

Report by the Chairman of the Board at FirstFarms' annual general meeting 21 April 2015

Dear shareholders,

Welcome to FirstFarms' general meeting. I am pleased to see once again so many shareholders attending the company's annual general meeting here in Billund to hear about FirstFarms. We are a total of 78 present today.

The year 2014

In 2014, FirstFarms realised a turnover of DKK 125.1 million, an EBIT result of DKK 19.2 million and a net profit of DKK 11.5 million.

It is an improvement of the EBIT result of DKK 8 million compared to 2013, and the total EBIT improvement the last 2 years is DKK 47 million.

It is satisfactory that the revenue has increased in a year, where prices for the agricultural products have been under pressure. We still work to increase the profitability in the company.

We have during the last 2 years observed a very positive development in our milk production, so that our milk yield is almost on a satisfactory level. We are still working on efficiency improvement and optimisation of the milk production.

In 2014, the milk price has been decreasing. In the beginning of the year, the milk price was high, but from the spring and onwards, FirstFarms realised significant decreasing milk prices and at the end of the year, the milk price was very low.

FirstFarms got a satisfactory harvest in 2014, but compared to 2013 the crop prices were somewhat lower. In the spring FirstFarms froze the prices on part of the harvest and this toned down the effect of the falling sales prices.

The issuance of the convertible bonds in 2013 has given FirstFarms opportunity to expand our operation activities in both Slovakia and Romania.

Land has been sold in Romania in 2014, which is no longer in the company's long-term strategy. We have sold some of the poorest land and the land which are placed in the longest distance from our operation centre.

Sale, purchase and increase in value of land is part of FirstFarms' business model.

In 2014, there is purchased and rented further land in the company's core areas. With the present prices for rent of land, it is operationally profitable to increase the cultivated area by entering rent contract, as it otherwise demands a very significant tied-up capital. FirstFarms works on models as alternative to own tied-up capital in land and thus that our own resources become less limited for the possibilities of increasing activities and creating value.

Development in the agriculture

2014 became a difficult year for the agriculture in both Denmark and the rest of Europe. The price on agricultural products is decreased, i.e. due to the closure of the Russian market for agricultural products from EU.

It is my immediate assessment that 2015 will also be a challenging year for the agriculture, as the prices on several agricultural products will still be under pressure.

The FirstFarms share

In 2014, the price on FirstFarms' share decreased with 7 percent from 48 at the beginning of the year to 44.6 at the end of the year. The total smallcap-index, which FirstFarms is a part of, decreased with 15 percent in 2014.

It is obviously not satisfactory for the company's shareholders that the price is decreased. I think the decrease is related to the large media publicity of the problems in agriculture. The share has not increased much after the announcement of the financial statements, which I presume is related to our expectations for 2015, which becomes a challenging year for FirstFarms and for agriculture in general.

The average turnover in the share was in average approx. DKK 244,000 per business day, which is higher than in 2013.

The organisation

In 2014, FirstFarms' organisation has been broadened with an extra operational centre in West Romania. Bjarne Maj was employed in January 2014 to build up the new operational centre, and it was succeeded to get 2,000 hectares in operation in 2014. The area is expected to be expanded in 2015 and the coming years.

The remaining management group with Anders Nørgaard in front has been unchanged in 2014, and we expect that it will be a stable management group the coming years.

In general there has also been a reasonable level of staff turnover in the production in 2014. The turnover pace in the milk production is however still higher than desired, and work is done to create a little higher stability.

The future

In 2015, FirstFarms expects an EBIT result of DKK 6-11 million.

The expectation is build on a low milk price and a stable milk production along with normal harvest yields. Crop prices on par with 2014 are expected.

FirstFarms has succeeded to expand the area in West Romania with another 1,500 hectares during the spring compared to the expected, so now we are operating 3,800 hectares in the area in the harvest year 2015.

In East Romania we are working on expanding the cultivated area by taking over the operation of the land from DCH International A/S. This can bring the total cultivated area in East Romania up to 5,300 hectares.

This brings us closer to the goal of 10,000 hectares in each of the two centres.

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

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

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

The management discusses the possibility for sale of compacted land and to rent it back, so that FirstFarms keeps the right to operate and has repurchase possibility of the land. It will free capital and allow expansion of the company's activities. At the same time, the pace for purchasing land in smaller parcels can be increased compared to today.

It is still our assessment that the level of activity in FirstFarms is too low to cover the cost base that is related to being listed on the stock exchange. It is therefore important that the company can grow more than possible by organic growth and by reinvesting the profit in development of the company.

It is thus the ambition that FirstFarms shall grow through mergers or acquisitions, perhaps with other Danish companies, which have invested in our market areas in Eastern Europe. It is my assessment that FirstFarms is well positioned to negotiate about this with basis in a strong management and stable results.

FirstFarms is working on specific explorations of the possibilities, and the company also experiences a larger interest from other parties than earlier. It is my assessment that the company can now be an attractive merger partner or exit possibility for other agricultural companies in our market area.

A continued expansion of the activities in FirstFarms demands of course a solid financial resource. FirstFarms is concurrently working on optimising this through various sources of financing. It is assessed that this market has become more open, which is necessary if a high growth pace shall be achieved.

As element in obtaining capital for expansions, we have as we all know, issued a convertible bond in 2013 with a good result. The bonds expire in 2016, and we have thus reserved capital to a repayment, in case conversion is not desired.

FirstFarms has offered the bond owners a conversion premium, if information already before 15 May is submitted about conversion. It will secure a better flexibility and a more appropriate long-term planning of liquidity, activities and investments.

The Board of Directors also asks the general assembly for a new permission to issue for up to DKK 100 million new bonds until 2020, which gives possibility to finance new activities. Conversion right or price, interest or maturity has not been decided. This will be done by an assessment of the specific activities and the price of alternative forms of financing.

I will however underline that a continued optimisation of the operation has first priority for the management, and that focus must not be relinquished from the operation in connection with any mergers.

Conclusion

I would like to thank all the employees in the company for the effort in 2014, and my colleagues in the Board for a good cooperation

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

Thank you for your attention.