

Report by the Chairman of the Board at FirstFarms' annual general meeting 26 April 2016

Dear shareholders,

Welcome to FirstFarms' general meeting. I am pleased to see once again a good support to the company's annual general meeting here in Billund. We are a total of 61 present today.

The year 2015

In 2015, FirstFarms realised a turnover of DKK 111.8 million, an EBIT result of DKK -14.7 million and a result before tax of DKK -22.5 million.

The result in 2015 is unsatisfactory but shall however be seen in the light for the lower prices of agricultural products and the drought in Central- and Eastern Europe.

Like all other milk producers we have been affected hard by the decrease in prices on milk in 2015. The decrease in price already started in 2014, and it has developed further during 2015. The milk quota was terminated from April 2015, and the milk production in Europe has increased significantly contemporary with the Russian market still being closed and China has less purchase.

The low milk price has entailed a decrease in revenues compared to the budget of approx. DKK 9 million, and the development in the milk price is one of the elements, why we have had to downgrade our expectations during 2015.

The other element is the drought in Central- and Eastern Europe, which have had significant negative influence on our result in our centres in Slovakia and West Romania, whereas our centre in East Romania has had satisfactory yields.

In Slovakia, it was especially the harvest of maize and sugar beets which were affected the hardest. The yields were reduced by half compared to 2014. In West Romania, it was maize and sunflower which have very low yields. The maize yield was reduced by half compared to 2014 and the yield from sunflower decreased with one third.

In total, we are missing revenues for approx. DKK 17 million compared to budget, due to the low yields in the two centres.

In 2015, FirstFarms has invested in a silo plant in Romania with a capacity of approx. 10,000 tons. Furthermore, land has been bought under sites in Slovakia as preparation for possible expansion of the livestock and a new crop centre. Also agricultural land in our 3 operating areas has been bought.

Machinery has been bought for our centre in West Romania, otherwise the machine investments in 2015 have mainly been replacement of the machine park.

In 2015, FirstFarms offered the bond owners a one year prolongation of the duration until March 2017. Bond owners for DKK 31 million accepted this offer. Conversion rate and interest remained unchanged.

Development in the agriculture

2015 was a very difficult year for the agriculture in both Denmark and the rest of Europe. The price on agricultural products has decreased, and it is not possible to make a profit on milk production with the present prices.

2016 will also be a difficult year. There is still a very low milk price and the supply of milk has increased significantly after the termination of the quota from April 2015. The demand has not increased equivalent. The prices on other agricultural products are at the same time under pressure.

The FirstFarms share

In 2015, the price on FirstFarms' share decreased with 7.8 percent from 44.60 at the beginning of the year to 41.10 at the end of the year. The total smallcap-index, which FirstFarms is a part of, increased with 20 percent in 2015.

It is obviously not satisfactory for our shareholders that the share price has decreased, but it must be seen in connection with very challenging market conditions in the agriculture.

The average turnover in the share was in average approx. DKK 215,000 per business day, which is lower than in 2014 (DKK 244.000).

The organisation

The management group with Anders Nørgaard in front has been unchanged in 2015, and we expect that it will be a stable management group the coming years.

In general there has also been a reasonable level of staff turnover in the production in 2015. The challenge in the milk production entail, however, that we have changed the organisation regularly and continuously will adapt it to the present market conditions.

Letter of intent with AP Pension

On 21 April 2016, FirstFarms entered a letter of intent with AP Pension about sale of approx. 3,000 hectares of land and a renting agreement on the land for 10 years.

A frame work agreement of up to DKK 375 million has been entered. Initially, we aim towards sale of land and buildings for approx. DKK 125 million. This agreement gives good opportunities for future growth in FirstFarms.

As I mentioned in my report last year, it is the company's goal to have the right to cultivate the land, either through renting contracts or by ownership. It is still cheaper to rent the land than to own the it from a operating economic point of view. The agreement with AP Pension gives possibility to create larger growth in FirstFarms through both renting and owning land. It will give the company possibility to achieve the strategic goals about further growth.

At the same time, the agreement gives FirstFarms preemptive right to buy back the land in 10 years, if AP Pension does not want to prolong the cooperation.

The agreement with AP Pension is expected to entail a significant profit in 2016, and this profit is achieved by selling the land significantly above the booked value. The land price has increased since

the purchase in the years 2007 and 2008. The land included in the first part of the agreement with AP Pension is in the Eastern part of Romania.

The 3,000 hectares with appurtenant buildings are expected to release approx. DKK 125 millions, which can be used for expansion of the operation, increase of the financial resources, purchase of own shares, for dividend or for acquisitions

The future

In 2016, FirstFarms expects an EBIT result in the level of DKK 0 million.

The expectation is based on a low milk price and a stable milk production along with normal harvest yields. Crop prices are expected to be on par with 2015.

When the agreement with AP Pension is carried out, the result will be increased with approx. DKK 25 millions, depending on how large a part of the agreement is completed in 2016. Final due diligence of the agreement with AP Pension is expected to be carried out during 3-4 months.

The agreement with AP Pension will give us possibility to focus on growth, especially in our operation centres in Romania, and thus closer to the goal of operation of 10,000 hectares in each of the two centres.

FirstFarms wants to expand the activity further. It can be carried out by expanding the cultivated agricultural area, especially in Romania or by expansion of the animal production. It can be done by renting new areas, purchase of land or take-over of or merger with other companies.

It is crucial for FirstFarms to secure the right to cultivate the land and to be able to work on having part in the subsequent value increases. It can be done by purchase of land or by entering or purchasing rent contracts.

It is a part of FirstFarms' business strategy to purchase land in smaller parcels and make swaps of land in preparation for compacting the land in larger operating units. It will optimise the operation of the land and the value of the land will also increase.

The agreement with AP Pension is an example of a possibility for sale of compacted land with agreement to rent it back, so that FirstFarms maintains the right to operate and has possibility to repurchase the land. It releases capital and gives possibility to expand the company's activities. At the same time, the pace of purchase of land in smaller plots can be increased compared to today.

It is still the ambition that FirstFarms shall grow through mergers or acquisitions, perhaps with other Danish companies, which have invested in our market areas in Eastern Europe. FirstFarms constantly explores the possibilities, and we also experience a larger interest from other parties than earlier. It is my assessment that the company can now be an attractive merger partner or exit possibility for other agricultural companies in our market area.

The agreement with AP Pension secures the company the necessary financial resources to expand the activities.

The Board of Directors asks the general assembly to approve a prolongation of the authorisation to issue new shares – with or without pre-emption right for the present shareholders. It is my and the Board's assessment, that this tool can be necessary in order to get mergers with other companies to succeed.

Conclusion

I would like to thank all the employees in the company for the effort in 2015, and my colleagues in the Board for a good cooperation

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.