

AXZON GROUP



MANAGEMENT REPORT 2015

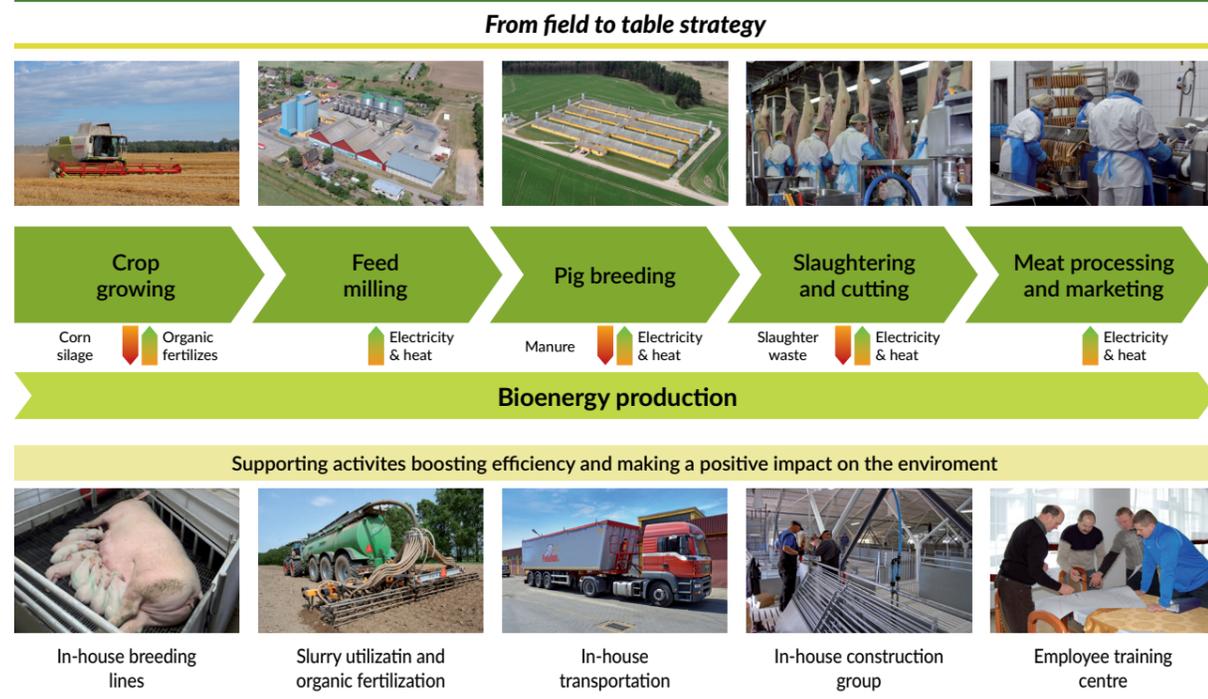
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The Axzon Group

1. CEO Statement

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

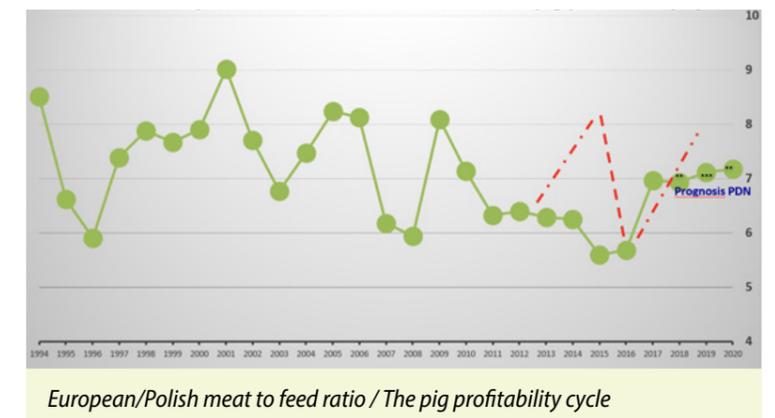


It was widely foreseen that there would be an oversupply of pork especially in the European Union in 2015, resulting in low prices for most pork meat products. However, even in the most negative forecasts and budgets, we had never expected to end the year with as low prices as those realized, giving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

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

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

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



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

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

On top of the above mentioned unusual situation for EU producers including Axzon, the political situation in all three countries where Axzon production is based is very unstable and has not improved much in the past year. The separatist fighting and killing in Eastern Ukraine has eased a bit, but the tension between Ukraine and Russia has actually escalated, resulting in trade barriers and other political motivated conflicts between the countries. Also, the expected internal improvements in law and order in Ukraine, which should result in a much more transparent legislation and less corruption, have not been implemented.

The fight against corruption has been largely left aside, and though we all hope that in the near future it will bring improvements, it will still take a long time before there will be a calm and stable situation in this area. However, both our fully integrated business approach, which will also be introduced into Ukraine and Russia, and our diversified geographical position makes us strong in terms of competitiveness and secures our sales.

With an EBITDA result close to DKK 300 m in 2015, Axzon has shown that we can make solid results even

under the worst possible conditions and with the outlook for 2016, where we expect a very slow start on the upturn, Axzon is standing stronger than ever with an increased scale of production and improved efficiency.

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

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

But not only that; largely in Poland we have tried to develop new products and use the unique possibility for traceability in our supply chain by offering more diversified products, aiming to support consumer trends. First of all, we have our Co2 neutral meat certification, but we have also started a significant production of GMO free meat (pigs fed with non-GMO feed) as well as an antibiotic free production line.

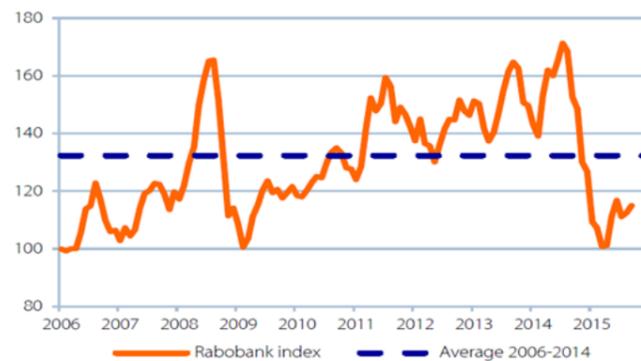
That, combined with a determined effort to improve on all CSR issues not least animal welfare, will enable us to give Axzon a more sales oriented profile, thus diversifying the company from the bulk production of pork.

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

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

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

Tom Axelgaard
CEO Axzon



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

2. Economic performance

Improved production results was the general tendency throughout 2015

Facts

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

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

The war in the Eastern part of Ukraine continued in 2015 and together with the decreasing oil prices, the purchasing power in both Ukraine and Russia was severely weakened. The effect was, that the additional margins in pig production, which previously was quite significant in both countries, were reduced. Axzon's first class finisher prices decreased to DKK 5,08 in Russia, DKK 1,66 in Ukraine and DKK 1,06 in Poland. This development continued to unfold during the entire year resulting in the new year prices being at the same level. However, this emphasizes the importance of minimizing the production costs in all three countries, a strategy that the Axzon staff has been continually focusing on for many years. It is not possible to recognize price advantages on the single markets – every country must in principle produce at a price that is competitive on the world market. When disregarding the extra costs (compared to the average production prices) that comes with an expansion, the production prices in the three countries corresponds. The cost/kg of pigs is almost the same in the three countries, except for differences caused by currency fluctuations, as well as weak and strong local relations.

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

Furthermore Axzon has corrected translation into presentation currency and exchange differences arising from the translation of net investment in foreign entities.

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

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

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

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

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

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

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

a big part of the turnover was based on a larger sale of weaners, which is why the sales increase in tons was relatively smaller.

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

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

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

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

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

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

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

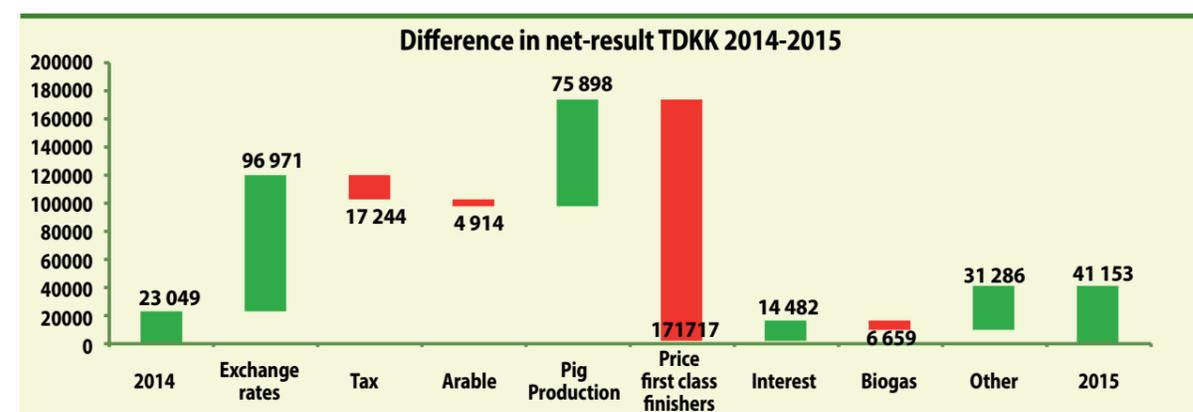
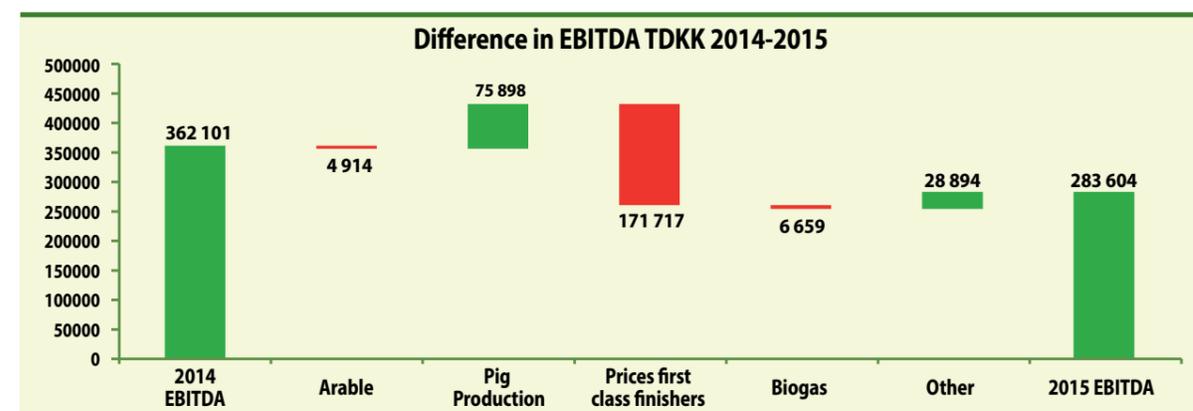
Due to the decreasing prices and currencies, Axzon has technically been in default on some of the financial covenants the company has to banks. To solve this problem, the company has received waivers related to these covenants.

However, as the waivers have not been formally issued before 31.12.2015, the IFRS accounting rules requires that all loans from substantial lenders which are in breach of financial covenants year end are presented as short term debt due to a strict interpretation of IFRS, despite that the loans never legally were short term. On the basis of this situation, Axon's current ratio is around 0,7 whereas it is close to 1,3 with the waivers duly signed and recognized before the loans legally gets short term.

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

CHANGE IN FINANCIALS	2015	2014 Restated	Index	Change
Revenue	1 275 255	1 208 899	105,5	66 356
Change of value in biological assets	52 854	95 968	55,1	-43 114
Grants and other income	41 903	50 992	82,2	-9 089
Total revenue	1 370 012	1 355 859	101,0	14 153
Changes in inventories of finished goods and work in progress	-8 581	-1 732	495,4	-6 849
Cost of material and services	890 968	820 017	108,7	70 951
Other external expences	22 498	37 833	59,5	-15 335
Total costs	904 885	856 118	105,7	48 767
Gross profit	465 127	499 741	93,1	-34 614
Staff expenses	181 523	157 840	115,0	23 683
EBITDA	283 604	341 901	82,9	-58 297
Depreciations tangible assets	120 519	101 609	118,6	18 910
EBIT	163 085	240 292	67,9	-77 207
Interest	48 262	63 846	75,6	-15 584
Exchange rate adjustments	-69 507	-166 478	41,8	96 971
Profitbefore tax	45 316	9 968	454,6	35 348
Tax	4 163	-13 081	-31,8	17 244
Minority interest	31	1 522	2,0	-1 491
Profit	41 122	21 527	191,0	19 595
Assets	2015	2014 Restated	Index	Change
Goodwill	84 146	95 151	88,4	-11 005
Intangible assets	84 146	95 151	88,4	-11 005
Land and buildings	1 380 632	1 328 331	103,9	52 301
Leasehold improvements	146 140	162 493	89,9	-16 353
Plant and machinery	463 604	394 133	117,6	69 471
Other fixtures and fittings, tools and equipment	135 328	115 136	117,5	20 192
Property plant and equipment in progress	141 039	215 921	65,3	-74 882
Property, plant and equipment	2 266 743	2 216 014	102,3	50 729
Financial investment	4 632	5 214	88,8	-582
Biological assets	130 650	115 318	113,3	15 332
Non current assets	2 486 171	2 431 697	102,2	54 474
Biological assets - sales herd	170 074	173 258	98,2	-3 184
Biological assets - Arable, crop production	53 893	47 410	113,7	6 483
Inventories	219 089	220 840	99,2	-1 751
Biological assets and inventory	443 056	441 508	100,4	1 548
Trade receivables	79 117	56 957	138,9	22 160
Other receivables	50 319	68 697	73,2	-18 378
Prepayments	13 112	18 710	70,1	-5 598
Receivables	142 548	144 364	98,7	-1 816
Cash at bank and in hand	57 082	106 090	53,8	-49 008
Current Assets	642 686	691 962	92,9	-49 276
Assets	3 128 857	3 123 659	100,2	5 198

Liabilities	2015	2014 Restated	Index	Change
Equity to owners of the parents	1 663 104	1 693 074	98,2	-29 970
Non controlling interest	10 241	11 688	87,6	-1 447
Total equity	1 673 345	1 704 762	98,2	-31 417
Provisions	6 934	4 768	145,4	2 166
Credit institutions	393 848	772 054	51,0	-378 206
Deferred income and prepayments	12 833	30 404	42,2	-17 571
Interest bearing payables	130 000	140 000	92,9	-10 000
Long term liability	543 615	947 226	57,4	-403 611
Credit institutions	346 622	308 249	112,4	38 373
Credit institutions - tecnicl long term	414 000			
Trade Payables	58 282	57 403	101,5	879
Other payables	92 993	106 019	87,7	-13 026
Short term liabilities	911 897	471 671	193,3	440 226
Liabilities	3 128 857	3 123 659	100,2	5 198

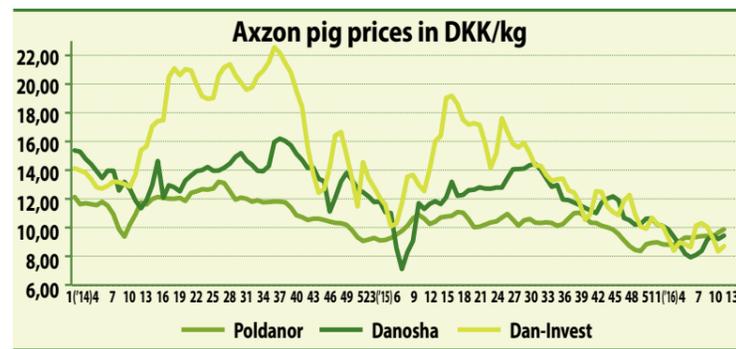


3. The market in the "Axzon countries"

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

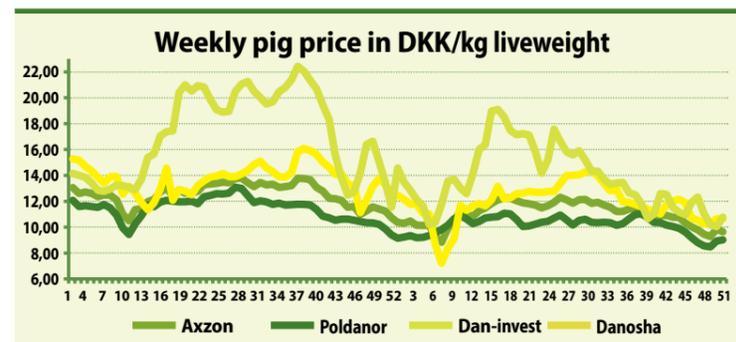
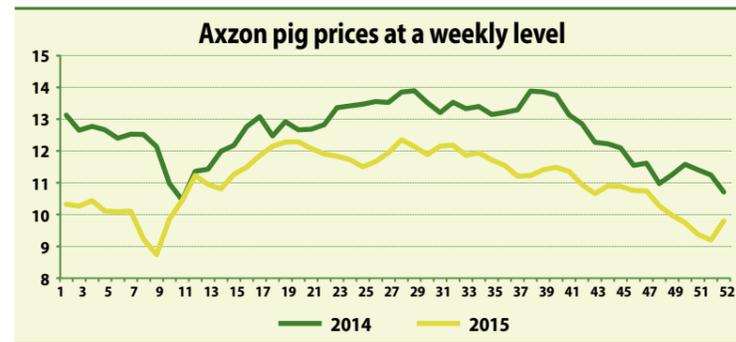
Unfortunately, the price level in 2015 has been significantly lower than in 2014, and the lowest average price ever on 8,75 DKK HDW was registered in March 2015.

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



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

Looking at the large price differences in the different countries some trade between "the Axzon countries" would have been perfect, but due to both sanitary and political restrictions in 2015, it was not possible to trade live animals. However, compared to 2014 where the difference between the lowest and the highest price in DKK was about 140%, in 2015 there was a difference of 168% in Axzon as Danosha's lowest price was DKK 7,14 and Dan-Invest's highest price was DKK 19,14.



A historic expansion in Axzon in 2014/15 of more than 10.000 sows resulted in a significant increase in number of pigs and pig meat sales, with an overall sale of 22% more tons of pig meat sold in 2015 than in 2014.

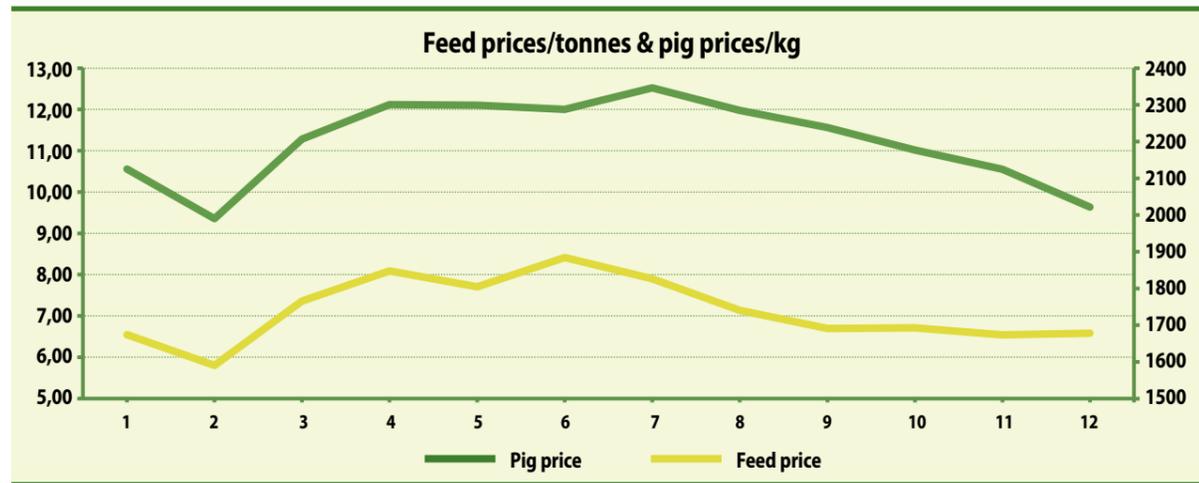
As the expansion in % was not equally big in each of the "Axzon countries", it has influenced the internal Axzon market, where Dan-Invest has moved from 7% to 10% and Danosha from 31,3% to 34%, at the expense of Poldanor which has gone down from 61,8% to 53,6% in share of total tonnes of sold pig meat. Part of the explanation is also, that although Poldanor has improved the number of pigs sold, it turned out to be impossible to find room for all finishers, so consequently they were sold as piglets and weaners, which resulted in a big weight difference.

Marketshare in Axzon in tons			
		Tonnes sold	Share of Axzon
Company	Period		
Poldanor	2015	59.272.506	53,6
	2014	53.238.212	61,8
	Index 2014 to 2015	111	86,8
Danosha	2015	38.440.854	34,8
	2014	26.982.305	31,3
	Index 2014 to 2015	142	111,1
Dan-Invest	2015	12.820.167	11,6
	2014	5.992.278	7,0
	Index 2014 to 2015	214	166,9
Axzon	2015	110.533.527	
	2014	86.212.795	
	Index 2014 to 2015	128	

In each country, the relation between sales of pigs in different categories has also changed. The most significant change is that the number of pigs sold as piglets or weaners has risen from 7% in 2014 to around 17,4% in 2015. The reason is that it has not been possible to make the necessary investments in order to take all pigs through the whole production process, which again has resulted in a drop in the yield/kg/sow despite the fact, that the number of pigs/sow has risen very much.

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

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



3.1. The markets in Poland

Pig market in Poland

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

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

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

According to The Central Statistical Office (GUS) data, at the end of November 2015 the number of pigs in Poland amounted to 10.590,2 thousand heads, which in comparison with the same period of 2014 means a decline by 6%. Compared to the size of pig herd in March 2015, the number of pigs in Poland decreased by 8%.

Sows herds decreased by 14,8% compared to November 2014 and dropped to a record low level of 814,4 thousand heads.

In the analyzed period, limited domestic production of piglets was offset by exceptionally large imports. By the end of November 2015 imports of live pigs up to 50 kg amounted to 4.237,7 thousand heads, and was by about 8,3% higher than in the corresponding period of 2014. It is estimated that approximately 75% of this volume came from the Danish market.

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

National industrial slaughtering of finishers in 2015 is estimated at about 21,5 million heads (about 3% higher than in 2014 and 12% higher compared to 2013). The assumption is, that in 2015 over 1/4 of the finishers in Poland originated from piglets imported mainly from the Danish market and then fattened in Poland.

Polish pig prices, were in 2015, strictly correlated with the high supply of finishers, and were on average by about EUR 0,06/kg of live weight lower than in the German market. Periodical fluctuations between the price in Poland and the price in Germany resulted rather from the current EUR/PLN exchange rates than from any other reason.

The meat market in Poland

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

3.2. The markets in Ukraine

Pig market

In early 2015 the price continued to fall every week consistent with the New Year holidays. This was caused by a ban on supplies to Russia, increased supply from small producers and low purchasing power of customers. In the last part of January PEDV was found in several large and small farms in Ukraine. As a protection from the virus Danosha had to stop the cooperation with some meat-processing plants, which did not meet the new requirements of biosecurity. In addition, infected farms were selling pigs at dumping prices. At the end of March, the pig price rose due to Easter holidays. So the situation on the market was stable and prices were kept at about the same level of 26-26,5 UAH till the end of April. Every year in late summer the seasonal correction of the price begins. The annual seasonal factors and the low purchasing power of the population led to a drop in prices. Only in week 50 the decline of prices stopped. The price even grew with more than UAH 1,5, but it was not lasting long and from week 53 prices were again gradually going down.

Feed market

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

3.3. The markets in Russia

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

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

The meat market in Russia was, in 2015, influenced by restriction of import to the country, caused by the ban of pork imports from the EU. Also the devaluation of the ruble had a profound impact on the behavior of importers. In total import of all types of meat to Russia in 2015 was 33% less than in 2014. On the other hand pig production in Russia continues to grow. The cumulative result in 2015 is +134 thousand tons of meat for all categories (that is + 4,5% in comparison to 2014).

4. Production

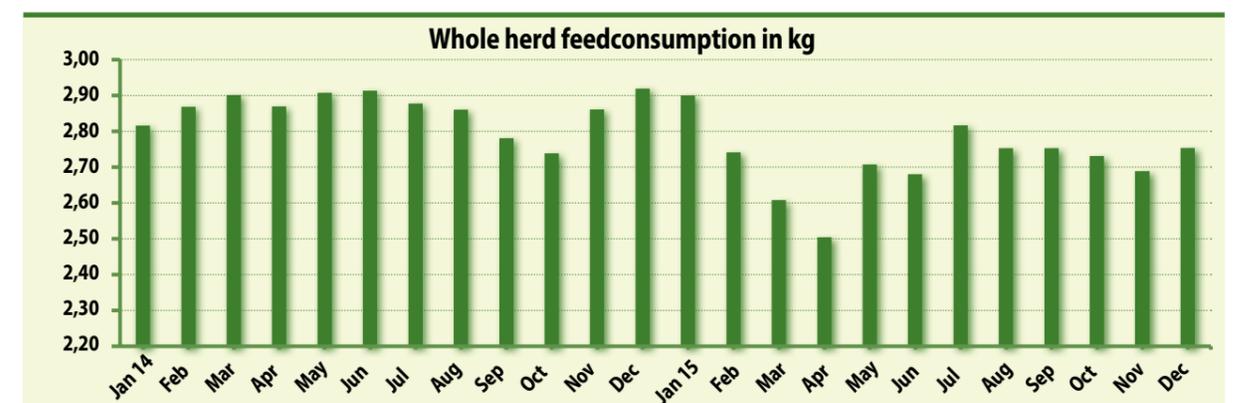
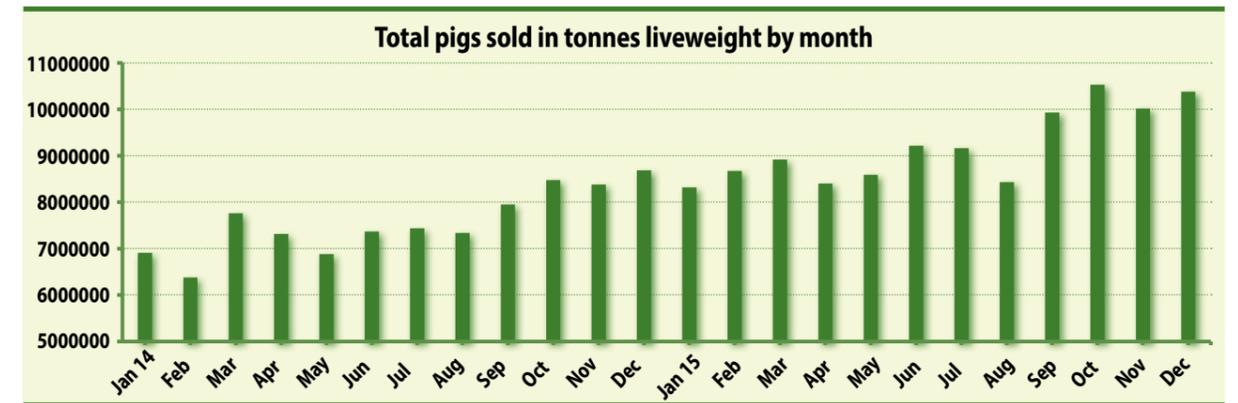
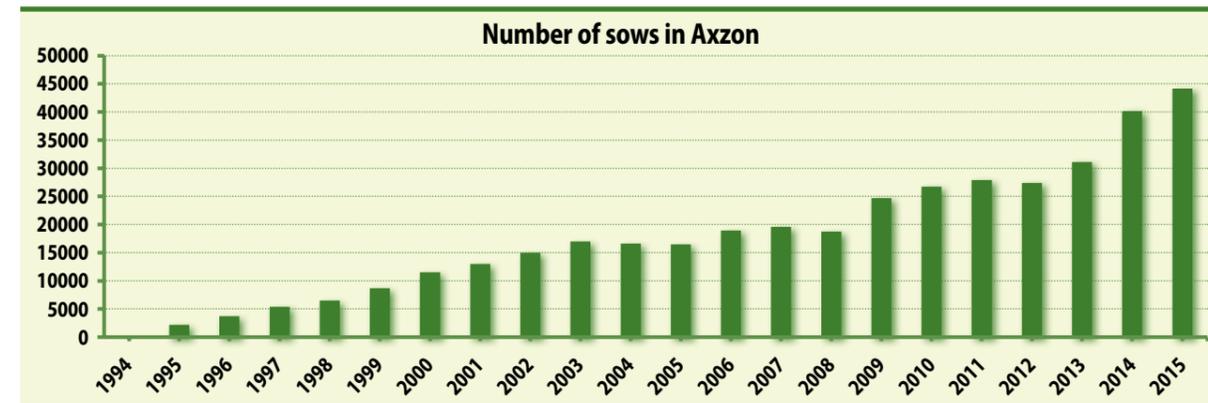
4.1. Pig production

All pig production divisions in Axzon have shown both growth and improvement during 2015: number of sows, number of sold pigs + 32%, number of sold meat in ton + 26% number of live born/litter + 7% and pigs sold/sow + 12%.

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

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

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



Pigs		Volume in numbers and tonnes				
Company	Period	Number of sows	Total number of pigs in stock	Sold pigs in 000' tonnes liveweight	Share of total sold tonnes/company	Total sold pigs in numbers
Poldanor	2015	22 637	300 978	59 273	53,6	593 093
	2014	21 867	260 416	54 725	60,2	478 437
	Index 2014 to 2015	104	116	108	89	124
Danosha	2015	13 887	173 640	38 441	34,8	420 328
	2014	13 386	162 904	29 903	32,9	318 385
	Index 2014 to 2015	104	107	129	106	132
Dan-Invest	2015	7 598	82 946	12 820	11,6	116 554
	2014	4 900	47 828	6 237	6,9	60 362
	Index 2014 to 2015	155	173	206	169	193
Axzon	2015	44 122	557 564	110 534	100	1 129 975
	2014	40 153	471 148	90 865	100	857 184
	Index 2014 to 2015	110	118	122	100	132

Pigs		Efficiency		
Company	Period	Yield/sow /year in kg	Sold pigs/sow/year	Total wholeherd feed consumption in kg growth
Poldanor	2015	2 898	29,77	2,77
	2014	2 980	25,50	2,90
	Index 2014 to 2015	97	117	95
Danosha	2015	3 009	31,30	2,60
	2014	3 436	30,42	2,70
	Index 2014 to 2015	88	103	96
Dan-Invest	2015	3 429	30,13	3,04
	2014	3 633	30,01	2,81
	Index 2014 to 2015	94	100	108
Axzon	2015	2 999	30,14	2,75
	2014	3 171	26,79	2,78
	Index 2014 to 2015	95	112	99

4.2. Arable

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

The turnover was slightly lower than in 2014 (approximately 1% in average). This year, the corn yielded 0,2 tonnes less compared to last year, the oil crops 0,26 tonnes more, whereas the grain yields dropped with 4% in average for all three countries. The larger yield of the oil crops in 2015, and the fact that this is the sales crops of Axzon, meant that the value of the harvest in total was almost the same as in 2014 - even though the average result of the entire arable department decreased from 4,71 tonnes/ha. to 4,67 tonnes/ha.

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

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

4.3. Biogas and energy

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

Biogas and energy						
Company	Period	Number of plants	Total capacity in MW	Total production capacity	Total production in kwh	Exploitation efficiency in %
Poldanor	2015	8	7,40	63171	55138	87
	2014	8	7,48	65525	51941	79
	Index 2014 to 2015	100	99	96	106	110
Danosha	2015	1	1,16	10162	6797	67
	2014	1	1,16	10162	2823	28
	Index 2014 to 2015	100	100	100	241	241
Axzon	2015	9	8,56	73333	61935	84
	2014	9	8,64	75686	54764	72
	Index 2014 to 2015	100	99	97	113	117

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

companies, and available spare parts in the country.

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

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

4.4. Cows and milk

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

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

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

Cows and milk				
Company	Period	Number of milking cows	Total liters of sold milk in '000 ltr.	Yield in ltr./cow/year
Poldanor	2015	85	509213	5990
	2014	115	717000	6235
	Index 2014 to 2015	74	71	96
Danosha	2015	87	879222	10106
	2014	0	0	0
	Index 2014 to 2015			
Axzon	2015	172	1388435	8072
	2014	115	717000	6235
	Index 2014 to 2015	150	194	129

4.5. Slaughtering and meat

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

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

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

Slaughtering and meat											
Company	Period	Number of slaughtered pigs	Live-weight/slaughtered pig	Total live-weight of slaughtered pigs	Bought meat elements in tonnes	Sold MAP in tonnes	Processed goods sold in tonnes	Prime cuts sold in tonnes	Deboned elements sold in tonnes	Bi-products sold in tonnes	Total tonnes sold in all categories
Prime food	2015	505696	110,4	55849	23973	11585	10661	768	23946	4164	51124
	2014	455658	110,1	50173	23955	12354	8195	1864	20231	3342	45988
	Index 2014 to 2015	111	100	111	100	94	130	41	118	125	111

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

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

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

4.6. Conclusion

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

5. Risks

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

5.1. Biosecurity risk

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

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

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

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

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

5.2. Political Risk

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

In Russia, during 2015 the economy was negatively affected by a collapse in the crude oil price and a significant devaluation of the Russian ruble which, combined with the impact of financial sanctions imposed on Russia by the EU and the USA, caused a recession in the Russian economy. On the other hand, the counter-sanctions imposed by Russia with regard to agricultural products from the EU and other countries created an opportunity for a higher price on agricultural products produced in Russia and a government focus on self-sufficiency. Poland, as was the case with other EU pig producers, suffered from low prices in 2015 due to excess production of pig meat in The European Union, and the Russian counter sanctions. Furthermore, the emergence of a new Polish government expressing controversial views on a variety of topics including agriculture and large-scale agricultural producers like Axzon added to the uncertainty.

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

5.3. Financial Risk

The financial risks facing Axzon are primarily related to the interest rate and currency. Debtor risk is also a risk, however with a more limited impact.

Interest rate SWAPS are not used.

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

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

5.4. ERM initiatives 2015

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

5.5. Subsequent events

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

6. CSR

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

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

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

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

www.axzon.eu/images/PDF/csrfinancialstatements2015.pdf

7. Expectations for the future

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

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

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

In 2016 the company will reach full production in Russia. Taking this into account, the sales of pigs is expected to reach 1.25 m in 2016.

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

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

Axzon Management Group



Poldanor Management Report

2015 turned out to be to be another disappointing year due to the negative development of the European pig market. Although Poldanor had a lot of belief in the gradual improvement of the profitability in pig production, the reality of the market proved to be rather harsh and challenging, with a continuous substantial supply of pork both on the Polish and European markets followed by low pig prices.

Poldanor's net result for 2015 has been severely affected by a number of adverse external factors.

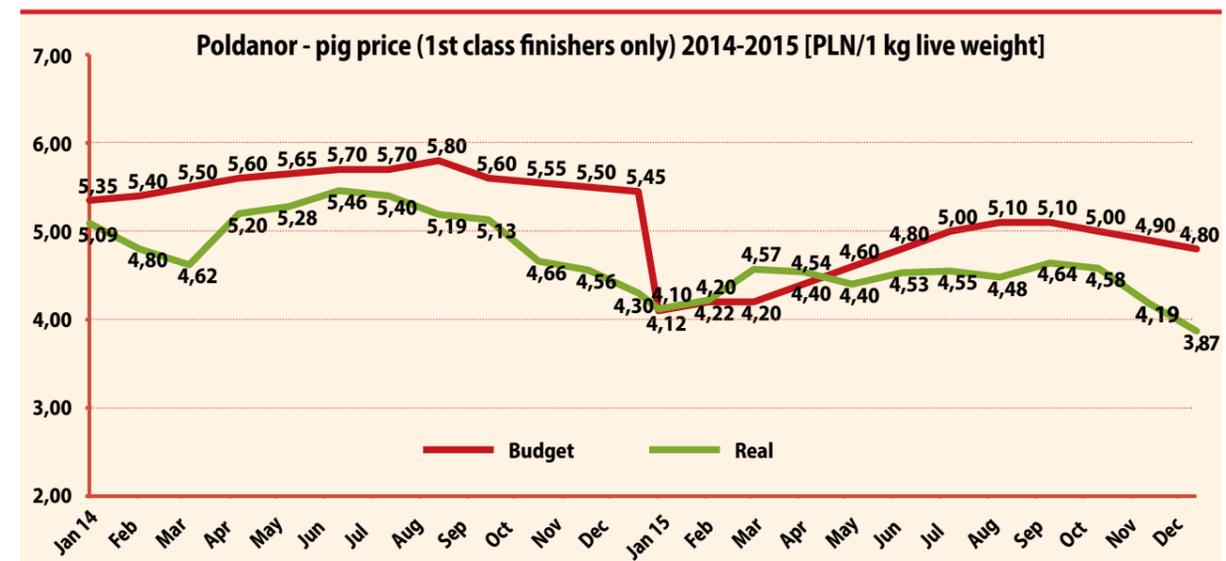
The results for Poldanor's pig production in 2015 have been very much affected by the pressed market and the following low pig prices. Challenged by this situation, the company has put a lot of focus on improving production efficiency and reducing costs, but the good effects of these implementations could only partly compensate for the low meat-to-feed ratio.

With regard to the arable production, favourable weather conditions in the 2014/2015 growing season, supported by efficient field management, contributed to very good results in terms of yields for oilseed rape and cereals. On the other hand, the weather was not so favourable for maize and the yields for this crop were a little disappointing, however, Poldanor finished the year with a satisfactory financial result in this department.

Production of biogas and energy continued to be affected by low prices of 'green certificates' and electrical energy in 2015. Although a new Renewable Energy Act was adopted by the Polish Parliament, it did not solve the current problems in the sector and no clear perspectives for the Renewable Energy Sources were created.

African Swine Fever and the consequences

The first wild boars infected with ASF were found in Eastern Poland in February 2014, and the embargo on pig meat imposed by Russia and other Far-East countries started a market trend of low pig prices that the company has continued to experience ever since.



At Poldanor, the growing threat of ASF spreading, has been used to enhance the biosecurity standards and procedures, and further steps have been taken to reduce the risk of infection in the herds. As well as a number of physical implementations and improvements, Poldanor has established an 'ASF Prevention Team' including members of The Board of Directors and experts from both Prime Food and Poldanor, and internally at Poldanor, an 'ASF Reaction Team' has been established, consisting of key personnel who would be involved in the case of an ASF outbreak.

Having these external factors against the company, Poldanor has focused very much on improving the efficiency in production and on saving costs. In 2015 Poldanor has improved production efficiency in all the departments.

Poldanor's production

In terms of pig production, Poldanor has been recording a rise in the number of liveborn pigs since spring 2015, as the company has started to get an increase in the farrowings from DanBred sows, and a decrease in the farrowings from PIC sows (DanBred sows gave app. 15 liveborn piglets vs. 13 liveborn piglets from PIC sows). As a consequence, over a period of six months, the average number of liveborn pigs per litter, which accounts for the whole sow herd, went up from 14,20 to 15,50. At the same time, the mortality of piglets was reduced due to better lactation. The improved efficiency is responsible for app. PLN 5.2 m higher net result in 2015.

In terms of arable production, Poldanor has improved the productivity and the yields, but the level of EU grants in Poland was reduced by around 50%. The Polish government has decided to reduce subsidies to large-scale agricultural producers by the maximum factor allowed in the EU regulations, and increase subsidies for small producers at the same time. Poldanor compensated partly for this loss by reducing consumption and cost of fuel and by reducing the stock of spare parts.

In the biogas production, production was almost running according to the budgeted levels on average for all the production plants, but decreasing prices for 'green certificates' has had a negative influence on the financial result. Poland still allows co-burning of coal and biomass to be classified as the 'green energy', which kept the prices of the certificates on a low level in 2015. Poldanor improved the profitability by cost reductions (raw materials and fixed costs) equalling PLN 3.5 m.

Cost savings

Additionally, by running the company's Cost Reduction Program, another PLN 2.4 m of savings was found in other areas in 2015.

Poldanor also closed down the dairy production in Kłanino in 2015, with a negative gross margin of PLN 1.1 m, avoiding further losses.

Product Quality

With an almost fully integrated value chain, Poldanor – Prime Food Group has a great opportunity to utilize the advantage of a substantial and reliable partnership, which is able to deliver extensive volumes of high quality meat and meat products to supermarket chains, supported by additional values like carbon neutral production, traceability, animal welfare, QS certification, non-GMO pigs and antibiotic free pigs. The companies have been working on all of these issues in 2015, to distinguish the business from competitors.

With regard to Corporate Carbon Footprint 2015 (calculated jointly for Poldanor and Prime Food), the companies have reduced emission from 1,65 kg in 2014 to 1,5 kg CO₂/kg meat in 2015. After deducting the emission reductions generated by the biogas production plants production plants, the Corporate Carbon Footprint 2015 is equal to zero, and the production is still carbon neutral.

Investments

The large investment project which started in 2013 - Agropark Chojna (5.000 sows plus 23.000 weaners and a 330 kW biogas production plant) was finished in summer 2015. This state-of-the-art farm represents a 20% expansion of the pig production and has very interesting added values in terms of animal welfare standards, which are significantly higher than those required by law, and even above the requirements of the German QS certification system (in the process).



Agropark Chojna

Poldanor's performance

In terms of pig production, development has been tremendously positive over the past year with regard to the performance of the sow farms.

In total, Poldanor sold 54.199 tonnes of first class finishers in 2015 which was app. 6,5% more than in 2014 (50.872 tonnes).

The average pig price was only PLN 4,40/kg of live weight in 2015 vs. PLN 4,97/kg in 2014. The low pig price reduced the gross margin before depreciation in the pig production to PLN 16.834 m vs. budgeted PLN 49.135 m.

The decreasing prices for pigs had a major effect on the meat-to-feed ratio, which fell to a level of 1:5,71 in average, compared to budgeted 1:6,23 (slaughter weight).

In arable production, good yields were achieved in 2015. Poldanor has accumulated more than 23.000 tonnes of cereals and 6.336 tonnes of oilseed rape. The yields of the maize for silage were lower than expected due to the negative effect of dry periods in the summer. Poldanor harvested almost 117.000 tonnes of maize for silage and prepared 5.712 tonnes of crimped maize. Despite the falling prices for cereals in autumn 2014, the arable production generated a very good gross margin equal to PLN 6.502 m vs. budgeted PLN 6.381 m.

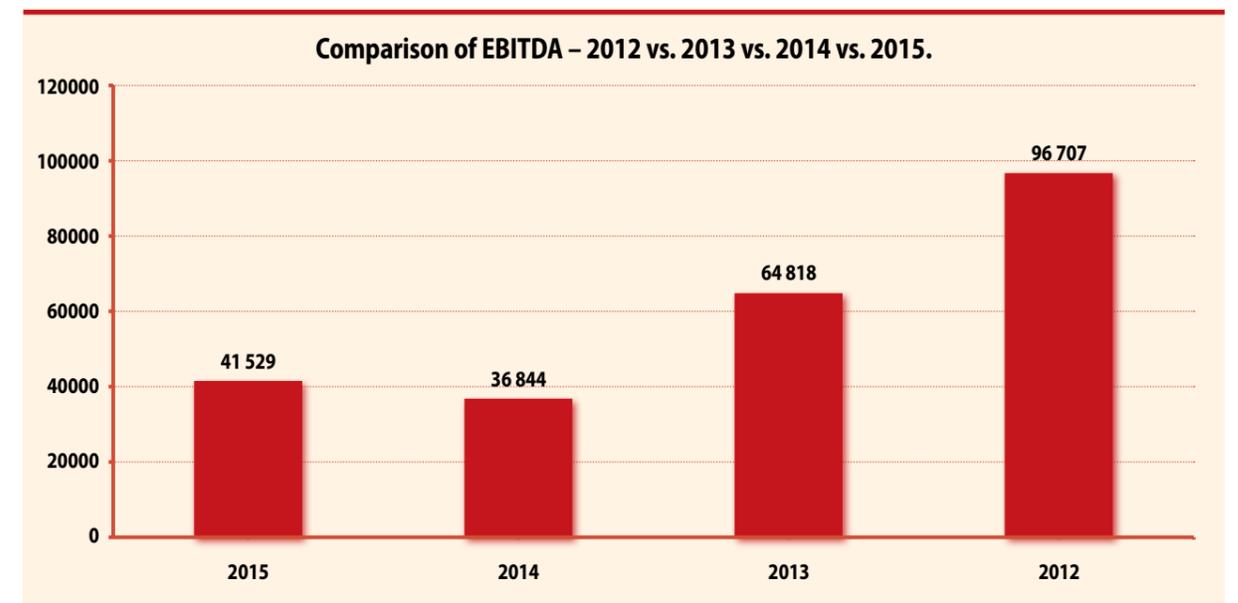
With regard to biogas and energy production, in 2015 Poldanor produced 55.088 MWh of electrical energy, resulting in an average annual efficiency at the level of 88,62%. This was app. 8% better than 2014 but 2,78% lower than budgeted. During 2015 the company had also had a number of technical issues to cope with.

The price of 'green certificates' dropped from app. PLN 155 in January 2015 to app. PLN 110 at the end of December. Finally, the gross margin 2015 in the biogas department is PLN -5.947 m vs. budgeted PLN -668 k.

Poldanor's financial results

Taking the pre-mentioned circumstances into account, and in particular the extremely negative development on the pig market, Poldanor Group's (including subsidiaries) consolidated 2015 net result amounts to a total of PLN 2.217 k compared to PLN 30.207 k budgeted and EBITDA equals to PLN 41.529 k vs. PLN 72.980 k budgeted.

Poldanor's 2015 net result has been considerably affected by the adverse external factors. In spite of this, the company has managed to improve or keep good levels of production in both pigs, arable farming and biogas. Poldanor was also able to reduce the costs in many areas and, last but not least, the company managed to control the cash flow.



Employees

The Poldanor team has again proved that they are able to focus on the crucial factors that can be influenced and at the same time adapt to the restraints arising from the poor market situation. As 2016 seems to have started with similar challenges, Poldanor will strive to strengthen this perspective and get through the difficult period in the market in the best way possible, and enjoy the inevitable improvement of profitability in the pig sector when it eventually comes.



Poldanor employees at annual Christmas meeting

The Board of Directors



Prime Food Management Report

2015 has seen a gradual improvement in economic growth in Poland. After the decrease in 2012 and 2013, the latter half of 2013 saw the strengthening of positive trends. The predicted GDP growth of the whole year 2015 was slightly higher than the year before (3,4 vs. 3,3% in 2014). Other indicators during the year showed positive tendencies in the economy, although a turnaround in the political situation after the election, with a new government, created a number of doubts for the future development of the country. With many promises relating to social areas and many regulations both in law and economy the end of the year brought on a certain amount of uncertainty with this development.

For the Polish meat industry, it has been another difficult year, where companies have had to deal with export limitations associated with the situation in Russia and the Asian ban. The members of the industry have changed their strategies significantly, promoting harder and seeking new markets, and there have already been positive effects of these activities. The export of meat from Poland has increased to various markets in the EU countries; pork exports to Italy increased by 26%, Germany 16%, in Britain by more than 80%. Unfortunately, there has not been a breakthrough for Polish pork on the big markets such as China and South Korea. Exports of pig meat fell by more than 40%. It is estimated, however that throughout 2015, the export of pork can increase to approx. 640 k tonnes compared to 625 k tonnes in the previous year.

Mainly due to export limitation together with surplus in pork production throughout the EU, the livestock and meat prices were below the previous year's level. With prices being the lowest since 2011, and in average 11% below last year, the pig producers have been under high pressure. The relatively low meat prices had, however, some positive influence, as the consumption of pork per capita in Poland increased slightly and according to estimations will reach 40 kg.

2015 has been the best year in the company's history for Prime Food. The implementation of a new strategy which was implemented 5 years ago, supported by strong investment activity and huge improvements in all departments, has contributed to the great yearly performance of the company. Many of the projects and activities introduced in previous years, both sales and production improvements were essential for the achievements made in the last year. Not only investments in new equipment and machinery which allowed the company to start up a cooperation with the most demanding supermarkets in Poland, but a change in attitude for the whole company, turned it into one of the fastest developing meat companies in the country. An attitude with strong focus on task and improvements in all areas of business, connected with respecting company values such as: quality, reliability and responsibility were the background for many great achievements by the company in 2015.



The value sign "Responsibility, Quality and Reliability" behind the employees of Prime Food



Many of them would not have been successful without the implementation of a Visual Management System. Daily focus of the whole management on certain areas and details contributed to quality improvement with reduction of quality claims by 72,4%, work safety by 37%, reaching service level of 99% fulfilled orders, overall efficiency improvement by 18%. These considerable operational improvements together with increased yield results of y/y turnover with 4%, increased processed products sales with 28%, many new products and sales projects boosted the result of the year.

Financial results

Even though there has been a number of influential external factors, 2015 was a great year for Prime Food and the best year in the history of the company. Prime Food has provided strong delivery results and production achievements, building up a strong sales oriented company. The company has once again noted a positive net result exceeding the budget expectations. The slaughterhouse achieved the set goals in terms of many personal and group KPI's in different areas of the activity.



Results are placed regularly

Prime Food ended the year with accumulated EBITDA PLN 21.683 k vs PLN 18.496 k previous year, EBIT PLN 10.625 k vs PLN 10.433 k last year and net result PLN 7.288 k compared to the previous year PLN 16.116 k.

From year to year, the company has observed growth of turnover (3%) as effect of higher sales volumes (6,8%). The EBITDA result is higher by 23% compare to the last year.

Sales

2015 was another record year in terms of sales results. Prime Food has faced a big challenge of 25% sales margin increase year to year and has managed to make it 30%.

The company has produced almost 92% of budgeted volume of processed meat (28% increase compared to 2014) and almost 84% of budgeted volume of MAP (6% decrease comparing to 2014). However, the average margin on both categories were higher per kg which (also) has allowed us to reach the total budgeted margin level for 2015.

In 2015 Prime Food has re-entered Lidl with MAP packed meat, started deliveries to 759 Stores (a retail chain) in Hong Kong and introduced new products on Polish, Danish and Hong Kong markets: barbecue cooked ribs. In addition to this, Prime Food has introduced new hot dogs and a new sausage to Lidl. The company has successfully launched a new barbecue product (skewer) in Biedronka and strengthened the sales of the volume drivers.

2015 was a big step forward for Prime Food and the company has definitely become more recognizable as a reliable producer of top quality products.



Frankfurter classic

Barbeque ribs

MAP meat

Ham sausages



Over the last year Prime Food has increased the turnover by 3,3% but has not reached the budgeted level due to a much lower than budgeted livestock price. Nevertheless, the company has managed to increase the contribution by 14,5% year to year.

Production and investment

2015 has been a busy period for the production departments, with stable results which contributed a lot to the general achievements of the company. At the beginning of the year the slaughterhouse updated all recipes, and set new targets for all departments and particular production lines. Although deviations and fluctuations were observed in the results, the company has implemented corrective actions immediately and improved monitoring of the daily results at all stages of process production.

Efficiency

One of the key points in the restructuring of Prime Food was to change the outlook of the whole company and encourage each employee in their continuous improvement of their work and processes. This process will, of course, not happen in one day, but every day improvement with attention to detail and focusing on becoming better and better, was crucial for the whole process. The improvements were made throughout the whole organization, and what is most important is that it is not just a one off process, but a system which follows up on optimization in all business areas. As it would not be possible to establish such a system without involving the entire staff, a number of visible tools have been implemented since the beginning of 2015, which highly contributed to the process, and called them together as a "Visual Factory".

Quality

The quality of the Prime Food products has always been a high strategic value for the company. But in a new strategy approach, quality has been defined in a slightly different way than earlier. Quality was established as a customer expectations fulfillment, meaning not under, but also over performance. The principle of this definition is that customers pay for what they expect, and they do not pay extra for something they do not want. There was also another change in the way of thinking – that quality means high costs. In a "new way" the production of good quality products was presumed as the cheapest, and production of bad quality (and over quality) reflected as a loss.

Throughout the year a lot of time has been spent on improving the quality of the products. Both visual management and monthly meetings with employees have contributed a lot to this field. Quality measured as returned product due to quality improved significantly and decreased compared to the last year with 54,3 tonnes (by 72,4%).



Quality circle meeting

Technical Issues and Investment

2015 has been an extremely busy year with regard to technical issues. This is not only due to the start of the new MAP building project, but there have been many other projects and activities.

After consideration and preparation, the company finally started the ground work for building activities of the new MAP department at the beginning of July. With no delay in the first stages of construction, the work on the above ground building started in the first week of September. With a few minor challenges, Prime Food has managed to keep to the time plan for the construction, and as predicted with almost all contract and work confirmed, the goal for completing this investment should be reached, and production should be able to begin in April, as estimated.



New MAP building in September 2015



New MAP building in December 2015

CSR at Prime Food

The core of Prime Food's business is transparency, honesty and credibility and for many years the company has engaged in the business of social responsibility.

Prime Food passionately supports the local communities, cares about the place of work for the employees, verifies the standards of the used suppliers and cares about the environment.

To enhance knowledge in the field of occupational health and safety responsibilities on work stations the following actions have been undertaken:

- ❖ together with managers and staff representatives from various departments, the work hazards at work stations in individual departments have been identified and pinpointed.
- ❖ in each production department "the potential accidents book" was introduced to encourage employees to cooperate with the employer in improving health and safety issues in their workplaces. In 2015, 154 potential accidents were registered and 148 accidents were prevented.

As well as a number of countable achievements, Prime Food has increased focus on company values and PR. Activities in Human Resources with projects such as "quit smoking contest", "weight loss with Prime Food" and many others has created great involvement and dedication from all employees. There have also been many CSR initiatives, one of the most spectacular being the 3rd edition of Prime Food Triathlon Przechlewo, which has strengthened our position beyond the local community.



Healthy weight loss competition



Carbon monoxide in the lungs test during the contest



Satisfaction when crossing the finish line

The Board of Directors

Danosha Management Report

When looking back on 2015, you could start with the following African proverb “If you want to go fast, go alone. If you want to go far, go together”. 2015 was a quality check for the entire Danosha organization. Now, it is obvious that the investments made on educating the employees and the further development of the organization, was the right step to make.

Further to this, Danosha has revised the company’s mission, vision and values to put them in line with the present goals of Danosha and to raise motivation for the employees. This process was lead by a professional consultant and involved top-management staff.



Mounting of new grain silos.

Financial result

This year, Danosha started with very good results for the pig production, due to constantly improving production parameters and optimized production costs. Nevertheless, the net income did not meet the goals of Danosha due to the devaluation of the Ukrainian currency, which resulted in the currency loss of UAH 244.77 m in 2015. The reported year resulted in EBITDA UAH 387.66 m, which is by UAH 81.4 m above the budget. The net income ended up at UAH 7.23 m. The presented results and all calculations in the annual report for 2015 include VAT. Since the change of legislation in December 2015, all agricultural companies in Ukraine have been charged according to the general VAT tax rules, however, Danosha has been operating under the agricultural regime of taxation for the whole year. According to the new taxation rules for agribusiness, Danosha’s balance has been revised to exclude VAT from inventories and main assets as of the end of December. In total, it decreased the result by UAH 51.6 m:

- ❖ change in fair value of biological assets (pigs & cows) – UAH 13.178 m;
- ❖ changes in the inventories of finished goods and work in progress (arable) – UAH 5 m;
- ❖ VAT included into inventory – UAH 13.155 m;
- ❖ VAT included into fixed assets – UAH 20.285 m.

	VAT influence on the result, UAH m.			Variance
	with VAT	without VAT		
Total Revenue	1.545	1.107	438	
Gross result	430	418	12	
EBITDA	388	330	58	
Net Income	7	(44)	52	

Political and economic situation

Conflict in Eastern Ukraine

The situation in eastern Ukraine remains tense and volatile. The unstable situation in the region affects budgetary, fiscal and currency components of the economy of Ukraine, and ultimately the welfare and purchasing power of Ukrainians.

EU market opportunities and loss of Russian market

Ukraine-EU Deep and Comprehensive Free Trade Agreement entered into force on January 1st, 2016. According to this agreement, a vast majority of customs duties on imports and exports are reduced or removed. Customs duties for imported pork and pork sub-products (respectively of 12% and 10%) were cancelled and duty-free tariff rate was set at 20.000 t and 18.000 t of chicken meat. This may lead to the increased import of low-cost pork, which may have a negative impact on Danosha’s sales. At the same time, low prices for pork in EU countries make export perspective for pork producers in Ukraine less attractive. In addition, Ukraine shall align its sanitary, phytosanitary and animal welfare legislation to the EU’s.

The free trade zone agreement has triggered opposition from Russia, which aims to disengage Ukraine from its alignment with the EU. From 1 January 2016, the Russian customs authorities shall apply regular customs duty on Ukrainian goods.

Moreover, Russia officially introduced the food embargo on Ukraine and prohibited import of agricultural products, originating in Ukraine until 5th of August 2016. In response to the embargo, placed by Russia, as of December 30th, 2015 Ukraine’s Government adopted a Decree, prohibiting imports of 43 kinds of food products, including meat and subproducts made from cattle, pork, poultry, fish and shellfish from Russia. The prohibition is effective from 10th of January 2016 until 5th of August or earlier date, which shall be the date of cessation of Russian food embargo.

Cancellation of additional import duties

By fulfilling memorandum between Ukraine and IMF (International Monetary Fund) and Memorandum of understanding between Ukraine and the EU, in December 2015 the Verkhovna Rada of Ukraine approved the act on the measures promoting foreign economic activity, which removes additional import duties on most products at the rates of 10% (applied for live animals, meat products and subproducts) and 5%. This act enters into force on the January 1st, 2016 and makes imported meat cheaper for Ukraine, influencing the internal market price. It also makes imported goods (machinery, equipment, feed ingredients, etc.) cheaper.

New taxation rules for agribusiness

In December 2015, the Ukrainian government approved a number of amendments to the Tax code, which affected the agricultural producers. Under such changes, a special VAT regime for agricultural producers in 2016 has been modified and since 2017 it will be cancelled. The changes in the Tax code also embrace an increase in the fixed agricultural tax, and reinstatement of the VAT refunds on grain export, which will give to exporters some additional profit and room for increase in the price for farming companies. In relation to other changes, a flat 22% rate of a single social contribution is established. As before, the personal income tax rate of 5% is applied to dividends.

Pig production

At the beginning of 2015, Danosha had to take urgent measures in order to prevent Porcine Epidemic Diarrhea virus (PEDV) that was rapidly spreading throughout the country. The main task of Danosha was to minimize the risk of infection, by taking all the necessary steps as fast as possible. One of the most important biosecurity improvements was building two chambers for the thermal disinfection of all external pig trucks and trailers (heated up to 70 Celsius degrees for 30 minutes).

At the end of July, Danosha received the breaking news about African Swine Fever on a farm near Kyiv, thus the company had to act as fast as possible. Many improvements of the companies biosecurity was done, but one of the biggest steps to secure the herd was to ban the following immediately:

- ❖ no food was allowed into Danosha’s farms and feed mill;
- ❖ no mobile phones or any other electronic devices were allowed into the stables;

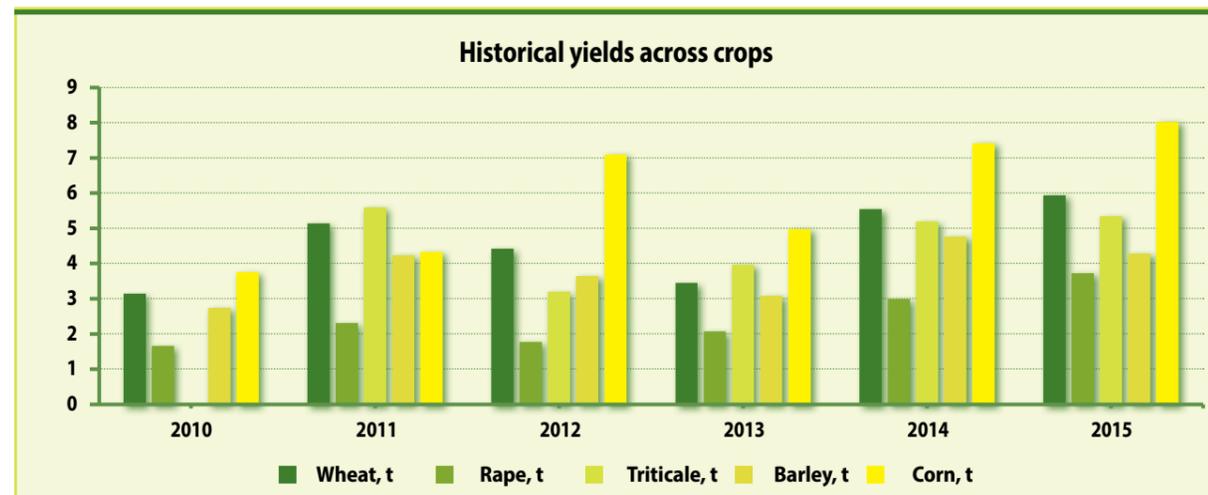
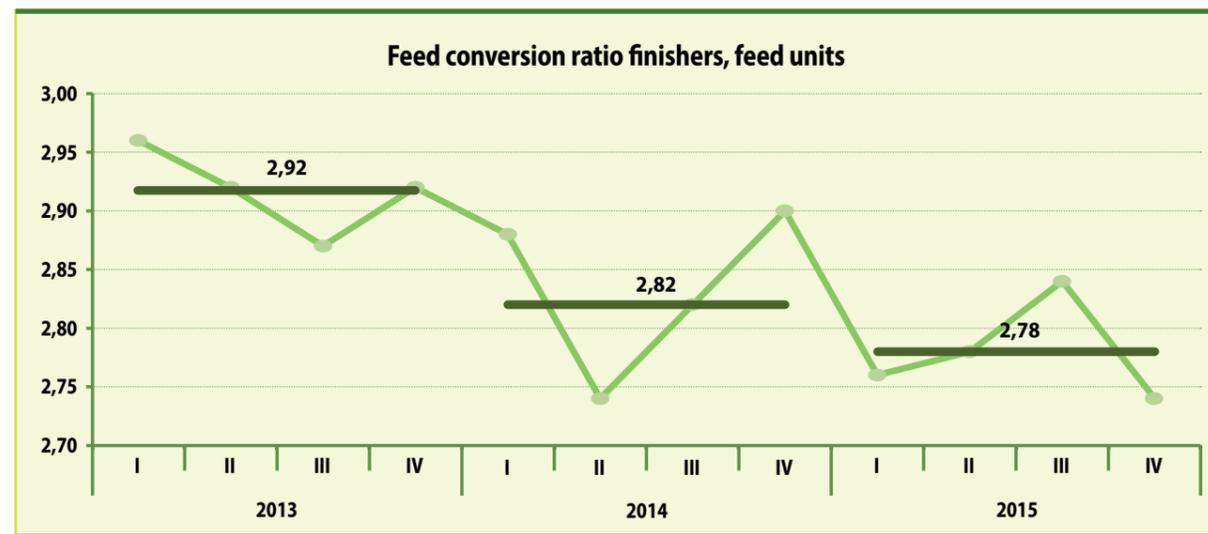
- ❖ no pork was allowed into Danosha's territory;
- ❖ to make a clear division between internal and external transport in the area of feed mill;
- ❖ to change all clothing and shoes before entering the premises
- ❖ to wash hands before entering any production facility.

In 2015, the number of pigs weaned/sow within a year was on a satisfactory level – 32,5 on average for all sow farms. This was mainly influenced by the increased amount of liveborn piglets.

All finisher farms had a stable high level of daily weight gain above 1.000 g (1.018) on average and feed conversion ratio on 2,78 FU/kg. The quantity of sold finishers was 27.871 pigs over budget, and the first class pigs were on average almost 5 kg heavier than budgeted. The quantity of sold weaners was also higher than expected, due to the better efficiency of the sow and weaner farms.

Arable department

2015 was a good year. From the operational point of view, it brought confidence to the way Danosha conducts its business. Most of the crops yielded in a satisfactory manner, especially oilseed rape (OSR) positively contributed to the bottom line with both high yields and prices.



The fieldwork started early, due to good weather in the spring, which ended up reflecting the full year. Due to good weather, the harvest was completed within five weeks. The yields were satisfactory for all crops, except for the winter barley, firstly due to bad growing conditions in the autumn 2014, and secondly due to damages caused by hail. In terms of protein, fusarium, oil and moisture content, the qualities of grain and oilseed rape were good. In particular, it was positive that all crops showed potential yields higher than seen earlier. The best areas sown with wheat yielded above 8 tonnes per ha and the oilseed rape in Halych yielded over 4 tonnes per ha on average.



Slurry distribution in Lany

CSR

Danosha has an open dialogue with the local residents in the villages that surrounds the farms where the company operates. In 2015 Danosha formalized the cooperation with the society into a lot of projects, hereunder:

- ❖ The Social Fund (active since 2011)
- ❖ Danosha reports about social responsibility (information to the community about the last year's achievements and common work, cooperation and about the changes in company's Social Fund)
- ❖ Danosha. Close-up view (excursions for state agencies such as land registration service, statistics, agricultural departments to improve cooperation and communication).
- ❖ Mobile info center (visits to villages in order to provide information and consulting on various issues).
- ❖ Education tours and support to the local community and people on village days and other important dates.

In 2015 the company kept focus on joint social projects which are implemented by joint efforts (authority, community and Danosha). Such projects are more visible in the villages. This year Danosha became a part of such social projects as renovation of schools and village clubs, street lighting, gasification, and improvement of the roads in the local communities.

The past year was full of different social activities and community support. The main focus was put on informing better about Danosha's activities and improving the cooperation with the community. Danosha can say for sure that the work done in 2015 was felt in the villages.

Future

It is quite obvious that the ongoing crisis significantly influences the economic and political situation in Ukraine. Without any negative development, meaning a possibility for Ukraine to recover, Danosha has a strong optimistic forecast and plans for business development in the area.

The Board of Directors

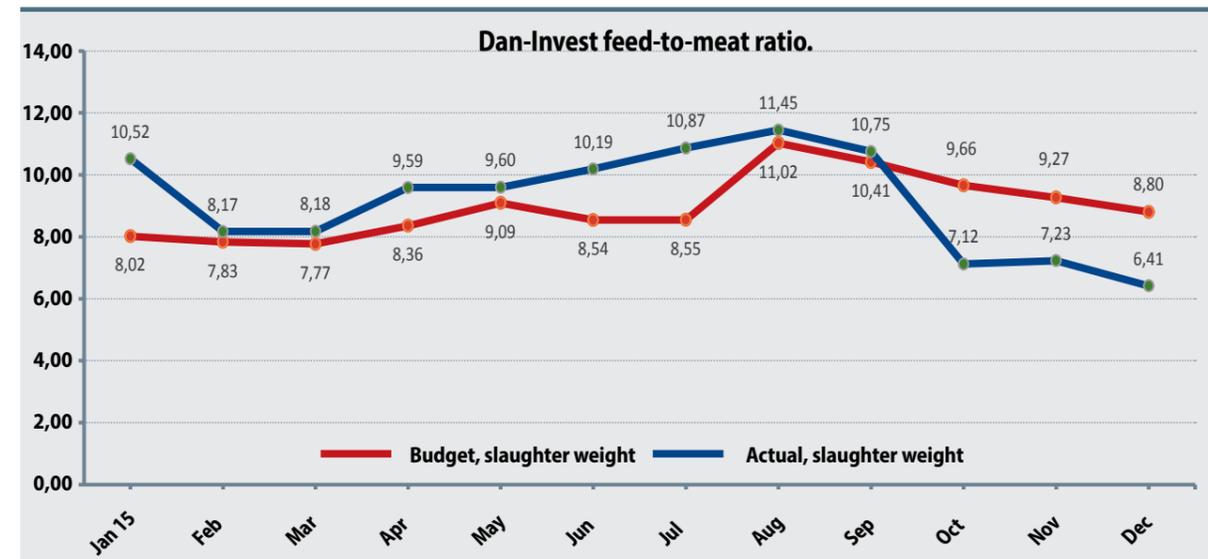
Dan-Invest Management Report

2015 became the year of dramatic losses and huge challenges for the Russian economy. This was mainly due to decreasing oil prices and EU sanctions, which influenced the drop in value of the ruble compared to 'the Western currencies'. In contrast, it was one of the best periods for Dan-Invest. At the end of 2015 we reached over RUB 1 billion in sales revenue, finalized construction of RASK farm in Tambov (5.000 sows full-line), finalized reconstruction of DANKUB farm in Krasnodar (2.700 sows full-line), relaunched pig production in Krasnodar and, on top of this, the structure of our management was completely changed.

Despite the economic challenges for the country, the Russian government continued to support companies. Dan-Invest has received RUB 88.8 m of subsidies from both federal and local budgets in total. A new subsidy program which had been implemented in 2014 (compensation of investments) was prolonged for 2015. We have also received the VAT return in the full amount. All the above factors gave good financial support to the company.

In 2015, the meat market in Russia was influenced by the import restrictions imposed in 2014 (EU-US sanctions on all types of meat imported from Russia and Russian response ban on pork imports from the EU, US and other countries). The devaluation of the ruble had a profound impact on importers' decisions. The import of all types of meat to Russia in 2015 was 33% down on 2014. On the other hand, the pig production in Russia continues to grow. The cumulative result in 2015 is +134 thousand tons of meat in all categories (that is +4,5% in comparison with 2014).

In 2015, Dan-Invest sold over 116.500 pigs of all types. Pig sales revenue in 2015 was by RUB 175.8 m higher than budgeted. It was mainly influenced by prices which in some periods of the year were approximately 20-24% higher than forecasted in our budget.



Despite all the difficulties, Dan-Invest's crop production has recorded a good financial result for 2015. Its total revenue was RUB 118.3 m, taking into account the change in fair value of biological assets (RUB 12.0 m) that is by RUB 23.3 m higher than budgeted.

Financial result

The 2015 financial year for Dan-Invest was generally better than forecasted. The total revenue was 20,3% or RUB 281 m higher. The cost of goods and external services was only 2,6% higher than expected and therefore the gross margin for 2015 was RUB 258 m higher than budgeted. This is 51% better than the company had expected.

EBITDA was by RUB 244 m or 66% higher than forecasted for the whole Dan-Invest group. Actual EBITDA ratio for 2015 is 36,7% higher.

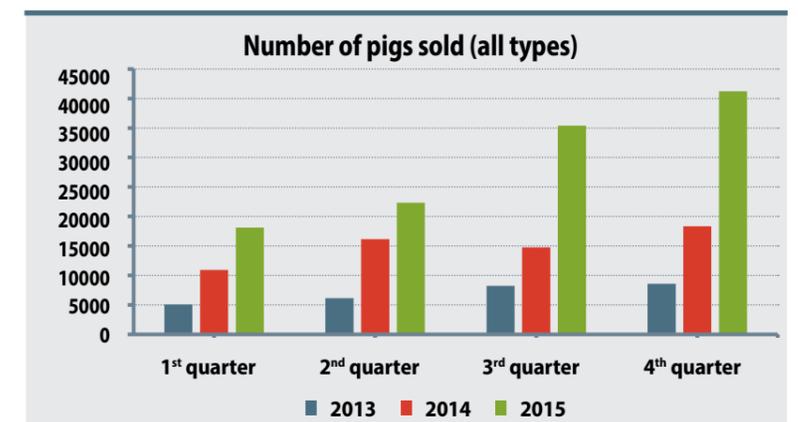
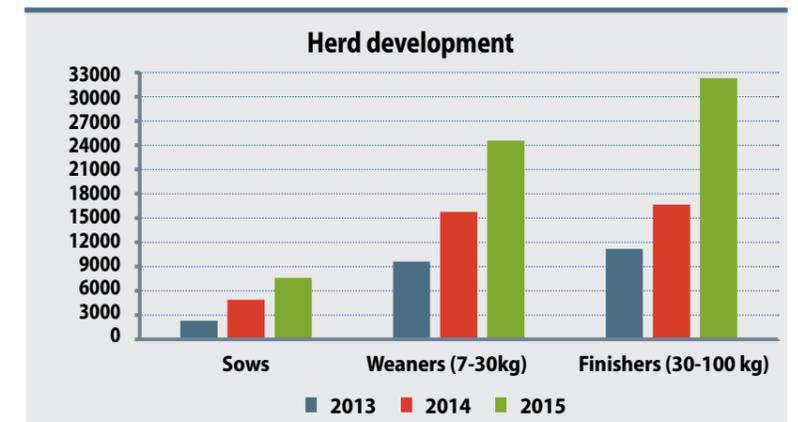
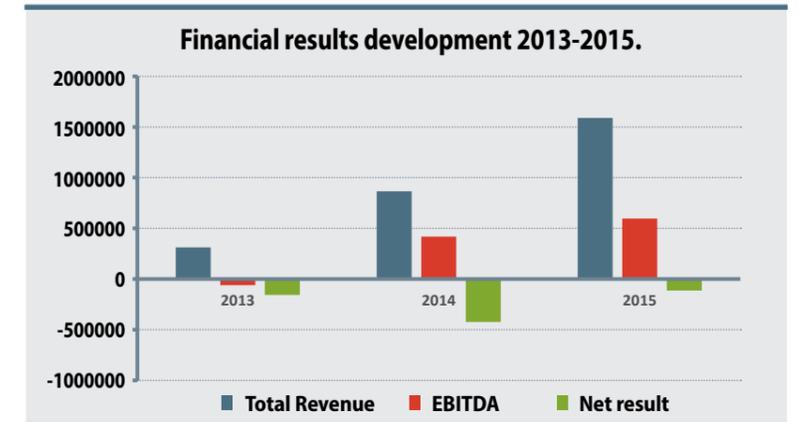
Due to the company's debt structure, Dan-Invest suffered a currency loss, which lead to a negative 2015 net result of RUB 114.7 m.

Disregarding the currency loss, which the company cannot influence in any way and which does not reflect the production abilities, the net income in 2015 was RUB 240.9 m. That is much better than anticipated at the beginning of the year and in comparison to 2014.

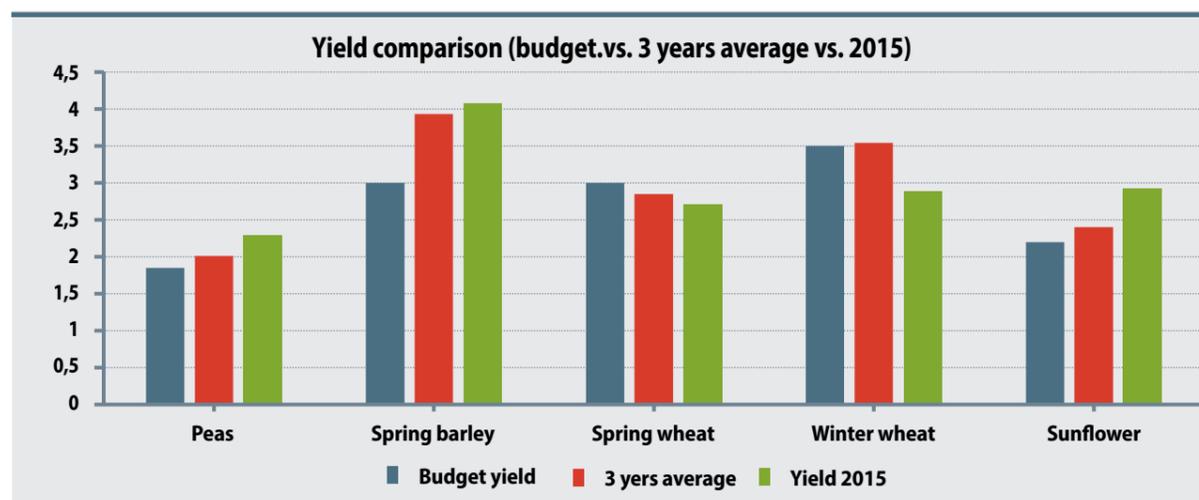
Pig production

Again, in 2015 the pig production has increased, both in terms of capacity and production (from 4.900 sows at the beginning of the year up to 7.600 by its end). The farm in Krasnodar (DanKub) was put into use at the end of the third quarter, three years after the farm was hit by ASF.

During 2015 Dan-Invest managed to increase the sales index in a significant manner compared to the previous year. According to full year results, 116 553 animals were sold (total weight of all types of meat 12.820 tonnes).



Sale of animals gave the company more than RUB 1.330 m of revenue including VAT.



Crop production

The total 2015 revenue from the arable production was RUB 118.3 m. Taking into account the change in fair value of the biological assets, it is RUB 23.3 m higher than budgeted. These positive results were influenced by higher grain prices during harvest. There is a tendency that the market records a big drop in price of grain during harvest months. The gross margin in the arable segment was RUB 21.9 m. EBITDA ratio in the arable production was + 18,5%. This signifies a good result of crop production.

Change in the company organization structure

From the start of 2014, the company has increased expansion and has developed all departments. An increasing number of employees and capacity of works, requires our company to review its approach towards work and management systems. During summer 2015, the organization was reorganized in a way that Dan-Invest became a management company for RASK and DANKUB.

This new structure is currently being adopted among the employees of Dan-Invest. The company is teaching them about taking more responsibility and making their own decisions. This change gives top managers more power, allows them to feel more independent, and work in close cooperation with employees from their departments.

Among employees

A lot of attention has been put into building up relations between workers in Krasnodar, Tambov and other Axzon Group companies. In 2015, the Dan-Invest team visited Saint Petersburg, and in June the company hosted a visit of the members of The Board of Directors of The Axzon Group and their spouses coming from Poland, Ukraine and Denmark. In October, the company Ambassadors visited Denmark with the aim to create family spirit across borders with their peers from other Axzon Group companies.



Board of Directors from the Axzon group with spouses

Environment and animal welfare

In 2015, Dan-Invest took the decision to set up a group with its aim to cooperate with administration and community representatives from locations neighboring the company's farms, all in order to be proactive towards any questions, suggestions or requests regarding ecological matters. The group will start working at the beginning of 2016.

Social engagement

In 2015, Dan-Invest celebrated the 70th anniversary of the end of World War II. For this reason, the company provided local authorities with financial support to renew old and construct new monuments honoring this event. Dan-Invest also provided financial support to local World War II veterans.

At the end of 2015, a folk-song group which the company has supported was invited to Moscow to participate in the festival of Russian folk song. Dan-Invest aims to support them as much as the company can and will be awaiting many victories.

Conclusion

2015 was one of the most difficult years for Russia but at the same time it has been one of the best periods in the history of Dan-Invest. The company has recorded some of the highest meat-to-feed ratios and numbers of pigs sold. Despite the circumstances, the arable production results were quite good.

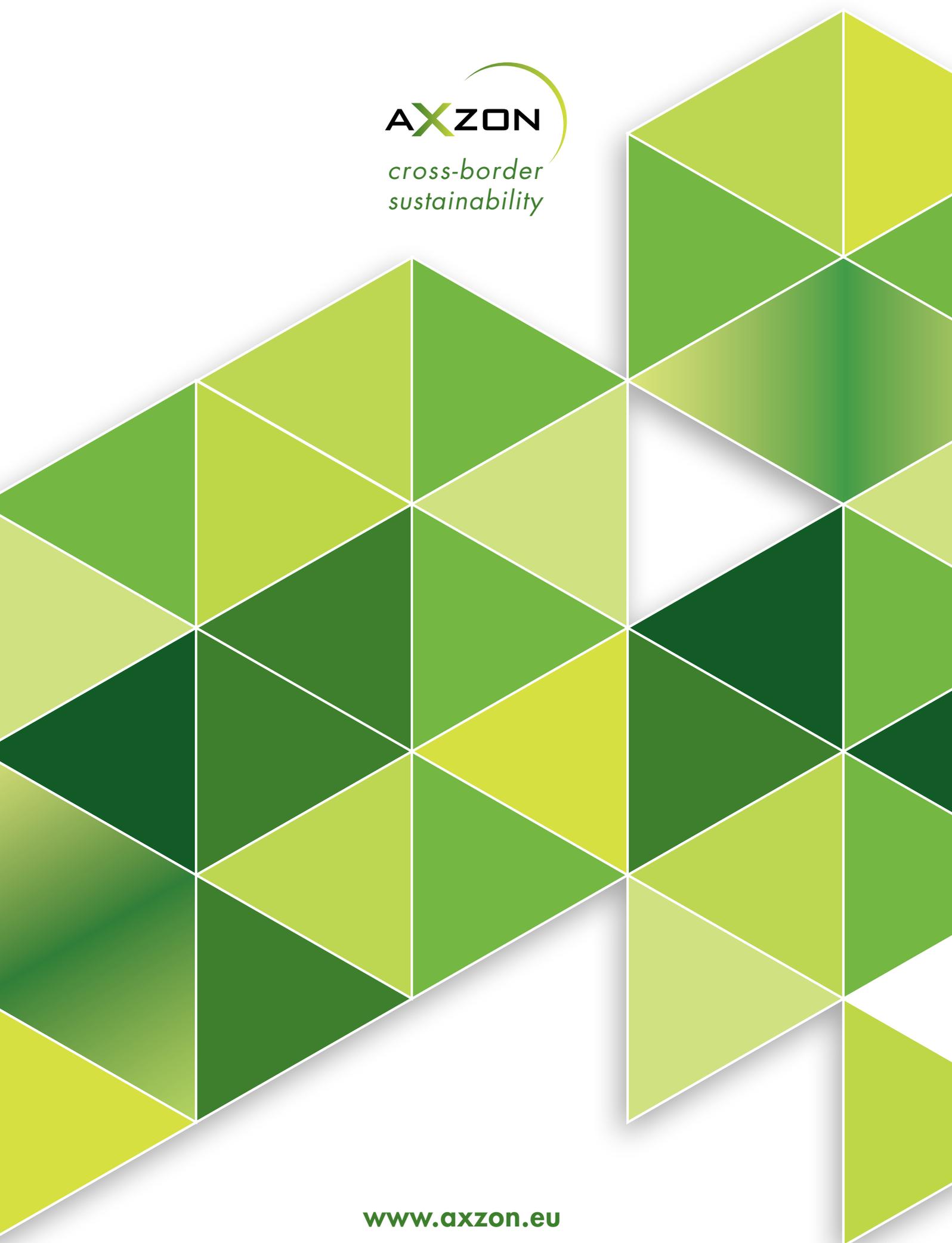
In August 2015, Dan-Invest reached one of the company's biggest milestones; the total revenue at RUB 1 bn. In 2010 it was RUB 30 m. So there has been a huge development during 5 years. The total revenue for 2015 exceeds RUB 1.6 bn.

Our 2015 EBITDA was by RUB 244 m or 66% higher than budgeted and the overall EBITDA ratio for 2015 was 36,7% higher, even without full production in Krasnodar.

Due to Dan-Invest's financial structure with over 60% of all loans in EUR, the company suffered a currency loss of more than RUB 355 m.

This currency loss lead to a negative 2015 net result of RUB 114.7 m, which is quite satisfactory taking into account the particular circumstances in 2015.

The Board of Directors



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