



DANISH CROWN

HALF-YEAR REPORT 2015/16

Leverandørselskabet DANISH CROWN AmbA

CVR-no. 21 64 39 39

MANAGEMENT'S REVIEW

Market development

The Danish Crown Group is a global food company focusing primarily on meat and meat products - fresh meat products as well as processed products.

In the first half year of 2015/16, the Danish Crown Group has improved its competitiveness compared to Germany. This is, among other things, the result of increased sales on the Asian markets, especially in China and Japan. The close European markets are still challenged due to the combination of weak demand and over-supply of meat.

On the UK market the first half year has been characterised by an intense competition in retail, which places increasing demands to competitiveness and speed of development. Targeted initiatives have been commenced in order to strengthen the group's position and competitiveness on the UK market.

As per 1 October 2015, Danish Crown acquired control of the Swedish slaughterhouse company Dalsjöfors, and the integration with the group's other Swedish activities has commenced. Moreover, joint venture cooperation with Westfleisch regarding deboning of sows in Germany is being implemented. Both activities are proceeding according to schedule.

Net profit for the first half year of 2015/16

The market conditions are reflected in a flat development of revenue in spite of the acquisition of Dalsjöfors. With a keen focus on earnings, the group has succeeded in maintaining an unchanged gross margin, while a minor cost increase leads to a profit marginally below last half year.

In a very competitive retail market it is satisfactory that Danish Crown Foods achieves a profit on par with last year. DAT-Schaub's earnings have decreased a little due to decreasing world market prices on sheep casings, while Danish Crown Fresh Meat delivers good sales performance, causing that Danish Crown's cooperative members in the period are paid in average 0.49 DKK more per kilo pork supplied than their colleagues in Germany

Special items include impairment on facilities in the UK that have been taken out of operations.

The group's net financing costs are lower than last half year due to reduction of the net-interest bearing debt of approx. DKK 1.7 billion.

Similar to last half year, the tax rate amounts to 16.3 per cent of profit before tax.

Net profit for the first half year of 2015/16 amounts to DKK 819 million compared to DKK 852 million last year, which is seen as satisfactory under the given market conditions.

Balance sheet

Total assets have been reduced by DKK 2.3 billion since the end of first half year 2014/15. The reduction can partly be attributed to the work with reduction of the working capital, and partly to decreasing foreign exchange rates on the group's primary currencies (GBP, USD and PLN), affecting by DKK 0.7 billion, while decreasing sales- and raw material prices also contribute to the reduction.

The group's equity by the end of the half year 2015/16 totals DKK 6.4 billion compared to DKK 6.5 billion at the end of the half year 2014/15. The development in foreign exchange rates reduces the equity with DKK 0.4 billion. The group's debt gearing at the end of the half year totals 3.3 x EBITDA compared to 3.7 x EBITDA at the end of first half year last year.

The group's net-interest bearing debt at the end of the first half year 2015/16 totals DKK 12.2 billion compared to DKK 13.9 billion at the end of the first half year 2014/15. The decrease reflects partly the consolidation and partly the reduction of working capital.

The group is still primarily financed by credits with a maturity of more than one year. 72 per cent of the Interest-bearing debt is long-term - against 65 per cent at the end of the half year 2014/15 - due to an active asset management.

STATEMENT BY THE EXECUTIVE BOARD

Today, the Executive Board has considered and adopted the half-year report of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2015 - 31 March 2016.

The half-year report has not been audited or reviewed by the company's auditor.

In our opinion, the half-year report gives a true and fair view of the group's assets, liabilities and financial position as at 31 March 2016 and of the results of the group's activities and cash flows for the period 1 October 2015 - 31 March 2016.

We believe that the management's review contains a fair review of the development in the group's activities and financial affairs, the half-year result, and the financial position as a whole for the companies included in the consolidated financial statements

Randers, 24 May 2016

Executive Board:

Jais Valeur
Group CEO

Preben Sunke
Group CFO

Income statement, half-year 2015/16

(1 October 2015 - 31 March 2016)

	2015/16	2014/15
	DKKkm	DKKkm
Revenue	29.420	29.228
Production costs	-25.311	-25.155
Gross profit	4.109	4.073
Distribution costs	-2.139	-2.129
Administrative expenses	-902	-843
Other operating income	22	25
Other operating expenses	-13	-8
Income from equity investments in associates and joint ventures	36	46
Operating profit before special items (EBIT)	1.113	1.164
Special items	-9	-10
Operating profit after special items	1.104	1.154
Financial income	49	59
Financial expenses	-174	-194
Profit before tax	979	1.019
Tax on profit for the year	-160	-167
Net profit for the half year	819	852

Statement of comprehensive income, half-year 2015/16

(1 October 2015 - 31 March 2016)

	2015/16	2014/15
	DKKkm	DKKkm
Net profit for the half year	819	852
Items which may subsequently be transferred to the income statement	-140	356
Items which cannot be transferred to the income statement	0	0
Other comprehensive income	-140	356
Comprehensive income	679	1.208

Balance sheet - assets 31 March 2016	31.03.2016 DKKkm	30.09.2015 DKKkm	29.03.2015 DKKkm
Goodwill	2.280	2.320	2.361
Software	113	108	105
Acquired patents, trademarks and similar rights	388	400	432
Intangible assets	2.781	2.828	2.898
Land and buildings	5.485	5.725	5.770
Plant and machinery	3.746	3.958	3.857
Other fixtures, fittings, tools and equipment	250	270	268
Property, plant and equipment in progress and prepayments	721	611	928
Property, plant and equipment	10.202	10.564	10.823
Equity investments in associates and joint ventures	372	347	356
Other securities and equity investments	41	9	109
Financial assets	413	356	465
Biological assets	79	88	95
Deferred tax assets	426	440	502
Non-current assets	13.901	14.276	14.783
Inventories	4.728	4.560	5.127
Biological assets	242	274	278
Trade receivables	5.679	6.435	6.847
Receivables from and prepayments to cooperative members	270	389	240
Receivables from associates	42	8	6
Other receivables	582	454	454
Prepayments	253	140	212
Receivables	6.826	7.426	7.759
Other securities and equity investments	135	139	147
Cash	122	104	151
Current assets	12.053	12.503	13.462
Total assets	25.954	26.779	28.245

Balance sheet - equity and liabilities 31 March 2016	31.03.2016 DKKm	30.09.2015 DKKm	29.03.2015 DKKm
Contributed capital	1.574	1.572	1.580
Personal subordinated accounts	113	113	0
Other reserves and retained earnings	4.745	5.487	4.873
Equity (including minority interests)	6.432	7.172	6.453
Pension obligations	188	189	248
Deferred tax liabilities	387	392	408
Other provisions	195	187	206
Subordinate loans	54	54	54
Mortgage debt	3.592	3.652	3.968
Other debt, issued bonds	1.535	1.549	1.575
Other credit institutions	818	1.499	1.094
Bank debt	3.162	4.204	2.717
Finance lease commitments	62	59	66
Non-current liabilities	9.993	11.785	10.336
Other provisions	101	117	100
Subordinate loans	0	2	0
Mortgage debt	110	116	462
Other debt, issued bonds	0	0	712
Other credit institutions	2.963	448	3.665
Bank debt	463	1.075	261
Finance lease commitments	11	13	11
Trade payables	3.443	3.718	3.600
Payables to associates	30	47	43
Income tax payable	127	170	198
Other payables	2.226	2.054	2.351
Deferred income	55	62	53
Current liabilities	9.529	7.822	11.456
Liabilities	19.522	19.607	21.792
Total equity and liabilities	25.954	26.779	28.245

Statement of changes in equity 31 March 2016	Contri- buted capital DKKm	Personal subor- dinated accounts DKKm	Reserve for foreign currency translation adjustments DKKm	Reserve for value adjustments of hedging instruments DKKm	Retained earnings DKKm	Total DKKm	Hereof attribut- able to minority interests DKKm
Equity as at 28 September 2014	1.505	0	97	-27	4.848	6.423	173
Net profit for the half year					852	852	
Total other comprehensive income			332	24		356	
Payment of contributed capital, net	75					75	
Supplementary payments disbursed					-1.218	-1.218	
Acquisition of or dividend to minority interests					-35	-35	
Equity as at 30 March 2015	1.580	0	429	-3	4.447	6.453	171
Net profit for the half year					969	969	
Total other comprehensive income			-171	-62	-6	-239	
Payment of contributed capital, net	-8					-8	
Supplementary payments disbursed		113			-113	0	
Acquisition of or dividend to minority interests					-3	-3	
Equity as at 01 October 2015	1.572	113	258	-65	5.294	7.172	202
Net profit for the half year					819	819	
Total other comprehensive income			-136	-3	-1	-140	
Payment of contributed capital, net	2					2	
Supplementary payments disbursed					-1.425	-1.425	
Acquisition of or dividend to minority interests					4	4	
Equity as at 31 March 2016	1.574	113	122	-68	4.691	6.432	206

Cash flow statement, half-year 2015/16 (01 October 2015 - 31 March 2016)	2015/16 DKKkm	2014/15 DKKkm
Operating profit before special items (EBIT)	1.113	1.164
Operating profit before special items (EBIT)	1.113	1.164
Change in net working capital	268	-120
Other adjustments	396	523
Cash flows from operating activities	1.777	1.567
Acquisition of businesses	-82	0
Other investments	-770	-682
Cash flows from investing activities	-852	-682
Cash flows from financing activities	-907	-866
Change in cash and cash equivalents	18	19
Cash and cash equivalents as at 30 September 2015	104	132
Foreign currency translation adjustments	0	0
Cash and cash equivalents as at 31 March 2016	122	151

Note 1 Significant accounting policies

The half-year report for 2015/16 includes a summary consolidated financial statement for Leverandørselskabet Danish Crown AmbA and its subsidiaries.

The half-year report for 2015/16 is presented according to the same accounting principles and significant accounting estimates as the annual report for 2014/15 for Leverandørselskabet Danish Crown AmbA. Reference is made to mention of applied accounting policies and significant accounting estimates in note 1 and 30 in the annual report for 2014/15.

There are no changes to the accounting policies compared to last year due to new and changed standards.

Leverandørselskabet Danish Crown AmbA is a limited liability cooperative with domicile in Denmark.

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

Note 2 Seasonal fluctuations

Due to seasonal fluctuations in sale of the group's main products, the revenue is historically speaking lower in the first half year than in the second half year. Correspondingly, the group's inventory is historically speaking higher by the end of the first half year than by the end of the second half year since inventory is built up for sale in the peak season.