Annual report 2016



FirstFarms A/S
Majsmarken 1
DK-7190 Billund

CVR: 28 31 25 04
Registered office: Billund

Content

This annual report is composed in Danish and in English. In case of doubt, in relation to interpretation, the Danish version takes precedence.

Summary

2016: EBIT-result as expected – satisfactory yields but influenced by low milk- and crop prices

- In 2016, FirstFarms realised a turnover of DKK 130.3 million, an EBIT-result of DKK -2.8 million and a pre-tax result of DKK -12.5 million. The EBIT-result is improved by DKK 12 million compared to 2015 and corresponds, before write-down of land, to the expectations announced in November 2016.
- The result is influenced of a write-down on land of DKK 3.6 million in Romania without land book.
- The result is not satisfactory, but must however be seen in connection with the challenges the low milk price has caused in large parts of 2016.
- FirstFarms realised a very satisfactory harvest in Slovakia in 2016. Record yields are realised in both spring- and autumn crops, which in total are significantly above budget. In East and West Romania, the crops had yields as budgeted. The sales prices are significantly below budget. Overall, the crops have affected the result positively with DKK 6 million in 2016 compared to budget and with DKK 23 million compared to last year.
- Sold quantity of milk is increased with 1.7 million kg in 2016 compared to 2015. Thus 23.5 million kg milk was delivered from FirstFarms in 2016. On a daily basis, approx. 30 kg milk per milking cow is delivered at the end of 2016 with a competitive cost price.
- The milk price was very low entering 2016 and decreased further until the summer 2016, after which it started to increase again. Thus, the milk price had during 2016 been in the range from DKK 1.31 to DKK 2.54. The average sales price in 2016 constituted DKK 1.71 per kg compared to DKK 2.61 and DKK 1.98 per kg in 2014 and 2015, respectively. At the end of 2016, the milk price was DKK 2.54. The milk price affects the result with DKK -7 million compared to budget for 2016 and with DKK -6 million compared to last year.
- FirstFarms has entered a conditional agreement about purchase of pig production in Hungary with final take-over in Q1, 2017.
- In 2016, FirstFarms realised a cash flow from main activities of DKK 12.3 million.

2017: Expectations

In 2017, FirstFarms expects an EBIT-result in the level of DKK 18-22 million.

Earnings in 2017 are expected to be stable for milk- and pig production in EU.

Crop prices are expected to be on par with realised prices in 2016, and a milk price of DKK 2.50 is expected.

In 2017, the company will work on development of the platform for pig production and stabilise the operation in the milk production. The field production is expected to be increased with a smaller area, whereas the stock facilities for crops are expected to be optimised, so the harvest pressure is minimised.

Financial highlights and key ratios

Financial highlights for the Group DKK 1,000	2016	2015	2014	2013	2012
Net turnover	130,257	111,841	125,008	114,127	108,080
Gross profit/loss	7,330	-5,547	22,862	21,405	-15,110
Profit/loss from primary operations (EBIT)	-2,771	-14,657	19,172	11,172	-27,668
Net financial items	-9,750	-7,806	-7,673	-6,674	-6,847
Pre-tax result	-12,521	-22,463	11,499	4,498	-34,515
Net profit	-12,957	-21,977	8,827	2,791	-27,435
Non-current assets	396,403	402,254	393,584	390,977	388,706
Current assets	119,112	123,692	112,264	96,803	78,250
Total assets	515,515	525,946	505,848	487,780	466,956
Share capital	47,122	47,122	47,122	47,122	47,122
Equity	292,823	306,173	328,730	320,819	318,407
Non-current liabilities	95,059	70,137	96,985	89,843	42,641
Current liabilities	127,633	149,636	80,133	77,118	105,908
Cash flow from primary operation	12,275	-832	4,382	18,302	1,972
Cash flow from operating activities	2,040	-8,811	-3,785	9,329	-4,700
Cash flow from investment, net	-18,817	-25,139	-6,367	-16,414	-3,906
Of which for investment in tangible assets	-23,057	-38,493	-49,375	-28,106	-13,230
Cash flow from financing	4,792	-14,332	-2,593	30,733	2,147
Total cash flow	-11,985	-48,282	-12,745	23,648	-6,459
Key ratios for the Group					
Gross margin	5,6	5.0	18.3	18.8	-14.0
Operating margin	-2,1	-13.1	15.3	9.8	-25.6
Solvency ratio	57	58	65	66	68
Earnings per share, DKK	-2.75	-4.66	1.87	0.59	-5.82
Diluted earnings per share, DKK	-2.06	-4.00	1.50	0.47	-5.82
Return on shareholders' equity	-4,2	-6.9	2.7	0.9	-8.2
Average number of employees	214	211	204	198	203

Key ratios for the Group

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33. Other financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios 2015".

The financial ratios stated in the consolidated financial statements and in the annual report have been calculated as follows:

Gross margin	(Gross profit/loss x 100) / Turnover
Operating margin	(Profit/loss from primary operations x 100) / Turnover
Solvency ratio	(Equity x 100) / Total assets
Return on equity	(Net profit x 100) / Average equity

Management review

The platform for the continuing development of FirstFarms is in 2016 complemented with conditional purchase agreement of pig production in Hungary. The production is located in the south east part of Hungary and within driving distances, which can create significant synergies to FirstFarms' production in Slovakia and West Romania in regards to production and sale.

The business model for FirstFarms is optimised with the new operation branch. A good foundation is created for the further development from FirstFarms' business model and vision.

With pig production in the portfolio, it is assessed to secure larger spreading of risk and better earning power. At the same time, there is potential in the operation branch for expansion in the future; with both more slaughter pigs and sows.

The result in 2016 is by the management regarded as not satisfactory. However, the result must be seen in connection with the historical low milk price in 2016.

During a number of years, FirstFarms has carried out a structured effort to secure ownership of land in Romania through registration in the public register. In principal, this process is now carried out, and it is chosen to write down DKK 3.6 million on land plots, on which there can be uncertainty about the possibility to register. The land portfolio is of almost 6,000 hectares of registered land with a booked value of DKK 117 million.

Result and turnover

In 2016, FirstFarms realised a satisfactory production result based on yields in field and effectivity in dairy cattle, but unsatisfactory on the earning power, primarily based on very low milk prices. The three most significant factors influencing the result are high harvest yields, low crop prices and low milk prices. The milk price has been historical low due to imbalance on the world market and the sales prices on crops have been lower that budget, which however is compensated by good yields.

The milk price was very low entering 2016 and decreased further until the summer 2016. It has created big challenges to create balance in the operation. The stock is kept stable and reduction has been made in both fixed and variable cost as far as possible. The low milk price has influenced the turnover with DKK -6 million and DKK -24 million compared to 2015 and 2014, respectively and DKK -7 million compared to budget 2016.

In 2016, FirstFarms realised a turnover of DKK 130.3 million (2015: DKK 111.80 million), an EBIT result of DKK -2.8 million (2015: DKK -14.7 million) and a pre-tax result of DKK -12.5 million (2015: DKK -22.5 million).

In 2016, FirstFarms has had a record year for field production in Slovakia on yields and results. Record yields in both spring- and autumn crops are realised, which in total is significantly over budgeted result, despite the sales prices are realised below budget. In East and West Romania, the crops have yielded as budgeted. In total, the sales prices have been marginal below budget. Overall, the crops have affected the result positively with DKK 6 million in 2016 compared to budget and with DKK 23 million compared to last year.

The result is negatively influenced by a low milk price in 2016. There has been an unchanged efficiency in the milk production with lower production costs – despite a significantly negative influence on the production due to the hot summer. Concurrently with the decrease in the milk price, adjustment of the milk production has taken place. The lowest producing cows, which due to the low milk price could not cover the variable costs, have been slaughtered. The total delivered quantity of milk is despite this increased with 8%.

Liquidity and frames of operation

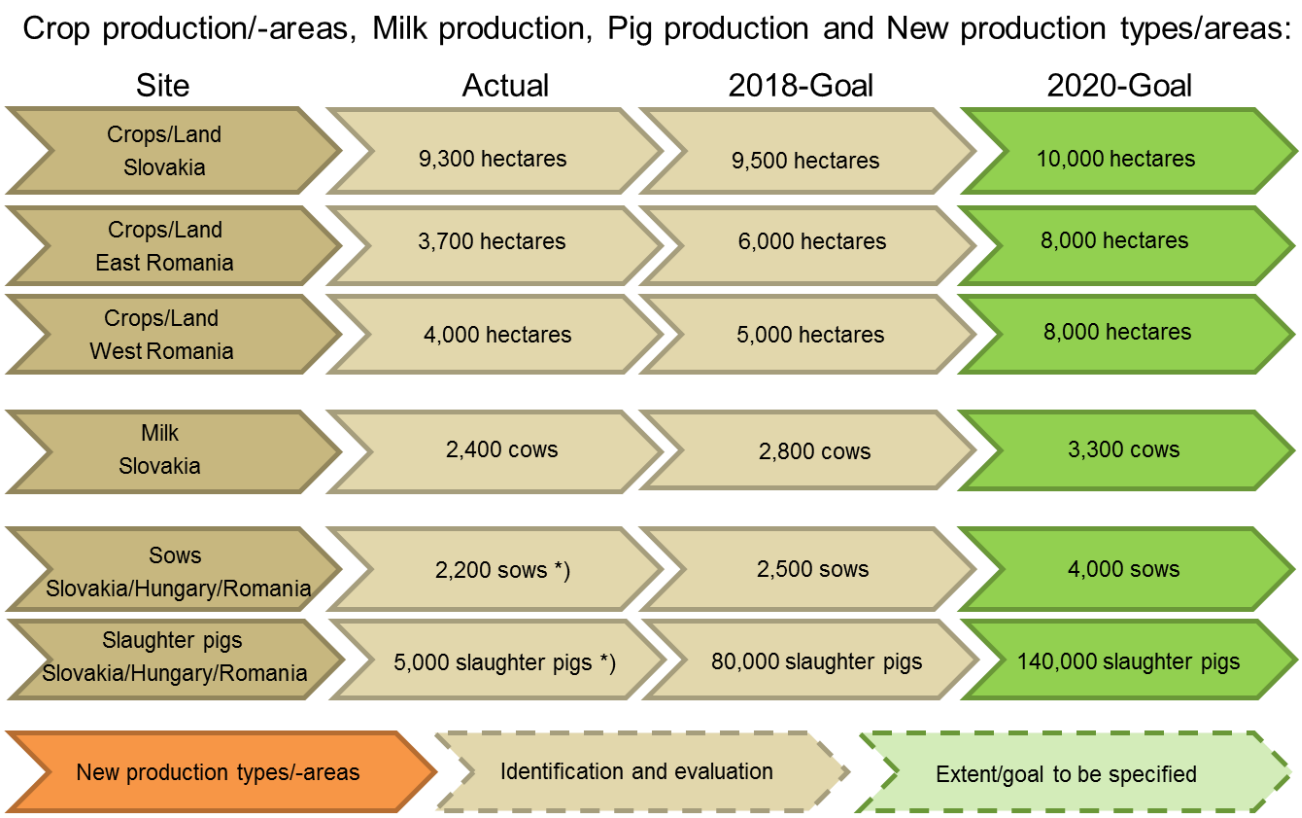
The cash resource is significantly improved in 2016 and secure the possibilities for the continuing development of FirstFarms. The resource enables expansions through acquisitions or mergers and also optimising of operations. Unchanged in 2016, we have primarily had focus on optimising the existing production. Furthermore, work has been done to secure a resource to constantly be prepared for growth according to the strategic manoeuvre in the current market situation for European agriculture. Therefore, an acquisition of a pig farm in Hungary became possible.

The number of employees have in Slovakia and Denmark been reduced by 11 employees in 2016 and in Romania increased by 14 employees, as the guard function and machine operation has been insourced.

At the end of 2016, approx. 8,100 hectares of autumn crops have been seeded (2015: 7,800 hectares), and the crops have overwintered satisfactory, despite a wet spring and cold winter.

FirstFarms has with the new operation branch revised the business model towards 2020 as illustrated in figure 1.

Figure 1 – Goals



*) Included from 2017

The goal is development of the animal production in conjunction with development of the field production so optimal synergies can be achieved between the two operation branches. In that connection, there is great focus on storage capacity, so purchase and sale of crops is optimised in the harvest period and logistic tasks are minimised.

The animal production is expanded in pace with the potential earning expectation on basis of the current business model and production frames.

Goals for the field production in FirstFarms are 2 operation centres of each 8,000 hectares in East and West Romania, respectively; a total of 16,000 hectares (operation in 2016/2017 is 7,700 hectares) and 10,000 hectares in Slovakia (operation in 2016/2017 is 9,300 hectares).

FirstFarms focuses on a continuing improvement of compactation in present areas and expansion in areas with potential good compactation and high quality land close to present operation centres. FirstFarms has an average field size of 19 hectares in West Romania, 23 hectares in Slovakia and 60 hectares in East Romania. Increasing the field size creates good operating economy.

FirstFarms' main focus is to operate and develop agricultural areas and not ultimately to own these, although ownership is a possibility that is also applied. Expansion of the field production will be done by rent contracts on agricultural land depending on the market conditions of owning or renting along with the biggest earning potential in running the land. Land or renting contracts are bought in present areas, in case it improves the possibilities for compacting of our land and benefits FirstFarms' future possibilities for development.

The goal for the milk production is a running expansion up to 3,300 cows. We are having an unchanged maintenance strategy, where we are ready to expand within the present frames, when we again can create a balance in the earning capacity through satisfactory milk prices.

In 2018, the pig production is expected to be expanded to full-line with slaughter pigs in the neighbouring region around the present production with 2,500 sows with production of 80,000 piglets. When this is fully implemented the production is expected to be doubled.

FirstFarms can be characterised as a modern knowledge company. Business foundation, back ground and market conditions are shown in figure 2. In figure 3, FirstFarms' business model and key roles are illustrated.

Figure 2 – Business foundation, back ground and market conditions

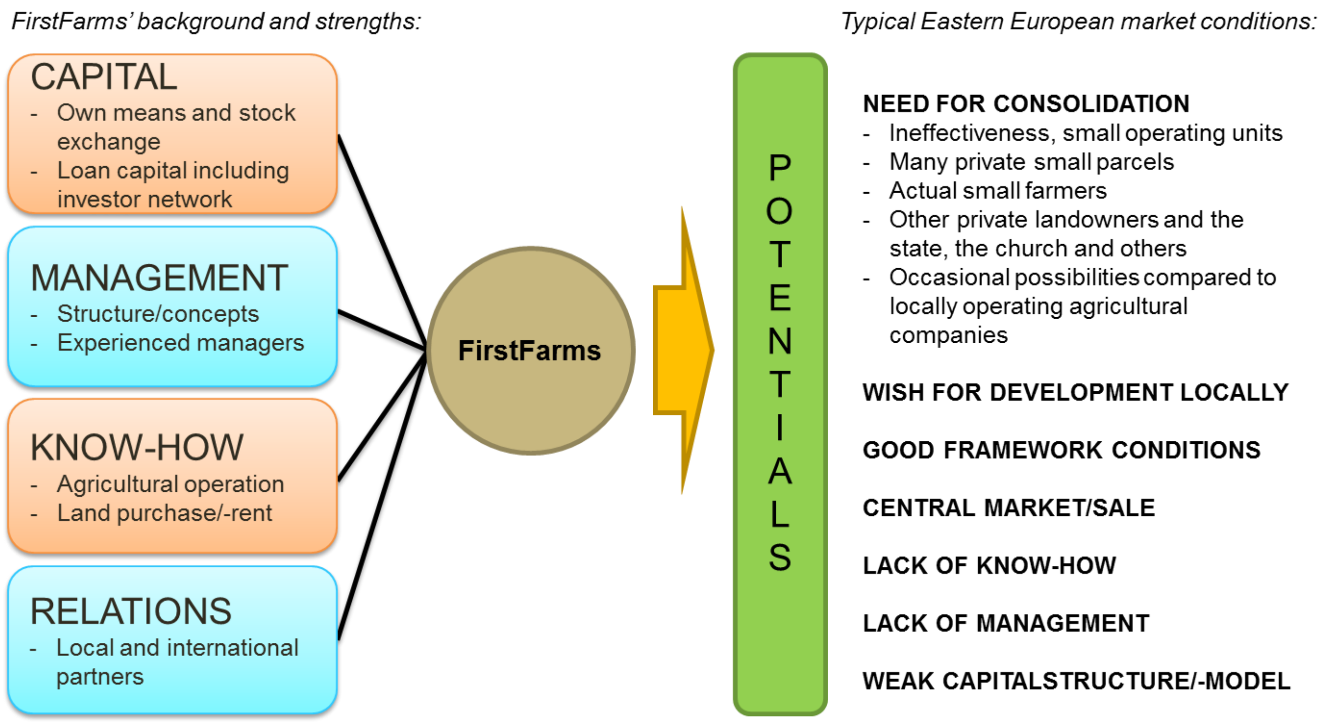
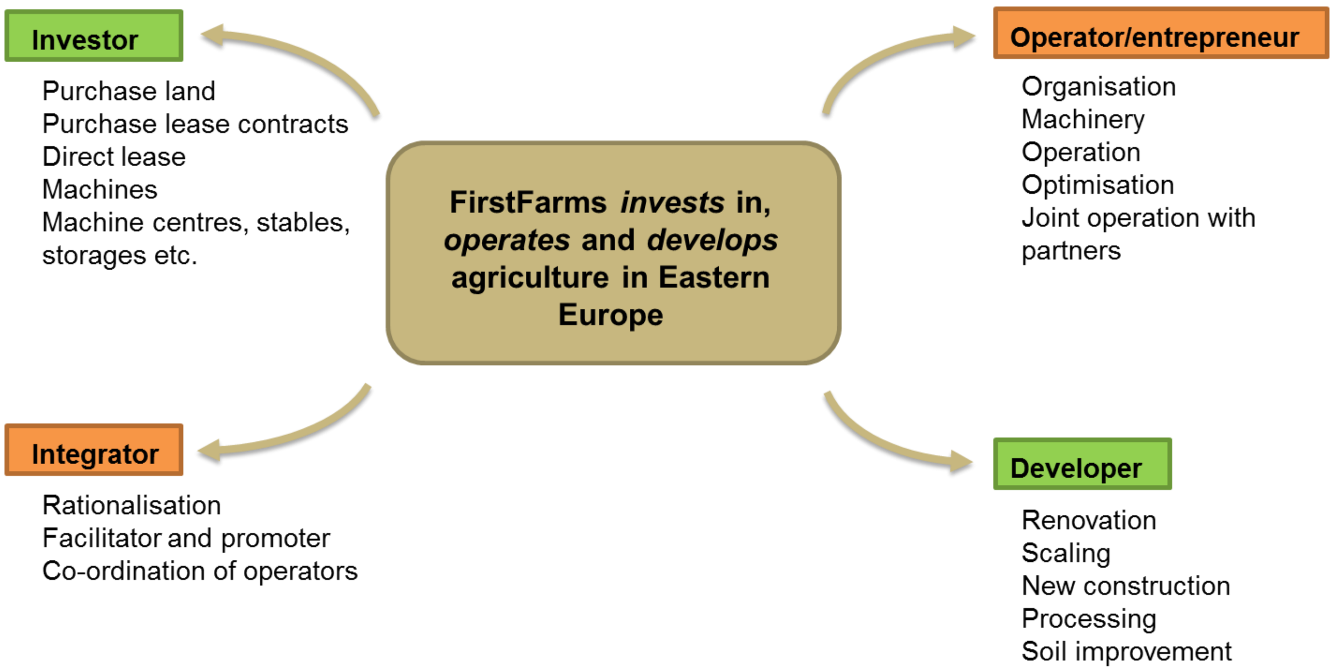


Figure 3 – Business model and key roles



Field production

The prices on grain and oilseed decreased in the last half of 2015 and remained in 2016 on a low level. The prices were 2016 influenced by a high harvest pressure based on high yields. FirstFarms had according to the recognised policies chosen to sell a part of the expected harvest in the spring 2016 and during the harvest period at budgeted prices or higher. This hedged that the price variations were not fully passed on to the final realised crop prices. FirstFarms expects, that the prices in 2017 will correspond to the prices realised in 2016.

FirstFarms realised a very satisfactory harvest in Slovakia in 2016. In East and West Romania, FirstFarms realised a satisfactory harvest despite drought in East Romania.

In the growth season 2016/2017, all winter crops in Slovakia and Romania are well-established, and there has been satisfactory amounts of rain until the end of 2016. The foundation is expected to be satisfactory for the yield in the field production in 2017.

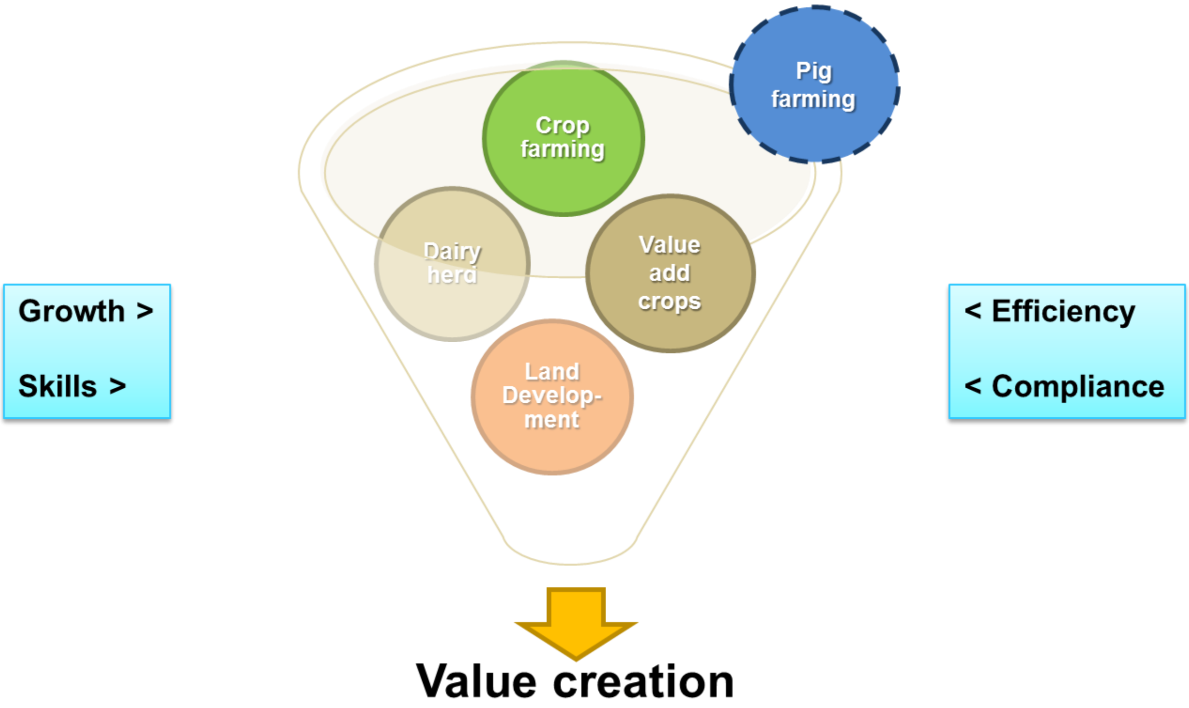
There are ongoing improvements on storage capacity in all centres, as this minimises sales of crops in harvest, where the prices historically are pressed the most. There are good frames in East Romania and Slovakia, whereas we are working on expanding the frames in West Romania.

Below is shown before and after pictures of silo project bought in 2015 in Faurei in East Romania with 10,000 tons' capacity.

There are ongoing improvements and maintenance of the operational area. This is done through cleaning and establishing channels, compactation of fields and also cutting and trimming of bushes and trees in field boundaries. All costs are paid continuously as maintenance and are not activated in the annual accounts.

In figure 4, FirstFarms' commercial main sources and focus areas to create value are illustrated. From 2017, pig production becomes one of the sources. The key words are growth, skills, efficiency and compliance within the areas of field production, value add crops, dairy herd, pig production and land development.

Figure 4 – Value creation



Milk production
In 2016, FirstFarms has delivered 23.5 million kg milk compared to 21.8 million kg in 2015, and in 2017 a delivery of 25.1 million kg is expected. The production of sold milk per milking cow has been unchanged in 2016 compared to 2015; in the range of 29-30 kg daily. In 2017, the daily production is expected to increase slightly. There is great focus on reducing costs per kg sold milk. In 2017, this decreasing trend in the costs is expected to continue like in 2016, where the costs were reduced by 5% per kg milk.

The milk price was very low entering 2016 and decreased further until the summer 2016, and in 2016 it has been in the range of DKK 1.31 to DKK 2.52. The average sales price in 2016 has constituted DKK 1.71 per kg compared to DKK 1.98 and DKK 2.61 per kg in 2015 and 2014, respectively. FirstFarms has during the years 2012 to 2016 achieved an average price of DKK 2.23 per kg.

An increasing milk price is expected in 2017 on basis of the present market conditions for milk products. There is budgeted a settled milk price of DKK 2.49 per kg in 2017. At the end of 2016, the price has increased to budgeted level and is expected to increase in 2017.

Grants
FirstFarms receives EU-grant to the milk production in Slovakia. The grant in 2016 is DKK 10.5 million compared to DKK 4.6 million in 2015.

Hectare grant is given for cultivating the land in both Slovakia and Romania. The EU-grants are expected to increase on basis of the Agricultural reform 2014-2020 from EU and the regional allocations of the grants.

FirstFarms has received grants to investments in Slovakia from EU's structural funds. The grants are credited concurrently as the assets are depreciated.

The total public grants in 2016 constituted DKK 42.2 million compared to DKK 30.3 million compared in 2015. At the end of 2016, there is a receivable grant of DKK 12.4 million compared to DKK 23.1 million at the end of 2015.

Balance and cash flow
In 2016, the return on FirstFarms' equity was -4.2 percent compared to -6.9 percent in 2015.

Cash flow from primary operation constitutes DKK 12.3 million in 2016 compared to DKK -0.8 million in 2015.

Investments
In 2016, FirstFarms has carried out maintenance- and profitability improving investments in existing operating systems. Investment has been done in building up our machine park. There is also purchased land in our operational areas, primarily in East Romania, which improves our operation in 2017. In total, investments constitute DKK 23 million – of which land and buildings are DKK 14 million.

In 2017, only maintenance- and profitability improving investments in operating equipment and buildings will be made. There will unchanged be additional investment in agricultural land and land lease contracts as part of the strategic goal. Furthermore, there will be initiated investments, which improves our silo capacity and capacity in pig- and milk production.

Larger projects according to the business model are handled individually and are not part of the normal daily operations and investment budget.

In general, pressure on the settlement prices has entailed, that FirstFarms continuously reorders the priorities of the investment plans. Concurrent has the enrolment of the operation branch of pig production entailed, that new possibilities are analysed and prioritised. The long term investment plan is ready, but within these frames, there is a continuing assessment and prioritisation with respect to the ability of return.

Interest-bearing debt
The interest-bearing debt in FirstFarms is DKK 179 million and corresponds to 61 percent of the equity and 35 percent of the balance sum.

Exchange rate adjustment
FirstFarms operates in Slovakia and Romania and is therefore influenced by fluctuations in the exchange rates on EUR and RON. Denmark has a fixed exchange rate policy in correlation to EUR, so DKK only varies within a fixed margin and the uncertainty on EUR is thus limited.

During 2016, the RON and EUR has decreased 0.6 percent and 0.4 percent, respectively, compared to DKK.

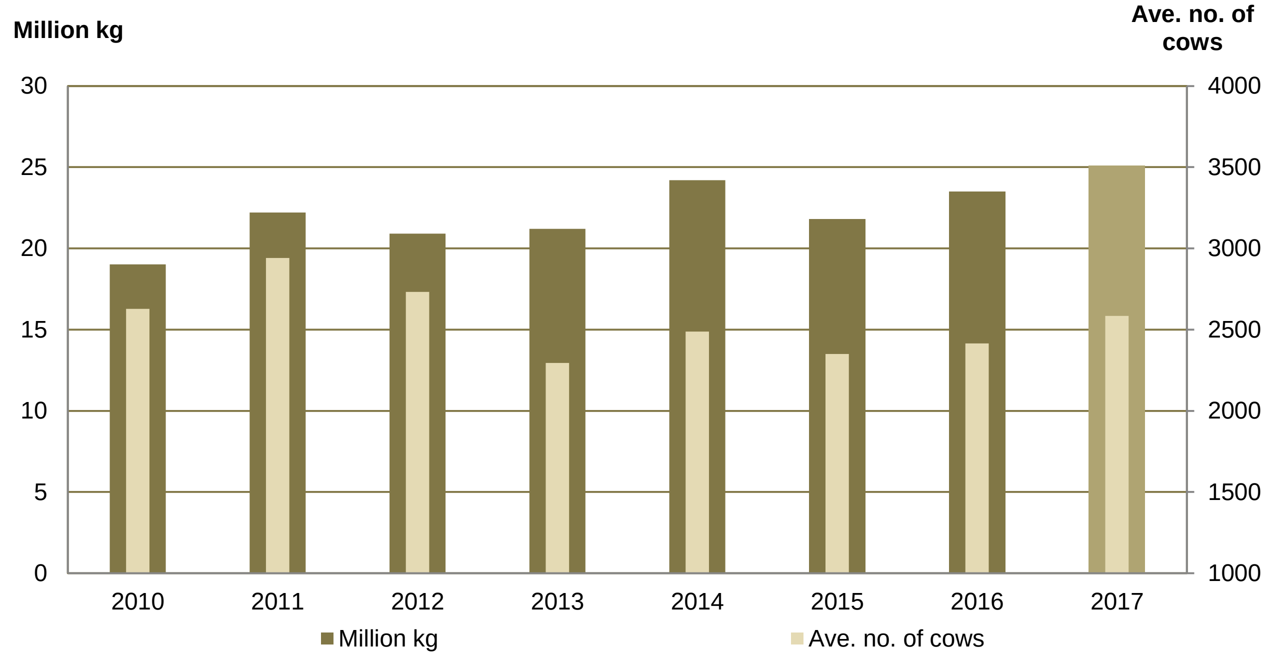
The negative adjustment of the exchange rate has given a decrease in the company's equity of DKK 0.9 million.

Slovakia

Milk production
Sold amount of milk is increased by 1.7 million kg in 2016 compared to 2015. Thus, 23.5 million kg was delivered from FirstFarms in 2016. On a daily basis, 29.2 kg milk per milking cows is delivered in 2016 compared to 29.0 kg in 2015.

There is great focus on the cost per produced kg milk. The net cost before interests and depreciations has in 2016 entailed DKK 1.95 per produced kg milk, which is considered to be competitive in European milk production and is a reduction of DKK 0.10 compared to 2015.

Figure 5 – Development in FirstFarms' sale of milk in Slovakia



Source: FirstFarms

The production per cow was unchanged in 2016. The expected increase failed to happen due to poor feed quality form the harvest 2016. FirstFarms strives towards and expects an increase in 2017. At the end of 2016, the stock of milking cows was 2,509 compared to 2,357 at the end of 2015. At the end of 2017, 2,700 milking cows are expected. The increase will happen through own breeding and without investment in expansion of capacity.

In 2017, a total delivery of 25.1 million kg milk is expected from FirstFarms, which is an increase of 7 percent compared to 2016. This is due to optimisations of capacity in existing plants and more cows.

Field production
In 2016, a very satisfactory harvest was realised in Slovakia, with record yields in both spring- and autumn crops.

Land
In 2016, 9,300 hectares of land was cultivated in Slovakia, of which FirstFarms owns 640 hectares at a booked value of DKK 24,830 per hectare. FirstFarms has bought 53 hectares of agricultural land in Slovakia in 2016.

It is FirstFarms' opinion, that the land price in Slovakia in 2016 has been constant.

Figure 6 – FirstFarms in Slovakia

The main part of the cultivated land in Slovakia is leased land, and the leasing periods are between 1 and 15 years. The approx. 10,000 lease contracts divided on approx. 30,000 land plots are renewed on an on-going basis. The lease fee in Slovakia is on a relatively low level of approx. DKK 300 per hectare and thus it is still more beneficial to lease the land than to buy it. Approx. 20 % of the land is administrated by the state through a land fund. It is considered that, over time, this land will be offered for sale with pre-emptive rights for the users.

Romania

In 2017, the total cultivated area in Romania is expected to be 7,700 hectares compared to 7,200 hectares in 2016.

Field production – East
The harvest in East Romania has been very satisfactory with realised yields and sales prices on budget.

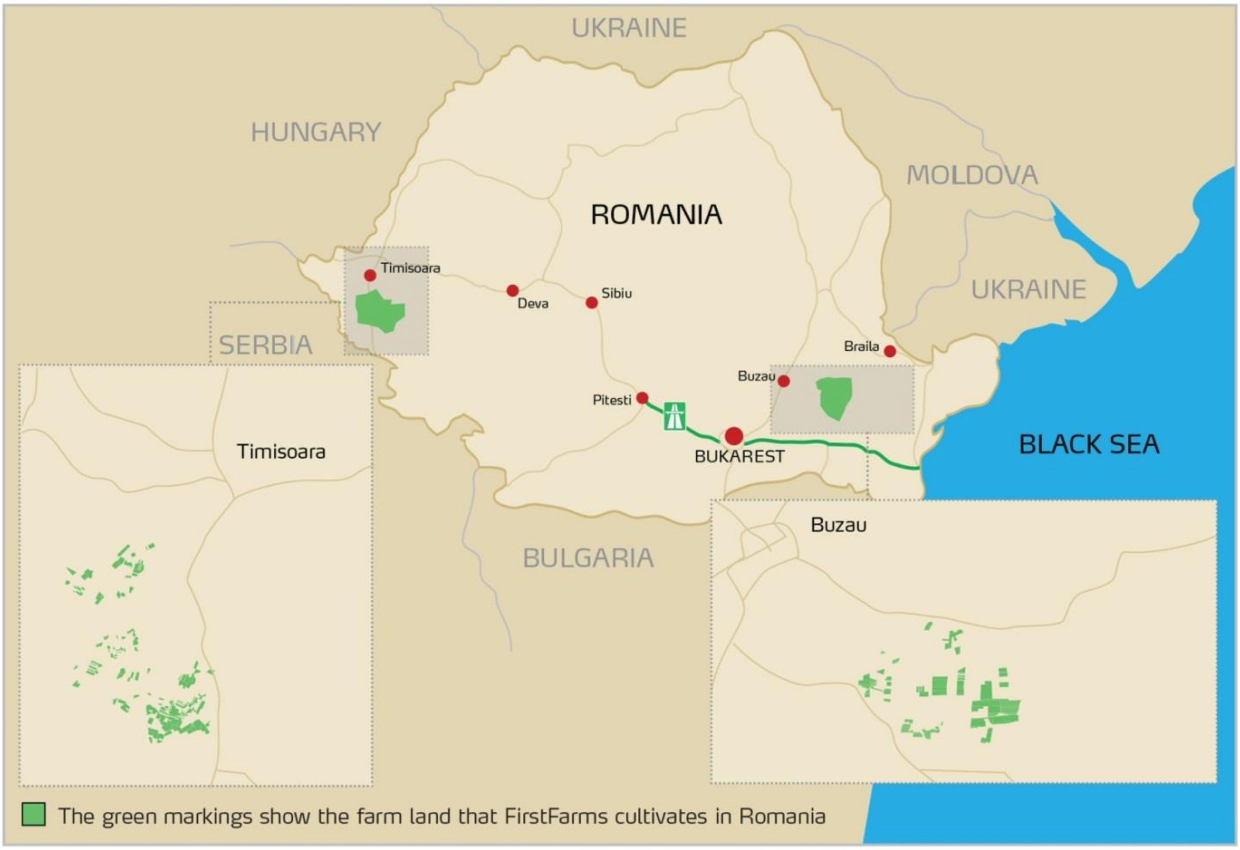
In 2016, 3,200 hectares were cultivated and the area is in 2017 expected to increase to 3,700 hectares.

The sprout in the autumn 2016 has been satisfactory.

Field production – West
The harvest in West Romania has been satisfactory with realised yields on par with budget. Sales prices on oil seed have been realised on par with budget, whereas prices on wheat and maize are realised significantly below budgeted. There is very large harvest pressure on the prices in the area, and it is thus important to be able to handle the harvested crops for a period.

In 2016, a total crop- and machine centre is established in rented facilities, to service the operation in 2017. There is expected an unchanged cultivation of 4,000 hectares in 2017.

Figure 7 – FirstFarms in Romania



Land
In 2016, FirstFarms has worked on compacting the owned land in the cultivation areas. At the end of 2016, FirstFarms owns 5,263 hectares of land in Romania, of which 96% is in land book and 4% with documented ownership but not in land book.

There is an ongoing large increase in value of the land portfolio through compactation of the land to larger pieces, swap to better quality of land and registration of ownership. The costs for this process is paid over the operation. Through a number of years, FirstFarms has carried out a structured effort to secure ownership of land in Romania via registration in the public register. This process is almost completed, and it is decided to write down DKK 3.6 million on land plots, where there is uncertainty of the possibility to get them registered. The land portfolio is above 5,200 hectares of registered land. (ex. sold land, where the buyer shall manage the registration), where we in 2012 had approx. 3,000 hectares.

Trend in land prices
It is FirstFarms' assessment that the land prices in Romania in 2016 have been increasing. The number of trades is however still on a low level. The value of the land in Romania varies from area to area and according to quality and climatic conditions plus degree of compacting. The land is booked at DKK 19,136 per hectare compared to an estimated fair value of DKK 32,000 per hectare.

There are no official statistics for purchase and sale of agricultural land and there is no official evaluation of the land. It is therefore difficult to obtain confident comparable information about the land prices and the development in the land prices.

FirstFarms gets continuing land evaluation of a part of the land in Romania, and this has been complemented with the company's own experiences with land prices to calculate the value of the company's land. The total value is in the range of DKK 171 million compared to a booked value of DKK 101 million.

Expectations for 2017

In 2017, FirstFarms expects an EBIT-result in the level of DKK 18-22 million.

Earnings in 2017 are expected to be a stable year for milk- and pig production in EU.

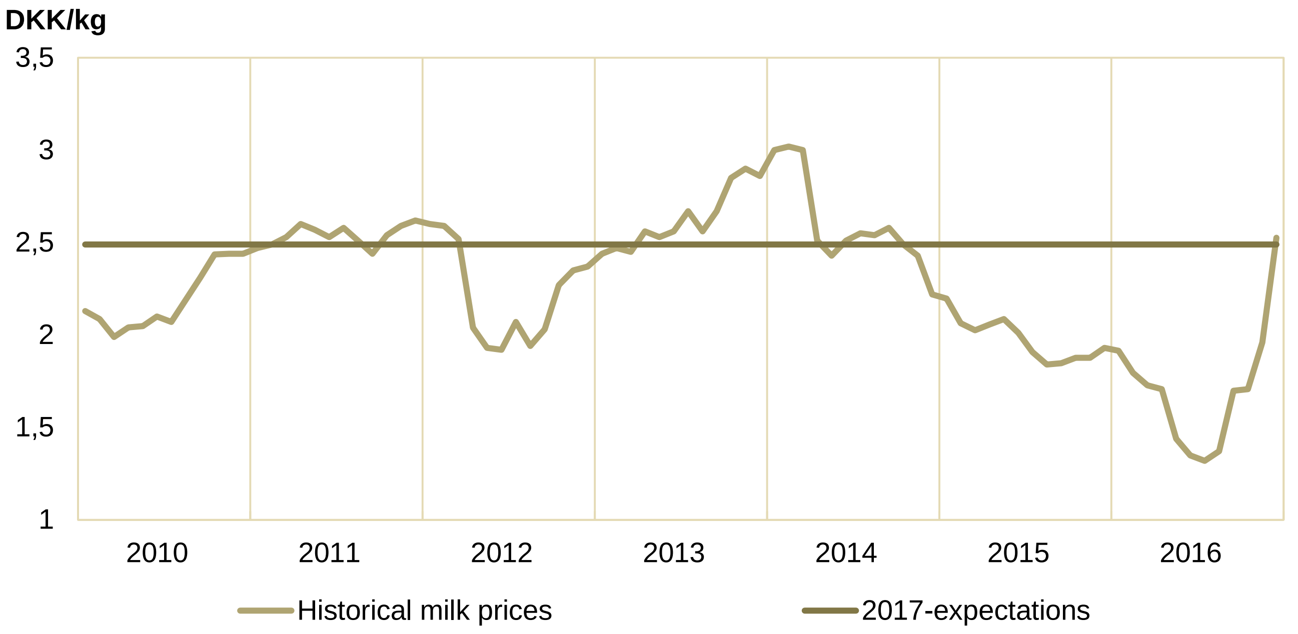
Crop prices are expected to be on par with realised prices in 2016.

In 2017, the company will work on development of the platform for pig production and stabilise the operation in the milk production. The field production is expected to be expanded with a smaller area, whereas storage facilities are expected to be optimised so the harvest pressure is minimised.

Milk production and price
In 2017, FirstFarms expects to deliver 25.1 million kg milk. The milk production per cow is considered to be at a satisfactory level and with increasing number of cows.

An average milk price of DKK 2.50 per kg is expected in 2017.

Figure 8 – Development in milk price



Source: FirstFarms

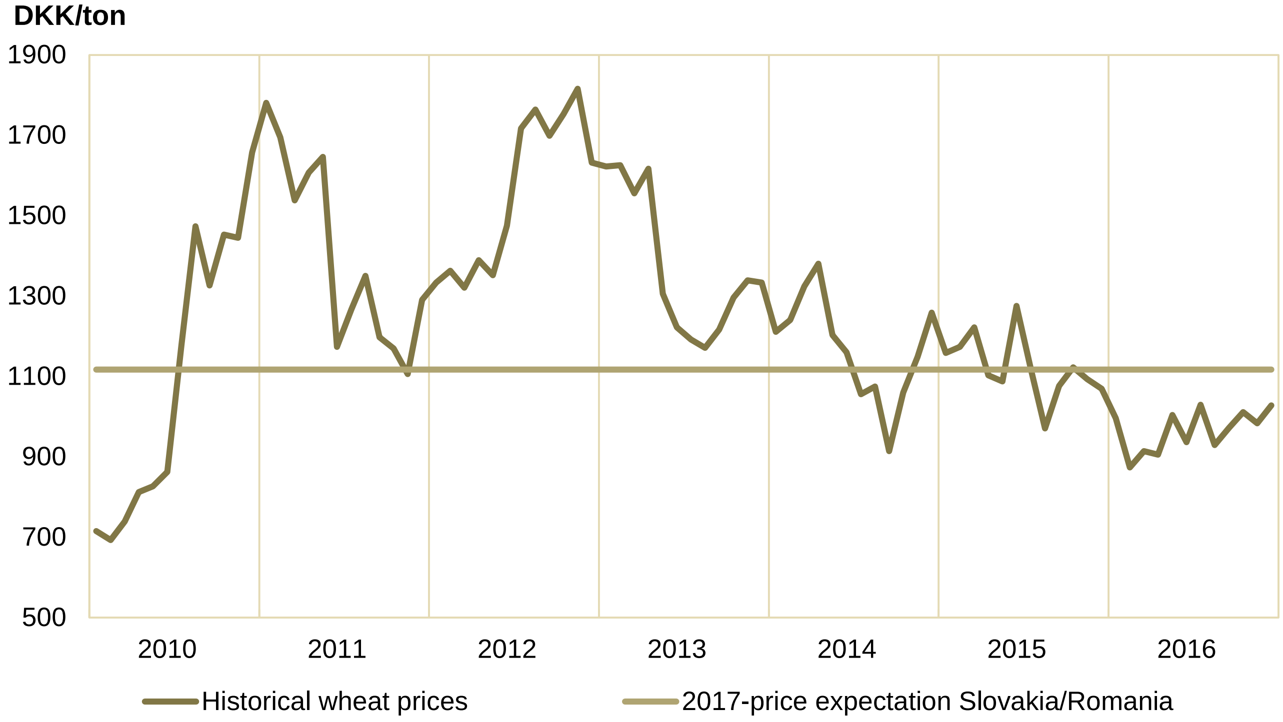
Crop production and prices
In 2017, the prices on crops are expected to be on par slightly above FirstFarms' realised prices for 2016.

In 2017, the settlement prices for grain (wheat, rye, maize and barley) are expected in the level of DKK 850 – 1,200 per tonne, depending on product and whether it is sold in Slovakia or Romania. A little lower price is expected in Romania.

The settlement prices for oilseed are expected in the level of DKK 2,650 – 2,750 per tonne.

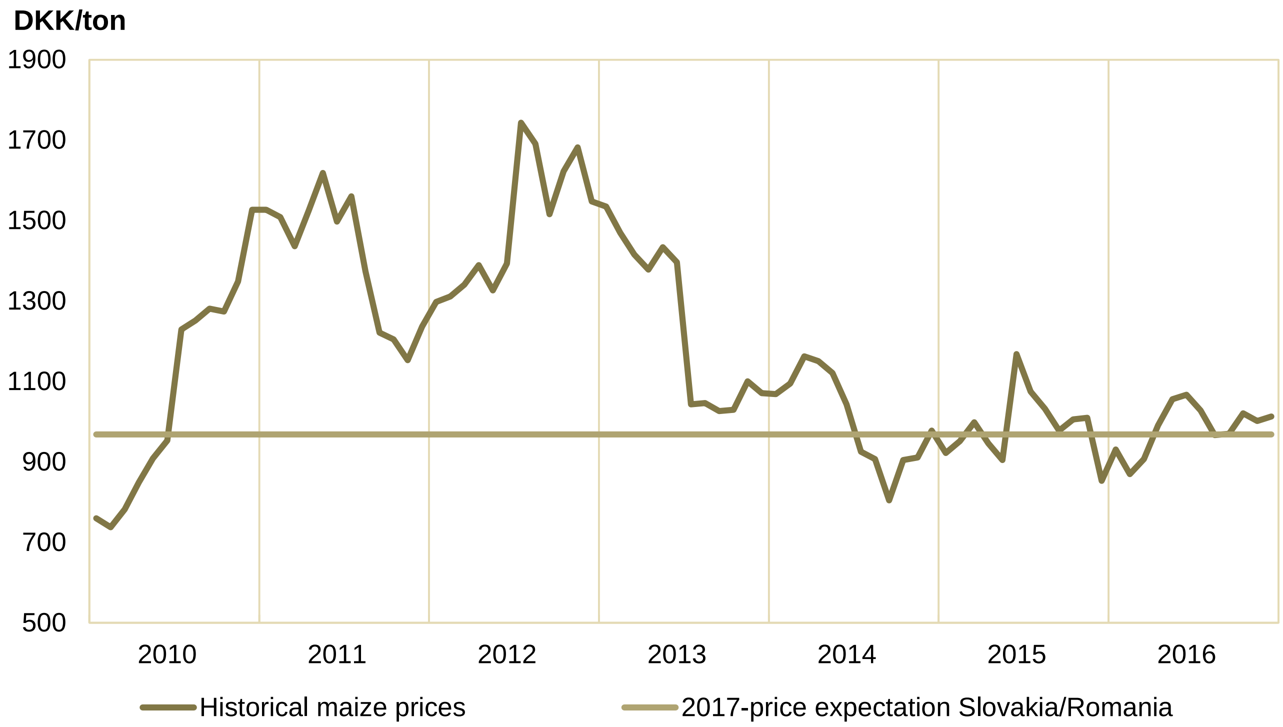
The development in the prices for some of the company's main products is shown on the next pages.

Figure 9 – Development in wheat price



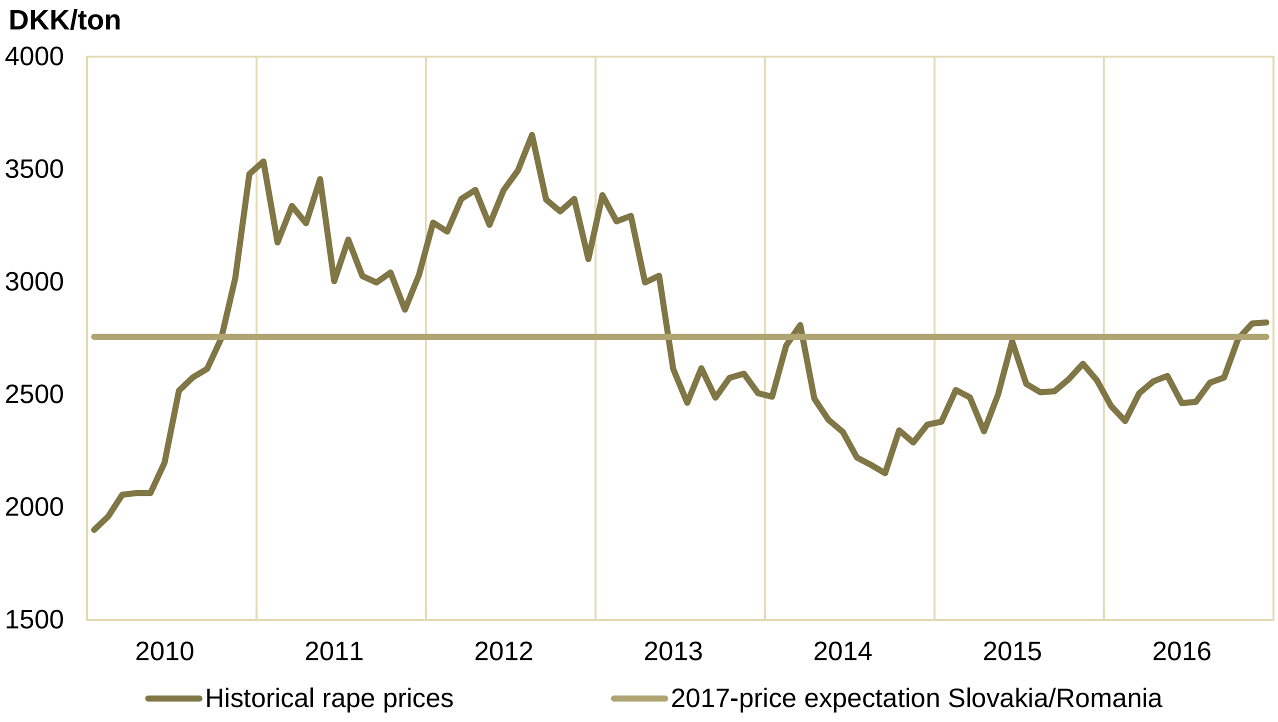
Source: Matif (adjusted to local market conditions)

Figure 10 – Development in maize price



Source: Matif (adjusted to local market conditions)

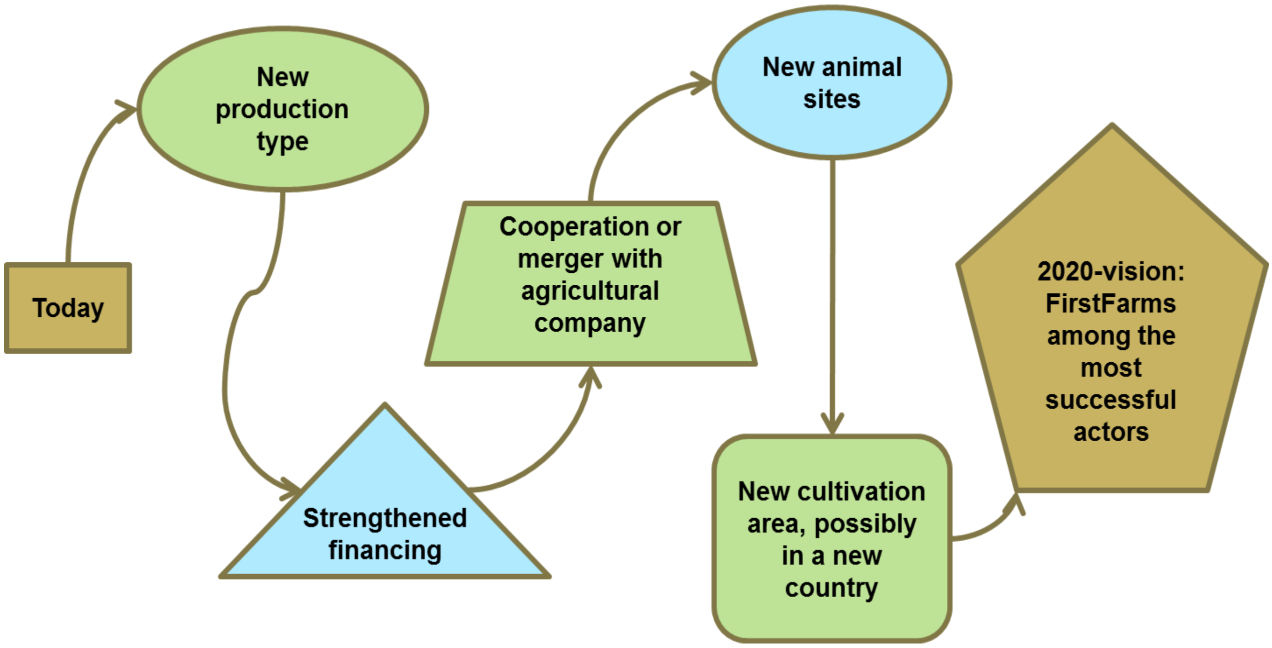
Figure 11 – Development in rape price



Source: Matif (adjusted to local market conditions)

Below in figure 12, FirstFarms' vision towards the year 2020 is described visually. The timeline and activities are not prioritised or time wise determined and must therefore only be seen as a possible frame for FirstFarms' development towards becoming one the most successful actors in the business. More of the activities are already in process or under analysis.

Figure 12 – Vision



Cash flow
In 2016, FirstFarms was provided with proceeds of DKK 32.25 million from convertible bonds maturing 15 December 2020. Furthermore, in 2016, a prolongation was carried out of convertible bonds of DKK 27.1 maturing 15 December 2018.

The abovementioned, together with a satisfactory cash generation through the operations, is expected to give FirstFarms a satisfactory cash resource in 2017.

In 2017, a cash resource is also expected to be build up for future growth through the cooperation with AP Pension about investment in land.

FirstFarms has entered framework agreements with banks in Slovakia, Romania and Denmark.

Investments
The investments in 2017 are expected to be maintenance- and profitability improving investments in existing plants and machines. Investments in agricultural land according to the land strategy plan are also expected.

Strategies have been prepared for the field production in Slovakia, East and West Romania and master plan for cow- and pig production for the coming five years, including investment- and action plans, which support the visions for FirstFarms.

FirstFarms prioritises the investment plans continuously. At the same time, the operation branch of pig production has entailed that new possibilities are considered and analysed. The long term investment plan is ready, but within these frames an ongoing evaluation and prioritisation is carried out compared to the proceeds ability.

Below in figure 13, FirstFarms' values are described; these are an essential part of the business culture.

Figure 13 – Values

- Growth – scale the business with better bottom line
- Seriousness – no details are too small, no effort is too big
- Expertise – but keep it simple
- Control of risks – take care of today, actively prepare for tomorrow

Risk management

Market conditions

FirstFarms is depending on the terms of trade, i.e. the condition between settlement prices in the agriculture (grain, oilseed, milk and cattle) and the company's operating costs (feed, fuel, energy and fertiliser). The prices are affected by factors outside FirstFarms' control including global and local supply and demand conditions, storage volume and speculation in commodities. FirstFarms seeks to a certain extent to counteract these risks by freezing settlement prices and operating costs through entering contracts of longer duration.

If the terms of trade are deteriorated, FirstFarms' earnings will be under pressure.

Farm operation, including demand and prices on commodities and meat, is exposed to the economic development in the countries where FirstFarms operates and also towards the development in the global economy. Economic decline or recession can therefore influence the demand for the company's products.

Disease in crops and livestock

Disease in crops or livestock makes up potential risks for FirstFarms as the company has a considerable livestock and a large crop production. The livestock is exposed to diseases. FirstFarms comply with the veterinary rules at all times in the countries where FirstFarms is represented, including the use of a supervising veterinary, and in addition to that the company has an animal manager who on a daily basis inspects the livestock.

Besides diseases in the company's own livestock, FirstFarms may also be affected by diseases from farms nearby. According to EU's "Zoonoses Directive", diseases in livestock nearby FirstFarms' facilities can entail that the company can be subject to zone restrictions, which have the purpose to dike the disease which among other things could cause slaughtering of FirstFarms' livestock. FirstFarms has taken out insurances on animals affected by disease. However, the insurance does not cover operating losses resulting from diseases in the herd. To minimise risk, the company has prepared an infection protection plan.

FirstFarms is also exposed to diseases in the crops including fungus and pests. The company seeks to minimise the risk for diseases in the crops through an active and good management of the field production with consideration to special conditions in each individual country and using the correct adjuvant. No insurance has been written on diseases in the crops.

Climate

The company operates in 3 climatic zones, and FirstFarms can as an agricultural company be influenced by the weather conditions in Slovakia and East and West Romania, respectively. Conversely, the distribution on several geographically distinct cultivation zones gives a risk balance. Periods with drought, large precipitations or other unfavourable weather conditions can affect the crops in both the growth season and harvest period. This risk is larger in Central Europe than in i.e. Denmark. Bad or unusual weather conditions can result in lower quantity of crops produced or that specific areas cannot be harvested. Bad weather conditions can also have a negative impact on the productivity in the animal production as cattle i.e. can get heat stress, for which reason a lower quantity of milk is produced.

Purchase of agriculture and land

Changes in legislation
In Slovakia a considerable part of the agricultural land is owned by institutions such as churches, municipalities and SPF; a Slovakian land foundation who administrates land with unknown owners. These institutions rent land to a range of agricultural companies, including FirstFarms, as they are not allowed to sell their land. There is a political wish to change the present legislation so it among other things will be possible for the institutions/landowners to sell their land. When this happens there will, without doubt, arise a more transparent and liquid market but at the same time there is a possibility that an oversupply of land will occur, which can

contribute to lower pricing on land. In case the legislation is changed, FirstFarms expects to get pre-emptive right to the rented land, and FirstFarms wants to utilise this.

FirstFarms owns a large part of the land, which the company cultivates in Romania. Through a number of years, considerable purchases of agricultural land have been made, primarily by foreign investors

In both Slovakia and Romania, changes have been made in the legislation regarding purchase of land, so that the land shall be offered with pre-emptive rights for the farmers in the area.

Lease of land
All land not owned by FirstFarms is cultivated based on land lease contracts. In Slovakia the company has leased approx. 8,800 hectares of land, whereas approx. 2,700 hectares of land is leased in Romania. The lease contracts in Slovakia have a life of 1-15 years and are entered into over a number of years. It is the company's expectation that there is a limited risk, that the land cannot be re-rented or alternatively bought as a result of the limited alternatives to the present owners.


Pumpkins in FirstFarms Slovakia

Development in land prices
FirstFarms owns 638 hectares of agricultural land in Slovakia and in Romania the company owns 5,263 hectares of agricultural land. The value of the purchased land is today estimated to be higher than the accounting value, which is DKK 15.9 million in Slovakia and DKK 100.9 million in Romania. The development in the price of land is affected by a number of factors including supply, demand, loan possibilities, land reforms and national measures which are all outside FirstFarms' control.

Environment

FirstFarms' activities, including agricultural operation, storage of fertilizers and chemicals and delivery and use of fertilisers and chemicals, are subject to a number of environmental legislations and rules. The company has taken out insurances on environmental pollution and runs agricultural operation according to rules in force in EU and at national level. As a result of the company's activities within agricultural operations and even though FirstFarms observes legislation and rules in force, there is no absolute guarantee that land and buildings are not/will not be polluted.

Before takeover of new agricultural companies and in connection with preparation and implementation of environmental plans of actions, FirstFarms enters into dialogue with the relevant authorities, which contribute to limit the risk of environmental affairs before the plan of action is carried out. It can involve a risk to the company, if changes in the respective countries are made in environmental requirements to production or operation and demands for animal welfare. Changes or tightening of the environmental requirements can i.e. involve a need for change of operations to invest in environmental improvements.

Support schemes

EU's agricultural support schemes
FirstFarms applies for and has continuously received EU grants, which includes direct grants given in proportion to objective criteria (including hectare subsidy) as well as discretionary support schemes (structural grants) which typically are distributed by the national authorities. No guarantee can be given that grants from the discretionary support schemes can be obtained, just as an obligation to pay the grant back is normally attached to these, if the company does not fulfil a number of conditions.

Legal conditions

Both Romania and Slovakia are members of EU and the countries are therefore subject to the same risks as any other agricultural production in EU. However, the legal systems in these countries are on several areas quite different and less developed than in i.e. Denmark and other Western European countries. FirstFarms is therefore exposed to legal risks in Romania and Slovakia, also in connection with purchase, investments, rent of land and entering purchase and sales contracts. There is thus a risk of delays in implementation of EU directives which can create uncertainty concerning law in force especially by interaction with local authorities. Furthermore, lack of land registers and weak administrative systems in general in both Romania and Slovakia means that uncertainty concerning ownership of or rights to land areas can occur. Contracts entered in connection with purchases and investments are typically subject to local legislation and the contracts are often entered in local language. FirstFarms is thus very dependent on its local advisors, including their qualifications.

Political conditions

The political systems in Romania and Slovakia are considerably different than i.e. Denmark and other Western European countries. Foreign companies operating in these countries are exposed to political interventions, initiatives and actions that can influence their operation and business concept. Also conditions like disturbances in the labour market and political unrest can affect companies operating in Eastern European countries. So far FirstFarms has not been affected by political measures.

Exchange rate

By investment in and operation of agricultural companies in Eastern Europe, FirstFarms is exposed in foreign currency. To minimise this exposure, the company takes out loans to a certain extent in the currency used in the country of investment.

There is exchange rate risk attached to sale of - and dividend from - the Eastern European subsidiaries, as the exchange rates are fluctuating. The exchange rate risk is lowest in Slovakia where the euro in January 2009 was implemented, whereas a larger risk is attached to the exchange rate in Romania. Sunflower is sold with basis in USD and is thus an exchange rate risk. This is assessed regularly hedged in relation to signed contracts.

Working conditions

Qualified employees
To be able to achieve and maintain an effective agricultural operation, FirstFarms is dependent on appointing and maintaining qualified employees. The company seeks to appoint leaders with agricultural knowledge from either Western farms or larger Eastern European farms in the purchased agricultural companies, whereas the production workers are local. FirstFarms aims at having the production companies sited near good infrastructure and larger cities to ensure that FirstFarms' local management finds it attractive to move to the area.

Payroll costs
The main part of the employees in FirstFarms is locals who are employed in the production in Slovakia and Romania. Payroll costs to these employees have historically been considerably low in proportion to more developed countries including Western Europe, but are under pressure and increasing payrolls are expected in the coming years. FirstFarms uses widely modern technology and machinery which entails that the number of employees in the production is relatively low. However, the productivity is still lower than in Denmark, but FirstFarms is continuously working on improving this and it is also expected to be carried out concurrently with the payroll increases.

Industrial injury
FirstFarms' activities involve amongst others the use of chemicals, machinery, vehicles and other agricultural equipment, which can cause industrial accidents. The company has in general great focus on securing that the employees are receiving the statutory information and other training and education that FirstFarms and local advisors find necessary. Education is held on a running basis and at least once a year at the request of the company. To minimise the risk in the company, FirstFarms has taken out insurances on the necessary public liability and industrial injury.

The business environment and risk characteristics are short described in below figure 14.

Figure 14 – Business environment and risk characteristics

- The produce
  - Yield Variations
    - Weather fluctuations (heat, drought, rain etc.)
    - Plant diseases and insect attacks
    - Animal diseases
  - Price fluctuations on agricultural products
  - Political impact
- Cultivation arable land
  - Dependant on local availability
  - Increase in land price and rental costs
  - Political decisions and legal limitations
- Currency variations
  - Romanian RON and USD
- Other
  - Price fluctuations on consumables, fertiliser, fuel, minerals etc.
  - Different languages/cultures – with English as the corporate language

Shareholder information

Share capital

FirstFarms' nominal share capital is DKK 47,122,410 and is divided into 4,712,241 shares of DKK 10, corresponding to 4,712,241 voting rights.

Basic data	
Stock exchange	NASDAQ OMX Copenhagen
Index	SmallCap
Sector	Consumer staples
ISIN code	DK0060056166
Short name	FFARMS
Share capital	DKK 47,122,410
Nominal denomination	DKK 10
Number of shares	4,712,241
Negotiable securities	Yes
Voting right restriction	No
Share classes	One

Shareholder composition

As per 31 December 2016, FirstFarms had 2,683 shareholders. The majority is Danish investors, whereas 66 shareholders are registered outside Denmark. As per 31 December 2016 the name register share in the company's owner book was 96.10 percent. 2 shareholders own more than 5 percent of the share capital.

Shareholders	**No. of shares (pcs.)**	**Capital (%)**
Henrik Hougaard	706,860	15.0
Olav W. Hansen	569,141	12.1
Other registered shareholders	3,253,850	69.0
Non-registered shareholders	182,390	3.9
Own shares	0	0.0
Total	**4,712,241**	**100.0**

Capital structure

The company's Management reviews FirstFarms' ownership and capital structure on an on-going basis. The company does not hold any of its own shares, and the percentage of negotiable FirstFarms shares, the free float, is thus 100 percent. On the ordinary general meeting on 28 April 2016, authority was given to the company to acquire up to 10 percent of own shares. The authority was not used in 2016. At the end of 2016, there is issued a total 110,000 warrants to the company's Management and to employees in Denmark and abroad, hereof 50,000 of the warrants are issued in 2016.

Furthermore, the Board of Directors is authorised to in the period until 26 April 2021, in one or more stages, to issue up to 1,500,000 shares corresponding to nominal DKK 15,000,000 through cash payment, by contribution of assets other than cash (non-cash contribution) or conversion of debt or through a combination thereof. The capital increase must be effected at market price – with or without pre-emption rights for the Company's shareholders.

In 2016, FirstFarms issued convertible bonds at a total of nominal DKK 32.25 million. The bonds run up to and including 15 December 2020. There are furthermore bonds for DKK 27.24 million, issued in 2013 and latest prolonged in 2016. These bonds run up to and included 15 December 2018. Moreover, bonds have been converted to shares for DKK 3.9 million in January 2017.

Convertible bonds for nominal DKK 19 million have been repaid in 2016.

Shareholdings of Management and Board of Directors

As on 31 December 2016, the Management and the Board of Directors of FirstFarms A/S held, direct or indirect, nominally 764,996 shares which are divided as follows:

Name	No. of shares
Henrik Hougaard	706,860 pcs.
Jens Bolding Jensen	10,097 pcs.
Bent Juul Jensen	3,600 pcs.
Asbjørn Børsting	14,575 pcs.
Anders H. Nørgaard	29,864 pcs.

No special redundancy payment has been made for the Management and Board of Directors in FirstFarms A/S.

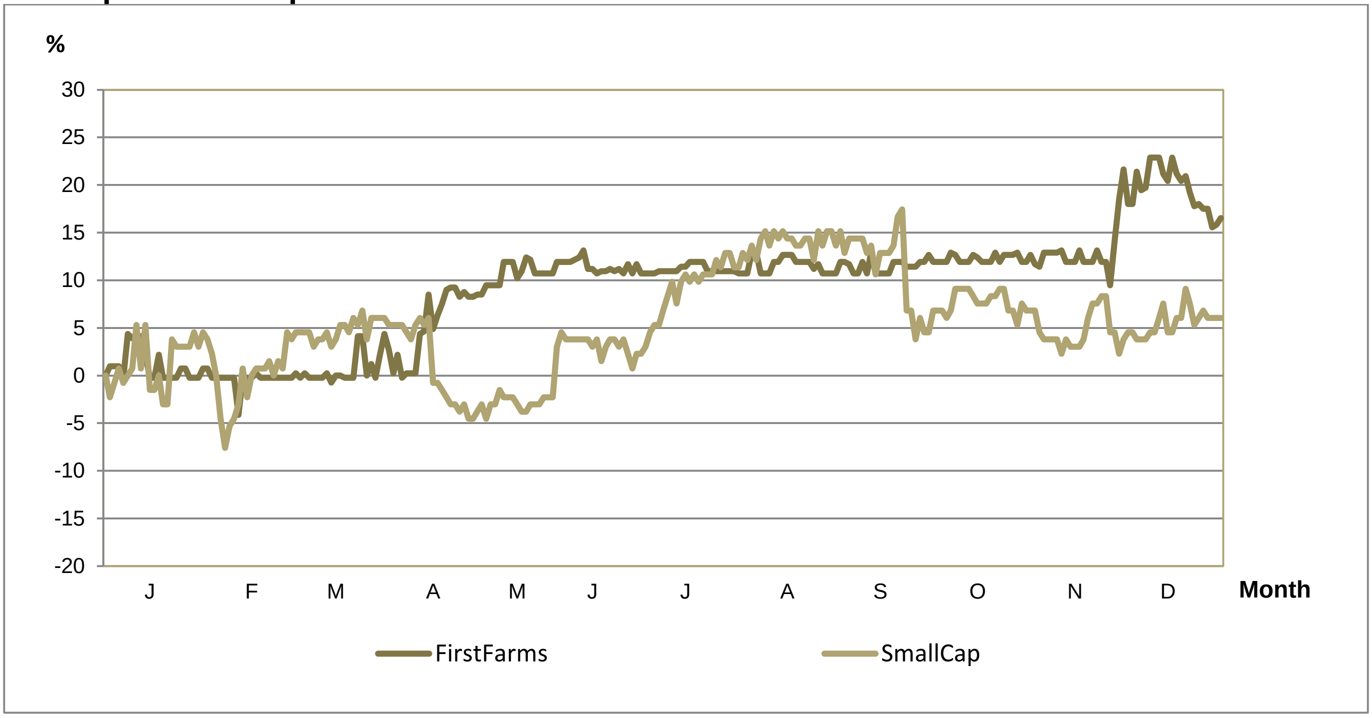
Dividend

FirstFarms' goal is to secure the necessary equity to finance the operation of the company and that surplus capital can be distributed to the shareholders through dividend or share buy-back. The shareholders shall have a return on their investments in the form of share price increases and dividends.

The FirstFarms share

As per 1 January 2016 the share price was 41.10 and the FirstFarms share closed at price 47.90 at 30 December 2016. At the end of the year, the market value was DKK 225.7 million and the share price increased by 16.5 percent, whereas the Danish smallcap-index, in which the FirstFarms share is traded, increased by 6 percent. In 2016, the average share turnover was DKK 107,850 per business day.

Share price development 2016



Source: Nasdaq OMX

Insider register

In accordance with the Market Abuse Regulation and other rules and regulations that apply to listed companies at NASDAQ Copenhagen, FirstFarms keeps an insider register of persons who have access to internal knowledge regarding the company. The insider register comprises the Board of Directors, Management and other key staff in Denmark and in foreign subsidiaries, as well as advisors in the FirstFarms Group. These persons are subject to internal rules which, among other things, specify that they are only allowed to trade FirstFarms shares for a period of four weeks after the publication of company announcements on the company's accounts, provided that they do not have any knowledge of confident information that could have influence on the price of the company's shares (open window).

Financial calendar for 2017	
28 March 2017	Annual report 2016
25 April 2017	Annual general meeting
31 May 2017	Interim financial report for 1 January – 31 March 2017
29 August 2017	Interim financial report for 1 January – 30 June 2017
28 November 2017	Interim financial report for 1 January – 30 September 2017

Annual general meeting

FirstFarms' annual general meeting is held on Tuesday 25 April 2017 at 3.00 p.m. at SAGRO, Majsmarken 1, DK-7190 Billund. The notice will be forwarded to all registered shareholders, who have given their e-mail address to the company. Furthermore, the notice will be forwarded to those who have signed up for FirstFarms news service, just as the notice will be available on the company's website **www.firstfarms.com**.

Investor Relations

FirstFarms' goal is to maintain an open, continuous and service oriented dialogue with current shareholders, potential investors, analysts, the media and other stakeholders. Through this dialogue and by passing on open and relevant information, FirstFarms tries to secure the best possible conditions for correct pricing of the share. The company's website is an important tool and FirstFarms thus urges its investors and other stake holders to visit the company's website **www.firstfarms.com** where shareholders' portal, company announcements, financial calendar and other investor-related information, but also information about FirstFarms' history, organisation, values and objectives can be found.

Dialogue and contact

Visit the company's website **www.firstfarms.com** under the section "Investor Relations", which contains information to shareholders and other stakeholders, or sign up for the company's news service on **www.firstfarms.com/investor-relations/news-service/**. If any questions, comments or inquiries regarding Investor Relations, please contact CFO Jørgen Svendsen via **jos@firstfarms.com** or on telephone +45 75 86 87 87.

Company announcements from FirstFarms A/S

Published company announcements in 2016

Date	Number	Announcement
22 March 2016	1	Annual report 2015
4 April 2016	2	Notice to convene the annual general meeting in FirstFarms A/S
13 April 2016	3	Major shareholder announcement – Olav W. Hansen
21 April 2016	4	FirstFarms A/S has entered a letter of intent regarding a long-term strategic framework agreement with AP Pension about sale of agricultural land and buildings in East Romania
26 April 2016	5	Progress of annual general meeting in FirstFarms A/S
24 May 2016	6	Interim financial report for 1 January – 31 March 2016 for FirstFarms A/S
15 June 2016	7	FirstFarms A/S offers prolongation of existing convertible bonds and issuance of new convertible bonds
30 June 2016	8	Prolongation of convertible bonds
7 July 2016	9	Issuance of convertible bonds in FirstFarms A/S
30 August 2016	10	Interim financial report for 1 January – 30 June 2016 for FirstFarms A/S
30 August 2016	11	Allocation of warrants to management in FirstFarms A/S
2 November 2016	12	FirstFarms A/S enters pig production
29 November 2016	13	Interim financial report for 1 January – 30 September 2016 for FirstFarms A/S
29 November 2016	14	Financial calendar 2017 for FirstFarms A/S

Published company announcements in 2017

Date	Number	Announcement
2 January 2017	1	Capital increase as issuance of shares
3 January 2017	2	Major shareholder announcement – Henrik Hougaard
10 January 2017	3	Major shareholder announcement – Filtake Trading Ltd.
31 January 2017	4	Purchase of pig production – due diligence completed
24 March 2017	5	Capital increase at issuance of shares and issuance of convertible bonds
28 March 2017	6	Annual report 2016

Expected company announcements in 2017

Date	Number	Announcement
25 April 2017		Annual general meeting
31 May 2017		Interim financial report for 1 January – 31 March 2017
29 August 2017		Interim financial report for 1 January – 30 June 2017
28 November 2017		Interim financial report for 1 January – 30 September 2017

The Board's other management tasks

Name	Management functions	Board functions
Henrik Hougaard (CH) *Born 1958, entered 2004*	Thoraso ApS SKIOLD Holding ApS Skaarupgaard Skov ApS Henrik Hougaard Invest ApS	SKIOLD A/S *(CH)* Graintec A/S *(CH)* Engsko A/S *(CH)* United Milling Systems A/S *(CH)* Scandinavian Farms Invest A/S *(CH)* Danagri-3S Ltd. *(CH)* Fortin Madrejon A/S *(CH)* DK-TEC A/S Thoraso ApS Skovselskabet Rumænien A/S Tolne Skov ApS
Jens Bolding Jensen *Born 1963, entered 2013*	Jørgen Schou Holding A/S Vision Properties A/S Royal Oak Golf A/S Schou Ejendomme A/S Viscop Holding A/S Viscop Ejendomsselskab A/S (og tilknyttede datterselskaber) Capital Republic A/S Schou Republic A/S	HP Schou A/S HP Schou Holding A/S Schou Ejendomme A/S Schou Invest Kolding A/S Toldbodgade Finans A/S Royal Oak K/S Schou Golf K/S Schou Holding A/S Schou Absolute Horses A/S Schou Absolute Cars ApS Schou I/S Vision Properties A/S Schou Republic A/S Out-Net A/S Outnet Direct A/S
Bent Juul Jensen *Born 1953, entered 2013*		
Asbjørn Børsting *Født 1955, indtrådt 2014*	DAKOFO Sammenslutningen af Danske Sortsejere NKB Invest 101 ApS	DLF- A/S Crop Innovation Denmark *(BF)* Danæg Holding A/S Danæg amba Munax OY Grøngas A/S Karl Pedersen og Hustrus Industrifond EUDP (Energi-, Forsynings- og Klimaministeriet Wefri A/S Promilleafgiftsfonden for Landbrug

CH = Chairman of the Board

Company information

Company
FirstFarms A/S
Majsmarken 1
DK-7190 Billund

Tel.: +45 75 86 87 87

Internet: **www.firstfarms.com**
E-mail: **info@firstfarms.com**

CVR: 28 31 25 04
Established: 22 December 2004
Registered office: Billund
ISIN code: DK0060056166
Short name: FFARMS
Sector: Consumer staples

Financial year: 1 January – 31 December

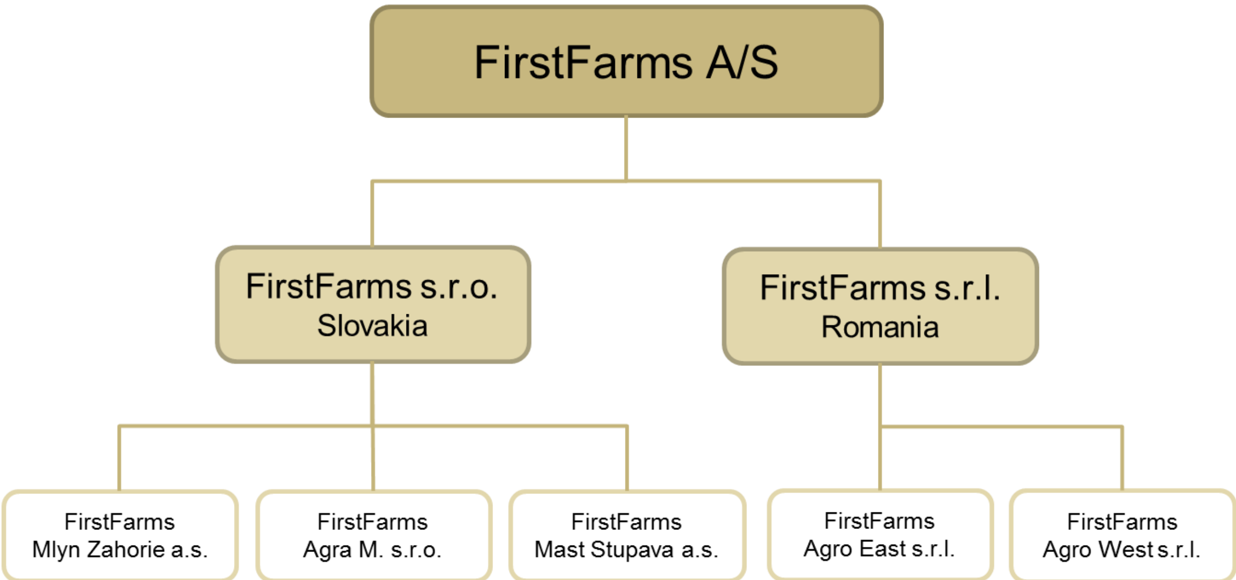
Board of Directors
Henrik Hougaard (Chairman)
Jens Bolding Jensen
Bent Juul Jensen
Asbjørn Børsting

Management
Anders H. Nørgaard

Auditors
Ernst & Young P/S
Værkmestergade 25
DK-8100 Aarhus C.
CVR: 30 70 02 28

Annual general meeting
The annual general meeting is held on Tuesday 25 April 2017 at 2.00 p.m. at SAGRO, Majsmarken 1, DK-7190 Billund

Group structure



All subsidiaries are 100 percent owned by the FirstFarms Group.

Statement for corporate social responsibility

FirstFarms aims to produce agricultural products of high quality. The production must be done in a way, so that focus is maintained on environment and animal welfare. Through the local production FirstFarms also contributes to streamline the agriculture in the concerned regions and to generate production with benefit to the local population.

FirstFarms thus continuously operates commercial to increase the social advantages and minimize the liability of social resources.

Environment
At present, FirstFarms produces crops and milk. The production of crops is carried out according to the local rules and the rules in EU, as both Slovakia and Romania are members of EU. Hence there are a range of requirements regarding use of spray pesticides and fertiliser, both organic and non-organic fertiliser, which the company must meet. Logbooks are kept of the usage according to the local rules. The local employees are trained in correct handling of fertiliser and spray pesticides. FirstFarms experiences improvements of the land over time, when it has been cultivated for a number of years. Fewer pesticides are used and the yields are increasing.

FirstFarms cattle stables in Slovakia with appurtenant capacity to handle manure fulfil the present requirements from EU and the Slovakian authorities. The modern plant with manure separation gives a better utilisation of the manure and a more proper environmental handling.

Our self-monitoring and the supervision from the authorities has shown that FirstFarms complies with regulatory requirements.

Machines FirstFarms in West Romania

Animal welfare
FirstFarms places great emphasis on animal welfare, and focus is on animal welfare in the daily established routines for the association with cows and young cattle. Focus is on correct transportation of the animals according to the rules in EU and requirements to external collaborators to comply with rules.

Medication is carried out according to the local rules, and the medicine is stored under the control of the inspecting veterinary. Cows treated with medicine are milked separately, so that no milk with medicine residues is delivered to the dairies.

FirstFarms has not determined a policy for respect for human rights and for reduction of the climate impact.

Goals for the underrepresented sex
The Board of Directors consist of 4 members; of which all are men. It is the company's goal during the next year that at least one board member must be a woman. In 2016, no members of the Board of Directors were replaced. Due to the number of employees in the Parent Company, no policies have been stated about other managerial positions.

Statement for corporate governance

The complete statement can be downloaded from the company's website:

http://www.firstfarms.dk/en/investor-relations/corporate-governance/2017-annual-report-2016/

Below is an excerpt from the statement.

The statement is divided in three sections:

- A statement for FirstFarms A/S' work with Recommendations for good corporate governance
- A description of the main elements in FirstFarms A/S' internal control- and risk management systems in connection with the presentation of accounts
- A description of the composition of FirstFarms A/S' management bodies, their committees and their duties

Recommendations for good corporate governance
Corporate Governance is the frames and guidelines for the management of companies including overall principles and structures, which adjust the relation between the management organs in the company. The purpose is to establish good corporate governance i.e. by creating transparency and openness, so that the companies' interested parties receive relevant, true and fair information about the company.

FirstFarms is a Danish listed limited company, subject to regulation of i.e. the stock exchange legislation and the Companies Act in Denmark. "Recommendations for good corporate governance", prepared in 2005 and revised and updated in November 2015, is a part of the code of practice for listing on NASDAQ Copenhagen. FirstFarms has, according to the "comply-or-explain" principle, obligation to comply with the recommendations or explain why the recommendations are not complied with completely or partly.

FirstFarms has chosen not to appoint a vice-chairman for the Board of Directors, and it is also decided that the Board of Directors handles the tasks of the audit committee. The general meeting does not approve the remuneration of the Board of Directors remuneration. The remuneration of the Board of Directors is shown in note 6 in the accounts.

In 2016, FirstFarms' Board of Directors has held 11 board meetings.

The main elements in the Group's internal control- and risk management systems in connection with the presentation of accounts
The Board of Directors and the Management have the overall responsibility for the Group's risk management and internal control in connection with the process of presentation of the accounts including the compliance with the relevant legislation and other regulation in relation to the presentation of the accounts.

The Group’s risk management and internal controls in connection with the process of presentation of the accounts has been adjusted for the Group’s limited staff in the finance department and can only generate fair, but not absolute, certainty that misappropriation of assets, loss or considerable errors or defects in connection with the process of presentation of the accounts is avoided.

Control environment
At least once a year, the Board of Directors evaluates the Group’s organisational structure and staff on essential areas.

The Board of Directors has adopted politics and procedures within essential areas in connection with presentation of the accounts. The procedures are communicated to the subsidiaries to secure the compliance of the guidelines and policies.

Risk assessment
At least once a year, the Board of Directors and the Management carry out an overall risk assessment in connection with the process of presentation of the accounts.


Silo FirstFarms East Romania

As part of the risk assessment, the Board of Directors and the Management commit themselves once a year to the risk of frauds and to the measures to be taken in regards to reducing or eliminating these risks. At significant acquisitions, an overall risk analysis is carried out for the newly purchased company. Immediately after the takeover the most significant procedures and internal controls in connection with the presentation of the accounts in the newly purchased companies are examined.

Control activities
The control activities have their basis in the risk assessment. The goal of the Group's control activities is to secure that the defined goals, policies and procedures outlined by the Management are fulfilled and in time so that any errors, deviations and defects can be discovered and remedied. The control activities include manual and physical controls and general IT-controls and automatic application controls in the applied IT-systems etc.

There are minimum requirements for proper protection of assets and to reconciliations and analytic financial audit including continuous evaluation of goal achievement.

The Management has established a formal process of Group reporting which includes continuous reporting. Besides income statement and balance sheet the reporting also includes notes and additional information. Information for the use of fulfilment of any note requirements and other information requirements is gathered continuously.

FirstFarms' managing director is also managing director in the Slovakian and Romanian subsidiaries, and follow-up is hereby close to the activities in the subsidiaries, where the Group's operations are.

Information and communication
The Board of Directors has adopted an information and communication policy which among other things overall determines the demands for the presentation of the accounts and to the external financial reporting in accordance with the legislation and the regulations for this. One of the goals with the Board of Director's adopted information and communication policy is to secure that present information obligations are followed, and that the submitted information is adequate, complete and precise.

The Board of Directors emphasises that within the frames that applies to listed companies, there is an open communication in the company and that the individual employee knows his/her role in the internal control in the company.

Supervision
Every risk management and internal control system shall continuously be supervised, controlled and quality assured to safeguard that it is effective. The supervision takes place continuously. The extent and the frequency of the periodical evaluations depend primarily on the risk assessment for this and the efficiency of the on-going controls. Any weak points are reported to the Management. Essential circumstances are also reported to the Board of Directors.

The auditors elected on the annual general meeting report essential weak circumstances in the Group's internal control system in connection with the process of presentation of the accounts in the audit report to the Board of Directors. The Board of Directors supervises that the Management reacts efficiently on any weak points or defects and takes care that agreed initiatives in relation to strengthening risk management and internal controls in relation to the process of presentation of the accounts are implemented as planned.

Composition of the Groups management bodies, their committees and duties
Information about the company's Board of Directors is found on p. 27. Furthermore, reference is made to corporate governance, which can be seen or downloaded on the company's website.

Management statements

Management statement

Today the Board of Directors and the Management have discussed and approved the annual report for 2016 of FirstFarms A/S.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2016 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2016.

Further, in our opinion the Management's review gives a fair review of the development in the Group's and the parent company's operations and financial matters, the results of the Group's and the parent company's operations and financial position as a whole and describes the significant risks and uncertainties pertaining to the Group and the parent company.

We recommend the annual report to be approved at the annual general meeting.

Billund, 28 March 2017

Management

____
Anders H. Nørgaard
CEO

Board of Directors

Henrik Hougaard Chairman	*Jens Bolding Jensen*
Asbjørn Børsting	*Bent Juul Jensen*

Independent auditor's report

To the shareholders of FirstFarms A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of FirstFarms A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and parent company financial statements as a whole.

Valuation of goodwill

The carrying amount of goodwill in the FirstFarms Group totalled DKK 16,007 thousand at 31 December 2016. In accordance with IAS 36, Management has tested the Group’s carrying amount of goodwill in order to ensure that goodwill does not exceed the recoverable amount. Management has used a discounted cash flow model to calculate the value in use, which is based on Management’s assessments and estimates of future cash flows and the discount to net present value, see notes 2 and 14 to the consolidated financial statements. Management’s yearly impairment test is material to the audit as the discounted cash flow model applied is complex and subject to a number of assessments and estimates among others in relation to the development in milk and crop prices as well as estimates of expected crop yield and discount rate.

In connection with our audit, we tested the impairment test prepared by Management and assessed whether the assumptions made by Management are fair and reasonable. Our audit procedures included an assessment of the Group’s budget procedure and impairment model as well as the assumptions on which estimated future cash flows and discounted cash flows are based. We focused in particular on expectations of earnings development, expectations of obtainable milk and crop prices, crop yields as well as determination of the discount factor. We also made a comparison with market expectations and performed sensitivity analyses as to the assumptions made.

Moreover, we assessed whether information on goodwill complies with the requirements laid down in the relevant accounting standards.

Valuation of biological assets
The carrying amount of biological assets in the consolidated financial statements at 31 December 2016 totalled DKK 68,718 thousand of which DKK 25,220 thousand is recognised as non-current assets and DKK 43,498 thousand as current assets. Biological assets are measured at fair value less selling costs. Management has calculated the value of biological assets at 31 December 2016 based on Management's knowledge of transactions effected and the general pricing in the market. Management also made a discretionary assessment of the biological transformation as well as of the quality of livestock, see notes 2 and 5 to the consolidated financial statements.

The valuation of biological assets is material to the audit as the statement of fair values is complex as there are no objective market prices and as the valuation is subject to assessments and discretionary assumptions made by Management.

Our audit procedures included an assessment of Management's basis and assumptions for stating biological assets at fair value and Management's estimate of the livestocks' biological transformation and quality. Our audit procedures moreover included a comparison of the valuation of biological assets with external prices available on biological assets.

Moreover, we assessed whether information on biological assets complies with the requirements in the relevant accounting standards.

Statement on the Management's review
Management is responsible for the Management's review.

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

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

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

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

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

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

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

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

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

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

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

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

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

Aarhus, 28 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Jes Lauritzen State Authorised Public Accountant	Søren Jensen State Authorised Public Accountant

Income statement

DKK 1,000	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2014
Net turnover	3,4	130,257	111,841	250	250
Value adjustments of biological assets	5	8,789	-15,953	0	0
Production costs	6	-173,881	-131,688	0	0
Grants	7	42,165	30,253	0	0
Gross profit/loss		**7,330**	**-5,547**	**250**	**250**
Other operating income	8	867	908	0	0
Administration costs	6	-10,461	-9,540	-5,674	-5,075
Other operating costs	9	-507	478	0	0
EBIT-result		**-2,771**	-14,657	**-5,424**	**-4,825**
Share of profit after tax in subsidiaries		0	602	-7,371	-18
Financial income	10	269	602	3,000	3,567
Financial costs	11	-10,019	-8,408	-4,647	-3,811
Pre-tax result		**-12,521**	-22,463	**-14,442**	**-23,087**
Tax on net profit	12	-436	486	1,485	1,110
Net profit		**-12,957**	**-21,977**	**-12,957**	**-21,977**
Earnings per share	13	-2.75	-4.66	-	-
Diluted earnings per share	13	-2.06	-4.00	-	-

Total income statement

DKK 1,000	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Net profit	-12,957	-21,977	-12,957	-21,977
Other total income				
Items that can be reclassified to the income statement:				
- Exchange rate adjustments by conversion of foreign units	-924	-650	-924	-650
- Tax of other total income	0	0	0	0
Other total income after tax	**-924**	**-650**	**-924**	**-650**
Total income	**-13,881**	**-22,627**	**-13,881**	**-22,627**

Balance sheet

DKK 1,000	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015	Parent company 1 January 2015
ASSETS						
Non-current assets						
Intangible assets	14					
Goodwill		16,007	16,067	0	0	0
Land lease contracts		3,542	4,967	0	0	0
Total intangible assets		**19,549**	**21,034**	**0**	**0**	**0**
Tangible assets	15					
Land and buildings		263,528	261,251	0	0	0
Plant and machinery		66,604	73,870	0	0	0
Fixtures and fittings, tools and equipment		985	1,253	59	87	119
Assets under construction and prepayments		8,591	8,466	0	0	0
Total tangible assets		**339,708**	**344,840**	**59**	**87**	**119**
Biological assets	5					
Basic herd		25,220	23,693	0	0	0
Total biological assets		**25,220**	**23,693**	**0**	**0**	**0**
Other non-current assets						
Investments in subsidiaries	16	0	0	152,987	161,282	179,951
Amount owed by affiliated companies	18	0	0	221,254	212,008	204,217
Deferred tax asset	20	11,926	12,687	0	0	0
Total other non-current assets		**11,926**	**12,687**	**374,241**	**373,290**	**384,168**
Total non-current assets		**396,403**	**402,254**	**0**	**373,377**	**384,287**
Current assets						
Inventories	17	47,413	38,192	0	0	0
Biological assets -breeding and crops	5	43,498	45,091	0	0	0
Receivables from sale	18	4,533	8,512	0	0	0
Other receivables	7,18	17,948	29,251	261	308	408
Accruals an deferred expenses		2,927	1,463	23	25	33
Cash at bank and in hand	28	2,793	1,183	0	0	1,782
Total current assets		**119,112**	**123,692**	**284**	**333**	**2,223**
TOTAL ASSETS		**515,515**	**525,946**	**374,584**	**373,710**	**386,510**

DKK 1,000	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015	Parent company 1 January 2015
EQUITY AND LIABILITIES						
Equity						
Share capital	19	47,122	47,122	47,122	47,122	47,122
Reserve for decrease of share capital		0	0	0	0	424,102
Reserve for exchange rate adjustment		-23,048	-22,124	0	0	0
Transferred result		268,749	281,175	245,701	259,051	-142,494
Proposed dividend		0	0	0	0	0
Total equity		**292,823**	**306,173**	**292,823**	**306,173**	**328,730**
Liabilities						
Non-current liabilities						
Deferred tax	20	7,177	8,472	2,972	4,347	5,457
Credit institutions	22	25,018	30,651	0	0	0
Convertible bonds	21	62,864	31,014	62,864	31,014	49,649
Total non-current liabilities		**95,059**	**70,137**	**65,836**	**35,361**	**55,106**
Current liabilities						
Credit institutions	22	93,206	79,914	13,856	11,434	0
Convertible bonds	21	0	18,934	0	18,934	0
Trade payables and other payables	23	21,512	37,424	2,069	1,808	2,674
Corporation tax	24	801	262	0	0	0
Accruals and deferred income	7	12,114	13,102	0	0	0
Total current liabilities		**127,633**	**149,636**	**15,925**	**32,176**	**2,674**
Total liabilities		**222,692**	**219,773**	**81,761**	**67,537**	**57,780**
TOTAL EQUITY AND LIABILITIES		**515,515**	**525,946**	**374,584**	**373,710**	**386,510**

Accounting policies	1
Accounting estimates	2
Contingent liabilities, contingent assets and securities	25
Change in working capital	26
Non-cash transactions	27
Risks of exchange rate and interest	29
Operational leasing obligations	30
Related parties	31
Subsequent events	32
New accounting regulation	33

Equity statement

Group DKK 1,000	Share capital	Reserve for decrease of share capital	Reserve for exchange rate adjustment	Trans-ferred result	Proposed dividend	Total
Equity 1 January 2015	**47,122**	**424,102**	**-21,474**	**-121,020**	**0**	**328,730**
Total income 2015						
Net profit	0	0	0	-21,977	0	-21,977
Other total income						
Exchange rate adjustment re. con-version of foreign currency	0	0	-650	0	0	-650
Tax of other total income	0	0	0	0	0	0
Other total income	0	0	-650	0	0	-650
Total income	**0**	**0**	**-650**	**-21,977**	**0**	**-22,627**
Transactions with owners						
Transfer	0	-424,102	0	424,102	0	0
Share based remuneration	0	0	0	70	0	70
Total transactions with owners	**0**	**-424,102**	**0**	**424,172**	**0**	**0**
Equity 31 December 2015	**47,122**	**0**	**-22,124**	**281,175**	**0**	**306,173**
Equity 1 January 2016	**47,122**	**0**	**-22,124**	**281,175**	**0**	**306,173**
Total income 2016						
Net profit	0	0	0	-12,957	0	-12,957
Other total income						
Exchange rate adjustment re. con-version of foreign currency	0	0	-924	0	0	-924
Tax of other total income	0	0	0	0	0	0
Other total income	**0**	**0**	**-924**	**0**	**0**	**-924**
Total income	**0**	**0**	**-924**	**-12,957**	**0**	**-13,881**
Transactions with owners						
Issuance of convertible bonds						
-Fair value of conversion right	0	0	0	501	0	1
-Tax of transaction with owners	0	0	0	-111	0	0
Share based remuneration	0	0	0	141	0	0
Total transactions with owners	**0**	**0**	**0**	**531**	**0**	**531**
Equity 31 December 2016	**47,122**	**0**	**-23,048**	**268,749**	**0**	**292,823**

Parent company DKK 1,000	**Share capital**	**Reserve for decrease of share capital**	**Transferred result**	**Proposed dividend**	**Total**
Equity 1 January 2015	**47,122**	**424,102**	**-73,269**	**0**	**397,955**
Change in accounting policy	0	0	-69,224	0	-69,224
Adjusted equity 1 January 2015	**47,122**	**424,102**	**-142,493**	**0**	**328,731**
Total income 2015					
Net profit	0	0	-21,978	0	-21,978
Exchange rate adjustment of subsidiaries	0	0	-650	0	-650
Other total income	0	0	0	0	0
Total income	**0**	**0**	**-22,628**	**0**	**-22,628**
Transactions with owners					
Transfer	0	-424,102	424,102	0	0
Share based remuneration	0	0	70	0	70
Total transactions with owners	**0**	**-424,102**	**424,172**	**0**	**70**
Equity 31 December 2015	**47,122**	**0**	**259,051**	**0**	**306,173**
Equity 1 January 2016	**47,122**	**0**	**259,051**	**0**	**306,173**
Total income 2016					
Net profit	0	0	-12,957	0	-12,957
Exchange rate adjustment of subsidiaries	0	0	-924	0	-924
Other total income	0	0	0	0	0
Total income	**0**	**0**	**-13,881**	**0**	**-13,881**
Transactions with owners					
Issuance of convertible bonds					
-Fairvalue of conversion right	0	0	501	0	501
-Tax of transactions with owners	0	0	-111	0	-111
Share based remuneration	0	0	141	0	141
Total transactions with owners	**0**	**0**	**531**	**0**	**531**
Equity 31 December 2016	**47,122**	**0**	**245,701**	**0**	**292,823**

Cash flow statement

DKK 1,000	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Pre-tax result (In the parent company ex. result of subsidiaries)		-12,521	-22,463	-7,071	-5,069
Adjustments for non-monetary					
operating items etc.:					
Depreciation/amortisation and impairment	6	27,291	23,758	28	32
Reversal of profit, sale of non-current assets	8,9	-666	-503	0	0
Value adjustment of biological assets	5	92	-2,300	0	0
Financial income	10	-269	-602	-3,000	-3,566
Financial costs	11	10,019	8,408	4,647	3,811
Share based remuneration		141	70	141	70
Cash generated from operations (operating activities) before changes in working capital		**24,087**	**6,368**	**-5,255**	**-4,722**
Changes in working capital	26	-11,812	-7,200	311	-759
Cash flow from main activities		**12,275**	**-832**	**-4,944**	**-5,481**
Interest received		269	602	0	0
Interest paid		-9,920	-8,109	-4,548	-3,510
Paid corporation tax	24	-584	-472	0	0
Cash flow from operating activities		**2,040**	**-8,811**	**-9,492**	**-8,991**
Disposal of material assets, paid		1349	6,392	0	0
Acquisition of tangible assets	27	-20,166	-31,531	0	0
Cash flow from investing activities		**-18,817**	**-25,139**	**0**	**0**
Issuance of convertible bonds	27	32,250	0	32,250	0
Conversion of convertible bonds	27	-18,934	0	-18,934	0
Proceeds from loans		-8,524	-14,332	0	0
Loan to affiliated businesses		0	0	-6,246	-4,225
Cash flow from financing activities		**4,792**	**-14,332**	**7,070**	**-4,225**
Cash flow of the year		**-11,985**	**-48,282**	**-2,422**	**-13,216**
Available, at the beginning		-78,731	-30,404	-11,434	1,782
Exchange rate adjustment of available		303	-45	0	0
Available at closing	28	**-90,413**	**-78,731**	**-13,856**	**-11,434**
Available at closing is recognised as follows:					
Available funds		2,793	1,183	0	0
Current bank debts		-93,206	-79,914	-13,856	-11,434
Available at closing		**-90,413**	**-78,731**	**-13,856**	**-11,434**

Notes for consolidated annual accounts

1. Accounting policies

FirstFarms A/S is a public limited company domiciled in Denmark. The annual report for 2016 comprises both the consolidated financial statement of FirstFarms A/S and its subsidiaries for the period 1 January – 31 December 2016 and separate parent company financial statements. The annual report of FirstFarms A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements..

The Board of Director and the Management have 28 March 2017 discussed and approved the annual report for 2016 of FirstFarms A/S. The annual report is presented to FirstFarms A/S' shareholders for approval on the annual general meeting 25 April 2017.

Basis for preparation
The annual report has been presented in DKK, rounded to the nearest thousand. The annual report has been prepared on the historical cost basis except for biological assets and financial instruments which are measured at fair value. The accounting policy set out below has been used consistently in respect of the financial year and to comparative figures.

Changes in accounting policies
FirstFarms A/S has implemented the standards and interpretations, which become effective for 2016.

None of the new standards and interpretations has affected or is expected to affect recognition and measurement in the group accounts and also not result and diluted result per share.

Change in accounting policy in the parent company of FirstFarms A/S
FirstFarms A/S has chosen to implement IAS 27, which gives opportunity to recognise investments of subsidiaries at equity value.

Under the previous accounting policies, subsidiaries were measured at cost less any impairment losses. Following the change in accounting policy, the subsidiaries will be measured at equity value. In the parent company's income statement, subsidiaries' share of profit after tax and profit share is attributed equity investment in the balance sheet. The change in accounting policy entails that there is now identity between profit and equity in the parent company and the consolidated financial statements.

In the parent company's accounts for 2016, the comparative figures for the year 2015 are adjusted to the change.

The change has led to the following changes in the parent company's accounts:

Parent company DKK 1,000	**New policy 2016**	**Old policy 2016**	**New policy 2015**	**Old policy 2015**
Income statement				
Share of profit after tax in subsidiaries	-7,371	0	-18,018	0
Net profit	-12,957	-5,586	-21,977	-3,959
Balance sheet				
Investments in subsidiaries etc.	152,987	249,174	161,281	249,174
Equity	292,823	388,480	306,173	394,066
Balance sheet total	374,584	470,241	373,709	461,602

The change in accounting policy has entailed that result in the parent company is reduced by DKK 7.4 million in 2016 (2015: DKK -18.0 million). On the balance sheet, investments in subsidiaries is reduced by DKK 96.2

million (2015: DKK -89.9 million). Since the value of subsidiaries etc. is the only thing affected by the change, balance sheet as well as equity is consequently changed by the same amounts.

There have been no other changes in accounting policies in the parent company.

Consolidated financial statements
Consolidated financial statements comprise the parent company FirstFarms A/S and subsidiaries in which FirstFarms A/S has control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the company directly or indirectly holds more than 50 percent of the voting rights in a subsidiary or which it, in some other way, controls. Enterprises over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20 percent of the voting rights but less than 50 percent. When assessing whether FirstFarms A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

The consolidated financial statements have been prepared as a consolidation of the parent company and the individual subsidiaries' financial statements prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

Foreign currency translation
For each of the reporting enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary economic environment in which the reporting enterprise operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

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

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.
On recognition in the consolidated financial statements of enterprises with another functional currency than Danish kroner, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions.

Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised in other total income in a separate reserve for exchange rate adjustment. Foreign exchange adjustment of balances which are considered part of the investment in enterprises with another functional currency than Danish kroner are recognised in the consolidated financial statements directly in equity under a separate exchange rate adjustment reserve. Correspondingly, foreign exchange gains and losses on the part of loans and derivative financial instruments which are designated as hedges of investments in such enterprises and efficiently hedge against corresponding foreign exchange gains and losses on the investment in the enterprise are also recognised in other total income in a separate reserve for exchange rate adjustment.

On disposal of 100 percent owned foreign operations, the exchange rate adjustments accumulated in the equity through other total income, and which can be assigned to the unit, are reclassified from "Reserve for exchange rate adjustment" to the income statement together with any profit or loss at the disposal.

Repayment of debts, considered to be a part of the net investment, is not itself considered to be partial disposal of the subsidiary.

Income statement

Net turnover
Net turnover from the sale of commodities and finished products, comprising crops, animals and related products, is recognised in the income statement provided that delivery and transfer of significant risks and rewards to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Government grants
Government grants include the following:

Hectare grants are recognised on a regular basis in the income statement concurrently as the right of grants is obtained. Until the grants have been received, typically at the end of the financial year or in the beginning of the subsequent financial year, these are recognised as other receivables in the balance sheet.

Grants for milk production are recognised on a regular basis in the income statement concurrently as the right of grants is obtained. Until the grants have been received, typically at the end of the financial year or in the beginning of the subsequent financial year, these are recognised as other receivables in the balance sheet.

Grants for investments/acquisition of assets are recognised in the balance sheet as deferred income and transferred to public grants in the income statement as the assets for which grants were awarded are amortized.

Grants for ecological cultivation are received annually and are recognised in the balance sheet as deferred income. The amount is transferred to public grants in the income statement at the end of the 5-year period where a final right for the grant is achieved.

Value adjustments of biological assets
Value adjustments of biological assets comprise value adjustment at fair value less point-of-sale costs.

Value adjustments are made for both livestock (non-current assets) and breeding and crops (current assets).

Production costs
Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, depreciation and impairment of production plant and milk quota.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and impairment losses.

Other operating income and costs
Other operating income and costs comprise items secondary to the principal activities of the enterprises, including gains and losses on on-going disposal and replacement of intangible assets and property, plant and equipment. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the selling date.

Result of investments in subsidiaries
In the parent company's income statement, the proportionate share of each individual subsidiary's net profit/loss after tax is recognised after full elimination of internal profit/loss.

Financial income and expenses
Financial income and expenses comprise interest income and expense, gains and losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities, as well as surcharges and refunds under the on-account tax scheme. Borrowing costs are activated as part of larger investments.

Tax on profit/loss for the year
FirstFarms A/S has chosen international joint taxation for the whole Group. The actual corporation tax is allocated between the jointly taxed companies in proportion to their taxable income.

By utilisation of deficit in foreign companies deferred tax is allocated in the balance sheet in the Danish company. Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets
Goodwill
Goodwill is initially recognised in the balance sheet at cost price.

Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized. The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on the management structure and internal financial control.

Other intangible assets
Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortization and impairment losses.

Other intangible assets are amortized on a straight line basis over the expected useful life.

Land lease contracts are amortised on the expected lease period.

Milk quota was depreciated on a straight line basis from acquisition time to 31 March 2015, where the quota system is terminated.

Tangible assets
Land and buildings, production plants and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The loan costs are activated.

The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries. The present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost of self-constructed assets. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately. The cost of assets held under finance leases is stated at the lower of fair value of the assets or the present value of the future minimum lease payments. For the calculation of the net present value, the interest rate implicit in the lease or an approximation thereof is used as discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are de-recognised in the balance sheet and recognised as an expense in the income statement. Other costs incurred for ordinary repairs and maintenance is recognised in the income statement as incurred.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components:

Buildings	15-30 years
Plant and machinery	5-10 years
Fixtures and fittings, other plant and equipment	3-7 years

Land is not depreciated.

The basis of depreciation is calculated on the basis of the residual value less impairment losses.

The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the depreciation period of the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates. Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses to the extent that the depreciation is not included in the cost of self-constructed assets.

Biological assets – non-current assets
Biological assets comprise basic herd of animals and are recognised as non-current assets measured at fair value less point-of-sale costs.

Investments in subsidiaries
Investments in subsidiaries are recognised using the equity method.

Investments in subsidiaries are measured at the proportionate share of the equity value of subsidiaries calculated using the Group's accounting policy deducting or adding unrealised intercompany gains and losses and with adding og deduction the remaining value of positive or negative goodwill calculated using the purchase method.

Investments in subsidiaries with negative net asset value are measured at DKK, and any receivables from these subsidiaries are written down to the extent that the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is shown as reserve for net revaluation under the equity method in equity to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries that are expected to be adopted before the approval of the annual report for FirstFarms A/S are not recognised in the reserve for net revaluation according to the equity method .

At acquisitions of subsidiaries the purchase method is used, cp. description above under the consolidated accounts.

Impairment of non-current assets
Goodwill is subject to annual impairment tests, initially before the end of the acquisition year. The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the enterprise or activity (cash generating unit) to which goodwill is allocated. Impairment of goodwill is recognised in a separate line item in the income statement. Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilized.

The carrying amount of other non-current assets is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset’s fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under production costs and administrative expenses, respectively.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortization had the asset not been impaired.


Cows in Slovakia

Inventories
Inventories are measured at the lower of cost in accordance with the FIFO-method and the net realizable value. Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

The value of inventories is measured at cost with the addition of indirect production overheads. At the harvest date, crops are transferred from biological assets to inventories at fair value less selling cost, which then reflect cost.

Biological assets – current assets
Biological assets comprising animals held for stock and crops recognised as current assets are measured at fair value less point-of-sale costs.

Receivables
Receivables are measured at amortized cost. Write-down is made for bad debt losses on individual basis.

Accruals
Accruals comprise costs incurred concerning subsequent financial years and are measured at cost.

Equity

Exchange rate adjustment reserve
The exchange rate adjustment reserve in the financial statements comprises part of the shareholders of the parent company's foreign exchange differences arising from exchange rate adjustment of financial statements of foreign entities from their functional currencies into the presentation currency used by the FirstFarms Group (Danish kroner). The reserve is distributable.

Dividends
Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Own shares
Cost of acquisition, consideration received and dividends received from own shares are recognised directly as retained earnings in equity. Capital reductions from the cancellation of own shares are deducted from the share capital in an amount corresponding to the nominal value of the shares. Proceeds from the sale of own shares and issue of shares, respectively, in FirstFarms A/S in connection with the exercise of share options or employee shares are recognised directly in equity.

Employee benefits
Pension obligations
The Group has entered into pension schemes with some of the Group's employees. The Group has no defined benefit plans. Contributions to defined contribution plans where the Group currently pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the balance sheet as other payables.

Warrant programme
The value of services received in exchange for granted options is measured at the fair value of the options granted.

FirstFarms A/S only has equity-settled programmes for which the share options are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The set-off item is recognised directly in equity. On initial recognition of the share options, the company estimates the number of options expected to vest. That estimate is subsequently revised for changes in the number of options expected to vest. Accordingly, recognition is based on the number of options ultimately vested. The fair value of granted options is estimated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

Corporation tax and deferred tax
Current tax payable and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences - apart from business combinations - arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised under other non-current assets at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses. Deferred tax is measured on the basis of the tax rules and the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

The company has chosen international joint taxation.

Provisions

Provisions are recognised when, as a result of events arising before or at the balance sheet date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

On measurement of provision, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes in present values during the year are recognised as financial expenses. The amount recognised as a provision is Management’s best estimate of the expenses required to settle the obligation. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of estimated future costs.

Convertible bonds

Convertible bonds are regarded as combined instruments consisting of a financial obligation measured at amortised cost price and an equity instrument in form of the integrated right to convert. At the date of issuance, the fair value of the financial obligation is determined by use of a market interest corresponding to a similar non-convertible debt instrument. The difference between the proceeds at issuance of the convertible bond and the fair value of the financial obligation, corresponding to the integrated option to convert the obligation to equity, is recognised directly on the equity. The fair value of the financial obligation is recognised as long-term debt and afterwards measured at amortised cost price.

Financial liabilities

Amounts owed to mortgage credit institutions etc. are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Leases

For accounting purposes lease obligations are divided into finance and operating leases.

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. The accounting treatment of assets held under finance leases and lease obligations is described under “Property, plant and equipment” and “Financial liabilities”, respectively. Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Deferred income
Deferred income comprises payments received concerning income in subsequent years, mostly concerning grants.

Fair value measurement
FirstFarms uses the fair value concept for recognition of biological assets and for recognition of the value of financial instruments.

The fair value is defined as the price that can be obtained by selling an assets or payable for transferring a liability in an ordinary transaction on a market with independent parties. Fair value is based on a primary market.

There are three levels of the fair value hierarchy for estimating the value:
1. Statement from fair value in a similar market
2. Statement by accepted valuation methods based on observable market information
3. Statement from generally accepted valuation methods and reasonable estimates.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities
Cash flows from operating activities are calculated after the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest, dividends and corporation tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of own shares and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash less short-term bank debt. Cash flows in other currencies than the functional currency are translated at average exchange rates unless they deviate materially from the exchange rates at the transaction date.

Segment information
Information is provided on business segments, which also represent the Group's primary reporting format, and geographical markets. Segment information is based on the Group's risks, management and internal financial management.

Segment information is provided in accordance with the Group's accounting policies. Segment revenue and costs and segment assets and liabilities comprise items which are directly attributable to the individual segment and the items which can be allocated to the individual segment on a reliable basis. Unallocated items primarily comprise assets and liabilities and income and costs related to the Group's administrative functions, financing conditions, income taxes, etc.

Non-current segment assets comprise non-current assets used directly in the operating activities of the segment, including intangible assets, property, plant and equipment. Segment liabilities comprise liabilities resulting from the operating activities of the segment, including bank debt, debt to parent company, trade payables and other payables.

2. Accounting estimates

Determining the carrying value of certain assets and liabilities requires judgments, estimates and assumptions about future events. The estimates and assumptions carried out are i.e. based on historical experiences and other factors which the management assesses to be reliable but which inherently are uncertain and unpredictable. The assumptions may be unpredictable or inaccurate, and unexpected events or circumstances may occur. As a result of the risks and uncertainties that the Group is subject to, actual results may differ from these estimates. It may be necessary to change previous estimates as a result of changes in the factors underlying these estimates due to new information or as a result of subsequent events.

Estimations, which are specific essential for the presentation of the financial statements for FirstFarms, is carried out by recognition of goodwill and recognition of biological assets.

Impairment test for goodwill
By an impairment test of intangible assets, including goodwill, an estimation is made of how the parts of the business, which the goodwill relates to, will be able to generate sufficient cash flow in future to support the value of goodwill and other net assets.

Due to the nature of the business, estimation of expected cash flow must be made many years into the future, leading to some uncertainty. This uncertainty is reflected in the discount rate.

The most essential assumptions used for the impairment test carried out are shown in note 14

Measurement of biological assets
The biological assets, herds, breeding and crops are valued at fair value with deduction of realisation costs. The value of the biological assets totals DKK 68.7 million as per 31 December 2016 (2015: 68.8 million).

A completely comparable market does not exist in Slovakia for cows with the yielding capacity that FirstFarms' cows achieve. Due to this, the Management has chosen to value the cattle in the light of the prices on the European market, also cp. note 5. Information is collected from market participants in Denmark to get the basis for the assessments.

3. Segment information

2016 DKK 1,000	**Romanian activities**	**Slovakian activities**	**Total report compulsory segments**
Total segment turnover	48,349	83,357	131,706
Grants	13,701	28,464	42,165
Value adjustments of biological assets	-3,645	12,434	8,789
EBIT result	-1,375	4,027	2,652
Financial income	238	31	269
Financial costs	-2,755	-5,618	-8,373
Depreciations and impairments	-6,524	-15,756	-22,280
Write down	-3,572	0	-3,572
Segment result before tax	-4,328	-1,560	-5,888
Segment assets	186,119	329,053	515,172
Plant investments *)	15,686	7,371	23,057
Segment liabilities	144,157	218,028	362,185

*) Plant investments are investments in machinery, land and buildings.

2015 DKK 1,000	Romanian activities	Slovakian activities	Total report compulsory segments
Total segment turnover	36,455	75,386	111,841
Grants	7,983	22,270	30,253
Value adjustments of biological assets	-11,510	-4,443	-15,953
EBIT result	-2,343	-7,489	-9,832
Financial income	602	0	602
Financial costs	-2,890	-5,274	-8,164
Depreciations	6,294	17,432	23,726
Segment result before tax	-5,187	-12,762	-17,949
Segment assets	176,867	351,036	527,903
Plant investments *)	25,748	12,745	38,493
Segment liabilities	127,697	238,884	366,581

*) Plant investments are investments in machinery, land and buildings.

FirstFarms' report compulsory segments are constituted by the business units in Slovakia and Romania. Slovakia operates within milk- and field production, whereas Romania only operates within field production. The two business units are operated independently, as each unit has different management, activities and customers. The report compulsory segments are identified without aggregation of operation segments.

Products and services

FirstFarms' turnover primary concerns milk production and field production. The turnover is specified as:

	Romania		Slovakia	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Milk production	0	0	45,315	47,363
Field production	47,906	36,346	35,071	23,534
Other	443	109	2,971	4,489
Total	**48,349**	**36,455**	**83,357**	**75,386**

Geographical information

FirstFarms operates in Romania and Slovakia. Services from the parent company to the subsidiaries are of a limited extent. Financing of the subsidiaries primary consists of loans from the parent company. At presentation of the information regarding geographical areas, information about the turnovers allocation on geographical segments is constituted based on the geographical location, whereas information about the assets allocation on geographical segments is constituted based on the assets physical location.

Turnover and non-current assets is specified as:

	2016		2015	
DKK 1,000	**Turnover**	**Non-current assets**	**Turnover**	**Non-current assets**
Denmark	250	374,300	250	373,377
Slovakia	83,357	253,971	75,386	264,726
Romania	48,349	142,373	36,455	137,442
Elimination	-1.699	-374,241	-250	-373,291
Total	**130,257**	**396,403**	**111,841**	**402,254**

Reconciliation of report compulsory segments turnover, result, assets, liabilities and other essential items

DKK 1,000	2016	2015
Turnover		
Segment turnover for report compulsory segments	131,706	111,841
Group function	250	250
Elimination of internal turnover	-1,699	-250
Total turnover, cp. income statement	**130,257**	**111,841**
Result		
Segment result before tax for report compulsory segments	-5,888	-17,949
Non-allocated result, Group function	-6,633	-4,514
Result before tax, cp. income statement	**-12,521**	**-22,463**
Assets		
Total assets for report compulsory segments	515,172	525,526
Other non-allocated	343	420
Total assets, cp. balance sheet	**515,515**	**525,946**
Liabilities		
Total liabilities for report compulsory segments	362,185	366,581
Elimination of debt to parent company	-221,254	-212,008
Other non-allocated liabilities	81,761	65,200
Total liabilities, cp. balance sheet	**222,692**	**219,773**

4. Turnover

	Group		**Parent company**	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Sale of milk	40,115	43,259	0	0
Sale of meat	5,200	4,104	0	0
Sale of corn etc.	82,534	59,880	0	0
Other turnover	2,408	4,598	250	250
Total	**130,257**	**111,841**	**250**	**250**

Crops harvested in 2015 have been sold in 2016.

5. Value adjustments of biological assets

Group 2016 DKK 1,000	**Basic herd [1)]**	**Breeding [2)]**	**Crops [2)]**	**Total**
Opening	23,693	17,187	27,904	68,784
Addition	0	0	101,760	101,760
Value adjustment of the year recognised in the income statement	-7,124	12,236	3,677	8,789
Transfer	11,681	-11,681	0	0
Disposal	-3,030	-2,174	-105,281	-110,485
Exchange rate adjustment	0	0	-130	-130
Accounting value 31 December 2016	**25,220**	**15,568**	**27,930**	**68,718**

[1)] *Non-current assets* [2)] *Current assets*

Non-current assets consist of a herd of 2,509 cows at the end of 2016. Breeding consist of 2,542 heifers and calves, whereas crops are the value of the sowed fields. At the end of 2016 the sowed fields mainly consist of 400 hectares of alfalfa/grass, 1,800 hectares of wheat, 800 hectares of rye and 1,300 hectares of rape in Slovakia. In Romania the fields consisted of 3,000 hectares of wheat and 1,200 hectares of rape at the end of 2016. The land itself is valued at cost price under tangible assets as far as the land is not leased, cp. note 15.

The fair value for basic herd and breeding is estimated with basis in what similar animals are traded for at the European market. By estimation of the fair value of cows a valuation of the cows' performance, age composition etc. is carried out. By estimation of breeding age, quality etc. is accounted for.

The fair value of crops is estimated on basis of the cost price for seeding, fertiliser etc. attributed changes due to the biological transformation, from the time of seeding to 31 December 2016. As the biological change for crops seeded in the autumn is limited, the fair value corresponds in all essential to the costs incurred for seeding etc. Furthermore, it is reviewed whether the crops are satisfactory compared to the season.

The fair value of biological assets enters level 3 in the fair value hierarchy.

Group 2015 DKK 1,000	**Basic herd [1)]**	**Breeding [2)]**	**Crops [2)]**	**Total**
Opening	23,230	15,350	23,555	62,135
Addition	0	0	97,737	97,737
Value adjustment of the year recognised in the income statement	-6,688	13,093	-22,358	-15,953
Transfer	10,084	-10,084	0	0
Disposal	-2,933	-1,172	-70,907	-75,012
Exchange rate adjustment	0	0	-123	-123
Accounting value 31 December 2015	**23,693**	**17,187**	**27,904**	**68,784**

[1)] *Non-current assets* [2)] *Current assets*

Non-current assets consist of a herd of 2,357 cows at the end of 2015. Breeding consist of 2,597 heifers and calves, whereas crops are the value of the sowed fields. At the end of 2015 the sowed fields mainly consist of 480 hectares of alfalfa/grass, 1,645 hectares of wheat, 888 hectares of rye and 1,294 hectares of rape in Slovakia. In Romania the fields consisted of 3,620 hectares of wheat and 790 hectares of rape at the end of 2015. The land itself is valued at cost price under tangible assets as far as the land is not leased, cp. note 15.

The fair value for basic herd and breeding is estimated with basis in what similar animals are traded for at the European market. By estimation of the fair value of cows a valuation of the cows' performance, age composition etc. is carried out. By estimation of breeding age, quality etc. is accounted for.

The fair value of crops is estimated on basis of the cost price for seeding, fertiliser etc. attributed changes due to the biological transformation, from the time of seeding to 31 December 2015. As the biological change for crops seeded in the autumn is limited, the fair value corresponds in all essential to the costs incurred for seeding etc. Furthermore, it is reviewed whether the crops are satisfactory compared to the season.

The fair value of biological assets enters level 3 in the fair value hierarchy.

6. Costs

	Group		**Parent company**	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Cost of sales for the period	91,342	81,032	0	0
Reversed write-down on inventories	0	0	0	0

At transition, in connection with harvest, the stock of crops is valuated at market value less point-of-sale costs. By a subsequent decrease in the value, the amount is credited in production costs.

Staff costs				
Fees to the Board of Directors in the parent company	387	440	387	440
Wages and salaries	23,645	22,853	2,402	2,484
Share based remuneration	141	70	141	70
Defined contribution plans	293	286	293	286
Other social security costs	7,321	7,292	24	28
Other staff costs	2,807	2,623	311	487
Total staff costs	**34,594**	**33,564**	**3,558**	**3,795**

Staff costs:				
Production	29,614	28,336	0	0
Administration	4,980	5,228	3,558	3,795
Total	**34,594**	**33,564**	**3,558**	**3,795**
Average number of employees	214	211	3	4

At the end of the year, the number of employees was 214 of which 3 are sited on the headquarter in Denmark, 157 in Slovakia and 54 in Romania.

Executive Board remuneration of the parent company

	2016		**2015**	
DKK 1,000	**Board of Directors**	**Management**	**Board of Directors**	**Management**
Wages and salaries	387	1,452	440	1,221
Defined contribution plans	0	120	0	120
Share based remuneration	0	122	0	58
Total	**387**	**1,694**	**440**	**1,399**

Warrant programme

Number of warrants	**Management**	**Other employees**	**Total**	**Utilisation price**	**Fair value per option DKK**	**Fair value in total (DKK 1,000)**
Allotted 1 January 2016	50,000	10,000	60,000	52.51	6.16	370
Allotted during the year	50,000	0	50,000	53.23	6.65	333
Allotted 31 December 2016	**100,000**	**10,000**	**110,000**	**-**	**-**	**703**

The fair value of warrants allotted in 2016 is calculated from the Black-Scholes-model with a volatility of 25 percent, a risk-free interest of 0.5 percent p.a. and a share price of 45,50 at the time of allotment. The volatility is calculated from the development in the share price 2.5years before the allotment.

As per 31 December 2016, the company has totally 110,000 outstanding warrants, which were allotted 18 May 2015 and 30 August 2016, respectively. Each warrant grants to warrant owner right to purchase one share of nominal DKK 10.

The outstanding warrants correspond to 2.3 percent of the share capital, if all warrants are utilised.

The utilisation price for the warrants allotted in 2016 is 53.23 and the warrant programme runs till 2020, where the warrants can be utilised in a period of 4 weeks from the company's announcement of the interim financial report for the period 1 January – 30 June 2020.

The utilisation price for the warrants allotted in 2015 is 52.51 and the warrant programme runs till 2018, where the warrants can be utilised in a period of 4 weeks from the company's announcement of the interim financial report for the period 1 January – 30 June 2018.

Number of warrants	Man- agement	Other employees	Total	Utilisation price	Fair value per option DKK	Fair value in total (DKK 1,000)
Allotted 1 January 2015	0	0	0	-	-	-
Allotted during the year	50,000	10,000	60,000	52.51	6.16	370
Allotted 31 December 2016	**50,000**	**10,000**	**60,000**	**52.51**	**-**	**370**

The fair value is calculated from the Black-Scholes-model with a volatility of 25 percent, a risk-free interest of 0.5 percent p.a. and a share price of 46 at the time of allotment.

As per 31 December 2015, the company has 60,000 outstanding warrants, which were allotted 18 May 2015. Each warrant grants to warrant owner right to purchase one share of nominal DKK 10. The outstanding warrants correspond to 1.3 percent of the share capital, if all warrants are utilised.

The utilisation price for the warrants is 52.51 and the warrant programme runs till 2018, where the warrants can be utilised in a period of 4 weeks from the company's announcement of the interim financial report for the period 1 January – 30 June 2018.

Depreciations and impairments

	Group		Parent company	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Depreciations, intangible assets	1,411	1,945	0	0
Depreciations, tangible assets	22,308	21,813	28	32
Impairments, tangible assets	3,572	0	0	0
Total depreciations and impairments	**27,291**	**23,758**	**28**	**32**
Depreciations and impairments are recognised as follows:				
Production	26,860	23,315	0	0
Administration	431	443	28	32
Total	**27,291**	**23,758**	**28**	**32**

Fee to the auditors appointed at the general meeting

Total fee to EY	Group		Parent company	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Audit	275	270	275	270
Other declarations	15	0	15	0
Tax and VAT services	29	0	29	0
Other non-audit services	110	45	110	45
Total	**429**	**315**	**429**	**315**

Fees to other auditors	Group		Parent company	
1.000 kr.	**2016**	**2015**	**2016**	**2015**
Audit	387	366	0	0
Other declarations	0	0	0	0
Tax and VAT services	50	0	0	0
Other non-audit services	16	41	0	0
I alt	**453**	**407**	**0**	**0**
Total fees for auditors	**882**	**722**	**429**	**315**

7. Grants

DKK 1,000	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Grant for investments	932	1,063	0	0
EU hectare subsidy	30,420	24,554	0	0
Grant for milk production	10,490	4,569	0	0
Government grant etc.	323	67	0	0
Total	**42,165**	**30,253**	**0**	**0**

FirstFarms can apply for grants for investments from EU. Investment grants are given under the condition that the assets are kept in the company for at least 5 years. Otherwise there are no specific conditions attached to the grants. The subsidy is credited concurrently as the assets are depreciated. EU hectare subsidy is a yearly subsidy, which is given to operation of farming. The cattle subsidy is a subsidy to milk production, which is permanent every year. Furthermore, there are some old subsidies from the Slovakian government that is credited concurrently as the assets are depreciated.

Subsidies form an essential part of the accruals and other receivables. Different subsidy schemes and calculations are shown below.

2016 DKK 1,000	**Hectare grant**	**Milk grant**	**Government grant**	**Investment grant etc.**	**Total**
Grants calculated in accruals	0	0	0	12,114	12,114
Period of crediting	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in ”Other receivables”	10,587	1,788	0	0	12,375

2015 DKK 1,000	**Hectare grant**	**Milk grant**	**Government grant**	**Investment grant etc.**	**Total**
Grants calculated in accruals	0	0	0	13,102	13,102
Period of crediting	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in ”Other receivables”	19,053	4,019	0	0	23,072

8. Other operating income

DKK 1,000	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Profit from sale of tangible assets	666	590	0	0
Other secondary income	201	318	0	0
Total	**867**	**908**	**0**	**0**

9. Other operating costs

DKK 1,000	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Loss from sale of tangible assets	0	87	0	0
Other secondary costs	507	391	0	0
Total	**507**	**478**	**0**	**0**

10. Financial income

DKK 1,000	Group		Parent company	
	2016	2015	2016	2015
Interest, cash at bank and in hand	0	0	0	0
Interest income from affiliated companies	0	0	3,000	3,567
Other financial income	269	602	0	0
Total	**269**	**602**	**3,000**	**3,567**

11. Financial costs

DKK 1,000	Group		Parent company	
	2016	2015	2016	2015
Interest, bank loans	4,353	4,118	537	299
Other financial costs	5,666	4,290	4,110	3,512
Total	**10,019**	**8,408**	**4,647**	**3,811**

12. Tax on net profit/loss

DKK 1,000	Group		Parent company	
	2016	2015	2016	2015
Tax on net profit/loss	-436	486	1,485	1,110
Tax on other total income	0	0	0	0
Total	**-436**	**486**	**1,485**	**1,110**
Tax on net profit/loss is specified as:				
Current tax	-1.123	-323	0	0
Deferred tax	687	809	1,485	1,110
Total	**-436**	**486**	**1,485**	**1,110**
Tax on net profit/loss can be explained as:				
Calculated tax of net profit/loss before tax (22% / 23.5 %) (In parent company ex. capital shares)	2,755	5,279	1,556	1,191
Reduction in tax rate in Denmark and Slovakia	-482	-70	0	-70
Write down / unrecognised tax assets	-1,360	-3,409	0	0
Other adjustments, net	-1.349	-1,314	-71	-11
Total	**-436**	**486**	**1,485**	**1,110**
Effective tax rate	-3	2	21	22

13. Earnings per share

Group DKK 1,000	2016	2015
Net profit	-12,957	-21,977
Number of shares	4,712,241	4,712,241
Average diluted effect of outstanding warrants	1,569,309	1,168,770
Diluted number of shares in circulation	6,281,550	5,498,421
Earnings per share (EPS)	-2.75	-4.66
Diluted earnings per share (EPS-D)	-2.06	-4.00

14. Intangible assets

Group 2016 DKK 1,000	**Goodwill**	**Lease contracts**	**Total**
Cost price 1 January	16,067	7,403	23,470
Addition	0	0	0
Disposal	0	0	0
Exchange rate adjustment	-60	-24	-84
Cost price 31 December	**16,007**	**7,379**	**23,386**
Depreciations and impairments 1 January	0	-2,436	-2,436
Depreciations	0	-1,411	-1,411
Disposal	0	0	0
Exchange rate adjustment	0	10	10
Depreciations and impairments 31 December	**0**	**-3,837**	**-3,837**
Accounting value 31 December	**16,007**	**3,542**	**19,549**

FirstFarms' Management has at the end of 2016 carried out impairment test of the accounting value of goodwill in Slovakia. The recoverable amount is based on the capital value (the value in use), which is determined based on expectations to the future cash flow in the coming 5 years. Significant assumptions worked in the impairment test is a growth in the terminal period of 1.5 percent, a return (WACC) of 8.5 percent after tax (before tax 10.4 percent) and milk prices of DKK 2.70 per kg as of 2018. The estimation for future milk prices are based on external ratings and own estimations. SEGES' recommendation as per 28 November 2016 for the budget price for milk in 2017 is a milk price of DKK 2.87 per kg. FirstFarms assesses that the long term milk price should be around DKK 2.70 per kg, if a satisfactory depreciation and return on the invested capital shall be secured. The assessment is based on i.e. benchmark study from European Dairy Farms. In the impairment test carried out normal harvest yield and settlement prices for 2016 are assumed as stated in the management review page 15-16. The crop prices in the coming year are assumed to be on par with the budget for 2017.

The budget is 2,800 milking cows and cultivation of 9,300 hectares of land at the end of the period.

The impairment test carried out on the activities in Slovakia has shown that the capital value of the activities is above the accounting value of the assets (including intangible assets).

The Group has assessed that a change in the key assumptions could entail impairment. Provided that other variables are unchanged, a reduction in the milk prices in the region of DKK 0.25 per kg will entail that the recoverable amount corresponds to the accounting value.

The parent company has no intangible assets included.

Group 2015 DKK 1,000	Goodwill	Lease contracts	Milk quota	Total
Cost price 1 January	16,026	7,402	16,198	39,626
Addition	0	0	0	0
Disposal	0	0	-16,198	-16,198
Exchange rate adjustment	41	1	0	42
Cost price 31 December	**16,067**	**7,403**	**0**	**23,470**
Depreciations and impairments 1 January	0	-989	-15,708	-16,697
Depreciations	0	-1,455	-490	-1,945
Disposal	0	0	16,198	16,198
Exchange rate adjustment	0	8	0	8
Depreciations and impairments 31 December	**0**	**-2,436**	**0**	**-2,436**
Accounting value 31 December	**16,067**	**4,967**	**0**	**21,034**

FirstFarms' Management has at the end of 2015 carried out impairment test of the accounting value of goodwill in Slovakia. The recoverable amount is based on the capital value (the value in use), which is determined based on expectations to the future cash flow in the coming 5 years. Significant assumptions worked in the impairment test is a growth in the terminal period of 1.5 percent, a return (WACC) of 8.5 percent after tax (before tax 10.4 percent) and milk prices of DKK 2.70 per kg as of 2017. In the impairment test carried out for 2016 normal harvest yield and settlement prices are assumed as stated in the management review page 13-15. The crop prices in the coming year are assumed to be on par with the budget for 2016.

The budget is 2,800 milking cows and cultivation of 9,300 hectares of land at the end of the period.

The impairment test carried out on the activities in Slovakia has shown that the capital value of the activities is above the accounting value of the assets (including intangible assets).

The Group has assessed that a change in the key assumptions could entail impairment. Provided that other variables are unchanged, a reduction in the milk prices in the region of DKK 0.15 per kg will entail that the recoverable amount corresponds to the accounting value.

The parent company has no intangible assets included.

15. Tangible assets

Group 2016 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution and prepayments	Total
Cost price 1 January 2016	302,862	119,117	3,497	8,466	433,942
Addition	5,501	8,725	232	8,599	23,057
Transfer between categories	8,390	146	-146	-8,390	0
Disposal	-22	-3,859	-10	0	-3,891
Exchange rate adjustment	-1,479	-712	-7	-84	-2,282
Cost price 31 December 2016	**315,252**	**123,417**	**3,566**	**8,591**	**450,826**
Depreciations and impairments 1 January 2016	-41,611	-45,247	-2,244	0	-89,102
Depreciations	-6,781	-15,175	-352	0	-22,308
Impairment	-3,572	0	0	0	-3,572
Disposal	15	3,183	10	0	3.208
Transfer between categories	0	0	0	0	0
Exchange rate adjustment	225	426	5	0	656
Depreciations and impairments 31 December 2016	**-51,724**	**-56,813**	**-2,581**	**0**	**-111,118**
Accounting value 31 December 2016	**263,528**	**66,604**	**985**	**8,591**	**339,708**
- assets held under finance lease	0	39,172	0	0	39,172
Depreciation period	15-30 years	5-10 years	3-7 years	-	-

As per 31 December 2016 security for leasing debts of DKK 15.8 million (2015: DKK 17.1 million) has been given in the respective machines (booked value DKK 19.7 million). For the bank debt in Slovakia security has been given in fixed assets (booked value DKK 91.5 million). Furthermore, there is security in EU-grants in Slovakia.

Group 2015 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution and prepayments	Total
Cost price 1 January 2015	288,351	112,963	3,099	2,002	406,415
Addition	12,978	13,401	413	11,701	38,493
Transfer between categories	3,078	861	0	-3,939	0
Disposal	-1,078	-7,995	-7	-1,294	-10,374
Exchange rate adjustment	-467	-113	-8	-4	-592
Cost price 31 December 2015	**302,862**	**119,117**	**3,497**	**8,466**	**433,942**
Depreciations and impairments 1 January 2015	-34,882	-34,887	-1,916	0	-71,685
Depreciations	-6,611	-14,867	-335	0	-21,813
Impairment	0	0	0	0	0
Disposal	0	4,478	7	0	4,485
Transfer between categories	0	0	0	0	0
Exchange rate adjustment	-118	29	0	0	-89
Depreciations and impairments 31 December 2015	**-41,611**	**-45,247**	**-2,244**	**0**	**-89,102**
Accounting value 31 December 2015	**261,251**	**73,870**	**1,253**	**8,466**	**344,840**
- assets held under finance lease	0	39,117	0	0	39,117
Depreciation period	15-30 years	5-10 years	3-7 years	-	-

Book value of purchased farm land DKK 1,000	2016		2015	
Farm land in Slovakia	638 hectares	15,853	587 hectares	15,108
Farm land in Romania	5,263 hectares	100,907	5,168 hectares	94,811

2016

At the turn of the year 2016/2017, FirstFarms has evaluated the land in Romania from known sales prices and the company's own experiences with land prices to calculate the value of the company's land. The total fair value is in the range of DKK 171 million, corresponding to an average price of approx. DKK 32,000 per hectare. The average booked value in Romania at the end of 2016 is DKK 19,136 per hectare and the average booked value in Slovakia is DKK 24,830 per hectare.

2015

At the turn of the year 2015/2016, FirstFarms has evaluated the land in Romania from known sales prices and the company's own experiences with land prices to calculate the value of the company's land. The total fair value is in the range of DKK 167 million, corresponding to an average price of approx. DKK 32,000 per hectare. The average booked value in Romania at the end of 2015 is DKK 18,345 per hectare and the average booked value in Slovakia is DKK 25,738 per hectare.

Parent company 2016 DKK 1,000.	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2016	463
Addition	0
Disposal	-75
Cost price 31 December 2016	**388**
Depreciations and impairments 1 January 2016	-376
Depreciations	-28
Disposal	75
Depreciations and impairments 31 December 2016	**-329**
Accounting value 31 December 2016	**59**
- assets held under finance lease	0
Depreciation period	3-7 years

Parent company 2015 DKK 1,000.	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2015	463
Addition	0
Disposal	0
Cost price 31 December 2015	**463**
Depreciations and impairments 1 January 2015	-344
Depreciations	-32
Disposal	0
Depreciations and impairments 31 December 2015	**-376**
Accounting value 31 December 2015	**87**
- assets held under finance lease	0
Depreciation period	3-7 years

16. Capital shares in subsidiaries

Parent company DKKK 1,000	**2016**	**2015**	**Opening** **2015**
Cost price 1 January	299,486	299,486	299,486
Changes in the period	0	0	0
Cost price 31 December	**299,486**	**299,486**	**299,486**
Value adjustment 1 January	-138,204	-119,535	-50,312
Change in accounting policy	0	0	-69,223
Share of the result of the year	-7,371	-18,019	0
Exchange rate adjustments	-924	-650	0
Adjustment 31 December	**-146,499**	**-138,204**	**-119,535**
Accounting value 31 December	**152,987**	**161,282**	**179,951**

Company	Domicile
FirstFarms s.r.o.	Slovakia
FirstFarms Agra M. s.r.o.	Slovakia
FirstFarms Mast Stupava A/S	Slovakia
FirstFarms Mlyn Zahorie A/S	Slovakia
FirstFarms s.r.l.	Romania
FirstFarms Agro East s.r.l.	Romania
FirstFarms Agro West s.r.l.	Romania

All subsidiaries are 100 percent owned by the FirstFarms Group.

17. Inventories

	Group		Parent company	
DKK 1,000	2016	2015	2016	2015
Raw materials and other materials	13,019	13,984	0	0
Manufactured goods and commodities, grain, fodder etc.	34,394	24,208	0	0
Total	**47,413**	**38,192**	**0**	**0**
Accounting value of inventories included at fair value	34,394	24.208	0	0
Write-downs	0	0	0	0
Reversed write-downs	0	0	0	0

At transition, in connection with harvest, the stock of crops is valuated at fair value less point-of-sale costs. By a subsequent decrease in the value, the amount is included in production costs.

18. Receivables

	Group		Parent company	
DKK 1,000	2016	2015	2016	2015
Receivables from sales	4,533	8,512	0	0
Other receivables	17,948	29,251	261	308
Receivables from associated companies	0	0	221,254	212,008
Total	**22,481**	**37,763**	**221,515**	**212,316**

Impairments, contained in the receivables above, developed as follows:	2016	2015
1 January	2,630	2,282
Impairments in the year	585	343
Implemented in the year	0	0
Reversed	0	0
Exchange rate adjustments	-13	5
31 December	**3,202**	**2,630**

In 2016 and 2015, there is taken out debtor insurance for the most significant part of the company's receivables.

Receivables, which per 31 December were due, but not impaired, can be seen below.

DKK 1,000	2016	2015
Period of decadence:		
Up to 30 days	436	304
Between 30 and 90 days	364	78
Over 90 days	299	658

19. Share capital

Issued shares	Amount (pcs.)		Nominal value (DKK)	
	2016	2015	2016	2015
1 January	4,712,241	4,712,241	47,122,410	47,122,410
31 December	**4,712,241**	**4,712,241**	**47,122,410**	**47,122,410**

At the end of 2016, the share capital consisted of 4,712,241 shares at nominal DKK 10. No shares are attributed special rights.

The Group's result of DKK -13.0 million and the parent company's result of DKK -13.0 million are proposed transferred to next year.

Capital management

The capital structure in FirstFarms is evaluated continuously. To see the Groups' policies on profit distribution, debt finance etc., see p. 24 concerning profit and p. 19 for risk management.

The realised return on equity for 2016 was -4.2 percent (2015: -6.9 percent).

Capital structure

The company's Management reviews FirstFarms' ownership and capital structure on an on-going basis. The company does not hold any of its own shares, which is why the percentage of negotiable FirstFarms shares, or the free float, is 100 percent. On the ordinary general meeting on 28 April 2016, authorisation was given to the company to acquire up to 10 percent of the company's own shares. The authorisation was not used in 2016. At the end of 2016, a total of 110,000 warrants are issued to the company's management and employees in Denmark and abroad, hereof 50,000 of the warrants are issued in 2016.

Furthermore, the Board of Directors is authorised to, until 26 April 2021, in one or more stages, to issue up to 1,500,000 shares corresponding to nominal DKK 15,000,000 through cash payment, by contribution of assets other than cash (non-cash contribution) or conversion of debt or through a combination thereof. The capital increase must be effected at market price – with or without pre-emption rights for the Company's shareholders.

In 2016, FirstFarms issued convertible bonds at a total of nominal DKK 32.25 million. The bonds run up to and including 15 December 2020. There are furthermore bonds for DKK 27.24 million, issued in 2013 and latest prolonged in 2016. These bonds run up to and included 15 December 2018. Moreover, bonds for DKK 3.9 million have been converted to shares in January 2017. Convertible bonds for nominally DKK 19 million is repaid in 2016.

If all present bond owners choose to convert their bonds, it corresponds to issuance of 1,459,309 shares, of which 91,187 shares are issued in January 2017. The total number of shares correspond to 31 percent of the share capital at the end of 2016.

Dividend

It is FirstFarms' dividend policy that the shareholders shall have a return on their investments in the form of share price increases and dividends.

20. Deferred tax

Group DKK 1,000	2016	2015
Deferred tax 1 January	-4,215	-3,380
Tax recognised in the equity	110	0
Exchange rate adjustment	43	-26
Deferred tax of the year calculated in net profit/loss	-687	-809
Deferred tax 31 December	**-4,749**	**-4,215**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	-11,926	-12,687
Deferred tax (liability)	7,177	8,472
Deferred tax 31 December, net	**-4,749**	**-4,215**
Deferred tax concerns:		
Intangible assets	158	-103
Tangible assets	1,314	1,908
Biological assets	2,445	2,509
Other accounting items	-5,031	-4,800
Deficits with right to put forward	-9,197	-9,681
Re-taxation balance	5,562	5,952
Total	**-4,749**	**-4,215**

All deferred tax assets and obligations are included in the balance sheet. The fiscal deficits concern mostly the Group's foreign activities and are included in the assumption that positive taxable income will be obtained within a period of approx. 3 years.

Change in interim differences in 2016

DKK 1,000	Balance 1/1-2016	Included in net profit/loss, net	Recognised in the equity	Exchange rate adjustments	Balance 31/12-2016
Intangible assets	-103	261	0	0	158
Tangible assets	1,908	-592	0	-2	1,314
Biological assets	2,509	-65	0	1	2,445
Other accounting items	-4,800	-363	110	22	-5,031
Deficits with right to put forward	-9,681	462	0	22	-9.197
Re-taxation balance	5,952	-390	0	0	5,562
Total	**-4,215**	**-809**	**110**	**43**	**-4,749**

Change in interim differences in 2015

DKK 1,000	Balance 1/1-2015	Included in net profit/loss, net	Recognised in the equity	Exchange rate adjustments	Balance 31/12-2015
Intangible assets	-1,050	947	0	0	-103
Tangible assets	3,074	-1,156	0	-10	1,908
Biological assets	3,618	-1,109	0	0	2,509
Other accounting items	-3,879	-910	0	-11	-4,800
Deficits with right to put forward	-12,537	2,861	0	-5	-9,681
Re-taxation balance	7,394	-1,442	0	0	5,952
Total	**-3,380**	**-809**	**0**	**-26**	**-4,215**

Parent company DKK 1,000	2016	2015
Deferred tax 1 January	4,347	5,457
Deferred tax of the year calculated in net profit/loss	-1,485	-1,110
Tax recognised in the equity	110	0
Deferred tax 31 December	**2,972**	**4,347**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	0	0
Deferred tax (liability)	2,972	4,347
Deferred tax 31 December, net	**2,972**	**4,347**

The deferred tax at the end of 2016 and 2015 is mainly allocation of deferred tax of re-taxation balances as a result of international joint taxation.

21. Convertible bonds

	Group		Parent company	
DKK 1,000	2016	2015	2016	2015
Proceeds from issuance of convertible bonds, opening	50,000	50,000	50,000	50,000
Proceeds from issuance of new convertible bonds in the year	32,250	0	32,250	0
Fair value of right to convert at date of issuance recognised in the equity, opening	-655	-655	-655	-655
Fair value of right to convert at date of issuance of new convertible bonds in the year	-501	0	-501	0
Settled in the year	-18,934	0	-18,934	0
Fair value of financial obligation at the date of issuance	**62,160**	**49,345**	**62,160**	**49,345**
Amortisation 1 January	603	304	603	304
Amortisation for the year	101	299	101	299
Amortisation 31 December	**704**	**603**	**704**	**603**
Accounting value of financial obligation 31 December	**62,864**	**49,948**	**62,864**	**49,948**

In 2013, FirstFarms has issued convertible bonds for total nominal DKK 50 million. Originally, the bonds ran up to and including 15 March 2016 and carry interest at 6 percent p.a. There is in more rounds offered prolongation of these convertible bonds. At the end of 2016, there is outstanding convertible bonds from 2013 of DKK 31.1 million, of which DKK 3.9 million is converted in January 2017, whereas the remaining DKK 27.2 million runs up to and including 15 December 2018.

The fair value of the financial obligation is at the date of issuance calculated using a market interest of 6.63 percent corresponding to the interest for a similar non-convertible debt instrument. The difference between the proceeds at issuance of the convertible bonds and the fair value of the financial obligation constitutes the fair value of the right to convert at the date of issuance which is recognised directly in the equity (level 3 in the fair value hierarchy).

In 2016, FirstFarms issued new convertible bonds for DKK 32.25 million with expiry in December 2020.

The fair value of the financial obligation is at the date of issuance calculated using a market interest of 6.40 percent corresponding to the interest for a similar non-convertible debt instrument. The difference between the proceeds at issuance of the convertible bonds and the fair value of the financial obligation constitutes the fair value of the right to convert at the date of issuance which is recognised directly in the equity (level 3 in the fair value hierarchy).

22. Debts to credit institutions

Liabilities are recognised in the balance as follows:

	Group		Parent company	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Non-current liabilities	25,018	30,651	0	0
Current liabilities	93,206	79,914	13,856	11,434
Total	**118,224**	**110,565**	**13,856**	**11,434**
Fair value	118,224	110,565	13,856	11,434
Nominal value	118,224	110,565	13,856	11,434
- of this fixed interest	0	0	0	0

A change in the interest with 1 percentage point will, incl. other loans, entail a change in the interest expenses of DKK 1.2 million (2015: DKK 1.1 million).

Current maturity:	**2016**	**2015**
Within 1 year	93,206	79,914
1-5 years	21,270	28,339
> 5 years	3,748	2,312
Total accounting value	**118,224**	**110,565**

The debt in Slovakia is taken out in EUR, and there is an average interest rate at the end of 2016 at 3-5 percent (2015: 3-5 percent). In Romania, the majority of the debt is taken out in the local currency or EUR, and the interest here is 3-6 percent (2015: 3-6 percent).

In both 2016 and 2015, the fair value is calculated as present value of expected future repayments and interest payments. No specific terms or conditions are attached to the Group's loan including leasing obligations. The Group's debts to credit institutions are carried with variable interests and estimated in EUR.

Financial leases
Liabilities regarding financial leased assets incur in debts to credit institutions:

Group 2016 DKK 1,000	**Minimum-contribution**	**Interest etc.**	**Repayment of liabilities**
0-1 year	7,167	481	6,686
1-5 years	8,644	358	8,286
> 5 years	0	0	0
Total	**15,811**	**839**	**14,972**

Group 2015 DKK 1,000	**Minimum-contribution**	**Interest etc.**	**Repayment of liabilities**
0-1 year	5,574	618	4,956
1-5 years	12,792	696	12,096
> 5 years	0	0	0
Total	**18,366**	**1,314**	**17,052**

At the termination of the leasing contracts, the Group has possibility to acquire production plants and machinery at favourable prices.

23. Supplier debts and other debt obligations

	Group		Parent company	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Supplier debts	10,223	26,145	258	266
Other debt obligations	11,289	11,279	1,811	1,541
Total	**21,512**	**37,424**	**2,069**	**1,807**

24. Corporation tax

	Group		Parent company	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Corporation tax 1 January	-262	-411	0	0
Current tax of the year	-1.123	-323	0	0
Paid corporation tax	584	472	0	0
Corporation tax 31 December	**-801**	**-262**	**0**	**0**

25. Contingent liabilities, contingent assets and securities

Contingent liabilities
The Group is involved in a few pending disputes. It is the Management's assessment that clarification will not have significant influence for the Group's financial position.

Securities
As per 31 December 2016, security for leasing debts of DKK 15.9 million (2015: DKK 17.1 million) has been given in the respective machines (booked value DKK 19.7 million). For the bank debt in Slovakia security has been given fixed assets (booked value DKK 91.5 million). Furthermore, there is security in EU-grants regarding 2017 in Slovakia.

The parent company has guaranteed for the subsidiaries' debt in credit institutions with an accounting value of DKK 89.4 million (2015: DKK 82.1 million).

26. Change in working capital

	Group		Parent company	
DKK 1,000	**2016**	**2015**	**2016**	**2015**
Change in biological assets and inventories	-9,247	-2,517	0	0
Change in receivables etc.	13,818	-10,997	49	108
Change in supplier debts, other debt obligations and accruals	-16,383	6,314	262	-867
Total	**-11,812**	**-7,200**	**311**	**-759**

27. Non-cash transactions

DKK 1,000	**2016**	**2015**
Acquisition of tangible assets, cp. note 15	23,057	38,493
Of this financial leased assets	-2,891	-6,962
Paid regarding acquisition of tangible assets	**20,166**	**31,531**
Proceeds at raising financial debt liabilities	7,722	-7,370
Of this leasing debt	-2,891	-6,962
Received at raising financial debt liabilities	**4,831**	**-14,332**

28. Cash and cash equivalents

DKK 1,000	Group		Parent company	
	2016	2015	2016	2015
Available funds	2,793	1,183	0	0
Current debt for credit institutions	-93,206	-79,914	-13,856	-11,434
Available 31 December	**-90,413**	**-78,731**	**-13,856**	**-11,434**

29. Risk management

The Groups' risk management policy
Due to the fact that FirstFarms operates, invests and finances abroad, the company is exposed to fluctuations in exchange rates and interest rates. FirstFarms' policy is not to make speculation. The financial control of the Group is made to control the financial risks, which are a consequence of the Group's operations and finance.

There are no significant changes in the Group's risk exposure or risk management compared to 2015.

To a large extent FirstFarms' foreign companies are not affected of exchange rate fluctuations because both revenues and costs are settled in domestic currency. The income statement in the Group accounts will therefore mainly be affected by conversion of the subsidiaries' result to DKK.

In the following, the consequences of changes in interest rates, exchange rates and other important factors are given to assess the company's expectations for 2017.

FirstFarms' activities are placed in Slovakia and Romania. A change in the Romanian lei of 1 percent will - all things being equal - affect EBIT with approx. DKK 0.2 million (2015: DKK 0.1 million). Furthermore, a direct effect on the equity will show due to a changed conversion of assets and liabilities.

A change in the interest rate with 1 percent will – all things being equal - entail a change in the financial expenses with DKK 1.2 million (2015: DKK 1.1 million). The convertible bonds have a fixed interest and thus is not affected.

FirstFarms' result will mainly be affected by changes in the milk price, where a change in the milk price of 1 percent will – all things being equal - cause a change in the EBIT-result of DKK 0.6 million (2015: DKK 0.5 million). In addition to this, a value adjustment on biological assets (the value of stock) as a result of changes in milk prices may occur.

A 1 percent change in the price or quantity of sales crops will – all things being equal - entail a change in the EBIT-result of DKK 1.0 million (2015: DKK 0.9 million).

Regarding credit risk, reference is made to note 18 regarding receivables.

Liquid funds
FirstFarms has entered agreements with banks in Slovakia and Romania regarding credit lines, which, together with the present financing in the company, is assessed to cover the company's cash needs in 2017.

The Group's liabilities fall due as follows:

2016 DKK 1,000	**Accounting value**	**Contractual cash flows**	**Within 1 year**	**1 to 5 years**	**After 5 years**
Non-derivative financial instruments					
Credit institutions and banks	103,252	113,071	94,486	14,343	4,241
Financial leasing liabilities	14,972	15,811	7,167	8,644	0
Trade payables	10,223	10,223	10,223	0	0
Convertible bonds *)	62,864	70,649	3,799	66,85	0
Derivative financial instruments	0	0	0	0	0
31 December 2016	**191,311**	**209,754**	**115,675**	**89,837**	**4,241**

*) Convertible bonds for DKK 3.901 million are converted in January 2017 and are not part of the calculation.

2015 DKK 1,000	**Accounting value**	**Contractual cash flows**	**Within 1 year**	**1 to 5 years**	**After 5 years**
Non-derivative financial instruments					
Credit institutions and banks	93,513	100,278	80,502	16,943	2,833
Financial leasing liabilities	17,052	18,366	5,574	12,792	0
Trade payables	26,145	26,145	26,145	0	0
Convertible bonds	49,928	52,489	20,569	31,920	0
Derivative financial instruments	0	0	0	0	0
31 December 2015	**186,638**	**197,278**	**132,790**	**61,655**	**2,833**

All the parent company's liabilities, except convertible bonds, fall due within one year.

30. Operational leasing obligations

Minimum irredeemable operational leasing- and rent payments are as follows:

Group DKK 1,000	**2016**	**2015**
0-1 year	11,320	11,718
1-5 years	29,719	20,774
> 5 years	2,348	1,653
Total	**43,387**	**34,145**

The agricultural activity in foreign subsidiaries is partly carried out by ownership of farm land and partly by making leasing contracts. In Slovakia, the yearly rent is determined by the official unit of land valuation and in Romania as per agreement.

In the income statement for 2016 DKK 8.4 million was put to cost regarding land lease (2015: DKK 8.2 million)

Per 31 December 2016, FirstFarms has leased an area of 8,800 hectares in Slovakia, distributed on 10,100 land lease contracts with a currency of 1-15 years (2015: 8,800 hectares distributed on 10,100 land lease contracts).

In Romania leasing contracts have been entered for approx. 2,700 hectares of land to be cultivated in 2016/2017 (2015/2016: 2,400 hectares) with a currency of 1-5 years.

Furthermore, FirstFarms has entered agreement about operational leasing of machines with an annual cost of approx. DKK 7.6 million (2015: DKK 4.0 million) with a currency of 1-3 years.

The parent company has entered agreement about operational leasing with yearly contributions of DKK 0.1 million (2015: DKK 0.1 million).

31. Related parties

FirstFarms A/S do not have shareholders with determinative influence on FirstFarms A/S.

FirstFarms A/S' related parties with determinative influence include the management and the Board of Directors of the company. Related parties also include the company where the above mentioned persons have considerable interests. Besides remuneration, cp. note 6, no transactions with the Board of Directors and Management have been made in 2016.

For a description of receivables at related companies, see the balance sheet of the parent company and note 10 and 11 as regards to returns on accounts.

In 2016, FirstFarms A/S has invoiced group contributions etc. of DKK 0.3 million (2015: 0.3 million).

2016
At the end of 2016, Anders Holger Invest ApS, closely related to CEO Anders H. Nørgaard, has convertible bonds for DKK 2,101,648, Henrik Hougaard Invest ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 10,000,000, Thoraso ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 4,505,495, board member Bent Juul Jensen has convertible bonds for DKK 6,302,198 and NKB Invest ApS, closely related to board member Asbjørn Børsting has convertible bonds for DKK 1,000,000.

2015
At the end of 2015, Anders Holger Invest ApS, closely related to CEO Anders H. Nørgaard, has convertible bonds for DKK 1,351,648, Henrik Hougaard Invest ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 7,500,000, Thoraso ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 4,505,495. At the end of 2015, board member Bent Juul Jensen has convertible bonds for DKK 4,802,198.

32. Subsequent events

After the balance day 31 December 2016, no essential events for the Group's and the company's position have occurred.

In January 2017, convertible bonds for DKK 3.9 million are converted into 91,187 shares.

As per 24 March 2017, final agreement has been entered about take-over of Dan-Farm Holding A/S at a price of DKK 9.4 million. The take-over is expected to contribute to the turnover with approx. DKK 27 million (9 months) in 2017.

Final purchase allocation is not completed.

33. New accounting regulations

A number of new standards and interpretations, which are not mandatory for FirstFarms A/S at the preparation of the annual report for 2016, was issued, including IFRS 15-16 and IFRS 9.

The approved, not yet effective, standards and interpretations are expected to be implemented concurrently when they become mandatory for FirstFarms A/S according to EU's dates of commencement.

First Farms is in the process of analysing the impact of the new standards. The changes are not expected to have any significant impact on recognition and measurement for FirstFarms. However, it is estimated, that IFRS 16 will have some impact on the Group as the Group has minimum lease obligations in the range of DKK 43 million corresponding to approx. 8% of total balance sheet, which in the future potentially shall be recognised in the balance sheet. IFRS 15 in regards to recognition of turnover is not expected to affect the presentation of the financial statements.