Company announcement no. 16/2017

29 August 2017

Interim financial report for 1 January – 30 June 2017 for FirstFarms A/S

Summary

The Board of Directors and Management of FirstFarms A/S have today reviewed and adopted the un-audited interim financial accounts for the period 1 January – 30 June 2017.

Improvement of the result in first half year 2017

- FirstFarms has in the accounting period realised a turnover of DKK 66.4 million, an EBIT result of DKK 7.8 million and a pre-tax result of DKK 3.2 million. The result is improved with DKK 5.5 million compared to same period last year.
- In the first half year, the milk price has been a little lower than expected, but significantly higher than last year. The milk production has in the first half year been on expected level.
- The sales prices on grain and oil seed are in total expected to be on par with the budget.
- The harvest yields for the autumn crops have been lower and expected due to a dry spring period, especially in Slovakia. Also lower harvest yields are expected for the spring crops. The extent can first be evaluated, when the amount of rain in the remaining growth season is known.
- The take-over of the pig production in Hungary has contributed with higher EBIT that recognised in FirstFarms' budget.
- FirstFarms maintains the announced expectations of an EBIT result of DKK 18-22 million.

Best regards,
FirstFarms A/S

<u>For further information:</u>
Please visit our website www.firstfarms.com or
contact CEO Anders H. Nørgaard on telephone +45 75 86 87 87.

FirstFarms A/S
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Main and key ratios

DKK 1,000	The Group Q1+Q2 2017	The Group Q1+Q2 2016	The Group Q2 2017	The Group Q2 2016	The Group 2016

Main figures

Turnover	66,376	38,848	33,760	13,433	130,257
Gross profit/loss	11,507	8,132	-1,656	4,257	7,330
Profit/loss of primary operations	7,829	2,116	-58	2,115	-2,771
Net financial items	-4,582	-4,403	-2,833	-2,480	-9,750
Pre-tax result	3,247	-2,287	-2,891	-365	-12,521
Net profit	3,310	-1,577	-2,139	-243	-12,957

Non-current assets	465,693	400,443	465,693	400,443	396,403
Current assets	167,929	156,583	167,929	156,583	119,112
Total assets	633,622	557,026	633,622	557,026	515,515
Share capital	50,071	47,122	50,071	47,122	47,122
Equity	309,537	303,784	309,537	303,784	292,823
Non-current liabilities	165,796	79,478	165,796	79,478	95,059
Current liabilities	158,289	173,764	158,289	173,764	127,633

Cash flow from primary operations	1,809	-3,039	-8,203	-5,550	12,275
Cash flow from operations	-3,605	-7,704	-11,067	-8,030	2,040
Cash flow for investment, net	-15,418	-8,997	-14,458	-2,745	-18,817
Of which for investment in tangible assets	0	-11,644	2,998	-4,232	-23,057
Cash flow from financing	20,778	12,026	18,099	7,898	4,792
Total cash flow	1,755	-4,675	-7,426	-2,877	-11,985

Key figures

Gross margin	17.3	20.9	-4.9	31.7	5.6
Operating margin	11.8	5.4	-0.2	15.7	-2.1
Solvency ratio	49	55	49	55	57
Earnings per share, DKK	0.70	-0.33	-0.45	-0.05	-2.75
Diluted earnings per share, DKK	0.53	0.33	-0.45	-0.05	-2.06
Return on shareholders' equity	2.2	-1.0	-2.8	-0.3	-4.2

Average number of employees	236	214	256	217	214

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Management report for the period 1 January – 30 June 2017

FirstFarms has in the accounting period realised a turnover of DKK 66.4 million, an EBIT result of DKK 7.8 million and a pre-tax result of DKK 3.2 million. The result is improved with DKK 5.5 million compared to same period last year.

In the first half year, the equity is increased with DKK 13.7 million, in consequence of a result of DKK 3.3 million and an exchange rate adjustment of DKK 0.1 million and issuance of shares for DKK 13.3 million.

In the first half year, the milk price has been a little lower than expected, but significantly higher than last year. The milk production has in the first half year been on expected level.

The sales prices on grain and oil seed are in total expected to be on par with the budget.

The harvest yields for the autumn crops have been lower and expected due to a dry spring period, especially in Slovakia. Also, lower harvest yields are expected for the spring crops. The extent can first be evaluated, when the amount of rain in the remaining growth season is known.

The take-over of the pig production in Hungary has contributed with higher EBIT that recognised in FirstFarms' budget.

Risk assessment

FirstFarms has in the annual report for 2016 described the most essential risks for the company, and it is the management's opinion that this description is still adequate. The annual report and the risk assessment can be found on the company's website www.firstfarms.com.

Accounting policies

The interim financial report is prepared in accordance with IAS 34 "Presentation of interim financial reports" as adopted by the EU and Danish disclosure requirements for listed companies.

Accounting policies are, except for the below mentioned, unchanged compared to the consolidated financial statement and annual report for 2016, to which is referred.

FirstFarms A/S has implemented the standards and interpretations, which become effective for 2017. None of these standards have affected recognition and measurement in 2017.

The consolidated financial statement and annual report for 2016 contains the full description of accounting policies.

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Expectations for 2017

FirstFarms maintains the announced expectations of an EBIT result of DKK 18-22 million.

Financial calendar for 2017

28 November 2017 Interim financial report 1 January – 30 September 2017

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Management statement

The Management and Board of Directors of FirstFarms have today discussed and approved the interim financial report of FirstFarms A/S for the period 1 January – 30 June 2017.

The interim financial accounts, which has not been audited or reviewed by the independent auditors of the Company, has been prepared in accordance with IAS 34 – "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion the interim financial accounts give a true and fair view of the Group's assets, liabilities and financial position at 30 June 2017 and of the results of the Group's operations and cash flows for the period 1 January – 30 June 2017.

Further, in our opinion the Management's review gives a true and fair overview of the development in the Group's operations and financial matters, the results of the Group's operations and the Group's financial position as a whole.

Gadoros, Hungary, 29 August 2017

Management

Anders H. Nørgaard
CEO

Board of directors

Henrik Hougaard
Chairman

Asbjørn Børsting

Jens Bolding Jensen

Bent Juul Jensen

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Income statement

DKK 1,000	The Group Q1+Q2 2017	The Group Q1+Q2 2016	The Group Q2 2017	The Group Q2 2016	The Group 2016
Turnover	66,376	38,848	33,760	13,433	130,257
Value adjustment of biological assets	3,512	10,608	-1,656	4,875	8,789
Production costs	-78,268	-60,198	-39,397	-24,613	-173,881
Grants	19,887	18,874	10,734	10,562	42,165
Gross profit/loss	**11,507**	**8,132**	**3,441**	**4,257**	**7,330**
Other operating income	2.697	212	10	180	867
Administration costs	-6,276	-5,909	-3,410	-2,119	-10,461
Other operating costs	-99	-319	-99	-203	-507
EBIT result	**7,829**	**2,116**	**-58**	**2,115**	**-2,771**
Financial income	184	112	110	79	269
Financial costs	-4,766	-4,515	-2,943	-2,559	-10,019
Pre-tax result	**3,247**	**-2,287**	**-2,891**	**-365**	**-12,521**
Tax on net profit	63	710	752	122	-436
Net profit	**3,310**	**-1,577**	**-2,139**	**-243**	**-12,957**
Earnings per share, DKK	0.70	-0.33	-0.45	-0.05	-2.75
Diluted earnings per share, DKK	0.53	-0.33	-0.45	-0.05	-2.75

Total income statement

DKK 1,000	The Group Q1+Q2 2017	The Group Q1+Q2 2016	The Group Q2 2017	The Group Q2 2016	The Group 2016
Net profit	3,310	-1,577	-2,139	-243	-12,957
Other total income					
Items, which can be re-classified to the income statement:					
- Exchange rate adjustments by conversion of foreign units	104	-812	344	-74	-924
- Tax of other total income	0	0	0	0	0
Other total income after tax	**104**	**-812**	**344**	**-74**	**-924**
Total income	**3,414**	**-2,389**	**-1,795**	**-317**	**-13,881**

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Balance

DKK 1,000	The Group Q1+Q2 2017	The Group Q1+Q2 2016	The Group 2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	16,011	16,017	16,007
Land lease contracts	2,967	4,250	3,542
Total intangible assets	**18,978**	**20,267**	**19,549**
Tangible assets			
Land and buildings	314,653	261,872	263,528
Plant and machinery	71,993	71,424	66,604
Fixtures and fittings, tools and equipment	2,461	931	985
Fixed assets under construction	16,606	9,808	8,591
Total tangible assets	**405,713**	**344,035**	**339,708**
Biological assets			
Basic herd	29,075	23,894	25,220
Total biological assets	**29,075**	**23,894**	**25,220**
Other non-current assets			
Deferred tax asset	11,927	12,247	11,926
Total other non-current assets	**11,927**	**12,247**	**11,926**
Total non-currents assets	**465,693**	**400,443**	**396,403**
Current assets			
Inventories	25,239	19,539	47,413
Biological assets - breeding and crops	98,712	98,344	43,498
Receivables	9,257	5,397	4,533
Other receivables	30,139	26,465	17,948
Accruals and deferred expenses	3,738	2.395	2,927
Cash at bank and in hand	844	4,443	2,793
Total current assets	**167,929**	**156,583**	**119,112**
TOTAL ASSETS	**633,622**	**557,026**	**515,515**

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DKK 1,000	The Group Q1+Q2 2017	The Group Q1+Q2 2016	The Group 2016
EQUITY AND LIABILITIES			
Equity			
Share capital	50,071	47,122	47,122
Reserve for exchange rate adjustment	-22,944	-22,936	-23,048
Transferred result	282,410	279,598	268,749
Proposed dividend	0	0	0
Total equity	**309,537**	**303,784**	**292,823**
Liabilities			
Non-current liabilities			
Deferred tax	9,281	7,287	7,177
Credit institutions	75,391	40,078	25,018
Convertible bonds	72,253	32.113	62,864
Other non-current debt	8,871	0	0
Total non-current assets	**165,796**	**79,478**	**95,059**
Current liabilities			
Credit institutions	89,492	87,837	93,206
Convertible bonds	0	3,901	0
Trade payables and other payables	56,666	69,444	21,512
Corporation tax	0	0	801
Accruals and deferred income	12,131	12,582	12,114
Total current liabilities	**158,289**	**173,764**	**127,633**
Total liabilities	**324,085**	**253,242**	**222,692**
TOTAL EQUITY AND LIABILITIES	**633,622**	**557,026**	**515,515**

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Equity statement (Condensed)

DKK 1,000	The Group Q1+Q2 2017	The Group Q1+Q2 2016
EQUITY STATEMENT		
Equity 1 January	292,823	306,173
Result of the period	3,310	-1,577
Other total income	104	-812
Issuance of shares	13,300	0
Total income for the period	16,714	-2,389
Equity 30 June	**309,537**	**303,784**

Cash flow statement

DKK 1,000	The Group Q1+Q2 2017	The Group Q1+Q2 2016
Pre-tax result	3,247	-2,287
Cash generated from operations (operating activities) before changes in working capital	14,066	1,021
Cash flow from primary activities	1,809	-3,039
Cash flow from operating activities	-3,605	-7,704
Cash flow from investing activities	-15,418	-8,997
Cash flow from financing activities	20,778	12,026
Total cash flow	**1,755**	**-4,675**
Available, at the beginning	-90,413	-78,731
Exchange rate adjustment of available	10	12
Available at closing	**-88,648**	**-83,394**
Available at closing is recognised as follows:		
Available funds	844	4,443
Current bank debt	-89,492	-87,837
Available at closing	-88,648	-83,394

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Segment information

Q1+Q2 2017 DKK 1,000	Romanian activities	Slovakian activities	Hungarian activities	Total report compulsory segments
Total segment turnover	6,261	47,445	12,670	66,376
Grants	7,318	11,528	1,041	19,887
Value adjustment of biological assets	3,600	-54	-34	3,512
Financial income	169	0	83	252
Financial costs	-1,351	-2,325	-549	-4,225
Depreciations	3,602	8,308	740	12,650
Segment result before tax	2,339	527	4,434	7,300
Segment assets	209,752	341,969	81,570	633,291
Plant investments *)	6,584	5,369	5,503	17,456
Segment liabilities	165,918	230,524	67,182	463,624

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

The result for Hungary covers only Q2, and revenue of DKK 2.6 million is recognised from the opening balance.

Q1+Q2 2016 DKK 1,000	Romanian activities	Slovakian activities	Hungarian activities	Total report compulsory segments
Total segment turnover	6,572	32,276	0	38,848
Grants	5,617	13,257	0	18,874
Value adjustment of biological assets	4,000	6,608	0	10,608
Financial income	112	0	0	112
Financial costs	-1,493	-2,725	0	-4,218
Depreciations	3,412	8,232	0	11,644
Segment result before tax	2.126	-1,395	0	731
Segment assets	205,871	350,403	0	556,274
Plant investments *)	7,395	4,269	0	11,664
Segment liabilities	156,697	238,003	0	394,700

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

Reconciliation of report compulsory segments result

DKK 1,000	Q1+Q2 2017	Q1+Q2 2016
Segment result before tax for report compulsory segments	7,300	731
Non-allocated result, Group function	-4,053	-3,018
Result of continued operations before tax, cp income statement	**3,247**	**-2,287**

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Purchase of subsidiary

FirstFarms has in the accounting period purchased the shares in Dan-Farm Holding A/S, who runs pig production in Hungary.

The acquisition price constitutes DKK 9.4 million, and it is paid by issuance of shares in FirstFarms A/S.

The Group has paid the transaction costs of approx. DKK 0.3 million in connection with the trade.

The company is taken over at the end of March 2017, and there is only limited influence of the take-over in the operation of Q1, cp. the segment information above.

The below statement of the net assets is preliminary.

DKK 1,000	**Recognised value at acquisition date**
Tangible assets	60,696
Biological assets	10,919
Inventories	1,611
Receivables	3,702
Cash at bank and in hand	4,996
Credit institutions	-36,634
Deferred tax	-2,546
Trade payables	-4,993
Other payables	-25,771
Net assets taken over	**11,980**
Total acquisition price	**9,400**
Difference - recognised in other operating income	**2,580**

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