

The CEO's review

at FirstFarms' annual general meeting on 25 April 2022

Thanks for giving the word to me, and thanks for the attendance.

I have also been looking very much forward to today and this annual general meeting.

There is much positive to report, but unfortunately it is also a troubled world that surrounds us.

I will take you behind the 2022 results and tell you about some of the measures we put in place.

I would also like to put a little more words on the expectations we have for this year and what is happening right now and will happen in the future.

The markets were with us in 2022. Both the markets for crops, milk and pigs. Let me give you a brief review.

When I stood here a year ago, I reported record crop prices in 2021. Crop prices remained high in 2022. At one point, they even exceeded record prices from 2021. On the other hand, our crop production, particularly in Romania, fell victim to the drought that hit the country and several other places in Europe.

Our total revenue from crops thus decreased by 50 mDKK compared to 2021. Still, the high prices and cost management offset some of the low yields, allowing the operation to contribute positively to the 2022-result.

On a different note, it looked positive all around in the milk production.

Prices rose and rose throughout the year from one record high level to another. At the same time, we increased our efficiency in milk production by 5% compared to 2021. This meant that we increased revenue from milk by 38 mDKK – corresponding to an increase of almost 50%. It was fantastic to follow such a development throughout the year.

If a special 2022 sunbeam story is to be selected out of several, then it must be the milk. Not least because the high prices appeared both suddenly and unexpectedly.

But as you know, the trees do not grow into heaven. The price of milk has since been corrected sharply.

Pig production in 2022 was negatively impacted by high feed and energy costs. On the other hand, we managed to maintain a very high level of efficiency and at the same time prices increased towards the end of the year so that we ended up with an average price of pigs in 2022 that was above expectations.

Of course, this has had a positive effect on the annual result. In 2022, revenue from pigs increased by 47 mDKK, which is primarily attributed to the higher prices towards the end of the year. We have seen fast increasing pig prices so far this year, and we expect them to continue at a high level.

Understandably, we were met with some scepticism when we announced 14 months ago that we were now initiating the construction of two new pig farms in Hungary – our largest single investment. At that time, pig prices were at rock bottom.

It characterises a company like ours that we have a financial foundation, a long-term plan and some ambitious goals that we believe in and do not deviate from, and therefore we dare to initiate a large construction of new pig productions at a time when pig prices are low.

Last Friday we inaugurated the new productions. The first pigs are soon entering the stables, and pig prices are increasing. But we are also aware that markets are constantly changing and therefore we are also in several business areas that can support each other.

Pigs are a strong and important card in our business model. There are also special risks associated with pig production. African swine fever is a significant risk that we all live with on a daily basis and that we take very seriously. We continuously invest in a lot of biosecurity to constantly improve our animal welfare and have high health – at the same time we have insured the herds in the best possible way.

Land remains unchanged a very central part of our business. My philosophy is that everything starts with the soil and therefore the soil is the foundation of our business and protection against inflation.

We are not masters over the market prices and the weather, which luckily was generally kind to us last year - but we are masters in our own house, which allows us to influence and optimise a wide range of factors that contribute to creating a good result.

Here are the three most important factors that, together with the high prices for our products, contributed to us presenting a strong result today.

The first – and the factor that takes up more and more space in our everyday lives out in the fields and in the stables – is our increasing focus on circular operation and the efficiency and positive impact on the environment that this focus causes.

We are constantly working to create even greater coherence between all stages of production and thus a more sustainable production.

We save time, we save energy, we create overview and cohesion, we produce more and better, we increase the quality. We thus strengthen the entire value chain and, last but not least, we reduce the negative impact on the environment. In 2022, our efficiency was high and stable and close to optimal in all operations.

The second factor I would like to mention as an important contribution to the positive result is my hobbyhorse – our risk diversification – geographically and on branches of operation.

Of all the strategic decisions made in FirstFarms, the decision to never put all eggs in one basket, but instead spread our risks, has been the most important decision.

Risk diversification is an absolutely crucial factor in the results we have created in the recent years, will create this year, next year and in 10 years.

In 2022, we had unsatisfactory crop yields in Romania due to drought, but we still benefited from the high crop prices in the market, as our crop yields in Czech Republic and Slovakia were reasonable.

This year we see a negative trend in milk and crop prices, but then it is good that we have a positive trend on the pigs, and we have the circular mindset with our own feed.

There are many things that I think make FirstFarms special. Our risk diversification and the importance it has for us is very special. Continued risk diversification is one of the keys to future growth and thus further value creation.

The third factor, which Henrik also came around – it is our employees and managers. Also from me, praise and thanks to all employees at FirstFarms for the great passion and responsibility they put into their work – every day.

On the one hand, we operate daily under very volatile and unpredictable market conditions, and at the same time we are on an ambitious journey of growth with many new projects and initiatives. It requires very competent employees and managers.

I can guarantee the shareholders that we will continue to motivate, develop and challenge the individual employees and managers, so that they and FirstFarms are always equipped for tomorrow's tasks, our customers and society's demands.

We were not idle in 2022 when it came to new initiatives. The activity was great.

Let me give three examples.

The two new pig productions I mentioned earlier were not the only new initiatives in Hungary. We also acquired the crop production Try-Béta – which we have now named FirstFarms HunAgro.

Together with the new pig productions, HunAgro will be integrated into the rest of the circular operation in Hungary, which will thus be clearly strengthened.

Hungary is an important and stable engine in our business model.

We inaugurated our new 13,000 tons modern silo facility in Slovakia.

A major step towards more sustainable quality products and a striking example of the efficiency, circularity and future-thinking we strive for in the Group.

The savings on energy are large while resource and time consumption has decreased. For example, we have shortened the time spent on harvesting by several days, as the logistics work rationally and well. The facility is an important element of circular operation.

The 3rd example is taken from our daily work to create a more sustainable company. In 2022, we initiated the implementation of "Cool Farm Tool", which is a tool for calculating the Group's full CO2 footprint across all subsidiaries for use by ourselves and our customers. An important element in our efforts to constantly reduce our CO2 footprint. The implementation and use of the tool will continue here in 2023.

Henrik has been around the key figures but let me conclude my review of 2022 by emphasising the Group's sound financial foundation.

The total capital strengthening in 2022 amounts to 153 mDKK. And the equity has therefore increased from 530 mDKK to 683 mDKK. The Group thus ends up with a solvency ratio of 51% at the end of 2022.

I am proud of the result we delivered in 2022 and the strong foundation we have created and are now building on.

I will now put a some more words on the expectations we have for 2023.

To put it bluntly, we just have to pick up where we left off in 2022 and we will get the satisfactory result we expect.

But it is not that easy, we know that. The markets have already changed significantly compared to 2022. Milk and crop prices are decreasing. Pig prices are increasing. We cannot control the price development.

So, we are back to where we can and must make the big difference. Success in 2023 will depend on our ability to continue to deliver high efficiency and productivity throughout operations and get the necessary rainfall for our crops.

Our focus will be on creating as much value as possible in the circular operations and value chains around our products. 2023 will be another year of new initiatives and special focus areas.

Let me mention a few:

We are, as I have mentioned before, a real team. Therefore, we focus on securing the right new hires. The competencies must be in place, but they must also fit into our organisation.

We are investing further in facilities, buildings and machinery towards a more sustainable business.

We will spend additional funds and resources on hardware and software to develop and protect our critical infrastructure.

We will work with investment in irrigation projects, better soil treatment and new production methods. The work towards a more sustainable agriculture continues, and our green transition is intensified.

FirstFarms has been on a journey of growth in recent years.

We continue the journey and constantly try to be agile and seize the opportunities that our surroundings and ourselves create. We have the best conditions to fulfil our ambitions, create additional value and grow in a controlled manner.

Thank you.