

Report by the Chairman of the Board at FirstFarms' annual general meeting 23 April 2013

Dear shareholders,

Welcome to FirstFarms' annual general meeting. I am pleased to see so many shareholders and interested parties in attendance here at our new address in Billund to hear about FirstFarms. We are a total of 105 present today.

The year 2012

In 2012, FirstFarms realised a turnover of DKK 108.1 million, an EBIT result of DKK -27.7 million and a net profit of DKK -27.4 million.

Thus 2012 became a difficult year with a large disease pressure in the livestock, low milk price in Slovakia and low yields in the field production due to difficult weather conditions.

Hence the result is significantly lower than in 2011. FirstFarms was hit by a range of external factors, but this is however not the complete explanation, as we in especially our milk production should have realised a larger progress in 2012. Mid 2012, we appointed a new livestock manager, and we expect that we in 2013 will see the result of the changes implemented in the milk production.

After realisation of a surplus before tax in 2011 of DKK 10.8 million, the Board of Directors decided to initiate a process, which should lead to the appointment of a new CEO in the company. Anders Nørgaard joined the company per 1 June 2012, and it was assumed that the task was to get the company to grow. The bad results in 2012 has entailed that the task instead was to get the company profitable, especially the company's milk production, which still is not on the right level, although the latest months have shown progress.

Unfortunately, our production of crops was hit by very unfavourable conditions for production, and the company realised, as other crop producers in the area, low yields, also lower than we expected before the harvest. The yields were more affected by the drought than we had estimated.

The milk production also developed negatively compared to the expectations, and we have replaced the management in the livestock division. There have been some changes in the milk production and effort has been made against the significant spread of Mycoplasma in the livestock, so that we have pinned down the disease, and it is our assessment that the disease is now under control.

It has entailed that several changes has been made in the production and many cows have been slaughtered, and this has resulted in a decrease in the size of our livestock in 2012.

In 2012, FirstFarms was exposed to fraud in Romania, where 2 local employees had used some of the company's means for private purposes. The case is handed over to the police, and legal action is taken against the employees in question. It is an unfortunate situation, and changes of procedures have been implemented to minimize the risk in the future.

As Chairman of the Board of Directors, I take of course the responsibility for the company's negative results. As the largest shareholder and lender to the company, I have a large responsibility and obligation to provide a basis for a positive development of the company and its earning power.

The proposal for the changes in the Board has nothing to do with the company's earnings performance. It is not unnatural that renewal happens in a Board, this year it is just larger than normal, after many years without major changes.

After the financial crisis made its entry, it has not been possible to obtain the required financing. This means on the contrary that we today have a very low interest-bearing debt. The interest-bearing debt is at the end of 2012 DKK 91 million corresponding to 28 percent of the equity and 20 percent of the balance sum. FirstFarms has a solvency ratio of 68.

In 2012, FirstFarms realised a positive cash flow from primary operation of DKK 2.0 million, and this figure will hopefully increase significantly the coming years.

Development in the agriculture in 2012

In 2012, the milk producers had a difficult year with low settlement price, and Eastern Europe was hit by drought and low yields in the crop production. On the contrary, high settlement prices on the crops were seen in 2012.

The high crop prices have also entailed that the prices of fodder and other adjuvant have increased significantly.

In 2012, the agriculture in Denmark has still been under pressure due to large debt problems. This also involves other places in Europe, but in a lower extent.

It is my assessment that the agricultural industry again is on an onward trend in Eastern Europe, but the agriculture in Denmark will in the coming years still be under pressure as a consequence of the debt burden and the hesitation from the banks in lending to the industry.

The agricultural industry can also be influenced by changed subsidy rules from EU. It is my estimation that the agriculture in Eastern Europe, where FirstFarms operates, will be neutral or positively influenced by the changes, whereas the Danish agriculture will be affected by the changes. It is however too early to evaluate the changes, as the final implementation is not known yet.

Risk management

Agricultural operation is associated with a range of risks. The weather can have vital influence for the production, and also the terms of trade for agricultural products can have significant influence for the return when operating in agriculture.

Furthermore, there may be challenges with financing of the industry, which for the recent years has impacted the situation abroad as well as in Denmark. Please refer to the our annual report, for a close description of the risks associated with operation of agricultural companies.

The FirstFarms share

In 2012, the price on FirstFarms' share decreased with 29 percent, whereas the total smallcap-index increased with 3 percent.

Entering 2012, the price on FirstFarms' share was 46.20, while at the end of the year it was 32.80. It is undesirable and unsatisfactory to see a negative development in the company's share price. The closing price was 36.50 on 22nd April.

At the end of 2012, the market value of FirstFarms' share was DKK 154.6 million. In 2012, the average share turnover was DKK159,912 per business day. The turnover of the share is lower compared to the first years after FirstFarms was listed, but the share is still well positioned in turnover per business day in the smallcap-index.

The organisation

As mentioned earlier, FirstFarms appointed Anders Nørgaard on 1 June 2012 as new CEO.

The milk production developed unsatisfactory and the plant production was hit by drought, and with prospect of a significant worse result focus had to be changed from growth in the company to establish a profitable operation. Anders Nørgaard has reorganised both the organisation and the daily follow-up on production, and it is the Board's assessment that there is now a closer follow-up on the company's operation.

Furthermore, FirstFarms has appointed a new livestock manager to be the head of the company's milk production, and it is my assessment, that everybody work hard to get control of the disease pressure in the livestock and to get the production changed, so the milk production can reach a satisfactory level. We can identify progress, but the work is not yet finished.

In the plant production, we have had stability in our management in Slovakia and Romania. We are still working on expanding these units, as we here have a satisfactory cost level and thereby competitiveness.

We still need to work with trimming of the organisation, so that the earning power and the cost level in the company are optimised.

The future

In 2013, FirstFarms expects to realise an EBIT result of DKK 10-15 million.

The profit increase compared to 2012 is based on an expected normalisation of the crop yields and a price level a little lower than the market price at harvest 2012. Furthermore, an efficiency improvement of the milk production and a reduced disease pressure in the livestock is expected. A higher milk price is also expected.

Many Danes have launched agricultural projects in Eastern Europe and with the economical crisis and the decreasing price on the land in Denmark the recent years, there are a number of farmers who has a need for the possibility to get capital released and get a valuation of their foreign activities.

If there are companies that match FirstFarms' future development, it can be a possibility to merge with one or more of these companies. FirstFarms will thereby be able to reach a larger volume to cover the cost base, which a listed company has. Depending on the company, it could also contribute to ensure a risk spread in FirstFarms, i.e. by take-over of new production branches like pig production.

A given merger will need to be carried out in a way that the main part of the payment shall be made through acquisition of debt and issuance of new shares in FirstFarms A/S. These shares can then after a period be sold on the market, just as the shares are continuously valued at the stock exchange.

It is my assessment that an expansion of FirstFarms through mergers will contribute to increase the interest for the company and give a larger volume in the trade with the share.

However, I would like to underline that focus is on establishing a satisfactory operation for the company, and the first milestone is to realise the announced expectations for 2013.

Conclusion

Finally, I would like to thank the employees for their contribution, and I would like to thank my colleagues in the Board for a good cooperation in 2012. I want to thank Kjeld Iversen, Jens Møller and Peder Mouritsen, who are not running for re-election to the board, for their contribution.

Of course, I will also thank the company's shareholders and other interested parties for the interest you are showing towards the company.

Thank you for your attention.