

## Report of the Chairman of the Board of Directors at FirstFarms' annual general meeting on 16 April 2024

Dear shareholders,

My name is Henrik Hougaard.

As Chairman of the Board of FirstFarms, it is my pleasure to welcome you to the general meeting here in Billund.

We are 47 shareholders gathered today.

Let me start by putting some headlines on the content of the reports that I and Anders Nørgaard will present today.

- We will come around the 2023 result and talk about 2023 initiatives and projects of particular importance for the company's continued development and future growth.
- We put our expectations into words for the current year and look further ahead and review the main features of our Strategy 2028 and the goals we have set.
- I have chosen to talk about our land and the value it generates.
- I will also get around the ownership of FirstFarms. Today, we are a strong and broad group of owners.

### 2023 RESULT

2023 was a satisfying year for FirstFarms, where we delivered within the frames of the announced expectations and increased the turnover by 10 percent compared to 2022.

The key figures for 2023 were as follows:

- We delivered a turnover of 462 mDKK – 44 mDKK more than in 2022
- EBITDA decreased from 147 mDKK to 101 mDKK
- EBIT decreased from 96 to 50 mDKK
- And we delivered a profit after tax of 26 mDKK against 65 mDKK in 2022

Last year, we were proud to present the unquestionably best result in the Group's history, and it is clear to everyone that the 2023 result pales a little in comparison.

Therefore, it is also important to note that the 2023 result is equal to the second-best operating result since the stock exchange listing in 2006, when adjusted for 10 mDKK in start-up losses of the new pig production in Hungary.

It is a result delivered in a challenging year with high inflation and consequent high procurement and feed prices. It has been delivered in a year with uneven crop yields due to limited rainfall – especially in Romania. And it has been in a year with large price drops on crops.

When we still managed to deliver a satisfactory result, it is a combination of factors we do not control and factors we do control.

Our risk diversification once again proved its worth, as the milk and pig prices, unlike the crop prices, held firm. We also delivered well on our circular operations and our efficiency in all operations.

When we produce circularly, where resources and processes are optimised and connected, we create a more sustainable and efficient production. It provides control over your own value chain.

Control of our own value chain is a prerequisite for reasonable earnings and continued development and growth when the market or parts of the market challenge us.

Equity has increased from 683 mDKK in 2022 to 723 mDKK in 2023. In other words, a total capital increase of 40 mDKK. The Group thus ended up with a solvency ratio of 48% at the end of 2023.

The finances of FirstFarms are healthy and solid, and add to that the fact, that a month and a half ago we were able to announce a capital injection of 186 mDKK from the Heartland Group. I will return to the importance of the capital injection and Heartland's entry into the ownership group.

## **SUSTAINABILITY / GREEN TRANSITION**

2023 was a year where a number of concrete initiatives with great importance for FirstFarms' future development and growth were initiated or further developed. I would like to highlight two. Anders will highlight a number of others.

In 2023, the work continued to create an increasingly sustainable company with a focus on circular operations, development of our managers and employees, focus on solutions that increase animal welfare and focus on support for local communities.

FirstFarms affects climate and nature. We work every day to reduce our footprint by, among other things, reducing emissions.

In 2023, we also intensified our transition to green energy and the installation of photovoltaic systems continued. We have solar cells at most locations in the Czech Republic, Slovakia and Hungary and at our machine centre in Romania, so we can produce electricity for our own consumption. In terms of area, our solar cells now cover the equivalent of two hectares.

We have more solar energy projects in the pipeline and continue the Group's own integrated production of renewable energy. At the same time, we are waiting for it to be possible to utilise the solar energy in a context that goes beyond our own land registers – i.e. the sale of solar energy.

The thorough work to investigate the possibility of starting biogas continued in 2023.

The framework conditions in the countries we operate in are not yet optimal, and many biogas plants have been shut down. We therefore need a clear framework, incentives and legislation before we can invest heavily in biogas.

The challenges of the transition to green energy do not change the fact that in the long term we want to make green energy a 5th business segment, and thus make green energy another element in our risk diversification.

## **STRATEGY 2028**

The other significant initiative in 2023 I would like to highlight is the development of Strategy 2028, the content of which is to be executed over the next five years with a significant increase in revenue and earnings in mind.

Over the next five years, we will primarily execute within four focus areas:

1. Continuous growth
2. Next level farming
3. The sustainability journey
4. People

Anders and his team have made a number of priorities and identified a number of concrete initiatives that support the strategy and are already being executed.

In connection with our desire for growth and thus value added for the shareholders, we also set a framework for the general meeting for possible capital increases and bond issues.

As part of our strategy work, we have set ourselves the goal of increasing the Group's turnover to 750 mDKK by 2028. At the same time, the Group will strengthen profitability and increase EBITDA to more than 240 mDKK in the same period.

We also aim to distribute at least 30% of profit after tax, either as dividends to shareholders or through share buyback. This is similar to the distribution in 2023, where we have initiated a share buyback.

With our solid financial foundation and skilled and committed employees, FirstFarms is well equipped to execute on "Strategy 2028".

## **EXPECTATIONS FOR 2024**

The short story about our expectations and the goal for 2024 is that we must do better than in 2023.

We expect to deliver an EBITDA of 110 - 140 mDKK against a realised EBITDA of 101 mDKK in 2023.

We expect an EBIT of 50-80 mDKK against and an EBIT of DK 50 mDKK in 2023.

2024 has started sensibly with good prices for pigs and milk. This year, we have high expectations for the pig production. Our two new pig productions in Hungary were 100% operational at the turn of 2023. In 2024, we will see the full return on the investment.

We also have expectations of a better harvest yield in Romania, where we are now ready with irrigation on 1,400 hectares of our fields.

Crop prices have shown a downward trend in the first months of 2024. This is positive for our feed for the livestock units, but negative for the sales crops. We sell about 65 percent of our produced crops and use 35 percent to feed our animals.

If we are to increase earnings this year, we must be able to make full use of the production capacity we have, and we must remain circular and efficient in everything we do. The cost per unit produced must be reduced.

The journey towards an increasingly sustainable business continues with reducing emissions and preparing for CSRD and EU taxonomy legislation, as well as focusing on implementing the right digital tools. We continue to invest in plant and machinery that supports the sustainability agenda.

We must also recognise that we operate and produce in troubled and unpredictable times. But what I can repeat from previous years is that our business model is built to navigate in times like this – and that in 2023 it has once again proven its worth.

We therefore expect a satisfactory 2024.

## **LAND VALUES**

As mentioned in my introduction, I would like to take this opportunity to talk about the value our land creates for FirstFarms and thus for you – the shareholders.

Historically, land is an inflation-proof investment that has increased in value over time. At the same time, land has a high ability to be converted into cash.

A large part of the added value that FirstFarms creates is done through increases in our land values.

In 2023, the value of FirstFarms' land has increased by 49 mDKK, which can be added to our profit before tax of 34 mDKK. Overall, this gives a real value creation before tax of 83 mDKK. This cannot be seen in the company's income statement or balance sheet, but is disclosed in a note in the financial statements.

FirstFarms has land for more than 750 mDKK including an unbooked added value of more than 350 mDKK

FirstFarm's total assessed equity thus exceeds 1 billion DKK. The total equity is composed of the booked equity and assessed value added on land less deferred tax.

The land values are documented with valuer valuations at the same time as trades executed at the same level by the company.

## **OWNERSHIP – COMPOSITION OF THE BOARD**

Let me continue by talking about the ownership of FirstFarms.

As mentioned earlier – on February 29, we got a new major shareholder, Constantinsborg – or the Heartland Group. With a capital injection of 186 mDKK via capital injections and convertible bonds earmarked for development and growth, Heartland has left its positive mark on FirstFarms from the start.

Today, we are a strong group of owners – large and small shareholders – connected in the desire to develop and grow FirstFarms for the benefit of the company, the consumers, the surrounding communities and to create value for the ownership.

The Board of Directors will later propose to increase the number of members by one person, and the Board of Directors will propose that the General Assembly elect Lise Kaae, CEO of Heartland, to the Board of Directors. Lise is here today, and she will introduce herself later.

## **DEVELOPMENT IN THE SHARE, REMUNERATION ETC.**

Before concluding my report, I will get around the development of the FirstFarms-share, the remuneration of the Board of Directors and the management – including the allocation of warrants.

FirstFarms' stock price fell 12.4% in 2023 from 77.20 at the beginning of the year to 67.60 at the end of the year. The turnover of the share per trading day was in average 204 tDKK in 2023.

The market has welcomed us in 2024. The exchange rate yesterday was 80.20, which is an increase of 18.6% year to date. The turnover has also increased to 1.8 mDKK in average per day in 2024.

We have gained more and new shareholders, which is positive for the future turnover of the share. At the time of publication of the financial statements, we are 2,783 shareholders.

## **REMUNERATION AND INCENTIVE PAY**

FirstFarms' general guidelines for incentive pay of management are set out in the Remuneration Report and the Remuneration Policy.

The Board of Directors receives a fixed remuneration, which is stated in both the Annual Report and the Remuneration Report.

The remuneration for board members of FirstFarms was last adjusted in 2020. Since then, the company has developed and grown significantly. The tasks and thus the consumption of resources have increased significantly.

The Board of Directors therefore proposes that the remuneration for the Board of Directors for 2024 to be changed compared to 2023 so that the Chairman of the Board of Directors receives 420,000 DKK annually, the Deputy Chairman of the Board of Directors and the Chairman of the Audit Committee each receive 210,000 DKK annually and other members of the Board of Directors receive 140,000 DKK.

The bonus granted to the Company's CEO and the warrants granted to the Company's top two management layers are within the scope of the Company's remuneration policy.

As mentioned earlier, we aim to distribute at least 30% of the profit after tax, either as dividends to shareholders or through share buybacks. We will also do this for the financial year 2023.

We have initiated a share buyback of up to 105,000 shares that can be used to cover the warrant program.

In accordance with authorisation, the share buy-back has been adopted at the Company's Annual General Meeting on 25 April 2023. The buyback replaces dividend payment.

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**END**

On behalf of the Board of Directors, I would like to say a big thank you to Anders Nørgaard and to all employees of FirstFarms for a good, efficient and dedicated effort in 2023.

Finally, I would also like to say a big thank you to FirstFarms' shareholders and to all partners for your interest, trust and support.

I would also like to thank the Board of Directors for their good cooperation.

Thank you for your attention.