Annual report 2017

FirstFarms A/S
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Content

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

Facts about FirstFarms A/S:
We are Denmark's only and first stock exchange listed company with activities in the primary agriculture. FirstFarms A/S was listed in December 2006 and has approx. 2,700 shareholders. The activities are in agricultural companies in Slovakia, Romania and Hungary.
We operate a total of 17,400 hectares, have 2,500 dairy cows with young stock, 2,500 sows with sale of 70,000 piglets and 10,000 slaughter pigs. We employ 260 employees.

Summary

2017: Turnover increasing by 46 percent and EBITDA almost doubled

- FirstFarms realised a turnover of DKK 190.7 million, and an EBITDA of DKK 43.7 million. The EBIT result is DKK 17.1 million, and the pre-tax result is DKK 5.0 million. The EBIT-result is improved by DKK 19.9 million compared to 2016 and corresponds, exclusive correction of DKK 1.3 million of purchase price of the shares in Dan-Farm Holding A/S, to the announced expectations.
- In 2017, FirstFarms has successfully implemented pig production in the business model, and the company has achieved a satisfactory risk spread on milk, pig and crop production.
- The result is as expected and isolated considered as acceptable and must be seen in connection with the challenges the drought in Eastern Europe has entailed. At the same time, the pig price decreased at the end of 2017 and thus caused a negative stock adjustment without influencing the result for 2017 significantly.
- The harvest yields have been as budgeted on the winter crops, whereas the spring crops in general have suffered a lot under the drought. Especially the maize yields have been negatively influenced in Slovakia and West Romania, whereas East Romania in general has managed as expected. In total, the yields have resulted in a negative impact of DKK 15 million compared to budget.
- In total, the sales prices for the crops per ton are on budget level.
- Delivered quantity of milk is unchanged compared to 2016. Thus, 23,1 million kg of milk was delivered from FirstFarms. The daily delivered milk at the end of 2017 is approx. 30 kg milk per milking cow with a competitive production price.
- The price of piglets and slaughter pigs has been as budgeted. 67,000 piglets are produced.
- In Hungary, two building sites is purchased, on which permission is applied for a project with 4,000 sows and a project with piglets. There is also applied for establishment of slaughter pig production on locations in Romania.
- There is a large demand for pork in Eastern Europe, where FirstFarms is established. Thus, FirstFarms sees great potential in expansions of the pig production.
- The purchase price of the shares in Dan-Farm Holding A/S is adjusted with DKK 1.3 million compared to the interim reports announced in 2017. This is due to the share price is increased from entering the agreement with the shareholders in Dan-Farm Holding A/S in November 2016 till closing in March 2017. The company has in December 2017 become aware of the accounting bearing hereof. It makes no change in the equity, but the purchase price becomes higher and thus the positive income from operation of recognised negative goodwill was DKK 1.3 million smaller than previous interim reports.
- In 2017, FirstFarms realised a cash flow from main activities of DKK 25.8 million compared to DKK 12.3 million in 2016.
- FirstFarms' negotiations with AP Pension about sale of land and buildings is interrupted. FirstFarms has unchanged a satisfactory cash resource and will continue the growth strategy.
- FirstFarms has a solid land portfolio of 6,176 hectares. The total value of land is conservatively estimated in the level of DKK 195 million compared to a booked value of DKK 120 million.

2018: Expectation

In 2018, FirstFarms expects an improved EBITDA and EBIT result. EBITDA is expected in the level of DK 49-53 million and EBIT of DKK 22-26 million. In 2017, an EBITDA of DKK 43.7 million and EBIT of DKK 17.1 million is realised.

Earnings in 2018 are expected to be stable for milk- and pig production in EU, however challenged on the market prices.

The crop prices are expected to be on par with realised prices in 2017. There is expected a milk price of DKK 2.50 per kg, a price of DKK 11.50 per kg pork and basis piglet price (27 kg) of DKK 356 per piglet.

In 2018, FirstFarms will work on an expansion of pig production with more produced piglets and slaughter pigs and optimise the operation in the milk production. The field production is expected to be increased with a smaller area, and field plans are still altered to a larger part of autumn crops, so a warm summer will have less effect on the harvest yields.

Financial highlights and key ratios

Financial highlights for the Group DKK 1,000	2017	2016	2015	2014	2013
Net turnover	190,666	130,257	111,841	125,008	114,127
Gross profit/loss	28,176	7,330	-5,547	22,862	21,405
Result before depreciations (EBITDA)	43,748	24,520	9,101	41,211	28,293
Profit/loss from primary operations (EBIT)	17,100	-2,771	-14,657	19,172	11,172
Net financial items	-12,106	-9,750	-7,806	-7,673	-6,674
Pre-tax result	4,994	-12,521	-22,463	11,499	4,498
Net profit	3,359	-12,957	-21,977	8,827	2,791
Non-current assets	475,165	396,403	402,254	393,584	390,977
Current assets	141,426	119,112	123,692	112,264	96,803
Total assets	616,591	515,515	525,946	505,848	487,780
Share capital	51,376	47,122	47,122	47,122	47,122
Equity	315,073	292,823	306,173	328,730	320,819
Non-current liabilities	187,184	95,059	70,137	96,985	89,843
Current liabilities	114,334	127,633	149,636	80,133	77,118
Cash flow from primary operation	25,813	12,275	-832	4,382	18,302
Cash flow from operating activities	12,580	2,040	-8,811	-3,785	9,329
Cash flow from investment, net	-30,103	-18,817	-25,139	-6,367	-16,414
Of which for investment in tangible assets	-45,757	-23,057	-38,493	-49,375	-28,106
Cash flow from financing	62,559	9,943	-14,332	-2,593	30,733
Total cash flow	45,036	-6,834	-48,282	-12,745	23,648

Key ratios for the Group					
Gross margin	14,8	5.6	5.0	18.3	18.8
Operating margin	9,0	-2.1	-13.1	15.3	9.8
Solvency ratio	51	57	58	65	66
Earnings per share, DKK	0.65	-2.75	-4.66	1.87	0.59
Diluted earnings per share, DKK	0.65	-2.75	-4.86	1.50	0.47
Return on shareholders' equity	1.1	-4.3	-6.9	2.7	0.9
Average number of employees	257	214	211	204	198

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 2015".

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
Operating margin	(Profit/loss from primary operations x 100) / Turnover
Solvency ratio	(Equity x 100) / Total assets
Return on equity	(Net profit x 100) / Average equity

Management review

In 2017, FirstFarms has successfully implemented pig production in the business model, and the company has achieved a satisfactory risk spread on milk, pig and crop production. The pig production in the south-east part of Hungary is expected to create significant synergies to FirstFarms' production in Slovakia and West Romania. At the same time, the production is in a market with high demand for pork and with potential for expansions.

The business model for FirstFarms constitutes milk- and pig production and three geographically different located field productions. The activities in the field production constitutes sale of crops for consumption, production of feed products and land improvements to optimisation of yields. All production branches with high focus on sustainable operation.

The operation branches and the geographically locations secures a good risk spread and an expected stable earning power. At the same time, there are significant potentials for expansions of the production.

The result in 2017 is, by the management, considered isolated as acceptable. The result must be seen in connection with the drought in Central Europe in 2017, combined with satisfactory milk- and pig prices.

FirstFarms carries out a structured effort to secure value increase of the agricultural land. It is done by purchase of land parcels, which compacts our land, cleaning of channels and drains, taking care of living fences and fertilising the land. The land portfolio is of almost 6,200 hectares of registered land with a booked value of DKK 120 million.

Health and biosecurity has high focus in all production branches. Procedures and preventative efforts are carried out on a daily basis and constantly updated for minimising of all risk factors.

Result and turnover

The turnover is significantly increased to DKK 190.7 million, or with 46 percent, due to the acquisition within the operation branch pig production. Without the pig production, the turnover is increased with 16 percent. This is very satisfactory and a realisation of parts of the vision for FirstFarms.

In 2017, FirstFarms realised a satisfactory result for the milk- and pig production. This based on an effective production and focus on costs and satisfactory milk- and pig prices. In the field production, a very satisfactory result is realised in East Romania. In the field production in Slovakia and West Romania, an unsatisfactory production result is realised due to drought. The primary factor, which affects the result negatively, is low harvest yields. This is compensated by milk- and pig prices, which are realised as budgeted.

Satisfactory yields in the winter crops are realised but very unsatisfactory yields in the spring crops. In total, the yields are significantly below budget. In several spring crops, a yield of less than 50 % of a normal harvest year has been realised. In East Romania, the crops have yielded as budgeted. Totally the sales prices are on budget. In total, the crops have affected the result negatively with DKK 16 million in 2017 compared to budget and with DKK -15 million compared to last year.

Entering 2017, the milk price was satisfactory and remained stable through the whole year. The herd is kept stable and reduction is made in both fixed and variable costs. The milk price has affected the turnover positively with DKK 18 million compared to 2016 and mainly corresponds to budget for 2017.

The pig price was increasing through first half year of 2017 but decreased hereafter drastic through the second half year. In total, the pig price has been as budgeted. The herd is increased with approx. 10% to 2,500 sows. All in all, the result for the pig production is as expected.

In 2017, FirstFarms has realised a turnover of DKK 190.7 million (2016: DKK 130.3 million), of this the purchase of Dan-Farm Holding A/S adds DKK 39 million, an EBITDA result of DKK 43.7 million (2016: DKK 24.5 million), and a pre-tax result of DKK 5.0 million (2016: DKK -12.5 million). EBITDA is calculated as EBIT of DKK 17.1 million plus depreciation of DKK 26.6 million.

There has been a slightly increasing efficiency in the milk- and pig production through the year with unchanged production costs – despite a significantly negative influence of feeding quality and the production due to the hot and dry summer. The amount of milk delivered is unchanged compared to 2016. The number of delivered piglets are increasing, primarily based on expansion of the herd.

Liquidity and frames of operation

The cash resource is significantly improved in 2017. It creates foundation of possible acquisitions or expansions. This can be expansions through construction, acquisitions or mergers or optimisation of operations in general. In 2017, we have still had focus on optimising the existing production. A resource is reserved which enables a utilisation of the strategic options within FirstFarms' market area and expertise. The debt structure is significantly improved during 2017, so the long-term debt constitutes a significantly larger part of the total debt.

FirstFarms negotiations with AP Pension about sale of land and buildings are interrupted. FirstFarms has unchanged a satisfactory cash resource and will continue the growth strategy.

Daily operation and employees

The number of employees is increased due to acquisition of the operation branch of pig production in Hungary and establishment of a project organisation for development of new projects. A head of business- and project development has been employed, who, from Denmark, shall bring project management expertise and resources to our new growth projects. The number of employees in Slovakia has been kept on an unchanged level. There is an increasing number of employees in Romania, due to insourcing of guard service. The number of employees at the end of the year constituted 267 employees compared to 214 employees at the end of 2016. Employees are divided with 5 at the head quarter in Denmark, 156 in Slovakia, 67 in Romania and 39 in Hungary.

At the end of 2017, approx. 9,700 hectares of autumn crops have been seeded (2016: 8,100 hectares), and the crops have overwintered satisfactory.

We are working in a volatile environment for food production. This means, that we constantly have to be able to revise goal and business model in proportion to needs and demands from our surroundings. Thus, FirstFarms continuously revises the business model. The model with possible scenarios towards 2022 is illustrated in figure 1 on the next page.

Figure 1 – Potential of expansion towards 2022

Crop production/-areas, Milk production, Pig production and New production types/areas:

Site	Actual	2019-Scenario	2022-Scenario
Crops/Land Slovakia/Czech	9,300 hectares	9,500 hectares	11,000 hectares
Crops/Land East Romania	4,000 hectares	6,000 hectares	10,000 hectares
Crops/Land West Romania	4,200 hectares	5,000 hectares	8,000 hectares
Milk Slovakia	2,400 cows	2,600 cows	3,300 cows
Sows Hungary	2,200 sows 65,000 piglets	6,500 sows 200,000 piglets	8,500 sows 300,000 piglets
Slaughter pigs Hungary/Romania	5,000 slaughter pigs	90,000 slaughter pigs	200,000 slaughter pigs
New production types/-areas	Identification and evaluation		Extent/goal to be specified

Potential for development of the animal production shall be seen in connection with development of the field production, so optimal synergies and sustainability between the individual operation branches are achieved. In that connection, there is great focus on storage capacity, so purchase and sale of crops and stock of feed is optimised in the harvest period and logistic tasks are minimised.

Potential for the field production in FirstFarms is 2 operation centres of total 18,000 hectares in East and West Romania (operation in 2017/2018 is 8,200 hectares) and 11,000 hectares in Slovakia (operation in 2017/2018 is 9,300 hectares).

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. FirstFarms has an average field size of 24 hectares in West Romania, 23 hectares in Slovakia and 60 hectares in East Romania. There is positive operating economy in increasing the field size and compacted location of fields.

FirstFarms' main focus is to operate and develop agricultural land and not ultimately to own these, although ownership is often applied. Expansion of the field production will be done via purchase or by rent contracts on agricultural land depending on the market conditions of owning or renting along with the biggest earning potential in running the land. 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 animal production is developed and expanded in pace with the market development on basis of the current business model and production frames.

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.

The pig production has potential for expansion to full-line with slaughter pigs in the neighbouring region around the present production with 2,500 sows with production of 70,000 piglets and 10,000 slaughter pigs. At the same time, acquisition of building sites is initiated for an expansion of the production with 4,000 sows with 130,000 piglets and application for production of 70,000 slaughter pigs.

FirstFarms can be characterised as a modern knowledge company. Business foundation, background and market conditions are shown in figure 2.

In figure 3, on the next page, FirstFarms' business idea and key roles are illustrated.

Figure 2 – Business foundation, background and market conditions

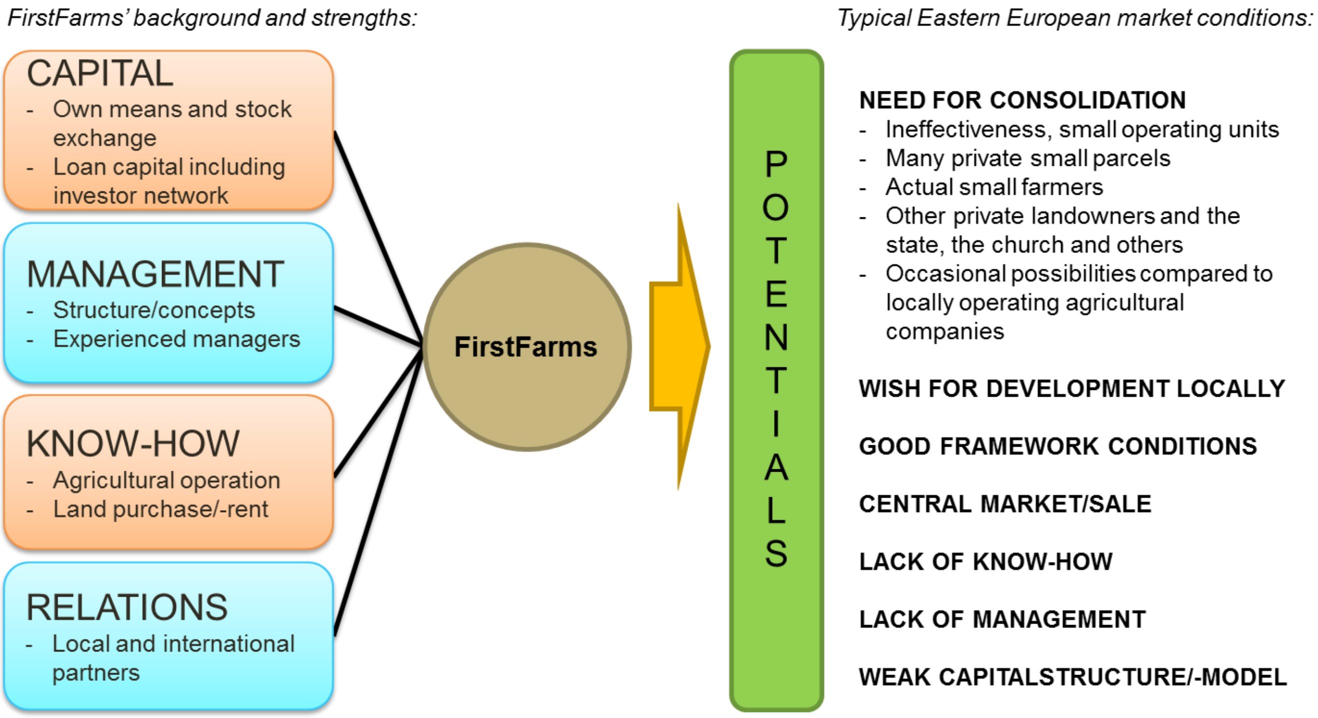
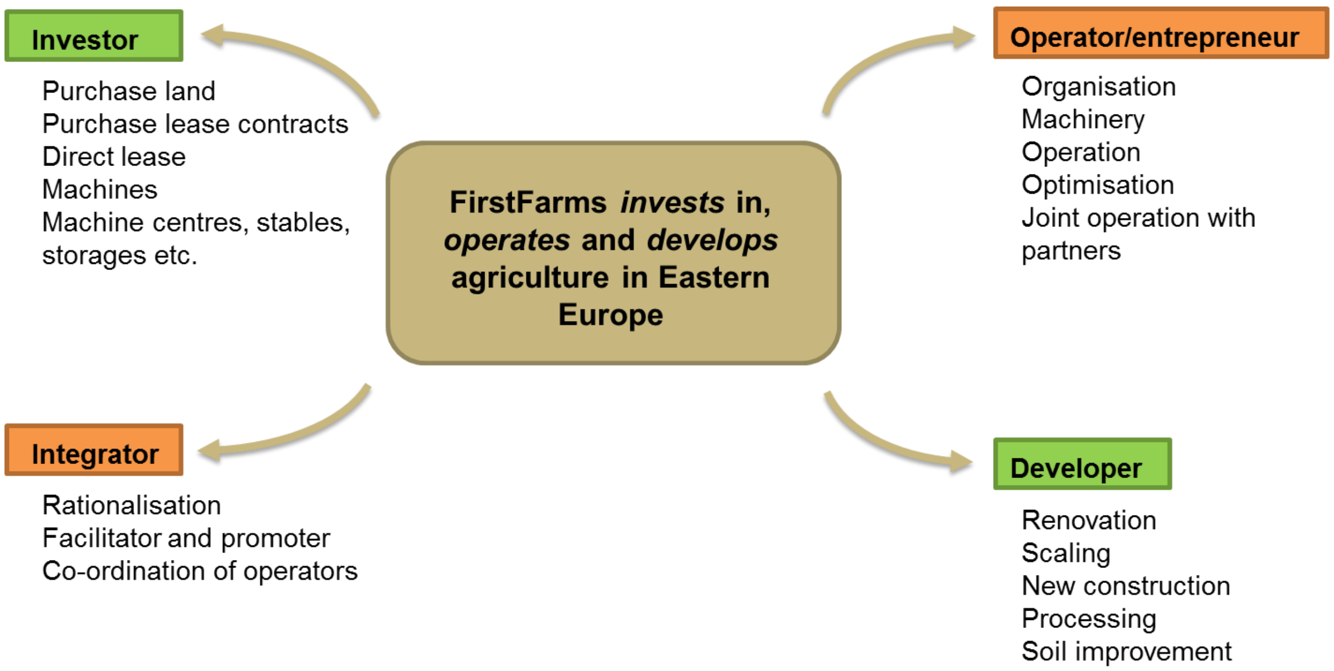


Figure 3 – Business idea and key roles



Field production
The prices on grain and oilseed decreased through 2017 and remained on a low level. The prices were 2017 influenced by a smaller trading activity, but still a high harvest pressure. FirstFarms had according to the recognised policies chosen to sell a part of the expected harvest in the spring 2017 and during the harvest period at budgeted prices or higher. This hedged that the price variations were not fully passed on to the final realised crop prices. FirstFarms expects, that the prices in 2018 will correspond to the prices realised in 2017.

In 2017, FirstFarms realised a very unsatisfactory harvest in Slovakia and West Romania. In East Romania, FirstFarms realised a satisfactory harvest despite minimal rain during the summer 2017.

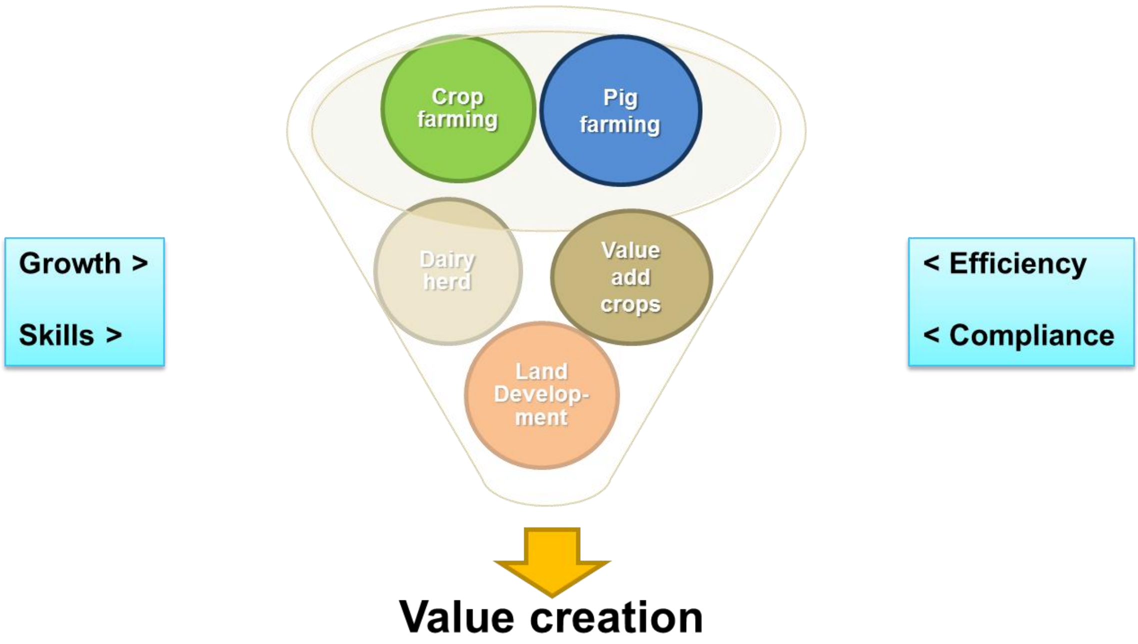
In the growth season 2017/2018, all winter crops in Slovakia and Romania are well-established, and there have been satisfactory amounts of rain until the end of 2017. The foundation is expected to be satisfactory for the yield in the field production in 2018, as long as average amount of rain comes until harvest.

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. Application has been sent in for construction of own centre, so the present rented facilities can be merged into one centre.

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.

In figure 4, FirstFarms' commercial main sources and focus areas to create value are illustrated. From 2017, pig production became one of the sources. The key words are growth, skills, efficiency and compliance within the areas of field production, value add crops, dairy herd, pig production and land development.

Figure 4 – Value creation



Milk production
In 2017, FirstFarms has delivered 23.1 million kg milk compared to 23.5 million kg in 2016, and in 2018 a delivery of 25.2 million kg is expected. The production of sold milk per milking cow has been unchanged in 2017 compared to 2016; in the range of 29-30 kg sold milk per milking cow daily. In 2018, the daily production is also expected to increase based on investment in comfort for the cows. There is great focus on reducing costs per kg sold milk. In 2018, a decreasing trend in the costs per kg milk is expected concurrently with the increase in the milk production.

The milk price had again found a normal level entering 2017. The price has in 2017 been stable in the range of DKK 2.30 to DKK 2.95. The average sales price in 2017 constituted DKK 2.52 per kg compared to DKK 1.71 and DKK 1.98 per kg in 2016 and 2015, respectively. FirstFarms has during the years 2013 to 2017 achieved an average price of DKK 2.29 per kg.

A slightly decreasing milk price is expected in 2018 on basis of the present market conditions for milk products. There is budgeted a settled milk price of DKK 2.50 per kg in 2018. At the end of 2017, the price has increased to above budgeted level and is expected to slightly decrease in 2018.

Pig production
In 2017, FirstFarms has, after the take-over of Dan-Farm Holding A/S, had an increasing number of sows from 2,200 sows to 2,500 sows. 67,000 piglets are produced and in 2018 production of 78,000 piglets is expected.

The efficiency in the pig production was on 31 weaned piglets per sow and is expected to increase to 32 weaned piglets per sow in 2018.

The pig price decreased drastically from mid till end of 2017. The price has in 2017 been in the rage DKK 361 to DKK 545 for piglets. The average settled sales price for piglets constituted in 2017 DKK 435.

10,400 slaughter pigs were delivered in 2017, which constitutes the part, where quality fee as piglets cannot be obtained. In 2018, 9,900 slaughter pigs are expected to be delivered.

An increasing pig price is expected in 2018 based on present market conditions. In 2018, a basis price is budgeted of DKK 356 per piglet and DKK 11.50 per kg pork.

Grants
FirstFarms receives EU-grant to the milk production in Slovakia. The grant in 2017 was DKK 6.7 million compared to DKK 10.5 million in 2016.

Hectare grant is given for cultivating the land in both Slovakia and Romania. The EU-grants are expected to increase on basis of the Agricultural reform 2014-2020 from EU and the regional allocations of the grants.

FirstFarms has received grants to investments in Slovakia from EU's structural funds. The grants are credited concurrently as the assets are depreciated.

FirstFarms has received various grants in connection with the pig production in Hungary in 2017 of totally DKK 3.4 million (9 months).

The total public grants constituted DKK 42.4 million in 2017 compared to DKK 42.2 million in 2016. At the end of 2017, there is a receivable grant of DKK 13.4 million compared to DKK 12.4 million at the end of 2016.

Balance and cash flow
In 2017, the return on FirstFarms' equity was 1.1 percent compared to -4.2 percent in 2016.

Cash flow from primary operation constituted DKK 25.8 million in 2017 compared to DKK 12.3 million in 2016.

Investments
In 2017, FirstFarms has invested DKK 10.7 million by issuance of new shares to the purchase of the shares in Dan-Farm Holding A/S, so FirstFarms could enter into pig production in Hungary.

FirstFarms has in 2017, like in 2016, mainly carried out maintenance- and profitability improving investments in existing operating plants. Investment has been done in maintaining replacement of our machine park.

Building land, for expansion of the pig production, has been purchased, and at the same time invested in an expansion of the production with 300 sows with piglets for a total of DKK 11.2 million in the period FirstFarms has been owner of Dan-Farm.

Agricultural land is purchased in our operating areas, primarily in East Romania, which improves our operation in 2018. In total, investment in material assets constituted DKK 46 million – of which DKK 27 million in land and buildings.

In 2018, there will unchanged be made maintenance investments in existing operating equipment and buildings. In general, FirstFarms production plants are maintained in good conditions without significant needs for updates or renovations.

There will unchanged be invested further in agricultural land and land lease contracts, as part of the strategic goal. At the same time, investments will be initiated which improve our silo capacity and capacity in pig- and milk production.

Larger projects according to the business model are handled individually and are not part of the normal daily operations and investment budget.

FirstFarms continuously reprioritises the investment plans. The priority is based on high volatility in the settlement prices and changed consumer demands along with the production frames. Concurrent has the enrolment of the operation branch of pig production entailed, that new possibilities are analysed and prioritised. The long-term investment plan is ready, but within these frames, there is a continuing assessment and prioritisation with respect to the ability of return.

Interest-bearing debt
The interest-bearing debt in FirstFarms is DKK 249 million and corresponds to 79 percent of the equity and 40 percent of the balance sum.

Exchange rate adjustment
FirstFarms operates in Slovakia, Romania and Hungary and is therefore influenced by fluctuations in the exchange rates on EUR, RON and HUF. Denmark has a fixed exchange rate policy in correlation to EUR, so DKK only varies within a fixed margin and the uncertainty on EUR is thus limited.

During 2017, the EUR has increased with 0.1 percent, RON has decreased 2.5 percent and HUF is generally speaking unchanged compared to DKK.

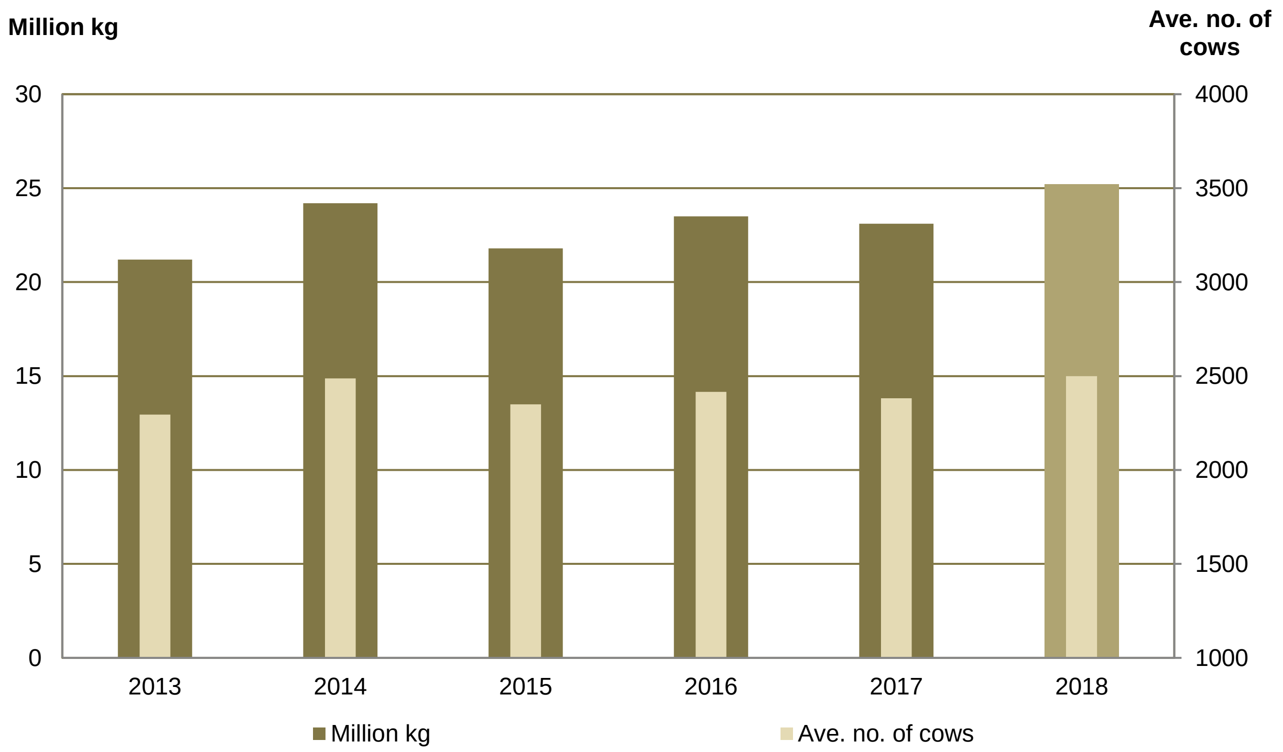
The negative adjustment of the exchange rate has given a decrease in the company's equity of DKK 2.5 million.

Slovakia

Milk production
Sold amount of milk is decreased by 0.4 million kg in 2017 compared to 2016. Thus, 23.1 million kg of milk was delivered from FirstFarms in 2017. In 2017, a milking stable was closed down, so now there is only being milked at one location for all milking cows. The former milking stable is now used for breeding. On a daily basis, 29.2 kg milk per milking cows is delivered in 2017.

There is great focus on the cost per produced kg milk. The net cost before interests and depreciations has in 2017 entailed DKK 2.00 per produced kg milk, which is considered to be competitive in European milk production and slightly increasing compared to 2016.

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



Source: FirstFarms

The production per cow was slightly increasing in 2017. FirstFarms strives towards and expects an increase in 2018 based on comfort improvements in the stables for the milking cows. At the end of 2017, the herd of milking cows was 2,433 compared to 2,509 at the end of 2016. One production unit for milking cows has been closed down, to only have milking cows at one location. At the end of 2018, 2,500 milking cows are expected. The strategy is a high comfort for the cows and thus higher milk production per cow. Originally, the expectation was up to 2,700 cows.

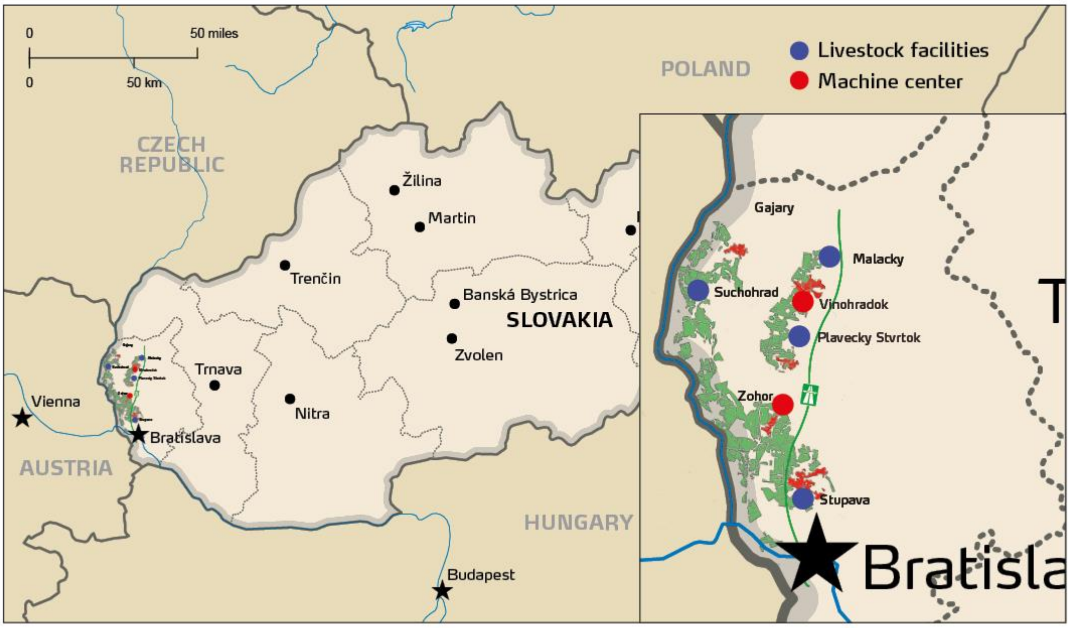
In 2018, a total delivery of 25.2 million kg milk is expected from FirstFarms with slightly increasing number of cows, which entails an increase in total delivery of milk of 9 percent compared to 2017. The increase is due to optimisations of capacity in existing plants with few investments and expected increasing productivity.

Field production
In 2017, a very unsatisfactory harvest was realised in Slovakia, with acceptable yields in autumn crops and very unsatisfactory yields in spring crops.

Land
In 2017, 9,300 hectares of land were cultivated in Slovakia, of which FirstFarms owns 716 hectares at a booked value of DKK 24,910 per hectare. FirstFarms has bought 76 hectares of agricultural land in Slovakia in 2017.

It is FirstFarms' assessment, that the land price in Slovakia in 2017 has been increasing.

Figure 6 – FirstFarms in Slovakia



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, 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.

Romania

In 2018, the total cultivated area in Romania is expected to be 8,200 hectares compared to 7,700 hectares in 2017.

Field production – East
The harvest in East Romania has been satisfactory with realised yields and sales prices on budget.

In 2017, 3,500 hectares were cultivated and the area is in 2018 expected to increase to 4,000 hectares.

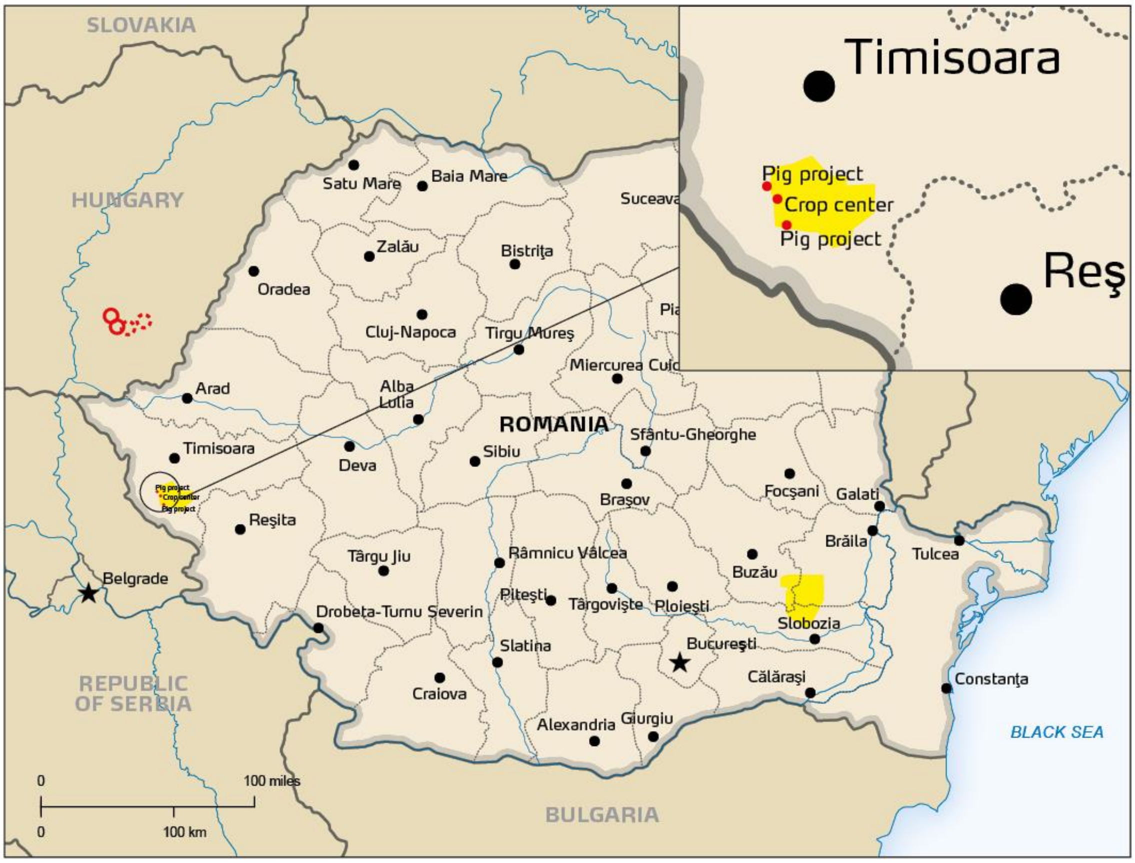
The sprout in the autumn 2017 has been satisfactory.

Field production – West
The harvest in West Romania was very unsatisfactory with realised yields over budget on the autumn crops, but significantly below budget on the spring crops. The sales prices on oil seed and wheat have been realised under budget, whereas prices on maize and soya are realised as budgeted. There is a very large harvest pressure on the prices in the area, and it is thus important to be able to handle the harvested crops for a period or use them directly for feed in the area.

In 2016/2017, a complete crop- and machine centre was established in rented facilities, to service the operation in 2017.

In 2017, 4,200 hectares were cultivated, and the area is in 2018 expected unchanged.

Figure 7 – FirstFarms in Romania



Land
In 2017, FirstFarms has unchanged worked on compacting the owned land in the cultivation areas. At the end of 2017, FirstFarms owns 5,460 hectares of land in Romania, of which 96% is in land book and 4% with documented ownership but not in land book.

There is an ongoing increase in value of the land portfolio through compactation of the land to larger pieces, swap to better quality of land and registration of ownership. The costs for this process is paid over the operation.

Trend in land prices
It is FirstFarms' assessment that the land prices in Romania in 2017 have been increasing. The number of trades is however still on a low level. The value of the land in Romania varies from area to area and according to quality and climatic conditions plus degree of compacting. The land is booked at DKK 18,774 per hectare compared to an estimated fair value of DKK 32,000 per hectare.

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.

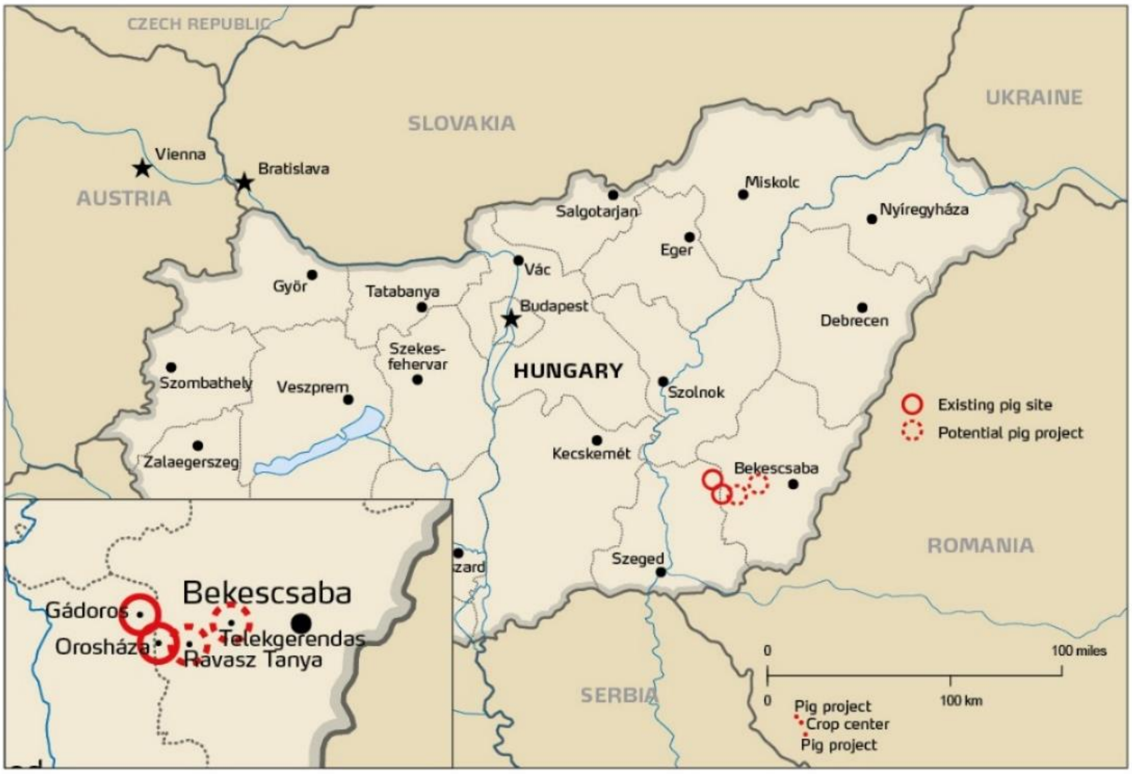
FirstFarms has continuing land evaluations made of a part of the land in Romania, and this has been complemented with the company's own experiences with land prices to calculate the value of the company's land. The total value is in the range of DKK 178 million compared to a booked value of DKK 103 million.

Hungary

Pig production
In 2018, FirstFarms expects to have 2,500 sows and to deliver 68,000 piglets and 10,000 slaughter pigs. There is expected an unchanged number of sows with increasing number of weaned and sold piglets. The efficiency is expected improved from 31 weaned piglets per sow to 32 weaned piglets.

Several health promoting steps have been initiated, which are expected to positively contribute to the productivity on several parameters in 2018 and to continuously improve the health status and biosecurity of the herd.

Figure 8 – FirstFarms in Hungary



Expectations for 2018

In 2018, FirstFarms expects an improved EBITDA and EBIT result. EBITDA is expected in the level of DK 49-53 million and EBIT of DKK 22-26 million.

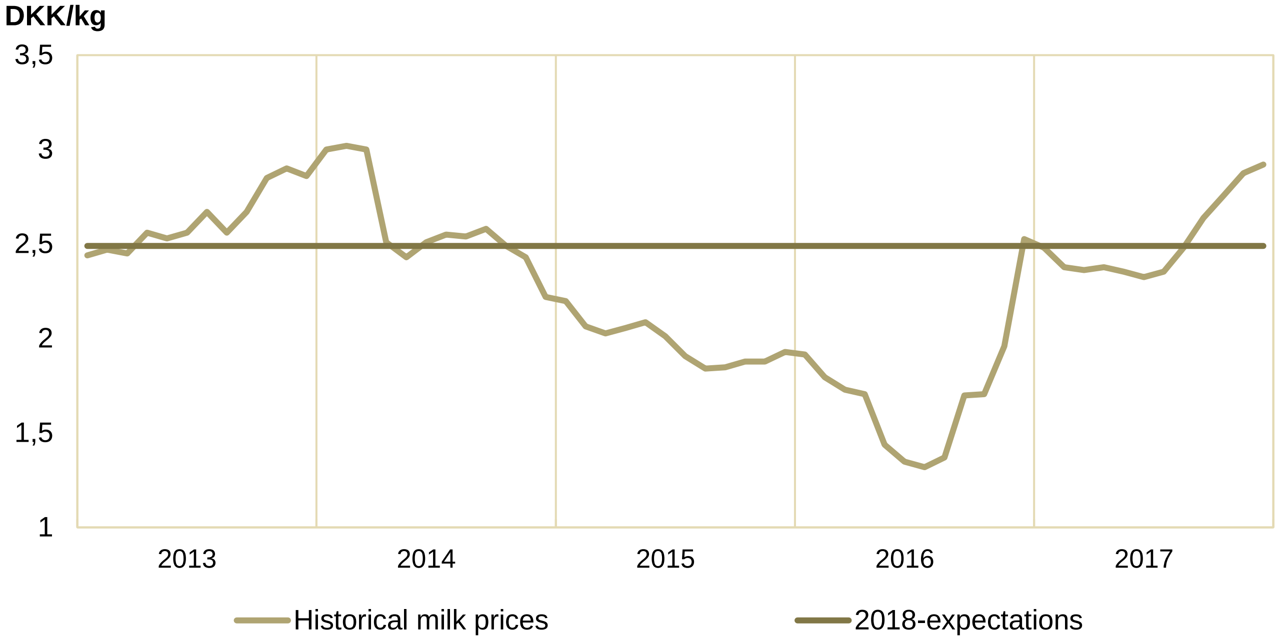
Earnings in 2018 are expected to be stable for milk- and pig production in EU, however challenged on the market prices.

The crop prices are expected to be on par with realised prices in 2017. There is expected a milk price of DKK 2.50 per kg, a price of DKK 11.50 per kg pork and basis piglet price (27 kg) of DKK 356 per piglet.

In 2018, FirstFarms will work on an expansion of pig production with more produced piglets and slaughter pigs and optimise the operation in the milk production. The field production is expected to increase with a smaller area, and field plans are still altered to a larger part of autumn crops, so a warm summer will have less effect on the harvest yields. Stock facilities for crops are expected to be optimised, with the purpose to minimise the harvest pressure.

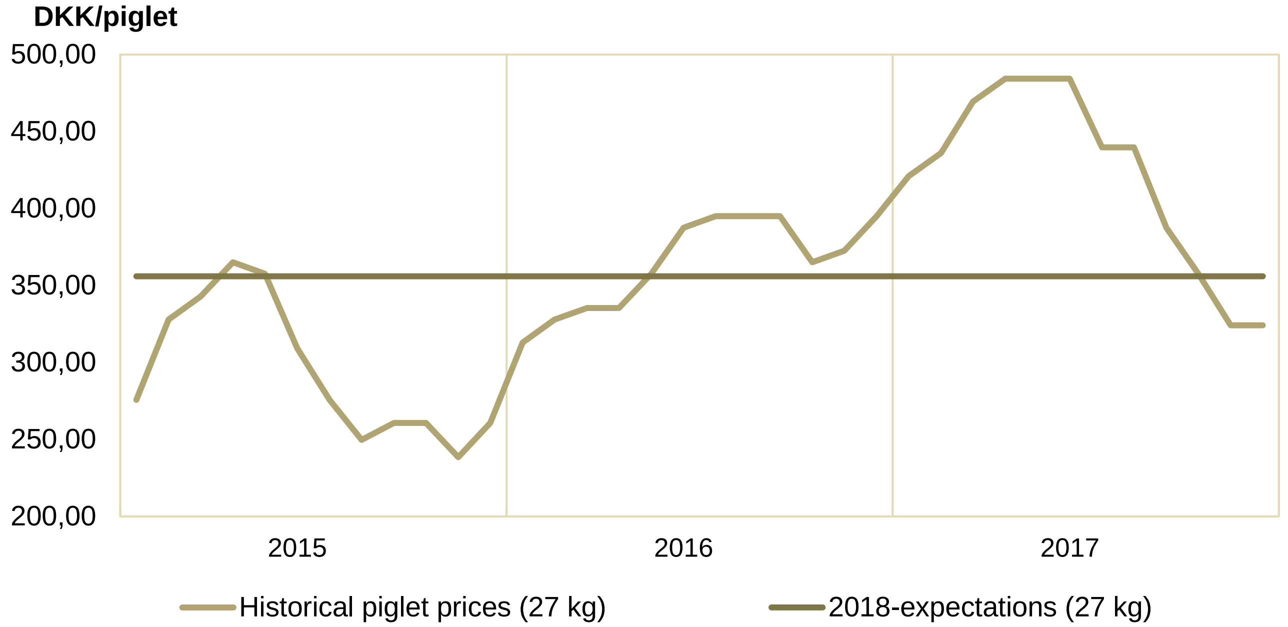
Milk- and pig production and prices
In 2018, FirstFarms expects to deliver 25.2 million kg milk and produce just under 80,000 piglets. The milk production per cow is considered to be at a satisfactory and increasing level and with slightly increasing number of cows. An unchanged number of sows with increasing number of sold piglets is expected.

Figure 9 – Development in milk price



Source: FirstFarms

Figure 10 – Development in piglet price



Source: EZG and FirstFarms

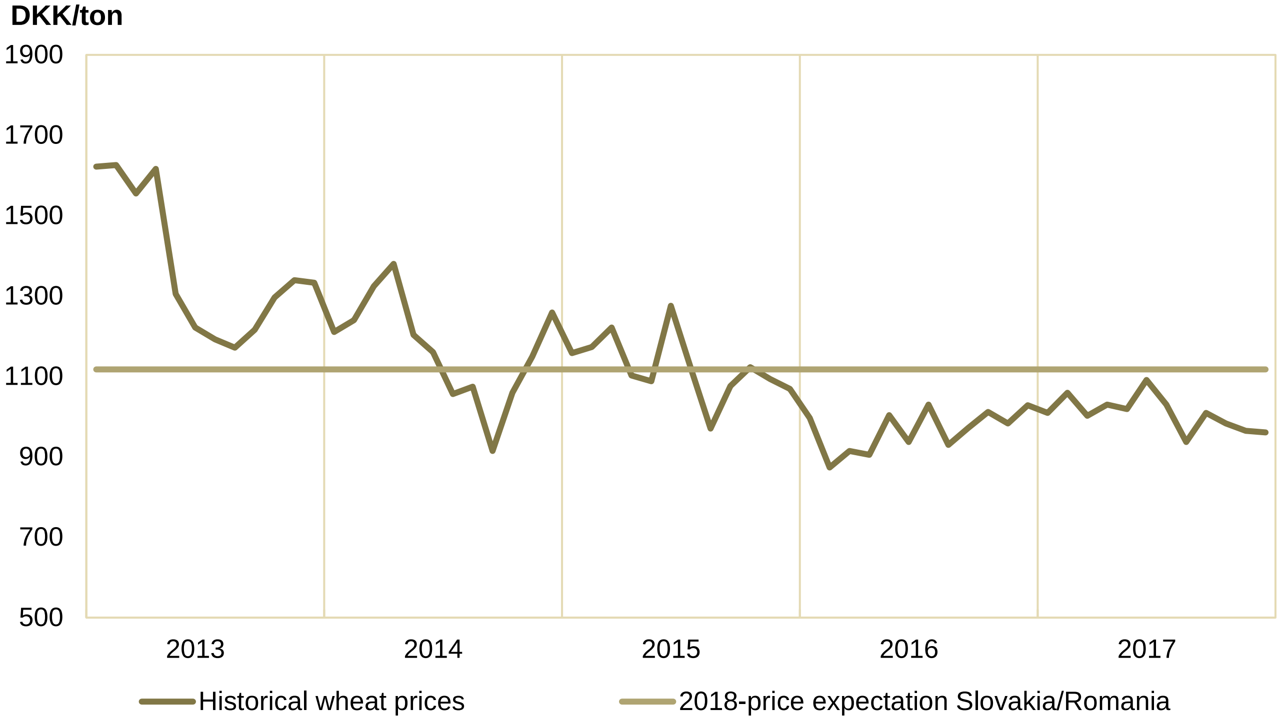
Crop production and prices
In 2018, the prices on crops are expected to be on par slightly above FirstFarms' realised prices for 2017.

In 2018, the settlement prices for grain (wheat, rye, maize and barley) are expected in the level of DKK 890 – 1,200 per tonne, depending on product and whether it is sold in Slovakia or Romania. A little lower price is expected in Romania.

The settlement prices for oilseed are expected in the level of DKK 2,680 – 2,750 per tonne.

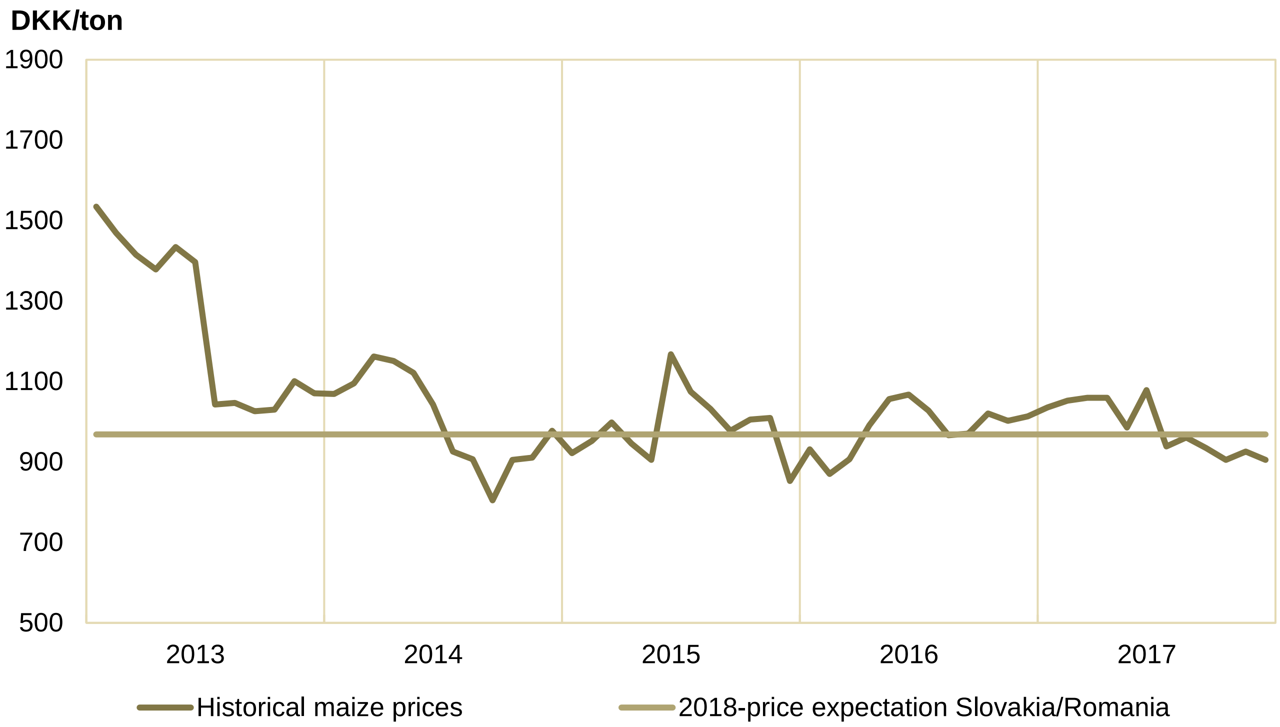
The development in the prices for some of the company's main products is shown on the next pages.

Figure 11 – Development in wheat price



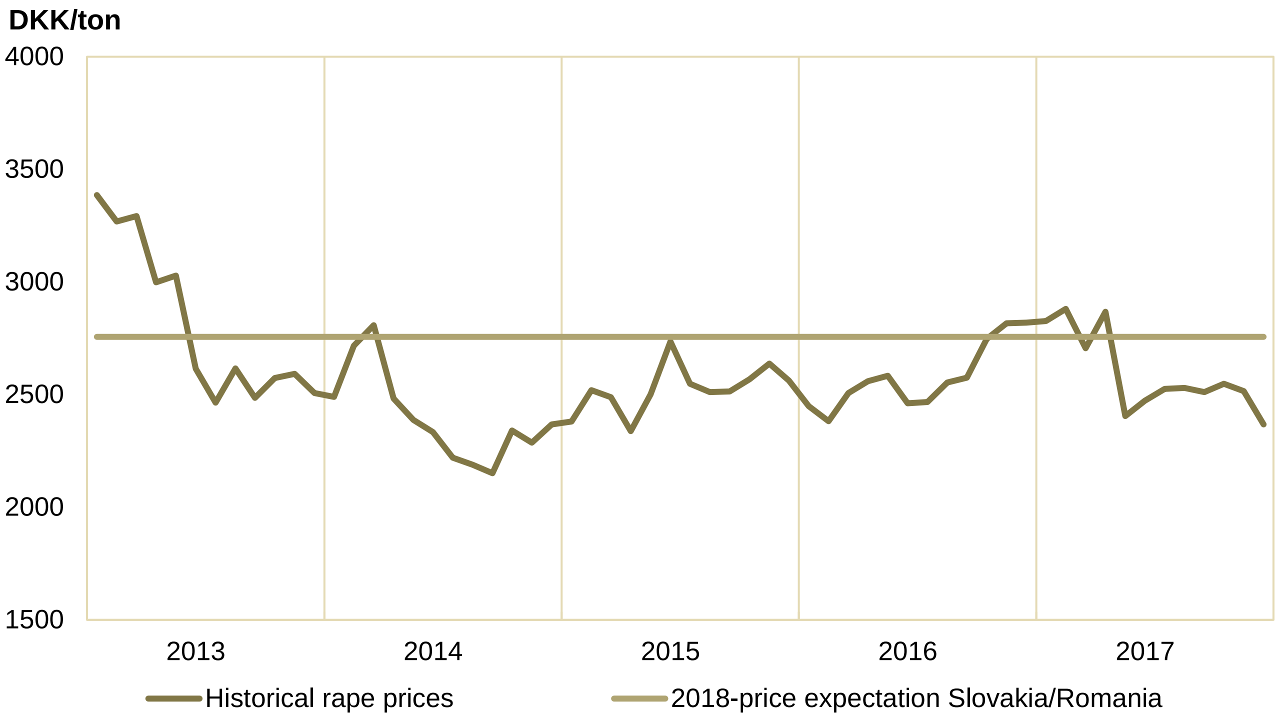
Source: Matif (adjusted to local market conditions)

Figure 12 – Development in maize price



Source: Matif (adjusted to local market conditions)

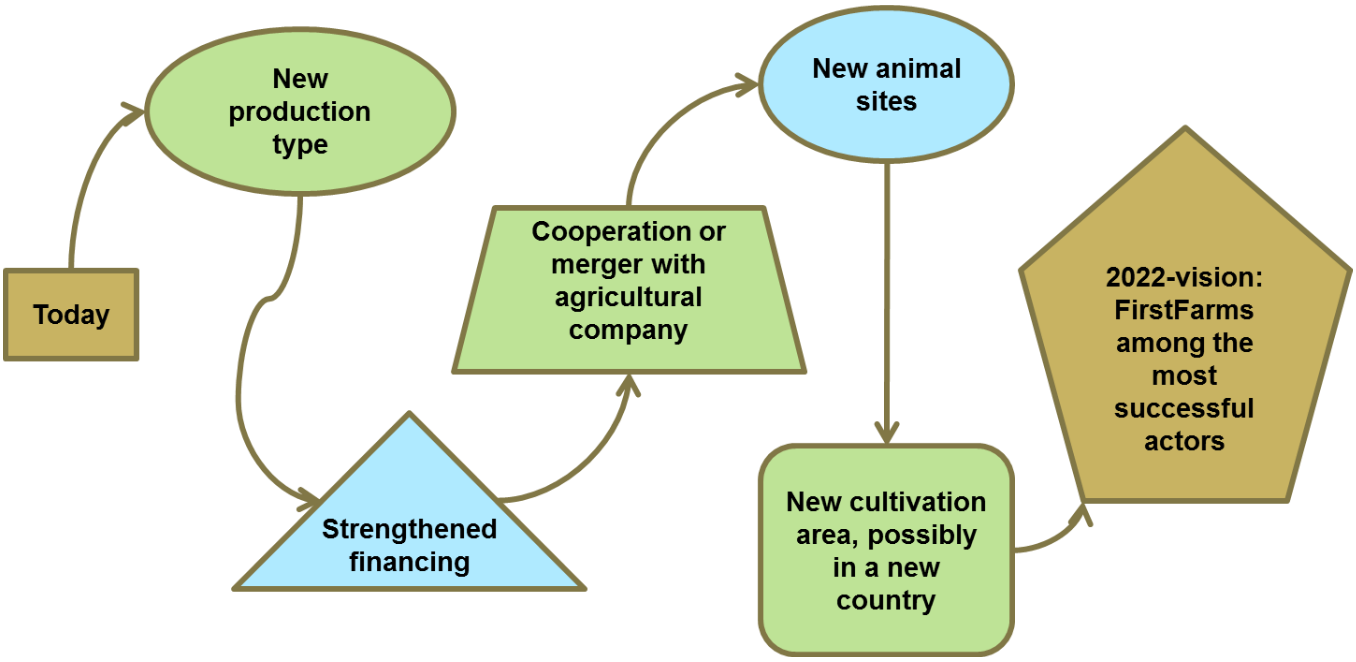
Figure 13 – Development in rape price



Source: Matif (adjusted to local market conditions)

Below in figure 14, FirstFarms' vision towards the year 2022 is described visually. The timeline and activities are not prioritised or time wise determined and must therefore only be seen as a possible frame for FirstFarms' development towards becoming one the most successful actors in the business. More of the activities are already in process or under analysis.

Figure 14 – Vision



Cash flow
In 2017, FirstFarms was, with success, provided with proceeds of DKK 72.25 million from convertible bonds with expiry 15 December 2022. The convertible bond was oversubscribed with 19 percent compared to the offered amount.

The purpose of issuance of the bonds was a combined supplement of the company's cash resources and the continued implementation of the growth strategy in several of the existing business areas, with a special focus on the company's new business area of pig production.

The above mentioned in combination with another external financing and a cash generation through the operations, is expected to give FirstFarms a satisfactory cash resource in 2018.

FirstFarms has entered framework agreements with banks in Slovakia, Hungary, Romania and Denmark. Satisfactory balance between short- and long-term debt in 2017 has been achieved.

Investments
The investments in 2018 are expected to be maintenance- and profitability improving investments in existing plants and machines. Investments in agricultural land according to the land strategy plan are also expected.

Strategies have been prepared for the field production in Slovakia, East and West Romania and master plan for cow- and pig production for the coming five years, including investment- and action plans, which support the visions and goals for FirstFarms.

FirstFarms prioritises the investment plans continuously according to market potential, earning ability and risk. The long-term investment plan is ready, but within these frames an ongoing evaluation and prioritisation is carried out.

Below in figure 15, FirstFarms' values are described; these are an essential part of the business culture.

Figure 15 – Values

- Growth – scale the business with better bottom line
- Seriousness – no details are too small, no effort is too big
- Expertise – but keep it simple
- Control of risks – take care of today, actively prepare for tomorrow

Risk management

Market conditions

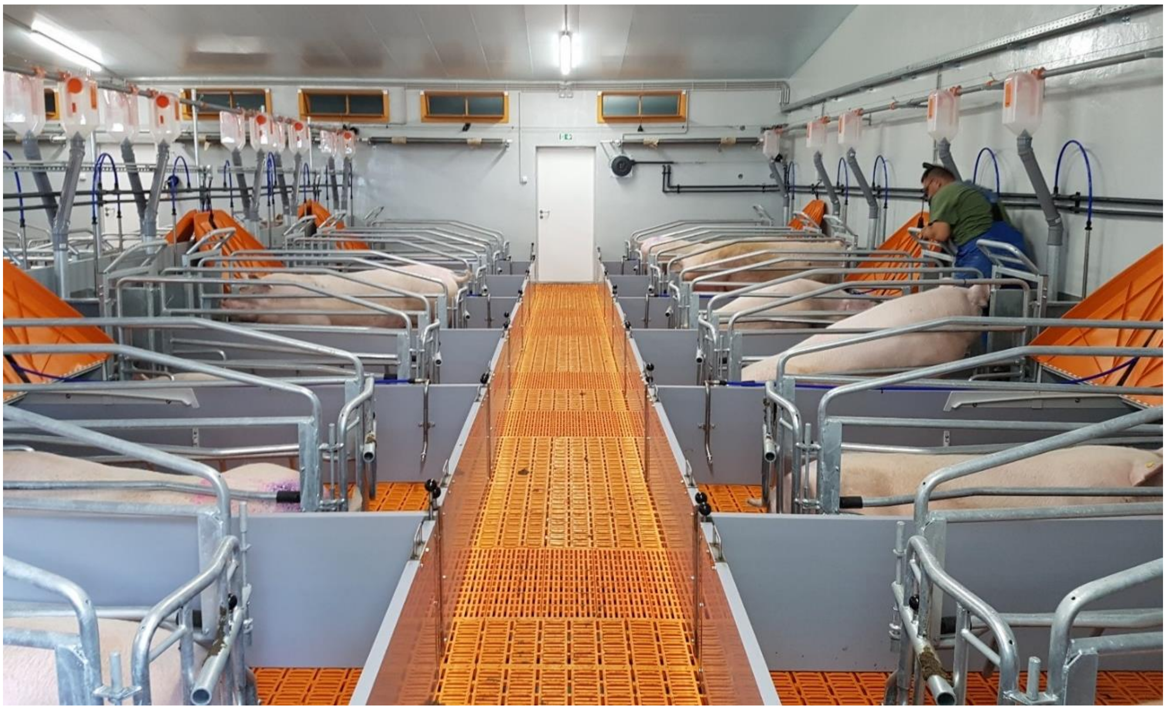
FirstFarms is depending on the terms of trade, i.e. the condition between settlement prices in the agriculture (grain, oilseed, milk, cattle, piglets and slaughter pigs) and the company's operating costs (feed, fuel, energy and fertiliser). The prices are affected by factors outside FirstFarms' control 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.



Farrowing stable FirstFarms Hungary

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, 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 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. 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. 8,800 hectares of land, whereas approx. 2,800 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 716 hectares of agricultural land in Slovakia and in Romania the company owns 5,460 hectares of agricultural land. The value of the purchased land is today estimated to be higher than the accounting value, which is DKK 17.8 million in Slovakia and DKK 102.5 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.

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

Both Romania, Slovakia and Hungary are 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 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 in both Romania, Slovakia and Hungary 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.

Machines FirstFarms Slovakia

Political conditions

The political systems in Romania, Slovakia 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. This is assessed regularly hedged in relation to signed contracts.

The business environment and risk characteristics are shortly described in figure 16 below.

Figure 16 – Business environment and risk characteristics

- The produce of milk, animals or crops
  - Yield Variations
    - Weather fluctuations (heat, drought, rain)
    - Feed efficiencies
    - Genetics and varieties
  - Price fluctuations on agricultural products
  - Animal and crop diseases or virus
- Arable land and production authorisations
  - Availability
  - Increase in land price, rental costs or tax
- Workforce
  - Availability, cost and competence
- Currency variations
  - Romanian RON, Hungarian HUF and USD
- Other
  - Price fluctuations on commodities or complementary in or out of our production
  - Excessed or saturated local demands
  - Different languages/cultures – with English as the corporate language
  - Political impact

Shareholder information

Share capital

FirstFarms' nominal share capital is DKK 51,376,240 and is divided into 5,137,624 shares of DKK 10, corresponding to 5,137,624 voting rights.

Basic data	
Stock exchange	NASDAQ Copenhagen A/S
Index	SmallCap
Sector	Consumer staples
ISIN code	DK0060056166
Short name	FFARMS
Share capital	DKK 51,376,240
Nominal denomination	DKK 10
Number of shares	5,137,624
Negotiable securities	Yes
Voting right restriction	No
Share classes	One

Shareholder composition

As per 31 December 2017, FirstFarms had 2,683 shareholders. The majority is Danish investors, whereas 63 shareholders are registered outside Denmark. As per 31 December 2017 the name register share in the company's owner book was 94.98 percent. 2 shareholders own more than 5 percent of the share capital.

Shareholders	No. of shares (pcs.)	Capital (%)
Henrik Hougaard	727,120	14.2
Olav W. Hansen	641,040	12.5
Other registered shareholders	3,508,872	68.3
Non-registered shareholders	260,592	5.1
Own shares	0	0.0
Total	**5,137,624**	**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 25 April 2017, authority was given to the company to acquire up to 10 percent of own shares. The authority was not used in 2017. At the end of 2017, there is issued a total 110,000 warrants to the company's Management and to employees in Denmark and abroad. No warrants are issued in 2017.

Furthermore, the Board of Directors is authorised to in the period 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.

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. There is also bonds for DKK 27.2 million, issued in 2013, which expire 15 December 2018.

Convertible bonds for nominal DKK 9.9 million were converted in 2017.

Shareholdings of Management and Board of Directors

As on 31 December 2017, the Management and the Board of Directors of FirstFarms A/S held, direct or indirect, nominally 786,533 shares which are divided as follows:

Name	No. of shares
Henrik Hougaard	727,120 pcs.
Jens Bolding Jensen	10,097 pcs.
Bent Juul Jensen	3,600 pcs.
Asbjørn Børsting	14,575 pcs.
Anders H. Nørgaard	31,141 pcs.

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

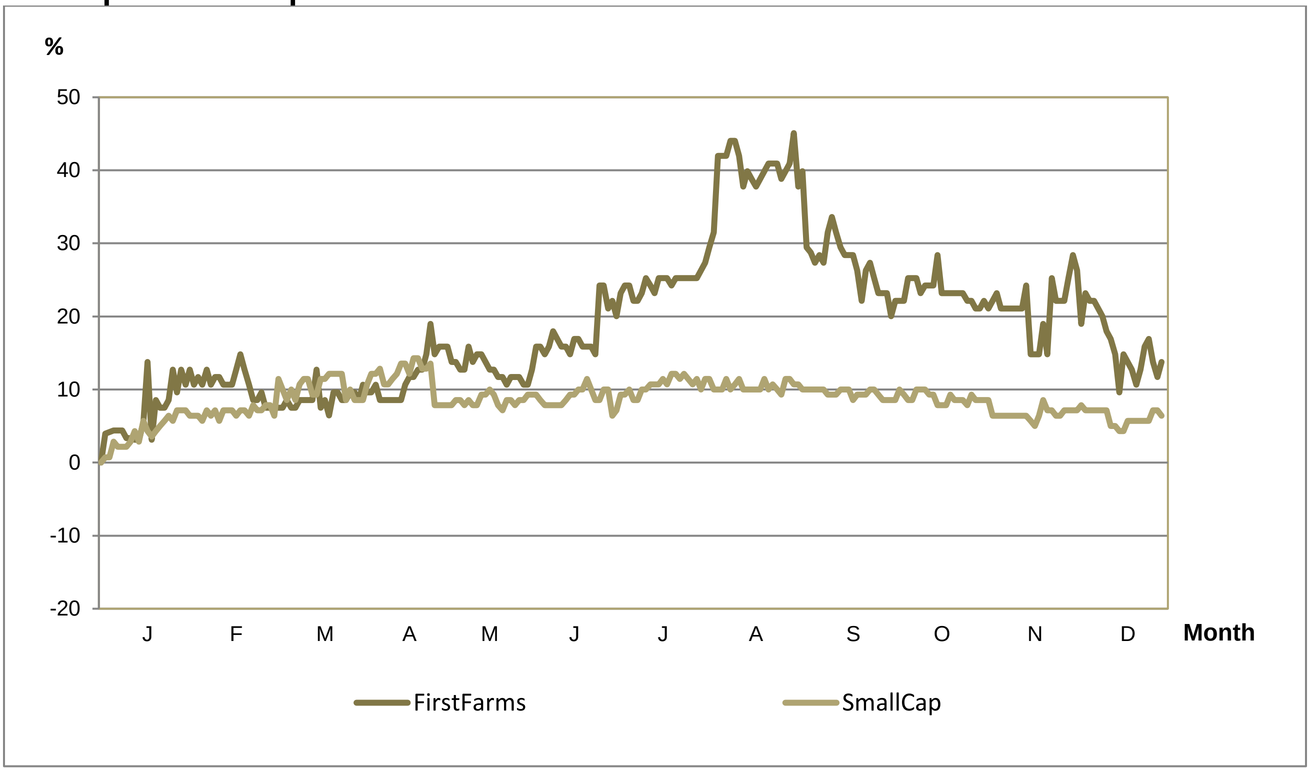
Dividend

FirstFarms' goal is to secure the necessary equity to finance the operation of the company and that surplus capital can be distributed to the shareholders through dividend or share buy-back. 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 2017, the share price was 47.90 and the FirstFarms' share closed at price 54.50 at 29 December 2017. At the end of the year, the market value was DKK 280 million and the share price increased by 13.8 percent, whereas the Danish smallcap-index, in which the FirstFarms share is traded, increased by 6.4 percent. In 2017, the average share turnover was DKK 159,392 per business day.

Share price development 2017



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 2018	
27 March 2018	Annual report 2017
24 April 2018	Annual general meeting
29 May 2018	Interim financial report for 1 January – 31 March 2018
23 August 2018	Interim financial report for 1 January – 30 June 2018
27 November 2018	Interim financial report for 1 January – 30 September 2018

Annual general meeting

FirstFarms' annual general meeting is held on Tuesday 24 April 2018 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 2017

Date	Number	Announcement
2 January 2017	1	Capital increase at issuance of shares
3 January 2017	2	Major shareholder announcement – Henrik Hougaard
10 January 2017	3	Major shareholder announcement – Filtake Trading Ltd.
31 January 2017	4	Purchase of pig production – due diligence completed
24 March 2017	5	Capital increase at issuance of shares and issuance of convertible bonds
27 March 2017	6	Major shareholder announcement – Filtake Trading Ltd.
28 March 2017	7	Annual report 2016 for FirstFarms A/S
31 March 2017	8	FirstFarms purchases remaining part of pig production in Hungary
3 April 2017	9	Notice to convene the annual general meeting in FirstFarms A/S
24 April 2017	10	Report on insiders trade with FirstFarms A/S' shares
25 April 2017	11	Progress of annual general meeting in FirstFarms A/S
31 May 2017	12	Interim financial report for 1 January – 31 March 2017 for FirstFarms A/S
8 June 2017	13	Report on insiders trade with FirstFarms A/S' shares
30 June 2017	14	The framework agreement with AP Pension – Due Diligence carried out
23 August 2017	15	Capital increase at conversion of bonds to shares
29 August 2017	16	Interim financial report for 1 January – 30 June 2017 for FirstFarms A/S
21 November 2017	17	The agreement with AP Pension
28 November 2017	18	Interim financial report for 1 January – 30 September 2017 for FirstFarms A/S
6 December 2017	19	Financial calendar 2018 for FirstFarms A/S
13 December 2017	20	Issuance of convertible bonds in FirstFarms A/S
14 December 2017	21	Report on insiders trade with FirstFarms A/S' shares
21 December 2017	22	Report on insiders trade with FirstFarms A/S' shares

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

Expected company announcements in 2018

Date	Number	Announcement
24 April 2018		Annual general meeting
29 May 2018		Interim financial report for 1 January – 31 March 2018
23 August 2018		Interim financial report for 1 January – 30 June 2018
27 November 2018		Interim financial report for 1 January – 30 September 2018

The Board's other management tasks

Name	Management functions	Board functions
Henrik Hougaard (CH) *Born 1958, entered 2004*	Thoraso ApS Thoraso Invest ApS Skaarupgaard ApS Henrik Hougaard Invest ApS	Graintec A/S *(CH)* Engsko A/S *(CH)* United Milling Systems A/S *(CH)* Scandinavian Farms Invest A/S *(CH)* Danagri-3S Ltd. *(CH)* Fortin Madrejon A/S *(CH)* DK-TEC A/S Thoraso ApS Skovselskabet Rumænien A/S Tolne Skov ApS
Jens Bolding Jensen *Born 1963, entered 2013*	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 Himmark Aviation ApS K/S Himmark Air	HP Schou A/S *(CH)* HP 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 Outnet Direct A/S Schou Holding 2 A/S Østerlund Holding ApS Schou & Sondrup A/S
Bent Juul Jensen *Born 1953, entered 2013*		
Asbjørn Børsting *Født 1955, indtrådt 2014*	DAKOFO-Dansk Korn og Foder Danske Sortsejere NKB Invest ApS	Det Nationale Bioøkonomipanel *(CH)* Crop Innovation Denmark *(CH)* Danæg Holding A/S Danæg amba Munax OY Grøngas A/S Karl Pedersen og Hustrus Industrifond EUDP (Energi-, Forsynings- og Klimaministeriet Wefri A/S *(CH)* Promilleafgiftsfonden for Landbrug

CH = Chairman of the Board

Company information

Company
FirstFarms A/S
Majsmarken 1
DK-7190 Billund

Tel.: +45 75 86 87 87

Internet: **www.firstfarms.com**
E-mail: **info@firstfarms.com**

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

Financial year: 1 January – 31 December

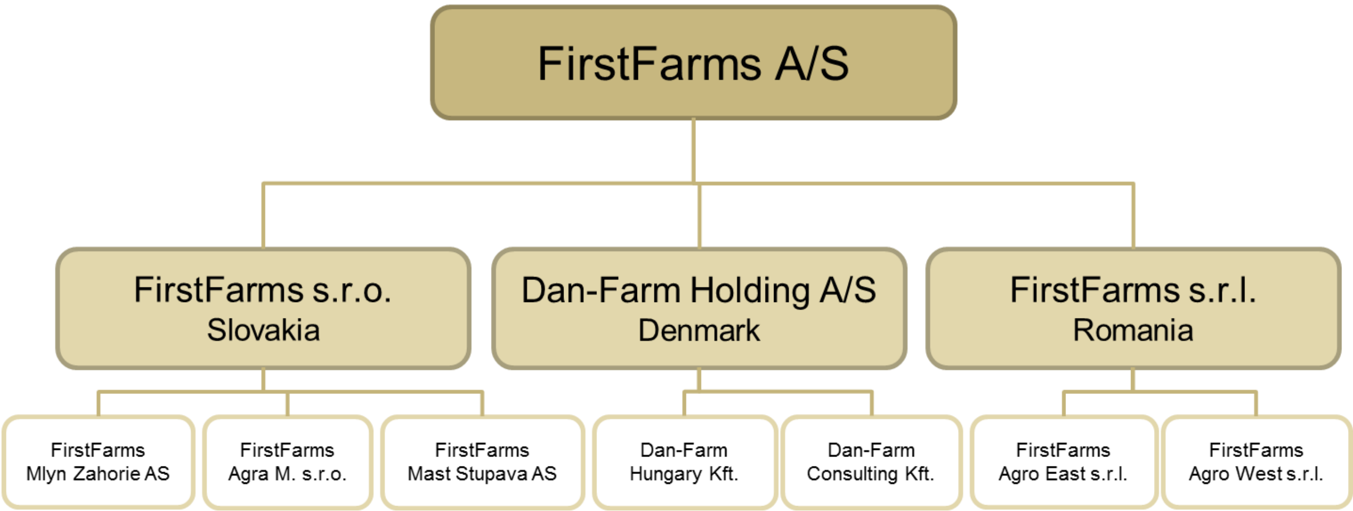
Board of Directors
Henrik Hougaard (Chairman)
Jens Bolding Jensen
Bent Juul Jensen
Asbjørn Børsting

Management
Anders H. Nørgaard

Auditors
PricewaterhouseCoopers
Platanvej 4
DK-7400 Herning.
CVR: 33 77 12 31

Annual general meeting
The annual general meeting is held on Tuesday 24 April 2018 at 2.00 p.m. at SAGRO, Majsmarken 1, DK-7190 Billund

Group structure



All subsidiaries are 100 percent owned by the FirstFarms Group.

Statement for corporate social responsibility

It is FirstFarms' policy to produce agricultural products of high quality. The production must be done in a way, so that focus is maintained on environment and animal welfare. Through the local production FirstFarms also contributes to streamline the agriculture in the concerned regions and to generate production with benefit to the local population.

FirstFarms thus continuously operates commercial to increase the social advantages and minimize the liability of social resources.

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.

At present, FirstFarms produces crops, milk, piglets and slaughter pigs. The production of crops is carried out according to the local rules and the rules in EU, as both Slovakia and Romania are members of EU. Hence there are a range of requirements regarding use of spray pesticides and fertiliser, both organic and non-organic fertiliser, which the company must meet.

Rape harvest FirstFarms West Romania

In 2017, FirstFarms has continued the efforts to operate a sustainable agriculture. FirstFarms has in 2017 continued to keep logbooks of the usage according to the local rules. The local employees are trained continuously in correct handling of fertiliser and spray pesticides. FirstFarms experiences improvements of the land over time, when it has been cultivated for a number of years. Fewer pesticides are used and the yields increase.

FirstFarms' cattle stables in Slovakia with appurtenant capacity to handle manure fulfil the present requirements from EU and the Slovakian authorities. In 2017, FirstFarms has continued with manure separation, which gives a better utilisation of the manure and a more environmentally proper handling. The dry matter can be used for bedding for the cows and thus the need for straw is lowered.

As from March 2017, there is also production of piglets and, to a smaller extent, slaughter pigs in Hungary. The plants in Hungary meet the demands from EU and Hungary, and focus is also here on animal welfare and environment.

Our self-monitoring and the supervision from the authorities has shown that FirstFarms complies with regulatory requirements.

Animal welfare
FirstFarms places great emphasis on animal welfare, and focus is on animal welfare in the daily established routines for the association with cows, pigs and young cattle. Focus is on correct transportation of the animals according to the rules in EU and requirements to external collaborators to comply with rules.

In 2017, FirstFarms has continued the work with training the employees in correct handling and dealing with animals. There is still veterinary control in the herd, and FirstFarms' managers oversee on daily basis the herds to ensure, that the determined routines are observed and in cooperation with the employees ensure that the animals are doing well.

Medication in the cattle herd is carried out according to the local rules, and the medicine is stored under the control of the inspecting veterinary. Cows treated with medicine are milked separately, so that no milk with medicine residues is delivered to the dairies.

In the pig production, focus is also on medication of sows, piglets and slaughter pigs. Medicine is stored locked up, and medication is only carried out according to the rules and in necessary extent. At the take-over of DanFarm in 2017 the routines were reviewed.

Social relations and human rights

Attracting qualified employees
To be able to achieve and maintain an effective agricultural operation, FirstFarms is dependent on appointing and maintaining qualified employees. The company seeks to appoint leaders with agricultural knowledge from either Western farms or larger Eastern European farms in the purchased agricultural companies, whereas the production workers are local. Lack of qualified local manpower becomes an increasing challenge. Especially in Slovakia, there is a large demand for manpower and import of manpower from other geographically areas is necessary. Focus is on employee satisfaction and thus good facilities and frames for the employees in order to maintain and attract employees.

Payroll costs
The main part of the employees in FirstFarms is locals who are employed in the production in Slovakia, Romania and Hungary. Payroll costs to these employees have historically been considerably low in proportion to more developed countries including Western Europe, but are under pressure, and there is a large wage push and increasing payrolls are expected in the coming years. FirstFarms uses widely modern technology and machinery, which entails that the number of employees in the production is relatively low. However, the productivity is still lower than in Denmark, but FirstFarms is continuously working on improving this and it is also expected to be carried out concurrently with the payroll increases.

Industrial injury
FirstFarms' activities involve amongst others the use of chemicals, machinery, vehicles and other agricultural equipment, which can cause industrial accidents. The company has in general great focus on the work environment, on preventing accidents at work and on securing that the employees are receiving the statutory information and other training and education that FirstFarms and local advisors find necessary. Education is held on a running basis and at least once a year at the request of the company. To minimise the risk in the company, FirstFarms has taken out insurances on the necessary public liability and industrial injury.

FirstFarms has not determined a policy for respect for human rights and for reduction of the climate impact.

Goals for the underrepresented sex
The Board of Directors consists of 4 members; of which all are men. FirstFarms had a goal, that one of the 4 board members in 2017 should be a woman. This goal was not fulfilled. In 2017, no members of the Board of Directors were replaced. It is the company's goal before 2023, that at least one member of the company's Board of Directors must be a woman. 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.

Statement for corporate governance

The complete statement can be downloaded from the company's website:

http://www.firstfarms.dk/en/investor-relations/corporate-governance/2018-annual-report-2017/

Below is an excerpt from the statement.

The statement is divided in three sections:

- A statement for FirstFarms A/S' work with Recommendations for good corporate governance
- A description of the main elements in FirstFarms A/S' internal control- and risk management systems in connection with the presentation of accounts
- A description of the composition of FirstFarms A/S' management bodies, their committees and their duties

Recommendations for good corporate governance
Corporate Governance is the frames and guidelines for the management of companies including overall principles and structures, which adjust the relation between the management organs in the company. The purpose is to establish good corporate governance i.e. by creating transparency and openness, so that the companies' interested parties receive relevant, true and fair information about the company.

FirstFarms is a Danish listed limited company, subject to regulation of i.e. the stock exchange legislation and the Companies Act in Denmark. "Recommendations for good corporate governance", prepared in 2005 and revised and updated in November 2014, is a part of the code of practice for listing on NASDAQ Copenhagen A/S. FirstFarms has, according to the "comply-or-explain" principle, obligation to comply with the recommendations or explain why the recommendations are not complied with completely or partly.

FirstFarms has chosen not to appoint a vice-chairman for the Board of Directors, and it is also decided that the Board of Directors handles the tasks of the audit committee. The general meeting does not approve the remuneration of the Board of Directors remuneration. The remuneration of the Board of Directors is shown in note 6 in the accounts.

In 2017, FirstFarms' Board of Directors has held 11 board meetings.

The main elements in the Group's internal control- and risk management systems in connection with the presentation of accounts
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.

Crawler FirstFarms East Romania

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. FirstFarms' COO for the pig production is managing director in the Hungarian company, and FirstFarms' CEO is chairman of the board in the Hungarian company. Thus, follow-up is also thereby close to 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 Groups management bodies, their committees and duties
Information about the company's Board of Directors is found on p. 29. Furthermore, reference is made to corporate governance, which can be seen or downloaded on the company's website.

Management statements

Management statement

Today the Board of Directors and the Management have discussed and approved the annual report for 2017 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 2017 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 2017.

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, 27 March 2018

Management

Anders H. Nørgaard
CEO

Board of Directors

Henrik Hougaard
Chairman

Jens Bolding Jensen

Asbjørn Børsting

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 2017 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January - 31 December 2017 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 2017 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.

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 2017. 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	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.

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 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, 27 March 2018
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 2017	Group 2016	Parent company 2017	Parent company 2016
Net turnover	3,4	190,666	130,257	430	250
Value adjustments of biological assets	5	24,505	8,789	0	0
Production costs	6	-229,378	-173,881	0	0
Grants	7	42,383	42,165	0	0
Gross profit/loss		**28,176**	**7,330**	**430**	**250**
Other operating income	8	1,472	867	0	0
Administration costs	6	-12,333	-10,461	-7,396	-5,674
Other operating costs	9	-215	-507	0	0
EBIT-result		**17,100**	**-2,771**	**-6,966**	**-5,424**
Share of profit after tax in subsidiaries		0	0	10,381	-7,371
Financial income	10	629	269	3,168	3,000
Financial costs	11	-12,735	-10,019	-5,205	-4,647
Pre-tax result		**4,994**	**-12,521**	**1,378**	**-14,442**
Tax on net profit	12	-1,635	-436	1,981	1,485
Net profit		**3,359**	**-12,957**	**3,359**	**-12,957**

Earnings per share	13	0.65	-2.75	-	-
Diluted earnings per share	13	0.65	-2.75	-	-

Total income statement

DKK 1,000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Net profit	3,359	-12,957	3,359	-12,957
Other total income				
Items that can be reclassified to the income statement:				
- Exchange rate adjustments by conversion of foreign units	-2,465	-924	-2,465	-924
- Tax of other total income	0	0	0	0
Other total income after tax	**-2,465**	**-924**	**-2,465**	**-924**
Total income	**894**	**-13,881**	**894**	**-13,881**

Balance sheet

DKK 1,000	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
ASSETS					
Non-current assets					
Intangible assets	14				
Goodwill		16,030	16,007	0	0
Land lease contracts		2,394	3,542	0	0
Total intangible assets		**18,424**	**19,549**	**0**	**0**
Tangible assets	15				
Land and buildings		328,961	263,528	0	0
Plant and machinery		73,422	66,604	0	0
Fixtures and fittings, tools and equipment		3,061	985	242	59
Assets under construction and prepayments		8,857	8,591	0	0
Total tangible assets		**414,301**	**339,708**	**242**	**59**
Biological assets	5				
Basic herd		32,328	25,220	0	0
Total biological assets		**32,328**	**25,220**	**0**	**0**
Other non-current assets					
Investments in subsidiaries	16	0	0	171,605	152,987
Amount owed by affiliated companies	18	0	0	285,805	221,254
Deferred tax asset	20	10,112	11,926	0	0
Total other non-current assets		**10,112**	**11,926**	**457,410**	**374,241**
Total non-current assets		**475,165**	**396,403**	**457,652**	**374,300**
Current assets					
Inventories	17	45,952	47,413	0	0
Biological assets -breeding and crops	5	54,930	43,498	0	0
Receivables from sale	18	9,501	4,533	0	0
Other receivables	7,18	21,461	17,948	268	261
Accruals and deferred expenses		3,429	2,927	27	23
Cash at bank and in hand	28	6,153	2,793	0	0
Total current assets		**141,426**	**119,112**	**295**	**284**
TOTAL ASSETS		**616,591**	**515,515**	**457,947**	**374,584**

DKK 1,000	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
EQUITY AND LIABILITIES					
Equity					
Share capital	19	51,376	47,122	51,376	47,122
Reserve for exchange rate adjustment		-25,513	-23,048	0	0
Transferred result		289,210	268,749	263,697	245,701
Proposed dividend		0	0	0	0
Total equity		**315,073**	**292,823**	**315,073**	**292,823**
Liabilities					
Non-current liabilities					
Deferred tax	20	8,652	7,177	1,159	2,972
Credit institutions	22	67,868	25,018	0	0
Convertible bonds	21	110,664	62,864	110,664	62,864
Total non-current liabilities		**187,184**	**95,059**	**111,823**	**65,836**
Current liabilities					
Credit institutions	22	43,489	93,206	1,067	13,856
Convertible bonds	21	27,165	0	27,165	0
Trade payables and other payables	23	31,224	21,512	2,819	2,069
Corporation tax	24	740	801	0	0
Accruals and deferred income	7	11,716	12,114	0	0
Total current liabilities		**114,334**	**127,633**	**31,051**	**15,925**
Total liabilities		**301,518**	**222,692**	**142,874**	**81,761**
TOTAL EQUITY AND LIABILITIES		**616,591**	**515,515**	**457,947**	**374,584**

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Equity statement

Group DKK 1,000	Share capital	Reserve for exchange rate adjustment	Transferred result	Proposed dividend	Total
Equity 1 January 2016	**47,122**	**-22,124**	**281,175**	**0**	**306,173**
Total income 2016					
Net profit	0	0	-12,957	0	-12,957
Other total income					
Exchange rate adjustment re. conversion of foreign currency	0	-924	0	0	-924
Tax of other total income	0	0	0	0	0
Other total income	0	-924	0	0	-924
Total income	**0**	**-924**	**-12,957**	**0**	**-13,881**
Transactions with owners					
Issuance of convertible bonds					
-Fair value of conversion right	0	0	501	0	501
-Tax of transaction with owners	0	0	-111	0	-111
Share based remuneration	0	0	141	0	141
Total transactions with owners	**0**	**0**	**531**	**0**	**531**
Equity 31 December 2016	**47,122**	**-23,048**	**268,749**	**0**	**292,823**
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					
-Purchase of Dan-Farm Holding A/S	2,037	0	8,656	0	10,693
-Conversion 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**

Parent company DKK 1,000	Share capital	Reserve for decrease of share capital	Transferred result	Proposed dividend	Total
Equity 1 January 2016	**47,122**	**0**	**259,051**	**0**	**306,173**
Total income 2016					
Net profit	0	0	-12,957	0	-12,957
Exchange rate adjustment of subsidiaries	0	0	-924	0	-924
Other total income	0	0	0	0	0
Total income	**0**	**0**	**-13,881**	**0**	**-13,881**
Transactions with owners					
Issuance of convertible bonds					
-Fair value of conversion right	0	0	501	0	501
-Tax of transactions with owners	0	0	-111	0	-111
Share based remuneration	0	0	141	0	141
Total transactions with owners	**0**	**0**	**531**	**0**	**531**
Equity 31 December 2016	**47,122**	**0**	**245,701**	**0**	**292,823**
Equity 1 January 2017	**47,122**	**0**	**245,701**	**0**	**292,823**
Total income 2017					
Net profit	0	0	3,359	0	3,359
Exchange rate adjustment of subsidiaries	0	0	-2,465	0	-2,465
Other total income	0	0	0	0	0
Total income	**0**	**0**	**894**	**0**	**894**
Transactions with owners					
Issuance of convertible bonds					
-Fair value of conversion right	0	0	724	0	724
-Tax of transactions with owners	0	0	-159	0	-159
Issuance of shares					
-Purchase of Dan-Farm Holding A/S	2,037	0	8,656	0	10,693
-Conversion 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**	**0**	**263,697**	**0**	**315,073**

Cash flow statement

DKK 1,000	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Pre-tax result (In the parent company ex. result of subsidiaries)		4,994	-12,521	-9,003	-7,071
Adjustments for non-monetary					
operating items etc.:					
Depreciation/amortisation and impairment	6	26,648	27,291	38	28
Reversal of profit, sale of non-current assets	8,9	-123	-666	0	0
Value adjustment of biological assets	5	-1,171	92	0	0
Financial income	10	-629	-269	-3,168	-3,000
Financial costs	11	12,701	10,019	5,205	4,647
Share based remuneration		197	141	197	141
Cash generated from operations (operating activities) before changes in working capital		**42,617**	**24,087**	**-6,731**	**-5,255**
Changes in working capital	26	-16,804	-11,812	739	0
Cash flow from main activities		**25,813**	**12,275**	**-5,992**	**-4,944**
Interest received		629	269	0	0
Interest paid		-12,701	-9,920	-4,964	-4,548
Paid corporation tax	24	-1,161	-584	0	0
Cash flow from operating activities		**12,580**	**2,040**	**-10,956**	**-9,492**
Additions, purchase of Dan-Farm		4,996	0	0	0
Purchase of young pigs		-1,406	0	0	0
Disposal of material assets, paid		3,619	1,349	48	0
Acquisition of tangible assets	27	-37,312	-20,166	-269	0
Cash flow from investing activities		**-30,103**	**-18,817**	**-221**	**0**
Issuance of convertible bonds	27	85,468	32,250	85,468	32,250
Conversion of convertible bonds	27	0	-18,934	0	-18,934
Repayment of loan to former shareholders in Dan-Farm Holding A/S		-13,218	0	0	0
Proceeds from loans		-9,691	-3,373	0	0
Loan to affiliated businesses		0	0	-61,502	-6,246
Cash flow from financing activities		**62,559**	**9,943**	**23,966**	**7,070**
Cash flow of the year		**45,036**	**-6,834**	**12,789**	**-2,422**
Available, at the beginning		-48,227	-41,696	-13,856	-11,434
Exchange rate adjustment of available		579	303	0	0
Available at closing	28	**-2,612**	**-48,227**	**-1,067**	**-13,856**
Available at closing is recognised as follows:					
Available funds		6,153	2,793	0	0
Current bank debts		-8,765	-51,020	-1,067	-13,856
Available at closing		**-2,612**	**-48,227**	**-1,067**	**-13,856**

At purchasing of Dan-Farm Holding A/S, a net amount of DKK4.996 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 13.468 million was issued as payment of debt to former owners of Dan-Farm Holding A/S.

Change in method of accounting has been made in 2017, and the comparative numbers for 2016 are restated. The effect on proceeds of raising/repayment on loans is DKK 10.959 million, the effect on short-term bank debt is DKK 28.894 million and the cash statement is changed by DKK 30,504 million., cp. note 22.

Notes for consolidated annual accounts

1. Accounting policies

FirstFarms A/S is a public limited company domiciled in Denmark. The annual report for 2017 comprises both the consolidated financial statement of FirstFarms A/S and its subsidiaries for the period 1 January – 31 December 2017 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.

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.

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.

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 provided that delivery and transfer of significant risks and rewards to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Government grants
Government grants include the following:

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. 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 and transferred to public grants in the income statement as the assets for which grants were awarded are amortised.

Value adjustments 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.

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 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, 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.

Cows in Slovakia

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 amortized cost. Write-down is made for bad debt losses on individual basis.

Accruals
Accruals comprise costs incurred concerning subsequent financial years and are measured at cost.

Equity

Exchange rate adjustment reserve
The exchange rate adjustment reserve 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.

Dividends
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 options is measured at the fair value of the options granted.

FirstFarms A/S only has equity-settled programmes for which the share options 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 share options, the company estimates the number of options expected to vest. That estimate is subsequently revised for changes in the number of options expected to vest. Accordingly, recognition is based on the number of options ultimately vested. The fair value of granted options is estimated using an option pricing model, taking into account the terms and conditions upon which the options 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 amortized 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 flows 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, interest, dividends and corporation tax paid.

Cash flows 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 flows 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 less short-term bank debt. 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 value of the biological assets totals DKK 87.3 million as per 31 December 2017 (2016: 68.7 million).

A completely comparable market does 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

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.

2016 DKK 1,000	Romanian activities	Slovakian activities	Total report compulsory segments
Total segment turnover	48,349	83,357	131,706
Grants	13,701	28,464	42,165
Value adjustments of biological assets	-3,645	12,434	8,789
EBIT result	-1,375	4,027	2,652
Financial income	238	31	269
Financial costs	-2,755	-5,618	-8,373
Depreciations	-6,524	-15,756	-22,280
Write down	-3,572	0	-3,572
Segment result before tax	-4,328	-1,560	-5,888
Segment assets	186,119	329,053	515,172
Plant investments *)	15,686	7,371	23,057
Segment liabilities	144,157	218,028	362,185

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

FirstFarms’ report compulsory segments are constituted by the business units in Slovakia, Romania and Hungary. Slovakia operates within milk- and field production, Romania operates within field production, and Hungary only operates with pig production. The three 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.

Products and services
FirstFarms’ turnover primary concerns milk production, pig production and field production.

The turnover is specified as:

DKK 1,000	Romania		Slovakia		Hungary (9 months)	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Milk production	0	0	63,807	45,315	0	0
Pig production	0	0	0	0	27,586	0
Field production	49,711	47,906	33,944	35,071	0	0
Other	424	443	3,757	2,971	11,437	0
Total	**50,135**	**48,349**	**101,508**	**83,357**	**39,023**	**0**

Geographical information
FirstFarms operates in Romania, Slovakia and Hungary. 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 is specified as:

DKK 1,000	2017		2016	
	Turnover	**Non-current assets**	**Turnover**	**Non-current assets**
Denmark	430	468	250	59
Slovakia	101,508	246,778	83,357	253,971
Romania	50,135	150,288	48,349	142,373
Hungary	39,023	77,831	0	0
Elimination	-430	0	-1.699	0
Total	**190,666**	**475,165**	**130,257**	**396,403**

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

DKK 1,000	**2017**	**2016**
Turnover		
Segment turnover for report compulsory segments	190,666	131,706
Group function	430	250
Elimination of internal turnover	-430	-1,699
Total turnover, cp. income statement	**190,666**	**130,257**
Result		
Segment result before tax for report compulsory segments	12,174	-5,888
Non-allocated result, Group function	-7,180	-6,633
Result before tax, cp. income statement	**4,994**	**-12,521**
Assets		
Total assets for report compulsory segments	616,029	515,172
Other non-allocated	562	343
Total assets, cp. balance sheet	**616,591**	**515,515**
Liabilities		
Total liabilities for report compulsory segments	444,425	362,185
Elimination of debt to parent company	-285,805	-221,254
Other non-allocated liabilities	142,898	81,761
Total liabilities, cp. balance sheet	**301,518**	**222,692**

4. Turnover

	Group		Parent company	
DKK 1,000	2017	2016	2017	2016
Sale of milk	58,070	40,115	0	0
Sale of cows and calves	5,737	5,200	0	0
Sale of piglets and slaughter pigs	27,587	0	0	0
Sale of corn etc.	83,654	82,534	0	0
Other turnover	15,618	2,408	430	250
Total	**190,666**	**130,257**	**430**	**250**

Crops harvested in 2016 have been sold in 2017, and there are crops on stock at the end of 2017.

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

5. Value adjustments of biological assets

Group 2017 DKK 1,000	**Basic herd cows** [1]	**Breeding cows** [2]	**Basic herd pigs**	**Sales herd pigs**	**Crops** [2]	**Total**
Opening	25,220	15,568	0	0	27,930	68,718
Addition, purchase of Dan-Farm	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.

Group 2016 DKK 1,000	Basic herd [1)]	Breeding [2)]	Crops [2)]	Total
Opening	23,693	17,187	27,904	68,784
Addition	0	0	101,760	101,760
Value adjustment of the year recognised in the income statement	-7,124	12,236	3,677	8,789
Transfer	11,681	-11,681	0	0
Disposal	-3,030	-2,174	-105,281	-110,485
Exchange rate adjustment	0	0	-130	-130
Accounting value 31 December 2016	**25,220**	**15,568**	**27,930**	**68,718**

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

Non-current assets consist of a herd of 2,509 cows at the end of 2016. Breeding consist of 2,542 heifers and calves, whereas crops are the value of the sowed fields. At the end of 2016 the sowed fields mainly consist of 400 hectares of alfalfa/grass, 1,800 hectares of wheat, 800 hectares of rye and 1,300 hectares of rape in Slovakia. In Romania the fields consisted of 3,000 hectares of wheat and 1,200 hectares of rape at the end of 2016. 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 2016. 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	**2017**	**2016**	**2017**	**2016**
Cost of sales for the period	106,004	91,342	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	387	360	387
Wages and salaries	29,427	23,645	3,381	2,402
Share based remuneration	197	141	197	141
Defined contribution plans	311	293	311	293
Other social security costs	8,666	7,321	26	24
Other staff costs	2,945	2,807	430	311
Total staff costs	**41,906**	**34,594**	**4,705**	**3,558**

Staff costs:

Production	34,118	29,614	0	0
Administration	7,788	4,980	4,705	3,558
Total	**41,906**	**34,594**	**4,705**	**3,558**
Average number of employees	257	214	4	3

At the end of the year, the number of employees was 267, of which 5 are sited on the headquarter in Denmark, 156 in Slovakia, 67 in Romania and 39 in Hungary.

Executive Board remuneration of the parent company

DKK 1,000	2017 Board of Directors	2017 Management	2016 Board of Directors	2016 Management
Wages and salaries	360	1,304	387	1,452
Defined contribution plans	0	120	0	120
Share based remuneration	0	178	0	122
Total	**360**	**1,602**	**387**	**1,694**

Warrant programme 2017

Number of warrants	Man-agement	Other employees	Total	Utilisation price	Fair value per option DKK	Fair value in total (DKK 1,000)
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.

Warrant programme 2016

Number of warrants	Man-agement	Other employees	Total	Utilisation price	Fair value per option DKK	Fair value in total (DKK 1,000)
Allotted 1 January 2016	50,000	10,000	60,000	52.51	6.16	370
Allotted during the year	50,000	0	50,000	53.23	6.65	333
Allotted 31 December 2016	**100,000**	**10,000**	**110,000**	**-**	**-**	**703**

The fair value of warrants allotted in 2016 is calculated from the Black-Scholes-model with a volatility of 25 percent, a risk-free interest of 0.5 percent p.a. and a share price of 45,50 at the time of allotment. The volatility is calculated from the development in the share price 2.5years before the allotment.

As per 31 December 2016, the company has totally 110,000 outstanding warrants, which were allotted 18 May 2015 and 30 August 2016, respectively. Each warrant grants to warrant owner right to purchase one share of nominal DKK 10.

The outstanding warrants correspond to 2.3 percent of the share capital, if all warrants are utilised.

The utilisation price for the warrants allotted in 2016 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 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	**2017**	**2016**	**2017**	**2016**
Depreciations, intangible assets	1,152	1,411	0	0
Depreciations, tangible assets	25,496	22,308	38	28
Impairments, tangible assets	0	3,572	0	0
Total depreciations and impairments	**26,648**	**27,291**	**38**	**28**
Depreciations and impairments are recognised as follows:				
Production	26,132	26,860	0	0
Administration	516	431	38	28
Total	**26,648**	**27,291**	**38**	**28**

Fee to the auditors appointed at the general meeting

Total fee to PwC(2017) / EY (2016)	Group		Parent company	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Audit	200	275	200	275
Other declarations	6	15	6	15
Tax and VAT services	42	29	42	29
Other non-audit services	71	110	71	110
Total	**319**	**429**	**319**	**429**

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 XLBR-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.

Fees to other auditors	Group		Parent company	
1.000 kr.	**2017**	**2016**	**2017**	**2016**
Audit	461	387	0	0
Other declarations	15	0	15	0
Tax and VAT services	149	50	0	0
Other non-audit services	102	16	84	0
I alt	**727**	**453**	**99**	**0**
Total fees for auditors	**1,046**	**882**	**418**	**429**

7. Grants

	Group		Parent company	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Grant for investments	981	932	0	0
EU hectare subsidy	30,970	30,420	0	0
Grant for milk production	6,681	10,490	0	0
Various grants pig production	3,429	0	0	0
Government grant etc.	322	323	0	0
Total	**42,383**	**42,165**	**0**	**0**

FirstFarms can apply for grants for investments 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.

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

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

2016 DKK 1,000	**Hectare grant**	**Milk grant**	**Government grant**	**Investment grant etc.**	**Total**
Grants calculated in accruals	0	0	0	12,114	12,114
Period of crediting	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in ”Other receivables”	10,587	1,788	0	0	12,375

8. Other operating income

	Group		**Parent company**	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Profit from sale of tangible assets	123	666	0	0
Negative goodwill at purchase of Dan-Farm Holding A/S, cp. note 16	1,287	0	0	0
Other secondary income	62	201	0	0
Total	**1,472**	**867**	**0**	**0**

9. Other operating costs

	Group		**Parent company**	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Loss from sale of tangible assets	0	0	0	0
Other secondary costs	215	507	0	0
Total	**215**	**507**	**0**	**0**

10. Financial income

DKK 1,000	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Interest, cash at bank and in hand	0	0	0	0
Interest income from affiliated companies	0	0	3,123	3,000
Other financial income	629	269	45	0
Total	**629**	**269**	**3,168**	**3,000**

11. Financial costs

DKK 1,000	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Interest, bank loans	5,277	4,353	611	537
Other financial costs	7,424	5,666	4,560	4,110
Total	**12,701**	**10,019**	**5,171**	**4,647**

12. Tax on net profit/loss

DKK 1,000	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Tax on net profit/loss	-1,635	-436	1,973	1,485
Tax on other total income	0	0	0	0
Total	**-1,635**	**-436**	**1,973**	**1,485**
Tax on net profit/loss is specified as:				
Current tax	-1,100	-1,123	0	0
Deferred tax	-535	687	1,973	1,485
Total	**-1,635**	**-436**	**1,973**	**1,485**
Tax on net profit/loss can be explained as:				
Calculated tax of net profit/loss before tax (22% / 23.5 %) (In parent company ex. capital shares)	-1,106	2,755	1,981	1,556
Reduction in tax rate in Denmark and Slovakia	0	-482	0	0
Write down / unrecognised tax assets	-1,371	-1,360	0	0
Other adjustments, net	842	-1,349	-8	-71
Total	**-1,635**	**-436**	**1,973**	**1,485**
Effective tax rate	33	-3	22	22

13. Earnings per share

Group DKK 1,000	**2017**	**2016**
Net profit	3,359	-12,957
Number of shares	5,137,624	4,712,241
Average diluted effect of outstanding warrants	2,600,388	1,569,309
Diluted number of shares in circulation	7,738,012	6,281,550
Earnings per share (EPS)	0.65	-2.75
Diluted earnings per share (EPS-D)	0.65	-2.75

14. Intangible assets

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 the accounting value. The parent company has no intangible assets included.

Group 2016 DKK 1,000	Goodwill	Lease contracts	Milk quota	Total
Cost price 1 January	16,067	7,403	23,470	16,067
Addition	0	0	0	0
Disposal	0	0	0	0
Exchange rate adjustment	-60	-24	-84	-60
Cost price 31 December	**16,007**	**7,379**	**23,386**	**16,007**
Depreciations and impairments 1 January	0	-2.436	-2,436	0
Depreciations	0	-1,411	-1,411	0
Disposal	0	0	0	0
Exchange rate adjustment	0	10	10	0
Depreciations and impairments 31 December	**0**	**-3,837**	**-3,837**	**0**
	16,067	7,403	23,470	16,067
Accounting value 31 December	0	0	0	0

FirstFarms' Management has at the end of 2016 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 2.70 per kg as of 2018. The estimation for future milk prices are based on external ratings and own estimations. SEGES' recommendation as per 28 November 2016 for the budget price for milk in 2017 is a milk price of DKK 2.87 per kg. 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 2016 are assumed as stated in the management review page 15-16. The crop prices in the coming year are assumed to be on par with the budget for 2017.

The budget is 2,800 milking cows and cultivation of 9,300 hectares of land at the end of the period.

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 0.25 per kg will entail that the recoverable amount corresponds to the accounting value.

15. Tangible assets

Group 2017 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution and prepayments	Total
Cost price 1 January 2017	315,252	123,417	3,566	8,591	450,826
Addition, purchase of Dan-Farm	49,537	7,669	1,278	2,251	60,735
Addition	18,647	16,093	1,393	9,624	45,757
Transfer between categories	8,45	2,903	30	-11,383	0
Disposal	-153	-7,572	-480	-67	-8,272
Exchange rate adjustment	-2,269	-777	-55	-159	-3,260
Cost price 31 December 2017	**389,464**	**141,733**	**5,732**	**8,857**	**545,786**
Depreciations and impairments 1 January 2017	-51,724	-56,813	-2,581	0	-111,118
Depreciations	-8,744	-16,298	-454	0	-25,496
Impairment	0	0	0	0	0
Disposal	0	4,404	372	0	4,776
Transfer between categories	0	0	0	0	0
Exchange rate adjustment	-35	396	-8	0	353
Depreciations and impairments 31 December 2017	**-60,503**	**-68,311**	**-2,671**	**0**	**-131,485**
Accounting value 31 December 2017	**328,961**	**73,422**	**3.061**	**8,857**	**414,301**
- assets held under finance lease	0	41,770	0	0	41,770
Depreciation period	15-30 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.

Group 2016 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution and prepayments	Total
Cost price 1 January 2016	302,862	119,117	3,497	8,466	433,942
Addition	5,501	8,725	232	8,599	23,057
Transfer between categories	8,390	146	-146	-8,390	0
Disposal	-22	-3,859	-10	0	-3,891
Exchange rate adjustment	-1,479	-712	-7	-84	-2,282
Cost price 31 December 2016	**315,252**	**123,417**	**3,566**	**8,591**	**450,826**
Depreciations and impairments 1 January 2016	-41,611	-45,247	-2,244	0	-89,102
Depreciations	-6,781	-15,175	-352	0	-22,308
Impairment	-3,572	0	0	0	-3,572
Disposal	15	3,183	10	0	3.208
Transfer between categories	0	0	0	0	0
Exchange rate adjustment	225	426	5	0	656
Depreciations and impairments 31 December 2016	**-51,724**	**-56,813**	**-2,581**	**0**	**-111,118**
Accounting value 31 December 2016	**263,528**	**66,604**	**985**	**8,591**	**339,708**
- assets held under finance lease	0	39,172	0	0	39,172
Depreciation period	15-30 years	5-10 years	3-7 years	-	-

As per 31 December 2016 security for leasing debts of DKK 15.8 million (2015: DKK 17.1 million) has been given in the respective machines (booked value DKK 19.7 million). For the bank debt in Slovakia of DKK 51.1 million security has been given in fixed assets (booked value DKK 91.5 million). Furthermore, there is security in EU-grants in Slovakia.

Book value of purchased farm land DKK 1,000	2017		2016	
Farm land in Slovakia	716 hectares	17,833	638 hectares	15,853
Farm land in Romania	5,460 hectares	102,516	5,263 hectares	100,907

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 fair value 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.

2016

At the turn of the year 2016/2017, 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 fair value is in the range of DKK 171 million, corresponding to an average price of approx. DKK 32,000 per hectare. The average booked value in Romania at the end of 2016 is DKK 19,136 per hectare and the average booked value in Slovakia is DKK 24,830 per hectare.

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

Parent company 2016 DKK 1,000.	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2016	463
Addition	0
Disposal	-75
Cost price 31 December 2016	**388**
Depreciations and impairments 1 January 2016	-376
Depreciations	-28
Disposal	75
Depreciations and impairments 31 December 2016	**-329**
Accounting value 31 December 2016	**59**
- assets held under finance lease	0
Depreciation period	3-7 years

16. Capital shares in subsidiaries

Parent company DKKK 1,000	**2017**	**2016**
Cost price 1 January	299,486	299,486
Changes in the period	10,693	0
Cost price 31 December	**310,179**	**299,486**
Value adjustment 1 January	-146,499	-138,204
Share of the result of the year	10,381	-7,371
Exchange rate adjustments	-2,456	-924
Adjustment 31 December	**-138,574**	**-146,499**
Accounting value 31 December	**171,605**	**152,987**

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 1.293 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.

DKK 1,000	**Recognised value at acquisition date**
Tangible assets	60,696
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**
Difference - 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 4.996 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
Dan-Farm Holding A/S.	Denmark
Dan-Farm Hungary Kft.	Hungary
Dan-Farm Consulting Kft.	Hungary

All subsidiaries are 100 percent owned by the FirstFarms Group.

17. Inventories

	Group		**Parent company**	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Raw materials and other materials	15,452	13,019	0	0
Manufactured goods and commodities, grain, fodder etc.	30,500	34,394	0	0
Total	**45,952**	**47,413**	**0**	**0**
Accounting value of inventories included at fair value	30,500	34,394	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

	Group		**Parent company**	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Receivables from sales	9,501	4,533	0	0
Other receivables	21,461	17,948	267	261
Receivables from associated companies	0	0	285,805	221,254
Total	**30,962**	**22,481**	**286,072**	**221,515**

Impairments, contained in the receivables above, developed as follows:	**2017**	**2016**
1 January	3,202	2,630
Impairments in the year	0	585
Implemented in the year	0	0
Reversed	0	0
Exchange rate adjustments	4	-13
31 December	**3,206**	**3,202**

In 2017 and 2016, 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 seen below.

DKK 1,000	**2017**	**2016**
Period of decadence:		
Up to 30 days	990	436
Between 30 and 90 days	238	364
Over 90 days	109	299

19. Share capital

Issued shares	**Amount (pcs.)**		**Nominal value (DKK)**	
	2017	**2016**	**2017**	**2016**
1 January	4,712,241	4,712,241	47,122,410	47,122,410
Issued in connection with purchase of Dan-Farm Holding A/S	203,678	0	2,036,780	0
Issued at conversion of bonds	221,705	0	2,217,050	0
31 December	**5,137,624**	**4,712,241**	**51,376,240**	**47,122,410**

At the end of 2017, the share capital consisted of 5,137,624 shares at nominal DKK 10. No shares are attributed special rights.

The Group's result of DKK 3.4 million and the parent company's result of DKK 3.4 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. 26 concerning profit and p. 21 for risk management.

The realised return on equity for 2017 was 1.1 percent (2016: -4.3 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, which is why the percentage of negotiable FirstFarms shares, or the free float, is 100 percent. On the ordinary general meeting on 25 April 2017, authorisation was given to the company to acquire up to 10 percent of the company's own shares. The authorisation was not used in 2017. At the end of 2017, a total of 110,000 warrants are issued to the company's management and employees in Denmark and abroad. No warrants are issued in 2017.

Furthermore, the Board of Directors is authorised to in the period 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.

In 2017, FirstFarms issued convertible bonds at a total of nominal DKK 13.2 million, in connection with repayment of debt to former shareholders in Dan-Farm Holding A/S, with maturity 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 maturity 15 December 2020, remain unpaid. There is also bonds for DKK 27.24 million, issued in 2013, with maturity 15 December 2018.

Convertible bonds for nominal DKK 9.9 million were converted in 2017.

If all present bond owners choose to convert their bonds it corresponds to issuance of 2,490,388 shares. The total number of shares corresponds to 48 percent of the share capital at the end of 2017.

Dividend
It is FirstFarms' dividend policy that 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	**2017**	**2016**
Deferred tax 1 January	-4,749	-4,215
Addition, purchase of Dan-Farm	2,557	0
Tax recognised in the equity	159	110
Exchange rate adjustment	40	43
Deferred tax of the year calculated in net profit/loss	533	-687
Deferred tax 31 December	**-1,460**	**-4,749**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	-10,112	-11,926
Deferred tax (liability)	8,652	7,177
Deferred tax 31 December, net	**-1,460**	**-4,749**
Deferred tax concerns:		
Intangible assets	79	158
Tangible assets	5,568	1,314
Biological assets	1,958	2,445
Other accounting items	-6,741	-5,031
Deficits with right to put forward	-7,612	-9,197
Re-taxation balance	5,288	5,562
Total	**-1,460**	**-4,749**

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 2017

DKK 1,000	**Balance 1/1-2017**	**Addition, purchase of Dan-Farm**	**Included in net profit/loss, net**	**Recog-nised in the equity**	**Exchange rate adjustments**	**Bal-ance 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	389	-877	0	1	1,958
Other accounting items	-5,031	0	-1,885	159	16	-6,741
Deficits with right 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	**-687**	**159**	**40**	**-1,460**

Change in interim differences in 2016

DKK 1,000	Balance 1/1-2016	Included in net profit/loss, net	Recognised in the equity	Exchange rate adjustments	Balance 31/12-2016
Intangible assets	-103	261	0	0	158
Tangible assets	1,908	-592	0	-2	1,314
Biological assets	2,509	-65	0	1	2,445
Other accounting items	-4,800	-363	110	22	-5,031
Deficits with right to put forward	-9,681	462	0	22	-9.197
Re-taxation balance	5,952	-390	0	0	5,562
Total	**-4,215**	**-809**	**110**	**43**	**-4,749**

Parent company DKK 1,000	**2017**	**2016**
Deferred tax 1 January	2,972	4,347
Deferred tax of the year calculated in net profit/loss	-1,973	-1,485
Tax recognised in the equity	159	0
Deferred tax 31 December	**1,158**	**2,972**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	0	0
Deferred tax (liability)	1,158	2,972
Deferred tax 31 December, net	**1,158**	**2,972**

The deferred tax at the end of 2017 and 2016 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	**2017**	**2016**	**2017**	**2016**
Proceeds from issuance of convertible bonds, primo	63,316	50,000	63,316	50,000
Proceeds from issuance of new convertible bonds in the year	85,468	32,250	85,468	32,250
Converted in the year	-9,901	0	-9,901	0
Settled in the year	0	-18,934	0	-18,934
Proceeds from issuance of convertible bonds, end of period	**138,883**	**63,316**	**138,883**	**63,316**
Value of right to convert at date of issuance recognised in the equity, primo	-1,156	-655	-1,156	-655
Value of right to convert at date of issuance of new convertible bonds in the year	-724	-501	-724	-501
Fair value of financial obligation at the date of issuance	**137,003**	**62,160**	**137,003**	**62,160**
Amortisation 1 January	704	603	704	603
Amortisation for the year	122	101	122	101
Amortisation 31 December	**826**	**704**	**826**	**704**
Accounting value of financial obligation 31 December	**137,829**	**62,864**	**137,829**	**62,864**

In 2013, FirstFarms has issued convertible bonds for total nominal DKK 50 million. Originally, the bonds ran up to and including 15 March 2016 and carry interest at 6 percent p.a. There is in more rounds offered prolongation of these convertible bonds. At the end of 2017, there is outstanding convertible bonds from 2013 of DKK 27.2 million which runs up to and including 15 December 2018.

The fair value of the financial obligation is at the date of issuance calculated using a market interest of 6.63 percent 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).

In 2016, FirstFarms issued new convertible bonds for DKK 32.25 million with expiry in December 2020, and of this bonds for DKK 6 million are converted to shares.

The fair value of the financial obligation is at the date of issuance calculated using a market interest of 6.40 percent 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).

In March 2017, FirstFarms issued new convertible bonds with expiry in December 2020 for DKK 13.2 million.

The fair value of the financial obligation is at the date of issuance calculated using a market interest of 6.20 percent 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).

In December 2017, FirstFarms issued new convertible bonds with expiry in December 2022 for DKK 72.25 million.

The fair value of the financial obligation is at the date of issuance calculated using a market interest of 5.20 percent 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 present value of the outstanding bonds, at the end of 2017, is calculated to DKK 136.3 million. There is assumed a interest of discounting to net present value for bonds with expiry in 2018 of 4%, for bonds with expiry in 2020 of 5% and for bonds with expiry in 2022 of 5.2 percent.

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

22. Debts to credit institutions

Liabilities are recognised in the balance as follows:

	Group		Parent company	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Non-current liabilities	67,868	25,018	0	0
Short-term part of long-term liabilities	34,724	42,186	0	0
Total	**102,592**	**67,204**	**0**	**0**
Bank overdrafts	8,765	51,020	1,067	13,856
Total	**111,357**	**118,224**	**1,067**	**13,856**
Fair value	111,357	118,224	1,067	13,856
Nominal value	111,357	118,224	1,067	13,856
- of this fixed interest	0	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 1.1 million (2016: DKK 1.2 million).

Current maturity:	**2017**	**2016**
Within 1 year	43,489	93,206
1-5 years	49,529	21,270
> 5 years	18,339	3,748
Total accounting value	**111,357**	**118,224**

The debt in Slovakia is taken out in EUR, and there is an average interest rate at the end of 2017 at 3-5 percent (2016: 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 (2016: 3-6 percent). In Hungary, the debt is taken out in HUF, and also carries interest with 3-5 percent.

In both 2017 and 2016, 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 DKK 1,000	**Group** **2017**
Loan in credit institutes etc., beginning	67,204
Addition at purchase of Dan-Farm	36,634
Addition	0
Repayments	-9,691
Leasing set off under investment activity	8,445
Loan in credit institutes etc., end	**102,592**

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

Group 2017 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**

Group 2016 DKK 1,000	Minimum-contribution	Interest etc.	Repayment of liabilities
0-1 year	7,167	481	6,686
1-5 years	8,644	358	8,286
> 5 years	0	0	0
Total	**15,811**	**839**	**14,972**

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	**2017**	**2016**	**2017**	**2016**
Supplier debts	17,416	10,223	518	258
Other debt obligations	13,808	11,289	2,300	1,811
Total	**31,224**	**21,512**	**2,818**	**2,069**

24. Corporation tax

	Group		Parent company	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Corporation tax 1 January	-801	-262	0	0
Current tax of the year	-1,100	-1,123	0	0
Paid corporation tax	1,161	584	0	0
Corporation tax 31 December	**-740**	**-801**	**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 2017, security for leasing debts of DKK 17.1 million (2016: DKK 15.9 million) has been given in the respective machines. For the bank debt of DKK 34.4 million in Slovakia, security has been given fixed assets.

The parent company has guaranteed for the subsidiaries' debt in credit institutions in Slovakia and Romania with an accounting value of DKK 64.8 million (2016: DKK 89.4 million).

26. Change in working capital

	Group		Parent company	
DKK 1,000	**2017**	**2016**	**2017**	**2016**
Change in biological assets and inventories	3,072	-9,247	0	0
Change in receivables etc.	-9,327	13,818	-11	49
Change in supplier debts, other debt obligations and accruals	2,410	-16,383	750	262
Total	**-3,845**	**-11,812**	**739**	**311**

27. Non-cash transactions

DKK 1,000	2017	2016
Acquisition of tangible assets, cp. note 15	45,757	23,057
Of this, financial leased assets	-8,445	-2,891
Paid regarding acquisition of tangible assets	**37,312**	**20,166**
Proceeds at raising financial debt liabilities	74,594	12,873
Of this leasing debt	-8,445	-2,891
Received at raising financial debt liabilities	**66,149**	**9,982**

28. Cash and cash equivalents

	Group		Parent company	
DKK 1,000	2017	2016	2017	2016
Available funds	6,153	2,793	0	0
Current debt for credit institutions	-43,489	-93,206	-1,067	-13,856
Available 31 December	**-37,336**	**-90,413**	**-1,067**	**-13,856**

29. Risk management

The Groups' 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 2018.

FirstFarms' activities are placed in Slovakia, Romania and Hungary. A change in the Romanian RON of 1 percent will - all things being equal - affect EBIT with approx. DKK 0.2 million (2016: 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. Furthermore, a direct effect on the equity will show due to a changed conversion of assets and liabilities.

A change in the interest rate with 1 percent will – all things being equal - entail a change in the financial expenses with DKK 1.1 million (2016: DKK 1.2 million). The convertible bonds have a fixed interest and thus is 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 0.7 million (2016: DKK 0.6 million). In addition to this, a value adjustment on biological assets (the value of stock) as a result of changes in milk prices may occur.

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 0.4 million. In addition to this, a value adjustment on biological assets of 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 (2016: DKK 1.0 million).

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

Liquid funds
FirstFarms has entered agreements with banks in Slovakia, Romania and Hungary regarding credit lines, which, together with the present financing in the company, is assessed to cover the company's cash needs in 2018.

The Group's liabilities fall due as follows:

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 2017	**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.

2016 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	103,252	113,071	94,486	14,343	4,241
Financial leasing liabilities	14,972	15,811	7,167	8,644	0
Trade payables	10,223	10,223	10,223	0	0
Convertible bonds *)	62,864	70,649	3,799	66,85	0
Derivative financial instruments	0	0	0	0	0
31 December 2016	**191,311**	**209,754**	**115,675**	**89,837**	**4,241**

*) Bonds for DKK 3.901 million is converted in January 2017, which is not recognised in the statement.

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

30. Operational leasing obligations

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

Group DKK 1,000	**2017**	**2016**
0-1 year	11,563	11,320
1-5 years	19,282	29,719
> 5 years	2,482	2,348
Total	**33,327**	**43,387**

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 as per agreement.

In the income statement for 2017 DKK 8.4 million was put to cost regarding land lease (2016: DKK 8.4 million)

Per 31 December 2017, FirstFarms has leased an area of 8,800 hectares in Slovakia, distributed on 10,100 land lease contracts with a currency of 1-15 years (2016: 8,800 hectares distributed on 10,100 land lease contracts).

In Romania leasing contracts have been entered for approx. 2,700 hectares of land to be cultivated in 2017/2018 (2016/2017: 2,700 hectares) with a currency of 1-5 years.

Furthermore, FirstFarms has entered agreement about operational leasing of machines with an annual cost of approx. DKK 5.8 million (2016: DKK 7.6 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 (2016: DKK 0.1 million).

31. 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 2017.

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 2017, FirstFarms A/S has invoiced group contributions etc. of DKK 0.4 million (2016: 0.3 million).

2017
At the end of 2017, Anders Holger Invest ApS, closely related to CEO Anders H. Nørgaard, has convertible bonds for DKK 2,101,648, Thoraso Invest A/S, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 26,338,983. Henrik Hougaard Invest ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 7,500,000, Thoraso ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 4,505,495, Thoraso Invest ApS, closely realted to Chairman Henrik Hougaard, has convertible bonds for DKK 6,127,118, board member Bent Juul Jensen has convertible bonds for DKK 10,386,944 and NKB Invest ApS, closely related to board member Asbjørn Børsting has convertible bonds for DKK 1,000,000, and board member Asbjørn Børsting has convertible bonds for DKK 816,949.

2016
At the end of 2016, Anders Holger Invest ApS, closely related to CEO Anders H. Nørgaard, has convertible bonds for DKK 2,101,648, Henrik Hougaard Invest ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 7,500,000, Thoraso ApS, closely related to Chairman Henrik Hougaard, has convertible bonds for DKK 4,505,495, board member Bent Juul Jensen has convertible bonds for DKK 6,302,198 and NKB Invest ApS, closely related to board member Asbjørn Børsting has convertible bonds for DKK 1,000,000.

32. Subsequent events

After the balance day 31 December 2017, no essential events for the Group's and the company's position have occurred.

33. New accounting regulations

A number of new standards and interpretations, which are not mandatory for FirstFarms A/S at the preparation of the annual report for 2017, was issued, including IFRS 15-16 and IFRS 9.

The approved, not yet effective, standards and interpretations are expected to be implemented concurrently when they become mandatory for FirstFarms A/S according to EU's dates of commencement.

First Farms is in the process of analysing the impact of the new standards. The changes are not expected to have any significant impact on recognition and measurement for FirstFarms. However, it is estimated, that IFRS 16 will have some impact on the Group as the Group has minimum lease obligations in the range of DKK 33 million corresponding to approx. 5% of total balance sheet, which in the future potentially shall be recognised in the balance sheet. IFRS 15 in regards to recognition of turnover and IFRS 9 in regards to financial instruments are not expected to have significant effect of the presentation of the financial statements.