate	-5	-2	-5	-2
Effect if GBP exchange rate was 10% lower than actual exchange rate	0	-4	-21	-36
Effect if JPY exchange rate was 10% lower than actual exchange rate	0	-4	-28	-20
Effect if SEK exchange rate was 10% lower than actual exchange rate	0	-1	0	-1
Effect if USD exchange rate was 10% lower than actual exchange rate	-6	-7	-35	-47
Effect if other exchange rates were 10% lower than actual exchange rate	0	1	0	1

28 Financial risks and financial instruments (continued)

DKKm	Cash and cash equivalents and securities	Receivables and expected sales	Trade payables and other payables	Commercial risk	Of which hedged by forward exchange contracts	Of which hedged by loans and overdrafts	Unhedged net position
EUR	5	1,943	-982	966	20	-921	65
GBP	1	802	-58	745	-1,418	678	5
JPY	0	1,533	0	1,533	-1,407	-122	4
SEK	0	113	-5	108	-452	350	6
USD	0	2,812	-452	2,360	-602	-1,687	71
Other currencies	5	449	-61	393	-33	-354	6
30.09.2018	**11**	**7,652**	**-1,558**	**6,105**	**-3,892**	**-2,056**	**157**
EUR	5	1,930	-962	973	0	-945	28
GBP	0	966	-36	930	-2,321	1,437	46
JPY	0	1,060	-1	1,059	-953	-97	9
SEK	0	120	-10	110	0	-96	14
USD	0	2,364	-335	2,029	-1,079	-862	88
Other currencies	17	309	-76	250	-28	-236	-14
30.09.2017	**22**	**6,749**	**-1,420**	**5,351**	**-4,381**	**-799**	**171**

	Hedging of future cash flows		Fair value hedging		Non-fulfilment of hedging criteria	
DKKm	Contractual value	Fair value adjustment recognised in equity	Contractual value	Fair value	Contractual value	Fair value
Forward exchange contracts EUR	0	0	4	0	-25	0
Forward exchange contracts GBP	210	-1	1,194	-13	0	0
Forward exchange contracts JPY	279	9	1,130	-7	0	0
Forward exchange contracts SEK	0	0	444	-7	0	0
Forward exchange contracts USD	292	0	299	-12	0	0
Forward exchange contracts, other	0	0	64	0	-30	0
30.09.2018	**781**	**8**	**3,135**	**-39**	**-55**	**0**
Forward exchange contracts EUR	0	0	0	0	0	0
Forward exchange contracts GBP	316	1	2,005	-86	0	0
Forward exchange contracts JPY	186	4	753	9	14	0
Forward exchange contracts SEK	0	0	0	0	0	0
Forward exchange contracts USD	400	8	679	-14	0	0
Forward exchange contracts, other	0	0	16	0	12	0
30.09.2017	**902**	**13**	**3,453**	**-91**	**26**	**0**

28 Financial risks and financial instruments (continued)

Interest rate risks

The Danish Crown Group has, to a wide extent, interest-bearing financial assets and liabilities and is as such exposed to interest rate risks. As regards the group's financial assets and liabilities, contractual repricing or expiry dates can be stated, whichever date is earlier, as interest-bearing assets and liabilities falling due after one year are considered to carry a fixed interest rate as shown in the right column.

The fair value of mortgage debt, debt to other credit institutions and bank debt has been calculated at the present value of future instalments and interest payments by using the current interest rate curve derived from current market rates (level 2). The fair value of the interest rate swaps outstanding at the balance sheet date which have been concluded in order to hedge interest rate risks on variable-rate loans amounts to -3 million DKK (30.09.2017: -10 million DKK) (level 2).

The group's bank deposits are placed in current accounts or fixed-term deposit accounts.

Sale and repurchase agreements in respect of bonds (REPO transactions) entered into concurrently with the raising of bond loans in the same series are classified as derivative financial instruments, with bonds being the underlying assets. As at 30 September 2018, sale and repurchase agreements with a nominal value of 2,594 million DKK (30.09.2017: 1,867 million DKK) have been entered into. The fair value of the derivative financial instruments is immaterial.

Interest rate fluctuations affect the group's bond portfolios. An increase in interest rate levels of 1 percentage point per year relative to the interest rate level at the balance sheet date would have had a negative effect of 2 million DKK (30.09.2017: negative effect of 0 million DKK) on the group's net profit and equity related to capital losses on the group's bond portfolio.

As regards the group's variable-rate bank deposits, mortgage debt and other payables, an increase of 1 percentage point per year relative to the interest rate levels at the balance sheet date would have resulted in a decrease in the group's net profit and equity of 57 million DKK (2016/17: 49 million DKK). A corresponding decrease in interest rate levels would have had an equally positive effect on the group's net profit and equity.

The group aims to ensure a reasonable balance between the group's exposure to variable and fixed interest rates. The interest rate risk is constituted by the annual change in the financial cash flow entailed by a 1 percentage point change in interest rate levels. Significant changes to the mix of variable and fixed interest rates are approved by the Executive Board.

Repricing or expiry date

DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total	Fair value
Bonds	-57	0	0	-57	-57
Bank deposits	-179	0	0	-179	-179
Mortgage debt	2,778	886	259	3,923	3,932
Other debt, issued bonds	1,450	1,134	1,439	4,023	4,023
Other credit institutions	507	410	622	1,539	1,539
Bank debt	3,651	59	0	3,710	3,710
Finance lease commitments	74	1	0	75	75
Interest rate swaps, fixed interest rate	-856	850	6	0	3
30.09.2018	**7,368**	**3,340**	**2,326**	**13,034**	**13,046**
Bonds	-41	0	0	-41	-40
Bank deposits	-99	0	0	-99	-99
Mortgage debt	1,994	868	3	2,865	2,927
Other debt, issued bonds	1,383	536	1,491	3,410	3,410
Other credit institutions	432	241	95	768	768
Bank debt	2,701	0	0	2,701	2,701
Finance lease commitments	54	5	0	59	57
Interest rate swaps, fixed interest rate	-168	168	0	0	10
30.09.2017	**6,256**	**1,818**	**1,589**	**9,663**	**9,734**

28 Financial risks and financial instruments (continued)

Liquidity risks
In connection with the raising of loans etc., it is group policy to ensure the largest possible flexibility through a spreading of the loans in relation to maturity, renegotiation dates and contracting parties, taking into account pricing etc.

The group's strategy is to have a predominance of long-term commitments to ensure financial stability. The group's strategy is also to have enough cash resources to be able to make the necessary arrangements in the event of unforeseen fluctuations in the outflow of cash.

The maturities of financial liabilities are specified, distributed by the time intervals applied in the group's cash management. The specified amounts on page 65 represent the amounts falling due for payment, including interest etc.

Credit risks
The group's primary credit risk concerns trade receivables. A credit check is carried out for each individual customer, and based on an overall assessment of the customer's credit rating and geographical location, a decision is made concerning the use of credit insurance, letters of credit, prepayments or open-credit terms. Agreements on derivative financial instruments with a nominal value exceeding 100 million DKK are generally only concluded with recognised insurance or credit institutions with an A-level Standard & Poor's credit rating as a minimum.

Optimisation of capital structure
The company's management assesses on an ongoing basis whether the group's capital structure matches the company's and the owners' interests. The overall objective is to ensure a capital structure which supports long-term financial growth and, at the same time, maximises the return for the group's stakeholders by optimising the debt-equity ratio. The group's overall strategy is consistent with that of last year.

The group's capital structure includes debt, comprising financial liabilities in the form of mortgage debt, bank debt, finance lease commitments, receivables from co-operative members, cash and equity, including members' accounts, personal subordinated accounts, other reserves and retained earnings.

Non-performance of loan agreements
The group has neither during the financial year nor during the year of comparison neglected or failed to fulfil any of its loan agreements.

Financial gearing
The group aims to have a financial gearing in the order of 3.0, calculated as the ratio between net interest-bearing debt and total EBITDA for the year. The financial gearing as at the balance sheet date is 4.1 (30.09.2017: 2.8).

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

DKKm	30.09.2018	30.09.2017
Mortgage debt	3,923	2,865
Other debt, issued bonds	4,023	3,410
Other credit institutions	1,539	768
Bank debt	3,710	2,701
Finance lease commitments	75	59
Receivables from and prepayments to cooperative members	-391	-434
Cash and short-term securities	-236	-140
Net interest-bearing debt	**12,643**	**9,229**
Operating profit before special items (EBIT)	1,742	1,923
Depreciation, amortisation, impairment losses and write-downs	1,367	1,387
EBITDA	**3,109**	**3,310**
Financial gearing	**4.1**	**2.8**

Cash resources:

DKKm	30.09.2018	30.09.2017
Cash resources comprise:		
Cash	179	99
Unutilised credit facilities	4,361	5,486
	4,540	**5,585**

28 Financial risks and financial instruments (continued)

DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities:				
Mortgage debt	219	1,153	4,373	5,745
Other debt, issued bonds	103	2,338	3,193	5,634
Other credit institutions	133	849	637	1,619
Bank debt	558	3,215	8	3,781
Finance lease commitments	22	48	8	78
Trade payables	3,773	0	0	3,773
Other payables	2,179	0	0	2,179
	6,987	**7,603**	**8,219**	**22,809**
Derivative financial instruments:				
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	44	0	0	44
Derivative financial instruments concluded in order to hedge future cash flows	4	2	0	6
30.09.2018	**7,035**	**7,605**	**8,219**	**22,859**
Non-derivative financial liabilities:				
Mortgage debt	175	719	3,110	4,004
Other debt, issued bonds	846	875	2,425	4,146
Other credit institutions	49	659	102	810
Bank debt	995	1,720	0	2,715
Finance lease commitments	15	33	13	61
Trade payables	3,742	0	0	3,742
Other payables	2,205	5	0	2,210
	8,027	**4,011**	**5,650**	**17,688**
Derivative financial instruments:				
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	91	0	0	91
Derivative financial instruments concluded in order to hedge future cash flows	6	4	0	10
30.09.2017	**8,124**	**4,015**	**5,650**	**17,789**

DKKm	30.09.2018	30.09.2017
Categories of financial instruments in accordance with IAS 39:		
Other securities and equity investments	124	388
Financial assets measured at fair value via the net profit for the year	**124**	**388**
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	6	3
Derivative financial instruments concluded in order to hedge future cash flows	10	14
Financial assets used as hedging instruments	**16**	**17**
Trade receivables	6,641	6,282
Receivables from and prepayments to cooperative members	391	434
Receivables from associates	40	42
Other receivables	700	600
Cash	179	99
Loans and receivables	**7,951**	**7,457**
Other liabilities	0	48
Financial liabilities measured at fair value via the net profit for the year	**0**	**48**
Financial liabilities used as hedging of net investments in foreign subsidiaries	2,954	2,491
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	44	91
Derivative financial instruments concluded in order to hedge future cash flows	6	10
Financial liabilities used as hedging instruments	**3,004**	**2,592**
Mortgage debt	3,923	2,865
Other debt, issued bonds	4,023	3,410
Other credit institutions	1,539	768
Bank debt	756	210
Finance lease commitments	75	59
Trade payables	4,066	3,742
Payables to associates	47	42
Other payables	2,179	2,162
Financial liabilities measured at amortised cost	**16,608**	**13,258**

28 Financial risks and financial instruments (continued)

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

- Quoted prices in an active market for the same type of instrument (level 1).
- Quoted prices in an active market for similar assets or liabilities or other valuation methods according to which all important inputs are based on observable market data (level 2).
- Valuation methods according to which any important inputs are not based on observable market data (level 3).

Methods and conditions for the calculation of fair values
Listed bonds and shares
The portfolio of listed government bonds, mortgage credit bonds and shares is valuated at quoted prices and price quotes.

Unlisted shares
Unlisted shares are valuated on the basis of market multiples for a group of comparative listed companies less an estimated factor for trade in an unlisted market. If this is not possible, unlisted shares are valuated at cost.

Derivative financial instruments
Forward exchange contracts and interest rate swaps are valuated on the basis of generally accepted valuation methods based on relevant observable swap curves and foreign exchange rates.

DKKm	Level 1	Level 2	Level 3	Total
30.09.2018				
Listed bonds	0	0	0	0
Unlisted shares	0	0	12	12
Financial assets measured at fair value via the net profit for the year	**0**	**0**	**12**	**12**
Financial assets used as hedging instruments	**0**	**16**	**0**	**16**
Other liabilities	0	0	0	0
Financial liabilities measured at fair value via the net profit for the year	**0**	**0**	**0**	**0**
Financial liabilities used as hedging instruments	**0**	**50**	**0**	**50**
30.09.2017				
Listed bonds	41	0	0	41
Unlisted shares	0	0	8	8
Financial assets measured at fair value via the net profit for the year	**41**	**0**	**8**	**49**
Financial assets used as hedging instruments	**0**	**17**	**0**	**17**
Other liabilities	0	0	48	48
Financial liabilities measured at fair value via the net profit for the year	**0**	**0**	**48**	**48**
Financial liabilities used as hedging instruments	**0**	**101**	**0**	**101**

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

DKKm	30.09.2018	30.09.2017
Financial instruments measured at fair value in the balance sheet on the basis of valuation methods according to which any important inputs are not based on observable market data (level 3).		
Carrying amount as at 1.10.2017	-40	-29
Foreign currency translation adjustment	-1	2
Adjustment of minorities	0	0
Gain/loss included in net profit for the year	0	-13
Purchase	5	4
Sale	48	-4
Carrying amount as at 30.09.2018	**12**	**-40**
Gain/loss included in net profit for the year for assets held as at 30.09.2018	**0**	**-13**

29 Related parties

Leverandørselskabet Danish Crown AmbA has no related parties with a controlling interest.

The company's related parties with a significant interest include members of the Board of Directors and the Executive Board as well as members of their families. Related parties also include enterprises in which such persons have significant interests.

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

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

DKKm	Associates and joint ventures	Board of Directors of the parent	Executive Board of the parent	Total
2017/18				
Sale of goods	388	8	0	396
Purchase of goods	16	185	0	201
Sale of services	1	0	0	1
Purchase of services	258	0	0	258
Salaries and other remuneration	0	8	21	29
Trade receivables	40	4	0	44
Trade payables	37	0	0	37
Dividend received/supplementary payments	0	14	0	14
Member's accounts	0	13	0	13
2016/17				
Sale of goods	510	5	0	515
Purchase of goods	7	160	0	167
Sale of services	9	0	0	9
Purchase of services	218	0	0	218
Salaries and other remuneration	0	8	19	27
Trade receivables	45	2	0	47
Trade payables	32	3	0	35
Dividend received/supplementary payments	22	11	0	33
Member's accounts	0	13	0	13

No security or guarantees for balances have been furnished as at the balance sheet date. Both receivables and trade payables will be settled in the form of cash payment.

No bad debts in respect of related parties have been realised, and no write-downs for bad debts have been made.

30 Events occurring after the balance sheet date

No material events have occurred after the balance sheet date.

31 Accounting policies

The 2017/18 consolidated financial statements of Leverandørselskabet Danish Crown AmbA are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, see the Danish Executive Order on IFRS issued in accordance with the Danish Financial Statements Act. Leverandørselskabet Danish Crown AmbA is a cooperative domiciled in Denmark.

The consolidated financial statements are presented in Danish kroner (DKK), which is the presentation currency for the group's activities.

The consolidated financial statements are presented on the basis of historical cost, except for derivative financial instruments and financial assets which are recognised at fair value in the income statement and biological assets which are also measured at fair value.

The accounting policies have not been changed compared to last year due to new or changed standards.

Standards and interpretations which have not yet come into effect
At the time of the release of the 2017/18 consolidated financial statements of Leverandørselskabet Danish Crown AmbA, the following new standards have not yet come into effect and consequently have not been incorporated into the consolidated financial statements:

- IFRS 15 – Revenue from Contracts with Customers
- IFRS 9 – Financial Instruments
- IFRS 16 – Leases

IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments
IFRS 15 replaces the existing revenue standards (IAS 11 and IAS 18) and interpretations and introduces a new model for recognition and measurement of revenue from sales contracts with customers.

IFRS 9, which replaces IAS 39, changes the classification and the resulting measurement of financial assets and liabilities. Both standards come into effect as of the 2018/19 financial year. An analysis has been conducted of the effect of the implementation of IFRS 15 and IFSR 9 on the financial reporting presented by the Danish Crown Group in its consolidated financial statements. It is the management's assessment that IFRS 15 and IFRS 9 will not have any significant financial impact on the amounts reported for revenue and financial instruments in the consolidated financial statements.

IFRS 16 – Leases
IFRS 16 changes the accounting treatment of leases which are currently treated as operating leases. The standard requires that all leases, regardless of type – with a few exceptions – must be recognised in the balance sheet as an asset with a related lease commitment. Going forward, the annual lease expense, which is currently recognised as a single amount, will consist of two elements: depreciation and interest expenses.

IFRS 16 is expected to have some impact on the consolidated financial statements of Danish Crown as the group currently has a number of operating leases which will be covered by the new standard. A preliminary analysis has been conducted of this impact with the following result:

Item	Financial effect
Property, plant and equipment	Increase of 7-9%
Net interest-bearing debt	Increase of 4-7%

EBIT is not expected to be materially affected by the changes regarding recognition in the income statement. The standard comes into effect as of the 2019/20 financial year.

Other changes
In addition to the new standards mentioned above, IASB has issued a number of amendments to existing standards and new interpretations. It is the management's assessment that these changes will not have any significant impact on the consolidated financial statements.

Consolidated financial statements
The consolidated financial statements comprise Leverandørselskabet Danish Crown AmbA (the parent) and the enterprises (subsidiaries) in which the parent is deemed to have a controlling interest. The parent is considered to have a controlling interest in an enterprise in which it has invested if the parent is exposed or entitled to variable returns and is able to affect such returns based on its investment in the enterprise.

Enterprises in which the group, directly or indirectly, holds between 20 per cent and 50 per cent of the voting rights and exercises a significant, but not controlling interest are regarded as associates. Enterprises in which the group directly or indirectly has joint control are regarded as joint ventures.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Leverandørselskabet Danish Crown AmbA and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature. All financial statements used for consolidation are presented in accordance with the accounting policies of the group.

On consolidation, group internal income and expenses, internal balances and dividends as well as gains and losses on transactions between the consolidated enterprises are eliminated.

The tax effect of these eliminations is taken into account.

The items in the financial statements of the subsidiaries are recognised in full in the consolidated financial statements.

Minority interests
On first recognition, minority interests are either measured at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired enterprise. The choice of method is made for each individual transaction. The minority interests are subsequently regulated for their proportionate share of changes in the subsidiary's equity. The comprehensive income is allocated to the minority interests, even if this may cause the minority interest to become negative.

Acquisition of minority interests in a subsidiary and sale of minority interests in a subsidiary which do not entail a lapse of control are treated in the consolidated financial statements as an equity transaction, and the difference between the remuneration and the carrying amount is allocated to the parent's share of equity.

Any liabilities relating to put options allocated to minority shareholders in subsidiaries are recognised as liabilities at the present value of the amount falling due upon exercise of the option if the group has an obligation to transfer cash and cash equivalents or other assets. The liability is deducted from equity owned by minority interests, and shares of profit or loss are subsequently not transferred to minority interests. On subsequent balance sheet dates, the financial liability is measured again, and any value adjustments are recognised in net financials in the income statement.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition or establishment of such enterprises, respectively. The date of acquisition is the date when control is actually taken of the enterprise. Enterprises divested or wound up are recognised in the consolidated income statement until the date of divestment or winding up of such enterprise, respectively. The date of divestment is the date when control of the enterprise actually passes to a third party.

On acquisition of new enterprises where the group obtains a controlling interest in the acquired enterprise, the purchase method is used according to which the identifiable assets, liabilities and contingent liabilities of the newly acquired enterprises are measured at fair value on the date of acquisition. Non-current assets which are acquired with the intention to sell them are, however, measured at fair value less expected selling costs. Restructuring costs are only recognised in the acquisition balance sheet if they constitute an obligation for the acquired enterprise. Allowance is made for the tax effect of restatements. The purchase price for an enterprise consists of the fair value of the price paid for the acquired enterprise. If the final determination of

31 Accounting policies (continued)

the price is conditional upon one or more future events, such events are recognised at their fair values at the date of acquisition. Costs which are directly attributable to the acquisition of the enterprise are recognised directly in the income statement when they are incurred.

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

If, on the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase price, initial recognition takes place on the basis of preliminarily calculated amounts. The preliminarily calculated amounts can be adjusted or additional assets or liabilities can be recognised until 12 months after the acquisition, provided that new information has come to light regarding matters existing at the date of acquisition which would have affected the calculation of the amounts at the date of acquisition, had such information been known.

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

Gains or losses on the divestment or winding up of subsidiaries and associates
Gains or losses on the divestment or winding up of subsidiaries and associates which entails a lapse of controlling or significant interest, respectively, are calculated as the difference between the fair value of the sales proceeds or the divestment consideration and the fair value of any remaining equity investments on the one hand, and the carrying amount of the net assets at the date of divestment or winding up, including goodwill, less minority interests (if any) on the other. The gain or loss thus calculated is recognised in the income statement together with the accumulated foreign currency translation adjustments that are recognised in other comprehensive income.

In connection with the divestment of owner's shares in associates and jointly controlled enterprises which are fully or partly paid for by owner's shares in the acquiring company, meaning that a significant interest still exists after the transaction, a specific assessment is made of the transaction. If the transaction has commercial substance, i.e. if the divestment significantly affects the future cash flows from the owner's share in terms of risks, timing and size, the gain or loss is recognised without proportionate elimination.

Foreign currency translation
On initial recognition, transactions in currencies other than the functional currency of the individual enterprise are translated at the exchange rates applicable at the transaction date. Receivables, payables and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated using the foreign exchange rates applicable at the balance sheet date.

Exchange rate differences arising between the transaction date and the payment date and the balance sheet date, respectively, are recognised in the income statement as net financials.

Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currencies and measured on the basis of historical cost are translated using the exchange rates applicable at the transaction date. Non-monetary items which are revalued to fair value are recognised using the foreign exchange rates applicable at the date of revaluation.

When recognising enterprises reporting in a functional currency other than Danish kroner (DKK) in the consolidated financial statements, the income statements are translated using average foreign exchange rates unless these deviate significantly from the actual foreign exchange rates applicable at the transaction dates. In the latter case, the actual foreign exchange rates are used. The balance sheet items are translated using the foreign exchange rates applicable at the balance sheet date. Goodwill is regarded as belonging to the enterprise acquired and is translated using the exchange rates applicable at the balance sheet date.

Exchange rate differences arising from the translation of the balance sheet items of foreign enterprises at the beginning of the year using the foreign exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates using the exchange rates applicable at the balance sheet date are recognised in other comprehensive income. Similarly, exchange rate differences arising as a result of changes made directly in the equity of the foreign enterprise are also recognised in other comprehensive income.

Foreign currency translation adjustments of receivables from or payables to subsidiaries which are considered part of the parent's total investment in the subsidiary in question are recognised in other comprehensive income in the consolidated financial statements.

Derivative financial instruments
On initial recognition, derivative financial instruments are measured at fair value at the settlement date.

After initial recognition, the derivative financial instruments are measured at fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and meeting the requirements for hedging of the fair value of a recognised asset, a recognised liability or a permanent order are recognised in the income statement together with changes in the value of the hedged item.

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

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

Tax
Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to the net profit for the year and directly in equity or other comprehensive income with the portion attributable to items directly in equity and other comprehensive income, respectively.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

Deferred tax is recognised according to the balance-sheet liability method on all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences arisen either on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination, and where the temporary difference ascertained at the time of initial recognition neither affects the carrying amount nor the taxable income.

31 Accounting policies (continued)

Deferred tax is recognised on temporary differences related to equity investments in subsidiaries and associates, unless the parent is able to control when the deferred tax is realised and it is likely that the deferred tax will not crystallise as current tax within a foreseeable future.

The deferred tax is calculated on the basis of the planned use of the individual asset and settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax losses to be carried forward, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through offsetting against deferred tax liabilities or as net tax assets for offsetting against future positive taxable incomes. At each balance sheet date, it is estimated whether it is likely that sufficient taxable income will be generated in future to enable utilisation of the deferred tax asset.

In connection with international trade between the group's subsidiaries, disputes may arise with local tax authorities with respect to compliance with transfer pricing rules. The Group Executive Board assesses the possible outcome of such disputes, and the most likely outcome is used to calculate the resulting tax liability. The management believes that the provision for uncertain tax positions is sufficient to cover liabilities relating to non-settled disputes with local tax authorities.

The actual liabilities following the closure of the disputes, however, may vary depending on the outcome of legal disputes and settlements reached with the tax authorities in question.

Non-current assets held for sale

Non-current assets and groups of assets held for sale are presented separately as current assets in the balance sheet. Liabilities directly related to the assets in question are presented as current liabilities in the balance sheet.

Non-current assets held for sale are not depreciated, but impaired to the lower of fair value less expected selling costs and carrying amount.

Income statement and statement of comprehensive income

Revenue

Revenue 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 plus export refunds and less any commission paid to agents.

Revenue is calculated exclusive of VAT and the like, which is charged on behalf of a third party, and discounts.

Production costs

Production costs comprise costs incurred to earn revenue. In production costs, the trading enterprises include cost of sales and the manufacturing enterprises include costs relating to raw materials, including purchases from cooperative members, consumables, production staff as well as maintenance, depreciation and amortisation of and impairment losses on the property, plant and equipment and intangible assets used in the production process. The purchase of slaughter animals from cooperative members is recognised at the current pig and cattle prices for the year and, consequently, does not include any share of supplementary payments, which is treated as dividend.

Distribution costs

Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation and amortisation of and impairment losses on the property, plant and equipment and intangible assets used in the distribution process.

Administrative expenses

Administrative expenses comprise costs incurred for the management and administration of the group, including costs for the administrative staff and the management as well as office expenses and depreciation and amortisation of and impairment losses on the property, plant and equipment and intangible assets used in the administration of the group.

Other operating income and operating expenses

Other operating income and expenses comprise income and expenses of a secondary nature viewed in relation to the group's primary activities.

Government grants

Government grants are recognised when there is reasonable certainty that the conditions for receiving a grant have been met, and the grant will be received.

Government grants received to cover costs incurred are recognised proportionately in the income statement over the periods in which the related costs are recognised in the income statement. The grants are offset against the costs incurred.

Government grants related to an asset are deducted from the cost of the asset.

Special items

Special items include significant income and expenses of a special nature in relation to the group's activities, such as basic structural adjustments as well as any related gains and losses on disposals. Special items also include other significant non-recurring amounts, for example accounting profit in connection with the achievement of a controlling interest in a group company.

Net financials

Net financials comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies, amortisation premiums/deductions concerning mortgage debt etc. as well as surcharges and allowances under the Danish Tax Prepayment Scheme *(acontoskatteordningen)*.

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

Dividend from equity investments is recognised when a definitive right to the dividend has been obtained. This typically takes place when the general meeting approves the distribution of dividend from the company concerned.

Balance sheet

Goodwill

On initial recognition, goodwill is recognised and measured as the difference between the cost of the enterprise acquired, the value of minority interests in the enterprise acquired and the fair value of previously acquired equity investments on the one hand, and the fair value of the assets, liabilities and contingent liabilities acquired on the other as described in the consolidated financial statements section.

On recognition of goodwill, the goodwill amount is distributed onto those of the group's activities that generate independent ingoing payments (cash-generating units). The determination of cash-generating units follows the management structure and internal management control and reporting in the group. Goodwill is not amortised, but is tested for impairment at least once a year as described below.

Other intangible assets

Intellectual property rights acquired in the form of patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the agreement period. If the actual useful life is shorter than the time to maturity and the agreement period, the asset is amortised over the shorter useful life.

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

Software
5 years.

Acquired trademarks
10-20 years.

31 Accounting policies (continued)

Intellectual property rights acquired are impaired to a lower recoverable amount, if any, as described in the section on impairment below.

Property, plant and equipment
Land and buildings, plant and machinery as well as other plant, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

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

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

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

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

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

Land
Is not depreciated.

Buildings
20-40 years.

Special installations
10-20 years.

Plant and machinery
10 years.

Technical plant
5-10 years.

Other plant, tools and equipment
3-5 years.

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

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

Impairment of property, plant and equipment and intangible assets
The carrying amounts of property, plant and equipment and intangible assets with determinable useful lives are reviewed at the balance sheet date to determine if there are any indications of impairment. If this is the case, the recoverable amount of the asset is calculated to determine the need for and scope of impairment.

The recoverable amount of goodwill is calculated annually, whether there are any indications of impairment or not.

If the asset does not generate cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit in which the asset is included.

The recoverable amount is calculated as the highest value of the fair value of the asset and the cash-generating unit, respectively, less selling costs and net present value. When the net present value is calculated, estimated future cash flows are discounted to the present value by using a discount rate which reflects partly the current market assessments of the temporal value of money and partly the special risks which are associated with the asset and the cash-generating unit, respectively, and for which no adjustment has been made in the estimated future cash flows.

If the recoverable amount of the asset and the cash-generating unit is lower than the carrying amount, the carrying amount is impaired to the recoverable amount. For cash-generating units, the impairment is distributed such that goodwill amounts are impaired first and then any remaining impairment need is allocated to the other assets in the unit as the individual asset is not, however, impaired to a value which is lower than its fair value less expected selling costs.

Impairment is recognised in the financial results. In any subsequent reversals of impairment resulting from changes in the prerequisites for the calculated recoverable amount, the carrying amount of the asset and the cash-generating unit is raised to the corrected recoverable amount, but not to more than the carrying amount which the asset or the cash-generating unit would have had, had there been no impairment. Impairment of goodwill is not reversed.

Equity investments in associates and joint ventures
Equity investments in associates and joint ventures are recognised and measured according to the equity method. This means that equity investments are measured at the proportionate share of the enterprises' equity value, calculated according to the group's accounting policies less or plus proportionate internal gains and losses and plus the carrying amount of goodwill.

The proportionate share of the enterprises' net financial results and elimination of unrealised proportionate internal gains and losses and less any impairment of goodwill is recognised in the income statement. The proportionate share of all transactions and events recognised in other comprehensive income in the associate is recognised in the other comprehensive income of the group.

Equity investments in associates and joint ventures with a negative carrying amount are measured at 0 DKK. Receivables and other non-current financial assets which are regarded as being a part of the overall investment in the associate are impaired by any remaining negative equity value. Trade receivables and other receivables are written down only if they are deemed to be irrecoverable.

A provision is recognised solely to hedge the remaining negative equity value if the group has a legal or actual obligation to hedge the liabilities of the enterprise in question.

The purchase method is used for the acquisition of equity investments in associates and joint ventures as described in the above section on the consolidated financial statements.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus landing costs. The cost of manufactured goods and semi-manufactured products comprises costs of raw materials, consumables and direct labour costs as well as fixed and variable production overheads.

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

31 Accounting policies (continued)

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

Biological assets
Biological assets, which for the Danish Crown Group means live animals, are measured at fair value if there is an active market, less expected selling costs or cost. Animals producing slaughter animals (sows, boars etc.) are measured at cost less costs relating to the impairment that arises due to the animals' age. As animals producing animals for slaughter are not traded, there is no market price.

Receivables
Receivables comprise trade receivables and other receivables.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less write-downs for bad debts.

Prepayments
Prepayments under assets comprise incurred costs relating to subsequent financial years. Deferred charges and prepaid expenses are measured at cost.

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

Supplementary payments
Supplementary payments are recognised as a liability at the time of adoption at the meeting of the Board of Representatives.

Pension obligations etc.
Under the defined-contribution plans, the company makes regular, defined contributions to independent pension providers and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as a liability.

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

Under the defined-benefit plans, an actuarial specification is made of the net present value of the future benefits to which the employees have become entitled by way of their previous employment in the group, and which will have to be paid under the plan. The projected unit credit method is used to determine the net present value. The net present value is calculated on the basis of market assumptions of the future development in pay levels, interest rates, inflation, mortality and disability, among other things.

The net present value of the pension obligations less the fair value of any assets related to the plan is recognised in the balance sheet under pension assets and pension obligations, respectively, depending on whether the net amount constitutes an asset or a liability, see below.

In the event of changes in the assumptions concerning the discount rate, inflation, mortality and disability or differences between the expected and realised return on pension assets, actuarial gains or losses will occur. Such gains and losses are recognised in other comprehensive income.

If the pension plan constitutes a net asset, the asset is recognised only if it equals the present value of any repayments from the plan or reductions in future contributions to the plan.

In the event of changes in the benefits that concern the employees' previous employment in the group, a change will occur in the actuarially calculated net present value which is regarded as pension costs for previous financial years. If the comprised employees have already obtained a right to the changed benefit, the change is promptly recognised in the income statement. If not, the change is recognised in the income statement over the period in which the employees obtain a right to the changed benefit.

Provisions
Provisions are recognised when the group has a legal or actual obligation resulting from events in the financial year or previous years, and it is likely that fulfilling the obligation will draw on the group's financial resources.

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

For goods sold that are subject to a right of return, provisions are made to cover the profit on those goods which are expected to be returned and any costs relating to the returns. For planned restructurings of the group's activities, provisions are made only for obligations concerning restructurings which were decided at the balance sheet date.

Mortgage and bond debt
Mortgage and bond debt is measured at fair value at the time of raising of the loan less any transaction costs. Mortgage and bond debt is subsequently measured at amortised cost. This means that the difference between the proceeds from the borrowing and the amount which must be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest method.

Lease commitments
Lease commitments concerning assets held under finance leases are recognised in the balance sheet as liabilities and measured at the time when the contract is concluded, at the lower of the fair value of the leased asset and the present value of the future lease payments. On initial recognition, lease commitments are measured at amortised cost. The difference between the present value and the nominal value of the lease payments is recognised as a financial expense in the income statement over the term of the contracts.

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

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

On initial recognition, other financial liabilities are measured at fair value less any transaction costs. The liabilities are subsequently measured at amortised cost using the effective interest method so that the difference between the proceeds and the nominal value is recognised as a financial expense in the income statement over the loan period.

Deferred income
Deferred income under liabilities comprises income received in respect of subsequent financial years. Deferred charges and prepaid expenses are measured at cost.

Cash flow statement
The cash flow statement shows cash flows concerning operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

The effect on cash flow of acquisition and divestment of businesses is recognised separately under cash flows from investing activities. In the cash flow statement, cash flows relating to acquired enterprises are recognised as from the date of acquisition, and cash flows relating to divested enterprises are recognised until the date of divestment.

31 Accounting policies (continued)

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

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of businesses and financial assets as well as the purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment. Furthermore, cash flows from assets held under finance leases are recognised in the form of lease payments made.

Cash flows from financing activities comprise changes to the parent's capital and costs relating thereto as well as raising and repayment of loans, repayment of interest-bearing debt and disbursement of supple-mentary payments.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less any overdrafts that form an integral part of the cash management.

Segment information
The group is not listed on the stock exchange, and no segment information is disclosed according to IFRS.

In note 2, information is provided on revenue in Denmark and internationally and by business sector. However, this does not represent segment information in accordance with IFRS 8.

Definition of ratios

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

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

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

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

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Income statement

1 October 2017 - 30 September 2018

		Parent	
DKKm	**Note**	**2017/18**	**2016/17**
Revenue	1	13,597	14,660
Production costs		-12,673	-13,861
Gross profit		**924**	**799**
Administrative expenses	2	-45	-46
Operating profit (EBIT)		**879**	**753**
Income from equity investments in group enterprises	6	78	758
Income from equity investments in associates	6	0	-1
Financial income	3	207	280
Financial expenses		-3	-1
Profit before tax		**1,161**	**1,789**
Tax on profit for the year	4	-18	-13
Net profit for the year		**1,143**	**1,776**

Proposed distribution of profit

DKKm	**2017/18**
Net profit for the year	1,143
Total amount available for distribution	**1,143**
To be distributed as follows:	
Transferred to proposed supplementary payments for the year	
Pig suppliers 1,151,952,467 kg of 0.80 DKK	922
Sow suppliers 44,696,935 kg of 0.70 DKK	31
Cattle suppliers 79,247,845 kg of 0.95 DKK	75
Supplementary payments from the year's operations	**1,028**
Return on member's accounts in accordance with article 22.2 d of the articles of association	
Pig suppliers	37
Sow suppliers	1
Cattle suppliers	4
Total return on member's accounts	**42**
Total proposed disbursement	**1,070**
Transferred to equity	
Transferred to personal subordinated accounts	12
Transferred to net revaluation reserve	0
Transferred to other reserves	61
Transferred to equity, total	**73**
Available for distribution, total	**1,143**

Balance sheet – assets
30 September 2018

DKKm	Note	Parent 30.09.2018	Parent 30.09.2017
Non-current assets			
Total intangible assets			
Software	5	4	2
Total intangible assets		**4**	**2**
Financial assets			
Equity investments in group enterprises		2,876	2,717
Receivables from group enterprises		3,150	3,150
Equity investments in associates		19	19
Total financial assets	6	**6,045**	**5,886**
Total non-current assets		**6,049**	**5,888**
Current assets			
Receivables			
Receivables from and prepayments to cooperative members		390	434
Receivables from group enterprises		145	121
Total receivables		**535**	**555**
Cash		**0**	**40**
Total current assets		**535**	**595**
Total assets		**6,584**	**6,483**

Balance sheet – equity and liabilities
30 September 2018

DKKm	Note	Parent 30.09.2018	Parent 30.09.2017
Equity			
Member's accounts		1,548	1,560
Personal subordinated accounts		282	270
Other reserves		2,973	2,830
Proposed supplementary payments for the year		1,070	1,438
Total equity		**5,873**	**6,098**
Provisions			
Other provisions	7	24	24
Total provisions		**24**	**24**
Liabilities			
Non-current liabilities			
Bank debt		352	0
Total non-current liabilities	8	**352**	**0**
Current liabilities			
Trade payables		293	318
Payables to group enterprises		29	30
Income tax payable		12	10
Other payables		1	3
Total current liabilities		**335**	**361**
Total liabilities		**687**	**361**
Total equity and liabilities		**6,584**	**6,483**

Statement of changes in equity
30 September 2018

	Parent					
DKKm	Member's accounts	Personal subordinated accounts	Reserve for net revaluation of equity investments	Other reserves	Proposed supplementary payments for the year	Total
Equity as at 30.09.2016	**1,568**	**215**	**0**	**2,427**	**1,295**	**5,505**
Payments and disbursements for the year	-8	0	0	0	-1,295	-1,303
Foreign currency translation adjustment, foreign enterprises	0	0	-20	0	0	-20
Other adjustments	0	0	135	5	0	140
Net profit for the year	0	55	0	283	1,438	1,776
Transfer	0	0	-115	115	0	0
Equity as at 30.09.2017	**1,560**	**270**	**0**	**2,830**	**1,438**	**6,098**
Payments and disbursements for the year	-12	0	0	0	-1,438	-1,450
Foreign currency translation adjustment, foreign enterprises	0	0	-33	0	0	-33
Other adjustments	0	0	140	-25	0	115
Net profit for the year	0	12	0	61	1,070	1,143
Transfer	0	0	-107	107	0	0
Equity as at 30.09.2018	**1,548**	**282**	**0**	**2,973**	**1,070**	**5,873**

Parent notes

79 **Note 1** Revenue

79 **Note 2** Staff costs

79 **Note 3** Financial income

79 **Note 4** Tax on profit for the year

79 **Note 5** Intangible assets

80 **Note 6** Financial assets

80 **Note 7** Other provisions

80 **Note 8** Bank debt

80 **Note 9** Contingent liabilities etc.

80 **Note 10** Cooperative members' liability

81 **Note 11** Related parties

81 **Note 12** Events occurring after the balance sheet date

81 **Note 13** Accounting policies

Notes

1 Revenue

DKKm	2017/18	2016/17
Distribution by market:		
Denmark	13,597	14,660
	13,597	**14,660**
Distribution by sector:		
Pork	11,784	12,974
Beef	1,813	1,686
	13,597	**14,660**

2 Staff costs

DKKm	2017/18	2016/17
Salaries and wages	26	23
Pensions	1	2
Other social security costs	1	1
	28	**26**
Staff costs are distributed as follows:		
Administrative expenses	28	26
	28	**26**
Of which:		
Remuneration for the parent's Board of Directors	3	3
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	0	0
	4	**4**
Average no. of employees	38	41

3 Financial income

DKKm	2017/18	2016/17
Group enterprises	205	276
Other interest	2	4
	207	**280**

4 Tax on profit for the year

DKKm	2017/18	2016/17
Calculated tax on profit for the year	16	14
Adjustment concerning previous years	2	-1
	18	**13**

Tax on profit for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets and not its income.

Most of the company's profit is paid to the cooperative members in the form of supplementary payments, on which the individual cooperative member must pay tax.

5 Intangible assets

DKKm	Software
Cost as at 1.10.2017	3
Addition	3
Cost as at 30.09.2018	**6**
Amortisation and impairment losses as at 01.10.2017	1
Amortisation for the year	1
Amortisation and impairment losses as at 30.09.2018	**2**
Carrying amount as at 30.09.2018	**4**
Cost as at 1.10.2016	3
Cost as at 30.09.2017	**3**
Amortisation and impairment losses as at 1.10.2016	0
Amortisation for the year	1
Amortisation and impairment losses as at 30.09.2017	**1**
Carrying amount as at 30.09.2017	**2**

6 Financial assets

DKKm	Equity investments in group enterprises	Receivables from group enterprises	Equity investments in associates	Total financial assets
Cost as at 1.10.2017	5,158	3,150	0	8,308
Foreign currency translation adjustments	0	0	0	0
Addition	0	0	0	0
Disposal	0	0	0	0
Cost as at 30.09.2018	**5,158**	**3,150**	**0**	**8,308**
Value adjustments as at 1.10.2017	-2,441	0	19	-2,422
Foreign currency translation adjustments	-33	0	0	-33
Share of net profit	78	0	0	78
Distribution during the year	0	0	0	0
Disposal	0	0	0	0
Other adjustments	114	0	0	114
Value adjustments as at 30.09.2018	**-2,282**	**0**	**19**	**-2,263**
Carrying amount as at 30.09.2018	**2,876**	**3,150**	**19**	**6,045**
Cost as at 1.10.2016	4,758	3,150	0	7,908
Foreign currency translation adjustments	0	0	0	0
Addition	400	0	0	400
Disposal	0	0	0	0
Cost as at 30.09.2017	**5,158**	**3,150**	**0**	**8,308**
Value adjustments as at 1.10.2016	-2,719	0	20	-2,699
Foreign currency translation adjustments	-20	0	0	-20
Share of net profit	758	0	-1	757
Distribution during the year	-600	0	0	-600
Disposal	0	0	0	0
Other adjustments	140	0	0	140
Value adjustments as at 30.09.2017	**-2,441**	**0**	**19**	**-2,422**
Carrying amount as at 30.09.2017	**2,717**	**3,150**	**19**	**5,886**

An overview of subsidiaries and associates appears from the group structure on page 84.

7 Other provisions

DKKm	30.09.2018	30.09.2017
Other provisions as at 1.10.2017	24	24
Utilised during the year	0	0
Other provisions as at 30.09.2018	**24**	**24**

Other provisions include a provision made in connection with a court case abroad. The provision is deemed to cover the company's risk and is expected to be settled within 1-2 years.

8 Bank debt

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

9 Contingent liabilities etc.

DKKm	30.09.2018	30.09.2017
Guarantees to group enterprises, maximum	17,663	15,258
Guarantees to group enterprises, utilised	12,983	9,391

10 Cooperative members' liability

DKKm	30.09.2018	30.09.2017
The cooperative members are personally, jointly and severally liable for the liabilities of the parent. The liability of each cooperative member is calculated on the basis of the supplies made by such member and cannot exceed 25,000 DKK.		
No. of cooperative members	6,830	7,166
Total liability	171	179

11 Related parties

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

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

12 Events occurring after the balance sheet date

No material events have occurred after the balance sheet date.

13 Accounting policies

The financial statements of the parent (Leverandørselskabet Danish Crown AmbA) are presented in accordance with the provisions of the Danish Financial Statements Act *(Årsregnskabsloven)* concerning the reporting of class C (large) enterprises.

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

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

Intra-group company transfers
In connection with intra-group company transfers, the pooling-of-interest method is used, according to which assets and liabilities are transferred to carrying amounts at the beginning of the financial year. The difference between the price paid and the carrying amount of the transferred assets and liabilities is recognised in the equity of the acquiring enterprise.

The comparative figures have been restated to show the enterprises as if they had been combined for the entire period during which they have been under joint control.

Tax
Tax for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

Intangible assets
Goodwill/consolidated goodwill is generally amortised over a period of 5 to 10 years, however, it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer period of amortisation is considered to better reflect the benefit from the relevant resources. Goodwill is not amortised in the consolidated financial statements in accordance with IFRS.

Property, plant and equipment
For self-constructed assets, cost comprises direct and indirect costs relating to materials, components, subsuppliers and labour. Under IFRS, indirect costs cannot be recognised in self-constructed assets.

Depreciation is carried out on a straight-line basis over the useful lives of the assets to the expected residual value. According to the provisions in IFRS, the residual value must be reassessed on an annual basis. In the financial statements of the parent, the residual value is determined on the date of entry into service and is generally not subsequently adjusted.

Equity investments in group enterprises and associates
Equity investments in group enterprises and associates are measured according to the equity method.

The parent's share of the profits or losses of the enterprises is recognised in the income statement after elimination of unrealised intra-group profits and losses minus or plus amortisation of positive, or negative, consolidated goodwill.

Net revaluation of equity investments in group enterprises and associates is taken to reserve for net revaluation of equity investments if the carrying amount exceeds cost.

Cash flow statement
The consolidated financial statements contain a cash flow statement for the group as a whole, and a separate statement for the parent is therefore not included as per the exemption clause in Section 86 of the Danish Financial Statements Act.

Management's statement and auditor's report

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

Today, the Board of Directors and the Executive Board have considered and adopted the annual report of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2017 - 30 September 2018.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the disclosure requirements contained in the Danish Financial Statements Act. The financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act. The management's review have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position as at 30 September 2018 and of the results of the group's and the company's activities and the group's cash flows for the financial year 1 October 2017 - 30 September 2018.

We believe that the management's review contains a fair review of the development in the group's and the company's activities and financial affairs, net profit for the year, the company's financial position and the financial position as a whole for the enterprises included in the consolidated financial statements as well as a description of the most important risks and uncertainty factors facing the group and the company.

We recommend the annual report for adoption by the Board of Representatives.

Randers, 22 November 2018

Executive Board

Jais Valeur
Group CEO

Preben Sunke
Group CFO

Board of Directors

Erik Bredholt
Chairman

Asger Krogsgaard
Vice-chairman

Peder Philipp
Member of the Board of Directors

Peter Fallesen Ravn
Member of the Board of Directors

Palle Joest Andersen
Member of the Board of Directors

Cay Wulff Sørensen
Member of the Board of Directors

Søren Bonde
Member of the Board of Directors

Knud Jørgen Lei
Member of the Board of Directors

Ulrik Bremholm
Member of the Board of Directors

Michael Nielsen
Member of the Board of Directors

Management's statement and auditor's report

Independent auditor's report

To the cooperative members of Leverandørselskabet Danish Crown AmbA

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 30 September 2018 and of the results of the group's operations and cash flows for the financial year 1 October 2017 to 30 September 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the parent company financial statements give a true and fair view of the parent company's financial position at 30 September 2018 and of the results of the parent company's operations for the financial year 1 October 2017 to 30 September 2018 in accordance with the Danish Financial Statements Act

We have audited the consolidated financial statements and the parent company financial statements of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2017 to 30 September 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, a summary of significant accounting policies for both the group and the parent company, as well as statement of comprehensive income and cash flow statement for the group ('financial statements').

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under these standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management's review
The management is responsible for the management's review.

Our opinion on the financial statements does not cover the 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 the management's review and, in doing so, consider whether the 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 the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, the management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the management's review.

Management's responsibilities for the financial statements
The management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as the 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, the management is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless the management either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne 23328

Tue Stengsgård Sørensen
State Authorised Public Accountant
mne 32200

Group structure

Company name		Direct owner's share in %
Leverandørselskabet Danish Crown AmbA	**DK**	
Danish Crown A/S	**DK**	**100**
Tulip Food Company A/S	**DK**	**100**
DK-Food's Holding ApS	DK	100
DK-FOOD's A/S	DK	100
Slagter Munch ApS	DK	100
Tjæreborg Leverpostej A/S	DK	100
Tulip Norge AS	NO	100
Tulip Food Company GmbH **)	DE	100
Tulip Fleischwaren Oldenburg GmbH **)	DE	100
Tulip Food Company France S.A.	FR	100
Tulip Food Company AB	SE	100
Pölsemannen AB	SE	100
Tulip Food Company Italiana S.r.L.	IT	100
Tulip Food Company Japan Co. Ltd	JP	100
Majesty Inc.	US	100
Tulip Food Company B.V.	NL	100
Barriga B.V.	NL	100
Beheer-en belegg Zandbergen & ZN Haarlem B.V.	NL	100
Zandbergen & ZN Haarlem Vastgoed B.V.	NL	100
Zandbergen & ZN Haarlem Vleeswaren B.V.	NL	100
Z.B. Verspak B.V.	NL	100
Tulip International (UK) Ltd	**UK**	**100**
Tulip Ltd	UK	100
Easey Holdings Limited	UK	100
Easey Pigs Limited	UK	100
D Blowers Limited	UK	100
ESS-FOOD Holding A/S	**DK**	**100**
ESS-FOOD A/S	DK	100
ESS-FOOD Brazil Servicos de Consultoria Ltda	BR	100
Overberg Food Distributors Proprietary Limited	ZA	70
Overberg Food Distributors PE Proprietary Limited	ZA	100
Philippi Cold Store Proprietary Limited	ZA	100

Company name		Direct owner's share in %
Danish Crown Holding GmbH **)	**DE**	**100**
Danish Crown GmbH *), **)	DE	90
Danish Crown Fleisch GmbH **)	DE	100
Danish Crown Sp.z o.o.	PL	100
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	DE	90
Danish Crown Teterower Fleisch GmbH **)	DE	100
Scan-Hide A.m.b.a. *)	DK	6
SPF-Danmark GmbH **)	DE	100
WestCrown GmbH	DE	50
Friland A/S	**DK**	**100**
Friland Udviklingscenter ApS	DK	100
Udviklingscenter for husdyr på Friland K/S *)	DK	2
Udviklingscenter for husdyr på Friland K/S *)	DK	48
Friland J. Hansen GmbH **)	DE	100
DAT-Schaub A/S	**DK**	**100**
DAT-Schaub (PORTO) S.A.	PT	100
DAT-Schaub USA Inc.	US	100
DAT-Schaub France S.A.S.	FR	100
DAT-Schaub Gallent S.L.	ES	51
Oy DAT-Schaub Finland Ab	FI	100
Thomeko Oy	FI	100
Thomeko Eesti OÜ	EE	100
DAT-Schaub AB	SE	100
DAT-Schaub (Deutschland) GmbH	DE	100
Gerhard Küpers GmbH	DE	100
DIF Organveredlung Gerhard Küpers GmbH & Co. KG ***)	DE	100
CKW Pharma-Extrakt Beteiligungs- und Verwaltungs GmbH	DE	50
*CKW Pharma-Extrakt GmbH & Co.KG ***)*	DE	50
DAT-Schaub Holdings USA Inc.	US	100
DCW Casing LLC	US	51
DAT-Schaub Casings (Australia) Pty Ltd	AU	100
DAT-Schaub Polska Sp. z o.o.	PL	100
DAT-Schaub (UK) Ltd	UK	100
Oriental Sino Limited	HK	45
Yancheng Lianyi Casing Products Co. Ltd	CN	73

Company name		Direct owner's share in %
Jiangsu Chongan Plastic Manufacturing Co. Ltd	CN	59
Yancheng Xinyu Food Products Ltd	CN	73
Yancheng Huawei Food Products Ltd	CN	73
DAT-Schaub Spain Holding S.L.U.	ES	100
Procesadora Insuban SpA.	CL	80
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	BR	70
BRC Tripas - Comercio de Tripas Ltda.	BR	70
Tripas de Colombia S.A.S.	CO	70
Agrimares S.L.	SP	70
CasCom Srl	IT	49
DAT-Schaub Norge AS	NO	100
Shanghai Natural Casing Co., Ltd	CN	51
Diet4life ApS	DK	67
Sokołów S.A.	**PL**	**100**
Sokołów-Logistyka Sp. Z o.o.	PL	100
Agro Sokołów Sp. Z o.o.	PL	100
Sokołów-Services Sp. Z o.o.	PL	100
Marka Sokołów-Service Sp. Z o.o.	PL	100
Agro Sokołów F1 Sp. Z o.o.	PL	100
Gzella Poland Sp. Z o.o.	PL	100
Gzella Osie Sp. Z o.o.	PL	100
Gzella Net Sp. Z o.o.	PL	100
Gzella Logistics Sp. Z o.o.	PL	100
KLS Ugglarps AB	**SE**	**100**
Scan-Hide A.m.b.a. *)	DK	22
Svenska Köttföretagen AB	SE	22
Charkprodukter i Billesholm AB	SE	100
Other subsidiaries in Danish Crown A/S		
Scan-Hide A.m.b.a. *)	**DK**	**39**
Scan-Hide Sweden AB	SE	100
KHI Fastighets AB	SE	100
DC Pork Rønne ApS	**DK**	**100**
SPF-Danmark A/S	**DK**	**100**
Danish Crown USA Inc.	**US**	**100**
Danish Crown UK Limited	**UK**	**100**
Leivers Brothers Ltd	UK	100
Danish Crown GmbH *), **)	**DE**	**10**

Company name		Direct owner's share in %
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	**DE**	**10**
Scan-Hide A.m.b.a. *)	DK	12
Danish Crown S.A.	**CH**	**100**
Danish Crown/Beef Division S.A.	**CH**	**100**
DAK AO	**RU**	**100**
Danish Crown España S.A.	**ES**	**100**
Danish Crown France S.A.S.	**FR**	**100**
Danish Crown Division Porc S.A.S.	FR	100
Danish Crown Japan Co., Ltd	**JP**	**100**
ESS-FOOD Hong Kong Ltd	**HK**	**100**
ESS-FOOD (Shanghai) Trading Co. Ltd	CN	100
Danish Crown Korea, Liaison Office	**KR**	**100**
Danish Crown (China) Co. Ltd	**CH**	**100**
Tulip K-Pack AB	**SE**	**100**
Associates		
Daka Denmark A/S	DK	43
Agri-Norcold A/S	DK	43
Danske Slagterier ◊)	DK	92
Svineslagteriernes Varemærkeselskab ApS ◊)	DK	92

*) Appears several times in the group structure.

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

***) The following enterprises have exercised their right of exemption under Section 264b of the German Handelsgesetzbuch (HGB): The consolidated financial statements are published in Deutsche Bundesanzeiger.

◊) Due to provisions of the articles of association requiring important decisions to be unanimous, the group does not have a controlling interest despite an owner's share of more than 50 per cent.

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