

# Idavang A/S

Tofthøjvej 41, DK-7321 Gadbjerg

CVR no. 20 95 61 43

## Annual report 2017

Approved at the Company's annual general meeting  
on 3 April 2018

Chairman:



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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 2017.

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 2017 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 2017.

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.

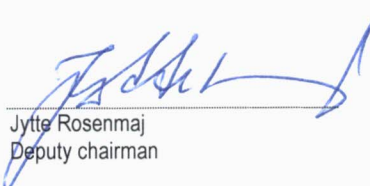
Gadbjerg, 28. February 2018  
Executive Board:

  
Claus Baltersen  
CEO

  
Michael Henriksen  
CFO

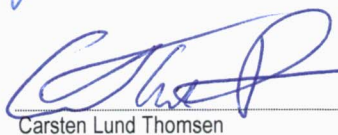
Board of Directors:

  
Niels Hermansen  
Chairman

  
Jytte Rosenmaj  
Deputy chairman

  
Claus Baltersen

  
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 2017, which comprise income statement, statement of other comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and 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 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 2017 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 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

### Statement on the Management's review

Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.



## Independent auditor's report

### Management's responsibilities for the 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 requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the 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 scepticism throughout the audit. We also:


- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.


### Independent auditor's report

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 28 February 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
Hans Peter Roug  
State Authorised  
Public Accountant  
MNE no.: mne33683

  
Kim R. Mortensen  
State Authorised  
Public Accountant  
MNE no.: mne18513

## Management's review

### Company details

Name	Idavang A/S
Address, zip code, city	Tofthøjvej 41 DK-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 Claus Baltersen Ole Bjerremand Hansen Carsten Lund Thomsen
Executive Board	Claus Baltersen, CEO Michael Henriksen, CFO
Shareholders	Jast Holding ApS, Tofthøjvej 41, DK-7321 Gadbjerg, 80% International Finance Corporation, 2121 Pennsylvania Avenue, Washington DC 20433, USA, 20%
Ultimate parent company	Jast Holding ApS, Tofthøjvej 41, DK-7321 Gadbjerg, 80%
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, DK-8000 Aarhus C

## Management's review

### Financial highlights

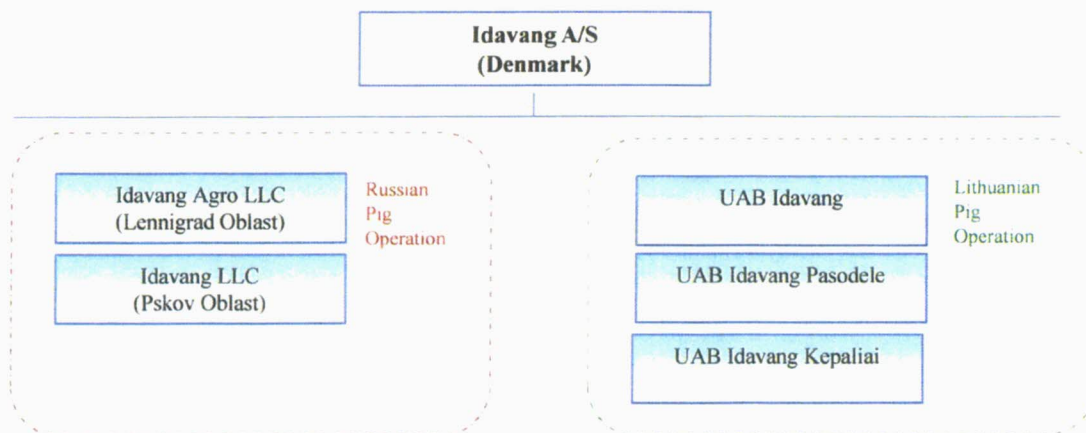
EUR'000,000	2017	2016	2015	2014	2013
<b>Key figures</b>					
Revenue	109,6	95,1	91,2	115,3	102,9
EBITDA (*)	21,6	26,0	20,3	38,3	19,2
Profit/loss before net financials (EBIT)	13,8	18,7	12,3	29,5	10,9
Net financials	-5,9	-3,8	-6,3	-10,4	-8,7
<b>Profit/loss for the year</b>	<b>6,1</b>	<b>14,3</b>	<b>5,9</b>	<b>18,8</b>	<b>1,9</b>
<b>Assets and liabilities</b>					
Tangible assets	88,6	94,0	87,6	98,6	124,9
Biological assets (herd and crop)	37,3	43,8	32,6	35,4	44,0
<b>Total assets</b>	<b>180,4</b>	<b>165,0</b>	<b>145,5</b>	<b>155,2</b>	<b>194,1</b>
<b>Equity</b>	<b>54,1</b>	<b>72,3</b>	<b>50,0</b>	<b>57,3</b>	<b>67,5</b>
Net interest-bearing debt (NIBD)	74,3	68,1	74,4	79,5	104,6
Non-current liabilities	96,6	64,6	56,9	70,2	85,6
Current liabilities	29,7	28,2	38,5	27,8	41,1
<b>Cash flows</b>					
Cash flows from operating activities	19,6	14,6	10,9	29,6	12,8
Investment in property, plant and equipment	-6,3	-3,5	-4,6	-9,0	-17,9
Cash flows from financing activities	-11,4	-11,5	-2,7	-20,1	1,3
<b>Total cash flows</b>	<b>2,0</b>	<b>0,2</b>	<b>4,3</b>	<b>1,4</b>	<b>-3,2</b>
<b>Financial ratios</b>					
EBITDA margin	20%	27%	22%	33%	19%
Current ratio	254%	196%	109%	141%	120%
Equity ratio	30%	44%	34%	37%	35%
Return on equity	10%	20%	12%	33%	3%
Sold volume liveweight (kMT)	86	86	75	75	71
Return on average invested capital (ROIC)	10%	14%	9%	19%	6%
<b>Employees</b>					
<b>Average number of full-time employees</b>	<b>807</b>	<b>787</b>	<b>767</b>	<b>871</b>	<b>831</b>

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

For terms and definitions, please see the accounting policies in note 1.

\* Refer to note 3 Segments

### 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 109.6m in 2017 against EUR 95.1m in 2016.

EBITDA was EUR 21.6m against EUR 26.0m (at fixed herd prices it was EUR 26,7m against 2016 of EUR 20,0m) and profit after tax was EUR 6.1m against EUR 14.3m in 2016.

The year started strong, but last quarter of 2017 demand started decreasing and especially December ended weak, the result for FY2017 live up to expectations (at fixed herd prices). The market shift was driven by USD getting weaker and demand from China being reduced. The sales prices in Russia and Lithuania decreased significant during last quarter and especially December, hence the value adjustment of the herd had record negative size in 2017. Does the weaker USD and lower current demand from China continue during 2018 we expect to generate a lower EBITDA at fixed herd prices.

Our field activities had a poor harvest during 2017 due to bad weather conditions, but the effect of improved feed conversion within production made during 2017 compensated for this.

The Group invested EUR 6.4m in 2017, which is less than depreciation of EUR 7.8m.

In December month Idavang A/S issued a bond of EUR 85m to secure funding to JAST Holding ApS to repurchase shares from IFC if needed (during the put period of 2016-2020), hence EUR 25m has been put on an escrow account as part of the proceeds. The remaining proceeds were used for a EUR 21,0m extraordinary dividend payment in December 2017 and to re-finance existing debt.

Net interest-bearing debt (NIBD) increased by EUR 6.2m in 2017 but is still lower than 2015. The development NIBD was negatively influenced by dividend payment EUR 21,0 m and bond cost EUR 1.2m. The strong free cash flow from operations and devaluation of EURRUB exchange rate by EUR 1.0m, compensated most of the dividend payment.

### Vision

Our vision is to achieve and maintain the highest quality of pigs while strictly adhering to all ethical and environmental standards

### Mission

Our mission is to be the top producer of pigs in the Baltic states and North Western Russia, renowned for high quality pigs produced in accordance with top ethical and environmental standards.

We strive to be an important and dependable partner to our clients, an actively benevolent member of the surrounding communities, an employer who provides an exciting and appealing workplace environment while offering our employees personal and professional development opportunities, as well as steady career possibilities.



## Management's review

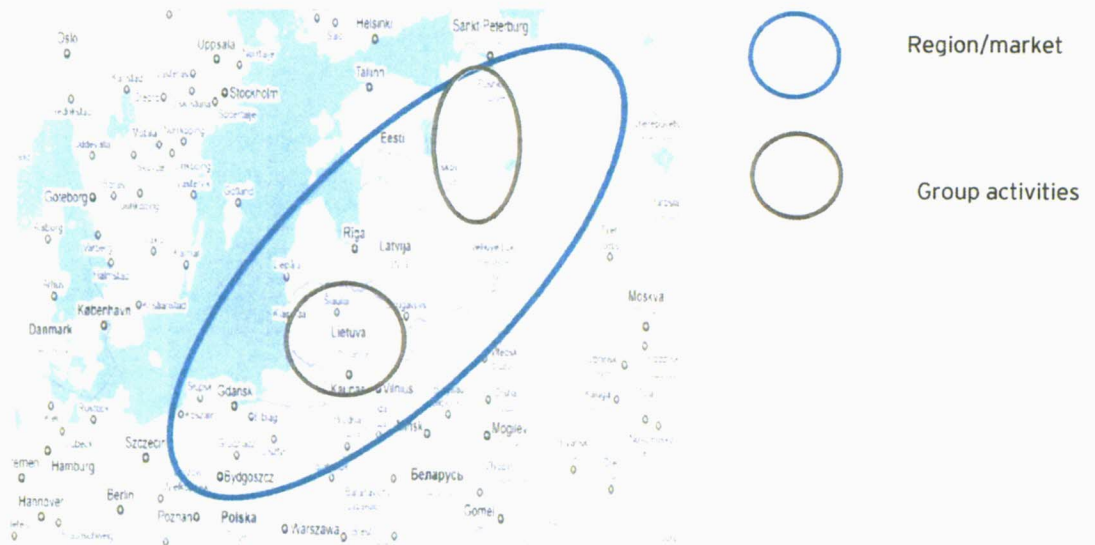
### Core activity

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.
- ▶ 2009-2011 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-2008). 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.
- ▶ 2017 Idavang Group issues re-finance using a EUR 85m bond

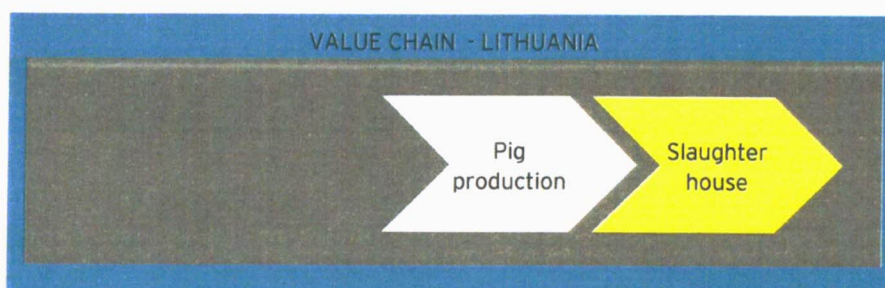
### Business Focus

#### 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.

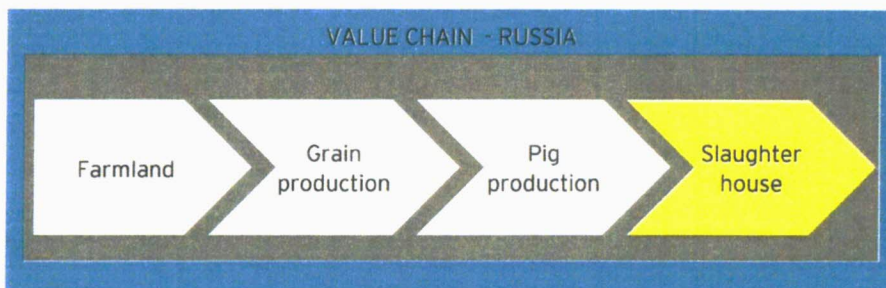


## Management's review

### 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.

## Management's review

### Business review 2017

#### Development in Segments

##### Lithuania

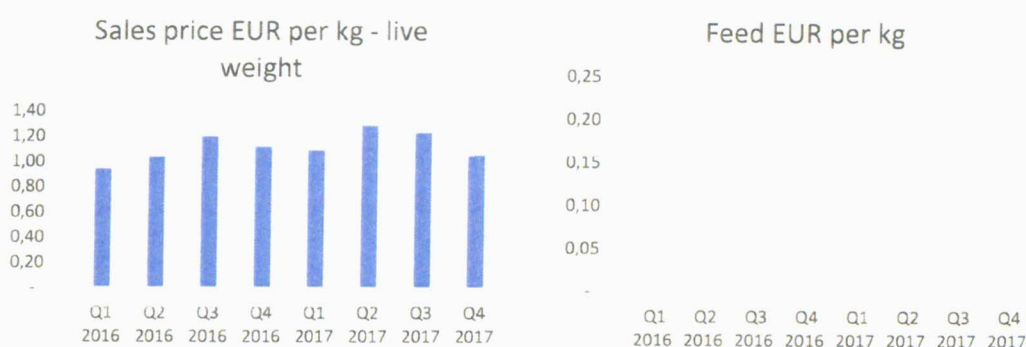
EUR '000	FY2017	FY2016
<b>Revenue</b>	<b>61.066</b>	<b>54.723</b>
Value adjustment, biological assets	-2.407	5.490
Production costs	-48.475	-47.258
Administrative costs	-1.861	-1.569
Other income	1.258	926
Other expense	-	-8
<b>Operating profit</b>	<b>9.581</b>	<b>12.304</b>
Net Financials	-1.214	-1.442
Foreign exchange adjustments	-17	
<b>Profit before tax</b>	<b>8.350</b>	<b>10.862</b>
Tax on profit for the year	-1.800	-601
<b>Profit for the period</b>	<b>6.550</b>	<b>10.261</b>

EUR '000	FY2017	FY2016
Depreciations included in production cost	3.233	3.375
<b>EBITDA</b>	<b>12.814</b>	<b>15.679</b>
<i>EBITDA fixed herd prices</i>	<i>15.221</i>	<i>10.189</i>

Lithuania accounted for 56 % of Group revenue in FY2107 (FY 2016: 58 %).

The pig price increased 8 % compared to FY 2016 to an average 1,17 EUR per kilo slaughter pigs live weight in 2017 (FY 2016: 1,08 EUR per kilo live weight slaughter pigs).

Last week before Christmas the Lithuania Government decided to phase out the beneficial corporate tax rate to agriculture of 5% to normal corporate tax rate of 15% during 2018 and 2019. This effected the calculation of deferred tax with an increase of 1.232 kEUR, which where expensed in Q4 2017.



## Management's review

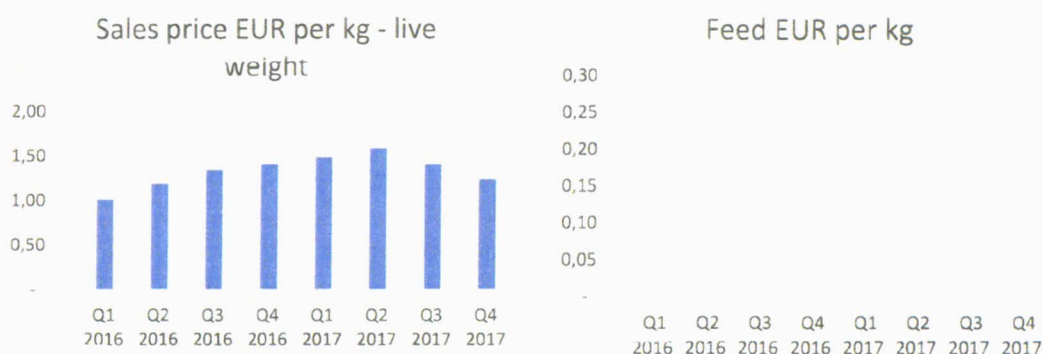
### Russia

EUR '000	FY2017	FY2016
<b>Revenue</b>	<b>48.530</b>	<b>40.350</b>
Value adjustment, biological assets	-2.639	489
Production costs	-38.134	-32.195
Administrative costs	-1.562	-1.132
Other income	319	447
Other expense	-83	-11
<b>Operating profit</b>	<b>6.431</b>	<b>7.948</b>
Net Financials	-3.232	-4.127
Foreign exchange adjustments	-213	317
<b>Profit before tax</b>	<b>2.986</b>	<b>4.138</b>
Tax on profit for the year	-42	-47
<b>Profit for the period</b>	<b>2.944</b>	<b>4.091</b>

EUR '000	FY2017	FY2016
Depreciations included in production cost	4.559	3.953
<b>EBITDA</b>	<b>10.990</b>	<b>11.901</b>
<i>EBITDA fixed herd prices</i>	<i>13.629</i>	<i>11.412</i>

Russia accounted for 44 % of Group revenue (FY 2016: 42 %).

The pig price increased 15 % compared to FY 2016 to an average 1,43 EUR per kilo slaughter pigs live weight in 2017 (FY 2016: 1,24 EUR per kilo live weight slaughter pigs).





## Management's review

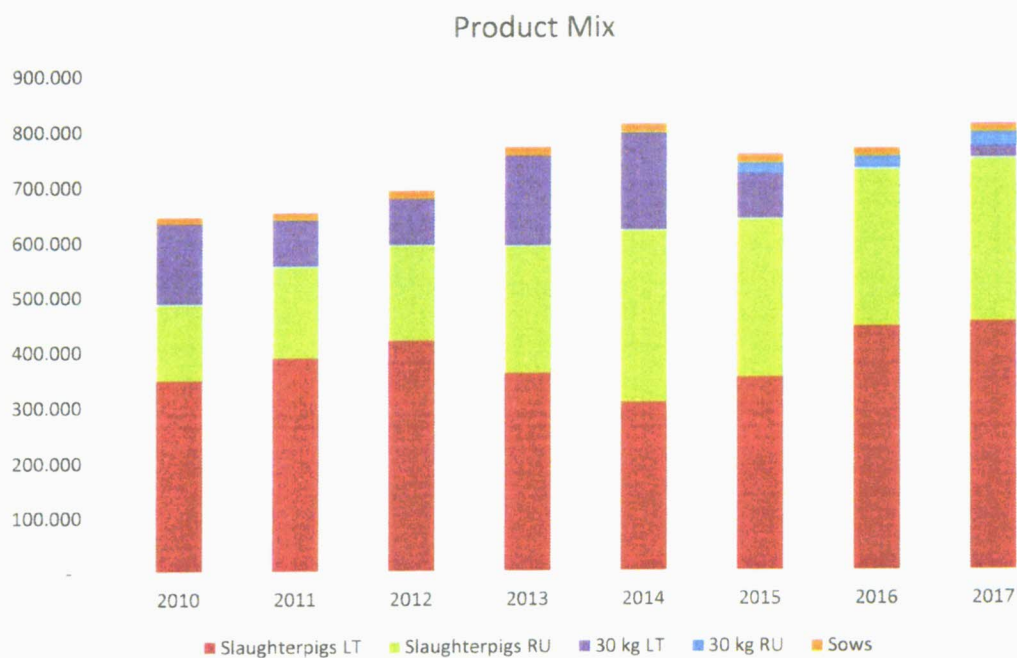
### Revenue

Revenue increased from EUR 95.1m to EUR 109,6m (+15%). The increase of EUR 14.5m was mainly driven by the higher average sales price for slaughterpigs of EUR 10,1m.

Sales prices in EUR / Averages	2014	2015	2016	2017
Slaughter pigs Lithuania - Price / Kg live weight	1.13	0,99	1,08	1,17
Weaners Lithuania - Price / Unit	58	49	-	64
Slaughter pigs Russia - Price / Kg live weight	1.91	1.49	1.24	1.43
Weaners LT - Price / Unit	79	66	53	60



## Management's review



### Herd value adjustment

In 2017, the fair value adjustment for herd comprised EUR -5.0m and was caused by decrease in meat prices in both Lithuania and Russia, hence it relates to commercial herd and breeding herd is slightly positive.

### Production cost

Production costs increased by EUR 7.2m to EUR 86.6m (9%). The increase was mainly driven by the following two factors:

- ▶ The average EURRUB rate increased with 11% (vs. 2016) increasing production cost with EUR 4,3m
- ▶ Decrease in EBITDA field result of EUR 2.1m, mainly due to yield as a consequence of adverse weather conditions

### Subsidies

The Government level of direct subsidies for meat and grain (excluding interest subsidies) is unchanged EUR 0.1m (2016: EUR 0.1m).

Main subsidy received is interest subsidies for agriculture loans in Russia which was EUR 1.7m (2016: EUR 1.3m).

## Management's review

### Investments

Idavang's investments in 2017 totalled EUR 6.4m (EUR 3.6m in 2016).

Investments in Russia, EUR 5.0m (EUR 3.1m in 2016) relates to new equipment for fields was EUR 1.5m among other 3 new tractors, the remaining EUR 3.5m is partly maintenance investments (e.g. upgrade of feeding system), cost saving projects (e.g. replacement of lights with LED) and finalization of existing sites.

Investments in Lithuania of EUR 1.4m (EUR 0.5m in 2016), the largest single investment relate to replacement of lights to LED EUR 0.2 m remaining are misc. minor investments.

### Follow-up on expressed expectations

- ▶ Meat prices
  - EU/Lithuania average prices were expected to be higher than 2016. The price level was average 8% higher than 2016 they positively surpassed our expectations. This was driven by high export mainly to Asia.
  - Russia average prices surpassed expectation with a price level 15% higher than 2016, as global pork market was driven up by Asia.
- ▶ Feed price turned out as expected, being on same level as 2016, by only being 2.1% higher.

### Outlook

Regarding 2018, the Company has expectations to a lower EBITDA at fixed herd prices compared to 2017, due to meat prices:

- ▶ Meat prices - assumptions below are made due to continuation of the current weak USD and current low demand from China continue during 2018
  - EU/Lithuania average prices for 2018 are expected to be lower than 2017
  - Russia pork prices are also expected to be lower than 2017
- ▶ Feed price is expected to be at the same level as in 2017

### 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 European 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 apx. 5-7% 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 2017, the RUB has fluctuated less than previous years against the EUR. The total effect for 2017 was a 8% devaluation EUR/RUB, which among others affected equity negatively by EUR 3m, 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.

Idavang has not identified any cases of corruption in 2017.

## Management's review

### Environmental matters

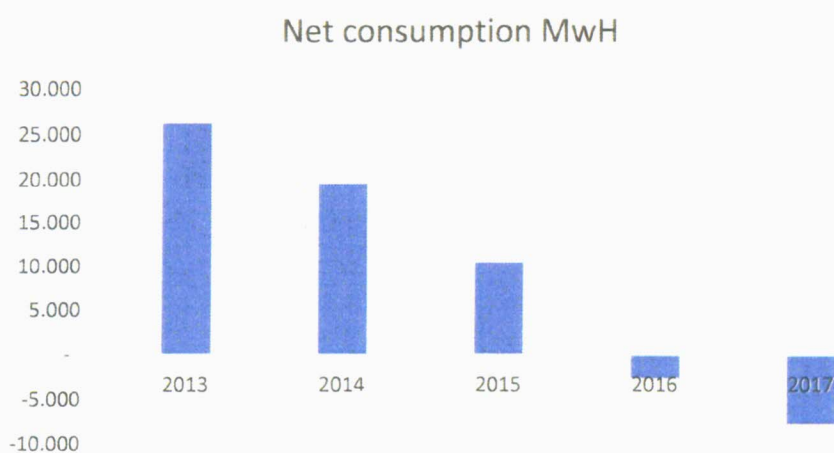
Environmental matters are an integrated part of Idavang's mission.

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.

Illustration of our commitment to environmental and its synergies with financial result can best be illustrated by examples

Biogas, where we use our efforts together with a business partner (Modus Energy) we have established biogas plants with the aim to improve environmental targets. In 2016 we managed to become net supplier of energy, and as you can see in table below are we increasing the net supply in 2017.



Slurry optimization in Lithuania is another area of focus (to sell more slurry as valuable fertilizer), as it is good for environment and provides profits. We are determined to increase these synergies both support both environment, but at the same time improve company profits.

Therefore the development is easiest illustrated by what farmers are paying for the slurry where we increased from 355 kEUR (2016) to 598 kEUR (2017), before 2016 we received straw (used in our straw boilers as payment) hence it is difficult to see a lower development than from 2016. Straw boilers as source of heat on our Lithuanian farms is another example of focus on environment.

## Management's review

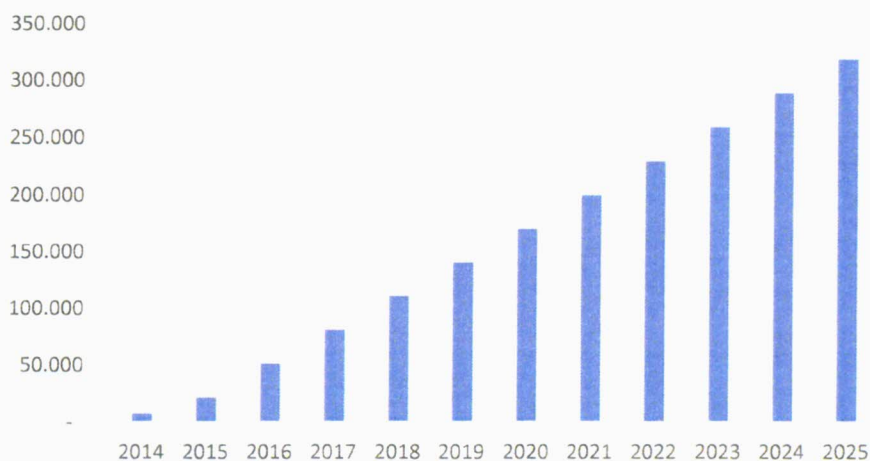
### Climate issue

The focus on climate 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

This is a high focus area hence every time an accident happens an e-mail is sent to all users, so that we can learn from the case. The accident reports include all details example being "During vaccination of a pig, the pig climbed on the left foot of an employee" and is followed by pictures, experience of employee etc. During 2017 accident numbers increased from 13 (2016) to 16 (2017)

### 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 2017) is represented by 6 individuals. One of whom is female, which leaves the gender representation unchanged compared to 2016.

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. There has in 2017 not been any external process for new board members, hence no change target is for 2019 (similar to last year) as the board is considering changing one board member during 2018, and in this process, the selection process will have focus on the diversity and gender representation on the board.

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. Idavang Group CSR and HR policies therefore prohibits the hiring of children under the age of 18 is not allowed.

Other examples of the focus in this area is that, there are 8 employees who have a disability working at Idavang, but also that all temporary workers have the same employment benefits as permanent workers.

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.

### 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	2017	2016
	<b>Revenue</b>	109,596	95,073
16	Value adjustment, biological assets	-5,046	5,979
5+7	Production costs	-86,614	-79,460
5	Administration costs	-5,373	-4,280
8	Other income	1,577	1,373
	Other expense	-330	-19
	<b>Operating profit</b>	13,810	18,667
9	Financial income	441	2,725
10	Financial expenses	-6,340	-6,498
	<b>Profit before tax</b>	7,911	14,893
12	Tax on profit for the year	-1,849	-652
	<b>Profit for the year</b>	6,062	14,241
	<b>Attributable to:</b>		
	Owners of the parent	6,062	14,241
		6,062	14,241

### Statement of other comprehensive income

Note	EUR'000	2017	2016
	<b>Profit for the year</b>	6,062	14,241
	<b>Other comprehensive income</b>		
	Exchange adjustment, foreign subsidiaries	-2,892	7,878
	Hedge accounting	-352	61
	<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	-3,244	7,939
	Other comprehensive income not be reclassified to profit or loss in subsequent periods	0	0
	<b>Total comprehensive income</b>	2,818	22,180

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

### Balance sheet

Note	EUR'000	2017	2016
	<b>ASSETS</b>		
	Non-current assets		
13	Intangible assets	1,353	1,409
		<u>1,353</u>	<u>1,409</u>
15	Property, plant and equipment	88,592	93,978
		<u>88,592</u>	<u>93,978</u>
16	Biological assets	14,235	13,655
		<u>14,235</u>	<u>13,655</u>
	Other non-current assets		
18	Deferred tax	760	761
	Financial assets	4	4
	<b>Total other non-current assets</b>	<u>764</u>	<u>765</u>
	<b>Total non-current assets</b>	<u>104,944</u>	<u>109,807</u>
	Current assets		
19	Inventories	9,182	10,680
		<u>9,182</u>	<u>10,680</u>
16	Biological assets	23,033	30,158
		<u>23,033</u>	<u>30,158</u>
	<b>Receivables</b>		
20	Trade receivables	2,055	2,033
	Other receivables	1,432	471
	Prepayments	2,236	582
		<u>5,723</u>	<u>3,085</u>
	Assets held for sale	37	47
		<u>37</u>	<u>47</u>
21	Cash	37,451	11,248
	<b>Total current assets</b>	<u>75,426</u>	<u>55,218</u>
	<b>TOTAL ASSETS</b>	<u>180,370</u>	<u>165,025</u>

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

### Balance sheet

Note	EUR'000	2017	2016
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	1,000	1,000
	Share premium	0	29,974
	Exchange adjustments	-26,764	-23,872
	Other reserves	-537	1,525
	Retained earnings	80,372	63,626
	<b>Total equity</b>	<b>54,071</b>	<b>72,253</b>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
23	Credit institutions and issued bonds	92,148	58,026
	Subordinated loans	0	3,125
11	Government grants	2,221	2,125
18	Deferred tax	2,073	841
	Provisions	134	432
	Other non-current liabilities	39	39
		<b>96,615</b>	<b>64,588</b>
	<b>Current liabilities</b>		
23	Credit institutions	2,578	8,095
23	Payable to credit institutions	17,004	10,139
	Trade payables	7,403	8,427
12	Income taxes payable	470	88
	Other payables	2,229	1,435
		<b>29,684</b>	<b>28,184</b>
	<b>Total liabilities other than provisions</b>	<b>126,299</b>	<b>92,772</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>180,370</b>	<b>165,025</b>

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

### Statement of changes in equity

EUR'000	Share capital	Share premium	Exchange adjustment	Other reserves	Retained earnings	Total
Equity at 1 January 2016	1,000	29,974	-31,750	1,464	49,385	50,073
Profit/loss for the year					14,241	14,241
Other comprehensive income			7,878	61		7,939
<b>Total comprehensive income</b>	0	0	7,878	61	14,241	22,180
Equity at 31 December 2016	1,000	29,974	-23,872	1,525	63,626	72,253
Profit/loss for the year					6,062	6,062
Other comprehensive income			-2,892	-352		-3,244
<b>Total comprehensive income</b>	0	0	-2,892	-352	6,062	2,818
Dividend					-21,000	-21,000
Transfer		-29,974		-1,710	31,684	0
Equity at 31 December 2017	1,000	0	-26,764	-537	80,372	54,071

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

### Cash flow statement

Note	EUR'000	2017	2016
	Operating profit/loss	13,810	18,667
7	Depreciation, amortisation and impairment	7,797	7,335
	Profit from sale of tangible assets	-156	-36
	Accrual of hedging accounting	-352	60
	Changes in inventories	878	627
	Changes in receivables	-2,691	666
	Changes in trade payables	-777	833
	Changes in other current liabilities	903	-497
6	Share-based payments	-298	332
	Addition of biological assets	261	-1,138
16	Value adjustment, biological assets	5,046	-5,979
		<u>24,421</u>	<u>20,870</u>
	Interest received	441	352
	Interest paid	-5,066	-6,479
	Corporation tax paid	-246	-157
	<b>Cash flows from operating activities</b>	<u>19,550</u>	<u>14,586</u>
13	Acquisition of intangible assets	-17	-22
15	Acquisition of property, plant and equipment	-6,333	-3,561
	Disposal of property, plant and equipment	291	481
16	Acquisition/disposal of biological assets	-162	187
	Acquisition of investments	0	-3
	<b>Cash flows from investing activities</b>	<u>-6,221</u>	<u>-2,918</u>
	Proceeds from borrowings	89,160	10,364
	Repayment of borrowings	-54,595	-21,880
	Dividends paid	-21,000	0
	Reserved cash on escrow account	-25,000	0
	<b>Cash flows from financing activities</b>	<u>-11,435</u>	<u>-11,516</u>
	Net cash flows from operating, investing and financing activities	1,894	152
	Cash and cash equivalents at 1 January	11,248	9,843
	Exchange adjustments	-685	1,254
21	<b>Cash and cash equivalents at 31 December</b>	<u><u>12,457</u></u>	<u><u>11,248</u></u>

Furthermore, the group has EUR 5,820 thousand in overdraft facilities, which are not utilised at year-end and owns EUR 5,000 thousand Idavang A/S bonds.



## 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 and additional Danish disclosure requirements for financial statements prepared by large reporting class C enterprises.

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 9 "Financial Instruments: Classification and Measurement". The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group has assessed the application of the amendment and does not expect significant impacts on its Financial Statements.

IFRS 15 "Revenue from Contracts with Customers". The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has assessed the application of the standard and does not expect significant impacts on its Financial Statements as the Group does not have long-term contracts with multi-element arrangements, no take-or-pay agreements, no sales incentives are provided, no material contract costs are generally incurred or upfront payments made and contract modifications are rare. In implementation for the standard the Group will use the modified approach.

IFRS 16 "Leases". The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Group has not yet evaluated the impact of the implementation of this standard, but expect it to have less than 1% effect on assets and liabilities on group level.

##### 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.

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

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### 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.

##### 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.



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

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

Expenses related to equity-settled share-based payments 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.

#### Income statement

##### Revenue

Revenue from the sale of slaughter pigs and piglets are recognised in profit or loss when delivery and transfer of the risk to the buyer has taken place based on incoterms. 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.

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

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### 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.

##### 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:

	<b>Useful life, years</b>
Rights	20-25

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.

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

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

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
Buildings	25-40
Plant and machinery	8-15
Other fixtures and fittings, tools and equipment	3-10

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.

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.

Breeding herds are classified as non-current and commercial herd (slaughter pigs) are classified as current.

#### 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.



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

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

##### 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.

##### 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.

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

### Notes to the financial statements

#### 1 Significant accounting policies (continued)

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 highlights

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society .

#### Ratios

EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDA margin	$EBITDA \times 100 / \text{Revenue}$
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	Weight of slaughter pigs, piglets, weaners and sows sold
kMT	1,000,000 kg
Capital invested	Assets less cash, less bonds less non-interest-bearing debt including provisions
Return on average invested capital	$EBIT \times 100 / \text{Average invested capital}$
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 2017, 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

	2017	2016	2015
Slaughterpig sales price liveweight - Russia end year	EUR 1.19	EUR 1.51	EUR 1.15
Slaughterpig sales price liveweight - Lithuania end year	EUR 1.04	EUR 1.12	EUR 0.87
Weaners (30 kg) sales price - Lithuania end year	EUR 51	EUR 69	EUR 43
Piglets (7 kg)	EUR 30	EUR 35	EUR 21
Premium for Russian meat (relation between slaughter pig prices)	14%	35%	33%
Sows unit price - Russia	590	596	595
Sows unit price - Lithuania	468	434	422

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 2017 is EUR 36,691 thousand (2016: EUR 42,543 thousand). Please refer to note 16.

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

### Notes to the financial statements

#### 3 Segments

2017:

EUR'000	Lithuania	Russia	Other/ Eliminations	Group
<b>Revenue</b>	<b>61,066</b>	<b>48,530</b>	-	<b>109,596</b>
Value adjustment, biological assets (*)	-2,407	-2,639	-	-5,046
Production costs	-48,475	-38,134	-5	-86,614
Administrative costs	-1,861	-1,562	-1,950	-5,373
Other income	1,258	319	-	1,577
Other expense	0	-83	-247	-330
<b>Operating profit</b>	<b>9,581</b>	<b>6,431</b>	<b>-2,202</b>	<b>13,810</b>
Net financials	-1,215	-3,231	-178	-4,624
Foreign exchange adjustments	-16	-213	-1,045	-1,275
<b>Profit before tax</b>	<b>8,350</b>	<b>2,986</b>	<b>-3,425</b>	<b>7,911</b>
Tax on profit for the year	-1,800	-42	-7	-1,849
<b>Profit for the period</b>	<b>6,550</b>	<b>2,944</b>	<b>-3,432</b>	<b>6,062</b>

(\*) Non cash item

Depreciations included in production cost	3,233	4,559	5	7,797
<b>EBITDA</b>	<b>12,814</b>	<b>10,990</b>	<b>-2,197</b>	<b>21,607</b>
<i>EBITDA fixed herd prices (excluding non-cash items)</i>	<i>15,221</i>	<i>13,629</i>	<i>-2,197</i>	<i>26,653</i>

EUR'000	Lithuania	Russia	Other	Group
Total assets	67,727	85,169	27,474	180,370
Liabilities	-32,715	-47,384	-46,200	-126,299
Net assets	35,012	37,785	-18,726	54,071

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

### Notes to the financial statements

#### 3 Segments, continued

2016:

EUR'000	Lithuania	Russia	Other/ Eliminations	Group
Revenue	54,723	40,350	-	95,073
Value adjustment, biological assets (*)	5,490	489	-	5,979
Production costs	-47,258	-32,195	-7	-79,460
Administrative costs	-1,569	-1,132	-1,579	-4,280
Other income	926	447	-	1,373
Other expense	-8	-11	-	-19
<b>Operating profit</b>	<b>12,304</b>	<b>7,948</b>	<b>-1,586</b>	<b>18,666</b>
Net financials	-1,442	-4,127	-557	-6,126
Foreign exchange adjustments	-	317	2,036	2,353
<b>Profit before tax</b>	<b>10,862</b>	<b>4,138</b>	<b>-107</b>	<b>14,893</b>
Tax on profit for the year	-601	-47	-4	-652
<b>Profit for the period</b>	<b>10,261</b>	<b>4,091</b>	<b>-111</b>	<b>14,241</b>
Depreciations included in production cost	3,375	3,953	7	7,796
<b>EBITDA</b>	<b>15,679</b>	<b>11,901</b>	<b>-1,579</b>	<b>26,001</b>
<i>EBITDA fixed herd prices (excluding non cash items)</i>	<i>10,189</i>	<i>11,412</i>	<i>-1,579</i>	<i>20,022</i>

(\*) Non cash item

EUR'000	Lithuania	Russia	Other	Group
Total assets	74,173	89,380	1,472	165,025
Liabilities	-38,358	-51,523	-2,891	-92,772
Net assets	35,815	37,857	-1,419	72,253

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

	2017	2016
Fee regarding statutory audit	107	107
Assurance engagements	48	0
Tax assistance	0	0
Other assistance	0	11
	<b>155</b>	<b>118</b>

Audit fees are recognised under administration expenses



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

### Notes to the financial statements

EUR'000	2017	2016
<b>5 Staff costs</b>		
Wages and salaries	11,235	8,660
Other social security costs	2,692	2,014
Share-based payments (note 6)	-298	332
Other staff costs	420	384
	<u>14,049</u>	<u>11,390</u>
Staff costs are recognised as follows in the financial statements:		
Production	10,582	8,362
Fixed assets	200	141
Administration	3,267	2,887
	<u>14,049</u>	<u>11,390</u>
Of which		
Remuneration for executive board	837	658
Salaries to other executive officers	1,410	525
Remuneration for board of directors	142	150
Share-based payments (note 6), executive board and officers	-298	332
	<u>2,091</u>	<u>1,523</u>
Average number of full-time employees	<u>809</u>	<u>787</u>

### 6 Share-based payments

Idavang A/S has in 2013 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, and no dividend before after 2022.

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 2017, the fair value amounts to EUR 134,000 (2016: EUR 432,000).

The value has decreased due to dividend paid out in 2017.

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

### Notes to the financial statements

EUR'000	2017	2016
<b>7 Amortisation, depreciation and impairment</b>		
Buildings	4,106	3,835
Plant and machinery	3,386	3,151
Other fixtures and fittings, tools and equipment	257	310
Intangible assets	47	40
	<u>7,797</u>	<u>7,335</u>
Amortisation, depreciation and impairment losses are recognised under production cost		
<b>8 Other income</b>		
Grants in Russia on meat and grain	123	83
Sale of slurry	598	355
Delivery of pigs	510	556
Miscellaneous	346	379
	<u>1,577</u>	<u>1,373</u>
<b>9 Financial income</b>		
<b>Financial income originating from loans and receivables measured at amortised cost:</b>		
Exchange gains	0	2,373
Interest income, banks	436	348
Other	5	4
	<u>441</u>	<u>2,725</u>
<b>Total financial income</b>	<u>441</u>	<u>2,725</u>

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

### Notes to the financial statements

EUR'000	2017	2016
<b>10 Financial expenses</b>		
Financial expenses from financial assets and liabilities at fair value through profit or loss:		
Interest, derivative financial instruments	4	117
	<u>4</u>	<u>117</u>
Financial expenses originating from loans and receivables measured at amortised cost:		
Exchange losses	1,275	24
Interest payables to credit institutions	3,930	4,656
Interest, bonds	307	0
Interest, subordinated loans	665	1,381
Other	159	320
	<u>6,336</u>	<u>6,381</u>
<b>Total financial expenses</b>	<u>6,340</u>	<u>6,498</u>

### 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	2017	2016
Carrying amount 1/1	2,125	2,390
Received in the year	2,167	882
Recognised in profit or loss in the year	-1,965	-1,437
Exchange adjustment	-106	290
<b>Carrying amount 31/12</b>	<u>2,221</u>	<u>2,125</u>

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.

Government grants relating to interest on loans from credit institutions have been deducted in financial expenses.

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

### Notes to the financial statements

EUR'000	2017	2016
<b>12 Income taxes</b>		
Income tax expense recognised in profit or loss:		
Estimated tax on the taxable income for the year	-616	-220
Adjustment regarding prior year	1	11
Change in deferred tax	-1,233	-443
	<u>-1,849</u>	<u>-652</u>
<b>Reconciliation of tax rate</b>		
Danish tax rate	22.0%	22,0%
Adjustment regarding prior year	0.0%	-0,1%
Difference, tax rate in foreign subsidiaries	-14.2%	-17.5%
Difference, tax rate changes in foreign subsidiaries	15.6%	0.0%
Tax loss carry forward	0.0%	0.0%
Effective tax rate	<u>23.4%</u>	<u>4.4%</u>
<b>Income taxes payable</b>		
Carrying amount 1/1	88	48
Payment	-246	-157
Tax 2017-results	616	209
Exchange rate adjustment	12	-12
Carrying amount 31/12	<u>470</u>	<u>88</u>

## 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 2016	1,967	549	2,516
Additions	0	22	22
Disposals	0	-2	-2
Exchange adjustments	0	100	100
Cost at 31 December 2016	1,967	669	2,636
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	948	279	1,227
<b>Carrying amount at 31 December 2016</b>	<b>1,019</b>	<b>390</b>	<b>1,409</b>
Cost at 1 January 2017	1,967	669	2,636
Additions	0	23	23
Disposals	0	-6	-6
Exchange adjustments	0	-38	-38
Cost at 31 December 2017	1,967	648	2,615
Amortisation at 1 January 2017	948	279	1,227
Amortisation	0	47	47
Disposals	0	0	0
Impairment	0	0	0
Exchange adjustments	0	-12	-12
Impairment losses and amortisation at 31 December 2017	948	314	1,262
<b>Carrying amount at 31 December 2017</b>	<b>1,019</b>	<b>334</b>	<b>1,353</b>



## 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	2017	2016
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 2018-2020 (2017: 2017-2020), as approved by Management. The calculation of the value in use is based on the following estimates:

Percentage	Lithuania
2017	
Discount factor before tax	8.7%
Growth rate in terminal period	2.0%
2016	
Discount factor before tax	8.8%
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, but in terminal value investment is included equal to depreciations to be conservative. 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 2017 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 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

#### 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 2017	102,556	35,112	3,612	2,228	143,508
Additions	549	2,150	279	3,355	6,333
Disposals	0	-310	-161	-18	-489
Transfer	836	989	0	-1,825	0
Exchange adjustments	-3,612	-1,582	-40	-239	-5,473
Cost at 31 December 2017	100,329	36,359	3,690	3,501	143,879
Impairment losses and depreciation at 1 January 2017	26,485	20,664	2,381	0	49,530
Depreciation	4,106	3,386	257		7,749
Reversed depreciation on disposal	0	-241	-123		-364
Exchange adjustments	-780	-806	-42		-1,628
Impairment losses and depreciation at 31 December 2017	29,811	23,003	2,473	0	55,287
<b>Carrying amount at 31 December 2017</b>	<b>70,518</b>	<b>13,356</b>	<b>1,217</b>	<b>3,501</b>	<b>88,592</b>
Land which is not depreciated	2,965				
Of which financial leased					1,132

Cost amount of assets written off but still in use is EUR 5,824 thousand. The amount of borrowing costs capitalised during the year ended 31 December 2017 was EUR 0 (2016 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 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 for loans	0	24,279	24,279	11,310
Carrying amount at 1 January 2017	1,270	28,888	30,158	13,655
Gains/losses from fair value changes	0	-5,947	-5,947	901
Additions	3,769	80,372	84,141	3,547
Disposals	-4,397	-77,944	-82,341	-5,446
Transfers	0	-2,061	-2,061	2,061
Exchange adjustments	-63	-854	-917	-483
<b>Carrying amount at 31 December 2017</b>	<b>579</b>	<b>22,454</b>	<b>23,033</b>	<b>14,235</b>
Biological assets provided as security for loans	0	0	0	0

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*

- ▶ 2016: An area of 7,268 ha, was harvested mainly wheat, and by the end of 2016 3,731 ha, were seeded
- ▶ 2017: An area of 7,016 ha, was harvested mainly grain, and by the end of 2017 1,616 ha, were seeded

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

##### *Commercial herd*

- ▶ 2016: Stock 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
- ▶ 2017: Stock increased due to increasing of contracting in Poland and at year-end the stock was 374,900 pigs. During the year 752,807 slaughter pigs, 47,497 weaners and 14,803 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*

- ▶ 2016: Stock decreased and the year ended with a total of 29,539 sows, gilts and boars
- ▶ 2017: Stock increased and the year ended with a total of 29,655 sows, gilts and boars



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

### Notes to the financial statements

#	EUR'000	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
17	<b>Loans and receivables at amortised cost</b>				
	Trade receivables	2,070	2,070	2,033	2,033
	Other receivables	1,432	1,432	471	471
	Cash	37,451	37,451	11,248	11,248
	<b>Total loans and receivables measured at amortised cost</b>	<u>40,953</u>	<u>40,953</u>	<u>13,752</u>	<u>13,752</u>
	<b>Financial liabilities measured at amortised cost</b>				
	Payables to credit institutions	116,730	116,730	76,260	76,310
	Subordinated loans	0	0	3,125	3,125
	Trade payables	7,403	7,403	8,427	8,427
	<b>Total financial liabilities measured at amortised cost</b>	<u>124,133</u>	<u>124,133</u>	<u>87,812</u>	<u>87,812</u>

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	
	2017	2016	1/1 2016	2017	2016
<b>18 Deferred tax</b>					
Property, plant and equipment	-856	-295	-289	-561	-6
Biological assets	-1,241	-580	-280	-661	-300
Other non-current assets	1	0	2	1	-2
Current assets and liabilities	23	7	0	16	7
Tax loss carry forward	760	788	927	-28	-142
<b>Deferred tax income/(expense)</b>				<b>-1,233</b>	<b>-443</b>
<b>Deferred tax asset/(liability)</b>	<b>-1,313</b>	<b>-80</b>	<b>360</b>		
<b>Deferred tax asset/liability is recognised in the balance sheet as follows:</b>					
Deferred tax asset	760	761	799		
Deferred tax liability	2,073	841	439		
<b>Deferred tax, net</b>	<b>-1,313</b>	<b>-80</b>	<b>360</b>		
<b>Reconciliation of deferred tax, net</b>					
At 1/1	-80	360			
Exchange adjustments	0	3			
The year's tax income/expense recognised in profit or loss	-1,233	-443			
<b>At 31/12</b>	<b>-1,313</b>	<b>-80</b>			

Tax losses carry forward not capitalized are EUR 1,187 thousand due to uncertainties of utilizing it in the future.

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

#### 19 Inventories

Inventories may be specified as follows:

EUR'000	2017	2016	1/1 2016
Raw materials and consumables	9,182	10,680	9,440
Cost of sales recognised in profit or loss (feed)	54,864	53,216	50,103

Impairment losses on inventories are recognised in cost of sales at EUR 0 thousand (2016: EUR 0 thousand).

#### 20 Trade receivables

Trade receivables at 31 December 2017 include receivables at a nominal value of EUR 2,055 thousand (2016: EUR 2,033 thousand), the carrying amount of which has been reduced by EUR 0 thousand (2016: EUR 0 thousand).

Trade receivables overdue by more than 30 days are EUR 66 thousand (2016: EUR 81 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.

#### 21 Cash

EUR'000	2017	2016
Cash	12,457	11,248
Escrow account	24,994	0
	37,451	11,248

Cash deposit on escrow account in order for JAST Holding ApS to manage the put option from IFC if IFC wants to utilize it.

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

### Notes to the financial statements

#### 22 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

#### 23 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 0.6m, 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 2.8m in 2017, all other things being equal. Furthermore, a similar 10% change in protein prices is estimated to affect profit by +/- EUR 1.9m in 2017, 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's 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	48,531	61,066	0
Production cost	-14,801	-45,294	-18,799
Administration expenses	-1,562	-3,811	0
<b>Net exposure</b>	<b>32,168</b>	<b>11,961</b>	<b>-18,799</b>
Sensitivity 1% kEUR	+321	+120	-188
Payables to credit institutions	89,126	27,603	0
<b>Net exposure</b>	<b>89,126</b>	<b>27,603</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

#### 23 Financial risks (continued)

##### Interest rate risk

The Group's funding from bonds has variable interest rates and the remaining have fixed rates. It is the Group's policy not to enter into interest rate swaps.

A 1% change in Euribor 3 months would, all other things being equal, affect P/L by EUR 0.85m, but as it has a floor of 0,0% is the increase from negative 0,3% to 0,0% without effect.

##### Liquidity risk

The Idavang Group has its main financing in a 4 year bond with bullet payment on expiry in December 2022, hence limited debt service. The Group monitors its risk to a shortage of funds, 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.

The Group have targets for reduction of net interest bearing debt during the next 4 years, so that refinancing the bond will unproblematic.

The Bond loan agreements is not subject to financial covenants. There are no breaches on covenants as at 31 December 2017.

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	2017	Within 1 year	1-5 years	More than 5 years
Payables to credit institutions and issued bonds	111,730	19,582	92,148	0
	<u>111,730</u>	<u>19,582</u>	<u>92,148</u>	<u>0</u>

Out of total payables to credit institutions and issued bonds, issued bonds of EUR 80 mio. carry interest at a rate of 6.5%. Loan in Rubles of EUR 27.6 mio. (2016: EUR 32.5 mio.) which carry an interest at 3.8% (2016: 5.4 %), and other loans of EUR 4.1 mio. (2016: EUR 46.9 mio.) carry an interest of 3% (2016: 7%). The average yearly interest rate in 2017 is 4% (2016: 7%)

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

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

### Notes to the financial statements

#### 23 Financial risks (continued)

##### Liquidity risk (continued)

EUR'000	1/1	Cash flow	FX	31/12
Payables to credit institutions	58,026	-44,870	-1,008	12,148
Issued bonds	-	80.000		80.000
Subordinated loans	3,125	-3,125		-
Current portion of non-current liabilities to credit institutions	8,095	-5,338	-179	2,578
Payable to credit institutions	10,139	7,898	-1,033	17,004
	<u>79.385</u>	<u>34.565</u>	<u>-2.220</u>	<u>111.730</u>

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

EUR'000	2017	2016
Within 1 year	25,552	34,769
1-5 years	107,852	59,164
More than 5 years	0	0
	<u>133,404</u>	<u>93,933</u>

#### 24 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	2017	2016	1/1 2016
Land, buildings and machinery	54,743	78,015	76,424
Herd	0	35,589	26,374
Inventories	0	1,204	1,370
Cash and cash equivalents	24,994	4,861	171
	<u>79,737</u>	<u>119,669</u>	<u>104,339</u>

The Group has no other assets charged or provided as security at 31 December 2017 and 2016.

##### 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 recognised and disclosed in the financial statements for the parent company, Jast Holding ApS.

IFC's put option is based on market values, hence it fluctuates, end 2017 the full obligation of Idavang A/S and Jast Holding ApS constitute a payment of EUR 16.0 million

Purchase contracts of grain, soya and sunflower in Lithuania and Russia of EUR 13.8 million (EUR 14.7 million in 2016).

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

### Notes to the financial statements

#### 25 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:

2017:

EUR'000	Dividend	Management fee and salary
Owners:		
Shareholders in Jast Holding ApS (excluding salary to CEO)	16,800	596
IFC	4,200	0
	21,000	596

2016:

EUR'000	Management fee and salary
Owners:	
Shareholders in Jast Holding ApS (excluding salary to CEO)	536
IFC	0
	536

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

#### 26 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	2017	2016
	Revenue	150	150
4,5,6	Administration costs	-2,104	-1,734
	Other expense	-246	0
	<b>Operating profit</b>	<b>-2,200</b>	<b>-1,584</b>
7	Financial income	11,263	52
8	Financial expenses	-5,143	-1,355
	<b>Profit/loss before tax</b>	<b>3,920</b>	<b>-2,887</b>
9	Tax on profit for the year	0	0
	<b>Profit/loss for the year</b>	<b>3,920</b>	<b>-2,887</b>

Statement of comprehensive income

Note	EUR'000	2017	2016
	Profit for the year	3,920	-2,887
	<b>Other comprehensive income</b>		
	Exchange adjustment, foreign subsidiaries	13	0
	<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>13</b>	<b>0</b>
	Other comprehensive income not be reclassified to profit or loss in subsequent periods	0	0
	<b>Total comprehensive income</b>	<b>3,933</b>	<b>-2,887</b>



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

Balance sheet

Note	EUR'000	2017	2016
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
11	Property, plant and equipment	23	6
		23	6
10	Share in subsidiaries	28,604	31,859
		28,604	31,859
	<b>Total non-current assets</b>	28,627	31,865
	<b>Current assets</b>		
	<b>Receivables</b>		
12	Receivables from group entities	37,844	2,423
12	Other receivables	82	37
	Prepayments	1,285	0
		39,211	2,460
13	Cash	25,322	661
	<b>Total current assets</b>	64,533	3,121
	<b>TOTAL ASSETS</b>	93,160	34,986

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

Balance sheet

Note	EUR'000	2017	2016
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	1,000	1,000
	Share premium	0	17,158
	Exchange adjustments	-33	-46
	Retained earnings	78	0
	<b>Total equity</b>	<b>1,045</b>	<b>18,112</b>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
12	Payables to credit institutions and issued bonds	80,000	12,399
	Provision	134	432
14	Deferred tax	0	0
		<b>80,134</b>	<b>12,831</b>
	<b>Current liabilities</b>		
12	Payable to credit institutions	3,180	2,490
	Payable to group entities	8,129	1,414
12	Other payables	672	139
		<b>11,981</b>	<b>4,043</b>
	<b>Total liabilities</b>	<b>92,115</b>	<b>16,874</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>93,160</b>	<b>34,986</b>

## 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 2016	1,000	20,045	-46	0	20,999
Profit/loss for the year				-2,887	-2,887
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,887</b>	<b>-2,887</b>
Dividend					0
<b>Equity at 31 December 2016</b>	<b>1,000</b>	<b>20,045</b>	<b>-46</b>	<b>-2,887</b>	<b>18,112</b>
Profit/loss for the year				3,920	3,920
Other comprehensive income			13		13
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>3,920</b>	<b>3,933</b>
Transfer		-20,045		20,045	0
Dividend				-21,000	-21,000
<b>Equity at 31 December 2017</b>	<b>1,000</b>	<b>0</b>	<b>-33</b>	<b>78</b>	<b>1,045</b>

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

### Cash flow statement

EUR'000	2017	2016
Operating profit/loss	-2,201	-1,584
Share-based payments	-298	332
Depreciation and amortisation	5	7
Changes in receivables	-36,751	252
Changes in other current liabilities	7,266	1,224
	-31,979	231
Interest received	352	52
Dividend received	10,912	0
Interest paid	-1,893	-1,355
Corporation tax paid	0	0
<b>Cash flows from operating activities</b>	<b>-22,608</b>	<b>-1,072</b>
Acquisition of investments	0	-1,000
Acquisition of property, plant and equipment	-26	0
Disposal of property, plant and equipment	4	0
	-22	-1,000
<b>Cash flows from investing activities</b>	<b>-22</b>	<b>-1,000</b>
Proceeds from borrowings	83,180	0
Repayment of borrowings	-14,889	-571
Dividends paid	-21,000	0
Reserved cash on escrow account	-25,000	0
<b>Cash flows from financing activities</b>	<b>22,291</b>	<b>-571</b>
Net cash flows from operating, investing and financing activities	-339	2,643
Cash and cash equivalents at 1 January	661	3,304
<b>Cash and cash equivalents at 31 December</b>	<b>322</b>	<b>661</b>

## 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	2017	2016
<b>4 Fees paid to auditors appointed at the annual general meeting</b>		
Fee regarding statutory audit	35	35
Tax assistance		0
Other assistance	41	0
	<u>76</u>	<u>35</u>

Audit fees are recognised under administration expenses

5 Staff costs

Wages and salaries	1,909	991
Other social security costs	0	0
Share-based payments	-298	332
	<u>1,611</u>	<u>1,323</u>
Of which		
Remuneration for executive board	643	428
Salaries to other executive officers	784	142
Remuneration for board of directors	142	150
Share-based payments	-298	332
	<u>1,271</u>	<u>1,052</u>
Average number of full-time employees	<u>1</u>	<u>1</u>

Staff costs are recognised under administration expenses.

6 Amortisation, depreciation and impairment  
Depreciation, amortisation and impairment losses  
Other fixtures and fittings, tools and equipment

	5	7
	<u>5</u>	<u>7</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	2017	2016
<b>7 Financial income</b>		
Financial income originating from loans and receivables measured at amortised cost:		
Exchange gains	85	0
Interest income, related parties	266	52
Interest income, dividend	10,912	0
<b>Total financial income</b>	<b>11,263</b>	<b>52</b>
<b>8 Financial expenses</b>		
Financial expenses originating from financial liabilities measured at amortised cost:		
Exchange losses	0	21
Interest payables to credit institutions	1,849	1,288
Interest, payables to related parties	44	46
Write-down of shares in subsidiaries	3,250	0
<b>Total financial expenses</b>	<b>5,143</b>	<b>1,355</b>
<b>9 Income taxes</b>		
Income tax expense recognised in profit or loss:		
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
	<b>0</b>	<b>0</b>
<b>Reconciliation of tax rate</b>		
Danish tax rate	22.0%	22.0%
Adjustment regarding prior year	0,0%	0,0%
Permanent differences	-22,0%	-22,0%
Change in deferred tax	0,0%	0,0%
<b>Effective tax rate</b>	<b>0,0%</b>	<b>0,0%</b>

## 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	2017	2016	1/1 2016
Cost 1/1	31,859	30,859	19,853
Additions	0	1,000	11,489
Disposals	0	0	-483
Write-down	-3,250	0	0
Exchange adjustments	-5	0	0
<b>Cost 31/12</b>	<b>28,604</b>	<b>31,859</b>	<b>30,859</b>

Subsidiaries:	Interest	Country
UAB Idavang	100%	Lithuania
UAB Idavang Pasodele	100%	Lithuania
UAB Idavang Kepaliai	100%	Lithuania
Pskov Invest Aps (no activities)	100%	Denmark
Rus Invest Aps (no activities)	100%	Denmark
Idavang Russia A/S (no activities)	100%	Denmark
Rurik A/S (no activities)	100%	Denmark
Idavang Agro LLC	100%	Russia
Idavang Invest LLC (no activities)	100%	Russia
Idavang LLC	100%	Russia
Nordrik Invest LLC (no activities)	100%	Russia
Idavang Luga LLC	100%	Russia
Rurik Russia LLC (no activities)	100%	Russia
MPK-Vostochny LLC (no activities)	100%	Russia
Sovhoz Vostochny LLC (no activities)	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 2016	39	39
Additions	0	0
Disposals	0	0
Cost at 31 December 2016	<u>39</u>	<u>39</u>
Impairment losses and depreciation at 1 January 2016	-26	-26
Depreciation	-7	-7
Impairment losses and depreciation at 31 December 2016	<u>-33</u>	<u>-33</u>
<b>Carrying amount at 31 December 2016</b>	<u>6</u>	<u>6</u>
Of which financial leased assets	<u>0</u>	<u>0</u>

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).

EUR'000	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	39	39
Additions	26	26
Disposals	-39	-39
Cost at 31 December 2017	<u>26</u>	<u>26</u>
Impairment losses and depreciation at 1 January 2017	-33	-33
Depreciation	-5	-5
Reversed depreciation on disposal	35	0
Impairment losses and depreciation at 31 December 2017	<u>-3</u>	<u>-3</u>
<b>Carrying amount at 31 December 2017</b>	<u>23</u>	<u>23</u>
Of which financial leased assets	<u>0</u>	<u>0</u>

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 2017 was EUR 0 (2016 EUR 0).

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

Notes to the financial statements

EUR'000	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>12 Financial assets and liabilities</b>				
<b>Loans and receivables at amortised cost</b>				
Receivables from group entities	42,862	42,862	2,423	2,423
Other receivables	82	82	37	37
Cash	25,322	25,322	661	661
<b>Total loans and receivables measured at amortised cost</b>	<b>68,266</b>	<b>68,266</b>	<b>3,121</b>	<b>3,121</b>
<b>Total financial assets</b>	<b>68,266</b>	<b>68,266</b>	<b>3,121</b>	<b>3,121</b>
<b>Financial liabilities measured at amortised cost</b>				
Payables to credit institutions	83,180	83,180	14,889	14,889
Payable to group entities	8,129	8,129	1,414	1,414
Other payables	690	690	139	139
<b>Total financial liabilities measured at amortised cost</b>	<b>91,999</b>	<b>91,999</b>	<b>16,442</b>	<b>16,442</b>
<b>Total financial liabilities</b>	<b>91,999</b>	<b>91,999</b>	<b>16,442</b>	<b>16,442</b>

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

EUR'000	1/1	Cash flow	FX	31/12
Payables to credit institutions	9,274	-9,274	0	0
Issued bonds	-	80,000	0	80,000
Subordinated loans	3,125	-3,125	0	0
Payable to credit institutions	2,490	690	0	3,180
	<b>14,889</b>	<b>68,291</b>	<b>0</b>	<b>83,180</b>

13 Cash EUR'000	2017		2016	
	Cash	322	661	
Escrow account	25,000	0		
	<b>25,322</b>	<b>661</b>		

Cash deposit on escrow account in order for JAST Holding ApS to manage the put option from IFC if IFC wants to utilize it.



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	
	2017	2016	2017	2016
Loss bought forward/group taxation	0	0	0	0
Deferred tax income/(expense)			0	0
<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>		

Tax losses carry forward not capitalized are EUR 782 thousand due to uncertainties of utilizing it in the future.

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

### Notes to the financial statements

#### 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 recognised and disclosed in the financial statements for the parent company, Jast ApS.

IFC's put option is based on market values, hence it fluctuates, end 2017 the full obligation of Idavang A/S and Jast ApS constitute a payment of EUR 16.0 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 2017.

##### Securities

###### Securities

The Idavang Group is party of an intercreditor agreement with Jyske Bank and Nordic Trustee. Under this agreement, the following assets are held collateral:

- ▶ Bank deposits with a book value of EUR 24,994 thousand as of 31 December 2017
- ▶ Receivables from group entities, Idavang Agro LLC (Russia) 19.893 kEUR
- ▶ Shares in:
  - Rus Invest ApS (Denmark)
  - Rurik A/S (Denmark)
  - Pskov Invest ApS (Denmark)
  - Idavang Russia A/S (Denmark)
  - UAB Idavang (Lithuania)
  - UAB Idavang Pasodele (Lithuania)
  - UAB Idavang Kapaliai (Lithuania)
  - Idavang Agro LLC (Russia)
  - Idavang Luga LLC (Russia)

In addition, the following companies in the Idavang group participate in a cross guarantee regarding the above agreement:

- Rus Invest ApS (Denmark)
- Rurik A/S (Denmark)
- Pskov Invest ApS (Denmark)
- Idavang Russia A/S (Denmark)
- UAB Idavang (Lithuania)
- UAB Idavang Pasodele (Lithuania)
- UAB Idavang Kapaliai (Lithuania)

The above mentioned securities have been provided as collaterals for bank mortgages of EUR 80,000 thousand at 31 December 2017.

##### Other obligations

None

## 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:

2017:

EUR'000	Dividend	Management fee and salary
Owners:		
Shareholders in Jast Holding ApS	16,800	596
IFC	4,200	0
	21,000	596

EUR'000	Manage- ment fee	Interest net	Loan to/from
<b>Subsidiaries:</b>			
UAB Idavang		111	12,724
UAB Idavang Pasodele		19	4,045
UAB Idavang Kepaliai		13	5,926
Idavang Agro LLC	75	123	20,092
Idavang LLC	75	0	75
Pskov Invest ApS		-29	-7,991
Rus Invest ApS		-15	-138
<b>Total</b>	150	222	34,733

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.

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

### Notes to the financial statements

#### 16 Related party transactions, continued

2016:

EUR'000	Management fee and salary	
Owners:		
Shareholders in Jast Holding ApS		536
IFC		0
		536
EUR'000	Interest net	Loan to/from
<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>	8	1,009

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

#### 17 Post balance sheet events

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