

25

years

of  
GOODVALLEY

Sustainable Farming  
Since 1994

GOODVALLEY

Since



1994

Home of Quality

# Annual Report 2018

General meeting: 04.04.2019  
Chairman: Jens Peter Aabye

Goodvalley A/S  
Axelborg  
Vesterbrogade 4A, 5.  
DK-1620 København V



# Goodvalley at a glance

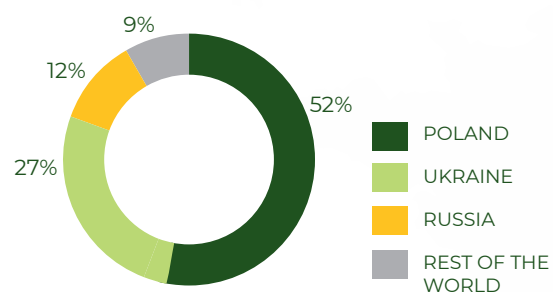
Goodvalley is a vertically integrated food producer and brand with operations within pig farming, slaughtering and meat processing, arable and feed mills as well as biogas production.

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

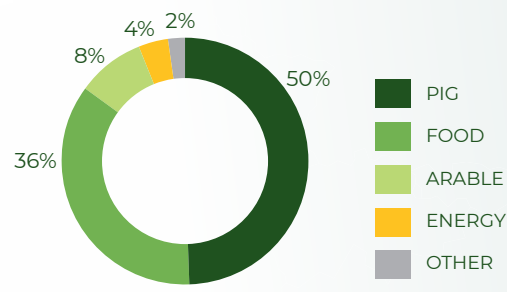
We are among the most efficient manufacturers with leading operating KPIs in terms of pigs sold per sow, meat yield per sow and feed conversion ratio relative to both the average in EU and North America.

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

REVENUE BY GEOGRAPHY



REVENUE BY SEGMENT



CROP GROWING



FEED PRODUCTION



PIG PRODUCTION



SLAUGHTERING,  
CUTTING AND DEBONING



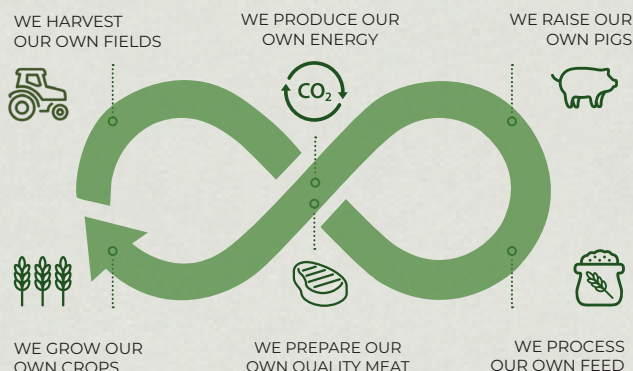
ENERGY



MEAT PROCESSING  
AND MARKETING



# Goodvalley at a glance



We reduce our exposure to fluctuating input costs by controlling the production cycle from field-to-fork. Furthermore, we control quality and biosecurity across the value chain ensuring better output and traceability from our fields to the store shelves, while simultaneously ensuring climate friendly and CO<sub>2</sub> neutral production with an emphasis on own energy production and tight waste management control.

Vertical integration further allows for differentiation from bulk products as we offer a unique value proposition – not only in terms of branded meat products but also in terms of pig production. Our ability to produce and deliver GMO free, RWA (Raised Without Antibiotics) pork based on a CO<sub>2</sub> neutral production generally yields a premium.

Sales of branded premium products offer benefits in terms of sales prices and margins while private label processed pork to retailers add further value to the Group.

## We grow our own crops

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

## We harvest our own fields

Our modern, GPS-equipped machinery fleet facilitates cultivation and harvesting of a diversified portfolio of grain, corn and protein crops on around 36,500 hectares of land.

## We process our own feed

Having control over feed mix and quality provides competitive edge allowing us to optimise feed consumption, daily weight gain and the number of piglets born while simultaneously minimising the risk of disease.

## We produce our own energy

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

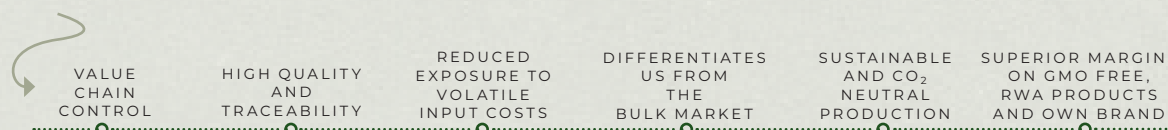
## We raise our own pigs

Breeding, farrowing, weaning and fattening take place in own farms located on our own land in remote areas to reduce costs and climate impact from transport and the risk of external factors compromising biosecurity.

## We prepare our own quality meat

We slaughter, debone, process and pack meat in our own slaughterhouse in Poland where we also market and sell branded products in stores nationwide.

## ADVANTAGES AS A VERTICALLY INTEGRATED FOOD PRODUCER AND BRAND



# Highlights

**GOODVALLEY**

Since  1994

**Home of Quality**

## DKK 1,473m

**Revenue** was lower by 9% to DKK 1,473 million driven by lower pig and pork prices and volumes.

## 31.6 pigs per sow

Goodvalley improved efficiency in terms of sold **pigs per sow** from 30.6 in 2017 to 31.6 in 2018, being among the leading manufacturers relative to both the average in EU and North America.

## BRANDED PRODUCTS

Goodvalley launched its first range of **Goodvalley branded products** in stores across Poland, offering a premium selection of climate friendly GMO free products from pigs raised without antibiotics.

## DKK 222m

Goodvalley realised a solid **Adjusted EBITDA** despite lower pig and pork prices and harsh weather conditions.

## 2.75 kilo

Continued focus on efficient and sustainable production allowed for a stable and attractive whole herd **feed conversion ratio**.

## CLIMATE

Goodvalley obtained verification of **CO<sub>2</sub> neutrality** at Group level in 2018 after having been verified as CO<sub>2</sub> neutral in Poland since 2013.

## 2019

Goodvalley expects revenue in the range of DKK 1,400-1,550 and **Adjusted EBITDA of DKK 220-280**.

## STABLE UPGRADES

The Group completed a series of stable upgrades enabling higher **production capacity and efficiency** as well as animal welfare and bio-security improvements.

## 36,500 HECTARES

The **land bank increased** by an additional 6,500 hectares in Ukraine and 2,000 hectares in Russia increasing the Group's total land bank by 30% amounting to a total of approximately 36,500 hectares.

1) In this report, Adjusted EBITDA refers to EBITDA before non-recurring items adjusted for herd price changes, cf. page 8.

# Goodvalley delivered strong performance in tough 2018

We continued to improve operational performance and strengthen Goodvalley's growth platform in 2018 through targeted investments in production facilities and land as well as strategic initiatives to establish a strong food brand.

While the Group's financial results fell short of the historically strong performance delivered in 2017, we are pleased to present relatively stable revenue of DKK 1,473 million and solid Adjusted EBITDA of DKK 222 million in a tough year characterised by challenging market conditions in the agricultural industry across Europe. Severe drought in Poland in the summer combined with heavy rainfall in Ukraine during the harvest had a very negative impact on arable yields, entailing a significant increase in the cost of feed in the second half of the year. In addition, pig and pork prices across Europe declined sharply in 2018 due to an oversupply of pork, and these effects reduced profitability in our industry.

Under these tough conditions, we further improved our market-leading efficiency level with a view to safeguard Goodvalley's financial results. We continued the efforts to implement LEAN principles in our production units, and the Ukrainian business delivered a record-high efficiency level with more than 33 pigs sold per sow. Based on learnings from our streamlined production setup in Ukraine, we introduced a cross-border task force working to promote best practices in all our markets. These efforts produced significant efficiency improvements in our Russian business in particular.

In parallel with our efforts to boost efficiency, a newly-established team worked across the Group to implement more climate-friendly, sustainable and energy-saving solutions – and we are proud to state that Goodvalley has been certified by external consultants TÜV to be entirely CO<sub>2</sub> neutral at Group level. In December 2018, our work to reduce CO<sub>2</sub> emissions was furthermore acknowledged as Goodvalley was invited to COP24 in Katowice to provide insights and share lessons learned.

Our existing production platform was strengthened in 2018 as we completed stable upgrades at a range of farms in Poland and Ukraine, which we initiated in 2017 to increase capacity and efficiency, while also improving animal welfare and bio-security. These long-term improvements of our business entailed lower production capacity during the time of upgrading and a high investment level, but the efforts will increase capacity and efficiency from 2019.

In addition to the improvements at our existing facilities, we also invested in expanding Goodvalley's land bank to facilitate future growth and increased geographical diversification. We secured 6,500 hectares of leasehold farmland in the Ivano-Frankivsk region in Ukraine and 2,000 hectares of land in the Tambov region in Russia. These acquisitions added around 30% to the Group's arable land of approximately 36,500 hectares at the end of the year and constitute a solid foundation for expanding our production capacity over the coming years.

2018 was also a defining year for our business as we introduced our new name and identity – Goodvalley – followed by the important launch of a series of six branded products across nationwide retail chains in Poland in August. Our offering of climate-friendly non-GMO products based on pigs raised without antibiotics has been well-received by local customers and consumers since the launch and are expected to contribute to our growth and profitability in the coming years.

While 2018 was certainly marked by challenging weather and tough market conditions, we made substantial improvements to our business platform and actively positioned Goodvalley for profitable growth when market conditions normalise.



*Hans Henrik Pauk Pedersen*  
CFO

*Tom Axelgaard*  
CEO

*Kristian Brokop Jakobsen*  
COO



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# Key figures and financial ratios

DKK million	2018	2017	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>	DKK million	2018	2017	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
<b>INCOME STATEMENT</b>						<b>FINANCIAL RATIOS</b>					
Revenue	1,473	1,620	1,405	1,275	1,209	Gross margin	22.6%	31.5%	29.3%	36.5%	43.0%
Total income	1,493	1,653	1,485	1,370	1,414	EBITDA margin	14.4%	26.3%	24.7%	22.3%	29.9%
Gross profit	333	511	411	465	520	Adjusted EBITDA margin	15.1%	26.6%	21.3%		
EBITDA	212	426	347	284	362	EBIT margin	6.2%	18.8%	17.4%	15.1%	21.5%
Adjusted EBITDA	222	431	299	-	-	Free cash flow / Revenue	(5.1%)	8.1%	6.3%	(7.2%)	(4.1%)
EBIT	91	304	244	193	260	Cash conversion	87.4%	43.1%	36.1%	(56.5%)	(18.9%)
Financial items, net	(65)	(135)	(70)	(118)	(226)	Investments in property, plant and equipment	257	141	76	107	76
Profit/(loss) for the period	18	169	174	41	47	NIBD/Adjusted EBITDA LTM	5.3	2.6	4.0	-	-
Adjusted profit <sup>2</sup>	36	246	-	-	-	Equity ratio	46.8%	46.0%	46.4%	43.2%	49.4%
<b>Cash flow</b>						ROIC	3.9%	13.2%	8.5%	8.9%	10.2%
Operating activity	194	274	227	162	211	FTE year end	2,327	2,232	2,350	2,423	2,205
Investing activity	(269)	(143)	(139)	(254)	(260)	<b>Share ratios</b>					
Free cash flow	(75)	131	88	(92)	(49)	Earnings per share, DKK	0.3	3.1	3.3	0.8	0.9
Financing activity	(28)	(31)	(71)	66	(121)	<b>Bond Obligor Group<sup>3</sup></b>					
<b>Balance sheet</b>						Revenue	1,305	1,460			
Non current assets	1,927	1,833	1,825	1,832	1,827	Total income	1,323	1,495			
Net working capital	475	532	491	438	445	EBITDA	144	375			
Invested capital	2,402	2,365	2,343	2,269	2,272	Adjusted EBITDA	153	374			
Total assets	2,630	2,751	2,655	2,557	2,542	Interest-bearing debt	1,223	1,189			
Equity	1,230	1,265	1,232	1,105	1,256	Net interest-bearing debt	1,177	1,081			
Net interest-bearing debt	1,171	1,100	1,185	1,250	1,151	Adjusted EBITDA LTM	153	374			
						NIBD/Adjusted EBITDA LTM	7.7	2.9			

1) Years 2013 - 2016 have been restated in accordance with new accounting principles introduced in 2017.

2) In this report, Adjusted profit refers to profit for the period adjusted for non-recurring items, herd price changes and exchange rate adjustments in financial items.

3) Bond Obligor Group consists of: Goodvalley A/S, Finansax ApS, Goodvalley Agro SA, Goodvalley Sp. Z o.o. and Goodvalley Ukraine LLC

# 2018 in review



## BUSINESS DEVELOPMENT

Goodvalley further improved operational performance in the pig segment in 2018, demonstrating the Group's competitiveness and strong position in an industry which faced tough market conditions due to a general oversupply of meat, driving down pig and pork prices, as well as challenging weather conditions across the Group's markets. Goodvalley increased the number of pigs sold per sow to 31.6 (2017: 30.6) in 2018 and generated a stable feed conversion ratio of 2.75 (2017: 2.75) in 2018.

Goodvalley continued to invest in profitable future growth by way of upgrading and improving stables during the year, enabling a further strengthening of the Group's overall operational efficiency, and animal welfare level and GLOBAL G.A.P. compliance. Costs related to stable improvements combined with lower pig prices, lower capacity at the Group's farms in Poland, challenging weather conditions for the Arable segment with yields decreasing more than 30% as well as efforts to launch the Goodvalley brand and product portfolio entailed lower revenue and earnings for the full year.

## INCOME STATEMENT

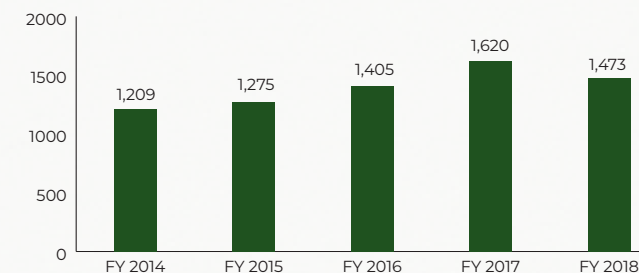
### Revenue

Revenue came to DKK 1,473 million (2017: DKK 1,620 million) in 2018 in accordance with the Group's most recent guidance for the year of DKK 1,400-1,550 million. The decrease was mainly driven by a decline in pig and pork prices over the year affecting both the Pig segment and the Food segment as well as lower volumes produced in the Pig segment due to stable renovations during the year. Total income came to DKK 1,493 million (2017: DKK 1,653 million) including fair value adjustments of DKK -3 million (2017: DKK -5 million).

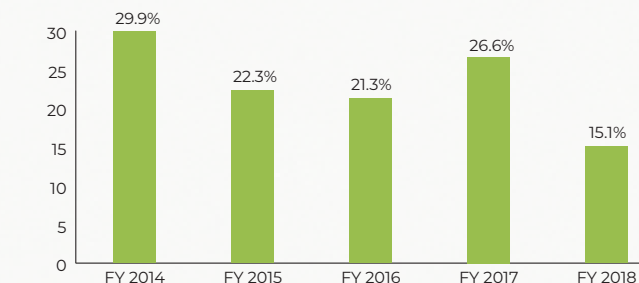
### Cost of goods sold

Cost of goods sold was slightly higher at DKK 1,160 million (2017: DKK 1,142 million) in 2018 following negative impacts from higher costs in the Arable segment related to the challenging weather conditions during the harvest, completion of stable renovations in the Pig segment and higher feed prices. Cost of goods sold was positively affected by lower feed consumption due to a decline in volumes produced.

REVENUE, DKK MILLION



ADJUSTED EBITDA MARGIN, %



DKK million	2018	2017	Q4 2018	Q4 2017
Revenue	1,473	1,620	371	388
Change in fair value	(3)	(5)	(65)	(73)
Grants and other income	23	38	9	12
<b>TOTAL INCOME</b>	<b>1,493</b>	<b>1,653</b>	<b>315</b>	<b>327</b>

DKK million	2018	2017	Q4 2018	Q4 2017
EBITDA	212	426	2	44
Herd price adjustment	10	6	30	55
<b>ADJUSTED EBITDA</b>	<b>222</b>	<b>431</b>	<b>32</b>	<b>99</b>
<b>ADJUSTED EBITDA MARGIN (%)</b>	<b>15.1%</b>	<b>26.6%</b>	<b>8.6%</b>	<b>25.5%</b>
EBITDA margin	14.4%	26.3%	0.5%	11.3%



# 2018 in review

GROUP

## SG&A

The Group's sales, general and administrative expenses increased to DKK 121 million (2017: DKK 85 million) in 2018, mainly relating to the strengthening of the Group's organisation and brand as well as the launch of branded products in Poland, entailing higher salary cost for administrative functions and increased sales and marketing costs. The Goodvalley name was implemented and branded products were launched in 2018 as planned, entailing total costs of approximately DKK 20 million.

## EBITDA

Goodvalley's Adjusted<sup>1</sup> EBITDA declined to DKK 222 million (2017: DKK 431 million) in 2018, and the Adjusted EBITDA margin came to 15.1% (2017: 26.6%). The Group's earnings were thus within the most recent guidance of Adjusted EBITDA in the DKK 220-250 million range.

EBITDA decreased to DKK 212 million (2017: DKK 426 million), and the Group's EBITDA margin came to 14.4 % (2017: 26.3%).

## EBIT

Earnings before interest and tax (EBIT) fell to DKK 91 million (2017: DKK 304 million) in 2018, corresponding to an EBIT margin of 6.2% (2017: 18.8%).

## Net financials

The Group's net financials were an expense of DKK 65 million (2017: DKK 135 million). The net financials for the year were positively affected by foreign exchange adjustments on loans in foreign currencies to the presentation currency and negatively impacted by costs related to the postponed IPO process. The 2017 figure was affected by costs related to the Group's refinancing and currency losses on loans to subsidiaries.

## Adjusted profit

The Group's Adjusted profit came to DKK 36 million (2017: DKK 246 million), corresponding to an Adjusted profit margin of 2.6% (2017: 15.2%).

DKK million	2018	2017	Q4 2018	Q4 2017
Net profit of continuing operations	18	169	(49)	(4)
Herd price adjustments	10	6	29	56
Exchange rate adjustments	(1)	48	(10)	8
Non recurring items	9	23	9	-
<b>ADJUSTED PROFIT</b>	<b>36</b>	<b>246</b>	<b>(21)</b>	<b>60</b>
<b>ADJUSTED PROFIT MARGIN</b>	<b>2.6%</b>	<b>15.2%</b>	<b>(5.7%)</b>	<b>15.5%</b>
<b>NET PROFIT MARGIN</b>	<b>1.2%</b>	<b>10.4%</b>	<b>(13.2%)</b>	<b>(1.0%)</b>

1) Refer to note 1 on page 4.

## Profit for the year

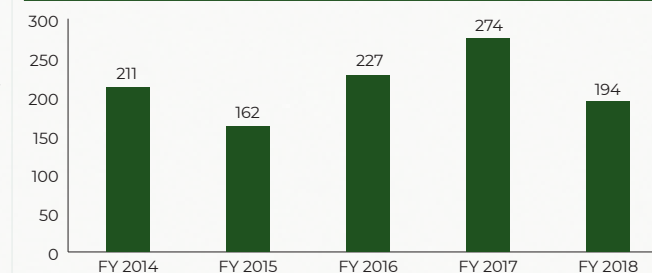
Net profit for continuing operations for 2018 fell to DKK 18 million (2017: DKK 169 million).

## Discontinued operations

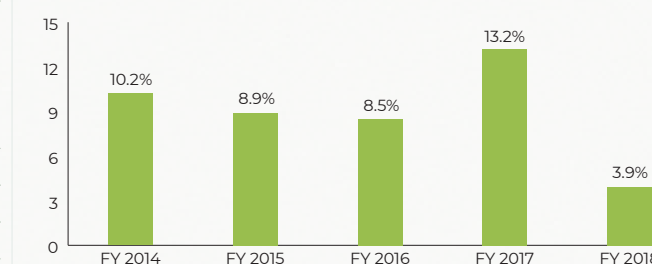
Following the initiation of a sales process in 2017 for the Group's discontinued activities in Krasnodar, Russia, Goodvalley completed the sale of the activities in October 2018 resulting in a cash consideration of DKK 7 million.

The net result from discontinued operations amounted to DKK 4 million (2017: DKK -55 million) in 2018.

## OPERATING CASH FLOW, DKK MILLION



## ROIC, %





# 2018 in review



## Comprehensive income

Comprehensive income was DKK -35 million in 2018 (2017: DKK 101 million) comprising the profit for the year and foreign exchange adjustments of subsidiaries of DKK -57 million.

## Cash flows

The Group's cash flows from operating activities decreased to an inflow of DKK 194 million (2017: an inflow of DKK 274 million) in 2018 and were negatively affected by the lower profit for the year and change in working capital.

Goodvalley's cash flows from investing activities were a net outflow of DKK 269 million (2017: an outflow of DKK 143 million), and free cash flows thus came to an outflow of DKK 75 million (2017: an inflow of DKK 131 million) in 2018.

Cash flows from financing activities were an outflow of DKK 28 million (2017: an outflow of DKK 31 million) in 2018.

## BALANCE SHEET

Goodvalley's balance sheet amounted to a total of DKK 2,630 million (2017: DKK 2,751 million) at 31 December 2018.

Goodvalley's net working capital was DKK 475 million (2017: DKK 532 million) at year-end including 102 thousand tonnes of grain and other feed components.

The Group's invested capital was DKK 2,402 million (2017: DKK 2,365 million) and return on invested capital (ROIC) decreased to 3.9% (2017: 13.2%) mainly driven by the decline in earnings.

The Group's total equity stood at DKK 1,230 million (2017: DKK 1,265 million) at year-end, and the equity ratio was stable at 46.8% (2017: 46.0%).

At 31 December 2018, Goodvalley's net interest-bearing debt was DKK 1,171 million (2017: DKK 1,100 million) and NIBD/ Adjusted EBITDA LTM was 5.3 (2017: 2.6) at year-end 2018.

## EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date of importance to the consolidated financial statements.



# 2018 in review

## PIG

Goodvalley's Pig segment sold 113,401 tonnes of pork (2017: 117,586 tonnes) in 2018 and generated revenue of DKK 1,025 million (2017: DKK 1,135 million). Revenue is comprised of external revenue from sales of live pigs and internal revenue from sales to Goodvalley's Food segment, accounting in total for 50% of Group revenue before segment eliminations (2017: 52%).

Revenue was affected by a decrease in average pig prices for finishers and weaners over the year as well as a decline in volumes sold in Poland and Ukraine due to stable upgrades that temporarily reduced capacity at the Group's farms during 2018.

Total income came to DKK 1,005 million (2017: DKK 1,147 million) and includes negative fair value adjustment due to prices and weight as compared to 2017.

The segment's earnings for 2018 were significantly affected by lower volumes and a decrease in the average finisher price to DKK 11.1 per kilo (2017: DKK 11.9 per kilo) and substitution to weaner sales, which were impacted by a 13% price decrease to DKK 16.4 per kilo (2017: DKK 18.7 per kilo). Feed prices were slightly up at DKK 1.61 per kilo in average for the year (2017: DKK 1.59 per kilo), entailing a lower meat-to-feed ratio of 6.9 (2017: 7.5).

The Group's total number of sows was 40,917 (2017: 41,359) at the end of 2018.

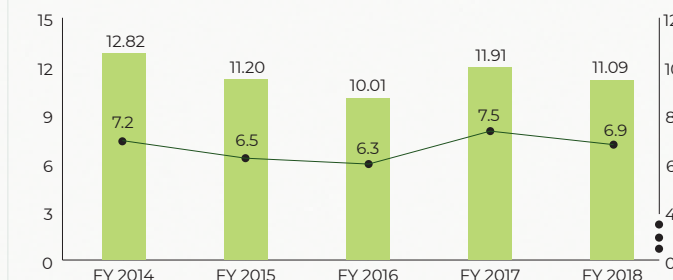
Adjusted EBITDA decreased to DKK 210 million (2017: DKK 374 million) corresponding to an Adjusted EBITDA margin of 20.5% (2017: 33.0%). The decrease was driven mainly by the lower pig prices and volumes and higher feed prices.

DKK million	2018	2017	Q4 2018	Q4 2017
External revenue	605	701	130	155
Internal revenue	420	434	131	99
<b>REVENUE</b>	<b>1,025</b>	<b>1,135</b>	<b>261</b>	<b>254</b>
Change in fair value	(17)	(10)	(42)	(58)
Other income	(3)	22	-	22
<b>TOTAL INCOME</b>	<b>1,005</b>	<b>1,147</b>	<b>219</b>	<b>218</b>
<b>EBITDA</b>	<b>200</b>	<b>368</b>	<b>1</b>	<b>27</b>
<b>ADJUSTED EBITDA</b>	<b>210</b>	<b>374</b>	<b>30</b>	<b>83</b>
Adjusted EBITDA margin (%)	20.5%	33.0%	11.5%	32.7%

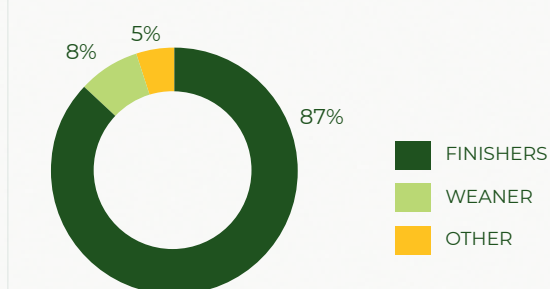
PIGS SOLD, THOUSAND TONNES (LIVE WEIGHT)



PIG PRICE, DKK/KG AND MEAT TO FEED RATIO



PIGS SOLD BY TYPE, SPLIT PER TON %





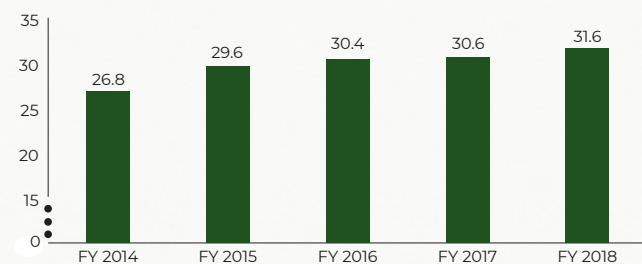
## 2018 in review

### PIG

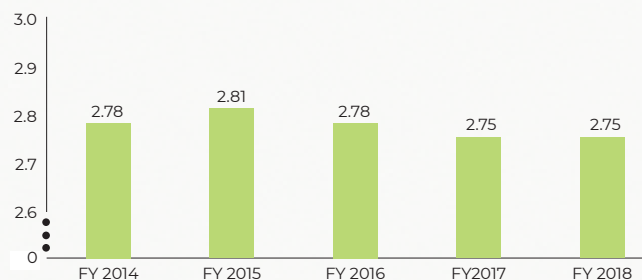
Adjusted EBITDA was moreover affected by higher segment overhead for labor, spare parts and other costs related to the stable renovations, which were completed in 2018, and conversion to RWA production at selected sites. The decrease was partly offset by higher production efficiency as Goodvalley sold 31.6 pigs per sow (2017: 30.6) with a stable feed conversion ratio of 2.75 (2017: 2.75).

EBITDA was DKK 200 million in 2018 (2017: DKK 368 million).

PIGS SOLD PER SOW PER YEAR, HEADS



FEED CONVERSION RATIO, KG (WHOLE HERD)



# 2018 in review

## FOOD

The Food segment comprises the Polish slaughterhouse and food processing plant, constituting the final stage in Goodvalley's vertically integrated business model.

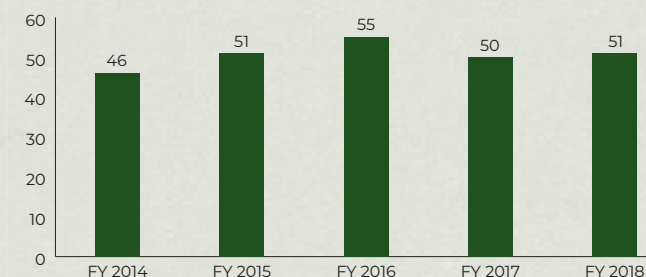
In 2018, the Food segment sold 51,297 tonnes of pork (2017: 49,953 tonnes), generating revenue of DKK 733 million (2017: DKK 767 million). The Food segment accounted for 36% of Group revenue before segment eliminations (2017: 32%), and the product mix changed toward a higher share of deboned meat with 61% (2017: 57%) of total tonnes sold, while processed meat amounted to 21% (2017: 24%) and 18% (2017: 19%) came from sales of MAP (Modified Atmosphere Packaging) products. 81% of revenue was generated in Poland, 8% in other EU countries, and 11% in other countries.

The Group successfully launched the Goodvalley brand as planned, building and investing in the brand awareness through TV commercials, digital and in-store marketing. Our branded products were launched in August, and progress is being made, albeit from a very small base. The brand consist of a series of six branded products and is sold across Poland's largest retail chains. Goodvalley's branded products are now present nationwide in stores in Poland.

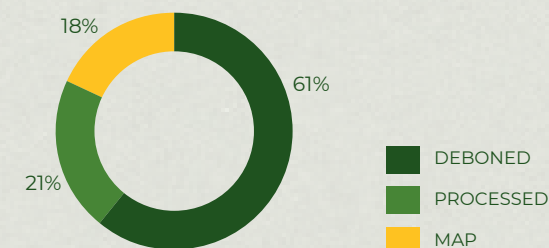
EBITDA came to DKK -17 million (2017: DKK -9 million) in 2018. Revenue and earnings were affected by lower prices due to a general oversupply of pork in Europe. The decrease was moreover driven by increased marketing costs of DKK 13 million related to the launch of Goodvalley's branded products.

DKK million	2018	2017	Q4 2018	Q4 2017
<b>REVENUE</b>	<b>733</b>	<b>767</b>	<b>177</b>	<b>184</b>
Other income	5	3	3	2
<b>TOTAL INCOME</b>	<b>738</b>	<b>770</b>	<b>180</b>	<b>186</b>
<b>EBITDA</b>	<b>(17)</b>	<b>(9)</b>	<b>(11)</b>	<b>(5)</b>
EBITDA margin (%)	(2.3%)	(1.2%)	(6.2%)	(2.7%)

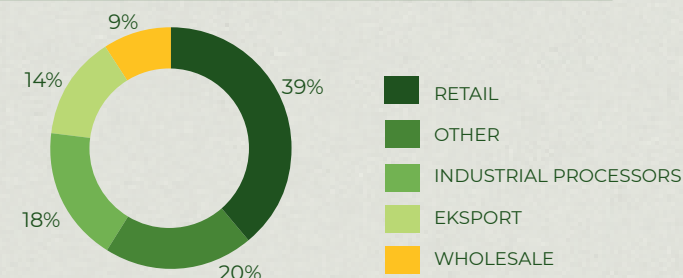
SALE OF PORK, THOUSAND TONNES



SALES SPLIT, %



DISTRIBUTION CHANNELS, %



# 2018 in review

## ARABLE

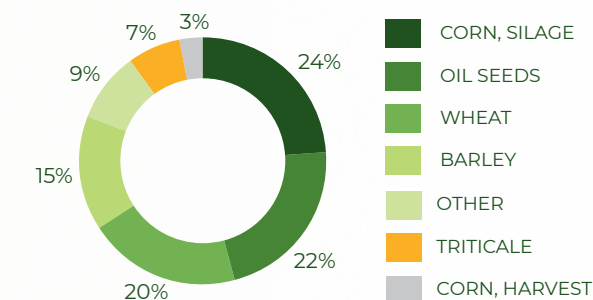
The Arable segment generated stable revenue of DKK 178 million (2017: DKK 175 million) in 2018. The segment's revenue is comprised of external revenue from sales of crops and internal revenue from sales of crops for feed and energy production. The Arable segment accounted for 9% of Group revenue before segment eliminations (2017: 8%).

Revenue was positively affected by an increase in land under cultivation with the acquisition of PE Galytski Agrarni Investyt-sii in Ukraine, adding 6,500 hectares to the Group's land bank and additionally 2,000 hectares in Russia. The segment was adversely impacted by significantly lower average grain yields of 3.9 tonnes per hectare (2017: 5.8 tonnes per hectare) due to the challenging weather conditions during 2018. The developments entailed a negative impact on realised revenue and fair value adjustments.

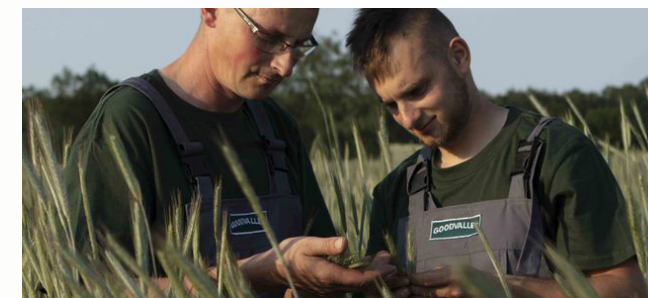
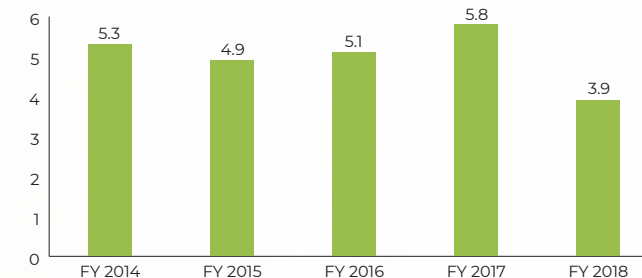
EBITDA declined to DKK 7 million (2017: DKK 39 million) in 2018 as a result of the lower yields as well as higher costs due to challenging weather conditions during the harvest, partly offset by higher grain prices.

DKK million	2018	2017	Q4 2018	Q4 2017
External revenue	38	54	15	1
Internal revenue	140	121	50	54
<b>REVENUE</b>	<b>178</b>	<b>175</b>	<b>65</b>	<b>55</b>
Change in fair value	13	6	(19)	(15)
Grants and other income	14	15	4	15
<b>TOTAL INCOME</b>	<b>205</b>	<b>196</b>	<b>50</b>	<b>55</b>
<b>EBITDA</b>	<b>7</b>	<b>39</b>	<b>5</b>	<b>8</b>
EBITDA margin (%)	3.9%	22.3%	7.7%	14.5%

HARVESTED HECTARES, %



GRAIN YIELD, AVERAGE TONNES PER HECTARE





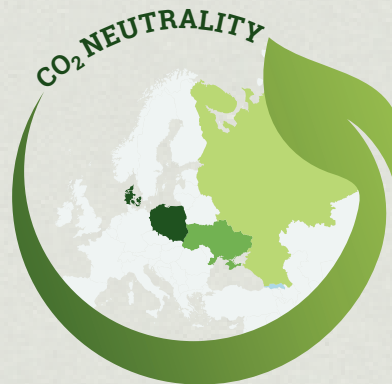
# 2018 in review

## ENERGY

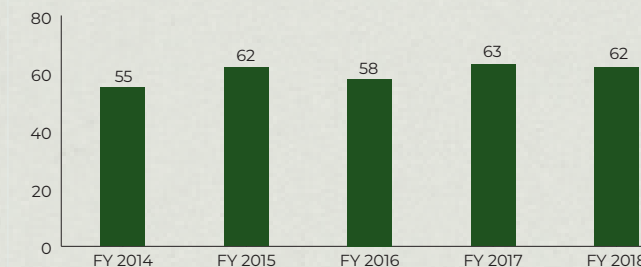
The Energy segment consists of nine biogas plants of which eight are situated in Poland and one in Ukraine. Goodvalley produced 62.0 GWh electricity (2017: 63.5 GWh) in 2018 and generated revenue at DKK 81 million (2017: DKK 85 million) from external sales of electricity and internal sales of heat and electricity to Goodvalley's Pig and Food segments.

The Energy segment's external revenue decreased by 6% to DKK 58 million (2017: DKK 61 million) as a result of lower average prices for certificates in Poland.

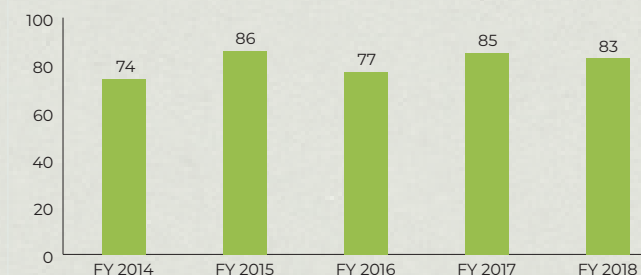
The segment's EBITDA was DKK 14 million (2017: DKK 17 million), corresponding to an EBITDA margin of 17.3% (2017: 20.0%), and efficiency was stable around 83% (2017: 85%) in 2018.



### PRODUCED ELECTRICITY, GWH



### EFFICIENCY, %



DKK million	2018	2017	Q4 2018	Q4 2017
External revenue	58	61	17	19
Internal revenue	23	24	5	12
<b>REVENUE</b>	<b>81</b>	<b>85</b>	<b>22</b>	<b>31</b>
Grants and other income	1	2	-	2
<b>TOTAL INCOME</b>	<b>82</b>	<b>87</b>	<b>22</b>	<b>33</b>
<b>EBITDA</b>	<b>14</b>	<b>17</b>	<b>3</b>	<b>4</b>
EBITDA margin (%)	17.3%	20.0%	13.6%	12.9%



# Outlook

To provide the most accurate perspective on Goodvalley's expected financial performance in an industry characterised by fluctuating prices on live pigs, the earnings outlook for 2019 is presented at fixed herd price in terms of Adjusted EBITDA. This approach serves to reduce fluctuations in guidance and better align operational and financial performance with a view to provide capital markets with the optimum conditions for assessing Goodvalley's operational efficiency and performance specifically and in isolation from fluctuations in market prices for live pigs, potentially entailing material fair value adjustments of the Group's biological assets on the balance sheet date.

In 2019, Goodvalley expects to generate revenue of DKK 1,400 - 1,550 million and an Adjusted EBITDA of 220-280 million driven by continued high production efficiency and higher volumes from finalisation of stable renovations compared to the 2018 level. Moreover, the first half of 2019 is expected to some extent to be affected by the drought in 2018, entailing expectations of high crop and feed prices for the pig production.

## ASSUMPTIONS

The outlook for 2019 is based on an average market price for live pigs of DKK 11.2 per kilo slaughter pig and a feed price of DKK 1.69 per kilo in the pig segment and the prevailing economic situation in Goodvalley's markets. The outlook is furthermore based on exchange rates for the Group's key currencies remaining at the closing rates on December 2018 for the full year. The outlook represents our current expectations for the development in the Group's revenue and Adjusted EBITDA, and Goodvalley's EBITDA may thus deviate significantly from this outlook.

DKK MILLION	GUIDANCE ANNUAL REPORT 2017	ADJUSTED 10 AUGUST 2018	ADJUSTED 7 NOVEMBER 2018	2018 ACTUALS	2019 OUTLOOK (In accordance with IFRS 16)
REVENUE	1,550 - 1,700	1,400-1,550	1,400-1,550	1,473	1,400 - 1,550
ADJUSTED EBITDA	340-425	280-325	220-250	222	220-280

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





# Strategy

OPTIMISATION	CAPACITY EXPANSION	CONSUMER FOCUS	NEW GEOGRAPHIES
<ul style="list-style-type: none"> <li>• Sustainability based on Danish knowhow</li> <li>• Superior efficiency standards</li> <li>• Outperforming peers on KPIs</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing pig production in all markets</li> <li>• Expansion of feed, land base and green energy production</li> </ul>	<ul style="list-style-type: none"> <li>• Branded premium products</li> <li>• Margin expansion and reduced bulk exposure</li> <li>• Capitalising on sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion into selected new markets</li> <li>• Acquisitions or greenfield establishments</li> <li>• Clear criteria to increase likelihood of success</li> </ul>
2018			
<ul style="list-style-type: none"> <li>• 31.6 pigs sold per sow</li> <li>• Feed conversion ratio 2.75</li> <li>• CO<sub>2</sub> neutrality achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Stable upgrades completed at a range of farms</li> <li>• 6,500 hectares added in Ukraine</li> <li>• 2,000 hectares added in Russia</li> </ul>	<ul style="list-style-type: none"> <li>• Climate-friendly, non-GMO and RWA</li> <li>• Goodvalley products launched</li> <li>• 6 branded products</li> </ul>	<ul style="list-style-type: none"> <li>• Continued search for potential opportunities</li> <li>• Evaluation of enquiries</li> </ul>
EDUCATION • Proliferate Goodvalley values • Leverage Danish knowhow • Goodvalley Academy and Goodvalley Management Programme • Focus on food safety, animal welfare and biosecurity			

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

The Group's strategy is based on the ongoing efforts to proliferate Goodvalley's values, leverage Danish production knowhow and maintain a clear focus on sustainable and environmentally friendly production. To establish and maintain this foundation for Goodvalley's operations, all employees and managers participate in internal education and training at the Goodvalley Academy and the Goodvalley Management Programme.

## OPTIMISATION

We continuously optimise the value chain to reduce resource consumption, emissions and environmental impact. Simultaneously, we strive to increase efficiency to stay ahead of our peers on key performance indicators such as number of

pigs sold per sow, daily live weight gain, feed conversion ratio and carcass meat produced per sow. The continuous efforts to reduce resource consumption and increase output contribute to the strengthening of Goodvalley's operational and financial performance under attractive and challenging market conditions alike.

Relying on an experienced organisation and efficient cross-border knowledge sharing, we have implemented LEAN principles in all operations, introduced clear performance targets for all employees and hold daily performance meetings at our units to ensure continuous improvements, while constantly upholding a high level of biosecurity. We measure performance on an ongoing basis through data collection and benchmarking against internal and external best practice production units in Denmark.

In 2018, our focus on optimisation across the value-chain enabled Goodvalley to obtain a Group-wide CO<sub>2</sub> neutral certification, while simultaneously ensuring a market-leading efficiency level. At Group level, Goodvalley sold 31.6 pigs per sow, being among the most efficient manufacturers relative to both the average in EU and North America. In addition, Goodvalley became fully compliant with GLOBAL G.A.P. investments in stable upgrades in 2017-2018.

## CAPACITY EXPANSION

We continuously expand Goodvalley's capacity throughout the value chain to optimise and leverage our scalable production setup. Expansion opportunities in existing markets are evaluated based on the opportunity to obtain the necessary agricultural land and local building permits as well as each project's expected contribution to the Group's vertically integrated business model and earnings.





# Strategy

In Poland, we continue to be strongly positioned to increase Goodvalley's market share in a fragmented market where less efficient producers have been put under further pressure following challenging weather conditions in 2018. During the year, Goodvalley has invested in expansion and renovation works at a range of farms to increase finisher and weaner capacity as well as overall efficiency in the Polish business. In addition, the Group invested in a significant increase of its RWA and non-GMO production capacity through a conversion of conventional facilities. Goodvalley seeks to facilitate and leverage its increasing pig production by continuously expanding the Group's crop growing, feed mills and capacity at the slaughterhouse.

In Ukraine, Goodvalley expands the land bank and the Group's pig production capacity to accommodate increasing local pork consumption. The existing production platform was strengthened in 2018 as several sites were fully renovated during the year to further enhance efficiency and enable higher production volumes going forward. Furthermore, Goodvalley expanded the Group's arable land bank in Ukraine to 17,500 hectares with the acquisition of farming rights for 6,500 hectares of land in April. The addition further strengthens Goodvalley's ability to grow and harvest own crops for feed and energy production.

In Russia, we remain focused on optimising existing production facilities while simultaneously striving to expand our platform to leverage the increasing local demand, which is supported by economic and political support for investments in pork production to support national self-sufficiency. In 2018, we acquired an additional 2,000 hectares of land in the Tambov

region, bringing our total arable land bank to 5,600 hectares in Russia and enabling us to expand Goodvalley's current pig production in Russia within the coming years. The operations in Krasnodar were divested in 2018 as planned.

## CONSUMER FOCUS

Goodvalley aims to become a strong food brand, and is today present in the Polish market, providing value added premium products tailored to local market trends and consumer preferences and demands. Capitalising further on our unique value chain-control by boosting our branded premium products will further reduce Goodvalley's exposure to fluctuations in bulk pork prices and drive profitability as value-added products generally achieve higher margins than ordinary deboned meat and private label processed and MAP products.

Goodvalley's Food segment focuses on three categories: Deboned meat, MAP (Modified Atmosphere Packaging) products and processed products including Goodvalley's branded premium products. While deboned meat comprises the majority of sales, we are expanding the combined share of revenue deriving from sales of MAP and processed products. To facilitate this, we substantially expanded the slaughterhouse's production capacity for MAP and fully processed pork in 2015-2016 and followed up with the significant increase of RWA and non-GMO pig production capacity in Poland as mentioned before.

In August 2018, we launched Goodvalley's branded premium products in majority of retail chains across Poland addressing consumers who prioritise quality, food safety, animal welfare, CO<sub>2</sub> neutral production, traceability, non-GMO and RWA

products, allowing us to fully profit from our commitment to sustainable and environmentally friendly production across the value chain. The branded products were well-received by local customers and consumers and is expected to contribute to Goodvalley's profitable growth in the coming years.

## NEW GEOGRAPHIES

Further to the build-up in existing markets, we plan to eventually expand into new markets through acquisitions or greenfield expansion. Particular focus is given to markets in Eastern Europe that combine an undersupply of domestically-produced meat, local production capabilities, a preference for pork meat and an oversupply of grain and feed production. Geographical diversification aims to accommodate consumer preferences for locally produced pork and reduce production and country risks, including the risks of reduced sales following changes in specific trade regimes. Goodvalley assesses potential acquisition and expansion opportunities in new geographies case-by-case based on a diligent evaluation of operational, financial and political risk perspectives.

# Markets and products

Goodvalley operates in three Eastern European growth markets – Poland, Ukraine and Russia – focusing mainly on serving local demand for pork, while Food products are also exported to other markets. In general, the geographical diversification reduces exposure to input costs and conditions in single markets. In 2018, Goodvalley's markets were affected by challenging weather conditions in Poland and Ukraine, where a historic drought and excessive rainfall during the harvest, respectively, reduced arable yields and caused a sharp drop in demand for weaners as the price of feed increased due to the low arable yields. In addition, a general oversupply of pork meat across Europe put pressure on pig and pork prices during the year.

Relatively low domestic pork consumption and stabilising economic prospects continue to create a significant potential in the Ukrainian and Russian markets, which offer highly attractive land prices and are characterised by a fundamental imbalance between import of meat and export of crops. The more mature Polish market holds attractive prospects due to the unconsolidated nature of the pig production industry, the potential for locally produced branded products and the country's membership of the EU.

## POLAND

Goodvalley is the second largest pig producer in Poland where the Group sells weaners and finishers externally as well as branded premium products and other food products from its slaughterhouse and has arable production, crop storage facilities, feed mills and biogas plants.

The Group's sales of food products are based on pigs raised and fed at Goodvalley's own farms, enabling traceability and the ability to produce pork meat without the use of antibiotics and GMO feed. The selling points are leveraged in the promotion of branded premium products in particular. The activities in the Food segment focus on three categories: Deboned meat (incl. primal cuts), MAP products and processed meat including branded premium products, which were introduced in 2018. The value-added product categories reduce the exposure to fluctuations in bulk prices and enable higher margins.

Products are mainly sold to the retail segment, including the largest Polish food retailer Biedronka as well as pan-European chains Lidl, Netto, Carrefour, Tesco, Auchan and Rema 1000. These long-term relationships to reputable chains are of significant importance for Goodvalley's strategic efforts to move closer to consumers with value added and branded premium products. The current distribution set-up also includes industrial processors and wholesalers. Goodvalley sells its products in 22 countries with 81% of revenue in the Food segment being generated in Poland, 8% in other EU countries, and 11% in other countries.

In Poland, pork meat accounts for 50% of total meat consumption as a common part of the local cuisine, according to OECD and USDA. Pork consumption<sup>1</sup> is therefore high at 41 kilo per capita in 2018 on par with the EU average of 42 kilo. Still, the country's pig herd has continued to decrease as less efficient domestic pig producers have been unable to produce at competitive prices, leading to increased imports from other EU countries. The ongoing consolidation of the Polish sector has been augmented by low market prices in recent years and an additional decline in 2018.

<sup>1</sup>Pork consumption per capita is presented as 'carcass weight'.



# Markets and products

The decline in the Polish herd has been countered by import of weaners, but Poland remains a net importer of pork, and the production sector is still fragmented with less efficient producers leaving the industry following particularly tough market conditions during 2018. Goodvalley sees a potential for additional consolidation of the sector and a further upside from leveraging consumers' preferences for local branded products supported by a continuation of the relatively strong GDP growth in Poland.

## UKRAINE

During 2018, Goodvalley improved its market position to become the second largest pig producer in Ukraine, supplying pigs to slaughterhouses nationwide and benefitting from modern arable and bioenergy production. Goodvalley increased the Group's land bank in Ukraine by 6,500 hectares to 17,500 hectares.

In Ukraine, pork consumption accounts for 30% of total meat consumption at 15 kilo per capita, which indicates continued growth potential compared to the EU average. Ukraine is still not self-sufficient as the pig herd has decreased over a period of time following ASF outbreaks, entailing export bans issued by the EU and Russia and forcing large exporters to sell pigs in the domestic market at low prices.

Ukraine's GDP continued to grow in 2018 in the wake of the war-like situation in the eastern provinces, which disrupted mining and electricity production in the prior year. The situation continues to negatively impact the country's economy and development as well as the population's purchasing

power and living standards. The Ukrainian economy continues to gradually recover with GDP growth strengthening to 4% in the near term, according to the World Bank.

Pork consumption is expected to increase at a somewhat faster pace than production capacity, driven by higher purchasing power among consumers. Our Ukrainian business has a highly competitive cost structure and a low break-even point, generating attractive profits even under tough market conditions. The business is therefore expected to further benefit from a normalisation of demand.

## RUSSIA

The Group's Russian business supplies pigs to slaughterhouses close to the farm. The Group's operations also include arable production – where the land bank was expanded by 2,000 hectares to 5,600 hectares in 2018 – crops storage and a feed mill.

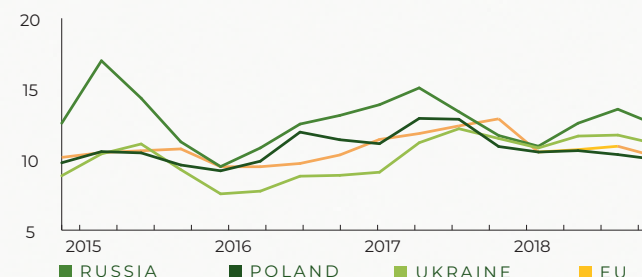
The Russian government continues to promote a very high level of self-sufficiency in the primary production, entailing substantial economic and political support for investments in pork production. Over time, this results in attractive fundamentals for local production, making Russia close to self-sufficient. Historically, high local market prices have provided little incentive for local manufacturers to reduce costs and increase efficiency.

On that background, Goodvalley's steadily increasing efficiency level in Russia positions the Group well in the competition as pig prices are approaching world market levels.

Russian GDP growth remained positive at 1.5% in 2018, allowing for growth in disposable income and consumption. GDP growth in Russia is expected to stabilise at around 1.8%, according to the World Bank.

Stable economic conditions are expected to further bolster local demand for pork products, which has increased significantly over a period of time to 27 kilo in 2018.

GOODVALLEY PIG AND MARKET PRICES, DKK/KG



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

GDP GROWTH IN GOODVALLEY'S HOME MARKETS

Real GDP growth in %	2016	2017	2018E	2019F	2020F
Poland	2.9	4.6	4.2	3.7	3.5
Russia	(0.2)	1.5	1.5	1.8	1.8
Ukraine	2.3	2.5	3.5	4.0	4.0
Benchmark: Euro area	1.8	2.4	2.1	1.7	1.5

*Source: World Bank, Global Economic Prospects, June 2018. Real growth calculated using constant 2010 U.S. dollar GDP weights*



## Quality pork

*Goodvalley launched a range of branded products across Poland's largest retail chains supported by TV commercials and supplemented by digital and in-store marketing.*

*The Goodvalley brand promotes our climate-friendly production of pork from pigs raised without antibiotics and fed with GMO free feed.*

**RWA****CLIMATE-FRIENDLY****NON GMO FEED**



# Risk management

Goodvalley is exposed to a number of risks related to the Group's activities, macroeconomic developments, weather conditions and political situations in our markets as well as the prevailing trends and developments in the agriculture industry. Our risk management efforts ultimately aim to reduce Goodvalley's exposure to various risks by identifying relevant and significant risk areas and establishing mitigating procedures.

The oversight responsibility for risk management lies with the Board of Directors, which has appointed the Audit Committee to assist in establishing and monitoring an efficient Group risk management process together with the Executive Board. The Executive Board convenes with the Group's Chief Risk Officer and the internal audit function in an ad hoc Risk Committee. Group risk appetite is defined by the Board of Directors in

the Group's Risk Appetite Framework and risks are managed according to the Group Risk Management Policy.

From 2019 the Audit Committee will review and evaluate the risk management efforts on 2-3 risks at each meeting and report to the Board of Directors.

RISK	MONITORING AND MITIGATION
<b>OPERATIONAL RISKS</b>	
<b>African swine fever (ASF)</b> outbreaks have been recorded in Goodvalley's production countries, and an instance of ASF at one or more of the Group's farms may entail serious consequences in terms of loss of sale and impact on reputation.	<p>Goodvalley's biosecurity policy including monitoring and disinfection procedures is implemented at all production sites to minimise infection risk and maintain a high level of biosecurity at all times. Goodvalley's internal audit team performs quarterly audits of the biosecurity status across the Group. Production sites are located apart and in remote areas to contain potential instances of ASF.</p> <p>Each of the production companies have contingency plans in place describing steps to be taken and responsible persons in case of an ASF outbreak.</p> <p>Local veterinary authorities conduct epidemiological tests to identify the source of outbreaks, and national emergency plans are in place and being developed regularly. Overall ASF developments are monitored closely by the European Commission.</p>
<b>STRATEGIC RISKS</b>	
The Russian and Ukrainian markets in which the Group operates are to some extent characterised by risks related to <b>political and military turmoil and corruption</b> .	<p>To mitigate these risks and reduce dependency on one single market, Goodvalley has established a diversified production and sales setup spanning various segments and countries.</p> <p>Moreover, the Group acts as a good corporate citizen to maintain professional relationships with relevant authorities and local stakeholders. Goodvalley takes an active role in developing the local communities and provides information and education to stakeholders about Danish farming principles, applied technologies, practices and the nature of the work performed at the Group's local production sites.</p> <p>To mitigate potential corruption risks, Goodvalley has implemented and enforces a strict code of conduct combined with an IT-based whistleblower platform reporting directly to the Audit Committee Chairman who handles all incoming cases together with the General Counsel who is also the Chief Risk Officer. In 2018, there were no corruption-related instances identified or reported.</p>
The Group's production at selected farms in Poland is dependent on <b>renewal of leasing terms</b> that will expire in 2024. Furthermore, the production in Ukraine is located on leased land.	<p>Goodvalley maintains an ongoing dialogue with lessors concerning negotiation of terms for leased farms in Poland and potential acquisition of farms that are currently leased. Furthermore, Goodvalley is actively seeking new land to replace existing land leases that may not be prolonged.</p> <p>In Ukraine, a moratorium on the sale of agricultural land has been in force since 2001, de facto preventing foreign as well as domestic investors from owning and trading agricultural land. Goodvalley maintains a constant dialogue with local communities and sponsors investments in developing local farming and education to uphold good relationships with landowners. Furthermore, to secure the unity of the leased land plots Goodvalley applies a "checker board policy" with diversified duration and expiry of the different land leases making the entire land bank less attractive for hostile takeovers.</p>



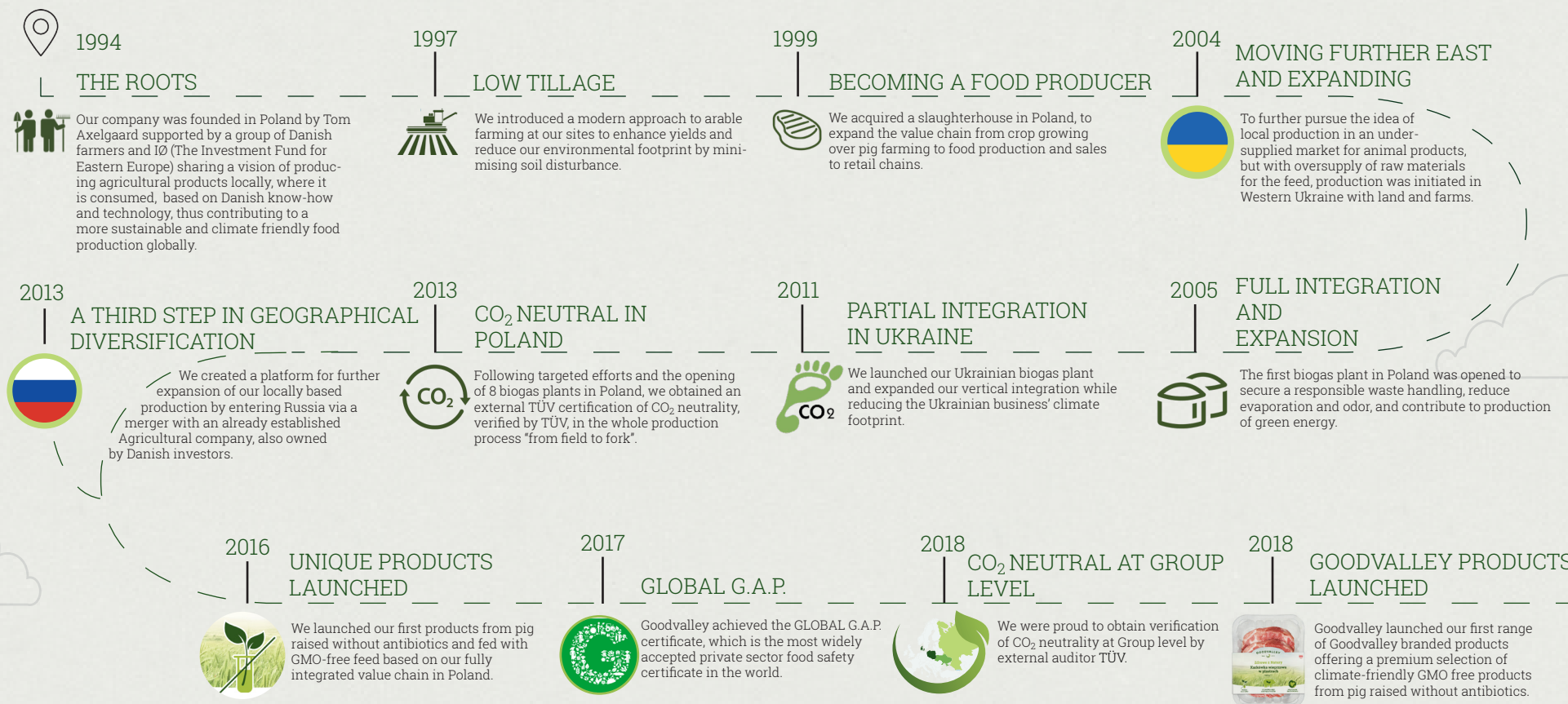
# Risk management

RISK	MONITORING AND MITIGATION
<b>COMMERCIAL RISKS</b>	
<b>Reputational damage</b> may entail serious consequences in the form of loss of sales, loss of talent or scrutiny by authorities and animal welfare organisations etc.	<p>Goodvalley has obtained a GLOBAL G.A.P. certification in recognition of the Group's efforts to promote food safety, environmental protection and animal welfare. Goodvalley's vertically integrated business model ensures traceability and allows the Group to differentiate its products as GMO-free, Raised Without Antibiotics (RWA) and CO<sub>2</sub> neutral. In addition, significant internal resources are allocated to brand building and marketing with focus on the Group's principles of sustainable production and animal welfare.</p> <p>The Group's production facilities are regularly being monitored by the internal audit department and external parties and experts to ensure compliance with GLOBAL G.A.P. and internal guidelines and principles for animal welfare. Findings are reported to the Board of Directors and changes are implemented when needed.</p> <p>The Group monitors the media to be able to respond quickly to relevant issues and mitigate the reputational impact of such issues.</p>
Goodvalley may not be able to <b>attract and retain key personnel and qualified employees</b> in markets where demand for labour is high.	<p>The continued services and employment of management and key personnel with unique insight into the business, markets and industry are of great importance to Goodvalley. The Group has strengthened and continues to professionalise its organisational setup and management structure to mitigate this risk and reduce dependency of individuals.</p> <p>The Group seeks to attract and retain qualified production and administrative employees by means of regular employee satisfaction monitoring and a continued focus on HR, employee development and education. Top 75 managers across departments and production countries are included in Goodvalley's incentive program. All employees are trained and educated in their line of work within the framework of the Goodvalley Agriculture and Management Academy.</p>
<b>Pig and crop prices</b> are impacted by market conditions, which may significantly affect Goodvalley's revenue and earnings.	<p>Goodvalley's business platform is geographically diversified with production both inside and outside the European Union, thereby reducing the Group's exposure to fluctuations in national pig prices.</p> <p>Goodvalley's vertically integrated business model mitigates the impact of price fluctuations through production chain-control as the Group's own feed and pig production reduce this exposure to external pricing and volatile input costs to some extent. The vertically integrated business model is fully implemented in Poland and partly implemented in Ukraine and Russia.</p> <p>Furthermore, branded products are marketed to ensure differentiation from bulk products by means of emphasis on CO<sub>2</sub> neutral production, pigs Raised Without Antibiotics (RWA) and feed free from GMO.</p>
<b>IT RISKS</b>	
Goodvalley's production efficiency is dependent on an efficient IT structure, and the Group considers any <b>IT interruption</b> including security breaches, cyber-crime and system downtime a risk.	<p>The Group's IT function manages these risks by means of continuous monitoring and maintenance of systems, application of relevant IT security technologies and timely back-up of critical data.</p> <p>The Group has implemented a disruption plan in case of IT breakdown.</p>
<b>FINANCIAL RISKS</b>	
Goodvalley is exposed to <b>currency risk</b> in the form of transaction risks due to cross-border sales and translation risks due to translation of foreign subsidiaries' revenue, earnings and assets into DKK in the consolidated financial statements.	<p>All Group loans are, to the extent possible, engaged by the parent company with a view to control and coordinate payments in local entities to minimise currency risk.</p> <p>The Group's products are primarily priced internationally, and the prices will therefore follow the world market in the long-term. Material transactions in foreign currency are hedged.</p>



# Sustainability

## 25 years from field to fork





# Sustainability

## - towards 2030

Sustainability has been an integral part of Goodvalley's business and the Group's vertically integrated business model since the foundation in 1994. We remain focused on continuously developing and applying sustainable production methods to produce healthy and natural quality food products. Based on our legacy, we have therefore decided to continue our work with sustainable and responsible production principles with reference to Sustainable Development Goals 2, 12 and 13 defined by the United Nations.



**2** ZERO HUNGER



### RESOURCES

#### RESPONSIBLE PRODUCTS

We maintain a strict focus on minimising Goodvalley's environmental footprint through utilisation of waste in our energy production process and as fertilizer and by constantly working on reducing resource consumption and impact per produced kilo. of meat. It is our aim to increase the use of recycled materials in Goodvalley's production and administration to promote awareness and caution among our employees.

It is our ambition to impact the food market by offering healthy, natural and sustainably produced pork products. Based on principles of self-sufficiency and production cycle control, we are able to meet consumer demands and pursue market trends. We will develop new products in addition to our current climate friendly product range including meat from pigs raised without antibiotics and fed with GMO-free feed, and offer the processed meat products without any additives directly to the consumers.

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



### ENVIRONMENTAL IMPACT

We monitor the Group's water and energy consumption as well as emissions from our production in air and water, first of all to ensure compliance with national and international legislation on all parameters, but also to get a data platform in order to set targets above the legislative demands. Beside that, we conduct internal audits to identify potential areas of improvement in both production efficiency and environmental impacts, as these two parameters often go hand in hand.

**13** CLIMATE ACTION



### LOCAL PROJECTS

We nurture relations with local authorities and communities to build and maintain mutually beneficiary relationships. We are constantly contributing to local communities by arranging river and city cleaning events, sponsoring waste segregation systems, local schools, sports events, as well as education and training of locals in responsible wastehandling, as well as reducing electricity and water consumption. Furthermore, we fund selected sustainability and social projects in the local areas where we are present with production.

**G**oodvalley's policies, activities, risks and results in relation to Corporate Social Responsibility (CSR) and our diversity policy are described in our statutory CSR report 2018, which is available at [www.goodvalley.com/media/1470/csr18.pdf](http://www.goodvalley.com/media/1470/csr18.pdf) in accordance with sections 99 a and 99 b of the Danish Financial Statements Act.

The report includes an evaluation of Goodvalley's CSR efforts and achievements in 2018 based on 18 parameters in seven key commitment areas:

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

In 2018, Goodvalley recorded improvements on 9 of the 18 CSR parameters, while 3 parameters were unchanged and 6 parameters saw an adverse development.

## Sustainable relationships

### CUSTOMERS

We will develop and offer sustainable and climate friendly pork products and live pigs to retail chains, consumers and slaughterhouses to contribute positively to the idea of climate friendly production and drive an increase in consumer demand for sustainable meat products.

### EMPLOYEES

We continue to promote sustainability, healthy lifestyle and climate friendliness as a way of thinking among our employees, offering joint transportation to the workplace, ensuring proper waste segregation at our sites, reusing office supplies and enforcing a responsible travel policy.

### INVESTORS

We promote our sustainable and vertically integrated business model, which diversifies Goodvalley from bulk producers of pork meat, and highlight our CO<sub>2</sub> neutrality and sustainable production methods as competitive advantages and testament to the future-proof nature of our business.

### SUPPLIERS

We respectfully demand that our suppliers adhere to criteria defined to ensure sustainable and responsible production and resource consumption. In 2019, we will introduce a Group-wide supplier code of conduct to replace existing agreements and ensure alignment across our business units.

### COMMUNITIES

We continue to develop our engagement in the local communities, providing more training and materials for waste segregation and promoting a healthy lifestyle as well as supporting projects and initiatives concerning recycling, climate-friendly transportation and minimising of food waste.



# Corporate Governance

Goodvalley's statutory report on corporate governance for the 2018 financial year is available at <https://www.goodvalley.com/media/1477/cgr18.pdf> in accordance with section 107 b of the Danish Financial Statements Act. The statutory report describes Goodvalley's management structure, the main elements of the Group's internal control and risk management systems related to financial reporting and an overview of Goodvalley's position on the corporate governance recommendations of the Danish Committee on Corporate Governance. In 2018, Goodvalley complied with the recommendations except as stated below:

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

## MANAGEMENT STRUCTURE

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

The Board of Directors is responsible for the overall management of the Company and resolves matters relating to Goodvalley's strategic development, budgets, risk factors, acquisitions and divestments as well as major development and investment projects. Board members are nominated for election at the general meeting on the basis of an overall assessment of

individual competencies and their contribution to an appropriate composition of the shared competencies and the profile of the Board of Directors. Priority is given to ensuring that the Board of Directors possesses skills in the areas of farming, finance and accounting, international management and marketing.

The board work is governed by a charter, which has been prepared in accordance with the provisions of the Danish Companies Act and is subject to annual review. In 2018, the Board of Directors held 6 meetings, attended by all Board members.

An Audit Committee has been established to assist the Board of Directors within the fields of risk management, monitoring the process for preparation of financial statements, financial reporting and internal controls as well as monitoring of and communications with the auditor appointed by the shareholders. The Committee has 2 members who are both members of the Board of Directors and meet quarterly. In 2018, the Committee held 4 meetings attended by both members.

Furthermore, the Board has established a Nomination Committee and a Remuneration Committee, both consisting of 3 members who are all members of the Board of directors and meet at least twice a year. In 2018, the Nomination Committee held 2 meetings attended by all members and the Remuneration Committee held 2 meetings attended by all members.

The Executive Board of Goodvalley is appointed by the Board of Directors and is responsible for the company's day-to-day management, including the development and results of the

company's operations, as well as the company's internal development. The Executive Board is responsible for implementing Goodvalley's strategy and the overall resolutions approved by the Board of Directors.

## CHANGES IN 2018

In 2018, Jens Blach left the Board of Directors and was not replaced.



# Board of Directors



**Anders Christen Obel**

**CHAIRMAN**

CEO at C.W. Obel A/S (incl. Directorships in 4 subsidiaries) and Anders Christen Obel ApS as well as professional board member. Former Vice CEO at C. W. Obel A/S, Vice President at Gemini Consulting/Cap Gemini and employment at Hambros Bank Plc.

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

## DIRECTORSHIPS

**CHAIRMAN:** C.W. Obel Ejendomme A/S, Semco Maritime A/S, Semco Maritime Holding A/S, Obel-LFI Ejendomme A/S and C.W. Obel Bolig A/S.

**VICE CHAIRMAN:** Skandinavisk Holding A/S, Danfoss Semco A/S, Fritz Hansen A/S.

**MEMBER:** Scandinavian Tobacco Group A/S, Erhvervsinvest Management A/S, Minkpapir A/S, DMP Partners A/S, PAL-CUT A/S, Safe Load A/S, Woodmancott Fonden, Fonden Det Obelske Jubilæumskollegium, C.W. Obels Fond, Danmark-Amerika Fondet, Høvdingsgaard Fonden, Skjærringefonden, Mullerupgaard- og Gl. Estrupfonden and Scandinavian Tobacco Group's Gavefond.

**SUBSTITUTE:** Polen Invest A/S.

**FULLY RESPONSIBLE STAKEHOLDER:**

Haxholm v/Anders Christen Obel.



**Niels Rauff Hansen**

**VICE CHAIRMAN**

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

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

## DIRECTORSHIPS

**CHAIRMAN:** Agri Consult ApS, Dan-Slovakia Agrar A/S, Freelancer Worldwide A/S, Søvang Gods A/S and Polen Invest A/S.

**MEMBER:** Agrocola s.r.o. (Slovakia), Agro Korn s.r.o. (Slovakia), Agro Support s.r.o. (Slovakia), Avgas ApS, Danrus Agro ApS, Sevel Slagteri A/S, Sjørup Svinefarm A/S and Søvang Svineproduktion A/S and Leki A/S.

**FULLY RESPONSIBLE STAKEHOLDER:**

General Partnership Randrup Hovedgaard I/S.



**Helle Okholm**

**BOARD MEMBER**

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

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

## DIRECTORSHIPS

**MEMBER:** Basisbank A/S, Jeudan A/S and Lokaltog A/S.

**FULLY RESPONSIBLE STAKEHOLDER:**

HC Okholm I/S.



**Anders Bundgaard**

**BOARD MEMBER**

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

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

## DIRECTORSHIPS

**CHAIRMAN:** Avgas ApS and Danrus Agro ApS.

**VICE CHAIRMAN:** Polen Invest A/S.

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

**FULLY RESPONSIBLE STAKEHOLDER:**

General Partnership ABJ I/S.



**Jens Jørgen Nielsen**

**BOARD MEMBER**

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

Special expertise in agricultural management. Educated at Bygholm Agricultural College.

## DIRECTORSHIPS

**CHAIRMAN:** Gl. Fægeleje A/S.

**MEMBER:** HMJ Invest, Horsens A/S, Polen Invest A/S and Ejendomsselskabet Annasminde ApS and Annasminde Landbrug ApS.

## Board of Directors



**Erling Bech Poulsen**

**BOARD MEMBER**

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

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

### DIRECTORSHIPS

**CHAIRMAN:** Østifterne f.m.b.a. and Østifterne Administration f.m.b.a.

**VICE CHAIRMAN:** Nykredit Forsikring A/S.

**MEMBER:** Agrovakia A/S, Kølhedeh Invest A/S, Lidenlund Invest III 2008 A/S, Polen Invest A/S and Vandborg Karosserifabrik A/S.

## Executive Board



**Tom Axelgaard**

**CEO**

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

### DIRECTORSHIPS

**MEMBER:** Outrup Golfbane ApS and Turist Invest ApS.



**Hans Henrik Pauk Pedersen**

**CFO**

Joined Goodvalley in 2016 as CFO. Has previously worked as Group Vice President, Head of Group Business Development at Falck Group, and held corporate finance and investment banking positions at Carnegie Investment Bank, Atrium Partners and Danske Bank. MSc in Economics and Business Administration at the University of Southern Denmark. He is a member of the executive board of Finansax ApS.



**Kristian Brokop Jakobsen**

**COO**

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



# Board of Directors

NAME	BORN	GENDER	NATIONALITY	FIRST ELECTED	INDEPENDENT	BOARD MEETINGS	ROLE	AUDIT COMMITTEE MEETINGS	NOMINATION COMMITTEE MEETINGS	REMUNERATION COMMITTEE MEETINGS	SECURITIES 31 DEC. 2018	POLINVEST A/S <sup>3</sup> SHARES 31 DEC. 2018	CHANGE IN 2018
Anders Christen Obel	1960	Male	Danish	2013	Yes	(6 of 6)	Chairman	Member (4 of 4)	Member (2 of 2)	Chairman (2 of 2)	0	65,786 <sup>4</sup>	0
Niels Rauff Hansen	1964	Male	Danish	2002 <sup>1</sup>	No <sup>2</sup>	(6 of 6)	Vice Chairman	Member (4 of 4)	Chairman (2 of 2)	Member (2 of 2)	0	287,573	0
Anders Bundgaard	1944	Male	Danish	2002 <sup>1</sup>	No <sup>2</sup>	(6 of 6)	Member				0	561,837	0
Jens Jørgen Nielsen	1953	Male	Danish	2002 <sup>1</sup>	No <sup>2</sup>	(6 of 6)	Member				5 bonds	371,500	0
Erling Bech Poulsen	1955	Male	Danish	2009	No <sup>2</sup>	(6 of 6)	Member				0	95,450	0
Helle Okholm	1965	Female	Danish	2017	Yes	(6 of 6)	Member	Chairman (4 of 4)	Member (2 of 2)	Member (2 of 2)	0	0	0

# Executive Board

NAME	BORN	GENDER	NATIONALITY	EMPLOYED SINCE	ROLE	SECURITIES 31 DEC. 2018	POLINVEST A/S <sup>3</sup> SHARES 31 DEC. 2018	CHANGE IN 2018
Tom Axelgaard	1957	Male	Danish	1994 <sup>1</sup>	CEO	2,075,531 shares	60,907	0
Hans Henrik Pauk Pedersen	1981	Male	Danish	2016	CFO	0	0	0
Kristian Brokop Jakobsen	1980	Male	Danish	2006	COO	685,976 shares	2,000	0

All members are elected for 1 year at a time by shareholders at Goodvalley's general meeting.

<sup>1</sup> Have served the Group prior to 2002.

<sup>2</sup> Not considered independent as per the recommendations from the Danish Committee on Corporate Governance as the members have served longer than 12 years and represent Goodvalley's majority shareholder, Polinvest A/S.

<sup>3</sup> Polinvest A/S is Goodvalley's majority shareholder, and the company has issued 3,700,000 shares in total.

<sup>4</sup> Including 61,169 shares owned by C.W. Obel A/S.



# Investor information

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

## OWNERSHIP

Goodvalley A/S' share capital is divided into 53,797,824 shares of nominally DKK 10 and equal voting and dividend rights.

At the end of 2018, Goodvalley A/S was owned by 87 registered shareholders in total, and the shareholder base was comprised of individuals and holding companies with significant industry insight. The following shareholders held more than 5% of the share capital:

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

Goodvalley A/S' majority shareholder, Polen Invest A/S, is owned by 97 shareholders including members of the Goodvalley Group's Board of Directors, CEO Tom Axelgaard and COO Kristian Brokop Jakobsen. See disclosures of securities held at year-end on page 29, which show that Niels Rauff Hansen, Anders Bundgaard, Jens Jørgen Nielsen and Tom Axelgaard controlled more than 5% of the share capital in Goodvalley A/S each through their ownership of shares in Polen Invest A/S and Goodvalley A/S. No single shareholder controls Polen Invest A/S.

## INVESTOR RELATIONS

Following the listing of a EUR 135 million corporate bond issue on Nasdaq Copenhagen in 2017, Goodvalley has disclosed company announcements and quarterly

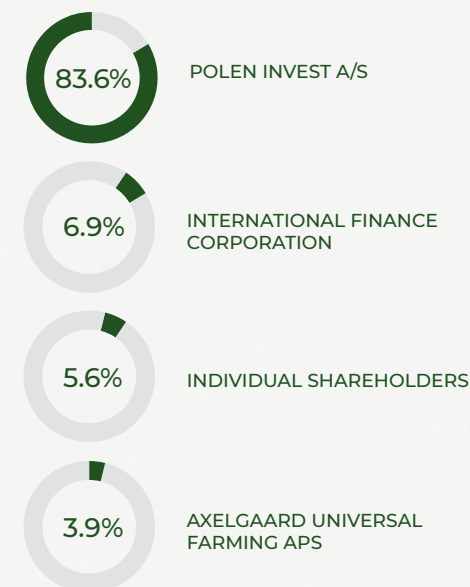
reports. Additional information is available in note 4.1 to the financial statements and at [www.goodvalley.com/investor](http://www.goodvalley.com/investor).

CFO Hans Henrik Pedersen is responsible for Investor Relations while day-to-day tasks are handled by Anne Axelgaard, Communications. Goodvalley continuously works to strengthen the dialogue with financial stakeholders in accordance with its own policies and the provisions for companies with bonds listed on Nasdaq Copenhagen.

## DIVIDENDS AND CAPITAL STRUCTURE

The Board of Directors will not propose distribution of dividends at the annual general meeting to be held on 4 April 2019.

### OWNERSHIP AT 31 DECEMBER 2018, %



### FINANCIAL CALENDAR 2019

04 APRIL	: ANNUAL GENERAL MEETING
27 MAY	: INTERIM REPORT Q1 2019
27 AUGUST	: INTERIM REPORT Q2 2019
27 NOVEMBER	: INTERIM REPORT Q3 2019

# Financial Statements



## Income Statement 1 January - 31 December

### INCOME STATEMENT 1 JANUARY - 31 DECEMBER

DKK MILLION	NOTE	2018	2017
Revenue	2.1	1,473	1,620
Change in fair value of biological assets	2.2	(3)	(5)
Grants and other income	2.3	23	38
<b>TOTAL INCOME</b>		<b>1,493</b>	<b>1,653</b>
Cost of goods sold (COGS)	2.1	(1,160)	(1,142)
<b>GROSS PROFIT</b>		<b>333</b>	<b>511</b>
SG&A	2.4	(121)	(85)
<b>EBITDA</b>		<b>212</b>	<b>426</b>
Depreciation, amortisation and impairment losses	3.1, 3.2	(121)	(122)
<b>PROFIT BEFORE FINANCIAL EXPENSES AND TAX</b>		<b>91</b>	<b>304</b>
Financial income	4.5	6	7
Financial expenses	4.5	(72)	(93)
Exchange rate adjustments	4.5	1	(48)
<b>PROFIT BEFORE TAX</b>		<b>26</b>	<b>170</b>
Corporation tax	2.6	(8)	(1)
<b>PROFIT OF CONTINUING OPERATIONS</b>		<b>18</b>	<b>169</b>
Profit/(loss) for the year of discontinued operations	5.6	4	(55)
<b>NET PROFIT</b>		<b>22</b>	<b>114</b>
Net profit is attributable to:			
Owners		22	114
<b>TOTAL</b>		<b>22</b>	<b>114</b>
<b>EARNINGS PER SHARE</b>			
Earnings per share (DKK)		<b>0.33</b>	3.14
Diluted earnings per share		<b>0.33</b>	3.14
Earnings per share (DKK) - incl. discontinued operations		<b>0.41</b>	2.12

### STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

DKK MILLION	NOTE	2018	2017
Profit for the year		22	114
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments of foreign enterprises		(57)	(13)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(35)</b>	<b>101</b>
Comprehensive income is attributable to:			
Owners		(35)	101
<b>TOTAL</b>		<b>(35)</b>	<b>101</b>





## Balance Sheet 31 December

### ASSETS

DKK MILLION	NOTE	2018	2017
Goodwill	3.1	84	94
Other intangible assets	3.1	24	-
<b>INTANGIBLE ASSETS</b>		<b>108</b>	<b>94</b>
Land and buildings		1,051	1,011
Leasehold improvements		117	123
Plant and machinery		276	257
Other fixtures and fittings, tools and equipment		120	111
Property, plant and equipment in progress		142	116
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>3.2</b>	<b>1,706</b>	<b>1,618</b>
Non-current asset investment	4.4	4	3
<b>FINANCIAL ASSET INVESTMENTS</b>		<b>4</b>	<b>3</b>
Biological assets - basic herd	3.3	109	118
<b>BIOLOGICAL ASSETS</b>		<b>109</b>	<b>118</b>
<b>NON-CURRENT ASSETS</b>		<b>1,927</b>	<b>1,833</b>
Biological assets - sales herd	3.3	184	196
Biological assets - arable, crop production	3.3	66	53
Inventories	3.4	260	273
<b>BIOLOGICAL ASSETS AND INVENTORIES</b>		<b>510</b>	<b>522</b>
Trade receivables	3.5	73	76
Receivables from associates		7	7
Other receivables	3.5	35	41
Deferred tax assets	2.5	-	8
Prepayments		15	19
<b>RECEIVABLES</b>		<b>130</b>	<b>151</b>
Cash at bank and in hand		63	171
Assets held for sale	5.6	-	74
<b>CURRENT ASSETS</b>		<b>703</b>	<b>918</b>
<b>ASSETS</b>		<b>2,630</b>	<b>2,751</b>

### LIABILITIES AND EQUITY

DKK MILLION	NOTE	2018	2017
Share capital	4.6	538	538
Reserve for exchange adjustments		(548)	(491)
Retained earnings		1,240	1,218
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS</b>		<b>1,230</b>	<b>1,265</b>
<b>TOTAL EQUITY</b>		<b>1,230</b>	<b>1,265</b>
Bond debt	4.1	970	964
Provision for deferred tax	2.5	4	5
Other provisions	3.6	4	3
Credit institutions	4.1	39	68
Subordinated loan from Polen Invest A/S	4.1	70	90
Deferred income	3.7	8	9
<b>LONG-TERM LIABILITIES</b>		<b>1,095</b>	<b>1,139</b>
Credit institutions	4.1	131	125
Subordinated loan from Polen Invest A/S (short term)	4.1	24	24
Trade payables		93	73
Other provisions	3.6	1	1
Other payables		53	42
Deferred income	3.7	3	8
<b>SHORT-TERM LIABILITIES</b>		<b>305</b>	<b>273</b>
Liabilities of disposal group classified as held for sale	5.6	-	74
<b>LIABILITIES</b>		<b>1,400</b>	<b>1,486</b>
<b>LIABILITIES AND EQUITY</b>		<b>2,630</b>	<b>2,751</b>



## Statement of changes in equity

### STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	RESERVE FOR EXCHANGE ADJUSTMENTS	RETAINED EARNINGS	EQUITY OWNERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
EQUITY AT 1 JANUARY 2017	531	(477)	1,164	1,218	14	1,232
Net profit for the year	-	-	114	114	-	114
Other comprehensive income/ (loss)	-	(13)	-	(13)	-	(13)
COMPREHENSIVE INCOME FOR THE YEAR 2017	-	(13)	114	101	-	101
Payment of dividends	-	-	(75)	(75)	-	(75)
Contribution of capital	7	(1)	15	21	(14)	7
EQUITY AT 31 DECEMBER 2017	538	(491)	1,218	1,265	-	1,265
Net profit for the year	-	-	22	22	-	22
Other comprehensive income/(loss)	-	(57)	-	(57)	-	(57)
COMPREHENSIVE INCOME FOR THE YEAR 2018	-	(57)	22	(34)	-	(34)
EQUITY AT 31 DECEMBER 2018	538	(548)	1,240	1,230	-	1,230



## Statement of cash flows

### STATEMENT OF CASH FLOWS

DKK MILLION	2018	2017
<b>PROFIT/(LOSS)</b>	<b>22</b>	<b>114</b>
<i>Adjustments:</i>		
Financial income and expenses	66	90
Currency losses	(1)	36
Depreciation and amortisation	121	122
Tax on the profit for the year	8	1
Other adjustments	(6)	35
Change in working capital	52	(47)
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL INCOME AND EXPENSES</b>	<b>260</b>	<b>350</b>
Financial income	6	7
Financial expenses	(72)	(84)
<b>CASH FLOWS FROM ORDINARY ACTIVITIES</b>	<b>194</b>	<b>273</b>
Corporation Income tax paid	0	1
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>194</b>	<b>274</b>
Purchase intangible assets	(27)	-
Purchase property, plant and equipment	(256)	(152)
Sale of property, plant and equipment	10	9
Change of financial investments	-	(3)
Sale of fixed asset investments	4	3
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(269)</b>	<b>(143)</b>

### STATEMENT OF CASH FLOWS

DKK MILLION	2018	2017
Proceeds from borrowings	103	1,206
Repayments of borrowings	(131)	(1,183)
Capital contribution	-	21
Dividend payments	-	(75)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(28)</b>	<b>(31)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(103)</b>	<b>100</b>
Cash and cash equivalents at 1 January	171	75
Exchange adjustment, beginning, cash and cash equivalents	(5)	(4)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>63</b>	<b>171</b>





## Notes to the financial statements

NOTES OVERVIEW	NOTE
<b>SECTION 1 - BASIS OF PREPARATION</b>	
<i>Introduces the Group's financial accounting policies in general and an overview of Management's key accounting estimates.</i>	
Summary of significant accounting policies and estimates	1.1
Other general accounting policies	1.2
<b>SECTION 2 - RESULTS FOR THE YEAR</b>	
<i>Comprises the notes related to the result for the year including segment information, taxes and staff costs.</i>	
Segment information	2.1
Changes in the fair value of biological assets	2.2
Grants and other income	2.3
Staff costs	2.4
Income and deferred income taxes	2.5
<b>SECTION 3 - OPERATING ASSETS AND LIABILITIES</b>	
<i>Relates to the assets that form the basis for the activities of the Group and the related liabilities.</i>	
Intangible assets	3.1
Property, plant and equipment	3.2
Biological assets	3.3
Inventories	3.4
Receivables	3.5
Other provisions	3.6
Deferred income	3.7
<b>SECTION 4 - CAPITAL STRUCTURE AND FINANCING ITEMS</b>	
<i>Encompasses notes related to capital structure and financing items.</i>	
Financial institutions (Debt / Bond)	4.1
Financial risks	4.2
Changes in working capital	4.3

	NOTE
Non-current investments	4.4
Financial income and costs	4.5
Share capital, dividend and earnings per share	4.6
Net interest-bearing debt	4.7
<b>SECTION 5 - OTHER DISCLOSURES</b>	
<i>Includes other statutory notes and notes of secondary importance from the perspective of the Group.</i>	
Cash flow adjustments	5.1
Contingent liabilities	5.2
Related-party transactions	5.3
Events after the reporting period	5.4
Fee to statutory auditor	5.5
Discontinued operations	5.6
Obligor group	5.7
Income statement classified by function	5.8
Entities in Goodvalley group	5.9
Definition of key figures and Financial Ratios	5.10



## 1.1 Summary of significant accounting policies and estimates

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

### IMPACT OF NEW ACCOUNTING STANDARDS

Management has assessed the impact of new or amended and revised accounting standards and interpretations (IFRSs) issued by the (IASB) and IFRSs endorsed by the European Union.

As of 1 January 2018, the Group applied, for the first time, IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. The impact of the implementation of IFRS 9 and IFRS 15 has been immaterial in relation to recognition and measurement.

#### *IFRS 9 - Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities*

The standard contains requirements for the classification and measurement of financial assets and liabilities, impairment methodology and general hedge accounting.

The primary effect for the Group is in relation to the basis for calculating the allowance for doubtful receivables which has been changed from incurred losses to expected losses. However, this has had only an immaterial impact on the allowances and thereby the consolidated financial statements but has resulted in additional disclosure in respect of provision for losses; see Note 3.5.

The standard has been implemented prospectively using 1 January 2018 as the date of initial application. The Group has made use of the relief from restating comparative figures.

#### *IFRS 15 – Revenue from Contracts with Customers*

The standard establishes a single comprehensive framework for revenue recognition. The standard requires that Contract assets and Contract liabilities are now presented separately in the balance sheet.

The implementation of IFRS 15 has not had any material effect on the income statement or balance sheet and the related key ratios in the consolidated financial statements.

The standard was implemented using the modified retrospective method. The Group made use of the relief from restating comparative figures and applied IFRS 15 only to contracts that were not completed as of 1 January 2018.

#### *Other new standards and interpretations effective 1 January 2018*

It is assessed that application of other new or amended standards or interpretations effective on 1 January 2018 has not had a material impact on the Consolidated financial statements in 2018.

Further, Management does not anticipate any significant impact on future periods from the adoption of these new interpretations.

### NEW IFRS STANDARDS ISSUED, BUT NOT YET EFFECTIVE

In addition to the above, the IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standard is expected to have the most significant impact on current accounting regulation.

#### *IFRS 16 Leases*

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under this new standard, an asset (the right to use the leased item) and a financial liability to make rental payments are recognised. The only recognition exceptions relate to short-term leases (with a lease term of 12 months or less) and low-value leases.



## 1.1 Summary of significant accounting policies and estimates

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the income statement. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019.

### *Transition to IFRS 16*

Goodvalley has performed a detailed analysis of the new leasing standard's effect on the Group's financial position, income statement and KPIs as at 31 December 2018.

Goodvalley is planning to adopt IFRS 16 applying the simple modified retrospective transition approach, with the effect of application recognized in the opening equity 1 January 2019 without restatement of comparatives.

The transition exemptions related to short-term leases (leases with a lease term below 12 months from the transition date), and low value leases will be used in calculating the initial impact of IFRS 16.

Goodvalley's lease portfolio is primarily comprised of leased land in Poland, Ukraine and Russia that are used to grow crops, which are used for pig feed. The leases are entered into usually for a fixed term or with Goodvalley having the option to extend the lease period. The annual lease payments are adjusted according with the price of wheat.

Goodvalley has identified the non-cancellable period in the contracts and added periods covered by extension options that are deemed reasonably certain to be exercised by management as well as periods covered by termination options which Management is reasonably certain not to exercise. The Group's leases and average lease terms are specified by geography below as at 31 December 2018:

Poland	Ukraine	Russia
80 leases	16,000 leases	10 leases
Average lease term of 8 years	Average lease term of 11 years	Average lease term of 32 years

Goodvalley has applied the Group's incremental borrowing rate to discount payments to net present value. The incremental borrowing rate reflects the rate of interest that Goodvalley will have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

Based on the analysis, Goodvalley expects to recognise a right of use asset and a lease liability ranging between DKK 55-65 million at 1 January 2019 corresponding to 2.1-2.5% of the financial position and with no effect on equity.

The impact from adopting IFRS 16 on EBITDA for 2019 is expected to be an increase of DKK 12-14 million.

### **RECOGNITION AND MEASUREMENT**

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

DKK is the Group's presentation currency.

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

### **SIGNIFICANT ACCOUNTING POLICIES**

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





## 1.1 Summary of significant accounting policies and estimates

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

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

### CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Material accounting estimates and judgements relates primarily to the Group's biological assets in the fields, which in a large part of the year is covered by snow. When assessing the fair value of crops, the Group estimates that there was no material biological transformation from the time of sowing till the field work starts 1 July, and therefore these biological assets are measured at cost, which corresponds to the fair value.

In some circumstances a change in the estimates may be necessary because of changes in the underlying assumptions.

### ESTIMATION UNCERTAINTY

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

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

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

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

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

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



## 1.2 Other general accounting policies

### Basis of consolidation

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

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

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

### Business combinations

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

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

### Defining materiality

The consolidated financial statements are a result of processing large numbers of transactions

and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these financial statements.

### TRANSLATION POLICIES

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

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



## 1.2 Other general accounting policies

The Group used the following exchange rates for the translation into DKK at 31 December 2018 and 2017:

### PLN:

- Balance sheet items 2018: 1.73658 (31 December 2017: 1.78496)
- Income statement 2018: 1.74925 (income statement 2017: 1.74549)

### UAH:

- Balance sheet items 2018: 0.23546 (31 December 2017: 0.22227)
- Income statement 2018: 0.23214 (income statement 2017: 0.24895)

### RUB:

- Balance sheet items 2018: 0.09397 (31 December 2017: 0.10811)
- Income statement 2018: 0.10091 (income statement 2017: 0.1132)

### EUR:

- Balance sheet items 2018: 7.46730 (31 December 2017: 7.44490)
- Income statement 2018: 7.45300 (income statement 2017: 7.43863)

### EQUITY

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

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

### CASH FLOW STATEMENT

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

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

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

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

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

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

### COST OF GOODS SOLD

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





## 2.1 Segment Information

### 2018

DKK MILLION	PIG	ARABLE	ENERGY	FOOD	OTHER	NOT ALLOCATED	INTERCOMPANY ELIMINATIONS	TOTAL
Revenue	1,025	178	81	733	44	-	-	2,061
Revenue - Intracompany eliminations	-	(140)	(23)	-	(5)	-	(420)	(588)
Change in fair value of biological Assets	(17)	13	-	-	1	-	-	(3)
Grants and other income	(3)	14	1	5	6	-	-	23
<b>TOTAL INCOME</b>	<b>1,005</b>	<b>65</b>	<b>59</b>	<b>738</b>	<b>46</b>	<b>-</b>	<b>(420)</b>	<b>1,493</b>
Cost of goods sold (COGS)	(742)	(186)	(64)	(715)	(3)	-	-	(1,710)
COGS Intracompany eliminations	126	6	36	-	-	-	382	550
<b>GROSS PROFIT/(LOSS)</b>	<b>389</b>	<b>(115)</b>	<b>31</b>	<b>23</b>	<b>43</b>	<b>-</b>	<b>(38)</b>	<b>333</b>
SG&A	(63)	(12)	(4)	(40)	(40)	-	-	(159)
SG&A Intracompany eliminations	-	-	-	-	-	-	38	38
<b>EBITDA</b>	<b>326</b>	<b>(127)</b>	<b>27</b>	<b>(17)</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>212</b>
EBITDA Before segment eliminations	200	7	14	(17)	8	-	-	-
Depreciation on non-current assets and impairment losses	(63)	(21)	(11)	(19)	(7)	-	1	(121)
<b>EBIT</b>	<b>263</b>	<b>(149)</b>	<b>16</b>	<b>(36)</b>	<b>(4)</b>	<b>-</b>	<b>1</b>	<b>91</b>
Net financials	-	-	-	-	-	88	(154)	(66)
Exchange rate adjustments	-	-	-	-	-	(38)	39	1
<b>PROFIT BEFORE TAX</b>	<b>263</b>	<b>(149)</b>	<b>16</b>	<b>(36)</b>	<b>(4)</b>	<b>50</b>	<b>(114)</b>	<b>26</b>



## 2.1 Segment Information

### 2017

DKK MILLION	PIG	ARABLE	ENERGY	FOOD	OTHER	NOT ALLOCATED	INTERCOMPANY ELIMINATIONS	TOTAL
Revenue	1,135	175	85	767	41	-	-	2,203
Revenue - Intracompany eliminations	-	(121)	(24)	-	(4)	-	(434)	(583)
Change in fair value of biological Assets	(10)	5	-	-	-	-	-	(5)
Grants and other income	22	15	2	3	3	-	-	45
Grants and other income - Intracompany eliminations	-	-	-	-	0	-	(7)	(7)
<b>TOTAL INCOME</b>	<b>1,147</b>	<b>74</b>	<b>63</b>	<b>770</b>	<b>40</b>	<b>-</b>	<b>(441)</b>	<b>1,653</b>
Cost of goods sold (COGS)	(725)	(149)	(67)	(755)	(4)	-	-	(1,700)
COGS Intracompany eliminations	108	5	35	-	-	-	410	558
<b>GROSS PROFIT/(LOSS)</b>	<b>530</b>	<b>(70)</b>	<b>31</b>	<b>15</b>	<b>36</b>	<b>-</b>	<b>(31)</b>	<b>511</b>
SG&A	(54)	(7)	(3)	(24)	(29)	-	-	(116)
SG&A Intracompany eliminations	-	-	-	-	-	-	31	31
<b>EBITDA</b>	<b>476</b>	<b>(77)</b>	<b>29</b>	<b>(9)</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>426</b>
EBITDA Before segment eliminations	368	39	17	(9)	11	-	-	-
Depreciation on non-current assets and impairment losses	(62)	(19)	(13)	(16)	(31)	-	19	(122)
<b>EBIT</b>	<b>414</b>	<b>(96)</b>	<b>16</b>	<b>(25)</b>	<b>(24)</b>	<b>-</b>	<b>19</b>	<b>304</b>
Net financials	-	-	-	-	-	(38)	(48)	(86)
Exchange rate adjustments	-	-	-	-	-	(65)	17	(48)
<b>PROFIT BEFORE TAX</b>	<b>414</b>	<b>(96)</b>	<b>16</b>	<b>(25)</b>	<b>(24)</b>	<b>(103)</b>	<b>(12)</b>	<b>170</b>

GEOGRAPHY DKK MILLION	REVENUE		ASSETS	
	2018	2017	2018	2017
Poland	768	878	1,115	1,116
Ukraine	393	402	419	293
Russia	174	165	279	302
Rest of world	139	175	-	-
<b>TOTAL</b>	<b>1,473</b>	<b>1,620</b>	<b>1,813</b>	<b>1,711</b>



## 2.1 Segment Information

### Segment reporting

The segment reporting reflects the internal reporting framework used for decision making by the Executive Board, who is considered to be the Chief Operating Decision Maker and is based on the separate reporting of each of the Group's four business areas.

In all material respect, unallocated items and eliminations include:

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

### Geographical distribution

The Group operates in four geographical regions: Poland, Ukraine, Russia and rest of world.

The geographical distribution of revenue is based on the country in which the goods are delivered.

The stated geographical distribution of revenue may therefore vary from year to year if the delivery destination for these customers changes.

### ACCOUNTING POLICIES

Segment information has been prepared in accordance with the Group's applied accounting policies and is consistent with the Group's internal reporting to the Executive Board.

The Executive Board evaluates operating profits of business segments separately in order to make decisions in relation to resource allocation and performance measurement. The segment results are evaluated on the basis of operating results, which are calculated by the same methods as in the consolidated financial statements. Financial income, costs and corporate taxes are calculated at Group level and are not allocated to the business segments.

Segment income and costs comprise income and costs that are directly attributable to the individual segment and the items that can be allocated to the individual segment on a reliable basis. Business segments earnings are illustrated as reported and before elimination of internal trade to show the separate segments contribution to the groups integrated setup. No individual

customer accounts for more than 10% of revenue.

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

### Revenue

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

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

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

- Sales of biological assets - pig segment: The Group primarily sells pigs for slaughterhouses. Revenue from the sales of pigs is recognised when delivery has taken place.
- Sales of biological assets - Arable: The Group primarily sells arable for inter-segment use to pig segment and energy segment. Revenue from the sales of arable is recognised when delivery has taken place.
- Sales of finished goods and consumables from Food segment: Revenue from finished goods and consumables from slaughterhouses is recognised when delivery has taken place.
- Sales of green energy and CO<sub>2</sub> 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<sub>2</sub> emission reduction units from its biogas production, which is also recognised as revenue concurrently with the production on the biogas plant. Revenue is recognised before the final settlement of the biogas activity based on historical data and market prices.



## 2.2 Changes in the fair value of biological assets

### GAINS/LOSSES OF BIOLOGICAL ASSETS

DKK MILLION	2018	2017
Current biological assets		
Sales herd of pigs:		
- Due to volume	(5)	(6)
- Due to Prices	(3)	(7)
Arable - Crop production	13	6
Non-current biological assets		
Basic herd of pigs		
- Due to volume	(1)	(3)
- Due to Prices	(7)	5
<b>TOTAL</b>	<b>(3)</b>	<b>(5)</b>

### ACCOUNTING POLICIES

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

## 2.3 Grants and other income

### GRANTS AND OTHER INCOME

DKK MILLION	2018	2017
EU hectare support	9	10
Biogas	1	1
Ukrainian VAT grant	1	17
Other income	12	10
<b>TOTAL</b>	<b>23</b>	<b>38</b>

### ACCOUNTING POLICIES

Unconditional grants 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.

The Group has in previous years received VAT grant in Ukraine. The grant were given as a re-fund, based on the total VAT paid for the year, seen in comparison to the groups total activities in Ukraine. In 2018, the Group received 1 million under the VAT grant, driven by a significant decrease in the total amount distributed by the Ukrainian authorities.





## 2.4 Staff costs

### STAFF COSTS

DKK MILLION	2018	2017
Wages and salaries	210	181
Pensions	3	1
Other social security expenses, social funds etc.	27	23
Staff costs capitalised	(4)	(3)
<b>TOTAL</b>	<b>236</b>	<b>202</b>
<i>Included in the income statement:</i>		
Staff costs related to COGS	185	154
Staff costs related to SG&A	51	48
<b>STAFF COSTS</b>	<b>236</b>	<b>202</b>
<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>2,363</b>	<b>2,411</b>
<b>EMPLOYEES AT END OF PERIOD</b>	<b>2,327</b>	<b>2,232</b>
<b>REMUNERATION TO EXECUTIVE BOARD</b>		
Salary, pension and bonus	8.6	5.2
Share - based payments	-	-
Social security cost	-	-
<b>MEMBERS OF THE EXECUTIVE BOARD</b>	<b>3</b>	<b>2</b>

In the event of change of control, members of the Executive Board does not receive any additional compensation.

### Remuneration of the Board of Directors

Remuneration of the Board of Directors amounted to DKK 2.5 million in 2018 (2017: DKK 2.0 million).

### ACCOUNTING POLICIES

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

## 2.5 Income and deferred income taxes

### INCOME AND DEFERRED INCOME TAXES

DKK MILLION	2018	2017
Corporation tax:		
Current tax for the year	-	-
Deferred tax for the year	8	1
<b>TOTAL</b>	<b>8</b>	<b>1</b>
Recognized as follows:		
Tax on profit for the year of continuing operations	8	1
Tax on other comprehensive income	-	-
<b>TAX FOR THE YEAR</b>	<b>8</b>	<b>1</b>
Net tax payables at 1 January	-	-
Tax payable on profit for the year	-	-
Tax paid during the year	-	(1)
Foreign currency translation adjustments, etc.	-	1
<b>TOTAL</b>	<b>-</b>	<b>-</b>
Recognized as follows:		
Tax receivable	-	-
Tax payable	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>
TAX ON PROFIT FOR THE YEAR IS SPECIFIED AS FOLLOWS:		
Calculated 22% tax on profit for the year before tax	6	37
Tax-exempted profit on agricultural activities abroad	(6)	(25)
Non tax deductible cost and income	8	(8)
Differences in tax rates compared with Denmark	-	(3)
<b>TOTAL</b>	<b>8</b>	<b>1</b>
<b>EFFECTIVE TAX RATE FOR THE YEAR</b>	<b>30.7%</b>	<b>0.2%</b>

## 2.5 Income and deferred income taxes

### PROVISION FOR DEFERRED TAX

DKK MILLION	2018	2017
<b>Provision at 1 January</b>	(3)	(8)
Foreign currency translation adjustments, etc	(1)	-
Change in deferred tax on profit for the year	-	1
Changes in deferred tax from prior years	8	4
<b>Provision for deferred tax 31 December</b>	4	(3)
<b>Recognised as follows:</b>		
Deferred tax assets	-	(8)
Deferred tax liabilities	(4)	5
<b>PROVISION FOR DEFERRED TAX</b>	<b>4</b>	<b>(3)</b>
<b>Breakdown of deferred tax</b>		
Gross deferred tax assets and liabilities	24	25
Unrecognized tax assets	(28)	(22)
<b>PROVISION FOR DEFERRED TAX</b>	<b>4</b>	<b>(3)</b>

### ACCOUNTING POLICIES

#### Tax on profit/(loss) for the year

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

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

#### Deferred tax asset and liabilities

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

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

### BREAKDOWN OF DEFERRED TAX

DKK MILLION	NET DEFERRED TAX AT 1 JANUARY	RECOGNISED IN PROFIT FOR THE YEAR	RECOGNISED IN OTHER COMPREHENSIVE INCOME	NET DEFERRED TAX AT 31 DECEMBER
<b>2017</b>				
Intangible assets and property, plant and equipment	-	-	5	5
Tax losses	(8)	-	-	(8)
<b>TOTAL</b>	<b>(8)</b>	<b>-</b>	<b>5</b>	<b>(3)</b>
<b>2018</b>				
Intangible assets and property, plant and equipment	5	-	(1)	4
Tax losses	(8)	8	-	-
<b>TOTAL</b>	<b>(3)</b>	<b>8</b>	<b>(1)</b>	<b>4</b>

## 3.1 Intangible assets

### 2018

DKK MILLION	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Cost at 1 January	94	-	94
Additions for the year	-	27	27
Exchange adjustment at balance sheet date rates	(10)	-	(10)
<b>COST AT 31 DECEMBER</b>	<b>84</b>	<b>27</b>	<b>111</b>
<b>AMORTISATION LOSSES AT 1 JANUARY</b>	<b>-</b>	<b>-</b>	
Amortisation for the year	-	3	3
<b>AMORTISATION LOSSES AT 31 DECEMBER</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>CARRYING AMOUNT AT 31 DECEMBER</b>	<b>84</b>	<b>24</b>	<b>108</b>

### 2017

Cost at 1 January	99	-	99
Exchange adjustment at balance sheet date rates	(5)	-	(5)
<b>COST AT 31 DECEMBER</b>	<b>94</b>	<b>-</b>	<b>94</b>
<b>CARRYING AMOUNT AT 31 DECEMBER</b>	<b>94</b>	<b>-</b>	<b>94</b>

### THE CARRYING AMOUNT OF GOODWILL IS SPECIFIED AS FOLLOWS:

DKK MILLION	2018
Goodvalley Russia LLC	66
Goodvalley SP. Z.O.O.	-
Goodvalley Agro S.A.	14
Goodvalley Ukraine LLC.	3
<b>TOTAL CARRYING AMOUNT</b>	<b>84</b>

Goodwill relates to Goodvalley Russia LLC., Goodvalley Agro S.A. and Goodvalley Ukraine LLC. For all companies, an impairment test in respect of goodwill has been carried out at 31 December 2018 based on the calculation of value in use. The impairment test was performed through calculation of value based on a DCF model. The DCF model used as basis for impairment has 5 years (2019-2023) as budget periods. There is no growth in the terminal period. Instead

it has been set as the same as budget year 2023. There is no general growth in the budget and prognosis period, which instead is based on the approved and actual budget for 2019 and approved prognosis by Management for 2019-2023. For Goodvalley Agro S.A. the discount rate before tax was 8.5% (2017: 8.5%); For Goodvalley Ukraine LLC the discount rate before tax was 14.25% (2017: 14.25%); For Goodvalley Russia LLC discount rate before tax was 11% (2017: 11%). No growth has been recognised after the budget period. The applied discount rate and budgets are exclusive of inflation. The applied discount rate is based on the inherent risk in the marked related to the company's business and industry peers.

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

### ACCOUNTING POLICIES

#### Goodwill

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

#### Leasehold rights

Payments to take over leases are classified as leasehold rights. Leasehold rights are amortised over the lease term or the useful life if this is shorter. The basis of amortisation is reduced by any write-downs.



## 3.2 Property, plant and equipment

### 2018

DKK MILLION	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	PLANT AND MACHINERY	OTHER FIXTURES AND FITTINGS TOOLS AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
<b>COST AT 1 JANUARY</b>	<b>1,227</b>	<b>187</b>	<b>548</b>	<b>283</b>	<b>116</b>	<b>2,361</b>
Exchange adjustment at balance sheet date rates	(34)	(5)	(17)	(3)	-	(59)
Additions for the year	20	-	-	3	234	257
Disposals for the year	(1)	-	-	(17)	-	(18)
Reclassification	88	4	69	45	(206)	-
<b>COST AT 31 DECEMBER</b>	<b>1,300</b>	<b>187</b>	<b>598</b>	<b>313</b>	<b>142</b>	<b>2,541</b>
<b>DEPRECIATION LOSSES AT 1 JANUARY</b>	<b>216</b>	<b>64</b>	<b>291</b>	<b>172</b>	<b>-</b>	<b>743</b>
Exchange adjustment at balance sheet date rates	(6)	(2)	(7)	(2)	-	(16)
Depreciation for the year	38	8	40	32	-	118
Depreciation disposals for the year	-	-	-	(10)	-	(11)
<b>DEPRECIATION LOSSES AT 31 DECEMBER</b>	<b>248</b>	<b>71</b>	<b>322</b>	<b>193</b>	<b>-</b>	<b>834</b>
<b>CARRYING AMOUNT AT 31 DECEMBER</b>	<b>1,051</b>	<b>117</b>	<b>276</b>	<b>120</b>	<b>142</b>	<b>1,706</b>
Interests capitalised for the year calculated at an interest rate of 4.5%	2					2
Assets provided as security for debt	433		41		1	475





## 3.2 Property, plant and equipment

### 2017

DKK MILLION	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	PLANT AND MACHINERY	OTHER FIXTURES AND FITTINGS TOOLS AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
<b>COST AT 1 JANUARY</b>	<b>1,277</b>	<b>182</b>	<b>523</b>	<b>284</b>	<b>98</b>	<b>2,364</b>
Exchange adjustment at balance sheet date rates	(7)	7	(2)	(8)	(2)	(12)
Additions for the year	40	-	65	13	150	268
Disposals for the year	(8)	(2)	(15)	(15)	(4)	(44)
Reclassification	1	-	1	11	(126)	(113)
Transfer to Assets held for sale	(76)	-	(24)	(2)	-	(102)
<b>COST AT 31 DECEMBER</b>	<b>1,227</b>	<b>187</b>	<b>548</b>	<b>283</b>	<b>116</b>	<b>2,361</b>
<b>DEPRECIATION LOSSES AT 1 JANUARY</b>	<b>188</b>	<b>55</b>	<b>268</b>	<b>154</b>	<b>-</b>	<b>665</b>
Exchange adjustment at balance sheet date rates	(2)	-	(1)	-	-	(3)
Depreciation for the year	40	11	39	32	-	122
Depreciation disposals for the year	(4)	(2)	(14)	(13)	-	(33)
Reclassification	(6)	-	(1)	(1)	-	(8)
<b>DEPRECIATION AND IMPAIRMENT LOSSES AT 31 DECEMBER</b>	<b>216</b>	<b>64</b>	<b>291</b>	<b>172</b>	<b>-</b>	<b>743</b>
<b>CARRYING AMOUNT AT 31 DECEMBER</b>	<b>1,011</b>	<b>123</b>	<b>257</b>	<b>111</b>	<b>116</b>	<b>1,618</b>
Interests capitalised for the year calculated at an interest rate of 4.5%	1					1
Assets provided as security for debt	453		51		2	506



## 3.2 Property, plant and equipment

### ACCOUNTING POLICIES

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

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

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

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

Assessment of residual value and useful life is performed annually for assets under property, plant and equipment.

### Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

### Contractual commitments

The are no contractual commitments for acquisition of property, plant and equipment.

## 3.3 Biological assets

### BIOLOGICAL ASSETS

DKK MILLION	BASIC HERD	SALES HERD	TOTAL HERD
2018			
<i>Opening balance as of 1 January</i>	118	196	314
<i>Movements:</i>			
Acquisitions	6	-	6
Produced piglets	-	546	546
Gain/loss from change in fair value	(9)	455	446
Sales	(30)	(985)	(1,015)
Transfer between groups	25	(25)	-
Exchange adjustments	(1)	(3)	(4)
<b>CLOSING BALANCE</b>	<b>109</b>	<b>184</b>	<b>293</b>
<b>- VALUES AS OF 31 DECEMBER</b>			
2017			
<i>Opening balance as of 1 January</i>	121	215	336
<i>Movements:</i>			
Acquisitions	5	-	5
Produced piglets	7	307	314
Gain/loss from change in fair value	6	764	770
Sales	(35)	(1,068)	(1,103)
Transfer between groups	19	(19)	-
Exchange adjustments	(5)	(3)	(8)
<b>CLOSING BALANCE</b>	<b>118</b>	<b>196</b>	<b>314</b>
<b>- VALUES AS OF 31 DECEMBER</b>			

Herd provided as security for loan from credit institution amounts to DKK 46 million at 31 December 2018 (2017: DKK 52 million).

### 3.3 Biological assets

Additions for piglets are calculated as the value of weaners at standard rates. Gain on changes in fair value comprises changes as a consequence of biological growth and price changes. Disposals from sales and transfer amounts are calculated using the fair value per unit from previous period. Transfer between Groups covers pigs transferred to own breeding as young females.

#### BIOLOGICAL ASSETS - ARABLE, CROP PRODUCTION

DKK MILLION	2018	2017
<i>Crop production</i>		
Opening balance as of 1 January	53	49
Acquisitions	140	70
Gain/loss from change in fair value	42	19
Harvest	(169)	(83)
Exchange adjustments	-	(2)
<b>CLOSING BALANCE</b>	<b>66</b>	<b>53</b>
Numbers of hectares harvested	30,627	28,118
Numbers of hectares seeded as of closing balance	18,243	13,505

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

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

#### ACCOUNTING POLICIES

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

#### SIGNIFICANT ACCOUNTING ESTIMATES

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

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

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

Biological assets were measured at a total of DKK 359 million at 31 December 2018 (DKK 367 million at 31 December 2017).



## 3.4 Inventories

### INVENTORIES

DKK MILLION	2018	2017
Agriculture produce (stocks of own produced crops etc.)	141	152
Raw materials, medicine etc, bought feed	87	96
Work in progress	3	4
Finished goods and goods for resale	29	21
<b>TOTAL INVENTORY</b>	<b>260</b>	<b>273</b>
Borrowings are secured on following inventories:		
Crops and raw materials/Agricultural stocks	2	-
<b>TOTAL</b>	<b>2</b>	<b>-</b>

### ACCOUNTING POLICIES

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

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

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

### SIGNIFICANT ACCOUNTING ESTIMATES

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

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





## 3.5 Receivables

### RECEIVABLES

DKK MILLION	2018	2017
Trade receivables	73	76
Bad debt provision	-	-
<b>TRADE RECEIVABLES, NET</b>	<b>73</b>	<b>76</b>
Other receivables	38	44
Write down	(3)	(3)
<b>OTHER RECEIVABLES, NET</b>	<b>35</b>	<b>41</b>
Total write downs at 1 January	3	5
Exchange adjustment	-	(1)
Disposals for the year:		
- Applied	-	(1)
<b>WRITE DOWNS AT 31 DECEMBER</b>	<b>3</b>	<b>3</b>

From 1 January 2018, the allowances have been recognised according to the lifetime expected credit loss method, whereas the allowances in 2017 were recognised according to the incurred loss method as described in note 1.1. The transition to the lifetime expected credit loss model has only had an immaterial effect on allowances as of 1 January 2018. The Group's trade terms are generally covered by payment upon delivery or insurance of the receivable, whereby the risk is transferred.

### ACCOUNTING POLICIES

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Furthermore, an allowance for lifetime expected credit losses for trade receivables is recognised on initial recognition. Trade receivables are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

The cost of allowances for expected credit losses and write-offs for trade receivables are included in SG&A costs.

## 3.6 Other provisions

### STAFF OBLIGATIONS:

DKK MILLION	2018	2017
Balance at 1 January	4	6
Exchange adjustment at balance sheet date rates	-	1
Provision for the year	2	1
Utilised provisions	(1)	-
Reversal of unutilised provision		(4)
<b>TOTAL PROVISIONS</b>	<b>5</b>	<b>4</b>
<i>Provisions are recognised in the balance sheet as follows:</i>		
Long-term	4	3
Short-term	1	1
<b>TOTAL PROVISIONS</b>	<b>5</b>	<b>3</b>

Other provisions relating to staff obligations comprise provision for voluntary social funds in foreign subsidiary as well as provision for redundancy schemes for which the Group has no further obligations once the contribution has been paid. Uncertainty in respect of the recognition primarily relates to the unknown time horizon and the scope involved.

### ACCOUNTING POLICIES

Provisions 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.



## 3.7 Deferred income

### DEFERRED INCOME

DKK MILLION	2018	2017
Short term	3	8
Long term	8	9
<b>TOTAL</b>	<b>11</b>	<b>17</b>

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

### ACCOUNTING POLICIES

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

## 4.1 Financial Institutions

### FINANCIAL INSTITUTIONS

	2018	2017
<b>BOND DEBT</b>		
Payable between 2 and 5 years	970	964
<b>DEBT TO CREDIT INSTITUTIONS</b>		
Payable after 5 years	-	-
Payable between 2 and 5 years	39	68
<b>LONG-TERM DEBT</b>	<b>1,009</b>	<b>1,032</b>
Short term - ordinary	131	125
<b>TOTAL DEBT</b>	<b>1,140</b>	<b>1,157</b>
<b>SUBORDINATE LOAN CAPITAL</b>		
Payable after 5 years	-	-
Payable between 1 and 5 years	70	90
<b>LONG-TERM DEBT</b>	<b>70</b>	<b>90</b>
Short-term debt	24	24
<b>TOTAL</b>	<b>94</b>	<b>114</b>

In 2017, the Group issued a 4-year "senior secured" bond of EUR 135 million maturing in 2021. The bond is listed for trading on Nasdaq Copenhagen. The bond has a variable interest rate based on EURIBOR 3M with a spread of 450 basis points. At 31 December 2018 the fair value of the bond were EUR 125.7 million measured in level 1 of the fair value hierarchy at a listed rate of 93.125 on Nasdaq Copenhagen. For additional information on terms and conditions, refer to the schedule below. There are no planned repayments in the bond before the bond matures after 4 years. However, the Group is permitted to use surplus liquidity to repurchase bonds. In 2017, the Group repurchased bonds for an amount of EUR 5.5 million.

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



## 4.1 Financial Institutions

### RECONCILIATION OF FINANCING ACTIVITIES

	2017	CASH FLOWS	NON - CASH CHANGES			2018
			ACQUISITIONS	FOREIGN EXCHANGE MOVEMENT	FAIR VALUE CHANGES	
Bond debt	964	-	-	6	-	970
Subordinated loan long term	90	(20)	-	-	-	70
Subordinated loan short term	24	-	-	-	-	24
Long term credit institutions	68	(29)	-	-	-	39
Short term credit institutions	125	7	-	-	-	131
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>1,271</b>	<b>(42)</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>1,235</b>

### RECONCILIATION OF FINANCING ACTIVITIES

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

## 4.1 Financial Institutions

Subordinate loan capital from Polen Invest A/S, originally DKK 150 million, is repaid according to the financial position of the Company, and up until 2018 with a maximum of DKK 20 million per year. The Company has intention to repay the loan entirely or partly during 2019 or later, if the financial position of the Company allows it.

### BOND AND DEBT TO CREDIT INSTITUTIONS

	CARRYING AMOUNT	INTEREST PERIOD BINDING MONTHS	AVERAGE EFFECTIVE INTEREST IN %
LOANS WITH FIXED INTEREST:			
RUB	27	12-76	13.0
LOANS WITH VARIABLE INTEREST:			
EUR	5	30	2.3
EUR	970	41	4.5
PLN	67	30	4.6
DKK	22	41	2.3
RUB	42	30	13.8
UAH	8	30	19.0

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

### ACCOUNTING POLICIES

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

### BOND TERMS

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





## 4.2 Financial risks

### **Credit risks**

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

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

### **Liquidity risk**

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

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

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

Maturity analysis at 31 December 2018 excluding future interest payments:



## 4.2 Financial risks

### 2018

MEASURED AT AMORTISED COST:	<1 YEAR	1-5 YEAR	>5 YEAR	WITHOUT AGREED SETTLEMENT	TOTAL	CARRYING AMOUNT	FAIR VALUE
Credit institutions	131	39	-	-	170	170	170
Bond obligation	-	970	-	-	970	970	965
Payables to Group companies	24	70	-	-	94	94	94
Trade payables	93	-	-	-	93	93	93
Other short-term payables	53	-	-	-	53	53	53
<b>FINANCIAL LIABILITIES</b>	<b>301</b>	<b>1,079</b>	<b>-</b>	<b>-</b>	<b>1,380</b>	<b>1,380</b>	<b>1,375</b>
<b>RECEIVABLES</b>							
Receivables from related companies	7	-	-	-	7	7	7
Trade receivables	73	-	-	-	73	73	73
Other receivables	35	-	-	-	35	35	35
Cash at bank and in hand	63	-	-	-	63	63	63
<b>FINANCIAL ASSETS</b>	<b>178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>178</b>	<b>178</b>
<b>NET CASH OUTFLOW</b>	<b>(123)</b>	<b>(1,079)</b>	<b>-</b>	<b>-</b>	<b>(1,202)</b>	<b>(1,202)</b>	<b>(1,197)</b>

*The table excludes future interest payments.*



## 4.2 Financial risks

### 2017

MEASURED AT AMORTISED COST:	<1 YEAR	1-5 YEAR	>5 YEAR	WITHOUT AGREED SETTLEMENT	TOTAL	CARRYING AMOUNT	FAIR VALUE
Credit institutions	125	68	-	-	193	193	193
Bond debt	-	964	-	-	964	964	956
Payables to Group companies	24	90	-	-	114	114	114
Trade payables	73	-	-	-	73	73	73
Other short-term payables	42	-	-	-	42	42	42
<b>FINANCIAL LIABILITIES</b>	<b>264</b>	<b>1,122</b>	<b>-</b>	<b>-</b>	<b>1,386</b>	<b>1,386</b>	<b>1,378</b>
<b>RECEIVABLES</b>							
Receivables from related companies	7	-	-	-	7	7	7
Trade receivables	76	-	-	-	76	76	76
Other receivables	41	-	-	-	41	41	41
Cash at bank and in hand	171	-	-	-	171	171	171
<b>FINANCIAL ASSETS</b>	<b>295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>295</b>	<b>295</b>	<b>295</b>
<b>NET CASH OUTFLOW</b>	<b>31</b>	<b>(1,122)</b>	<b>-</b>	<b>-</b>	<b>(1,091)</b>	<b>(1,091)</b>	<b>(1,083)</b>

*The table excludes future interest payments.*

#### Market risk

The Group's credit facilities are floating-rate credits, which expose 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 (2017: DKK 11 million). The Group's settlement currencies are primarily PLN, RUB and UAH. No financial instruments are used to hedge positions in foreign currencies.

#### Currency risk

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

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



## 4.2 Financial risks

### CURRENCY EXPOSURE AT 31 DECEMBER:

CURRENCY	PAYMENT MATURITY	RECEIVABLES	PAYABLES	BANK AND CREDIT INSTITUTIONS	PAYABLES TO GROUP COMPANIES	NET POSITION 2018	NET POSITION 2017
USD	< 1 year	13	(1)	(1)	-	11	11
	> 1 year	-	-	-	-	-	-
EUR	< 1 year	5	(26)	(977)	-	(998)	(976)
	> 1 year	-	-	(3)	-	(3)	(6)
PLN	< 1 year	76	(66)	(54)	-	(73)	8
	> 1 year	-	-	(7)	-	(7)	(5)
UAH	< 1 year	31	(8)	(8)	-	(9)	(22)
	> 1 year	-	-	-	-	-	-
DKK	< 1 year	10	(6)	(42)	(24)	(59)	(103)
	> 1 year	-	-	-	(70)	(70)	(90)
RUB	< 1 year	1	(5)	(20)	-	(22)	(31)
	> 1 year	-	-	(29)	-	(29)	(56)
		<b>132</b>	<b>(99)</b>	<b>(1,141)</b>	<b>(94)</b>	<b>(1,259)</b>	<b>(1,231)</b>

A 5% increase/decrease in the PLN, UAH and RUB rate versus DKK would impact net earnings before tax positively/negatively by DKK 1 million and impact other comprehensive income positively/negatively by DKK 1 million arising from financial assets and liabilities. The sensitivity analysis does not include financial assets and liabilities in the functional currency of the Group's subsidiaries and translation risk from consolidation of income statement.

The most significant effect on the Group's earnings is attributable to changes in the price of pig meat and price changes relating to pig feed, which makes up 2/3 of the pig production costs. Goodvalley is engaged in large-scale agricultural activities, which makes it possible to use the pig slurry. Moreover, this provides considerable hedging of the risk of changes in feed prices. A change of the pig meat price of 10% will, on an isolated basis, affect profit for the year before tax relating to the pig production by approximately DKK 101 million (2017: approx. DKK 102 million).

A change in the feed prices of 10 % will, on an isolated basis, affect profit for the year before tax relating to the pig production by approximately DKK 49 million (2017: approx. DKK 37 million).

### Capital management

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



## 4.3 Change in working capital

### CHANGE IN WORKING CAPITAL

DKK MILLION	2018	2017
Change in receivables and inventories	22	(29)
Change in biological assets	3	9
Change in other short-term debt	28	(34)
Adjusted for currency losses	(1)	5
<b>TOTAL</b>	<b>52</b>	<b>(49)</b>

## 4.4 Non-current investment

### 2018

DKK MILLION	OTHER FINANCIAL ASSETS	OTHER NON-CURRENT RECEIVABLES	ASSOCIATES	TOTAL
<b>COST AT 1 JANUARY</b>	-	2	1	3
<b>COST AT 31 DECEMBER</b>	-	2	1	3

### 2017

Cost at 1 January	5	2	1	8
Disposal	(5)	-	-	(5)
<b>COST AT 31 DECEMBER</b>	-	2	1	3

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

DKK MILLION	2018	2017
Sevel Slagteri A/S, Denmark	1	1

### ACCOUNTING POLICIES

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

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 when required.



## 4.5 Financial income and costs

### FINANCIAL INCOME AND COSTS

DKK MILLION	2018	2017
FINANCIAL INCOME		
Interest income	6	7
<b>TOTAL</b>	<b>6</b>	<b>7</b>
FINANCIAL EXPENSES		
Interest expenses	65	97
Pre-IPO related costs	9	-
Capitalized interests	(2)	(4)
<b>TOTAL</b>	<b>72</b>	<b>93</b>
EXCHANGE RATE ADJUSTMENTS		
Loans and receivables	5	(50)
Other	(4)	2

### ACCOUNTING POLICIES

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

Cost related to the preparation for IPO is considered financial cost and included in financial expenses.

## 4.6 Share capital, dividend and earnings per share

### DEVELOPMENT IN SHARE CAPITAL

Total shares 31 December 2013	53,111,848
Number of shares issued 2014-2017	685,976
Number of shares issued 2018	-
<b>TOTAL SHARES</b>	<b>53,797,824</b>

The share capital consists of 53,797,824 shares of a nominal value of DKK 10. No shares carry any special rights.

### NET CASH DISTRIBUTION TO SHAREHOLDERS (DIVIDEND)

DKK MILLION	2018	2017
Ordinary dividend	-	-
Extraordinary dividend	-	75
<b>TOTAL DIVIDEND</b>	<b>-</b>	<b>75</b>
Dividend per share (DKK)	-	1.39

### EARNINGS PER SHARE:

Earnings per share (DKK)	0.33	3.14
Diluted earnings per share (DKK)	0.33	3.14
Earnings per share (DKK) - including discontinued operations	0.41	2.12

### ACCOUNTING POLICIES

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



## 4.7 Net interest-bearing debt

### NET INTEREST-BEARING DEBT

DKK MILLION	2018	2017
Debt to credit institutions and borrowings	1,234	1,271
Cash	63	171
<b>NET INTEREST BEARING DEBT</b>	<b>1,171</b>	<b>1,100</b>

## 5.1 Cash flow adjustments

### OTHER ADJUSTMENTS

DKK MILLION	2018	2017
Reversed impairment on assets held for sale	(4)	38
Provisions	-	1
Other adjustments	(2)	(5)
<b>TOTAL OTHER ADJUSTMENTS</b>	<b>(6)</b>	<b>34</b>

## 5.2 Contingent liabilities

### CONTINGENT LIABILITIES

DKK MILLION	2018	2017
Lease and rent obligations in the period of non-terminability		
Within 1 year	38	73
Between 2-5 years	42	28
After 5 years	83	58
	<b>163</b>	<b>159</b>

During the year leasing cost of DKK 12.9 million were expensed in the profit/(loss). The leases and rent obligations have been established for a fixed period. The annual lease payment is adjusted according to the price of wheat. The obligations relating to the leases have been calculated on the basis of the wheat prices for 2018. The Group has provided cross surety for debt within the Group.

Goodvalley A/S is jointly taxed with its parent, Polen Invest A/S, which acts as administration company, and has joint and several liability together with other Danish jointly taxed group entities for the payment of income tax for the income year 2014 onwards as well as for withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012. Tax payable for the joint taxation amounts to DKK 0 at 31 December 2018 (DKK 0 at 31 December 2017).

The Group is on a recurring basis involved in ongoing lawsuits as both applicant and defendant with partners and tax authorities. At the closing of the annual report for 2018 the group is part of two VAT case in Ukraine. The cases were won by the Group and is now appealed by the Tax authorities. None of the ongoing cases are expected to have significant influence on the Group's financial position. Apart from this, the Group has no contingent liabilities except for what is usual for the line of business.

### ACCOUNTING POLICIES

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



## 5.3 Related-party transactions

CONTROLLING INTEREST	BASIS FOR INFLUENCE
Polen Invest A/S, Vesterbrogade 4A, 5, DK-1620 Copenhagen	Parent Company
OTHER RELATED PARTIES	
Tom Axelgaard	CEO
Hans Henrik Pauk Pedersen	CFO
Kristian Brokop	COO
Anders Christen Obel	Chairman of the Board of Directors
Niels Rauff Hansen	Deputy Chairman of the Board of Directors
Anders Bundgaard	Member of the Board of Directors
Jens Jørgen Nielsen	Member of the Board of Directors
Erling Bech Poulsen	Member of the Board of Directors
Helle Okholm	Member of the Board of Directors
Jens Blach	Member of the Board of Directors, until 10 April 2018
Goodvalley Agro S.A. (and subsidiaries), Poland	Group company
Goodvalley SP. Z.O.O. Poland	Group company
Goodvalley Ukraine LLC. (and subsidiaries), Ukraine	Group company
Goodvalley Russia LLC. (and subsidiaries), Russia	Group company
Finansax ApS, Denmark	Group company
Sevel Slagteri A/S. Søgårdsvej 28, DK-7830 Vinderup	Associated company

The Group has obtained a subordinate loan from the Parent company; Polen Invest A/S, with a balance of DKK 90 million at 31 December 2018 (balance at 31 December 2017: DKK 110 millions). The loan is repaid according to the financial position of the Group, with a repayment up to DKK 20 million per year in accordance to the loan terms. The Group reserves the right to repay the loan entirely or partly during 2019, if the financial position of the Company allows it. The loan carries interest, and the interest for 2018 amounts to DKK 3.8 million (2017: DKK 5.8 million).

Remuneration of the Executive Board and the Board of Directors is specified in note 2.4. Furthermore, in 2018 rent of conference centre from CEO amounts to DKK 0.3 million (2017: DKK 0.3 million).

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

The ultimate parent company is:

Polen Invest A/S, Copenhagen V, Denmark (83.6%)

Goodvalley A/S and subsidiaries are included in the consolidated financial statements for Polen Invest A/S.

The following controls more than 5% of the shares:

Polen Invest A/S, Copenhagen V, Denmark (83.6%)

International Finance Corporation (World Bank Group), Washington DC, USA (6.9%)

## 5.4 Events after the reporting period

The Group has not experienced any significant events after 31 December 2018 which have an impact on the annual report.

## 5.5 Fee to statutory auditor

### AUDIT FEE

2018	DELOITTE	OTHERS
Audit fees	1.3	0.4
Other assurance services	0.1	0.0
Tax advisory services	0.0	0.0
Other non-audit services	1.5	0.0
	<b>2.9</b>	<b>0.4</b>
2017	DELOITTE	OTHERS
Audit fees	1.4	0.4
Other assurance services	0.2	0.0
Tax advisory services	0.0	0.0
Accounting assistance	0.7	0.0
	<b>2.4</b>	<b>0.4</b>

The Russian subsidiary Goodvalley Russia LLC is not audited by the parent company's auditors, but by another recognised international auditing firm.

The fee for non-audit services provided to the Group in 2018 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1.6 million and consisted mainly of pre-IPO services.

In 2017, the non-audit services amounted to DKK 0.8 million and consisted mainly of pre-IPO services, issue of comfort letters in connection to issue of senior secured bonds, assistance with compliance reviews of interim reports and other accounting and tax advisory services.

## 5.6 Discontinued operations

DKK MILLION	2018	2017
Revenue	-	-
Other income (change in fair value of biological assets etc)	-	3
Expenses	(3)	(18)
Impairment of Assets held for sale	-	(40)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(3)</b>	<b>(55)</b>
Income taxes	-	-
Gain on sale of the subsidiary after income tax	7	-
<b>PROFIT/(LOSS) AFTER TAX OF DISCONTINUED OPERATIONS</b>	<b>4</b>	<b>(55)</b>
Exchange adjustments of foreign enterprises	-	-
<b>OTHER COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS</b>	<b>4</b>	<b>(55)</b>
Net cash inflow from operating activities	(3)	(10)
Net cash inflow/(outflow) from investing activities	7	-
Net cash (outflow) from financing activities	-	-
<b>NET INCREASE IN CASH GENERATED BY THE SUBSIDIARY</b>	<b>4</b>	<b>(10)</b>

### DETAILS OF THE SUBSIDIARY CLASSIFIED AS ASSETS HELD FOR SALE

DKK MILLION	2018	2017
Assets classified as held for sale		
- Property, plant and equipment	-	50
- Trade receivables	-	23
- Inventories	-	1
<b>TOTAL ASSETS OF DISPOSAL GROUP HELD FOR SALE</b>	<b>-</b>	<b>74</b>
Liabilities directly associated with assets classified as held for sale		
- Credit institutions and other payables	-	74
- Employee benefit obligations	-	-



## 5.6 Discontinued operations

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

The division was sold in 2018 with a net gain of DKK 7 million. In addition the Group incurred various expenses of DKK 3 million related to the sales transaction.

At 31 December 2017, the assets classified as assets held for sale comprised PPE and trade receivables of DKK 23 million from compensation in respect to the outbreak of AFS in 2016. Liabilities consisted of loans on PPE from credit institutions.

### ACCOUNTING POLICIES

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

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

## 5.7 Obligor - Income Statement 1 January - 31 December

In connection with the bond issue and subsequent public listing on Nasdaq Copenhagen on 10 November 2017, the Obligor group is defined as the issuer (Goodvalley A/S) and any guarantors. The Obligor group is thus comprised of Goodvalley A/S and its subsidiaries Finansax ApS, Goodvalley Agro S.A., Goodvalley SP. Z.O.O. and Goodvalley Ukraine LLC.

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





## 5.7 Obligor - Income Statement 1 January - 31 December

### OBLIGOR - INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	2018	2017
Revenue	1,305	1,460
Change in fair value of biological Assets	(4)	(3)
Grants and other income	23	38
<b>TOTAL INCOME</b>	<b>1,323</b>	<b>1,495</b>
Cost of goods sold (COGS)	(1,069)	(1,044)
<b>GROSS PROFIT</b>	<b>254</b>	<b>451</b>
SG&A	(110)	(76)
<b>EBITDA</b>	<b>144</b>	<b>375</b>
Depreciation, amortisation and impairment losses	(106)	(105)
<b>PROFIT BEFORE FINANCIAL EXPENSES AND TAX</b>	<b>37</b>	<b>270</b>
Financial income	19	18
Financial expenses	(65)	(81)
Exchange rate adjustments	5	(41)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(3)</b>	<b>166</b>
Corporation tax	(8)	-
<b>PROFIT/(LOSS) OF CONTINUING OPERATIONS</b>	<b>(11)</b>	<b>166</b>
Profit / loss for the year of discontinued operations	-	-
<b>PROFIT/(LOSS)</b>	<b>(11)</b>	<b>166</b>
Profit/(loss) is attributable to:		
Owners	(11)	166
<b>TOTAL</b>	<b>(11)</b>	<b>166</b>

### STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

DKK MILLION	2018	2017
Profit/(loss) for the year	(11)	166
Items that may be reclassified subsequently to profit or loss		
Exchange adjustments of foreign enterprises	(15)	6
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(26)</b>	<b>172</b>
Comprehensive income/(LOSS) is attributable to:		
Owners	(26)	172
<b>TOTAL</b>	<b>(26)</b>	<b>172</b>



## 5.7 Obligor - Balance Sheet 31 December

### OBLIGOR - BALANCE SHEET 31 DECEMBER

ASSETS	2018	2017
Goodwill	18	18
Other intangible assets	24	-
<b>INTANGIBLE ASSETS</b>	<b>41</b>	<b>18</b>
Land and buildings	898	853
Leasehold improvements	117	123
Plant and machinery	225	202
Other fixtures and fittings, tools and equipment	112	98
Property, plant and equipment in progress	142	115
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>1,493</b>	<b>1,391</b>
Non-current asset investment	306	107
<b>FINANCIAL ASSET INVESTMENTS</b>	<b>306</b>	<b>107</b>
Biological assets - basic herd	93	96
<b>BIOLOGICAL ASSETS</b>	<b>93</b>	<b>96</b>
<b>NON-CURRENT ASSETS</b>	<b>1,934</b>	<b>1,612</b>
Biological assets - sales herd	153	165
Biological assets - Arable, crop production	62	50
Inventories	228	251
<b>BIOLOGICAL ASSETS AND INVENTORIES</b>	<b>443</b>	<b>466</b>
Trade receivables	73	76
Receivables from associates	7	7
Other receivables	234	472
Prepayments	13	26
<b>RECEIVABLES</b>	<b>327</b>	<b>530</b>
Cash at bank and in hand	46	108
<b>CURRENT ASSETS</b>	<b>816</b>	<b>1,103</b>
<b>ASSETS</b>	<b>2,750</b>	<b>2,715</b>

## 5.7 Obligor - Balance Sheet 31 December

### OBLIGOR - BALANCE SHEET 31 DECEMBER

LIABILITIES AND EQUITY	2018	2017
Share capital	538	538
Other reserves	-	-
Reserve for exchange adjustments	(421)	(406)
Retained earnings	1,252	1,263
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS</b>	<b>1,369</b>	<b>1,395</b>
<b>TOTAL EQUITY</b>	<b>1,369</b>	<b>1,395</b>
Bond debt	1,008	964
Provision for deferred tax	4	5
Other provisions	4	3
Credit institutions	10	11
Subordinated loan from Polen Invest A/S	70	90
Deferred income	7	9
<b>LONG-TERM LIABILITIES</b>	<b>1,103</b>	<b>1,082</b>
Credit institutions	110	98
Subordinated loan from Polen Invest A/S	24	24
Trade payables	90	70
Other provisions	1	3
Other payables	49	36
Deferred income	3	7
<b>SHORT-TERM LIABILITIES</b>	<b>278</b>	<b>238</b>
<b>LIABILITIES</b>	<b>1,381</b>	<b>1,320</b>
<b>LIABILITIES AND EQUITY</b>	<b>2,750</b>	<b>2,715</b>



## 5.7 Obligor - Statement of changes in equity

### OBLIGOR - STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	RESERVE FOR EXCHANGE ADJUSTMENTS	RETAINED EARNINGS	EQUITY OWNERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>EQUITY AT 31 DECEMBER 2016</b>	<b>531</b>	<b>(412)</b>	<b>1,157</b>	<b>1,277</b>	<b>14</b>	<b>1,291</b>
Net profit/(loss) for the year	-	-	166	166	-	166
Other comprehensive income	-	6	-	6	-	6
<i>Comprehensive income for the year 2017</i>	-	6	166	172	-	172
Payments of dividends	-	-	(75)	(75)	-	(75)
Contribution of capital	7	(1)	15	21	(14)	7
<b>EQUITY AT 31 DECEMBER 2017</b>	<b>538</b>	<b>(406)</b>	<b>1,263</b>	<b>1,395</b>	<b>-</b>	<b>1,395</b>
Net Profit/(loss) for the year	-	-	(11)	(11)	-	(11)
Other comprehensive income	-	(15)	1	(14)	-	(14)
<b>Comprehensive income for the year 2018</b>	<b>-</b>	<b>(15)</b>	<b>(11)</b>	<b>(25)</b>	<b>-</b>	<b>(25)</b>
<b>EQUITY AT 31 DECEMBER 2018</b>	<b>538</b>	<b>(421)</b>	<b>1,252</b>	<b>1,369</b>	<b>-</b>	<b>1,369</b>

## 5.7 Obligor - Statement of cash flows

### STATEMENT OF CASH FLOWS

DKK MILLION	2018	2017
<b>PROFIT/(LOSS)</b>	<b>(11)</b>	<b>166</b>
Adjustments:		
Financial income and expenses	46	61
Currency losses	(7)	21
Depreciation of property, plant and equipment	106	104
Tax on the profit/loss for the year	(8)	-
Other adjustments	7	1
Change in working capital	86	(43)
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL INCOME AND EXPENSES</b>	<b>219</b>	<b>310</b>
Financial income	19	7
Financial expenses	(65)	(65)
<b>CASH FLOWS FROM ORDINARY ACTIVITIES</b>	<b>173</b>	<b>252</b>
Corporation Income tax paid	-	-
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>173</b>	<b>252</b>
Purchase of intangible assets	(27)	-
Purchase property, plant and equipment	(226)	(150)
Sale of property, plant and equipment	8	9
Change of financial investments	40	(230)
Sale of fixed asset investments	(28)	3
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(233)</b>	<b>(368)</b>

### STATEMENT OF CASH FLOWS

DKK MILLION	2018	2017
Proceeds from borrowings	102	1,195
Repayments of borrowings	(107)	(987)
Capital contribution	-	23
Dividend payments	-	(75)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(5)</b>	<b>156</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(64)</b>	<b>40</b>
Cash and cash equivalents at 1 January	107	70
Exchange adjustment, beginning, cash and cash equivalents	3	(3)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>46</b>	<b>107</b>



## 5.8 Income Statement classified by function

### INCOME STATEMENT CLASSIFIED BY FUNCTION

DKK MILLION	2018	2017
Total income	1,493	1,653
Cost of goods sold including depreciations and amortisations	(1,274)	(1,252)
<b>GROSS PROFIT</b>	<b>219</b>	<b>401</b>
Other operating items	-	-
SG&A, including depreciations and amortisations	(128)	(97)
<b>EBIT</b>	<b>91</b>	<b>304</b>
<i>Depreciation and amortisation consist of:</i>		
Amortisation of intangible assets	(3)	-
Depreciation of tangible assets	(118)	(121)
<i>Depreciation and amortisation are divided into:</i>		
Cost of goods sold	114	110
Sales and administrative costs	7	11
<b>TOTAL</b>	<b>121</b>	<b>121</b>





## 5.9 Entities in Goodvalley

### ENTITIES IN GOODVALLEY

NAME	COUNTRY OF INCORPORATION	%	PRINCIPAL ACTIVITIES				
			FARMING	ENERGY	SLAUGHTERHOUSE	FOOD	ADMINISTRATION
GOODVALLEY A/S	Denmark						+
GOODVALLEY AGRO S.A.	Poland		+	+			+
Subsidiaries							
ZEGROL SP. Z O.O.	Poland	100%	+				
Kniat Agro sp. z o. o.	Poland	100%	+				
Przedsiębiorstwo Ubóju Zwierząt Rzeźnych Rolnik Sp. z o.o.	Poland	100%	+				
Agro Włodarski sp. z o.o	Poland	100%	+				
Bioenergia sp. z o.o.	Poland	100%		+			
Invest Farm sp.z o.o.	Poland	100%	+				
L.M.-POL sp. z o.o.	Poland	100%	+				
Ośrodek Hodowli Zarodowej Sp. z o.o.	Poland	100%	+				
Agro Wiesiółka sp. z o.o.	Poland	100%	+				
Agro Pokrzywy sp. z o.o.	Poland	100%	+				
Agro Gębarzewo Sp. z o.o.	Poland	100%	+				
GOODVALLEY SP. Z.O.O	Poland	100%			+	+	+
GOODVALLEY UKRAINE LLC	Ukraine	100%	+	+			+
Subsidiaries:							
Daryna Food LLC	Ukraine	100%					+
Galitski Agrani Investitsii PE	Ukraine	100%	+				
GOODVALLEY RUSSIA LLC	Russia	100%	+				+
Subsidiaries:							
RASK LLC	Russia	100%	+				
FINANSAX APS.	Denmark	100%					+
Associates:							
SEVEL SLAGTERI A/S	Denmark	40%			+		



## 5.10 Key figures and financial ratios

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



## Income Statement 1 January - 31 December for the Parent Company

### INCOME STATEMENT 1 JANUARY - 31 DECEMBER

DKK MILLION	NOTE	2018	2017
Revenue	2	35	28
Other external expenses		(10)	(5)
<b>GROSS PROFIT</b>		<b>25</b>	<b>23</b>
SG&A	3	(29)	(24)
<b>EBITDA</b>		<b>(4)</b>	<b>(1)</b>
Income from investments in subsidiaries		154	48
Financial income	4	48	30
Financial expenses	5	(67)	(57)
<b>PROFIT BEFORE TAX</b>		<b>131</b>	<b>20</b>
Corporation tax		-	-
<b>PROFIT</b>		<b>131</b>	<b>20</b>
DISTRIBUTION PROFIT FOR THE YEAR			
Owners		131	20
<b>TOTAL</b>		<b>131</b>	<b>20</b>

### STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

	NOTE	2018	2017
Profit for the year		131	20
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>131</b>	<b>20</b>



## Balance Sheet 31 December - for the Parent Company

### ASSETS

DKK MILLION	NOTE	2018	2017
Investments in associates	7	1	1
Investment in subsidiaries	8	1,372	1,122
Receivables from group companies		729	964
Other receivables		2	2
<b>FINANCIAL ASSET INVESTMENTS</b>		<b>2,104</b>	<b>2,089</b>
<b>NON-CURRENT ASSETS</b>		<b>2,104</b>	<b>1,125</b>
Receivables from group companies		106	62
Receivables from associates		7	7
Other receivables		6	11
<b>RECEIVABLES</b>		<b>119</b>	<b>1,044</b>
Cash at bank and in hand		14	13
<b>CURRENT ASSETS</b>		<b>133</b>	<b>1,057</b>
<b>ASSETS</b>		<b>2,237</b>	<b>2,182</b>

### LIABILITIES AND EQUITY

DKK MILLION	NOTE	2018	2017
Share capital		538	538
Retained earnings		559	428
<b>TOTAL EQUITY</b>	<b>10</b>	<b>1,097</b>	<b>966</b>
Borrowings		1,008	1,005
Subordinated loan capital		70	90
<b>LONG-TERM LIABILITIES</b>		<b>1,078</b>	<b>1,095</b>
Credit institutions - short term		28	90
Interest bearing payables to group enterprise		24	24
Other payables		10	7
<b>SHORT-TERM LIABILITIES</b>		<b>62</b>	<b>121</b>
<b>LIABILITIES</b>		<b>1,140</b>	<b>1,216</b>
<b>LIABILITIES AND EQUITY</b>		<b>2,237</b>	<b>2,182</b>



## Balance Sheet 31 December - for the Parent Company

### STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
<b>EQUITY AT 1 JANUARY 2017</b>	<b>531</b>	<b>467</b>	<b>998</b>
Net profit/(loss) for the year	-	20	20
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>20</b>	<b>20</b>
Payment of dividends	-	(75)	(75)
Contribution of capital	7	16	23
<b>EQUITY AT 31 DECEMBER 2017</b>	<b>538</b>	<b>428</b>	<b>966</b>

### STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
<b>EQUITY AT 1 JANUARY 2018</b>	<b>538</b>	<b>428</b>	<b>966</b>
Net profit/(loss) for the year	-	131	131
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>131</b>	<b>131</b>
<b>EQUITY AT 31 DECEMBER 2018</b>	<b>538</b>	<b>559</b>	<b>1,097</b>





## Statement of cash flows - for the Parent Company

### STATEMENT OF CASH FLOWS

DKK MILLION	2018	2017
PROFIT/(LOSS)	131	20
Adjustments:		
Adjustment for non-cash items and interest, etc.	(135)	27
Change in working capital	(4)	(6)
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL INCOME AND EXPENSES</b>	<b>(8)</b>	<b>41</b>
Financial income	49	30
Financial expenses	(61)	(54)
<b>CASH FLOWS FROM ORDINARY ACTIVITIES</b>	<b>(20)</b>	<b>17</b>
Corporation Income tax paid	-	-
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(20)</b>	<b>17</b>
Change of financial investments	(55)	(752)
Dividend from subsidiaries	154	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>99</b>	<b>(752)</b>
Proceeds from borrowings	-	1,005
Repayments of borrowings	(58)	(208)
Change in balances with ultimate parent	(20)	-
Capital contribution	-	23
Dividend payments	-	(75)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(78)</b>	<b>745</b>

### STATEMENT OF CASH FLOWS

DKK MILLION	2018	2017
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1</b>	<b>10</b>
Cash and cash equivalents at 1 January	13	3
Exchange adjustment, beginning, cash and cash equivalents	-	-
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>14</b>	<b>13</b>



## Notes to Parent Company Financial Statements

### 1. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

DKK MILLION	2018	2017
-------------	------	------

### 2. REVENUE

Services	35	28
----------	----	----

<b>TOTAL</b>	<b>35</b>	<b>28</b>
--------------	-----------	-----------

### 3. STAFF COSTS

Wages and salaries	15	14
--------------------	----	----

Pensions	4	1
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<b>TOTAL</b>	<b>19</b>	<b>15</b>
--------------	-----------	-----------

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

### 4. FINANCIAL INCOME

Loans and receivables	47	29
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Exchange rate adjustments	-	1
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<b>TOTAL</b>	<b>47</b>	<b>30</b>
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### 5. FINANCIAL EXPENSES

Borrowings	52	48
------------	----	----

Pre-IPO related costs	9	
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Other costs related to financing	1	9
----------------------------------	---	---

Exchange rate adjustments	5	-
---------------------------	---	---

<b>TOTAL</b>	<b>67</b>	<b>57</b>
--------------	-----------	-----------

DKK MILLION	2018	2017
-------------	------	------

### 6. TAX ON PROFIT FOR THE YEAR

Corporation tax		
-----------------	--	--

Current tax for the year	-	-
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Deferred tax for the year	-	-
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<b>TOTAL</b>	<b>-</b>	<b>-</b>
--------------	----------	----------

Tax on profit for the year is specified as follows:

Calculated 22% tax on profit for the year before tax	29	4
--	----	---

Tax effect of:		
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Zero-tax agriculture	-	-
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Non tax deductible cost and income	(29)	(4)
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<b>TOTAL</b>	<b>-</b>	<b>-</b>
--------------	----------	----------

Effective tax rate for the year	0%	0%
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### 7. INVESTMENTS IN ASSOCIATES

<b>COST AT 1 JANUARY</b>	<b>1</b>	<b>1</b>
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<b>COST AT 31 DECEMBER</b>	<b>1</b>	<b>1</b>
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Investment in associates are specified as follows:

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

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

DKK MILLION	2018	2017
Sevel Slagteri A/S	1	1

## Notes to Parent Company Financial Statements

DKK MILLION	2018	2017
<b>8. INVESTMENTS IN SUBSIDIARIES</b>		
<b>COST AT 1 JANUARY</b>	<b>1,122</b>	<b>1,099</b>
Additions for the year	250	23
Disposals for the year	-	-
<b>COST AT 31 DECEMBER</b>	<b>1,372</b>	<b>1,122</b>

Investment in associates are specified as follows:

NAME	OFFICE	CURRENCY	SHARE CAPITAL	OWNERSHIP
GOODVALLEY AGRO S.A.	Poland	PLN	11,601	100%
GOODVALLEY SP. Z.O.O.	Poland	PLN	20,852	100%
GOODVALLEY UKRAINE LLC	Ukraine	UAH	232,532	100%
GOODVALLEY RUSSIA LLC	Russia	RUB	362,328	100%
Finansax ApS	Danmark	DKK	50,000	100%

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

DKK MILLION	2018	2017
GOODVALLEY AGRO S.A.	921	1,125
GOODVALLEY SP. Z.O.O.	20	23
GOODVALLEY RUSSIA LLC	88	(112)
GOODVALLEY UKRAINE LLC	387	286
Finansax ApS	-	-

### 9. DEFERRED TAX

Deferred tax at 1 January	-	-
<b>DEFERRED TAX AT 31 DECEMBER</b>	<b>-</b>	<b>-</b>
Tax loss carry forward	19	12
Write down to estimated value	(19)	(12)
<b>DEFERRED TAX AT 31 DECEMBER</b>	<b>-</b>	<b>-</b>

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

### 10. SHARE CAPITAL

The share capital consists of 53,797,824 shares of a nominal amount of DKK 10. No shares carry any special rights.

### 11. AUDIT FEE

DKK MILLION	2018	2017
Audit fees	0.5	0.5
Other assurance services	0.1	0.2
Tax advisory services	0.0	0.0
Other non-audit services	1.5	0.7
	2.1	1.4

The fee for non-audit services provided to the Company in 2018 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1.6 million and consisted mainly of pre-IPO services, issue of comfort letters in connection to issue of senior secured bonds, assistance with compliance reviews of interim reports and other accounting and tax advisory services.

### 12. RELATED PARTIES AND OWNERSHIP

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

The Company has transactions with subsidiaries in the form of interest-bearing loans and intercompany accounts. Total loans to the subsidiaries amount to DKK 835 million at 31 December 2018 (2017: DKK 1,026 million) as part of the refinancing. Interest income on loans and intercompany accounts for 2018 amounts to DKK 47 million (2017: DKK 29 million). Management fee from parent company to subsidiaries amounts to DKK 35 million (2017: DKK 28 million). Capital contribution in subsidiaries amounts to DKK 250 million (2017: DKK 230 million).

Subordinate loan from the Parent company; Polen Invest A/S, equal DKK 90 million at 31 December 2018 (balance at 31 December 2017: DKK 110 million), refer to Note 5.3. The loan carries interest, and the interest for 2018 amounts to DKK 3.8 million (2017: DKK 5.8 million).

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

### 13. ACCOUNTING POLICIES

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

The reporting period of these Financial Statements follows the calendar year. The Annual Report for 2018 is presented in DKK million. The accounting policies applied by the Parent Company are the same as those applied by the Group except for the below-mentioned additions. Reference is made to the Consolidated Financial Statements for a description of the accounting policies applied by the Group.

Supplementary accounting policies applied for the Parent Company:

Dividend from investments in subsidiaries is recognised as income in the income statement under financial income in the financial year in which the dividend is distributed.

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

# Glossary

## GENERAL

### Group

Goodvalley A/S, Goodvalley Agro S.A. Goodvalley Sp. Z.O.O. Goodvalley Ukraine LLC., Goodvalley Russia LLC. and Finansax ApS

## PRODUCTION

### ASF

African swine fever.

### Arable stock, WIP

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

### Basic herd

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

### Bio assets

Biological assets (mainly pigs and crops).

### Bioenergy

Energy produced based on biological resources.

### Biosecurity

Level of measures taken to prevent infection by contagious diseases.

### Certificates on biogas

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

### Crop split

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

### Cultivated land

Land used for crop production.

### Efficiency

Measurable technical results from the production.

### Feed conversion ratio

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

### Immunization strategy

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

### Live weight

Weight of the pig before slaughtering and deboning.

### Modified Atmosphere Packaging (MAP)

A packing method where the products are packed in a sealed and protected atmosphere to increase the period from manufacturing to last sales date.

### Meat-to-feed ratio

Price of one kilo meat (carcass weight) divided by the price of one kilo feed.

### Oil seeds

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

### Piglets

Pigs in farrowing before they are weaned from the sow.

### Pig price

Price per kilo pig meat in carcass weight.

### Processed products

Meat products which have been cooked, smoked or salted.

### Raised without antibiotics (RWA)

Pigs that have been raised without exposure to antibiotics from birth till slaughter.

### Sales herd

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

### Carcass weight

Weight of the pig in kilos of meat after slaughtering and

deboning.

### Slaughter pigs

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

### Weaners

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

## ICONOGRAPHY



Arable



Distribution



Energy



Feed mill



Feed storage



Food



Group



Pig



## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and adopted the annual report of Goodvalley A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2018 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2018.

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

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

Copenhagen, 28 February 2019

### Executive Board

Tom Axelgaard  
Chief Executive Officer

Hans Henrik Pauk Pedersen  
Chief Financial Officer

Kristian Brokop  
Chief Operating Officer

### Board of Directors

Anders Christen Obel  
Chairman

Niels Rauff Hansen  
Vice Chairman

Anders Bundgaard

Jens Jørgen Nielsen

Erling Bech Poulsen

Helle Okholm



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

## Opinion

We have audited the consolidated financial statements and the parent financial statements of Goodvalley A/S for the financial year 1 January – 31 December 2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2018, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

### Basis for opinion

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

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

In May 2017, Goodvalley A/S completed a 4-year senior secured bonds issue. The bonds were listed on Nasdaq Copenhagen on 10 November 2017, from which date Goodvalley A/S became a Public Interest Entity. We have been reappointed annually by decision of the General Meeting for a total of 1 time since the listing up to and including the financial year 2018.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January – 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Fair value of basic herd and sales herd

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

At 31 December 2018, the fair value of the Group's herds amount to DKK 293 million (2017: DKK 314 million).

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

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

### How the matter was addressed in our audit

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

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

We tested the valuation models for consistency with previous years.

We evaluated the appropriateness of the related disclosures provided.

### Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

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

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

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

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

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

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

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

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

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

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

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

Copenhagen, 28 February 2019

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
 Business Registration No 33 96 35 56

Kim Takata Mücke  
 State-Authorised  
 Public Accountant  
 mne10944

Rasmus Brodd Johnsen  
 State-Authorised  
 Public Accountant  
 mne33217

## Key figures and financial ratios by quarter (unaudited)

	Q4		Q3		Q2		Q1	
DKK MILLION	2018	2017	2018	2017	2018	2017	2018	2017
<b>Income statement</b>								
Revenue	371	388	377	446	374	421	351	365
Total income	315	327	322	384	446	536	410	407
Gross profit	36	65	72	134	103	196	122	116
EBITDA	2	44	40	111	73	176	97	99
Adjusted EBITDA	32	99	35	115	83	132	73	90
EBIT	(31)	9	12	81	42	146	68	68
Financial items, net	(16)	(27)	(33)	(41)	(8)	(53)	(10)	(14)
Profit/(loss) for the period	(53)	(14)	(21)	36	34	93	58	54
Adjusted net profit	(21)	39	(6)	60	37	92	26	31
<b>Cash flow</b>								
Operating activity	49	43	58	103	44	73	43	55
Investing activity	(55)	(44)	(91)	(42)	(85)	(29)	(38)	(28)
Free cash flow	(6)	(1)	(33)	61	(41)	44	5	27
Financing activity	(36)	58	(4)	(99)	15	120	(3)	(50)
<b>Balance sheet</b>								
Non-current assets	1,927	1,833	1,907	1,883	1,864	1,942	1,833	1,924
Net working capital	475	532	600	577	599	598	579	571
Invested capital	2,402	2,365	2,507	2,460	2,463	2,540	2,412	2,495
Total assets	2,630	2,751	2,798	2,779	2,819	2,940	2,793	2,694
Equity	1,230	1,265	1,274	1,276	1,318	1,388	1,310	1,259
Net interest-bearing debt	1,171	1,100	1,178	1,186	1,142	1,178	1,098	1,231
<b>Key financials Group</b>								
Gross margin	9.4%	16.8%	19.2%	30.0%	27.6%	46.6%	34.8%	31.9%
EBITDA margin	0.5%	11.3%	10.5%	25.0%	19.6%	41.9%	27.6%	27.1%
Adjusted EBITDA margin	8.6%	25.5%	9.2%	25.8%	22.2%	31.2%	20.7%	24.6%
EBIT margin	(8.4%)	2.3%	3.0%	18.1%	11.3%	34.6%	19.5%	18.7%

# GOODVALLEY

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