GOODVALLEY

Since 1994

Home of Quality

Annual Report 2017

Welcome to Goodvalley.

Formerly known as Axzon, we have produced food with respect for nature since 1994. In 2017, we realised the best financial performance ever driven by our vertically integrated business model and operational excellence as well as attractive market developments.

Annual Report 2017 for Goodvalley A/S for the period 1 January 2017 to 31 December 2017

Presented and adopted at the annual General Meeting on 10 April 2018

Jens Peter Aabyen
Chairman

Goodvalley A/S, 1620 København V
CVR. number 26 43 86 24

Goodvalley at a glance

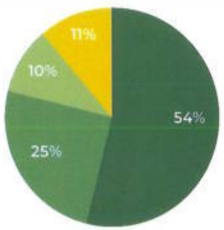
Goodvalley is a vertically integrated food producer with operations within pig farming, slaughtering and meat processing, arable and feed mills as well as biogas production.

Headquartered in Denmark, we operate modern facilities with the most advanced technology and farming methods in Poland, Ukraine and Russia. We apply Danish pig farming principles of sustainability and efficiency in countries with less expensive land prices, oversupply of crops, lower labour costs and prospects of meat consumption and pig price increases.

We are among the most efficient manufacturers with leading operating KPIs in terms of pigs sold per sow, meat yield per sow and feed conversion ratio relative to both the average in EU and North America.

Founded in 1994, Goodvalley has a successful track record of revenue growth – both organically and through acquisitions – as well as improving profitability and growing market shares, even in times with historically low world market prices for pigs.

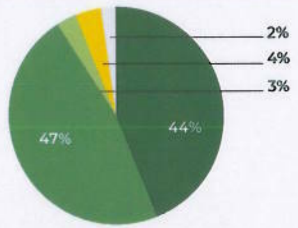
REVENUE BY GEOGRAPHY



POLAND
UKRAINE
RUSSIA
REST OF WORLD

Goodvalley products are exported to 22 countries world-wide.

REVENUE BY SEGMENT



PIG
FOOD
ARABLE
ENERGY
OTHER

Goodvalley at a glance

We reduce our exposure to fluctuating input costs by controlling the entire production cycle from field-to-fork. Furthermore, we control quality and biosecurity in every step of the value chain ensuring better output and traceability from our fields to the store shelves, while simultaneously ensuring a climate friendly production as a result of well-documented and controlled waste management.

Vertical integration further allows for differentiation from bulk products as we offer a unique value proposition – not only in terms of processed or branded meat products but also in terms of pig production. Our ability to produce and deliver GMO free, RWA (Raised Without Antibiotics) pig meat based on CO_2 neutral production generally yields a premium. Sales of private label processed pork to retailers add further value to the Group, while sales of own-branded premium products will offer additional benefits, in terms of sales prices and margins.

We grow our own crops
Using pig manure and fermented biomass from own facilities as organic fertilizers, we grow crops to supply crops for feed, silage for biogas production and oil seeds for external sale.

We harvest our own fields
Our modern, GPS-equipped machinery fleet facilitates growing and harvesting of a diversified portfolio of wheat, barley, corn, triticale and other crops on around 28,000 hectares of land.

We process our own feed
Having control over feed mix and quality provides competitive edge allowing us to optimise our pigs' feed consumption, daily weight gain and the number of piglets born as well as minimising the risk of disease.

We produce our own energy
We use pig manure, corn silage, straw from crops production and slaughter waste as biomass in bioenergy production to supply our own pig farms with electricity and heating as well as for external sale.

We raise our own pigs
Breeding, farrowing, nursery and fattening take place in own farms located on our own land in remote areas to reduce transport costs and the risk of external factors compromising biosecurity.

We prepare our own quality meat
We slaughter, cut and pack meat in our own slaughterhouse in Poland – and intend to expand this operation into Ukraine – to leverage processing and marketing of branded products.

ADVANTAGES AS A VERTICALLY INTEGRATED FOOD PRODUCER

- ✓ VALUE CHAIN CONTROL
- ✓ HIGH QUALITY AND TRACEABILITY
- ✓ REDUCED EXPOSURE TO VOLATILE INPUT COSTS
- ✓ DIFFERENTIATES US FROM THE BULK MARKET
- ✓ SUSTAINABLE AND CO_2 NEUTRAL PRODUCTION
- ✓ SUPERIOR MARGINS ON GMO FREE, RWA PRODUCTS AND OWN BRANDS

Highlights

GOODVALLEY

Since 1994

Home of Quality

+15%

Revenue grew by 15% to DKK 1,620 million driven by higher market prices on live pigs and selling prices per kilo pork.

DKK 426m

Goodvalley reported its best ever **EBITDA** of DKK 426 million, yielding an EBITDA margin[1] of 26.3% vs. 24.7% in 2016[2]. Adjusted EBITDA[3] was DKK 431 million.

EUR 135m

The completion of a 4-year senior secured **bonds issue** of EUR 135 million allowed Goodvalley to refinance almost all existing debt. The bonds, sold under high demand, were listed at Nasdaq Copenhagen.

30.6 pigs

Goodvalley improved **efficiency** in terms of sold pigs per sow from 30.4 in 2016 to 30.6, significantly exceeding EU and USA averages of 26 pigs and 23 pigs, respectively.

2.8 kilo

The whole herd **feed conversion** ratio was stable at 2.8 kilo feed per kilo pork, resulting from the Group's ongoing focus on sustainability and efficiency.

5.8 tonnes per hectare

Stocks of quality crops for the feeding season were **harvested** from the Group's approximately 28,000 hectares of land. The average crops yield was 5.8 tonnes per hectare, up from 5.1 tonnes in 2016.

Global GAP

Goodvalley obtained the renowned **Global GAP certification** in recognition of the Group's efforts to promote food safety, environmental protection and animal welfare.

RWA

Increased sales of new RWA and GMO-free products allows Goodvalley to differentiate itself from bulk products and reduced the exposure to fluctuating market prices.

2018

We expect **strong earnings** in 2018 with Adjusted EBITDA of DKK 340 - 425 million.

2019

The **new slaughterhouse** and meat processing facility – the first in Ukraine – is due to become operational in 2019 and will enable Ukrainian production to strengthen vertical integration.

1) Margins are calculated based on revenue compared to previously announced margins, which were calculated based on total income. Following this change in presentation, the Group's EBITDA of DKK 426 million corresponds to an EBITDA margin of 26.3% in 2017 (2016: 24.7%) against 25.8% (2016: 21.9%) as most recently reported in company announcement 2/2018 on 8 February 2018.
2) 21.9% in 2016 before restating effect of discontinued operations, cf note 5.6 to the financial statements, and change in calculation method as described above.
3) In this report, Adjusted EBITDA refers to EBITDA before non-recurring items adjusted for herd price changes, cf. page 8.

Welcome to Goodvalley

2017 became a landmark year as the Group posted historically strong operational and financial results, completed a refinancing of existing debt on attractive terms and created the platform for the launch of our new corporate identity – Goodvalley – in early 2018. While this change from Axzon to Goodvalley does indeed herald an amplified strategic focus on the Group's own branded products and direct consumer relations, our ambition of working for a better tomorrow has in fact guided us since the foundation in 1994.

We are convinced that Goodvalley's success in the years to come will be based on our proven ability to attract, train and retain the right employees and efficiently deliver high-quality products, while continuously improving animal welfare and health as well as limiting our environmental impact. This is the very essence of our business, and it serves as a strong foundation for our targeted efforts to accommodate the increasing demand for and necessary shift towards more sustainable food products in the near future.

Operational performance was strong in 2017 as we maintained our market-leading efficiency level in the Pig segment, recorded a strong crop yield despite challenging weather conditions in Poland during the year and successfully obtained the recognised Global Good Agricultural Practice (GAP) certification. Simultaneously, we generated 15% growth and improved profitability further to an EBITDA margin of 26.3% as we reported the Group's best operating profit ever with an EBITDA of DKK 426 million.

The positive operational and financial developments in 2017 and the Group's strong performance over the years are attributable to the continued investment in Goodvalley's production setup and employees across periods of attractive and less attractive market conditions. We have consistently focused on educating our employees at all levels, and our well-established educational programs and LEAN principles implemented across the Group are crucial to obtaining an efficiency level that remains significantly higher than our competitors'. In 2017, Goodvalley's management was furthermore strengthened as we welcomed COO Kristian Brokop Jakobsen on the Executive Board and professional board member Helle Okholm on our Board of Directors.

Goodvalley is uniquely positioned to continue on the Group's positive trajectory based on the results and developments in 2017 and prior years as well as the listing of its EUR 135 million senior secured bond on Nasdaq Copenhagen. We thus have the sector expertise, strategic capabilities, organisational setup and financial resources necessary to invest further in our own products – including RWA and GMO-free meat – and the Group's production setup at existing and new locations. We will maintain our focus on efficiency while preparing the construction of the Group's Ukrainian slaughterhouse and simultaneously expanding the pig production at existing locations to leverage our scalable production setup and further capitalise on the unique quality of supply from our own pig farms to our own fresh and processed pork products reaching the consumer.

2018 will be an exciting year, indeed, as we strengthen our identity and brand by welcoming consumers to Goodvalley where we make quality food with respect for nature. Sustainable, climate-friendly and local production offers a strong value proposition to local customers and consumers in our markets in particular, and we firmly believe that the increased focus on our entire production chain and products will contribute to building an even stronger and more resilient business poised for further growth.

Hans Henrik Pauk Pedersen
CFO

Tom Axelgaard
CEO

Kristian Brokop Jakobsen
COO

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MANAGEMENT REVIEW

FINANCIAL STATEMENTS

STATEMENTS




Key figures and financial ratios

DKK million	2017	2016[1]	2015[1]	2014[1]	2013[1]
INCOME STATEMENT					
Revenue	1,620	1,405	1,275	1,209	1,270
Total income	1,653	1,485	1,370	1,414	1,315
Gross profit	511	411	465	520	410
EBITDA	426	347	284	362	267
Adjusted EBITDA	*431*	*299*	-	-	-
EBIT	304	244	193	260	167
Financial items, net	(135)	(70)	(118)	(226)	(44)
Profit/(loss) for the period	169	174	41	47	123
Cash flow					
Operating activity	274	227	162	211	242
Investing activity	(143)	(139)	(254)	(260)	(360)
Free cash flow	131	88	(92)	(49)	(119)
Financing activity	28	(71)	66	(121)	(111)
Balance sheet					
Non current assets	1,833	1,825	1,832	1,827	2,102
Net working capital	532	491	438	445	474
Invested capital	2,365	2,343	2,269	2,272	2,576
Total assets	2,751	2,655	2,557	2,542	2,843
Equity	1,265	1,232	1,105	1,256	1,532
Net interest-bearing debt	1,100	1,185	1,250	1,151	1,117

1) Years 2013 - 2016 have been restated in accordance with new accounting principles.

DKK million	2017	2016	2015	2014	2013
FINANCIALS RATIOS					
Gross margin	31.5%	29.3%	36.5%	43.0%	32.3%
EBITDA margin	26.3%	24.7%	22.3%	29.9%	21.0%
Adjusted EBITDA margin	*26.6%*	*21.3%*			
EBIT margin	18.8%	17.4%	15.1%	21.5%	13.1%
Free cash flow / Revenue	8.1%	6.3%	(7.2%)	(4.1%)	(9.4%)
Cash conversion	43.1%	36.1%	(56.5%)	(18.9%)	(71.0%)
Investments in property, plant and equipment	141	76	107	76	130
NIBD/Adjusted EBITDA LTM	2.6	4.0	-	-	-
Equity ratio	46.0%	46.4%	43.2%	49.4%	53.9%
ROIC	12.9%	10.6%	8.4%	10.2%	7.2%
FTE year end	2,232	2,350	2,423	2,205	2,073
Share ratios					
Earnings per share, DKK	3.1	3.3	0.8	0.9	2.3
Goodvalley Bond Obligor Group[2]					
Revenue	1,460				
Total income	1,495				
EBITDA	375				
Adjusted EBITDA	*374*				
Net interest-bearing debt	1,081				
Adjusted EBITDA LTM	374				
NIBD/Adjusted EBITDA LTM	2.9				

2) Bond Obligor Group consists of: Goodvalley A/S, Finansax ApS, Poldanor SA, Prime Food SA and Danosha ltd

2017 in review

GROUP

BUSINESS DEVELOPMENT

Goodvalley grew income and earnings significantly in 2017, recording the Group's best ever financial performance. Developments were based on higher pig prices and continued strong operational performance across segments, demonstrating again Goodvalley's competitiveness and strong position ahead of a sharp decline in market prices on live pigs towards the end of the year.

Despite the negative price development and significant change in fair value at year-end, Goodvalley's underlying business performance was strong in Q4 2017 as the Group generated significantly higher Adjusted EBITDA.

INCOME STATEMENT

Revenue

Revenue for the full-year increased 15% to DKK 1,620 million (2016: DKK 1,405 million). Growth was mainly driven by higher pig prices entailing strong performance in the Group's Pig segment and supplemented by positive developments in the Arable and Energy segments, while the Food segment's contribution to revenue was slightly down.

Total income grew 11% to DKK 1,653 million (2016: DKK 1,485 million) in line with our guidance of DKK 1.6-1.7 billion.

Gross profit

Goodvalley's gross profit for the year grew to DKK 511 million (2016: DKK 411 million) following strong performance across the Group's segments, and the gross margin thus rose to 32% (2016: 29%).

SG&A

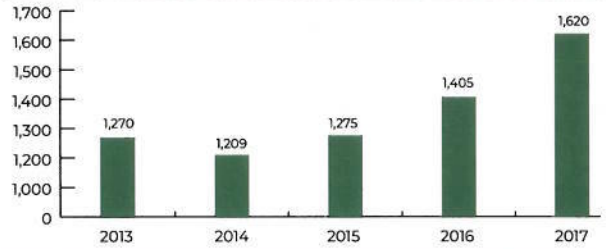
The Group's sales, general and administrative expenses amounted to DKK 86 million (2016: DKK 64 million) in 2017. The increase primarily related to higher salary cost for administrative functions as well as license and rental fees.

EBITDA

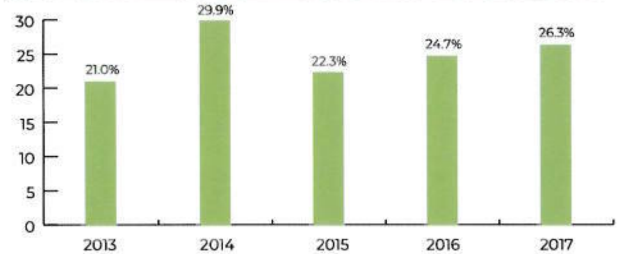
Goodvalley improved Adjusted EBITDA 44% to DKK 431 million (2016: DKK 299 million) and the Adjusted EBITDA margin to 26.6% (2016: 21.3%) based on the Group's higher revenue and continued strong operational standards and production efficiency.

EBITDA grew 22% to DKK 426 million, and the Group's EBITDA margin increased to 26.3%, slightly below the previously expected 27-28% range as described in company announcement 2/2018 on 8 February 2018[1].

REVENUE, DKK MILLION



EBITDA MARGIN, %



DKK million	2017	2016	Q4 2017	Q4 2016
Revenue	1,620	1,405	388	363
Change in fair value	(5)	49	(73)	(52)
Grants and other income	38	31	12	13
TOTAL INCOME	1,653	1,485	327	324

DKK million	2017	2016	Q4 2017	Q4 2016
EBITDA	426	347	44	57
Herd price adjustment	6	(49)	55	25
Adjusted EBITDA	431	299	99	82
ADJUSTED EBITDA MARGIN (%)	26.6%	21.3%	25.5%	22.6%
EBITDA margin	26.3%	24.7%	11.3%	15.7%

1) Refer to note 1 on page 4.

2017 in review

GROUP

EBIT

Earnings before interest and tax (EBIT) grew to DKK 304 million (2016: DKK 244 million) in 2017, corresponding to an EBIT margin of 18.8% (2016: 17.4%).

Net financials

The Group's net financials were an expense of DKK 135 million (2016: DKK 70 million), and the development was attributable to costs related to the refinancing as well as foreign exchange adjustments on loans in foreign currencies to the presentation currency.

Profit for the year

Net profit for continuing operations for 2017 fell to DKK 169 million (2016: DKK 174 million).

In 2017 the Group initiated a sale process for activities in Krasnodar, Russia. Consequently, the net result related hereto is classified as discontinued operations of DKK -55 million (2016 has been restated accordingly at DKK -41 million.

Comprehensive income was DKK 101 million in 2017 (2016: DKK 124 million) comprising the profit for the year and foreign exchange adjustments of subsidiaries of DKK -13 million.

Cash flows

The Group's cash flows from operating activities increased to an inflow of DKK 274 million (2016: an inflow of DKK 227 million) in 2017 and were positively affected by the higher profit for the year and adversely impacted by higher financial costs.

Goodvalley's cash flows from investing activities were a net outflow of DKK 143 million (2016: an outflow of DKK 139 million), and free cash flows thus came to an inflow of DKK 131 million (2016: an inflow of DKK 88 million) in 2017.

Cash flows from financing activities were an outflow of DKK 31 million (2016: an outflow of DKK 71 million). The change was attributable to the refinancing completed during 2017, entailing proceeds from new loans exceeding outflow related to the repayment of the Group's former loans and dividend payment.

BALANCE SHEET

Goodvalley's balance sheet amounted to a total of DKK 2,751 million (2016: DKK 2,655 million) at 31 December 2017.

Goodvalley's net working capital was DKK 532 million (2016: DKK 491 million) at year-end.

The Group's invested capital was DKK 2,365 million (2016: DKK 2,343 million) and return on invested capital (ROIC) increased to 12.9% (2016: 10.6%) driven by Goodvalley's increased earnings.

The Group's total equity stood at DKK 1,265 million (2016: DKK 1,232 million) at year-end, and the equity ratio was stable at 46.0% (2016: 46.4%).

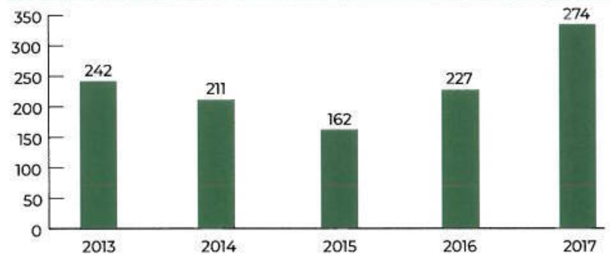
At 31 December 2017, Goodvalley's net interest-bearing debt was DKK 1,100 million (2016: DKK 1,185 million), and the Group's financial gearing ratio was 2.6 (2016: 4.0) at year-end 2017.

EVENTS AFTER THE BALANCE SHEET DATE

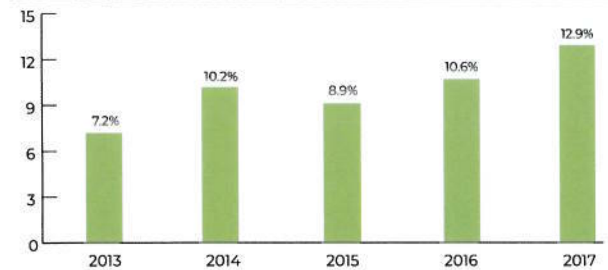
On 2 February 2018, the Group announced it's intention to change the company's name and brand from Axzon to Goodvalley at an extraordinary general meeting on 26 February 2018. At said extraordinary general meeting, the resolution to change the company name and brand was adopted by shareholders with immediate effect and communicated to the market.

On 8 February 2018 the Group published preliminary unaudited figures for 2017 and stated that the EBITDA margin would come to 25.8%, slightly below the guidance of 27-28% for the full-year.[1]

OPERATING CASH FLOW, DKK MILLION



ROIC, %



1) Refer to note 1 on page 4.

2017 in review

PIG

The Pig segment sold 117,586 tonnes of pork (2016: 120,590 tonnes) and generated revenue of DKK 1,135 million (2016: DKK 959 million). Revenue is comprised of external revenue from sales of live pigs, internal revenue from sales to Goodvalley's Food segment as part of the Group's vertically integrated business model. Total income includes in addition to revenue the change in fair value of the Group's herd at year-end affected by volume developments and adjusted for price changes on inventory herd.

The growth in revenue is reflecting significantly higher average prices on slaughter pigs and weaners sold across the Group's production units. The average pig price increased 19% to DKK 11.9 per kilo, and the feed price was stable at DKK 1.6 per kilo, entailing an improved meat-to-feed ratio of 7.5 (2016: 6.3). Revenue was adversely affected by a decline in slaughter pig volumes sold due to capacity restraints at the Group's farms in Poland and substitution to weaner sales. The total number of sows was 41,359 at year-end.

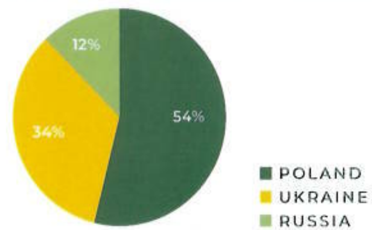
Total income came to DKK 1,147 million (2016: DKK 1,020 million) and includes fair value adjustment due to price change at year-end and other income.

During the year, Goodvalley leveraged the vertically integrated business model, balancing the split between internal and external revenue to benefit from the higher average pig price and boost Group profitability. Goodvalley thus reduced the intake of live pigs from the pig segment for slaughtering and processing in the Food segment. This entailed slower growth in the Pig segment's internal revenue to DKK 434 million (2016: DKK 408 million), whereas external revenue grew to DKK 701 million (2016: DKK 552 million).

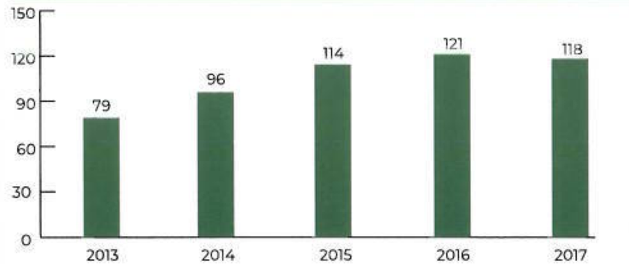
DKK million	2017	2016	Q4 2017	Q4 2016
External revenue	701	552	155	153
Internal revenue	434	408	99	101
REVENUE	**1,135**	**959**	254	254
Change in fair value	(10)	52	(58)	(26)
Other income	22	**10**	**22**	**20**
TOTAL INCOME	**1,147**	**1,021**	**218**	**248**
EBITDA	**368**	**289**	**27**	**48**
ADJUSTED EBITDA	**374**	**243**	**83**	**73**
Adjusted EBITDA margin (%)	33.0%	25.3%	32.7%	28.7%

PIG PRICE, DKK/KG AND MEAT TO FEED RATIO

SOWS BY COUNTRY, %



PIGS SOLD, THOUSAND TONNES (LIVE WEIGHT)

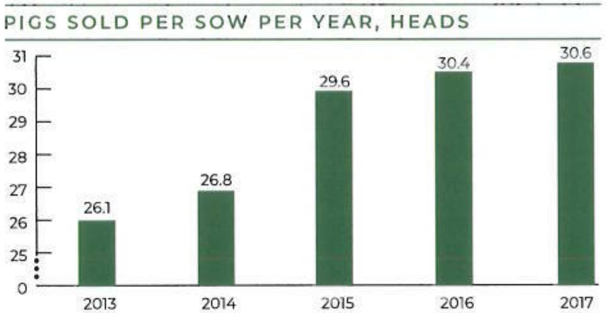


2017 in review

PIG

Adjusted EBITDA grew 56% to DKK 374 million (2016: DKK 243 million) corresponding to an Adjusted EBITDA margin of 33.0% (2016: 25.3%). Progress was driven mainly by higher revenue and lower feed consumption as a consequence of a lower volume of slaughter pigs raised in Poland. Profitability was furthermore supported by a continued high efficiency level as Goodvalley sold 30.6 pigs per sow and maintained an unchanged feed conversion ratio of 2.8 while improving the daily live weight gain and the carcass meat produced per sow.

EBITDA increased to DKK 368 million (2016: DKK 289 million) in 2017.



2017 in review

FOOD

Goodvalley's Food segment sold 49,953 tonnes of pork (2016: 54,750 tonnes) in 2017, generating revenue of DKK 767 million (2016: DKK 774 million) from the slaughterhouse and food processing plant in Poland.

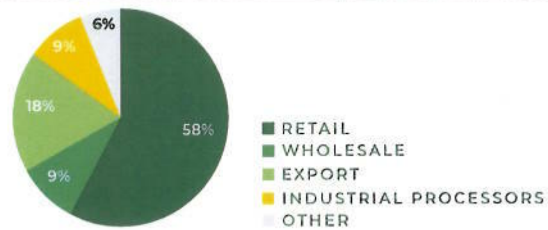
The Food segment's product mix was stable as 57% of total tonnes sold came from sales of deboned meat, 24% from processed products and 19% was sold as MAP (Modified Atmosphere Packaging) products. 77% of revenue was generated in Poland, 12% in other EU countries, and 11% in other countries.

Due to the high average prices on live pigs during the year, Goodvalley reduced the Food segment's activity level slightly and thus dampened the segment's revenue to reduce pressure on profitability during the year.

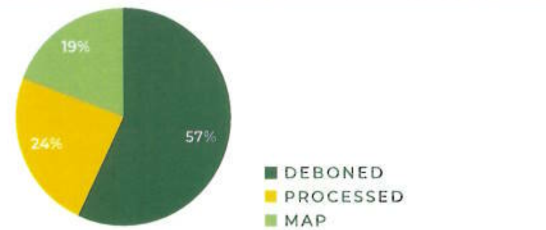
EBITDA came to a loss of DKK 9 million (2016: profit of DKK 25 million), corresponding to a negative EBITDA margin of 1.2% (2016: positive margin of 3.2%), due to significantly higher input prices and lower revenue in 2017. Goodvalley's average livestock prices in the Polish market were 14% higher in 2017, and this impacted the contribution margin on Goodvalley's processed and MAP products, which also saw margins affected by unfavorable long-term sales price contracts and challenging price negotiations with retailers.

DKK million	2017	2016	Q4 2017	Q4 2016
REVENUE	767	774	184	182
Other income	2	8	2	8
TOTAL INCOME	769	782	186	190
EBITDA	(9)	25	(5)	0
EBITDA margin (%)	(1.2%)	3.2%	(2.7%)	0.2%

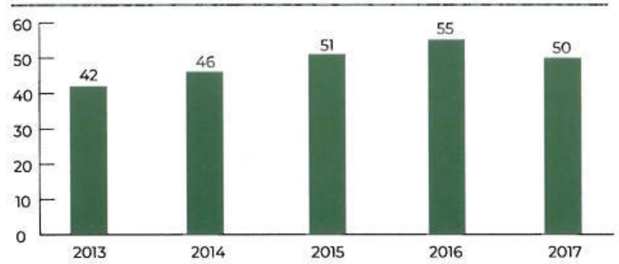
DISTRIBUTION CHANNELS, %



SALES SPLIT, %



SALE OF PORK, THOUSAND TONNES



2017 in review

ARABLE

The Arable segment generated revenue of DKK 175 million (2016: DKK 143 million). The segment's revenue is comprised of external revenue from sales of crops and energy production, internal revenue from sales of crops for feed and energy production. Total income includes in addition to revenue the change in fair value of Goodvalley's crops in progress at year-end and grants and other income.

The increase in revenue of 22% was driven mainly by higher yields and prices in the Group's Ukrainian and Russian businesses, which performed very strongly in 2017.

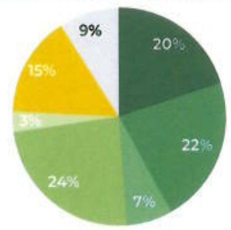
External revenue stood at DKK 54 million (2016: DKK 37 million), and internal revenue amounted to 121 million (2016: DKK 106 million) reflecting the segment's contribution to Goodvalley's vertically integrated model.

The average crop yield from Goodvalley's approximately 28,000 hectares increased to 5.8 tonnes/hectare (2016: 5.1 tonnes/hectare), and the satisfactory yield secured a stock needed for feed in the pig segment.

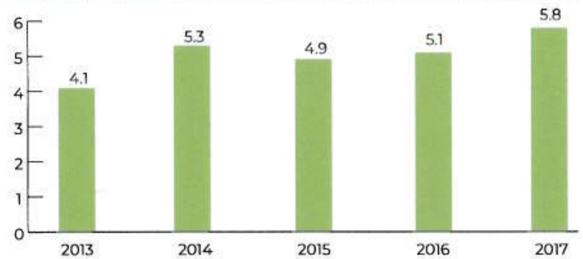
EBITDA increased 45% to DKK 39 million (2016: DKK 27 million), and the EBITDA margin came to 22.3% (2016: 18.9%) due to the significant growth in revenue, whereas higher overhead costs in the arable production in Poland had an adverse effect on earnings.

DKK million	2017	2016	Q4 2017	Q4 2016
External revenue	54	37	1	-
Internal revenue	121	106	54	41
REVENUE	**175**	**143**	**55**	**41**
Change in fair value	6	(2)	(15)	(26)
Grants and other income	15	12	15	12
TOTAL INCOME	**196**	**153**	**55**	**27**
EBITDA	**39**	27	8	7
EBITDA margin (%)	22.3%	18.9%	14.5%	17.1%

HARVESTED HECTARES, %



GRAIN YIELD, AVERAGE TONNES PER HECTARE



2017 in review

ENERGY

Goodvalley produced 63,491 MWh electricity (2016: 57,764 MWh) at the Group's nine biogas plants located in Poland and Ukraine and grew revenue 55% to DKK 85 million (2016: DKK 55 million). The Energy segment's revenue is comprised of revenue from external sales of electricity, internal sales of heat and electricity to Goodvalley's Pig and Food segments.

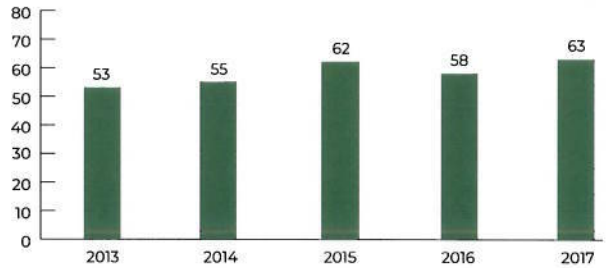
The Energy segment grew external revenue 52% to DKK 61 million (2016: DKK 40 million) on the back of an amendment of the support schemes for renewable energy in Poland in mid-2016, which significantly increased average prices on energy produced with blue and green energy certificates. In addition, the Group resolved challenges at one plant in the comparison period, resulting in higher external revenue during 2017.

Internal revenue grew to DKK 24 million (2016: DKK 15 million), reflecting the segment's contribution to Goodvalley's vertically integrated and climate-friendly business model.

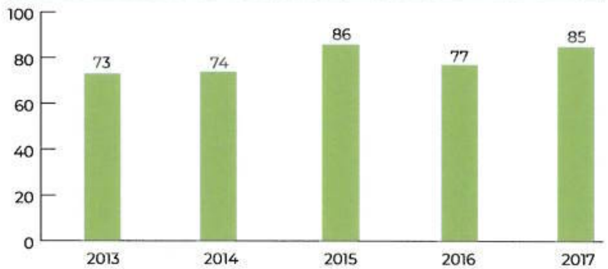
Goodvalley more than doubled earnings from electricity income in 2017 as EBITDA increased to DKK 17 million (2016: DKK 7 million), corresponding to an EBITDA margin of 20.0% (2016: 12.7%). This performance improvement was as a consequence of higher income and improved efficiency, while earnings were impacted by higher raw material consumption and overhead costs.

The biogas plants' average efficiency increased to a level of 85% (2016: 77%) in 2017 following technical issues at one plant in the comparison period.

PRODUCED ELECTRICITY, GWH



EFFICIENCY, %



DKK million	2017	2016	Q4 2017	Q4 2016
External revenue	61	40	19	19
Internal revenue	24	15	12	3
REVENUE	**85**	**55**	**31**	**22**
Grants and other income	2	2	2	2
TOTAL INCOME	**87**	**57**	**33**	**24**
EBITDA	**17**	**7**	**4**	**7**
EBITDA margin (%)	20.0%	12.7%	12.9%	31.8%

Outlook

To provide the most accurate perspective on Goodvalley's expected financial performance in an industry characterised by fluctuating prices on live pigs, the earnings outlook for 2018 is presented at fixed herd price in terms of Adjusted EBITDA margin before non-recurring items. This approach serves to reduce fluctuations in guidance and better align operational and financial performance with a view to provide capital markets with the optimum conditions for assessing Goodvalley's operational efficiency and performance specifically and in isolation from fluctuations in market prices for live pigs, potentially entailing material fair value adjustments of the Group's biological assets on the balance sheet date.

In 2018, Goodvalley expects to generate revenue of DKK 1,550-1,700 million and an Adjusted EBITDA of 340-425 million driven by continued high production efficiency and a good stock of quality crops for the feeding season, but adversely impacted by lower prices on live pigs compared to the 2017 level.

ASSUMPTIONS

The outlook for 2018 is based on an average market price for live pigs of DKK 11.2 per kilo and current exchange rates as well as the prevailing economic situation in Goodvalley's markets. The outlook represents our current expectations for the development in the Group's revenue and Adjusted EBITDA, and Goodvalley's EBITDA may thus deviate significantly from this outlook.

DKK MILLION	2018 OUTLOOK	2017 ACTUALS
REVENUE	1,550-1,700	1,620
ADJUSTED EBITDA	340-425	431
Reported EBITDA 2017		426

This report contains forward-looking statements reflecting Goodvalley's current forecasts of future events, operational performance and financial results. Such statements are subject to uncertainty as factors within and beyond Goodvalley's control may cause actual performance and results to differ materially from the forecasts in this report. Such factors include, among other things, the fair value of pigs, global and local market prices of pork meat, changes in consumer preferences and demand, consumer purchasing power, competition, any outbreak of animal diseases or epidemics, the supply of utilities, development in financial markets and changes or amendments to legislation, regulation or the political situation in Goodvalley's markets. See also the section on risk management and note 4.2 to the financial statements.

Strategy

OPTIMISATION	CAPACITY EXPANSION	STRENGTHEN CONSUMER FOCUS	NEW GEOGRAPHIES
· Sustainability based on Danish knowhow · Superior efficiency standards · Outperforming peers on KPIs	· Increasing pig production in all markets · Expansion of feed, land base and green energy production · New slaughterhouse in Ukraine and expansion in Poland	· Branded premium products tailored to specific market trends and consumer groups · Margin expansion and reduced exposure to bulk market · Capitalising on commitments to sustainability and environmental protection	· Expansion into selected new markets · Acquisitions or greenfield establishments · Clear criteria to increase likelihood of success

EDUCATION · Proliferate Goodvalley values and Danish knowhow · Goodvalley Agriculture & Management Academy · Focus on animal welfare and biosecurity

Goodvalley's strategy targets the substantial growth opportunities in our three existing home markets and eventually also in selected new markets.

The basis of the strategy is the ongoing and perpetual efforts to proliferate Goodvalley's values, Danish production knowhow and commitments to sustainability and environmentally friendly production – ensuring that this mindset permeates all aspects of operations. The Goodvalley Agriculture & Management Academy is key to these efforts.

OPTIMISATION

Building on this mindset, we will continue to focus on optimisations across the value chain to reduce emissions, environmental impact and external input into our value chain. Equally important, we will increase efficiency to stay ahead of our peers on key performance indicators such as number of pigs sold per sow, daily live weight gain, feed conversion ratio and the carcass meat produced per sow. Our ongoing efforts to reduce resource consumption and increase the Group's input contribute to the strengthening of Goodvalley's operational and financial performance. We have thus implemented LEAN principles in all operations, introduced clear performance targets for all employees and established daily performance meetings at our units to ensure continuous improvements and benchmarking against internal and external best practice production units.

CAPACITY EXPANSION

Since 2012, we have expanded capacity, in terms of number of sows, by more than 50%. We will continue to expand capacity and increase output to leverage our scalable production setup and further expand into own branded, processed goods.

In Poland, Goodvalley is strongly positioned to increase our market share in a fragmented market where less efficient producers leave the industry. Short-term, we will invest in updating existing pig farms, while capacity will eventually be expanded organically via new farms, or by acquisitions. To facilitate and leverage the increase in pig production, we will continuously expand crop growing, feed mills and capacity at the slaughterhouse.

In Ukraine, the significant growth potential for Goodvalley is implied by low domestic supply of pork and a low consumption of 15.8 kilo (carcass weight) per capita in 2017 (vs. EU-28 average of 41.7 kilo), which is expected to increase supported by higher purchasing power. Hence, we will continue to build capacity at our pig farms and expand crop growing. Furthermore, we will construct our first slaughterhouse in Ukraine, which will provide the benefits of increased vertical integration in the country, as well, and further mitigate volatility as we differentiate our end-products from bulk products and enter a virgin market with general quality and hygiene standards significantly below EU standards. Land for the new facility has been secured, construction works are expected to start in the second half of 2018, and we expect to commission the new facility by end-2019. The capacity will initially be slightly below that of our Polish facility and focus on providing fresh pork products.

In Russia, pork consumption has doubled since 2000 to 26.5 kilo (carcass weight) per capita, and we continue to see a significant potential for increasing local demand, supported by economic

Strategy

and political support for investments in pork production to support national self-sufficiency. We will continue to optimise our production set-up and secure economies of scale via a targeted doubling of pig production in the areas where we operate.

STRENGTHEN CONSUMER FOCUS

We focus on providing more fully-processed premium products tailored to local market trends and consumer preferences and demands. Capitalising further on our unique value chain-control by boosting our branded premium products will further reduce Goodvalley's exposure to fluctuations in bulk pig prices and drive profitability as these products achieve higher margins than ordinary deboned meat.

Goodvalley's Food segment focuses on three categories: Deboned meat, MAP products (Modified Atmosphere Packaging – a packaging and prevention technique extending the lifetime of fresh foods) and processed products. Deboned meat, including primal cuts, currently comprises the majority of sales but we strive to expand MAP products' and processed products' share of revenue significantly. To facilitate this, we substantially expanded the plant's sections for MAP products and fully processed pork in 2015-2016.

Today, MAP products and processed products, such as ready-to-eat raw meat without additives as well as sausages for kids, are mostly sold as private label goods to retailers. We intend to grow the number of own-branded products, and we will invest accordingly in slaughtering and processing, certifications and training of staff, targeted marketing efforts and building up sales channels closer to particular consumer groups. Diversifying distribution to industrial processors, wholesale, export and others, will help us hedge exposure and risk to the retail segment. We focus on products appealing to consumers who prioritise quality, food safety, animal welfare, CO_2 neutral production, traceability, GMO free and RWA products, allowing us to fully profit from our commitment to sustainability and environmentally friendly production across the value chain.

NEW GEOGRAPHIES

Further to the build-up in existing markets, we plan to eventually expand into new markets through acquisitions or greenfield start-ups. Particular focus is given to emerging and undersupplied markets that combine significant pork imports and crops exports with attractive land prices, low production costs and a potential for significantly growing local pork consumption driven by higher standard of living.

Setting up production in new markets would further ease the flow of goods to the end-markets offering the most attractive sales prices. The geographical diversification would furthermore accommodate consumer preferences for locally produced pork and reduce production and country risks, including the risks of reduced sales following changes in specific trade regimes.

Markets and products

Goodvalley operates in three Eastern European growth markets – Poland, Ukraine and Russia – and Food products are moreover exported to other markets. The geographical diversification reduces exposure to input costs and conditions in single markets.

Low domestic pork consumption creates a significant potential in Ukraine and Russia, both markets offering highly attractive land, labour and raw material prices – and both markets are characterised by a fundamental imbalance between import of meat and export of crops. The more mature Polish market is prospective, due to its lack of consolidation among pig farmers, the potential for locally produced branded products and the country's membership of the EU.

POLAND

Goodvalley is the second largest pig producer in Poland where the Group also operates a slaughterhouse and arable production, crop storage facilities, feed mills and biogas plants. In addition, Goodvalley is the leading on-farm biogas operator with substantial sales of excess energy to third parties.

The Food business is based on pigs from the Group's own farms, ensuring unique traceability. Goodvalley aims to capitalise further on this quality assurance by increasing sales of premium-priced meat from pigs bred without the use of antibiotics and GMO feed. The activities in Food focus on three categories: Deboned meat (incl. primal cuts), MAP products as well as processed products. These innovations reduce the exposure to fluctuations in bulk prices and enable higher margins.

Products are mainly sold to the retail segment, including the largest Polish food retailer Biedronka as well as pan-European chains Lidl, Carrefour, Tesco Auchan and Rema 1000, and long-term relationships to reputable chains are of significant importance for Goodvalley's strategic efforts to move closer to consumers with value-added fresh and processed products. The current distribution set-up also includes industrial processors and wholesalers. 77% of revenue in the Food segment is generated in Poland, 12% in other EU countries, and 11% in other countries.

The Polish cuisine is plentiful in meat, especially pork which is usually included in the main course. Pork consumption is therefore high at 41.0 kilo (carcass weight) per capita in 2017 in line with the EU-28 average of 41.7 kilo (carcass weight), according to OECD. The country's pig herd, nevertheless, has been decreasing for several years as less efficient domestic pig producers have been unable to produce at competitive prices, leading to increased imports from other EU countries. The consequent consolidation of the Polish sector has been augmented by low market prices in 2014-2016.

Although the decline in the Polish herd has been countered by import of weaners, Poland remains a net importer of pork, and the production sector is still fragmented with smaller producers leaving the industry. Goodvalley sees a potential for additional consolidation of the sector and a further upside from leveraging consumers' preferences for local branded products.

UKRAINE

Goodvalley is the third largest pig producer in Ukraine, supplying pigs to slaughterhouses nationwide. In addition to hedging input costs through arable and bioenergy production, the Group's upcoming own slaughterhouse will lead to a higher degree of vertical integration of the value chain and allow further mitigation of volatility by differentiating end-products from the bulk market.

The Ukrainian pig herd has been decreasing in recent years following a number of outbreaks of ASF, which also lead to export bans issued by the EU and Russia. The bans have forced

Markets and products

large exporters to sell pigs in the local market at low prices and, faced with challenging prices and markets, many farmers have phased out production. Pork consumption remains low – 15.8 kilo (carcass weight) per capita in 2017, compared to the EU-28 average of 41.7 kilo (carcass weight) – and Ukraine is still not self-sufficient.

In 2017, Ukraine's GDP growth was positive, albeit affected following the war-like situation in the eastern provinces, which particularly in 2017 disrupted mining and electricity production. The tense situation continues to negatively impact the country's economy, and thus the population's purchasing power and living standards, further to delaying Ukraine's ongoing transformation to a market-based economy operating by EU-recommended laws and regulations. The economy is expected to gradually recover as geopolitical tensions subside, with GDP growth strengthening to 4% in the medium term, according to the World Bank.

Pork consumption is expected to increase at a somewhat faster pace than production capacity, driven by higher purchasing power among consumers. Simultaneously, a partial re-opening of the export to the EU – where regions located far from the ASF outbreaks are expected to gain access to the EU markets prior to other regions – will further support a price convergence towards the European average. Operating with a highly competitive cost structure and the lowest break-even point in the Group, Goodvalley's Ukrainian business has generated attractive profits under poorer market conditions and is expected to further benefit from a normalisation of demand. The future slaughterhouse poses an opportunity to gain a competitive advantage by accommodating the increasing and unsaturated demand for branded and locally produced quality products offering a high level of food safety.

RUSSIA

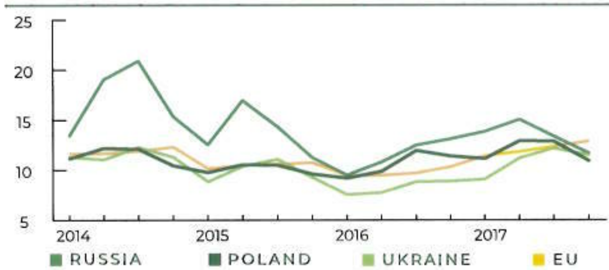
Goodvalley's Russian business supplies pigs to slaughterhouses close to the farm. The Group's operations also include arable production, crops storage and a feed mill.

The Russian government's response to the protracted conflict with the European Union and the United States – with international sanctions prompting Russia to boycott imported food from the EU in 2014 – has been to work towards a very high level of self-sufficiency in the food sector. This policy entails substantial economic and political support for investments in pork production and has resulted in attractive fundamentals for local production, making Russia close to self-sufficient. High local market prices, however, have provided little incentive for local manufacturers to trim costs and increase efficiency at their farms. These producers may therefore be squeezed as pig prices are nearing world market levels, whereas Goodvalley is significantly better positioned due to its high efficiency and low start-up expenses.

After a two-year recession, Russian GDP reached an estimated 1.7% growth in 2017. Higher oil prices and declining inflation allowed for more accommodative monetary policies, which entailed growth in disposable income and consumption. GDP growth in Russia is expected to stabilise at around 1.8%, according to the World Bank.

Stable economic conditions are expected to further bolster local demand for pork products. Demand has more than doubled, according to OECD – from 12.2 kilo (carcass weight) pork per capita in 2000 to 26.5 kilo (carcass weight) in 2017.

GOODVALLEY PIG AND MARKET PRICES, DKK/KG



The impact of declining market prices has historically been partly mitigated by Goodvalley's diversified geographical presence.

GDP GROWTH IN GOODVALLEY'S HOME MARKETS

Real GDP growth in %	2015	2016	2017E	2018F	2019F
Poland	3.8	2.9	4.5	4.0	3.5
Russia	(2.8)	(0.2)	1.7	1.7	1.8
Ukraine	(9.8)	2.3	2.0	3.5	4.0
Benchmark: Euro Area	2.1	1.8	2.4	2.1	1.7

Source: Global Economy Prospects, January 2018. Real growth calculated using constant 2010 U.S. dollar GDP weights

Risk management

Goodvalley is exposed to a number of risks related to the Group's activities, macroeconomic developments and political situations in our markets as well as the prevailing trends and developments in the agriculture industry.

Our risk management efforts ultimately aim to reduce Goodvalley's exposure to various risks by identifying relevant and significant risk areas and establishing mitigating procedures.

The oversight responsibility for risk management lies with the Board of Directors, which has appointed the Audit Committee to assist in establishing and monitoring an efficient Group risk management process together with the Executive Board.

OVERVIEW OF RISKS

The Group corporate function supports the Executive Board in identifying and assessing risks. Risks are gathered in an Enterprise Risk Management (ERM) reporting system covering all significant entities in the Group.

The Executive Board regularly assesses the risks identified to determine whether the risks have changed, and if the risk control measures are relevant and adequate. Risks are reviewed annually by the Audit Committee and reported to the Board of Directors.

RISK	MONITORING AND MITIGATION
COMMERCIAL RISKS	
Reputational damage may entail serious consequences in the form of loss of sales, loss of talent or scrutiny by authorities and animal welfare organisations etc.	Goodvalley has obtained a Global GAP certification in recognition of the Group's efforts to promote food safety, environmental protection and animal welfare. Goodvalley's vertically integrated business model ensures traceability and allows the Group to differentiate its products as GMO free, RWA or CO_2 neutral. In addition, significant internal resources are allocated to brand building and marketing with focus on the Group's principles of sustainable production and animal welfare. The Group's production facilities are regularly being monitored by the internal audit department and external parties and experts to ensure compliance with Danish welfare standards and Goodvalley's guidelines and principles for animal welfare. Findings are reported to the Board of Directors and actions are implemented where needed. The Group monitors the media to be able to respond quickly to relevant issues and mitigate the reputational impact of such issues.
Goodvalley may not be able to **attract and retain key personnel and qualified employees** in markets where demand for labour is high.	The continued services and employment of management and key personnel with unique insight into the business, markets and industry are of great importance to Goodvalley. The Group has strengthened and continues to professionalise its organisational setup and management structure to mitigate this risk and reduce dependency of individuals. The Group seeks to attract and retain qualified production and administrative employees by means of regular employee satisfaction monitoring and a continued focus on HR, employee development and education. All employees are trained and educated in their line of work within the framework of the Goodvalley Agriculture & Management Academy. Furthermore, a special program for talents with potential leadership skill is being implemented.
Pig and crop prices are impacted by market conditions, which may significantly affect Goodvalley's income and earnings.	Goodvalley's vertically integrated business model mitigates the impact of price fluctuations through production chain-control as the Group's own feed and pig production reduces exposure to external pricing and volatile input costs. The vertically integrated business model is fully implemented in Poland and partly implemented in Ukraine and Russia. Furthermore, branded products are marketed to ensure differentiation from bulk products by means of emphasis on CO_2 neutral production, pigs Raised Without Antibiotics (RWA) and feed free from GMO.

Risk management

RISK	MONITORING AND MITIGATION
OPERATIONAL RISKS	
African swine fewer (ASF) outbreaks have been recorded in Goodvalley's production countries, and an instance of ASF at one or more of the Group's farms may entail serious consequences in terms of loss of sale and impact on reputation.	A number of monitoring and disinfection procedures are in place at all production sites to minimise infection risk and maintain a high level of biosecurity at all times. Production sites are located apart and as remotely as possible to contain potential instances of ASF. Each of the production companies have contingency plans in place describing steps to be taken and responsible persons in case of an ASF outbreak. Local veterinary authorities conduct epidemiological tests to identify the source of outbreaks, and national emergency plans are in place and being developed regularly. Developments are monitored closely by the European Commission.
STRATEGIC RISKS	
The Russian and Ukrainian markets in which the Group operates are to some extent characterised by risks related to **political and military turmoil and corruption.**	To mitigate these risks and reduce dependency on one single market, Goodvalley has established a diversified production and sales setup spanning various segments and countries. Moreover, the Group acts as a good corporate citizen to maintain professional relationships with relevant authorities and local stakeholders. Goodvalley takes an active role in developing the local community and provides information and education to stakeholders about Danish farming principles, applied technologies, practices and the nature of the work performed at the Group's local production sites. To mitigate potential corruption risks, Goodvalley has implemented and enforces a strict code of conduct combined with an IT-based whistleblower system, reporting directly to the Audit Committee chairman who handles all incoming cases together with the Group Legal Counsel. In 2017, there were no corruption-related instances identified or reported.
The Group's production at selected farms in Poland is dependent on **renewal of leasing terms** that will expire in 2024. Furthermore, the production in Ukraine is located on leased land.	Goodvalley maintains an ongoing dialogue with lessors concerning negotiation of terms for leased farms in Poland and potential acquisition of farms that are currently leased. In Ukraine, a moratorium on the sale of agricultural land has been in force since 2001 and de facto prevents foreign as well as domestic investors from trading and owning agricultural land. Goodvalley maintains a constant dialogue with local communities and sponsor local investing in developing local farming and education to uphold good relationships with our landowners. Furthermore, in order to secure the land, when concluding lease contracts with land owners, Goodvalley applies a "check board policy" as to the duration of the contracts, creating a land bank with mixed expiry on the leases making it less attractive for hostile takeovers.
IT RISK	
Goodvalley's production efficiency is dependent on an efficient IT structure, and the group considers any **IT interruption** including security breaches, cybercrime and system downtime a risk.	The Group's IT function manages these risks by means of continuous monitoring and maintenance of systems, application of relevant IT security technologies and timely back-up of critical data. The Group has implemented a disruption plan in case of IT breakdown.
FINANCIAL RISKS	
Goodvalley is exposed to **currency risk** in the form of transaction risks due to cross-border sales and internal financing as well as translation risks due to translation of foreign subsidiaries' revenue, earnings and assets into DKK in the consolidated financial statements.	All Group loans are, to the extent possible, engaged by the parent company with a view to control and coordinate payments in local entities to minimise currency risk. The Group's products are primarily priced internationally, and the prices will therefore follow the world market in the long-term.

Corporate Social Responsibility

Goodvalley's policies, activities, risks and results in relation to Corporate Social Responsibility (CSR) and our diversity policy are described in our statutory CSR report 2017, which is available at https://www.goodvalley.com/media/1247/csrrep17.pdf in accordance with sections 99 a and 99 b of the Danish Financial Statements Act.

We produce food with respect for nature, and CSR has always been an integral component of Goodvalley's vertically integrated business model, contributing positively to the Group's competitiveness as well as its surroundings.

Proper animal welfare is a prerequisite for efficient production – and structured safety, education and HR efforts are paramount to attracting and retaining highly qualified employees. At the same time, the continued success and expansion of our business depend on maintaining a good reputation for safeguarding the environment, supporting the local communities in which we operate, conducting our business properly and, not least, providing customers and consumers with safe quality products.

A STRUCTURED APPROACH TO CSR

Since 2014, we have taken a structured approach to the Group's CSR work. We evaluate Goodvalley's CSR efforts and achievements based on 18 parameters in seven key commitment areas:

- Animal welfare
- Environment and climate
- Labour safety
- Food safety and quality
- Community
- HR, gender and human rights
- Anti-corruption and fair play

In 2017, Goodvalley recorded improvements on eight of the 18 parameters, while two parameters were unchanged and eight parameters saw an adverse development.

Following progress in 2017, all Goodvalley's own pig farms are expected to be fully compliant with both Danish animal welfare standards and Global GAP in 2018. During 2017, we recorded progress on the important parameters of pig livability and rejections of pigs at the slaughterhouse due to injuries, while reporting no fines from veterinarian authorities.

We successfully reduced our impact on the environment and climate as Goodvalley's pig production units consumed less water and electricity per ton live weight sold – and the electricity production from biogas plants actually exceeded the Group's total consumption. Our Polish operations – which represent more than half of Goodvalley's business – renewed their CO_2 neutrality certificate from TÜV for the fifth year in a row. Goodvalley aims to become CO_2 neutral on Group level by means of constantly balancing farm operations with the construction of biogas plants and potentially slaughterhouses.

During the year, Goodvalley also reduced the employee turnover in general and in Ukraine in particular, where external factors such as war-like conditions and economic crisis continue to influence our employees' working conditions. We invested significantly in education and development of our employees and increased the number of hours spent per employee on education and training.

Despite Goodvalley's efforts to improve safety at the workplace, the number of accidents and days away from work caused by these accidents increased driven by developments in our Russian business, which underwent significant changes in 2017. Goodvalley is focused on improving safety across the Group and in Russia in particular in 2018.

During 2017, the Group added the seventh key commitment area – anti-corruption and fair play – to emphasise our focus on integrity and honesty as core values of Goodvalley. The Group implemented an advanced IT-based whistleblower platform enabling employees and third parties to anonymously report incidents of corruption, theft or other misconduct directly to the Audit Committee. All such reports are treated in accordance with Goodvalley's whistleblower policy and applicable regulations. No reports were filed in 2017.

GLOBAL GAP CERTIFICATION

Goodvalley invested significant resources in becoming a certified agricultural producer in the Global GAP system during 2017. The Group achieved the Global GAP certificate, which is the most widely accepted private sector food safety certificate in the world and entails annual independent third-party audits of our production facilities, animal welfare and food safety as well as access to Global GAP's capacity building tools, education resources and network.

The Global GAP certification differentiates the Group from competitors and contributes to the positive positioning of Goodvalley as a professional business partner, an attractive employer and consumers' guarantor of food safety and quality.

Corporate Governance

Goodvalley's statutory report on corporate governance for the 2017 financial year is available at https://www.goodvalley.com/media/1249/cgrep17.pdf in accordance with section 107 b of the Danish Financial Statements Act.

The statutory report describes Goodvalley's management structure, the main elements of the Group's internal control and risk management systems related to financial reporting and an overview of Goodvalley's position on the corporate governance recommendations of the Danish Committee on Corporate Governance. In 2017, Goodvalley complied with the recommendations except as stated below:

- Goodvalley regularly evaluates the competences and contributions of any Board member irrespective of his or her age as it is the opinion of Goodvalley that age in itself is not a valid measuring point, and the articles of association thus do not stipulate a retirement age for members of the Board.

- Due to the Group's historical ownership structure, with one controlling shareholder, Polen Invest A/S, owning 83.6% of the shares in Goodvalley A/S and having Board members represented on the Board of Goodvalley, less than half of Goodvalley's Board members are currently independent. Goodvalley is aware of this and is aiming to change this situation in due course.

- The Board of Directors had not established nomination and remuneration committees in 2017, but these committees have been established in February 2018.

MANAGEMENT STRUCTURE

The shareholders of Goodvalley exercise their rights at the general meeting and elect the Board of Directors, which appoints and supervises the Executive Board.

The Board of Directors is responsible for the overall management of the company and resolves matters relating to Goodvalley's strategic development, budgets, risk factors, acquisitions and divestments as well as major development and investment projects. Board members are nominated for election at the general meeting on the basis of an overall assessment of individual competencies and their contribution to an appropriate composition of the shared competencies and the profile of the Board of Directors. Priority is given to ensuring that the Board of Directors possesses skills in the areas of farming, finance and accounting, international management and marketing.

The board work is governed by a charter, which has been prepared in accordance with the provisions of the Danish Companies Act and is subject to annual review. In 2017, the Board of Directors held 7 meetings with 1 instance of non-attendance by a member.

An Audit Committee has been established to assist the Board of Directors within the fields of risk management, monitoring the process for preparation of financial statements, financial reporting and internal controls as well as monitoring of and communications with the auditor appointed by the shareholders. The Committee has 2 members who are both members of the Board of Directors and meet quarterly.

The Executive Board of Goodvalley is appointed by the Board of Directors and is responsible for the company's day-to-day management, including the development and results of the company's operations, as well as the company's internal development. The Executive Board is responsible for implementing Goodvalley's strategy and the overall resolutions approved by the Board of Directors.

CHANGES IN 2017

In 2017, Helle Okholm was elected as new member of the Board of Directors, and Kristian Brokop Jakobsen entered the Executive Board as COO.

Board of Directors

Anders Christen Obel
CHAIRMAN

CEO at C.W. Obel A/S (incl. directorships in 4 subsidiaries). Former Vice President at Gemini Consulting/Cap Gemini and employment at Hambros Bank Plc.

Special expertise in property and land investments, general management of industrial companies and corporate finance. BSc in Economics and Business Administration from Copenhagen Business School.

DIRECTORSHIPS

CHAIRMAN: Goodvalley A/S, C.W. Obel Ejendomme A/S, Semco Maritime A/S, Semco Maritime Holding A/S, Obel-LFI Ejendomme A/S and C.W. Obel Bolig A/S.
VICE CHAIRMAN: Danfoss Semco A/S.
MEMBER: Skandinavisk Holding A/S, Erhvervsinvest Management A/S, Minkpapir A/S, Fritz Hansen A/S, Woodmancott Fonden, Fonden Det Obelske Jubilæumskollegium, DMP Partners A/S, PAL-CUT A/S, Safe Load A/S
SUBSTITUTE: Polen Invest A/S.
FULLY RESPONSIBLE STAKEHOLDER: Haxholm v/Anders Christen Obel.

Niels Rauff Hansen
DEPUTY CHAIRMAN

Farmer, pig producer and CEO of Sjørup Svinefarm A/S (incl. 2 subsidiaries), Søvang Svineproduktion A/S and Søvang Gods A/S.

Special expertise in international agricultural management and pig farming as well as investments in agriculture in Eastern Europe and Russia. Agricultural education from Asmildkloster Agricultural College.

DIRECTORSHIPS

CHAIRMAN: Agri Consult ApS, Dan-Slovakia Agrar A/S, Freelancer Worldwide A/S, Søvang Gods A/S and Polen Invest A/S.
MEMBER: Agrocola s.r.o. (Slovakia), Agro Korn s.r.o. (Slovakia), Agro Support s.r.o. (Slovakia), Avgas ApS, Danrus Agro ApS, Sevel Slagteri A/S, Sjørup Svinefarm A/S and Søvang Svineproduktion A/S.
FULLY RESPONSIBLE STAKEHOLDER: General Partnership Rendrup Hovedgaard I/S.

Anders Bundgaard
BOARD MEMBER

Farmer, pig producer and CEO at AB Vadsholt Holding ApS (incl. 2 subsidiaries) and Sdr. Badsbjerg A/S.

Special expertise in agricultural management and pig production as well as investments in agriculture in Eastern Europe, Russia and Denmark. Agricultural education from Næsgaard School of Agriculture.

DIRECTORSHIPS

CHAIRMAN: Avgas ApS and Danrus Agro ApS.
VICE CHAIRMAN: Polen Invest A/S.
MEMBER: Agri Consult ApS, Agro Advice s.r.o. (Slovakia), Agro Center s.r.o. (Slovakia), Agro Projects s.r.o. (Slovakia), Dan-Slovakia Agrar A/S (incl. 1 subsidiary), Sdr. Badsbjerg A/S and Klitgaard Agro A/S.

Jens Jørgen Nielsen
BOARD MEMBER

Farmer and CEO at HMJ Invest, Horsens A/S (incl. 2 subsidiaries) and J2N Holding ApS.

Special expertise in agricultural management. Educated at Bygholm Agricultural College

DIRECTORSHIPS

CHAIRMAN: Gl. Færgeleje A/S.
MEMBER: HMJ Invest, Horsens A/S, Polen Invest A/S and Ejendomsselskabet Annasminde ApS.

Erling Bech Poulsen
BOARD MEMBER

Farmer, pig producer and CEO at Kølhede Svineproduktion I/S, Kølhede Holding ApS, Kølhede Invest A/S, Majbritt Poulsen Holding ApS, Malene Poulsen Holding ApS and Morten Poulsen Holding ApS.

Special expertise in agricultural management and pig production. Agricultural education from Bygholm Agricultural College. Agricultural training and experience in advanced farming in New Zealand and Canada.

DIRECTORSHIPS

CHAIRMAN: Østifterne f.m.b.a. and Østifterne Administration f.m.b.a.
MEMBER: Agrovakia A/S, Kølhede Invest A/S, Lidenlund Invest III 2008 A/S, Nykredit A/S, Nykredit Realkredit A/S, Polen Invest A/S and Vandborg Karosserifabrik A/S.

Executive Board

Jens Blach
BOARD MEMBER

Farmer, pig and poultry producer, and CEO at J.B. Holding ApS and NOHM ApS.

Special expertise in international agricultural management and livestock production. Agricultural education from Bygholm Agricultural College. Agricultural training and experience in advanced farming in the UK.

DIRECTORSHIPS

CHAIRMAN: BZ Pederstrup A/S and Little Dane Ltd. (Scotland).
FULLY RESPONSIBLE STAKEHOLDER:
Lyngdal v/Proprietær Jens Blach and General Partnerships Blach Maskinstation I/S, Blach/Zacho I/S, Jens og Jørgen Blach I/S.

Helle Okholm
BOARD MEMBER

Professional board member and former state authorized public accountant. Formerly Partner at KPMG, Nordic CFO of Bluegarden Holding A/S and group finance management positions at Foss A/S, Chr. Hansen A/S and ISS Danmark A/S.

Special expertise in accounting, corporate finance, risk management, international management and experience from other companies listed on Nasdaq. MSc in Business Administration and Auditing from Copenhagen Business School.

DIRECTORSHIPS

MEMBER: Basisbank A/S, Jeudan A/S and Lokaltog A/S.
FULLY RESPONSIBLE STAKEHOLDER:
HC Okholm I/S, Okholm Consulting.

Tom Axelgaard
CEO

Founded Goodvalley in 1994 and has previously owned and managed a cattle farm and a pig farm in Denmark. Tom Axelgaard has extensive experience in international farming and pig production as well as general management. He is CEO of Axelgaard Universal Farming ApS and Polen Invest A/S. Agricultural training and experience in advanced farming in the US, and Ladelund Agricultural College, Denmark.

DIRECTORSHIPS

MEMBER: Outrup Golfbane ApS and Turist Invest ApS.

Hans Henrik Pauk Pedersen
CFO

Has previously worked as Group Vice President, Head of Group Business Development at Falck Group, and held corporate finance and financial strategy positions at Carnegie Investment Bank, Atrium Partners and Danske Bank. MSc in Economics and Business Administration at the University of Southern Denmark.

Kristian Brokop Jakobsen
COO

Is COO at the Goodvalley Group and CEO of Ukrainian subsidiary Danosha Ltd. as well as CEO of Brokop Holding ApS. Formerly employed in positions at Danosha Ltd., the Royal Danish Army and at Danish farm Gyldensteen Gods. Diploma in agricultural management from Dalum Agricultural College.

Board of Directors

NAME	BORN	GENDER	NATIONALITY	FIRST ELECTED	INDEPENDENT	ROLE	AUDIT COMMITTEE	SECURITIES 31 DEC. 2017	POLEN INVEST A/S[3] SHARES 31 DEC. 2017	CHANGE IN 2017
Anders Christen Obel	1960	Male	Danish	2013	Yes	Chairman	Member	0	65,786[4]	+10,000 shares
Niels Rauff Hansen	1964	Male	Danish	2002[1]	No[2]	Vice Chairman		0	287,573	0
Anders Bundgaard	1944	Male	Danish	2002[1]	No[2]	Member		0	561,837	0
Jens Jørgen Nielsen	1953	Male	Danish	2002[1]	No[2]	Member		5 bonds	371,500	+5 bonds
Erling Bech Poulsen	1955	Male	Danish	2009	No[2]	Member		0	95,450	0
Jens Blach	1960	Male	Danish	2010	Yes	Member		0	10,500	0
Helle Okholm	1965	Female	Danish	2017	Yes	Member	Chairman	0	0	0

Executive Board

NAME	BORN	GENDER	NATIONALITY	EMPLOYED SINCE	ROLE	SECURITIES 31 DEC. 2017	POLEN INVEST A/S[3] SHARES 31 DEC. 2017	CHANGE IN 2017
Tom Axelgaard	1957	Male	Danish	1994[1]	CEO	2,075,531 shares	60,907	0
Hans Henrik Pauk Pedersen	1981	Male	Danish	2016	CFO	0	0	0
Kristian Brokop Jakobsen	1980	Male	Danish	2006	COO	685,976 shares	0	0

All members are elected for 1 year at a time by shareholders at Goodvalley's general meeting.
1 Served as board members in the Group prior to 2002.
2 Not considered independent as per the recommendations from the Danish Committee on Corporate Governance as the members have served longer than 12 years and represent Goodvalley's majority shareholder, Polen Invest A/S.
3 Polen Invest A/S is Goodvalley's majority shareholder, and the company has issued 3,700,000 shares in total.
4 Including 10,000 shares held and purchased in 2017 by C.W. Obel A/S.

Investor information

Goodvalley provides capital markets with information about matters deemed relevant to ensuring regular trading in as well as efficient and fair pricing of the Group's securities listed on Nasdaq Copenhagen, while observing applicable rules and legislation. The Executive Board maintains an ongoing relationship with capital markets participants primarily through meetings, seminars and conference calls, which are available at http://goodvalley.com along with additional relevant financial information.

OWNERSHIP

Goodvalley A/S' share capital is divided into 53,797,824 shares of nominally DKK 10 and equal voting and dividend rights following a capital increase of 685,976 shares at an extraordinary general meeting held on 15 November 2017.

At the end of 2017, Goodvalley A/S was owned by 87 registered shareholders in total, and the shareholder base was comprised of individuals and holding companies with significant industry insight. The following shareholders held more than 5% of the share capital:

- Polen Invest A/S, Copenhagen, Denmark: 83.6%
- International Finance Corporation (World Bank Group), Washington DC, USA: 6.9%

Goodvalley A/S' majority shareholder, Polen Invest A/S, is held by 97 shareholders including members of the Goodvalley Group's Board of Directors and CEO Tom Axelgaard. See disclosures of securities held at year-end on page 26, which show that Niels Rauff Hansen, Anders Bundgaard, Jens Jørgen Nielsen and Tom Axelgaard controlled more than 5% of the share capital in Goodvalley A/S each through their ownership of securities in Polen Invest A/S and Goodvalley A/S. No single shareholder controls Polen Invest A/S.

In addition to Polen Invest A/S, the International Finance Corporation and Axelgaard Holding A/S (separate entity controlled by Tom Axelgaard), Goodvalley A/S' share capital was held by 84 individual shareholders.

BONDS ISSUE

In May 2017, the Group completed a 4-year senior secured bonds issue of EUR 135 million to refinance the loan portfolio and ensure a stable financing structure enabling the pursuit of further business development. The bonds issue was subscribed by Danish and international investors. The bonds were listed on Nasdaq Copenhagen in November 2017, and additional information is available in note 4.1 to the financial statements and at http://goodvalley.com

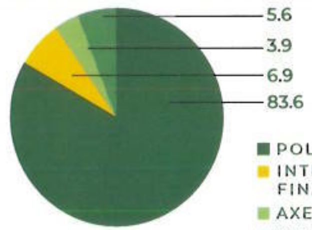
Following the bonds listing on Nasdaq Copenhagen, Goodvalley has disclosed company announcements and quarterly reports. CFO Hans Henrik Pedersen is responsible for Investor Relations while day-to-day tasks are handled by Executive Assistant Jørgen Stilling. Goodvalley continuously works to strengthen the dialogue with financial stakeholders in accordance with its own policies and the provisions for companies with bonds listed on Nasdaq Copenhagen.

DIVIDENDS AND CAPITAL STRUCTURE

A dividend of DKK 75 million was distributed in 2017 following the Group's successful EUR 135 million bond issue. The terms of the bond issue stipulate that further dividends are payable up to a net leverage (net interest-bearing debt/EBITDA LTM at fixed herd price) of <2.75. The Board of Directors will not propose distribution of dividends at the annual general meeting to be held on 10 April 2018.

The Board of Directors assesses the Group's capital structure on an ongoing basis. Subject to industry and financial market developments, it is the ambition of the Board of Directors and owners to pursue an Initial Public Offering of shares on Nasdaq Copenhagen in 2018 to support the Group's continued growth and facilitate a broader ownership.

OWNERSHIP AT 31 DECEMBER 2017, %



FINANCIAL CALENDAR

10 APRIL 2018	: ANNUAL GENERAL MEETING
29 MAY 2018	: INTERIM REPORT Q1 2018
29 AUGUST 2018	: INTERIM REPORT Q2 2018
29 NOVEMBER 2018	: INTERIM REPORT Q3 2018

Financial Statements

Income Statement 1 January - 31 December

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

DKK MILLION	NOTE	2017	2016
Revenue	2.1	1,620	1,405
Change in fair value of biological Assets	2.2	(5)	49
Grants and other income	2.3	38	31
TOTAL INCOME		**1,653**	**1,485**
Cost of goods sold (COGS)	2.1	(1,142)	(1,074)
GROSS PROFIT/(LOSS)		**511**	**411**
SG&A	2.4	(85)	(64)
EBITDA		**426**	**347**
Depreciation, amortisation and impairment losses	3.1 , 3.2	(122)	(103)
PROFIT/(LOSS) BEFORE FINANCIAL EXPENSES AND TAX		**304**	**244**
Financial income	4.5	7	2
Financial expenses	4.5	(93)	(58)
Exchange rate adjustments	4.5	(48)	(13)
PROFIT/(LOSS) BEFORE TAX		**170**	**175**
Corporation tax	2.6	(1)	(1)
PROFIT/(LOSS) OF CONTINUING OPERATIONS		**169**	**174**
Profit /(loss) for the year of discontinued operations	5.6	(55)	(41)
PROFIT/(LOSS)		**114**	**133**
Profit/(loss) is attributable to:			
Owners		114	133
TOTAL		**114**	**133**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

DKK MILLION	NOTE	2017	2016
Profit for the year		114	133
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments of foreign enterprises		(13)	(9)
TOTAL COMPREHENSIVE INCOME		**101**	**124**
Comprehensive income is attributable to:			
Owners		101	124
Non-controling interest (minoritites)		0	(1)
TOTAL		**101**	**123**

Balance Sheet 31 December

ASSETS

DKK MILLION	NOTE	2017	2016	OPENING 2016
Goodwill	3.1	94	99	84
INTANGIBLE ASSETS		**94**	**99**	**84**
Land and buildings		1,011	1,089	1,027
Leasehold improvements		123	128	146
Plant and machinery		257	254	237
Other fixtures and fittings, tools and equipment		111	130	135
Property, plant and equipment in progress		116	98	141
PROPERTY, PLANT AND EQUIPMENT	3.2	**1,618**	**1,699**	**1,686**
Non-current asset investment	4.4	3	8	5
FINANCIAL ASSET INVESTMENTS		**3**	**8**	**5**
Biological assets - basic herd	3.3	118	121	131
BIOLOGICAL ASSETS		**118**	**121**	**131**
NON-CURRENT ASSETS		**1,833**	**1,926**	**1,906**
Biological assets - sales herd	3.3	196	215	170
Biological assets - Arable, crop production	3.3	53	49	54
Inventories	3.4	273	231	219
BIOLOGICAL ASSETS AND INVENTORIES		**522**	**495**	**443**
Trade receivables	3.5	76	67	79
Receivables from associates		7	7	7
Other receivables	3.5	41	59	44
Prepayments		27	25	22
RECEIVABLES		**151**	**158**	**152**
Cash at bank and in hand		171	75	57
Assets held for sale	5.6	74	0	0
CURRENT ASSETS		**918**	**729**	**652**
ASSETS		**2,751**	**2,655**	**2,557**

LIABILITIES AND EQUITY

DKK MILLION	NOTE	2017	2016	OPENING 2016
Share capital	4.6	538	531	531
Other reserves		0	0	0
Reserve for exchange adjustments		(491)	(477)	(468)
Retained earnings		1,218	1.164	1.032
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS		**1,265**	**1,218**	**1,095**
Non-controlling interests		0	14	10
TOTAL EQUITY		**1,265**	**1,232**	**1,105**
Borrowings	4.1	964	0	0
Provision for deferred tax	2.5	5	0	3
Other provisions	3.6	3	3	1
Credit institutions	4.1	68	476	394
Subordinated loan from Polen Invest A/S		90	140	130
Non-current trade payables		0	0	2
Deferred income	3.7	9	10	11
LONG-TERM LIABILITIES		**1,139**	**629**	**541**
Borrowings	4.1	0	0	0
Credit institutions	4.1	125	631	761
Subordinated loan from Polen Invest A/S	4.1	24	13	23
Trade payables		73	66	58
Current income tax liabilities		0	0	0
Other provisions	3.6	1	3	5
Other payables		42	76	62
Deferred income	3.7	8	5	3
SHORT-TERM LIABILITIES		**273**	**794**	**912**
Liabilities of disposal group classified as held for sale	5.6	74	0	0
LIABILITIES		**1,486**	**1,423**	**1,453**
LIABILITIES AND EQUITY		**2,751**	**2,655**	**2,557**

Statement of changes in equity 2017

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	OTHER RESERVES	RESERVE FOR EXCHANGE ADJUSTMENTS	RETAINED EARNINGS	EQUITY OWNERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
EQUITY AT 1 JANUARY 2016	**531**	**635**	**(534)**	**1,032**	**1,663**	**10**	**1,673**
Effect of change in accounting policies	0	(635)	66	0	(568)	0	(568)
Equity at 1 January 2016 restated	531	0	(468)	1,032	1,095	10	1,105
Net Profit/(loss) for the year	0	0	0	133	133	(0)	133
Other comprehensive income	0	0	(9)	0	(9)	(1)	(10)
COMPREHENSIVE INCOME FOR THE YEAR 2016	0	0	(9)	133	124	(1)	123
Payments of dividends	0	0	0	0	0	0	0
Disposal of partial interest in Subsidiaries	0	0	0	(1)	(1)	5	4
EQUITY AT 31 DECEMBER 2016	**531**	**0**	**(477)**	**1,164**	**1,218**	**14**	**1,232**
EQUITY AT 1 JANUARY 2017	531	0	(477)	1,164	1,218	14	1,232
Net Profit/(loss) for the year	0	0	0	114	114	0	114
Other comprehensive income	0	0	(13)	0	(13)	0	(13)
COMPREHENSIVE INCOME FOR THE YEAR 2017	**0**	**0**	**(13)**	**114**	**101**	**0**	**101**
Payments of dividends	0	0	0	(75)	(75)	0	(75)
Contribution of capital	7	0	(1)	15	21	(14)	7
EQUITY AT 31 DECEMBER 2017	**538**	**0**	**(491)**	**1,218**	**1,265**	**0**	**1,265**

Statement of cash flows

STATEMENT OF CASH FLOWS

DKK MILLION	2017	2016
PROFIT/(LOSS)	**114**	**133**
Adjustments:		
Financial income and expenses	90	36
Currencies losses	36	47
Depreciation of property, plant and equipment	125	118
Tax on the Profit/(loss) for the year	0	0
Other adjustments	34	(1)
Change in working capital	(49)	(41)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL INCOME AND EXPENSES	**350**	**292**
Financial income	7	3
Financial expenses	(84)	(66)
CASH FLOWS FROM ORDINARY ACTIVITIES	**273**	**229**
Corporation Income tax paid	1	(1)
CASH FLOWS FROM OPERATING ACTIVITIES	**274**	**227**
Purchase property, plant and equipment	(152)	(149)
Purchase of fixed asset investments	0	(2)
Sale of property, plant and equipment	9	12
Change of financial investments	(3)	0
Sale of fixed asset investments	3	0
CASH FLOWS FROM INVESTING ACTIVITIES	**(143)**	**(139)**

STATEMENT OF CASH FLOWS

DKK MILLION	2017	2016
Proceeds from borrowings	1,206	158
Repayments of borrowings	(1,185)	(233)
Capital contribution	23	0
Dividends payments	(75)	0
Proceeds from disposals of partial interests in subsidary that does not involve loss of control	0	4
CASH FLOWS FROM FINANCING ACTIVITIES	**(31)**	**(71)**
CHANGE IN CASH AND CASH EQUIVALENTS	100	18
Cash and cash equivalents at 1 January	75	57
Exchange adjustment, beginning, cash and cash equivalents	(4)	0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**171**	**75**

Notes to the financial statements

1.1 Summary of significant accounting policies and estimates

The Consolidated Financial Statements of Goodvalley Group have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and additional Danish disclosure requirements for listed companies and further requirements in the Danish Financial Statements Act.

CHANGE IN ACCOUNTING POLICIES

In 2017, the Group chose to change the method of accounting for land and buildings, leasehold improvements and plant and machinery classified in Property, plant and equipment, from the revaluation model to be measured at cost less accumulated depreciation and less any accumulated impairment losses as both are generally accepted in accordance with IAS 16.

In 2017, Management has made a reassessment of the accounting policies for property, plant and equipment. Following the issuing and subsequent listing of the Group's senior-secured bond on Nasdaq Copenhagen in 2017, the Group analysed current policies of larger and more global peers considered comparable to Goodvalley as a listed international agricultural group as opposed to local peers in the countries in which Goodvalley is present. Based on this analysis and discussions with current and potential stakeholders regarding their information need, Management concluded that the historical cost approach is prevalent amongst the peers considered most comparable to Goodvalley as a listed Group. On that background, Management concluded that that the historical cost approach provides reliable and more relevant information to users of the financial statements than the revaluation model hitherto applied.

As a consequence, the Group has adopted the historical cost principle as applicable to industry practice and relevant for users of the financial statements.

The change in accounting principle is reported through retrospective application as in IAS 8.

The reassessment has led to the following changes:

	DEPRECIATION		TAX	
	2017	2016	2017	2016
Profit/(loss) before changing of accounting principles	0	(160)	0	0
Reversal of fair value adjustment	0	39	1	(1)
Profit/(loss) restatet to new accounting principles	**(122)**	**(121)**	**1**	**(1)**
Presented as discontinued operations	0	18	0	0
Profit/(loss) after changing accounting principles	**(122)**	**(103)**	**1**	**(1)**

	PP&E		EQUITY		DEFERRED TAXES	
	2017	2016	2017	2016	2017	2016
Prior to changing of accounting principles	-	2,214	-	1,735	-	1
Reversal of fair value adjustment	-	(515)	-	(504)	-	(1)
AFTER CHANGING ACCOUNTING PRINCIPLES	**1,618**	**1,699**	**1,265**	**1,231**	**5**	**0**

For further information of the effect also refer to note 3.2 of changes in opening values in property, plant and equipment.

In addition to the above the accounting policies are changed regarding the income statement where the presentation is changed from analysis of expenses by nature to an analysis of expenses partly by function in order to better reflect the management of the Group. EBITDA is considered to be a key financial figure for the Group stakeholders, why the depreciation is kept in one line. Refer to note 5.8 for a full setup of profit and loss by function.

GROSS PROFIT FULLY SPLIT BY NATURE

	2017	2016
Gross profit reported	511	411
Staff expenses	159	145
Sales, General and Administrative expenses	(42)	(21)
Gross profit by nature	628	535

1.1 Summary of significant accounting policies and estimates

Minor reclassifications and adjustments of the comparative figures have been made. Besides the above-mentioned change in the accounting policies and the effect of new IFRS as described below the accounting policies applied in this Annual Report are unchanged as compared to the accounting policies applied in the Annual Report 2016.

IMPACT OF NEW ACCOUNTING STANDARDS

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRS') issued by the International Accounting Standards Board (IASB) and IFRS endorsed by the European Union effective on or after 1 January 2017, it has been assessed that the application of these new IFRS have not had a material impact on the Consolidated Financial Statements in 2017, and the Group does not anticipate any significant impact on future periods from the adoption of these new IFRS.

New IFRS standards issued, but not yet effective

IASB has issued and the EU has adopted IFRS 9 'Financial Instruments' which is effective for annual periods beginning on or after 1 January 2018. IFRS 9 forms part of IASB's project to replace IAS 39, and with this new standard, classification and measurement of financial instruments as well as hedging requirements will be changed. Goodvalley has assessed the impact of this new standard on financial instruments, and the implementation is not expected to have any material impact on the consolidated financial statements. Similarly, the implementation is not expected to have any material impact on the impairment or classification of financial assets. The Group will implement the standard for the financial year 2018.

IASB has issued and the EU has adopted IFRS 15 'Revenue from Contracts with Customers' which is effective for annual periods beginning on or after 1 January 2018 and Goodvalley plans to adopt it on the effective date. IFRS 15 forms part of the convergence project with FASB to replace IAS 18 and IAS 11 as well as other interpretations. The new standard will establish a single, comprehensive framework for revenue recognition and requires that revenue is recognised when or as control is transferred to the customer whether it is transferred over time or at a point in time in contrast to the existing standards where revenue is recognised when or as risks and rewards are transferred. The time for recognition of revenue may restrictedly, in isolated cases, be changed. In addition, IFRS 15 requires that provisions for return of products must be presented gross in the statement of financial position under inventories and provisions, respectively. IFRS 15 is not expected to have any material impact other than additional revenue diclosures.

IASB has issued IFRS 16 'Leasing' with effective date 1 January 2019. The standard will change accounting for leases, as it is to require capitalisation of the Group's operational lease contracts. The analysis of possible impacts from IFRS 16, including the various options and practical expedients according to the transition rules of IFRS 16, is not completed and hence Management is unable to quantify the possible effects from IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of DKK 159 million. Therefore, IFRS 16 is expected to have some impact on the non-current assets, liabilities, EBITDA and cash flows from operating activities, however it is not practicable to provide a reasonable estimate of the financial effect until Management completes the analysis.

RECOGNITION AND MEASUREMENT

The Consolidated Financial Statements have been prepared under the historical cost basis except when IFRS explicitly requires the use of fair value.

DKK is the Group's presentation currency.

The principal accounting policies set out below have been applied consistently in the preparation of the Consolidated Financial Statements for all the years presented.

SIGNIFICANT ACCOUNTING POLICIES

The Group's accounting policies are described in relation to the individual notes to the Consolidated Financial Statements. Considering all the accounting policies applied in the preparation

1.1 Summary of significant accounting policies and estimates

of the Consolidated Financial Statements, Management regards the following as the most significant accounting policies for the recognition and measurement of reported amounts as well as relevant to an understanding of the Consolidated Financial Statements:

- Segment information (note 2.1)
- Gains/losses in changes in the fair value of biological assets (note 2.2)
- Intangible assets and property, plant and equipment including impairment (notes 3.1 and 3.2)
- Biological assets (note 3.3)
- Inventories (note 3.4)

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the Group's Consolidated Financial Statements, Management makes various accounting estimates, judgments and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. In some circumstances a change in the estimates may be necessary because of changes in the underlying assumptions.

ESTIMATION UNCERTAINTY

Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions concerning future events.

The judgments, estimates and assumptions made are based on historical experience and other factors which Management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

The Group is also subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Assumptions about the future and estimation uncertainty on the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Management regards the following areas to include the key accounting estimates and assumptions used in the preparation of the Consolidated Financial Statements:

- Biological assets (note 3.3)
- Inventories (note 3.4)

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.

1.2 Other general accounting policies

Basis of consolidation

The Consolidated Financial Statements consist of the financial statements of Goodvalley A/S (the Parent Company) and its subsidiaries in which the Company's voting rights directly or indirectly exceed 50%, or in which the Company is able to exercise a controlling interest in any other way.

The Consolidated Financial Statements are prepared on the basis of the Parent Company financial statements and the individual subsidiaries by consolidating items of a uniform nature. Equity interests, intercompany transactions, intercompany balances, unrealized intercompany gains on inventories and dividends are eliminated.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

On the acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities have been adjusted to fair value (the purchase method). Transaction costs relating to the acquisition of subsidiaries are not included in the value of the acquired assets. All acquisition-related costs are expensed in the period they incur. Any remaining positive differences are recognised as goodwill in intangible assets in the balance sheet. Goodwill is not amortised, but instead tested for impairment on an annual basis and when there is an indication of impairment. Any remaining negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition. Amounts attributable to expected losses or expenses are recognised as income in the income statement as the affairs and conditions to which the amounts relate materialise.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until one year from the acquisition date. These adjustments are also reflected in the value of goodwill or negative goodwill.

TRANSLATION POLICIES

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income statements of foreign subsidiaries and associated companies are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

The Group used the following exchange rates for the translation into DKK at 31 December 2017:

PLN:
- Balance sheet items 2017: 1.78496 (31 December 2016: 1.686)
- Income statement 2017: 1.74549 (income statement 2016: 1.707)

UAH:
- Balance sheet items 2017: 0.22227 (31 December 2016: 0.26157)
- Income statement 2017: 0.24895 (income statement 2016: 0.26298)

RUB:
- Balance sheet items 2017: 0.10811 (31 December 2016: 0.11651)
- Income statement 2017: 0.1132 (income statement 2016: 0.10062)

1.2 Other general accounting policies

EQUITY

Proposed dividend is recognised as a liability at the time of approval by the general meeting. Dividend which is expected to be distributed for the year is disclosed in the statement of changes in Group equity.

The reserve for currency translation in the Consolidated Financial Statements comprises foreign exchange differences arising from translation of financial statements of foreign enterprises from their functional currencies to the presentation currency of the Group (Danish kroner). On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

CASH FLOW STATEMENT

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is calculated as the net Profit/(loss) for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents, prepaid tax and corporate tax liabilities.

Cash flow from investing activities comprises cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flow from financing activities comprises cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents comprises 'Cash at bank and in hand'.

The cash flow statement cannot be derived directly from the Consolidated Financial Statements.

Cost of sales

Cost of sales includes direct costs incurred when generating the revenue for the year. The Company recognised cost of sales as revenue is earned.

SG&A

SG&A costs comprise other purchase and selling costs and administrative costs, agents' commissions to external sales agents, bad debts, etc. For direct staff cost see note 2.4

2.1 Segment Information

2017

DKK MILLION	PIG	ARABLE	ENERGY	FOOD	OTHER	NOT ALLOCATED	INTERCOMPANY ELIMINATIONS	TOTAL
Revenue	1,135	175	85	767	41	0	0	2,203
Revenue - Intracompany eliminations	0	(121)	(24)	0	(4)	0	(434)	(583)
Change in fair value of biological Assets	(10)	6	0	0	0	0	0	(5)
Grants and other income	22	15	2	3	3	0	0	45
Grants and other income - Intracompany eliminations	0	0	0	0	0	0	(7)	(7)
TOTAL INCOME	**1,147**	**74**	**63**	**769**	**40**	**0**	**(441)**	**1,653**
Cost of goods sold (COGS)	(725)	(149)	(67)	(755)	(4)	0	0	(1,701)
COGS Intracompany eliminations	108	5	35	0	0	0	410	559
GROSS PROFIT/(LOSS)	**530**	**(70)**	**31**	**15**	**36**	**0**	**(31)**	**511**
SG&A	(54)	(7)	(3)	(24)	(29)	0	0	(116)
SG&A Intracompany eliminations	0	0	0	0	0	0	31	31
EBITDA	**476**	**(77)**	**29**	**(9)**	**7**	**0**	**0**	**426**
EBITDA Before segment eliminations	*368*	*39*	*17*	*(9)*	*11*			
Depreciation on non-curent assets and impairment losses	(62)	(19)	(13)	(16)	(31)	0	19	(122)
EBIT	**414**	**(96)**	**16**	**(25)**	**(24)**	**0**	**19**	**304**
Net financials						(38)	(48)	(86)
Exchange rate adjustments						(65)	17	(48)
PROFIT BEFORE TAX	**414**	**(96)**	**16**	**(25)**	**(24)**	**(104)**	**(12)**	**170**

2.1 Segment Information

2016

DKK MILLION	PIG	ARABLE	ENERGY	FOOD	OTHER	NOT ALLOCATED	INTERCOMPANY ELIMINATIONS	TOTAL
Revenue	959	143	55	774	45	0	0	1,977
Revenue - Intracompany eliminations	0	(106)	(15)	0	0	0	(451)	(572)
Change in fair value of biological Assets	52	(2)	0	0	(1)	0	0	49
Grants and other income	9	12	2	7	0	0	0	31
Grants and other income - Intracompany eliminations	0	0	0	0	0	0	0	0
TOTAL INCOME	**1,020**	**47**	**42**	**782**	**44**	**0**	**(451)**	**1,485**
Cost of goods sold (COGS)	(698)	(120)	(49)	(737)	(5)	0	0	(1,608)
COGS Intracompany eliminations	96	0	24	0	0	0	413	534
GROSS PROFIT/(LOSS)	**419**	**(72)**	**17**	**45**	**40**	**0**	**(38)**	**411**
SG&A	(34)	(6)	(2)	(20)	(18)	0	15	(64)
SG&A Intracompany eliminations	0	0	0	0	0	0	0	0
EBITDA	**385**	**(78)**	**16**	**25**	**21**	**0**	**(22)**	**348**
EBITDA Before segment eliminations	*289*	*27*	*7*	*25*	*21*	*0*	*(22)*	
Depreciation on non-curent assets and impairment losses						(103)	0	103
EBIT	**385**	**(78)**	**16**	**25**	**21**	**(103)**	**(22)**	**244**
Net financials						(57)	0	(57)
Exchange rate adjustments						(13)	0	(13)
PROFIT BEFORE TAX	**385**	**(78)**	**16**	**25**	**21**	**(173)**	**(22)**	**174**

GEOGRAPHY	REVENUE		ASSETS	
DKK MILLION	2017	2016	2017	2016
Poland	878	845	1,116	1,039
Ukraine	402	275	293	319
Russia	165	151	302	440
Rest of world	175	135	0	0
TOTAL	**1,620**	**1,405**	**1,711**	**1,798**

2.1 Segment Information

Unallocated items and eliminations

In all material respects, unallocated items and eliminations include;

- Income and costs in Group functions which are not allocated to the Group's business segments;
- Intercompany eliminations

Geographic information

Revenue is allocated to the geographic areas based on the customer's geographic location. Allocation of assets is made based on the geographic location of the assets.

ACCOUNTING POLICIES

Segment information has been prepared in accordance with the Group's applied accounting policies and is consistent with the Group's internal reporting to the chief operating decision maker.

The Executive Board evaluates operating profits of business segments separately in order to make decisions in relation to resource allocation and performance measurement. The segment results are evaluated on the basis of operating results, which are calculated by the same methods as in the consolidated financial statements. Financial income, costs and corporate taxes are calculated at Group level and are not allocated to the business segments.Segment income and costs comprise income and costs that are directly attributable to the individual segment and the items that can be allocated to the individual segment on a reliable basis. Cost allocation between business segments is made on an individual basis. No individual customer accounts for more than 10% of revenue.

No information has been provided as to the segments' share of items concerning financial position or cash flows as the Executive Board does not use this segmentation in the internal reporting.

Revenue:

Revenue comprises the value of goods delivered for the year less VAT and price reduction directly related to sales.

The Group recognises revenue when the income can be measured reliably; it is probable that the Group will receive future economic benefits and the specific criteria described below have been met. It is not considered possible to measure the amount of revenue reliably until all liabilities relating to the sales have been met. The Group bases its estimates on historical data considering the type of customer, the type of transaction and any other special matters relating to the transaction.

The most material sources of income are recognised in the income statement as follows:

- Sales of biological assets - pig segment: The Group primarily sells pigs for slaughterhouses. Revenue from the sales of pigs is recognised when delivery has taken place.
- Sales of biological assets - Arable: The Group primarily sells arable for inter-segment use to pig segment and biogas. Revenue from the sales of arable is recognised when delivery has taken place.
- Sales of finished goods and consumables from Food segment: Revenue from finished goods and consumables from slaughterhouses is recognised when delivery has taken place.
- Sales of green energy and CO_2 emission reduction units: The Group produces electricity on biogas plants. The electricity is sold as green energy and is recognised concurrently with the production. Moreover, the Group sells CO_2 emission reduction units from its biogas production, which is also recognised as revenue concurrently with the production on the biogas plant. Revenue is recognised before the final settlement of the biogas activity based on historical data and market prices.

2.2 Gains/losses in changes in the fair value of biological assets

GAINS/LOSSES OF BIOLOGICAL ASSETS

DKK MILLION	2017	2016
Current biological assets		
Sales herd of pigs:		
- Due to volume	(6)	0
- Due to Prices	(7)	38
Arable - Crop production	6	(2)
Non-current biological assets		
Basic herd of pigs	2	13
TOTAL	**(5)**	**49**

ACCOUNTING POLICIES

Gains and losses resulting from changes in the fair value of biological assets relate to changes for the year in prices and quantities of the herd and changes for the year of the fair value of unharvested crops.

2.3 Grants and other income

GRANTS AND OTHER INCOME

DKK MILLION	2017	2016
EU hectare support	10	10
Biogas	1	1
Ukrainian VAT grant	17	7
Other income	10	13
TOTAL	**38**	**31**

ACCOUNTING POLICIES

Unconditional grants relating to biological assets measured at fair value less estimated costs to sell are recognised in the income statement when the government grant is received (general area grants). See also the accounting policy for deferred income relating to conditional grants.

As regards the Group's agricultural activities in the Ukraine, it has been decided to adopt the special agricultural VAT scheme, which implies that positive VAT liabilities are not to be paid to the authorities but are instead provided as state grants to support agricultural enterprises in the Ukraine. The excess of VAT liability over VAT receivable is accounted for as government grant.

2.4 Staff costs

STAFF COSTS

DKK MILLION	2017	2016
Wages and salaries	(181)	(168)
Pensions	(1)	0
Other social security expenses, social funds etc.	(23)	(23)
Staff costs capitalised	3	3
TOTAL	**(202)**	**(188)**
Included in the income statement:		
Staff costs related to COGS	(154)	(145)
Staff costs related to SG&A	(48)	(43)
STAFF COSTS	**(202)**	**(188)**
AVERAGE NUMBER OF EMPLOYEES	**2,411**	**2,350**
EMPLOYEES AT END OF PERIOD	**2,424**	**2,276**

Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors ammounted to DKK 2.5 milion (2016: DKK 1.5 million) and Executive Management amounted to DKK 6.0 million (2016: DKK 3.5 million)

ACCOUNTING POLICIES

Staff costs include salaries, remuneration, retirement benefit schemes and other staff costs to the Group's employees, including to the members of the Executive Board and Board of Directors. Staff costs are recognized in the financial year in which the employee renders the related service.

2.5 Income and deferred income taxes

INCOME AND DEFERRED INCOME TAXES

DKK MILLION	2017	2016
Corporation tax:		
Current tax for the year	0	0
Deferred tax for the year	(1)	(1)
TOTAL	(1)	(1)
Recognized as follows:		
Tax on profit for the year of continuing operations	(1)	(1)
Tax on other comprehensive income	0	0
TAX FOR THE YEAR	**(1)**	**(1)**
Net tax payables at 1 January	0	0
Tax payable on profit for the year	0	0
Tax paid during the year	(1)	1
Foreign currency translation adjustments, etc.	1	(1)
TOTAL	**0**	**0**
Recognized as follows:		
Tax receivable	0	0
Tax payable	0	0
TOTAL	0	0
TAX ON PROFIT FOR THE YEAR IS SPECIFIED AS FOLLOWS:		
Calculated 22% tax on profit for the year before tax	37	38
Tax-exempted profit on agricultural activities abroad	(25)	(32)
Non tax deductable cost and income	(8)	(1)
Differences in tax rates compared with Denmark	(3)	(4)
TOTAL	**1**	**1**
EFFECTIVE TAX RATE FOR THE YEAR	**0.2%**	**0.7%**

2.5 Income and deferred income taxes

PROVISION FOR DEFERRED TAX

DKK MILLION	2017	2016
Provision at 1 January 2016 - before change in accounting policies	0	5
Effect of change in accounting policy - note 1.1	0	(2)
Provision at 1 January 2016	0	3
Foreign currency translation adjustments, etc	0	0
Change in deferred tax on profit for the year	1	1
Changes in deferred tax from prior years	4	(4)
Provision for deferred tax 31 December	5	0
Breakdown of deferred tax		
Gross deferred tax assets and liabilities	17	15
Unrecognized tax assets	(22)	(15)
PROVISION FOR DEFERRED TAX	**5**	**0**

ACCOUNTING POLICIES

Tax on Profit/(loss) for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. A material part of the profit on agricultural activities abroad are tax-exempted.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Deferred tax asset and liabilities

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the value at which the asset is expected to be realised.

3.1 Intangible assets

DKK MILLION	GOODWILL	TOTAL
2017		
Cost at 1 January	99	99
Exchange adjustment at balance sheet date rates	(5)	(5)
COST AT 31 DECEMBER	94	94
CARRYING AMOUNT AT 31 DECEMBER	94	94
2016		
Cost at 1 January	84	84
Exchange adjustment at balance sheet date rates	15	15
COST AT 31 DECEMBER	99	99
CARRYING AMOUNT AT 31 DECEMBER	99	99

THE CARRYING AMOUNT OF GOODWILL IS SPECIFIED AS FOLLOWS:

DKK MILLION	2017
Dan-Invest LLC	76
Poldanor S.A.	15
Danosha Ltd.	3
TOTAL CARRYING AMOUNT	94

Goodwill relates to Poldanor S.A., Danosha Ltd. and Dan-Invest LLP. For all companies, an impairment test in respect of goodwill has been carried out at 31 December 2017 based on the calculation of value in use. The impairment test was performed through calculation of value based on a DCF model. The DCF model used as basis for impairment has 5 years (2018-2022) as budget periods. There is no growth in the terminal period. Instead it has been set as the same as budget year 2022. There is no general growth in the budget and prognosis period, which instead is based on the approved and actual budget for 2018 and approved prognosis by Management for 2018-2022. For Poldanor S.A. the discount rate before tax was 8.5% (2016: 7.8%); For Danosha Ltd. the discount rate before tax was 14.25% (2016: 11%); For Dan-Invest LLP discount rate before tax was 11% (2015: 11%). No growth has been recognised after the budget period. The applied discount rate and budgets are exclusive of inflation. The applied discount rate is based on the inherent risk in the marked related to the company's business and an industry comparison.

Cash Generating Units (CGUs) identified and used for allocation of goodwill and impairment testing are based on countries as the countries are viewed as the smallest units generating independent cash flows. This approach has only two exceptions which are Prime Food and Poldanor. Both entities are located in Poland. The activities are, however, very different in nature, and thus Management considers them two separate CGUs. The activity of Prime Food is slaughtering while Poldanor's primary activity is the production of pigs.

The CGUs are Dan-Invest LLC (Russia), Danosha Ltd. (Ukraine), Prime Food (Poland) and Poldanor S.A. (Poland).

ACCOUNTING POLICIES

Goodwill

Goodwill is recognised at cost less any impairment losses. Goodwill is not amortised but is subject to an annual impairment test. Impairment losses are recognised as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value of the asset less expected costs to sell and the value in use.

At the assessment of the need for impairment, the recoverable amount of the smallest group of CGUs is calculated.

3.2 Property, plant and equipment

2017

DKK MILLION	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	PLANT AND MACHINERY	OTHER FIXTURES AND FITTINGS TOOLS AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
COST AT 1 JANUARY	**1,277**	**182**	**523**	**284**	**98**	**2,364**
Exchange adjustment at balance sheet date rates	(7)	7	(2)	(8)	(2)	(12)
Additions for the year	40	0	65	13	150	268
Disposals for the year	(8)	(2)	(15)	(15)	(4)	(44)
Reclassification	1	0	1	11	(126)	(113)
Transfer to Assets held for sale	(76)	0	(24)	(2)	0	(102)
COST AT 31 DECEMBER	**1,227**	**187**	**548**	**283**	**116**	**2,361**
DEPRECIATION LOSSES AT 1 JANUARY	**188**	**55**	**268**	**154**	**665**	**282**
Exchange adjustment at balance sheet date rates	(2)	0	(1)	0	0	(3)
Depreciation for the year	40	11	39	32	0	122
Depreciation disposals for the year	(4)	(2)	(14)	(13)	0	(33)
Reclassification	(6)	0	(1)	(1)	0	(8)
DEPRECIATION AND IMPAIRMENT LOSSES AT 31 DECEMBER	**216**	**64**	**291**	**172**	**0**	**743**
CARRYING AMOUNT AT 31 DECEMBER	**1,011**	**123**	**257**	**111**	**116**	**1,618**
Interests capitalised for the year calculated at an interest rate of between 5% and 15%"	1					1
Assets provided as security for debt	453		51		2	506

3.2 Property, plant and equipment

2016

DKK MILLION	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	PLANT AND MACHINERY	OTHER FIXTURES AND FITTINGS TOOLS AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
COST AT 1 JANUARY BEFORE CHANGE IN ACCOUNING POLICIES	**1,525**	**193**	**703**	**271**	**141**	**2,833**
Effect of change in accounting policy - note 1.1	(354)	0	(226)	0	0	(580)
COST AT 1 JANUARY	**1,171**	**193**	**478**	**271**	**141**	**2,253**
Exchange adjustment at balance sheet date rates	(5)	(6)	4	(4)	4	(7)
Additions for the year	76	0	43	26	140	285
Disposals for the year	(2)	(2)	(8)	(18)	(3)	(33)
Reclassification	37	(3)	6	9	(184)	(135)
COST AT 31 DECEMBER	**1,277**	**182**	**523**	**284**	**98**	**2,364**
DEPRECIATION AND IMPAIRMENT LOSSES AT 1 JANUARY BEFORE CHANGE IN ACCOUNING POLICIES	**0**	**47**	**0**	**137**	**0**	**184**
Effect of change in accounting policy - note 1.1	149	0	235	0	0	384
DEPRECIATION AND IMPAIRMENT LOSSES AT 1 JANUARY	**149**	**47**	**235**	**137**	**0**	**568**
Depreciation for the year	45	8	33	33	0	103
Depreciation disposals for the year	(1)	0	(5)	(15)	0	(21)
Reclassification transfer	0	0	0	0	0	0
DEPRECIATION AND IMPAIRMENT LOSSES AT 31 DECEMBER	**188**	**55**	**268**	**154**	**665**	**282**
CARRYING AMOUNT AT 31 DECEMBER	**1,089**	**128**	**254**	**130**	**98**	**1,698**
Interests capitalised for the year calculated at aninterest rate of between 5% and 15%	1					1
Assets provided as security for debt	606		339	16		961

3.2 Property, plant and equipment

ACCOUNTING POLICIES

Description of changes in accounting policies is illustrated in 1.1 and included in the above opening balance.

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the asset is ready for use. In the case of assets of own construction, cost comprises direct expenses for labour, materials, components and subsuppliers.

Depreciation of a non-current asset is commenced when it is put into use. Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production building:	25-40 years
Leasehold improvements:	25-40 years
Plant and machinery:	7-15 years
Other fixtures and fittings, tools and equipment:	3-10 years

Assessment of residual value and useful life is performed annually for assets under property, plant and equipment. Impairment of property, plant and equipment The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

3.3 Biological assets

BIOLOGICAL ASSETS

DKK MILLION	BASIC HERD	SALES HERD	TOTAL HERD
2017			
Opening balance as of 1 January	121	215	336
Movements:			
Acquisitions	5	0	5
Produced piglets, cattles	7	307	314
Gain/loss from change in fair value	6	764	770
Sales	(35)	(1,068)	(1,103)
Transfer between groups	19	(19)	0
Exchange adjustments	(5)	(3)	(8)
CLOSING BALANCE - VALUES AS OF 31 DECEMBER	**118**	**196**	**314**
2016			
Opening balance as of 1 January	131	170	301
Movements:			
Acquisitions	2	0	2
Produced piglets, cattles	10	371	381
Gain/loss from change in fair value	(14)	501	487
Sales	(35)	(802)	(837)
Transfer between groups	22	(22)	0
Exchange adjustments	5	(3)	2
CLOSING BALANCE - VALUES AS OF 31 DECEMBER	**121**	**215**	**336**

3.3 Biological assets

Additions for piglets are calculated as the value of weaners at standard rates. Gain on changes in fair value comprises changes as a consequence of biological growth and price changes. Disposals from sales and transfer amounts are calculated using the fair value per unit from previous period. Transfer between Groups covers pigs transferred to own breeding as young females. Herd provided as security for loan from credit institution amounts to DKK 52 million at 31 December 2017 (2016: DKK 132 million).

BIOLOGICAL ASSETS

DKK MILLION	2017	2016
Crop production		
Opening balance as of 1 January	49	54
Acquisitions	70	157
Gain/loss from change in fair value	19	4
Harvest	(83)	(163)
Exchange adjustments	(2)	(3)
CLOSING BALANCE	**53**	**49**
Numbers of Hectares harvested	28,118	27,423
Numbers of Hectares seeded as of closing balance	13,505	15,191

Current biological assets under crop production include winter crops sown in the autumn. Field expenses for the year include expenses relating to biological transformation.

All biological assets are measured at fair value. All of these fair values are placed at level 2 in the fair value hierarchy as input are based on observable marked prices and quotations. The Group's financial departments are responsible for performing the valuation of fair value measurements including level 2 fair values of biological assets. Same valuation model and techniques are used every month in all companies. Valuation model includes market inputs from official prices and actual own sales prices on local market. The valuation process and results for recurring measurement are reviewed and approved by Management at least once every quarter.

ACCOUNTING POLICIES

Gains and losses resulting from changes in the fair value of biological assets relate to changes for the year in prices and quantities of the herd and changes for the year of the fair value of unharvested crops.

SIGNIFICANT ACCOUNTING ESTIMATES

The Group's biological assets are measured at fair value less estimated costs to sell at each balance sheet date. The fair value of slaughter pigs is based on the existence of an active market for these, including quotations and prices. The market price is based on the Group's realised sales prices per kg live weight at 31 December on the local existing markets, and all finishers are valued at this price per kg based on their average weight.

The fair value of the basic herd is measured on the basis of current market prices for animals of the same age, breed and genetic heritage on the nearest market place. Measurement is based on an average between the market price of young females purchased and the slaughter value of a sow at 31 December.

For crops sown in the autumn, the Group estimates that there was no material biological transformation at 31 December compared with the time of sowing, and therefore these biological assets are measured at cost, which corresponds to the fair value.

Biological assets were measured at a total of DKK 367 million at 31 December 2017 (DKK 386 million at 31 December 2016).

3.4 Inventories

INVENTORIES

DKK MILLION	2017	2016
Agriculture produce (stocks of own produced crops ect)	152	119
Raw materials, medicine etc, bought feed	96	81
Work in progress	4	5
Finished goods and goods for resale	21	26
TOTAL INVENTORY	**273**	**231**
Borrowings are secured on following inventories:		
Crops and raw materials/Agricultural stocks	0	25
TOTAL	**0**	**25**

ACCOUNTING POLICIES

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operation with deduction of costs to sell and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour as well as directly attributable labour and production costs. These costs also comprise maintenance and depreciation of machinery, factory buildings and equipment used in the manufacturing process as well as costs of production management.

Agricultural produce is initially recognised at fair value at the point of harvest less estimated costs to sell, and subsequently in inventories up until the point when it is sold to a third party or is used internally as feed. The fair value of agricultural produce at the point of harvest is measured on the basis of the market prices on the markets on which the agricultural produce is expected to be sold or used as feed.

SIGNIFICANT ACCOUNTING ESTIMATES

The Group's inventory consist of grain from the arable segment and processed food from the Food segment. Harvested grain are measured at fair value at time of harvest and at storage in silos based on the existence of an active market for these.

Assessment of total inventory are subject to management estimates as the fair value of the grain is based on market prices.

3.5 Receivables

RECEIVABLES

DKK MILLION	2017	2016
Trade receivables	76	69
Bad debt provision	(0)	(2)
TRADE RECEIVABLES, NET	**76**	**67**
Other receivables	44	62
Write down	(3)	(3)
OTHER RECEIVABLES, NET	**41**	**59**
Total write downs at 1 January	5	5
Exchange adjustment	(1)	0
Additions for the year	0	0
Disposals for the year:		
- Applied	(1)	0
- Reversed	0	0
WRITE DOWNS AT 31 DECEMBER	**3**	**5**

ACCOUNTING POLICIES

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which in all material respects corresponds to nominal value less provisions made for bad debts.

3.6 Other provisions

STAFF OBLIGATIONS:

DKK MILLION	2017	2016
Balance at 1 January	6	7
Exchange adjustment at balance sheet date rates	1	(1)
Provision for the year	1	5
Utilised provisions	0	(5)
Reversal of unutilised provision	(4)	(0)
TOTAL PROVISIONS	**4**	**6**
PROVISIONS ARE RECOGNISED IN THE BALANCE SHEET AS FOLLOWS:		
Long-term	3	3
Short-term	1	3
TOTAL PROVISIONS	**3**	**6**

Other provisions relate to provision for voluntary social funds in foreign subsidiaries as well as provisions for redundancy schemes. Uncertainty in respect of the recognition primarily relates to the unknown time horizon and the scope involved.

ACCOUNTING POLICIES

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a legal or constructive obligation resulting from previous events; when it is probable that the Group will have to give up future economic benefits to settle the obligation, and the obligation can be measured reliably.

Other provisions relating to staff obligations comprise provision for voluntary social funds in foreign subsidiary as well as provision for redundancy schemes for which the Group has no further obligations once the contribution has been paid.

3.7 Deferred income

DEFERRED INCOME

DKK MILLION	2017	2016
Short term	8	5
Long term	9	10
TOTAL	17	15

Deferred income primarily relates to grants for the construction of biogas production in Poland. Grants are recognised as income concurrently with the underlying fixed assets being depreciated.

ACCOUNTING POLICIES

Deferred income is recognised in liabilities when the government grants have been received but the conditions relating to the grants have not yet been met, or – where the government grant relates to non-current assets – the grants are recognised as income concurrently with the underlying non-current asset being depreciated.

4.1 Financial Institutions

FINANCIAL INSTITUTIONS

	2017	2016
BOND DEBT		
Payable between 2 and 5 years	964	0
DEBT TO CREDIT INSTITUTIONS		
Payable after 5 years	0	60
Payable between 2 and 5 years	68	417
LONG-TERM DEBT	1,032	476
Short term - ordinary	125	303
Short term – technical, not binding	0	328
	1,157	1,107
SUBORDINATE LOAN CAPITAL		
Payable after 5 years	0	50
Payable between 1 and 5 years	90	90
LONG-TERM DEBT	90	140
Short-term debt	20	10
TOTAL	110	150

The Group has issued a 4-year "senior secured" bond of EUR 135 million. The bond is listed for trading on Nasdaq Copenhagen. The bond has a variable interest rate based on EURIBOR 3M with a spread of 450 basis points. At 31 December 2017 the fair value of the bond were EUR 130.9 million measured in level 1 of the fair value hierarchy. For additional information on terms and conditions, refer to the schedule below. There are no planned repayments in the bond before it is maturing after 4 years. However, the Group is permitted to use surplus liquidity to repurchase bonds.

Refer to note 5.7 for seperate financial disclosures for obligor group.

4.1 Financial Institutions

RECONCILIATION OF FINANCING ACTIVITIES

			NON - CASH CHANGES			
	2016	CASH FLOWS	ACQUISITIONS	FOREIGN EXCHANGE MOVEMENT	FAIR VALUE CHANGES	2017
Long-term borrowings	0	964	0	0	0	964
Short term borrowings	0	0	0	0	0	0
Subordinated loan long term	140	(50)	0	0	0	90
Subordinated loan short term	13	11	0	0	0	24
Long term Credit institutions	476	(405)	0	(3)	0	68
Short term credit institutions	631	(503)	0	(4)	0	125
TOTAL LIABLITITES FROM FINANCING ACTIVITIES	**1,260**	**18**	**0**	**(6)**	**0**	**1,271**

4.1 Financial Institutions

Subordinate loan capital from Polen Invest A/S, DKK 150 million, is repaid according to the financial position of the Company, and up until 2017 with a maximum of DKK 20 million per year. The Company has intention to repay the loan entirely or partly during 2018 or later, if the financial position of the Company allows it.

In 2012, the Industrialisation Fund for Developing Countries (IFU) contributed EUR 2 million in share capital to Goodvalley A/S's subsidiary Danosha Ltd. based on exit agreement between Goodvalley A/S and IFU with put/call option. The contribution is classified as a subordinate loan capital to IFU, and carries interest under the exit agreement concluded between IFU and Goodvalley A/S.

BORROWINGS AND DEBT TO CREDIT INSTITUTIONS

	CARRYING AMOUNT	INTEREST PERIOD BINDING MONTHS	AVERAGE EFFECTIVE INTEREST IN %
LOANS WITH FIXED INTEREST:			
RUB	37	12-76	13.0
LOANS WITH VARIABLE INTEREST:			
USD	1	6	3.4
EUR	999	3-41	2.3-4.7
PLN	25	3-41	4.2
DKK	29	3-41	2.3
RUB	46	12-36	13.0

For more information on exposure to interest rate, foreign currency risk and information on financial risk, we refer to note 4.2

BOND TERMS

Issuer	Goodvalley A/S
Security package:	First ranking security over material assets and share pledges
Original Guarantors:	Poldanor SA, Danosha LLC, Prime Food Sp. z.o.o., Finansax APS.
Status of the bond:	Senior secured
Currency:	EUR
Initial debt amount:	EUR 135 million
Total framework:	EUR 270 million
Other facilities:	Super senior RCF up to DKK 125 million, governed under an inter-creditor agreement with bond-holders. Basket of DKK 80 million for factoring.
Tenor:	4 years
Pricing:	3m EURIBOR + 450bps p.a., quarterly interest payments, EURIBOR floor of 0.0 %
Rating:	Unrated
Call options:	Non call during the first 24 months, then 50/25/0 % of initial coupon AFTER 24/36/42, MONTH RESPECTIVELY.
Incurrence test:	NIBD/EBITDA LTM fixed herd price (net leverage) of < 2.75x for any additional debt raised.
Restricted payments:	Dividends or cash contributions to Restricted Subsidiaries are payable up to Net Leverage of < 2.75x
Information covenant:	Annual audited statements, quarterly unaudited reports.
General undertakings:	Inter alia restrictions on distributions, mergers, demergers, acquisitions, disposals, financial indebtedness, negative pledge, financial support, subsidiary distribution customary for a HY bond.
Change of control:	Investor put at 101%
Equity claw:	35%
Listing of bonds:	Nasdaq Copenhagen.
Trustee:	Nordic Trustee.
Governing law:	Danish law.

ACCOUNTING POLICIES Debt is recognised at cost at the time of contracting the debt. Subsequently, it is stated at amortised cost, which in respect of short-term and non-interest-bearing debt and of floating rate loans usually corresponds to nominal value.

4.2 Financial risks

Credit risks

The Group is exposed to credit risks on receivables. The Group considers the credit risk to be low. The Group's maximum credit risk is the sum of receivables recognised.

Outstanding receivables are followed-up upon on a current basis in accordance with Group procedures. If it is uncertain whether a customer is able or willing to pay, and the receivable is deemed doubtful, the receivable is written down.

OVERDUE BALANCES ON TRADE RECEIVABLES BREAK DOWN AS FOLLOWS AT 31 DECEMBER 2017:

	0-15 DAYS	16-30 DAYS	30-45 DAYS	> 45 DAYS	TOTAL
Overdue receivables not impaired	18	3	0	2	23
Overdue receivables impaired	0	0	0	0	0
Gross receivables	18	3	0	2	23
Write-down	0	0	0	0	0
Net receivables	18	3	0	0	23

OVERDUE BALANCES ON TRADE RECEIVABLES BREAK DOWN AS FOLLOWS AT 31 DECEMBER 2016:

	0-15 DAYS	16-30 DAYS	30-45 DAYS	> 45 DAYS	TOTAL
Overdue receivables not impaired	20	2	0	7	29
Overdue receivables impaired	0	0	0	0	0
Gross receivables	20	2	0	7	29
Write-down	0	0	0	(2)	(2)
Net receivables	20	2	0	5	27

Liquidity risk

The Group ensures adequate cash resources by entering into framework agreements in respect of current overdraft facilities. Existing agreements subject to time limitation are irrevocable on the part of the banks prior to maturity unless there is a breach of the terms of the loans according to the loan agreements.

In case of a breach of the terms of the loans, the Group has a right to remediate causes of breach without undue delay, and failing that, the bank is entitled to cancel the entire or part of the facility.

The maturity analysis is disclosed according to category and class broken down on maturity period.

Maturity analysis at 31 December 2017 excluding future interest payments:

4.2 Financial risks

2017

MEASURED AT AMORTISED COST:	<1 YEAR	1-5 YEAR	>5 YEAR	WITHOUT AGREED SETTLEMENT	TOTAL	CARRYING AMOUNT	FAIR VALUE
Credit institutions	125	68	0	0	193	193	193
Bond obligation	0	964	0	0	964	964	975
Payables to group companies	24	90	0	0	114	114	114
Trade payables	74	0	0	0	74	74	74
Other short-term payables	24	0	0	0	74	24	24
FINANCIAL LIABILITIES	**247**	**1,122**	**0**	**0**	**1,370**	**1,370**	**1,380**
RECEIVABLES							
Receivables from related companies	7	0	0	0	7	7	7
Trade receivables	76	0	0	0	76	76	76
Other receivables	55	0	0	0	55	55	55
Cash at bank and in hand	171	0	0	0	171	171	171
FINANCIAL ASSETS	**309**	**0**	**0**	**0**	**309**	**309**	**309**
NET CASH OUTFLOW	**62**	**(1,122)**	**0**	**0**	**1,060**	**1,060**	**1,070**

4.2 Financial risks

2016

MEASURED AT AMORTISED COST:	<1 YEAR	1-5 YEAR	>5 YEAR	WITHOUT AGREED SETTLEMENT	TOTAL	CARRYING AMOUNT	FAIR VALUE
Credit institutions	557	571	94	0	1,223	1,107	1,107
Credit institutions - covenants breach	(328)	328	0	0	0	0	0
Payables to group companies	13	80	60	0	153	153	153
Trade payables	66	0	0	0	66	66	66
Other short-term payables	75	0	0	0	75	75	75
FINANCIAL LIABILITIES	**383**	**979**	**154**	**0**	**1,517**	**1,401**	**1,401**
RECEIVABLES							
Receivables from related companies	7	0	0	0	7	7	7
Trade receivables	67	0	0	0	67	67	67
Other receivables	77	0	0	0	77	77	77
Cash at bank and in hand	74	0	0	0	74	74	74
FINANCIAL ASSETS	**225**	**0**	**0**	**0**	**225**	**225**	**225**
NET CASH OUTFLOW	**(158)**	**(979)**	**(154)**	**0**	**(1,292)**	**(1,176)**	**(1,176)**

Market risk

The Group's credit facilities are floating-rate credits, which exposes the Group to interest rate fluctuations. According to Group policy, all financing of working capital and investments in fixed assets are made on floating-rate terms. No financial instruments are used to hedge the interest level.

Based on interest-bearing debt at the balance sheet date, an increase in the market rate of 1% would affect profit for the year before tax by approximately DKK 11 million (2016: DKK 12 million). The Group's settlement currencies are primarily PLN, RUB and UAH. No financial instruments are used to hedge positions in foreign currencies.

Currency risk

Due to the Danish central bank's fixed-rate policy towards EUR, it is assessed that the foreign currency positions in EUR do not involve any risk of significant influence due to changes in the EUR rate.

As a consequence of the individual group enterprises primarily operating in their individual functional currencies, the Group results will mainly be affected by changes in exchange rates due to intercompany accounts and receivables/payables and loans denominated in other currencies than the functional currency for the individual group enterprise.

4.2 Financial risks

CURRENCY EXPOSURE AT 31 DECEMBER:

CURRENCY	PAYMENT MATURITY	RECEIVABLES	PAYABLES	BANK AND CREDIT INSTITUTIONS	PAYABLES TO GROUP COMPANIES	NET POSITION 2017	NET POSITION 2016
USD	< 1 year	10	(1)	(1)	0	7	2
	> 1 year	0	0	0	0	0	(3)
EUR	< 1 year	4	(11)	(967)	0	(976)	(547)
	> 1 year	0	0	(6)	0	(6)	(208)
PLN	< 1 year	76	(66)	(3)	0	8	(121)
	> 1 year	0	0	(5)	0	(5)	(157)
UAH	< 1 year	31	(8)	0	0	(22)	44
	> 1 year	0	0	0	0	0	(3)
DKK	< 1 year	10	(6)	(90)	(17)	(103)	(23)
	> 1 year	0	0	0	(90)	(90)	(130)
RUB	< 1 year	1	(5)	(27)	0	(31)	(80)
	> 1 year	0	0	(56)	0	(56)	(85)
		132	**(99)**	**(1,157)**	**(107)**	**(1,231)**	**(1,312)**

A 5% increase/decrease in the PLN, UAH and RUH rate versus DKK would impact net earnings before tax positively/negatively by DKK 8 million and impact other comprehensive income positively/negatively by DKK 8 million arising from financial assets and liabilities. The sensitivity analysis does not include financial assets and liabilities in the functional currency of the Group's subsidiaries and translation risk from consolidation of income statement.

The most significant effect on the Group's earnings is attributable to changes in the price of pig meat and price changes relating to pig feed, which makes up 2/3 of the pig production costs. Goodvalley is engaged in large-scale agricultural activities, which makes it possible to use the pig slurry. Moreover, this provides considerable hedging of the risk of changes in feed prices. A change of the pig meat price of 10% will, on an isolated basis, affect profit for the year before tax relating to the pig production by approximately DKK 92 million (2016: approx. DKK 92 million).

A change in the feed prices of 10 % will, on an isolated basis, affect profit for the year before tax relating to the pig production by approximately DKK 37 million (2016: approx. 53 million).

Capital management

The objective of the Group's capital management is to ensure the Group's ability to continue as a going concern in order to provide return on the shareholders' investments and establish and maintain an optimal capital structure for the purpose of reducing the costs of borrowed capital and maintain a basis for continued growth in the Group. The Group's capital management is moreover partly controlled by loan agreements which include specific requirements to the financial performance of the Group. Total capital comprises equity, bond facilities and subordinate loan capital from the Parent company; Polen Invest A/S, as shown in the consolidated balance sheet.

4.3 Change in working capital

CHANGE IN WORKING CAPITAL

DKK MILLION	2017	2016
Change in receivables and inventories	(29)	(33)
Change in biological assets	9	(31)
Change in other short-term debt	(34)	23
Part of currencies losses - other	5	0
TOTAL	**(49)**	**(41)**

4.4 Non-current investment

2017

DKK MILLION	OTHER FINANCIAL ASSETS	OTHER NON-CURRENT RECEIVABLES	ASSOCIATES	TOTAL
COST AT 1 JANUARY	**5**	**2**	**1**	**8**
Exchange adjustment at balance sheet date rates	0	0	0	0
Disposal	(5)	0	0	(5)
COST AT 31 DECEMBER	**0**	**2**	**1**	**3**
2016				
Cost at 1 January	5	2	1	8
COST AT 31 DECEMBER	**5**	**2**	**1**	**8**

The carrying amounts of investments in associates are specified as follows:

DKK MILLION	2017	2016
Sevel Slagteri A/S, Denmark	1	1

ACCOUNTING POLICIES

Non-current asset investments include other investments and long-term loans provided.

Other investments for which no fair value can be reliably estimated are recognised at cost. When it becomes possible to estimate a reliable fair value, such investments will be measured accordingly. Unrealised fair value changes are recognised in other comprehensive income over equity, except for impairment losses and exchange adjustments on investments in foreign currencies which are recognised in the income statement. Long-term loans provided are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

4.5 Financial income and costs

FINANCIAL INCOME AND COSTS

DKK MILLION	2017	2016
FINANCIAL INCOME		
Interest income	7	2
TOTAL	**7**	**2**
FINANCIAL EXPENSES		
Interest expenses:	97	(62)
Capitalized interests	(4)	4
TOTAL	**93**	**(58)**
EXCHANGE RATE ADJUSTMENTS		
Loans	(50)	(10)
Other	2	(3)
TOTAL	**(48)**	**(13)**

ACCOUNTING POLICIES

Financial income and expenses comprise interest as well as realised and unrealised exchange adjustments. Financial expenses directly attributable to purchases, construction or production of a qualifying asset are included as part of the cost of the asset. All other financial expenses are recognised as expenses in the financial year in which they have been incurred.

4.6 Share capital, dividend and earnings per share

DEVELOPMENT IN SHARE CAPITAL:

BEGINNING OF PERIOD	53,111,848
Number of shares issued 2013-2016	0
End of period	53,111,848
Number of shares issued 2017	685,976
TOTAL SHARES	**53,797,824**

The share capital consists of 53.797.824 shares of a nominal value of DKK 10. No shares carry any special rights.

NET CASH DISTRIBUTION TO SHAREHOLDERS (DIVIDEND):

DKK MILLION	2017	2016
Ordinary dividend	0	0
Extraordinary dividend	75	0
Total dividend	**75**	**0**
Dividend per share (DKK)	1.39	0

EARNINGS PER SHARE:

Earnings per share (DKK)	3.14	3.27
Diluted earnings per share (DKK)	3.14	3.27
Earnings per share (DKK) - including discontinued operations	2.12	2.47

ACCOUNTING POLICIES

Dividend is recognised as a liability at the time of resolution at the general meeting. Dividends expected to be paid for the year are disclosed as a separate equity item. Reserve relating to exchange adjustments comprises translation differences arising in connection with translation of the financial statements of foreign subsidiaries from their functional currency into Danish kroner. On realisation of the net investment, exchange adjustments are recognised in the income statement.

4.7 Net interest-bearing debt

NET INTEREST-BEARING DEBT

DKK MILLION	2017	2016
Debt to credit institutions and borrowings	1,271	1,260
Cash	171	75
NET INTEREST BEARING DEBT	1,100	1,185

5.1 Cash flow adjustments

OTHER ADJUSTMENTS

DKK MILLION	2017	2016
Reversed impairment on assets held for sale	38	0
Provisions	1	0
Other adjustments	(5)	(1)
TOTAL OTHER ADJUSTMENTS	34	(1)

5.2 Contingent liabilities

CONTINGENT LIABILITIES

DKK MILLION	2017	2016
Lease and rent obligations in the period of non-terminability		
Within 1 year	73	30
Between 2-5 years	28	27
After 5 years	58	58
	159	109

During the year leasing cost of DKK 8,6 million were expensed in the profit/(loss). The leases and rent obligations have been established for a fixed period. The annual lease payment is adjusted according to the price of wheat. The obligations relating to the leases have been calculated on the basis of the wheat prices for 2017.

The Group has provided cross surety for debt within the Group.

Goodvalley A/S is jointly taxed with its parent, Polen Invest A/S, which acts as administration company, and has joint and several liability together with other jointly taxed group entities for the payment of income tax for the income year 2013 onwards as well as for withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012. Tax payable for the joint taxation amounts to DKK 0 at 31 December 2017 (DKK 0 at 31 December 2016).

The Group is on a recurring basis involved in ongoing lawsuits as both applicant and defendant with partners and tax authorities. None of the ongoing cases are expected to have significant influence on the Group's financial position.

Apart from this, the Group has no contingent liabilities except for what is usual for the line of business.

ACCOUNTING POLICIES

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis.

5.3 Related-party transactions

CONTROLLING INTEREST	BASIS FOR INFLUENCE
Polen Invest A/S, Vesterbrogade 4A, 5, DK-1620 Copenhagen	Parent Company
OTHER RELATED PARTIES	
Tom Axelgaard	CEO
Hans Henrik Pauk Pedersen	CFO
Kristian Brokop	COO
Anders Christen Obel	Chairman of the Board of Directors
Niels Rauff Hansen	Deputy Chairman of the Board of Directors
Anders Bundgaard	Member of the Board of Directors
Jens Jørgen Nielsen	Member of the Board of Directors
Jens Blach	Member of the Board of Directors
Erling Bech Poulsen	Member of the Board of Directors
Helle Okholm	Member of the Board of Directors
Poldanor S.A., Poland	Group company
Prime Food Sp. z o.o., Poland	Group company
Danosha Ltd., Ukraine	Group company
Dan-Invest LLC, Russia	Group company
Finansax ApS, Denmark	Group company
Sevel Slagteri A/S. Søgårdsvej 28, DK-7830 Vinderup	Associated company

The Group has obtained a subordinate loan from the Parent company; Polen Invest A/S, with a balance of DKK 110 million at 31 December 2017 (balance at 31 December 2016: DKK 150 millions). The loan is repaid according to the financial position of the Company, with a maximum repayment of DKK 20 million per year, the Company has intention to repay the loan entirely or partly during 2018, if the financial position of the Company allows it. The loan carries interest, and the interest for 2017 amounts to DKK 5.8 million (2016: DKK 6.6 million).

Remuneration of the Executive Board and the Board of Directors is specified in note 2.4. Furthermore, in 2017 rent of conference centre from CEO amounts to DKK 0.3 million (2016: DKK 0.4 million).

Intercompany transactions have been eliminated in accordance with the accounting policies. All transactions have taken place on an arm's length basis.

The ultimate parent company is:
Polen Invest A/S, Copenhagen V, Denmark (83.6%)

The following controls more than 5% of the shares:
Polen Invest A/S, Copenhagen V, Denmark (83.6%)
International Finance Corporation (World Bank Group), Washington DC, USA (6.9%)

5.4 Events after the reporting period

The Group has not experienced any significant events after 31 December 2017 which have an impact on the annual report.

5.5 Fee to statutory auditor

AUDIT FEE

2017	DELOITTE	OTHERS
Audit fees	1.4	0.4
Other assurance services	0.2	0.0
Tax advisory services	0.0	0.0
Accounting assistance	0.7	0.0
	2.4	**0.4**

2016	DELOITTE	OTHERS
Audit fees	1.0	0.6
Other assurance services	0.2	0.0
Tax advisory services	0.0	0.0
Accounting assistance	0.1	0.0
	1.1	**0.8**

The Russian subsidiary Dan-Invest LLC is not audited by the parent company's auditors, but by a recognised international auditing firm.

The fee for non-audit services provided to the Group in 2017 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.8 million and consisted mainly of pre-IPO services, issue of comfort letters in connection to issue of senior secured bonds, assistance with compliance reviews of interim reports and other accounting and tax advisory services.

5.6 Discontinued operations

DKK MILLION	2017	2016
Revenue	-	14
Other income (Change in fair value of biological Assets etc)	3	0
Expenses	(18)	(55)
Impairment of Assets held for sale	(40)	-
PROFIT/(LOSS) BEFORE TAX	**(55)**	**(41)**
Income taxes	-	-
Gain on sale of the subsidiary after income tax	-	-
PROFIT/(LOSS) AFTER TAX OF DISCONTINUED OPERATIONS	**(55)**	**(41)**
Exchange adjustments of foreign enterprises	-	-
OTHER COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	**(55)**	**(41)**
Net cash inflow from operating activities	(10)	(12)
Net cash inflow/(outflow) from investing activities	-	-
Net cash (outflow) from financing activities	-	-
NET INCREASE IN CASH GENERATED BY THE SUBSIDIARY	**(10)**	**(12)**

DETAILS OF THE SUBSIDIARY CLASSIFIED AS ASSETS HELD FOR SALE

DKK MILLION	2017	2016
Assets classified as held for sale		
- Property, plant and equipment	50	-
- Trade receivables	23	-
- Inventories	1	-
TOTAL ASSETS OF DISPOSAL GROUP HELD FOR SALE	74	-
Liabilities directly associated with assets classified as held for sale		
- Credit institutions and other payables	74	-
- Employee benefit obligations	-	-

The Group's discontinued operations refer to the investment in The DAN KUB division which were put up for sale end 2017 after not having been in operation in 2017 following an outbreak of ASF in 2016.

The Group does not consider the geographical area in which DAN KUB operates as a strategic area, and has initiated a process to divest the entity including all net assets. The group has entered into an agreement with a real estate agent, who will market DAN KUB in Russia and abroad. The sale is expected to be completed in 2018.

The assets classified as assets held for sale comprimise PPE and trade receivables of DKK 22 million from compensation in respect to the outbreak of AFS in 2016. Liabilities consist of loans on PPE from credit institiutions.

ACCOUNTING POLICIES

Discontinued operations are seperate entities or geographical areas which have been divested or which are held-for-sale according to an overall plan. The results of discontinued operations are presented as separate items in the income statement consisting of the operating Profit/(loss) after tax of the relevant operation and any gains or losses on fair value adjustment or sale of the assets relating thereto. Cash flow from discontinued operations has been included in the consolidated statement of cash flows under cash flows from operating, investing and financing activities and has been specified in the notes. Non-current assets and groups of assets held-for-sale, including assets relating to discontinued operations, are presented as separate items in the statement of financial position under current assets. Liabilities directly relating to the relevant assets and discontinued operations are presented under current liabilities in the statement of financial position.

Assets are classified as held-for-sale if their carrying amounts will be primarily recovered through a sale transaction within 12 months according to a formal plan, rather than through continued use. Impairment losses arising at the initial classification of held for-sale as well as any subsequent gains or losses measured at the lower of the carrying amount or the fair value less costs to sell are recognised in the income statement under the relevant items. Information on gains and losses is provided in the notes. Non-current assets held-for-sale are not depreciated or amortised, but are written down to fair value less expected costs to sell where this is lower than the carrying amount. Comparative figures in the statement of financial position are not adjusted.

5.7 Obligor - Income Statement 1 January - 31 December

In connection with the bond issue and subsequent public listing on Nasdaq Copenhagen on 10 November 2017, the Obligor group is defined as the issuer (Goodvalley A/S) and any guarantors. The Obligor group is thus comprised of Goodvalley A/S and its subsidiaries Finansax ApS, Poldanor S.A., Prime Food sp z.o.o. and Danosha Ltd.

In accordance with terms for the bond issue disclosed in the bond prospectus, the Group discloses separate profit/(loss), balance sheet, cash flow and equity statements for the Obligor group in its financial reporting.

5.7 Obligor - Income Statement 1 January - 31 December

OBLIGOR - INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	2017
Revenue	1,460
Change in fair value of biological Assets	(3)
Grants and other income	38
TOTAL INCOME	**1,495**
Cost of goods sold (COGS)	(1,044)
GROSS PROFIT/(LOSS)	**451**
SG&A	(76)
EBITDA	**375**
Depreciation, amortisation and impairment losses	(105)
PROFIT/(LOSS) BEFORE FINANCIAL EXPENSES AND TAX	**270**
Financial income	18
Financial expenses	(81)
Exchange rate adjustments	(41)
PROFIT/(LOSS) BEFORE TAX	**166**
Corporation tax	0
PROFIT/(LOSS) OF CONTINUING OPERATIONS	**166**
Profit / loss for the year of discontinued operations	
PROFIT/(LOSS)	**166**
PROFIT/(LOSS) IS ATTRIBUTABLE TO	
Owners	166
TOTAL	**166**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

DKK MILLION	2017
Profit for the year	166
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	
Exchange adjustments of foreign enterprises	6
TOTAL COMPREHENSIVE INCOME	**172**
COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:	
Owners	172
TOTAL	**172**

5.7 Obligor - Balance Sheet 31 December

OBLIGOR - BALANCE SHEET 31 DECEMBER

ASSETS	2017
Goodwill	18
INTANGIBLE ASSETS	18
Land and buildings	853
Leasehold improvements	123
Plant and machinery	202
Other fixtures and fittings, tools and equipment	98
Property, plant and equipment in progress	115
PROPERTY, PLANT AND EQUIPMENT	1,391
Non-current asset investment	107
FINANCIAL ASSET INVESTMENTS	107
Biological assets - basic herd	96
BIOLOGICAL ASSETS	96
NON-CURRENT ASSETS	1,612
Biological assets - sales herd	165
Biological assets - Arable, crop production	50
Inventories	251
BIOLOGICAL ASSETS AND INVENTORIES	466
Trade receivables	76
Receivables from associates	7
Other receivables	472
Prepayments	26
RECEIVABLES	530
Cash at bank and in hand	108
CURRENT ASSETS	1,103
ASSETS	2,715

5.7 Obligor - Balance Sheet 31 December

OBLIGOR - BALANCE SHEET 31 DECEMBER

LIABILITIES AND EQUITY	2017
Share capital	538
Other reserves	0
Reserve for exchange adjustments	(406)
Retained earnings	1,263
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS	1,395
Non-controlling interests	0
TOTAL EQUITY	1,395
Borrowings	964
Provision for deferred tax	5
Other provisions	3
Credit institutions	11
Subordinated loan from Polen Invest A/S	90
Non-current trade payables	0
Deferred income	9
LONG-TERM LIABILITIES	1,082
Borrowings	0
Credit institutions	98
Subordinated loan from Polen Invest A/S	24
Trade payables	70
Current income tax liabilities	0
Other provisions	3
Other payables	36
Deferred income	7
SHORT-TERM LIABILITIES	238
LIABILITIES	1.320
LIABILITIES AND EQUITY	2,715

5.7 Obligor - Statement of changes in equity

OBLIGOR - STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	OTHER RESERVES	RESERVE FOR EXCHANGE ADJUSTMENTS	RETAINED EARNINGS	EQUITY OWNERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
EQUITY AT 31 DECEMBER 2016	**531**	**0**	**(412)**	**1,157**	**1,277**	**14**	**1,291**
Equity at 1 January 2017							
Net Profit/(loss) for the year	0	0	0	166	166	0	166
Other comprehensive income	0	0	6	0	6	0	6
Comprehensive income for the year 2017	*0*	*0*	*6*	*166*	*172*	*0*	*172*
Payments of dividends	0	0	0	(75)	(75)	0	(75)
Contribution of capital	7	0	(1)	15	21	(14)	7
EQUITY AT 31 DECEMBER 2017	**538**	**0**	**(406)**	**1,263**	**1,395**	**0**	**1,395**

5.7 Obligor - Statement of cash flows

STATEMENT OF CASH FLOWS

DKK MILLION	2017
PROFIT/(LOSS)	**166**
Adjustments:	
Financial income and expenses	61
Currencies losses	21
Depreciation of property, plant and equipment	104
Other adjustments	1
Change in working capital	(43)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL INCOME AND EXPENSESINCOME AND EXPENSES	**310**
Financial income	7
Financial expenses	(65)
CASH FLOWS FROM ORDINARY ACTIVITIES	**252**
Corporation Income tax paid	0
CASH FLOWS FROM OPERATING ACTIVITIES	252
Purchase property, plant and equipment	(150)
Sale of property, plant and equipment	9
Change of financial investments	(230)
Sale of fixed asset investments	3
CASH FLOWS FROM INVESTING ACTIVITIES	**(368)**

STATEMENT OF CASH FLOWS

DKK MILLION	2017
Proceeds from borrowings	1,195
Repayments of borrowings	(987)
Capital contribution	23
Dividends payments	(75)
CASH FLOWS FROM FINANCING ACTIVITIES	**156**
CHANGE IN CASH AND CASH EQUIVALENTS	40
Cash and cash equivalents at 1 January	70
Exchange adjustment, beginning, cash and cash equivalents	(3)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**107**

5.8 Income Statement classified by function

INCOME STATEMENT CLASSIFIED BY FUNCTION

DKK MILLION	2017	2016
Total Income	1,653	1,485
Cost of goods sold including depreciations and amortisations	(1,252)	(1,165)
GROSS PROFIT	**401**	**320**
Other operating items	0	0
SG&A, including depreciations and amortisations	(97)	(76)
EBIT	**304**	**244**
DEPRECIATION AND AMORTISATION CONSIST OF:		
Amortisation of intangible assets	0	0
Depreciation of tangible assets	(121)	(103)
	(121)	**(103)**
DEPRECIATION AND AMORTISATION ARE DIVIDED INTO:		
Cost of goods sold	110	(91)
Sales and administrative costs	11	(12)
TOTAL	**121**	**(103)**

5.9 Entities in Goodvalley

ENTITIES IN GOODVALLEY

			PRINCIPAL ACTIVITIES				
NAME	COUNTRY OF INCORPORATION	%	FARMING	ENERGY	SLAUGHTERHOUSE	FOOD	ADMINISTRATION
GOODVALLEY A/S	Denmark						+
POLDANOR S.A.	Poland		+	+			+
Subsidiaries							
ZEGROL SP. Z O.O.	Poland	100%	+				
Kniat Agro sp. z o. o.	Poland	100%	+				
Przedsiębiorstwo Uboju Zwierząt Rzeźnych Rolnik Sp. z o.o.	Poland	100%	+				
Agro Wlodarski sp. z o.o	Poland	100%	+				
Bioenergia sp. z o.o.	Poland	100%					
Invest Farm sp.z o.o.	Poland	100%	+				
L.M.-POL sp. z o.o.	Poland	100%	+				
Ośrodek Hodowli Zarodowej Sp. z o.o.	Poland	100%	+				
Agro Wiesiółka sp. z o.o.	Poland	100%	+				
Agro Pokrzywy sp. z o.o.	Poland	100%	+				
Agro Gębarzewo Sp. z o.o.	Poland	100%	+				
PRIME FOOD SP Z.O.O	Poland	100%			+	+	+
DANOSHA LLC	Ukraine	100%	+	+			+
Subsidiaries:	"						
Daryna Food LLC	Ukraine	100%					
DAN-INVEST LLC	Russia	100%	+				+
Subsidiaries:							
RASK LLC	Russia	100%	+				
Dan-Kub JSC	Russia	100%	+				
Markor LLC	Russia	100%	+				
FINANSAX APS.	Denmark	100%					+
Associates:							
SEVEL SLAGTERI A/S	Denmark	40%					

5.10 Key figures and financial ratios

FINANCIAL

Cash conversion

Free cash flow divided by earnings before interest and taxes (EBIT).

Adjusted EBITDA

Earnings before interest, tax, depreciations and amortisation (EBITDA) excluding price regulation of herd value.

NIBD/Adjusted EBITDA LTM

Net Interest-Bearing Debt divided by adjusted earnings before interest, tax, depreciations and amortisation (EBITDA) rolling for the last twelve months excluding price regulation of herd value.

EBITDA	=	EBIT + depreciations, amortisations and impairments
Adjusted EBITDA	=	EBIT before depreciation, amortisation and impairments adjusted for price effect on herd valuation and any non-recurring items
Free cash flow	=	Cash flow before financing activities
Net working capital	=	Biological assets + inventories + receivables - long- and short-term payables
Invested capital	=	Non-current assets + net working capital
Net interest-bearing debt	=	Current and non-current liabilities to credit institutions and lease debt - cash and cash equivalents. (NIBD)
Gross margin (%)	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
EBITDA margin (%)	=	$\frac{\text{Operating profit before depreciation, amortisation and impairments}}{\text{Revenue}}$
EBIT margin (%)	=	$\frac{\text{Operating profit}}{\text{Revenue}}$
Free cash flow / Revenue	=	$\frac{\text{Free cash flow}}{\text{Revenue}}$
Cash conversion	=	$\frac{\text{Free cash flow}}{\text{Operating profit (EBIT)}}$
EBITDA LTM	=	Operating profit before depreciation, amortisation and impairment 12 month trailing
NIBD/Adjusted EBITDA LTM	=	$\frac{\text{Net interest bearing debt}}{\text{Adjusted operating profit before depreciation, amortisation and impairment 12 month trailing}}$
Equity ratio	=	$\frac{\text{Equity year-end}}{\text{Total assets year-end}}$
ROIC	=	$\frac{\text{EBIT-taxes}}{\text{Average invested capital}}$
FTE year end	=	$\frac{\text{Total hours worked year-end}}{\text{Standard work hours per week}}$
Earnings per share	=	$\frac{\text{Profit attributable to shareholders of the Parent Company}}{\text{Average number of shares excluding treasury shares}}$

Income Statement 1 January - 31 December for the Parent Company

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

DKK MILLION	NOTE	2017	2016
Revenue	2	28	18
Other external expenses		(5)	(2)
GROSS PROFIT/(LOSS)		**23**	**16**
SG&A	3	(24)	(16)
EBITDA		**(1)**	**0**
Income from investments in subsidiaries		48	21
Financial income	4	30	8
Financial expenses	5	(57)	(16)
PROFIT/(LOSS) BEFORE TAX		**20**	**13**
Corporation tax		0	0
PROFIT/(LOSS)		**20**	**13**
DISTRIBUTION PROFIT FOR THE YEAR			
Owners		20	13
TOTAL		**20**	**13**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

	NOTE	2017	2016
Profit for the year		20	13
TOTAL COMPREHENSIVE INCOME		**20**	**13**

Balance Sheet 31 December - for the Parent Company

ASSETS

DKK MILLION	NOTE	2017	2016
Investments in associates	7	1	1
Investment in subsidiaries	8	1,122	1,099
Receivables from group companies		964	0
Other receivables		2	2
FINANCIAL ASSET INVESTMENTS		2,089	1,102
NON-CURRENT ASSETS		1,125	1,102
Receivables from group companies		62	207
Receivables from associates		7	7
Other receivables		11	3
RECEIVABLES		1,044	217
Cash at bank and in hand		13	3
CURRENT ASSETS		1,057	220
ASSETS		2,182	1,322

LIABILITIES AND EQUITY

DKK MILLION	NOTE	2017	2016
Share capital		538	531
Retained earnings		428	467
TOTAL EQUITY	10	966	998
Borrowings		1,005	0
Credit institutions		0	22
Subordinated loan capital		90	140
LONG-TERM LIABILITIES		1,095	162
Borrowings		0	146
Credit institutions - short term		90	1
Interest bearing payables to group enterprise		24	13
Current income tax liabilities		0	0
Other payables		7	2
SHORT-TERM LIABILITIES		121	162
LIABILITIES		1,216	324
LIABILITIES AND EQUITY		2,182	1,322

Balance Sheet 31 December - for the Parent Company

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
EQUITY AT 1 JANUARY 2016	531	454	985
Net Profit/(loss) for the year	0	13	13
COMPREHENSIVE INCOME FOR THE YEAR 2016	**0**	**13**	**0**
Payments of dividends	0	0	0
EQUITY AT 31 DECEMBER 2017	531	467	998

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
EQUITY AT 1 JANUARY 2017	531	467	998
Net Profit/(loss) for the year	0	20	20
COMPREHENSIVE INCOME FOR THE YEAR 2016	**0**	**20**	**20**
Payments of dividends	0	(75)	(75)
Contribution of capital	7	16	23
EQUITY AT 31 DECEMBER 2017	538	428	966

Statement of cash flows - for the Parent Company

STATEMENT OF CASH FLOWS

DKK MILLION	2017	2016
PROFIT/(LOSS)	20	13
Adjustments:		
Adjustment for non-cash items and interest, etc.	27	6
Change in working capital	(6)	(3)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL INCOME AND EXPENSES	41	16
Financial income	30	8
Financial expenses	(54)	(15)
CASH FLOWS FROM ORDINARY ACTIVITIES	17	9
Corporation Income tax paid	0	0
CASH FLOWS FROM OPERATING ACTIVITIES	17	9
Change of financial investments	(752)	(2)
Sale of fixed asset investments	0	4
CASH FLOWS FROM INVESTING ACTIVITIES	(752)	2
Proceeds from borrowings	1,005	0
Repayments of borrowings	(208)	(15)
Change in balances with ultimate parent	0	7
Capital contribution	23	0
Dividends payments	(75)	0
CASH FLOWS FROM FINANCING ACTIVITIES	745	(8)

STATEMENT OF CASH FLOWS

DKK MILLION	2017	2016
CHANGE IN CASH AND CASH EQUIVALENTS	10	2
Cash and cash equivalents at 1 January	3	1
Exchange adjustment, beginning, cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	3
Cash and cash equivalents at 31 december	13	3
TOTAL CASH AVAILABLE	13	3

Notes to Parent Company Financial Statements

1. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

Investments in subsidiaries constitute a significant part of Goodvalley A/S's total assets. Impairment tests of subsidiaries are carried out where events or changed conditions indicate that the carrying amount may not be recoverable. There has been no indication of impairment.

DKK MILLION	2017	2016
2. REVENUE		
Services	28	18
TOTAL	**28**	**18**
3. STAFF COSTS		
Wages and salaries	14	12
Pensions	1	0
TOTAL	**15**	**12**

Reference is made to note 2.4 for information about remuneration to the Executive Board and Board of Directors.

DKK MILLION	2017	2016
4. FINANCIAL INCOME		
Loans and receivables	29	8
Exchange rate adjustments	1	0
TOTAL	**30**	**8**
5. FINANCIAL EXPENSES		
Loans and receivables	48	14
Other costs related to financing	9	1
Exchange rate adjustments	0	1
TOTAL	**57**	**16**

DKK MILLION	2017	2016
6. TAX ON PROFIT FOR THE YEAR		
Corporation tax		
Current tax for the year	0	0
Deferred tax for the year	0	0
TOTAL	**0**	**0**
Tax on profit for the year is specified as follows:		
Calculated 22% tax on profit for the year before tax	4	3
Tax effect of:		
Zero-tax agriculture	0	0
Non tax deductable cost and income	(4)	(3)
TOTAL	**0**	**0**
Effective tax rate for the year	0%	0%
7. INVESTMENTS IN ASSOCIATES		
COST AT 1 JANUARY	**1**	**1**
COST AT 31 DECEMBER	**1**	**1**

Investment in associates are specified as follows:

NAME	OFFICE	CURRENCY	SHARE CAPITAL	OWNERSHIP
Sevel Slagteri A/S	Denmark	DKK	3k	40%

The carrying amount of investments in subsidiaries is specified as follows:

DKK MILLION	2017	2016
Sevel Slagteri A/S	1	1

Notes to Parent Company Financial Statements

DKK MILLION	2017	2016
8. INVESTMENTS IN SUBSIDIARIES		
COST AT 1 JANUARY	1,099	1,102
Additions for the year	22,6	
Disposals for the year		(3)
COST AT 31 DECEMBER	1,122	1,099

Investment in associates are specified as follows:

NAME	OFFICE	CURRENCY	SHARE CAPITAL	OWNERSHIP
Poldanor	Poland	PLN	11,601	100%
Prime Food Ap. Z.o.o.	Poland	PLN	20,852	100%
Danosha LTD	Ukraine	UAH	232,532	100%
Dan-Invest LLC	Russia	RUB	362,328	100%
Finansax ApS	Danmark	DKK	50,000	100%

The carrying amount of investments in subsidiaries is specified as follows:

DKK MILLION	2017	2016
Poldanor	1,125	1,170
Prime Food Sp. Z.o.o.	23	97
Dan-Invest LLC	(112)	18
Danosha LTD	286	467
Finansax ApS	0	0

9. DEFERRED TAX

	2017	2016
Deferred tax at 1 January	0	0
DEFERRED TAX AT 31 DECEMBER	0	0
Tax loss carry forward	12	9
Write down to estimated value	(12)	(9)
DEFERRED TAX AT 31 DECEMBER	0	0

The deferred tax asset has been calculated at 22% corresponding to the current tax rate.

10. SHARE CAPITAL

The share capital consists of 53,797.824 shares of a nominal amount of DKK 10. No shares carry any special rights.

11. AUDIT FEE

DKK MILLION	2017	2016
Audit fees	0,5	0,3
Other assurance services	0,2	0,0
Tax advisory services	0,0	0,0
Other non-audit services	0,7	0,1
	1,4	0,5

The fee for non-audit services provided to the Group in 2017 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.8 million and consisted mainly of pre-IPO services, issue of comfort letters in connection to issue of senior secured bonds, assistance with compliance reviews of interim reports and other accounting and tax advisory services.

12. RELATED PARTIES AND OWNERSHIP

Related parties and ownership are stated in the Notes to the Consolidated Financial Statements, to which reference is made.

The Company has transactions with subsidiaries in the form of interest-bearing loans and intercompany accounts. Total loans to the subsidiaries amount to DKK 1,026 million at 31 December 2017 (2016: DKK 205 million) as part of the refinansing. Interest income on loans and intercompany accounts for 2017 amounts to DKK 29 million (2016: DKK 8.0 million). Management fee from parent company to subsidiaries amounts to DKK 27.8 million (2016: DKK 18 million). Capital contribution in subsidiaries amounts to DKK 22 million (2016: DKK 0 million).

Subordinate loan from the Parent company, Polen Invest A/S, with a balance of DKK 110 million at 31 December 2017 (balance at 31 December 2016: DKK 150 millions), refer to Note 5.3. The loan carries interest, and the interest for 2017 amounts to DKK 5.8 million (2016: DKK 6.6 million).

All transactions have taken place on an arm's length basis.

13. ACCOUNTING POLICIES

The Parent Company Financial Statements of Goodvalley A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

The reporting period of these Financial Statements follows the calendar year. The Annual Report for 2017 is presented in DKK million. The accounting policies applied by the Parent Company are the same as those applied by the Group except for the below-mentioned additions. Reference is made to the Consolidated Financial Statements for a description of the accounting policies applied by the Group.

Supplementary accounting policies applied for the Parent Company:
Dividend from investments in subsidiaries is recognised as income in the income statement under revenue in the financial year in which the dividend is distributed
Investments in subsidiaries are measured at cost. Where the cost exceeds the recoverable amount, the investment is written down to its lower recoverable amount.

Glossary

GENERAL

Group
Consists of Goodvalley A/S, Poldanor SA, Prime Food Sp. Z.O.O, Danosha Ltd, OOO Dan-Invest LLC and Finansax ApS.

PRODUCTION

ASF
African swine fever.

Arable stock, WIP
The arable stock in the fields which is not yet harvested.

Basic herd
The part of the pig herd, which consists of sows, maiden gilts and boars.

Bio assets
Biological assets (mainly pigs and crops).

Bioenergy
Energy produced based on biological resources.

Biosecurity
Level of measures taken to prevent infection by contagious diseases.

Certificates on biogas
Energy units used for calculating extra price for sold kWh on top of market price (based on political decisions).

Crop split
The split between the different types of crops grown in the fields.

Cultivated land
Land used for crop production.

Efficiency
Measurable technical results from the production.

Feed conversion ratio
Kilo of feed used for one kilo meat produced (live weight).

Immunization strategy
Strategy for improving the immunity of the pigs mainly by vaccination.

Live weight
Weight of the pig before slaughtering and deboning.

Modified Atmosphere Packaging (MAP)
A packing method where the products are packed in a sealed and protected atmosphere to increase the period from manufacturing to last sales date.

Meat-to-feed ratio
Price of one kilo meat (carcass weight) divided by the price of one kilo feed.

Oil seeds
Crops that contain oil. Typically rape seed, soya and sunflower.

Piglets
Pigs in farrowing before they are weaned from the sow.

Pig price
Price per kilo pig meat in carcass weight.

Processed products
Meat products which have been cooked, smoked or salted.

Sales herd
The part of the pig herd that consist of piglets, weaners and slaughter pigs.

Carcass weight
Weight of the pig in kilos of meat after slaughtering and deboning.

Slaughter pigs
Pigs from 30 kilo live weight to slaughter (app. 110 kilo).

Weaners
A pig in the period between weaning from the sow and slaughter pig (approximately 6.5-30 kilo).

ICONOGRAPHY

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Goodvalley A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2017.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 28 February 2018

Executive Board

Tom Axelgaard
Chief Executive Officer

Hans Henrik Pauk Pedersen
Chief Financial Officer

Kristian Brokop
Chief Operating Officer

Board of Directors

Anders Christen Obel
Chairman

Niels Rauff Hansen
Vice Chairman

Anders Bundgaard

Jens Jørgen Nielsen

Jens Blach

Erling Bech Poulsen

Helle Okholm

Independent auditor's report
To the shareholders of Goodvalley A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Goodvalley A/S for the financial year 1 January – 31 December 2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent 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 financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017, and of the results of their 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.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

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

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

In May 2017, Goodvalley A/S completed a 4-year senior secured bonds issue. The bonds were listed on Nasdaq Copenhagen on 10 November 2017, from which date Goodvalley A/S became a Public Interest Entity.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January – 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value of basic herd and sales herd

The Group's biological assets in terms of basic herd and sales herd are measured at fair value less estimated costs to sell at each balance sheet date.

At 31 December 2017, the fair value of the Group's herds amount to DKK 314 million (2016: DKK 336 million).

The Group's model applied for determining the fair values is complex and involves significant judgements, as there are not local prices available in all relevant markets for all stages in the production from piglet to slaughter pig (sales herd) and from young females to sows (basic herd). The model includes information, quotations and prices from other known markets with the necessary adjustments appropriate for each local market.

We refer to notes 2.2 and 3.3 in the consolidated financial statements.

How the matter was addressed in our audit

We have evaluated and tested the appropriateness of the Group's model for determining the fair value of basic herd and sales herd throughout all stages of production.

We challenged Management's assumptions applied in the models with reference to historical data and, where applicable, external documented quotations and prices based on age, breed and genetic heritage.

We tested the valuation models for consistency with previous years.

We evaluated the appropriateness of the related disclosures provided.

Change in accounting policies

In 2017, the Group changed the method of accounting for property, plant and equipment from the revaluation model to cost less depreciation and less any impairment losses, a method which the Group also applied until 31 December 2013. The change is implemented in order to adopt a predominant industry practice. The change in accounting policy is implemented retrospectively as required by IAS 8.

The change has a materiel influence on the reported figures and is based on a complex analysis of internal historical registrations and calculations regarding property, plant and equipment in all of the Group's operating entities together with related impact to the exchange rate adjustments for Group reporting purposes for all years presented in the consolidated financial statements.

We refer to notes 1.1 and 3.2 in the consolidated financial statements.

How the matter was addressed in our audit

We have evaluated an analysis of relevant peers to assess the appropriateness of historical cost less depreciation and impairment losses being the predominant industry practice.

We have evaluated and tested the appropriateness of the Group's processes for calculating the reversal of revaluation adjustments and the related impact on the annual and accumulated depreciation, tax, and currency translation for all years presented in the consolidated financial statements.

We evaluated the appropriateness of disclosures and presentation of the change in the consolidated financial statements with retroactive impact.

Discontinued operations

The Group has decided to initate a sales process for the "DanKub operations", located in Krasnodar Russia, whereby the "DanKub operations" are presented as discontinued operations, and the associated assets and liabilities are presented as held for sale in the consolidated financial statements for 2017.

The discontinued operations have affected the income statement for 2017 with a reported loss of DKK 55 million including an impairment of assets of DKK 40 million. At 31 December 2017, the associated assets held for sale amount to DKK 74 million and the related liabilities amount to DKK 74 million, totalling a fair value of net assets held for sale of DKK 0 (nil) million.

Classifying an operation as a discontinued operation may have a material impact on the presentation of the Group's profit or loss compared to prior years' reported figures. In addition, estimates are included in the identification, classification and measurement of items presented as part of the discontinued activity.

We refer to note 5.6 in the consolidated financial statements.

How the matter was addressed in our audit

We have evaluated and tested the appropriateness of the Group's processes for presenting the "DanKub operations" as a discontinued operation, including an assessment of whether the requirements for applying this presentation form have been met.

We assessed and tested whether income and expenses presented are part of the discontinued operation and whether the related assets and liabilities classified as held for sale are directly or closely related to the "DanKub operations".

We assessed and tested the measurement and completeness of assets and liabilities classified as held for sale and verified amounts calculated to supporting documentation as well as assessed the reasonableness of the estimates made by Management.

We challenged Management's assumptions that the assets and liabilities of the "DanKub operations" meet the criteria for be presented as assets and liabilities held for sale.

We evaluated the appropriateness of the disclosures regarding the discontinued operations and assets and liabilities held for sale.

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 28 February 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke	Rasmus Brodd Johnsen
State-Authorised	State-Authorised
Public Accountant	Public Accountant
mne10944	mne33217

GOODVALLEY

Since 1994

Home of Quality

Our ambition

We work for a better tomorrow

We will achieve this by these five guiding principles

We improve our work environment to be the preferred local workplace

We reduce our use of resources and limit our environmental impact

We deliver high quality products and aim to improve animal and human health

We impact consumer awareness to create a pull towards sustainable food consumption

We strengthen our traceability to locate the origin of our products

This annual report was released through Nasdaq Copenhagen as company announcement no. 5/2018.