Annual report 2012

FirstFarms A/S
CVR: 28 31 25 04

Registered office: Billund

Summary

2012: Disappointing result for the year based on drought and disease in the livestock

- In 2012, FirstFarms realised a turnover of DKK 108.1 million, an EBITDA-result of DKK -6.3 million, an EBIT-result of DKK -27.7 million and a pre-tax result of DKK -34.5 million.
- The result is very unsatisfactory.
- The crop yields in Slovakia were unsatisfactory with settlement prices corresponding to the expectations. In Romania, the crop yields were also unsatisfactory, whereas the settlement prices were above the expectations.
- The milk price was lower that the expectations as the prices were under pressure in the summer 2012.
- The milk production has been unsatisfactory due to disease pressure.
- In 2012, FirstFarms realised a positive cash flow from main activities of DKK 2 million.

2013: Expectations

In 2013, FirstFarms expects an EBIT-result of DKK 10-15 million.

The profit increase compared to 2012 is based on an expected normalisation of the crop yields and a price level a little lower than the market price at harvest 2012. Furthermore, an efficiency improvement of the milk production and a reduced disease pressure in the livestock and a higher milk price.

Content

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

Financial highlights and key ratios

Financial highlights for the Group DKK 1,000	2012	2011	2010	2009	2008
Net turnover	108,080	129,331	85,130	75,605	59,490
Gross profit/loss	-15,110	29,695	10,210	-29,954	1,404
Profit/loss from primary operations	-27,668	17,088	-7,932	-36,207	-25,710
Net financial items	-6,847	-6,327	-3,994	-5,971	2,273
Pre-tax result of continued operations	-34,515	10,761	-11,926	-42,178	-23,437
Net profit of continued operations	-27,435	9,003	-9,268	-37,070	-21,227
Result of discontinued operations	0	0	0	0	-791
Net profit	-27,435	9,003	-9,268	-37,070	-22,018
Non-current assets	388,706	401,149	414,400	388,116	400,953
Current assets	78,250	95,791	80,754	127,007	128,131
Total assets	466,956	496,940	495,154	515,123	529,084
Share capital	47,122	47,122	47,122	47,122	471,224
Equity	318,407	347,995	340,884	352,091	394,785
Non-current liabilities	42,641	44,365	52,936	71,157	40,571
Current liabilities	105,908	104,580	101,334	91,875	93,728
Cash flow from primary operation	1,972	18,501	19,847	-19,879	-21,449
Cash flow from operating activities	-4,700	10,143	15,853	-26,183	-19,997
Cash flow from investment, net	-3,906	-13,771	-41,407	9,178	-178,203
Of which for investment in tangible assets	-13,230	-14,445	-33,576	-50,363	-148,022
Cash flow from financing	2,147	1,662	-10,481	24,329	14,220
Total cash flow	-6,459	-1,966	-36,035	7,324	-180,184
Key ratios for the Group					
Gross margin	-14.0	23.0	12.0	-0.4	2.4
Operating margin	-25.6	13.2	-9.3	-47.9	-43.2
Solvency ratio	68	70	69	68	75
Earnings per share, DKK	-5.82	1.91	-1.97	-7.87	-4.67
Diluted earnings per share, DKK	-5.82	1.91	-1.97	-7.87	-4.67
Return on shareholders' equity	-8.2	2.6	-2.7	-9.9	-5.4
Average number of employees	203	206	205	211	219

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 Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

The financial ratios stated in the consolidated financial statements and in the annual report have been calculated as follows:

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

Management review

2012 became a difficult year for FirstFarms. In 2011, FirstFarms initiated a turnaround, but in 2012 the company again had to carry out significant restructuring to form basis for profitability in the operation.

In 2012, FirstFarms realized a turnover of DKK 108.1 million (2011: DKK 129.3 million), an EBITDA-result of DKK -6.3 million (2011: DKK 35.4 million), an EBIT-result of DKK -27.7 million (2011: DKK 17.1 million) and a pre-tax result of DKK -34.5 million (2011: DKK 10.8 million).

The result is significantly negatively influenced by bad yields despite higher prices from crops. Mycoplasma[1] was diagnosed in the milk production and thereby unsatisfactory efficiency, partly due to a lower number of cows, as it has been necessary to carry out a clearance of the livestock, and partly by a lower production per cow. The decreasing number of cows has also entailed an impairment of the stock value.

The management considers the result as very unsatisfactory.

At FirstFarms' appointment of Anders H. Nørgaard as new CEO, with start on 1 June 2012, FirstFarms again wanted to work with growth based on the previous business plan. This focus was changed due to a bad earnings development in the milk- and field production, for which reason the resources primarily were concentrated on realisation of a profitable operation before working with growth again.

The profitable operation also relates to sale of assets which are not part of the future strategy – including land owned but not a part of the future strategy for own cultivation.

The completion of the stables in 2011 meant that improved conditions for the milk production were established, which entailed that focus could be on the continuous improvements of the productivity in the milk production.

The milk production has due to disease in the livestock developed negatively until the end of Q3 2012, but has in Q4 2012 again shown an increasing trend. The increase is continued in Q1 2013. However, there is still a significant potential for improving the efficiency in the milk production.

Prices on grain and oilseed
The prices on grain and oilseed increased sharply during 2012. FirstFarms had chosen to sell a part of the year's harvest in the spring at acceptable prices corresponding to the expectations. In the light of price increase on grain and oilseed in the last half of 2012, FirstFarms has thus realized lower sales prices than the price at the time of harvest. FirstFarms expects that the prices in 2013 will be on a satisfactory level.

Eastern Europe has been hit by drought and hard winter in the growth season 2011/2012, which meant that FirstFarms in 2012 has realised very unsatisfactory yields on almost all crops.

In the growth season 2012/13, all winter crops in Slovakia and Romania are well-established and there have been satisfactory amounts of rain until the end of 2012. A satisfactory yield is therefore expected in the field production in 2013, as long as we get acceptable growth conditions in spring and summer in 2013.

Milk prices
With a yearly milk production above 20 million kg milk, the milk price is of vital importance for FirstFarms.

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[1] Mycoplasma Bovis (MB) is a bacteria-like organism that is transmitted by direct contact from one animal to another. Infection occurs primarily through snot and saliva. This means through feed, water troughs, milking of the cow and through milk.

MB is in particular the cause of mastitis, but there can also be seen an increased incidence of pneumonia and especially arthritis in front leg of cows. In calves it causes pneumonia and an increased incidence of otitis media and arthritis. The treatment effect is poor, as MB is a bacterium without a cell wall and resistant to antibiotics.

MB is sensitive to drying and disinfection. Therefore, a good stable hygiene and good milking routines are the best recommendations to avoid infection within the herd. The disease is not harmful to humans but is solely contagious from cattle to cattle.

In 2012, the milk price has been very fluctuating in the range DKK 1.97 to DKK 2.60. The average sales price in 2012 was DKK 2.22 per kg compared to DKK 2.53 per kg in 2011.

In 2012, FirstFarms has sold milk to 6 different buyers. Sale is often made directly to the dairies. The contracts primarily run with fixed prices in 3 month prior with weekly settlement from the buyer. The milk is sold both locally in Slovakia and to export.

The company expects to maintain the strategy of continuous negotiation with more buyers to ensure a satisfactory milk price and expects an average settled milk price of DKK 2.61 per kg in 2013.

Grants
FirstFarms receives grant to the milk production in Slovakia. The grant is paid partly by EU and partly by the Slovakian state. The cattle grant is totally reduced with DKK 2.0 million in 2012 compared to 2011.

Hectare grant is given for cultivating the land in both Slovakia and Romania. The EU-grants in Romania are under phase-in until 2015 and Slovakia is fully phased-in in 2013.

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

The total public grants constituted DKK 21.4 million in 2012 compared to DKK 23.5 million in 2011.

Balance and cash flow
FirstFarms' equity decreased in 2012 with DKK 28.7 million, which is composed by a result of DKK -27.4 million and a negative exchange rate adjustment of DK 1.3 million. At the end of 2012, the solvency ratio is 68 compared to 70 at the end of 2011.

The return on FirstFarms' equity was in 2012 -8.2 percent compared to 2.6 percent in 2011.

Cash flows from primary operation constitute DKK 2.0 million in 2012 compared to DKK 18.5 million in 2011.

Investments
In 2012, FirstFarms has carried out maintenance investments in existing operating systems. Land has only been traded in smaller scale.

Interest-bearing debt
The interest-bearing debt in FirstFarms is DKK 91.4 million and thus constitutes 28.7 percent of the equity and 19.6 percent of the balance sum.

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

The exchange rate fluctuations on RON have been larger the latest years and in 2012 it has been up to 6.6 percent. From the beginning to the end of 2012 the RON has decreased approx. 2.3 percent compared to DKK.

The negative adjustment of the exchange rate has given a decrease in the company's equity of approx. DKK 2 million.

Slovakia

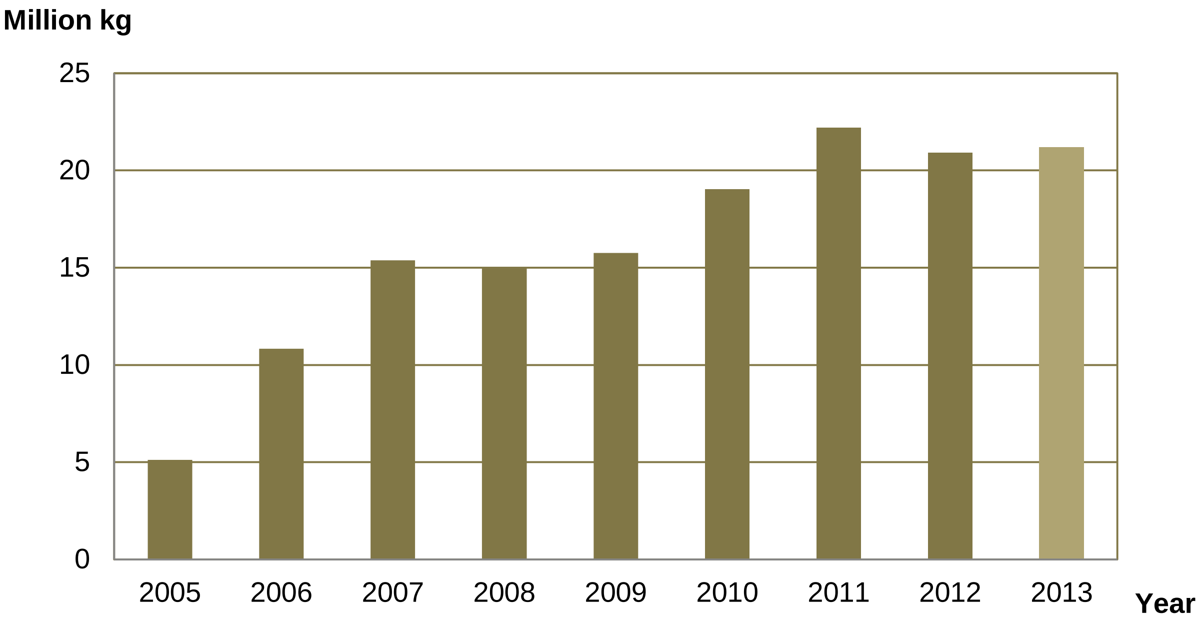
Milk production
The milk production has decreased with 1.3 million kg in 2012 compared to 2011, and thus 20.9 million kg of milk was delivered from FirstFarms in 2012, which is very unsatisfactory. The expectation was 26.5 million kg of milk for 2012.

The less production was primary due to a high disease pressure in the livestock, such as mycoplasma.

The production per cow through 2012 has been unsatisfactory low but has in the last quarter shown an increasing trend. As a consequence of disease pressure there has been a high number of cull cows just as new ones will not be bought until the disease pressure in the livestock is under control. Thus, the number of cows has decreased over the year. The stock of milking cows was at the end of 2012 at 2,454 compared to 2,968 at the end of 2011.

In 2013, a total delivery of 21.2 million kg milk is expected from FirstFarms, which is an increase of 1.4 percent but with significant better yield and contribution margin per cow compared to 2012.

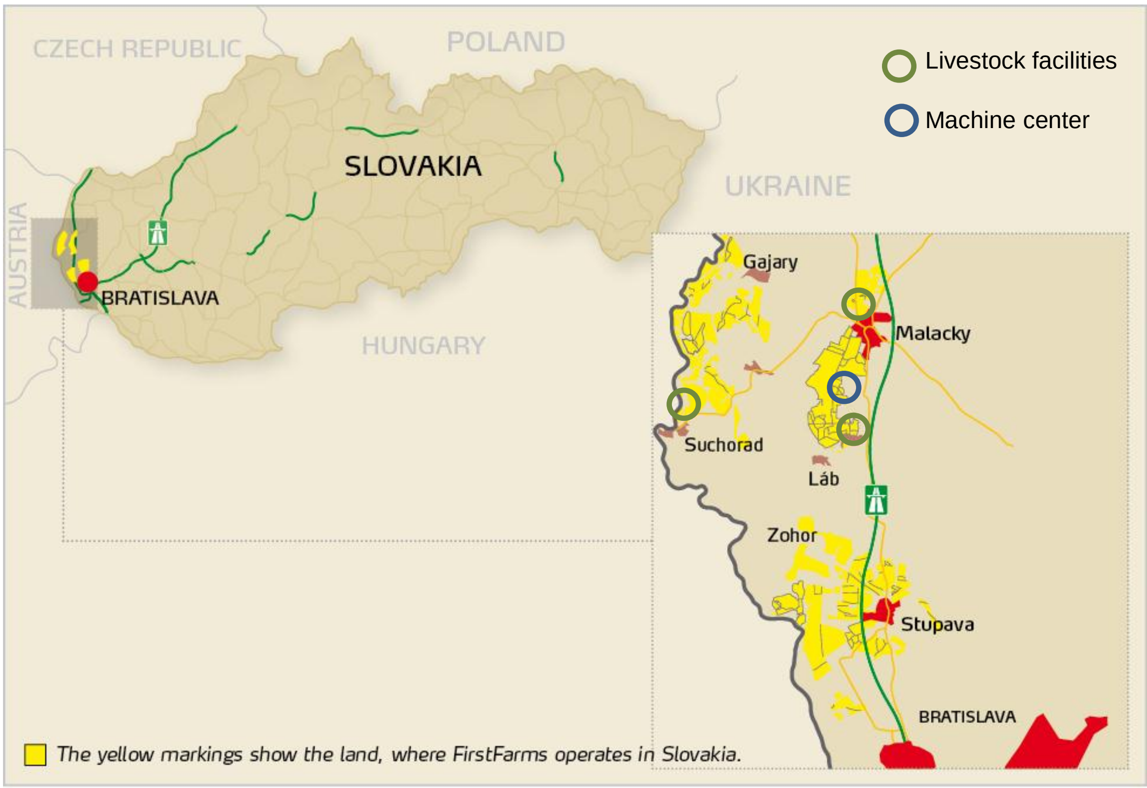
Development in FirstFarms' sale of milk in Slovakia



Construction of cattle stables
The construction of cattle stables was completed in 2011, thus FirstFarms now has an updated production plant with a capacity of 2,700 milking cows including breeding with potential for expansion to 3,300 milking cows.

Field production
In 2012, FirstFarms has realised unsatisfactory yields from the fields in Slovakia.

FirstFarms in Slovakia



Land
Approx. 8,000 hectares of land is cultivated in Slovakia, of which FirstFarms owns 429 hectares. FirstFarms has only to a limited extent traded agricultural land in Slovakia in 2012.

In FirstFarms' opinion, the land price in Slovakia in 2012 has been constant.

The main part of the land cultivated in Slovakia is leased land, and the leasing periods are between 1 and 15 years. The approx. 5,600 lease contracts are renewed on an ongoing 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. one third of the land is administrated by the state through a land fund. It is considered that, over time, this land will be offered for sale with pre-emptive rights for the users.

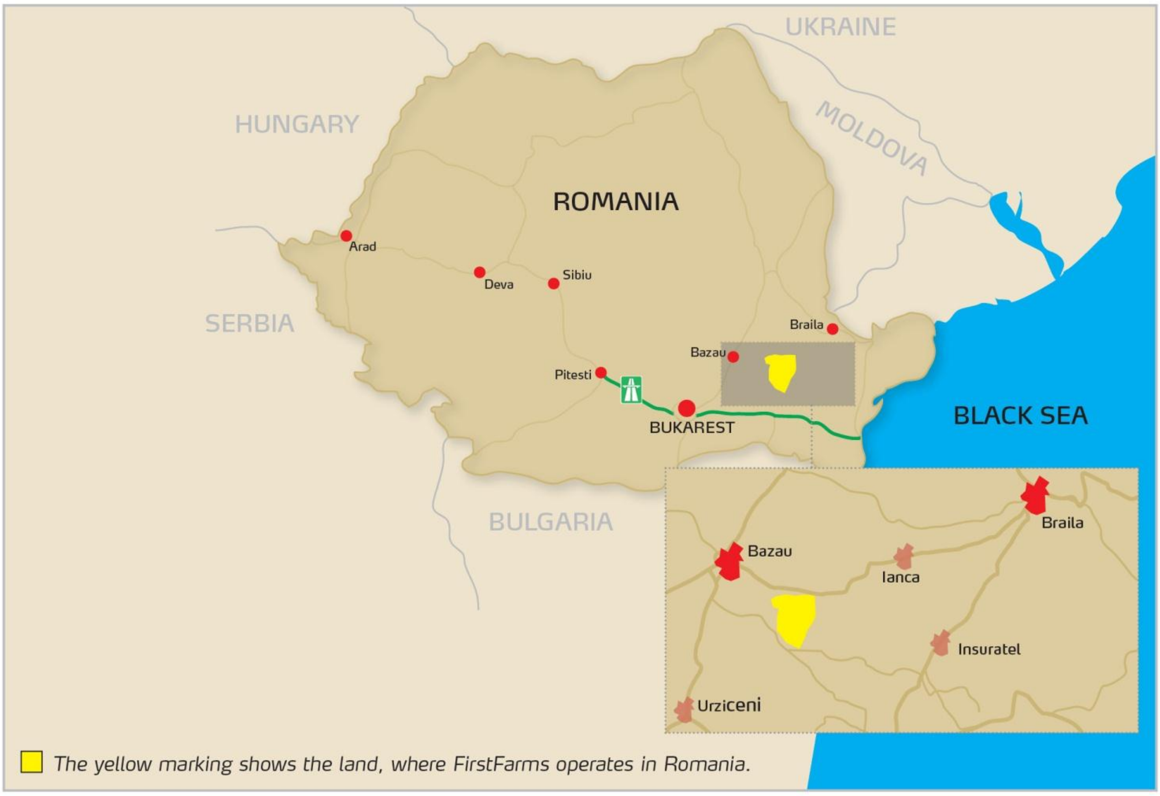
Romania

Field production
The harvest in Romania has been very unsatisfactory, but the realised sales prices have been better than expected at the beginning of the year. However, the better sales prices have not been able to compensate for the unsatisfied harvest yield.

In 2012, 4,250 hectares were cultivated and the area is expected to be expanded to 4,350 hectares in 2013.

The sprout in the autumn 2012 has been satisfactory.

FirstFarms in Romania



Land
In 2012, an evaluation has been carried out on all land trades and documents in FirstFarms in Romania. At the end of 2012, FirstFarms owns 7,111 hectares of land in Romania.

Trends in land prices
It is FirstFarms' assessment that the land prices in Romania in 2012 have been increasing. The number of trades is however still on a low level. The value of the land in Romania varies from area to area and according to quality and climatic conditions plus degree of compacting.

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 land prices and the development in the land prices.

At the turn of the year 2012/2013, FirstFarms has conducted land evaluation of a part of the land in Romania and this has been complemented with the company's own experiences with land prices to calculate the value of the company's land. The total value amounts to around DKK 140 million compared to a booked value of DKK 108.7 million.

For the moment FirstFarms has 3,800 hectares outside our primary cultivation area which in the long term are to be divested. These are expected to be sold at prices above booked level.

Expectations for 2013

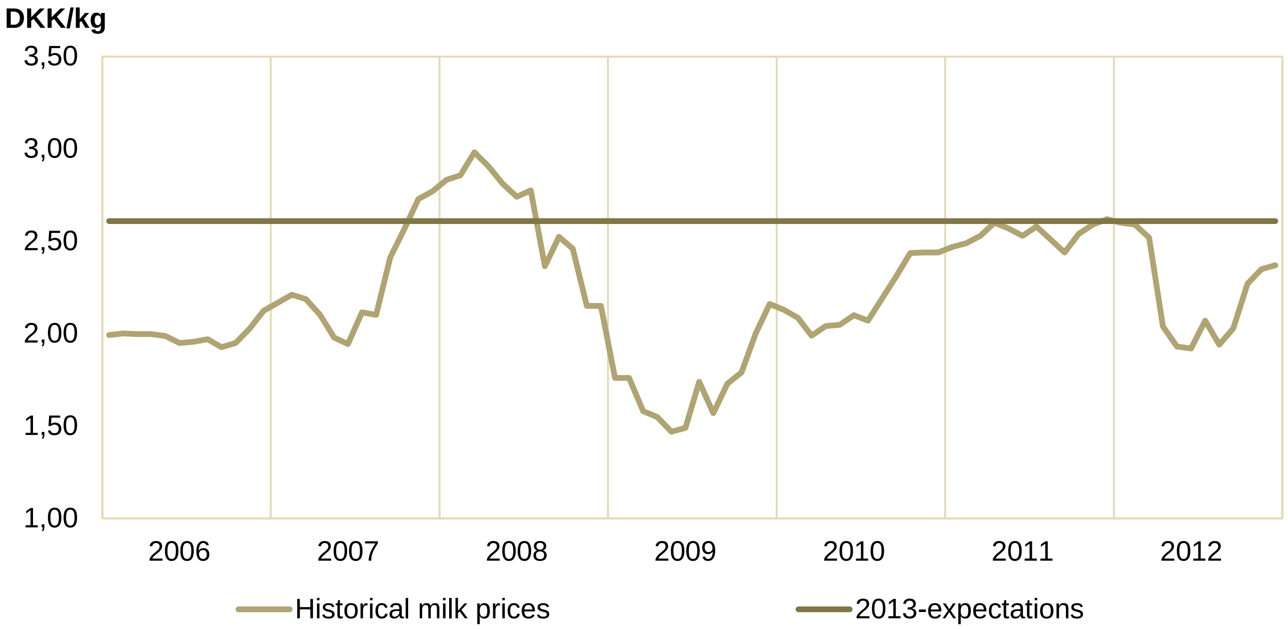
In 2013, FirstFarms expects an EBIT-result of DKK 10-15 million.

Milk production and price
In 2013, FirstFarms expects that the milk production is getting back on a satisfactory level. Entering 2013, the level is not satisfactory but the production is increasing and is expected to get closer to the requested level at the end of 2013.

In 2013, there will be focus on continued efficiency measures and cost adjustments. A total milk delivery of 21.2 million kg is expected in 2013 compared to 20.9 million kg in 2012 – an increase of 1.4 percent.

An average milk price of DKK 2.61 per kg is expected, inclusive extra charge for fat and protein.

Development in milk price



Source: FirstFarms' own data

Production and prices on crops
In 2013, the prices on crops are still expected to be on a satisfactory level, even though they are assumed a little lower than the market prices in harvest in 2012.

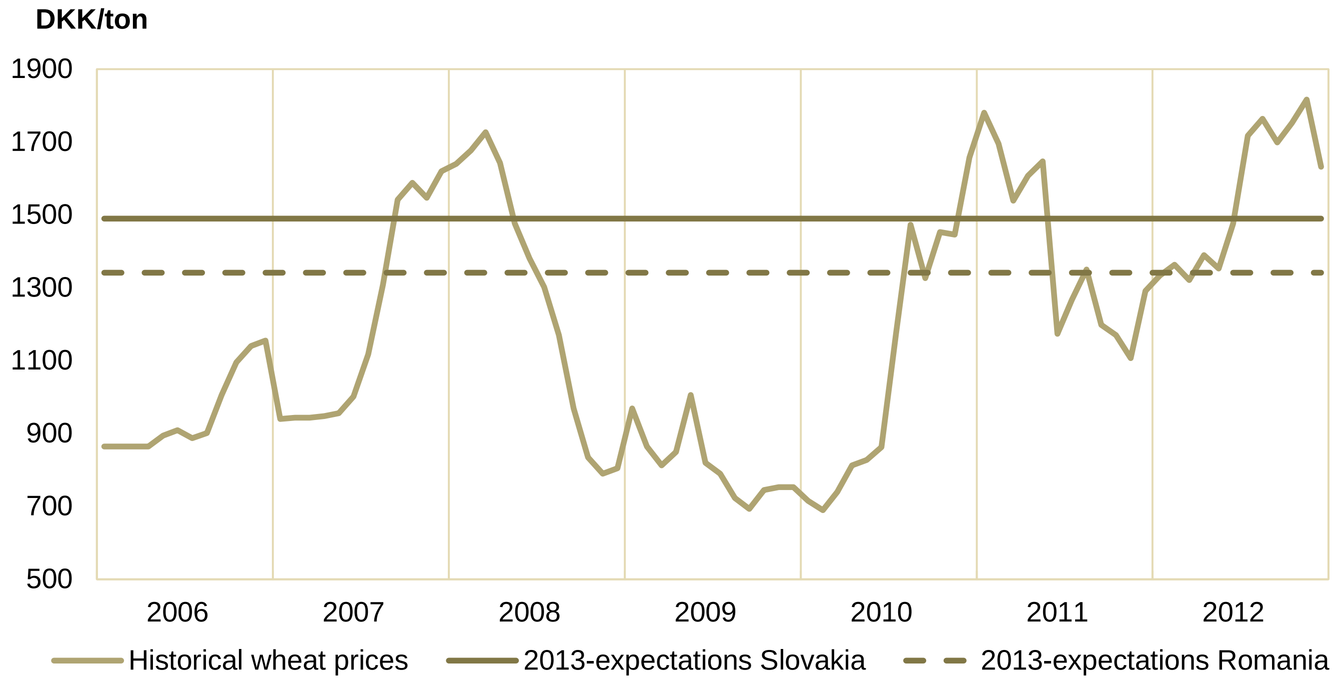
The cultivated area in Romania is expected to be increased with approx. 100 hectares to approx. 4,350 hectares, whereas the cultivated area in Slovakia is expected to be on the same level as in 2012, namely 8,000 hectares.

In 2013, the settlement prices for grain (wheat, rye, maize and barley) are expected in the level of DKK 1,340 – 1,490 per tonne depending on product and whether it is sold in Slovakia or Romania. A little lower price is expected in Romania.

The settlement prices for oilseed are expected in the level of DKK 2,980 – 3,378 per tonne.

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

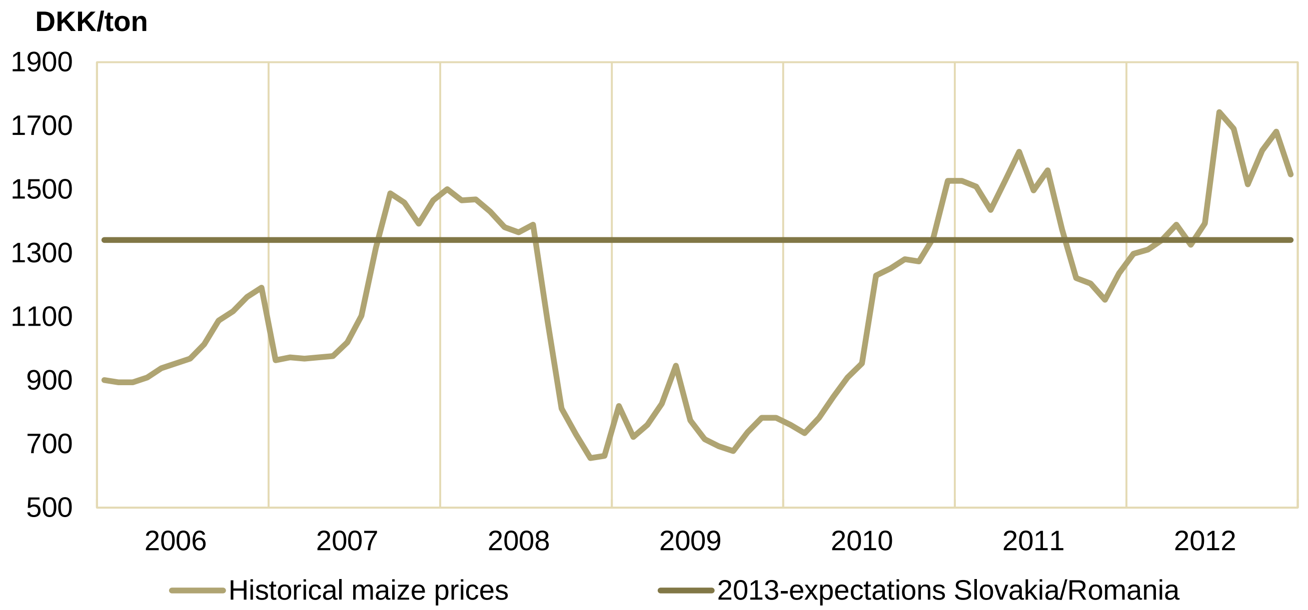
Development in wheat price



Source: Matif

FirstFarms has sold approx. 50 percent of the expected wheat harvest in Slovakia at satisfactory prices.

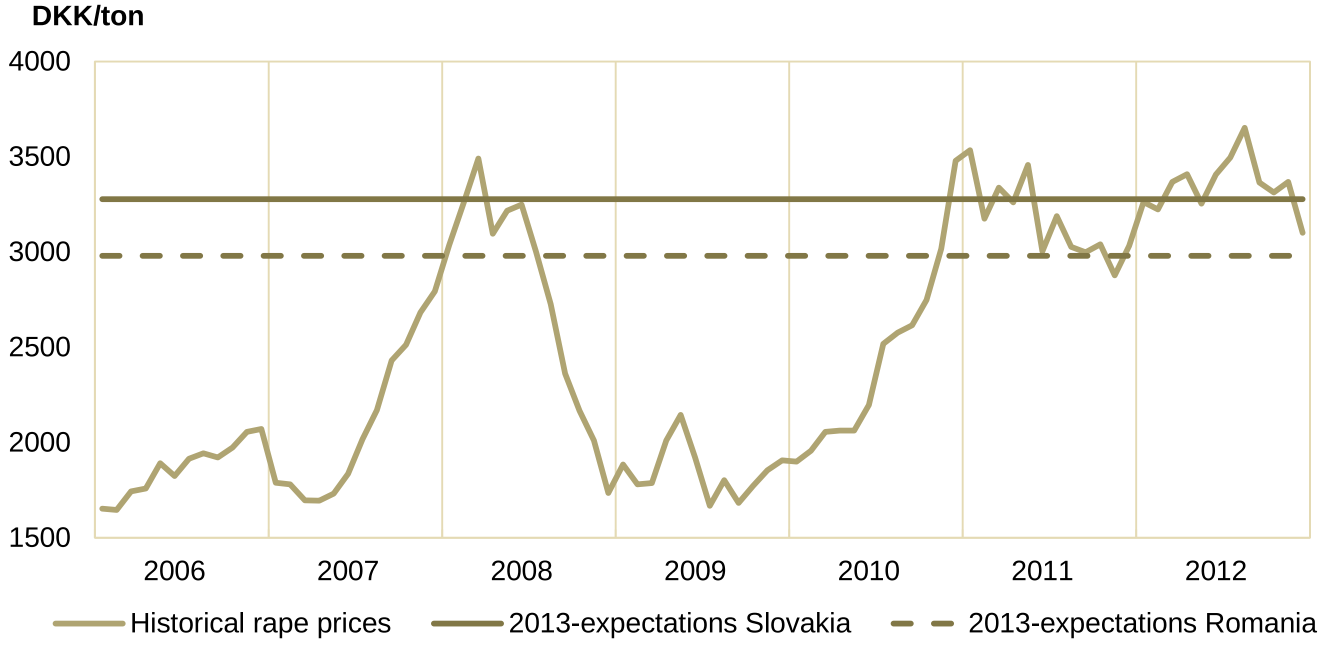
Development in maize price



Source: Matif

FirstFarms has sold approx. 25 percent of the expected maize harvest in Slovakia at satisfactory prices.

Development in rape price



Source: Matif

Cash flow
A satisfacory cash flow from the operation is expected in 2013, as the production is running with acceptable utilisation of capacity and mainly investments of maintenance character or with short payback period are carried out.

FirstFarms has entered agreements with banks in Slovakia, Romania and Denmark regarding credit lines, which, together with the present financing of the company, is sufficient to cover the company's cash need in 2013.

Investments
Like 2012, the investments in 2013 are mainly expected to be maintenance investments in the existing plants and machines.

There are plans to secure own storage capacity in Romania and establishment of the first phase is expected in 2013.

A machine strategy and a master plan for the animal production for the next 5 years are under preparation. These are expected to be finally determined in the summer 2013.

Risk management

Market conditions

Settlement prices in agriculture (grain, oilseed, milk and cattle) and the company's operating costs (feed, fuel, energy and fertilizer) 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 in a period with decreasing settlement prices and where the operating costs are not decreasing correspondingly or are increasing, FirstFarms' earnings will be under pressure.

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

Disease in crops and livestock

Disease in the livestock or crops makes up potential risks for FirstFarms as the company has a considerable livestock and a large crop production. The livestock is exposed to diseases. FirstFarms comply with the veterinary rules at all times in the countries where FirstFarms is represented, including the use of a supervising veterinary, and in addition to that the company has an animal manager who on a daily basis inspects the livestock.

Besides diseases in the company's own livestock, FirstFarms may also be affected by diseases from farms nearby. According to EU's "Zoonoses Directive", diseases in livestock nearby FirstFarms' facilities can entail that the company can be subject to zone restrictions, which have the purpose to dike the disease which among other things could cause slaughtering of FirstFarms' livestock. FirstFarms has taken out insurances on animals affected by disease. However, the insurance does not cover operating losses resulting from diseases in the herd.

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

As an agricultural company FirstFarms is under influence by the weather conditions in Slovakia and Romania. 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. In Romania the company has taken out insurances on wide damages in the crops at cost price, whereas the company in Slovakia has taken out insurances on fire- and storm damages in the crops. Bad weather conditions can also have a negative impact on the productivity in the animal production as cattle can get heat stress, for which reason a lower quantity of milk is produced.

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.

FirstFarms owns almost all its cultivated land in Romania. Through a number of years considerable purchases of agricultural land have been made, primarily by foreign investors for speculation purposes. It has not been reported that changes will occur in the present legislation regarding agricultural operation and/or land conditions which may affect FirstFarms. However it is the company’s expectation that if the present purchases of land from foreigners in Romania continue, there is a risk that political measures will be taken, which could contribute to limit or stop these purchases.

Purchase of land in Romania takes place in different ways, i.e. in form of titles (parcels) which subsequently are land registered and joined together. Until the land is fully registered, there is a minor uncertainty connected with the ownership of the land.

Lease of land
All land not owned by FirstFarms is cultivated based on land lease contracts. In Slovakia the company has leased approx. 8,000 hectares of land, whereas approx. 300 hectares of land is leased in Romania. The lease contracts have a life of 1-15 years and are entered into over a number of years. It is the company’s expectation 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 429 hectares of land in Slovakia and in Romania the company owns 7,111 hectares of land. The value of the purchased land is today estimated to be higher than the accounting value but can decrease in the long term. The development in the price of land is affected by a number of factors including larger supply, decreasing demand, loan possibilities, land reforms and national measures which are all outside FirstFarms’ control.

Environment

FirstFarms’ activities, including agricultural operation, storage of fertilizers and chemicals and delivery and use of fertilizers 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 with agricultural operations and even

though FirstFarms observes legislation and rules in force, there is no 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.

Milk quota and support schemes

Milk quota
Milk producers in EU are subordinated quota regulation in the milk production, which determine a national limit for the amount of milk each EU country may produce. The national authorities allocate the milk quota between the milk producers according to the production when the quota was allocated. If the national production exceeds the national milk quota, a penalty can be given to those milk producers, who have produced more milk than their quota permits.

Changes in the quota regulation and the admission to achieve production rights can influence FirstFarms' ability to optimize the operation in accordance to the company's strategy of utilizing economies of scale. Intervention in existing quota can also contribute to an operational risk for the company and can occur as a consequence of national or EU-controlled structural changes within milk production. FirstFarms has not yet had problems in obtaining the milk quota requested.

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. EU's agricultural reform runs until 2013 where Slovakia will be fully phased-in. Romania will be fully incorporated from 2016, which will entail an increasing EU subsidy compared to today. After 2013 a new agricultural reform will be effective. FirstFarms assesses that the reform will have a neutral or positive effect for FirstFarms.

Legal conditions

Both Romania and Slovakia are members of EU and the countries are therefore subject to the same risks as any other agricultural production in EU. However the legal systems in these countries are on several areas quite different and less developed than in i.e. Denmark and other Western European countries. FirstFarms is therefore exposed to legal risks in Romania and Slovakia, also in connection with purchase, investments, rent of land and entering purchase and sales contracts. There is thus a risk of delays in implementation of EU directives which can create uncertainty concerning law in force especially by interaction with local authorities. Furthermore lack of land registers and weak administrative systems in general in both Romania and Slovakia 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 and Slovakia 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 negatively affected by political measures.

Exchange rate

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

There is exchange rate risk attached to sale of - and dividend from - the Eastern European subsidiaries, as the exchange rates are fluctuating. The exchange rate risk is lowest in Slovakia where the euro in January 2009 was implemented, whereas a larger risk is attached to the exchange rate in Romania.

Working conditions

Qualified employees
To be able to achieve and maintain an effective agricultural operation, FirstFarms is dependent on appointing and maintaining qualified employees. The company seeks to appoint leaders with agricultural knowledge from either Western farms or larger Eastern European farms in the purchased agricultural companies, whereas the production workers are local. FirstFarms aims at having the production companies sited near good infrastructure and larger cities to ensure that the management of these finds it attractive to move to the area.

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

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

Shareholder information

Share capital

FirstFarms' nominal share capital is DKK 47,122,410 and is divided into 4,712,241 shares of DKK 10, corresponding to 4,712,241 voting rights.

Basic data	
Stock exchange	NASDAQ OMX Copenhagen
Index	SmallCap
Sector	Consumer staples
ISIN code	DK0060056166
Short name	FFARMS
Share capital	DKK 47,122,410
Nominal denomination	DKK 10
Number of shares	4,712,241
Negotiable securities	Yes
Voting right restriction	No
Share classes	One

Shareholder composition

As per 31 December 2012, FirstFarms had 3,674 shareholders. The majority is Danish investors, whereas 76 shareholders are registered outside Denmark. As per 31 December 2012, the name register share in the company's owner book was 95.6 percent.

Shareholders	**No. of shares (pcs.)**	**Capital (%)**
Henrik Hougaard	352,838	7.5
Other registered shareholders	4,154,169	88.1
Non-registered shareholders	205,234	4.4
Own shares	0	0.0
Total	**4,712,241**	**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, which is why the percentage of negotiable FirstFarms shares, or the free float, is 100 percent. On the ordinary general meeting held on 24 April 2012, authority was given to the company to acquire up to 10 percent of own shares. The authority was not used in 2012. In connection with the issuance of warrants for the company's Management and for employees in Denmark and abroad, FirstFarms' Board of Directors is authorized to carry out the capital increase associated with the warrants. Until 28 April 2016, the Board of Directors has authority to issue 50,000 share options corresponding to nominal DKK 500,000.

Shareholdings of Management and Board of Directors

As on 31 December 2012 the Management and the Board of Directors of FirstFarms A/S held, direct or indirect, nominally 405,956 shares which are divided as follows:

Name	No. of shares
Henrik Hougaard	352,838 pcs.
Peder Mouritsen	4,400 pcs.
Lars Thomassen	24,668 pcs.
Kjeld Iversen	10,000 pcs.
Jens Møller	4,000 pcs.
Anders H. Nørgaard	10,050 pcs.

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

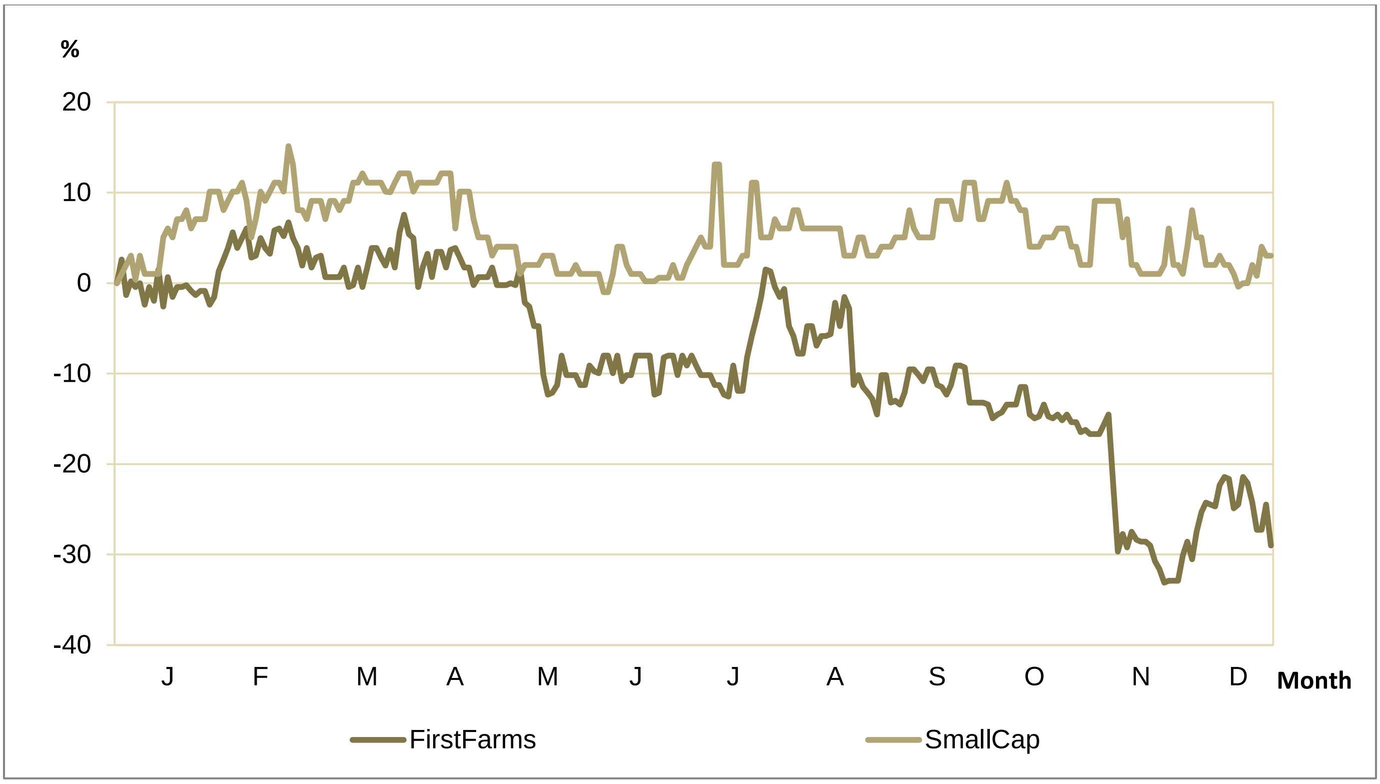
Dividend

FirstFarms' goal is to secure the necessary equity to finance the operation of the company and that surplus capital is distributed to the shareholders through dividend. 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 2012 the share price was 46.20 and the FirstFarms share closed at price 32.80 at 28 December 2012. At the end of the year the market value was DKK 154.6 million and the share price decreased with 29 percent. In the same period the Danish smallcap-index, in which the FirstFarms share is traded, increased with 3 percent. In 2012, the average share turnover was DKK 159,912 per business day.

Share price development 2012



Insider register

In accordance with the Danish Securities Trading Act and other rules and regulations that apply to listed companies at NASDAQ OMX Copenhagen, 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 2013	
26 March 2013	Annual report 2012
23 April 2013	Annual general meeting
28 May 2013	Interim report Q1
27 August 2013	Half-year report Q2
26 November 2013	Interim report Q3

Annual general meeting

FirstFarms' annual general meeting is held on Tuesday 23 April 2013 at 5.00 p.m. at Jysk Landbrugsrådgivning, 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 on 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 2011

Date	Number	Announcement
20 February 2012	1	New CEO
27 March 2012	2	Annual report 2011
2 April 2012	3	Notice for ordinary general meeting
24 April 2012	4	Progress of annual general meeting
22 May 2012	5	Interim report Q1 2012
25 May 2012	6	Report on insiders trade with FirstFarms A/S' shares
30 May 2012	7	Report on insiders trade with FirstFarms A/S' shares
18 June 2012	8	Report on insiders trade with FirstFarms A/S' shares
21 August 2012	9	Half-year report 2011
22 August 2012	10	Report on insiders trade with FirstFarms A/S' shares
22 August 2012	11	Report on insiders trade with FirstFarms A/S' shares
5 September 2012	12	Report on insiders trade with FirstFarms A/S' shares
7 September 2012	13	Report on insiders trade with FirstFarms A/S' shares
7 November 2012	14	Downgrading of expectations to the result with DKK 15 million for 2012
20 November 2012	15	Interim report Q3 2012
22 November 2012	16	Report on insiders trade with FirstFarms A/S' shares
29 November 2012	17	Report on insiders trade with FirstFarms A/S' shares
3 December 2012	18	Report on insiders trade with FirstFarms A/S' shares
4 December 2012	19	Report on insiders trade with FirstFarms A/S' shares
10 December 2012	20	Report on insiders trade with FirstFarms A/S' shares
11 December 2012	21	Report on insiders trade with FirstFarms A/S' shares
21 December 2012	22	Financial calendar 2013

Published company announcements in 2013

Date	Number	Announcement
6 March 2013	1	Downgrading of expectations to the result by DKK 10 million for 2012
26 March 2013	2	Annual report 2012

Expected company announcements in 2013

Date	Number	Announcement
23 April 2013		Annual general meeting
28 May 2013		Interim report Q1-2013
27 August 2013		Half-year report Q2-2013
26 November 2013		Interim report Q3-2013

Name	Management functions	Board functions
Henrik Hougaard (CH) *Born 1958, entered 2004*	Thoraso ApS SKIOLD Holding ApS Skaarupgaard Skov ApS Henrik Hougaard Invest A/S	SKIOLD A/S *(CH)* Graintec A/S *(CH)* Engsko A/S *(CH)* United Milling Systems A/S *(CH)* Scandinavian Farms Invest A/S *(CH)* Danagri-3S Ltd. *(CH)* DK-TEC A/S *(CH)* Fortin Madrejon A/S *(CH)* Thoraso ApS Skiold Holding A/S
Lars Thomassen *Born 1953, entered 2006*	Purple Star ApS White Star Development, PL Black Star ApS Parking Poland ApS	Birger Christensen Trading A/S
Jens Møller *Born 1950, entered 2006* *Entered the accounting committee in April 2009*	Jens Møller Ledelsesrådgivning ApS	Bramidan A/S *(CH)* Bramidan Holding A/S *(CH)* Bramidan Finance A/S *(CH)* Aalborg Maskinforretning A/S *(CH)* OMØ A/S *(CH)* OMØ Holding A/S *(CH)* Almas Holding A/S *(CH)* Intego A/S *(CH)* Proniq Holding A/S *(CH)* Nowaco A/S *(VC)* Løvbjerg Supermarked A/S
Kjeld Iversen *Born 1952, entered 2006* *Entered the accounting committee in April 2009*	Kjeld Iversen ApS	R. Riisfort A/S *(CH)* Investeringsforeningen Gudme Raaschou *(VC)* Unit Gruppen A/S Unik IT A/S Unik Pine Tree A/S Unit System Design A/S Brøndum A/S Brøndum Holding A/S Stibo A/S *(CH)* Stibo Holding A/S *(CH)* Stibo Ejendomme A/S *(CH)* Color Print A/S Scanprint A/S Investeringsinstitutforeningen Lån & Spar Mixinvest Investeringsforeningen Lån & Spar Invest
Peder Mouritsen *Born 1957, entered 2011*		Slægtsgårdsforeningen *(CH)* CIMA C & I A/S

CH = Chairman of the Board
VC = Vice Chairman

Company information

Company
FirstFarms A/S
Majsmarken 1
DK-7190 Billund

Tel.: +45 75 86 87 87

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

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

Financial year: 1 January – 31 December

Board of Directors
Henrik Hougaard (Chairman)
Peder Mouritsen
Kjeld Lindberg Iversen
Jens Møller
Lars Thomassen

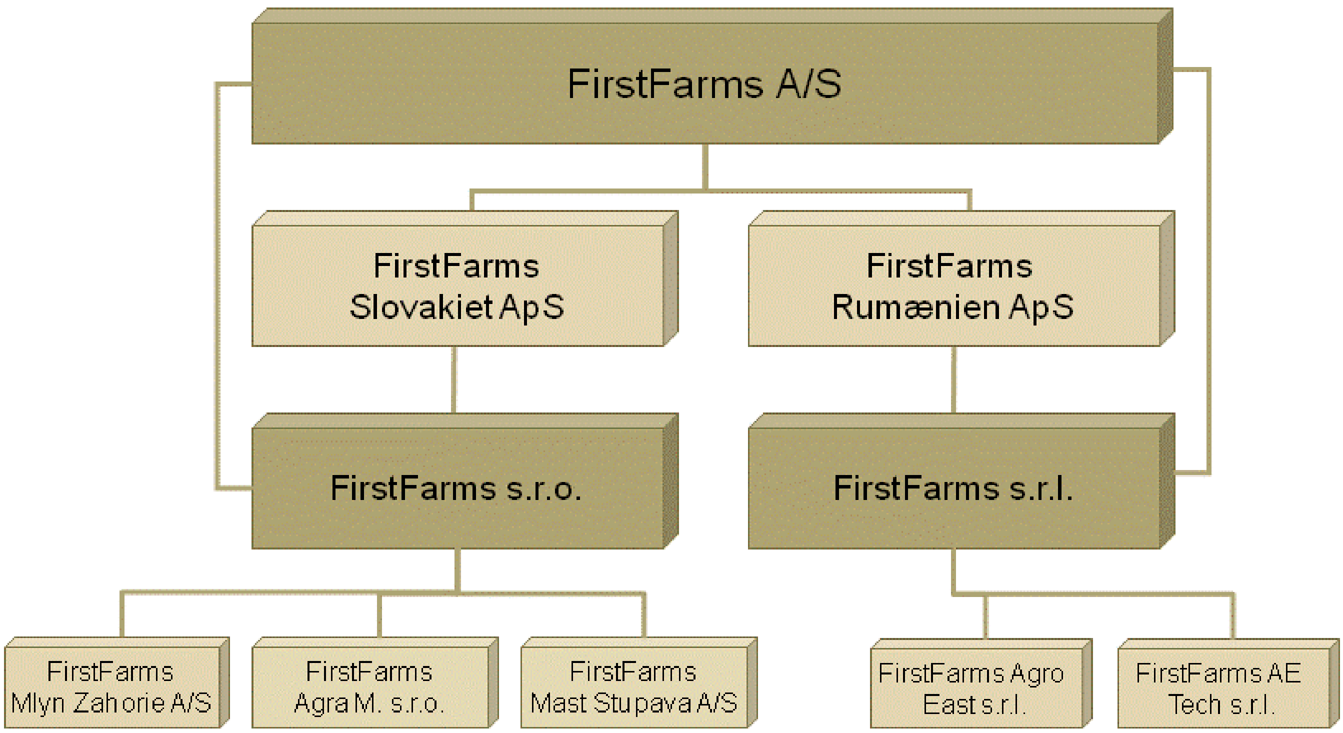
Accounting committee
Kjeld Lindberg Iversen (Chairman)
Jens Møller

Management
Anders H. Nørgaard

Auditors
KPMG
Værkmestergade 25
DK-8100 Aarhus C.

Annual general meeting
The annual general meeting is held on Tuesday 23 April 2013 at 5.00 p.m. at Jysk Landbrugsrådgivning, Majsmarken 1, DK-7190 Billund

Group structure



Compulsory statement for corporate social responsibility

This compulsory statement for corporate social responsibility for FirstFarms A/S covers the accounting period 1 January – 31 December 2012.

FirstFarms aims to produce agricultural products of high quality. The production must be done in a way, so that focus is maintained on environment and animal welfare. Through the local production FirstFarms also contributes to streamline the agriculture in the concerned regions and to generate production with benefit to the local population. FirstFarms thus continuously operates commercial to increase the social advantages and minimize the liability of social resources.

Environment
At present, FirstFarms produces crops and milk. The production of crops is carried out according to the local rules and the rules in EU, as both Slovakia and Romania are members of EU. Hence there are a range of requirements regarding use of spray pesticides and fertiliser, both organic and non-organic fertiliser, which the company must meet. Logbooks are kept of the usage according to the local rules. The local employees are trained in correct handling of fertiliser and spray pesticides. FirstFarms experiences improvements of the land over time, when it has been cultivated for a number of years.

In 2011, FirstFarms has completed an entirely new cattle stable with appurtenant capacity to handle manure according to the present requirements from EU and the Slovakian authorities. The new and modern plant with manure separation gives a better utilisation of the manure and a more proper environmental handling.

Besides the abovementioned steps no comprehensive follow-up on the environment is carried out, which is why specific results cannot be accounted for.

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

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

Procedures for animal welfare are integrated in the daily routines, but a comprehensive report in this regard is not carried out, which is why specific results cannot be accounted for.

Compulsory statement for corporate governance cp. the accounts act's section 107b

This compulsory statement for corporate governance for FirstFarms A/S is a part of the Management's review in the annual report 2011 and covers the accounting period 1 January – 31 December 2012.

The statement is divided in three sections:

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

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

FirstFarms is a Danish listed limited company, subject to regulation of i.e. the stock exchange legislation and the Companies Act in Denmark. “Recommendations for good corporate governance”, prepared in 2005 and revised and updated in August 2011, is a part of the code of practice for listing on NASDAQ OMX Copenhagen. FirstFarms has, according to the “comply-or-explain” principle, obligation to comply with the recommendations or explain why the recommendations are not complied with completely or partly.

FirstFarms has prepared a complete description of the company’s approach in regard to Corporate Governance based on the recommendations of the Committee. The description can be seen or downloaded from the company’s website:

http://www.firstfarms.com/investor-relations/firstfarms-corporate-governance/corporate-governance-annual-report-2012/.

In 2012, FirstFarms’ Board of Directors has held 9 board meetings and the accounting committee has held 5 meetings.

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

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

The accounting committee consists of Kjeld Iversen (chairman) and Jens Møller, who both has experience within accounting and auditing and thereby commands know-how and experience with financial-, auditing- and accounting conditions.

The accounting committee go through the Management’s draft to account reporting and company announcement in preparation to ensure that the Board of Directors gets a satisfactory basis for decision of the company announcements.

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, the Accounting Committee 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, the accounting committee 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.

After ascertainment of fraud in Romania in 2012, changed and tightened control procedures are implemented.

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' managing director is currently also country manager in the Slovakian and Romanian subsidiaries, and follow-up is hereby close to the activities in the subsidiaries, where the Group's operations are.

Information and communication
The Board of Directors has adopted an information and communication policy which among other things overall determines the demands for the presentation of the accounts and to the external financial reporting in accordance with the legislation and the regulations for this. One of the goals with the Board of Director's adopted information and communication policy is to secure that present information obligations are followed, and that the submitted information are 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 on-going 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 Accounting Committee supervises that the Management reacts efficiently on any weak points or defects and takes care that agreed initiatives in relation to strengthening risk management and internal controls in relation to the process of presentation of the accounts are implemented as planned.

Composition of the Groups management bodies, their committees and duties

Information about the company's Board of Directors and management is found on p. 20. Furthermore, reference is made to corporate governance, which can be seen or downloaded on the company's website:
http://www.firstfarms.com/investor-relations/firstfarms-corporate-governance/corporate-governance-annual-report-2012/.

Management statements

Management statement

Today the Board of Directors and the Management have discussed and approved the annual report for 2012 of FirstFarms A/S.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual report of listed companies.

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 2012 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 2012.

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 26 March 2013

Management

Anders H. Nørgaard
CEO

Board of Directors

Henrik Hougaard Chairman	*Kjeld Iversen*	*Jens Møller*
Lars Thomassen	*Peder Mouritsen*	

Independent auditors' report

To the shareholders of FirstFarms A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements
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 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company 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 Danish disclosure requirements for listed companies and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2012 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 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 26 March 2013

KPMG

Statsautoriseret Revisionspartnerselskab

Jes Lauritzen State Authorised Public Accountant	*Jens Weiersøe Jakobsen* State Authorised Public Accountant

Income statement

DKK 1,000	Note	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Net turnover	3,4	108,080	129,331	270	286
Value adjustments of biological assets	5	-3,323	27,255	0	0
Production costs	6	-141,299	-150,371	0	0
Grants	7	21,432	23,480	0	0
Gross profit/loss		**-15,110**	**29,695**	**270**	**286**
Other operating income	8	247	1,436	0	24
Administration costs	6	-12,478	-13,756	-6,219	-5,575
Other operating costs	9	-327	-287	0	0
EBIT-result		**-27,668**	**17,088**	**-5,949**	**-5,265**
Financial income	10	787	959	7,528	11,288
Financial costs	11	-7,634	-7,286	-49,516	-2,955
Pre-tax result		**-34,515**	**10,761**	**-47,937**	**3,068**
Tax on net profit	12	7,080	-1,758	210	-774
Net profit		**-27,435**	**9,003**	**-47,727**	**2,294**
Earnings per share	13	-5.82	1.91	-	-
Diluted earnings per share	13	-5.82	1.91	-	-

Total income statement

DKK 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Net profit	-27,435	9,003	-47,727	2,294
Other total income				
- Exchange rate adjustments by conversion of foreign units	-2,153	-2,217	0	0
- Tax of other total income	0	307	0	0
Other total income after tax	**-2,153**	**-1,910**	**0**	**0**
Total income	**-29,588**	**7,093**	**-47,727**	**2,294**

Balance sheet

DKK 1,000	Note	Group 2012	Group 2011	Parent company 2012	Parent company 2011
ASSETS					
Non-current assets					
Intangible assets	14				
Goodwill		16,062	16,006	0	0
Milk quota		4,412	6,350	0	0
Total intangible assets		**20,474**	**22,356**	**0**	**0**
Tangible assets	15				
Land and buildings		258,236	262,548	0	0
Plant and machinery		60,904	66,516	0	0
Fixtures and fittings, tools and equipment		2,126	1,952	206	31
Assets under construction and prepayments		6,472	8,273	0	0
Total tangible assets		**327,738**	**339,289**	**206**	**31**
Biological assets	5				
Basic herd		25,137	30,101	0	0
Total biological assets		**25,137**	**30,101**	**0**	**0**
Other non-current assets					
Investments in subsidiaries	16	0	0	234,595	281,682
Amount owed by affiliated companies	18	0	0	200,337	197,244
Deferred tax asset	20	15,357	9,403		0
Total other non-current assets		**15,357**	**9,403**	**434,932**	**478,926**
Total non-current assets		**388,706**	**401,149**	**435,138**	**478,957**
Current assets					
Inventories	17	25,990	33,480	0	0
Biological assets -breeding and crops	5	34,285	32,951	0	0
Receivables	18	7,675	13,929	0	0
Other receivables	7,18	7,449	13,342	195	311
Accruals an deferred expenses		2,014	906	54	39
Cash at bank and in hand	27	837	1,183	3	127
Total current assets		**78,250**	**95,791**	**252**	**477**
TOTAL ASSETS		**466,956**	**496,940**	**435,390**	**479,434**

DKK 1,000	Note	Group 2012	Group 2011	Parent company 2012	Parent company 2011
EQUITY AND LIABILITIES					
Equity					
Share capital	19	47,122	47,122	47,122	47,122
Reserve for decrease of share capital		424,102	424,102	424,102	424,102
Reserve for exchange rate adjustment		-19,688	-17,535	0	0
Transferred result		-133,129	-105,694	-65,082	-17,355
Proposed dividend		0	0	0	0
Total equity		**318,407**	**347,995**	**406,142**	**453,869**
Liabilities					
Non-current liabilities					
Deferred tax	20	10,509	12,296	7,967	8,177
Credit institutions	21	32,132	32,069	0	0
Total non-current liabilities		**42,641**	**44,365**	**7,967**	**8,177**
Current liabilities					
Credit institutions	21	42,184	35,979	2,034	0
Trade payables and other payables	22	46,159	48,681	19,247	17,388
Corporation tax	23	639	210	0	0
Accruals and deferred income	7	16,926	19,710	0	0
Total current liabilities		**105,908**	**104,580**	**21,281**	**17,388**
Total liabilities		**148,549**	**148,945**	**29,248**	**25,565**
TOTAL EQUITY AND LIABILITIES		**466,956**	**496,940**	**435,390**	**479,434**

Accounting policies	1
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Equity statement

Group DKK 1,000	Share capital	Reserve for decrease of share capital	Reserve for exchange rate adjustment	Trans-ferred result	Proposed dividend	Total
Equity 1 January 2011	**47,122**	**424,102**	**-15,625**	**-114,715**	**0**	**340,884**
Total income 2011						
Net profit	0	0	0	9,003	0	9,003
Other total income						
Exchange rate adjustment re. con-version of foreign currency	0	0	-2,217	0	0	-2,217
Tax of other total income	0	0	307	0	0	307
Other total income	**0**	**0**	**-1,910**	**0**	**0**	**-1,910**
Total income	**0**	**0**	**-1,910**	**9,003**	**0**	**7,093**
Transactions with owners						
Share based remuneration	0	0	0	18	0	18
Total transactions with owners	**0**	**0**	**0**	**18**	**0**	**18**
Equity 31 December 2011	**47,122**	**424,102**	**-17,535**	**-105,694**	**0**	**347,995**
Equity 1 January 2012	**47,122**	**424,102**	**-17,535**	**-105,694**	**0**	**347,995**
Total income 2012						
Net profit	0	0	0	-27,435	0	-27,435
Other total income						
Exchange rate adjustment re. con-version of foreign currency	0	0	-2,153	0	0	-2,153
Tax of other total income	0	0	0	0	0	0
Other total income	**0**	**0**	**-2,153**	**0**	**0**	**-2,153**
Total income	**0**	**0**	**-2,153**	**-27,435**	**0**	**-29,588**
Transactions with owners						
Share based remuneration	0	0	0	0	0	0
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**
Equity 31 December 2012	**47,122**	**424,102**	**-19,688**	**-133,129**	**0**	**318,407**

Parent company DKK 1,000	**Share capital**	**Reserve for decrease of share capital**	**Transferred result**	**Proposed dividend**	**Total**
Equity 1 January 2011	**47,122**	**424,102**	**-19,667**	**0**	**451,557**
Total income 2011					
Net profit	0	0	2,294	0	2,294
Other total income	0	0	0	0	0
Total income	**0**	**0**	**2,294**	**0**	**2,294**
Transactions with owners					
Share based remuneration	0	0	18	0	18
Total transactions with owners	**0**	**0**	**18**	**0**	**18**
Equity 31 December 2011	**47,122**	**424,102**	**-17,355**	**0**	**453,869**
Equity 1 January 2012	**47,122**	**424,102**	**-17,355**	**0**	**453,869**
Total income 2012					
Net profit	0	0	-47,727	0	-47,727
Other total income	0	0	0	0	0
Total income	**0**	**0**	**-47,727**	**0**	**-47,727**
Transactions with owners					
Share based remuneration	0	0	0	0	0
Total transactions with owners	**0**	**0**	**0**	**0**	**0**
Equity 31 December 2012	**47,122**	**424,102**	**-65,082**	**0**	**406,142**

Cash flow statement

DKK 1,000	Note	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Pre-tax result		-34,515	10,761	-47,937	3,068
Adjustments for non-monetary operating items etc.:					
Depreciation/amortisation and impairment	6	21,344	18,327	49	60
Reversal of profit, sale of companies and activities, net	8,9	-37	-1,432	0	-24
Value adjustment of biological assets	5	-666	-1,855	0	0
Financial income	10	-787	-959	-7,529	-11,288
Financial costs	11	7,634	7,286	49,516	2,955
Share based remuneration	6	0	18	0	18
Cash generated from operations (operating activities) before changes in working capital		**-7,027**	**32,146**	**-5,901**	**-5,211**
Changes in working capital	25	8,999	-13,645	-195	-503
Cash flow from main activities		**1,972**	**18,501**	**-6,096**	**-5,714**
Interest received		787	959	0	1
Interest paid		-7,249	-7,105	-2,429	-2,428
Paid corporation tax	23	-210	-2,212	0	0
Cash flow from operating activities		**-4,700**	**10,143**	**-8,525**	**-8,141**
Acquisition and sale of biological assets, net	5	6,367	-3,462	0	0
Disposal of material assets, paid		2,957	4,136	5	122
Acquisition of material assets	26	-13,230	-14,445	-231	0
Acquisition of financial assets	16	0	0	0	-99,911
Cash flow from investing activities		**-3,906**	**-13,771**	**-226**	**-99,789**
Proceeds from loans	26	2,147	1,662	2,584	1,241
Loan to affiliated businesses		0	0	4,009	106,657
Cash flow from financing activities		**2,147**	**1,662**	**6,593**	**107,898**
Cash flow of the year		**-6,459**	**-1,966**	**-2,158**	**-32**
Available, at the beginning		-34,796	-32,840	127	159
Disposal, sale of companies		0	0	0	0
Exchange rate adjustment of available		-92	10	0	0
Available at closing	27	**-41,347**	**-34,796**	**-2,031**	**127**
Available at closing is recognised as follows:					
Available funds		837	1,183	3	127
Current bank debts		-42,184	-35,979	-2,034	0
Available at closing		**-41,347**	**-34,796**	**-2,031**	**127**

Notes

1. Accounting policies

FirstFarms A/S is a public limited company domiciled in Denmark. The annual report for 2012 comprises both the consolidated financial statement of FirstFarms A/S and its subsidiaries for the period 1 January – 31 December 2012 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 Danish disclosure requirements for annual reports of listed companies.

The Board of Director and the Management have 26 March 2013 discussed and approved the annual report for 2012 of FirstFarms A/S. The annual report is presented to FirstFarms A/S' shareholders for approval on the annual general meeting 23 April 2013.

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.

Changes in accounting policies
FirstFarms A/S has implemented the standards and interpretations, which become effective for 2012.

None of the new standards and interpretations has affected or is expected to affect recognition and measurement and also not result and diluted result per share.

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

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

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

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized 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 recognized in the latest annual report is recognized 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 recognized 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 recognized 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 recognized in other total income in a separate reserve for exchange rate adjustment.

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

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

Income statement

Net turnover
Net turnover from the sale of commodities and finished products, comprising crops, animals and related products, is recognized in the income statement provided that delivery and transfer of significant risks and rewards to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognized in revenue.

Government grants
Government grants include the following:

Hectare grants are recognized 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 recognized as other receivables in the balance sheet.

Grants for milk production are recognized 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 recognized as other receivables in the balance sheet.

Grants for investments/acquisition of assets are recognized in the balance sheet as deferred income and transferred to public grants in the income statement as the assets for which grants were awarded are amortized.

Grants for ecological cultivation are received annually and are recognized in the balance sheet as deferred income. The amount is transferred to public grants in the income statement at the end of the 5-year period where a final right for the grant is achieved.

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

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

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

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.

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. Dividends relating to investments in subsidiaries are recognized as income in the parent company's income statement in the financial year when they are adopted at the annual general meeting (declaration date). Similarly, decreases in value are expensed according to impairment test. Borrowing costs are activated as part of larger investments.

Tax on profit/loss for the year
FirstFarms A/S is jointly taxed with FirstFarms Slovakiet ApS and FirstFarms Rumænien ApS, and international joint taxation has been chosen for the whole Group. The actual corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. By utilisation of losses in other Danish jointly taxed companies, the joint tax contribution is paid by the company that uses the loss (full absorption). The jointly taxed companies are taxed under the on-account tax scheme.

By utilisation of deficit in foreign companies deferred tax is allocated in the balance sheet in the Danish company.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Balance sheet

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

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

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

Other intangible assets are amortized on a straight line basis over the expected useful life. However, intangible assets with an indefinite useful life are not amortized but are tested for impairment annually.

Milk quota is depreciated on a straight line basis from acquisition time to 31 March 2015, where the quota system will terminate according to the present decisions in EU.

Tangible assets
Land 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 recognized 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-recognized in the balance sheet and recognized as an expense in the income statement. Other costs incurred for ordinary repairs and maintenance is recognized in the income statement as incurred. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components:

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

Land is not depreciated.

The basis of depreciation is calculated on the basis of the residual value less impairment losses.

The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the depreciation period of the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Depreciation is recognized 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 recognized as non-current assets measured at fair value less point-of-sale costs.

Investments in subsidiaries in the parent company's financial statements
Investments in subsidiaries are recognized as the cost price. If the cost price exceeds the recoverable amount, write-down is made to this lower value.

Impairment of non-current assets
Goodwill and intangible assets with indefinite useful lives are 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 recognized in a separate line item in the income statement. Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

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 recognized 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 recognized in the income statement under production costs and administrative expenses, respectively. However, impairment of goodwill is recognized in a separate line item in the income statement.

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 realizable 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, produce is 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 recognized as current assets are measured at fair value less point-of-sale costs.

Receivables
Receivables are measured at amortized cost. Write-down is made for bad debt losses.

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

Equity

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

Dividends
Proposed dividends are recognized 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 recognized 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 recognized 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 recognized directly in equity.

Reserve for decrease of the share capital
Reserve for decrease of the share capital covers in full the decreased amount as a result of decrease of the nominal denomination from DKK 100 to DKK 10, decided on the extraordinary general meeting on 11 December 2008 and finally implemented 22 April 2009.

This is a free reserve, which can be allocated by decision hereof at the general meeting.

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 recognized in the income statement in the period to which they relate and any contributions outstanding are recognized in the balance sheet as other payables.

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

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

Corporation tax and deferred tax
Current tax payable and receivables are recognized 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 recognized 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 recognized under other non-current assets at the expected value of their utilization; 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 unrealized 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 realized as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

The company has chosen international joint taxation.

Provisions
Provisions are recognized 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 provision, 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 recognized as financial expenses. The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation. A provision for onerous contracts is recognized 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 recognized corresponding to the present value of estimated future costs.

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

Financial liabilities also include the capitalized residual obligation on finance leases.

Other liabilities are measured at net realizable value.

Leases
For accounting purposes lease obligations are divided into finance and operating leases.

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. The accounting treatment of assets held under finance leases and lease obligations is described under "Property, plant and equipment" and "Financial liabilities", respectively. Operating lease payments are recognized in the income statement on a straight-line basis over the lease term.

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

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 recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognized up until the date of disposal.

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

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash less short-term bank debt. Cash flows in other currencies than the functional currency are translated at average exchange rates unless they deviate materially from the exchange rates at the transaction date.

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

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

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

2. Accounting estimates

As part of application of the Groups' accounting policy, the Management is making valuations, besides estimated valuations, which can have essential effect on the amounts given in the annual report.

Expected period of use for milk quota
EU has announced that the milk quota system ceases at 31 March 2015. The purchased milk quota is therefore depreciated from the time of acquisition to 31 March 2015. The expected period of use is re-valued annually based on information of development in the milk quota system.

Measurement of biological assets
The biological assets, herds, breeding and crops are valued at fair value with deduction of realisation costs. The value of the biological assets totals DKK 59.4 million as per 31 December 2012 (2011: 63.1 million).

A completely comparable market does not exist in Slovakia for cows with the yielding capacity that FirstFarms' cows achieve. Due to this, the Management has chosen to value the cattle in the light of the prices in the international market.

3. Segment information

2012 DKK 1,000	**Romanian activities**	**Slovakian activities**	**Total report compulsory segments**
Total segment turnover	20,010	88,070	108,080
Grants	4,597	16,835	21,432
Value adjustments of biological assets	-1,334	-1,989	-3,323
Financial income	1,232	345	1,577
Depreciations and impairments	3,442	17,853	21,295
Segment result before tax	-3,641	-32,114	-35,755
Segment assets	141,108	326,837	467,945
Plant investments *)	1,768	11,231	12,999
Segment liabilities	110,511	210,576	321,087

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

2011 DKK 1,000	**Romanian activities**	**Slovakian activities**	**Total report compulsory segments**
Total segment turnover	29,793	99,538	129,331
Grants	4,257	19,223	23,480
Value adjustments of biological assets	10,268	16,987	27,255
Financial income	730	98	828
Depreciations	2,478	15,789	18,267
Segment result before tax	8,507	-2,191	6,316
Segment assets	147,222	349,201	496,423
Plant investments *)	2,146	12,299	14,445
Segment liabilities	112,144	208,470	320,614

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

FirstFarms' report compulsory segments are constituted by the business units in Slovakia and Romania. Slovakia operates within milk- and field production, whereas Romania only operates within field production. The two business units are operated independently, as each unit has different management, activities and customers. The report compulsory segments are identified without aggregation of operation segments.

Products and services

FirstFarms' turnover primary concerns milk production and field production. The turnover is specified as:

DKK 1,000	**2012**	**Romania 2011**	**2012**	**Slovakia 2011**
Milk production	0	0	55,318	62,076
Field production	17,261	28,595	31,452	35,732
Other	2,749	1,198	1,300	1,730
Total	**20,010**	**29,793**	**88,070**	**99,538**

Geographical information

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

Turnover and non-current assets is specified as:

DKK 1,000	**Turnover**	**2012 Non-current assets**	**Turnover**	**2011 Non-current assets**
Denmark	270	435,139	286	478,957
Slovakia	88,070	264,177	99,538	269,843
Romania	20,010	125,770	29,793	131,266
Elimination	-270	-436,380	-286	-478,917
Total	**108,080**	**388,706**	**129,331**	**401,149**

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

DKK 1,000	**2012**	**2011**
Turnover		
Segment turnover for report compulsory segments	108,080	129,331
Group function	270	286
Elimination of internal turnover	-270	-286
Total turnover, cp. income statement	**108,080**	**129,331**
Result		
Segment result before tax for report compulsory segments	-35,755	6,316
Non-allocated result, Group function	1,240	4,445
Result before tax, cp. income statement	**-34,515**	**10,761**
Assets		
Total assets for report compulsory segments	467,945	496,423
Other non-allocated	-989	517
Total assets, cp. balance sheet	**466,956**	**496,940**
Liabilities		
Total liabilities for report compulsory segments	316,087	320,614
Elimination of debt to parent company	-200,337	-197,244
Other non-allocated liabilities	32,599	25,575
Total liabilities, cp. balance sheet	**148,349**	**148,945**

4. Turnover

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Sale of milk	46,420	56,313	0	0
Sale of meat	8,898	5,763	0	0
Sale of corn etc.	48,713	64,327	0	0
Other turnover	4,049	2,928	270	286
Total	**108,080**	**129,331**	**270**	**286**

5. Value adjustments of biological assets

Group 2012 DKK 1,000	**Basic herd** [1]	**Breeding** [2]	**Crops** [2]	**Total**
Opening	30,101	17,244	15,707	63,052
Addition	16,498	2,086	52,432	71,016
Value adjustment of the year	-14,337	15,003	-3,989	-3,323
Disposal	-7,125	-17,826	-46,303	-71,254
Exchange rate adjustment	0	0	-69	-69
Accounting value 31 December 2012	**25,137**	**16,507**	**17,778**	**59,422**

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

Non-current assets consist of a herd of 2,454 cows at the end of 2012. Breeding consist of 2,519 heifers and calves, whereas crops are the value of the sowed fields. At the end of 2012 the sowed fields mainly consist of 475 hectares of alfalfa/grass, 1,700 hectares of wheat and 750 hectares of rape in Slovakia. In Romania the fields consisted of 1,950 hectares of wheat and 700 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.

Group 2011 DKK 1,000	**Basic herd** [1]	**Breeding** [2]	**Crops** [2]	**Total**
Opening	26,689	15,340	15,053	57,082
Addition	18,275	1,539	67,215	87,029
Value adjustment of the year	-10,622	12,478	25,399	27,255
Disposal	-4,241	-12,113	-92,058	-108,412
Exchange rate adjustment	0	0	98	98
Accounting value 31 December 2011	**30,101**	**17,244**	**15,707**	**63,052**

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

Non-current assets consist of a herd of 2,968 cows at the end of 2011. Breeding consist of 2,541 heifers and calves, whereas crops are the value of the sowed fields. At the end of 2011 the sowed fields mainly consist of 450 hectares of alfalfa/grass, 1,750 hectares of wheat and 950 hectares of rape in Slovakia. In Romania the fields consisted of 1,800 hectares of wheat and 550 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.

6. Costs

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Cost of sales for the period	70,765	61,713	0	0
Reversed write-down on inventories	0	0	0	0

At transition, in connection with harvest, the stock of crops is valuated at market value less point-of-sale costs. By a subsequent decrease in the value, the amount is credited in production costs.

Staff costs				
Fees to the Board of Directors in the parent company	550	667	550	667
Accounting committee	150	175	150	175
Wages and salaries	20,589	20,740	3,059	2,345
Defined contribution plans	189	164	189	164
Other social security costs	6,682	7,152	23	25
Share based remuneration	0	18	0	18
Other staff costs	3,678	2,564	480	232
Total staff costs	**31,838**	**31,480**	**4,451**	**3,626**

Staff costs:				
Production	25,979	24,796	0	0
Administration	5,859	6,684	4,451	3,626
Total	**31,838**	**31,480**	**4,451**	**3,626**
Average number of employees	203	206	3	3

At the end of the year, the number of employees was 203 of which 3 are sited on the headquarter in Denmark, 181 in Slovakia and 19 in Romania.

Executive Board remuneration of the parent company

DKK 1,000	2012 Board of Directors	Accounting committee	Management	2011 Board of Directors	Accounting committee	Management [1)]
Wages and salaries	550	150	1,325	667	175	1,729
Pension	0	0	40	0	0	0
Share based remuneration	0	0	0	0	0	0
Total	**550**	**150**	**1,365**	**667**	**175**	**1,729**

[1)] *The amount includes salary etc. to dismissed managing director in the notice period.*

Warrant programme

As per 31 December 2012, the company has a total of 2,500 outstanding warrants, which gives the warrant owner right to buy 2,500 shares in the company at a price of approx. 169. The FirstFarms-share closed on 28 December 2012 in 32.80.

Depreciations and impairments

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Depreciations, intangible assets	1,960	1,960	0	0
Depreciations, property, plant and equipment	15,783	16,367	49	60
Impairments, property, plant and equipment	3,601	0	0	0
Total depreciations and impairments	**21,344**	**18,327**	**49**	**60**
Depreciations and impairments are recognised as follows:				
Production	20,704	17,650	-	-
Administration	640	677	49	60
Total	**21,344**	**18,327**	**49**	**60**

Fee to the auditors appointed at the general meeting

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Audit	577	662	260	350
Other declarations	0	0	0	0
Tax and VAT services	25	43	25	35
Other non-audit services	111	124	100	124
Total	**713**	**829**	**385**	**509**

The consolidated accounts and the annual accounts of 2012 and 2011 have been audited by KPMG.

7. Grants

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Grant for investments	2,857	3,463	0	0
EU hectare subsidy	15,940	14,031	0	0
Grant for milk production	1,861	5,561	0	0
Government grant etc.	774	425	0	0
Total	**21,432**	**23,480**	**0**	**0**

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

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

2012 DKK 1,000	Hectare grant	Milk grant	Government grant	Investment grant etc.	Total
Grants calculated in accruals	0	0	0	16,926	16,926
Period of crediting	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in ”Other receivables”	3,617	0	279	0	3,896

2011 DKK 1,000	Hectare grant	Milk grant	Government grant	Investment grant etc.	Total
Grants calculated in accruals	0	0	0	19,710	19,710
Period of crediting	Continuously	Continuously	Continuously	Concurrently as the asset is depreciated	-
Grants calculated in "Other receiva-bles"	3,651	0	1,221	1,904	6,776

8. Other operating income

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Profit from sale of fixed assets	104	1,432	0	24
Other income	143	4	0	0
Total	**247**	**1,436**	**0**	**24**

9. Other operating costs

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Loss from sale of fixed assets	67	0	0	0
Other costs	260	287	0	0
Total	**327**	**287**	**0**	**0**

10. Financial income

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Interest, cash at bank and in hand	41	81	0	1
Interest income from affiliated companies	0	0	7,086	11,262
Other financial income	746	878	443	25
Total	**787**	**959**	**7,529**	**11,288**

11. Financial costs

DKK 1,000	Group 2012	2011	Parent company 2012	2011
Interest, bank loans	3,648	4,092	0	0
Other financial costs	3,986	3,194	2,429	2,955
Impairment of capital shares	0	0	47,087	0
Total	**7,634**	**7,286**	**49,516**	**2,955**

12. Tax on net profit/loss

DKK 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Tax on net profit/loss	7,080	-1,758	210	-774
Tax on other total income	0	307	0	0
Total	**7,080**	**-1,451**	**210**	**-774**
Tax on net profit/loss is specified as:				
Current tax	-634	-2,422	0	0
Deferred tax	7,714	664	210	-774
Total	**7,080**	**-1,758**	**210**	**-774**
Tax on net profit/loss can be explained as:				
Calculated tax of net profit/loss before tax (25 %)	9,151	-2,690	210	-774
Other adjustments, net	-2,071	932	0	0
Total	**7,080**	**-1,758**	**210**	**-774**
Effective tax rate	21	16	0	25

13. Earnings per share

Group DKK 1,000	**2012**	**2011**
Net profit	-27,435	9,003
Number of shares	4,712,241	4,712,241
Average diluted effect of outstanding warrants	0	0
Diluted number of shares in circulation	4,712,241	4,712,241
Earnings per share (EPS)	-5.82	1.91
Diluted earnings per share (EPS-D)	-5.82	1.91

14. Intangible assets

Group 2012 DKK 1,000	**Goodwill**	**Milk quota**	**Total**
Cost price 1 January	16,006	16,145	32,151
Addition	0	0	0
Disposal	0	0	0
Exchange rate adjustment	56	56	112
Cost price 31 December	**16,062**	**16,201**	**32,263**
Depreciations and impairments 1 January	0	-9,795	-9,795
Depreciations	0	-1,960	-1,960
Impairments	0	0	0
Exchange rate adjustment	0	-34	-34
Depreciations and impairments 31 December	**0**	**-11,789**	**-11,789**
Accounting value 31 December	**16,062**	**4,412**	**20,474**

FirstFarms' Management has carried out impairment test of the accounting value of intangible assets of DKK 20,5 million, which mostly can be assigned to agricultural activities 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) and milk prices of DKK 2.60 per kg.

In the carried out impairment test normal harvest yield and settlement prices are assumed as stated in the management review, p. 9-11. Furthermore, it is assumed that the disease outbreak in the livestock is over, and that the milk production thus can be brought back on a normal level.

The budget is 2,700 milk-producing dairy cattle and cultivation of 8,000 hectares of land.

The impairment test carried out on the activities in Slovakia has shown that the 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 an impairment. Provided that other variables are unchanged, a reduction in the milk prices in the region of DKK 0.40 per kg will entail that the recoverable amount corresponds to the accounting value.

The parent company has no intangible assets.

Group 2011 DKK 1,000	**Goodwill**	**Milk quota**	**Total**
Cost price 1 January	16,050	16,189	32,239
Addition	0	0	0
Disposal	0	0	0
Exchange rate adjustment	-44	-44	-88
Cost price 31 December	**16,006**	**16,145**	**32,151**
Depreciations and impairments 1 January	0	-7,856	-7,856
Depreciations	0	-1,960	-1,960
Impairments	0	0	0
Exchange rate adjustment	0	21	21
Depreciations and impairments 31 December	**0**	**-9,795**	**-9,795**
Accounting value 31 December	**16,006**	**6,350**	**22,356**

FirstFarms' Management has carried out impairment test of the accounting value of intangible assets of DKK 22.4 million, which can be assigned to agricultural activities 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 2 percent, a return (WACC) of 8.0 percent (after tax) and milk prices of DKK 2.50-2.60 per kg.

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

The parent company has no intangible assets.

If the milk price changes with 1 percent compared to the assumed, the value of the activities – other things being equal – will change with approx. DKK 10 million. If the settlement prices change with 1 percent compared to the assumed, the value will change with approx. DKK 3 million.

15. Tangible assets

Group 2012 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution and prepayments	Total
Cost price 1 January 2012	280,390	97,218	3,099	8,273	388,980
Addition	4,805	7,658	375	392	13,230
Transfer between categories	0	1,795	0	-1,795	0
Disposal	0	-13,560	-214	-134	-13,908
Exchange rate adjustment	-2,127	-106	-2	-264	-2,499
Cost price 31 December 2012	**283,068**	**93,005**	**3,258**	**6,472**	**385,803**
Depreciations and impairments 1 January 2012	-17,842	-30,702	-1,147	0	-49,691
Depreciations	-5,873	-9,727	-183	0	-15,783
Impairment	-1,251	-2,350	0	0	-3,601
Disposal	0	10,789	199	0	10,988
Transfer between categories	0	0	0	0	0
Exchange rate adjustment	134	-111	-1	0	22
Depreciations and impairments 31 December 2012	**-24,832**	**-32,101**	**-1,132**	**0**	**-58,065**
Accounting value 31 December 2012	**258,236**	**60,904**	**2,126**	**6,472**	**327,738**
- assets held under finance lease	0	24,583	0	0	24,583
Depreciation period	15-30 years	5-10 years	3-7 years	-	-

As per 31.12.2012 to secure bank and leasing debts of DKK 63.6 million (2011: DKK 64.8 million) in the Slovakian subsidiaries, a security in the company's activities in Slovakia was given. Security has also been given for other loans of DKK 17.1 million (2011: DKK 15.0 million) in the company's capital shares in Romania and thereby indirectly in land.

Group 2011 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution and prepayments	Total
Cost price 1 January 2011	257,455	93,734	3,478	30,055	384,722
Addition	6,955	7,060	16	414	14,445
Transfer between categories	20,143	1,847	0	-21,990	0
Disposal	-2,478	-4,903	-391	-127	-7,899
Exchange rate adjustment	-1,685	-520	-4	-79	-2,288
Cost price 31 December 2011	**280,390**	**97,218**	**3,099**	**8,273**	**388,980**
Depreciations and impairments 1 January 2011	-12,831	-24,900	-1,083	0	-38,814
Depreciations	-5,113	-10,900	-354	0	-16,367
Disposal	15	4,891	289	0	5,195
Transfer between categories	0	0	0	0	0
Exchange rate adjustment	87	207	1	0	295
Depreciations and impairments 31 December 2011	**-17,842**	**-30,702**	**-1,147**	**0**	**-49,691**
Accounting value 31 December 2011	**262,548**	**66,516**	**1,952**	**8,273**	**339,289**
- assets held under finance lease	0	26,111	0	0	26,111
Depreciation period	15-30 years	5-10 years	3-7 years	-	-

Book value of purchased farm land DKK 1,000		**2012**		**2011**
Farm land in Slovakia	429 hectares	10,169	401 hectares	9,485
Farm land in Romania	7,111 hectares	108,707	7,495 hectares	110,704

2012
At the turn of the year 2012/2013, FirstFarms has conducted land evaluation of a part of the land in Romania and this has been complemented with the company's own experiences with land prices to calculate the value of the company's land. The total value amounts to around DKK 140 million, corresponding to an average price of approx. DKK 20,000 per hectare. The average booked value in Romania at the end of 2012 is DKK 15,464 per hectare and the average booked value in Slovakia is DKK 23,705 per hectare.

2011
In February 2012, FirstFarms has received a certified evaluation of the land in Romania that indicated the total value to be DKK 142.8 million, corresponding to an average price of DKK 19,060 per hectare. The average value in 2011 in Romania is DKK 14,771 per hectare, whilst the average price in 2011 in Slovakia is DKK 23,653 per hectare.

Parent company 2012 DKK 1,000.	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2012	438
Addition	231
Disposal	-206
Cost price 31 December 2012	**463**
Depreciations and impairments 1 January 2012	-407
Depreciations	-49
Disposal	199
Depreciations and impairments 31 December 2012	**-257**
Accounting value 31 December 2012	**206**
- assets held under finance lease	0
Depreciation period	3-7 years

Parent company 2011 DKK 1,000.	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2011	825
Addition	0
Disposal	-387
Cost price 31 December 2011	**438**
Depreciations and impairments 1 January 2011	-636
Depreciations	-60
Disposal	289
Depreciations and impairments 31 December 2011	**-407**
Accounting value 31 December 2011	**31**
- assets held under finance lease	0
Depreciation period	3-7 years

16. Capital shares in subsidiaries

Parent company DKKK 1,000	2012	2011
Cost price 1 January	281,682	181,771
Addition in the period	0	99,911
Cost price 31 December	281,682	281,682
Impairment 1 January	0	0
Impairment in the period	47,087	0
Impairment 31 December	47,087	0
Accounting value 31 December	**234,595**	**281,682**

Impairment of capital shares in Slovakia has been carried out due to impairment test, cf. also note 14.

Company	Domicile
FirstFarms Slovakiet ApS	Denmark
FirstFarms s.r.o.	Slovakia
FirstFarms Agra M. s.r.o.	Slovakia
FirstFarms Mast Stupava A/S	Slovakia
FirstFarms Mlyn Zahorie A/S	Slovakia
FirstFarms Rumænien ApS	Denmark
FirstFarms s.r.l.	Romania
FirstFarms Agro East s.r.l.	Romania
FirstFarms AE Tech s.r.l.	Romania

All companies are 100 percent owned by the FirstFarms Group.

17. Inventories

	Group		Parent company	
DKK 1,000	2012	2011	2012	2011
Raw materials and other materials	12,628	12,072	0	0
Manufactured goods and commodities, grain, fodder etc.	13,362	21,408	0	0
Total	**25,990**	**33,480**	**0**	**0**
Accounting value of inventories included at fair value	13,362	21,408	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 market value less point-of-sale costs. By a subsequent decrease in the value, the amount is credited in production costs.

18. Receivables

	Group		Parent company	
DKK 1,000	2012	2011	2012	2011
Receivables from sales	7,675	13,929	0	0
Other receivables	7,449	13,342	195	311
Receivables from associated companies	0	0	200,337	197,244
Total	**15,124**	**27,271**	**200,532**	**197,555**

Impairments, contained in the receivables above, developed as follows:	2012	2011
1 January	2,198	2,042
Impairments in the year	55	162
Implemented in the year	-103	0
Reversed	0	0
Exchange rate adjustments	6	-6
31 December	**2,156**	**2,198**

In 2012 and 2011, no securities have been received from sales.

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

DKK 1,000	2012	2011
Period of decadence:		
Up to 30 days	402	728
Between 30 and 90 days	60	72
Over 90 days	355	206

19. Share capital

Issued shares	Amount (pcs.)		Nominal value (DKK)	
	2012	2011	2012	2011
1 January	4,712,241	4,712,241	47,122,410	47,122,410
31 December	**4,712,241**	**4,712,241**	**47,122,410**	**47,122,410**

At the end of 2012, the share capital consisted of 4,712,241 shares at nominal DK 10. No shares are attributed special rights.

The Group's result of DKK -27.4 million and the parent company's result of DKK -47.7 million are proposed transferred to next year.

Capital management
The capital structure in FirstFarms is evaluated continuously. To see the Groups' policies on profit distribution, debt finance etc., see p. 17 concerning profit and p. 13 for risk management.

The realised equity return for 2012 was -8.2 percent (2011: 2.6 percent).

Capital structure
The company's Management reviews FirstFarms' ownership and capital structure on an ongoing basis. The company does not hold any of its own shares, which is why the percentage of negotiable FirstFarms shares, or the free float, is 100 percent. On the ordinary general meeting on 24 April 2012, authority was given to the company to acquire up to 10 percent of the company's own shares. The authority was not used in 2012, but in connection with the issuance of warrants for the company's Management and for employees in Denmark and abroad, FirstFarms' Board of Directors is authorized to carry out the capital increase associated with the warrants. Until 28 April 2016, the Board of Directors has the authority to issue 50,000 share options corresponding to DKK 500,000 and corresponding to 1.1 percent of the nominal capital.

Dividend
It is FirstFarms' dividend policy that the shareholders shall have a return on their investments in the form of share price increases and dividends. The company does not expect to pay out dividend for the next 2-3 years.

20. Deferred tax

Group DKK 1,000	**2012**	**2011**
Deferred tax 1 January	2,893	3,843
Disposal from sale of companies	0	-307
Exchange rate adjustment	-27	21
Deferred tax of the year calculated in net profit/loss	-7,714	-664
Deferred tax 31 December	**-4,848**	**2,893**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	-15,357	-9,403
Deferred tax (liability)	10,509	12,296
Deferred tax 31 December, net	**-4,848**	**2,893**
Deferred tax concerns:		
Intangible assets	-1,401	-789
Tangible assets	7,688	13,925
Biological assets	4,775	4,326
Other accounting items	-236	-106
Deficits with right to put forward	-23,641	-22,640
Re-taxation balance	7,967	8,177
Total	**-4,848**	**2,893**

All deferred tax assets and obligations are included in the balance sheet. The fiscal deficits concern mostly the Group's foreign activities and are activated on the assumption that positive taxable income will be obtained within a period of approx. 3 years.

Change in interim differences in 2012

DKK 1,000	**Balance 1/1-2012**	**Included in net profit/loss, net**	**Exchange rate adjustments**	**Balance 31/12-2012**
Intangible assets	-789	-612	0	-1,401
Tangible assets	13,925	-6,328	91	7,688
Biological assets	4,326	451	-2	4,775
Other accounting items	-106	-130	0	-236
Deficits with right to put forward	-22,640	-885	-116	-23,641
Re-taxation balance	8,177	-210	0	7,967
Total	**2,893**	**-7,714**	**-27**	**-4,848**

Change in interim differences in 2011

DKK 1,000	**Balance 1/1-2011**	**Included in net profit/loss, net**	**Exchange rate adjustments**	**Tax of other total income**	**Balance 31/12-2011**
Intangible assets	-415	-372	-2	0	-789
Tangible assets	13,111	905	-91	0	13,925
Biological assets	4,297	31	-2	0	4,326
Other accounting items	-100	-6	0	0	-106
Deficits with right to put forward	-20,453	-1,996	116	-307	-22,640
Re-taxation balance	7,403	774	0	0	8,177
Total	**3,843**	**-664**	**21**	**-307**	**2,893**

Parent company DKK 1,000	2012	2011
Deferred tax 1 January	8,177	7,403
Deferred tax of the year calculated in net profit/loss	-210	774
Transferred from corporation tax	0	0
Other adjustments	0	0
Deferred tax 31 December	**7,967**	**8,177**
How deferred tax is calculated in the balance sheet:		
Deferred tax (asset)	0	0
Deferred tax (liability)	7,967	8,177
Deferred tax 31 December, net	**7,967**	**8,177**

The deferred tax at the end of 2012 and 2011 is mainly allocation of deferred tax of re-taxation balances as a result of international joint taxation.

21. Debts to credit institutions

Liabilities are recognised in the balance as follows:

	Group		Parent company	
DKK 1,000	2012	2011	2012	2011
Non-current liabilities	32,132	32,069	0	0
Current liabilities	42,184	35,979	2,034	0
Total	**74,316**	**68,048**	**2,034**	**0**
Fair value	74,316	68,048	2,034	0
Nominal value	74,316	68,048	2,034	0
- of this fixed interest	0	0	0	0

A change in the interest with 1 percentage point will, incl. other loans, entail a change in the interest expenses of DKK 0.9 million (2011: DKK 0.9 million).

Current maturity:	2012	2011
Within 1 year	42,184	35,979
1-5 years	26,999	22,909
> 5 years	5,133	9,160
Total accounting value	**74,316**	**68,048**

The company's bank- and leasing debt is mainly placed in Slovakia and Romania. The debt in Slovakia is taken out in euro with an average interest rate at 5-6 percent (2011: 5-6 percent). In Romania, the majority of the debt is taken out in the local currency, and the interest is 10-11 percent (2011: 10-11 percent).

In both 2012 and 2011, 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 were carried with variable interests and estimated in euro.

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

Group 2012 DKK 1,000	Minimum-contribution	Interest etc.	Repayment of liabilities
0-1 year	3,788	-407	3,381
1-5 years	4,552	-278	4,274
> 5 years	0	0	0
Total	**8,340**	**-685**	**7,655**

Group 2011 DKK 1,000	Minimum-contribution	Interest etc.	Repayment of liabilities
0-1 year	5,740	-599	5,141
1-5 years	5,868	-440	5,428
> 5 years	0	0	0
Total	**11,608**	**-1,039**	**10,569**

At the termination of the leasing contracts, the Group has possibility to acquire production plants and machinery at favourable prices.

22. Supplier debts and other debt obligations

DKK 1,000	2012	Group 2011	2012	Parent company 2011
Loan	17,110	14,994	17,110	14,994
Supplier debts	21,313	18,186	309	505
Other debt obligations	7,736	15,501	1,828	1,889
Total	**46,159**	**48,681**	**19,247**	**17,388**

23. Corporation tax

DKK 1,000	2012	Group 2011	2012	Parent company 2011
Corporation tax 1 January	-210	0	0	0
Current tax of the year	-639	-2,422	0	0
Paid corporation tax	210	2,212	0	0
Corporation tax 31 December	**-639**	**-210**	**0**	**0**

24. 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 Group's loan in Slovakia, security has been rendered in the Group's Slovakian assets with an accounting value of DKK 294.3 million (2011: DKK 322.0 million). Security has also been given for other loans of DKK 17.1 million in the company's share capitals in Romania and thereby indirectly in land.

The parent company has guaranteed for the subsidiaries' debt in credit institutions with an accounting value of DKK 72.3 million (2011: DKK 68.0 million).

25. Change in working capital

DKK 1,000	2012	Group 2011	2012	Parent company 2011
Change in biological assets and inventories	5,385	-10,465	0	0
Change in receivables etc.	10,944	-4,738	59	-204
Change in supplier debts, other debt obligations and accruals	-7,330	1,558	-258	-299
Total	**8,999**	**-13,645**	**-199**	**-503**

26. Non-cash transactions

DKK 1,000	2012	2011
Acquisition of tangible assets, cp. note 15	15,643	14,445
Of this financial leased assets	0	0
Paid regarding acquisition of tangible assets	**15,643**	**14,445**
Proceeds at raising financial debt liabilities	2,147	1,662
Of this leasing debt	0	0
Received at raising financial debt liabilities	**2,147**	**1,662**

27. Cash and cash equivalents

		Group		Parent company
DKK 1,000	2012	2011	2012	2011
Available funds	837	1,183	3	127
Current debt for credit institutions	-42,184	-35,979	-2,034	0
Available 31 December	**-41,347**	**-34,796**	**-2,034**	**127**

28. Risk management

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

There are no significant changes in the Group's risk exposure or risk management compared to 2011.

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 in 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 2013.

FirstFarms' activities are placed in Slovakia and Romania. A change in the Romanian lei of 1 percent will - all things being equal - affect EBIT with approx. DKK 0.1 million (2011: DKK 0.1 million). Furthermore, a direct effect on the equity will show due to a changed conversion of assets and liabilities.

Due to a low external financing, the Group is in less extent influenced by changes in the interest rate level. A change in the interest rate with 1 percentage point will – all things being equal - entail a change in the financial expenses with DKK 0.9 million (2011: DKK 0.9 million).

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 0.8 million (2011: DKK 0.8 million). In addition to this, a value adjustment on biological assets (the value of stock) as a result of changes in milk prices can occur.

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 0.6 million (2011: DKK 0.6 million).

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

Liquid funds
FirstFarms has entered agreements with banks in Slovakia and Romania regarding credit lines, which, together with the present financing in the company, is assessed to cover the company's cash needs in 2013.

The Group's liabilities fall due as follows:

2012 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	66,661	70,996	39,688	26,047	5,261
Financial leasing liabilities	7,655	8,340	3,788	4,552	0
Trade payables	21,313	21,213	21,213	0	0
Loans	17,110	17,110	17,110	0	0
Derivative financial instruments	0	0	0	0	0
31 December 2012	**112,739**	**117,659**	**81,799**	**30,599**	**5,261**

2011 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	57,479	64,154	32,436	21,458	10,260
Financial leasing liabilities	10,569	11,608	5,740	5,868	0
Trade payables	18,186	18,186	18,186	0	0
Loans	14,994	15,406	15,406	0	0
Derivative financial instruments	0	0	0	0	0
31 December 2011	**101,228**	**109,354**	**71,768**	**27,326**	**10,260**

All the parent company's liabilities fall due with one year.

29. Operational leasing

Minimum irredeemable operational leasing payments are as follows:

Group DKK 1,000	**2012**	**2011**
0-1 year	2,934	3,799
1-5 years	2,641	3,943
> 5 years	456	909
Total	**6,031**	**8,651**

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

In the income statement for 2012 DKK 1.7 million was put to cost regarding land lease (2011: DKK 1.7 million) Costs at the same level is expected in 2013. In the following years, the amount is not expected to change significant by renting the same area.

Per 31 December 2012, FirstFarms has leased 7,600 hectares in total in Slovakia, distributed on 5,600 lease contracts with a currency of 1-15 years (2011: 7,600 hectares distributed on 5,600 lease contracts).

In Romania leasing contracts have been entered of approx. 300 hectares of land to cultivate in 2012/2013 (2011/2012: 250 hectares).

Furthermore, FirstFarms has entered agreement about operational leasing of machines with an annual cost of approx. DKK 1.6 million (2011: DKD 2.3 million).

The parent company has entered agreement about operational leasing with yearly contributions of DKK 0.1 million (2011: DKK 0)

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 5 and the loan conditions below, no transactions with the Board of Directors and Management have been made.

For a description of accounts between related companies, see the balance sheet of the parent company and note 10 and 11 as regards to returns on accounts.

FirstFarms' chairman of the Board of Directors Henrik Hougaard is also shareholder and chairman of the Board of Directors in companies, with whom FirstFarms has entered loan agreement with in 2012. The loans have ranged between DKK 15 million and DKK 22 million over the year and as per 31 December 2012 the loans constitute DKK 17.1 million, and the interest has during the year constituted DKK 2.2 million.

In 2012, FirstFarms A/S has invoiced group contributions etc. of DKK 0.3 million (2011: 0.3 million).

All transactions are made on market terms.

31. Subsequent events

After the balance day 31 December 2012, no essential events on the presentation of FirstFarms' account have occurred.

32. New accounting regulations

A number of new standards and interpretations, that are not mandatory for FirstFarms A/S for the preparation of the Annual Report for 2012, are published. None of them is expected to have significant impact on recognition and measurement at the financial reporting of FirstFarms A/S.