Annual report 2018

FirstFarms A/S
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DK-7190 Billund
CVR: 28 31 25 04
Registered office: Billund

FirstFarms A/S

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

Financial year: 1 Jan. – 31 Dec.

Board of directors

Henrik Hougaard (Chairman)

Asbjørn Børsting (Vice chairman)

Jens Bolding Jensen

Bent Juul Jensen

Management

Anders H. Nørgaard

Auditors

PricewaterhouseCoopers

Platanvej 4
DK-7400 Herning
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Content

About FirstFarms

FirstFarms is a Danish public limited company, which acquires and manages agriculture in Eastern Europe. We develop individual farms to modern and sustainable businesses that deliver milk, meat and grains of the highest quality to dinner tables all over the world.

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

Facts about FirstFarms A/S

Number of employees

279

Turnover 2018

DKK 249 million

Cultivated land

18,600 hectares

Produced feed

250,000 tons

Silo capacity

70,000 tons

Corn and silage

2.500 cows

2.500 young stock

2.500 sows

83.000 piglets

50.000 slaughter pigs

FirstFarms' DNA

RESPONSIBILITY | PASSION | RESPECT

FirstFarms acquires and manages agriculture in Eastern Europe. We develop individual farms to modern and sustainable businesses that deliver milk, meat and grains of the highest quality to dinner tables all over the world.

We manage agriculture with knowledge and ambitions
We are farmers with expertise and experience. We are passionate about working with the soil, animals and machinery, and we have extensive knowledge of the areas we operate in, the agricultural produce we make, and those markets we produce to.

Talent is an obligation, and as a consequence we set our level of ambition high. FirstFarms' ambition is to become one of Europe's best agricultures in terms of revenue and efficiency within a few years. We will reach our goals owing to our engagement, knowledge and diligence. By being respectful to our surroundings and running proper and responsible agriculture.

We manage agriculture with respect for the soil and animals
It is important to us that our fields make a good appearance. That the crops stand evenly and our machines and tools look great. We are filled with pride when we see our fields. We make an effort – every day.

We focus on animal welfare. All our employees are trained to ensure good living conditions for our animals. We treat our animals well – every day.

We manage agriculture with respect for people and surroundings
We have great working conditions. Many of us have been good colleagues for many years and will continue to be so for years to come. New, good colleagues join because they have heard that we have a great workplace.

We are great neighbours, too. We run large-scale farms but we will never be too large to take an active part in the local community, and we behave properly.

We manage agriculture with respect for our shareholders
The distance between thought and action is short in FirstFarms' stables and fields. When it comes to investing in the agriculture of tomorrow – when we manage the trust and capital our shareholders confide in us – we do it meticulously and with due care.

FirstFarms invests in soil, animals and property – all tangible assets. No pipe-dreams, no quick-fixes or quick buck. Instead, our investment strategy is characterised by due care. We are careful, considerate, and we think long-term strategically. We diversify risks so neither our business nor the shareholders' capital will be heavily influenced by local 'issues'.

We have an exchange platform and we are proud of it. It is an obligation and our ambition is to provide our shareholders with an attractive dividend.

Summary 2018

- FirstFarms realised a turnover of DKK 248.9 million and an EBITDA of DKK 57.5 million, which is a growth of 30 percent in turnover and 31 percent in EBITDA. The prosperity is mainly due to the company's growth strategy.

- EBIT result is DKK 26 million and pre-tax result is DKK 12 million. The EBIT result is improved by DKK 9 million compared to 2017. The takeover in May 2018 of the pig production in Czech Republic has contributed positively to the result; including recognition of negative goodwill of DKK 5 million.

- In 2018, FirstFarms realised a result after tax of DKK 8,131 million and the board of directors recommend that DKK 3,264 million (DKK 0.53 per share) is distributed as dividend which is 40 % of the annual result.

- In 2018, FirstFarms has successfully expanded the growth strategy about spreading of risk both geographically and in operation branches. Thus, there is a balanced distribution of the production.

- The result is considered satisfactory, especially seen in connection with the challenging market conditions, which the pig sector has been affected by.

- FirstFarms purchases, develops and operates agriculture in Eastern European EU-countries within the operation branches fields, cows and pigs. The farms are located with up to 1,500 kilometres distance in Czech Republic, Slovakia, Hungary and Romania. This gives a strategic safeguard against the risks, which an agricultural production can be affected by.

- FirstFarms has a land portfolio of more than 7,000 hectares of owned land and more than 11,000 hectares rent contracts – totally 18,605 hectares of arable land in operation.

- During the financial year, a farm was purchased in Czech Republic with production of slaughter pigs divided on two different locations with a total production of 72,000 slaughter pigs per year. The production basis for the crop production in Czech Republic is 1,150 hectares, of which 929 hectares are owned land.

- In 2018, FirstFarms has improved the cash resources significantly through new bank agreements. Thus, there is latitude for investment in further growth.

- The price on agricultural land in Eastern Europe is increasing.

- A large part of the value creation happens through development of the land portfolio. All owned land is booked at purchase prices and not market prices. The main part of the land has been in our ownership for over 10 years. FirstFarms thus assesses that there is significant added value regarding the land for DKK 225 million after tax in addition to the booked equity of DKK 370 million.

Financial highlights and key ratios

Financial highlights for the Group 1.000 kr.	**2018**	**2017**	**2016**	**2015**	**2014**
Net turnover	248,876	190,666	130,257	111,841	125,008
Gross profit/loss	36,664	28,176	7,330	-5,547	22,862
Result before depreciations (EBITDA)	57,499	43,748	24,520	9,101	41,211
Profit/loss from primary operations (EBIT)	25,863	17,100	-2,771	-14,657	19,172
Net financial items	-14,344	-12,106	-9,750	-7,806	-7,673
Pre-tax result	11,519	4,994	-12,521	-22,463	11,499
Net profit	8,131	3,359	-12,957	-21,977	8,827
Proposed dividend	3,264	0	0	0	0
Non-current assets	596,488	475,165	396,403	402,254	393,584
Current assets	178,044	141,426	119,112	123,692	112,264
Total assets	774,532	616,591	515,515	525,946	505,848
Share capital	61,594	51,376	47,122	47,122	47,122
Equity	370,118	315,073	292,823	306,173	328,730
Non-current liabilities	289,870	187,184	95,059	70,137	96,985
Current liabilities	114,544	114,334	127,633	149,636	80,133
Cash flow from primary operation	24,307	25,813	-8,333	-832	4,382
Cash flow from operating activities	9,269	12,580	-16,328	-8,811	-3,785
Cash flow from investment, net	-40,158	-30,103	-17,672	-25,139	-6,367
Of which for investment in tangible assets	-42,458	-45,757	-23,057	-38,493	-49,375
Cash flow from financing	28,360	20,881	34,381	-14,332	-2,593
Total cash flow	-2,529	3,358	381	-48,282	-12,745
Key ratios for the Group					
Gross margin	14.7	14.8	5.6	-5.0	18.3
EBITDA margin	23.1	22.9	18.8	8.1	33.0
Operating margin	10.4	9.0	-2.1	-13.1	15.3
Solvency ratio	48	51	57	58	65
Earnings per share, DKK	1.32	0.65	-2.75	-4.66	1.87
Diluted earnings per share, DKK	1.32	0.65	-2.75	-4.66	1.5
Dividend per share	0.53	0.0	0.0	0.0	0.0
Return on shareholders’ equity	2.4	1.1	-4.3	-6.9	2.7
Average number of employees	279	257	214	211	204

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 2016".

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
EBITDA margin	(EBITDA x 100) / Turnover
Operating margin	(Profit/loss from primary operation x 100) / Turnover
Solvency ratio	(Equity x 100) / Total assets
Result per share	Net profit / Number of shares
Diluted result per share	Net profit ex. minority interests / Diluted number of shares
Dividend per share	Proposed dividend / Number of shares
Return on equity	(Net profit x 100) / Average equity
EBITDA	Profit/loss from primary operation (EBIT) added depreciations

Expectations 2019

FirstFarms expects a strong 2019 with a growth in EBITDA result to the level DKK 55-60 million and i EBIT result to the level DKK 25-30 million.

We expect, that 2019 will be a lucrative stable year for milk- and crop production in EU. Due to the current market situation, we must expect that the pig production in first half of 2019 will be challenged with low sales prices and high feed prices, but we also expect that the prices will improve in second half year of 2019.

An important focus area for FirstFarms in 2019 will be to work on expanding the pig production with more produced piglets and slaughter pigs and optimising the operation in the milk production. We expect to expand the crop production with a smaller area, just as we will expand our storage facilities for crops, so we can increase the value of a larger part of the sales crops.

Milk- and pig production and prices
In 2019, FirstFarms expects to deliver 25.2 million kg milk at a milk price of DKK 2.53 per kg. We assess that the milk production per cow will be at a satisfactory and increasing level and with an unchanged number of cows.

We expect to sell 82,000 piglets and 73,000 slaughter pigs and to have an unchanged number of sows with increasing number of produced piglets. As to the prices, we expect a price of DKK 11.55 per kg pork and a basis piglet price (27 kg) of DKK 320 per piglet.

Crop production and prices
We expect that the prices on crops will be on par with FirstFarms' realised prices for 2018 (See figure 7;8;9).

The settlement prices for grain (wheat, rye, maize and barley), we expect to be in the level of DKK 90-120 per 100 kg – depending on the product and whether it is sold in Slovakia, Czech Republic or Romania.

The settlement prices for oilseed, we expect to be in the level of DKK 270-275 per 100 kg.

Investments and cash flow
FirstFarms has an ambitious growth strategy, and thus we have in 2018 focused on improving the cash resources significantly through new bank agreements. We have succeeded and we have thereby created latitude for investment in further growth. All investments are carried out in accordance with the strategy "Vision 2023", as presented in figure 1.

In general, our facilities are in good condition, but a large part of the investments in 2019 will constitute capacity- and profitability improving investments in the existing plants, buildings and machines. We will also invest further in agricultural land and land lease contracts. At the same time, we will initiate investments, which will improve our silo- and storage capacity for sales crops and feed and capacity in pig- and milk production. Larger projects according to the business model will be handled individually and are therefore not part of the normal daily operation and investment budget.

FirstFarms has prepared 5-years action plans for all our operation branches – including the individual crop productions and the animal productions (milk and pig). These action plans include all specific investment- and development plans and production permissions, which support FirstFarms' 5-year strategy "Vision 2023" and the related goals.

We have a clear long-term investment plan, and within this we contionusly carry out evaluation and prioritisation according to market potential, earning ability and risk.

Purchase of new productions is an important element in our growth strategy, and we are continuously on the lookout for new farms for our portfolio. In 2019, we have entered a Head of Terms about purchase of Hospoda Invest A/S, who owns 100 percent of the Slovak company JK Gabcikovo s.r.o. We expect significant synergies in proportion to our existing crop production in Slovakia and our pig production in Hungary and Czech Republic. The farm consists of a pig production of 2,300 sows with an annual production of 75,000 pigs, of which 40-45,000 are sold as piglets and 30-35,000 as slaughter pigs. The crop production consists of 1,500 hectares agricultural owned land.

The due-diligence process is expected to be finished in Q3 2019. At a takeover, it will have a positive effect on our expected results for 2019, which can be estimated after closing of the agreement, and are therefore not included in the current expectations for 2019.

Figure 1 – Vision 2023

Financial review

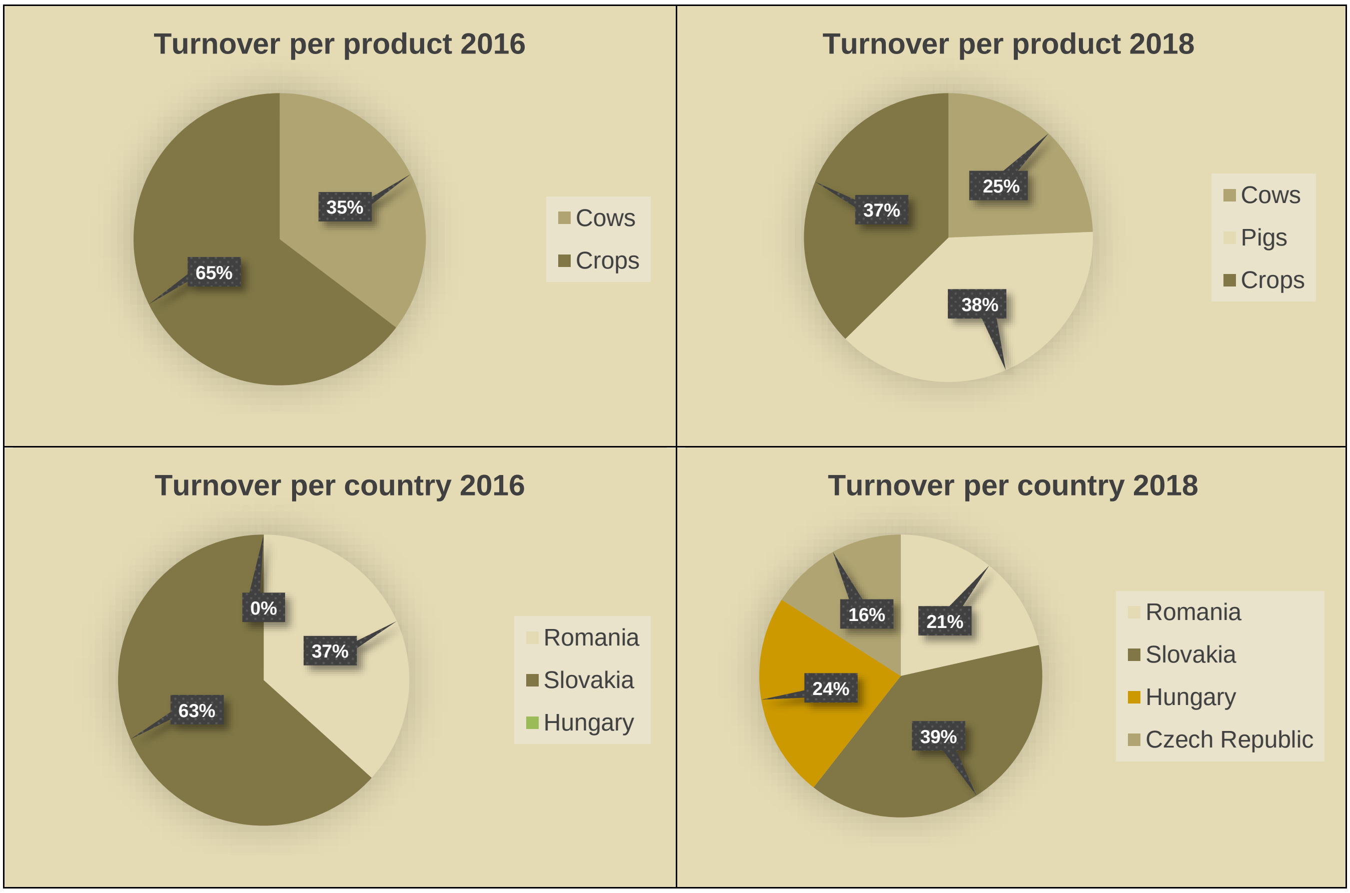
2018 was the year, where FirstFarms succeeded with the first part of our goal to become one of Europe's best agricultures in terms of turnover and efficiency. An agriculture that rests on sustainable frames, and that is risk balanced on geography and operation branches, so neither our business nor the shareholders capital will be heavily influenced by local challenges.

A key factor to succeed has been the expansion of our portfolio through purchase of pig production units in Hungary and Czech Republic. The purchases have entailed, that our total production and turnover entering 2019, compared to 2016, was balanced on geography in each of the four countries we operate in – Czech Republic, Slovakia, Hungary and Romania – and on operation branches, where we also are risk balanced with 25-38 percent of the production divided on each of the products milk, pigs and crops.

At the same time, our new production unit in Czech Republic is located in an area with large local demand for food. This means, that the production can be sold on a domestic market rather than having a longer transport to the detriment of animals and environment.

Overall, the geographical locations and the three operation branches ensure good risk spreading and expected stable earnings capacity, while at the same time there are significant potentials for expansion of the production within the existing operations branches.

Figure 2 – Segments – development from 2016 to 2018



Besides a focus on growth through purchases, we have in 2018 focused on streamlining and adjusting the operating organisation to development and optimisation of operations and projects. This has entailed, that the number of employees has increased and at the end of the year the number was 288 employees compared to 267 employees the year before. The employees are divided with 5, who by default work at the head quarter in Denmark, 152 in Slovakia, 65 in Romania, 44 in Hungary and 22 in Czech Republic.

Satisfactory result and turnover
As expected, FirstFarms has delivered a satisfactory result in 2018. We have realised a turnover of DKK 248.9 million (2017: DKK 190.7 million), an EBITDA result of DKK 57.5 million (2017: DKK 43.7 million) and a pre-tax result of DKK 11.5 million (2017: DKK 5.0 million). The takeover in May 2018 of the pig production in Czech Republic has contributed positively to the result; included recognition of negative goodwill of DKK 5 million.

The result corresponds to the announced expectations in company announcement no. 17 of 27 November 2018.

The turnover has increased significantly with 30 percent, just as the EBITDA has increased above expectation with 31 percent. The increase is occurred as a result of further purchase within pig production and improved profitability in existing production.

Overall, the result of the year is due to an efficient production and a persistent focus on costs as well as satisfactory milk- and crop prices. Therefore, we also consider the result satisfactory, especially in the light of the stressed pig sector, which in 2018 has been characterised of challenged market conditions, among other things in the form of African swine fever (ASF).

Crop production above budget
Overall, the result is above budget. We have in the crop production realised a very satisfactory result in East Romania, Czech Republic and Slovakia, whereas we in West Romania have realised a less satisfactory result. This is due to sale of crops during harvest, where there is harvest pressure on prices and thus lower sales prices.

The yields and sales prices are overall above budget, and we have realised satisfactory yields in the spring crops and acceptable yields in the winter crops.

Acceptable result for milk production
The milk price was satisfactory entering 2019 and stayed on budget through the whole year. Costs and efficiency in FirstFarms' milk production have been unchanged compared to the year before, just as we throughout 2018 has kept the herd stable. We have obtained an environmental approval for expansion of the herd and silo capacity, which entails that we in 2019 have possibility to carry out optimisations of the production plant.

A challenged pig production
The pig price was on budget during the first half of 2018, but the price then dropped drastically through the second half of the year. This is due to global pressure on the pork market. Overall, the pig prices have therefore been lower than budgeted, and the total result for the pig production is also below budget. As a counterweight to the challenged market conditions, we have had focus on increasing the efficiency in the pig production, and we have succeeded with this with unchanged production costs.

Solid foundation for future growth
As part of our growth strategy, we are constantly looking for opportunities to expand our business, for example through construction, purchases, mergers or operating optimisations. In order to create a better basis for future investments, we have in 2018 been successful in negotiating better terms and expanded the framework in our

bank agreements which means the result that the capital structure and the cash resources have been significantly strengthened.

As previously mentioned, we have during the year had focus on optimising the existing production, and therefore a free cash flow has been reserved, which makes it possible to utilise the strategic opportunities described in our action plans.

FirstFarms' investment strategy is characterised by timely care and we think strategically long-term. That is why we take pride in continuously increasing the value of our agricultural land. This is done through structured efforts through the purchase of land parcels, compactation of our soil, cleaning of channels and drainage, care of live fences and fertilising the soil. Our land portfolio has almost 7,300 hectares of registered land with a booked value of DKK 202 million (table 3, p. 16). All land owned has been booked at purchase prices and not market prices, and most of the land has been in our ownership for over 10 years. It is therefore our opinion that FirstFarms has significant added value regarding the land for DKK 225 million after tax in addition to booked equity of DKK 370 million.

Respect for animals, people and environment

FirstFarms operates agriculture with respect for animals, people and surroundings. Thus, we have in 2018 taken the first step towards the elaboration of our CSR-policy. In this connection, an evaluation of FirstFarms' processes and procedures were conducted with the aim to assess, which CSR-activities our company has already implemented or which ones we should initiate to support our sustainable agenda. As part of our strategic development, we will work more systematically with activities that support UN's Sustainable goals, including "Zero Hunger", "Climate action", "Life on land" and "Decent work and economic growth".

We also work on achieving optimal synergy between our operation branches with focus on sustainability. This means that the potential for development of the animal production must be seen in connection with development of the crop production. Among other things, we focus on storage capacity in order to optimise purchase and sale of crops and storage of feed in the harvest period. At the same time, it means that the crops have minimal transport from cultivation to consumption at animals or people.

Health and disease protection has high priority in all our operation branches. On a daily basis, we carry out procedures and preventive measures which are constantly updated to minimise risk factors. Many years ago, we took a strategic decision, that we must be able to navigate in a threat assessment as ASF without it will have serious impact on our ability to generate results. This is among the reasons why we have spread both geographically and in three different operation branches.

Public grants

Based on the Agricultural reform 2014-2020 from EU, and the reginal allocations of the grants, we expect that the EU-grants will increase in the future but also change in structure. FirstFarms continuously seeks to optimise the production within the framework of EU grants with focus on efficiency and sustainability.

FirstFarms receives a number of grants, which in 2018 in total constituted DKK 49.5 million, which is allocated with DKK 6.9 million to the milk production, DKK 6.1 million to the pig production and DKK 36.5 million to the crop production. In 2017, the total grant was DKK 42.4 million. At the end of the year we had a receivable grant of DKK 17.2 million compared to DKK 13.4 million at the end of 2017.

We receive grants for cultivation of the land in both Slovakia, Czech Republic and Romania, grant for the milk production in Slovakia and grant for the pig production in Hungary and Czech Republic. We have also received grants for investments in Slovakia from EU's structural funds, which are credited concurrently as the assets are depreciated.

Investments 2018
To expand the portfolio in pig- and crop production, which has been essential to be able to risk balance on geography and operation branches, FirstFarms has made a net investment of DKK 60 million in Czech Republic. It has been done by cash payment and issuance of new shares and convertible bonds to purchase of the shares in Tjekkiet Invest A/S.

Furthermore, FirstFarms has like in 2017, mainly carried out maintenance- and profitability improving investments in our existing operating plants, including an investment in maintaining replacement of our machine park. We have also purchased agricultural land in our operating areas, primarily in East Romania, which will improve our operation in 2019. In total, investments in material assets constituted DKK 49 million – of which DKK 11 million in land and buildings.

Interest-bearing debt and exchange rate adjustment
In 2018, we have entered into framework agreements with banks in Slovakia, Hungary, Romania, Czech Republic and Denmark. This has meant, that the debt structure has improved significantly, so the long-term debt accounts for larger part of the total debt compared to 2017. A satisfactory balance between short- and long-term debt has thus been achieved in 2018.

FirstFarms operates in Slovakia, Romania, Hungary and Czech Republic, and we are therefore influenced by fluctuations in the exchanges rate on EUR, RON, HUF and CZK. The uncertainty on EUR is considered limited, and since Denmark has a fixed exchange rate police in correlation to EUR, the DKK will only fluctuate within a fixed spread.

During 2018, the EUR has increased with 0.3 percent, RON increased with 0.2 percent and HUF decreased with 3.2 percent and CZK is in general unchanged compared to the time of take over.

The interest-bearing debt in FirstFarms is DKK 345 million, which corresponds to 93 percent of the equity and 45 percent of the balance sum.

Balance and cash flow
In 2018, the return on FirstFarms' equity was 2.4 percent compared to 1.1 percent in 2017.

Cash flow from primary operation constituted DKK 24.3 million compared to DKK 25.8 million in 2017.

Business model

FirstFarms is a stock exchange listed agricultural company. We create value for our shareholders by producing agricultural products of high quality with respect for our surroundings. Our business consists of four operation branches, which are crop production, milk production, pig production and development of the land portfolio. FirstFarms operates within Eastern European EU countries, which are characterised by the favourable market conditions, that form the basis for our company's constant development and growth. Market conditions are presented in table 1.

Table 1 – Market conditions in Eastern European EU countries

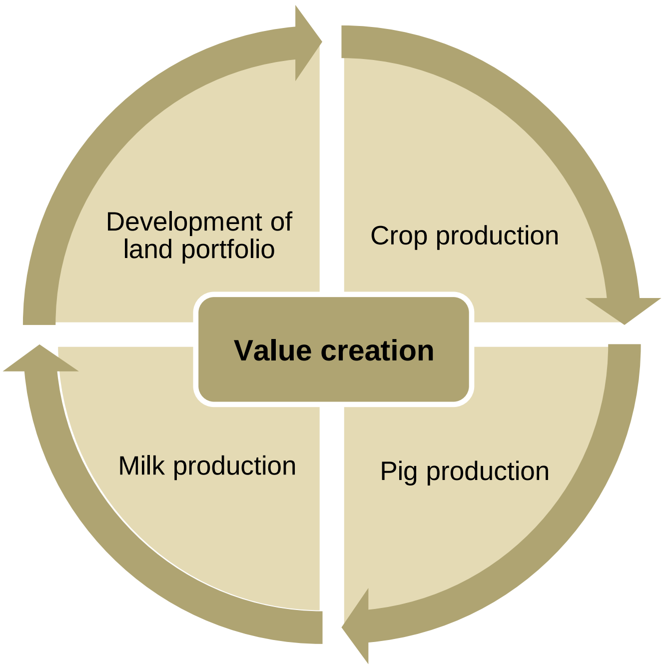
- ✓ Need for consolidation
- ✓ Wish for development locally
- ✓ Good framework conditions
- ✓ Local market
- ✓ Increasing demand
- ✓ Lack of know-how
- ✓ Weak capital structure/model

Source: FirstFarms

The land and herds are our most important assets and basis for the production, as well as our dedicated and competent employees.

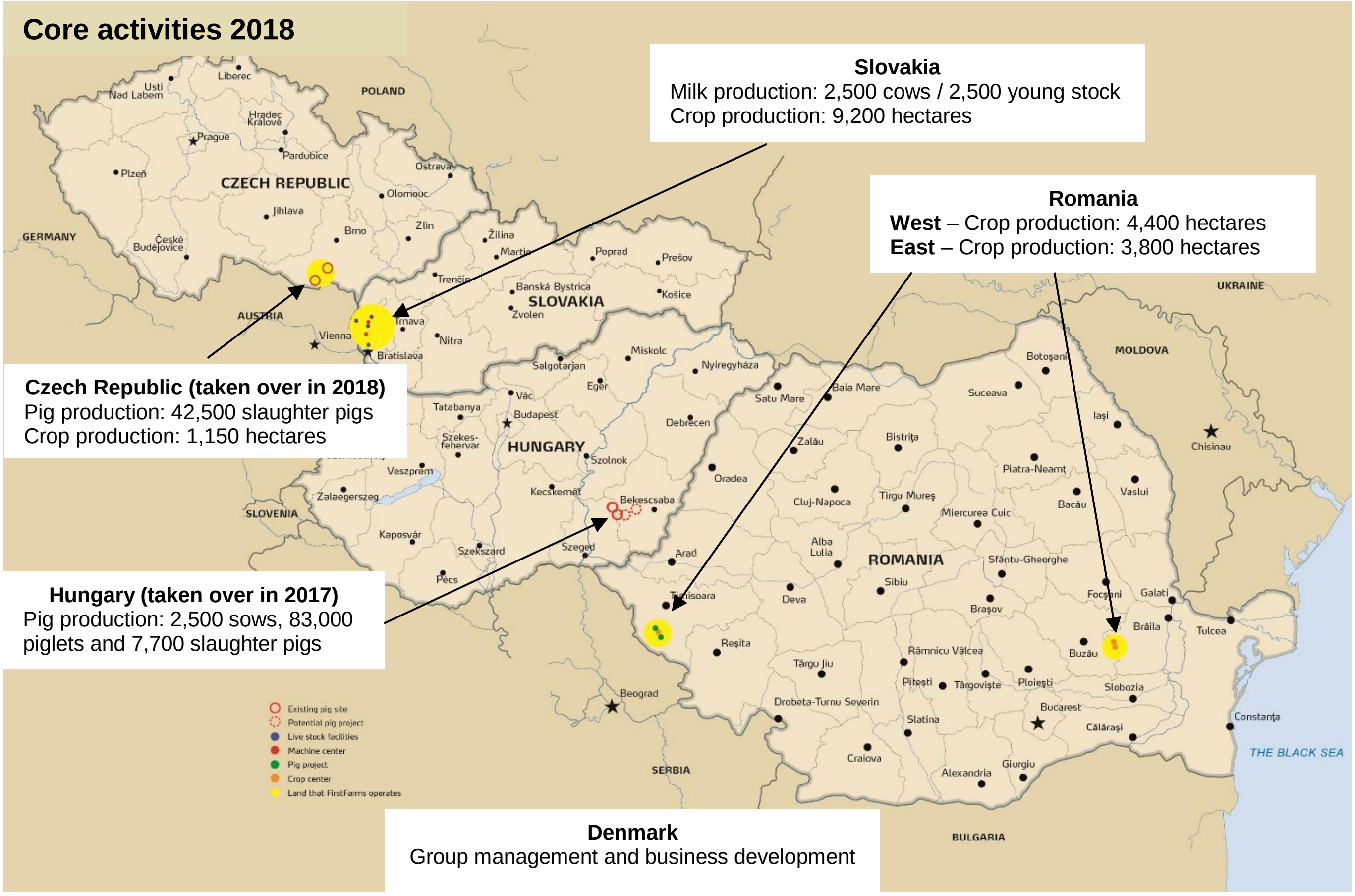
FirstFarms is a modern agricultural company. To produce quality products, we are using the newest production methods and technologies. We deliver our quality products to the modern food industry and to other agricultural companies for further production. In addition, we develop the land portfolio by purchase and compactation of agricultural land. This create a strong foundation for our business. FirstFarms' value creation is presented in figure 3.

Figure 3 – Value creation



The synergy between our operation branches is a high priority and is supported by purchasing and operating agricultures with a reasonable distance between each other. It allows us to cooperate across the units. Although some of the subsidiaries are geographically close to each other, there are still so large distances between the crop production units, that it provides a risk spread, as it is quite unlikely that all units will be affected by drought or flooding at the same time. The geographically location of the subsidiaries is illustrated in figure 4.

Figure 4 – Core activities and geographically location



Land portfolio

The foundation of the operation is the agricultural land, which is in ownership or rented. The land is purchased or rented in more than 13 years, and the operating value has continuously increased significantly. This value added on land – through land improvements and general value increase – is not included in FirstFarms' asset statements.

Trend in land prices

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.

Our assessment of market prices is based on knowledge of actual land transactions and official independent valuations. The valuation is influenced by several parameters, of which the most important are field size, quality and transaction size.

Table 3 – Value of purchased agricultural land

Booked value of purchased agricultural land	2018		Market prices mDKK	2017		2016		2015		2014	
	Hectares	mDKK		Hectares	mDKK	Hectares	mDKK	Hectares	mDKK	Hectares	mDKK
Slovakia	739	18	47	716	18	638	16	587	15	527	13
Romania	5,563	109	350	5,460	103	5,263	101	5,168	95	5,094	89
Czech Republic	929	75	75	-	-	-	-	-	-	-	-
Group total	7,231	202	472	6,176	120	5,874	117	5,755	110	5,621	102

Source: FirstFarms

It is FirstFarms' assessment, that the land prices in 2018 have been increasing.

The value of the land varies from area to area and according to quality and climatic conditions plus degree of compacting. The land in Romania is booked at DKK 19,638 per hectare compared to an estimated market price of DKK 63,000 per hectare, in Slovakia the land is booked at DKK 24,357 per hectare compared to an estimated market price of DKK 63,000, and in Czech Republic the land is purchased and booked at the valuar assessed purchase price of DKK 80,700 per hectare for the 929 owned hectares.

FirstFarms owns a total of 7,231 hectares at a booked value of DKK 27,935 per hectare with an estimated market price of DKK 65,000 per hectare. The total value is in the level of DKK 472 million compared to a booked value of DKK 202 million. The largest part of the land has been in our ownership in over 10 years. Thus FirstFarms assesses that there are significant added values for DKK 225 million after tax in addition to the booked equity of DKK 370 million.

Development in the land portfolio

FirstFarms has a land portfolio of 7,231 hectares of owned land and 11,374 hectares of rent contracts – a total of 18,605 hectares of agricultural land in operation. In 2018, there has been a growth in the cultivated area of 10 percent and 17 percent in the owned land compared to 2017.

Table 4 – Overview of agricultural land, hectares

	Slovakia		Romania		Czech Republic		Total	
	Cultivated	Owned	Cultivated	Owned	Cultivated	Owned	Cultivated	Owned
2018	9,219	739	8,236	5,56	1,150	929	18,605	7,231
2017	9,209	716	7,698	5,46	-	-	16,907	6,176
2016	9,249	638	7,289	5,26	-	-	16,538	5,901
2015	9,234	587	6,673	5,17	-	-	15,907	5,755
2014	9,266	527	5,300	5,09	-	-	14,566	5,621

Source: FirstFarms

FirstFarms always focuses on land improvements and compactation of the land in present areas and expansion in areas with potential good compactation and high-quality land close to present operation centres. The costs for this process is paid over the operation. FirstFarms has an average field size of 24 hectares in West Romania, 23 hectares in Slovakia, 60 hectares in East Romania and 40 hectares in Czech Republic. There is positive operating economy in increasing the field size and compacted location of fields. The latest purchase in Czech Republic has contributed to the total operating economy in FirstFarms.

In 2018, FirstFarms has purchased 23 hectares agricultural land in Slovakia, 103 hectares in Romania and 929 hectares in Czech Republic.

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 in Slovakia, 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.

In 2018, FirstFarms has also worked on compacting the owned land in the cultivation areas. At the same time, we are constantly working on registered ownership in land book. Only a marginal part of the land is not registered in land book.

Crop production

Potential for the crop production in FirstFarms is 2 operation centres of total 18,000 hectares in East and West Romania (operation in 2018/2019 is 8,200 hectares) and 15,000 hectares in Slovakia/Czech Republic (operation in 2018/2019 is 10,300 hectares). 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 prices on grain increased through 2018 and remained on a high level. The prices were influenced by a lower trading activity, but still a high harvest pressure. FirstFarms had according to the recognised policies chosen to store a significant part of the harvest and also partly sell a part during harvest 2018. This hedged that the price variations in 2018 has influenced the sales prices positively compared to budgeted sales prices. A significant part of the sales crops for the harvest 2019 has been sold, thus securing the budget prices for 2019.

In the crop production, FirstFarms realised a very satisfactory result in East Romania, Czech Republic and Slovakia, whereas West Romania realised a less satisfactory result. This is due to sale of crops during harvest, where there is harvest pressure on prices and thus lower sales prices.

In the growth season 2018/2019, all winter crops in Slovakia, Czech Republic and Romania are well-established, and there have been satisfactory amounts of rain until the end of 2018. The foundation is expected to be satisfactory for the yield in the crop production in 2019, as long as average amount of rain comes until harvest.

In 2018, the total cultivated area in Romania was 8,200 hectares; of these 3,800 hectares in East Romania and 4,400 hectares in West Romania.

At the end of 2018, totally 10,000 hectares of autumn crops have been seeded (2017: 9,700 hectares), and the crops have overwintered satisfactory.

There are ongoing improvements on storage capacity in all centres, as this minimises sale 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. Here is a crop center expected to be completed in first stage, so that the current rented facilities can be merged into one center in 2019.

There are also 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.

Milk production

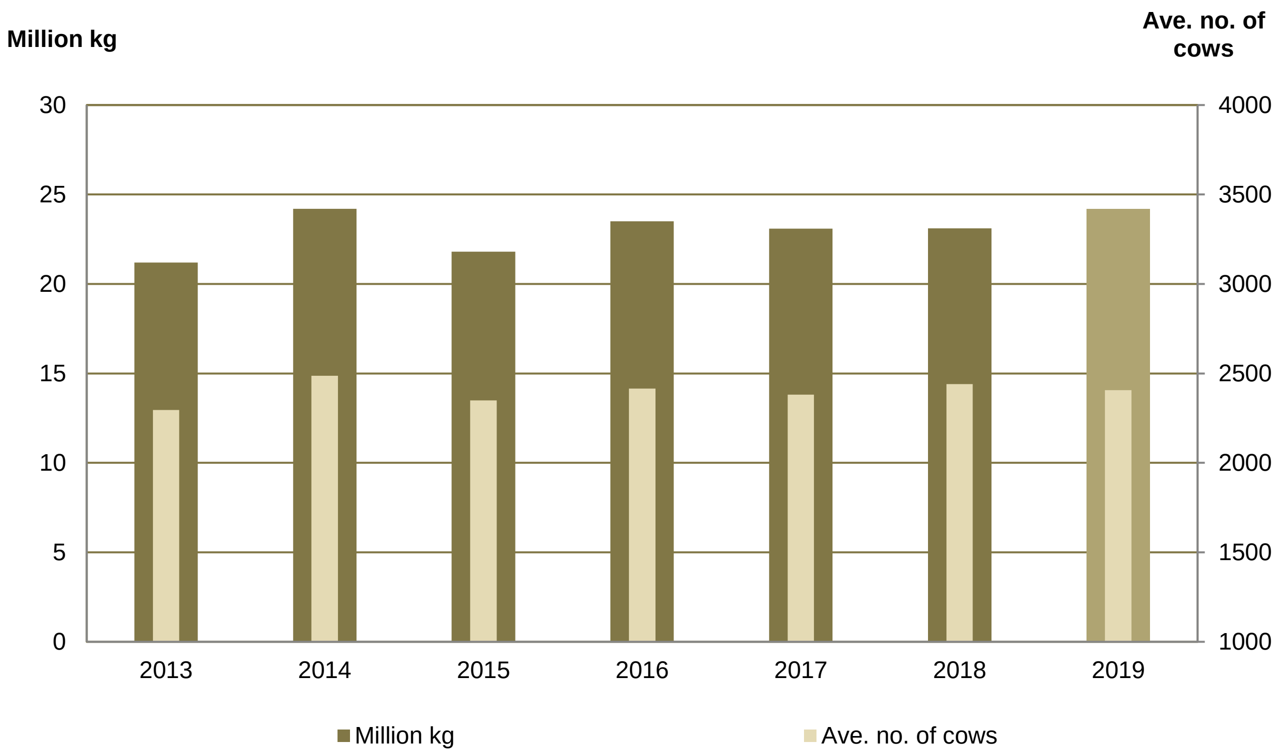
In 2018, FirstFarms has delivered 23.1 million kg of milk, corresponding to the production in 2017 (Figure 5). The production has in 2018 been unchanged compared to 2017; in the range of 29-30 kg sold milk per milking cow on daily basis.

Entering 2018, the milk price was at a satisfactory level and has in 2018 been in the range of DKK 2.27 to DKK 2.88. At the end of 2018, the price is at budgeted level. The average price constituted in 2018 DKK 2.50 per kg compared to DKK 2.52 and DKK 1.71 per kg in 2017 and 2016, respectively.

There is great focus on the cost per produced kg milk. The net cost before interests and depreciations has in 2018 constituted DKK 2.00 per produced kg milk, which is considered to be competitive in European milk production.

The production per cow was unchanged in the year 2018 but increasing at the end of 2018. At the end of 2018, the herd of milking cows was 2,449 compared to 2,430 in 2017.

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



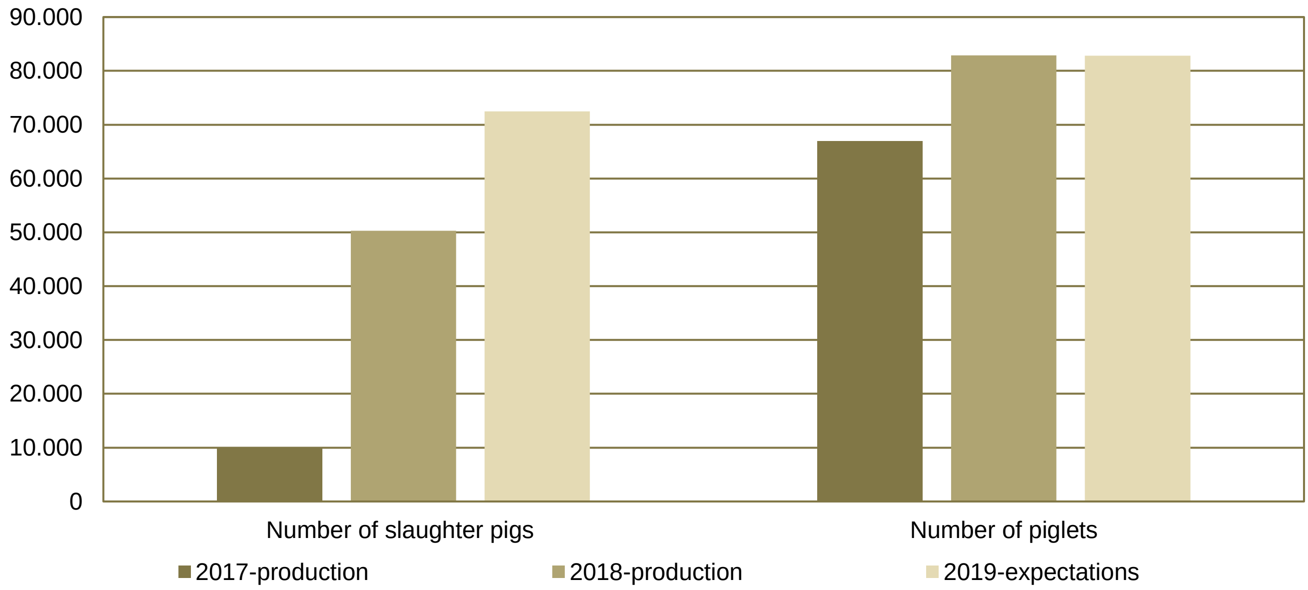
Source: FirstFarms

The potential for the milk production is an expansion up to 3,300 cows on one location. An unchanged maintenance strategy is kept, where investments are made to improve the productivity with focus on animal welfare with unchanged number of cows.

Pig production

FirstFarms' pig production constitutes in Hungary 2,500 sows with sale of 82,000 piglets to the local market and a smaller number of slaughter pigs. In 2018, a pig production in Czech Republic was purchased, and 73,000 slaughter pigs per year are delivered from two sites, which are sold to the local market. After the purchase of Tjekkiet Invest A/S, the pig production in FirstFarms can be a full-line production with 2,500 sows and sale of slaughter pigs.

Figure 6 – Development in FirstFarms' production of slaughter pigs and piglets



Source: FirstFarms

After the takeover of Tjekkiet Invest A/S, FirstFarms has in 2018 had an increasing number of produced slaughter pigs to 50,200 pcs. from Czech Republic and Hungary. In Hungary, there has in 2018 been 2,500 sows in the herd, from which 83,000 piglets and 7,700 slaughter pigs are produced. In Czech Republic, 42,500 slaughter pigs are produced. In 2019, 82,000 piglets from unchanged number of sows and 73,000 slaughter pigs are expected to be sold in Czech Republic and Hungary.

The efficiency in the pig production is increasing and was in 2018 – 34.3 weaned piglets per sow compared to 32.1 in 2017. The price for piglets decreased drastically from mid to the end of 2018 and has been in the range of DKK 224 to DKK 373 for piglets. (See figure 11;12)

FirstFarms operates agriculture in countries, where there is generally a shortage of locally produced food. The majority of our production is sold regionally, and FirstFarms is thus in general not dependent on export. The best sales price can be achieved on the local market. Thus, the produced piglets are sold on the local market and correspondingly, the piglets for the slaughter pig production are also purchased locally.

Environmental- and building permission has been obtained for an expansion of the production with 4,000 sows with production of 130,000 piglets.

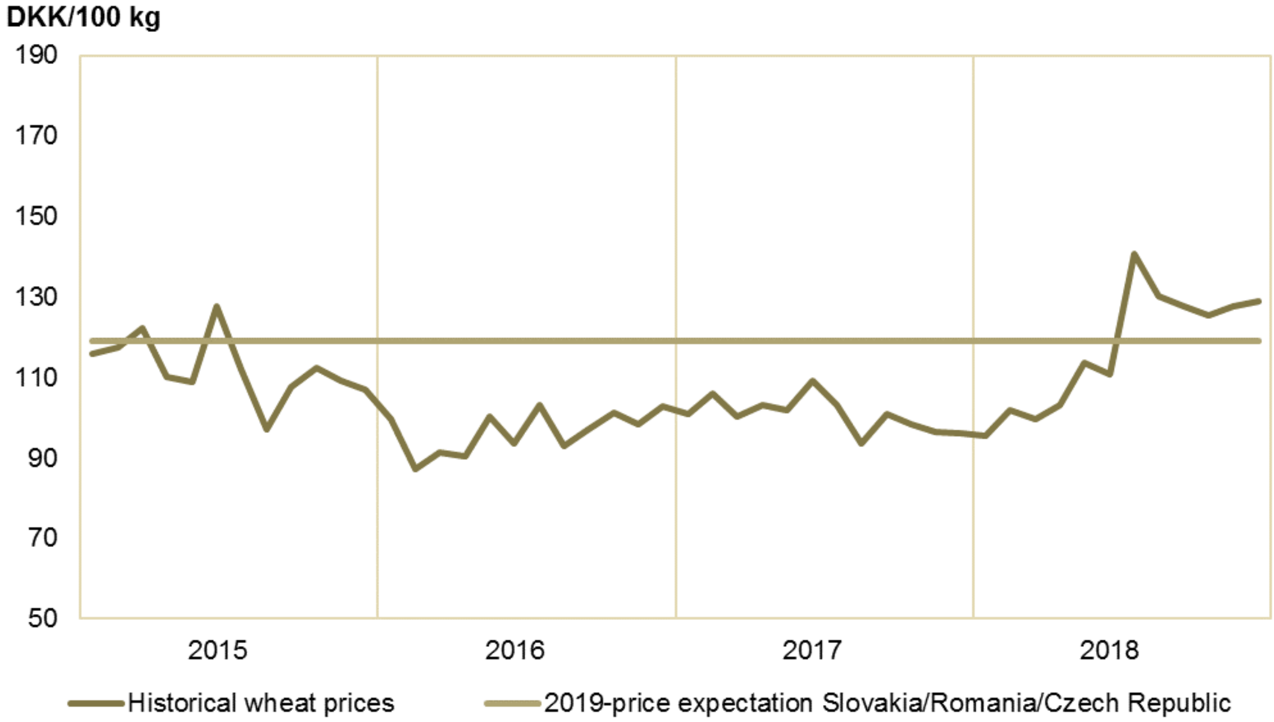
A lot of health promoting steps are initiated on ongoing basis, which contribute positively to the production on several parameters in 2019, and continuous improvement of the health status of the herds and increased biosecurity.

FirstFarms will always be exposed to external threats. Many years ago, we took a strategic decision, that we must be able to navigate in a threat assessment as ASF without having serious impact on our ability to generate results. This is among the reasons why we have spread both geographically and in different operation branches.

FirstFarms' primary production is in an area, where the wild boar population and the number of backyard pigs are relatively low. We are in countries where intensive control has been introduced from the veterinary authorities of all agricultural production – especially pig production. We continuously evaluate new security measures and existing procedures in order to identify possibilities for further initiatives. The threat assessment and need for traceability is changing constantly, so something can always be improved. Our pig herds are insured and at the same time covered by national schemes.

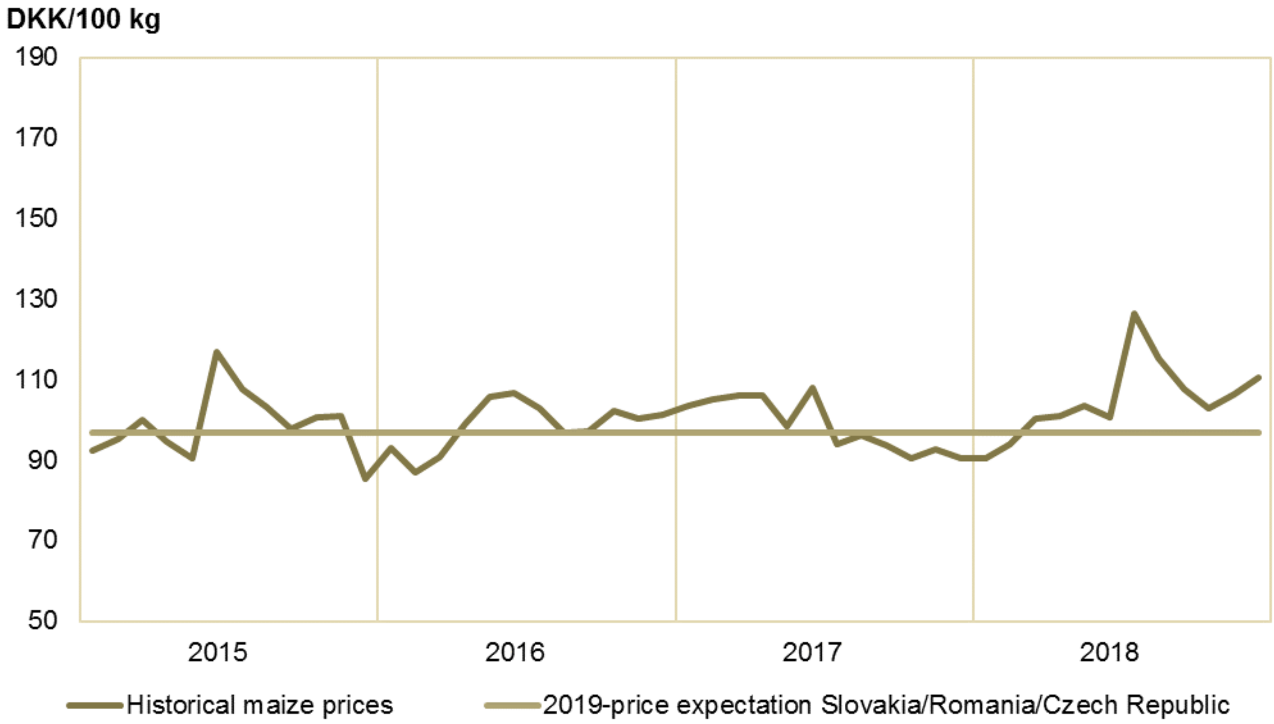
Development and expectation in the prices of FirstFarms' main products

Figure 7 – Development in wheat price



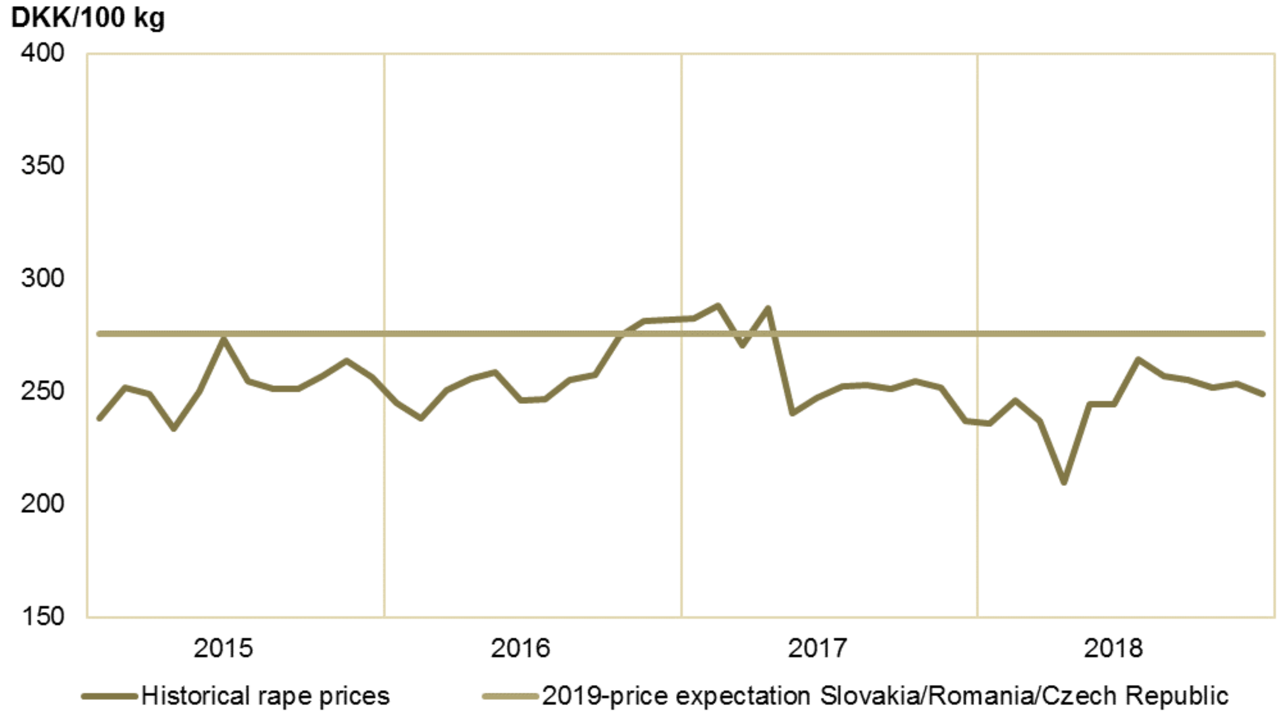
Source: Matif (adjusted to local market conditions)

Figure 8 – Development in maize price



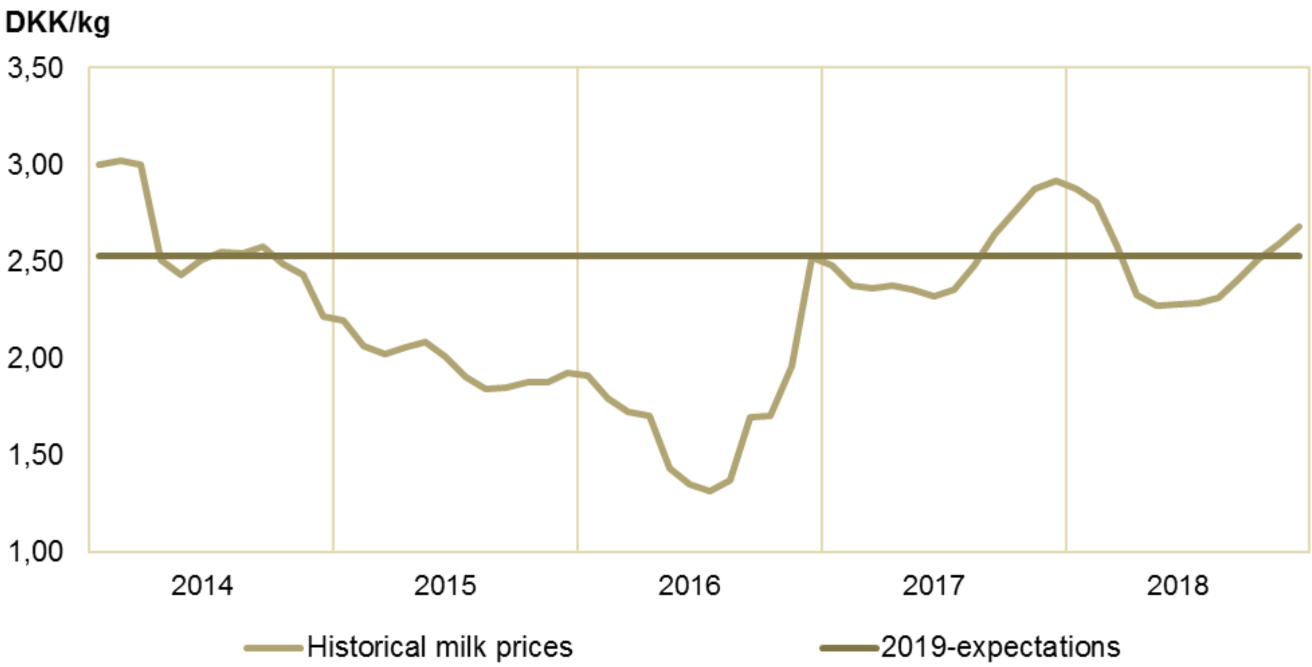
Source: Matif (adjusted to local market conditions)

Figure 9 – Development in rape price



Source: Matif (adjusted to local market conditions)

Figure 10 – Development in milk price

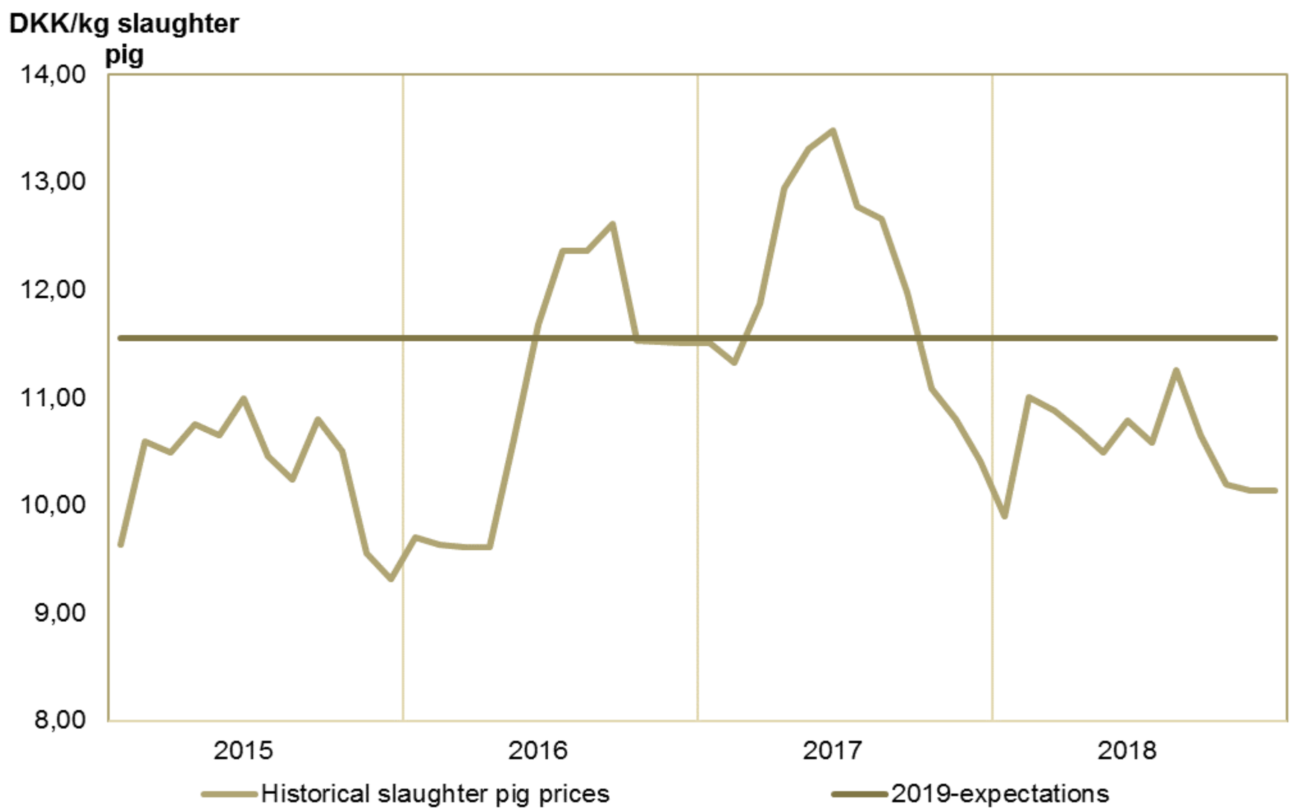


Source: Bundesgebiet Ost, Germany; FirstFarms

Figure 11 – Development in piglet price

Source: Danish pig producers

Figure 12 – Development in slaughter pig price



Source: Griem & Söhne oHG; FirstFarms

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, cattle, piglets and slaughter pigs) 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 herd of cattle and pigs and a large crop production. The herd of cattle and pigs are exposed to diseases. FirstFarms complies 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 a manager who on a daily basis inspects the herd of cattle and also a manager of the pig production, who inspects the herd of pigs.

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 several climatic zones, and FirstFarms can, as an agricultural company, be influenced by the weather conditions in Slovakia, Czech Republic, East and West Romania and Hungary, 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. It is assessed, that the production of pigs in Hungary and Czech Republic is affected by the weather conditions to a smaller extent.

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 and Czech Republic. 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 (leasehold). In Slovakia, the company has leased approx. 8,500 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 assessment, 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.

Development in land prices
FirstFarms owns 739 hectares of agricultural land in Slovakia, in Czech Republic 929 hectares of agricultural land and in Romania the company owns 5,563 hectares of agricultural land. The value of the purchased land is today estimated to be higher than the accounting value, which is DKK 18 million in Slovakia, DKK 75 million in Czech Republic and DKK 109 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. (see table 3)

Environment

FirstFarms’ activities, including agricultural operation, storage of fertilisers 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

Romania, Slovakia, Czech Republic and Hungary are all 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, Slovakia, Czech Republic and Hungary, 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 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, Slovakia, Czech Republic and Hungary 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 and Hungary. Sunflower is sold with basis in USD and is thus an exchange rate risk. The need for hedging of this risk is assessed on an ongoing basis

The business environment and risk characteristics are shortly described in figure 7.

Figure 7 – Business environment and risk characteristics

Production of milk, animals and crops	• Yields (weather fluctuations/feed efficiency/genetics) • Price fluctuations on agricultural products • Diseases or virus in the animals and crops
Arable land and production authorisations	• Availability • Changes in legislation • Increase in land prices, rental costs or taxes
Workforce	• Availability, costs and competences
Other	• Currency fluctuations • Excessed or saturated local markets • Different languages/cultures - with English as the corporate language • Political impact

The Group's risk management

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.

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' CEO is also managing director in the Slovakian and Romanian subsidiaries, and he is also chairman of the Board of Directors for the Hungarian and Czech subsidiaries. Thus, FirstFarms also here closely follows up on 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 ongoing 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 Group's management bodies, their committees and duties

Information about the company's Board of Directors is found on p. 37. Furthermore, reference is made to corporate governance, which can be seen or downloaded on the company's website.

Shareholder information

Share capital

FirstFarms' shares are listed at Nasdaq Copenhagen A/S, and the share capital is nominally DKK 61,594,040.

Basic data	
Stock exchange	Nasdaq Copenhagen A/S
Index	SmallCap
Sector	Consumer staples
ISIN code	DK0060056166
Short name	FFARMS
Share capital	DKK 61,594,040
Nominal denomination	DKK 10
Number of shares	6,159,404
Negotiable securities	Yes
Voting right restriction	No
Share classes	One

Shareholder composition

As per 31 December 2018, FirstFarms had 2,576 shareholders. The majority is Danish investors, whereas 47 shareholders are registered outside Denmark. As per 31 December 2018, the name register share in the company's owner book was 95.56 percent. 2 shareholders own more than 5 percent of the share capital.

Shareholders	No. of shares (pcs.)	Capital (%)
Henrik Hougaard	1,093,796	17.8
Olav W. Hansen	747,565	12.1
Other registered shareholders	4,045,474	65.7
Non-registered shareholders	272,569	4.4
Own shares	0	0.0
Total	**6,159,404**	**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 24 April 2018, authority was given to the company to acquire up to 10 percent of own shares. The authority was not used in 2018. At the end of 2018, a total of 120,000 warrants are issued to the company's Management and to employees in Denmark and abroad. Totally 70,000 warrants are issued in 2018.

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 shall be at market price – with or without pre-emption rights for the Company's shareholders. FirstFarms utilised the authorisation in 2017 to issue 203,678 shares at a nominal value of DKK 2,036,780 to purchase shares in Dan-Farm Holding A/S, and in 2018 to issue 404,328 shares at a nominal value of DKK

4,043,280 to purchase of shares in Tjekkiet Invest A/S. A total of 608,006 shares corresponding to a nominal value of DKK 6,080,060 have therefore been utilised, and there is thus authorisation to issue additional 891,994 shares.

In March 2017, FirstFarms issued convertible bonds for a total of DKK 13.2 million, in connection with repayment of debt to former shareholders in Dan-Farm Holding A/S, with expiry 15 December 2020, and in December 2017 the company issued bonds for DKK 72.25 million, which run up to and including 15 December 2022. Also, bonds for DKK 26.3 million issued in 2016, with expiry 15 December 2020, remain unpaid. In May 2018, FirstFarms issued convertible bonds for DKK 19.9 million in connection with the purchase of Tjekkiet Invest A/S.

Convertible bonds of nominally DKK 26.42 million were converted in 2018.

Shareholdings and convertible bonds for Management and Board of Directors

As per 31 December 2018, the Management and the Board of Directors of FirstFarms A/S held, direct or indirect, nominally 1,297,057 shares, which are divided as follows:

Name	No. of shares
Henrik Hougaard	1,093,796 pcs.
Jens Bolding Jensen	10,097 pcs.
Bent Juul Jensen	115,853 pcs.
Asbjørn Børsting	14,575 pcs.
Anders H. Nørgaard	62,736 pcs.

Furthermore, Management and Board of Directors in FirstFarms A/S, or closely related to, has as per 31 December 2018 the following convertible bonds:

Name	Closely related to	Convertible bonds for
Thoraso Holding ApS	Chairman Henrik Hougaard	DKK 6,127,118
Thoraso ApS	Chairman Henrik Hougaard	DKK 46,234,983
Board member Bent Juul Jensen		DKK 5,584,745
NKB Invest ApS	Vice chairman Asbjørn Børsting	DKK 1,000,000
Vice chairman Asbjørn Børsting		DKK 816,949
Anders Holger Invest ApS	CEO Anders H. Nørgaard	DKK 750,000

Dividend

It is FirstFarms' goal to secure the necessary equity and liquidity to finance the organic and acquisitive growth of the company. Yearly, in combination with presentation of the accounts, an evaluation of potential dividend is made. Dividend can be distributed to the shareholders through dividend or buy-back of shares.

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 2018, the share price was 54.50 and the FirstFarms' share closed at price 46.40 at 28 December 2018. At the end of the year, the market value was DKK 286 million and the share price decreased by 14.9 percent, whereas the Danish smallcap-index, in which the FirstFarms share is traded, in the same period decreased by 8.5 percent. In 2018, the average share turnover was DKK 93,382 per business day.

Figure 14 – Share price development 2018

Source: Nasdaq Copenhagen A/S

Insider register

In accordance with the Market Abuse Regulation and other rules and regulations that apply to listed companies at Nasdaq Copenhagen A/S, 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 2019	
26 March 2019	Annual report 2018
24 April 2019	Annual general meeting
28 May 2019	Interim financial report 1 January – 31 March 2019
27 August 2019	Interim financial report 1 January – 30 June 2019
26 November 2019	Interim financial report 1 January – 30 September 2019

Annual general meeting

FirstFarms' annual general meeting is held on Wednesday 24 April 2019 at 2.00 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 2018

Date	Number	Announcement
14 March 2018	1	FirstFarms A/S and AP Pension has interrupted the negotiations
27 March 2018	2	Annual report 2017
27 March 2018	3	FirstFarms A/S expands the portfolio with larger pig production
28 March 2018	4	Notice to convene the annual general meeting in FirstFarms A/S
17 April 2018	5	Report on insider's trade with FirstFarms A/S' shares
24 April 2018	6	Progress of annual general meeting in FirstFarms A/S
28 May 2018	7	FirstFarms A/S purchases large crop and pig production in Czech Republic
28 May 2018	8	Capital increase at issuance of shares and issuance of convertible bonds
29 May 2018	9	Interim financial report for 1 January – 31 March 2018 for FirstFarms A/S
1 June 2018	10	Report on insider's trade with convertible bonds in FirstFarms A/S
14 June 2018	11	Report on insider's trade with FirstFarms A/S' shares
22 June 2018	12	Report on insider's trade with convertible bonds in FirstFarms A/S
23 August 2018	13	Interim financial report for 1 January – 30 June 2018 for FirstFarms A/S
31 August 2018	14	Capital increase at conversion of bonds into shares
1 October 2018	15	Capital increase at conversion of bonds into shares
2 October 2018	16	Major shareholder announcement – Henrik Hougaard
27 November 2018	17	Interim financial report for 1 January – 30 September 2018 for FirstFarms A/S
4 December 2018	18	Financial calendar 2019 for FirstFarms A/S
6 December 2018	19	Report on insider's trade with FirstFarms A/S' shares and convertible bonds
6 December 2018	20	Major shareholder announcement – Thoraso ApS
21 December 2018	21	Allocation of warrants to management and employees in FirstFarms A/S and in the company's subsidiaries

Published company announcements in 2019

Date	Number	Announcement
7 February 2019	1	FirstFarms A/S purchases larger agriculture in Slovakia as part of growth strategy
26 March 2019	2	Annual report 2018

Expected company announcements in 2019

Date	Announcement
24 April 2019	Annual general meeting
28 May 2019	Interim financial report 1 January – 31 March 2019
27 August 2019	Interim financial report 1 January – 30 June 2019
26 November 2019	Interim financial report 1 January – 30 September 2019

The Board's other management tasks

Name	Management functions	Board functions
Henrik Hougaard *(CH)* *Born 1958 (m), entered 2004* *Competences*: Strategic international management experience Purchase, sale and merger of companies Agricultural expertise	Thoraso Invest ApS Skaarupgaard ApS Henrik Hougaard Invest ApS	Scandinavian Farms Invest A/S *(CH)* Fortin Madrejon A/S *(CH)* Thoraso ApS *(CH)* Skovselskabet Rumænien A/S Tolne Skov ApS *(CH)*
Asbjørn Børsting *(VC)* *Born 1955 (m), entered 2014* *Competences*: Strategic international management experience Purchase, sale and merger of companies Agricultural expertise	DAKOFO-Dansk Korn og Foder Danske Sortsejere	Det Nationale Bioøkonomipanel *(CH)* Crop Innovation Denmark *(CH)* Danæg Holding A/S Danæg amba Munax OY Karl Pedersen og Hustrus Industrifond EUDP (Energi-, Forsynings- og Klima-ministeriet) Wefri A/S *(CH)* Promilleafgiftsfonden for Landbrug
Jens Bolding Jensen *Born 1963 (m), entered 2013* *Competences*: Strategic international management experience Purchase, sale and merger of companies Strategic and financial management	Jørgen Schou Holding A/S Vision Properties A/S (and affiliated subsidiaries) Royal Oak Golf A/S Schou Ejendomme A/S Viscop Holding A/S Viscop Ejendomsselskab A/S (and affiliated subsidiaries) Capital Republic A/S Tågerup Holding A/S	Schou Company A/S *(CH)* Schou Holding A/S *(CH)* Schou Invest Kolding A/S Schou Absolute Horses A/S Schou Absolute Cars ApS Schou I/S Schou Republic A/S Schou Holding 2 A/S Østerlund Holding ApS Schou & Sondrup A/S
Bent Juul Jensen *Born 1953 (m), entered 2013* *Competences*: Veterinary conditions and production management		

The Board of Directors in FirstFarms has held 11 board meetings in 2018
All board members are up for election every year
CH = Chairman of the Board / VC = Vice chairman of the Board

Report on Corporate Social Responsibility

The company's report on Corporate Social Responsibility can be downloaded from the company's website:

https://www.firstfarms.dk/en/investor-relations/corporate-social-responsibility/2019-annual-report-2018/

Goal for the underrepresented sex

The Board of Directors consists of 4 members; of which all are men. FirstFarms has a goal that at least 25 percent of the company's Board of Directors before 2023 shall be of the underrepresented sex. In 2018, no members of the Board of Directors were replaced. FirstFarms has chosen only to outline for companies in Denmark, and as there is below 50 employees in Denmark, no policies have been stated about other managerial positions.

Report on Corporate Governance

The complete report for corporate governance can be downloaded from the company's website:

https://www.firstfarms.dk/en/investor-relations/corporate-governance/2019-annual-report-2018/

Statements

Management statement

Today the Board of Directors and the Management have discussed and approved the annual report for 2018 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 2018 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 2018.

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, 26 March 2019

Management

Anders H. Nørgaard
CEO

Board of Directors

Henrik Hougaard
Chairman

Asbjørn Børsting
Vice chairman

Jens Bolding Jensen

Bent Juul Jensen

Independent auditor's report
To the shareholders of FirstFarms A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What 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 2018 comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 Financial Statements* section of our Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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 the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IEASBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were first appointed auditors of FirstFarms A/S on 25 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 2 years including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How our audit addressed the key audit matter*
Valuation of goodwill Management tests the recognised value of goodwill on an annual basis with a view to ensuring that the value does not exceed the recoverable amount. The recoverable amount is calculated based on a discounted cash flow model which includes assessments and estimates related to future cash flows and the discounting of such cash flows. We focused on this area as the calculation of the recoverable amount is complex and based on a number of assessments and estimates related to the development in the prices of milk and crops as well as crop yield and the discount rate. We refer to notes 2 and 14 in the Consolidated Financial Statements.	We assessed whether the accounting policies and method applied for the valuation of goodwill are in accordance with the relevant accounting standards. We tested the calculation of the recoverable amount and assessed whether the assumptions applied for the calculation are reasonable, including particularly the expected development in the prices of milk and crops as well as crop yield. In connection with our assessment, we compared the price assumptions with the market expectations and performed sensitivity analyses of the assumptions. We drew on our internal specialist for an assessment of the discount rate applied by Management. We assessed whether the information was adequate on an overall basis.

Valuation of biological assets Long-term and short-term biological assets are measured at fair value less costs to sell. The fair value is based on known transactions and the general pricing in the market as well as an estimate of the biological transformation and quality of the livestock. We focused on this area as the statement of fair values is complex as there are no objective market prices for crops, pigs and cattle, and assessments and estimates are involved in the statement. We refer to notes 2 and 5 in the Consolidated Financial Statements.	We assessed whether the accounting policies and method applied for the recognition and measurement of biological assets are in accordance with the relevant accounting standards. We assessed the basis and assumptions for the measurement of biological assets at fair value, including the estimated biological transformation and quality of the livestock. In connection with our assessment, we compared the fair values applied with externally available prices for biological assets.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's responsibilities for the 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 further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole 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 the 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 Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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 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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are 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 content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Herning, 26 March 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

H.C. Krogh
State Authorised Public Accountant
mne9693

Henrik Skjøtt Sørensen
State Authorised Public Accountant
mne28607

Income statement

DKK 1,000	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Net turnover	3,4	248,876	190,666	490	430
Value adjustments of biological assets	5	9,676	24,505	0	0
Production costs	6	-271,345	-229,378	0	0
Grants	7	49,457	42,383	0	0
Gross profit/loss		**36,664**	**28,176**	**490**	**430**
Other operating income	8	6,502	1,472	0	0
Administration costs	6	-16,817	-12,333	-9,673	-7,396
Other operating costs	9	-486	-215	0	0
EBIT-result		**25,863**	**17,100**	**-9,183**	**-6,966**
Share of profit after tax in subsidiaries		0	0	20,528	10,381
Financial income	10	490	629	4,730	3,168
Financial costs	11	-14,834	-12,735	-7,944	-5,205
Pre-tax result		**11,519**	**4,994**	**8,131**	**1,378**
Tax on net profit	12	-3,388	-1,635	0	1,981
Net profit		**8,131**	**3,359**	**8,131**	**3,359**

Earnings per share	13	1.32	0.65	-	-
Diluted earnings per share	13	1.32	0.65	-	-

Total income statement

DKK 1,000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Net profit	8,131	3,359	8,131	3,359
Other total income				
Items that can be reclassified to the income statement:				
- Exchange rate adjustments by conversion of foreign units	0	-2,465	0	-2,465
- Tax of other total income	0	0	0	0
Other total income after tax	**0**	**-2,465**	**0**	**-2,465**
Total income	**8,131**	**894**	**8,131**	**894**
Net profit	8,131	3,359	8,131	3,359

Balance sheet

DKK 1,000	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
ASSETS					
Non-current assets					
Intangible assets	14				
Goodwill		16,078	16,030	0	0
Land lease contracts		1,245	2,394	0	0
Total intangible assets		**17,323**	**18,424**	**0**	**0**
Tangible assets	15				
Land		240,971	151,420	0	0
Buildings		193,069	177,541	0	0
Plant and machinery		87,897	73,422	0	0
Fixtures and fittings, tools and equipment		3,879	3,061	196	242
Assets under construction and prepayments		11,108	8,857	0	0
Total tangible assets		**536,924**	**414,301**	**196**	**242**
Biological assets	5				
Basic herd		33,053	32,328	0	0
Total biological assets		**33,053**	**32,328**	**0**	**0**
Other non-current assets					
Investments in subsidiaries	16	0	0	252,737	171,605
Amount owed by affiliated companies	18	0	0	253,405	285,805
Deferred tax asset	20	9,188	10,112	0	0
Total other non-current assets		**9,188**	**10,112**	**506,142**	**457,410**
Total non-current assets		**596,488**	**475,165**	**506,338**	**457,652**
Current assets					
Inventories	17	60,652	45,952	0	0
Biological assets - breeding and crops	5	62,093	54,930	0	0
Receivables from sale	18	22,632	9,501	0	0
Other receivables	7,18	23,967	21,461	437	268
Accruals an deferred expenses		5,072	3,429	5	27
Cash at bank and in hand		3,628	6,153	381	0
Total current assets		**178,044**	**141,426**	**823**	**295**
TOTAL ASSETS		**774,532**	**616,591**	**507,161**	**457,947**

DKK 1,000	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
EQUITY AND LIABILITIES					
Equity					
Share capital	19	61,594	51,376	61,594	51,376
Reserve for exchange rate adjustment		-25,513	-25,513	0	0
Transferred result		330,773	289,210	305,260	263,697
Proposed dividend		3,264	0	3,264	0
Total equity		**370,118**	**315,073**	**370,118**	**315,073**
Liabilities					
Non-current liabilities					
Deferred tax	20	16,645	8,652	1,195	1,159
Credit institutions	22	143,490	67,868	0	0
Convertible bonds	21	129,735	110,664	129,735	110,664
Total non-current liabilities		**289,870**	**187,184**	**130,930**	**111,823**
Current liabilities					
Credit institutions	22	68,356	43,489	0	1,067
Convertible bonds	21	0	27,165	0	27,165
Trade payables and other payables	23	35,319	31,224	6,113	2,819
Corporation tax	24	42	740	0	0
Accruals and deferred income	7	10,827	11,716	0	0
Total current liabilities		**114,544**	**114,334**	**6,113**	**31,051**
Total liabilities		**404,414**	**301,518**	**137,043**	**142,874**
TOTAL EQUITY AND LIABILITIES		**774,532**	**616,591**	**507,161**	**457,947**

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Equity statement

Group DKK 1,000	Share capital	Reserve for exchange rate adjustment	Trans-ferred result	Pro-posed dividend	Total
Equity 1 January 2017	**47,122**	**-23,048**	**268,749**	**0**	**292,823**
Total income 2017					
Net profit	0	0	3,359	0	3,359
Other total income					
Exchange rate adjustment re. conversion of foreign currency	0	-2,465	0	0	-2,465
Tax of other total income	0	0	0	0	0
Other total income	0	-2,465	0	0	-2,465
Total income	**0**	**-2,465**	**3,359**	**0**	**894**
Transactions with owners					
Issuance of convertible bonds					
-Fair value of conversion right	0	0	724	0	724
-Tax of transaction with owners	0	0	-159	0	-159
Issuance of shares	0	0	0	0	0
- Purchase of Dan-Farm Holding A/S	2,037	0	8,656	0	10,693
- Coversion of bonds	2,217	0	7,684	0	9,901
Share based remuneration	0	0	197	0	197
Total transactions with owners	**4,254**	**0**	**17,102**	**0**	**21,356**
Equity 31 December 2017	**51,376**	**-25,513**	**289,210**	**0**	**315,073**
Equity 1 January 2018	**51,376**	**-25,513**	**289,210**	**0**	**315,073**
Total income 2018					
Net profit	0	0	4,867	3,264	8,131
Other total income					
Exchange rate adjustment re. conversion of foreign currency	0	0	0	0	0
Tax of other total income	0	0	0	0	0
Other total income	**0**	**0**	**0**	**0**	**0**
Total income	**0**	**0**	**4,867**	**3,264**	**8,131**
Transactions with owners					
Issuance of convertible bonds					
-Fair value of conversion right	0	0	162	0	162
-Tax of transaction with owners	0	0	-36	0	-36
Issuance of shares	0	0	0	0	0
-Purchase of Tjekkiet Invest A/S	4,043	0	16,173	0	20,216
-Conversion of bonds	6,175	0	20,240	0	26,415
Share based remuneration	0	0	157	0	157
Total transactions with owners	**10,218**	**0**	**36,696**	**0**	**46,914**
Equity 31 December 2018	**61,594**	**-25,513**	**330,773**	**3,264**	**370,118**

Parent company DKK 1,000	Sharecapital	Transferred result	Proposed dividend	Total
Equity 1 January 2017	**47,122**	**245,701**	**0**	**292,823**
Total income 2017				
Net profit	0	3,359	0	3,359
Exchange rate adjustment of subsidiaries	0	-2,465	0	-2,465
Other total income	0	0	0	0
Total income	**0**	**894**	**0**	**894**
Transactions with owners				
Issuance of convertible bonds				
-Fairvalue of conversion right	0	724	0	724
-Tax of transactions with owners	0	-159	0	-159
Issuance of shares	0	0	0	0
-Purchase of Dan-Farm Holding A/S	2,037	8,656	0	10,693
-Conversion of bonds	2,217	7,684	0	9,901
Share based remuneration	0	197	0	197
Total transactions with owners	**4,254**	**17,102**	**0**	**21,356**
Equity 31 December 2017	**51,376**	**263,697**	**0**	**315,073**
Equity 1 January 2018	**51,376**	**263,697**	**0**	**315,073**
Total income 2018				
Net profit	0	4,867	3,264	8,131
Exchange rate adjustment of subsidiaries	0	0	0	0
Other total income	0	0	0	0
Total income	**0**	**4,867**	**3,264**	**8,131**
Transactions with owners				
Issuance of convertible bonds				
-Fairvalue of conversion right	0	162	0	162
-Tax of transactions with owners	0	-36	0	-36
Issuance of shares	0	0	0	0
-Purchase of Tjekkiet Invest A/S	4,043	16,173	0	20,216
-Conversion of bonds	6,175	20,240	0	26,415
Share based remuneration	0	157	0	157
Total transactions with owners	**10,218**	**36,696**	**0**	**46,914**
Equity 31 December 2018	**61,594**	**305,260**	**3,264**	**370,118**

Cash flow statement

1.000 kr.	Note	Koncern 2018	Koncern 2017	Moderselskab 2018	Moderselskab 2017
Pre-tax result (In the parent company ex. result of subsidiaries)		11,519	4,994	-12,397	-9,003
Adjustments for non-monetary operating items etc.					
Depreciation/amortisation and impairment	6	31,636	26,648	46	38
Reversal of profit, sale of non-current assets	8,9	-3,362	-123	0	0
Value adjustment of biological assets	5	-566	-1,171	0	0
Financial income	10	-490	-629	-4,730	-3,168
Financial costs	11	14,834	12,701	7,944	5,205
Share based remuneration		157	197	157	197
Cash generated from operations (operating activities) before changes in working capital		**53,728**	**42,617**	**-8,980**	**-6,731**
Changes in working capital	26	-29,421	-16,804	647	739
Cash flow from main activities		**24,307**	**25,813**	**-8,333**	**-5,992**
Interest received		490	629	0	0
Interest paid		-14,788	-12,701	-7,995	-4,964
Paid corporation tax	24	-740	-1,161	0	0
Cash flow from operating activities		**9,269**	**12,580**	**-16,328**	**-10,956**
Additions, purchase of Tjekkiet Invest A/S / Dan-Farm Holding A/S		133	4,996	0	0
Purchase of Tjekkiet Invest A/S		-17,672	0	-17,672	0
Purchase of young pigs		-2,704	-1,406	0	0
Disposal of material assets, paid		4,633	3,619	0	48
Acquisition of tangible assets	27	-24,548	-37,312	0	-269
Cash flow from investing activities		**-40,158**	**-30,103**	**-17,672**	**-221**
Issuance of convertible bonds	27	0	85,468	0	85,468
Conversion of convertible bonds	27	-1,638	0	-2	0
Rrepayment of loan to former shareholders in Dan-Farm Holding A/S		0	-13,218	0	0
Proceeds from loans		29,998	-51,369	-1	-13
Loan repayment		0,000	0	0	0
Loan to affiliated businesses		0	0	37,086	-61,502
Cash flow from financing activities		**28,360**	**20,881**	**34,381**	**11,177**
Cash flow of the year		**-2,529**	**3,358**	**381**	**0**
Available, at the beginning		6,153	2,793	0	0
Exchange rate adjustment of available		4	2	0	0
Available at closing		**3,628**	**6,153**	**381**	**0**

2018

At purchasing of Tjekkiet Invest A/S, a net amount of DKK 0.1 million was added in cash resource, which is included under investment activity. The shares in Tjekkiet Invest A/S were partly paid by shares in FirstFarms A/S, which do not affect the cash flows, partly paid with bonds for DKK 20.2 million and cash payment of DKK 20.2 million, of which DKK 2.5 milion will be paid after 31 December 2018.

Change in method of accounting has been made in 2018, and the comparative numbers for 2017 are restated. The bank overdraft has been taken out of the liquidity statement, so only cash resources are included in the statement. The effect on proceeds of raising of loan is DKK 41.7 million, and the effect on the cash statement is DKK 8.8 million.

2017

At purchasing of Dan-Farm Holding A/S, a net amount of DKK 5.0 million was added in cash resource, which is included under investment activity. The shares in Dan-Farm Holding A/S was paid with shares in FirstFarms A/S and do not affect the cash flow statement. In connection with the purchase of Dan-Farm Holding A/S convertible bonds for DKK 13.5 million was issued as payment of debt to former owners of Dan-Farm Holding A/S.

Notes for consolidated annual accounts

1. Accounting policies

FirstFarms A/S is a public limited company domiciled in Denmark. The annual report for 2018 comprises both the consolidated financial statement of FirstFarms A/S and its subsidiaries for the period 1 January – 31 December 2018 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.

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.

There have been no changes in accounting policies, but in the balance sheet a new disaggregation of land and buildings as been carried out, and comparative figures have been adjusted correspondingly. Cash and cash equivalents in the cash flow are only stated as cash and not as previously including short-term bank debt.

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.

When purchasing subsidiaries, the difference between cost price and the equity value of the purchased company is calculated at the time of purchase, after the individual assets and liabilities have been adjusted to fair value (the purchase method). Remaining positive differences are recognised in the balance sheet under intangible assets as goodwill. Remaining negative differences are recognised immediately in the income statement.

Positive and negative differences from purchased companies can, as a result of change in recognition and measurement of net assets, be adjusted until the end of the financial year following the year of purchase. These adjustments are also reflected in the value of goodwill and negative goodwill.

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.

The 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, when the control is passed on to the buyer at delivery ab farm. This is considered to have occured, when delivery and transfer of risk to the buyer has taken place before year end and if the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third party. All forms of discounts granted are recognised in revenue.

Government grants

Government grants include:

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, during the financial year, these are recognised as other receivables in the balance sheet.

Grants for pig production consist of various grants in Hungary and Czech Republic. The grants are recognised concurrently as the right of grant is obtained. Until the grants have been received, during the 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 (liabilities) and transferred to public grants in the income statement as the assets for which grants were awarded are amortised.

Value adjustment 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 buildings and plants.

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.

The 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.

Tangible assets

Land, sites 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 of tangible assets 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 0, 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 utilised.

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.

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 realisable value of inventories are 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 amortised cost. Write-down is made for expected credit loss on individual basis, using the simplified model for receivables from sale.

Accruals
Accruals, recognised under assets, comprise costs incurred concerning subsequent financial years and are measured at cost.

Equity

Reserve for exchange rate adjustment
The reserve for exchange rate adjustment 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.

Dividend
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 warrants is measured at the fair value of the warrants granted.

FirstFarms A/S only has equity-settled programmes for which the warrants 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 warrants, the company estimates the number of warrants expected to vest. That estimate is subsequently revised for changes in the number of warrants expected to vest. Accordingly, recognition is based on the number of warrants ultimately vested. The fair value of granted warrants is estimated using an warrant pricing model, taking into account the terms and conditions upon which the warrants 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 utilisation; 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 provisions, 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 issued with a fixed conversion price and 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 amortised 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 asset 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 flow 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, interests, dividends and corporation tax paid.

Cash flow 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 flow 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 resources. 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 total value of the biological assets constituted DKK 102.1 million as per 31 December 2018 (2017: DKK 87.3 million).

Completely comparable markets do 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.

The valuation of pigs is based on the German quotation for pigs. The fair value of the herd is calculated based on average weight etc. in the various categories of the sales herd. The fair value of the sows are also calculated on the basis of cost price/production price, replacement in herd etc.

3. Segment information

2018 DKK 1,000	**Romanian activities**	**Slovakian activities**	**Hungary activities**	**Czech activities (7 months)**	**Total report compulsory segments**
Total segment turnover	59,108	110,008	37,489	44,870	251,475
Grants	15,358	25,413	4,319	4,367	49,457
Value adjustments of biological assets	1,153	2.339	-3,06	9,244	9,676
EBIT result	5,935	12,393	505	16,212	35,045
Financial income	341	269	53	21	684
Financial costs	-3,954	-4,584	-2,179	-942	-11,659
Depreciations and impairments	-8,333	-17,743	-3,191	-2,323	-31,590
Write down	0	0	0	0	0
Segment result before tax	2,322	8,079	-1,621	15,291	24,071
Segment assets	219,084	323,645	88,854	141,930	773,513
Plant investments *)	18,692	18,271	4,646	849	42,458
Segment liabilities	171,124	207,117	75,246	67,290	520,777

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

2017 DKK 1,000	**Romanian activities**	**Slovakian activities**	**Hungarian activities (9 months)**	**Total report compulsory segments**
Total segment turnover	50,135	101,508	39,023	190,666
Grants	14,635	24,319	3,429	42,383
Value adjustments of biological assets	-4,314	248	28,627	24,561
EBIT result	10,563	5,889	7,614	24,066
Financial income	610	78	124	812
Financial costs	-6,137	-4,846	-1,719	-12,702
Depreciations and impairments	-7,505	-16,858	-2,247	-26,610
Write down	0	0	0	0
Segment result before tax	5,035	1,120	6,019	12,174
Segment assets	202,066	321,780	92,183	616,029
Plant investments *)	20,394	13,203	11,891	45,488
Segment liabilities	157,648	210,947	75,830	444,425

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

FirstFarms' report compulsory segments are constituted by the business units in Slovakia, Romania, Hungary and Czech Republic. Slovakia operates within cattle- and crop production, Romania operates only within crop production, Hungary only within pig production and Czech Republic within pig- and crop production. The four 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.

In the EBIT result for the Czech activities is entered negative goodwill of DKK 4.9 million (2017: Hungarian activities DKK 1.3 million).

Products and services

FirstFarms' turnover primary concerns cattle, pigs and crops.

The turnover is specified as:

DKK 1,000	Romania		Slovakia		Hungary		Czech Republic	
	2018	**2017**	**2018**	**2017**	**2018**	**2017 (9 months)**	**2018 (7 months)**	**2017**
Cattle	0	0	65,500	63,807	0	0	0	0
Pigs	0	0	0	0	36,167	27,586	39,672	0
Crops	57,741	49,711	39,545	33,944	0	0	3,132	0
Other	1.367	424	4,963	3,757	1,323	11,437	2,065	0
Total	**59,108**	**50,135**	**110,008**	**101,508**	**37,490**	**39,023**	**44,869**	**0**

Geographical information

FirstFarms operates in Romania, Slovakia, Hungary and Czech Republic. 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 are specified as:

DKK 1,000	2018		2017	
	Turnover	**Non-current assets**	**Turnover**	**Non-current assets**
Denmark	490	196	430	268
Slovakia	110,008	245,094	101,508	246,778
Romania	59,108	160,236	50,135	150,288
Hungary	37,489	77,063	39,023	77,831
Czech Republic	44,870	113,898	0	0
Elimination	-3,089	0	-430	0
Total	**248,876**	**596,487**	**190,666**	**475,165**

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

DKK 1,000	2018	2017
Turnover		
Segment turnover for report compulsory segments	251,475	190,666
Group function	490	430
Elimination of internal turnover	-3,089	-430
Total turnover, cp. income statement	**248,876**	**190,666**
Result		
Segment result before tax for report compulsory segments	24,071	12,174
Non-allocated result, Group function	-12,552	-7,180
Result before tax, cp. income statement	**11,519**	**4,994**
Assets		
Total assets for report compulsory segments	773,513	616,029
Other non-allocated	1,018	562
Total assets, cp. balance sheet	**774,531**	**616,591**
Liabilities		
Total liabilities for report compulsory segments	520,777	444,425
Elimination of debt to parent company	-253,405	-285,805
Other non-allocated liabilities	137,041	142,898
Total liabilities, cp. balance sheet	**404,413**	**301,518**

4. Turnover

	Group		**Parent company**	
DKK 1,000	**2018**	**2017**	**2018**	**2017**
Sale of milk	57,797	58,070	0	0
Sale of cows and calves	7,704	5,737	0	0
Sale of piglets and slaughter pigs	75,839	27,587	0	0
Sale of crops	97,819	83,654	0	0
Other turnover	9,717	15,618	490	430
Total	**248,876**	**190,666**	**490**	**430**

Crops harvested in 2017 have been sold in 2018, and there are crops on stock at the end of 2018.

The sale of milk (23 percent of the total turnover) is for one customer. (2017: 30 percent of the total turnover)

5. Value adjustment of biological assets

Group 2018 DKK 1,000	Basic herd cows [1]	Breeding cows [2]	Basic herd pigs [1]	Sales herd pigs [2]	Crops [2]	Total
Opening	24,426	17,497	7,903	5,457	31,976	87,259
Addition, purchase of Tjekkiet Invest A/S	0	0	0	8,619	3,745	12,364
Addition	0	11,391	2,704	50,535	107,523	172,153
Value adjustment of the year recognised in the income statement	-8,436	3,333	-834	5,540	10,073	9,676
Transfer	13,922	-13,922	0	0	0	0
Disposal	-4,687	-3,011	-1,937	-56,572	-120,143	-186,350
Exchange rate adjustment	0	0	-8	-7	59	44
Accounting value 31 December 2018	**25,225**	**15,288**	**7,828**	**13,572**	**33,233**	**95,146**

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

Non-current assets consist of a herd of 2,449 cows at the end of 2018. Breeding consist of 2,518 heifers and calves. The basic herd of pigs consists of 2,737 sows and gilts, whereas the sales herd is piglets and slaughter pigs.

Crops are the value of the sowed fields. At the end of 2018, the sowed fields mainly consist of 600 hectares of alfalfa/grass, 2,200 hectares of wheat, 600 hectares of rye and 900 hectares of rape in Slovakia. In Romania, the fields consisted of 3,500 hectares of wheat and 500 hectares of rape, and in Czech Republic the fields consisted of 600 hectares of wheat, 250 hectares of barley and 300 hectares of rape. 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 2018. 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 2017 DKK 1,000	Basic herd cows [1]	Breeding cows [2]	Basic herd pigs [1]	Sales herd pigs [2]	Crops [2]	Total
Opening	25,220	15,568	0	0	27,930	68,718
Addition, purchase of Dan-Farm Holding A/S	0	0	5,200	5,719	0	10,919
Addition	0	0	1,406	0	99,116	100,522
Value adjustment of the year recognised in the income statement	-7,183	14,055	2,764	25,863	-10,994	24,505
Transfer	10,384	-10,384	294	-294	0	0
Disposal	-3,995	-1,742	-1,759	-25,828	-83,659	-116,983
Exchange rate adjustment	0	0	-2	-3	-417	-422
Accounting value 31 December 2017	**24,426**	**17,497**	**7,903**	**5,457**	**31,976**	**87,259**

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

Non-current assets consist of a herd of 2,430 cows at the end of 2017. Breeding consist of 2,596 heifers and calves. The basic herd of pigs consists of 2,984 sows and gilts, whereas the sales herd is piglets and slaughter pigs.

Crops are the value of the sowed fields. At the end of 2017 the sowed fields mainly consist of 600 hectares of alfalfa/grass, 2,300 hectares of wheat, 800 hectares of rye and 900 hectares of rape in Slovakia. In Romania the fields consisted of 4,100 hectares of wheat and 1,400 hectares of rape at the end of 2017. 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 2017. 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	**2018**	**2017**	**2018**	**2017**
Cost of sales for the period	127,024	106,004	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	360	360	360	360
Wages and salaries	37,106	29,427	4,776	3,381
Share based remuneration	157	197	157	197
Defined contribution plans	335	311	335	311
Other social security costs	8,744	8,666	38	26
Other staff costs	3,684	2,945	755	430
Total staff costs	**50,386**	**41,906**	**6,421**	**4,705**

Staff costs:				
Production	40,270	34,118	0	0
Administration	10,117	7,788	6,421	4,705
Total	**50,387**	**41,906**	**6,421**	**4,705**
Average number of employees	288	257	5	4

At the end of the year, the number of employees was 288, of which 5 are employed at the headquarter in Denmark, 152 in Slovakia, 65 in Romania, 44 in Hungary and 22 in Czech Republic.

Executive Board remuneration of the parent company

DKK 1,000	2018		2017	
	Board of Directors	**Management**	**Board of Directors**	**Management**
Wages and salaries	360	1,773	360	1,30
Defined contribution plans	0	120	0	120
Share based remuneration	0	145	0	178
Total	**360**	**2,038**	**360**	**1,602**

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

Warrant programme 2018

Number of warrants	**Manage-ment**	**Other em-ployees**	**Total**	**Utilisation price**	**Fair value per war-rant DKK**	**Fair value in total (DKK1,000)**
Allotted 1 January 2018:						
Type 1	50,000	10,000	60,000	52.51	6.16	370
Type 2	50,000	0	50,000	53.23	6.65	333
Allotted during the year (type 3)	50,000	20,000	70,000	52.64	3.77	264
Expired during the year (type 1)	-50,000	-10,000	-60,000	52.51	3.16	-370
Allotted 31 December 2018	**100,000**	**20,000**	**120,000**	**-**	**-**	**597**

70,000 warrants are allotted in 2018, and 60,000 warrants have been cancelled on expiry without being utilised. As per 31 December 2018, the company has totally 120,000 outstanding warrants, which were allotted 30 August 2016 and 21 December 2018, respectively. Each warrant gives the warrant owner right to purchase one share of nominal DKK 10.

The outstanding warrants correspond to 1.9 percent of the share capital, if all warrants are utilised.

The utilisation price for the warrants allotted in 2016 (type 2) 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 2018 (type 3) is 52.64 and the warrant programme runs till 2022, 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 2022.

Warrant programme 2017

Number of warrants	Management	Other employees	Total	Utilisation price	Fair value per warrant DKK	Fair value in total (DKK1,000)
Allotted 1 January 2017:						
Type 1	50,000	10,000	60,000	52.51	6.16	370
Type 2	50,000	0	50,000	53.23	6.65	333
Allotted during the year	0	0	0	-	-	-
Allotted 31 December 2017	**100,000**	**10,000**	**110,000**	**-**	**-**	**703**

No warrants are allotted in 2017. As per 31 December 2017, the company has totally 110,000 outstanding warrants, which were allotted 18 May 2015 and 30 August 2016, respectively. Each warrant grants the warrant owner right to purchase one share of nominal DKK 10.

The outstanding warrants correspond to 2.1 percent of the share capital, if all warrants are utilised.

The utilisation price for the warrants allotted in 2016 (type 2) 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 (type 1) 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.	**2018**	**2017**	**2018**	**2017**
Depreciations, intangible assets	1,153	1,152	0	0
Depreciations, tangible assets	30,483	25,496	46	38
Impairments, tangible assets	0	0	0	0
Total depreciations and impairments	**31,636**	**26,648**	**46**	**38**
Depreciations and impairments are recognised as follows:				
Production	31,002	26,132	0	0
Administration	634	516	46	38
Total	**31,636**	**26,648**	**46**	**38**

Fee to the auditors appointed at the general meeting

Total fee to PwC	Group		Parent company	
DKK 1,000	**2018**	**2017**	**2018**	**2017**
Audit	767	200	320	200
Other declarations	35	6	35	6
Tax and VAT services	55	42	55	42
Other non-audit services	85	71	85	71
Total	**942**	**319**	**495**	**319**

Fee for other declarations relates to declaration about issuance of convertible bonds. Fee for tax and VAT services relates to expatriated employees, the rules about international joint taxation and clarification of VAT issues. The fee of other services relates to XBRL-filing of interim reports, discussion about new IFRS standards, service about principles and methods of statement of allocation of purchase price and discussions about special conditions at sale of land etc.

Feed for other auditors	Group		Parent company	
DKK 1,000	**2018**	**2017**	**2018**	**2017**
Audit	252	461	0	0
Other declarations	0	15	0	15
Tax and VAT services	0	149	0	0
Other non-audit services	21	102	0	84
I alt	**273**	**727**	**0**	**99**
Total fees for auditors	**1,215**	**1,046**	**495**	**418**

7. Government grants

	Group		Parent company	
DKK 1,000	**2018**	**2017**	**2018**	**2017**
Grant for investments	928	981	0	0
EU hectare subsidy	33,564	30,970	0	0
Grant for milk production	6,913	6,681	0	0
Various grants pig production	6,066	3,429	0	0
Government grant etc.	1,987	322	0	0
Total	**49,458**	**42,383**	**0**	**0**

Investment grants can be applied for 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.

Also, various grants are provided to the pig production in Hungary and Czech Republic.

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

2018 DKK 1,000	Hectare grant	Milk grant	Pig grant	Government grant	Investment grant etc.	Total
Grants calculated in accruals	0	0	0	0	10,827	10,827
Period of crediting	Continuously	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in "Other receivables"	14,806	1,844	0	0	568	17,218

2017 DKK 1,000	Hectare grant	Milk grant	Pig grant	Government grant	Investment grant etc.	Total
Grants calculated in accruals	0	0	0	0	11,716	11,716
Period of crediting	Continuously	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in "Other receivables"	10,613	1,742	584	0	443	13,382

8. Other operating income

	Group		Parent company	
DKK 1,000.	2018	2017	2018	2017
Profit from sale of tangible assets	1,152	123	0	0
Recognition at purchase of Tjekkiet Invest A/S (2017: Dan-Farm Holding A/S), cp. note 16	4,914	1,287	0	0
Other secondary income	436	62	0	0
Total	**6,502**	**1,472**	**0**	**0**

9. Other operating costs

	Group		Parent company	
DKK 1,000.	2018	2017	2018	2017
Loss from sale of tangible assets	0	0	0	0
Other secondary costs	486	215	0	0
Total	**486**	**215**	**0**	**0**

10. Financial income

	Group		Parent company	
DKK 1,000	2018	2017	2018	2017
Interest, cash at bank and in hand	0	0	0	0
Interest income from affiliated companies	0	0	4,683	3,123
Other financial income	490	629	47	45
Total	**490**	**629**	**4,730**	**3,168**

11. Financial costs

DKK 1,000	Group		Parent company	
	2018	2017	2018	2017
Interest, bank loans	5,012	5,277	206	611
Other financial costs	9,822	7,424	7,738	4,560
Total	**14,834**	**12,701**	**7,944**	**5,171**

12. Tax on net profit/loss

DKK 1,000	Group		Parent company	
	2018	2017	2018	2017
Tax on net profit/loss	-3,388	-1,635	0	1,973
Tax on other total income	0	0	0	0
Total	**-3,388**	**-1,635**	**0**	**1,973**
Tax on net profit/loss is specified as:				
Current tax	-2,258	-1,100	0	0
Deferred tax	-1,130	-535	0	1,973
Total	**-3,388**	**-1,635**	**0**	**1,973**
Tax on net profit/loss can be explained as:				
Calculated tax of net profit/loss before tax (22 %) (In parent company ex. capital shares)	-2,534	-1,106	2,727	1,981
Reduction in tax rate	0	0	0	0
Write down / unrecognised tax assets	-817	-1,371	-2,727	0
Other adjustments, net	-37	842	-34	-8
Total	**-3,388**	**-1,635**	**-34**	**1,973**
Effective tax rate	29	33	0	22

13. Earnings per share

Group 1.000 kr.	2018	2017
Net profit	8,131	3,359
Number of shares	6,159,404	5,137,624
Average diluted effect of outstanding warrants and convertible bonds	2,561,022	2,600,388
Diluted number of shares in circulation	8,720,426	7,738,012
Earnings per share (EPS)	1.32	0.65
Diluted earnings per share (EPS-D)	1.32	0.65

14. Intangible assets

Group 2018 1.000 kr.	Goodwill	Lease contracts	Total
Cost price 1 January	16,030	7,379	23,409
Addition	0	0	0
Disposal	0	0	0
Exchange rate adjustment	48	22	70
Cost price 31 December	**16,078**	**7,401**	**23,479**
Depreciations and impairments 1 January	0	-4,993	-4,993
Depreciations	0	-1,153	-1,153
Disposal	0	0	0
Exchange rate adjustment	0	-10	-10
Depreciations and impairments 31 December	**0**	**-6,156**	**-6,156**
Accounting value 31 December	**16,078**	**1,245**	**17,323**

FirstFarms' Management has at the end of 2018 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 price of DKK 2.53 per kg in 2019 and milk prices of DKK 2.60 per kg as of 2020. There is also estimated a smaller increase in the yield per cow and an efficiency improvement in the fields. The estimation for future milk prices are based on external ratings and own estimations. SEGES' recommendation for the coming years for the price for milk is approx. DKK 2.60 per kg. In the impairment test carried out normal harvest yield and settlement prices for 2019 are assumed. The crop prices in the coming year are assumed to be on par with the budget for 2019.

From 2022, 2,700 cows are assumed and 9,300 hectares of land in the period, corresponding to the present area.

Reinvestments of the asset mass is recognised in the calculation.

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.

Group 2017 DKK 1,000	Goodwill	Lease contracts	Total
Cost price 1 January	16,007	7,379	23,386
Addition	0	0	0
Disposal	0	0	0
Exchange rate adjustment	23	8	31
Cost price 31 December	**16,030**	**7,387**	**23,417**
Depreciations and impairments 1 January	0	-3,837	-3,837
Depreciations	0	-1,152	-1,152
Disposal	0	0	0
Exchange rate adjustment	0	-4	-4
Depreciations and impairments 31 December	**0**	**-4,993**	**-4,993**
Accounting value 31 December	**16,030**	**2,394**	**18,424**

FirstFarms' Management has at the end of 2017 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 2.50 per kg as of 2018 and milk prices of DKK 2.60 per kg as of 2019. The estimation for future milk prices are based on external ratings and own estimations. SEGES' recommendation for the coming years for the price for milk is DKK 2.60 per kg, this unaffected that 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 2018 are assumed as stated in the management review page 18-19. The crop prices in the coming year are assumed to be on par with the budget for 2018

From 2022, 2,700 cows are assumed and 9,300 hectares of land in the period, corresponding to the present area.

Reinvestments of the asset mass is recognised in the calculation.

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 0.18 per kg will entail that the recoverable amount corresponds to teh accound value. The parent company has not intangible assets included.

15. Tangible assets

Group 2018 DKK 1,000	Land	Buildings	Plant and machin-ery	Fixtures and fittings, tools and equip-ment	Construc-tion work under execution and pre-payments	Total
Cost price 1 January 2018	151,420	238,044	141,733	5,732	8,857	545,786
Addition, purchase of Tjekkiet Invest A/S	82,873	21,891	9,015	1,145	374	115,298
Addition	2,811	2,401	26,642	1,036	9,567	42,458
Transfer between categories	3,686	2,592	1,416	0	-7,693	0
Disposal	0	-468	-15,379	-7	0	-15,854
Exchange rate adjustment	181	-811	-65	-76	3	-768
Cost price 31 December 2018	**240,971**	**263,649**	**163,363**	**7,829**	**11,108**	**686,920**
Depreciations and impairments 1 January 2018	0	-60,503	-68,311	-2,671	0	-131,485
Depreciations	0	-9,945	-19,265	-1,273	0	-30,483
Impairment	0	0	0	0	0	0
Disposal	0	45	12,315	12	0	12,372
Transfer between categories	0	0	0	0	0	0
Exchange rate adjustment	0	-177	-204	-18	0	-399
Depreciations and impair-ments 31 December 2018	**0**	**-70,580**	**-75,466**	**-3,950**	**0**	**-149,996**
Accounting value 31 December 2018	**240,971**	**193,069**	**87,897**	**3,879**	**11,108**	**536,924**
- assets held under finance lease	0	0	57,979	0	0	57,979
Depreciation period	-	15-30 years	5-10 years	3-7 years	-	-

As per 31 December 2018, security for leasing debts of DKK 28.4 million (2017: 17.1 million) has been given in the respective machines. For the bank debt in Slovakia, Romania, Czech Republic and Hungary of DKK 178.4 million, security has been given in fixed assets. Furthermore, there is security in EU-grants in Slovakia.

Group 2017 DKK 1,000	**Land**	**Buildings**	**Plant and machin-ery**	**Fixtures and fittings, tools and equip-ment**	**Construc-tion work under execution and pre-payments**	**Total**
Cost price 1 January 2017	315,252	123,417	123,417	3,566	8,591	450,826
Addition, purchase of Dan-Farm Holding A/S	49,537	7,669	7,669	1,278	2,251	60,735
Addition	18,647	16,093	16,093	1,393	9,624	45,757
Transfer between categories	8,450	2,903	2,903	30	-11,383	0
Disposal	-153	-7,572	-7,572	-480	-67	-8,272
Exchange rate adjustment	-2,269	-777	-777	-55	-159	-3,260
Cost price 31 December 2017	**389,464**	**141,733**	**141,733**	**5,732**	**8,857**	**545,786**
Depreciations and impairments 1 January 2017	-51,724	-56,813	-56,813	-2,581	0	-111,118
Depreciations	-8,744	-16,298	-16,298	-454	0	-25,496
Impairment	0	0	0	0	0	0
Disposal	0	4,404	4,404	372	0	4,776
Transfer between categories	0	0	0	0	0	0
Exchange rate adjustment	-35	396	396	0	0	353
Depreciations and impair-ments 31 December 2017	**-60,503**	**-68,311**	**-68,311**	**-2,671**	**0**	**-131,485**
Accounting value 31 December 2017	**328,961**	**73,422**	**73,422**	**3,061**	**8,857**	**414,301**
- assets held under finance lease	0	41,770	41,770	0	0	41,770
Depreciation period	-	5-10 years	5-10 years	3-7 years	-	-

As per 31 December 2017, security for leasing debts of DKK 17.1 million (2016: DKK 15.8 million) has been given in the respective machines. For the bank debt of DKK 34.4 million in Slovakia security has been given in fixed assets. Furthermore, there is security in EU-grants in Slovakia.

Booked value of purchased farm land DKK 1,000	**2018**		**2017**	
Farm land in Slovakia	739 hectares	18,434	716 hectares	17,833
Farm land in Romania	5,563 hectares	109,245	5,460 hectares	102,516
Farm land in Czech Republic	929 hectares	74,720	-	-

2018

At the turn of the year 2018/2019, FirstFarms has carried out an external valuation assessment of the land in East Romania. This valuation forms basis for the total estimate of the Group's land value at the end of 2018. The total market price is in the level of DKK 472 million, corresponding to an average price DKK 63,000 per hectare. The average booked value in Romania at the end of 2018 is DKK 19,638 per hectare, and the average booked value in Slovakia is DKK 24,357 per hectare. In Czech Republic, the land is purchased and booked at the valuated purchase price of DKK 80,700 per hectare.

2017

At the turn of the year 2017/2018, 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 market price is in the range of DKK 178 million, corresponding to an average price of approx. DKK 32,000 per hectare. The average booked value in Romania at the end of 2017 is DKK 18,774 per hectare and the average booked value in Slovakia is DKK 24,910 per hectare.

Parent company 2018 DKK 1,000	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2018	468
Addition	0
Disposal	0
Cost price 31 December 2018	**468**
Depreciations and impairments 1 January 2018	-226
Depreciations	-46
Disposal	0
Depreciations and impairments 31 December 2018	**-272**
Accounting value 31 December 2018	**196**
- assets held under finance lease	0
Depreciation period	3-7 years

Parent company 2017 DKK 1,000	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2017	388
Addition	269
Disposal	-189
Cost price 31 December 2017	**468**
Depreciations and impairments 1 January 2017	-329
Depreciations	-38
Disposal	141
Depreciations and impairments 31 December 2017	**-226**
Accounting value 31 December 2017	**242**
- assets held under finance lease	0
Depreciation period	3-7 years

16. Capital shares in subsidiaries

Parent company DKK 1,000	**2018**	**2017**
Cost price 1 January	310,179	299,486
Addition in the year-purchase of Tjekkiet Invest A/S (2017:Dan-Farm Holding A/S)	60,603	10,693
Cost price 31 December	**370,782**	**310,179**
Value adjustment 1 January	-138,574	-146,499
Share of the result of the year	20,528	10,381
Exchange rate adjustments	0,000	-2,456
Adjustment 31 December	**-118,046**	**-138,574**
Accounting value 31 December	**252,736**	**171,605**

2018
On 28 May 2018, FirstFarms A/S purchased Tjekkiet Invest A/S, which through a subsidiary produced slaughter pigs in Czech Republic. Thus, FirstFarms is supplemented with the production of piglets in Hungary with production of slaughter pigs in Czech Republic by purchase of an implemented production plant.

The shares in Tjekkiet Invest A/S were partly pad with share in FirstFarms, issuance of convertible bonds and by cash payment. The purchase price was agreed to DKK 60 million based on the price of FirstFarms' share in March 2018, which the agreement was entered.

The price of FirstFarms' share was until closing in May 2018 increased, and the total purchase price was hereafter calculated to DKK 60.6 million with the price of 50.00 at the day of closing.

The purchase price can be specified as follows (DKK 1,000):

404,328 shares at price 50	20,216
Convertible bonds for nominal 19,896 at price 101.6	20,215
Cash payment	20,172
Total	**60,603**

The allocation of the purchase price of the net assets and the time of takeover is shown in the table below:

Land	82,873
Buildings, machines, inventory etc.	32,425
Biological assets	12,364
Inventories	4,254
Receivables	7,650
Cash at bank and in hand	133
Credit institutions	-52,581
Deferred tax	-7,739
Trade payables	-7,331
Other payables	-6,521
Net assets taken over	**65,517**
Total acquisition price	**60,603**
Negative goodwill – recognised in other operating income	**4,914**

By selling the company to FirstFarms and take over shares in the company and subscribe for convertible bonds in FirstFarms as payment hereof, the shareholders in Tjekkiet Invest A/S get the possibility to sell their shares.

In connection with due diligence or later, no need is identified for provisions of other matters, including environmental obligations, which indicates, that the negative goodwill can be attributed to non-recognised contingent liabilities.

Recognised transaction costs of DKK 0.6 million are held in connection with the purchase.

Cash effect of the purchase in Q2 2018 constitutes the following (DKK 1,000):

Cash payment	20,172
Hereof for settlement after 31 December 2018	2,500
Cash taken over	133
Cash effect	**17,539**

The pre-tax result for Tjekkiet Invest A/S for the recognised period is DKK 9.9 million, without recognition of negative goodwill. If the whole 2018 had been recognised, the pre-tax result for Tjekkiet Invest A/S would be DKK 6.3 million.

The turnover for the recognised period is DKK 44.9 million. If the whole 2018 had been recognised, the turnover would be DKK 72.9 million.

2017

On 24 March 2017, FirstFarms purchased Dan-Farm Holding A/S, which through a subsidiary produces piglets, and to a smaller extent, slaughter pigs in Hungary. Thus, FirstFarms gets the opportunity to get into a new production branch when purchasing a company with implemented production plant.

The shares in Dan-Farm Holding A/S were paid with shares in FirstFarms A/S, and a price of DKK 9.4 million was agreed based on the price of FirstFarms' share in November 2016, where the agreement was made.

The price of FirstFarms' share was until closing in March 2017 increased, and at the end of 2017, it is established that the purchase price shall be assessed at the higher price at the time of take-over. The shares were paid by issuance of 203,678 shares of DKK 10, and the share price of the company's shares on Nasdaq Copenhagen A/S was on the date of issuance 24 March 2017 at 52.50, where after the purchase price can be calculated to DKK 10.693 million. The issued shares constitute 4.2 percent of the existing shares before issuance. The effect of the increase in the share price, from entering the agreement till closing, is a negative adjustment of recognised negative goodwill DKK 1.3 million compared to previously announced interim reports.

This gives the following allocation of the purchase price of the net assets, cp. the above-mentioned remarks, and the final allocation deviates thus from the purchase price allocation presented in the previously announced interim reports.

Land	8,276
Buildings, machines, inventory etc.	52,420
Biological assets	10,919
Inventories	1,611
Receivables	3,702
Cash at bank and in hand	4,996
Credit institutions	-36,634
Deferred tax	-2,546
Trade payables	-4,993
Other payables	-25,771
Net assets taken over	**11,980**
Total acquisition price	**10,693**
Negative goodwill – recognised in other operating income	**1,287**

By selling the company to FirstFarms and take over the shares in the company as payment hereof, the shareholders in Dan-Farm Holding A/S get the possibility to sell their shares.

In connection with due diligence or later, no need is identified for provisions of other matters, including environmental obligations, which indicates, that the negative goodwill can be attributed to non-recognised contingent liabilities.

In connection with the purchase of Dan-Farm Holding A/S, loans to the former shareholders in Dan-Farm Holding A/S, which they to various extents had given to the company, was also repaid. A part of the debt was repaid in cash, and repayment of the remaining part of the debt was financed by most of the lenders in Dan-Farm Holding A/S subscribing convertible bonds in FirstFarms. There was a total subscription of convertible bonds in FirstFarms A/S for DKK 13,218,415. The accounting treatment of the bonds is closer described in note 21.

If the company had been owned the whole of 2017, the turnover had been DKK 47 million and the result had been DKK 5.0 million. Thus, the increase in the turnover would be DKK 8 million and a decrease in the result of DKK 1 million.

Recognised transaction costs of DKK 0.3 million are held in connection with the purchase of Dan-Farm Holding A/S.

As no part of the remuneration constitutes cash and cash equivalents, the cash flow effect of the purchase of the cash in the company, at the date of purchase, amounts to DKK 5 million.

Subsidiaries in FirstFarms A/S	
Name	**Domicile**
FirstFarms s.r.o.	Slovakia
FirstFarms Agra M. s.r.o.	Slovakia
FirstFarms Mast Stupava AS	Slovakia
FirstFarms Mlyn Zahorie AS	Slovakia
FirstFarms s.r.l.	Romania
FirstFarms Agro East s.r.l.	Romania
FirstFarms Agro West s.r.l.	Romania
FirstFarms Hungary A/S	Denmark
Dan-Farm Hungary Kft.	Hungary
Dan-Farm Consulting Kft.	Hungary
FirstFarms Czech A/S	Denmark
FirstFarms Granero s.r.o.	Czech Republic

All subsidiaries are 100 percent owned by the FirstFarms Group.

17. Inventories

	Group		**Parent company**	
DKK 1,000	**2018**	**2017**	**2018**	**2017**
Raw materials and other materials	26,694	15,452	0	0
Manufactured goods and commodities, grain, fodder etc.	33,959	30,500	0	0
Total	**60,653**	**45,952**	**0**	**0**
Accounting value of inventories included at fair value	33,959	30,500	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

DKK 1,000	Group		Parent company	
	2018	2017	2018	2017
Receivables from sales	22,632	9,501	0	0
Other receivables	23,967	21,461	437	267
Receivables from associated companies	0	0	253,405	285,805
Total	**46,599**	**30,962**	**253,842**	**286,072**

Impairments, contained in the receivables above, developed as follows:	2018	2017
1 January	3,206	3,202
Impairments in the year	1,870	0
Implemented in the year	0	0
Reversed	0	0
Exchange rate adjustments	9	4
31 December	**5,085**	**3,206**

In 2018 and 2017, there is taken out debtor insurance for the most significant part (approx. 90 percent) of the company's receivables.

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

DKK 1,000	2018	2017
Period of decadence:		
Up to 30 days	1,778	990
Between 30 and 90 days	300	238
Over 90 days	139	109

19. Share capital

Issued shares	Amount (pcs.)		Nominal value (DKK)	
	2018	2017	2018	2017
1 January	5,137,624	4,712,241	51,376,240	47,122,410
Issued in connection with purchase of Dan-Farm Holding A/S	0	203,678	0	2,036,780
Issued in connection with purchase of Tjekkiet Invest A/S	404,328	0	4,043,280	0
Issued at conversion of bonds	617,452	221,705	6,174,520	2,217,050
31 December	**6,159,404**	**5,137,624**	**61,594,040**	**51,376,240**

At the end of 2018, the share capital consisted of 6,159,404 shares at nominal DKK 10. No shares are attributed special rights.

Of the Group's result of DKK 8.131 million and the parent company's result of DKK 8.131 million, DKK 3.264 million are proposed paid out as dividend and DKK 4.867 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. 32 concerning dividend and p. 26 for risk management.

The realised return on equity for 2018 was 2.4 percent (2017: 1.1 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 and the percentage of negotiable FirstFarms shares, the free float is thus 100 percent. On the ordinary general meeting on 24 April 2018, authority was given to the company to acquire up to 10 percent of own shares. The authority was not used in 2018. At the end of 2018, a total of 120,000 warrants are issued to the company's Management and to employees in Denmark and abroad. Totally 70,000 warrants are issued in 2018.

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 shall be at market price – with or without pre-emption rights for the Company's shareholders. FirstFarms utilised the authorisation in 2017 to issue 203,678 shares at a nominal value of DKK 2,036,780 to purchase shares in Dan-Farm Holding A/S, and in 2018 to issue 404,328 shares at a nominal value of DKK 4,043,280 to purchase of shares in Tjekkiet Invest A/S. A total of 608,006 shares corresponding to a nominal value of DKK 6,080,060 have therefore been utilised, and there is thus authorisation to issue additional 891,994 shares.

In March 2017, FirstFarms issued convertible bonds for a total of DKK 13.2 million, in connection with repayment of debt to former shareholders in Dan-Farm Holding A/S, with expiry 15 December 2020, and in December 2017 the company issued bonds for DKK 72.25 million, which run up to and including 15 December 2022. Also bonds for DKK 26.3 million issued in 2016, with expiry 15 December 2020, remain unpaid. In May 2018, FirstFarms issued convertible bonds for DKK 19.9 million in connection with the purchase of Tjekkiet Invest A/S.

Convertible bonds of nominally DKK 26.42 million were converted in 2018.

If all current bond owners choose to convert their bonds, it corresponds to issuance of 2,441,022 shares. This corresponds to 40 percent of the share capital at the end of 2018.

Dividend
It is FirstFarms' goal to secure the necessary equity and liquidity to finance the organic and acquisitive growth of the company. Yearly, in combination with presentation of the accounts, an evaluation of potential dividend is made. Dividend can be distributed to the shareholders through dividend our share buy-back.

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	**2018**	**2017**
Deferred tax 1 January	-1,460	-4,749
Addition, purchase of Tjekkiet Invest A/S/Dan-Farm Holding A/S	7,739	2,557
Tax recognised in the equity	34	159
Exchange rate adjustment	14	40
Deferred tax of the year calculated in net profit/loss	1130	533
Deferred tax 31 December	**7,457**	**-1,460**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	-9,188	-10,112
Deferred tax (liability)	16,645	8,652
Deferred tax 31 December, net	**7,457**	**-1,460**
Deferred tax concerns:		
Intangible assets	0	79
Tangible assets	14,519	5,568
Biological assets	1,797	1,958
Other accounting items	-5,986	-6,741
Deficits with right to put forward	-8,161	-7,612
Re-taxation balance	5,288	5,288
Total	**7,457**	**-1,460**

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. 5 years.

Change in interim differences in 2018

DKK 1,000	**Balance 1/1-2018**	**Addition, purchase of Tjekkiet Invest**	**Included in net profit/loss, net**	**Recogni-tion the equity**	**Exchange rate adjust-ments**	**Balance 31/12-2018**
Intangible assets	79	0	-79	0	0	0
Tangible assets	5,568	8,275	637	37	2	14,519
Biological assets	1,958	-679	519	0	-1	1,797
Other accounting items	-6,741	0	620	0	-8	-5,986
Deficits with to put forward	-7,612	0	-539	0	-10	-8.161
Re-taxation balance	5,288	0	0	0	0	5,288
Total	**-1,460**	7,739	**533**	**37**	**-17**	**7,457**

Change in interim differences in 2017

DKK 1,000	Balance 1/1-2017	Addition, purchase of Dan-Farm	Included in net profit/loss, net	Recogni-tion the equity	Exchange rate adjust-ments	Balance 31/12-2017
Intangible assets	158	0	-79	0	0	79
Tangible assets	1,314	2,168	2,087	0	-1	5,568
Biological assets	2,445	0,389	-877	0	1	1,958
Other accounting items	-5,031	0	-1,885	159	16	-6,741
Deficits with to put forward	-9,197	0	1,561	0	24	-7,612
Re-taxation balance	5,562	0	-274	0	0	5,288
Total	**-4,749**	**2,557**	**533**	**159**	**40**	**-1,460**

Parent company DKK 1,000	**2018**	**2017**
Deferred tax 1 January	1,158	2,972
Deferred tax of the year calculated in net profit/loss	0	-1,973
Tax recognised in the equity	37	0
Deferred tax 31 December	**1,195**	**1,158**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	0	0
Deferred tax (liability)	1,195	1,158
Deferred tax 31 December, net	**1,195**	**1,158**

The deferred tax at the end of 2018 and 2017 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	**2018**	**2017**	**2018**	**2017**
Proceeds from issuance of convertible bonds, primo	138,883	63,316	138,883	63,316
Proceeds from issuance of new con-vertible bonds in the year	19,896	85,468	19,896	85,468
Settled in the year	-26,415	-9,901	-26,415	-9,901
Proceeds from issuance of converti-ble bonds, end of period	**130,680**	**138,883**	**130,680**	**138,883**
Fair value of right to convert at date of issuance recognised in the equity, primo	-1,880	-1,156	-1,880	-1,156
Fair value of right to convert at date of issuance of new convertible bonds in the year	-162	-724	-162	-724
Fair value of financial obligation at the date of issuance	**128,638**	**137,003**	**128,638**	**137,003**
Amortisation 1 January	826	704	826	704
Amortisation for the year	270	122	270	122
Amortisation 31 December	**1,096**	**826**	**1,096**	**826**
Accounting value of financial obliga-tion 31 December	**129,734**	**137,829**	**129,734**	**137,829**

The following convertible bonds have been issued:

Issued	For nominal	Conversion/expiry	Interest p.a., percent	Market interest, percent
2013	DKK 50 million	Repaid/converted 2018	6	6,63
2016	DKK 32.25 million *)	End 2020	6	6,40
2017	DKK 13.20 million	End 2020	6	6,20
2017	DKK 72.25 million	End 2022	5	5,20
2018	DKK 19.896 million	End 2022	5	5,20

**) Of this, bonds for DKK 6.0 million have been converted to shares.*

The value of the financial obligation is at the date of issuance calculated using a market interest 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).

The fair value of the outstanding bonds at the end of 2018 is calculated to DKK 137.8 million. There is assumed an interest of discounting for bonds of 4 percent.

The fair value of the convertible bonds is recognised at level 3 in the fair value hierarchy.

22. Debt to credit institutions

Liabilities are recognised in the balance as follows:

	Group		Parent company	
DKK 1,000	**2018**	**2017**	DKK 1,000	**2018**
Non-current liabilities	143,490	67,868	0	0
Short-term part of long-term liabilities	46,842	34,724	0	0
Total	**190,332**	**102,592**	**0**	**0**
Bank overdrafts	21,514	8,765	0	1,067
Total	**211,846**	**111,357**	**0**	**1,067**
Fair value	211,846	111,357	0	1,067
Nominal value	211,846	111,357	0	1,067
- of this fixed interest	39,379	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 2.0 million (2017: DKK 1.1 million).

Current maturity:	**2018**	**2017**
Within 1 year	68,356	43,489
1-5 year	102,014	49,529
> 5 year	41,476	18,339
Total accounting value	**211,846**	**111,357**

The debt in Slovakia is taken out in EUR, and there is an average interest rate at the end of 2018 at 3-5 percent (2017: 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 (2017: 3-6 percent).

In Hungary, the debt is taken out in HUF, and also carries interest with 3-5 percent (2017: 3-5 percent), and in Czech Republic the debt is taken out in CZK and carries interest with 3-5 percent.

In both 2018 and 2017, 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.

Development in loan in credit institutes

Group DKK 1,000	2018	2017
Loan in credit institutes etc., beginning	111,357	118,224
Addition at purchase of Tjekkiet Invest A/S/Dan-Farm Holding A/S	52,581	36,634
Addition	29,998	0
Repayments	0	-51,946
Leasing set off under investment activity	17,910	8,445
Loan in credit institutes etc., end	211,846	111,357

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

Group 2018 DKK 1,000	**Minimum contribution**	**Interest etc.**	**Repayment of liabilities**
0-1 year	9,140	563	8,443
1-5 years	19,297	664	18,361
> 5 years	0	0	0
Total	**28,437**	**1.227**	**27,210**

Group 2018 DKK 1,000	**Minimum contribution**	**Interest etc.**	**Repayment of liabilities**
0-1 year	7,420	386	7,034
1-5 years	9,669	369	9,300
> 5 years	0	0	0
Total	**17,089**	**755**	**16,334**

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	**2018**	**2017**	**2018**	**2017**
Supplier debts	12,704	17,416	230	518
Other debt obligations	22,615	13,808	5,882	2,300
Total	**35,319**	**31,224**	**6,112**	**2,818**

24. Corporation tax

	Group		**Parent company**	
DKK 1,000	**2018**	**2017**	**2018**	**2017**
Corporation tax 1 January	-740	-801	0	0
Current tax of the year	-2,258	-1,100	0	0
Paid corporation tax	2,956	1,161	0	0
Corporation tax 31 December	**-42**	**-740**	**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 2018, security for leasing debts of DKK 28.4 million (2017: DKK 17.1 million) has been given in the respective machines. For the bank debt in Slovakia, Romania, Hungary and Czech Republic of DKK 178.4 million, security has been given fixed assets, where the booked value constitutes DKK 434 million (2017: DKK 34.4 million).

The parent company has guaranteed for the subsidiaries' debt in credit institutions in Slovakia, Romania and Hungary with an accounting value of DKK 125.2 million (2017: DKK 64.8 million).

26. Change in working capital

	Group		Parent company	
DKK 1,000	**2018**	**2017**	**2018**	**2017**
Change in biological assets and inventories	-7,145	-3,241	0	0
Change in receivables etc.	-11,500	-5,281	-147	-11
Change in supplier debts, other debt obligations and accruals	-10,776	-8,282	794	750
Total	**-29,421**	**-16,804**	**647**	**739**

27. Non-cash transactions

DKK 1,000	**2018**	**2017**
Acquisition of tangible assets, cp. note 15	42,458	45,757
Of this financial leased assets	-11,910	-8,445
Paid regarding acquisition of tangible assets	**30,548**	**37,312**
Proceeds at raising financial debt liabilities	40,270	29,326
Of this leasing debt	-11,910	-8,445
Received at raising financial debt liabilities	**28,360**	**20,881**

28. Risk management

The Group's 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.

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 2019.

FirstFarms' activities are placed in Slovakia, Romania, Hungary and Czech Republic. A change in the Romanian RON of 1 percent will - all things being equal - affect EBIT with approx. DKK 0.1 million (2017: DKK 0.2 million). Furthermore, a direct effect on the equity will show due to a changed conversion of assets and liabilities.

A change in the Hungarian HUF of 1 percent will - all things being equal - affect EBIT with approx. DKK 0.1 million (2017: 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 Czech CZK of 1 percent will – all things being equal – affect EBIT with approx. DKK 0.1 million. Furthermore, a direct effect on the equity will show due to a changed conversion of assets and liabilities.

An increase in the interest of 1 percent will – all things being equal – entail a change in the financial expenses of DKK 2.1 million (2017: DKK 1.1 million). The convertible bonds have a fixed interest and are thus 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 (2017: DKK 0.7 million). In addition to this, a value adjustment may occur on biological assets (the value of stock) as a result of changes in the milk price.

A 1 percent change in the price of piglets and slaughter pigs will – all things being equal – entail a change in the EBIT result of DKK 0.8 million (2017: DKK 0.4 million). In addition to this, a value adjustment of the biological assets of DKK 0.2 million. (2017: DKK 0.1 million)

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 (2017: DKK 1.0 million).

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

Liquid finds
FirstFarms has entered agreements with banks in Denmark, Slovakia, Romania, Hungary and Czech Republic regarding credit lines, which, together with the present financing in the company, is assessed to cover the company's cash needs in 2019.

The Groups liabilities fall due as follows:

2018 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	184,636	206,589	69,828	62,138	74,623
Financial leasing liabilities	27,210	28,437	9,140	19,297	0
Trade payables	12,704	12,704	12,704	0	0
Convertible bonds *)	129,734	153,449	6,919	146,530	0
Derivative financial instruments	0	0	0	0	0
31 December	**354,284**	**401,179**	**98,591**	**227,965**	**74,623**

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

2017 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	95,023	104,953	54,286	30,862	19,805
Financial leasing liabilities	16,334	17,089	7,420	9,669	0
Trade payables	17,416	17,416	17,416	0	0
Convertible bonds *)	137,829	165,679	34,775	130,904	0
Derivative financial instruments	0	0	0	0	0
31 December	**266,602**	**305,137**	**113,897**	**171,435**	**19,805**

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

29. Operational leasing obligations

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

Group DKK 1,000	2018	2017
0-1 year	11,058	11,563
1-5 years	14,560	19,282
> 5 years	4,567	2,482
Total	**30,185**	**33,327**

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 and Czech Republic as per agreement.

In the income statement for 2018 DKK 9.5 million was put to cost regarding land lease (2017: DKK 8.4 million)

Per 31 December 2018, FirstFarms has leased an area of 8,500 hectares in Slovakia, distributed on 10,000 land lease contracts with a currency of 1-15 years (2017: 8,800 hectares distributed on 10,100 land lease contracts).

In Romania leasing contracts have been entered for approx. 2,600 hectares of land to be cultivated in 2018/2019 (2017/2018: 2,700 hectares) with a currency of 1-5 years.

In Czech Republic, leasing contracts have been entered for 221 hectares of land to be cultivated in 2018/2019 with currency of 1-15 years.

Furthermore, FirstFarms has entered agreement about operational leasing of machines with an annual cost of approx. DKK 2.9 million (2017: DKK 5.8 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 (2017: DKK 0.1 million).

30. 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 2018.

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 2018, FirstFarms A/S has invoiced group contributions etc. of DKK 0.5 million (2017: 0.4 million).

2018

Name	Closely related to	Convertible bonds for
Thoraso Holding ApS	Chairman Henrik Hougaard	DKK 6,127,118
Thoraso ApS	Chairman Henrik Hougaard	DKK 46,234,983
Board member Bent Juul Jensen		DKK 5,584,745
NKB Invest ApS	Vice chairman Asbjørn Børsting	DKK 1,000,000
Vice chairman Asbjørn Børsting		DKK 816,949
Anders Holger Invest ApS	CEO Anders H. Nørgaard	DKK 750,000

2017

Name	Closely related to	Convertible bonds for
Thoraso Holding ApS	Chairman Henrik Hougaard	DKK 6,127,118
Thoraso ApS	Chairman Henrik Hougaard	DKK 4,505,495
Thoraso Invest A/S	Chairman Henrik Hougaard	DKK 26,338,983
Henrik Hougaard Invest ApS	Chairman Henrik Hougaard	DKK 7,500,000
Board member Bent Juul Jensen		DKK 10,386,944
NKB Invest ApS	Board member Asbjørn Børsting	DKK 1,000,000
Board member Asbjørn Børsting		DKK 816,949
Anders Holger Invest ApS	CEO Anders H. Nørgaard	DKK 2,101,648

31. Subsequent events

After the balance day 31 December 2018, no essential events for the Group's and the company's position have occurred.

Cf. company announcement no. 1 of 7 February 2019, Head of Terms has been entered about purchase of Hospoda Invest A/S. Hospoda Invest A/S owns 100 percent of the Slovak company JK Gabcikovo s.r.o., which includes crop- and pig production in Slovakia.

32. New accounting regulations

IFRS 9 has become effective in 2018, and it has minimum significance for FirstFarms, as there has only to a limited extent been used financial instruments in 2018, and debtor insurance has been subscribed for the main part of the company's turnover.

IFRS 15 has become effective in 2018, but it has limited significance for FirstFarms, as goods are sold ab farm.

IFRS 16 will be effective as per 1 January 2019, and as it can be seen, the company has operational leasing obligations for DKK 30.2 million. FirstFarms expects to choose the simple implementation model for IFRS 16.

A significant part of the operational leasing obligations is rental contract for land. Given that short land lease contracts are recognised with prolongation to 5 years, the significance of IFRS 16 for FirstFarms will be an increase of assets and debt liabilities in the range of DKK 35-40 million in the company's balance sheet. The Management has not yet determined the assumptions for the recognition, which is why the final amount can deviate from this.