

# Idavang A/S

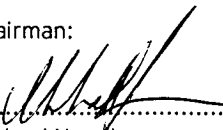
Tofthøjvej 41, 7321 Gadbjerg

CVR no. 20 95 61 43

## Annual report 2016

Approved at the Company's annual general meeting on 1 May 2017

Chairman:

  
.....  
Michael Henriksen

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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Idavang A/S for the financial year 1 January - 31 December 2016.


The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2016.

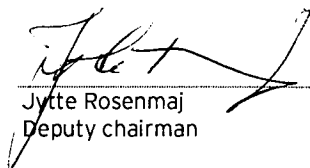
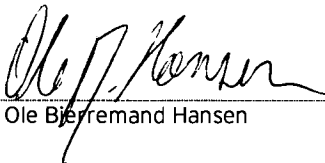
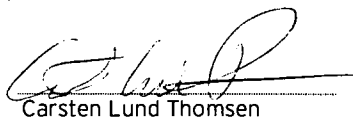
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Gadbjerg, 1 May 2017  
Executive Board:

  
Claus Baltersen  
CEO  
Michael Henriksen  
CFO

Board of Directors:

  
Niels Hermansen  
Chairman  
Jytte Rosenmaj  
Deputy chairman  
Peer Munkholt  
Ole Bjerremund Hansen  
Carsten Lund Thomsen

## Independent auditors' report

To the shareholders of Idavang A/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Idavang A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 our procedures, we conclude that 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 misstatements of the Management's review.

### Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

## Independent auditor's report

In preparing the consolidated financial statements and the parent company financial statements, 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 consolidated financial statements and the parent company financial statements unless 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 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 consolidated financial statements and parent company financial statements.

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

Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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.

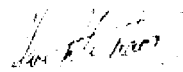
Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions 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.

### Independent auditor's report

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, 1 May 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Hans Peter Roug  
State Authorised  
Public Accountant

## Management's review

### Company details

Name	Idavang A/S
Address, zip code, city	Tofthøjvej 41 7321 Gadbjerg
CVR no.	20 95 61 43
Established	1998
Financial year	1 January - 31 December
Website	<a href="http://www.idavang.com">www.idavang.com</a>
Telephone	+45 75 87 64 15
Board of Directors	Niels Hermansen, Chairman Jytte Rosenmaj, Deputy chairman Peer Munkholt Ole Bjerremand Hansen Carsten Lund Thomsen
Executive Board	Claus Baltersen, CEO Michael Henriksen, CFO
Shareholders	Jast Holding ApS, Tofthøjvej 41, 7321 Gadbjerg, 80% International Finance Corporation, 2121 Pennsylvania Avenue, Washington DC 20433, USA, 20%
Ultimate parent company	Jast Holding ApS, Tofthøjvej 41, 7321 Gadbjerg, 80%
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, 8000 Aarhus C

## Management's review

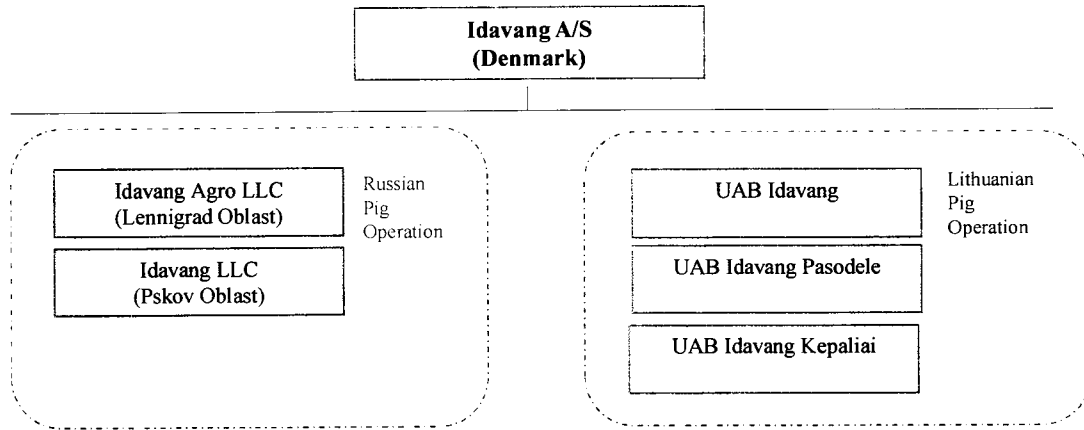
### Financial highlights

EUR'000,000	2016	2015	2014	2013	2012
<b>Key figures</b>					
Revenue	95,1	91,2	115,3	102,9	104,3
EBITDA	26,0	20,3	38,3	19,2	23,8
Profit/loss before net financials (EBIT)	18,7	12,3	29,5	10,9	16,8
Net financials	-3,8	-6,3	-10,4	-8,7	-6,2
<b>Profit/loss for the year</b>	<b>14,3</b>	<b>5,9</b>	<b>18,8</b>	<b>1,9</b>	<b>12,0</b>
<b>Tangible assets</b>					
Tangible assets	98,0	87,6	98,6	124,9	123,6
Biological assets (herd and crop)	43,8	32,6	35,4	44,0	43,0
<b>Total assets</b>	<b>165,0</b>	<b>145,5</b>	<b>155,2</b>	<b>194,1</b>	<b>201,0</b>
<b>Equity</b>	<b>72,3</b>	<b>50,0</b>	<b>57,3</b>	<b>67,5</b>	<b>78,1</b>
Non-current liabilities	64,6	56,9	70,2	85,6	92,9
Current liabilities	28,2	38,5	27,8	41,1	27,9
<b>Cash flows</b>					
Cash flows from operating activities	14,6	10,9	29,6	12,8	10,0
Net cash flows from investing activities	-2,9	-3,9	-8,2	-17,2	-32,1
Cash flows from financing activities	-11,5	-2,7	-20,1	1,3	18,0
<b>Total cash flows</b>	<b>0,2</b>	<b>4,3</b>	<b>1,4</b>	<b>-3,2</b>	<b>-4,1</b>
<b>Financial ratios</b>					
EBITDA margin	27%	22%	33%	19%	23%
Current ratio	196%	109%	141%	120%	202%
Equity ratio	44%	34%	37%	35%	39%
Return on equity	20%	12%	33%	3%	15%
Sold volume liveweight (kMT)	86	75	75	71	69
Net interesting-bearing debt (NIBD)	68,1	74,4	79,5	104,6	96,7
Return on average invested capital (ROIC)	14%	9%	19%	6%	11%
<b>Average number of full-time employees</b>					
Average number of full-time employees	787	767	871	831	822

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.



Group chart



Above group chart only shows operational entities. All group enterprises are owned 100% directly or indirectly by Idavang A/S.

## Management's review

Revenue for the Idavang A/S group was EUR 95.1m in 2016 against EUR 91.2m in 2015.

EBITDA was EUR 26.0m against EUR 20.3m and profit after tax was EUR 14.3m against EUR 5.9m in 2015.

The year started weak, but 2<sup>nd</sup> half of 2016 demand started increasing, the result for FY2016 live up to expectations. The market shift was driven by strong demand from China particular, but other Asian countries also contributed. The sales prices in Russia and Lithuania have increased significant during 2016, hence the value adjustment of the herd had record size in 2016, but this also illustrate our expectations to the market going forward, as the major trend on protein is driving demand.

Our field activities had a poor harvest during 2016 due to bad weather conditions, but the effect of improved feed conversion within production made during 2016 compensated for this.

The Group invested EUR 3.6m in 2016, which is significantly less than depreciation of EUR 7.2m.

Net interest-bearing debt (NIBD) decreased by EUR 6.3m (8%) in 2016. The decrease of NIBD was negative influenced the appreciation in the EURRUB exchange rate by EUR 5.7m, hence with unchanged exchange rates reduction in NIBD would have been EUR 12m.

Further biogas plants were established in Lithuania in corporation with Modus Energy, meaning that eight are now in operation, and the combined result is now positive, even with substantial running in cost. The total investment in biogas plants is now 19 mEUR by joint venture with partner Modus Energy.

### Vision

Our vision is to produce pigs of high quality in undersupplied markets, always taking into consideration both ethical and environmental rules and standards.

### Mission

Our mission is to be the leading producer of pigs in the Baltic countries and North Western Russia.

Furthermore, we want to be renowned for producing pigs of high quality and for being the leading company in regard to ethical and environmental standards. We strive to be an important and significant partner for our customers and the surrounding community. We wish to continue to offer an exciting and attractive workplace that provides our employees with personal and professional development in an appealing environment with steady career possibilities.

## Management's review

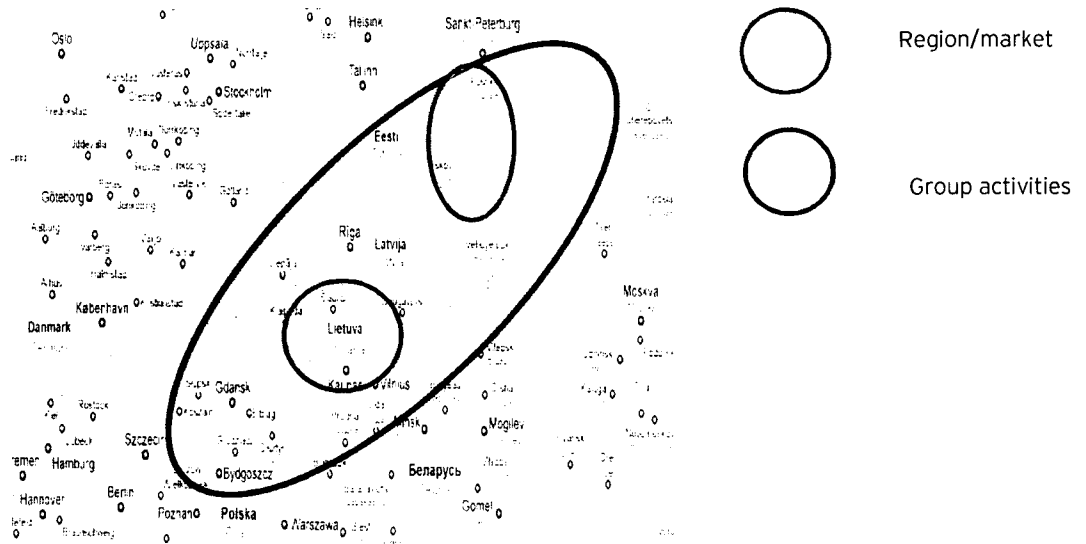
### Core activity

Idavang's core activity is the production and sale of high-quality slaughter pigs and weaners in Russia and Lithuania.

Idavang specialises in both brown field and green field pig production projects in Lithuania and Russia.

We acquire and invest along with International Finance Corporation (part of World Bank Group) in larger production sites. We refurbish the facilities and renew the technology and knowhow with the companies well-developed production solutions.

Production sites are within a reasonable geographic area to enhance synergies.



## Management's review

### Historical development

1999 Idavang A/S started operating the first farm Salnaiciai (Lithuania) with an initial investment of EUR 800 thousand.

1999-2002 Rupinskai farm was acquired; in total, 3,000 sows were held.

2003-2006 Musa, Sajas and Kalvarija farms were acquired, and the production volume exceeded 11 kMT by 2005.

Idavang paired off with IØ Fund (Danish Government) in Lithuanian operations from 2001-2005.

2007-2010 Skabeikiai, Lekeciai and Pasodele farms were bought, bringing sows in operation up to 19,000.

2010-2011 Activities were expanded to Russia as Farm Idavang Ostrov was acquired where the construction of a green field farm began in 2011 and Farm Vostochny was acquired (mid-2011). Farm Vostochny totals 6,600 sows. Furthermore, in 2011 the International Finance Corporation (part of World Bank Group) became an Idavang A/S shareholder and Joniskis, Seduva and Sesupe farms were acquired in Lithuania.

2012-13 Russian expansion continued. Farm Ostrov went into operation, and field operations increased significantly.

2014-16 Construction of eight biogas sites in Lithuania in cooperation with Modus Energy and establishment of contracting in Poland. Also, in 2014 a small farm in Ramygala was acquired, which Idavang Lithuania started to use as a boars station in 2015.

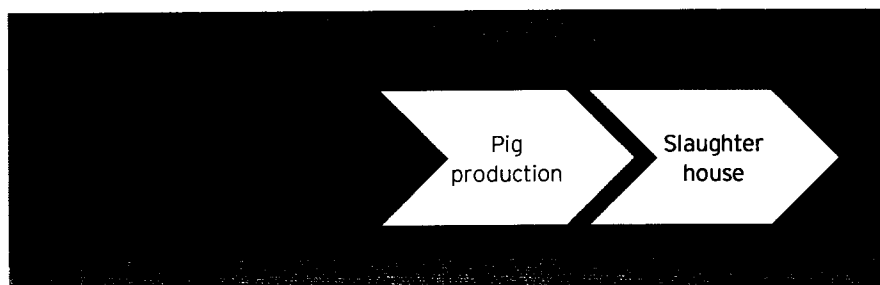
### Business Focus

#### Lithuania

Our Lithuanian business model focuses primarily on pig production within brown field projects.

Our core competencies and superior efficiency in pig production take advantage of premier Danish production technology and quality.

Our grain is bought from third parties through stable and secure agreements.

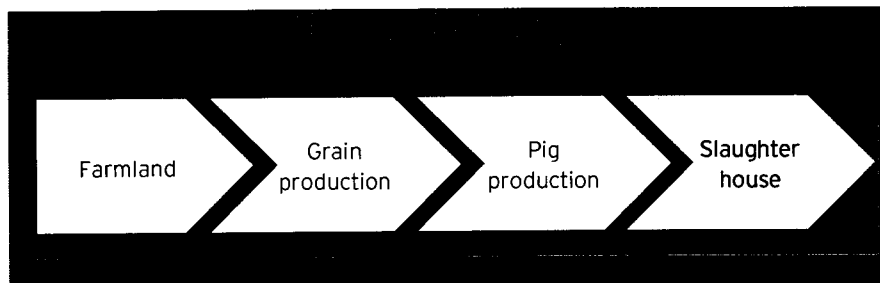


## Management's review

### Russia

Our Russian business model focuses both on farmland, grain production and pig production in both green field and brown field projects.

Also here, our core competencies and superior efficiency in pig production take advantage of premier Danish production technology and quality. Grain production is added to the value chain, which secures supply of grain and removes dependency on Russian farmers. The extended control of the value chain also utilises synergies and reduces risk of fluctuations in grain prices. Farmland is added to the value chain due to low cost of land.



### Knowledge resources

Idavang produces commodities in an international, competitive environment. One of the only ways we can secure our position as market leader in regard to productivity and quality is to retain our employees, develop their skills and enable them to constantly improve.

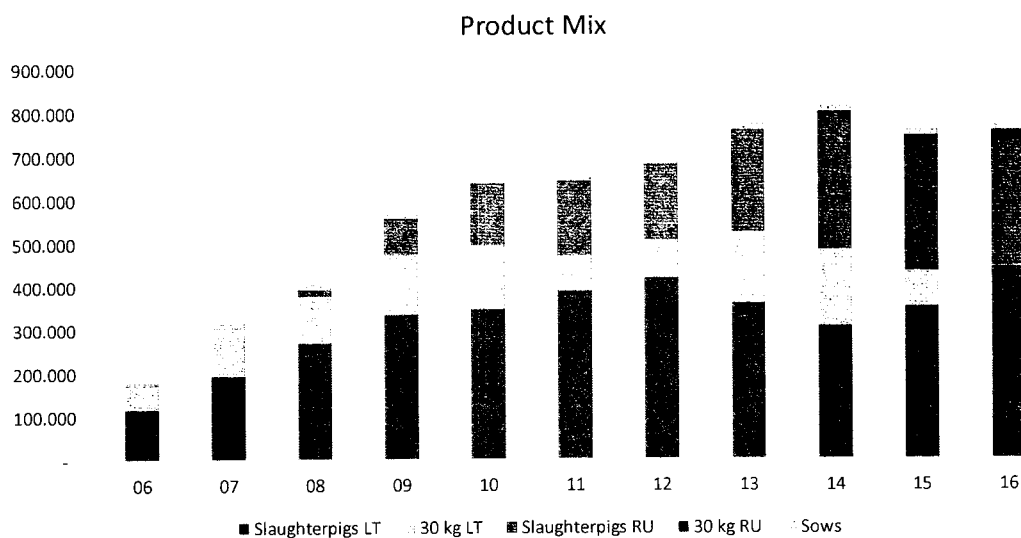
## Business review 2016

### Revenue

Revenue increased from EUR 91.2m to EUR 95.1m (+4%). The increase of EUR 3.9m was mainly driven by conversion of weaner sale in Lithuania into sales of slaughter pigs. The average sales price for slaughterpigs is slightly lower, but that is due weaker Russian and stronger Lithuanian sales prices.

Sales prices in EUR / Averages	2013	2014	2015	2016
Slaughter pigs Lithuania - Price / Kg live weight	1.28	1.13	0,99	1,08
Weaners Lithuania - Price / Unit	63	58	49	
Slaughter pigs Russia - Price / Kg live weight	1.61	1.91	1.49	1.24
Weaners LT - Price / Unit		79	66	53

## Management's review



### Herd value adjustment

In 2016, the fair value adjustment for commercial herd comprised EUR 7.2m and was mainly caused by an increase meat prices in Lithuania. The fair value adjustment for breeding herd amounted to -1.2 m.

### Production cost

Production costs increased by EUR 5.6m to EUR 79.5m (8%). The increase was mainly driven by the following two factors:

#### Contracting in Polen

Feed costs for contracting increased by EUR 4.5m (EUR 2,0m in 2015) and associated cost EUR 1,3m (EUR 0,5 mEUR in 2015), hence EUR 2,8 m from the increase is due to contracting.

Decrease in EBITDA field result of EUR 2.7m, mainly due to yield as a consequence of adverse weather conditions

### Subsidies

The Government decreased the level of direct subsidies for meat and grain (excluding interest subsidies) to EUR 0.1m (2015: EUR 0.3m).

Main subsidy received is interest subsidies for agriculture loans in Russia which was EUR 1.3m (2015: EUR 2.2m).

## Management's review

### Investments

Idavang's investments in 2016 totalled EUR 3.6m (EUR 4.6m in 2015).

Investments in Russia, EUR 3.1m (EUR 3.9m in 2015) relates mainly to new equipment for fields was EUR 1.0m among other 2 new combiners, the remaining EUR 2.1m is partly maintenance investments (e.g. new pigtrailers), cost saving projects (e.g. replacement of lights with LED) and finalization of existing sites.

Investments in Lithuania of EUR 0.5m (EUR 0.7m in 2015) were mainly related to minor miscellaneous investments.

### Follow-up on expressed expectations

#### Meat prices

- EU/Lithuania average prices were expected to be similar or slightly higher than 2015, and with a price level 10% higher than 2015 they positively surpassed our expectations. This was driven by high export mainly to Asia.
- Russia: Our expectation was that prices would stay higher than EU in EUR, which also happened but on a lower level than expected.

Feed price turned out as expected, being at the same level as 2015 (actual feed price was 1.9% lower).

### Outlook

Regarding 2017, the Company has positive expectations to the profitability in both our markets:

#### Meat prices

- EU/Lithuania average prices for 2017 are expected to be higher than 2016.
- Russia pork prices are also expected to be higher than 2016.

Feed price is expected to be at the same level as in 2016.

### The current risks

The Board of Directors regularly assesses the overall and specific risks associated with Idavang's business and operations and seeks to ensure that such risks are managed in a proactive and efficient manner. Internal control systems have been established and are regularly reviewed by the Board of Directors to ensure that they are appropriate and sufficient.

### Fluctuations in prices of pork

As pork is a global commodity, global supply and demand influences prices in all markets to a higher or lower degree.

Idavang mitigates this by focusing on markets where there is an undersupply of pork. Thereby, we compete with producers in other markets, which need to transport the pork to North Western Russia or Lithuania.

### Fluctuations in Russian customs, subsidies and if Russia allows import of pork and live pigs from the EU

Russia wants to support domestic development of agriculture business and especially pork production where there is an undersupply.

## Management's review

### Current situation regarding support from the Russian government

There is currently a customs duty of 5% on live pigs imported to Russia, but this import has been closed for Europe due to veterinarian reasons / embargo during 2014-15. Therefore, the main competitive product is imported chilled and frozen meat within or outside quotas from Brazil.

Interest subsidies of 8-14% on loans, which fulfil a number of criteria, typical a net interest of 3,5-5%.

### Fluctuations in prices of raw materials

Pigs are fed grain, protein (e.g. soya and sunflower) and premixes (vitamin and minerals), which account for a significant part of production costs.

An increase in these prices, together with an inability to transfer such increased costs to slaughterhouses, may have a material adverse effect on Idavang's profit.

Over time, such an imbalance will lead to inefficient producers and closed productions; hence supply will be reduced, which will increase prices again.

Idavang mitigates this exposure by being a cost-efficient producer with high productivity and operations in markets with natural premiums.

### Concentration of production facilities in North Western Russia and Lithuania

The concentration of production facilities in North Western Russia and Lithuania means that Idavang's operations are dependent on the degree to which raw materials can be imported into North Western Russia and Lithuania.

Furthermore, the possibility of exporting from Lithuania to EU and especially Russia (if it opens up borders) ensures the best prices for Lithuanian live pigs.

Two areas can disrupt this export possibility: the political situation and outbreaks of diseases.

Currently, Russian borders are closed for all imports of live commercial pigs, and for chilled and frozen meat from a number of countries due to veterinarian and/or political reasons (embargo).

### Russian, EU and global economic conditions

An economic downturn or an uncertain economic outlook in the Russian economy could adversely affect consumers' meat and pork consumption habits.

Similarly, a global economic downturn or an uncertain economic outlook in the world economy could adversely affect global consumers' meat and pork consumption habits. With pork being a global commodity, the individual regions as EU or Russia will also be affected, but the effects might be lower as regional markets have own fluctuations.

### Diseases

An outbreak of a serious disease could potentially cause a loss of earnings from the relevant farm for a period during which a replacement herd would be put into operation. Production management places high focus on the risk, and the highest biosecurity measures are taken.

Furthermore, the herd is insured for all diseases to mitigate the risk to the highest possible degree.

### Financial risks

During 2016, the RUB has fluctuated significantly against the EUR. The total effect for 2016 was a 20% appreciation EUR/RUB, which among others affected equity positively by EUR 8m, as all Russian tangible assets are measured in RUB.

For more information about financial risks, see note 22.



## Management's review

### Audit Committee

The Board of Directors has set up an Audit Committee to assist it in supervising the financial reporting process and the efficiency of Idavang's internal control and risk management systems.

The Executive Board is responsible for maintaining controls and an effective risk management system and it has taken the necessary steps to address the risks identified in relation to financial reporting.

The composition of the Board of Directors, Audit Committee and Executive Board ensures the availability of relevant competencies with respect to internal controls and risk management.

### Corporate Social Responsibility

Idavang's CSR policy covers the four areas of the UN Global Compact:

- Human Rights
- Labour Rights
- Environment
- Anti-corruption

The CSR policy also has special focus on climate change, occupational health and safety, animal welfare and community development.

The company focuses on the following five values:

- Respect and trust
- Quality and Ethic
- Transparency
- Responsibility towards the environment
- Constant development

The Idavang Group is constantly working on safeguarding these values throughout our organisation. Historically, the Idavang Group has always placed high focus on CSR, including animal welfare. Consequently Idavang have had group-housed sows and used partly slatted floors since its establishment in 1999.

### Intellectual capital resources

Idavang considers the employees and the organizational culture as the most important assets of the company. The Company's long-term success is highly linked to attracting, retaining and developing the employees, which is why both internal and external training and education are priorities of Idavang.

### Anti-corruption Policy

The aim of the company's anti-corruption policy is to define Idavang's business practice for countering corruption and bribery and to provide guidance to employees.

Idavang has a zero tolerance policy towards bribery and corruption. This policy extends to all Idavang's business dealings and transactions in all countries in which we operate. The policy is fully implemented in both Lithuania and Russia.

Suppliers and business contacts are periodically being informed about requirements either through contracts or meetings.

## Management's review

### Environmental matters

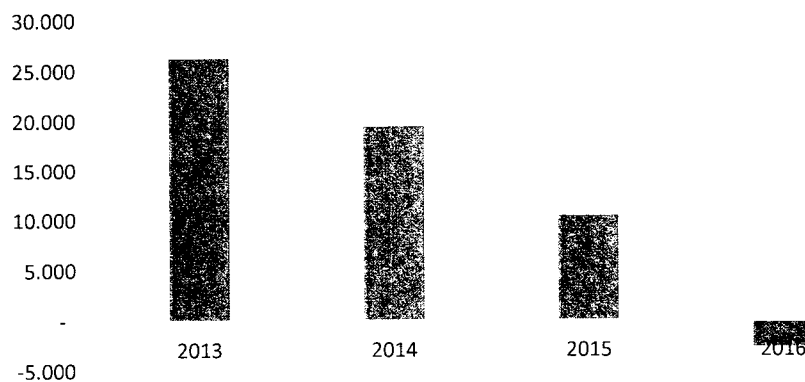
Environmental matters are an integrated part of Idavang's mission.

We constantly strive to take care of the environment in all everyday actions, and we acknowledge the need to take care of natural resources to the benefit of future generations.

Our focus is to reduce any negative impact that our production may have on the environment. We do not have full ownership of the entire value chain. However, we urge all our business partners to help us take care of the environment.

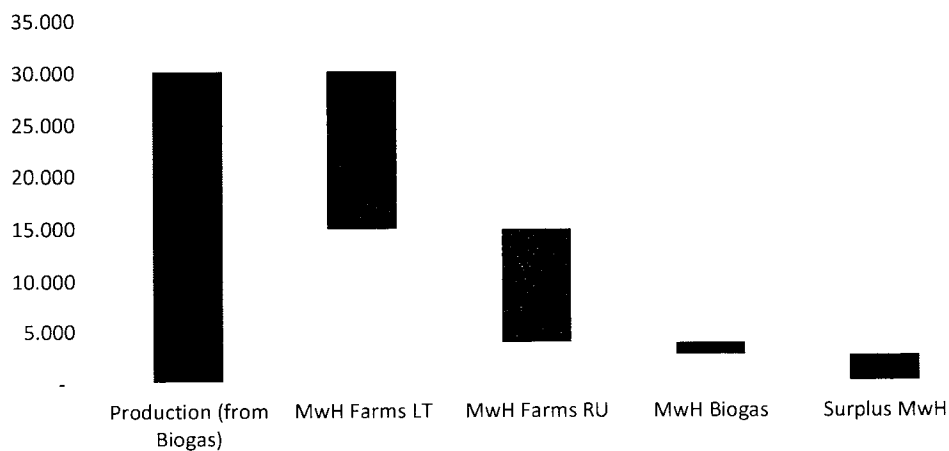
In corporation with a business partner (Modus Energy) we have established biogas plants with the aim to improve environmental targets.

### Net consumption MWh



One of the environmental targets is energy consumption where Idavang (with Modus Energy) became self-supplied with electricity in 2016, mainly due to implementation of biogas plants.

### Electricity balance MWh



But energy efficiency focus also extends to the energy usage of the individual farm. Hence, mainly the installation of LED lamps in 2016 has again reduced energy consumption overall in Russian farms by 5%.

## Management's review

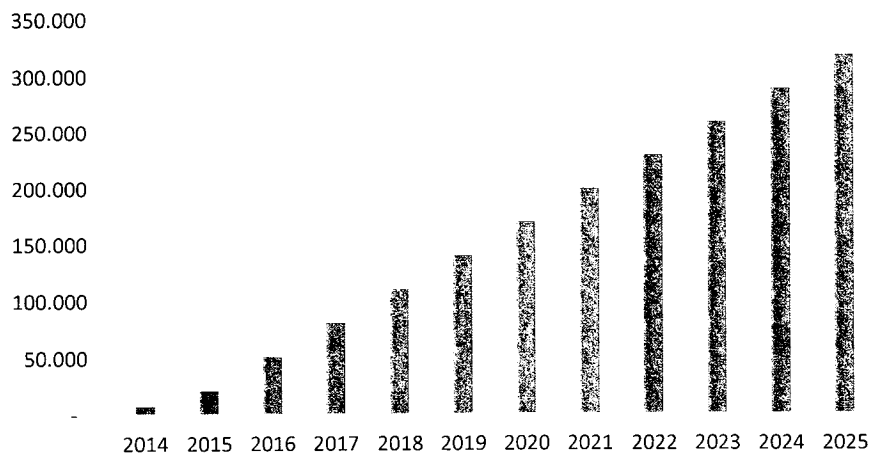
### Main environmental issue

The main environmental issue in our business is related to our production facility, which stores manure and uses it on agricultural land. The overall environmental strategy is to separate the manure and create a product that can be used as fertiliser.

The implementation of a high-tech environmental system in Russia on the Voschochny farm (2010) was the first step to improve the utilization of slurry, and the implementation of biogas plants (with Modus Energy) is a continuation hereof. In the recycling process, the manure becomes an almost odourless, high-quality organic fertilizer.

An important benefit the biogas plants save CO<sub>2</sub>. With the current plants the decrease in CO<sub>2</sub> emissions is equivalent to planting more than 300.000 trees over the next 10 years.

### Biogas plant = Planting trees



### Closed Lagoons

On every farm we have closed lagoons with top and double liners to prevent the emission of ammonia, nitrogen (greenhouse gas). Closed lagoons also ensure that no odour will be released into the air.

### Animal welfare

The Idavang Group lives up to all relevant international standards for animal welfare. We operate with group-housed sows and partly slatted floors.

### Health and Safety policy

The main purpose of the Occupational Health and Safety system is to protect employees' life and health and to ensure good working conditions by avoiding injuries and accidents.

The Occupational health and Safety tasks are structured in seven main tasks:

1. Strengthen and develop health and safety systems by forming socially responsible approach to the employees' health and safety
2. Perform an occupational risk assessment of all workplaces
3. Improve the system of training certification and instruction of employees on issues of the employees safety and health
4. Increase preventive efficiency of the employees' health care
5. Increase fire safety
6. Improve safety of employees performing dangerous work
7. Providing safe and healthy work conditions for every employee

## Management's review

### Human Resource policy

The company's goal is to ensure that both genders are always represented on the Board of Directors, which they currently are.

The company is committed to observing the Group's human resource policy, which first key principle is the equality of employees.

The Board of Directors has one female board member out of five, equal to 20% (1 of 5).

The company's management today (by end 2016) is represented by 7 individuals. One of whom is female, which leaves the gender representation unchanged compared to 2015.

It is the Idavang Group's objective that both genders should represent minimum 25% of the company's management and board in 2019 compared to 17% females and 83% males today.

The company wishes to honour diversity and equal genders representation in all parts of management. When selecting new board members or new management members, the company strives towards that both genders are represented among the last 3 candidates.

We want the company's employees to experience equal opportunities for employment, improvement, career making and gaining management positions regardless of gender, age or nationality.

The company measures and monitors how this goal is met through satisfaction surveys, which include questions like "Do you trust the company as an employer?" and "Do you feel appreciated at work?" in order to ensure that the company adheres to the above-mentioned goals.

### Human rights and labour rights

It is a fundamental value of Idavang to respect basic human rights, and we cannot accept forced or compulsory labour or the use of child labour in activities, which are dangerous to the moral or physical well-being, and the development of children.

To secure both proper work conditions and human rights, discussions are being held at least once a month at farm meetings in both Russia and Lithuania as well as during employee's opinion surveys.

### Additional information

The company provides additional information on CSR on our webpage [www.idavang.com](http://www.idavang.com), which complement the information provided in this annual report.

Idavang's report on Corporate Social Responsibility in accordance with 99a in the Danish Financial Statements Act is available on the following link  
[http://www.idavang.com/uploads/TxForm/CSR%20Report\\_2016\\_EN.pdf](http://www.idavang.com/uploads/TxForm/CSR%20Report_2016_EN.pdf)

### Recognition and measurement uncertainties

Management makes a number of estimates in connection with the annual report, the main one relating to valuation of the herd. The herd is valued based on fair value, which is based on recent sales prices and official quotes, see note 2.

### Post balance sheet events

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

## Financial statements for the period 1 January - 31 December

### Income statement

Note	EUR'000	2016	2015
	<b>Revenue</b>	95,073	91,193
16	Value adjustment, biological assets	5,979	-1,544
5+7	Production costs	-79,460	-73,805
5	Administration costs	-4,280	-4,697
8	Other income	1,373	1,217
	Other expense	-19	-39
	<b>Operating profit</b>	18,667	12,325
9	Financial income	2,725	345
10	Financial expenses	-6,498	-6,665
	<b>Profit before tax</b>	14,893	6,005
12	Tax on profit for the year	-652	-68
	<b>Profit for the year</b>	14,241	5,937
	<b>Attributable to:</b>		
	Owners of the parent	14,241	5,937
		14,241	5,937

### Statement of comprehensive income

Note	EUR'000	2016	2015
	<b>Profit for the year</b>	14,241	5,937
	<b>Other comprehensive income</b>		
	Exchange adjustment, foreign subsidiaries	7,878	-5,914
	Hedge accounting	61	-246
	<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	7,939	-6,160
	Other comprehensive income not be reclassified to profit or loss in subsequent periods	0	0
	<b>Total comprehensive income</b>	22,180	-223

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	EUR'000	2016	2015
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
13	Intangible assets	1,409	1,352
		1,409	1,352
15	Property, plant and equipment	93,978	87,654
		93,978	87,654
16	Biological assets	13,655	13,638
		13,655	13,638
	<b>Other non-current assets</b>		
18	Deferred tax	765	799
	<b>Total other non-current assets</b>	765	799
	<b>Total non-current assets</b>	109,807	103,443
	<b>Current assets</b>		
19	Inventories	10,680	9,440
		10,680	9,440
16	Biological assets	30,158	19,020
		30,158	19,020
	<b>Receivables</b>		
20	Trade receivables	2,033	1,638
	Other receivables	471	543
	Prepayments	582	1,424
	Income taxes receivables	0	15
		3,085	3,620
	Assets held for sale	47	105
		47	105
	Cash	11,248	9,843
	<b>Total current assets</b>	55,218	42,028
	<b>TOTAL ASSETS</b>	165,025	145,471

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	EUR'000	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	1,000	1,000
	Share premium	29,974	29,974
	Exchange adjustments	-23,870	-31,750
	Other reserves	1,525	1,464
	Retained earnings	63,624	49,385
	<b>Total equity</b>	<b>72,253</b>	<b>50,073</b>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
22	Payables to credit institutions	58,026	47,541
	Subordinated loans	3,125	6,475
11	Grants	2,125	2,390
18	Deferred tax	841	439
	Provisions	432	0
	Other non-current liabilities	39	39
		<b>64,588</b>	<b>56,884</b>
	<b>Current liabilities</b>		
22	Current portion of non-current liabilities to credit institutions	8,095	17,434
22	Payable to credit institutions	10,139	12,778
	Trade payables	8,427	6,777
	Income taxes payable	88	48
	Other payables	1,435	1,477
		<b>28,184</b>	<b>38,514</b>
	<b>Total liabilities other than provisions</b>	<b>92,772</b>	<b>95,398</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>165,025</b>	<b>145,471</b>

## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

Note	Share capital	Share premium	Exchange adjustment	Other reserves	Retained earnings	Total
EUR'000						
Equity at 1 January 2015	1,000	29,974	-25,836	1,779	50,381	57,298
Profit/loss for the year					5,935	5,935
Other comprehensive income			-5,914	-246		-6,160
<b>Total comprehensive income</b>			-5,914	-246	5,935	-225
Dividend					-7,000	-7,000
6 Transfer other reserves to retained earnings				-69	69	0
<b>Equity at 31 December 2015</b>	<b>1,000</b>	<b>29,974</b>	<b>-31,750</b>	<b>1,464</b>	<b>49,385</b>	<b>50,073</b>
Profit/loss for the year						
Other comprehensive income			7,878	61	14,241	22,180
<b>Total comprehensive income</b>			<b>7,878</b>	<b>61</b>	<b>14,241</b>	<b>22,180</b>
<b>Equity at 31 December 2016</b>	<b>1,000</b>	<b>29,974</b>	<b>-23,872</b>	<b>1,525</b>	<b>63,626</b>	<b>72,253</b>



## Financial statements for the period 1 January - 31 December

### Cash flow statement

Note	EUR'000	2016	2015
	Operating profit/loss	18,667	12,325
7	Depreciation and amortisation	7,335	8,015
	Profit from sale of tangible assets	-36	0
	Accrual of hedging accounting	60	-246
	Changes in inventories	627	-2,706
	Changes in receivables	666	765
	Accrual for trade receivable	0	-423
	Changes in trade payables	833	554
	Changes in other current liabilities	-497	-254
6	Share-based payments	332	0
	Addition of biological assets	-1,138	-1,819
16	Value adjustment, biological assets	-5,979	1,544
		<u>20,870</u>	<u>17,755</u>
	Interest received	352	219
	Interest paid	-6,479	-7,044
	Corporation tax paid	-157	-18
	<b>Cash flows from operating activities</b>	<u>14,586</u>	<u>10,912</u>
13	Acquisition of intangible assets	-22	-32
15	Acquisition of property, plant and equipment	-3,561	-4,613
	Disposal of property, plant and equipment	481	363
16	Acquisition/disposal of biological assets	187	387
	Acquisition of investments	-3	0
	Disposal of investments	0	0
	<b>Cash flows from investing activities</b>	<u>-2,918</u>	<u>-3,895</u>
	Proceeds from borrowings	10,364	20,326
	Repayment of borrowings	-21,880	-16,049
	Dividends paid	0	-7,000
	<b>Cash flows from financing activities</b>	<u>-11,516</u>	<u>-2,723</u>
	<b>Net cash flows from operating, investing and financing activities</b>		
	Cash and cash equivalents at 1 January	9,843	6,568
	Net cash flow for the year	152	4,294
	Exchange adjustments	1,254	-1,019
	<b>Cash and cash equivalents at 31 December</b>	<u>11,248</u>	<u>9,843</u>

The group furthermore has EUR 3,362 thousand in overdraft facilities which are not utilised at year-end.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies

##### Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, additional Danish disclosure requirements for financial statements prepared by large reporting class C enterprises and the Danish executive order on IFRS issued in pursuance of the Danish Financial Statements Act.

The consolidated financial statements are presented in EUR. The parent's functional currency is DKK.

The financial statements have been prepared on the historical cost basis except for biological assets and hedging contracts, which are measured at fair value, and amortised cost for loans were relevant.

##### New and amended statements and bases for conclusions not yet effective

IASB has issued a number of new standards, amendments to existing standards and bases for conclusions, which have not yet come into force, but which will become effective in the financial year 2017 or later. These are not expected to have a significant effect on recognition and measurement in future annual reports.

IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after 1 January 2018. Either a full retrospective application or a modified retrospective application is required.

IFRS 9 "Financial Instruments" will be effective for annual periods beginning on or after 1 January 2018. The new standard will change the provision for bad debts to be based on expected losses and not incurred losses.

IFRS 16 "Leases" The standard, which becomes effective for financial years beginning on or after 1 January 2019, alters the accounting treatment for lease contracts that today are treated as operating leases.

##### Consolidated financial statements

The consolidated financial statements comprise the parent, Idavang A/S, and entities in which the parent, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest (see group chart on page 8).

The consolidated financial statements are prepared by aggregating the parent's and the subsidiaries' financial statements, prepared in accordance with the accounting policies applied by the group. Intra-group income and expenses, shareholdings, etc., intra-group balances and dividends and realised and unrealised gains on transactions between the consolidated entities are eliminated on consolidation.

##### Currency translation

Transactions denominated in foreign currencies are translated into EUR at the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into EUR at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in profit or loss as financial income/expenses.

Non-monetary assets and liabilities measured at historic cost in foreign currencies are translated into EUR at the exchange rates at the date of recognition. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into EUR at the exchange rates at the date of determination of the fair value.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### Foreign subsidiaries

The financial statements of foreign subsidiaries are translated using the following principles: Balance sheet items are translated at closing rates. Profit or loss items are translated at the rates at the date of the transaction. Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the profit or loss items from the rate at the date of the transaction to the closing rate are recognised in other comprehensive income.

##### Derivative financial instruments

The Group enters into commodity contracts with respect to grain in order to secure future supply. Derivative financial instruments are initially measured at fair value at the time of conclusion of the contract and subsequently at fair value at the balance sheet date. Derivative financial instruments are recognised in other receivables when the fair value is positive and in other payables when the fair value is negative.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of future commodity purchases are recognised in other comprehensive income. Income and expenses relating to such hedging transactions are transferred from other comprehensive income on realisation of the hedged item and are recognised in the same entry as the hedged item.

Any gains or losses arising from changes in the fair value of derivative financial instruments that not qualify as hedges are recognised under net financials in the income statement.

##### Purchase contracts

The company enters into purchase contracts on feed components, for future delivery, for use in pig production (executory contracts). The cost price for the grain is the agreed contract price which is recognised in the books at time of delivery.

An onerous executory contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. An executory contract for purchase of inventory is deemed onerous if the economic benefit expected to be received from the products produced with it (net realisable value of the inventories to be obtained) is lower than the costs. For onerous contract a provision is recognised.

##### Share-based payments

Employees in the Group receive compensation in the form of share-based payments with the employees providing services as consideration for equity instruments ('equity-settled share-based payments').

Expenses incurred in connection with equity-settled share-based payments to employees are measured on the basis of the fair value at the grant date. The fair value is determined using an appropriate pricing model, see note 6.

Expenses related to equity-settled share-based payments, and the corresponding increase in equity, are recognised over the vesting period. The total expenses recognised in respect of equity-settled share-based payments at the balance sheet date reflect the share of the vesting period that has passed and the group's best estimate of the number of equity instruments that will eventually vest. The amount recognised in profit or loss represents the change in the total expenses recognised at the beginning and at the end of the year.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### Income statement

###### Revenue

Revenue from the sale of slaughter pigs and piglets is recognised in profit or loss when delivery and transfer of the risk to the buyer has taken place. Revenue is reduced for VAT and is measured at the fair value of the consideration received or receivable.

###### Production costs

Production costs comprise expenses incurred in generating the revenue for the year. Such costs include direct and indirect production costs relating to raw materials and consumables, wages and salaries, rent and leases, and depreciation, amortisation and impairment losses in respect of production plant.

Also operating expenses relating to investment property are recognised.

###### Dividend

Dividend revenue is recognised when the Group's right to receive the dividend has been established.

###### Net financials

Financial income and expenses are recognised in profit or loss at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

###### Government grants

The Group's government grants are subject to IAS 20 and comprise:

###### *Government grants related to expenses*

In Russia, the Group receives government grants in the form of reimbursement of interest expenses on loans, cost recovery for cost related to the production of crops and compensation for high grain prices.

Government grants related to expenses are recognised as income as the right to the grant is earned and received, i.e. as the eligible expenses are incurred and the grant is deposited in a bank account.

###### *Government grants related to property, plant and equipment*

In Lithuania, the Group receives government grants for the investment of property, plant and equipment in return for the Group's commitment to carry on pig production for a certain number of years.

Government grants for assets are recognised as deferred income, which is reduced in step with the depreciation of the related asset and recognised in profit or loss under depreciation.

###### Income taxes

Income taxes include current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognised directly in equity are taken directly to equity.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### Balance sheet

##### Intangible assets

###### *Intangible assets with indefinite lives*

Intangible assets with indefinite lives comprise goodwill. Goodwill is not amortised but is tested for impairment on an annual basis. The impairment test is performed for the cash-generating unit to which the goodwill belongs. The carrying amount of goodwill is reduced to the higher of the value in use and the fair value less costs to sell of the activity or the business area to which the assets relate (recoverable amount) if it is lower than the carrying amount.

###### *Intangible assets with definite lives*

Intangible assets with definite lives comprise electricity rights and the right to buy leased land in Russia. The rights are measured at cost less accumulated amortisation and impairment.

Rights are depreciated using the straight-line method on the basis of the cost over the following useful lives:

	Useful life, years	Residual value
Rights	20-25	0%

The rights are tested for impairment whenever there is an indication that they might be impaired. The impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of the assets is reduced to the higher of the value in use and the fair value less costs to sell of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

##### Property, plant and equipment

Property, plant and equipment include land and buildings, plant and machinery and other fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

The cost includes the cost of acquisition, expenses directly attributable to the acquisition of the asset and expenses incurred to prepare the asset until such time as it is ready to be put into operation.

Depreciation is calculated on the basis of the residual value less any impairment losses. The residual value is determined at the date of acquisition and is reviewed on an annual basis. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued. Where the depreciation period or the residual value changes, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Property, plant and equipment are depreciated using the straight-line method on the basis of the cost over the following useful lives:

	Useful life, years	Residual value
Buildings	25-40	0%
Plant and machinery	8-15	0%
Other fixtures and fittings, tools and equipment	3-10	0%

Land is not depreciated.

Gains and losses from the sale of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the time of sale. Gains or losses are recognised in profit or loss.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

Property, plant and equipment are tested for impairment whenever there is an indication that an asset might be impaired. The impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of the assets is reduced to the higher of the value in use and the fair value less costs to sell of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset which requires a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset concerned until such time as it is essentially ready for its intended use or sale. Borrowing costs comprise interest and other expenses incurred in connection with borrowing.

#### Leases

For financial reporting purposes, lease commitments are broken down under finance leases and operating leases. A lease is classified as a finance lease when it in all essential respects transfers risks related to and benefits derived from owning the leased asset. Other leases are classified as operating leases.

Payments made under operating leases are recognised in profit or loss over the term of the lease.

#### Biological assets

Biological assets are recognised when the Group controls the asset and it is probable that future economic benefits associated with the asset will flow to the Group and the cost or fair value of the asset can be measured reliably.

Biological assets are measured at fair value less selling costs.

Value adjustments of biological assets are recognised in profit or loss for the period to which they relate.

The value of crops is calculated at cost plus production overheads. At the time of harvest, crops are reclassified from biological assets to inventories, measured at fair value less the cost of transportation, which subsequently makes up the cost.

#### Inventories

Inventories are measured at cost by reference to the FIFO method. Where the net realisable value is less than the cost, the carrying amount is reduced to such lower value.

#### Trade receivables

Receivables are measured at amortised cost. Provisions are made for bad debts if there is objective evidence of impairment of a receivable. Provisions are based on an individual assessment of each receivable.

#### Prepayments

Prepayments comprise prepaid expenses.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### Equity

###### *Share premium*

The share premium comprises amounts in excess of the nominal value of the share capital which have been paid by shareholders in connection with the capital increase. The reserve is included in distributable reserves.

###### *Foreign currency translation adjustments*

Foreign currency translation adjustments comprise exchange adjustments in connection with the translation of foreign subsidiaries' balance sheets from their functional currency into the Group's presentation currency.

###### *Other reserves*

Other reserves comprise write-up of buildings (deducted deferred tax) in Lithuania.

##### Income taxes

Current taxes are recognised in the balance sheet as the estimated tax in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Provisions for deferred tax are calculated at local rates of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on goodwill.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

##### Financial liabilities

Financial liabilities comprise mortgage debt, payables to other credit institutions and subordinated loans. Financial liabilities are recognised at the inception of the loan at the proceeds received, net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost, determined by reference to the effective interest rate at the time of borrowing.

##### Cash flow statement

The cash flow statement shows the Group's and the parent company's net cash flow during the year, the year's changes in cash and cash equivalents and the cash and cash equivalents at the beginning and at the end of the year.

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

Cash flows from investing activities comprise payments related to additions and disposals of fixed assets, securities related to investing activities and dividends received from subsidiaries.

Cash flows from financing activities comprise dividends paid to shareholders, borrowings and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and near money securities in respect of which the risk of changes in value is insignificant less short-term bank debt.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### Financial highlights

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

##### Ratios

EBITDA margin	$\text{EBITDA} \times 100 / \text{Revenue}$
Current ratio	$\text{Current assets} \times 100 / \text{Current liabilities}$
Equity ratio	$\text{Total equity} \times 100 / \text{Total assets}$
Return on equity	$\text{Profit for the year} \times 100 / \text{Equity}$
Sold volume liveweight kMT	Weight of slaughter pigs, piglets, weaners and sows sold 1,000,000 kg
Capital invested	Assets less cash, less bonds less non-interest-bearing debt including provisions
Return on average invested capital	$\text{EBIT} \times 100 / \text{Average invested capital}$
Net interest-bearing debt	Non-current interest-bearing liabilities plus debt to credit institutions less cash less bonds



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 2 Critical accounting estimates and judgements

In connection with the preparation of the consolidated financial statements, Management makes a number of judgements and estimates, which form the basis of the recognition and measurement of income, expenses, assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date.

##### Accounting judgements

In the process of applying the Group's accounting policies, management has not exercised judgements which may have a significant effect on the amounts recognised in the consolidated financial statements.

##### Accounting estimates

Recognition and measurement of certain assets and liabilities at the balance sheet date require that management makes assumptions and estimates of future events. If these assumptions and estimates are not realised as expected, it may result in significant corrections of the carrying amounts of the affected assets and liabilities in the subsequent financial year. In 2016, Management made assumptions and estimates in connection with the recognition and measurement of:

##### A) Biological assets

Idavang group value the herd based on fair value

	2016	2015	2014
Slaughterpig sales price liveweight - Russia end year	EUR 1.51	EUR 1.15	EUR 1.51
Slaughterpig sales price liveweight - Lithuania end year	EUR 1.12	EUR 0.87	EUR 0.89
Weaners (30 kg) sales price - Lithuania end year	EUR 69	EUR 43	EUR 43
Piglets (7 kg)	EUR 35	EUR 21	EUR 22
Premium for Russian meat (relation between slaughter pig prices)	35%	33%	69%
Sows unit price - Russia	596	595	649
Sows unit price - Lithuania	434	422	464

Slaughter pigs above 60 kg are valued based on recent sales price per kg.

The sales price for weaners in Lithuania is based on official quotes plus volume fee agreed with customers.

The valuation of piglets is based on official quotes. Sows (and the remaining breeding herd) are valued based on, official quotes, a number of elements genetics, cost and expected piglets.

The carrying amount at 31 December 2016 is EUR 42,543 thousand (2015: EUR 31,665 thousand).

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 3 Unusual circumstances

None

#### 4 Fees paid to auditors appointed at the annual general meeting EUR'000

	<u>2016</u>	<u>2015</u>
Fee regarding statutory audit	107	118
Assurance engagements	0	0
Tax assistance	0	2
Other assistance	11	6
	<u>118</u>	<u>126</u>

Audit fees are recognised under administration expenses

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

EUR'000	2016	2015
<b>5 Staff costs</b>		
Wages and salaries	8,660	9,082
Other social security costs	2,014	2,007
Share-based payments (note 6)	332	0
Other staff costs	384	392
	11,390	11,481
Staff costs are recognised as follows in the financial statements:		
Production	8,362	8,124
Fixed assets	141	282
Administration	2,887	3,075
	11,390	11,481
Of which		
Remuneration for executive board	658	725
Salaries to other executive officers	525	800
Remuneration for board of directors	150	164
Share-based payments (note 6), executive board and officers	332	0
	1,523	1,689
Average number of full-time employees	787	767

### 6 Share-based payments

Idavang A/S has set up an equity-based compensation plan under which options are granted to one group executive. The options vests on 31 December 2022 or on an earlier change in the Company's ownership structure (exit). Management has estimated the expected vesting period.

If all the options vest, the employees becomes entitled to subscribe for shares in the Company worth a total nominal amount of up to EUR 24,000. Each option granted provides the owner with a right, but not an obligation, to purchase one share with a nominal value of EUR 84.00 in the Company in 2015 indexed up to EUR 269.56 in 2022.

The market value of the options is calculated using the Black-Scholes model. The calculation of present market values is based on the following assumptions:

Volatility 30.5 %, risk-free interest rate 1.0 %, exercise price up to EUR 269.56, dividend EUR 5m annually from 2020.

The volatility is calculated on the basis of a peer group of comparable enterprises. These peers were analysed over a period, following which the volatility for purposes of the valuation was calculated as the median. As at 31 December 2016 the fair value amounts to EUR 432,000 (2015: EUR 100,000).

In 2016, options for shares of a nominal amount of EUR 8,000 was modified in relation to indexation during the period. As a result of the modification the incremental fair value granted amounts to EUR 118,000 at 31 December 2016.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

EUR'000	2016	2015
<b>7 Amortisation, depreciation and impairment</b>		
Buildings	3,835	3,940
Plant and machinery	3,151	3,623
Other fixtures and fittings, tools and equipment	310	415
Goodwill	0	0
Intangible assets	40	37
	7,335	8,015
Amortisation, depreciation and impairment losses are recognised under production cost		
<b>8 Other income</b>		
Grants in Russia on meat and grain	83	270
Sale of slurry	355	83
Delivery of pigs	556	285
Misc.	379	579
	1,373	1,217
<b>9 Financial income</b>		
<b>Financial income from financial assets and liabilities at fair value through profit or loss:</b>		
Interest, derivative financial instruments	0	60
	0	60
<b>Financial income originating from loans and receivables measured at amortised cost:</b>		
Exchange gains	2,373	119
Interest income, banks	348	159
Other	4	7
	2,725	285
<b>Total financial income</b>	2,725	345

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

EUR'000	2016	2015
<b>10 Financial expenses</b>		
Financial expenses from financial assets and liabilities at fair value through profit or loss:		
Interest, derivative financial instruments	117	110
	117	110
Financial expenses originating from loans and receivables measured at amortised cost:		
Exchange losses	24	889
Interest payables to credit institutions	4,651	3,574
Interest, subordinated loans	1,381	1,652
Other	320	440
	6,498	6,555
<b>Total financial expenses</b>	6,498	6,665

### 11 Government grants

The Group receives government grants in the form of reimbursement of interest on loans, grants for crop production and compensation for high grain prices. The Group also receives grants for the maintenance of property, plant and equipment in return for a commitment to carry on pig production for a certain number of years.

EUR'000	2016	2015
Carrying amount 1/1	2,390	2,857
Received in the year	882	2,179
Recognised in profit or loss in the year	-1,437	-2,404
Exchange adjustment	290	-242
<b>Carrying amount 31/12</b>	2,125	2,390

The carrying amount of the grants partly relates to the EU SAPARD. The carrying amount is no longer subject to non-fulfilment terms if the underlying assets are not used.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

EUR'000	2016	2015
<b>12 Income taxes</b>		
Income tax expense recognised in profit or loss:		
Estimated tax on the taxable income for the year	-220	-31
Adjustment regarding prior year	11	-36
Dividend tax	0	-213
Change in deferred tax	-443	212
	-652	-68
<b>Reconciliation of tax rate</b>		
Danish tax rate	22,0%	23,5%
Adjustment regarding prior year	-0,1%	0,6%
Difference, tax rate in foreign subsidiaries	-17,5%	-23,0%
Dividend tax	0,0%	3,5%
Tax loss carry forward	0,0%	-3,5%
Effective tax rate	4,4%	1,1%

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

13 Intangible assets EUR'000	Goodwill	Rights	Total
Cost at 1 January 2015	2,447	585	3,032
Additions	0	33	33
Disposals	-479	-4	-483
Exchange adjustments	-1	-65	-66
Cost at 31 December 2015	<u>1,967</u>	<u>549</u>	<u>2,516</u>
Amortisation at 1 January 2015	1,426	198	1,624
Amortisation	0	37	37
Disposals	0	-4	-4
Impairment	-479	0	-479
Exchange adjustments	0	-15	-15
Impairment losses and amortisation at 31 December 2015	<u>948</u>	<u>216</u>	<u>1,164</u>
Carrying amount at 31 December 2015	<u>1,019</u>	<u>333</u>	<u>1,352</u>
Cost at 1 January 2016	1,967	549	2,516
Additions	0	22	22
Disposals	0	-2	-2
Exchange adjustments	0	100	100
Cost at 31 December 2016	<u>1,967</u>	<u>669</u>	<u>2,636</u>
Amortisation at 1 January 2016	948	216	1,164
Amortisation	0	40	40
Disposals	0	0	0
Impairment	0	-2	-2
Exchange adjustments	0	25	25
Impairment losses and amortisation at 31 December 2016	<u>948</u>	<u>279</u>	<u>1,227</u>
Carrying amount at 31 December 2016	<u>1,019</u>	<u>390</u>	<u>1.409</u>

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 14 Impairment test, intangible assets

Intangible assets with indefinite lives (goodwill) are tested for impairment on an annual basis.

##### **Goodwill**

Goodwill relates to Lithuania: Salnaiciu (1999) and Skabeikiu (2006).

Goodwill is tested for the smallest group of cash-generating units in respect of which goodwill is monitored by Management and which is not larger than the group's operating segments. As sales and production are managed centrally in each individual country, goodwill is monitored at country level. Goodwill has been allocated to Lithuania, the carrying amount of goodwill at 31 December totalled:

EUR'000	<u>2016</u>	<u>2015</u>
Lithuania	1,019	1,019

The recoverable amount is determined on the basis of a calculation of the value in use using cash flow calculations based on budgets and forecasts for 2017-2020 (2014: 2016-2026), as approved by management. The calculation of the value in use is based on the following estimates:

Percentage	<u>Lithuania</u>
<b>2016</b>	
Discount factor before tax	8,8%
Growth rate in terminal period	2,0%
<b>2015</b>	
Discount factor before tax	8.9%
Growth rate in terminal period	2.0%

The key assumptions used in cash flow projections are as follows:

##### **Selling price per kilo pork compared with cost price per kilo grain**

For Lithuania, a conservative expectation as to average sales prices and grain prices has been used.

##### **Investments**

Lithuania's investments are expected to be EUR 2.0m. It is therefore Management's judgement that investments will be lower than depreciation charges going forward.

##### **Working capital**

In Management's opinion, working capital reached a normal level in 2016 in the cash generating units. Management does not expect significant changes to the level of working capital in future.

As the estimated value in use is considerably higher than the carrying amount, the impairment test shows no indication of impairment of goodwill.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Property, plant and equipment

EUR'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Plants under construction	Total
Cost at 1 January 2015	96,145	31,237	4,558	976	132,916
Additions	224	876	38	3,475	4,613
Disposals	-260	-448	-909	0	-1,617
Transfer	2,478	410	6	-2,894	0
Exchange adjustments	-6,412	-2,429	-74	-217	-9,132
Cost at 31 December 2015	92,175	29,646	3,619	1,340	126,780
Impairment losses and depreciation at 1 January 2015	18,006	13,863	2,492	0	34,361
Depreciation	3,940	3,623	415		7,978
Reversed depreciation on disposal	0	-406	-743		-1,149
Exchange adjustments	-993	-998	-73		-2,064
Impairment losses and depreciation at 31 December 2015	20,953	16,082	2,091	0	39,126
<b>Carrying amount at 31 December 2015</b>	<b>71,222</b>	<b>13,564</b>	<b>1,528</b>	<b>1,340</b>	<b>87,654</b>
Land which is not depreciated	2,254				
Of which financial leased					1,348

Cost amount of assets written off but still in use is EUR 3,708 thousand. The amount of borrowing costs capitalised during the year ended 31 December 2015 was EUR 0 (2014 EUR 0)

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 15 Property, plant and equipment, continued

EUR'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Plants under construction	Total
Cost at 1 January 2016	92,175	29,646	3,619	1,340	126,780
Additions	271	1,583	91	1,616	3,561
Disposals	-154	-349	-216	-132	-851
Transfer	630	353	3	-986	1,972
Exchange adjustments	9,634	3,879	115	390	14,018
Cost at 31 December 2016	102,556	35,112	3,612	2,228	143,508
Impairment losses and depreciation at 1 January 2016	20,953	16,082	2,091	0	39,126
Depreciation	3,835	3,151	310		7,296
Reversed depreciation on disposal	-16	-316	-131		-463
Exchange adjustments	1,713	1,747	111		3,571
Impairment losses and depreciation at 31 December 2016	26,485	20,664	2,381	0	49,530
<b>Carrying amount at 31 December 2016</b>	<b>76,071</b>	<b>14,448</b>	<b>1,231</b>	<b>2,228</b>	<b>93,978</b>
Land which is not depreciated	2,927				
Of which financial leased					1,008

Cost amount of assets written off but still in use is EUR 6,142 thousand. The amount of borrowing costs capitalised during the year ended 31 December 2016 was EUR 0 (2015 EUR 0)

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 16 Biological assets

Value adjustment of biological assets

EUR'000	Crops	Commercial herd	Total current assets	Breeding herd
Carrying amount at 1 January 2015	1,023	19,147	20,170	15,288
Gains/losses from fair value changes	0	-1,394	-1,394	-150
Additions	3,700	81,738	85,438	2,996
Disposals	-3,543	-76,442	-79,985	-7,009
Transfers	0	-3,627	-3,627	3,627
Exchange adjustments	-177	-1,405	-1,582	-1,114
<b>Carrying amount at 31 December 2015</b>	<b>1,003</b>	<b>18,017</b>	<b>19,020</b>	<b>13,638</b>
Biological assets provided as security	0	15,084	15,084	11,290
Carrying amount at 1 January 2016	1,003	18,017	19,020	13,638
Gains/losses from fair value changes	0	7,179	7,179	-1,199
Additions	3,239	75,904	79,143	3,243
Disposals	-3,224	-72,324	-75,548	-5,829
Transfers	0	-2,399	-2,399	2,399
Exchange adjustments	252	2,511	2,763	1,403
<b>Carrying amount at 31 December 2016</b>	<b>1,270</b>	<b>28,888</b>	<b>30,158</b>	<b>13,655</b>
Biological assets provided as security	0	24,279	24,279	11,310

Idavang uses the following hierarchy for determining and disclosing the fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets

Level 2: Significant observable inputs

Level 3: Significant unobservable inputs

Commercial and breeding herd are measured at fair value level 2 due to significant links to observable quotes on pigs and recent sales prices.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 16 Biological assets (continued)

##### *Crops*

2015: An area of 7,155 ha, was harvested mainly wheat, and by the end of 2015 5,693 ha, were seeded

2016: An area of 7,268 ha, was harvested mainly wheat, and by the end of 2016 3,731 ha, were seeded

Crops are based on cost of seed, fertilizer, chemical, variable cost and salary to field production

##### *Commercial herd*

2015: Stock was increased due to establishment of contracting in Poland and at year-end the stock was 353,611 pigs. During the year 641,980 slaughter pigs, 102,453 weaners and 15,775 sows were sold

2016: Stock was increased due to increasing of contracting in Poland and at year-end the stock was 366,089 pigs. During the year 733,610 slaughter pigs, 21,979 weaners and 15,134 sows were sold

Revaluation of consumable biological assets was made based on the prices of the most recent sales prices and official quotes,

##### *Breeding herd*

2015: Stock decreased and the year ended with a total of 29,702 sows, gilts and boars

2016: Stock decreased and the year ended with a total of 29,539 sows, gilts and boars

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

EUR'000	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
<b>17 Financial assets and liabilities</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial instruments	0	0	0	0
<b>Financial assets at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loans and receivables at amortised cost</b>				
Trade receivables	2,033	2,033	1,638	1,638
Other receivables	471	471	543	543
Prepayments	582	582	1,424	1,424
Cash	11,248	11,248	9,843	9,843
<b>Total loans and receivables measured at amortised cost</b>	<b>14,334</b>	<b>14,334</b>	<b>13,448</b>	<b>13,448</b>
<b>Total financial assets</b>	<b>14,334</b>	<b>14,334</b>	<b>13,448</b>	<b>13,448</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments	0	0	0	0
<b>Financial assets at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial liabilities measured at amortised cost</b>				
Payables to credit institutions	76,260	76,310	77,753	77,947
Subordinated loans	3,125	3,125	6,475	6,475
Trade payables	8,427	8,427	6,777	6,777
Other payables	1,435	1,435	1,477	1,477
<b>Total financial liabilities measured at amortised cost</b>	<b>89,247</b>	<b>89,297</b>	<b>92,482</b>	<b>92,676</b>
<b>Total financial liabilities</b>	<b>89,247</b>	<b>89,297</b>	<b>92,482</b>	<b>92,676</b>

Idavang uses the following hierarchy for determining and disclosing the fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all input that have a significant effect on the recorded fair value are observable, either directly or indirectly.

All financial assets and liabilities are classified as level 2 except bonds, which are level 1.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

EUR'000	Consolidated balance sheet			Income statement	
	2016	2015	1/1 2015	2016	2015
<b>18 Deferred tax</b>					
Property, plant and equipment	-295	-289	-299	-6	10
Biological assets	-580	-280	-320	-300	40
Other non-current assets	0	2	9	-2	-7
Current assets and liabilities	7	0	0	7	0
Tax loss carry forward	788	927	757	-142	169
<b>Deferred tax income/(expense)</b>				<b>-443</b>	<b>212</b>
<b>Deferred tax asset/(liability)</b>	<b>-80</b>	<b>360</b>	<b>147</b>		
<b>Deferred tax asset/liability is recognised in the balance sheet as follows:</b>					
Deferred tax asset	761	799	758		
Deferred tax liability	841	439	611		
<b>Deferred tax, net</b>	<b>-80</b>	<b>360</b>	<b>147</b>		
<b>Reconciliation of deferred tax, net</b>					
At 1/1	360	147			
Exchange adjustments	3	1			
The year's tax income/expense recognised in profit or loss	-443	212			
The year's tax income/expense recognised in other comprehensive income	0	0			
Deferred tax acquired on acquisition	0	0			
<b>At 31/12</b>	<b>-80</b>	<b>360</b>			

Deferred tax assets (tax loss carry forward) are recognised when it is assumed highly probably that the assets will be utilised.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

EUR'000	<u>2016</u>	<u>2015</u>	<u>1/1 2015</u>
<b>19 Inventories</b>			
Inventories may be specified as follows:			
Raw materials and consumables	<u>10,680</u>	<u>9,440</u>	<u>8,094</u>
Cost of sales recognised in profit or loss (feed)	<u>53,216</u>	<u>50,103</u>	<u>51,751</u>

Impairment losses on inventories are recognised in cost of sales at EUR 0 thousand (2015: EUR 0 thousand).

### 20 Trade receivables

Trade receivables at 31 December 2016 include receivables at a nominal value of EUR 2,033 thousand (2015: EUR 1,638 thousand), the carrying amount of which has been reduced by EUR 0 thousand (2015: EUR 0 thousand).

Trade receivables overdue by more than 30 days are EUR 81 thousand (2015: EUR 72 thousand).

The reason why trade receivables are low compared to revenue is that all sales in Russia are prepaid by the customer and sales in the EU (mainly Lithuania) have been covered through factoring agreements since 2006.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 21 Capital structure

##### Capital management

The Group aims to create the room required to secure its strategic development activities and be able to provide a competitive return for its shareholders.

The Board of Directors generally intends to distribute excess cash to the shareholders by way of dividends. However, dividends will always take into account the Group's growth plans and funding requirements.

##### Share and authorisations

Idavang A/S has only one share class with equal rights. Shares have a denomination of EUR 1 per share. The shares are non-negotiable instruments.

Idavang's Ownership	Shares	Ownership	Voting rights
JAST Holding ApS	800,000	80%	80%
International Finance Corporation	200,000	20%	20%
	<u>1,000,000</u>	<u>100%</u>	<u>100%</u>

The share capital has been paid in full.

All resolutions at the general meetings of shareholders must be adopted by a simple majority of the votes of the shares present at the meeting, unless one of the listed voting right restrictions or the Danish Companies Act provides otherwise. In the event of a tie, the proposal will lapse.

The Company must not make the following decisions or actions without the prior written consent of IFC:

1. Amend the articles of association
2. Change the designations, powers, rights, preferences or privileges, or qualifications, limitations or restrictions of the shares owned by IFC
3. Create, authorise or issue any shares in the capital, equivalent to shares or other equity security
4. Perform any disposal, including, but not limited to, any sale, or arranging for the disposal of
  - A) More than five per cent (5%) of the total assets of the company on a consolidated basis during any financial year
  - B) Shares in the company or any subsidiary
5. Carry through any amalgamation, merger, consolidation, reconstruction, restructuring or similar transaction of the company except for mergers of any subsidiaries with the company or mergers between subsidiaries
6. Authorise or undertake any liquidation event, unless such decision is mandatory under Danish law or ordered by the Danish Business Authority
7. Authorise or undertake any listing, any offering or any delisting of the shares of the company
8. Authorise or undertake any reduction of capital or share repurchase
9. Change the primary business of the company
10. Remove or replace the external auditor or change the financial year
11. Declare or pay any dividend, distribution or redemption of shares

The Company is managed by a Board of Directors counting 5-9 members who are elected for one year at a time. Directors are eligible for re-election. The Company must have at least one independent director for as long as IFC is a shareholder. IFC is entitled to appoint one director for as long as IFC is a shareholder in the Company.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 22 Financial risks

##### Sales price risk

The Group is highly exposed to global and EU developments in the price of pork.

Lithuanian sales are fully linked to EU and German prices. A 1% change would affect profit by EUR 0.5m, all other things being equal.

Russian sales due to closed borders towards the EU more linked to the global market. A 1% change would affect profit by EUR 0.5m, all other things being equal.

##### Raw material price risk

The Group is highly exposed to global and EU developments in the price of grain and protein (soya and sunflower).

A change of 10% on grain prices is estimated to affect profit by +/- EUR 2.7m in 2016, all other things being equal. Furthermore, a similar 10% change in protein prices is estimated to affect profit by +/- EUR 1.7m in 2016, all other things being equal.

##### Credit risk

The Group positively wants to minimise its credit risks, which mainly relate to sales transactions and bonds/cash holdings.

Sales transactions should therefore for all Russian customers be carried through up-front in cash, and for EU clients, credit insurance need to be taken out in advance.

##### Foreign exchange risk

The Group indebtedness is roughly split evenly between Lithuanian and Russia currencies to make natural hedge against fluctuations in revenue streams. Consolidated profit and loss and financial debt divided by foreign exchange risk (without change in herd and depreciation).

EUR'000	RUB	EUR	USD
Revenue	40,350	54,723	0
Production cost	-10,393	-43,961	-17,819
Administration expenses	-1,132	-2,816	0
<b>Net exposure</b>	<b>28,825</b>	<b>7,946</b>	<b>-17,819</b>
Payables to credit institutions	32,505	43,755	0
Subordinated loans	0	3,125	0
<b>Net exposure</b>	<b>32,505</b>	<b>46,880</b>	<b>0</b>

The following assumptions are made in the overview above:

Revenue in Russia is RUB-denominated.

Grain and soya in Russia are linked to USD also when formally invoiced in RUB.

EUR includes DKK as it is tied up to the EUR.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 22 Financial risks (continued)

##### Interest rate risk

The Group's funding from credit institutions and subordinated loans is partly predominantly carried in fixed interest rates. It is the Group's policy not to enter into interest rate swaps.

A 1% change in Euribor 6 months would, all other things being equal, affect P/L by EUR 0.3m.

##### Liquidity risk

The Idavang Group monitors its risk to a shortage of funds using a mix of recurring, high-level liquidity planning tool and detailed budgets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, cash and bonds.

Loan agreements are subject to covenants. During 2016 there has been breach on covenants which has been waived before year-end. There is no breaches on covenants as at 31 December 2016.

The Group's policy is to minimise current payables to credit institutions. The Group has assessed the concentration of risk with respect to refinancing of its debt, finding it to be low and spread among a number of banks. Access to sources of funding is sufficiently available and debt maturing within 12 months is expected to a high degree to be rolled over with existing lenders.

Payables to credit institutions are recognised in the balance sheet as follows:

EUR'000	2016	Within 1 year	1-5 years	More than 5 years
Payables to credit institutions, non-current	18,234	18,234	0	0
Subordinated loans	3,125	0	3,125	0
Payables to credit institutions, current	58,026		58,026	0
	<u>79,385</u>	<u>18,234</u>	<u>61,151</u>	<u>0</u>

The subordinated loan can be called by lender from 1 July 2014, and Management expect to repay it during 2017.

EUR'000	2015	Within 1 year	1-5 years	More than 5 years
Payables to credit institutions, non-current	47,541	0	47,541	0
Subordinated loans	6,475	0	6,475	0
Payables to credit institutions, current	30,212	30,212		0
	<u>84,228</u>	<u>30,212</u>	<u>54,016</u>	<u>0</u>

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 22 Financial risks (continued)

##### Liquidity risk (continued)

Payables to credit institutions including interest have the following maturity terms:

EUR'000	2016	2015
Within 1 year	34,769	34,661
1-5 years	59,164	65,862
More than 5 years	0	0
	93,933	100,523

#### 23 Contingent liabilities, securities and other financial obligations

##### Contingent liabilities

##### Securities

The following assets have been provided as security for the group's bankers:

EUR'000	2016	2015	1/1 2015
Land, buildings and machinery	78,015	76,424	79,249
Herd	35,589	26,374	28,408
Inventories	1,204	1,370	1,246
Cash and cash equivalents	4,861	171	349
	119,669	104,339	109,252

The Group has no other assets charged or provided as security at 31 December 2016 and 2015.

##### Other obligations

IFC has a put option on its 200,000 nom. Shares in Idavang A/S to Idavang A/S and Jast ApS. The put option can be exercised from 2016 to 2020. The put option is disclosed in the financial statements for the parent company, Jast ApS.

IFC's put option is based on market values, hence it fluctuates, end 2016 the full obligation of Idavang A/S and Jast ApS constitute a payment of EUR 23.8 million

Purchase contracts of grain, soya and sunflower in Lithuania and Russia of EUR 14.7 million (EUR 12.5 million in 2015).

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 24 Related party transactions

##### Shareholders holding 5% or more of the share capital or the voting rights:

Jast Holding ApS, Tofthøjvej 41, 7321 Gadbjerg, 80%

International Finance Corporation, 2121 Pennsylvania Avenue, NW, Washington, DC 20433 USA, 20%

The Group's related parties with control comprise the principal shareholder, Jast Holding ApS (80% interest).

The Group's related parties with significant influence include International Finance Corporation (20% interest), the companies' board of directors and executive board, executives and their related family members. Related parties also include companies in which the aforementioned persons have a material interest.

Remuneration, salaries and incentive programmes for the board of directors and executive board are disclosed in note 6. Except for paying compensation, the group has not engaged in any significant transactions with the board of directors and executive board members, which do not have ownership in Jast Holding ApS.

The below table provides the total amount of transactions with related parties in the financial year:

##### 2016:

EUR'000	<u>Management fee</u>
Owners:	
Shareholders in Jast Holding ApS	122
IFC	0
	<u>122</u>

##### 2015:

EUR'000	<u>Management fee</u>
Owners:	
Shareholders in Jast Holding ApS	44
IFC	0
	<u>44</u>

All transactions with related parties are carried out on an arm's length basis.

#### 25 Post balance sheet events

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

## Content - Parent Company

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## Parent Company - Financial statements for the period 1 January - 31 December

### Income statement

Note	EUR'000	2016	2015
	<b>Revenue</b>	150	150
4,5,6	Administration costs	-1,734	-1,651
	<b>Operating profit</b>	-1,584	-1,501
7	Financial income	52	1,019
8	Financial expenses	-1,355	-921
	Loss on disposal of financial assets	0	-578
	<b>Profit/loss before tax</b>	-2,887	-1,981
9	Tax on profit for the year	0	0
	<b>Profit/loss for the year</b>	-2,887	-1,981

### Statement of comprehensive income

Note	EUR'000	2016	2015
	<b>Profit for the year</b>	-2,887	-1,981
	<b>Other comprehensive income</b>		
	Exchange adjustment, foreign subsidiaries	0	-17
	<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	0	-17
	Other comprehensive income not be reclassified to profit or loss in subsequent periods	0	0
	<b>Total comprehensive income</b>	-2,887	-1,998

Parent Company - Financial statements for the period 1 January - 31 December

Balance sheet

Note	EUR'000	<u>2016</u>	<u>2015</u>
	<b>ASSETS</b>		
	Non-current assets		
13	Intangible assets	<u>0</u>	<u>0</u>
		<u>0</u>	<u>0</u>
11	Property, plant and equipment	<u>6</u>	<u>13</u>
		<u>6</u>	<u>13</u>
10	Financial assets	<u>31,859</u>	<u>30,859</u>
		<u>31,859</u>	<u>30,859</u>
	<b>Total non-current assets</b>	<u>31,865</u>	<u>30,872</u>
	Current assets		
	Receivables		
12	Receivables from group entities	2,423	2,690
12	Other receivables	<u>37</u>	<u>22</u>
		<u>2,460</u>	<u>2,712</u>
	<b>Cash at bank and in hand</b>	<u>661</u>	<u>3,304</u>
	<b>Total current assets</b>	<u>3,121</u>	<u>6,016</u>
	<b>TOTAL ASSETS</b>	<u><u>34,986</u></u>	<u><u>36,888</u></u>

Parent Company - Financial statements for the period 1 January - 31 December

Balance sheet

Note	EUR'000	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	1,000	1,000
	Share premium	17,158	20,045
	Exchange adjustments	-46	-46
	Retained earnings	0	0
	<b>Total equity</b>	<u>18,112</u>	<u>20,999</u>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
12	Payables to credit institutions	12,399	15,460
	Provision	432	0
14	Deferred tax	0	0
		<u>12,831</u>	<u>15,460</u>
	<b>Current liabilities</b>		
12	Payable to credit institutions	2,490	0
	Payable to group entities	1,414	181
12	Other payables	139	248
		<u>4,043</u>	<u>429</u>
	<b>Total liabilities</b>	<u>16,874</u>	<u>15,889</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>34,986</u></u>	<u><u>36,888</u></u>



Parent Company - Financial statements for the period 1 January - 31 December

Statement of changes in equity

EUR'000	Share capital	Share premium	Exchange adjustment	Retained earnings	Total
Equity at 1 January 2015	1,000	29,026	-29	0	29,997
Profit/loss for the year		-1,981			-1,981
Other comprehensive income			-17		-17
<b>Total comprehensive income</b>		<b>-1,981</b>	<b>-17</b>		<b>-1,998</b>
Dividend		-7,000			-7,000
<b>Equity at 31 December 2015</b>	<b>1,000</b>	<b>20,045</b>	<b>-46</b>	<b>0</b>	<b>20,999</b>
Profit/loss for the year					
Other comprehensive income		-2,887			-2,887
<b>Total comprehensive income</b>		<b>-2,887</b>			<b>-2,887</b>
Dividend					0
<b>Equity at 31 December 2016</b>	<b>1,000</b>	<b>17,158</b>	<b>-46</b>	<b>0</b>	<b>18,112</b>

Parent Company - Financial statements for the period 1 January - 31 December

Cash flow statement

EUR'000	2016	2015
Operating profit/loss	-1,584	-1,501
Share-based payments	332	0
Depreciation and amortisation	7	9
Changes in receivables	252	13,504
Changes in other current liabilities	1,224	26
	<u>231</u>	<u>12,038</u>
Interest received	52	985
Dividend received	0	0
Interest paid	-1,355	-921
Corporation tax paid	0	0
<b>Cash flows from operating activities</b>	<u>-1,072</u>	<u>12,102</u>
Acquisition of investments	-1,000	-8,983
Disposal of investments	0	0
<b>Cash flows from investing activities</b>	<u>-1,000</u>	<u>-8,983</u>
Proceeds from borrowings	0	8,983
Repayment of borrowings	-571	-1,986
Dividends paid	0	-7,000
<b>Cash flows from financing activities</b>	<u>-571</u>	<u>-3</u>
<b>Net cash flows from operating, investing and financing activities</b>		
Cash and cash equivalents at 1 January	3,304	188
Net cash flow for the year	-2,643	3,116
<b>Cash and cash equivalents at 31 December</b>	<u>661</u>	<u>3,304</u>

## Parent Company - Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Significant accounting policies

The financial statements of Idavang A/S are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and additional Danish disclosure requirements for financial statements.

The financial statements are presented in EUR. The company's functional currency is DKK.

The accounting policies applied by Idavang A/S are consistent with those applied by the group, cf. note 1 to the consolidated financial statements and the below:

##### Revenue

Revenue consists of management fee allocated to subsidiaries in the group and is recognized on a straight-line bases as the services are provided.

Revenue is measured at the fair value of the agreed consideration excl. VAT and taxes charged on behalf of third parties.

##### Investments in subsidiaries

Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, the carrying amount is reduced to such lower value.

##### Dividends

Dividends from investments in subsidiaries are recognised in the parent company's income statement in the reporting year in which the dividends are declared.

#### 2 Critical accounting estimates and judgements

In connection with the preparation of the financial statements, management makes a number of judgements and estimates, which form the basis of the recognition and measurement of income, expenses, assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date.

##### Accounting judgements

In the process of applying the company's accounting policies, management exercises judgements which may have a significant effect on the amounts recognised in the financial statements. The judgements made with respect to the parent company's accounting policies are consistent with those stated in note 2 to the consolidated financial statements.

##### Accounting estimates

Recognition and measurement of certain assets and liabilities at the balance sheet date require that Management makes assumptions and estimates of future events. If these assumptions and estimates are not realised as expected, it may result in significant corrections of the carrying amounts of the affected assets and liabilities in the subsequent financial year. In 2011, Management made assumptions and estimates in connection with the recognition and measurement of share-based payments and deferred tax assets. Reference is made to the description in note 2 to the consolidated financial statements.

##### Changes in accounting estimates

It may become necessary to change estimates due to changes in the circumstances underlying the estimates or to new information or subsequent events. Changes in accounting estimates are recognised in the financial year in which the change takes place and in subsequent financial years where appropriate.

## Parent Company - Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 3 Unusual matters

No unusual matters occurred in the financial year.

EUR'000	2016	2015
<b>4 Fees paid to auditors appointed at the annual general meeting</b>		
Fee regarding statutory audit	35	18
Tax assistance	0	2
Other assistance	0	1
	<u>35</u>	<u>21</u>

Audit fees are recognised under administration expenses

#### 5 Staff costs

Wages and salaries	991	1,299
Other social security costs	0	1
Share-based payments	332	0
	<u>1,323</u>	<u>1,300</u>

Of which

Remuneration for executive board	428	358
Salaries to other executive officers	142	264
Remuneration for board of directors	150	165
Share-based payments	332	0
	<u>1,052</u>	<u>787</u>

Average number of full-time employees

<u>1</u>	<u>1</u>
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Staff costs are recognised under administration expenses.

#### 6 Amortisation, depreciation and impairment

<b>Depreciation, amortisation and impairment losses</b>		
Other fixtures and fittings, tools and equipment	7	10
	<u>7</u>	<u>10</u>

Amortisation, depreciation and impairment losses are recognised under administration expenses.

Parent Company - Financial statements for the period 1 January - 31 December

Notes to the financial statements

EUR'000	2016	2015
<b>7 Financial income</b>		
Financial income originating from loans and receivables measured at amortised cost:		
Exchange gains	0	34
Interest income, related parties	52	985
Interest income, receivables	0	0
<b>Total financial income</b>	52	1,019
<b>8 Financial expenses</b>		
Financial expenses originating from financial liabilities measured at amortised cost:		
Exchange losses	21	0
Interest payables to credit institutions	1,288	921
Interest, payables to related parties	46	0
<b>Total financial expenses</b>	1,355	921
<b>9 Income taxes</b>		
Income tax expense recognised in profit or loss:	0	0
Estimated tax on the taxable income for the year	0	0
Group taxation contribution	0	0
Adjustment regarding prior year	0	0
Change in deferred tax	0	0
	0	0
<b>Reconciliation of tax rate</b>		
Danish tax rate	22.0%	23.5%
Adjustment regarding prior year	0,0%	0,0%
Permanent differences	-22,0%	-23,5%
Change in deferred tax	0,0%	0,0%
<b>Effective tax rate</b>	0,0%	0,0%

Parent Company - Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Investments in subsidiaries of the Group  
EUR'000

	2016	2015	1/1 2015
Cost 1/1	30,859	19,853	19,808
Additions	1,000	11,489	0
Disposals	0	-483	0
Exchange adjustments	0	0	45
Cost 31/12	<u>31,859</u>	<u>30,859</u>	<u>19,853</u>

Subsidiaries:

	Interest	Country
UAB Idavang	100%	Lithuania
UAB Idavang Pasodele	100%	Lithuania
UAB Idavang Kepaliai	100%	Lithuania
Pskov Invest Aps	100%	Denmark
Rus Invest Aps	100%	Denmark
Idavang Russia A/S	100%	Denmark
Rurik A/S	100%	Denmark
Idavang Agro LLC	100%	Russia
Idavang Invest LLC	100%	Russia
Idavang LLC	100%	Russia
Nordrik Invest LLC	100%	Russia
Idavang Luga LLC	100%	Russia
Rurik Russia LLC	100%	Russia
MPK-Vostochny LLC	100%	Russia
Sovhoz Vostochny LLC	100%	Russia

## Parent Company - Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 11 Property, plant and equipment

EUR'000	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2015	39	39
Additions	0	0
Disposals	0	0
Reclassifications	0	0
Transfer	0	0
Exchange adjustments	0	0
<b>Cost at 31 December 2015</b>	<b>39</b>	<b>39</b>
Impairment losses and depreciation at 1 January 2015	-17	-17
Depreciation	-9	-9
Reclassifications	0	0
Reversed depreciation on disposal	0	0
Exchange adjustments	0	0
<b>Impairment losses and depreciation at 31 December 2015</b>	<b>-26</b>	<b>-26</b>
<b>Carrying amount at 31 December 2015</b>	<b>13</b>	<b>13</b>
Of which financial leased assets	0	0

Carrying amount of assets written off but still in use is EUR 0. The amount of borrowing costs capitalised during the year ended 31 December 2015 was EUR 0 (2014 EUR 0).

EUR'000	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	39	39
Additions	0	0
Disposals	0	0
Reclassifications	0	0
Transfer	0	0
Exchange adjustments	0	0
<b>Cost at 31 December 2016</b>	<b>39</b>	<b>39</b>
Impairment losses and depreciation at 1 January 2016	-26	-26
Depreciation	-7	-7
Reclassifications	0	0
Reversed depreciation on disposal	0	0
Exchange adjustments	0	0
<b>Impairment losses and depreciation at 31 December 2016</b>	<b>-33</b>	<b>-33</b>
<b>Carrying amount at 31 December 2016</b>	<b>6</b>	<b>6</b>
Of which financial leased assets	0	0

Carrying amount of assets written off but still in use is EUR 0. The amount of borrowing costs capitalised during the year ended 31 December 2016 was EUR 0 (2015 EUR 0).

Parent Company - Financial statements for the period 1 January - 31 December

Notes to the financial statements

EUR'000	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
<b>12 Financial assets and liabilities</b>				
<b>Loans and receivables at amortised cost</b>				
Receivables from group entities	2,423	2,423	2,690	2,690
Other receivables	37	37	22	22
Cash	661	661	3,304	3,304
<b>Total loans and receivables measured at amortised cost</b>	<b>3,121</b>	<b>3,121</b>	<b>6,016</b>	<b>6,016</b>
<b>Total financial assets</b>	<b>3,121</b>	<b>3,121</b>	<b>6,016</b>	<b>6,016</b>
<b>Financial liabilities measured at amortised cost</b>				
Payables to credit institutions	14,889	14,889	15,460	15,654
Payable to group entities	1,414	1,414	181	181
Other payables	139	139	248	248
<b>Total financial liabilities measured at amortised cost</b>	<b>16,442</b>	<b>16,442</b>	<b>15,889</b>	<b>16,083</b>
<b>Total financial liabilities</b>	<b>16,442</b>	<b>16,442</b>	<b>15,889</b>	<b>16,083</b>

Receivables from group entities are based on agreements with 3<sup>rd</sup> party, hence assumed equal to fair value.

Payables to credit institutions are based on fixed interest and have a negative fair value of EUR 50,000 thousand higher than the carrying value.



Parent Company - Financial statements for the period 1 January - 31 December

Notes to the financial statements

13 Intangible assets

EUR'000	Rights
Cost at 1 January 2015	116
Additions	0
Disposals	0
Exchange adjustments	0
Cost at 31 December 2015	116
Amortisation at 1 January 2015	116
Amortisation	0
Disposals	0
Impairment	0
Exchange adjustments	0
Impairment losses and amortisation at 31 December 2015	116
<b>Carrying amount at 31 December 2015</b>	<b>0</b>
Cost at 1 January 2016	116
Additions	0
Disposals	0
Exchange adjustments	0
Cost at 31 December 2016	116
Amortisation at 1 January 2016	116
Amortisation	0
Disposals	0
Impairment	0
Exchange adjustments	0
Impairment losses and amortisation at 31 December 2016	116
<b>Carrying amount at 31 December 2016</b>	<b>0</b>

## Parent Company - Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 14 Deferred tax

EUR'000	Balance sheet		Income statement	
	2016	2015	2016	2015
Loss bought forward/group taxation	0	0	0	0
<b>Deferred tax income/(expense)</b>			<b>0</b>	<b>0</b>
<b>Deferred tax asset/(liability)</b>	<b>0</b>	<b>0</b>		
<b>Deferred tax asset/liability is recognised in the balance sheet as follows:</b>				
Deferred tax asset	0	0		
Deferred tax liability	0	0		
Deferred tax, net	0	0		
<b>Reconciliation of deferred tax, net</b>				
At 1/1	0	0		
Transferred in connection with the group taxation	0	0		
The year's tax income/expense recognised in profit or loss	0	0		
The year's tax income/expense recognised in other comprehensive income	0	0		
<b>At 31/12</b>	<b>0</b>	<b>0</b>		

#### 15 Contingent liabilities, securities and other financial obligations

##### Contingent liabilities

IFC has a put option on its 200,000 nom. Shares in Idavang A/S to Idavang A/S and Jast ApS. The put option can be exercised from 2016 to 2020. The put option is disclosed in the financial statements for the parent company, Jast ApS.

IFC's put option is based on market values, hence it fluctuates, end 2016 the full obligation of Idavang A/S and Jast ApS constitute a payment of EUR 23.8 million.

The Company is taxed on a joint basis with its parent, Jast Holding ApS. The Company is thus jointly and severally liable for all tax liabilities under the joint taxation arrangement until and including the financial year ended 31 December 2016.

##### Other obligations

The Company has issued a guarantee to Siauliai Bank of EUR 2.3m for loan to working capital in UAB Idavang Kepalių.

## Parent Company - Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 16 Related party transactions

In addition to the related parties mentioned in the consolidated financial statements, Idavang A/S's related parties include the subsidiaries set out in note 10 and executive board and board of directors.

The below tables shows transactions with related parties in the financial year:

**2016:**

EUR'000	<u>Management fee</u>
<b>Owners:</b>	
Shareholders in Jast Holding ApS	122
IFC	<u>0</u>
	<u>122</u>

EUR'000	<u>Interest net</u>	<u>Loan to/from</u>
<b>Subsidiaries:</b>		
UAB Idavang	46	2,122
UAB Idavang Kepaliai	6	151
Idavang Agro LLC	0	75
Idavang LLC	0	75
Pskov Invest ApS	-33	-1,291
Rus Invest ApS	-11	-123
<b>Total</b>	<u>8</u>	<u>1,009</u>

Transactions with executive board and board of directors are enclosed in note 5.  
All transactions with related parties are carried out on an arm's length basis.

**2015:**

EUR'000	<u>Management fee</u>
<b>Owners:</b>	
Shareholders in Jast Holding ApS	44
IFC	<u>0</u>
	<u>44</u>

EUR'000	<u>Interest net</u>	<u>Loan to/from</u>
<b>Subsidiaries:</b>		
UAB Idavang	136	2,479
UAB Idavang Pasodele	27	27
UAB Verslo Pradzia	32	177
Pskov Invest Aps	797	-71
Rus Invest Aps	26	-110
<b>Total</b>	<u>1,018</u>	<u>2,502</u>

All transactions with related parties are carried out on an arm's length basis.

## Parent Company - Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 17 Post balance sheet events

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.