AXZON

Axzon A/S

Birk Centerpark 40, Birk
7400 Herning

Annual Report for 2015

CVR No 26 43 86 24

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 8/4 2016

Chairman

Contents

Management's Statement

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Axzon A/S for the financial year 1 January to 31 December 2015.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements according to the Danish Executive Order on Adoption of IFRS issued by the Danish Business Authority. We consider the accounting policies applied appropriate and the estimates made reasonable.

Therefore, in our opinion the Annual Report gives a true and fair view of the financial position of the Group and the Parent Company, of the results of the Group and Parent Company operations and of consolidated cash flows.

In our opinion, Management's Review includes a true and fair account of the matters addressed and includes a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Herning, 18 March 2016

Executive Board

Tom Axelgaard

Ole Østergaard Lauritsen

Board of Directors

Niels Rauff Hansen
Chairman

Anders Bundgaard
Deputy Chairman

Jens Jørgen Nielsen

Erling Bech Poulsen

Jens Blach

Anders Christen Obel

AXZON

Independent Auditor's Report

To the Shareholders of Axzon A/S

Report on the Consolidated Financial Statements and the Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Axzon A/S for the financial year 1 January to 31 December 2015, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Group and parent company's operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Herning, 18 March 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

H.C. Krogh
State Authorised Public Accountant

Henrik Skjøtt Sørensen
State Authorised Public Accountant

Company Information

The Company	Axzon A/S Birk Centerpark 40 DK-7400 Herning	
	CVR No:	26 43 86 24
	Financial year:	1 January - 31 December
	Municipality of reg. office:	Herning
Board of Directors	Niels Rauff Hansen, Chairman Anders Bundgaard, Deputy Chairman Jens Jørgen Nielsen Erling Bech Poulsen Jens Blach Anders Christen Obel	
Executive Baord	Tom Axelgaard Ole Østergaard Lauritsen	
Lawyers	Thygesen advokatfirma Poulsgade 6-8, 3. sal DK-7400 Herning	
Auditors	PricewaterhouseCoopers Platanvej 4 DK-7400 Herning	
Bankers	Nordea Bank Danmark A/S Nørregade 30 DK-6100 Haderslev	

Group Specification

	Domicile	Currency	Nominal Capital	Interests	Equity 31.12.2015	Net profit 2015
Group Enterprises						
Poldanor S.A.	Poland	PLN	11,601	100%	631.587	2.217
subsidaries:						
Zegrol sp. z o.o.	Poland	PLN		100%		
Kniat Agro sp.z o. o.	Poland	PLN		100%		
Rolnik Sp. z o.o.	Poland	PLN		100%		
Agro Włodarski sp. z o.o	Poland	PLN		100%		
Bioenergia sp. z o.o.	Poland	PLN		100%		
Invest Farm sp.z o.o.	Poland	PLN		49%		
L.M.-POL sp. z o.o.	Poland	PLN		100%		
Ośrodek Hodowli Zarodowej sp. z o.o.	Poland	PLN		100%		
Agro Wiesiółka sp. z o.o.	Poland	PLN		100%		
Agro Pokrzywy sp. z o.o.	Poland	PLN		100%		
Prime Food S.A.	Poland	PLN	20,853	100%	57.905	6.837
subsidaries:						
Prime Service Ltd.	Poland	PLN		100%		
Danosha Ltd.	Ukraine	UAH	232,532	98%*	1.799.404	5.047
subsidaries:						
Daryna Food Ltd.	Ukraine	UAH		100%		
Dan-Invest LLC	Russia	RUB	362,328	100%	2.683	-58.213
subsidaries:						
RASK OOO	Russia	RUB		100%		
Dan-Kub ZAO	Russia	RUB		100%		

*IFU's 2% of the shares in Danosha Ltd. has been recognised as financial debt in accordance with IFRS.

Associates						
Sevel Slagteri A/S	Denmark	DKK	2,500	40%	3783**	445**

** The latest financial data available is at 30.06.2015.

Financial Highlights of the Group

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	2015	Restated 2014	Restated 2013	Restated 2012	Restated 2011
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Profit/loss for the year:					
Revenue	1.275	1.209	1.270	1.128	943
Gross profit	465	500	394	453	359
EBITDA	284	342	251	331	245
Profit/loss before financial income and expenses	163	240	151	246	174
Net financials	-118	-230	-60	-15	-39
Net profit/loss for the year	41	23	107	231	134
Balance sheet:					
Balance sheet total	3.129	3.124	2.763	2.173	1.847
Equity	1.673	1.705	1.452	1.288	993
Financial development:					
Cash flows from:					
- operating activities	162	204	226	166	127
- investing activities	-254	-254	-360	-194	-191
- financing activities	66	121	111	33	77
Change in cash and cash equivalents for the year	-26	72	-8	6	12
Employees:					
Number of employees	2.423	2.205	2.073	1.769	1.595
Ratios (%)					
Gross margin	36	41	31	40	38
EBIT margin	13	20	12	22	18
Return on assets	5	8	6	12	10
Solvency ratio	53	55	53	59	54
Return on equity	2	1	8	20	14

The financial highlights and ratios 2011-2014 has been restated according to note 6.

The ratios have been prepared in accordance with the definitions on the following page.

Financial Highlights of the Group

Explanation of ratios:

Gross margin = $\dfrac{\text{Gross profit} \times 100}{\text{Revenue}}$

Profit margin = $\dfrac{\text{Profit before financials} \times 100}{\text{Revenue}}$

Return on assets = $\dfrac{\text{Profit before financials} \times 100}{\text{Total assets, average}}$

Solvency ratio = $\dfrac{\text{Equity end of year} \times 100}{\text{Total assets}}$

Return on equity = $\dfrac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Review

1.0 CEO Statement

The company hopes and believes that 2015 will be remembered as the worst year for the pork production sector in the history of Axzon. However, also the year where it more than ever became visible that our strategy of diversifying our business both geographically and in terms of having a fully integrated business in the meat production sector, is a very strong and viable way of producing pig meat. A business model that is able to bring Axzon through even the most extreme down cycles of our sector. A sector that seems to be more cyclic and unpredictable year after year.

It was widely foreseen that there would be an oversupply of pork especially in the European Union in 2015, resulting in low prices for most pork meat products. However, even in the most negative forecasts and budgets, we had never expected to end the year with as low prices as those realized, giving the most challenging meat to feed ratio ever experienced. As if this was not enough, Axzon also faced a dramatic depreciation of two of our main currencies, namely UAH and RUB, giving us a very low valuation of both our biological stock and our assets in general at the year end.

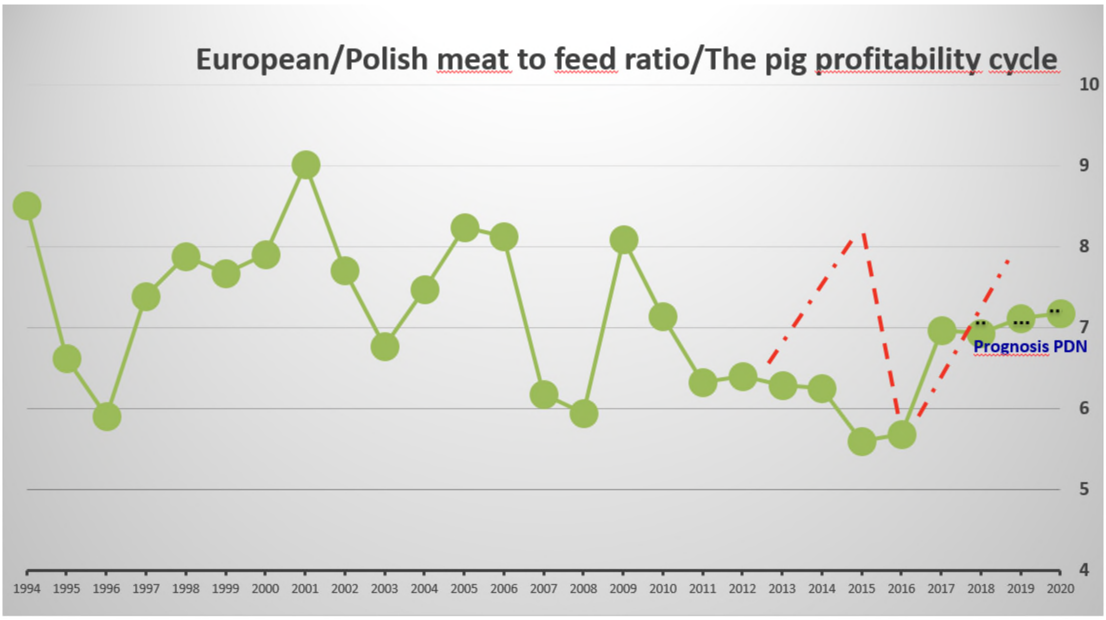
Even though 2014 was the year where we were convinced we had reached the bottom of the cycle, the downward trend continued not least in the last quarter of the year.

Review

1.0 CEO Statement (continued)

In a very determined attempt to try to cope with these negative external factors in every branch of our production, a huge effort was made in order to try to improve on all internal efficiency parameters. An effort that proved more effective than ever, and made us come through the year with a remarkably positive result. Quite logically this was also the reaction from many other producers throughout Europe, where the average efficiency level in the production was improved significantly. This rather natural reaction actually leads to an even larger production and offsets the normal market mechanisms, where numerous producers normally would be quitting because of cash flow problems caused by an unprofitable production.

The structure of European pig production is moving more and more towards large-scale and efficient production systems and units; a tendency that becomes stronger every time we are facing a down cycle in the profitability in the sector. The problem is that the normal rhythm of the profitability cycle in the pork meat sector, best illustrated by the meat to feed ratio, broke in Europe after 2012, where the upturn should have started and ended with a new peak in 2014. Instead, the European producers had to live with an unprecedented long period of 6 years with low profitability, making it very difficult to keep a positive cash flow. Many producers are giving up these days, and they will leave very badly maintained production facilities behind them, making it difficult for new owners to continue the production on the bankrupt farms.
The graph underneath shows the profitability cycle in the pig production business expressed by the meat to feed ratio and the red dotted line express the expected, normal cyclic development.



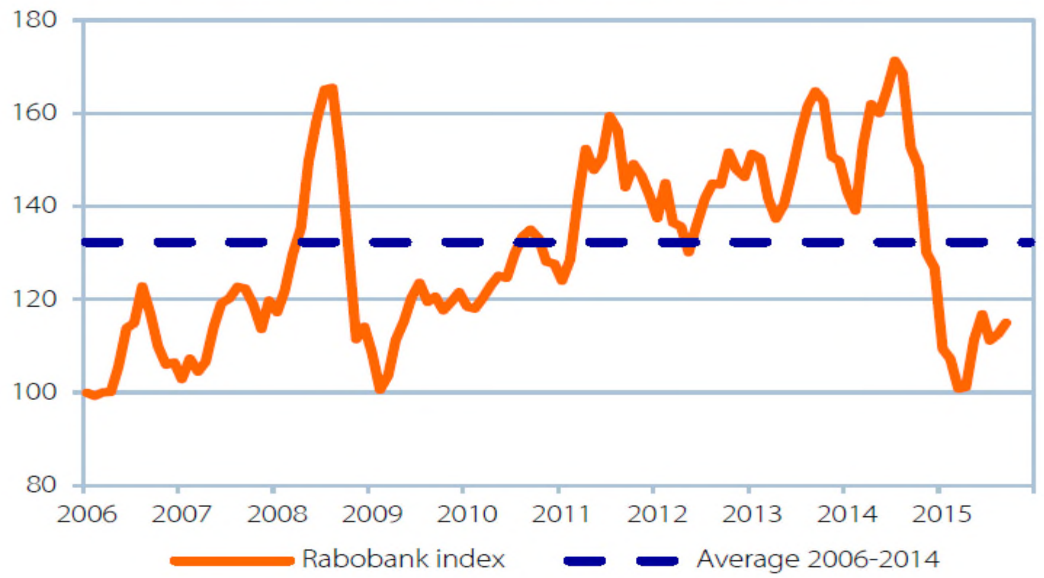
Review

1.0 CEO Statement (continued)

This very unusual situation was mostly caused by the embargo from Russia strengthened by an outbreak of ASF in a few EU countries incl. Poland, making it impossible to import to huge parts of the pork markets in the world for a period of time. Therefore, it was an isolated European phenomenon and if we look at the international market as a whole, the cycle was actually on average intact, as the North and South American prices and meat to feed ratio were better than ever in 2014, whereas the EU stayed below profitability level.

This is clearly visible in the graph below where the price level in the five biggest pig producing countries in the world (China, European Union, Brazil, USA and Canada) on average was at a very high level in 2014. If the European producers had the high profitability level in 2013-14, they would have had the financial strength to cope with low levels in both 2015 and 2016.

Figure 4: Rabobank five-nation hog price index, Jan 2006-Mar 2015



Source: Rabobank based on national statistics, 2015

On top of the above mentioned unusual situation for EU producers including Axzon, the political situation in all three countries where Axzon production is based is very unstable and has not improved much in the past year. The separatist fighting and killing in Eastern Ukraine has eased a bit, but the tension between Ukraine and Russia has actually escalated, resulting in trade barriers and other political motivated conflicts between the countries. Also, the expected internal improvements in law and order in Ukraine, which should result in a much more transparent legislation and less corruption, have not been implemented. The fight against corruption has been largely left aside, and though we all hope that in the near future it will bring improvements, it will still take a long time before there will be a calm and stable situation in this area. However, both our fully integrated business approach, which will also be introduced into Ukraine and Russia, and our diversified geographical position makes us strong in terms of competitiveness and secures our sales.

Review

1.0 CEO Statement (continued)

With an EBITDA result close to 300 MDKK in 2015, Axzon has shown that we can make solid results even under the worst possible conditions and with the outlook for 2016, where we expect a very slow start on the upturn, Axzon is standing stronger than ever with an increased scale of production and improved efficiency.

The development in the last years shows that we are never allowed to stand still, but need always to seek new possibilities, to improve and be innovative, in order to maintain our leading position in both quality of products, efficiency in production as well as profitability.

In spite of the slowdown in economic growth and profitability, I am very proud to say that Axzon has been developing in a positive direction on almost all production parameters throughout the year. Our employees have managed to focus on exact areas that they are able to influence, instead of falling into the mood of disillusion and resignation.

But not only that; largely in Poland we have tried to develop new products and use the unique possibility for traceability in our supply chain by offering more diversified products, aiming to support consumer trends. First of all, we have our Co2 neutral meat certification, but we have also started a significant production of GMO free meat (pigs fed with non-GMO feed) as well as an antibiotic free production line. That, combined with a determined effort to improve on all CSR issues not least animal welfare, will enable us to give Axzon a more sales oriented profile, thus diversifying the company from the bulk production of pork.

We have managed to expand, and still continue to expand, the production with new investments in areas we know will improve our future income and results.

Pig meat will undoubtedly be one of the main ingredients in a varied diet for a growing number of people in the world. We in Axzon have made it our vision to prove that it can be produced in a sustainable way in spite of an intense production system based on modern production technologies and high efficiency in every phase of the production chain from “field to fork”.

Under the circumstances, we regard the 2015 result for Axzon as very satisfactory and we are looking towards future challenges with optimism and energy, supported by a highly professional and motivated staff in all of our production units spread across Central and Eastern Europe.

Tom Axelgaard
CEO Axzon

Review

2.0 Economic performance

Improved production results was the general tendency throughout 2015

Facts

- Number of sows increased from 40.153 to 44.122 or by 10 %
- Number of pigs in stock increased from 471.148 to 557.564 or by 18 %
- Number of sold pigs increased from 858.070 to 1.129.975 or by 32 %
- Sold pigs in tons increased from 90.864 to 110.534 or by 22 %
- Sold meat from Prime Food in tons increased from 41.531 to 45.988 or by 11 %
- Total harvested area decreased from 27.164 ha to 26.987 ha or by 1 %
- The production of electricity from biogas increased from 54.764 til 61.935 mWh or by 13 %
- The overall production capacity of the biogas plants decreased from 8.64 til 8.56 MW or by 1%
- Sold liters of milk increased from 717.000 to 1.388.435 or by 94 %
- EBITDA decreased from 342 MDKK to 284MDKK or by 17 %
- EBT increased from 23 MDKK to 41 MDKK or by 80 %

In 2015, the number of pigs sold increased by 32% compared to 2014. This increase was a consequence of the increased number of sows (10%) but also due to heavily improved productivity. Unfortunately, at the same time the prices decreased significantly resulting in no net effect in revenue. By decreasing the production costs per unit, the improved productivity compensated for the significant decrease of prices. The increased production of piglets was so large that there was simply not enough space in the barns to complete the finisher cycle. Therefore, is was necessary to sell a large proportion of the pigs as weaners, thus increasing the share of pigs sold as weaners from 7% in 2014 to 17% in 2015.

The war in the Eastern part of Ukraine continued in 2015 and together with the decreasing oil prices, the purchasing power in both Ukraine and Russia was severely weakened. The effect was, that the additional margins in pig production, which previously was quite significant in both countries, were reduced. Axzon's first class finisher prices decreased to 5.08 DKK in Russia, 1.66 DKK in Ukraine and 1.06 DKK in Poland. This development continued to unfold during the entire year resulting in the new year prices being at the same level. However, this emphasizes the importance of minimizing the production costs in all three countries, a strategy that the Axzon staff has been continually focusing on for many years. It is not possible to recognize price advantages on the single markets – every country must in principle produce at a price that is competitive on the world market. When disregarding the extra costs (compared to the average production prices) that comes with an expansion, the production prices in the three countries corresponds. The cost/kg of pigs is almost the same in the three countries, except for differences caused by currency fluctuations, as well as weak and strong local relations.

Review

2.0 Economic performance (continued)

The results was also effected by the fact that Ukraine on December 31st, after pressure from IMF, changed the Grant (VAT) rules so agricultural business only was able to keep a part of the payable agricultural VAT. Axzon chose to make financial reports without including VAT and to show all assets without VAT even if it is possible to keep 50% of payable agricultural VAT in 2016 and by this take the full effect in 2015. Axzon has therefore changed accounting policies with respect to the Ukrainian privileged VAT regime and restated the last 5 years' financial reports so they are consistent with the new interpretation. Furthermore Axzon has corrected translation into presentation currency and exchange differences arising from the translation of net investment in foreign entities

The interest bearing debt has increased by 50 MDKK, even though there has been issued loans for 64 MDKK. The difference is due to changes in the exchange rate on the loans in Axzon, primarily those in RUB. Compared to investments on 258 MDKK, this means that Axzon has a self-financing ability in excess of 75%. After depreciation, the self-financing phase passes 100 MDKK. On top of the direct investment, the group has also invested in an increase in herd numbers by 86.416 pigs. In 2015, the company found it necessary to apply an even more critical approach towards new investments, mainly due to the low pig-prices. Therefore, investments in progress will be finalized as fast as possible, securing the direct operational cash flows to commence as soon as possible. Despite a significant decrease in the investments in the subsidiaries, the very large currency depreciation and the low prices of pig meat, it has still been possible for Axzon to maintain an equity ratio above 50%, a significant achievement when a large part of the industry is moving towards insolvency.

During 2015, there was a significant decrease in the exchange rate of the Ukrainian UAH compared to DKK, making it necessary to revalue our Ukrainian assets. Even though the Russian and the Polish currencies also decreased, the valuation test showed that the changes were only minor hence revaluation in these divisions was deemed not necessary.

Unfortunately, our biogas production did not reach profitability in 2015. The price of the green certificates, which supports the biogas production in Poland, has once again decreased to a lower level. However, the Polish government is working on new regulations supporting biogas production, and if the expected changes will be introduced, the biogas production will once again be able to contribute to the economic results of Axzon. The increasing prices of energy in Ukraine is already contributing to improved results and additionally, the Ukrainian government is also working on further improving the profitability on biogas production.

Review

2.0 Economic performance (continued)

The arable department succeed in maintaining the improvements made in the fields of Ukraine. Through constant application of both manure and lime, the soil has gradually improved, and the crop yields are increasing year after year. In Poland, Poldanor has worked with cultivating the soil for more than 20 years and the crop yields are very satisfactory, especially when the general soil quality and yield potential is taken into consideration. In Russia, however, Axzon has just started, and therefore the arable department is constantly working to find crop varieties that will make better results.

Danosha has commenced milk production, albeit small, in Ukraine mainly for political reasons. Milk production is highly valued in the country, and it is also because it is possible to have large numbers of visitors to inspect such a farm, in contrary to the pig production, where the biosecurity more or less makes visits from the outside impossible. The production facilities look impressive and achieves good production results but does not give a significant contribution to neither turnover nor profit.

Despite the fact that the price level of pigs was even worse than expected during 2015, Axzon continued with the plans from 2014 of expanding the sow herd by 10%. This brings the company closer to a production capacity of 1.5m pigs on an annual basis, and a good foundation for future results has been established.

Falling prices for live pigs in 2015 was so aggressive that had all finishers been sold at 2014 prices in DKK, the turnover would have been 172m higher. The year began as expected, with a significant pressure on prices. After a slow start, the prices rose to a more normal and quite profitable level in the spring. In July 2014 the normal price curve broke followed by an unexpected price drop. On the basis of this experience, it was expected that the price drop in the second half of 2015 would be minor in comparison. However, the difference was almost 50% bigger. This resulted in a turnover at approximately the same (+1%) level in 2015 compared to 2014, despite the fact that Axzon sold 32% more pigs in numbers. It should be noticed that a big part of the turnover was based on a larger sale of weaners, which is why the sales increase in tons was relatively smaller.

Despite the decrease in revenues per sold pig, the EBITDA has only decreased by 58 MDKK compared to last year. This means that the loss in revenue was compensated with almost 75% by production and cost improvements. The significant increase in produced and sold pigs per sow/ year in Poland especially contributed to this development.

Depreciations increased by 19 MDKK. Of this, 30 MDKK is depreciation on revaluations, where the revenue was posted directly to the company's equity. This way, the revaluation in 2014 has reduced the result in 2015 by 30 MDKK without having had any positive effect on the result in 2014.

Review

2.0 Economic performance (continued)

The financing costs have decreased by 15 MDKK. This is mainly due to IFU (Investment Fond For Developing Countries) shares in Danosha, which are posted as debt in the consolidated balance sheet, because of Axzon's obligation to purchase the shares before the end of 2019. The calculated interest rate has been reduced from 20% to 10%.

The currency loss in 2015 was significant, but has been reduced by 97 MDKK since 2014. The company will make no predictions for the future regarding currency development, but given the turmoil in Ukraine and the decreasing oil prices, it is still expected to cause trouble in the future.

In 2015 there were tax expenses of 4 MDKK. This is due to the fact that in 2014 the latent tax in Prime Food was posted as income, with the expectation that the company would continue to make positive results. As Prime Food lived up to the expectations, the tax has been posted as an expense.

The equity in Axzon has fallen by 31 MDKK in 2015. This is due to a currency loss on the equity in Axzon's subsidiaries of 186 MDKK, which was only partly offset by a revaluation of Axzon's assets of 114 MDKK. The net result was 41 MDKK. However, the company managed to maintain a good solidity with an equity share of 53%.

The balance remains almost the same. This is partly due to the large devaluations in functional currencies in the subsidiary countries, which actually means that our assets are depreciated in DKK, and partly due to the low price levels of the biological assets at the year-end.

Due to the decreasing prices and currencies, Axzon has technically been in default on some of the financial covenants the company has to banks. To solve this problem, the company has received waivers related to these covenants.

However, as the waivers have not been formally issued before 31.12.2015, the IFRS accounting rules requires that all loans from substantial lenders which are in breach of financial covenants year end are presented as short term debt due to a strict interpretation of IFRS, despite that the loans never legally were short term. On the basis of this situation, Axon's current ratio is around 0.7 whereas it is close to 1.3 with the waivers duly signed and recognized before the loans legally gets short term.

For a company like Axzon, a result of 41 MDKK is well below expected. However, considering the external conditions together with the success of compensating for the loss in income by significant production improvements and cost reductions, combined with yet another solid result in the slaughterhouse, management is satisfied with the achieved result.

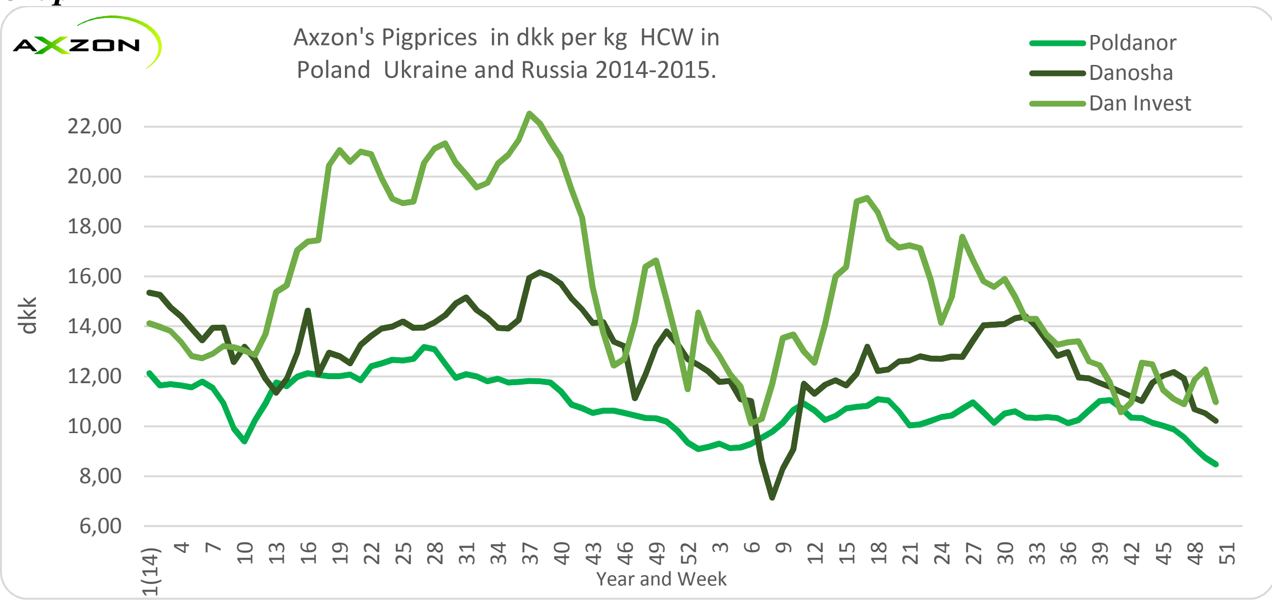
3.0 The market in the "Axzon countries"

The pig prices in 2015 have roughly followed the pattern from 2014 with a yearly average price in January, a decline until March followed by a raise until July, ending up with another decline until December (See graph 1).

Review

3.0 The market in the “Axzon countries” (continued)

Graph 1



Unfortunately, the price level in 2015 has been significantly lower than in 2014, and the lowest average price ever on 8.75 DKK HDW was registered in March 2015. (See chart 1).

Chart 1

Company	Year	Currency	Min. price in local currency	Max price in local currency	Difference in %	Min. price in DKK	Max price in DKK	Difference in % from min. to max. price in DKK	Ultimo price 2015 in local currency	Ultimo price 2015 in DKK
Poldanor	2015	PLN	3,78	4,85	28,3	8,39	11,09	32,2	3,95	11,00
Danosha	2015	UAH	21,00	35,80	70,5	7,14	14,41	101,8	28,1	11,74
Dan-Invest	2015	RUB	89	126	41,6	9,95	19,14	92,4	96,5	12,41
Axzon	**2015**	**DKK**				**8,75**	**12,35**	**41,1**		**9,54**
	2014	**DKK**				**10,46**	**13,89**	**32,8**		**10,71**
	Index 2015 til 2014					**84**	**89**			**89**

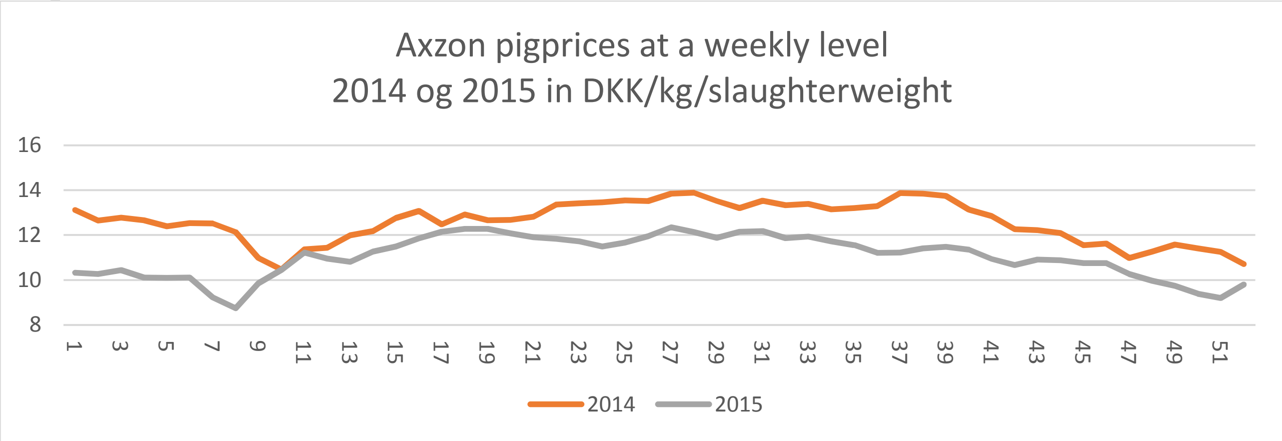
The uneasy situation in Ukraine, which resulted in a significant currency loss on the UAH, was the main reason for the very low 2015 prices. However, the Ukrainian pig prices quickly adapted to the new market value in UAH, and there was a general increase of pig prices in both Ukraine and Russia until October 2015, where prices again started to decline in all three Axzon countries, reaching the second lowest level in 2015 at the end of December (see graph 1).

Looking at the large price differences in the different countries some trade between “the Axzon countries” would have been perfect, but due to both sanitary and political restrictions in 2015, it was not possible to trade live animals. However, compared to 2014 where the difference between the lowest and the highest price in DKK was about 140%, in 2015 there was a difference of 168% in Axzon as Danosha’s lowest price was 7.14 DKK and Dan-Invest’s highest price was 19.14 DKK.

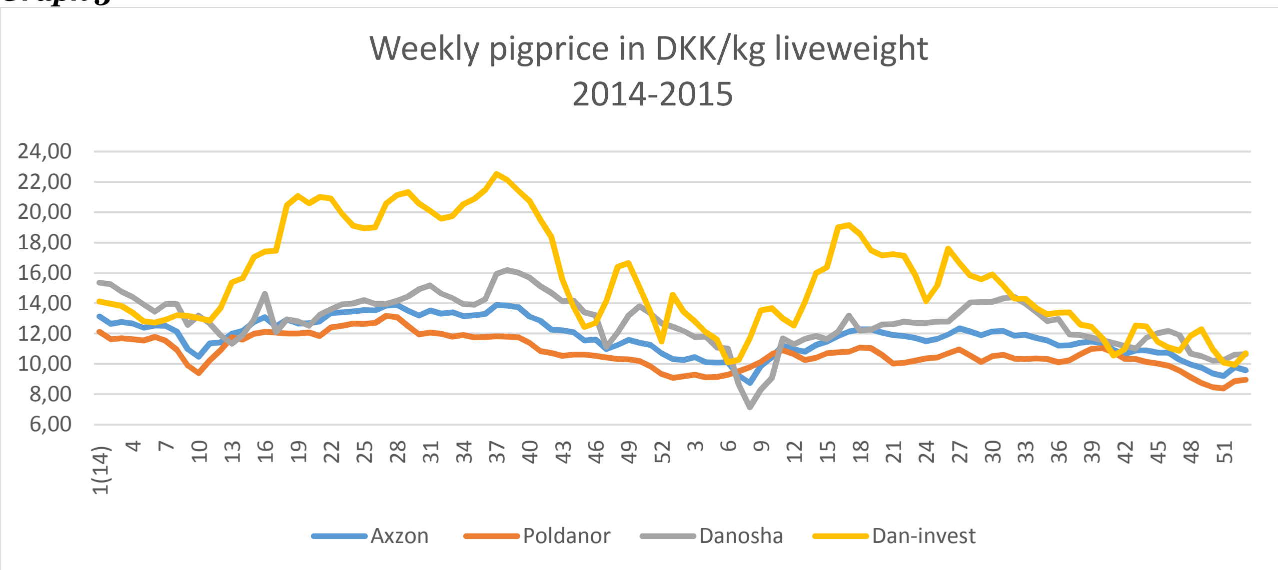
Review

3.0 The market in the “Axzon countries” (continued)

Graph 2



Graph 3



A historic expansion in Axzon in 2014/15 of more than 10,000 sows resulted in a significant increase in number of pigs and pig meat sales, with an overall sale of 22% more tons of pig meat sold in 2015 than in 2014 (see chart 2).

As the expansion in % was not equally big in each of the” Axzon countries”, it has influenced the internal Axzon market, where Dan-Invest has moved from 7% to 10% and Danosha from 31.3% to 34%, at the expense of Poldanor which has gone down from 61.8 % to 53.6 % in share of total ton of sold pig meat. Part of the explanation is also, that although Poldanor has improved the number of pigs sold, it turned out to be impossible to find room for all slaughter pigs, so consequently they were sold as piglets and weaners, which resulted in a big weight difference.

Review

3.0 The market in the "Axzon countries" (continued)

Chart 2

Marketshare in Axzon in tons		Tons sold	Share of Axzon
Company	Period		
POLDANOR	2015	59.272.506	53,6
	2014	53.238.212	61,8
	Indeks 2014 to 2015	111	86,8
DANOSHA	2015	38.440.854	34,8
	2014	26.982.305	31,3
	Indeks 2014 to 2015	142	111,1
DAN-INVEST	2015	12.820.167	11,6
	2014	5.992.278	7,0
	Indeks 2014 to 2015	214	166,9
AXZON	2015	110.533.527	
	2014	86.212.795	
	Indeks 2014 to 2015	128	

In each country, the relation between sales of pigs in different categories has also changed. The most significant change is that the number pigs sold as piglets or weaners has risen from 7% in 2014 to around 17.4% in 2015. The reason is that it has not been possible to make the necessary investments in order to take all pigs through the whole production process, which again has resulted in a drop in the yield pr.kg. pr. sow despite the fact, that the number of pigs/sow has risen very much (see chart 5).

Chart 3

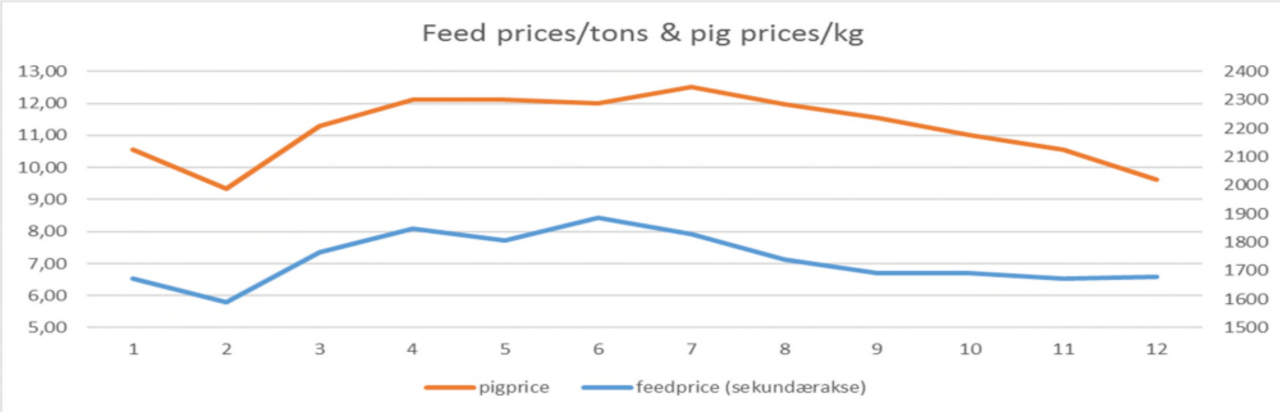
Marketshare in Axzon in pcs	Piglets & Weaners	Finishers	Sows and other	Total	Piglets & Weaners	Finishers	Sows and other
Company							
POLDANOR	87.920	492.890	12.283	593.093	14,8	83,1	2,1
	1.960	465.855	10.622	478.437	0,4	97,4	2,2
	4486	106	116	124	3.618,5	85,3	93,3
DANOSHA	108.585	305.436	6.307	420.328	25,8	72,7	1,5
	59.965	253.024	5.396	318.385	18,8	79,5	1,7
	181	121	117	132	137,2	91,4	88,5
DAN-INVEST		112.272	4.282	116.554		96,3	3,7
		59153	1.209	60.362		98,0	2,0
		190	354	193		98,3	183,4
AXZON	196.505	910.598	22.872	1.129.975	17,4	80,6	2,0
	61.925	778.032	17.227	857.184	7,2	90,8	2,0
	317	117	133	132	240,7	88,8	100,7

The meat to feed ratio also changed during the year, but the feed prices have more or less adjusted towards the end of the year (see graph 4). Some of the big fluctuations in March were caused by the exchange rate, so the meat to feed ratio remained the same, as the same exchange rate was used for both feed and pigs. At the end of the year pig prices declined faster than the feed prices, so here the meat to feed ratio deteriorated.

Review

3.0 The market in the "Axzon countries" (continued)

Graph 4



3.1 The markets in Poland

Pig market in Poland

In the recent years there has been a dramatic drop in the price of pigs at the beginning of October and November 2015. The price of pigs is continuing to decline and are much lower than those in the previous year (nearly 12%).

A part from the Russian embargo another significant impact on the decrease of pig prices may have been the announcement released by the World Health Organization about the alleged dangers of eating red meat for human health. The report concludes that excessive consumption of pork increases the risk of cancer. In contrast, Polish studies on pork meat reveal that it brings health benefits if it is not chemically processed.

The increase in production of pork in the EU, including Poland, meant that in 2015 prices of pigs were lower than a year earlier. The normal seasonal rise in the pig prices during the summer was mitigated by a big supply of pork. On the other hand, the market was supported by EU´s private storage mechanism.

According to The Central Statistical Office (GUS) data, at the end of November 2015 the number of pigs in Poland amounted to 10 590.2 thousand heads, which in comparison with the same period of 2014 means a decline by 6%. Compared to the size of pig herd in March 2015, the number of pigs in Poland decreased by 8%.

Sows herds decreased by 14.8% compared to November 2014 and dropped to a record low level of 814.4 thousand heads.

In the analyzed period, limited domestic production of piglets was offset by exceptionally large imports. By the end of November 2015 imports of live pigs up to 50 kg amounted to 4.237,7 thousand heads, and was by about 8.3% higher than in the corresponding period of 2014. It is estimated that approximately 75% of this volume came from the Danish market.

3.1 The markets in Poland (continued)

In case of fatteners (over 50 kg), there has been a dramatic decline in imports to only 508 thousand heads at the end of November 2015. The majority of fatteners came to Poland from Germany.

National industrial slaughtering of finishers in 2015 is estimated at about 21.5 million heads (about 3% higher than in 2014 and 12% higher compared to 2013). The assumption is, that in 2015 over 1/4 of the finishers in Poland originated from piglets imported mainly from the Danish market and then fattened in Poland.

Polish pig prices, were in 2015, strictly correlated with the high supply of finishers, and were on average by about EUR 0.06/kg of live weight lower than in the German market. Periodical fluctuations between the price in Poland and the price in Germany resulted rather from the current EUR/PLN exchange rates than from any other reason.

The meat market in Poland

In 2015 the meat industry slowly got on “its own feet” after the collapse that hit the meat industry in 2014 caused by African Swine Fever, and the subsequent suspension of exports of Polish pork on many markets plus the cessation of exports to Russia, after the introduction of the embargo on EU food. The industry significantly changed their strategies, as it became harder to promote and seek new markets, but there are positive effects of these activities. Poland has increased the export of Polish meat to EU countries, pork exports to Italy increased by 26%, Germany 16%, and to Britain by more than 80%. Unfortunately, big markets such as China and South Korea are still closed for Polish pork. Exports of pig meat fell by more than 40%. Even so the estimation is, that the export of pork can grow to approx. 640 thousand throughout 2015, compared to 625 thousand tons in the previous year.

3.2 The markets in Ukraine

Pig market

In early 2015 the price continued to fall every week consistent with the New Year holidays. This was caused by a ban on supplies to Russia, increased supply from small producers and low purchasing power of customers. In the last part of January PEDV was found in several large and small farms in Ukraine. As a protection from the virus Danosha had to stop the cooperation with some meat-processing plants, which did not meet the new requirements of biosecurity. In addition, infected farms were selling pigs at dumping prices. At the end of March, the pig price rose due to Easter holidays. So the situation on the market was stable and prices were kept at about the same level of 26-26.5 UAH till the end of April. Every year in late summer the seasonal correction of the price begins. The annual seasonal factors and the low purchasing power of the population led to a drop in prices. Only in week 50 the decline of prices stopped. The price even grew with more than 1.5 UAH, but it was not lasting long and from week 53 prices were again gradually going down.

Review

3.2 The markets in Ukraine (continued)

Feed market
In the beginning of the year, the Ukrainian grain market became more active. The average prices for grain and oilseeds still had a tendency to increase. As a result of the UAH devaluation and political mess in Ukraine. Only in the beginning of spring, the UAH reestablished 1/3 of its value, which then caused a slow price decline. During the harvest, the grain market was extremely passive, which was caused by an unstable currency situation, and rumors about a possible devaluation. At the end of the year, the grain market became very active and prices decreased by 150-200 UAH/ton. This sudden change on the Ukrainian grain market was probably caused by fear for the new taxation system.

3.3 The markets in Russia

2015 is noted as the year of dramatic losses and huge challenges for the economy of The Russian Federation due to decreasing oil prices and Western sanctions, which caused a considerable drop in the value of the RUB compared to Western currencies.

Despite the economic challenges in the country the government continued to support agricultural and meat producing companies by giving subsidies. In total Dan-Invest received 88.8 MRUB subsidies from federal and local budgets. The new subsidy program, which was implemented in 2014 (compensation of investments), was also prolonged for 2015.

The meat market in Russia was, in 2015, influenced by restriction of import to the country, caused by the ban of pork imports from the EU. Also the devaluation of the ruble had a profound impact on the behavior of importers. In total import of all types of meat to Russia in 2015 was 33% less than in 2014. On the other hand pig production in Russia continues to grow. The cumulative result in 2015 is +134 thousand tons of meat for all categories (that is +4.5% in comparison to 2014).

4.0 Production

4.1 Pig production

All pig production divisions in Axzon have shown both growth and improvement during 2015: Number of sows (graph 5), Number of sold pigs +32% (graph 6), Number of sold meat in ton + 26% (graph 7) Number of live born/litter +7% (graph 8) and pigs sold/sow + 12% (graph 9).

In 2014/15 Axzon made the biggest expansion in number of sows in the company's history. The company expanded by 10k new sows and as the expansion happened gradually during 2014, it was not until 2015, that the results of the increase became visible in no. of pigs and tons of pig meat. Therefore, this development has had a great influence on the results of 2015 in terms of no. of sows and ton pig meat sold, but also the significant improvements in live born/litter and sold pigs/sow (chart 5) has contributed to the results. Unfortunately, it was not possible to find the production facilities to match the massive expansion, and therefore a larger number of pigs were sold as piglets and weaners instead of finishers. Because of that, the number of sold kg pig/sow has decreased by 5% from 3171 kg to 2999, as the weaners are sold at approximately 30kg in average against 110kg as finishers.

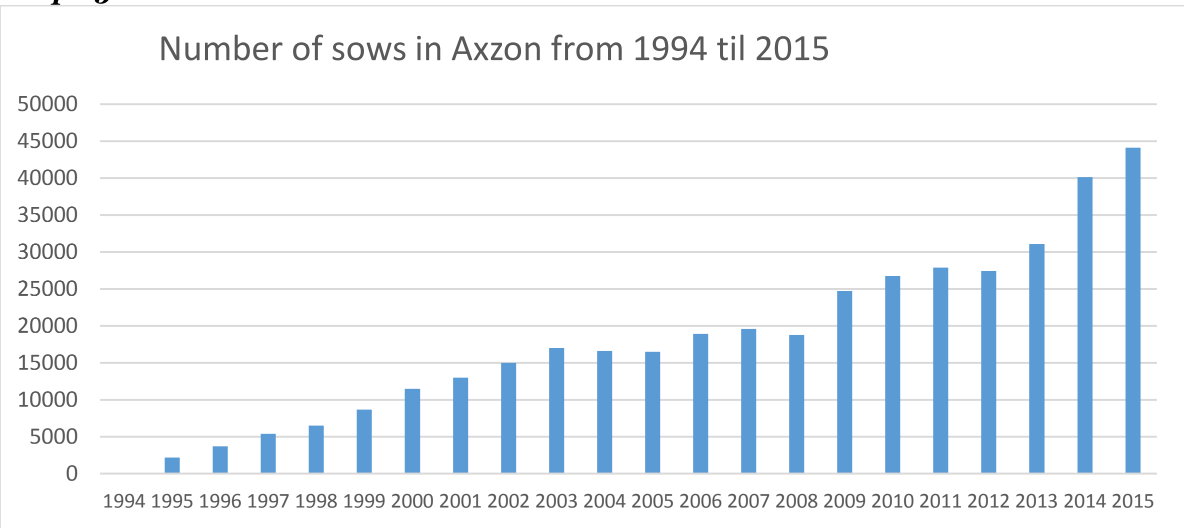
Review

4.1 Pig production (continued)

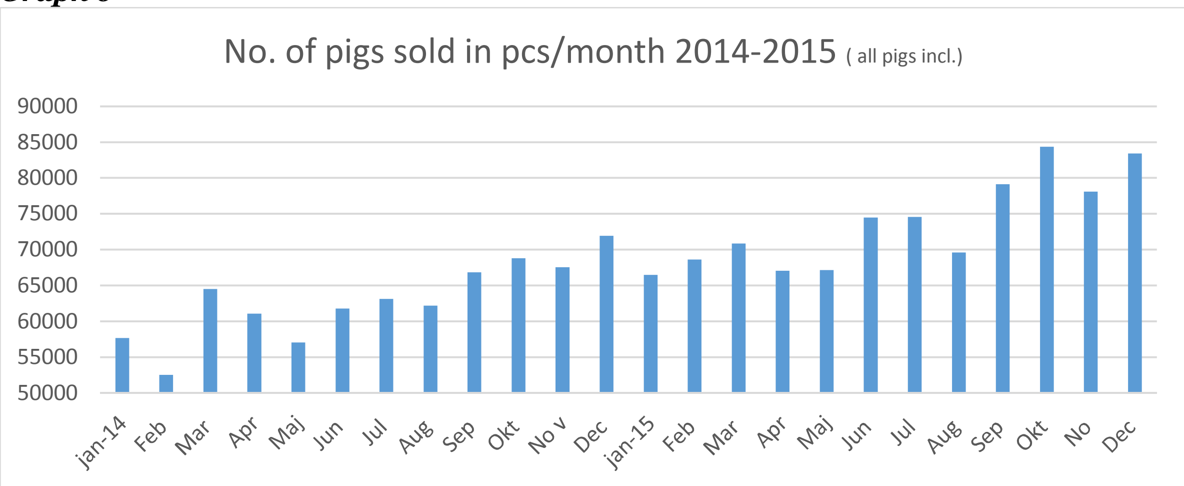
Biosecurity efforts have been a high priority in 2015, and there has been no outbreaks of diseases causing serious losses in the production. Biosecurity continues to have an enormous importance in all Axzon companies in order to improve or at least maintain the health status of today.

In 2015, Axzon committed 100% to Danish genetics and breeding material from Dan Avl in Poland and Ukraine. The last sows from the other breeding companies were sold out in December. Animals from other breeding companies are still being tested, especially boars, as Axzon would like to reduce the use of feed for finishers despite the current relatively high sales weight (graph 10).

Graph 5



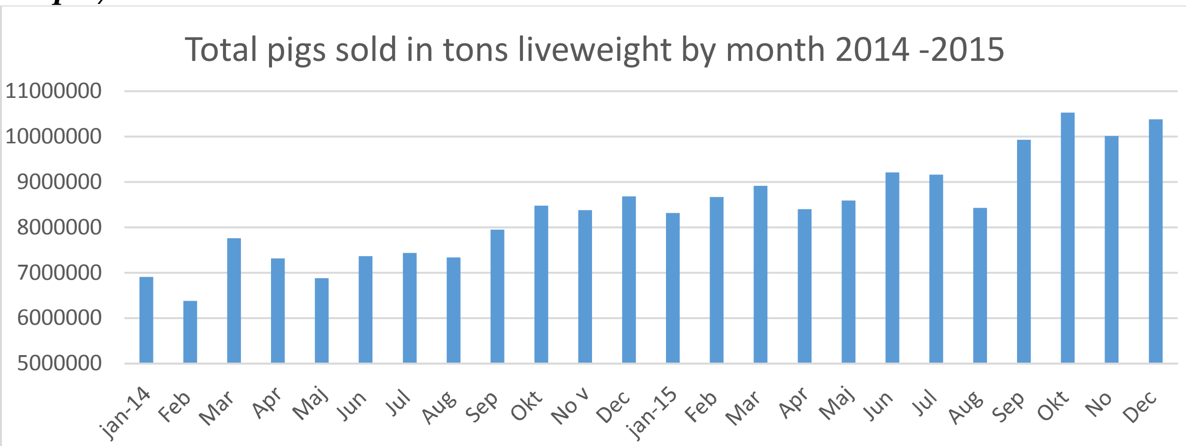
Graph 6



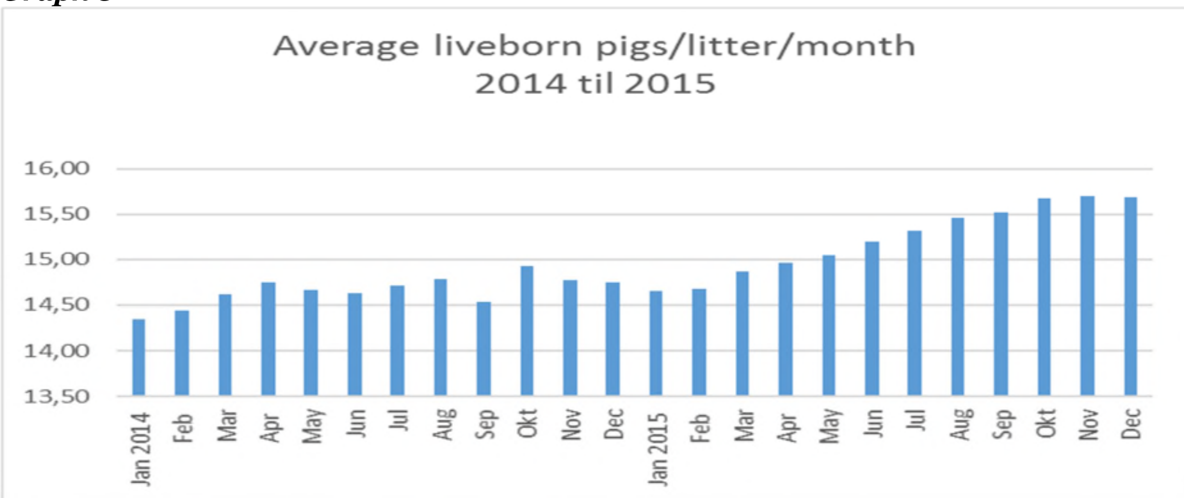
Review

4.1 Pig production (continued)

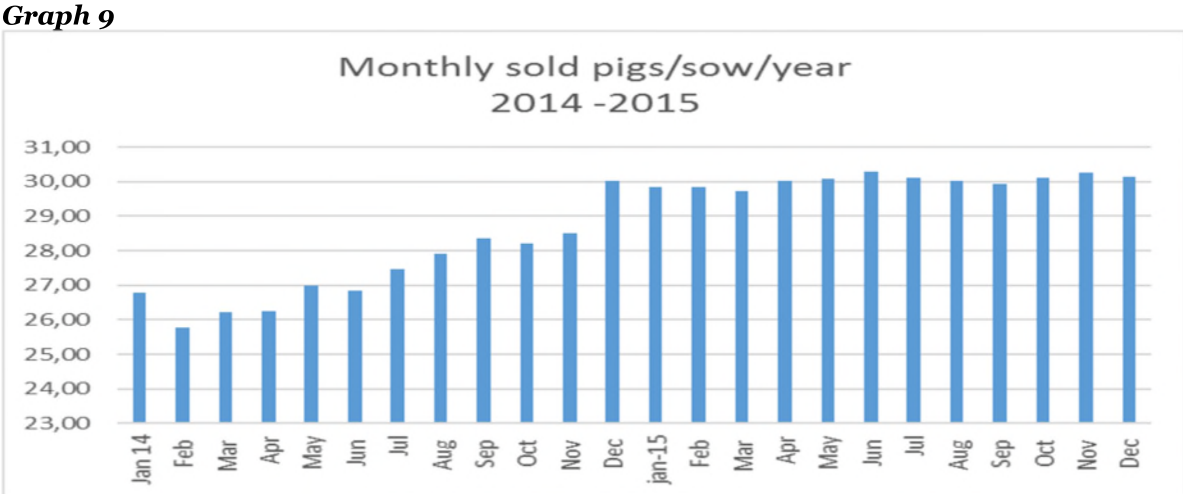
Graph 7



Graph 8



Graph 9



AXZON

Review

4.1 Pig production (continued)

Graph 10

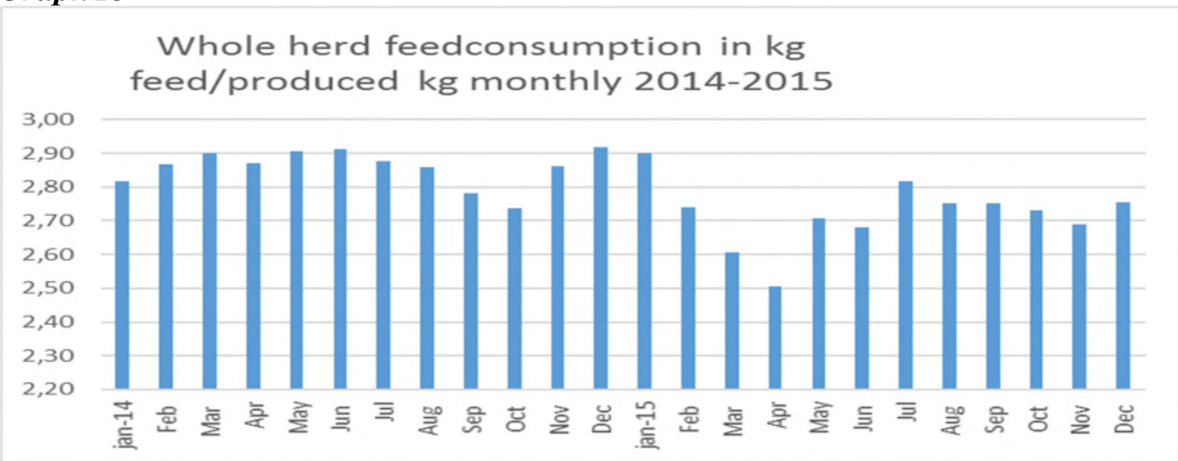


Chart 4

PIGS		Amounts in pcs and tons				
Company	Period	No. of sows	total no. of pigs in stock	Sold pigs liveweight in 000' tons	Share of total sold tons pr company	Total pigs sold in pcs
Poldanor	2015	22.637	300.978	59.273	53,6	593.093
	2014	21.867	260.416	54.725	62,4	478.437
	Indeks 2014 til 2015	**104**	**116**	**108**	**86**	**124**
Danosha	2015	13.887	173.640	38.441	34,8	420.328
	2014	13.386	162.904	26.982	30,8	318.385
	Indeks 2014 til 2015	**104**	**107**	**142**	**113**	**132**
Dan-Invest	2015	7.598	82.946	12.820	11,6	116.554
	2014	4.900	47.828	5.992	6,8	60.362
	Indeks 2014 til 2015	**155**	**173**	**214**	**170**	**193**
Axzon	2015	44.122	557.564	110.534	100	1.129.975
	2014	40.153	471.148	87.700	100	857.184
	Indeks 2014 til 2015	**110**	**118**	**126**	**100**	**132**

Chart 5

PIGS		Effeciency		
Company	Period	Yield /sow/year in kg	Sold pigs/sow/year	Whole herd feedconsumption in
Poldanor	2015	2.898	29,77	2,77
	2014	2.980	25,50	2,90
	Indeks 2014 til 2015	**97**	**117**	**95**
Danosha	2015	3.009	31,30	2,60
	2014	3.436	30,42	2,70
	Indeks 2014 til 2015	**88**	**103**	**96**
Dan-Invest	2015	3.429	30,13	3,04
	2014	3.633	30,01	2,81
	Indeks 2014 til 2015	**94**	**100**	**108**
Axzon	2015	2.999	30,14	2,75
	2014	3.171	26,79	2,78
	Indeks 2014 til 2015	**95**	**112**	**99**

Review

4.2 Arable (continued)

Chart 6

ARABLE		Corn crops (Corn. Peas, maize)			Oilcrops (Sunflower ,Rape and Soybeans)			Silage (Maize ,gras and straw)			Total	
Company	Period	Ha Harvested	Tons / Ha.	Tons harvested	Ha Harvested	Tons / Ha.	Tons harvested	Ha Harvested	Tons / Ha.	Tons harvested	Total number of cultivated ha	Average yield in corn and oilcrops
Poldanor	2015	5519	5,27	29083	1986	3,19	6335	5157	22,68	116961	12662	4,72
	2014	5777	6,25	36079	1930	3,46	6680	5044	24,11	121605	12751	5,55
	Indeks 2014 to 2015	**96**	**84**	**81**	**103**	**92**	**95**	**102**	**94**	**96**	**99**	**85**
Danosha	2015	7815	5,15	45275	2396	3,26	8730	593	27,40	16248	10804	5,29
	2014	7615	5,39	43091	2740	3,03	8302	541	32,00	13859	10896	4,96
	Indeks 2014 to 2015	**103**	**96**	**105**	**87**	**108**	**105**	**110**	**86**	**117**	**99**	**107**
Dan-Invest	2015	2885	3,00	8644	636	2,92	1857				3521	2,98
	2014	2734	3,48	9385	723	1,88	1328				3457	3,10
	Indeks 2014 to 2015	**106**	**86**	**92**	**88**	**155**	**140**				**102**	**96**
Axzon	2015	16219	5,12	83002	5018	3,37	16922	5750	23,17	133209	26987	4,71
	2014	16126	5,49	88555	5393	3,02	16310	5585	24,25	135464	27104	4,87
	Indeks 2014 to 2015	**101**	**93**	**94**	**93**	**112**	**104**	**103**	**96**	**98**	**100**	**97**

The harvest of 2015 was satisfying without any great challenges regarding both the weather and the machinery. The main part of the harvest was stored without any drying.

The turnover was slightly lower than in 2014 (approximately 1% in average). This year, the corn yielded 0.2t less compared to last year, the oil crops 0.26t more, whereas the grain yields dropped with 4% in average for all three countries. The larger yield of the oil crops in 2015, and the fact that this is the sales crops of Axzon, meant that the value of the harvest in total was almost the same as in 2014 - even though the average result of the entire arable department decreased from 4.71 t/ha to 4.67.

No new crops were taken into the crop rotation program in 2015, but trials are still being conducted with soybeans, while all tests with peas have been put on hold. Peas is a difficult crop to harvest, and the yield has never lived up to expectations.

Review

4.3 Biogas and energy

There has been a significant progress of the efficiency in the biogas department

Chart 7

BIOGAS & ENERGY		No. of plant	Total capacity in MW	Total productioncapacity	Total production in kwh	Utilization effeciency in %
Company	Period					
Poldanor	2015	8	7,40	63171	55138	87
	2014	8	7,48	65525	51941	79
	Indeks 2014 to 2015	**100**	**99**	**96**	**106**	**110**
Danosha	2015	1	1,16	10162	6797	67
	2014	1	1,16	10162	2823	28
	Indeks 2014 to 2015	**100**	**100**	**100**	**241**	**241**
Axzon	2015	9	8,56	73333	61935	84
	2014	9	8,64	75686	54764	72
	Indeks 2014 to 2015	**100**	**99**	**97**	**113**	**117**

An increase of efficiency from 72% to 84% in the biogas department shows a significant progress in 2015 (chart 7). A big part of the improvement comes from Ukraine where the plant increased the efficiency from 28% in 2014 to 67% in 2015. It was of course expected, as 2014 was the startup year, and especially in Ukraine, it has been, and still is, difficult to keep a stable production, due to lack of skilled and well equipped maintenance companies, and available spare parts in the country.

The plants in Poland also increased the efficiency level from 80% to 87%. The increase was a strategical decision, as the plants had been running on a low level due to a strained economy of the biogas production in the country. The plants in Poland have not been a profitable business for a longer period of time and as a consequence, the company has started to adjust the plants to other types of raw material than maize-silage. The use of maize-silage as raw material in the plants will be phased out over the next 5 years.

Despite a weak economy in the biogas department, the plan is to further develop and expand in this department. Axzon is planning to expand with new plants but also to bring the existing plants in to a new era with new types of raw material as the plants have a very beneficial effect on the environment close to our pig production units, and as such the biogas production is an important part of the Axzon's identity. The task is of course to make it profitable again, mainly by reducing the establishment costs, running costs, as well as a change to cheaper raw materials, but even with a zero economic result in the sector, the production will be continued.

Review

4.4 Cows and milk

Chart 8

COWS & MILK		No. of milkingcows	Total liter milk sold in '000 ltr.	Yield in liter/cow/year
Company	Period			
Poldanor	2015	85	509213	5990
	2014	115	717000	6235
	Indeks 2014 til 2015	**74**	**71**	**96**
Danosha	2015	87	879222	10106
	2014	0	0	0
	Indeks 2014 til 2015			
Axzon	2015	172	1388435	8072
	2014	115	717000	6235
	Indeks 2014 til 2015	**150**	**194**	**129**

During 2015 the production of milk increased with 94% for various reasons.

Due to low profitability in milk production in general, especially with a small scale production, the production in Poland has been stopped, and all cows were sold as of 31-12-2015.

However, in Ukraine a similar production has been established with approximately 80 milking cows and the plan is to expand further to approximately 190 cows during 2016. The yield of the new cows in Ukraine has been significantly better than the cows in Poland, and the yield in liter/cow/year has increased from 6035 l. to 8072 l in 2015. A part from the former herd of milking cows in Poland, Axzon still has a small herd of approximately 100 beef cattle.

4.5 Slaughtering and meat

As Prime Food is still the only slaughterhouse in the Axzon group, the following numbers are only based on Prime Food. The number of slaughtered pigs has increased by approximately 11% and the slaughterhouse is running on more than full slaughter-capacity. In 2014 it was decided to stop the sales of pigs from Poldanor to external buyers, and, at the same time, to close the purchase of pigs to Prime Food from external producers. Thus, the 505.696 slaughtered pigs in 2015 comes from Poldanor. The number of pigs, however, has increased due to the purchase of fresh meat elements from external suppliers, bringing the MAP sales up to its maximum capacity.

The weight of the incoming pigs is the same as in 2014, and there is currently no plans of changing the weight significantly. The table below shows the diversification of the sold meat products from Prime Food

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4.5 Slaughtering and meat (continued)

Chart 9

SLAUGHTERINGS & MEAT		No. of pigs slaughtered	Liveweight/pig/ slaughtered	Total liveweight of pigs slaughtered	Bouhgt meat elements in tons	Sold MAP in tons	Processed gods sold in tons	Primal cuts sold in tons	Deboned elemens sold in tons	Biproducts sold in tons	Total tons sold in all categori es
Company	Period										
Prime food	2015	505696	110,4	55849	23973	11585	10661	768	23946	4164	51124
	2014	455658	110,1	50173	23955	12354	8195	1864	20231	3342	45986
	Indeks 2014 til 2015	111	100	111	100	94	130	41	118	125	111

Due to a capacity limitation of 12.000 ton at the slaughterhouse, Prime Food has invested in enlarged MAP production areas and facilities, in order to further increase this part of the production, as well as continue the increase in the percentage of processed meat.

By these investments, Prime Food is continuing to follow the strategy of being a stable supplier of high quality fresh packed meat and processed products in a private label supply chain in close cooperation with the biggest supermarket chains in Poland, as well as a few foreign chains.

Besides that, Prime Food and Poldanor are now cooperating closely on developing diversified products and markets, in order to utilize the unique situation of being in full control of the whole supply chain. As an example prime Food sold the first special GMO free meat to an American customer, and more of similar products are in the pipeline for the coming year.

In 2015 Axzon has focused on improving the biosecurity standards at the slaughterhouse as well. The company has invested in a new washing station for trucks and the slaughterhouse has also implemented Danish welfare standards for pigs before slaughtering.

4.6 Conclusion

In the past year there has been improvements in all departments of the production in Axzon and on all key efficiency parameters. As of February 2016, the production efficiency is still increasing in all key parameters.

5.0 Risks

Enterprise Risk Management (ERM) input

Axzon's activities and the geography of its operations expose it to a number of risks, the most prominent being biosecurity risk, political risk and financial risk.

Review

5.1 Biosecurity risk

Since 2007, African Swine Fewer (ASF) has posed a significant threat to pig producers in Eastern Europe and Russia and when addressing the biosecurity risk in Axzon, ASF is a particular concern due to its devastating nature.

To mitigate the biosecurity risk Axzon has developed a biosecurity program in order to stop transmission of disease by minimizing the movement of biologic organisms or their vectors (body fluids, viruses, bacteria, rodents, flies, etc.) onto and within animal operations.

According to this program, the health status of the herds is measured constantly by internal and external experts, all animals are kept in bio-secure facilities with no un-controlled access possible for humans, vehicles and animals. The production facilities are designed using state of the art technology within hygiene and animal welfare and special programs are in place mitigating biosecurity risk related to live animal transportation, feed mills and slaughterhouses applying both to Axzon and partners.

All new production facilities are situated at a safe distance from each other and potential sources of disease, and all new animals are subject to quarantine before they are entering the territory of a production facility. The Axzon slaughterhouse Prime Food in Poland is using only pigs produced by Axzon's Polish production company Poldanor or producers controlled by Poldanor, this way being able to fully control the access by trucks to the production facilities and the health status and quality of the raw material used in Prime Food.

The biosecurity procedures and operational facilities undergo at least one annual audit, both internally by the Axzon staff in cooperation with recognized Science Centers, and externally by expert representatives of our shareholders.

5.2 Political Risk

With regard to political risk, Ukraine has again in 2015 been characterized by war, political turmoil and the inevitable economic downturn to follow such a situation, and as a consequence the purchasing power among consumers of pork declined.

In Russia, during 2015 the economy was negatively affected by a collapse in the crude oil price and a significant devaluation of the Russian ruble which, combined with the impact of financial sanctions imposed on Russia by the EU and the USA, caused a recession in the Russian economy. On the other hand, the counter-sanctions imposed by Russia with regard to agricultural products from the EU and other countries created an opportunity for a higher price on agricultural products produced in Russia and a government focus on self-sufficiency.

Poland, as was the case with other EU pig producers, suffered from low prices in 2015 due to excess production of pig meat in The European Union, and the Russian counter sanctions. Furthermore, the emergence of a new Polish government expressing controversial views on a variety of topics including agriculture and large-scale agricultural producers like Axzon added to the uncertainty.

Review

5.2 Political Risk (continued)

As reported elsewhere and as 2015 production numbers show, Axzon's solution to such challenges is to become even more effective to be able not only to survive, but to take advantage of the situation. Furthermore, Axzon seeks to mitigate political risk by producing in different countries and by having institutional shareholders and lenders on board like the IFC (International Finance Corporation), the EBRD (European bank for Research and Development) and the Danish government fund IFU creating leverage towards the political level in the countries of operation. Locally, Axzon cooperates with all stakeholders including decision makers, legislators, NGOs and neighbors in order to create a relationship of mutual trust.

5.3 Financial Risk

The financial risks facing Axzon are primarily related to the interest rate and currency. Debtor risk is also a risk, however with a more limited impact.
Interest rate SWAPS are not used.

Loans are taken primarily with a variable return meaning that the interest rates are at the same level as the market. Fixed rate loans are occasionally used for construction investments if profitable and expedient.

Currency risks is minimized by coordinating payments to the extent it is possible. Devaluation risk in the countries of operation is not mitigated as Axzon's products are mainly internationally valued commodities and therefore the impact of devaluation is mostly accounting related. In the long run sale and purchase prices will adjust to the global market thereby compensating for the gained losses.

5.4 ERM initiatives 2015

In 2015, the Axzon Group decided to apply a more structured approach to Enterprise Risk Management (ERM) by introducing a web-based online ERM tool allowing each subsidiary in the Group to identify and assess the risks facing them, set up mitigation plans, follow up on these plans and appoint responsible persons for this. In 2015 the implementation of this framework has been work in progress and the system is expected to be fully operative during Q1 2016. The ERM input from the subsidiaries will be consolidated on group level, forming a Group ERM database which is to be updated and presented to the Axzon Audit Committee on a regular basis.

5.5 Subsequent events

After the status date, there has been no significant changes in the political situation in Russia and Ukraine, which means that we still expect a volatile and turbulent market and economic situation in those countries.

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6.0 CSR

CSR has been a focus area for Axzon A/S since the founding of the company in 2010, and before that, when the Group consisted of individual production companies in Poland and Ukraine, Axzon also took pride in “doing things the right way”. Sustainability was and remains a key word and the aim is always to try to act in a responsible, sustainable manner – with regard to the environment, animals, the communities where Axzon operates, live and work, employees, competitors etc.

A year has passed since Axzon launched its first new-format CSR report in 2015. During that short time and despite adverse business conditions in all three countries of operation Axzon has increased the herd by 10.000 sows and the number of employees by 119. Needless to say, expanding during hard times takes its toll on both capital and people, but keeping up the high standards in everything has been a key point for Axzon. This goes for the CSR activity as well and there is already good progress on most of the KPIs that set in 2014.

In 2015, Axzon has implemented a new system of internal audit regarding animal welfare, and Axzon sustains zero welfare-related penalties from authorities, use less water, less fuel for the machinery and renewed focus on labor safety has been implemented, which has paid off with a substantial reduction of accidents and days away from work. The slaughterhouse, Prime Food, has been focusing on quality and food safety causing the number of recalls to decrease radically, and Axzon’s employee turnover has decreased despite the expansion and the many new hiring’s. Axzon has donated more than ever before to local communities, showing employees, neighbors and local authorities that Axzon is committed to being a positive contributor to the local area.

From an organizational point of view, Axzon has enhanced the CSR department by appointing a number of specialists in each field measured, which will ensure that Axzon keeps focus on improving the CSR KPIs during the year. In other words, making sure that CSR is a part of how Axzon thinks and act in every aspect of the business. The Axzon 2015 CSR Report can be downloaded by following this link:
www.axzon.eu/images/PDF/csrfinancialstatements2015.pdf

7.0 Expectations for the future

In the past year Axzon has proven that the group is able to produce remarkable results, even under the most difficult external circumstances.

The company expects to continue to increase both scale and efficiency in the production, as well as reducing unit costs in 2016.

The prices on agricultural products runs in cycles. Therefore, Axzon expects an upward trend in pig prices in the years to come. As for 2016, however, the profitability level in the pig production, especially in the beginning of the year will continue to be low, but is expected to start the upward trend in the last part of the year. This expectation is supported by prognosis for the production in Europe, where the herds are decreasing in most countries, and a lot of producers are facing bankruptcy.

Review

7.0 Expectations for the future (continued)

In 2016 the company will reach full production in Russia. Taking this into account, the sales of pigs is expected to reach 1,25 million in 2016.

The turnover for 2016 is expected to be approximately 1.5bn DKK, with an EBITDA percent of 20+ and a net result of approximately 10% of the turnover. Changes in the exchange rates must be added/subtracted.

Other than the slowly rising pig prices, the above-mentioned expectations are based on improved conditions for the biogas production in Poland and Ukraine, as well as a reasonable competition in the slaughter business as well as nearly unchanged.

AXZON

Consolidated Income Statement
1 January - 31 December

	Note	2015	Restated 2014
		DKK '000	DKK '000
Revenue	7	1.275.255	1.208.899
Gains/losses on changes in the fair value of biological assets	8	52.854	95.968
Grants and other income	9	41.903	50.992
Total revenue, fair value adjustments and grants		**1.370.012**	**1.355.859**
Change in inventories of finished goods and consumables, work in progress and agricultural produce		-8.581	-1.732
Cost of raw materials and consumables		890.968	820.017
Other external expenses		22.498	37.833
Gross profit/loss		**465.127**	**499.741**
Staff expenses	10	181.523	157.840
EBITDA		**283.604**	**341.901**
Depreciation and impairment of fixed assets		120.519	101.609
Profit/loss before financial income and expenses		**163.085**	**240.292**
Financial income	11	4.001	3.450
Financial expenses	12	52.263	67.296
Foreign exchange adjustments	13	-69.507	-166.478
Profit/loss before tax		**45.316**	**9.968**
Corporation tax	14	4.163	-13.081
Net profit/loss for the year		**41.153**	**23.049**
Distribution of profit for the year:			
Group shareholders		41.122	21.527
Non-controlling interests		31	1.522
		41.153	**23.049**

Consolidated Statement of Comprehensive Income
1 January - 31 December

	2015	Restated 2014
	DKK '000	DKK '000
Net profit/loss for the year	41.153	23.049
Other comprehensive income		
Exchange adjustments of foreign enterprises	-186.155	-328.365
Revaluation of land buildings, leasehold improvements and plant and machinery	113.568	572.121
Tax effect on revaluation	0	-16.136
Comprehensive income	**-31.434**	**250.669**
Distribution of comprehensive income for the year:		
Group shareholders	-29.986	249.272
Non-controlling interests	-1.448	1.397
	-31.434	**250.669**

AXZON

Consolidated statement of Financial Position

Assets

	Note	31 December 2015	Restated 31 December 2014	Restated 31 December 2013
		DKK '000	DKK '000	DKK '000
Goodwill	15	84.146	95.151	139.766
Intangible assets		**84.146**	**95.151**	**139.766**
Land and buildings		1.380.632	1.328.331	1.039.911
Leasehold improvements		146.140	162.493	218.743
Plant and machinery		463.604	394.133	242.860
Other fixtures and fittings, tools and equipment		135.328	115.136	137.978
Property, plant and equipment in progress		141.039	215.921	234.947
Property, plant and equipment	16	**2.266.743**	**2.216.014**	**1.874.439**
Non-current asset investments	17	4.632	5.214	7.997
Fixed asset investments		**4.632**	**5.214**	**7.997**
Biological assets, basic herd	18	130.650	115.318	93.271
Biological assets		**130.650**	**115.318**	**93.271**
Non-current assets		**2.486.171**	**2.431.697**	**2.115.472**
Biological assets - slaughter pigs	18	170.074	173.258	176.609
Biological assets - crop production	18	53.893	47.410	47.081
Inventories	19	219.089	220.840	225.223
Biological assets and inventories		**443.056**	**441.508**	**448.913**
Trade receivables	20	79.117	56.957	56.814
Receivables from group enterprises		0	4.782	0
Receivables from associates		6.778	6.778	0
Other receivables	20	43.540	57.137	97.382
Prepayments		13.112	18.710	11.137
Receivables		**142.548**	**144.364**	**165.333**
Cash at bank and in hand		**57.082**	**106.090**	**33.704**
Current assets		**642.686**	**691.962**	**647.950**
Assets		**3.128.857**	**3.123.659**	**2.763.422**

AXZON

Consolidated statement of Financial Position

Liabilities and equity

	Note	31 December 2015	Restated 31 December 2014	Restated 31 December 2013
		DKK '000	DKK '000	DKK '000
Share capital	21	531.118	531.118	531.118
Reserve for exchange adjustments		-534.228	-351.829	-29.090
Asset revaluation surplus		634.557	551.853	0
Retained earnings		1.031.657	961.931	933.613
Equity, Group shareholders		**1.663.104**	**1.693.073**	**1.435.641**
Non-controlling interests' share of equity		10.241	11.689	16.437
Equity		**1.673.345**	**1.704.762**	**1.452.078**
Provision for deferred tax	22	5.488	3.473	0
Other provisions	23	1.446	1.295	1.056
Credit institutions	24	393.848	772.054	425.613
Non-current trade payables		1.693	18.104	9.356
Subordinate loan capital	24	130.000	140.000	253.986
Deferred income	25	11.139	12.300	13.120
Long-term liabilities		**543.615**	**947.226**	**703.131**
Credit institutions - ordinary	24	346.622	308.249	471.465
Credit institutions - technical, not binding*	1,24	414.000	0	0
Trade payables		58.282	57.403	66.024
Interest-bearing debt to group enterprise		22.992	36.765	0
Corporation tax		0	185	509
Other provisions	23	5.209	5.911	3.272
Other payables		61.984	60.530	63.186
Deferred income	25	2.808	2.628	3.757
Short-term liabilities		**911.898**	**471.671**	**608.213**
Liabilities		**1.455.512**	**1.418.897**	**1.311.344**
Liabilities and equity		**3.128.857**	**3.123.659**	**2.763.422**

*) Please se note 1.

Consolidated Statement of Changes in Equity
1 January - 31 December

	Share capital	Reserve for exchange adjust-ments	Retained earnings	Asset revaluation surplus	Total	Non-controlling interests	Total equity
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
2014 - Restated							
Equity at 1 January 2014	531.118	-29.090	933.613	0	1.435.641	16.437	1.452.078
Net profit/loss for the year	0	0	22.399	0	22.399	650	23.049
Other comprehensive income	0	-322.739	0	551.854	229.115	605	229.720
Total Comprehensive income for the year	0	-322.739	22.399	551.854	251.514	1.255	252.769
Realisation of revaluation surplus	0	0	0	0	0	0	0
Dividend	0	0	0		0	-239	-239
Sale of subsidiary	0	0	5.920		5.920	-5.764	156
Equity at 31 December 2014	**531.118**	**-351.829**	**961.931**	**551.853**	**1.693.074**	**11.689**	**1.704.763**
2015							
Equity at 1 January 2015	531.118	-351.829	961.931	551.853	1.693.074	11.689	1.704.763
Net profit/loss for the year	0	0	41.122	0	41.122	31	41.153
Other comprehensive income	0	-182.399	0	111.308	-71.091	-1.479	-72.570
Comprehensive income for the year 2015	**0**	**-182.399**	**41.122**	**111.308**	**-29.969**	**-1.448**	**-31.417**
Realisation of revaluation surplus	0	0	28.604	-28.604	0	0	0
Capital contribution	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	0	0
Equity at 31 December 2015	**531.118**	**-534.228**	**1.031.657**	**634.557**	**1.663.105**	**10.241**	**1.673.346**

The amount available for distribution is specified in the Parent Company Statement of Changes in Equity.

AXZON

Consolidated Cash Flow Statement

	Note	2015	Restated 2014
		DKK '000	DKK '000
Net profit/loss for the year		41.153	23.049
Adjustments for non-cash items and interest, etc		216.891	330.059
Change in working capital, including herd		-43.749	-101.252
Cash flows from operating activities before financial income and expenses		214.295	251.856
Interest received		2.458	3.450
Interest paid		-54.668	-50.866
Cash flows before tax		162.085	204.440
Corporation tax paid		-560	-20
Cash flows from operating activities		**161.525**	**204.420**
Fixed asset investments made		-79	-4.234
Purchase of property, plant and equipment		-258.419	-263.736
Purchase of intangible assets		-45	0
Sale of fixed asset investments		101	4.634
Sale of property, plant and equipment		4.711	9.761
Cash flows from investing activities		**-253.732**	**-253.575**
Raising of loans from credit institutions		316.984	431.793
Repayment of debt to credit institutions		-248.613	-205.433
Change in balances with ultimate parent		-2.226	-105.389
Capital contribution		0	156
Dividend		0	-239
Cash flows from financing activities		**66.145**	**120.888**
Change in cash and cash equivalents		**-26.062**	**71.733**
Cash and cash equivalents at 1 January		106.090	33.704
Exchange adjustment, beginning, cash and cash equivalents		-22.946	653
Cash and cash equivalents at 31 December		**57.082**	**106.090**

Cash and cash equivalents include cash at bank and in hand.

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Notes to the financial statements

Contents of Notes to the financial statement:

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Notes to the financial statements

1 Going Concern and classification of debt to credit institutions

As at 31 December 2015, the Group had DKK 1,154 million of borrowings from credit institutions. As at 31 December 2015 the Group was in breach of certain financial covenants under a number of bank loans totalling DKK 505 mio. mostly due to sharp devaluation of the currency in Russia and Ukraine and pig price development end of 2015. Prior to the reporting date, the Group started discussions with banks about waivers of rights to require compliance with the expected breached covenants. The Group did not receive waivers before 31 December 2015, because it was not possible. Shortly thereafter they received the waivers based on a draft audit report. According to rules of IFRS, the management classified the related whole loan amount of DKK 505 mio. as short term debt. Waivers received after period-end for loan totalling DKK 414 mio. are according to IFRS regulations considered non-adjusting events and therefore, cannot lead to reclassification of the loans back from short-term debt to long-term debt as at 31 December 2015, in spite of the fact that the Banks according to the Loan Agreements was never in a position to legally require the loans paid back.

Based on the waivers received in 2016 management concludes that it is appropriate to prepare the consolidated financial statements on the going concern basis.

The below Statement of Financial Position shows the real position of long term debt and short term debt according to loan agreements with banks reflecting the fact that waivers were already received before approval of the annual report for 2015. This states the financial position of equity and liabilities, as if the Group did not have to reclassify long-term debt in amounts DKK 414 mio. to short-term debt according to IFRS rules.

	31 December 2015	Restated 31 December 2014	Restated 31 December 2013
	DKK '000	DKK '000	DKK '000
Equity	**1.673.345**	**1.704.762**	**1.452.078**
Credit institutions	807.848	772.054	425.613
Other long-term liabilities	149.767	175.172	277.518
Long-term liabilities	**957.615**	**947.226**	**703.131**
Credit institutions	346.622	308.249	471.465
Other short-term liabilities	151.276	163.422	136.748
Short-term liabilities	**497.898**	**471.671**	**608.213**
Liabilities	**1.455.512**	**1.418.897**	**1.311.344**
Liabilities and equity	**3.128.857**	**3.123.659**	**2.763.422**

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Notes to the financial statements

2 Business and background

Axzon is a Pig producing company producing on sustainable and environmental friendly principles. The basis for the production is a Sow herd on 44.122 with 50% in Poland, 32% in Ukraine and 18% in Russia. The sales herd is on around 600k pigs with a yearly sale of around 1,2m pigs.

To secure environmental balance Axzon cultivates 27k HA of land with different sorts of grains, oil crops and silage. The level of self-sufficiency with crops for the feed production is smaller in Poland, on level in Russian and larger in Ukraine.

Further to reduce the environmental impact several biogas plants has been built in connection to the pig farms, and the company has now a total production capacity on 62m kwh. 85% of the capacity is placed in Poland, the rest in Ukraine.

In Poland Axzon has a slaughterhouse with a yearly slaughter capacity on 600k pigs. The main products are processed meat and fresh meat in MAP packages. Besides these products, about 46 % of the meat is sold as deboned meat.

In combination with a small production of cattle and milk in Poland and Ukraine, Axzon is an agricultural enterprise, with both primary agricultural production as well as fully integrated production of meat from "field to fork".

3 Basis for preparation

Basis of preparation
The consolidated financial statements of Axzon 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 consolidated financial statements have been prepared under the historical cost convention, except for revaluation of biological assets, available-for-sale financial assets and financial assets at fair value through profit or loss and certain classes of property, plant and equipment measured at fair value.

The reporting period of these financial statements follows the calendar year. The annual report for 2015 is presented in DKK 1,000.

The preparation of financial statements under IFRS involves certain critical accounting estimates. This moreover means that Management has to make certain estimates in relation to the application of Group accounting policies. Areas which involve a high degree of estimate or complexity, or in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

Consolidated Financial Statements

Notes to the financial statements

3 Basis for preparation

New accounting standards and interpretations
Accounting standards adopted by the IASB and the EU as well as related amendments and interpretations which became effective for the financial year 2015 have been implemented. The implementation of such amendments to standards and interpretations has had no effect on recognition, measurement, cash flows and presentation.

Standards issued
Standards and amendments issued by IASB with effective date after 31 December 2015, or not adopted by the EU and therefore not implemented, that are relevant to the Group, comprise:

- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 1: Disclosure Initiative
- IAS 27 - Consolidated and separate financial statements
- IFRS 9, Financial Instruments (issued July 2014)
- IFRS 15, Revenue
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception.
- IFRS 16, Leasing

Implementation of these will lead to further specifications in the notes and reclassifications but no material changes in recognition and measurement. The Group intends to adopt these standards, if applicable, when they become effective.

Consolidated financial statements
The consolidated financial statements comprise the parent company, Axzon A/S, and group enterprises in which the parent company holds more than 50% of the share capital or otherwise exercises control.

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the group enterprises by means of an aggregation of accounting items of a uniform nature, and elimination is made of intra-group income and expenses, intra-group balances as well as gains and losses on transactions between the consolidated enterprises. The results of foreign group enterprises are translated into Danish kroner at average exchange rates. The balance sheet is translated into Danish kroner at the exchange rates at the balance sheet date. Exchange adjustments in this connection are recognised in comprehensive income.

The purchase method is used for the acquisition of subsidiaries. The remuneration for the acquisition of assets, liabilities and contingent liabilities is initially measured at fair value at the time of acquisition. Identifiable intangible assets are recognised if they can be separated and the fair value can be measured reliably. Deferred tax on revaluations made is recognised. Any remaining positive differences between cost and the fair value of assets, liabilities and contingent liabilities acquired are recognised in intangible assets in the balance sheet as goodwill. Goodwill is not amortised but is tested for impairment on an annual basis. Enterprises acquired are recognised in the consolidated financial statements as from the date of obtaining control, whereas enterprises sold are recognised up until the date of surrender of control. Intra-group acquisitions of subsidiaries are made under the pooling of interests method.

Gains and losses on the sale of subsidiaries and associates are calculated as the difference between the sales price less costs to sell and the carrying amount of net assets with addition of goodwill and accumulated exchange adjustments recognised in equity at the time of sale.

On acquisition of non-controlling interests, the difference between the remuneration paid and the relevant acquired share of the carrying amount of the net assets of the subsidiaries is recognised in equity. Gains or losses on the sale on non-controlling interests are also recognised in equity.

Consolidated Financial Statements

Notes to the financial statements

4 Accounting policies

The Group has decided to change accounting policy in regard of Ukrainian VAT (government grant), and now the excess of VAT liability over VAT receivable are accounted for as government grant.

Furthermore the Group has corrected misinterpretation of accounting for currency gain/losses when translating subsidiaries to Group presentation currency.

Description and restatements of 2014 are shown in note 6.

Besides change mentioned above, the accounting policies adopted are consistent with those of the previous financial year, as amendments to IFRS effective at 1 January 2015 have not initiated any changes.

The most significant accounting policies applied in connection with the preparation of these financial statements are described below.

Foreign currencies
The items recognised in the financial statements of each of the group enterprises are measured at the functional currency used in the primary economic environment in which the individual enterprise operates. The functional currencies of the group enterprises are the following: Ukrainian hryvna for the Ukrainian subsidiary; Polish zloty for Polish subsidiaries; Russian roubles for the Russian subsidiary; Danish kroner for the Danish subsidiary and the parent company in Denmark. The consolidated financial statements are presented in Danish kroner, which is the functional currency of the parent company and the presentation currency of the Group.

On initial recognition, transactions in foreign currencies are translated at the exchange rates at the date of transaction. Exchange differences arising between the transaction date rates and the rates at the date of payment are recognised in the income statement as financial income and expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the exchange rates at the date at which the receivable or the payable arose or was recognised in the most recent financial statements, are recognised in the income statement as financial income and expenses.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale

Balance sheet items including goodwill relating to consolidated enterprises that do not have DKK as their functional currency are translated into DKK based on the exchange rates at the balance sheet date, whereas the income statements of these enterprises are translated at average rates of exchange. Exchange adjustments arising on the translation of the opening equity at the exchange rates at the balance sheet date and net profit/loss for the year at the exchange rates at the balance sheet are recognised in other comprehensive income over equity under a separate reserve for exchange adjustments.

The Group used the following exchange rates for the translation into Danish kroner at 31 December 2015:

PLN: Balance sheet items 2015: 1.76 (31 December 2014: 1.7269)
Income statement 2015: exchange rate: 1.7827 (income statement 2014: exchange rate 1.7814)
UAH: Balance sheet items 2015: 0.28458 (31 December 2014: 0.3865)
Income statement 2015: exchange rate: 0.30714 (income statement 2014: exchange rate 0.4822)
RUB: Balance sheet items 2015: 0.09364 (31 December 2014: 0.1077)
Income statement 2015: exchange rate: 0.10968 (income statement 2014: exchange rate 0.1448)

Consolidated Financial Statements

Notes to the financial statements

4 Accounting policies (continued)

Income statement

Revenue and method of revenue recognition
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:
The Group primarily sells pigs for slaughterhouses. Revenue from the sales of pigs is recognised when delivery has taken place.

Sales of finished goods and consumables from slaughterhouses:
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.

Gains/losses on changes in the fair value of biological assets
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.

Grants
Unconditional grants relating to a 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.

Ukrainian agricultural VAT
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.

Changes in inventories of finished goods and consumables, work in progress and agricultural produce
Changes in inventories of finished goods and consumables, work in progress and agricultural produce regulate the expenses that are grouped by nature and capitalised under inventories in the balance sheet.

Consolidated Financial Statements

Notes to the financial statements

4 Accounting policies (continued)

Depreciation and impairment losses
Depreciation and impairment losses include depreciation and impairment write-down of property, plant and equipment. Depreciation capitalised in connection with the construction of property, plant and equipment is set off against depreciation in the income statement.

Financial income and expenses
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.

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.

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

Statement of comprehensive income
The statement of comprehensive income is presented in two statements: The income statement and the statement of comprehensive income. The statement of comprehensive income shows the profit/loss for the year and other comprehensive income. Other comprehensive income comprises foreign exchange rate adjustments and fair value changes to other equity interests.

Balance sheet

Goodwill
Goodwill is recognised at cost less any impairment losses. Goodwill are not amortised but are subject to an annual impairment test. Assets that are amortised are tested for impairment where an event or changes in other circumstances indicate that the carrying amount is too high. 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 cash-generating units is calculated. Non-financial assets other than goodwill for which impairment losses have been recognised are reviewed on an annual basis to determine whether there is reason for reversal of the impairment loss at the balance sheet date.

Consolidated Financial Statements

Notes to the financial statements

4 Accounting policies (continued)

Property, plant and equipment
Other fixtures and fittings, tools and equipment and property plant and equipment in progress are measured at cost less accumulated depreciation. Cost comprises the cost of acquisition and expenses directly related to the acquisition and costs for set up. In case of assets of own construction, cost comprises direct and directly attributable costs of labour, materials, components and sub-suppliers.

The categories land and buildings, leasehold improvements and plant and machinery are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Financial expenses directly attributable to purchases, construction or production of a qualifying asset are included as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group uses the local, effective rate of interest on credit for construction and overdraft facilities for the calculation of expenses for capitalisation.

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

The carrying amount of property, plant and equipment is reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by fair-value or 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.

Consolidated Financial Statements

Notes to the financial statements

4 Accounting policies (continued)

Non-current asset investments
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.

Biological assets
Agricultural activity is defined by Management as an activity in which biological transformation of biological assets for sale into agricultural produce or another biological asset takes place. Agricultural produce is defined as a harvested product of the Group's biological assets, and a biological asset is defined as living animals or crops. The Group has assessed that its biological assets consist of basic herds of gilts, sows and boars, sales herd of slaughter pigs and unharvested crops.

On initial recognition and at subsequent reporting dates, biological assets are measured at fair value less estimated costs to sell unless fair value cannot be reliably measured on initial recognition.

Gains or losses on initial recognition of a biological asset measured at fair value less estimated costs to sell, and subsequent changes in the fair value less estimated costs to sell relating to the biological asset, are recognised in the income statement in the item "Gains/losses on changes in the fair value of biological assets" in the period in which the gain or loss arises.

Biological assets are recognised as current or non-current biological assets depending on the production cycle of the biological asset concerned. Generally, biological assets relating to slaughter pigs and cropping are recognised as current assets. Basic herds of gilts, sows and boars are recognised as non–current assets.

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.

Commercial herd is measured based on the average price in the month prior to the valuation.

Costs of pig production, including feed, veterinary expenses, wages and salaries, etc., are recognised as costs when incurred. Costs to purchase pigs are recognised in biological assets.

Cost is used as the fair value of crop production when no significant biological transformation has taken place since the cost was incurred, i.e. shortly after the sowing of the crop. Cost comprises expenses directly related to the biological transformation of biological assets, such as expenses for seed corn, fertilizer, soil preparation, wages and salaries to employees directly involved in the production process, fuel and energy, etc.

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Consolidated Financial Statements

Notes to the financial statements

4 Accounting policies (continued)

Inventories
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 goods for resale, raw materials and consumables equals landed cost.

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.

Receivables
Receivables are recognised in the balance sheet at amortised cost, which in all material respects corresponds to nominal value. Provisions are made for bad debts.

Provisions
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 contribution-based redundancy schemes for which the Group has no further obligations once the contribution has been paid.

Equity
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.

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.

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Notes to the financial statements

4 Accounting policies (continued)

Debt
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.

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

Leases
Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other non-current assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payment is charged over the lease term to the income statement.

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

Cash flow statement

Cash flows from operating activities are presented as the net profit/loss for the year adjusted for changes in operating capital and non-cash operating items such as depreciation, amortisation, impairment losses and provisions. The operating capital comprises current assets less short-term debt exclusive of the items included in cash and cash equivalents.

Cash flows from investing activity
Cash flows from investing activities comprise cash flows from acquisition and sale of intangible assets, property, plant and equipment and non-current asset investments.

Cash flows from financing activity
Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt and payments to and from shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise the item "Cash at bank and in hand" under current assets.

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Consolidated Financial Statements

Notes to the financial statements

5 Significant accounting estimates and assessments in accounting policies

Revaluation of fair value of property, plant and equipment
The Groups land and buildings, leasehold improvements and plant and machinery are revalued at fair value.

All revaluations of land and buildings, leasehold improvements and plant and machinery was performed first time at 31. December 2014 due to the change in accounting policy in annual report 2014. Revaluations of property, plant and equipment are recognized in fair-value hierarchy Level 3

Revaluations are carried out with sufficient regularity to ensure the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period. In 2015 Group decided to reevaluate land and buildings, leasehold improvements and plant and machinery in Ukraine and Russia due to high devaluation. No significant changes in fair value in Russia according to valuation and no revaluation amounts booked for Russia. Latest valuation in Poland was carried out end of 2014 as no significant price changes has taken place in Poland during 2015.

The total fair value of land and buildings, leasehold improvements and plant and machinery amounted to DKK 1.996 million at 31 December 2015 (DKK 1.890 million at 31 December 2014)

Fair value of biological assets
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 in December on the local existing market.

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.

For crops sown in the autumn, the Group estimates that 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 recognised at a total of DKK 355 million at 31 December 2015 (DKK 336 million at 31 December 2014).

Useful lives of property, plant and equipment
The Group determines the useful lives of property, plant and equipment on the basis of knowledge of the trade and expected economic life, which is reassessed on an annual basis.

Property, plant and equipment were recognised at a total of DKK 2.272 million at 31 December2015 (DKK 2.223 million at 31 December 2014).

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Notes to the financial statements

6 Restatement

a) Change in accounting policy with respect to the Ukrainian privileged VAT regime

According to Ukrainian Tax Code, companies that generate not less than 75% of revenues for the previous tax year from sales of own agricultural products ("agricultural companies") enjoy a privileged VAT regime. The difference between VAT generated on sales and VAT paid on purchases is not remitted to the state as it is required for other taxpayers, but kept for financing the company's agricultural activities. In the previous years the Company's policy was to treat the special VAT regime as VAT exemption and thus, the Company recognized balance items, revenues and purchases on a gross basis, i.e. including VAT.

The Group annual report for 2014 had qualified audit opinion regarding interpretation of accounting for Ukrainian privileged VAT regime, and to ensure no qualification in audit opinion forward, the Group decided to change accounting policy and now the excess of VAT liability over VAT receivable is accounted for as government grant. VAT government grant is recognised within other operating income on the date when the Company uses funds from special VAT Regime.

The new accounting policy is aligned with the prevalent practice in the industry. Therefore, the Company believes that the new accounting policy provides the users of the financial statements with more relevant information, which is comparable to other market players. The Company applied the grant accounting policy for all transactions retrospectively.

The change in accounting policy had significant effect on a number of the financial statement lines. The reasons for the most significant effects are provided further. Inventories were impacted because inventories which were purchased by the Company and which were not measured at fair value were accounted with VAT. In particular, it relates to raw materials and consumables and investments into future crops. For inventories, which were measured at fair value at balance sheet date or at harvest date (agricultural produce, pigs, cattle and crops) and fixed assets, change in accounting policy had an effect on result from remeasurement to fair value. The excess of VAT liability over VAT receivable as at balance sheet date is accounted for as government grant within other current liabilities.

The Company made a respective restatement in the corresponding figures for the year ended 31 December 2014 and 2013 and financial highlights for the Group 2011 and 2012.

b) Correction in translation into presentation currency and exchange differences arising from the translation of net investment in foreign entities

The Group has corrected misinterpretation in the use of average exchange rate in translating currency gain/losses into group presentation currency. The effect on profit and loss for 2014 is DKK -36.7 million and corresponding effect in other comprehensive income. Net effect for other comprehensive income and equity end of 2014 is zero.

The Group has recalculated exchange adjustments arising from the translation of net investment in foreign entities, and the effect on profit and loss for 2014 is DKK +32.8 million and corresponding effect in other comprehensive income. Net effect for other comprehensive income equity end of 2014 is zero.

The Company made a respective restatement in the figures for the year ended 31 December 2014.

c) Correction in note Property, plant and equipment (PPE) for 2014

The Group has corrected note PPE for 2014 in regard of elimination depreciation against the gross carrying amount of the revalued asset according to IAS 16.35b. Only effects gross value of PPE in note 2014.

Consolidated Financial Statements

Notes to the financial statements

6 Restatement (continued)

Consolidated Income Statement - Restated

1 January - 31 December 2014

	As previously reported 2014	Effect of restatement a)	Effect of restatement b)	As restated 2014
	DKK '000	DKK '000	DKK '000	DKK '000
Revenue	1.270.799	-61.900	0	1.208.899
Gains/losses on changes in the fair value of biological assets	106.368	-10.400	0	95.968
Grants and other income	36.692	14.300	0	50.992
Total revenue, fair value adjustments and grants	**1.413.859**	**-58.000**	**0**	**1.355.859**
Change in inventories of finished goods and consumables, work in progress and agricultural produce	-832	-900	0	-1.732
Cost of raw materials and consumables	856.517	-36.500	0	820.017
Other external expenses	38.233	-400	0	37.833
Gross profit/loss	**519.941**	**-20.200**	**0**	**499.741**
Staff expenses	157.840	0	0	157.840
EBITDA	**362.101**	**-20.200**	**0**	**341.901**
Depreciation and impairment of fixed assets	102.009	-400	0	101.609
Profit/loss before financial income and expenses	**260.092**	**-19.800**	**0**	**240.292**
Financial income	3.450	0	0	3.450
Financial expenses	67.296	0	0	67.296
Foreign exchange adjustments	-162.578	0	-3.900	-166.478
Profit/loss before tax	**33.668**	**-19.800**	**-3.900**	**9.968**
Corporation tax	-13.081	0	0	-13.081
Net profit/loss for the year	**46.749**	**-19.800**	**-3.900**	**23.049**
Distribution of profit for the year:				
Group shareholders	45.227	-19.404	-3.424	22.399
Non-controlling interests	1.522	-396	-476	650
	46.749	**-19.800**	**-3.900**	**23.049**

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Consolidated Financial Statements

Notes to the financial statements

5 Restatement (continued)

Consolidated Statement of Comprehensive Income - Restated
1 January - 31 December 2014

	As previously reported 2014	Effect of restatement a)	Effect of restatement b)	As restated 2014
	DKK '000	DKK '000	DKK '000	DKK '000
Net profit/loss for the year	46.749	-19.800	-3.900	23.049
Other comprehensive income				
Exchange adjustments of foreign enterprises	-368.165	35.900	3.900	-328.365
Revaluation of land buildings, leasehold improvements and plant and machinery	543.521	28.600	0	572.121
Tax effect on revaluation	-16.136	0	0	-16.136
Comprehensive income	**205.969**	**44.700**	**0**	**250.669**
Distribution of comprehensive income for the year:				
Group shareholders	205.942	43.806	-476	249.272
Non-controlling interests	27	894	476	1.397
	205.969	**44.700**	**0**	**250.669**

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Consolidated Financial Statements

Notes to the financial statements

6 Restatement (continued)

Consolidated statement of Financial Position as at 31 December 2014 - Restated

Assets	As previously reported 2014	Effect of restatement a)	Effect of restatement b)	As restated 2014
	DKK '000	DKK '000	DKK '000	DKK '000
Goodwill	95.151	0	0	95.151
Intangible assets	**95.151**	**0**	**0**	**95.151**
Land and buildings	1.385.231	-56.900	0	1.328.331
Leasehold improvements	162.493	0	0	162.493
Plant and machinery	343.333	50.800	0	394.133
Other fixtures and fittings, tools and equipment	119.636	-4.500	0	115.136
Property, plant and equipment in progress	217.021	-1.100	0	215.921
Property, plant and equipment	**2.227.714**	**-11.700**	**0**	**2.216.014**
Current asset investments	5.214	0	0	5.214
Fixed asset investments	**5.214**	**0**	**0**	**5.214**
Biological assets, basic herd	115.718	-400	0	115.318
Biological assets	**115.718**	**-400**	**0**	**115.318**
Non-current assets	**2.443.797**	**-12.100**	**0**	**2.431.697**
Biological assets - slaughter pigs	181.658	-8.400	0	173.258
Biological assets - crop production	49.810	-2.400	0	47.410
Inventories	228.540	-7.700	0	220.840
Biological assets and inventories	**460.008**	**-18.500**	**0**	**441.508**
Trade receivables	56.957	0	0	56.957
Receivables from group enterprises	4.782	0	0	4.782
Receivables from associates	6.778	0	0	6.778
Other receivables	57.138	0	0	57.138
Prepayments	18.710	0	0	18.710
Receivables	**144.364**	**0**	**0**	**144.365**
Cash at bank and in hand	**106.090**	0	0	**106.090**
Current assets	**710.462**	**-18.500**	**0**	**691.963**
Assets	**3.154.260**	**-30.600**	**0**	**3.123.660**

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Consolidated Financial Statements

Notes to the financial statements

6 Restatement (continued)

Consolidated statement of Financial Position as at 31 December 2014 - Restated

Liabilities and equity	As previously reported 2014	Effect of restatement a)	Effect of restatement b)	As restated 2014
	DKK '000	DKK '000	DKK '000	DKK '000
Share capital	531.118	0	0	531.118
Reserve for exchange adjustments	-391.629	0	0	-391.629
Asset revaluation surplus	523.254	20.600	0	543.854
Retained earnings	1.062.999	-53.268	0	1.009.731
Equity, Group shareholders	**1.725.742**	**-32.668**	**0**	**1.693.074**
Non-controlling interests' share of equity	11.921	-232	0	11.689
Equity	**1.737.663**	**-32.900**	**0**	**1.704.763**
Provision for deferred tax	3.473	0	0	3.473
Other provisions	1.295	0	0	1.295
Credit institutions	772.054	0	0	772.054
Non-current trade payables	18.104	0	0	18.104
Subordinate loan capital	140.000	0	0	140.000
Deferred income	12.300	0	0	12.300
Long-term liabilities	**947.226**	**0**	**0**	**947.226**
Credit institutions	308.249	0	0	308.249
Trade payables	57.403	0	0	57.403
Interest-bearing debt to group enterprise	36.765	0	0	36.765
Corporation tax	185	0	0	185
Other provisions	5.911	0	0	5.911
Other payables	58.230	2.300	0	60.530
Deferred income	2.628	0	0	2.628
Short-term liabilities	**469.371**	**2.300**	**0**	**471.671**
Liabilities	**1.416.597**	**2.300**	**0**	**1.418.897**
Liabilities and equity	**3.154.260**	**-30.600**	**0**	**3.123.660**

Consolidated Financial Statements

Notes to the financial statements

6 Restatement (continued)

Consolidated statement of Financial Position as at 31 December 2013 - Restated

Assets	As previously reported 2013	Effect of restatement a)	Effect of restatement b)	As restated 2013
	DKK '000	DKK '000	DKK '000	DKK '000
Goodwill	139.766	0	0	139.766
Intangible assets	**139.766**	**0**	**0**	**139.766**
Land and buildings	1.099.611		0	1.039.911
Leasehold improvements	218.743		0	218.743
Plant and machinery	242.860	-59.700	0	242.860
Other fixtures and fittings, tools and equipment	137.978		0	137.978
Property, plant and equipment in progress	234.947		0	234.947
Property, plant and equipment	**1.934.139**	**-59.700**	**0**	**1.874.439**
Current asset investments	7.997	0	0	7.997
Fixed asset investments	**7.997**	**0**	**0**	**7.997**
Biological assets, basic herd	93.471	-200	0	93.271
Biological assets	**93.471**	**-200**	**0**	**93.271**
Non-current assets	**2.175.373**	**-59.900**	**0**	**2.115.473**
Biological assets - slaughter pigs	184.309	-7.700	0	176.609
Biological assets - crop production	49.781	-2.700	0	47.081
Inventories	234.623	-9.400	0	225.223
Biological assets and inventories	**468.713**	**-19.800**	**0**	**448.913**
Trade receivables	56.814	0	0	56.814
Receivables from group enterprises	0	0	0	0
Receivables from associates	0	0	0	0
Other receivables	97.382	0	0	97.382
Prepayments	11.137	0	0	11.137
Receivables	**165.334**	**0**	**0**	**165.333**
Cash at bank and in hand	**33.704**	0	0	**33.704**
Current assets	**667.750**	**-19.800**	**0**	**647.950**
Assets	**2.843.124**	**-79.700**	**0**	**2.763.423**

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Consolidated Financial Statements

Notes to the financial statements

6 Restatement (continued)

Consolidated statement of Financial Position as at 31 December 2013 - Restated

Liabilities and equity	As previously reported 2013	Effect of restatement a)	Effect of restatement b)	As restated 2013
	DKK '000	DKK '000	DKK '000	DKK '000
Share capital	531.118	0	0	531.118
Reserve for exchange adjustments	-29.090	0	0	-29.090
Asset revaluation surplus		0	0	0
Retained earnings	1.011.853	-78.240	0	933.613
Equity, Group shareholders	**1.513.881**	**-78.240**	**0**	**1.435.641**
Non-controlling interests' share of equity	17.897	-1.460	0	16.437
Equity	**1.531.778**	**-79.700**	**0**	**1.452.078**
Provision for deferred tax	0	0	0	0
Other provisions	1.056	0	0	1.056
Credit institutions	425.613	0	0	425.613
Non-current trade payables	9.356	0	0	9.356
Subordinate loan capital	253.986	0	0	253.986
Deferred income	13.120	0	0	13.120
Long-term liabilities	**703.131**	**0**	**0**	**703.131**
Credit institutions	471.465	0	0	471.465
Trade payables	66.024	0	0	66.024
Interest-bearing debt to group enterprise	0	0	0	0
Corporation tax	509	0	0	509
Other provisions	3.272	0	0	3.272
Other payables	63.187	0	0	63.187
Deferred income	3.757	0	0	3.757
Short-term liabilities	**608.216**	**0**	**0**	**608.214**
Liabilities	**1.311.346**	**0**	**0**	**1.311.345**
Liabilities and equity	**2.843.124**	**-79.700**	**0**	**2.763.423**

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Consolidated Financial Statements

Notes to the financial statements

6 Restatement (continued)

Consolidated Cash Flow Statement 1 January - 31 December 2014 - Restated

	As previously reported 2014	Effect of restatement a)	Effect of restatement b)	As restated 2014
	DKK '000	DKK '000	DKK '000	DKK '000
Net profit/loss for the year	46.749	-19.800	-3.900	23.049
Adjustments for non-cash items and interest,	330.459	-400	0	330.059
Change in working capital, including herd	-114.678	13.426	0	-101.252
Cash flows from operating activities before financial income and expenses	262.530	-6.774	-3.900	251.856
Interest received	3.450	0	0	3.450
Interest paid	-54.766	0	3.900	-50.866
Cash flows before tax	211.214	-6.774	0	204.440
Corporation tax paid	-20	0	0	-20
Cash flows from operating activities	**211.194**	**-6.774**	**0**	**204.420**
Fixed asset investments made	-4.234	0	0	-4.234
Purchase of property, plant and equipment	-270.510	6.774	0	-263.736
Purchase of intangible assets	0	0	0	0
Sale of fixed asset investments	4.634	0	0	4.634
Sale of property, plant and equipment	9.761	0	0	9.761
Cash flows from investing activities	**-260.349**	**6.774**	**0**	**-253.575**
Raising of loans from credit institutions	431.793	0	0	431.793
Repayment of debt to credit institutions	-205.433	0	0	-205.433
Capital contribution	-105.389	0	0	-105.389
Capital contribution	156	0	0	156
Dividend	-239	0	0	-239
Cash flows from financing activities	**120.888**	**0**	**0**	**120.888**
Change in cash and cash equivalents	**71.733**	**0**	**0**	**71.733**
Cash and cash equivalents at 1 January	33.704	0	0	33.704
Exchange adjustment, beginning, cash and cash equivalents	653	0	0	653
Cash and cash equivalents at 31 Decembe	**106.090**	**0**	**0**	**106.090**

Notes to the Consolidated Financial Statements

		2015	2014
		DKK '000	DKK '000
7	**Revenue**		
	Business areas		
	Pig production	901.795	927.512
	Crop production	83.470	73.308
	Biogas	29.257	39.049
	Slaughterhouse	714.427	690.893
	Other	21.845	28.826
		1.750.794	1.759.588
	Intra-group trade between the business areas	-475.539	-550.689
		1.275.255	**1.208.899**

Revenue solely relates to the sale of goods.

		2015	2014
8	**Gains/losses on changes in the fair value of biological assets**		
	Current biological assets		
	Slaughter pigs	17.164	40.141
	Crop production	5.988	9.863
	Non-current biological assets		
	Basic herd	29.702	45.964
		52.854	**95.968**
9	**Grants and other income**		
	EU hectare support	10.833	21.311
	Investment grants	0	0
	Biogas	1.251	1.250
	Government grants etc	0	1.160
	Ukrainian VAT grant	12.099	14.300
	Other income	17.720	12.971
		41.903	**50.992**

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Notes to the Consolidated Financial Statements

		2015	2014
		DKK '000	DKK '000
10	**Staff costs**		
	Wages and salaries	165.359	144.570
	Pensions	322	256
	Other social security expenses	21.508	22.211
	Total staff expenses for the year	187.189	167.037
	Wages and salaries capitalised under non-current assets	-5.666	-9.197
	Staff expenses recognised in the income statement	**181.523**	**157.840**
	Remuneration to the Executive Board	3.200	3.270
	Remuneration to the Board of Directors	1.283	1.283
		4.483	**4.553**
	Average number of employees	**2.423**	**2.205**
11	**Financial income**		
	Interest		
	Loans and receivables	2.311	952
	Other financial income		
	Fair value gains	1.690	2.498
		4.001	**3.450**
12	**Financial expenses**		
	Interest		
	Loans and payables	52.263	67.296
		52.263	**67.296**
13	**Foreign exchange adjustments**		
	Loans and payables	69.507	166.478
		69.507	**166.478**

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Notes to the Consolidated Financial Statements

	2015	2014
	DKK '000	DKK '000
14 Tax on profit for the year		
Current tax for the year	369	-18
Deferred tax for the year	3.794	-13.063
	4.163	**-13.081**
Tax on the profit for the year is specified as follows:		
Calculated 23,5% (24,5% in 2014) tax on profit for the year before tax	10.649	2.442
Tax effect of:		
Tax-free profit on agricultural activities abroad	-5.699	-4.560
Adjustment valuation deferred tax	-60	-10.501
Differences in tax rates compared with Denmark	184	-714
Non-taxable income and expenses	-910	252
	4.164	**-13.081**
Effective tax rate for the year	**9%**	**-131%**

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Notes to the Consolidated Financial Statements

15 Intangible assets

	Goodwill
	DKK '000
2014	
Cost at 1 January	139.766
Exchange adjustment at exchange rates at the balance sheet date	-44.615
Cost at 31 December	95.151
Impairment losses at 1 January	0
Impairment losses for the year	0
Impairment losses at 31 December	0
Carrying amount at 31 December 2014	**95.151**
2015	
Cost at 1 January	95.151
Exchange adjustment at exchange rates at the balance sheet date	-11.005
Cost at 31 December	84.146
Impairment losses at 1 January	0
Impairment losses for the year	0
Impairment losses at 31 December	0
Carrying amount at 31 December 2015	**84.146**

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 2015 based on the calculation of value in use. The impairment test was performed through calculation of value in use on the basis of future cash flows based on the budget approved by Management. For Poldanor S.A.discount rates before tax of 7,8% (2014: 7,8%); For Danosha Ltd. .discount rates before tax of 11% (2014: 14%); For Dan-Invest LLP discount rates before tax of 11% (2014: 10,3%). No growth has been recognised after the budget period.

As mentioned in the management report the feed to meat ration has been extraordinary low in 2016. The budgets are made from the expectation that the ratio also are extraordinary low in 2016, but afther that will return to a level that are close to the average for the last 20 years.

CGUs identifield and used for allication of goodwill and also the basis when impairment testing is based on countries as the countries are viewed as the smallest unit that generates identifiable cash flows. This approach has only one exception which is Prime Food and Poldanor. Both entities are located in Poland. The activities are, however, very different in nature, and this Management considers them two separate CGUs. The activity of Primo Food is slaughtering while Poldanor's primary activity is the production of pigs.

The CGUs are Russia, Ukraine, Poldanor Poland and Prime Food Poland.

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Notes to the Consolidated Financial Statements

16 Property, plant and equipment

2014	Land and buildings DKK '000	Leasehold improve-ments etc DKK '000	Total properties DKK '000
Cost or valuation at 1 January	1.162.449	260.616	1.423.065
Exchange adjustment at balance sheet date rates	-206.847	-10.334	-217.181
Additions for the year	45.257	0	45.257
Disposals for the year	-497	-10.357	-10.854
Revaluation adjustment	408.820	0	408.820
Elimination depreciation revaluations	-144.222	-39.884	-184.106
Reclassification/transfer	63.371	-37.548	25.823
Cost or valuation at 31 December	1.328.331	162.493	1.490.824
Depreciation at 1 January	122.538	41.873	164.411
Exchange adjustment at balance sheet date rates	-23.894	-2.017	-25.911
Depreciation for the year	35.625	11.676	47.301
Depreciation of disposals for the year	-221	-1.474	-1.695
Elimination depreciation revaluations	-144.222	-39.884	-184.106
Reclassification/transfer	10.174	-10.174	0
Depreciation at 31 December	0	0	0
Carrying amount at 31 December 2014	**1.328.331**	**162.493**	**1.490.824**
Interest capitalized for the year calculated at an interest rate of between 5% and 15%	7.000	0	
Assets provided as security for debt	1.104.185	7.564	
2015			
Cost or valuation at 1 January	1.328.281	162.493	1.490.774
Exchange adjustment at balance sheet date rates	-116.330	3.115	-113.215
Additions for the year	106.671	0	106.671
Disposals for the year	-3.479	0	-3.479
Revaluation adjustment	29.552	0	29.552
Elimination depreciation revaluations	-10.918	0	-10.918
Reclassification/transfer	75.455	-12.500	62.956
Cost or valuation at 31 December	1.409.232	153.109	1.562.340
Depreciation at 1 January	0	0	0
Exchange adjustment at balance sheet date rates	0	0	0
Depreciation for the year	38.526	9.347	47.873
Depreciation of disposals for the year	-1.744	0	-1.744
Elimination depreciation revaluations	-10.918	0	-10.918
Reclassification/transfer	2.737	-2.380	358
Depreciation at 31 December	28.600	6.969	35.569
Carrying amount at 31 December 2015	**1.380.632**	**146.140**	**1.526.772**
Interest capitalized for the year calculated at an interest rate of between 5% and 15%	985	0	
Assets provided as security for debt	1.125.767	0	

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Notes to the Consolidated Financial Statements

16 Property, plant and equipment (continued)

	Plant and machinery	Other fixtures and fittings, tools and and equipment	Property, plant and equipment in progress
	DKK '000	DKK '000	DKK '000
2014			
Cost or valuation at 1 January	469.772	248.719	234.948
Exchange adjustment at balance sheet date rates	-86.984	-45.973	-66.551
Additions for the year	47.307	28.758	264.831
Disposals for the year	-2.672	-9.129	-13.409
Revaluation adjustment	134.703	0	0
Elimination depreciation revaluations	-220.388	0	0
Reclassification/transfer	52.395	10.240	-203.898
Cost or valuation at 31 December	394.133	232.615	215.921
Depreciation at 1 January	226.912	110.740	0
Exchange adjustment at balance sheet date rates	-26.171	-17.008	0
Depreciation for the year	32.634	29.350	0
Depreciation of disposals for the year	-1.059	-5.603	0
Elimination depreciation revaluations	-220.388	0	0
Reclassification/transfer	-11.928	0	0
Depreciation at 31 December	0	117.479	0
Carrying amount at 31 December 2014	**394.133**	**115.136**	**215.921**
Assets provided as security for debt	185.120	16.374	179.457
2015			
Cost or valuation at 1 January	394.143	233.525	215.961
Exchange adjustment at balance sheet date rates	-50.942	-18.512	-12.252
Additions for the year	50.834	37.194	228.239
Disposals for the year	-1.069	-10.977	-1.625
Revaluation adjustment	82.259	-966	0
Elimination depreciation revaluations	-14.334	0	0
Reclassification/transfer	30.926	31.993	-289.285
Cost or valuation at 31 December	491.818	272.257	141.039
Depreciation at 1 January	0	117.395	0
Exchange adjustment at balance sheet date rates	0	-5.281	0
Depreciation for the year	49.170	27.512	0
Depreciation of disposals for the year	-588	-8.373	0
Elimination depreciation revaluations	-14.334		0
Reclassification/transfer	-6.033	5.675	0
Depreciation at 31 December	28.214	136.928	0
Carrying amount at 31 December 2015	**463.604**	**135.328**	**141.039**
Assets under finance lease amount to		2.930	
Assets provided as security for debt	199.578	18.547	

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Notes to the Consolidated Financial Statements

16 Property, plant and equipment (continued)

Revaluation of land and buildings, leasehold improvements and plant and machinery
Land and buildings, leasehold improvements and plant and machinery are measured at fair value. All of these fair values are placed at level 3 in the fair value hierachy as significant estimates are applied - please refer to disclosure 4 (significant accounting estimates and assessments in accounting policies). The revaluation process is based on qualified independent appraisers, and valuation techniques are market and cost approach. Cost approch only used in cases where there was no possibility to use market approach. The valuation process and results for measuremnet are reviewed and approved by Group Management and Audit Committee at least once every year.

As at 31. December 2015 an independent valuation of the Goups Land and buildings and Plant And machinery in Ukraine and Russia was performed by an independent appraiser. Fair value of the assets were determined using the market comparable approach or the replacement cost approach. No significant changes in fair value in Russia according to valuation and no revaluation amounts booked for Russia. Latest valuation in Poland was carried out end of 2014 as no significant price changes has taken place in Poland during 2015.

	Land and buildings	Plant and machinery	Total
	DKK '000	DKK '000	DKK '000
2014:			
Revaluation - part of cost or valuation	408.820	134.703	543.523
Revaluation - part of depreciation	0	0	0
Revaluation surplus end of year	408.820	134.703	543.523
2015:			
Revaluation - part of cost or valuation	321.779	160.408	482.188
Revaluation - part of depreciation	8.604	20.000	28.604
Revaluation surplus end of year	313.175	140.408	453.584

If land and buildings, leasehold improvements and plant and machinery were measured using cost model, the carrying amounts would be as:

	Land and buildings	Plant and machinery	Total
	DKK '000	DKK '000	DKK '000
2014:			
Net carrying amount without revaluations	976.411	208.630	1.185.041
2015:			
Net carrying amount without revaluations	1.213.596	323.195	1.536.792

In 2015 revaluation surplus of DKK 28,6 mio (2014: 0 mio) was reclassified from revaluation reserve to retained earnings because it was realized through depreciation or disposal of the revalued items of property, plant and equipment,

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		2015	2014
		DKK '000	DKK '000
17	**Non-current investments**		
	Other financial assets	3.632	4.214
	Associates		
	Cost at 1 January	1.000	1.000
	Cost at 31 December	1.000	1.000
	Carrying amount at 31 December	4.632	5.214
	The carrying amounts of investments in assiciates are specified as follows:		
	Sevel slagteri A/S	1.000	1.000
		1.000	1.000

Notes to the Consolidated Financial Statements

18 Biological assets

Herd	Basic herd DKK '000	Slaughter pigs DKK '000	Total herd DKK '000
Carrying amount at 1 January 2014	93.271	176.609	269.880
Movements 2014:			0
Additions from purchases	2.653	9.642	12.295
Additions from production	0	152.463	152.463
Gain on changes in fair value less	38.329	405.375	443.704
Disposals from sales	-33.515	-502.547	-536.062
Transfer between groups	32.785	-32.785	0
Exchange adjustments	-18.205	-35.498	-53.703
Carrying amount at 31 December 2014	**115.318**	**173.258**	**288.577**
Number of pigs:			
Number at 1 January 2014	*38.742*	*361.365*	*400.107*
Additions from production etc	*809*	*8.665*	*9.474*
Additions from purchases	*0*	*1.103.674*	*1.103.674*
Disposals from sales	*-12.973*	*-842.568*	*-855.541*
Transfer between groups	*30.050*	*-30.050*	*0*
Other regulations	*-4.617*	*-181.949*	*-186.566*
Number at 31 December 2014	***52.011***	***419.137***	***471.148***
Movements 2015:			
Additions from purchases	9.840	757	10.597
Additions from production		189.149	189.149
Gain on changes in fair value less estimated costs to sell	8.239	403.870	412.109
Disposals from sales	-39.592	-531.189	-570.781
Transfer between groups	48.195	-48.195	0
Exchange adjustments	-11.350	-17.576	-28.925
Carrying amount at 1 January 2015	**130.650**	**170.074**	**300.726**
Number of pigs:			
Number at 1 January 2015	*52.011*	*419.137*	*471.148*
Additions from purchases	*1.225*	*506*	*1.731*
Additions from production	*2.199*	*1.429.350*	*1.431.549*
Disposals from sales	*-21.975*	*-1.108.157*	*-1.130.132*
Transfer between groups	*28.578*	*-30.169*	*-1.591*
Other regulations	*-6.790*	*-208.352*	*-215.141*
Number at 31 December 2015	***55.247***	***502.316***	***557.564***

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 175 million at 31 December 2015 (2014: DKK 152 million).

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Notes to the Consolidated Financial Statements

	2015	2014
	DKK '000	DKK '000
18 Biological assets (continued)		
Crop production		
Carrying amount at 1 January	47.410	47.081
Field expenses for the year	145.627	135.178
Gain on changes in fair value less	10.502	5.903
Disposals from harvesting	-144.528	-134.560
Exchange adjustments	-5.118	-6.192
Carrying amount at 31 December	**53.893**	**47.410**
Total number of cultivated hectares	27.021	27.164
Number of cultivated hectares end of year	14.976	15.943

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 3 in the fair value hierachy as significant estimates are applied - please refer to disclosure 4 (significant accounting estimates and assessments in accounting policies). The Groups financial departsments are responsible for performing the valuation of fair value measurements including Level 3 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 measuremnet are reviewed and approved by Group management at least once every quarter.

	2015	2014
	DKK '000	DKK '000
19 Inventories		
Agricultural produce, grain and feed, etc	110.836	96.408
Raw materials and consumables	79.169	71.437
Work in progress	3.677	9.577
Finished goods and consumables	25.407	43.418
	219.089	**220.840**

No write-down has been made on inventories.

The value of inventories provided as security for credit institutions amounts to DKK 26 million at 31 December 2015 (2014: DKK 26 million).

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Notes to the Consolidated Financial Statements

20 Receivables

	2015 DKK '000	2014 DKK '000
Trade receivables	80.691	58.727
Write-down	-1.574	-1.770
Trade receivables, net	**79.117**	**56.957**
Other receivables	46.910	61.713
Write-down	-3.369	-4.576
Other receivables, net	**43.540**	**57.137**
Total receivables	**122.658**	**114.094**
Write-down at 1 January	6.346	9.229
Exchange adjustment	-1.511	-3.222
Additions for the year	108	340
Disposals for the year	0	0
- Applied	0	-1
- Reversed	0	0
Write-down at 31 December	**4.943**	**6.346**

21 Share capital

The share capital comprises the following share classes:

	2015	2014
A-shares:		
Number at 1 January	53.111.848	53.111.848
Capital increase	0	0
Number at 31 December	53.111.848	53.111.848

No shares carry any special rights.

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Notes to the Consolidated Financial Statements

		2015	2014
		DKK '000	DKK '000
22	**Provision for deferred tax**		
	Provision at 1 January	3.473	0
	Adjustment for the year	2.015	3.473
	Provision for deferred tax at 31 December	**5.488**	**3.473**

The provision for deferred tax has been calculated at 19% - 22% corresponding to the expected tax rate

		Staff obligations
		DKK '000
23	**Other provisions**	
	Other provisions at 1 January	7.206
	Exchange adjustment at exchange rates at the balance sheet date	33
	Provisions for the year	1.424
	Utilised provisions	-1.649
	Reversal of unutilised provisions	-359
	Other provisions at 31 December	**6.655**

Provisions are recognised in the balance sheet as follows:

Long-term debt	1.446
Short-term debt	5.209
	6.655

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

Notes to the Consolidated Financial Statements

	2015	2014
	DKK '000	DKK '000
24 Debt		
Debt to credit institutions		
Payable after 5 years	25.200	164.722
Payable between 2 and 5 years	368.648	607.332
Long-term debt	**393.848**	**772.054**
Short term - ordinary	346.622	308.249
Short term - technical, not binding	414.000	0
	1.154.470	**1.080.303**

As at 31 December 2015, the Group had DKK 1,154 million of borrowings from credit institutions. As at 31 December 2015 the Group was in breach of certain financial covenants under a number of bank loans totalling DKK 505 mio. mostly due to sharp devaluation of the currency in Russia and Ukraine and pig price development end of 2015. Prior to the reporting date, the Group started discussions with banks about waivers of rights to require compliance with the expected breached covenants. The Group did not receive waivers before 31 December 2015, because it was not possible. Shortly thereafter they received the waivers based on a draft audit report. According to rules of IFRS, the management classified the related whole loan amount of DKK 505 mio. as short term debt. Waivers received after period-end for loan totalling DKK 414 mio. are according to IFRS regulations considered non-adjusting events and therefore, cannot lead to reclassification of the loans back from short-term debt to long-term debt as at 31 December 2015, in spite of the fact that the Banks according to the Loan Agreements was never in a position to legally require the loans paid back.

Note 1 includes a Statement of Financial Position shows the real position of long term debt and short term debt according to loan agreements with banks reflecting the fact that waivers were already received before approval of the annual report for 2015. This states the financial position of equity and liabilities as if the Group did not have to reclassify long-term debt in amounts DKK 414 mio. to short-term debt according to IFRS rules.

Debt to credit institution - interest exposure:

	Carrying amount DKK '000	Interest binding period months	Average effective interest in %
Loans with fixed interest:			
EUR	16.528	12-48 months	0%
RUB	148.031	12-60 months	15%
UAH	10.163	12-13 months	16-24%
Loan Variable interests:			
EUR	705.264	1-6 months	3-11%
PLN	305.977	1-3 months	4%
DKK	9.733	3 months	4%
USD	6.262	6 months	3%

For more information on exposure to interest rate, foreign currency risk and information on financial risk, we refer to note 27.

Notes to the Consolidated Financial Statements

	2015	2014
	DKK '000	DKK '000
24 Debt, continued		
Subordinate loan capital		
Payable after 5 years	60.000	60.000
Payable between 2 and 5 years	70.000	80.000
Long-term debt	**130.000**	**140.000**
Short-term debt	20.000	20.000
	150.000	**160.000**

Subordinate loan capital from Polen Invest A/S, DKK 150 million, is repaid according to the financial position of the Company, max repayment DKK 20 million per year. Subordinate loan capital carries interest equivalent to Cibor 3 months+3,5%. Subordinate loan capital ranks subordinate to the other creditors of the Company.

In 2012, the Industrialisation Fund for Developing Countries (IFU) contributed EUR 2 million in share capital to Axzon A/S's subsidiary Danosha Ltd. Based on exit agreement between Axzon A/S and IFU with put/call option, IFU's contribution to Dansoha Ltd. has been recognised as subordinate loan capital under the IFRS rules. The subordinate loan capital to IFU carries interest under the exit agreement concluded between IFU and Axzon A/S.

25 Deferred income

Deferred income primarily relates to grants for the construction of biogas production in Poland. Grants are recognised as the underlying fixed asset is depreciated.

	2015	2014
	DKK '000	DKK '000
Short-term part	2.808	2.628
Long-term part	11.139	12.300
	13.947	**14.928**

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Notes to the Consolidated Financial Statements

	2015	2014
	DKK '000	DKK '000
26 Contingent liabilities and contractual obligations		
Lease and rent obligations in the period of non-terminability		
Within 1 year	59.661	40.285
Between 2 and 5 years	47.751	66.777
After 5 years	54.187	61.689
	161.599	**168.751**

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 2015.

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

Axzon A/S has jointly taxed with its parent, Polen Invest A/S, which acts as administrative 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 interests, royalties and dividends falling due for payment on or efter 1 July 2012. Tax payable for the joint taxation amounts to DKK 0 at 31. December 2015 (DKK 0 at 31. december 2014).

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

Notes to the Consolidated Financial Statements

27 Financial risks

Credit risk

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 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 2015:

2015 DKK '000	0-15 days	16-30 days	31-45 days	> 45 days	Total
Overdue receivables not impaired	12.713	3.946	139	5.758	22.556
Overdue receivables impaired	0	0	0	0	0
	12.713	3.946	139	5.758	22.556
Write-down	0	0	0	-1.574	-1.574
	12.713	3.946	139	4.185	20.982

Overdue balances on trade receivables break down as follows at 31 December 2014:

2014 DKK '000	0-15 days	16-30 days	31-45 days	> 45 days	Total
Overdue receivables not impaired	6.218	113	1.492	3.960	11.783
Overdue receivables impaired	0	0	0	1.770	1.770
	6.218	113	1.492	5.730	13.553
Write-down	0	0	0	-1.770	-1.770
	6.218	113	1.492	3.960	11.783

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Notes to the Consolidated Financial Statements

27 Financial risks, continued

Liquidity risk

The Group ensures adequate cash resources by entering into framework agreements in respect of current drawings on credit 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 put things right 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. Calculation of interest payments on floating-rate obligations is based on the interest rate on the balance sheet date.

Maturity analysis at 31 December 2015:

DKK '000	< 1 year	1-5 years	>5 years	Without agreed settlement	Total	Carrying amount	Fair value
Measured at amortised cost:							
Credit institutions	788.050	422.722	31.624	0	1.242.396	1.154.470	1.154.470
Credit institutions - covenants breach*	-414.000	414.000			0	0	0
Payables to group enterprises	23.010	80.000	50.000	0	153.010	152.992	153.010
Trade payables	87.242	474	0	0	87.716	57.467	57.941
Other short-term payables	49.483	0	0	0	49.483	70.817	69.199
Financial liabilities	**533.785**	**917.196**	**81.624**	**0**	**1.532.605**	**1.435.746**	**1.434.620**
Receivables:							
Receivables from related companies	6.778	0	0	0	6.778	6.778	6.778
Trade receivables	79.117	0	0	0	79.117	79.117	79.117
Other receivables	56.330	0	0	0	56.330	56.653	56.653
Cash at bank and in hand	57.082	0	0	0	57.082	57.082	57.082
Financial assets	**199.307**	**0**	**0**	**0**	**199.307**	**199.630**	**199.630**
Net cash outflow	**-334.478**	**-917.196**	**-81.624**	**0**	**-1.333.298**	**-1.236.116**	**-1.234.990**

Maturity analysis at 31 December 2014:

DKK '000	< 1 year	1-5 years	>5 years	Without agreed settlement	Total	Carrying amount	Fair value
Measured at amortised cost:							
Credit institutions	360.732	759.446	200.856	0	1.321.034	1.078.493	1.078.493
Payables to group enterprises	22.911	95.097	60.000	0	178.008	176.765	176.765
Trade payables	57.405	17.918	0	0	75.323	75.324	75.324
Other short-term payables	59.523	0	0	0	59.523	59.112	59.112
Financial liabilities	**500.571**	**872.461**	**260.856**	**0**	**1.633.888**	**1.389.694**	**1.389.694**
Receivables:							
Receivables from group enterprises	4.782	0	0	0	4.782	4.782	4.782
Receivables from assiciates	6.778	0	0	0	6.778	6.778	6.778
Trade receivables	56.957	0	0	0	56.957	56.957	56.957
Other receivables	54.649	0	0	0	54.649	54.649	54.649
Cash at bank and in hand	106.090	0	0	0	106.090	106.090	106.090
Financial assets	**229.256**	**0**	**0**	**0**	**229.256**	**229.256**	**229.256**
Net cash outflow	**-271.315**	**-872.461**	**-260.856**	**0**	**-1.404.632**	**-1.160.438**	**-1.160.438**

*) Subsequent before approval of Annual Report 2015 Axzon has received waivers for breached covenants wheres the effect of classification long-term and short-term in regard covenants breach is eliminated in maturity analyses above, and the repayment within 1 year for credit institutions is the original contractual maturity. Se also notes 1 & 24 about covenants breach.

The cash needs are expected to be covered by current cash surplus from operations, undrawn credit facilities and extension of short-term credits. Subordinate loan capital is repaid according to the financial position of the Company. Inventories and biological assets are not included in maturity analysis above.

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Notes to the Consolidated Financial Statements

27 Financial risks (continued)

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. The Group's settlement currencies are primarity PLN, RUB and UAH. No financial instruments are used to hedge positions in foreign currencies.

Currency exposure at 31 December:

DKK '000 Currency	Payment /maturity	Receivables	Payables	Bank and credit institutions	Payables to group enterprises	Net position 2015	Net position 2014
USD	< 1 year	6.655	-2.065	-2.380	0	2.230	1.388
	> 1 year	0	0	-3.493	0	-3.493	-5.195
EUR	< 1 year	7.458	-10.935	-543.813	0	-547.290	-63.703
	> 1 year	0	-474	-207.089	0	-207.563	-617.289
PLN	< 1 year	91.988	-93.657	-118.943	0	-120.612	-102.618
	> 1 year	0	0	-157.497	0	-157.497	-96.606
UAH	< 1 year	22.670	-5.659	26.900	0	43.911	21.627
	> 1 year	0	0	-3.394	0	-3.394	741
DKK	< 1 year	3.012	-4.255	868	-22.992	-23.367	-64.467
	> 1 year	0	0	0	-130.000	-130.000	-133.222
Other	< 1 year	0	0	0	0	0	-6.121
	> 1 year	0	0	0	0	0	0
RUB	< 1 year	4.089	-23.850	-60.423	0	-80.184	-17.591
	> 1 year	0	0	-85.145	0	-85.145	-73.477
		135.872	-140.895	-1.154.389	-152.992	-1.312.404	-1.156.533

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.

Notes to the Consolidated Financial Statements

27 Financial risks (continued)

Market risk, continued

The most significant effect on the Group's earnings is attributable to changes in the price of pigmeat and price changes relating to pig feed, which makes up 2/3 of the pig production costs. Axzon 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 pigmeat price of 10% will, on an isolated basis, affect profit for the year before tax relating to the pig production by approximately DKK 106 million (2014: approx DKK 100 million). A change in the feed price will, on an isolated basis, affect profit for the year before tax relating to the pig production by approximately DKK 52 million (2014: aproxx 60 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 and subordinate loan capital from the Parent Company Polen Invest A/S as shown in the consolidated balance sheet.

Notes to the Consolidated Financial Statements

28 Related parties and ownership

Controlling interest	**Grundlag**
Polen Invest A/S, Birk Centerpark 40, DK-7400 Herning	Parent Company

Polen Invest A/S's shareholders are legal and natural persons, and no individual shareholder exercises control of the Group's activities.

Other related parties	
Tom Axelgaard, Kopanky Village, Kalush, Ukraine	CEO
Ole Østergaard Lauritsen, Solvænget 21, 7400 Herning, Denmark	CFO
Niels Rauff Hansen, Søbyvej 40, DK-7840 Højslev	Chairman of the Board of Directors
Jens Blach, Århusvej 115, DK-8570 Trustrup	Member of the Board of Directors
Anders Bundgaard, Rørholtvej 76, DK-9370 Hals	Member of the Board of Directors
Jens Jørgen Nielsen, Annasmindevej 26, DK-8700 Horsens	Member of the Board of Directors
Erling Bech Poulsen, Høvsørevej 41, DK-7650 Bøvlingbjerg	Member of the Board of Directors
Anders Christen Obel, Haxholmvej 80, 8870 Langå, Denmark	Member of the Board of Directors
Poldanor S.A., Poland	Group enterprise
Prime Food Sp. z o.o., Poland	Group enterprise
Danosha Ltd., Ukraine	Group enterprise
Dan-Invest LLC, Russia	Group enterprise
Sevel Slagteri A/S, Søgårdvej 28, DK-7830 Vinderup	Associated entity

Transactions

The Group has obtained a subordinate loan from the Parent Company Polen Invest A/S with a balance of DKK 150,000k at 31 December 2015 (balance at 31 December 2014: DKK 160,000k). The loan carries interest, and the interest for 2015 amounts to DKK 5.1 million (2014: DKK 6.2 million). There is no agreement concerning final settlement of the loan.

The Group has moreover interest-bearing loans and intercompany accounts with the Parent Company Polen Invest A/S totalling DKK 3.0 million at 31 December 2015 (DKK 12 million at 31 December 2014). Interest for 2015 amounts to DKK 0,1 million (2014: DKK 9.5 million).

Remuneration to the Executive Board and the Board of Directors is specified in the note on staff expenses. Furthermore, in 2015 rent of conference center from CEO amounts of DKK 0.4 million (2014: 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.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Polen Invest A/S, Birk Centerpark 40, DK-7400 Herning
International Finance Corporation, Washington USA

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Notes to the Consolidated Financial Statements

		2015	2014
		DKK '000	DKK '000
29	**Fee to auditors appointed at the General Meeting**		
	Audit fee	824	1.286
	Non-audit services	55	230
		879	**1.516**
	Fee to other auditors		
	Audit fee	269	0
	Non- audit services	140	0
		409	**0**

30 Post balance sheet events

There have been no significant post balance sheet events.

Parent Company Income Statement
1 January - 31 December

	Note	2015	2014
		DKK '000	DKK '000
Revenue	**3**	**21.578**	**64.438**
Other external expenses		4.869	9.463
Gross profit/loss		**16.709**	**54.975**
Staff expenses	4	12.881	13.281
EBITDA		**3.828**	**41.694**
Depreciation, amortisation and impairment of fixed assets		0	314
Profit/loss before financial income and expenses		**3.828**	**41.380**
Financial income	5	12.634	7.054
Financial expenses	6	13.767	18.927
Profit/loss before tax		**2.695**	**29.507**
Corporation tax	7	0	-38
Net profit/loss for the year		**2.695**	**29.545**

Parent Company Statement of Comprehensive Income
1 January - 31 December

Net profit/loss for the year	2.695	29.545
Comprehensive income	**2.695**	**29.545**

AXZON

Parent Company Balance Sheet at 31 December

Assets

	Note	2015	2014
		DKK '000	DKK '000
Investments in associates	8	1.000	1.000
Investments in subsidiaries	9	1.102.055	1.102.055
Investments in subsidiaries		**1.103.055**	**1.103.055**
Deferred tax asset	10	0	0
Receivables		**0**	**0**
Non-current assets		**1.103.055**	**1.103.055**
Receivables from group enterprises		211.072	182.263
Receivables from associates		6.778	6.778
Other receivables		3.012	7.900
Prepayments		0	393
Receivables		**220.862**	**197.334**
Cash at bank and in hand		**868**	**2.672**
Current assets		**221.730**	**200.006**
Assets		**1.324.785**	**1.303.061**

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Parent Company Balance Sheet at 31 December

Liabilities and equity

	Note	2015	2014
		DKK '000	DKK '000
Share capital	11	531.118	531.118
Retained earnings		454.275	451.580
Equity		**985.393**	**982.698**
Debt to credit institutions		20.537	144.822
Subordinate loan capital	12	130.000	140.000
Long-term debt		**150.537**	**284.822**
Debt to credit institutions		162.818	12.895
Trade payables		517	722
Payables to group enterprises		22.992	20.329
Other payables		2.528	1.595
Short-term debt		**188.855**	**35.541**
Debt		**339.392**	**320.363**
Liabilities and equity		**1.324.785**	**1.303.061**

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Parent Company Statement of Changes in Equity 1 January - 31 December

	Share capital	Retained earnings	Total equity
	DKK '000	DKK '000	DKK '000
Equity at 1 January 2014	531.118	422.035	953.153
Capital increase	0	0	0
Comprehensive income for the year	0	29.545	29.545
Equity at 31 December 2014	531.118	451.580	982.698
Capital increase	0	0	0
Comprehensive income for the year	0	2.695	2.695
Equity at 31 December 2015	**531.118**	**454.275**	**985.393**

Retained earnings are available for dividend distribution.

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Parent Company Cash Flow Statement

	Note	2015	2014
		DKK '000	DKK '000
Net profit/loss for the year		2.695	29.545
Adjustments for non-cash items and interest		1.133	-40.827
Change in working capital		7.264	-62.380
Cash flows from operating activities before financial income and expenses		11.092	-73.662
Interest received		8.841	7.054
Interest paid		-11.227	-18.927
Cash flows before tax		8.707	-85.535
Corporation tax paid		0	0
Cash flows from operating activities		**8.707**	**-85.535**
Fixed asset investments made		0	0
Divedend received from subsidiaries		0	1.202
Purchase of property, plant and equipment		0	53.293
Cash flows from investing activities		**0**	**54.495**
Raising of loans from credit institutions		44.760	133.985
Repayment of loans from credit institutions		-19.123	-15.722
Changes in balances with ultimate parent		-36.148	-85.203
Capital contribution		0	0
Cash flows from financing activities		**-10.511**	**33.061**
Change in cash and cash equivalents		**-1.804**	**2.021**
Cash and cash equivalents at 1 January		2.672	651
Cash and cash equivalents at 31 December		**868**	**2.672**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		868	2.672
Cash and cash equivalents at 31 December		**868**	**2.672**

Parent Company Financial Statements

1. Accounting Policies

The Parent Company Financial Statements of Axzon 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 2015 is presented in DKK 1,000. 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 note 3 to the Consolidated Financial Statements for a description of the accounting policies applied by the Group.

The accounting policies applied remain unchanged compared to last year.

Supplementary accounting policies applied for the Parent Company:

Dividend from investments in subsidiaries

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

Investments in subsidiaries are measured at cost. Where the cost exceeds the recoverable amount, the investment is written down to its lower recoverable amount.

2. Significant accounting estimates and assessments

Investments in subsidiaries constitute a significant part of Axzon 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.

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Notes to Parent Company Financial Statements

		2015 DKK '000	2014 DKK '000
3	**Revenue**		
	Services	21.578	11.145
	Dividends received from subsidiaries	0	53.293
		21.578	**64.438**
4	**Staff expenses**		
	Wages and salaries	12.881	13.281
		12.881	**13.281**
	Average number of employees	**20**	**26**
5	**Financial income**		
	Interest		
	Loans and receivables	11.381	7.054
	Exchange adjustments:		
	Loans and receivables	1.253	0
		12.634	**7.054**
6	**Financial expenses**		
	Interest		
	Loans and payables	13.767	17.302
	Exchange adjustments		
	Loans and payables	0	1.625
		13.767	**18.927**

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Notes to Parent Company Financial Statements

		2015 DKK '000	2014 DKK '000
7	**Corporation tax**		
	Current tax for the year	0	-38
	Deferred tax for the year	0	0
		0	**-38**
	Corporation tax is specified as follows:		
	Calculated 25% tax on profit for the year before tax (2014: 24,5% tax)	633	7.229
	Tax effect of:		
	Non-taxable income	0	-12.805
	Adjustment valuation deferred tax	-633	5.538
		0	**38**
	Effective tax rate for the year	**0%**	**1%**
8	**Investments in associates**		
	Cost at 1 January	1.000	1.000
	Additions for the year	0	0
	Disposals for the year	0	0
	Cost at 31 December	1.000	1.000
	Carrying amount at 31 December	**1.000**	**1.000**

Investments in subsidiaries are specified as follows:

Name	Registered office	Currency	Share capital	Votes and ownership
Sevel Slagteri A/S	Denmark	DKK	DKK 3,125k	40,00%

The carrying amount of investment in associates are specified as follows:

	2015 DKK '000	2014 DKK '000
Sevel Slagteri A/S	1.000	1.000
	1.000	**1.000**

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Notes to Parent Company Financial Statements

		2015	2014
		DKK '000	DKK '000
9	**Investments in subsidiaries**		
	Cost a 1 January	1.102.055	1.102.055
	Cost a 31 December	1.102.055	1.102.055
	Carrying amount at 31 December	**1.102.055**	**1.102.055**

Investments in subsidiaries are specified as follows:

Name	Registered office	Currency	Share capital	Votes and ownership
Poldanor	Poland	PLN	PLN 11,601k	100,00%
Primo Food Sp. z.o.o	Poland	PLN	PLN 20,852k	100,00%
Danosha Ltd.*	Ukraine	UAH	UAH 232,532k	98,00%*
Dan-Invest LLC	Russia	RUB	RUB 362,328	100,00%

* = IFU's 2% of the shares in donosha Ltd. has been recognised as a financial liability in accordance with IFRS.

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

	2015	2014
	DKK '000	DKK '000
Dan-Invest LLC	251	12.640
Poldanor	1.111.592	1.087.763
Primo Food Sp. z.o.o	101.914	86.741
Danisha Ltd	512.069	596.047
	1.725.826	**1.783.191**

		2015	2014
10	Deferred tax at 1 january	0	0
	Change for the year, see note 7	0	0
	Deferred tax asset at 31 December	**0**	**0**
	Tax loss carry-forward	-7.290	-7.827
		-7.290	-7.827
	Written down to estimated value	7.290	7.827
		0	**0**

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

Notes to Parent Company Financial Statements

11 Share capital

The share capital consists of 53,111,848 shares of a nominal amount of DKK 10. No shares carry any special rights.

		2015 DKK '000	2014 DKK '000
12	**Subordinate loan capital**		
	Payable after 5 years	60.000	60.000
	Payable between 2 and 5 years	70.000	80.000
	Long-term debt	**130.000**	**140.000**
	Short-term debt	20.000	20.000
		150.000	**160.000**

Subordinate loan capital from Polen Invest A/S, DKK 150 million, is repaid according to the financial position of the Company, max repayment DKK 20 million per year. Subordinate loan capital carries interest equivalent to Cibor 3 months+3,5%. Subordinate loan capital ranks subordinate to the other creditors of the Company.

In 2012, the Industrialisation Fund for Developing Countries (IFU) contributed EUR 2 million in share capital to Axzon A/S's subsidiary Danosha Ltd. Based on exit agreement between Axzon A/S and IFU with put/call option, IFU's contribution to Dansoha Ltd. has been recognised as subordinate loan capital under the IFRS rules. The subordinate loan capital to IFU carries interest under the exit agreement concluded between IFU and Axzon A/S.

13 Mortgages and security

Investments in subsidiaries have been provided as security for facility with credit institution.

Notes to Parent Company Financial Statements

14 Contingent liabilities and contractual obligations

The Company has issued surety in respect of the subsidiary Danosha Ltd's facility with credit institution amounting to DKK 279,3 million at 31 December 2015 (2014: DKK 289 million).

The Company has issued surety in respect of the subsidiary Poldanor SA facility with credit institution amounting to DKK 226,7 million at 31 December 2015 (2014: DKK 208,5 million).

The Company has issued surety in respect of the subsidiary Prime Food Sp Z.o.o facility with credit institution amounting to DKK 61,8 million at 31 December 2015 (2014: DKK 3,4 million).

The Company has issued surety in respect of the subsidiary Dan-Invest LLC's facility with credit institution amounting to DKK 78,2 million at 31 December 2015 (2014: DKK 73 million).

Axzon A/S has jointly taxed with its parent, Polen Invest A/S, which acts as administrative 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 interests, royalties and dividends falling due for payment on or efter 1 July 2012. Tax payable for the joint taxation amounts to DKK 0 at 31. December 2015 (DKK 0 at 31. december 2014).

15 Financial risks

Reference is made to the description of financial risks for the Group in the Notes to the Consolidated Financial Statements. The Parent Company is not considered to be subject to any special financial risks other than those disclosed in the Notes to the Consolidated Financial Statements.

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Notes to Parent Company Financial Statements

16 Related parties and ownership

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

Transactions

The Company has transactions with subsidiaries in the form of interest-bearing loans and intercompany accounts. Total loans amount to DKK 211.1 million at 31 December 2015 (2014: DKK 191.2 million). Interest on loans and intercompany accounts for 2015 amounts to DKK 8.8 million (2014: DKK 4.9 million).

The Company has obtained a subordinate loan from the Parent Company Polen Invest A/S with a balance of DKK 150 million at 31 December 2015 (balance at 31 December 2014: DKK 160 million). The loan carries interest, and the interest for 2015 amounts to DKK 5.1 million (2014: DKK 6.2 million). There is no agreement concerning final settlement of the loan.

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