FirstFarms

Annual report 2019

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

FirstFarms A/S

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

Financial year: 1 Jan. – 31 Dec.

Board of directors

Henrik Hougaard (Chairman)

Asbjørn Børsting (Vice chairman)

Jens Bolding Jensen

Bent Juul Jensen

Management

Anders H. Nørgaard

Auditors

PricewaterhouseCoopers

Platanvej 4
DK-7400 Herning
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Content

About FirstFarms

FirstFarms is a Danish public limited company, which acquires and manages agriculture in Eastern Europe. We develop individual farms to modern businesses that deliver milk, meat and grains of the highest quality to the local food processing companies. FirstFarms contributes to, and approves, the development towards a more sustainable agriculture.

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

Facts about FirstFarms A/S

Number of employees (ave.)
309
(2018: 279)

Turnover 2019
DKK 328 million
(2018: DKK 249 million)

Cultivated land
20,000 hectares
(2018: 18,600 hectares)

Producered feed
260,000 tons
(2018: 250,000 tons)

Silo capacity
90,000 tons
(2018: 70,000 tons)
corn and ensilage

2,600 cows (2018: 2,500)
2,700 young stock (2018: 2,500)

4,800 sows (2018: 2,500)
170,000 piglets (2018: 83,000)
100,000 slaughter pigs (2018: 50,000)

FirstFarms' DNA

RESPONSIBILITY | PASSION | RESPECT

FirstFarms acquires and manages agriculture in Eastern Europe. We develop individual farms to modern businesses that deliver milk, meat and grains of the highest quality to the local food processing companies. FirstFarms contributes to, and approves, the development towards a more sustainable agriculture.

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

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

We manage agriculture with respect for the animals and the soil
We focus on animal welfare. All our employees are trained to ensure good living conditions for our animals. We treat our animals well – every day.

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

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

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

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

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

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

Summary 2019 – Historical strong financial report

- FirstFarms realised a turnover of DKK 328.1 million and an EBITDA of DKK 95.6 million, which is a growth of 32 percent in the turnover and 47 percent in EBITDA (after correction for IFRS 16). The prosperity has happened based on the company's growth and satisfactory market conditions for the pig production.

- EBIT result is DKK 48.4 million, and the pre-tax result is DKK 29.0 million The EBIT result is improved by DKK 22.5 million compared to 2018. The takeover in July 2019 of the pig and crop production in Slovakia has contributed significantly to the very satisfactory result.

- In 2019, FirstFarms realised a profit after tax of DKK 22.4 million. Dividend is not distributed in 2019 based on the uncertainty occurred due to COVID-19.

- The result is considered satisfactory.

- In the financial year, a farm is purchased in Slovakia with 2,300 sows with a yearly production of 75,000 pigs, of which 40-45,000 are sold as piglets and 30-35,000 as slaughter pigs. The production foundation for the crop production is 1,500 hectares of arable land of high quality.

- FirstFarms purchases, develops and operates agriculture in Eastern European EU-countries within the operation branches fields, cows and pigs. The farms are located with up to 1,500 kilometres distance in Czech Republic, Slovakia, Hungary and Romania. This contributes to reduce the risks, that an agricultural production can be affected by, including ASF[1].

- As food manufacturer, we will always be exposed to external threats. Many years ago, FirstFarms took a strategic decision. We must be able to navigate in a threat assessment as ASF without having serious impact on our ability to generate results. This is the reason why we in 2019 have built on the growth strategy with balanced risk spread both geographically and in different operation branches. There has been – and is – high focus on biosecurity.

- FirstFarms contributes to, and approves, the development towards a more sustainable agriculture, and we believe in the sustainable agricultural production. Thus, we have focus on ESG[2].

- FirstFarms has a land portfolio of 9,200 hectares of owned land and more than 10,500 hectares of rent contracts – totally approx. 20,000 hectares of arable land in operation. Value creation happens through operation and development of the land portfolio.

- All owned land is booked at purchase prices and not market prices. The main part of the land has been in our ownership for over 10 years. FirstFarms assesses that there is significant added value regarding the land for DKK 225 million after tax in addition to the booked equity of DKK 392 million.

- In 2019, FirstFarms has improved the cash resources through new long-term credit agreements.

[1] African swine fever
[2] To illustrate the work with a sustainable development, we make use of Nasdaq's recommendation for reporting - ESG-data (Environmental, Social, Governance). See more on page 14.

- Following a strong 2019, FirstFarms expects a stable 2020 with an EBITDA result in the level of DKK 80-105 million and an EBIT result in the level of DKK 30-55 million.

- It is positive, that FirstFarms so far only has experienced a minor financial impact on the production, as a result of COVID-19. Our daily work including transport, field work and livestock is adapted current precautions due to COVID-19. In future, a shortage of goods for our production may arise, which is why we to a great extent have secured input to large parts of the spring.

Financial highlights and key ratios

Financial highlights for the Group DKK 1,000	**2019 *)**	**2018**	**2017**	**2016**	**2015**
Net turnover	328,072	248,876	190,666	130,257	111,841
Gross profit/loss	65,293	36,664	28,176	7,330	-5,547
Result before depreciations (EBITDA)	95,551	57,499	43,748	24,520	9,101
Profit/loss from primary operations (EBIT)	48,400	25,863	17,100	-2,771	-14,657
Net financial items	-19,429	-14,344	-12,106	-9,750	-7,806
Pre-tax result	28,971	11,519	4,994	-12,521	-22,463
Net profit	22,425	8,131	3,359	-12,957	-21,977
Proposed dividend	0	3,264	0	0	0
Non-current assets	849,274	596,488	475,165	396,403	402,254
Current assets	222,845	178,044	141,426	119,112	123,692
Total assets	1,072,119	774,532	616,591	515,515	525,946
Share capital	63,181	61,594	51,376	47,122	47,122
Equity	392,315	370,118	315,073	292,823	306,173
Non-current liabilities	433,085	289,870	187,184	95,059	70,137
Current liabilities	249,719	120,611	114,334	127,633	149,636
Cash flow from primary operation	100,958	24,307	25,813	12,275	-832
Cash flow from operating activities	78,127	9,269	12,580	2,040	-8,811
Cash flow from investment, net	-85,761	-40,157	-30,103	-18,817	-25,139
Of which for investment in tangible assets	-89,463	-42,458	-45,757	-23,057	-38,493
Cash flow from financing	7,062	2,830	20,881	9,943	-14,332
Total cash flow	-572	-2,529	3,358	-6,834	-48,282
Key ratios for the Group					
Gross margin	19.9	14.7	14.8	5.6	-5.0
EBITDA margin	29.1	23.1	22.9	18.8	8.1
Operating margin	14.8	10.4	9.0	-2.1	-13.1
Solvency ratio	37	48	51	57	58
Earnings per share, DKK	3.55	1.32	0.65	-2.75	-4.66
Diluted earnings per share, DKK	3.33	1.32	0.65	-2.75	-4.66
Dividend per share	0.0	0.53	0.0	0.0	0.0
Return on shareholders' equity	5.9	2.4	1.1	-4.3	-6.9
Average number of employees	309	279	257	214	211

*) Numbers include incorporation of IFRS 16.

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 The financial ratios stated in the consolidated financial statements and in the annual report have been calculated as follows:	
Gross margin	(Gross profit/loss x 100) / Turnover
EBITDA margin	(EBITDA x 100) / Turnover
Operating margin	(Profit/loss from primary operation x 100) / Turnover
Solvency ratio	(Equity x 100) / Total assets
Result per share	Net profit / Number of shares
Diluted result per share	Net profit ex. minority interests / Diluted number of shares
Dividend per share	Proposed dividend / Number of shares
Return on equity	(Net profit x 100) / Average equity
EBITDA	Profit/loss from primary operation (EBIT) added depreciations

Expectations 2020

Following a strong 2019, FirstFarms expects a stable 2020 with a growth in the EBITDA result to the level DKK 80-105 million and in the EBIT result to the level DKK 30-55 million. In 2019, FirstFarms realised an EBITDA of DKK 95.6 million and EBIT of DKK 48.4 million. There has been a significant growth in profit creation in 2019 compared to 2018.

We expect, that 2020 will be a lucrative year for the pig production in EU, which can however be volatile. For the crop and milk production, a stable year is expected with unchanged prices on par with 2019. The efficiency in our milk production is expected improved compared to realised in 2019. In 2020, we will consolidate the production within the current business areas.

FirstFarms closely monitors the development and takes COVID-19 very seriously. Our priority number one is to keep all, and especially our colleagues and surroundings safe and healthy, and also secure our animals and the production to be able to produce feed for the animals and food to our consumers. We follow the instructions and restrictions from the local authorities and take all necessary precautions on an ongoing basis.

It is positive, that FirstFarms so far only has experienced a minor financial impact on the production, as a result of COVID-19. Our daily work including transport, field work and livestock is adapted current precautions due to COVID-19. In future, a shortage of goods for our production may arise, which is why we to a great extent have secured input to large parts of the spring.

Possible economic consequences, due to COVID-19, have not been taken into account in the expectations.

Milk- and pig production and prices

In 2020, FirstFarms expects to deliver 28.6 million kg milk at a milk price of DKK 2.53 per kg. (See figure 10). We assess that the milk production per cow will be on a satisfactory and increasing level and with an increasing number of cows. The stables will be fully utilised with 3,000 cows and 2,500 young stock at the end of 2020.

It is our expectation to produce 167,500 piglets from 4,800 sows and 105,000 slaughter pigs. We expect a price of DKK 13.40 per kg pork and a basis piglet price (27 kg) of DKK 485 per piglet (See figure 11;12)

Crop production and prices

The land portfolio and the crop production is expected to increase. We will finalise an expansion of 12,000 tons of our storage facilities, thus value optimising a larger part of the sales and feed crops. 26,000 tons of storage facilities are expected to be put into operation in 2020, including new feed storage in Slovakia.

We expect that the prices on crops will be on par with FirstFarms' realised prices for 2019 (See figure 7;8;9).

The settlement prices for grain (wheat, rye, maize and barley), we expect to be in the level of DKK 90-120 per 100 kg – depending on the product and whether it is sold in Slovakia, Czech Republic or Romania. The settlement prices for oilseed, we expect to be in the level of DKK 270-275 per 100 kg.

Investments and cash flow

FirstFarms has in "Vision 2025" a growth strategy. In 2020, we will continue to carry out profitability improving investments in existing plants, buildings and machines and investments and contributions that support the risk spread of the production. Investments pointed at the increase of bio security in the pig production will constitute a large part of the 2020-investments. At the same time, we will as in 2019 initiate new investments, which will improve our silo and storage capacity for sales crops and feed and also capacity utilisation in the pig and milk production. These investments will also contribute to minimisation of feed and energy waste and thus make our production more sustainable.

Purchase of new agricultures in 2020 is unchanged a crucial element in our growth strategy, and we are continuously looking for agricultural companies, which complement our portfolio. In 2020, we have signed conditional agreement about purchase of the share capital in AISM srl. (Company announcement no. 2/2020).

AISM srl. owns 2,430 hectares of cultivated, leased agricultural land in Romania, a modern silo plant with 6,000 tons storage capacity, feed mill and storage- and office facilities.

Group strategy ”Vision 2025”

Our organisation is growing and volatile surroundings put demands to our company and development of the organisation. Thus, in 2019, we have had focus on reassessing and adjusting our group strategy “Vision 2025” and our management structure to be able to continue to run a lucrative business and achieve our goals. The strategy is adjusted to the challenges and possibilities that we are facing.

Figure 1 – Vision 2025

”Vision 2025” contains four defined areas, which we will focus on in our strategic work in the coming years:

Development of organisation: Our employees are our most vital asset; their knowledge and competences play a crucial role in FirstFarms’ development. We will therefore to a larger extent focus on developing our employees’ competences, which will support FirstFarms development. At the same time, we will continue to work on offering them a safe and attractive work place.

Business development: In the long term, FirstFarms will continue the growth ambitions, both by expanding the production within the existing business model and by investigating possibilities for expansion of the business model. We see entering strategic partnerships as an important parameter, that will support FirstFarms’ growth.

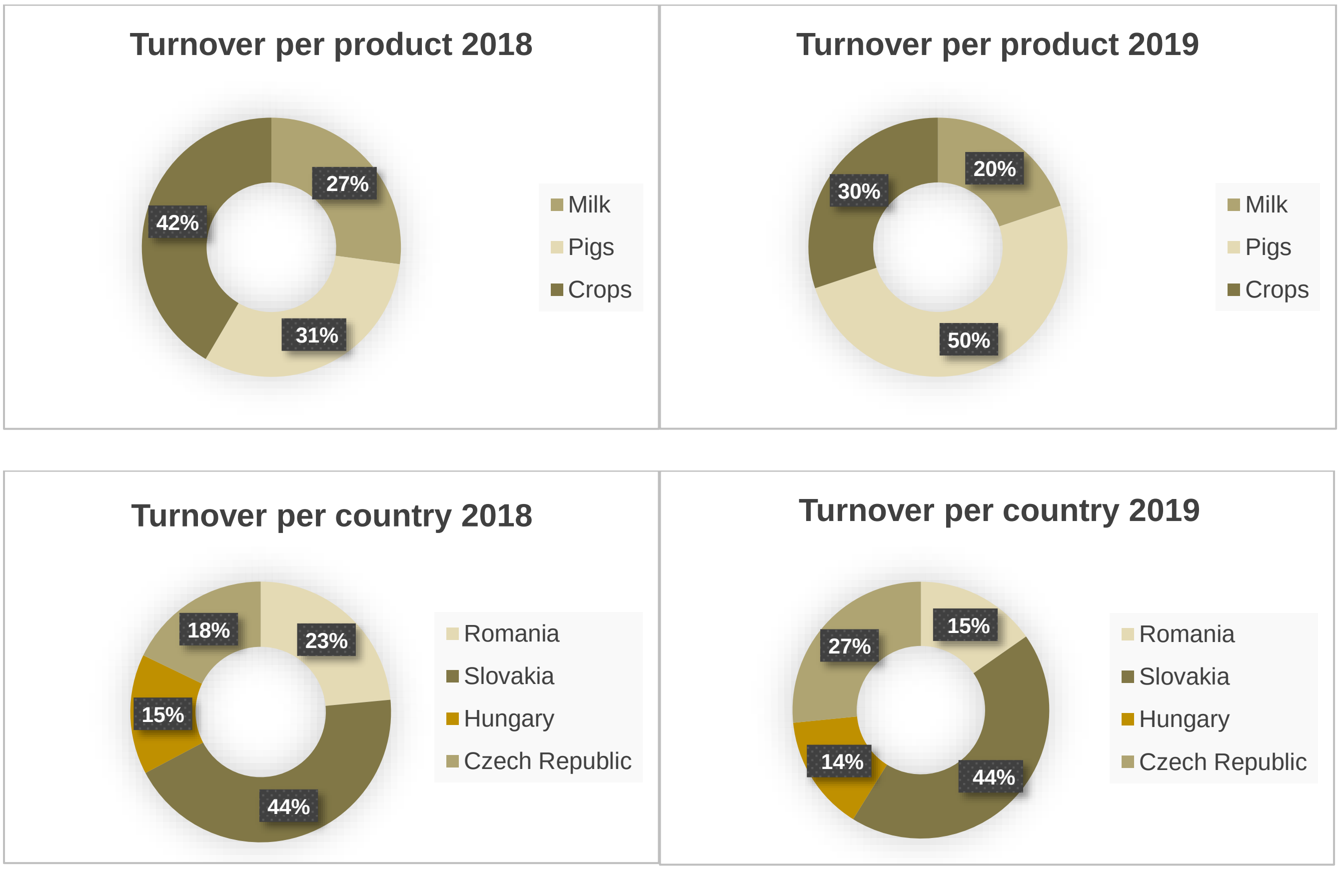
Sustainability: At FirstFarms, we are very much aware that the consumers have ever greater demands to us and other food producers. At FirstFarms, we take responsibility for everything we do, and with respect for our consumers, we will strive to meet their demands. When implementing “Vision 2025” we will work on making our company more sustainable. We will initiate a range of activities with the purpose to improve our performance in this area.

Improvement of efficiency: FirstFarms’ employees possesses unique knowledge, which we will make sure to share across in the Group and it will contribute to make our company even more efficient. In general, utilisation of synergies will be in focus the coming years. Implementation of our strategy and achievement of goals along with the ability to make the right decisions in a larger Group, is dependent on reliable data. Data management and use of digital solutions will be prioritised in the Group.

Financial review – historical good 2019

FirstFarms is in growth and 2019 became the year, where we harvested the effect of our ambitious growth strategy. Since 2016 the Group has expanded by three new companies and thus new productions units. Thus, the risk spread has been strengthened both on geography and operation branches. FirstFarms' production is divided on 17 sites in four countries, where 312 talented and engaged employees worked at the end of 2019.

Figure 2 – Segments – development from 2018 to 2019



In 2019, we carried out a purchase of FirstFarms Slovakia A/S (Hospoda Invest A/S), who owns 100 percent of the Slovak company FirstFarms Gabcikovo s.r.o. (JK Gabcikovo s.r.o.), which operates in both pig production and crop production. The pig production consists of 2,300 sows with a yearly production of 75,000 pigs, of which 40-45,000 are sold as piglets and 30- 35,000 as slaughter pigs. 1,500 hectares of owned arable land is the foundation for the crop production. The new production unit is in an area, where there is large demand for the locally produced pork meat, which is sold locally. Furthermore, a part of the piglets, which are produced at the new production unit in Slovakia, are sold to our production unit in Czech Republic.

We can achieve significant synergies between our production units and avoid longer transports to the inconvenience for both animals and environment.

Satisfactory result and turnover

As expected, FirstFarms has delivered a satisfactory result in 2019. We have realised a turnover of DKK 328.1 million (2018: DKK 249 million), and EBITDA result of DKK 95.6 million (2018: DKK 57.5 million) and a pre-tax result of DKK 29.0 million (2018: DKK 11.5 million). The takeover in July 2019 of the pig production in Slovakia has contributed positively to the result, which corresponds to the announced expectations in company announcement no. 18 of 13 December 2019.

The turnover is increased significantly with 32 percent, just as EBITDA is increased with 47 percent, when corrected for recognition of IFRS 16. The increase has happened due to further purchase with pig production and improved profitability in existing production.

Result of year indicates an effective production in a favourable market, a persistent focus on costs and favourable market conditions for pork.

Pig prices above budget
The price of piglets and slaughter pigs has been under budget in Q1, 2019, but the price is increased significantly above budget through the rest of the year. It is a result from the increased demand from Asia for pork, due to the dramatic development of swine fever (ASF). Price increase together with an improved production efficiency contributes to a satisfactory result in the pig production.

A challenged crop production due to weather conditions
Overall, the result is below budget. 2019 was a challenging year for our crop production due to unfavourable weather conditions in several places. Especially drought was the reason for unsatisfactory yields.

Milk price below budget
The milk price has been lower than budgeted, whereas the milk production was on par with the budget. In 2019, we have also worked on optimisation of the production machinery, where we started several renovation projects to utilise our production capacity and improve storage and logistic conditions.

Strong foundation for future growth
In our growth strategy, we are constantly looking for possibilities to strengthen our company, i.e. through construction, purchase, mergers or operation optimisation. In 2019, FirstFarms succeeded with purchase and has at the same time negotiated terms and extended the financial framework.

FirstFarms' investment strategy is characterised by timely care and we think strategically long-term. That is why we take pride in continuously increasing the value of our agricultural land. This is done through structured efforts through purchase of land parcels, compactation of our soil, cleaning of channels and drainage and professional soil management that increases value of the land portfolio. Our land portfolio has almost 10,000 hectares of registered land with a booked value of DKK 346 million. All land owned has been booked at purchase prices and not market prices, and most of the land has been in our ownership for over 10 years. It is therefore our opinion that FirstFarms has significant added value regarding the land for DKK 225 million after tax in addition to booked equity of DKK 392 million.

FirstFarms – sustainable development
FirstFarms contributes to, and approves, the development towards a more sustainable agriculture and we believe in the sustainable agricultural production. We are aware that our operations have impact on climate and nature and it is our goal to continuously reduce this impact. We are thus ambitiously and persistently working with:

- Environmental impact
- Animal welfare
- Development of employees and good conditions of employment
- Social responsibility

We take care of our land and our environment and strive for the most efficient use of resources, recycling and waste minimisation. Our products are primarily sold and consumed locally. We aim for a circular economy. We also strive to minimise the use of antibiotics in our animal production. In the crop production, we are working on minimising the use of chemicals and fertiliser and utilisation of manure.

We are fully aware of the great responsibility, it is to run a modern and efficient animal production. Thus, we are constantly working to increase the animal welfare and the bio security. As a minimum, we comply of course with both local and EU-requirements regarding production, medication and transport of our animals.

Efficient production and reduction of feed waste is essential to reduce the environmental impact. We are therefore continuously working to improve our processes, procedures and to measure the effect of our efforts and the impact our activities have on the environment and the nature.

We support, and contribute to, United Nations 2030 agenda and the 17 Sustainable Development Goals, and we are thus systematically working with activities, that support the Sustainable Development Goals.

To illustrate the work with sustainable development, we use Nasdaq's recommendation for reporting – ESG-data (Environment, Social, Governance). ESG-data contains standardised key figures and ratios about the company's work with Environment, Social areas and Governance. In order to provide reliable ESG-data, we have in 2019 worked on creating a data foundation of high quality and data availability across FirstFarms.

In addition, we have worked with the activities presented in FirstFarms Corporate Social Responsibility report 2018. Some of them have been implemented, other we will continue to work with in 2020 and new activities for the coming year are defined.

Public grants

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

We received grants for cultivation of the land, to the milk production and to the pig production. We have also received grants for investments from EU's structural funds, which are credited concurrently as the asset are depreciated.

I 2019, the total public grants constituted DKK 54.4 million. In 2018, the total grant was DKK 49.5 million. At the end of the year, we had a receivable grant of DKK 14.60 million compared to DKK 17.2 million at the end of 2018.

Investments

Investments have been done in the portfolio in the pig and crop production, which has been essential to risk balance on geography and operation branches. We have net invested DKK 95.4 million in connection with the purchase of FirstFarms Slovakia A/S. The purchase price is paid partly by cash payment and partly by incurrence of short- and long-term debt.

Furthermore, FirstFarms has like previous years, beside land purchases, mainly carried out maintenance- and profitability improving investments in our existing operating plants, including an investment in maintaining replacement of our machine park. We have also purchased agricultural land in our operating areas, primarily in East Romania, which will improve our operation in 2020. In total, investments in material assets constituted DKK 89 million – of which DKK 31.8 million was in land and buildings.

Interest-bearing debt and exchange rate adjustment

In 2019, we have extended existing framework agreements with our financing partners and obtained new ones in connection with the purchase of FirstFarms Slovakia A/S. This has entailed that the debt structure has been significantly improved, so that long-term debt constitutes a significantly larger part of total debt compared to 2018. A consolidation of the balance between short-term and long-term debt has been achieved in 2019.

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

During 2019, the EUR has increased with 0.3 percent, RON decreased with 2.5 percent, HUF decreased with 2.8 percent and CZK increased with 1.3 percent.

The interest-bearing debt in FirstFarms is DKK 556 million, which corresponds to 142 percent of the equity and 45 percent of the balance sum.

Balance and cash flow
In 2019, the return on FirstFarms' equity was 5.9 percent compared to 2.4 percent in 2018.

Cash flow from primary operation constituted DKK 101.0 million compared to DKK 24.3 million in 2018.

Business model

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

Table 1 – Market conditions in Eastern European EU countries

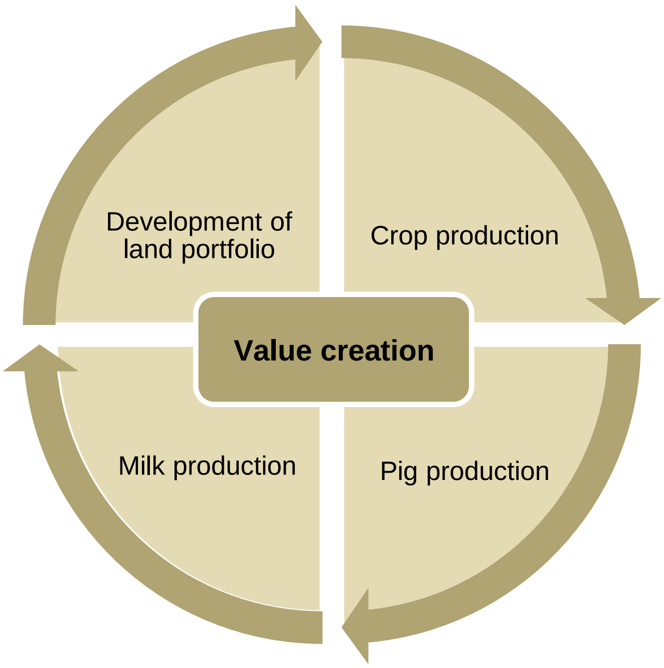
- ✓ Need for consolidation
- ✓ Wish for development locally
- ✓ Good framework conditions
- ✓ Local market
- ✓ Increasing demand
- ✓ Lack of know-how
- ✓ Weak capital structure/model

Source: FirstFarms

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

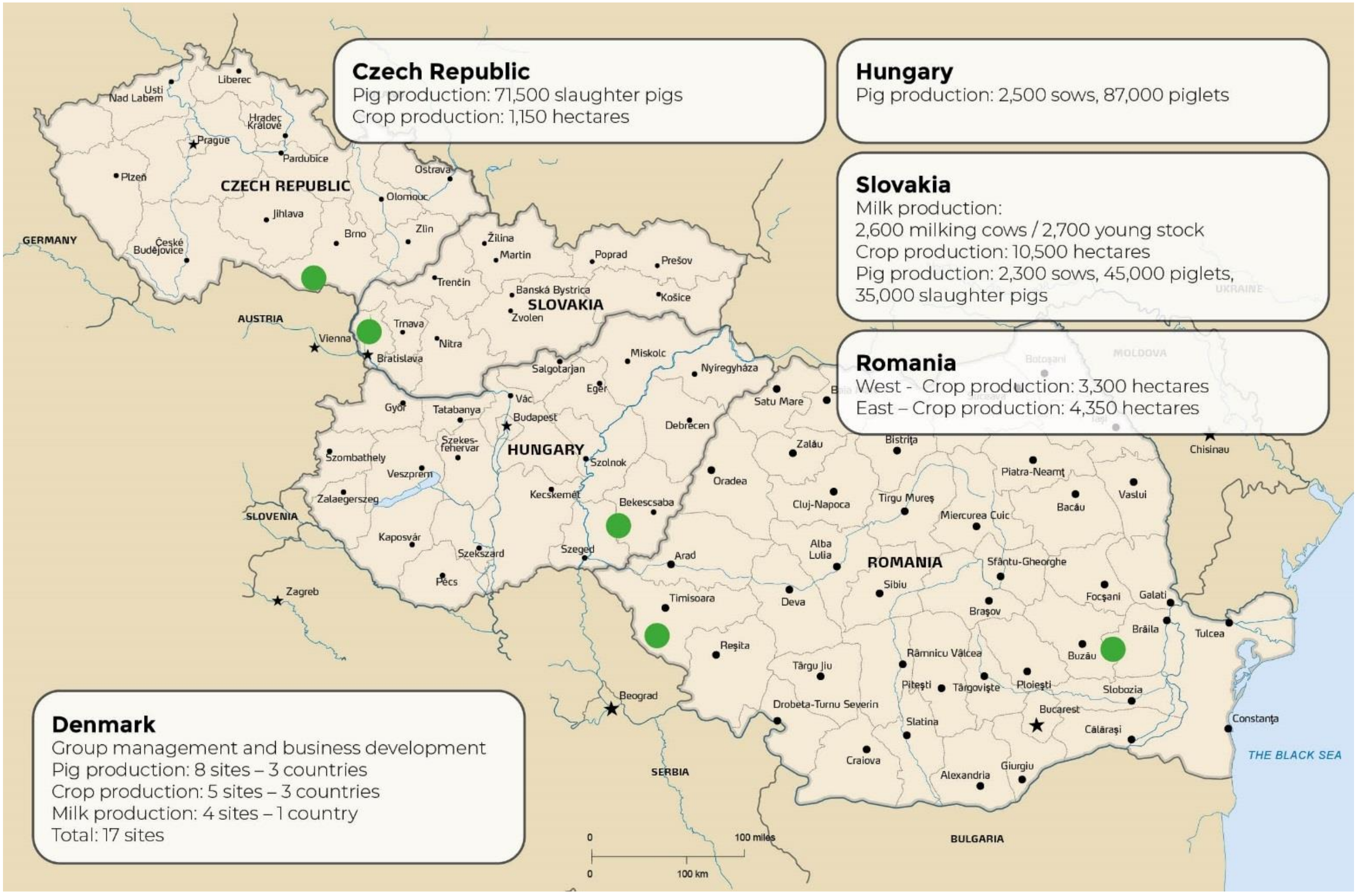
FirstFarms is a modern agricultural company. To produce quality products, we are using the newest production methods and technologies. We deliver our quality products to the modern food industry and to other agricultural companies for further production. In addition, we develop the land portfolio by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

Figure 3 – Value creation



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

Figure 4 – Core activities 2019 and geographical location



Land portfolio

One of the most essential foundations of the operation is the agricultural land, which is in ownership or rented. The land is purchased or on rent contracts, which are continuously renewed. The operating value has therefore continuously increased significantly. This value add on land is not included in FirstFarms' asset statements on land.

Trend in land prices

There are no official statistics for purchase and sale of agricultural land and there is no official evaluation of the land. It is therefore difficult to obtain confident comparable information about the land prices and the development in the land prices.

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

Table 3 – Value of purchased agricultural land

Booked value of purchased agricultural land	2019		Market prices mDKK	2018		Market prices mDKK	2017		2016		2015	
	Hectares	mDKK		Hectares	mDKK		Hectares	mDKK	Hectares	mDKK	Hectares	mDKK
Slovakia	2,332	135	163	739	18	47	716	18	638	16	587	15
Romania	5,939	136	377	5,563	109	350	5,460	103	5,263	101	5,168	95
Czech Republic	929	75	75	929	75	75	-	-	-	-	-	-
Group total	9,200	346	615	7,231	202	472	6,176	120	5,874	117	5,755	110

Source: FirstFarms

It is FirstFarms' assessment, that the land prices in 2019 have been stable compared to 2018. Purchase of land in 2019 has been done on levels, which are slightly above our estimated market prices on land.

The land is booked at DKK 37,600 per hectare compared to an estimated market price of DKK 66,800 per hectare.

FirstFarms owns a total of 9,200 hectares. 1,969 hectares have been purchased in 2019. The total value is in the level of DKK 615 million compared to a booked value of DKK 346 million. The largest part of the land has been in our ownership in over 10 years. Thus, FirstFarms assesses that there are significant added values for DKK 225 million after tax in addition to the booked equity of DKK 392 million.

Development in the land portfolio

FirstFarms has a land portfolio of 9,200 hectares of owned land and over 10,500 hectares of rent contracts – a total of almost 20,000 hectares of agricultural land in operation. In 2019, there has been a smaller growth in the cultivated area of 3.4 percent and 31 percent in the owned land compared to 2018.

Table 4 – Overview of agricultural land, hectares

	Slovakia		Romania		Czech Republic		Total	
	Cultivated	Owned	Cultivated	Owned	Cultivated	Owned	Cultivated	Owned
2019	10,554	2,332	7,597	5,939	1,151	929	19,302	9,200
2018	9,219	739	8,236	5,563	1,150	929	18,605	7,231
2017	9,209	716	7,698	5,460	-	-	16,907	6,176
2016	9,249	638	7,289	5,263	-	-	16,538	5,901
2015	9,234	587	6,673	5,168	-	-	15,907	5,755
2014	9,266	527	5,300	5,094	-	-	14,566	5,621

Source: FirstFarms

FirstFarms always focuses on land improvements and compactation of the land in present areas and expansion in areas with potential good compactation and high-quality land close to present operation centres. The costs for this process is paid over the operation. FirstFarms has great focus on the average field size. There is positive operating economy in increasing the field size and compacted location of fields. The latest purchase in Slovakia has contributed to the total operating economy in FirstFarms contemporary with termination of unremunerative rent contracts in West Romania.

The main part of the cultivated land in Slovakia is leased land, and the leasing periods are between 1 and 15 years. The approx. 10,000 lease contracts in Slovakia, divided on approx. 30,000 land plots, are renewed on an on-going basis. The lease fee in Slovakia is on a relatively low level of approx. DKK 300 per hectare and thus it is still more beneficial to lease the land than to buy it. Approx. 20 % of the land is administrated by the state through a land fund. It is considered that, over time, this land will be offered for sale with pre-emptive rights for the users. In 2019, FirstFarms has implemented IFRS 16, and the value of the land lease contracts is hereafter also recognised under the land values in the accounts.

In 2019, FirstFarms has also worked on compacting the owned land in the cultivation areas. At the same time, we are constantly working on registered ownership in land book. Only a marginal part of the land is not registered in land book.

Crop production

Land or renting contracts are bought in present areas, in case it improves the possibilities for compacting of our land and benefits FirstFarms' future possibilities for development.

The prices on grain decreased through 2019 and have stayed on a low level. FirstFarms had according to the recognised policies chosen to sell a significant part of the harvest for 2019 on contracts at good prices in 2018. This hedged that the price variations in 2019 has influenced the sales prices positively compared to market prices at harvest. In January 2020, a part of the sales crops for the harvest 2020, have also been sold, thus securing the budget prices for 2020.

In the crop production, FirstFarms realised an unsatisfactory result. It is due to bad growth conditions, like lack of rain and in some places flooding.

In the growth season 2019/2020, all winter crops are well-established, and there have been satisfactory amounts of rain until the end of 2019. The foundation is expected to be satisfactory for the yield in the crop production in 2020, 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, Czech Republic and Slovakia. In West Romania, we have chosen to reorganise our operation, so it is not expected to be operation in this centre in 2021.

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 company's balance sheet.

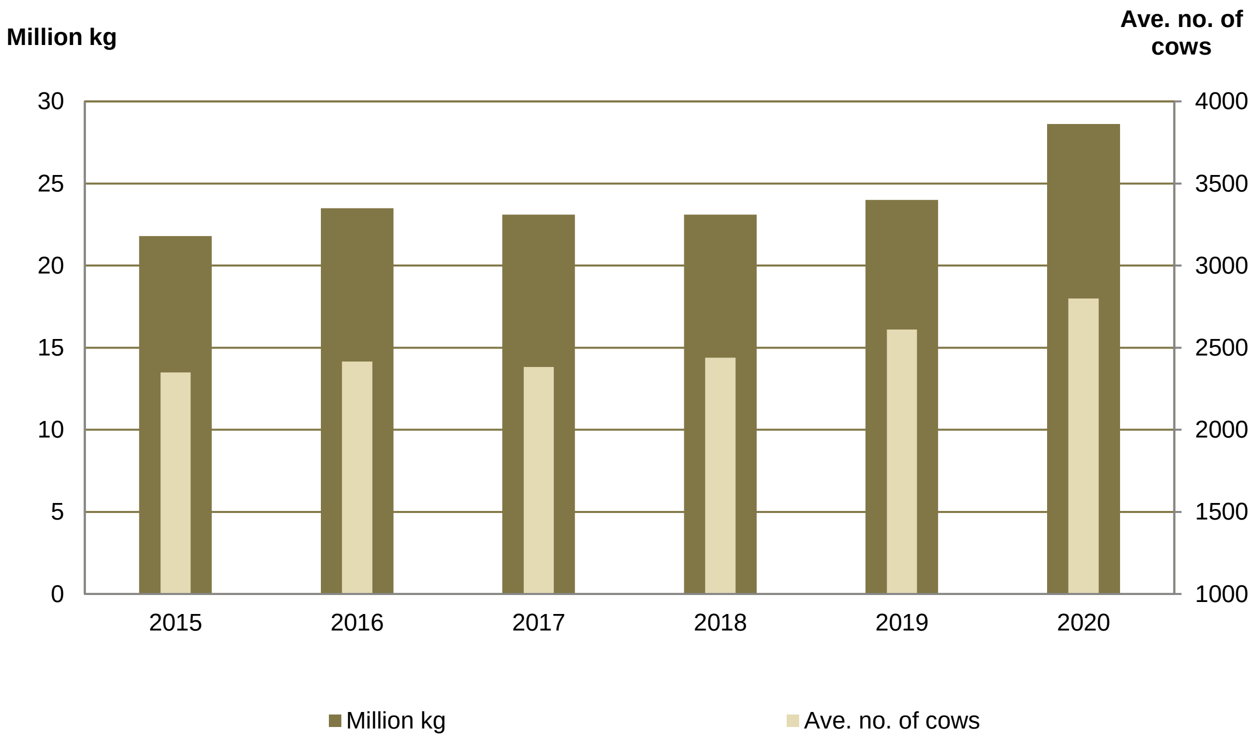
Milk production

In 2019, FirstFarms has delivered 24.6 million kg of milk, which is an increase of 6 percent compared to 2018 (Figure 5). The production has in 2019 been increasing compared to 2018; in the range of 30-32.5 kg sold milk per milking cow on daily basis.

Entering 2019, the milk price was at a satisfactory level and has in 2019 been in the range of DKK 2.26 to DKK 2.67. The average price constituted in 2019 DKK 2.36 per kg compared to DKK 2.50 and DKK 2.52 per kg in 2018 and 2017, respectively.

The production per cow was increasing in 2019, and at the end of 2019, the herd of milking cows was 2,610 compared to 2,449 in 2018.

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



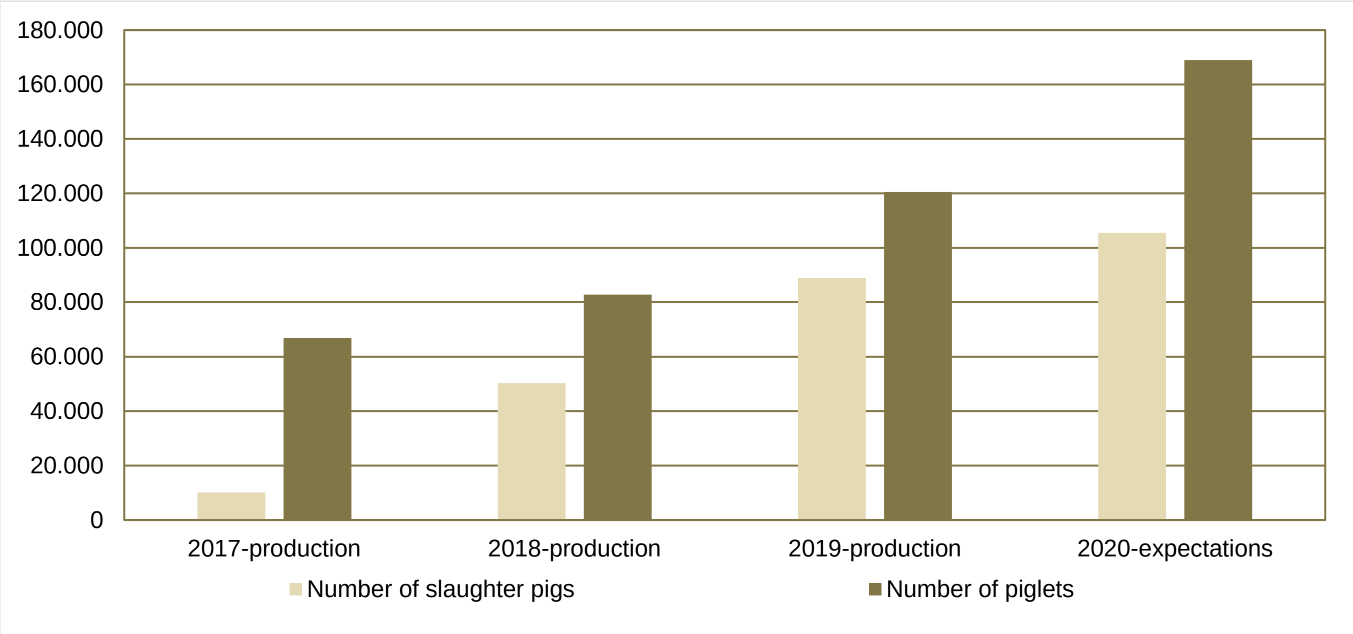
Source: FirstFarms

The potential for the milk production is an expansion up to 3,000 cows within the present frames. An unchanged maintenance strategy is kept, where investments are made to improve the productivity with focus on animal welfare and utilisation of capacity.

Pig production

FirstFarms' pig production is based on 4,800 sows with a yearly production of 167,500 piglets for own slaughter pig production and the local market and 88,500 slaughter pigs. The production is divided on 8 sites in three countries and thus ensuring a risk minimisation. In 2019, FirstFarms Slovakia A/S was purchased with a pig and crop production in Slovakia. The pig production constitutes a yearly production of 80,500 piglets, of which 34,000 are fattened for slaughter pigs and sold to the local market.

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



Source: FirstFarms

After the takeover of FirstFarms Slovakia A/S, FirstFarms has in 2019 had a strong increasing pig production. In Hungary, there has in 2019 been 2,500 sows in the herd, from which 87,000 piglets are produced. In Czech Republic, 71,500 slaughter pigs are produced. In 2020, we expect 167,500 piglets from 4,800 sows and 105,00 slaughter pigs to be produced in Slovakia, Czech Republic and Hungary.

The efficiency in the pig production is increasing and was in 2019 – 37 weaned piglets per sow compared to 34.1 in 2018. On the purchased production in Slovakia, there was 33 weaned piglets per sow in 2019. The price for piglets increased drastically from beginning to the end of 2019 and has been in the range of DKK 309 to DKK 514 for piglets. (See figure 11;12)

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

Environmental- and building permission has been obtained for an expansion of the production with 4,000 sows with production of 130,000 piglets in Hungary and yearly production of 10,000 slaughter pigs in Czech Republic. No definitive decision has been taken on implementation of the projects.

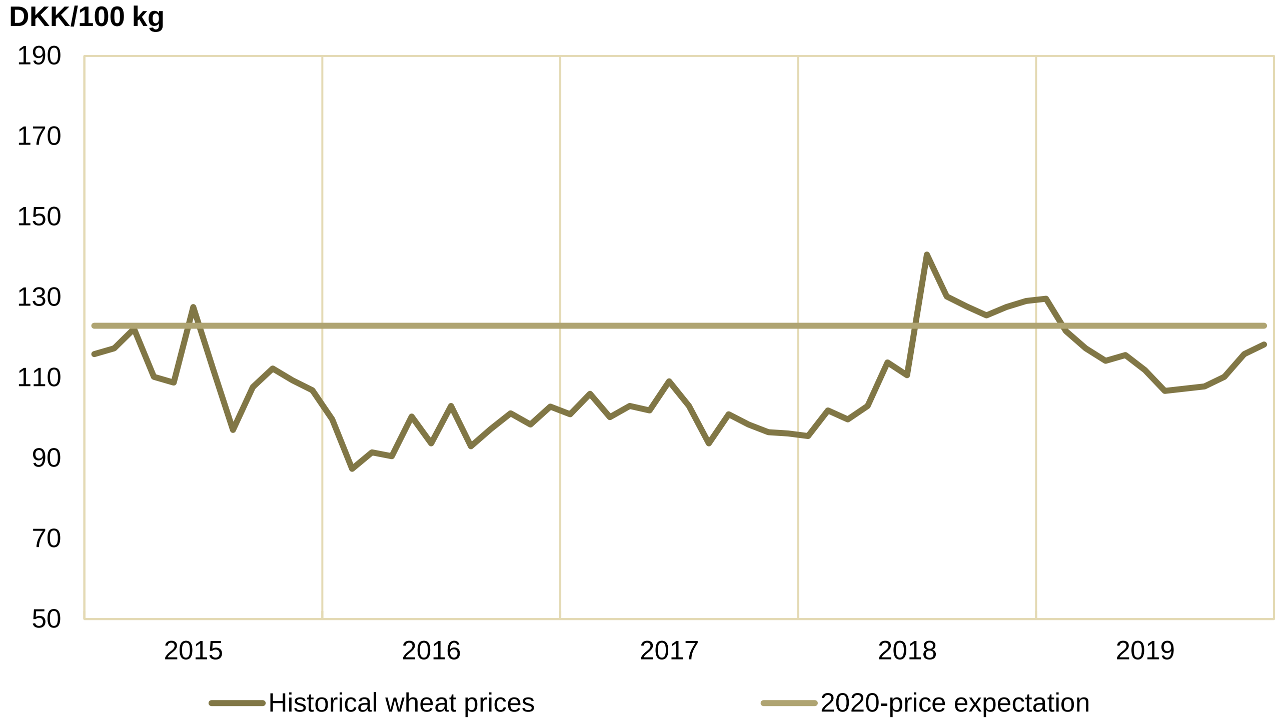
A lot of health promoting steps are initiated on ongoing basis, which contribute positively to the production on several parameters in 2020, and continuous improvement of the health status of the herds and increased biosecurity.

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

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

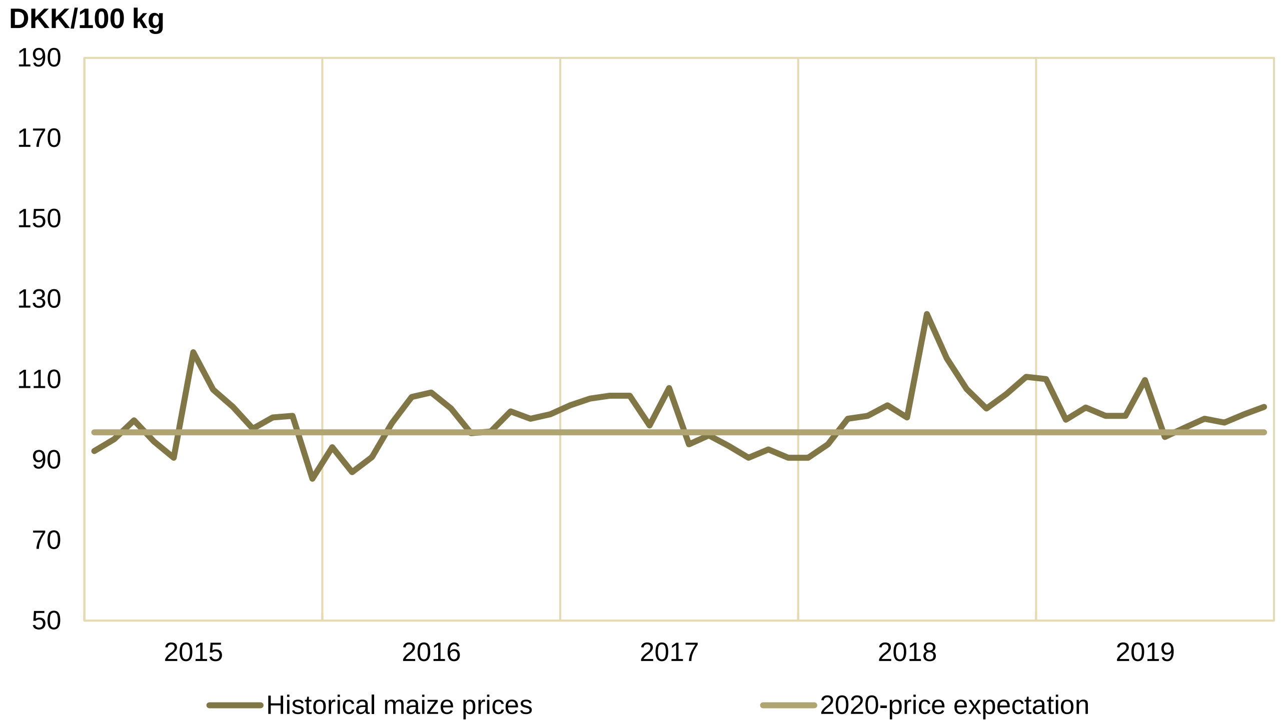
Development and expectation in the prices of FirstFarms' main products

Figure 7 – Development in wheat price



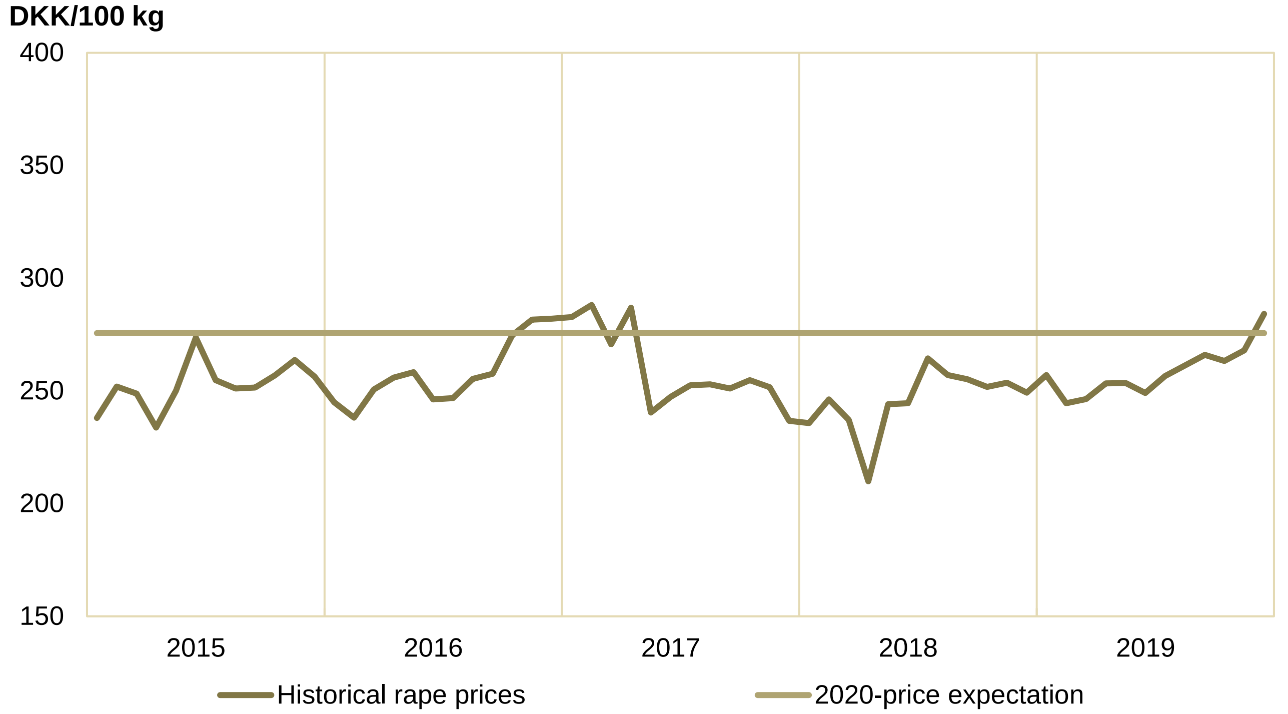
Source: Matif (adjusted to local market conditions)

Figuer 8 – Development in maize price



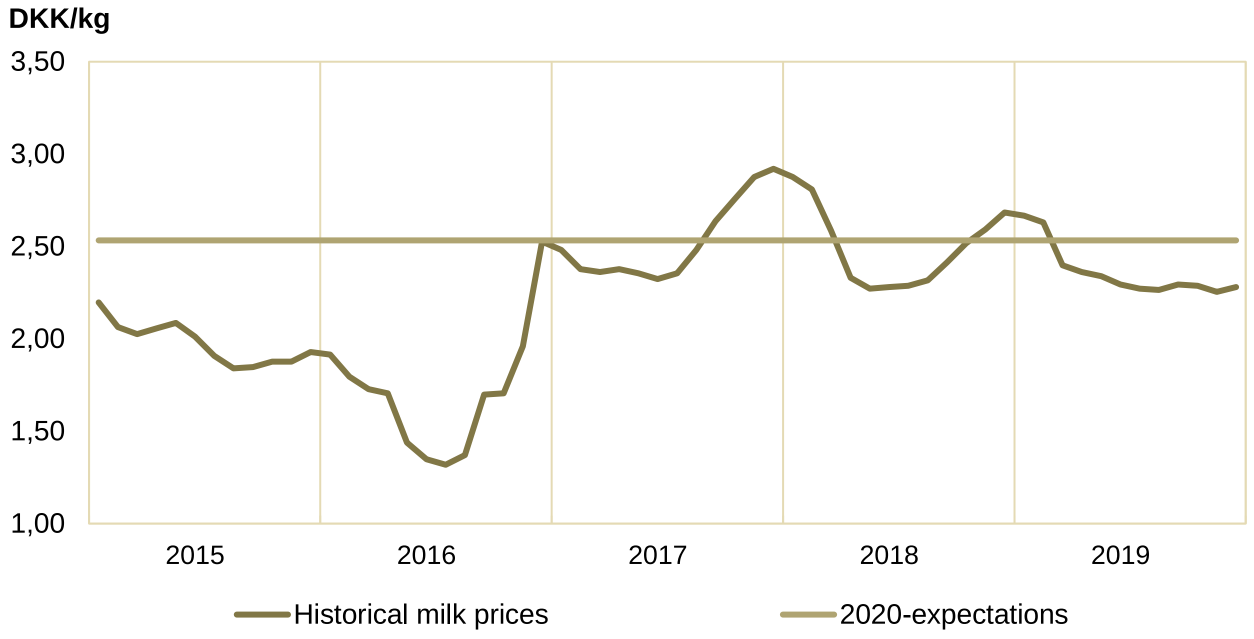
Source: Matif (adjusted to local market conditions)

Figure 9 – Development in rape price



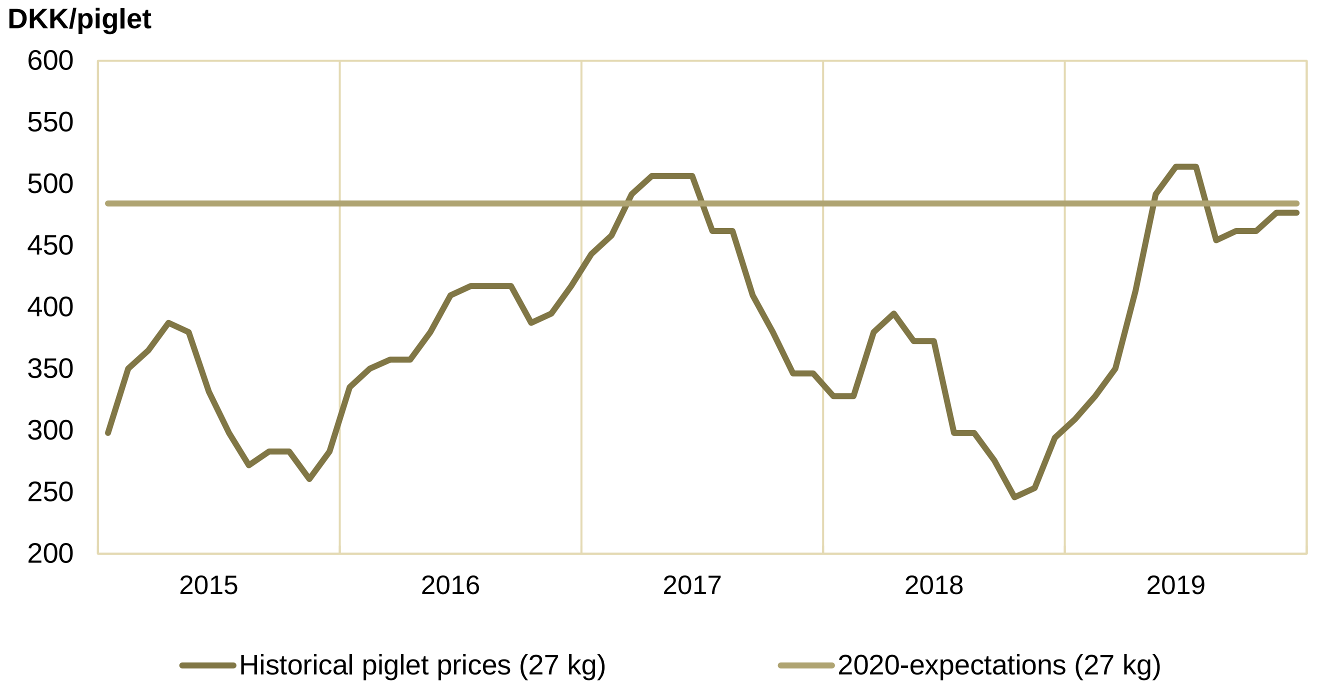
Source: Matif (adjusted to local market conditions)

Figure 10 – Development in milk price



Source: FirstFarms

Figure 11 – Development in piglet price



Source: FirstFarms

Figure 12 – Development in slaughter pig price

Source: FirstFarms

Risk management

Market conditions

FirstFarms is depending on the terms of trade, i.e. the condition between settlement prices in the agriculture (grain, oilseed, milk, cattle, piglets and slaughter pigs) and the company's operating costs (feed, fuel, energy and fertiliser). The prices are affected by factors outside FirstFarms' control including global and local supply and demand conditions, storage volume and speculation in commodities. FirstFarms seeks to a certain extent to counteract these risks by freezing settlement prices and operating costs through entering contracts of longer duration.

If the terms of trade are deteriorated, FirstFarms' earnings will be under pressure.

Farm operation, including demand and prices on commodities and meat, is exposed to the economic development in the countries where FirstFarms operates and also towards the development in the global economy. Economic decline or recession can therefore influence the demand for the company's products.

Disease in crop 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. FirstFarms complies with the veterinary rules at all times. The animals in the herds are on a daily basis inspected by either a veterinary or production manager.

African swine fever is a very contagious viral disease, that poses a major risk for FirstFarms pig herds. FirstFarms has pig production in Hungary, Czech Republic and Slovakia. Cases of African swine fever have been found in both Hungary and Slovakia, where Czech Republic in April 2019 was found free of African swine fever. However, the threat assessment is constantly changing, and we must to be able to navigate in a treat assessment as ASF without having serious impact on our ability to generate results. Thus, FirstFarms has always focus on optimal and high biosecurity in our pig production. We are constantly assessing new security measures and existing procedures to identify possibilities for further actions.

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 livestock and consequent stop of operation for a period. To minimise the risk best possible, the company has prepared infection protection plans for the livestock.

FirstFarms is also exposed to diseases in the crops, including fungus and pests. The company seeks to minimise the risk for diseases in the crops through an active and good management of the field production with consideration to special conditions in each individual country and using the correct adjuvant. No insurance has been written on diseases in the crops.

Climate

The company operates in several climatic zones, and FirstFarms can, as an agricultural company, be influenced by the weather conditions in Slovakia, Czech Republic, East and West Romania and Hungary, respectively. Conversely, the distribution on several geographically distinct cultivation zones gives a certain 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, Slovakia and Czech Republic is affected by the weather conditions to a smaller extent.

Purchase of agriculture and land

Changes in legislation

In Slovakia, a considerable part of the agricultural land is owned by institutions such as churches, municipalities and SPF; a Slovakian land foundation who administrates land with unknown owners. These institutions rent land to a range of agricultural companies, including FirstFarms, as they are not allowed to sell their land. There is a political wish to change the present legislation so it among other things will be possible for the institutions/landowners to sell their land. When this happens there will, without doubt, arise a more transparent and liquid market but at the same time there is a possibility that an oversupply of land will occur, which can contribute to lower pricing on land. In case the legislation is changed, FirstFarms expects to get pre-emptive right to the rented land, and FirstFarms wants to utilise this.

FirstFarms owns a large part of the land, which the company cultivates in Romania and Czech Republic. Through a number of years, considerable purchases of agricultural land have been made, primarily by foreign investors.

In more countries, changes have been made in the legislation regarding purchase of land, so that the land shall be office with pre-emptive rights, which can block for foreign purchase.

Lease of land

All land not owned by FirstFarms is cultivated based on land lease contracts (leasehold). In Slovakia, the company has leased approx. 8,200 hectares of land, whereas approx. 1,400 hectares of land is leased in Romania. The lease contracts have a life of 1-15 years and are entered 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 2,332 hectares of agricultural land in Slovakia, in Czech Republic 929 hectares of agricultural land and in Romania the company owns 5,939 hectares of agricultural land. The value of the purchased land is today estimated to be significantly higher than the accounting value, which is DKK 346 million. The development in the price of land is affected by a number of factors including supply, demand, loan possibilities, land reforms and national measures which are all outside FirstFarms' control. (see table 3; 4)

Environment

FirstFarms' activities, including agricultural operation, storage of fertilisers and chemicals and delivery and use of fertilisers and chemicals, are subject to a number of environmental legislations and rules. The company has taken out insurances on environmental pollution and runs agricultural operation according to rules in force in EU and at national level. As a result of the company's activities within agricultural operations, and even though FirstFarms observes legislation and rules in force, there is no absolute guarantee that land and buildings are not/will not be polluted.

Before takeover of new agricultural companies, and in connection with preparation and implementation of environmental plans of actions, FirstFarms enters into dialogue with the relevant authorities, which contribute to limit the risk of environmental affairs before the plan of action is carried out. It can involve a risk to the company, if changes in the respective countries are made in environmental requirements to production or operation and demands for animal welfare. Changes or tightening of the environmental requirements can i.e. involve a need for change of operations to invest in environmental improvements.

Support schemes

EU's agricultural support schemes
FirstFarms applies for and has continuously received EU grants, which includes direct grants given in proportion to objective criteria (including hectare subsidy) as well as discretionary support schemes (structural grants) which typically are distributed by the national authorities. No guarantee can be given that grants from the discretionary support schemes can be obtained, just as an obligation to pay the grant back is normally attached to these, if the company does not fulfil a number of conditions.

Legal conditions

Romania, Slovakia, Czech Republic and Hungary are all members of EU and the countries are therefore subject to the same risks as any other agricultural production in EU. However, the legal systems in these countries are on several areas quite different and less developed than in i.e. Denmark and other Western European countries. FirstFarms is therefore exposed to legal risks in Romania, Slovakia, Czech Republic and Hungary, also in connection with purchase, investments, rent of land and entering purchase and sales contracts. There is thus a risk of delays in implementation of EU directives, which can create uncertainty concerning law in force, especially by interaction with local authorities. Furthermore, lack of land registers and weak administrative systems in general means that uncertainty concerning ownership of or rights to land areas can occur. Contracts entered in connection with purchases and investments are typically subject to local legislation and the contracts are often entered in local language. FirstFarms is thus very dependent on its local advisors, including their qualifications

Political conditions

The political systems in Romania, Slovakia, Czech Republic and Hungary are considerably different than i.e. Denmark and other Western European countries. Foreign companies operating in these countries are exposed to political interventions, initiatives and actions that can influence their operation and business concept. Also, conditions like disturbances in the labour market and political unrest can affect companies operating in Eastern European countries. So far FirstFarms has not been affected by political measures.

Exchange rate

By investment in and operation of agricultural companies in Eastern Europe, FirstFarms is exposed in foreign currency. To minimise this exposure, the company takes out loans to a certain extent in the currency used in the country of investment.

There is exchange rate risk attached to sale of - and dividend from - the Eastern European subsidiaries, as the exchange rates are fluctuating. The exchange rate risk is lowest in Slovakia, where the exchange is EUR, whereas a relative larger risk is attached to the exchange rate in Romania, Hungary and Czech Republic. Sunflower is sold with basis in USD and is thus an exchange rate risk. The need for hedging of this risk is assessed on an ongoing basis.

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

Interest-rate hedging

FirstFarms has hedged a significant part of the interest expenses in Slovakia. At the end of 2019, SWAP-agreements are entered for loan of DKK 134.8 million with up to 10 years fixed interest. At the end of 20019, the fair value of these SWAP-agreements is DKK -2.6 million.

Figure 13 – Business environment and risk characteristics

Production of milk, animals and crops	• Yields (weather fluctuations/feed efficiency/genetics) • Price fluctuations on agricultural products • Diseases or virus in the animals and crops
Arable land and production authorisations	• Availability • Changes in legislation • Increase in land prices, rental costs or taxes
Workforce	• Availability, costs and competences
Other	• Saturated markets or changed consumer behaviour • Currency • Language/culture – with English as the corporate language • Politial impact

The Group's risk management

The Board of Directors and the Management have the overall responsibility for the Group's risk management and internal control in connection with the process of presentation of the accounts including the compliance with the relevant legislation and other regulation in relation to the presentation of the accounts.

The Group's risk management and internal controls in connection with the process of presentation of the accounts has been adjusted for the Group's limited staff in the finance department and can only generate fair, but not absolute, certainty that misappropriation of assets, loss or considerable errors or defects in connection with the process of presentation of the accounts is avoided.

Control environment
At least once a year, the Board of Directors evaluates the Group's organisational structure and staff on essential areas.

The Board of Directors has adopted politics and procedures within essential areas in connection with presentation of the accounts. The procedures are communicated to the subsidiaries to secure the compliance of the guidelines and policies.

Risk assessment
At least once a year, the Board of Directors and the Management carry out an overall risk assessment in connection with the process of presentation of the accounts.

As part of the risk assessment, the Board of Directors and the Management commit themselves once a year to the risk of frauds and to the measures to be taken in regards to reducing or eliminating these risks. At significant acquisitions, an overall risk analysis is carried out for the newly purchased company. Immediately after the takeover the most significant procedures and internal controls in connection with the presentation of the accounts in the newly purchased companies are examined.

Control activities
The control activities have their basis in the risk assessment. The goal of the Group's control activities is to secure that the defined goals, policies and procedures outlined by the Management are fulfilled and in time so that any errors, deviations and defects can be discovered and remedied. The control activities include manual and physical controls and general IT-controls and automatic application controls in the applied IT-systems etc.

There are minimum requirements for proper protection of assets and to reconciliations and analytic financial audit including continuous evaluation of goal achievement.

The Management has established a formal process of Group reporting which includes continuous reporting. Besides income statement and balance sheet the reporting also includes notes and additional information. Information for the use of fulfilment of any note requirements and other information requirements is gathered continuously.

FirstFarms' CEO is also managing director in the Slovakian and Romanian subsidiaries, and he is also chairman of the Board of Directors for the Hungarian and Czech subsidiaries. Thus, FirstFarms also hereby closely follows up on the activities in the subsidiaries, where the Group's operations are.

Information and communication
The Board of Directors has adopted an information and communication policy, which, among other things, overall determines the demands for the presentation of the accounts and to the external financial reporting in accordance with the legislation and the regulations for this. One of the goals with the Board of Director's adopted information and communication policy is to secure that present information obligations are followed, and that the submitted information is adequate, complete and precise.

The Board of Directors emphasises that within the frames that applies to listed companies, there is an open communication in the company and that the individual employee knows his/her role in the internal control in the company.

Supervision
Every risk management and internal control system shall continuously be supervised, controlled and quality assured to safeguard that it is effective. The supervision takes place continuously. The extent and the frequency of the periodical evaluations depend primarily on the risk assessment for this and the efficiency of the ongoing controls. Any weak points are reported to the Management. Essential circumstances are also reported to the Board of Directors.

The auditors elected on the annual general meeting report essential weak circumstances in the Group's internal control system in connection with the process of presentation of the accounts in the audit report to the Board of Directors. The Board of Directors supervises that the Management reacts efficiently on any weak points or defects and takes care that agreed initiatives in relation to strengthening risk management and internal controls in relation to the process of presentation of the accounts are implemented as planned.

Composition of the Group's management bodies, their committees and duties

Information about the company's Board of Directors is found from page 38. Furthermore, reference is made to statutory corporate governance, which can be seen or downloaded on the company's website cf. page 41.

Shareholder information

Share capital

FirstFarms' shares are listed at Nasdaq Copenhagen A/S, and the share capital is nominally DKK 63,181,420.

Basic data	
Stock exchange	Nasdaq Copenhagen A/S
Index	SmallCap
Sector	Consumer staples
ISIN code	DK0060056166
Short name	FFARMS
Share capital	DKK 63,181,420
Nominal denomination	DKK 10
Number of shares	6,318,142
Negotiable securities	Yes
Voting right restriction	No
Share classes	One

Shareholder composition

As per 31 December 2019, FirstFarms had 2,656 shareholders. The majority is Danish investors, whereas 48 shareholders are registered outside Denmark. As per 31 December 2019, the name register share in the company's owner book was 97.01 percent. 2 shareholders own more than 5 percent of the share capital.

Shareholders	No. of shares (pcs.)	Capital (%)
Henrik Hougaard	1,093,796	17.3
Olav W. Hansen	880,750	13.9
Other registered shareholders	4,153,821	65.7
Non-registered shareholders	189,775	3.0
Own shares	0	0.0
Total	**6,318,142**	**100.0**

Capital structure

The company's Management reviews FirstFarms' ownership and capital structure on an on-going basis. The company does not hold any of its own shares and the percentage of negotiable FirstFarms shares, the free float is thus 100 percent. On the ordinary general meeting on 24 April 2019, authority was given to the company to acquire up to 10 percent of own shares. The authority was not used in 2019. At the end of 2019, a total of 120,000 warrants are issued to the company's Management and to employees in Denmark and abroad. No warrants are issued in 2019.

Furthermore, the Board of Directors is authorised to until 26 April 2021, in one or more stages, to issue up to 1,500,000 shares corresponding to nominal DKK 15,000,000 through cash payment, by contribution of assets other than cash (non-cash contribution) or conversion of debt or through a combination thereof. The capital increase shall be at market price – with or without pre-emption rights for the Company's shareholders.

FirstFarms utilised the authorisation in 2017 to issue 203,678 shares at a nominal value of DKK 2,036,780 to purchase shares in FirstFarms Hungary A/S, and in 2018 to issue 404,328 shares at a nominal value of DKK 4,043,280 to purchase of shares in FirstFarms Czech A/S. A total of 608,006 shares corresponding to a nominal value of DKK 6,080,060 have therefore been utilised, and there is thus authorisation to issue additional 891,994 shares.

The Board of Directors has also authorisation until 24 April 2024, in one or more stages, to issue up to 1,000,000 shares for nominal DKK 10,000,000 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.

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 FirstFarms Hungary A/S, with expiry 15 December 2020, and in December 2017 the company issued bonds for DKK 72.25 million, which run up to and including 15 December 2022. Also, bonds for DKK 26.3 million issued in 2016, with expiry 15 December 2020, remain unpaid. In May 2018, FirstFarms issued convertible bonds for DKK 19.9 million in connection with the purchase of FirstFarms Czech A/S with expiry 15 December 2022.

Convertible bonds of nominally DKK 26.42 million were converted in 2018, and convertible bonds for nominally DKK 7.8 million were converted in 2019.

If all present bond owners choose to convert their bonds, it will correspond to issuance of 2,344,781 shares. This corresponds to 37 percent of the share capital at the end of 2019.

Shareholdings and convertible bonds for Board of Directors and Management

As per 31 December 2019, the Board of Directors and Management of FirstFarms A/S held, direct or indirect, nominally 1,297,556 shares, which are divided as follows:

Name	No. of shares
Henrik Hougaard	1,093,796
Jens Bolding Jensen	10,097
Bent Juul Jensen	115,853
Asbjørn Børsting	14,575
Anders H. Nørgaard	63,235

Furthermore, Board of Directors and Management in FirstFarms A/S, or closely related to, has as per 31 December 2019 the following convertible bonds:

Name	Closely related to	Convertible bonds for
Thoraso Holding ApS	Chairman Henrik Hougaard	DKK 6,127,118
Thoraso ApS	Chairman Henrik Hougaard	DKK 46,234,983
Board member Bent Juul Jensen		5.584.745 kr.
NKB Invest ApS	Vice chairman Asbjørn Børsting	DKK 1,000,000
Vice chairman Asbjørn Børsting		816.949 kr.
CEO Anders H. Nørgaard		DKK 750,000

Dividend

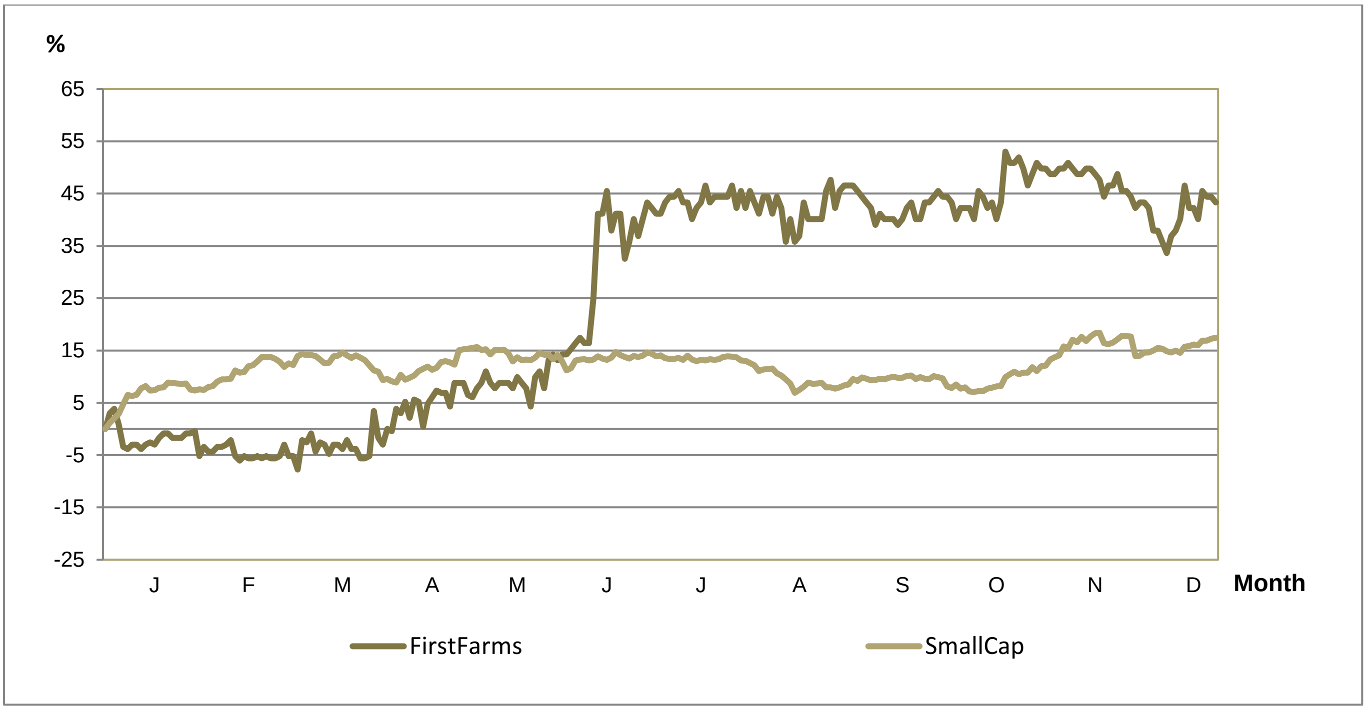
It is FirstFarms' goal to secure the necessary equity and liquidity to finance the organic and acquisitive growth of the company. Yearly, in combination with presentation of the accounts, an evaluation of potential dividend is made. Dividend can be distributed to the shareholders through dividend or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

The shareholders shall have a return on their investments in the form of share price increases and dividends.

The FirstFarms share

As per 1 January 2019, the share price was 46.40 and the FirstFarms' share closed at price 66.50 at 30 December 2019. At the end of the year, the market value was DKK 420 million and the share price increased by 43.3 percent, whereas the Danish smallcap-index, which the FirstFarms share is part of, in the same period increased by 17.4 percent. In 2019, the average share turnover was DKK 281,548 per business day.

Figure 14 – Share price development 2019



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 2020	
31 March 2020	Annual report 2019
28 April 2020	Annual general meeting
28 May 2020	Interim financial report 1 January – 31 March 2020
26 August 2020	Interim financial report 1 January – 30 June 2020
25 November 2020	Interim financial report 1 January – 30 September 2020

Annual general meeting

FirstFarms' annual general meeting is held on Tuesday 28 April 2020 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 2019

Date	Number	Announcement
7 February 2019	1	FirstFarms A/S purchases larger agriculture in Slovakia as part of growth strategy
26 March 2019	2	Annual report 2018 for FirstFarms A/S
29 March 2019	3	Notice to convene the annual general meeting in FirstFarms A/S
24 April 2019	4	Progress of annual general meeting in FirstFarms A/S
2 May 2019	5	FirstFarms A/S purchases larger agriculture in Slovakia as part of growth strategy
28 May 2019	6	Interim financial report for 1 January - 31 March 2019 for FirstFarms A/S
31 May 2019	7	Report on insider's trade with FirstFarms A/S' shares
13 June 2019	8	Report on insider's trade with FirstFarms A/S' shares
25 June 2019	9	Report on insider's trade with FirstFarms A/S' shares
17 July 2019	10	FirstFarms A/S purchases larger agriculture in Slovakia and adjusts the expectations upwards to the result of the year
27 August 2019	11	Interim financial report for 1 January - 30 June 2019 for FirstFarms A/S
29 August 2019	12	Report on insider's trade with FirstFarms A/S' shares
20 October 2019	13	FirstFarms A/S is making an upward adjustment of the expectations for 2019 with basis in high pig prices and realised harvest
24 October 2019	14	Capital increase at conversion of bonds to shares
29 October 2019	15	Report on insider's trade with convertible bonds in FirstFarms A/S
26 November 2019	16	Interim financial report for 1 January - 30 September 2019 for FirstFarms A/S
2 December 2019	17	Financial calendar 2020 for FirstFarms A/S
13 December 2019	18	FirstFarms A/S is making an upward adjustment of the expectations for 2019 based on still increasing pig prices

Published company announcements in 2020

Date	Number	Announcement
27 January 2020	1	FirstFarms A/S signs Letter of Intent about purchase of the share capital in AIC A/S (Agricultural Invest Company)
27 March 2020	2	FirstFarms A/S signs conditional agreement about purchase of the share capital in AISM srl.
30 March 2020	3	Allocation of warrant to management in FirstFarms A/S
31 March 2020	4	Annual report 2019 for FirstFarms A/S

Expected company announcements in 2020

Date	Announcement
28 April 2020	Annual general meeting
28 May 2020	Interim financial report 1 January – 31 March 2020
26 August 2020	Interim financial report 1 January – 30 June 2020
25 November 2020	Interim financial report 1 January – 30 September 2020

Board of Directors and Management

Henrik Hougaard
Chairman

Born 1958 (m)
Entered 2004
Not independent with respect to the recommendations

Management functions:
Skaarupgaard ApS
Henrik Hougaard Invest ApS
Eskjær Hovedgaard ApS

Board functions:
Scandinavian Farms Invest A/S *(CH)*
Fortin Madrejon A/S *(CH)*
Thoraso ApS *()*
Tolne Skov ApS *(CH)*
Skovselskabet Rumænien A/S

Competences:
Strategic international management experience
Purchase, sale and merger of companies
Purchase and development of agriculture worldwide

Asbjørn Børsting
Vice chairman

Born 1955 (m)
Entered 2014
Independent with respect to the recommendations

Management functions:
DAKOFO-Dansk Korn og Foder
Danske Sortsejere

Board functions:
Det Nationale Bioøkonomipanel *(CH)*
Crop Innovation Denmark *(CH)*
Danæg Holding A/S
Danæg amba
Munax OY
Karl Pedersen og Hustrus Industrifond
Wefri A/S *(CH)*
Promilleafgiftsfonden for Landbrug

Competences:
Strategic international management experience
Purchase, sale and merger of companies
Agricultural expertise

The Board of Directors in FirstFarms has held 11 board meetings in 2019
All board members are up for election every year
CH = Chairman of the Board / VC = Vice chairman of the Board

Jens Bolding Jensen
Board member

Born 1963 (m)
Entered 2013
Independent with respect to the recommendations

Management functions:

Jørgen Schou Holding A/S
Schou Republic A/S
Taagerup Holding /S
Schou Ejendomme A/S
Vision Properties A/S
(and affiliated subsidiaries)
Viscop Holding A/S
Viscop ejendomme A/S
(and affiliated subsidiaries)
Schou Holding A/S
Schou Holding II A/S
Royal Oak Golf A/S
Ejendommen Himmerlandsgade 88 APS

Board functions:

Jørgen Schou Holding A/S
Schou Republic A/S
Taagerup Holding A/S
Schou Ejendomme A/S
Schou Absolute Horses A/S
Schou Absolute Cars A/S
Schou Company A/S *(CH)*
Schou Holding A/S
Schou Holding II A/S
Schou Invest Kolding A/S
Royal Oak Golf A/S

Competences:

Strategic international management experience
Purchase, sale and merger of companies
Strategic financial management

Bent Juul Jensen
Board member

Born 1953 (m)
Entered 2013
Independent with respect to the recommendations

Competences:

Veterinary conditions and production management

The Board of Directors in FirstFarms has held 11 board meetings in 2019
All board members are up for election every year
CH = Chairman of the Board / VC = Vice chairman of the Board

Anders Holger Nørgaard
CEO

Born 1967 (m)
Joined 2012

Statutory Report on Corporate Social Responsibility

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

https://www.firstfarms.dk/en/investor-relations/corporate-social-responsibility/2020-annual-report-2019/

Goal for the underrepresented sex

The Board of Directors consists of 4 members; of which all are men. FirstFarms has a goal that at least 25 percent or at least one member of the company’s Board of Directors before 2023 shall be of the underrepresented sex. In 2019, no members of the Board of Directors were replaced. FirstFarms has chosen only to outline for companies in Denmark, and as there is below 50 employees in Denmark, no policies have been stated about other managerial positions.

Statutory Report on Corporate Governance

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

https://www.firstfarms.dk/en/investor-relations/corporate-governance/2020-annual-report-2019/

Statements

Management statement

Today the Board of Directors and the Management have discussed and approved the annual report for 2019 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 2019 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 2019.

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, 31 March 2020

Management

Anders H. Nørgaard
CEO

Board of Directors

Henrik Hougaard Chairman	*Asbjørn Børsting* Vice chairman
Jens Bolding Jensen	*Bent Juul Jensen*

Independent Auditor's Report

To the shareholders of FirstFarms A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January - 31 December 2019 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 2019 comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our Report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IEASBA Code.

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

Appointment

We were first appointed auditors of FirstFarms A/S on 25 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 3 years including the financial year 2019.

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 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Statement on Management 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 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.

Auditors 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, 31 March 2020
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 2019 *)	Group 2018	Parent company 2019	Parent company 2018
Net turnover	3,4	328,072	248,876	250	490
Value adjustments of biological assets	5	4,714	9,676	0	0
Production costs	6	-321,856	-271,345	0	0
Grants	7	54,363	49,457	0	0
Gross profit/loss		**65,293**	**36,664**	**250**	**490**
Other operating income	8	6,203	6,502	0	0
Administration costs	6	-22,632	-16,817	-9,637	-9,673
Other operating costs	9	-464	-486	0	0
EBIT-result		**48,400**	**25,863**	**-9,387**	**-9,183**
Share of profit after tax in subsidiaries		0	0	32,046	20,528
Financial income	10	2,367	490	6,943	4,730
Financial costs	11	-21,796	-14,834	-8,372	-7,944
Pre-tax result		**28,971**	**11,519**	**21,230**	**8,131**
Tax on net profit	12	-6,546	-3,388	1,195	0
Net profit		**22,425**	**8,131**	**22,425**	**8,131**
Earnings per share	13	3.55	1.32	-	-
Diluted earnings per share	13	3.33	1.32	-	-

*) Numbers include incorporation of IFRS 16.

Total income statement

1.000 kr.	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Net profit	22,425	8,131	22,425	8,131
Other total income				
Items that can be reclassified to the income statement:				
- Exchange rate adjustments by conversion of foreign units	-2,844	0	-2,844	0
- Recognition of hedging instrument of equity	-2,633	0	-2,633	0
- Tax of other total income	553	0	553	0
Other total income after tax	**-4,924**	**0**	**-4,924**	**0**
Total income	**17,501**	**8,131**	**17,501**	**8,131**

Balance sheet

DKK 1,000	Note	Group 2019 *)	Group 2018	Parent company 2019	Parent company 2018
ASSETS					
Non-current assets					
Intangible assets	14				
Goodwill		16,083	16,078	0	0
Land lease contracts		0	1,245	0	0
Total intangible assets		**16,083**	**17,323**	**0**	**0**
Tangible assets	15				
Land		430,618	240,971	0	0
Buildings		211,543	193,069	0	0
Plant and machinery		103,856	87,897	0	0
Fixtures and fittings, tools and equipment		4,260	3,879	150	196
Assets under construction and prepayments		29,991	11,108	0	0
Total tangible assets		**780,268**	**536,924**	**150**	**196**
Biological assets	5				
Basic herd		42,870	33,053	0	0
Total biological assets		**42,870**	**33,053**	**0**	**0**
Other non-current assets					
Investments in subsidiaries	16	0	0	375,227	252,732
Amount owed by affiliated companies	18	0	0	230,764	253,405
Deferred tax asset	20	10,053	9,188	0	0
Total other non-current assets		**10,053**	**9,188**	**606,041**	**506,142**
Total non-current assets		**849,274**	**596,488**	**606,191**	**506,338**
Current assets					
Inventories	17	77,419	60,652	0	0
Biological assets - breeding and crops	5	82,288	62,093	0	0
Receivables from sale	18	22,297	22,632	0	0
Other receivables	7, 18	28,458	23,967	491	437
Accruals and deferred expenses		9,326	5,072	3	5
Cash at bank and in hand		3,057	3,628	0	381
Total current assets		**222,845**	**178,044**	**494**	**823**
TOTAL ASSETS		**1,072,119**	**774,532**	**606,685**	**507,161**

*) Numbers include incorporation of IFRS 16.

1.000 kr.	Note	Group		Parent company	
		2019 *)	2018	2019	2018
EQUITY AND LIABILITIES					
Equity					
Share capital	19	63,181	61,594	63,181	61,594
Reserve for exchange rate adjustment		-28,357	-25,513	0	0
Transferred result		357,491	330,773	329,134	305,260
Proposed dividend		0	3,264	0	3,264
Total equity		**392,315**	**370,118**	**392,315**	**370,118**
Liabilities					
Non-current liabilities					
Deferred tax	20	37,233	16,645	0	1,195
Debt for affilliated companies		0	0	10,218	0
Credit institutions	22	252,739	143,490	0	0
Convertible bonds	21	88,895	129,735	88,895	129,735
Other debts		54,218	0	51,030	0
Total non-current liabilities		**433,085**	**289,870**	**150,143**	**130,930**
Current liabilities					
Credit institutions	22	121,055	68,356	13,732	0
Convertible bonds	21	33,322	0	33,322	0
Trade payables and other payables	23	75,269	35,319	17,173	6,113
Corporation tax	24	1,790	42	0	0
Accruals and deferred income	7	15,283	10,827	0	0
Total current liabilities		**246,719**	**114,544**	**64,227**	**6,113**
Total liabilities		**678,804**	**404,414**	**214,370**	**137,043**
TOTAL EQUITY AND LIABILITIES		**1,072,119**	**774,532**	**606,685**	**507,161**

*) Numbers include incorporation of IFRS 16.

Accounting policies	1
Accounting estimates	2
Contingent liabilities, contingent assets and securities	25
Change in working capital	26
Non-cash transactions	27
Risks of exchange rate and interest	28
IFRS 16 and operational leasing obligations	29
Related parties	30
Subsequent events	31
New accounting regulation	32

Equity statement

Group DKK 1,000	Share capital	Reserve for exchange rate adjust-ment	Transferred result	Pro-posed dividend	Total
Equity 1 January 2018	**51,376**	**-25,513**	**289,210**	**0**	**315,073**
Total income 2018					
Net profit	0	0	4,867	3,264	8,131
Total income	**0**	**0**	**4,867**	**3,264**	**8,131**
Transactions with owners					
Issuance of convertible bonds					
-Fair value of conversion right	0	0	162	0	162
-Tax of transaction with owners	0	0	-36	0	-36
Issuance of shares	0	0	0	0	0
- Purchase of FirstFarms Czech A/S	4,043	0	16,173	0	20,216
- Conversion of bonds	6,175	0	20,240	0	26,415
Share based remuneration	0	0	157	0	157
Total transactions with owners	**10,218**	**0**	**36,696**	**0**	**46,914**
Equity 31 December 2018	**61,594**	**-25,513**	**330,773**	**3,264**	**370,118**
Equity 1 January 2019	**61,594**	**-25,513**	**330,773**	**3,264**	**370,118**
Total income 2019					
Net profit	0	0	22,425	0	22,425
Other total income					
Exchange rate adjustment re. conversion of foreign currency	0	-2,844	0	0	-2,844
Adjustment of hedging instrument	0	0	-2,633	0	-2,633
Tax of other total income	0	0	553	0	553
Other total income	**0**	**-2,844**	**-2,080**	**0**	**-4,924**
Total income	**0**	**-2,844**	**20,345**	**0**	**17,501**
Transactions with owners					
Issuance of shares					
-Payment of dividend	0	0	0	-3,264	-3,264
-Conversion of bonds	1,587	0	6,224	0	7,811
Share based remuneration	0	0	149	0	149
Total transactions with owners	**1,587**	**0**	**6,373**	**-3,264**	**4,696**
Equity 31 December 2019	**63,181**	**-28,357**	**357,491**	**0**	**392,315**

Parent company DKK 1,000	Share capital	Transferred result	Proposed dividend	Total
Equity 1 January 2018	**51,376**	**263,697**	**0**	**315,073**
Total income 2018				
Net profit	0	4,867	3,264	8,131
Total income	**0**	**4,867**	**3,264**	**8,131**
Transactions with owners				
Issuance of convertible bonds				
-Fair value of conversion right	0	162	0	162
-Tax of transactions with owners	0	-36	0	-36
Issuance of shares	0	0	0	0
-Purchase of FirstFarms Czech A/S	4,043	16,173	0	20,216
-Conversion of bonds	6,175	20,240	0	26,415
Share based remuneration	0	157	0	157
Total transactions with owners	**10,218**	**36,696**	**0**	**46,914**
Equity 31 December 2018	**61,594**	**305,260**	**3,264**	**370,118**
Equity 1 January 2019	**61,594**	**306,260**	**3,264**	**370,118**
Total income 2019				
Net profit	0	22,425	0	22,425
Exchange rate adjustment of subsidiaries	0	-2,844	0	-2,844
Other total income	0	-2,633	0	-2,633
Tax of other total income	0	553	0	553
Total income	**0**	**17,501**	**0**	**17,501**
Transactions with owners				
Issuance of shares				
-Payment of dividend	0	0	-3,264	-3,264
-Conversion of bonds	1,587	6,224	0	7,811
Share based remuneration	0	149	0	149
Total transactions with owners	**1,587**	**6,373**	**-3,264**	**4,696**
Equity 31 December 2019	**63,181**	**329,134**	**0**	**392,315**

Cash flow statement

DKK 1,000	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Pre-tax result (In the parent company ex. result of subsidiaries)		28,971	11,519	-10,816	-12,397
Adjustments for non-monetary operating items etc.					
Depreciation/amortisation and impairment	6	47,163	31,636	46	46
Reversal of profit, sale of non-current assets	8,9	-3,044	-3,362	0	0
Value adjustment of biological assets	5	-18,421	-566	0	0
Financial income	10	-2,367	-490	-6,943	-4,730
Financial costs	11	21,796	14,834	8,372	7,944
Share based remuneration		149	157	149	157
Cash generated from operations (operating activities) before changes in working capital		**74,247**	**53,728**	**-9,192**	**-8,980**
Changes in working capital	26	26,711	-29,421	390	647
Cash flow from main activities		**100,958**	**24,307**	**-8,802**	**-8,333**
Interest received		2,342	490	2,036	0
Interest paid		-20,914	-14,788	-8,059	-7,995
Paid corporation tax	24	-4,259	-740	0	0
Cash flow from operating activities		**78,127**	**9,269**	**-14,825**	**-16,328**
Additions, purchase of FirstFarms Slovakia A/S / FirstFarms Czech A/S		7,842	133	0	0
Purchase of FirstFarms Slovakia A/S / FirstFarms Czech A/S		-27,980	-17,672	-27,980	-17,672
Purchase of young pigs		-7,572	-2,704	0	0
Disposal of material assets, paid		5,970	4,633	0	0
Acquisition of tangible assets	27	-64,021	-24,548	0	0
Cash flow from investing activities		**-85,761**	**-40,158**	**-27,980**	**-17,672**
Paid dividend		-3,264	0	-3,264	0
Issuance of convertible bonds	27	0	0	0	0
Conversion of convertible bonds	27	0	-1,638	0	-1,638
Proceeds from loans		82,441	111,348	13,735	-1,067
Loan repayment		-72,115	-81,350	-5,788	0
Loan to affiliated businesses		0	0	37,741	37,086
Cash flow from financing activities		**7,062**	**28,360**	**42,424**	**34,381**
Cash flow of the year		**-572**	**-2,529**	**-381**	**381**
Available, at the beginning		3,628	6.153	381	0
Exchange rate adjustment of available		1	4	0	0
Available at closing		**3,057**	**3,628**	**0**	**381**

2019

At purchasing of FirstFarms Slovakia A/S, a net amount of DKK 7.8 million was added cash resource, which is included under investment activity. A cash amount of DKK 25.5 million has been paid to the former shareholders in connection with the trade. The remaining part of the payment was made by raising of loan.

2018

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

Notes for consolidated annual accounts

1. Accounting policies

FirstFarms A/S is a public limited company domiciled in Denmark. The annual report for 2019 comprises both the consolidated financial statement of FirstFarms A/S and its subsidiaries for the period 1 January – 31 December 2019 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.

Change of accounting policies

Implementation of IFRS 16
FirstFarms A/S has implemented the standards and interpretations, that comes into force for 2019. IFRS 16 has had a significant impact on the financial statement for 2019. The new rules mean that values of rent agreements and operational leasing must be recognised. FirstFarms has chosen the simple recognition model, which is why comparative figures are not changed.

In the financial statements for 2018, rent and leasing contracts, which did not have the nature of financial leasing were recognised under operations leasing, whereas in the financial statements for 2019, they are recognised in the balance sheet under assets and financial leasing debt. For FirstFarms, this relates to land and machinery, where the most significant part are land lease agreements and the largest part of the impact on the assets is on the land.

The consequence for assets and liabilities and the income statement is shown in the table below:

DKK 1,000	01.01.2019	31.12.2019
Land	28,516	23,387
Machines	5,525	2,480
Short term debt to credit institutions	11,785	6,436
Long term debt to credit institutions	22,256	19,341
EBITDA (depreciations increased)		12,138
EBIT		860
Pre-tax result		-563

In addition to the above, land lease contracts for DKK 1.2 million from intangible assets are at the beginning of 2019 reclassified to land according to IFRS 16. DKK 0.6 million is during the year depreciated from this item.

IFRIC 19 and IFRS 9 are also implemented, but these are of less significance to FirstFarms.

Besides the above, no changes in accounting policies have been made.

Consolidated financial statements
Consolidated financial statements comprise the parent company FirstFarms A/S and subsidiaries in which FirstFarms A/S has control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the company directly or indirectly holds more than 50 percent of the voting rights in a subsidiary or which it, in some other way, controls. Enterprises over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20 percent of the voting rights but less than 50 percent. When assessing whether FirstFarms A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

The consolidated financial statements have been prepared as a consolidation of the parent company and the individual subsidiaries' financial statements prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

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

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

Foreign currency translation
For each of the reporting enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary economic environment in which the reporting enterprise operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of enterprises with another functional currency than Danish kroner, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions.

Foreign exchange differences, arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date, and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date, are recognised in other total income in a separate reserve for exchange rate adjustment. Foreign exchange adjustment of balances which are considered part of the investment in enterprises with another functional currency than Danish kroner are recognised in the consolidated financial statements directly in equity under a separate exchange rate adjustment reserve. Correspondingly, foreign exchange gains and losses on the part of loans and derivative financial instruments which are designated as hedges of investments in such enterprises and efficiently hedge against corresponding foreign exchange gains and losses on the investment in the enterprise are also recognised in other total income in a separate reserve for exchange rate adjustment.

On disposal of 100 percent owned foreign operations, the exchange rate adjustments accumulated in the equity through other total income, and which can be assigned to the unit, are reclassified from “Reserve for exchange rate adjustment” to the income statement together with any profit or loss at the disposal.

Repayment of debts, considered to be a part of the net investment, is not itself considered to be partial disposal of the subsidiary.

The income statement

Net turnover
Net turnover from the sale of commodities and finished products, comprising crops, animals and related products, is recognised in the income statement, when the control is passed on to the buyer at delivery ab farm. This is considered to have occurred, when delivery and transfer of risk to the buyer has taken place before year end and if the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third party. All forms of discounts granted are recognised in revenue.

Government grants
Government grants include:

Hectare grants are recognised on a regular basis in the income statement concurrently as the right of grants is obtained. Until the grants have been received, typically at the end of the financial year or in the beginning of the subsequent financial year, these are recognised as other receivables in the balance sheet.

Grants for milk production are recognised on a regular basis in the income statement concurrently as the right of grants is obtained. Until the grants have been received, during the financial year, these are recognised as other receivables in the balance sheet.

Grants for pig production consist of various grants in Hungary and Czech Republic. The grants are recognised concurrently as the right of grant is obtained. Until the grants have been received, during the financial year, these are recognised as other receivables in the balance sheet.

Grants for investments/acquisition of assets are recognised in the balance sheet as deferred income (liabilities) and transferred to public grants in the income statement as the assets for which grants were awarded are amortised.

Value adjustment of biological assets
Value adjustments of biological assets comprise value adjustment at fair value less point-of-sale costs.

Value adjustments are made for both livestock (non-current assets) and breeding and crops (current assets).

Production costs
Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, depreciation and impairment of production buildings and plants.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and impairment losses.

Other operating income and costs
Other operating income and costs comprise items secondary to the principal activities of the enterprises, including gains and losses on on-going disposal and replacement of intangible assets and property, plant and equipment. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the selling date.

Result of investments in subsidiaries
In the parent company's income statement, the proportionate share of each individual subsidiary's net profit/loss after tax is recognised after full elimination of internal profit/loss.

Financial income and expenses
Financial income and expenses comprise interest income and expense, gains and losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities, as well as surcharges and refunds under the on-account tax scheme. Borrowing costs are activated as part of larger investments.

Derived financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other liabilities" respectively.

Changes in the fair value of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is classified as and meets the criteria for accounting hedging, cf. below.

Accounting hedging
Changes in the fair value of financial instruments that are classified as and meet the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with the changes in the fair value of the hedged asset or liability attributable to the risk that is insured.

Changes in the fair value of financial instruments, that are classified as and fulfil the conditions for hedging if expected future transactions are recognised in equity under retained earnings for the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or liability, the amount deferred under equity is transferred from equity and recognised in the cost of the asset or liability, respectively. If the hedged transaction results in an income or expense, the amount deferred under equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair value of financial instruments, classified as and meeting the criteria for hedging net investments in independent foreign subsidiaries or associates, are recognised directly in equity for the effective portion of the hedge, while the ineffective portion is recognised in the income statement.

Tax on profit/loss for the year
By utilisation of deficit in foreign companies deferred tax is allocated in the balance sheet in the Danish company. Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

The balance sheet

Intangible assets
Goodwill
Goodwill is initially recognised in the balance sheet at cost price.

Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized. The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on the management structure and internal financial control.

Other intangible assets
Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortization and impairment losses.

Other intangible assets are amortised on a straight-line basis over the expected useful life.

As per 1 January, land lease contract is recognised according to the rules in IFRS 16. Land lease contracts were previously depreciated over the expected rent 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.

Values according to rent and leasing contracts, calculated in accordance to IFRS 16, are depreciated over the term of the contracts.

Depreciation of tangible assets is provided on a straight-line basis over the expected useful lives of the assets/components:

Buildings	15-30 years
Plant and machinery	5-10 years
Fixtures and fittings, other plant and equipment	3-7 years

Soil and land are not depreciated. However, assets recognised under land in accordance to rent contracts, which was incorporated as from 1 January 2019, are depreciated. See change in the accounting policies for further details.

The depreciation basis is calculated taking into account the asset's scrap value and is reduced by any write-downs.

The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the depreciation period of the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates. Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses to the extent that the depreciation is not included in the cost of self-constructed assets.

Biological assets – non-current assets

Biological assets comprise basic herd of animals and are recognised as non-current assets measured at fair value less point-of-sale costs.

Investments in subsidiaries

Investments in subsidiaries are recognised using the equity method.

Investments in subsidiaries are measured at the proportionate share of the equity value of subsidiaries calculated using the Group's accounting policy deducting or adding unrealised intercompany gains and losses and with adding og deduction the remaining value of positive or negative goodwill calculated using the purchase method.

Investments in subsidiaries with negative net asset value are measured at DKK 0, and any receivables from these subsidiaries are written down to the extent that the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is shown as reserve for net revaluation under the equity method in equity to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries that are expected to be adopted before the approval of the annual report for FirstFarms A/S are not recognised in the reserve for net revaluation according to the equity method.

At acquisitions of subsidiaries the purchase method is used, cp. description above under the consolidated accounts.

Impairment of non-current assets

Goodwill is subject to annual impairment tests, initially before the end of the acquisition year. The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the enterprise or activity (cash generating unit) to which goodwill is allocated. Impairment of goodwill is recognised in a separate line item in the income statement. Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under production costs and administrative expenses, respectively.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortization had the asset not been impaired.

Inventories
Inventories are measured at the lower of cost in accordance with the FIFO-method and the net realizable value. Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

The value of inventories is measured at cost with the addition of indirect production overheads. At the harvest date, crops are transferred from biological assets to inventories at fair value less selling cost, which then reflect cost.

Biological assets – current assets
Biological assets comprising animals held for stock and crops recognised as current assets are measured at fair value less point-of-sale costs.

Receivables
Receivables are measured at amortised cost. Write-down is made for expected credit loss on individual basis, using the simplified model for receivables from sale.

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

Equity

Reserve for exchange rate adjustment
The reserve for exchange rate adjustment in the financial statements comprises part of the shareholders of the parent company's foreign exchange differences arising from exchange rate adjustment of financial statements of foreign entities from their functional currencies into the presentation currency used by the FirstFarms Group (Danish kroner). The reserve is distributable.

Dividend
Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Own shares
Cost of acquisition, consideration received and dividends received from own shares are recognised directly as retained earnings in equity. Capital reductions from the cancellation of own shares are deducted from the share capital in an amount corresponding to the nominal value of the shares. Proceeds from the sale of own shares and issue of shares, respectively, in FirstFarms A/S in connection with the exercise of share options or employee shares are recognised directly in equity.

Employee benefits

Pension obligations
The Group has entered into pension schemes with some of the Group's employees. The Group has no defined benefit plans. Contributions to defined contribution plans where the Group currently pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the balance sheet as other payables.

Warrant programme
The value of services received in exchange for granted warrants is measured at the fair value of the warrants granted.

FirstFarms A/S only has equity-settled programmes for which the warrants are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The set-off item is recognised directly in equity. On initial recognition of the warrants, the company estimates the number of warrants expected to vest. That estimate is subsequently revised for changes in the number of warrants expected to vest. Accordingly, recognition is based on the number of warrants ultimately vested. The fair value of granted warrants is estimated using a warrant pricing model, taking into account the terms and conditions upon which the warrants were granted.

Corporation tax and deferred tax

Current tax payable and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences - apart from business combinations - arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses. Deferred tax is measured on the basis of the tax rules and the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Provisions

Provisions are recognised when, as a result of events arising before or at the balance sheet date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes in present values during the year are recognised as financial expenses. The amount recognised as a provision is Management's best estimate of the expenses required to settle the obligation. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of estimated future costs.

Convertible bonds

Convertible bonds are issued with a fixed conversion price and are regarded as combined instruments consisting of a financial obligation measured at amortised cost price and an equity instrument in form of the integrated right to convert. At the date of issuance, the fair value of the financial obligation is determined by use of a market interest corresponding to a similar non-convertible debt instrument. The difference between the proceeds at issuance of the convertible bond and the fair value of the financial obligation, corresponding to the integrated option to convert the obligation to equity, is recognised directly on the equity. The fair value of the financial obligation is recognised as long-term debt and afterwards measured at amortised cost price.

Financial liabilities

Amounts owed to mortgage credit institutions etc. are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using "the effective interest method". Accordingly, the difference between the proceeds and the nominal value is recognised under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases. The value of hedging instruments is also included to hedge the Group's future interest obligations.

Other liabilities are measured at net realisable value.

Leasing

2019:
A leasing asset and a lease obligation is recognised in the balance sheet, when the Group is made available under a leasing contract for a specific identifiable asset under a leasing period, and when the Group obtains the right to virtually all the economic benefits from the use of the identified asset and the right to decide on the use of the identified asset.

On initial recognition, the leasing asset is measured at cost, which corresponds to the value of the lease obligation.

Subsequently, the asset is measured at cost deducted accumulated amortisation and impairment losses. The lease asset is depreciated over the shorter of the lease term and the useful life of the lease asset. Depreciation is recognised on a straight-line basis in the income statement.

On initial recognition, the lease obligation is measured at the present value of future lease payments discounted at an alternative loan rate. The following lease payments are recognised as part of the lease obligation:

Fixed payments
Payments covered by an extension option that the Group is likely to utilise.

The lease obligation is measured at amortised cost using the effective interest method. The lease obligation is recalculated if the Group changes its assessment of whether an extension or termination option is reasonably likely to be exercised.

The Group presents the leasing asset under the respective types of assets and the lease obligation under debt to credit institutions (leasing debt).

Up to 2018:
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. Lease agreements, which previously were recognised as operational leasing obligations, are from 2019 recognised after IFRS 16.

On initial recognition, the lease obligation is measured at the present value of future lease payments discounted at an alternative loan rate. The following lease payments are recognised as part of the lease obligation:

- Fixed payments
- Payments covered by an extension option that the Group is likely to utilise.

The lease obligation is measured at amortized cost using the effective interest method. The lease obligation is recalculated if the Group changes its assessment of whether an extension or termination option is reasonably likely to be exercised.

Deferred income

Deferred income comprises payments received concerning income in subsequent years, mostly concerning grants.

Fair value measurement

FirstFarms uses the fair value concept for recognition of biological assets and for recognition of the value of financial instruments.

The fair value is defined as the price that can be obtained by selling an asset or payable for transferring a liability in an ordinary transaction on a market with independent parties. Fair value is based on a primary market.

There are three levels of the fair value hierarchy for estimating the value:

1. Statement from fair value in a similar market
2. Statement by accepted valuation methods based on observable market information
3. Statement from generally accepted valuation methods and reasonable estimates.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flow from operating activities
Cash flows from operating activities are calculated after the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interests, dividends and corporation tax paid.

Cash flow from investing activities
Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

Cash flow from financing activities
Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of own shares and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash resources. Cash flows in other currencies than the functional currency is translated at average exchange rates unless they deviate materially from the exchange rates at the transaction date.

Segment information

Information is provided on business segments, which also represent the Group's primary reporting format, and geographical markets. Segment information is based on the Group's risks, management and internal financial management.

Segment information is provided in accordance with the Group's accounting policies. Segment revenue and costs and segment assets and liabilities comprise items which are directly attributable to the individual segment and the items which can be allocated to the individual segment on a reliable basis. Unallocated items primarily comprise assets and liabilities and income and costs related to the Group's administrative functions, financing conditions, income taxes, etc.

Non-current segment assets comprise non-current assets used directly in the operating activities of the segment, including intangible assets, property, plant and equipment. Segment liabilities comprise liabilities resulting from the operating activities of the segment, including bank debt, debt to parent company, trade payables and other payables.

2. Accounting estimates

Determining the carrying value of certain assets and liabilities requires judgments, estimates and assumptions about future events. The estimates and assumptions carried out are i.e. based on historical experiences and other factors which the management assesses to be reliable but which inherently are uncertain and unpredictable. The assumptions may be unpredictable or inaccurate, and unexpected events or circumstances may occur. As a result of the risks and uncertainties that the Group is subject to, actual results may differ from these estimates. It may be necessary to change previous estimates as a result of changes in the factors underlying these estimates due to new information or as a result of subsequent events.

Estimations, which are specific essential for the presentation of the financial statements for FirstFarms, is carried out by recognition of goodwill and recognition of biological assets.

Impairment test for goodwill
By an impairment test of intangible assets, including goodwill, an estimation is made of how the parts of the business, which the goodwill relates to, will be able to generate sufficient cash flow in future to support the value of goodwill and other net assets.

Due to the nature of the business, estimation of expected cash flow must be made many years into the future, leading to some uncertainty. This uncertainty is reflected in the discount rate.

The most essential assumptions used for the impairment test carried out are shown in note 14.

Measurement of biological assets
The biological assets, herds, breeding and crops are valued at fair value with deduction of realisation costs. The total value of the biological assets constituted DKK 125.2 million as per 31 December 2019 (2018: DKK 95.1 million).

Completely comparable markets do not exist in Slovakia for cows with the yielding capacity that FirstFarms' cows achieve. Due to this, the Management has chosen to value the cattle in the light of the prices on the European market, also cp. note 5. Information is collected from market participants in Denmark to get the basis for the assessments.

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

3. Segment information

2019 *) DKK 1,000	Romanian activities	Slovakian activities ***)	Hungarian activities	Czech activities	Total report compulsory segments
Total segment turnover	50,438	143,766	48,064	87,704	329,972
Grants	14,785	33,433	3,807	2,438	54,463
Value adjustments of biological assets	-5,523	1,428	4,754	4,055	4,714
EBIT result	-1,896	24,019	17,492	18,171	57,786
Financial income	95	295	23	122	535
Financial costs	-7,661	-7,362	-3,690	-1,704	-20,417
Depreciations and impairments	13,159	27,118	2,87	3,958	47,105
Write down	0	0	0	0	0
Segment result before tax	-9,462	16,952	13,826	16,588	37,904
Segment assets	243,640	583,590	95,755	162,383	1,085,368
Plant investments **)	51,555	30,050	6,047	1,811	89,463
Segment liabilities	204,495	361,821	70,600	73,727	710,643

*) Numbers include incorporation of IFRS 16.
**) Plant investments are investments in machinery, land and buildings.
***) Only included with 6 months regarding the purhase of FirstFarms Gabcikovo.

2018 DKK 1,000	Romanian activities	Slovakian activities	Hungary activities	Czech activities (7 months)	Total report compulsory segments
Total segment turnover	59,108	110,008	37,489	44,870	251,475
Grants	15,358	25,413	4,319	4,367	49,457
Value adjustments of biological assets	1,153	2,339	-3,06	9,244	9,676
EBIT result	5,935	12,393	505	11,3	30,133
Financial income	341	269	53	21	684
Financial costs	-3,954	-4,584	-2,179	-942	-11,659
Depreciations and impairments	-8,333	-17,743	-3,191	-2,323	-31,590
Write down	0	0	0	0	0
Segment result before tax	2,322	8,079	-1,621	10,379	19,159
Segment assets	219,084	323,645	88,854	141,93	773,513
Plant investments *)	18,692	18,271	4,646	849	42,458
Segment liabilities	171,124	207,117	75,246	67,290	520,777

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

FirstFarms' report compulsory segments are constituted by the business units in Slovakia, Romania, Hungary and Czech Republic. Slovakia operates within pig-, cattle- and crop production, Romania operates only within crop production, Hungary only within pig production and Czech Republic within pig- and crop production. The four business units are operated independently, as each unit has different management, activities and customers.

The report compulsory segments are identified without aggregation of operation segments.

In the EBIT result for the new Slovak activities is entered negative goodwill of DKK 0.2 million (2018: Czech activities DKK 4.9 million)

Products and services
FirstFarms' turnover primary concerns cattle, pigs and crops.

The turnover is specified as:

	Romania		Slovakia		Hungary		Czech Republic	
DKK 1,000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018 (7 months)**
Cattle	0	0	63,281	65,500	0	0	0	0
Pigs	0	0	31,432*)	0	46,681	36,167	81,736	39,672
Crops	48,816	57,741	44,374	39,545	0	0	3,064	3,132
Other	1,622	1,367	4,679	4,963	1,383	1,323	2,904	2,065
Total	**50,438**	**59,108**	**143,766**	**110,008**	**48,064**	**37,490**	**87,704**	**44,869**

*) Turnover on pigs in Slovakia is only for the last 6 months.

Geographical information
FirstFarms operates in Romania, Slovakia, Hungary and Czech Republic. Services from the parent company to the subsidiaries are of a limited extent. Financing of the subsidiaries primary consists of loans from the parent company. At presentation of the information regarding geographical areas, information about the turnovers allocation on geographical segments is constituted based on the geographical location, whereas information about the assets allocation on geographical segments is constituted based on the assets physical location.

Turnover and non-current assets are specified as:

	2019		2018	
DKK 1,000	**Turnover**	**Non-current assets**	**Turnover**	**Non-current assets**
Denmark	250	151	490	196
Slovakia *)	143,766	462,399	110,008	245,094
Romania	50,438	202,284	59,108	160,236
Hungary	48,064	80,039	37,489	77,063
Czech Republic *)	87,704	118,293	44,870	113,898
Elimination	-2,150	-13,892	-3,089	0
Total	**328,072**	**849,274**	**248,876**	**596,487**

*) Turnover of pigs in Slovakia is only for the last 6 months in 2019 / In 2018, the turnover regarding Czech Republic is recognised for 7 months.

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

DKK 1,000	**2019**	**2018**
Turnover		
Segment turnover for report compulsory segments	329,972	251,475
Group function	250	490
Elimination of internal turnover	-2,150	-3,089
Total turnover, cp. income statement	**328,072**	**248,876**
Result		
Segment result before tax for report compulsory segments	37,904	24,071
Non-allocated result, Group function	-8,933	-12,552
Result before tax, cp. income statement	**28,971**	**11,519**
Assets		
Total assets for report compulsory segments	1,085,368	773,513
Other non-allocated	-13,249	1,018
Total assets, cp. balance sheet	**1,072,119**	**774,531**
Liabilities		
Total liabilities for report compulsory segments	710,643	520,777
Elimination of debt to parent company	-230,764	-253,404
Other non-allocated liabilities	199,925	137,041
Total liabilities, cp. balance sheet	**679,804**	**404,414**

4. Turnover

	Group		**Parent company**	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Sale of milk	58,324	57,797	0	0
Sale of cows and calves	4,956	7,704	0	0
Sale of piglets and slaughter pigs	159,849	75,839	0	0
Sale of corn etc.	94,355	97,819	0	0
Other turnover	10,588	9,717	250	490
Total	**328,072**	**248,876**	**250**	**490**

Crops harvested in 2018 have been sold in 2019, and there are also crops, harvested in 2019, on stock at the end of 2019. The sale of milk (18 percent of the total turnover) is for one customer. (2018: 23 percent of the total turnover)

5. Value adjustment of biological assets

Group 2019 DKK 1,000	**Basic herd cows [1)]**	**Breeding cows [2)]**	**Basic herd pigs [1)]**	**Sales herd pigs [2)]**	**Crops [2)]**	**Total**
Opening	25,225	15,288	7,828	13,572	33,233	95,146
Addition, purchase of FirstFarms Slovakia A/S	0	0	5,192	9,672	9,700	24,564
Addition	0	13,531	2,478	140,665	111,927	268,601
Value adjustment of the year recognised in the income statement	-6,473	1,796	2,920	7,612	-1,141	4,714
Transfer	11,162	-11,162	1,277	-1,277	0	0
Disposal	-3,061	-1,896	-3,671	-135,456	-123,489	-267,573
Exchange rate adjustment	0	0	-7	-9	-278	-294
Accounting value 31 December 2019	**26,853**	**17,557**	**16,017**	**34,779**	**29,952**	**125,158**

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

Non-current assets consist of a herd of 2,582 cows at the end of 2019. Breeding consist of 2,772 heifers and calves. The basic herd of pigs consists of 5,976 sows and gilts, whereas the sales herd is piglets and slaughter pigs.

Crops are the value of the sowed fields. At the end of 2019, the sowed fields mainly consist of 800 hectares of alfalfa/grass, 2,200 hectares of wheat, 200 hectares of rye, 800 hectares of barley and 1,400 hectares of rape in Slovakia. In Romania, the fields consisted of 2,900 hectares of wheat and 200 hectares of barley, and in Czech Republic the fields consisted of 550 hectares of wheat, 300 hectares of barley and 300 hectares of rape. The land itself is valued at cost price under tangible assets as far as the land is not leased, cp. note 15.

The fair value for basic herd and breeding is estimated with basis in what similar animals are traded for at the European market. By estimation of the fair value of cows a valuation of the cows' performance, age composition etc. is carried out. By estimation of breeding; age, quality etc. is accounted for.

The fair value of crops is estimated on basis of the cost price for seeding, fertiliser etc. attributed changes due to the biological transformation, from the time of seeding to 31 December 2019. 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 2018 DKK 1,000	Basic herd cows [1]	Breeding cows [2]	Basic herd pigs [1]	Sales herd pigs [2]	Crops [2]	Total
Opening	24,426	17,497	7,903	5,457	31,976	87,259
Addition, purchase of FirstFarms Czech A/S	0	0	0	8,619	3,745	12,364
Addition	0	11,391	2,704	50,535	107,523	172,153
Value adjustment of the year recognised in the income statement	-8,436	3,333	-834	5,540	10,073	9,676
Transfer	13,922	-13,922	0	0	0	0
Disposal	-4,687	-3,011	-1,937	-56,572	-120,143	-186,350
Exchange rate adjustment	0	0	-8	-7	59	44
Accounting value 31 December 2018	**25,225**	**15,288**	**7,828**	**13,572**	**33,233**	**95,146**

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

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

Crops are the value of the sowed fields. At the end of 2018, the sowed fields mainly consist of 600 hectares of alfalfa/grass, 2,200 hectares of wheat, 600 hectares of rye and 900 hectares of rape in Slovakia. In Romania, the fields consisted of 3,500 hectares of wheat and 500 hectares of rape, and in Czech Republic the fields consisted of 600 hectares of wheat, 250 hectares of barley and 300 hectares of rape. The land itself is valued at cost price under tangible assets as far as the land is not leased, cp. note 15.

The fair value for basic herd and breeding is estimated with basis in what similar animals are traded for at the European market. By estimation of the fair value of cows a valuation of the cows' performance, age composition etc. is carried out. By estimation of breeding; age, quality etc. is accounted for.

The fair value of crops is estimated on basis of the cost price for seeding, fertiliser etc. attributed changes due to the biological transformation, from the time of seeding to 31 December 2018. As the biological change for crops seeded in the autumn is limited, the fair value corresponds in all essential to the costs incurred for seeding etc. Furthermore, it is reviewed whether the crops are satisfactory compared to the season.

The fair value of biological assets enters level 3 in the fair value hierarchy.

6. Costs

	Group		Parent company	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Cost of sales for the period	149,224	127,024	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.

DKK 1,000	Group 2019	2018	Parent company 2019	2018
Staff costs				
Fees to the Board of Directors in the parent company	360	360	360	360
Wages and salaries	43,395	37,106	5,327	4,776
Share based remuneration	149	157	149	157
Defined contribution plans	365	335	365	335
Other social security costs	10,748	8,744	48	38
Other staff costs	3,833	3,684	1,039	755
Total staff costs	**58,850**	**50,386**	**7,288**	**6,421**
Staff costs:				
Production	45,178	40,270	0	0
Administration	13,672	10,117	7,288	6,421
Total	**58,850**	**50,387**	**7,288**	**6,421**
Average number of employees	309	288	6	5

At the end of the year, the number of employees was 312, of which 6 are employed at the headquarter in Denmark, 183 in Slovakia, 61 in Romania, 42 in Hungary and 20 in Czech Republic.

Executive Board remuneration of the parent company

DKK 1,000	2019 Board of Directors	2019 Management	2018 Board of Directors	2018 Management
Wages and salaries	360	1,936	360	1,773
Defined contribution plans	0	120	0	120
Share based remuneration	0	130	0	145

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

Warrant programme 2019

Number of warrants	Manage-ment	Other employees	Total	Utilisa-tion price	Fair value per option DKK	Fair value in total (DKK 1,000)
Allotted 1 January 2019:						
Type 1	0	0	0			
Type 2	50,000	0	50,000	53.23	6.65	333
Type 3	50,000	20,000	70,000	48.71	3.77	264
Expired during the year	0	0	0			
Allotted 31 December 2019	**100,000**	**20,000**	**120,000**	**-**	**-**	**597**

No warrants are allotted in 2019. Each warrant gives the warrant owner right to purchase one share of nominal DKK 10.

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

The utilisation price for the warrants allotted in 2016 (type 2) is 53.23 and the warrant programme runs till 2020, where the warrants can be utilised in a period of 4 weeks from the company’s announcement of the interim financial report for the period 1 January – 30 June 2020. Continued employment is a condition for the utilisation of warrants.

The utilisation price for the warrants allotted in 2018 (type 3) is 48.71 and the warrant programme runs till 2022, where the warrants can be utilised in a period of 4 weeks from the company's announcement of the interim financial report for the period 1 January – 30 September 2022. Continued employment is a condition for the utilisation of warrants.

Warrant programme 2018

Number of warrants	Manage-ment	Other employees	Total	Utilisa-tion price	Fair value per option DKK	Fair value in total (DKK 1,000)
Allotted 1 January 2018:						
Type 1	50,000	10,000	60,000	52.51	6.16	370
Type 2	50,000	0	50,000	53.23	6.65	333
Alotted during the year (type 3)	50,000	20,000	70,000	48.71	3.77	264
Expired during the year (type 1)	-50,000	-10,000	-60,000	52.51	6.16	-370
Allotted 31 December 2018	**100,000**	**20,000**	**120,000**	**-**	**-**	**597**

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

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

The utilisation price for the warrants allotted in 2016 (type 2) is 53.23 and the warrant programme runs till 2020, where the warrants can be utilised in a period of 4 weeks from the company's announcement of the interim financial report for the period 1 January – 30 June 2020.

The utilisation price for the warrants allotted in 2018 (type 3) is 48.71 and the warrant programme runs till 2022, where the warrants can be utilised in a period of 4 weeks from the company's announcement of the interim financial report for the period 1 January – 30 September 2022.

Depreciations and impairments

	Koncern		Moderselskab	
DKK 1,000	**2019 *)**	**2018**	**2019**	**2018**
Depreciations, intangible assets	0	1,153	0	0
Depreciations, tangible assets	47,151	30,483	46	46
Impairments, tangible assets	0	0	0	0
Total depreciations and impairments	**47,151**	**31,636**	**46**	**46**
Depreciations and impairments are recog-nised as follows:				
Production	46,230	31,002	0	0
Administration	921	634	46	46
Total	**47,151**	**31,636**	**46**	**46**

*) Numbers include incorporation of IFRS 16. The depreciation regarding IFRS 16 is DKK 12.7 million.

Fee to the auditors appointed at the general meeting

Total fee to PwC	**Group**		**Parent company**	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Audit	847	767	380	320
Other declarations	0	35	0	35
Tax and VAT services	59	55	59	55
Other non-audit services	128	85	128	85
Total	**1,034**	**942**	**567**	**495**

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

Fees to other auditors	**Group**		**Parent company**	
1.000 kr.	**2019**	**2018**	**2019**	**2018**
Audit	354	252	0	0
Other declarations	0	0	0	0
Tax and VAT services	0	0	0	0
Other non-audit services	260	21	239	0
I alt	**614**	**273**	**239**	**0**
Total fees for auditors	**1,648**	**1,215**	**806**	**495**

7. Government grants

	Group		**Parent company**	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Grant for investments	1,413	928	0	0
EU hectare subsidy	34,006	33,564	0	0
Grant for milk production	7,187	6,913	0	0
Various grants pig production	4,320	6,066	0	0
Government grant etc.	7,437	1,987	0	0
Total	**54,363**	**49,458**	**0**	**0**

Investment grants can be applied for from EU. Investment grants are given under the condition that the assets are kept in the company for at least 5 years. Otherwise there are no specific conditions attached to the grants. The subsidy is credited concurrently as the assets are depreciated. EU hectare subsidy is a yearly subsidy, which is given to operation of farming. The cattle subsidy is a subsidy to milk production, which is permanent every year. Furthermore, there are some old subsidies from the Slovakian government that is credited concurrently as the assets are depreciated.

Also, various grants are provided to the pig production.

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

2019 DKK 1,000	Hectare grant	Milk grant	Pig grant	Government grant	Investment grant etc.	Total
Grants calculated in accruals	0	0	0	0	15,283	15,283
Period of crediting	Continuously	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in ”Other receivables”	12,682	1,884	0	0	0	14,566

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

8. Other operating income

	Group		Parent company	
DKK 1,000	2019	2018	2019	2018
Profit from sale of tangible assets	5,211	1,152	0	0
Recognition at purchase of FirstFarms Slovakia A/S (2018: FirstFarms Czech A/S), cp. note 16	192	4,914	0	0
Other secondary income	800	436	0	0
Total	**6,203**	**6,502**	**0**	**0**

9. Other operating costs

	Group		Parent company	
DKK 1,000	2019	2018	2019	2018
Loss from sale of tangible assets	0	0	0	0
Other secondary costs	464	486	0	0
Total	**464**	**486**	**0**	**0**

10. Financial income

	Group		Parent company	
DKK 1,000	2019	2018	2019	2018
Interest, cash at bank and in hand	0	0	0	0
Interest income from affiliated companies	0	0	4,882	4,683
Other financial income	2,367	490	2,061	47
Total	**2,367**	**490**	**6,943**	**4,730**

11. Financial costs

DKK 1,000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Interest, bank loans	7,888	5,012	175	206
Interest, convertible bonds	7,130	7,601	7,130	7,601
Other financial costs	6,778	2,221	1,067	137
Total	**21,796**	**14,834**	**8,372**	**7,944**

12. Tax on net profit/loss

DKK 1,000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Tax on net profit/loss	-6,546	-3,388	1,195	0
Tax on other total income	553	0	0	0
Total	**-5,993**	**-3,388**	**1,195**	**0**
Tax on net profit/loss is specified as:				
Current tax	-6,007	-2,258	0	0
Deferred tax	14	-1,130	1,195	0
Total	**-5,993**	**-3,388**	**1,195**	**0**
Tax on net profit/loss can be explained as:				
Calculated tax of net profit/loss before tax (22 %) (In parent company ex. capital shares)	-6,373	-2,534	2,380	2,727
Reduction in tax rate	0	0	0	0
Liquidation proceeds, retaxation liability	5,288	0	5,288	0
Write down / unrecognised tax assets	-5,461	-817	-6,473	-2,727
Other adjustments, net	0	-37	0	-34
Total	**-6,546**	**-3,388**	**1,195**	**-34**
Effective tax rate	23	29	11	0

FirstFarms A/S has chosen to withdraw from the international joint taxation, and the obligation has been recognised as income, as it must not be settled in connection with the withdrawal. Tax assets were previously recognised in the parent company.

13. Earnings per share

Group DKK 1,000	**2019**	**2018**
Net profit	22,425	3,217
Number of shares	6,318,142	6,159,404
Average diluted effect of outstanding warrants and convertible bonds	2,464,781	2,561,022
Diluted number of shares in circulation	8,782,923	8,720,426
Earnings per share (EPS)	3.55	1.32
Diluted earnings per share (EPS-D)	3.33	1.32

14. Intagible assets

Group 2019 DKK 1,000	Goodwill	Lease contracts	Total
Cost price 1 January	16,078	7,401	23,479
Addition	0	0	0
Disposal	0	-7,401	-7,401
Exchange rate adjustment	5	0	5
Cost price 31 December	**16,083**	**0**	**16,083**
Depreciations and impairments 1 January	0	-6,156	-6,156
Depreciations	0	0	0
Disposal	0	6,156	6,156
Exchange rate adjustment	0	0	0
Depreciations and impairments 31 December	**0**	**0**	**0**
Accounting value 31 December	**16,083**	**0**	**16,083**

FirstFarms' Management has at the end of 2019 carried out impairment test of the accounting value of goodwill in Slovakia. The recoverable amount is based on the capital value (the value in use), which is determined based on expectations to the future cash flow in the coming 5 years. Significant assumptions worked in the impairment test is a growth in the terminal period of 1.5 percent, a return (WACC) of 8.5 percent after tax (before tax 10.4 percent) and milk price of DKK 2.53 per kg in 2019 and milk prices of DKK 2.60 per kg as of 2023. There is also estimated a smaller increase in the yield per cow and an efficiency improvement in the fields. The estimation for future milk prices are based on external ratings and own estimations. SEGES' recommendation for the coming years for the price for milk is approx. DKK 2.60 per kg. In the impairment test carried out normal harvest yield and settlement prices for 2019 are assumed. The crop prices in the coming year are assumed to be on par with the budget for 2020.

From 2022, 3,050 cows are assumed and 10,300 hectares of land in the period is assumed from 2021.

Reinvestments of the asset mass is recognised in the calculation.

The impairment test carried out on the activities in Slovakia has shown that the capital value of the activities is above the accounting value of the assets (including intangible assets).

The Group has assessed that a change in the key assumptions could entail impairment. Provided that other variables are unchanged, a reduction in the milk prices in the region of DKK 0.15 per kg will entail that the recoverable amount corresponds to the accounting value.

The parent company has no intangible assets included.

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

FirstFarms' Management has at the end of 2018 carried out impairment test of the accounting value of goodwill in Slovakia. The recoverable amount is based on the capital value (the value in use), which is determined based on expectations to the future cash flow in the coming 5 years. Significant assumptions worked in the impairment test is a growth in the terminal period of 1.5 percent, a return (WACC) of 8.5 percent after tax (before tax 10.4 percent) and milk price of DKK 2.53 per kg in 2019 and milk prices of DKK 2.60 per kg as of 2020. There is also estimated a smaller increase in the yield per cow and an efficiency improvement in the fields. The estimation for future milk prices are based on external ratings and own estimations. SEGES' recommendation for the coming years for the price for milk is approx. DKK 2.60 per kg. In the impairment test carried out normal harvest yield and settlement prices for 2019 are assumed. The crop prices in the coming year are assumed to be on par with the budget for 2019.

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

Reinvestments of the asset mass is recognised in the calculation.

The impairment test carried out on the activities in Slovakia has shown that the capital value of the activities is above the accounting value of the assets (including intangible assets).

The Group has assessed that a change in the key assumptions could entail impairment. Provided that other variables are unchanged, a reduction in the milk prices in the region of DKK 0.15 per kg will entail that the recoverable amount corresponds to the accounting value.

The parent company has no intangible assets included.

15. Tangible assets

Group 2019 *) DKK 1,000	Land	Buildings	Plant and machin-ery	Fixtures and fittings, tools and equip-ment	Con-struction work under execu-tion and prepay-ments	Total
Cost price 1 January 2019	240,971	263,649	163,363	7,829	11,108	686,920
IFRS 16 adjustment	29,756	0	5,525	0	0	35,281
New cost price 1 January 2019	270,727	264	168,888	7,829	11,108	722,201
Addition, purchase of FirstFarms Slovakia A/S	141,809	29,861	5,837	0	1,314	178,821
Addition	29,847	1,938	30,374	1,541	25,763	89,463
Disposal	1,099	4,439	1,030	0	-6,568	0
Transferred to assets for sale	-2,157	-3,550	-2,673	-741	-1,395	-10,516
Exchange rate adjustment	-1,879	-2,058	-1,421	-96	-231	-5,685
Cost price 31 December 2019	**439,446**	**294,279**	**202,035**	**8,533**	**29,991**	**974,284**
Depreciations and impairments 1 January 2019	0	-70,580	-75,466	-3,950	0	-149,996
Depreciations	-8,828	-12,396	-24,871	-1,068	0	-47,163
Impairment	0	0	0	0	0	0
Disposal	0	151	1,491	718	0	2,360
Transfer between categories	0	0	0	0	0	0
Exchange rate adjustment	0	89	667	27	0	783
Depreciations and impair-ments 31 December 2019	**-8,828**	**-82,736**	**-98,179**	**-4,273**	**0**	**-194,016**
Accounting value 31 December 2019	**430,618**	**211,543**	**103,856**	**4,260**	**29,991**	**780,268**
- assets held under finance lease	24,627	0	57,055	0	0	81,682
Depreciation period	-	15-30 years	5-10 years	3-7 years	-	-

For the bank debt in Slovakia, Romania, Czech Republic and Hungary of DKK 300.8 million (2018: DKK 178.4 million), security has been given in fixed assets. Furthermore, there is security in EU-grants in Slovakia.

*) Numbers include incorporation of IFRS 16.

Group 2018 DKK 1,000	Land	Buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution and prepayments	Total
Cost price 1 January 2018	151,420	238,044	141,733	5,732	8,857	545,786
Addition, purchase of FirstFarms Czech A/S	82,873	21,891	9,015	1,145	374	115,298
Addition	2,811	2,401	26,642	1,036	9,567	42,458
Transfer between categories	3,686	2,592	1,416	0	-7,693	0
Disposal	0	-468	-15,379	-7	0	-15,854
Exchange rate adjustment	181	-811	-65	-76	3	-768
Cost price 31 December 2018	**240,971**	**263,649**	**163,363**	**7,829**	**11,108**	**686,920**
Depreciations and impairments 1 January 2018	0	-60,503	-68,311	-2,671	0	-131,486
Depreciations	0	-9,945	-19,265	-1,273	0	-30,483
Impairment	0	0	0	0	0	0
Disposal	0	45	12,315	12	0	12,372
Transfer between categories	0	0	0	0	0	0
Exchange rate adjustment	0	-177	-204	-18	0	-399
Depreciations and impairments 31 December 2018	**0**	**-70,580**	**-75,466**	**-3,950**	**0**	**-149,996**
Accounting value 31 December 2018		**193,069**	**87,897**	**3,879**	**11,108**	**536,924**
- assets held under finance lease		0	57,979	0	0	57,979
Depreciation period	-	15-30 years	5-10 years	3-7 years	-	-

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

Parent company 2019 DKK 1,000	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2019	468
Addition	0
Disposal	0
Cost price 31 December 2019	**468**
Depreciations and impairments 1 January 2019	-272
Depreciations	0
Disposal	-46
Depreciations and impairments 31 December 2019	**-318**
Accounting value 31 December 2019	**150**
- assets held under finance lease	0
Depreciation period	3-7 years

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

16. Capital shares in subsidiaries

Parent company DKKK 1,000	**2019**	**2018**
Cost price 1 January	370,782	310,179
Addition in the year-purchase of FirstFarms Slovakia A/S (2018: FirstFarms Czech A/S)	95,419	60,603
Cost price 31 December	**466,201**	**370,782**
Value adjustment 1 January	118,046	-138,574
Share of the result of the year	32,046	20,528
Exchange rate adjustments	-2,844	0
Hedging instruments	-2,080	0
Adjustment 31 December	**-90,924**	**-118,046**
Accounting value 31 December	**375,277**	**252,736**

2019

FirstFarms has on 17 July 2019 purchased 100 percent of the shares in FirstFarms Slovakia A/S, which through a subsidiary in Slovakia includes crop and pig production in Slovakia. Thus, FirstFarms is supplemented in the pig production with an implemented production plant producing piglets and slaughter pigs.

The purchase price for the company is DKK 95.4 million, which is paid by own means and by obtaining loan.

The allocation of the purchase price at the time of takeover is shown in the table below:

Land	141,809
Buildings, machines, inventory etc.	37,034
Biological assets	24,564
Inventories	4,314
Receivables	7,797
Cash at bank and in hand	7,842
Credit institutions	-93,336
Deferred tax	-19,982
Trade payables	-5,912
Other payables	-8,518
Net assets taken over	**95,611**
Total acquisition price	**95,419**
Negative goodwill – recognised in other operating income	**192**

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.

The purchase price allocation is preliminary.

Recognised transaction costs of DKK 1.5 million under administration costs are held in connection with the purchase.

Cash effect of the purchase 2019 constitutes the following (DKK 1,000):

Cash payment	-25,480
Cash taken over	7,842
Cash effect	**-17,638**

The remaining part of the purchase price is financed by loan. The terms are 5-year annuity with an interest rate of 3 percent p.a. Security for the loan has been provided in the shares in FirstFarms Slovakia A/S.

The pre-tax result for FirstFarms Slovakia A/S for the recognised period is DKK 18.8 million, without recognition of negative goodwill. If the whole 2019 had been recognised, the pre-tax result for FirstFarms Slovakia A/S would be DKK 24.1 million.

The turnover for the recognised period is DKK 36.4 million. If the whole 2019 had been recognised, the turnover would have been DKK 66.1 million.

2018

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

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

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

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

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

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

Land	82,873
Buildings, machines, inventory etc.	32,425
Biological assets	12,364
Inventories	4,254
Receivables	7,650
Cash at bank and in hand	133
Credit institutions	-52,581
Deferred tax	7,739-6,584
Trade payables	-7,331
Other payables	-6,531
Net assets taken over	**65,517**
Total acquisition price	**60,603**
Negative goodwill – recognised in other operating income	**4,914**

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

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

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

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

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

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

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

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

All subsidiaries are 100 percent owned by the FirstFarms Group.

17. Inventories

	Group		Parent company	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Raw materials and other materials	23,755	26,694	0	0
Manufactured goods and commodities, grain, fodder etc.	53,664	33,959	0	0
Total	**77,419**	**60,653**	**0**	**0**
Accounting value of inventories included at fair value	53,664	33,959	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	**2019**	**2018**	**2019**	**2018**
Receivables from sales	22,297	22,632	0	0
Other receivables	28,458	23,967	491	437
Receivables from associated companies	0	0	230,764	253,405
Total	**50,755**	**46,599**	**231,255**	**253,842**

Impairments, contained in the receivables above, developed as follows:	2019	2018
1 January	5,085	3,206
Impairments in the year	0	1,870
Implemented in the year	0	0
Reversed	0	0
Exchange rate adjustments	-3	9
31 December	**5,082**	**5,085**

In 2019 and 2018, there is taken out debtor insurance for the most significant part (approx. 90 percent) of the company's receivables. All write-downs relate to receivables with more than 90 days maturity.

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

DKK 1,000	2019	2018
Period of decadence:		
Up to 30 days	2,599	1,778
Between 30 and 90 days	508	300
Over 90 days	61	139

19. Share capital

Issued shares	Amount (pcs.)		Nominal value (DKK)	
	2019	2018	2019	2018
1 January	6,159,404	5,137,624	61,594,040	51.376.240
Issued in connection with pur-chase of FirstFarms Czech A/S	0	404,328	0	4,043,280
Issued at conversion of bonds	158,738	617,452	1,587,380	6,174,520
31 December	**6,318,142**	**6,159,404**	**63,181,420**	**61,594,040**

At the end of 2019, the share capital consisted of 6,318,142 shares at nominal DKK 10. No shares are attributed special rights.
The Group's result of DKK 22,425 million is 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. 34 concerning dividend and p. 27 for risk management.

The realised return on equity for 2019 was 5.9 percent (2018: 2.4 percent)

Capital structure

The company's Management reviews FirstFarms' ownership and capital structure on an on-going basis. The company does not hold any of its own shares and the percentage of negotiable FirstFarms shares, the free float is thus 100 percent. On the ordinary general meeting on 24 April 2019, authority was given to the company to acquire up to 10 percent of own shares. The authority was not used in 2019. At the end of 2019, a total of 120,000 warrants are issued to the company's Management and to employees in Denmark and abroad. No warrants are issued in 2019.

Furthermore, the Board of Directors is authorised to until 26 April 2021, in one or more stages, to issue up to 1,500,000 shares corresponding to nominal DKK 15,000,000 through cash payment, by contribution of assets other than cash (non-cash contribution) or conversion of debt or through a combination thereof. The capital increase shall be at market price – with or without pre-emption rights for the Company's shareholders.

FirstFarms utilised the authorisation in 2017 to issue 203,678 shares at a nominal value of DKK 2,036,780 to purchase shares in FirstFarms Hungary A/S, and in 2018 to issue 404,328 shares at a nominal value of DKK 4,043,280 to purchase of shares in FirstFarms Czech A/S. A total of 608,006 shares corresponding to a nominal value of DKK 6,080,060 have therefore been utilised, and there is thus authorisation to issue additional 891,994 shares.

The Board of Directors has also authorisation until 24 April 2024, in one or more stages, to issue up to 1,000,000 shares for nominal DKK 10,000,000 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.

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 FirstFarms Hungary A/S, with expiry 15 December 2020, and in December 2017 the company issued bonds for DKK 72.25 million, which run up to and including 15 December 2022. Also, bonds for DKK 26.3 million issued in 2016, with expiry 15 December 2020, remain unpaid. In May 2018, FirstFarms issued convertible bonds for DKK 19.9 million in connection with the purchase of FirstFarms Czech A/S with expiry 15 December 2022.

Convertible bonds of nominally DKK 26.42 million were converted in 2018, and convertible bonds for nominally DKK 7.8 million were converted in 2019.

If all current bond owners choose to convert their bonds, it corresponds to issuance of 2,344,781 shares. This corresponds to 37 percent of the share capital at the end of 2019.

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

The shareholders shall have a return on their investments in the form of share price increases and dividends.

20. Deferred tax

Group DKK 1,000	2019	2018
Deferred tax 1 January	7,457	-1,460
Addition, purchase of FirstFarms Slovakia A/S / FirstFarms Czech A/S	19,982	7,739
Tax recognised in the equity	-618	34
Exchange rate adjustment	-38	14
Deferred tax of the year calculated in net profit/loss	397	1,130
Deferred tax 31 December	**27,180**	**7,457**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	-10,053	-9,188
Deferred tax (liability)	37,233	16,645
Deferred tax 31 December, net	**27,180**	**7,457**
Deferred tax concerns:		
Intangible assets	0	0
Tangible assets	31,633	14,519
Biological assets	5,287	1,797
Other accounting items	-4,333	-5,986
Deficits with right to put forward	-5,407	-8,161
Re-taxation balance	0	5,288
Total	**27,180**	**7,465**

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. There is an unrecognised deferred tax asset relating to losses in the parent company of DKK 5.1 million.

Change in interim differences in 2019

DKK 1,000	Balance 1/1-2019	Addition, purchase FirstFarms Slovakia A/S	Included in net profit/loss, net	Recogni-tion the equity	Exchange rate adjust-ments	Balance 31/12-2019
Intangible assets	0	0	0	0	0	0
Tangible assets	14,519	17,425	-278	0	-33	31,633
Biological assets	1,797	1,567	1,922	0	1	5,287
Other accounting items	-5,986	1,455	761	-553	-10	-4,333
Deficits with to put forward	-8,161	-465	3,215	0	4	-5,407
Re-taxation balance	5,288	0	-5,288	0	0	0
Total	**7,457**	**19,982**	**332**	**-553**	**-38**	**27,180**

Change in interim differences in 2018

DKK 1,00	Balance 1/1-2018	Addition, purchase FirstFarms Czech A/S	Included in net profit/loss, net	Recogni-tion the equity	Exchange rate adjust-ments	Balance 31/12-2018
Intangible assets	79	0	-79	0	0	0
Tangible assets	5,568	8,275	637	37	2	14,519
Biological assets	1,958	-679	519	0	-1	1,797
Other accounting items	-6,741	143	620	0	-8	-5,986
Deficits with to put forward	-7,612	0	-539	0	-10	-8,161
Re-taxation balance	5,288	0	0	0	0	5,288
Total	**-1,460**	**7,739**	**1,158**	**37**	**-17**	**7,457**

Parent company DKK 1,000	**2019**	**2018**
Deferred tax 1 January	1,195	1,158
Deferred tax of the year calculated in net profit/loss	-1,195	0
Tax recognised in the equity	0	37
Deferred tax 31 December	**0**	**1,195**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	0	0
Deferred tax (liability)	0	1,195
Deferred tax 31 December, net	**0**	**1,195**

FirstFarms A/S is withdrawn from international joint taxation.

21. Convertible bonds

	Group		Parent company	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Proceeds from issuance of convertible bonds, primo	130,680	138,883	130,680	138,883
Proceeds from issuance of new converti-ble bonds in the year	0	19,896	0	19,896
Converted in the year	-7,811	-26,415	-7,811	-26,415
Settled in the year	0	-1,684	0	-1,684
Proceeds from issuance of convertible bonds, end of period	**122,869**	**130,680**	**122,869**	**130,680**
Fair value of right to convert at date of is-suance recognised in the equity, primo	-2,042	-1,880	-2,042	-1,880
Fair value of right to convert at date of is-suance of new convertible bonds in the year	0	-162	0	-162
Fair value of financial obligation at the date of issuance	**120,827**	**128,638**	**120,827**	**128,638**
Amortisation 1 January	1,096	826	1,096	826
Amortisation for the year	293	270	293	270
Amortisation 31 December	**1,389**	**1,096**	**1,389**	**1,096**
Accounting value of financial obligation 31 December	**122,216**	**129,734**	**122,216**	**129,734**

The following convertible bonds have been issued:

Issued	For nominal	Conversion/expiry	Interest p.a., percent	Market interest, percent
2013	DKK 50 million	Repaid/converted 2018	6	6.63
2016	DKK 32.25 million *)	End 2020	6	6.40
2017	DKK 13.20 million *)	End 2020	6	6.20
2017	DKK 72.25 million *)	End 2022	5	5.20
2018	DKK 19.896 million	End 2022	5	5.20

**) Of bonds issued in 2016, bonds for DKK 10.75 million are converted, of the bond issuance of DKK 13.2 million in 2017, DKK 0.46 million is converted and of the issuance of bonds in 2017 of DKK 72.25 million, DKK 2.6 million are converted to shares.*

The value of the financial obligation is at the date of issuance calculated using a market interest corresponding to the interest for a similar non-convertible debt instrument. The difference between the proceeds at issuance of the convertible bonds and the fair value of the financial obligation constitutes the fair value of the right to convert at the date of issuance which is recognised directly in the equity (level 3 in the fair value hierarchy).

The fair value of the outstanding bonds at the end of 2019 is calculated to DKK 138.9 million. There is assumed an interest of discounting for bonds of 4 percent.

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

22. Debt to credit institutions

Liabilities are recognised in the balance as follows:

	Group		Parent company	
DKK 1,000	2019	2018	2019	2018
Non-current liabilities	252,739	143,49	0	0
Short-term part of long-term liabilities	67,088	46,842	0	0
Total	**319,827**	**190,332**	**0**	**0**
Bank overdrafts	53,967	21,514	0	0
Total	**373,794**	**211,846**	**0**	**0**
Fair value	373,794	211,846	0	0
Nominal value	373,794	211,846	0	0
- of this fixed interest	134,796	39,379	0	0

A change in the interest with 1 percentage point will, incl. other loans, entail a change in the interest expenses of DKK 2.4 million (2018: DKK 2.0 million).

When entering larger loans with variable interest rates, the interest rate on these agreements is secured by entering into a swap agreement. Quotations from more than one financial institution are obtained before an agreement is made.

FirstFarms has entered two SWAP agreements to secure the company against interest rate increases. These SWAP agreements have a value of DKK -2.6 million at the end of 2019. They were entered into for loans in Slovakia, which at the end of 2019 has an outstanding debt of DKK 134.8 million. The value of SWAP agreements is calculated on a quarterly basis, where statement is received from the bank. The value is calculated based on current interest rates and future payments regarding SWAP.

Current maturity:	2019	2018
Within 1 year	121,055	68,356
1-5 years	140,455	102,014
> 5 years	112,284	41,476
Total accounting value	**373,794**	**211,846**

The debt in Slovakia is taken out in EUR, and there is an average interest rate at the end of 2019 at 3-4 percent (2018: 3-5 percent). In Romania, the majority of the debt is taken out in the local currency or EUR, and the interest here is 3-5 percent (2018: 3-6 percent).

In Hungary, the debt is taken out in HUF, and carries interest with 3-5 percent (2018: 3-5 percent), and in Czech Republic the debt is taken out in CZK and carries interest with 3-5 percent (2018: 3-5 %)

In both 2019 and 2018, the fair value is calculated as present value of expected future repayments and interest payments. No specific terms or conditions are attached to the Group's loan including leasing obligations. The Group's debts to credit institutions are carried with variable interests and estimated in EUR.

Development in loan in credit institutes

Group DKK 1,000	**2019**	**2018**
Loan in credit institutes etc., beginning	211,846	111,357
Addition at purchase of FirstFarms Slovakia A/S / FirstFarms Czech A/S	93,336	52,581
IFRS 16 – leasing obligations	34,041	0
Addition	82,441	111,348
Repayments	-72,115	-81,350
Change in hedging instrument	2,633	0
Leasing set off under investment activity	21,612	17,910
Loan in credit institutes etc., end	**373,794**	**211,846**

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

Group 2019*) DKK 1,000	**Minimum contribution**	**Interest etc.**	**Repayment of liabilities**
0-1 year	19,458	1,653	17,805
1-5 years	39,749	2,887	36,861
> 5 years	2,158	151	2,008
Total	**61,365**	**4,691**	**56,674**

*) Numbers include incorporation of IFRS 16.

The total payments regarding leasing in 2019 is DKK 21.8 million, of which interest payments are DKK 2.0 million.

There are no variable payment leases, and there are no low value leases.

Group 2018 DKK 1,000	**Minimum contribution**	**Interest etc.**	**Repayment of liabilities**
0-1 year	9,140	563	8,577
1-5 years	19,297	664	18,633
> 5 years	0	0	0
Total	**28,437**	**1,227**	**27,210**

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	**2019**	**2018**	**2019**	**2018**
Supplier debts	26,645	12,704	258	230
Other debt obligations	48,624	22,615	3,797	5,882
Total	**75,269**	**35,319**	**4,055**	**6,112**

24. Corporation tax

	Group		Parent company	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Corporation tax 1 January	-42	-740	0	0
Current tax of the year	-6,007	-2	0	0
Paid corporation tax	4,259	2,956	0	0
Corporation tax 31 December	**-1,790**	**-42**	**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
For the bank debt in Slovakia, Romania, Hungary and Czech Republic of DKK 300.8 million, security has been given fixed assets, where the booked value constitutes DKK 646 million (2018: DKK 434 million).

The parent company has guaranteed for the subsidiaries' debt in credit institutions in Slovakia, Romania and Hungary with an accounting value of DKK 277.4 million (2017: DKK 125.2 million).

Security has been given for other liabilities in the parent company with a booked value of DKK 64.1 million in the shares in FirstFarms Slovakia A/S.

26. Change in working capital

	Group		Parent company	
DKK 1,000	**2019**	**2018**	**2019**	**2018**
Change in biological assets and inventories	2,068	-7,145	0	0
Change in receivables etc.	8,253	-11,500	-52	-147
Change in supplier debts, other debt obligations and accruals	16,390	-10,776	442	794
Total	**26,711**	**-29,421**	**390**	**647**

27. Non-cash transactions

DKK 1,000	2019	2018
Acquisition of tangible assets, cp. note 15	85,639	36,458
Of this, financial leased assets	-21,618	-11,910
Paid regarding acquisition of tangible assets	**64,021**	**24,548**
Proceeds at raising financial debt liabilities	31,944	40,270
Of this leasing debt	-21,618	-11,910
Received at raising financial debt liabilities	**10,326**	**28,360**

28. Risk management

The Group's risk management policy

Due to the fact that FirstFarms operates, invests and finances abroad, the company is exposed to fluctuations in exchange rates and interest rates. FirstFarms' policy is not to make speculation. The financial control of the Group is made to control the financial risks, which are a consequence of the Group's operations and finance.

To a large extent FirstFarms' foreign companies are not affected of exchange rate fluctuations because both revenues and costs are settled in domestic currency. The income statement in the Group accounts will therefore mainly be affected by conversion of the subsidiaries' result to DKK.

In the following, the consequences of changes in interest rates, exchange rates and other important factors are given to assess the company's expectations for 2020.

FirstFarms' activities are placed in Slovakia, Romania, Hungary and Czech Republic. A change in the Romanian RON of 1 percent will - all things being equal - affect EBIT with approx. DKK 0.1 million (2018: 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 Hungarian HUF of 1 percent will - all things being equal - affect EBIT with approx. DKK 0.2 million (2018: DKK 0.1 million. Furthermore, a direct effect on the equity will show due to a changed conversion of assets and liabilities.

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

An increase in the interest of 1 percent will – all things being equal – entail a change in the financial expenses of DKK 2.4 million (2018: DKK 2.1 million). The convertible bonds have a fixed interest and are thus not affected, and there is hedging for changes in interest for a significant part of the bank debt in Slovakia.

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 (2018: DKK 0.6 million). In addition to this, a value adjustment may occur on biological assets (the value of stock) as a result of changes in the milk price.

A 1 percent change in the price of piglets and slaughter pigs will – all things being equal – entail a change in the EBIT result of DKK 1.7 million (2018: DKK 0.8 million). In addition to this, there will be a value adjustment of the biological assets.

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 (2018: DKK 1.0 million).

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

Liquid funds
FirstFarms has entered agreements with banks in Denmark, Slovakia, Romania, Hungary and Czech Republic regarding credit lines, which, together with the present financing in the company, is assessed to cover the company's cash needs in 2020.

The Groups liabilities fall due as follows:

2019 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	314,486	349,474	110,914	121,098	117,462
Financial leasing liabilities	56,674	61,365	19,458	39,749	2,158
Trade payables	26,645	26,645	26,645	0	0
Convertible bonds	122,217	138,035	38,718	99,317	0
Other interest-bearing debt	64,149	68,752	14,846	53,906	0
Derivative financial Instruments	2,633	2,633	376	1,504	753
31 December	**586,804**	**646,904**	**210,957**	**315,574**	**120,373**

All of the parent company's main liabilities are convertible bonds and other debt obtained in connection with purchase of the shares in FirstFarms Slovakia A/S.

2018 DKK 1,000	**Accounting value**	**Contractual cash flows**	**Within 1 year**	**1 to 5 years**	**After 5 years**
Non-derivative financial instruments					
Credit institutions and banks	184,636	206,589	69,828	62,138	74,623
Financial leasing liabilities	27,210	28,437	9,140	19,297	0
Trade payables	12,704	12,704	12,704	0	0
Convertible bonds	129,734	153,449	6,919	146,530	0
Derivative financial instruments	0	0	0	0	0
31 December	**354,284**	**401,179**	**98,591**	**227,965**	**74,623**

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

29. IFRS 16 and operational leasing obligations

2019
IFRS 16 came into force from 2019, and at the transition, the company has chosen the simple method for recognising assets and liabilities, see also the section under accounting policies.

FirstFarms' rent and leasing contracts, which were previously covered by operational leasing, are recognised as tangible fixed assets and financial leasing obligations from 1 January 2019.

Group DKK 1,000	**2019**
Operational leasing obligations 31 December 2018	30,185
Discounted value incl. provided extension of contracts	3,856
Financial leasing obligations 31 December 2018	28,437
Leasing obligations 1 January 2019	**62,478**
Short-term debt obligations	20.090
Long-term debt obligations	42,388

Under changes of accounting policies, there is are more detailed description of the impact on the financial statement on 1 January 2019.

During the financial year 2019, the recognition according to IFRS 16 has had an impact on the financial statements through an increase in depreciation, a transfer between depreciation and rental expenses and an increased interest expense, as the financial leasing has increased with land and machinery relating to rent and leasing agreements.

The total impact on the most important items is depreciation of DKK 11.9 million, an increase in EBITDA of DKK 12.7 million, an increase of EBIT by DKK 0.9 million and a reduction of profit before tax of DKK 0.6 million. The above changes have not affected the Group's cash flow.

During the year, DKK 3.8 million was invested in rent contracts regarding IFRS 16 which do not affect cash flow. Similarly, the increase in the financial leasing did not give rise to cash flows, neither at the transitions 1 January 2019 nor through investments in 2019 at the conclusion and renewal of rent contracts.

2018 – before implementation of IFRS 16

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

Group DKK 1,000	**2018**
0-1 year	11,058
1-5 years	14,560
> 5 years	4,567
Total	**30,185**

The agricultural activity in foreign subsidiaries is partly carried out by ownership of farm land and partly by making leasing contracts. In Slovakia, the yearly rent is determined by the official unit of land valuation and in Romania and Czech Republic as per agreement.

In the income statement for 2018 DKK 9.5 million was put to cost regarding land lease.

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

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

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

Furthermore, FirstFarms has entered agreement about operational leasing of machines with an annual cost of approx. DKK 2.9 million with a currency of 1-3 years.

The parent company has entered agreement about operational leasing with yearly contributions of DKK 0.1 million.

30. Related parties

FirstFarms A/S do not have shareholders with determinative influence on FirstFarms A/S.

FirstFarms A/S' related parties with determinative influence include the management and the Board of Directors of the company. Related parties also include the company where the above-mentioned persons have considerable interests. Besides remuneration, cp. note 6, no transactions with the Board of Directors and Management have been made in 2019.

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 2019, FirstFarms A/S has invoiced group contributions etc. of DKK 0.3 million (2018: 0.5 million).

2019

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

2018

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

31. Subsequent events

FirstFarms closely monitors the development and takes COVID-19 very seriously. The financial consequences hereof cannot be assessed at this time.

It is positive, that FirstFarms so far only has experienced a minor financial impact on the production, as a result of COVID-19. Our daily work including transport, field work and livestock is adapted current precautions due to

COVID-19. In future, a shortage of goods for our production may arise, which is why we to a great extent have secured input to large parts of the spring.

Cf. company announcement no. 2. of 27 March 2010, a conditional agreement has been entered about purchase of AISM Srl.

AISM srl. owns 2,430 hectares of cultivated, leased agricultural land in Romania, a modern silo plant with 6,000 tons storage capacity, feed mill and storage- and office facilities.

It has been agreed, that the owners of AIC A/S will be paid with shares in FirstFarms A/S. In this connection, it is agreed, that the owners of AIC A/S will receive 1,198,500 new shares in FirstFarms A/S, and also a conditional receivable corresponding to the value of 50,000 shares at the time where the receivable is to be settled.

The 1,198,500 new shares are planned to be issued by a capital increase at minimum market price in accordance to the authorisation to the Board of Directors in FirstFarms A/S' Articles of Association.

The receivable must be settled on delivery of the shares or cash payment 15 months after closing, to the extent that no guarantee claims have been made beforehand.
The transaction will be final, when the agreed closing conditions are met.

If the transaction is carried out according to the above, the owners of AIC A/S will hold 16.5 percent of the shares in FirstFarms A/S, as a result of the transaction. The transaction is expected to be completed at the latest in second quarter of 2020, and if the transaction is carried out according to the signed conditional agreement, the purchase is expected to contribute with a positive result in the current financial year.

The expected purchase of the share capital in AISM srl. is partly to support FirstFarms' overall strategy and positive development, and partly as a part in the development of the company's activities in Romania.

After the balance day 31 December 2019, no essential events, beside the above, for the Group's and the company's position have occurred.

32. New accounting regulations

The following new or amended accounting standards and interpretations that may be relevant to FirstFarms A/S have been adopted by the IASB. The standards come into force for fiscal year beginning 1 January 2020. They will be implemented in the annual reports when they come into force.

EU approved:

Amendment to IAS 1 and 8, Defining material
The definition of materiality is changed to ensure consistency throughout the standards. The definition now also includes blurring along with omission and misrepresentation
Amendment to IFRS 9 and IFRS 7, IBOR reform
The amendment provides an opportunity to continue accounting hedging of reference interest rates (IBOR), which is expected to be replaced by other reference rates, irrespective of whether it would cease as a result of the uncertainty under the general provisions.

Not EU approved

Amendment to IFRS 3 - Definition of a business
The amendment incorporates an adjustment to the definition of a business and introduces a voluntary "screening test", which allows one to conclude that the purchased one does not constitute a business, if the entire value can be attributed to a single asset or group of identical assets.

FirstFarms does not expect implementation of the amended standards to have a material impact on the financial reporting.