

## **Report by the Chairman of the Board at FirstFarms' annual general meeting 28 April 2020**

Dear shareholders,

Welcome to this year's somewhat unusual general meeting in FirstFarms. Thank you for watching.

Me and CEO Anders Nørgaard are looking forward to taking you through the year passed and our expectations to 2020.

### **COVID-19**

COVID-19 impacts the everyday life in almost the entire world at the moment – also at FirstFarms.

We have so far been able to deliver milk, piglets and slaughter pigs to our customers, and I hope and believe in that we can maintain this.

However, there is considerable uncertainty in the markets at the moment, and the long-term effects are difficult to assess.

Threats occur unpredictably and create uncertainty.

Thus, we have in the Board of Directors decided, that no dividend shall be distributed for the 2019 financial statements, despite the fact that we had plans to do so.

### **Sustainability**

To be able to run agriculture in the future, we need to be adaptable.

When this corona-crisis is over, we must be prepared to live up to the demands of the consumers.

Sustainability will still be in focus.

FirstFarms contributes to, and approves, the development towards a more sustainable agriculture. We believe in the sustainable agricultural production and it is our goal to reduce our impact on climate and nature.

### **The 2019-result**

In the Board of Directors, we look at the result in 2019 with satisfaction.

Especially, the pig production contributes to a satisfactory result, due to a high efficiency and high prices on pork meat – not at least in 2nd half year.

In 2019, we carried out the purchase of Hospoda Invest A/S. Hospoda owns the Slovak company JK Gabčíkovo s.r.o., which operates a combined pig- and crop production in Slovakia. As expected, the take-over of Hospoda has contributed positively to the result of the year in 2019.

Our crops were affected by lack of rain some places and flooding other places. This resulted in bad growth conditions and thus unsatisfactory yields on more of our production sites. The total result for our plant production, across the three countries, was just below budget.

The milk production gave challenges in 2019. Even the efficiency in the milk production has developed satisfactory, we must realise, that the result in total did not meet the expectations.

The land is one of the most significant foundations of our business. FirstFarms has a land portfolio of 9,200 hectares of owned land and more than 10,500 hectares of rent contracts. A total of nearly 20,000 hectares in rotation.

The price on agricultural land in Eastern Europa is increasing. All our owned land is booked at purchase prices and not market prices. Therefore, we assess that there is significant added value of minimum DKK 270 million in addition to the booked value of DKK 346 million.

### **The FirstFarms share**

I would like to put a few words on our share.

The price on the FirstFarms share increased in 2019 with 43.3 percent from 46.40 at the beginning of the year to 66.50 at the end of the year.

The total smallcap-index, which FirstFarms is a part of, increased in 2019 with 8.5 percent.

The turnover in the share per business day in 2019 was in average DKK 281,548, which is significantly higher than in 2018, where it was DKK 93,382 per business day.

I am happy about the price increase and the larger turnover in the share, although I am aware that the share price has decreased in 2020.

### **Remuneration**

FirstFarms' general guidelines for incentive payment of management was approved at the company's annual general meeting in 2019.

The allocated bonus to the company's CEO and the warrants allocated are within the the frames of the company's general guidelines for incentive payment of management.

The Board of Directors is getting a fixed remuneration, which can be seen in the annual report.

### **Expectation to 2020**

Finally, I would like to talk about the expectations to – and plans for – 2020.

We have announced the expectations for 2020, although we are aware of a significant uncertainty.

The most signification assumptions for the result are the following:

- 1) We expect, that the pig prices will fluctuate, but that 2020 will be a good year for pig production.
- 2) We expect, that the milk prices will increase slightly, and that the efficiency in our milk production will continue to improve.
- 3) We expect, that the prices of sales crops will be on par with the realised prices in 2019.

We expect an EBITDA result in the level of DKK 80-105 million and an EBIT result in the level of DKK 30-55 million.

On 27 March 2020, FirstFarms has entered a conditional agreement about purchase of AISM Srl., who owns 2,430 hectares of cultivated, leased out agricultural land in Romania, a modern silo plant with 6,000 tons storage capacity, feed mill and storage- and office facilities.

We have purchased land in Eastern Romania, and as we expand our land portfolio and thus the crop production, we are working on optimising our silo- and storage capacity to increase value in our sales crops.

In 2019, investments in new silos in Eastern Romania were initiated – these are ready for use this year.

In 2020, the silo capacity for coarse fodder for the dairy cows in Slovakia will also be expanded.

In Western Romania, we have decided to restructure our field operations, so no operation is expected in this centre in 2021. The land is put up for sale and expected sold this year.

All in all, there is a reasonable picture in 2020. Although our company so far has only experienced a minor financial impact as a result of COVID-19, we must in 2020 be prepared for the unpredictable consequences that can arise.

### **Conclusion**

I would like to thank FirstFarms' shareholders and other interested parties for the support and interest you are showing towards the company.

I will also thank the management and all employees in FirstFarms for the effort in 2019 and my colleagues in the Board for a good cooperation. Especially a big thank you to Bent Juul for the great contribution made over the years in the Board of Directors.

Thank you for your attention.