

Report by the Chairman of the Board at FirstFarms' annual general meeting 25 April 2017

Dear shareholders,

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

The year 2016

In 2016, FirstFarms realised a turnover of DKK 130.3 million, an EBIT result of DKK -2.8 million and a result before tax of DKK -12.5 million.

The result in 2016 is unsatisfactory but shall however be seen in the light of the challenges, which the low milk price has entailed in large part of 2016.

Like all other milk producers in Denmark and most of the world, we have been affected hard by the very low prices on milk in 2016. The low milk price has entailed a decrease in our revenue compared to the budget with DKK 7 million and over DKK 20 million compared to a normal year like 2014.

The harvest in 2016 was very satisfactory, and the higher yields have provided higher revenues than budgeted – even taken into account that the prices were a little lower than budgeted. Overall, we came out with a result in the field production in line with the expectations.

In 2016, FirstFarms has invested in land in especially East Romania. We are still working on our strategy to increase the size of the individual operating centers. There have also been regular maintenance investments in the machinery in our 3 operating centers.

In 2016, FirstFarms offered bond owners a prolongation of the maturity until December 2018. Bond owners for DKK 27 million accepted this offer, whereas bond owners for just under DKK 4 million chose conversion of the bonds with effect from 2 January 2017.

In addition, new convertible bonds were subscribed for DKK 32 million to strengthen liquidity preparedness and to ensure the possibility of purchases or development of our current business. These bonds have expiry in December 2020. Our funding structure is satisfactorily compounded and I think we are well-equipped for the future.

Purchase of Dan-Farm Holding A/S

On 2 November 2016, FirstFarms entered a conditional agreement about purchase of the shares in Dan-Farm Holding A/S, a Danish holding company, which owns 80 percent of a pig production in Hungary with 2,200 sows and an annual production of 70,000 piglets and 5,000 slaughter pigs.

End of January 2017, the final price was determined after a complete due diligence, and the agreement was finally implemented in March 2017.

The payment for the shares and the financing of the repayment of the shareholders' subordinated loans comes through a directed issue to owners of Dan-Farm Holding A/S. Through this issue, new

shares will be issued in FirstFarms and new convertible bonds will be subscribed in FirstFarms A/S with expiry in December 2020. At the same time, a small amount of cash is paid from the daily operating limits. The former shareholders of Dan-Farm Holding are shareholders and bond owners in FirstFarms today.

Subsequently, FirstFarms has negotiated and bought the remaining 20 percent of the shares in the pig production in Hungary from the IØ Fund. The purchase price is the booked equity value per 31 December 2016, and the purchase price carries interest until payment – at the latest in 2019.

It is an important step for FirstFarms to go into pig production. It will give more risk spread to be in more sectors, and I think the pig prices will be favourable for the next couple of years. Morten Knudsgaard, director of the former Dan-Farm, continues in FirstFarms in charge of the pig production. We are looking forward to the cooperation with Morten and his team and expect a lot from our possibilities within pig production.

Development in the agriculture

2016 was a very difficult year with low milk prices, which did not change before at the end of the year, whereas the pig prices were a bit more satisfactory.

The prices on grain products were relative low in 2016, whereas the prices on oil seed were more satisfactory.

2017 looks more reasonable with better prices in the milk production, and the pig prices are also satisfactory. I expect 2017 to be a better year for the agriculture as a whole. Even with some “holes” to close. Despite the difficult years, I estimate that FirstFarms has an updated and well-trimmed production system, where we do not have an investment backlog.

The FirstFarms share

In 2016, the price on FirstFarms’ share increased with 16.5 percent from 41.10 at the beginning of the year to 47.90 at the end of the year. The total smallcap-index, which FirstFarms is a part of, increased with 6 percent in 2016.

The average turnover in the share in 2016 was DKK 107,850 per business day, which is lower than in 2015, where it was DKK 215,000 per business day.

The organisation

The management group in FirstFarms with Anders Nørgaard in front has again in 2016 been unchanged, and we expect that it will be a stable management group the coming years, now also with Morten Knudsgaard as head of the pig production in Hungary.

In general, there has also been a reasonable level of staff turnover in the production in 2016. However, we still have carried out adjustment in the milk production. As all other milk producers, we have had intense focus on the costs, due to the low milk prices.

We feel that the demand for work power is increasing at the companies around us, especially in Slovakia. This places great demands on our HR-management and reputation. Thus, we have extra focus on HR and education, so we are an attractive workplace and can attract skilled labour.

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 cooperation agreement with rent of the land for 10 years. The agreement also includes a cost allocation base for the profit of land at termination of the cooperation.

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.

At the same time, the agreement gives FirstFarms preemptive right to buy back the land in 10 years, if the parties will not prolong the cooperation.

The agreement with AP Pension has been dragged significantly more than we expected, as many legal and accounting advisors are involved. We are still working on the final details of the agreement and it is my expectation that a final agreement will be signed within the next couple of months.

The agreement with AP Pension is expected to entail a significant profit in 2017, and this profit is due to the fact that the land is sold at a price, which is significantly above the booked value.

The future

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

The expectation is based on a milk price of DKK 2.50, a stable milk production and normal harvest yields. Crop prices are expected to be on par with 2016. Good prices and a stable production of piglets are expected in Hungary.

An implementation of the agreement with AP Pension will increase the result. The amount will depend on how big a part of the deal will be finally carried out in 2017.

The agreement with AP Pension will give us possibility to focus on growth, especially in our operation centre in East Romania, and to carry out possible expansions of the pig production with slaughter pigs by fattening the piglets ourselves and increasing the number of sows

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

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.

It is still the ambition that FirstFarms shall grow through mergers or acquisitions, perhaps with other Danish agricultural 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. The model with Dan-Farm Holding has shown, how it can be carried out.

Conclusion

I would like to thank the management and all the employees in the company for the effort in 2016, 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.