FirstFarms

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FirstFarms Annual Report 2007

FirstFarms

Annual report 2007

FirstFarms A/S
CVR: 28 31 25 04

Company information

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FirstFarms A/S
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Denmark

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

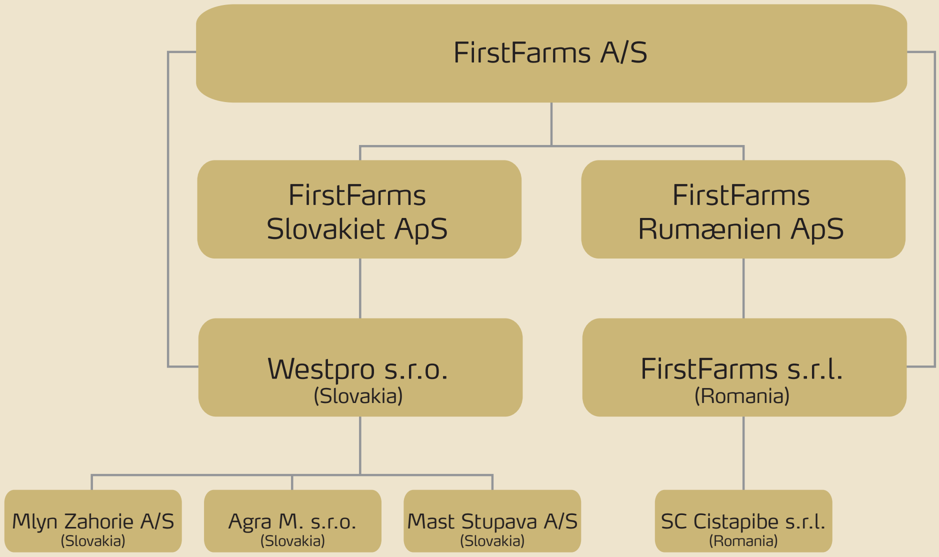
Financial year: 1 January – 31 December

Board of Directors
Henrik Hougaard (Chairman)
Stig Axel Andersson
Kjeld Lindberg Iversen
Jens Møller
Lars Thomassen

Management
Kim Abildgaard Stokholm

Auditors
KPMG C. Jespersen
Værkmestergade 25
Postbox 330
DK-8100 Århus C
Denmark

Annual general meeting
The annual general meeting will be held on Tuesday, 22 April 2008, at 5.00 p.m. at the Conference Centre, Hotel Legoland, Aastvej 10B, DK-7190 Billund, Denmark.



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Financial highlights and key ratios

	Group 2007	Group 21/9-31/12 2006	Parent company 2007	Parent company 2006	Parent company 2005
Financial highlights (DKK 1,000)					
Turnover	58,751	9,183	890	0	0
Gross profit/loss	13,955	2,583	890	0	0
Profit/loss from primary operations	-3,838	-243	-9,136	-1,231	-29
Net financial items	10,154	-474	18,141	153	170
Pre-tax profit/loss	6,316	-717	9,005	-1,078	141
Net profit	4,678	-509	6,678	-740	67
Long-term assets	228,415	104,353	249,695	93,843	18,175
Short-term assets	267,645	403,073	181,625	346,561	81
Total assets	496,060	507,426	431,320	440,404	18,255
Share capital	471,224	471,224	471,224	471,224	128
Shareholders' equity	425,099	424,632	428,684	421,801	211
Long-term liabilities	20,173	11,074	21	0	17,841
Short-term liabilities	50,788	71,720	2,615	18,603	203
Cash flow from operations	-3,895	-16,499	1,878	-537	281
Cash flow for investment, net	-129,461	-801	-1,077	-11,594	-10
Of which for investment in tangible assets	-85,774	-5,363	951	0	0
Cash flow from financing	-12,291	358,670	-166,514	358,113	-334
Total cash flow	-145,647	341,370	-165,713	345,982	-63
Key ratios					
Gross margin	24	28	100	-	-
Operating margin	-6.5	-2.6	-1,027	-	-
Assets/shareholders' equity	1.2	1.2	1.0	1.0	86.4
Profit/loss per share, DKK	0.99	-0.11	-	-	-
Diluted profit/loss per share, DKK	0.99	-0.11	-	-	-
Return on shareholders' equity	1.1	-0.1	1.6	-0.1	-
Average number of employees	208	194	5	1	0

Outline of the year under review

- In the period under review, a turnover of DKK 58.8 million, an EBIT loss of DKK 3.8 million and a pre-tax profit of DKK 6.3 million were achieved. The pre-tax result was DKK 5 million better than originally expected and DKK 1.3 million better than announced in the half-year and Q3 interim reports in 2007.
- Establishment of a platform in Romania through the engagement of a country manager and the formation of a subsidiary, FirstFarms s.r.l., in Romania in May 2007.
- Acquisition of the Romanian agricultural company SC Cistapibe s.r.l. in September 2007.
- Acquisition of the Slovak agricultural company Mlyn Zahorie A/S in October 2007 with its own flour mill and 2,000 hectares of leased land.
- Acquisition of a total of 4,576 hectares of land in East and West Romania, respectively.
- Operation of 6,300 hectares of farm land in Slovakia, which by autumn 2007 increased to 8,300 hectares, as well as a herd of 2,100 dairy cows.
- Construction of cattle stables in Slovakia to ensure the herd can be extended to become one of the biggest dairy cattle herds in Europe.
- Turnover of FirstFarms shares of approx. DKK 1.4 million per business day, as well as an increase in the share price from 1 January to 31 December 2007 of 34 %.

The year 2007

2007 was FirstFarms' first full financial year as a listed company, and we have been pleased to see the great interest taken in the company in the year under review. One of the reasons for this interest was the focus on farm produce, such as grains and milk, in Denmark, as well as on the world market in general. Other reasons were the discussion about the European Union agricultural reforms, the increasing demand for food in the new growth economies, such as China, India and Central and Eastern Europe, as well as environmental decisions in regard to the production of bio fuels.

In the first year as a listed company on the OMX – Nordic Exchange Copenhagen the turnover of the company's shares was DKK 1.4 million per business day and the share price rose by 34 %.

FirstFarms attained a turnover of DKK 58.8 million in 2007, an EBIT loss of DKK 3.8 million and a profit before tax of DKK 6.3 million. The results obtained were a little better than expected in the autumn of 2007.

2007 was the year in which FirstFarms relocated its headquarters to new premises in the town of Billund, where the company now has a good location close to facilities such as the airport. In addition, we enhanced our management strength by engaging a General Manager in Slovakia, thereby freeing up resources at corporate level. Furthermore, the company engaged a cattle farming specialist to strengthen the technical capacity of FirstFarms.

In Slovakia, the company acquired another agricultural company in the year under review: Mlyn Zahorie A/S, plus a cattle herd of approx. 2,000 animals. FirstFarms now thus cultivates 8,300 hectares and has a total of 4,300 cattle, of this 2,100 dairy cows. At the end of the year, we started up the cattle stall project, which will further increase and improve the herd, making room for our ambition to have 3,400 dairy cows. The construction process is illustrated on our website: **www.firstfarms.com.**

In the past year, FirstFarms established a platform in Romania – the company's second country of focus. The first land, 376 hectares, was purchased in the spring of 2007, but more land soon followed. As at 31 December 2007, FirstFarms had purchased a total of 4,576 hectares of farm land in Romania, acquired a Romanian agricultural company, SC Cistapibe s.r.l., and had started up the cultivation of 1,500 hectares of land to be able to harvest crops in 2008. A Danish Country Manager was engaged in the spring of 2007 and has taken part in establishing and building up the local organisation in the country.

In 2007, FirstFarms engaged a number of new managerial staff. Attracting new staff will remain a focus area for the company, since this is important for the build-up and running of the Group.

Finally, the company would like to thank shareholders and other stakeholders for their keen interest in the company in the year under review. Also thanks to the participants in FirstFarms' shareholder trips in 2007 to Slovakia. We look forward to organising more shareholder trips in 2008, where it i.e. will be possible to witness the construction of the cattle stall project in Slovakia.

Yours sincerely

Kim Stokholm
CEO

Henrik Hougaard
Chairman

Statements

Management statement

The Board of Directors and the Executive have today discussed and approved the annual report of FirstFarms A/S for the financial year 2007.

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 reports 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 2007 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 2007.

We recommend the annual report to be approved at the annual general meeting.

Billund, Denmark, 27 March 2008

Management

Kim Stokholm
CEO

Board of Directors

Henrik Hougaard
Chairman

Kjeld Iversen

Jens Møller

Lars Thomassen

Stig Andersson

Independent auditors' report

To the shareholders of FirstFarms A/S
We have audited the annual report of FirstFarms A/S for the financial year 1 January - 31 December 2007, which comprises the statement by the Executive and Supervisory Boards, Management's review, income statement, balance sheet, statement of recognised income and expense, cash flow statement and notes for the Group as well as for the parent company. 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 reports of listed companies.

Management's responsibility for the annual report
Management is responsible for the preparation and fair presentation of the annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility
Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report 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 annual report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2007 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 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Århus, Denmark, 27 March 2008

KPMG C. Jespersen
Statsautoriseret revisionsinteressentskab

Erik Dybdahl
State Authorised Public Accountan

Jens Weiersøe Jakobsen
State Authorised Public Accountan

Management review

In 2007, FirstFarms achieved a turnover of DKK 58.8 million, an EBIT loss of DKK 3.8 million and a pre-tax profit of DKK 6.3 million, which was a little better than announced in the half-year and Q3 interim reports in 2007. The equity amounted to DKK 425.1 million at the end of 2007.

DKK million	Turnover	EBIT	Pre-tax profit
Announced expectations for 2007	45 - 50	-6 - -8	0 - 2
Half-year report 2007	55 - 60	-3 - -5	4 - 6
Realised in 2007	58.8	-3.8	6.3
Expectations 2008	85 - 90	6 - 8	10 - 12

The result in the fourth quarter was impacted positively by higher milk prices and value adjustments of biological assets, where i.e. herds and milk quotas rose because of increasing milk prices.

Milk production in 2007 was slightly lower than expected. Production was influenced by an extraordinarily hot summer and lower production as a result of higher stock density in connection with preparations for the increased cattle stock in the new cattle stables. The lower production was partly compensated by the higher milk prices in the fourth quarter of 2007.

Grain prices were high in 2007 and higher income has been obtained from the sale of grains. Conversely, the price of fodder went up, which increased the production costs for milk. The green harvest for fodder was lower than expected, since the summer was unusually hot and dry. This also increased production costs in relation to expectations.

The accounts of the parent company show that loans were made to the subsidiaries in 2007, including loan to the subsidiary in Romania for purchase of land. The companies in Slovakia received loans for the acquisition of the agricultural company Mlyn, which was taken over in September 2007. Furthermore, loans were made towards investments in machines, etc. The investment in the cattle stall extension also started in 2007; however, most of the investments will not be payable until 2008 and 2009.

Denmark

FirstFarms relocated its headquarters to Billund, Denmark, in May 2007. The new headquarters is well located near to facilities such as Billund Airport.

To strengthen its organisation, FirstFarms took a number of initiatives in 2007. In January, a full-time cattle specialist was engaged to work at corporate level. This strengthening is part of the strategy to establish a technical department in FirstFarms with strong professional expertise to be able to support the individual subsidiaries in their efforts to optimise and improve the running of their activities. In April 2007, a General Manager for the Slovak activities was engaged; this means that the Managing Director of FirstFarms, who used to work out of Slovakia, is now located in Denmark. The engagement of a local General Manager thus strengthens the general managerial capacity at corporate level in Denmark.

FirstFarms organised shareholders' trips in May and October 2007, where the company's activities in Slovakia were paid a visit. A total of 66 shareholders participated and were able to observe the farms, and meet the employees. FirstFarms has decided to organise shareholders' trips again in 2008. The first trip is expected to be held in the spring of 2008 and will be advertised via the company's website: **www.firstfarms.com.**

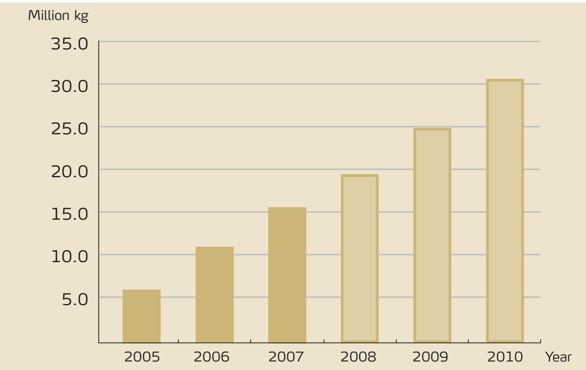
FirstFarms launched a major renovation of the website in the year under review and it now contains more information about the company. The website is an important tool for communicating with the company's investors and other stakeholders. The website contains information about the company and its farming activities; furthermore, webcasts and investor presentations are accessible on the website, and it is possible to log in via the shareholders' portal or to sign up to the company's news service, plus many other facilities. In 2007, the website was upgraded to include a full English version.

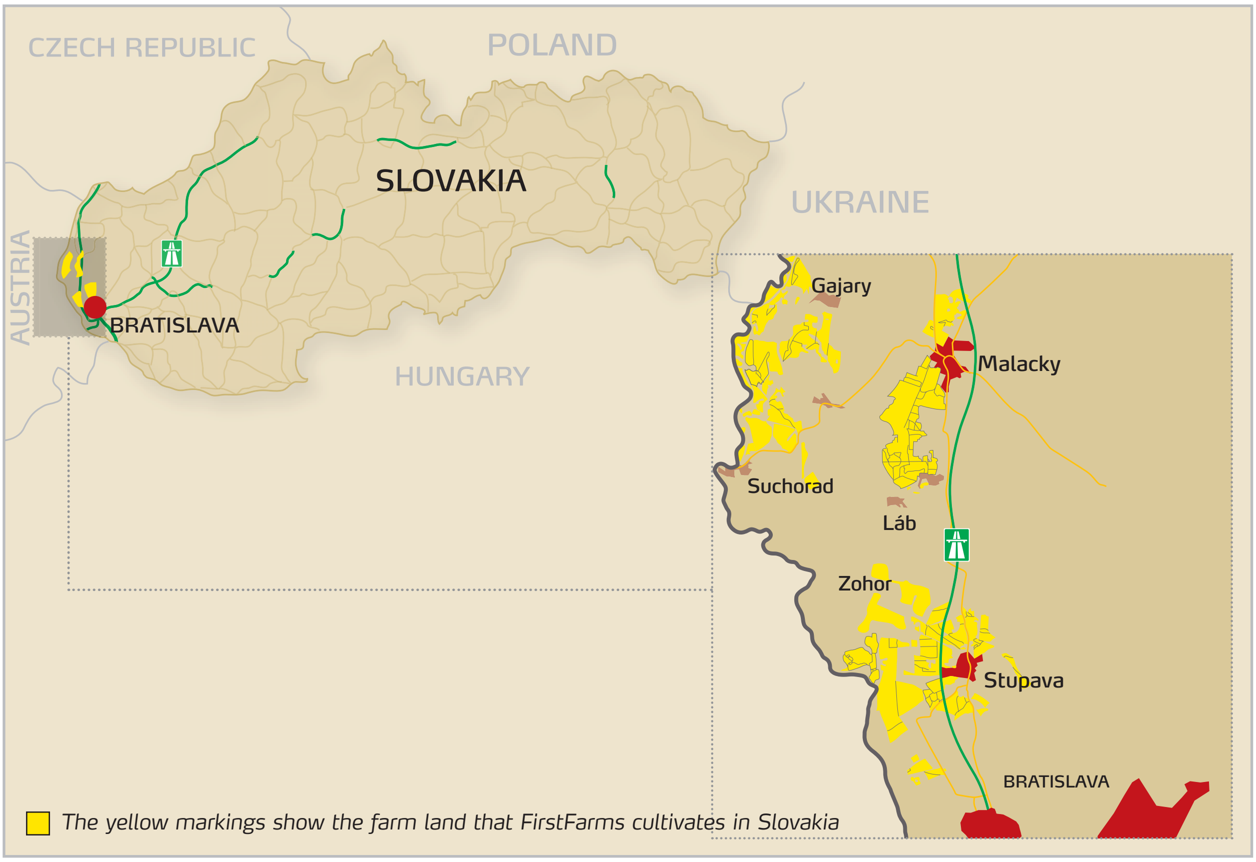
Slovakia

Milk production

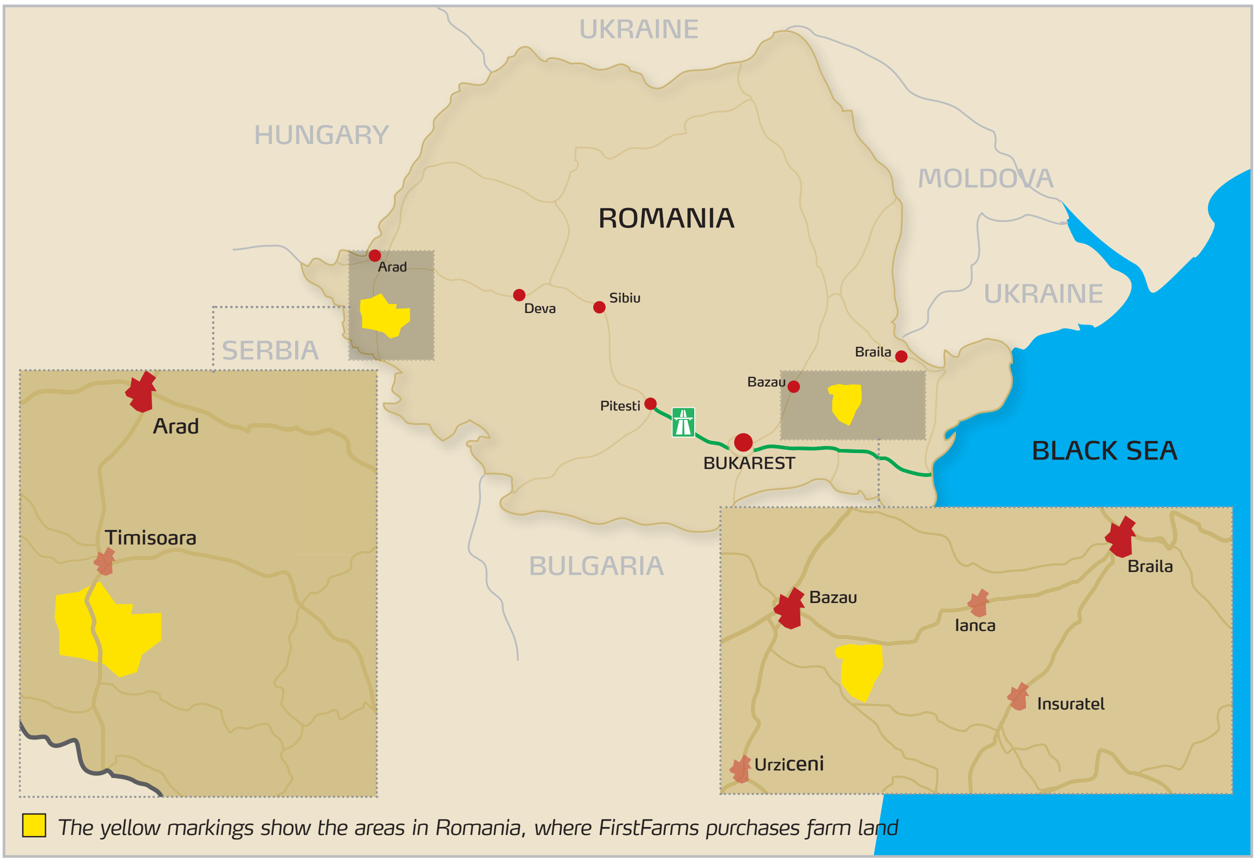
FirstFarms produced 15.4 million kg of milk in 2007. The milk was sold to the large Slovak dairy company RAJO, a subsidiary of the German dairy group Meggle. In the spring of 2007, after buying the 2,000 cows and the 7.8 million kg milk quota that came with them, FirstFarms now has a total milk quota of approx. 20 million kg of milk, corresponding to approximately 2 % of Slovakia's total produc-

Development in FirstFarms' milk production in Slovakia





The yellow markings show the farm land that FirstFarms cultivates in Slovakia



The yellow markings show the areas in Romania, where FirstFarms purchases farm land tion. The settlement prices for milk were under pressure in the first and second quarters due to increases in the exchange rate of the Slovak currency, the koruna. However, the increasing world market prices of milk in 2007 had a full knock-on effect on the settlement price in the fourth quarter of 2007.

For historical reasons, the cattle herd in Slovakia is held at different sites. The company acquired 2,000 cattle in April 2007 and it has been a big logistical challenge to have the animals distributed to the different sites.

During the accounting period, the milk yield declined slightly, which was due to an extraordinary hot summer, resulting in heat stress, and a higher stock density at the different sites, as the herd was build up in the cattle extension drive. FirstFarms has made a deliberate choice to increase the herd to be ready to place the cows in the new cattle stalls, as and when the individual stall sections are completed.

In the accounting period, the cell number was at the Danish level. The cell number is a typical measure of the quality of the milk and the health condition of the animals. It indicates the number of white blood cells and rejected cells in the milk (the lower the number, the better). As the new stalls are taken into use and the stock density goes down, the cell number is expected to decline to a level below the Danish average.

The mortality rate for cows and calves is at the level of the Danish average.

Construction of cattle stables

The construction of the cattle stables, which will help ensure expansion of the stock of dairy cattle to a total of 3,400 dairy cows, is proceeding as planned. The 2,000 animals that form part of the expansion of the herd are partly being held in rented stalls until they can be moved to the new cattle stalls as and when construction is completed. The construction period is expected to end in late 2009. When the cattle stall project has been finalised in 2009, a significant reduction will be obtained in the cost per kilo of milk produced, since the facility will be one of Europe's largest and most advanced. Following the expansion, FirstFarms will be able to produce more than 30 million kg of milk per year in Slovakia.

Field production

In Slovakia, focus has been on the production of fodder and the quality of the fodder, since this production is essential to the profitability of the company owing to the large size

Dairy cows at feeding table – Slovakia

of the herd. In 2007, a total of 2,200 hectares were allocated to fodder production. The dry, hot summer had a negative effect on the fodder production volume, consisting of maize, alfalfa and grass silage. However, the drought had no major impact on the quality, which was characterised as high. Despite the lower volumes harvested, the fodder quantity for the 2008 fodder plan was secured.

Since the company cultivated 6,320 hectares of land in Slovakia in 2007, there was also a production of cash crops. During the accounting period, the company harvested 2,475 hectares of cash crops consisting of wheat, barley and rape in quantities at the expected level. However, due to an extremely hot and dry summer in Slovakia, the rye and sunflower harvest was below the level expected. As a result of the higher world market prices of farm produce, however, the settlement prices of the cash crops were significantly higher than expected, which is why the overall effect on the accounts in 2007 was positive.

The remaining fields, totalling 1,645 hectares, are used for permanent grass, an orchard and other elements. Most of the area qualifies fully for hectare support and part of the area is covered by the agreement on "Organic Farming".

Acquisition of agricultural company

In October 2007, FirstFarms acquired the agricultural company Mlyn Zahorie A/S, which operates in between existing activities in Slovakia (see map, p. 9). The company has over 2,000 hectares of leased land, half of which has been certified for organic production. With this acquisition, FirstFarms will be able to attain synergies in the cultivation of the total of 8,300 hectares of farm land and cultivation of the land is already part of the field plan for 2007/2008. In addition to the land, the neighbouring company also has a flour mill which is located approx. 50 km north of the activities in Malacky and is responsible for approximately 3 % of Slovakia's flour production. The plan is to divest this activity, since processing of primary products is not part of FirstFarms' strategy.

Research and development

To optimise the farms in Slovakia, FirstFarms carried out various practical tests in 2007, i.e. lot trials in maize. This was done to measure yields and suitability to the climate and soil conditions in Slovakia. These trials showed a variance of more than 4 tonnes per hectare. The trials have helped decide on the varieties that FirstFarms will grow in 2008.

In the end of 2007 and in addition to variety trials, the company started testing the use of gender-specific seed, to ensure that the production of valuable heifer calves can be optimised. In these trials, FirstFarms has cooperated with Danish researchers on assessing the outcome. The final results are not out yet, but if the trials lead to the expected results, the company will clearly benefit by producing heifer calves only. These can be used in connection with a subsequent expansion of dairy cattle herds in Slovakia, Romania and other countries.

Purchase of land

The purchase of land in Slovakia went more slowly in 2007 than expected at the stock-exchange listing in December 2006. This is because FirstFarms' activities are in the Bratislava region, where a lot of land is being parcelled out for dwellings and manufacture at very high prices. As at 31 December 2007, FirstFarms owned 246 hectares of land in Slovakia and now holds an option for an additional 225 hectares, which can be purchased at market price. All land not owned by FirstFarms is farmed based on land lease contracts. These contracts have a life of 5, 10 or 15 years and are being renewed on an ongoing basis. The rent for the land is graduated to match the life of the lease contract and the quality of the soil. The annual rent for a 15-year contract is at the level of DKK 130-300 per hectare. Some of the 15-year contracts contain a purchase option. Because of the rather low rent, the company does not wish to pay an excess price for purchasing land in the Bratislava region. There is great certainty that the company can continue its rent contracts on the land because of structural and legal conditions. In the period under review, no land has been divested for parcelling out or for any other purpose. One third of the rented land, approx. 2,500 hectares, is administered by the state through a land foundation. It is expected that this land will be offered for sale within 2-4 years after a land reform. The users, i.e. FirstFarms, are expected to be granted a pre-emptive right to the land. Page 9 contains a list of FirstFarms' activities in Slovakia.

Romania

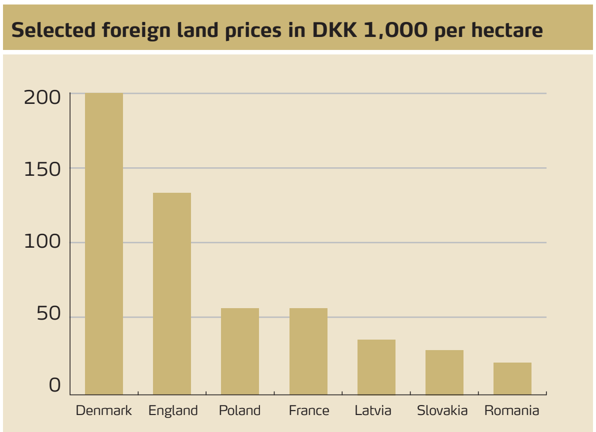
In April 2007, FirstFarms acquired its first piece of land in Romania, 376 hectares. In May, the company engaged a Country Manager and established a subsidiary – FirstFarms s.r.l., which has been very significant in terms of FirstFarms' organisational platform and the development of the investment strategy for Romania. In 2007, FirstFarms purchased a total of 4,576 hectares of land in Romania. The purchases were made in two regions: One in Western Romania, close to the Hungarian and Serbian borders, and one in Eastern Romania, close to the capital, Bucharest – rather close to the Bulgarian and Ukrainian borders. In both regions, the soil in the purchased areas of land has high quality in the black soil belt and is located in areas with good infrastructure. In addition, it was deemed important to select areas that have the best climatic conditions. Page 9 contains an overview of FirstFarms' activities in Romania.

The purchase of land in the two regions is carried out according to two different methods. In Western Romania, purchase happens in rather large lots where the soil has already been compacted prior to our purchase. This means that the land can be cultivated quite soon after takeover, but it also means that the land is more expensive. In Eastern Romania, purchase happens in very small parcels of land, which – when combined – become areas of 100-200 hectares each; however, they are all within the same geographical locality. The price for this land is much lower, but there are higher administrative costs for compacting the parcels and it takes longer time before the land can be cultivated. Consequently, only the land in Western Romania was prepared in 2007 for a production of cash crops in 2008.

FirstFarms bought a Romanian agricultural company - SC Cistapibe s.r.l., located in Western Romania, in September 2007. The site is very close to land already purchased. In addition to 800 hectares of land, the purchase included various buildings, including a quite new 2,500-tonne-capacity grain storage facility and machinery of lesser value.

Trends in land price

There are no official statistics on the purchase and sale of farm land in either Slovakia or Romania. In both countries, considerable price increases are occurring by virtue of the purchase and the subsequent combining of sites. In addition, prices in general are on the increase. There are substantial regional differences in prices in both countries, just as the individual transaction depends on a number of individual factors.



The chart shows FirstFarms' expectations regarding land prices in selected countries and below is information about the company's purchase prices excluding notary public and attorney costs and fees.

Slovakia

At the moment, the price is approx. DKK 20-30,000 per hectare on purchases of small parcels. Combined areas sell for up to DKK 50,000 per hectare. The average price increase in 2007 was approx. 20 %.

FirstFarms' farm land is entered in the accounts at an average cost price of DKK 17,941 per hectare, cp. note 14.

Romania

Parcels (titles) sell for approx. DKK 7,500 per hectare. Combined areas sell for DKK 17-30,000 per hectare. The average price increase in 2007 was approx. 20-40 %.

FirstFarms' farm land is entered in the accounts at an average cost price of DKK 13,661 per hectare, cp. note 14.

Barley field in Romania - March 2008

Russia and Ukraine

In 2007, FirstFarms decided to concentrate its investments and purchases in Slovakia and Romania, to optimise the managerial capacity in the two countries. The company's investment strategy continues to include Russia and Ukraine.

Events after the end of the financial year

Since the financial year ended, an additional purchase of 929 hectares of land was made in Romania on 27 March 2008, which means that as at 27 March 2008 FirstFarms owns a total of 5,505 hectares of land in Romania, divided between sites in Western and Eastern Romania.

The large cattle stall project in Slovakia, where 2,700 dairy cows will be housed when the facility is ready at the end of 2009, is progressing according to plan. Demolition works and site preparation have been concluded and the casting of foundations, slurry ducts, etc., has started.

On 1 February 2008, FirstFarms' Board of Directors allocated 12,500 warrants to employees of FirstFarms A/S. No member of the Board of Directors or Management was allocated warrants. The allocation of warrants in the Group is done to retain good, skilful employees. The warrants may only be utilised after a minimum of three years, which means that employees have an opportunity to share in the value increase that they help create at FirstFarms.

Expectations for 2008

In 2008, FirstFarms will focus on optimizing farming activities in Slovakia and Romania and expects to achieve the following financial objectives:

Group turnover of DKK 85 million – 90 million (+30), an EBIT profit of DKK 6 million – 8 million (+10) and a pre-tax profit of DKK 10 million – 12 million (+5). The main reason for the great increase in turnover and profit is due to expectations of higher milk production and unchanged milk prices compared to the prices in fourth quarter 2007.

These expectations regarding the result include positive value adjustment of biological assets of DKK 2.4 million. The adjustment concerns the purchased cattle herd in 2007 and corresponds to the value increase which is due to productivity improvements up to present level for FirstFarms' breeding strain. Beyond this, no other value adjustments of the biological assets are included in the expectations as it is provided that milk prices stay unchanged.

Slovakia

In Slovakia, the focus in 2008 will be on optimising and improving operations and on ensuring the best possible utilisation of the increased production capacity, as the new cattle stalls are completed and taken into use.

On 1 April 2007, FirstFarms acquired a cattle herd with breeding. Together with FirstFarms' other stock, this herd will form part of the new stall facility. In 2008, more cows will be purchased, to be able to meet the goal of having 3,400 dairy cows when the cattle stalls are ready. In 2007, FirstFarms acquired the Slovak agricultural company – Mlyn Zahorie A/S, which allowed FirstFarms the possibility of farming an additional 2,000 hectares of land on a lease contract. In 2008, the land will be operated jointly with the company's other farmland areas, which will thus reach a level of approx. 8,300 hectares of land. The integration of Mlyn into the overall operations is expected to be finalised in 2008. Because of the bigger area to be farmed in 2008, FirstFarms expects to add slightly more machinery in Slovakia in 2008.

In terms of investments, the focus in Slovakia will be on the expansion of the biggest site, with a new milking stall project that holds a new milking centre and a greater number of modern free stalls. The project will be the dominant investment for the company in 2008. The building activity was started in 2007 and is expected to be ready at the end of 2009. In addition to the investment in the cattle herd, the company will continue its land purchase strategy and carry out a number of environmental investments in the other production facilities in 2008.

Romania

In Romania, the 2007/2008 farming season is the first year of operations for the company. A farmed area of 1,500 hectares shall be cultivated and in the autumn of 2008, an area of at least 3,000 hectares is expected to be prepared to be ready for farming in the 2008/2009 season.

FirstFarms expects to continue its land purchase strategy in Romania in 2008 and to make ongoing investments in machinery. This means that 2008 will witness high capacity in some areas, since the purchase of machines must match the expansion expected to occur over the next few years.

Risk management

Interest and Financing

The limited use of external capital to finance FirstFarms' agricultural companies reduces the overall risk exposure of the company. In the long term, FirstFarms basically wishes to loan finance its farm investments by using up to 50 % loan financing. Consequently, the company undertakes a liability to honour repayments and interest payments on the loan capital.

Management monitors the interest risk on an ongoing basis, which risk arises since financing in the company is provided through the floating of loans with short or long fixed-interest periods. The fixed-interest period is determined by the Management of the company on the basis of applicable market conditions and a wish to optimise the minimisation of financing costs and risks of the company's total financial commitments. The interest risk arises since the operating profits of the agricultural companies – unlike financing costs – are not directly dependent on interest rate fluctuations. Interest changes due to adjustment of external financing interest rates can therefore affect the accounts of FirstFarms.

The financing risk arises since no guarantees can be given that FirstFarms will be able to obtain or maintain external financing for the company and/or its subsidiaries at all times. It is therefore possible, due to political unrest or turbulence on the financial markets, that FirstFarms' lenders may ask the company to repay loans or such lenders may not be able to offer loan financing on favourable terms. In such a situation it may not necessarily be possible to maintain the ratio between risk and expected return that follows from FirstFarms' investment strategy. Finally, conditions could be imposed on FirstFarms' raising of external financing that could compel the company to divest all or some of its assets at times which, in Management's assessment, would not be attractive to the company.

Currency

Through its investments and operations of agricultural companies in Central and Eastern Europe, FirstFarms have a foreign exchange exposure. The company plans to raise loans in the currency used in the country of investment, so as to minimise this exposure. There is a foreign exchange risk associated with the sale of – and dividend payments from – Central and Eastern European agricultural companies, since exchange rates fluctuate. Management finds that the foreign exchange risk is lower in Slovakia, which is working to introduce the Euro in January 2009, than in Romania. The foreign exchange risk is expected to decrease over time, since the countries in Central and Eastern Europe are undergoing a process of stabilisation, politically as well as economically. Furthermore, a number of Central and Eastern European countries will engage in foreign exchange cooperation agreements with the EU. However, the currencies of Central and Eastern European countries may over time experience substantial fluctuations vis-à-vis the Danish krone, thereby involving a potential risk as regards the company's financial results and financial position.

Insurance

To minimise the risks of daily operations, the Management of each agricultural company has concluded relevant insurance agreements covering storm and fire insurance including operating losses, liability insurance, work injury and burglary insurance, machine damage insurance as well as environmental damage insurance. It is possible to take out insurance against special climatic conditions, but the Management finds that at the moment the cost of such insurance is not commensurate with the level of cover or the probability of extreme weather conditions. Consequently, FirstFarms has not taken out such insurance, but is monitoring the options.

In the Slovak subsidiaries, general insurance has been taken out to protect against diseases in the herds; this insurance provides cover for animals affected by disease. However, the insurance does not cover operating losses resulting from diseases in the herd or the subsequent putting down of the animals, their removal, etc. Even if the company has disease insurance, it would in reality be difficult to replace all or large parts of the herd by new animals within a short time span. It could thus be quite a while before the agricultural companies in question would regain a herd of the same quality as before any disease struck. The possibilities of insurance against operating losses due to disease are thus reviewed on an ongoing basis, but until such insurance is taken out, diseases in a herd may negatively impact the earnings of FirstFarms.

Cost-price ratio

The cost-price ratio between settlement prices for farm produce on the one hand and the costs of the necessary production factors on the other have a major impact on earnings from operations in FirstFarms. Changes in the ratio between prices and costs will thus impact earnings; such changes may arise e.g. as a result of changes to general conditions of supply and demand on the company's sales side and procurement side. FirstFarms endeavours to limit the risk of negative impact from changes to the cost-price ratio by spreading its risks in its investment policy, making investments in different countries and agricultural companies with different types of production.

Employees

Farm operation is very dependent on being able to attract qualified labour at management level as well as at the production level. Basically, Management will take on managers

with experience from farms either in Western Europe or from major Central or Eastern European farms for the acquired agricultural companies, while production employees are local. If qualified labour cannot be attracted, the results obtained may deviate negatively from the expectations put forward.

Environment

Before acquisition and while preparing and implementing environmental action plans, FirstFarms enters into a positive dialogue with the authorities in the countries concerned. This minimises the risk of environmental cases in the period until the action plan has been implemented. The risk of sudden environmental damage in the form of a leakage or due to human error is covered by insurance.

The company may be exposed to risks if changes are made to the environmental requirements regarding production and operations, as well as requirements in regard to animal welfare in the various countries where the agricultural companies are located. Changing or tightening environmental requirements may make it necessary to alter farming methods and lead to demands for investment in environmental improvements. The consequence may be a negative effect on operating results.

EU-regulations

Farm production may be regulated through quotas and the allocation of production rights. EU developments in farming are monitored closely by Management to enable decisions to be made on the opportunities and limitations that may arise in connection with the considerable changes introduced in the EU farm policy (CAP) in the past few years. Proposals have been made to expand quotas and phase out the quota system in 2015, which will be of significance to the company if this proposal is carried through. Changes to quota regulations and the access to production rights, e.g. in milk production, may impact FirstFarms' ability to optimise its operations in accordance with the company's wishes and possibilities when it comes to benefiting from economies of scale. In addition, infringement of the existing quota allocations may have a negative impact on the company's earnings from operations. Furthermore, if e.g. the milk quota is exceeded in relation to the milk quota allocated to the individual farm, a penalty may be charged if the national milk quota is also exceeded. Consequently, the company makes sure it has an adequate milk quota for the planned production in the individual quota year. FirstFarms is not able to counteract or have any influence on quota regulations. In the compa-

Investment strategy

Based on a strategy of diversification both in production areas and geographic markets, FirstFarms intends to acquire existing agricultural companies in Central and Eastern Europe. Operation of these will then be optimised to enable future production of agricultural produce that is competitive in price and quality and that can contribute to accommodating the increasing purchasing power and demand in Central and Eastern Europe. FirstFarms' investments are based on long-term and active ownership.

FirstFarms considers that there is currently, and will be for a number of years into the future, good potential to acquire agricultural companies in Eastern Europe with a satisfactory balance between dividend and risk. As it invests, FirstFarms will:

- Acquire equity interest and contribute shareholders' capital to agricultural companies
- Invest further shareholders' capital and subordinated loan capital in the consolidation, structuring, operation and development of individual agricultural companies
- Assist with the acquisition of external capital from external credit institutes for agricultural companies
- Supplement and renew management and continue to complement this with optimisation of operations in the individual agricultural companies
- Aid the individual agricultural companies in structured land purchase programmes
- Realise capital gains in connection with partial or total exit from portfolio investments

Investment criteria

- Initially, FirstFarms will concentrate its investments in four countries: Slovakia, Romania, Russia and Ukraine.
- FirstFarms will invest a maximum of 25 % of the company's equity capital in a single subsidiary company and a maximum of 40 % of its equity capital in a single country.
- FirstFarms will focus on dairy, cattle and pig production.
- FirstFarms may carry out investments alone or in conjunction with local partners or other financial partners
- FirstFarms does not invest in green-field projects unless there is a guarantee that animal production can be established.
- FirstFarms expects that the average investment in the individual agricultural companies, including external financing, will be at a level of DKK 100 million – 200 million.

ny's primary markets, there are only quota schemes for the production of milk in Slovakia and Romania. Neither country fully utilises its national quota at the moment.

Competition in sales

For FirstFarms, a risk may be associated with the fact that the farm produce has to be sold to external trading partners. This risk may be particularly significant if competition for sales is restricted, e.g. as a result of a concentrated industry structure with few players, where a trading partner's strong market position may be exploited to the financial detriment of FirstFarms. FirstFarms tries to counteract this risk by concluding long-term contracts that also take world market prices into account. Furthermore, the possibility of having several independent buyers is a very significant investment criterion for the company, which is why the company seeks to counter this risk when establishing a presence. The company's large-scale supply of agricultural produce from the individual farms, offering high, uniform quality, is expected to generate positive interest among processing and sales companies with which a constructive trading relationship can be forged at settlement prices that are attractive to the company.

Reliability of supply

Inadequate reliability of the supply of essential products, such as seed, fodder, veterinary items and medicine, may constitute a risk to FirstFarms, since the time factor for procuring these products may be critical in some Central and Eastern European regions. The company will offset any supply difficulties by building up stocks and by concluding long-term contracts. The company's ability to implement its investment strategy will be conditional upon its ability to purchase breeding stock and other necessary production equipment for operations. In regard to the access to breeding stock, the market may be in short supply as regards both quantity and quality, thereby working against the implementation of the company's investment strategy. Management tries to minimise this risk through the planning and implementation of investments in the individual agricultural companies and generally through entering into close cooperation with producers of breeding stock and suppliers of production equipment. Overall, the company tries to cover its risks on significant items by concluding long-term contracts.

Climatic conditions

The financial results of farm operations depend on local weather conditions in a particular year. Management considers that a diversified portfolio, in terms of geography as well as operations, will enable FirstFarms to even out any impact the weather may have on operating results. Furthermore, ongoing investments are being made in irrigation systems, so as to reduce sensitivity to periods of drought. However, even after diversification effects and investments in irrigation systems, etc., the continental climate of the selected investment countries may possibly lead to damage, e.g. from hail, drought, flooding or storm. In addition, extreme weather conditions may negatively impact the productivity of animal production. Climatic conditions are thus highly significant in regard to the operating results obtained by FirstFarms.

Company investments in Central and Eastern Europe

When investments are made in Central and Eastern European countries, the operations of the individual agricultural company will depend on the state of the operating equipment and the replacement of this equipment. The operating equipment in individual agricultural companies must be replaced on an ongoing basis following the acquisition to ensure better efficiency and thus improved operations. When investments are made in farms, there is a certain risk that the buildings may have errors, defects or other issues that will subsequently be very costly to repair. The company seeks to minimise this acquisition risk by obtaining technical reports before acquiring an agricultural company. Since the strategy behind FirstFarms is to acquire agricultural companies that can be modernised, the risk of errors and deficiencies is higher. The budgets have correspondingly larger amounts set aside for improvements and maintenance.

Legislation

To the extent investments have been made in an EU country, FirstFarms is exposed to the same risk as all other farm production in the EU. In addition, the company also complies with national rules in the country where the farm activity is placed. In the Central and Eastern European countries the legislation can sometimes be even stricter than in Denmark, i.e. as regards both the natural environment and the working environment.

Political instability

Management finds that an investment in a Central or Eastern European country involves a number of unavoidable political risks, but that the present governments are working to increasing the level of internationalisation in their agricultural sectors. At country level, FirstFarms finds that the highest political risk at the moment is in Russia and Ukraine.

Corporate Social Responsibility

FirstFarms focuses on sustainable development and assumes corporate social responsibility (CSR) in connection with its acquisition of companies in Central and Eastern European countries and, in particular, in connection with the subsequent operation of the farms. FirstFarms' policy is for the subsidiaries to comply with all environmental and animal welfare requirements in regard to production and operation, as well as other requirements such as the various working-environment and training requirements in force in the country, where the respective farms are placed. As a rule, such compliance is not in place when existing companies and farms are taken over. Consequently, FirstFarms is preparing the necessary action and investment plans to ensure compliance with applicable legislation.

To ensure sustainable development in regard to issues such as the environment and animal welfare, and to ensure employee satisfaction and training, FirstFarms uses many resources on Corporate Social Responsibility (CSR), since the company considers that this approach will work to the company's benefit in the longer run.

Environment

FirstFarms does not wish harm to nature or the environment to result from the company's activities in Central and Eastern Europe. That is why the company wishes to ensure compliance with environmental rules as farm activities are pursued in the different countries where the company runs farms.

In compliance with legislation in the countries where FirstFarms operates, the company monitors the use of pesticides and fertilisers. Pesticides which are not approved in the country in which the company carries out agricultural activities are not used by the company. The company complies with legislation in respect of the quantities and use of both organic and non-organic fertilisers.

In some areas, special environmental agreements must be observed; in these areas, which are cultivated under EU environmental consideration rules, the rules are monitored in regard to field plans, crop rotation and spraying restrictions. In those areas of Slovakia which are subject to special environmental protection, in proximity to the Morova River flood plains, the company abides by the particular environmental regulations applicable here. In this area, approval of the spraying plan is also obtained from the environmental authorities before spraying commences.

The company wishes to avoid its employees being involved in environmental accidents, so the company ensures that the employees have the requisite, statutory training in how to use the different sprays. Such training is provided on an ongoing basis and is refreshed at least once a year upon the company's initiative.

FirstFarms acquired the Slovak agricultural company Mlyn Zahorie A/S in October 2007, a company with over 2,000 hectares of leased land. About half of this land is certified for organic production, which means that FirstFarms is able to offer organic farm produce for sale.

Animal welfare

FirstFarms wishes to improve efficiency and operate profitable farms, but not at the expense of animal welfare. That is why the company seeks to ensure that the animals do not suffer any distress or injury from the activities pursued by the company in Central and Eastern Europe.

To avoid animal abuse and negligence during transport of the company's animals, buyers and carriers of FirstFarms' animals have documented that they are in compliance with applicable animal transport legislation. FirstFarms thus ensures its compliance with all applicable animal transport legislation in the countries where the company operates. In the EU, the regulation of animal transport is specified in exactly the same manner in all member states in the form of Council Regulation (EC) No. 1/2005 of 22 December 2004 on the protection of animals during transport and related operations.

FirstFarms complies with local country rules in regard to medication and retention deadlines; consequently, the only medicine stocks kept are known about by the authorities and inspected on a regular basis. The company collaborates closely with the veterinary authorities in the countries where the company operates. FirstFarms is also engaged in providing supplementary training to local vets with the assistance of their Danish counterparts. This ensures optimal treatment based on the latest methods, which far exceed normal practice in Central and Eastern European countries.

FirstFarms seeks to avoid supplying milk with medication residue to the dairies and thus to the consumers. This is done by milking cows that have received medical treatment separately, so that this milk is not accidentally mixed with the milk supplied to the dairies. The milk from cows that have received medication treatment is not used as fodder for heifer calves either, since FirstFarms does not want to run the risk of having multi-resistant animals in the herd.

In addition to retraining of local veterinarians, the company also assists with education and retraining of hoof trimmers in order to ensure proper treatment of hooves and to avoid leg injuries. This means that the highest possible regard is paid to animal welfare at the same time as loss of productivity is avoided. Local staff are also trained in animal welfare in order to ensure that the animals enjoy optimum conditions. The staff follows a programme designed by the company: "Cow behaviour and wellbeing", which enables employees to observe whether the animals enjoy optimised conditions.

Goals

FirstFarms is investing in agricultural companies in Central and Eastern Europe, where favourable cost, production and sales conditions provide the foundation for continued high operating earnings. The company's primary financial goal is to enable ongoing income from operation of the production units in FirstFarms' agricultural companies and generate an annual return on investment of the equity capital of at least 20 % before tax after 3–5 years following each individual investment. Consequently, the company operates as a long-term investor in the different countries.

In addition to earnings from operations, FirstFarms expects to be able to realise capital gains in the longer term by selling farm land and other fixed assets. Based on the overall objective, the company will only make investments in agricultural companies or production expansions, wherever the above-mentioned return on equity can be attained within the stated time horizon. For most of the investments in FirstFarms, an implementation period of typically 1-3 years will apply following which – depending on the type of investment – it will be another 1-2 years before the full production effect can be realised.

FirstFarms' goal is to build up a diversified portfolio of large agricultural companies in Central and Eastern Europe, which is divided into different branches of farming in different countries so as to spread the company's risk exposure.

Slovakia

In Slovakia, FirstFarms wishes to continue its acquisition of land; the company now owns 246 hectares and has a purchase option for another 225 hectares. The company expects to continue buying at a rate of approx. 200 hectares per year. One third of the 8,300 hectares of land cultivated by the company is administered by the Slovak state via a land foundation. This land is expected to be offered to the users within the next 2-4 years, which is why the company plans to utilise this expected pre-emptive right to purchase. In addition, FirstFarms expects to go through with the expansion and modernisation of the cattle herd in Slovakia. Economies of scale and improved efficiency are expected to help the company reach its overall objective of the annual return on the invested equity.

Romania

In Romania, FirstFarms has chosen a multi-stringed strategy in regard to purchase of land. In 2007, a total of 4,576 hectares of land was purchased. Both large contiguous sites and smaller parcels are purchased with a view to subsequent combination of the areas. The company expects to continue and intensify its purchase strategy. The company has already acquired so much contiguous land in 2007 that plant cultivation on the first 1,500 hectares has started in 2008. The goal is to purchase at least 5,000 hectares in the same geographical area as soon as possible. The final plans for starting up animal production in Romania are expected to be finalised in 2008.

FirstFarms will intensify its resources in 2008, so as to obtain the highest possible assurance that the company will meet its strategic and financial objectives in Slovakia and Romania.

Mission

By virtue of its business concept, FirstFarms wishes to utilise favourable market opportunities to invest in a diversified agricultural portfolio in Central and Eastern Europe to optimise operations and assure its investors an attractive ongoing return and, over time, capital gains on land and tangible assets.

Vision

FirstFarms must be respected, because the company undertakes investments in agriculture in Central and Eastern Europe in a competent and trustworthy manner, characterised by a professional business approach. Through its activities, the company must contribute the provision of high quality agricultural produce to consumers, while keeping its focus on maintaining the environment and protecting animal welfare.

The aim is to secure an attractive long-term dividend for FirstFarms' shareholders and at the same time assure shareholders that the company is spreading its risk via its investment strategy in different countries and over different types of production.

EU support schemes

The reforms of the EU's common agricultural policy (CAP) is being closely monitored by FirstFarms, since opportunities and restrictions arise in the light of the considerable changes introduced to CAP in recent years. Over the last 15 years, the EU's agricultural policy has changed fundamentally, not least with the reforms of 2003 and 2004, when non-connected direct payments via the single payment scheme were introduced in most sectors in the first pillar of the CAP, and when the policy for development of rural districts was strengthened as the second pillar.

The 2003 reform was intended to make the CAP competitive, but there was no broad consensus on all elements of the reform, which was why revision clauses were introduced in the final agreement. These clauses allow for further adaptations, and it is these that are the subject of discussions in the EU at the moment. In particular the market support instruments and the single payment schemes have been much discussed in 2007.

Milk

The EU is focusing on the markets for milk and dairy products at present, because it is felt that the reason for introducing the EU milk quotas is no longer valid. The growing demand for high-quality milk products, such as cheese and fresh dairy products in and outside the EU, has led to higher prices and thus a declining need for intervention to sell skimmed milk powder and butter. Consequently, the EU is looking at measures to ensure a smoother transition to a more market-oriented dairy policy before the milk quota scheme expires on 31 March 2015. In this connection, the EU has proposed a gradual quota increase to give the dairy sector a "cushion" when the quotas expire. This is likely to result in bigger price fluctuations because of the world market situation, so competitiveness on production costs will be very significant. In this situation, FirstFarms will be able to benefit from relatively low investment costs and economies of scale. It is likely that the value of the quotas will be capitalised in the form of higher prices on cattle.

Crops

The EU is also focusing on the grain intervention scheme, taking into account the growing markets for biofuels and the consequences of the growing demand for grain.

Effective competition in agricultural markets is one of CAP's objectives; that is why the EU is now reviewing whether the different EU support schemes are supporting effective and competitive agriculture in the EU. One element being considered is non-connected producer support, where payments are not connected to the volume produced. This will allow farmers to better adapt to expected risks, i.e. by converting their production into more profitable crops. However, the changes of traditional market instruments and the transition to direct producer support have led to a discussion of the different types of risk management, where price risk and production risk are considered the two prime factors for influencing income.

Changes to the agricultural support scheme for field crops will lead to bigger price fluctuations on cash crops in relation to the world market. World market prices will be influenced by consumption, energy policies and speculation and are thus outside the control of FirstFarms; however, the company will be able to attain future advantages in the form of economies of scale in regard to both costs and sales.

Fallow trimming in Romania – January 2008

Commodity price trends

2007 saw a change in the price level of many commodities on the world market, leading to strong increases for such items as oil seeds and bread wheat. This has also led to a strong increase in the price of fodder, particularly soy meal and to some extent rapeseed cake. A very clear price rise was also seen for raw milk after the price of milk powder almost doubled over a period.

The reasons for the higher prices are many and varied. Some of the increases can be attributed to low global commodity stocks, a focus on environmentally friendly energy production, and rising demand in new economies such as China, India and the countries of Central and Eastern Europe. In particular, higher purchasing power leading to higher consumption of food items in these areas is expected to have a long-term effect. This effect, which is largely attributable to the US's decision to use plant-based fuels, is very dependent on the political picture. Furthermore, there is a considerable degree of speculation in the commodity market, which is why prices suddenly can change significantly.


Milk production in Slovakia

Since FirstFarms operates in the commodity market as a producer of farm produce such as milk, meat, wheat, rape and maize, the higher world market prices have favourable influenced the company's results in 2007. This positive influence is expected to continue in 2008. Prices of commodities in Central and Eastern Europe closely track movements on the world market. However, it should be noted that the area is a net exporter of vegetable products, such as grains and fodder items, which is why freight costs must be deducted when comparing prices with those in Denmark, for example. As regards animal products, the situation is almost the opposite, so prices have a high tendency to follow the general level of prices in Europe. Here is FirstFarms' cautious assessment of the expected trend in commodity prices in 2008:

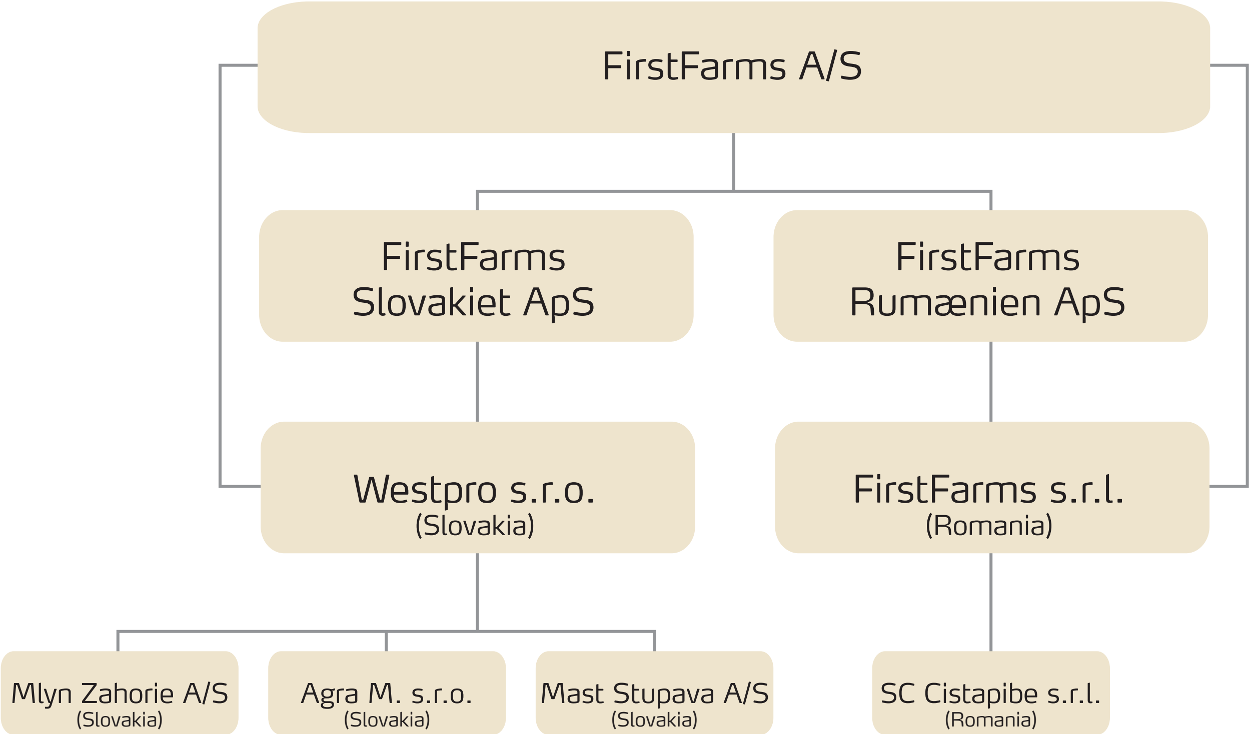
In 2007, the company obtained a historically high price for its harvested wheat and at the present time expectations regarding prices in the autumn of 2008 are at the same level. The sowing of winter wheat has grown at world level, which is why the supply of wheat will increase in 2008. Nevertheless, FirstFarms believes that wheat prices will increase slightly or remain unchanged, since there has turned out to be a strong demand for wheat on export markets within the last twelve months. The underlying physical market seems to be experiencing a deficit in the short term, which can be seen from the increase in imports from the new economies with high growth and increasing consumption. Since wheat stocks are historically low and substitutes such as maize and soya fetch high prices, there is no expectation that prices will change significantly compared to 2007.

Because of the substantial sowing of wheat, there will probably be smaller areas with maize and soya in 2008. This limits the growth in supplies of these crops and at the same time there is growing focus on the production of bioethanol and biodiesel, so all other things being equal the price of maize will increase and the high price of soya beans will be sustained in 2008. Prices will also depend on the trend in crude oil prices and, at the end of the day, on economic development in general. The price of rape has gone up over the winter 2007/2008, which must be seen in the light of the crude oil price in particular.

Milk prices went up strongly in 2007, following a number of years with almost unchanged prices, so they are at a relatively high level at the moment. The company expects the price to remain at a relatively high level in 2008, even though the price of milk powder and prices on the spot market have sagged over the winter. However, FirstFarms believes that the price increase is stabile, since the new economies – Central and Eastern Europe, China and India – will experience rising living standards over the coming years. Furthermore, initiating new milk production, and thus greater supply to the market, takes time. A reason for this is high capital requirements, since the investment per animal unit is higher than other forms of animal production; in addition, there are natural restrictions on the number of new breeding animals. The ascertained increase in the demand for milk can thus not be offset quickly owing to the conditions that exist in milk production. Thus the company finds that the price of milk will remain at the level of the end of 2007 for the next year.

Corporate Matters

FirstFarms is a relatively young company, since the basic ideas that led to the formation of the company were developed in the autumn of 2004. With one acquisition of an agricultural company in Slovakia each year since, the establishment of the Group structure in September 2006 and the listing on the stock exchange in December 2006, and the establishment of a subsidiary in Romania in 2007, the company is undergoing substantial growth and development. Consequently, the corporate structure is changing constantly. At present, the structure is as follows:



In 2007 the company established a presence in Romania and founded FirstFarms Rumænien ApS as well as FirstFarms s.r.l. In September 2007, FirstFarms acquired the Romanian agricultural company SC Cistapibe s.r.l. in Western Romania. The expansion of activities in Romania in 2008 is a high priority for the company; relevant acquisition objects are reviewed on an ongoing basis.
FirstFarms changed the name of one of its subsidiaries in 2007 from “Investeringsselskabet Slovagri ApS” to “FirstFarms Slovakiet ApS”. This name change is the only thing about the company’s structure that has changed.
FirstFarms acquired the first Slovak agricultural company, Agra M., in 2005. Since then, Mast Stupava was acquired in 2006 and in 2007 a third establishment, Mlyn Zahorie, was added. The three companies together have a total of over 8,300 hectares of farm land available, most of it leased.

Cattle beds – Slovakia

Human Resources

FirstFarms is dependent on being able to attract competent employees; consequently, the company focuses on being an attractive workplace. Since FirstFarms has a good investment capacity and invests in several farms, in several lines of farming, and in several countries, the company is able to offer extraordinary advancement opportunities. FirstFarms is involved in active cooperation with educational institutions and has an active employee policy, which includes training and supplementary training. This policy is directed in particular towards staff in the subsidiary companies; similarly, the Danish managers are taking language instruction in the local language.

Recruitment is made via job advertisements on the company's website and unsolicited applications. FirstFarms is in contact with agricultural colleges in Denmark with a view to attracting highly educated specialists for the farms in the countries where FirstFarms operates.

At the end of the year under review, the number of employees was 225, five of whom work at the headquarters in Denmark, 208 in Slovakia and 12 in Romania. Of the 225 employees, nine are Danes, ten Romanians and 206 Slovaks.

Building of silo for silage in Slovakia – August 2007

Corporate Governance

OMX – Nordic Exchange Copenhagen A/S, which includes the Copenhagen Stock Exchange, published its "Recommendations for good corporate governance" in 2005. These recommendations had been prepared by the so-called "Nørby Committee". The recommendations came into effect as of the 2006 financial year, so it has become part of the set of rules which listed companies in Denmark must comply with. As a result, companies must explain how they relate to the recommendations. This is done via the "comply-or-explain" principle, which means that companies must follow the recommendations or, if they do not, explain why they deviate from them.

FirstFarms follows the recommendations of the Nørby Committee for good corporate governance except for these areas:

- FirstFarms has not appointed a Vice-Chairman, but the Articles of Association allow such appointment if the Board of Directors wishes to appoint a Vice-Chairman at a later point in time.
- The composition of the Board of Directors is based on competencies in farming and on insight into business in Central and Eastern Europe. Two of the company's present Board members, Chairman Henrik Hougaard and Board member Stig Andersson, each hold 25 % of the shares of Farm Invest Holding A/S, which has 16.4 % ownership of FirstFarms.
- The Board of Directors has not established a special Board committee due to the relatively limited complexity of the company's activities.

In 2007, FirstFarms' Board of Directors held 9 board meetings.

FirstFarms has prepared a complete description of the company's attitudes in regard to Corporate Governance, based on the recommendations of the Nørby Committee. The description can be seen or downloaded from the company's website: **www.firstfarms.com** under the item "Investor Relations" and "Corporate Governance".

Tractor with silage trailer – Slovakia

Other leadership functions of the Board of Directors:

Name	Management functions	Director function
Henrik Hougaard *(CH)*	THORASO ApS SKIOLD Holding A/S Skaarupgaard Holding ApS	SKIOLD A/S *(CH)* Graintec A/S *(CH)* Engsko A/S *(CH)* United Milling Systems A/S *(CH)* SKIOLD MULLERUP A/S ACEMO SAS DAMAS A/S DK-TEC A/S *(CH)* ROBLON A/S FORTIN MADREJON A/S Dansk Landbrugsmaskinfabrikanter
Lars Thomassen	Lars Thomassen Holding ApS	Fireball ApS Birger Christensen A/S Holm Kommunikation A/S Weco Transport A/S
Jens Møller	Jens Møller Ledelsesrådgivning ApS	Logimatic Software A/S *(CH)* Bilwinco A/S *(CH)* Bilwinco Holding A/S *(CH)* Bramidan A/S *(CH)* Bramidan Holding A/S *(CH)* Aalborg Maskinforretning A/S *(CH)* OMØ A/S *(CH)* OMØ Holding A/S *(CH)* Almas Holding A/S *(CH)* Carl Vollstedts Eftf. ApS *(CH)* Dexters Delikatesser ApS *(CH)* A/S Chr. Boldsen *(CH)* Intego A/S *(CH)* Proniq Holding A/S *(CH)* Nowaco A/S *(VC)* Løvbjerg Supermarked A/S Timberman Denmark A/S A/S Chr. Boldsen Holding
Kjeld Iversen	Kjeld Iversen ApS Oaki ApS	AC Sikring A/S *(CH)* R. Riisfort A/S *(CH)* Investeringsforeningen Gudme Raaschou Health Care Investeringsforeningen Gudme Raaschou LRA II ApS LRA Management ApS Unik Gruppen A/S Unik IT A/S Unik Pine Tree A/S Unik System Design A/S
Stig Andersson	Condito ApS Dan Mark Skov A/S Hagesholm Holding ApS Hagesholm Gods ApS Stig Andersson Holding ApS	Biogasbranchens Fællesindkøb A/S *(VC)* Farm Invest Holding A/S Overgaard Gods A/S Farstrup Nørregaard ApS Offerdal Holding ApS

CH = Chairman of the Board
VC = Vice-Chairman

Shareholder information

Share capital

FirstFarms' nominal share capital is DKK 471,224,100.00. The share capital is divided into 4,712,241 shares of DKK 100 each, corresponding to 4,712,241 voting rights. Each share has one vote and there is only one class of shares. The shares are listed under Stock Exchange code DK0060056166 in the Small Cap+-index at the OMX - Nordic Exchange Copenhagen A/S.

Shareholders

Shareholder composition as at 31 December 2007:

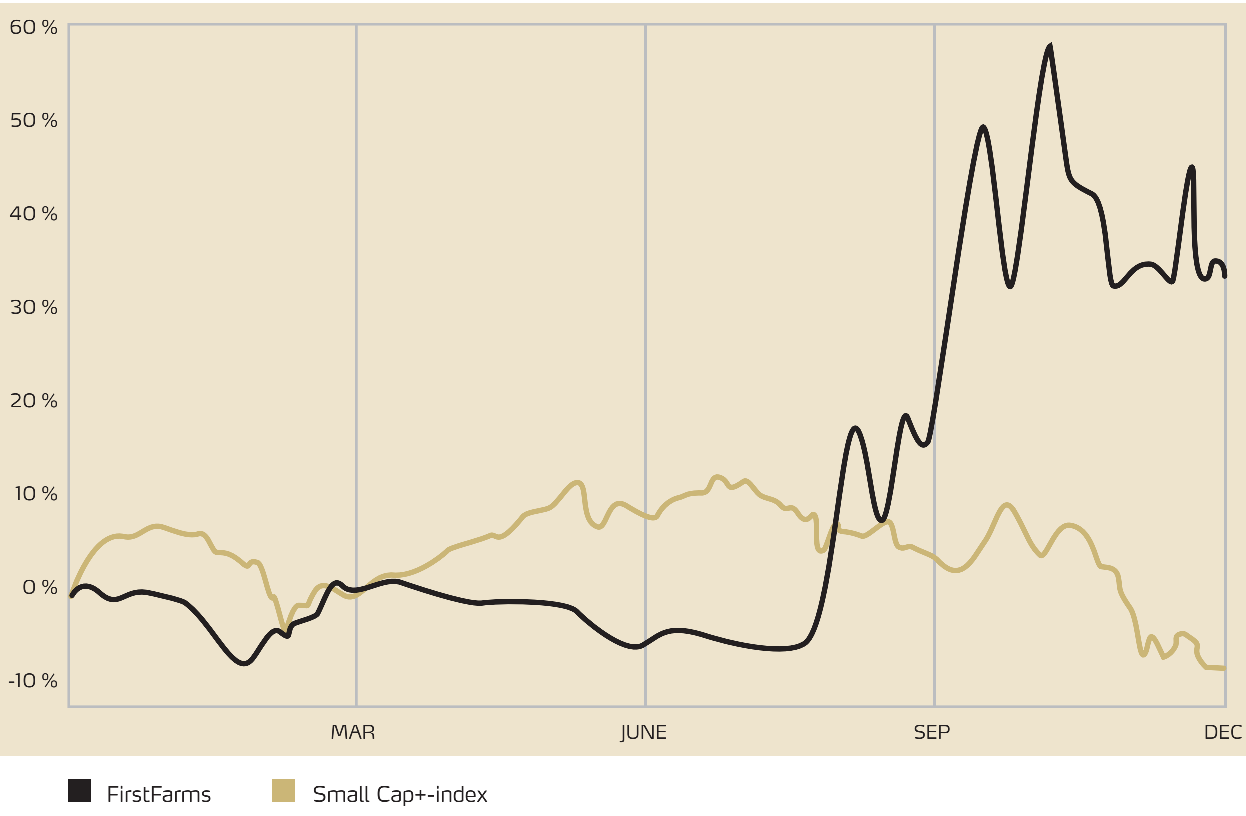
	No. of shares (pcs.)	Capital (%)
Farm Invest Holding A/S	773,000	16.4
Other registered shares	3,572,158	75.8
Non-registered shares	367,083	7.8
Total excl. own shares	4,712,241	100.0
Own shares	0.0	0.0
Total	4,712,241	100.0

FirstFarms shares

The market value of the company's shares was DKK 650,289,258 as at 31 December 2007.

In 2007, the average share turnover was approx. DKK 1.4 million per business day, which corresponds to an annual market value of the turnover of DKK 346,768,723. The share turnover was relatively stable in the first six months of the year at around DKK 1 million per business day, while the turnover and market share price rose considerably after publication of the half-year report in August 2007. The market price of FirstFarms shares was 104.00 on 1 January 2007. Until August 2007, the share price was stable at around 100.00, whereafter it rose strongly and peaked at a closing price of 162.00 on 31 October 2007. At the end of the year, the share closed at a price of 139.11. From 1 January 2007 to 31 December 2007 the FirstFarms share rose by 35.11 share price points, corresponding to approx. 34 %. By comparison, the Danish SmallCap+-index declined by 10.78 % in the same period.

Share price development 2007



The FirstFarms share price is monitored by:

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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 free flow, is 100 %. The company has authority in its Articles of Association to acquire up to 10 % shares of its own and in connection with the issuance of warrants for the company's Management and for employees in Denmark and abroad, FirstFarms' Board of Directors authorised the company to carry out the capital increase associated with the warrants. Until 31 August 2011, the Board has authority to issue 72,500 share options, corresponding to nominally DKK 7,250,000.

Warrant programme

FirstFarms' warrant programme covers Management and other senior staff in Denmark and in foreign subsidiaries.

Share key figures	2007	2006*
Average number of outstanding shares (1,000 pcs.)	4,712	4,712
Earnings per share (EPS basis), DKK	0.99	-0.11
Diluted earnings per share (EPS-D), DKK	0.99	-0.11
Cash flow per share (CFPS), DKK	-0.8	-3.5
Equity ratio per share, DKK	90	90
Share price at the end of 2007, DKK	139.11	103.00
Profit per share, DKK	0	0
Payout ratio in %	0	0
Price/Earnings basic (P/E basic)	139	-
Price/Equity ratio (P/E)	1.54	1.14

* *In September 2006, the FirstFarms group was established and in December 2006 FirstFarms A/S was listed on the stock exchange. Therefore, the key figures for 2006 only include approx. 3 months.*

The total number of warrants was 25,000 as at 31 December 2007. Further information is available in note 5.

Shareholdings of management and the Board of Directors

The Management of FirstFarms A/S nominally held 2,700 shares as at 31 December 2007.

The Board of FirstFarms A/S nominally held 425,250 shares as at 31 December 2007.

Dividend

FirstFarms' dividend policy specifies that the shareholders should have a return on their investment in the form of share price increases and dividends. The company's long-term objective is thus to allocate a percentage of the profit for the year as dividend, while the remaining profit is to be re-invested in the company in the form of new projects, so as to optimise and diversify the portfolio on an ongoing basis. The company does not expect to pay any dividend in the next 4 years, since substantial investments will have to be made in new and existing agricultural companies as well as in other assets. In the longer term FirstFarms will pay out dividends; the size of such dividends will depend on future investment opportunities as well as the company's cash flow.

Insider register

In accordance with the Danish Securities Trading Act and other rules and regulations that apply to issuing companies, 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, other senior staff in Denmark and in foreign subsidiaries, as well as advisors in FirstFarms. These persons are subject to internal rules, which specify among other things that they are only allowed to trade in FirstFarms shares for a period of four weeks after the publication of planned stock exchange announcements on the company's accounts.

Financial calendar for 2008

27 March 2008	Annual report 2007
22 April 2008	Annual general meeting
29 May 2008	Interim report for Q1 2008
28 August 2008	Half-yearly Report 2008
25 November 2008	Interim report for Q3 2008

Stock exchange releases from FirstFarms A/S

Stock exchange releases in 2007

Date	Number	Announcements
26 March 2007	1	Annual accounts report 2006
2 April 2007	2	Purchase of larger cattle stock in Slovakia
3 April 2007	3	Notice for ordinary general meeting
25 April 2007	4	Purchase of land in Romania and engagement of a new IR-Manager
25 April 2007	5	Extract from minutes of the annual general meeting
9 May 2007	6	Alteration of articles of association approved by the Danish Commerce and Companies Agency
24 May 2007	7	Interim report for Q1
1 June 2007	8	FirstFarms' total capital and the total number of voting rights
23 August 2007	9	Half-year report 2007
11 September 2007	10	Purchase of larger land area in Romania
24 September 2007	11	Purchase of company and land i Romania
25 October 2007	12	FirstFarms completes purchase of Slovakian agricultural company
22 November 2007	13	Interim report for Q3
11 December 2007	14	Report on insiders trade
13 December 2007	15	Report on insiders trade

Stock exchange releases in 2008

Date	Number	Announcements
1 February 2008	1	Grant of warrants
27 March 2008	2	Annual report 2007

Expected financial releases in 2008

Date	Announcements
22 April 2008	Annual general meeting
29 May 2008	Interim report for Q1
28 August 2008	Half-year report 2008
28 November 2008	Interim report for Q3

Annual general meeting

FirstFarms' annual general meeting will be held on Tuesday, 22 April 2008, at 5.00 p.m. at the Conference Centre, Hotel Legoland, Aastvej 10B, DK-7190 Billund, Denmark.

Investor Relations

FirstFarms wishes to maintain an open and continuous dialogue with current shareholders, potential investors, analysts, the media and other stakeholders. The company's website is an important tool in this connection and FirstFarms thus urges its investors and other stakeholders to pay a visit to the company's website: **www.firstfarms.com**. The website contains a shareholders' portal, company announcements, financial calendar, webcasts, presentations and other investor-related information, but also information about FirstFarms' history, organisation, values and objectives.

Quiet period

FirstFarms follows the recommendations of the Nørby Committee on participation in investor meetings, which is why the company does not participate in such meetings three weeks prior to the publication of planned Stock Exchange announcements on the company's accounts. This "quiet period" helps ensure compliance with the information obligations pertaining to listed companies.

IR contact

Please address any comments or inquiries regarding Investor Relations to:

IR Manager: Betina Præstiin
E-mail: bp@firstfarms.dk

Tel.: +45 75 86 87 87 · Fax: +45 75 86 87 83

Harvest of maize – September 2007

Accounting policies

FirstFarms A/S is a public limited company domiciled in Denmark. The annual report for 2007 comprises both the consolidated financial statements of FirstFarms A/S and its subsidiaries for the period 1 January – 31 December 2007 and separate parent company financial statements. The annual report of FirstFarms A/S has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, see the OMX – Nordic Exchange Copenhagen A/S' disclosure requirements for annual reports of listed companies and the statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB.

Basis of 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 policies set out below have been used consistently in respect of the financial year and to comparative figures.

New accounting regulation

Effective from 1 January 2007, FirstFarms A/S implemented IFRS 7 Financial Instruments: Disclosures and IAS 1 (revised 2005) Presentation of Financial Statements and IAS 32 (revised 2005) Financial Instruments. Furthermore, the IFRIC 7-10 is implemented.

The new accounting standards and interpretations did not affect recognition and measurement, and the accounting policies applied are therefore consistent with those applied last year. The new standards only affect the notes. Comparative figures in the notes have been restated.

Consolidated financial statements

The 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 % of the voting rights in the 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 % of the voting rights but less than 50 %. 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's and the individual subsidiaries financial statements prepared according to the Group 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.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not restated for acquisitions.

For acquisitions of new enterprises in which FirstFarms A/S is able to exercise control over the acquired enterprise, the purchase method is used. The acquired enterprises' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be reliably measured. Deferred tax on revaluations is recognised.

The acquisition date is the date when FirstFarms A/S effectively obtains control of the acquired enterprise.

For business combinations any excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised but is tested annually for impairment. The first impairment test is performed within the end of the acquisition year. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than the presentation currency used in the FirstFarms A/S' financial statements are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. Negative differences (negative goodwill) is recognised in the income statement at the acquisition date.

The cost of a business combination comprises the fair value of the consideration agreed upon and costs directly attributable to the acquisition. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured reliably. If uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations, except in cases of material error.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal plus anticipated disposal costs.

Foreign currency translation

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

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

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

On recognition in the consolidated financial statements of enterprises with another functional currency than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

Foreign exchange adjustment of balances which are considered part of the investment in enterprises with another functional currency than DKK are recognised in the consolidated financial statements directly in equity under a separate translation reserve. Correspondingly, foreign exchange gains and losses on the part of loans and derivative financial instruments which are designated as hedges of investments in such enterprises and efficiently hedge against corresponding foreign exchange gains and losses on the investment in the enterprise are also recognised directly in a separate translation reserve in equity.

On complete or partial disposal of a foreign operation or on repayment of balances which constitute part of the net investment in the foreign operation, the share of the cumulative amount of the exchange differences recognised directly in equity relating to that foreign operation is recognised in the income statement when the gain or loss on disposal is recognised.

Derivative financial instruments

Derivative financial instruments are recognised at the date a derivative contract is entered into and recognised in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is only made when the company has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Hedging of future cash flows according to agreement (firm commitment), except for foreign currency hedges, is treated as a fair value hedge of a recognised asset or liability.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of the hedged item are recognised in equity under a separate hedging reserve until the hedged transaction is realised. If the hedged transaction results in gains or losses,

amounts previously recognised in equity are transferred to the same item as the hedged item. Gains or losses from hedges of proceeds from future borrowings are, however, transferred from equity over the term of the loan.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or associates that are effective hedges of currency fluctuations in these enterprises are recognised directly in a separate translation reserve in equity.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods, comprising produce, animals and related products, is recognised in the income statement provided that delivery and transfer of significant risks and rewards to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received.

Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Government grants

Government grants include the following:

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

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

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

Grants for "Organic Farming" are operating grants for a careful and environmental cultivation. To obtain the grant, it is a condition that the type of cultivation is carried through for a 5-year period. The grants are received at a yearly basis 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.

Grants for ecological cultivation are received yearly 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.

Special grants for cultivation of bad farm land are given for cultivation of special areas. The grants are received at a yearly basis 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 market price 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, and depreciation and impairment of production plant.

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 ongoing disposal and replacement of intangible assets and property, plant and equipment and government grants. 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, amortisation of financial assets and liabilities, including finance leases, as well as surcharges and refunds under the on-account tax scheme.

Dividends relating to investments in subsidiaries are recognised as income in the parent company's income statement in the financial year when they are adopted at the annual general meeting (declaration date). The cost is written down to the extent that dividends received exceed accumulated earnings after the date of acquisition. Interest expenses are not capitalised.

Tax on profit/loss for the year

FirstFarms A/S is jointly taxed with FirstFarms Slovakiet ApS and FirstFarms Rumænien ApS. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies that use tax losses in other companies pay the joint tax contribution to the parent company at an amount corresponding to the tax base of the used tax losses. Companies whose tax losses are used by other companies receive joint tax contributions from the parent company corresponding to the tax base of the used losses (full absorption). The jointly taxed companies are taxed under the on-account tax scheme.

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

Balance sheet

Intangible assets

Goodwill

Goodwill is initially recognised in the balance sheet at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

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

Tangible assets

Land and buildings, plant 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 cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries. The present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost of self-constructed assets. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The cost of assets held under finance leases is stated at the lower of fair value of the assets or the present value of the future minimum lease payments. For the calculation of the net present value, the interest rate implicit in the lease or an approximation thereof is used as discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are de-recognised in the balance sheet and recognised as an expense in the income statement. Other costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

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 or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses to the extent that depreciation is not included in the cost of self-constructed assets.

Biological assets - non-current assets

Biological assets comprise basic herd of animals and any related production quotas recognised as non-current assets are measured at market price less point-of-sale costs.

Investments in subsidiaries and associates in the parent company financial statements

Investments in subsidiaries are recognised as thecost price. If the cost price exceeds the recoverable amount, write-down is made to this lower value. Cost is reduced by dividends received exceeding the accumulated earnings after the date of acquisition.

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 recognised in a separate line item in the income statement.

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

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

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under production costs and administrative expenses, respectively. However, impairment of goodwill is recognised 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 amortisation had the asset not been impaired.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

The value of inventories is measured at cost with the addition of indirect production overheads. At the harvest date, 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 recognised as current assets are measured at market price less point-of-sale costs.

Receivables

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

Accruals

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

Equity

Translation reserve

The translation reserve in the financial statements comprises foreign exchange difference arising on translation of financial statements of foreign entities from their functional currencies into the presentation currency used by the FirstFarms Group (Danish kroner).

On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement. The reserve is distributable.

Dividends

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

Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Own shares

Cost of acquisition, consideration received and dividends received from own shares are recognised directly as retained earnings in equity. Capital reductions from the cancellation of own shares are deducted from the share capital in an amount corresponding to the nominal value of the shares.

Proceeds from the sale of own shares and issue of shares, respectively, in FirstFarms A/S in connection with the exercise of share options or employee shares are recognised directly in equity.

Employee benefits

Pension obligations

The Group has entered into pension schemes with some of the Group's employees. The group has no defined benefit plans.

Contributions to defined contribution plans where the Group currently pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the balance sheet as other payables.

Warrant programme

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

FirstFarms A/S only has equity-settled programmes for which the share options are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The set-off item is recognised directly in equity.

On initial recognition of the share options, the company estimates the number of options expected to vest. That estimate is subsequently revised for changes in the number of options expected to vest. Accordingly, recognition is based on the number of options ultimately vested.

The fair value of granted options is estimated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

Corporation tax and deferred tax

Current tax payable and receivable are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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

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

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured on the basis of the tax rules and the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Provisions

Provisions are recognised when, as a result of events arising before or at the balance sheet date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes in present values during the year are recognised as financial expenses.

The amount recognised as a provision is Management's best estimate of the expenses required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of estimated future costs.

Financial liabilities

Amounts owed to mortgage credit institutions etc. are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods,

the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised under financial expenses over the term of the loan.

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

Other liabilities are measured at net realisable value.

Leases

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

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease obligations is described under "Property, plant and equipment" and "Financial liabilities", respectively.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the date of acquisition and with an insignificant risk of changes in value.

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, investment activities, 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, and investments in associates.

Current segment assets comprise current assets used directly in the operating activities of the segment, including inventories, trade receivables, other receivables, prepayments, and cash at bank and in hand.

Segment liabilities comprise liabilities resulting from the operating activities of the segment, including trade payables and other payables.

Management and Board of Directors: (standing from left) Lars Thomassen, Jens Møller, Kim Stokholm (CEO), Kjeld Iversen, (sitting from left) Stig Axel Andersson og Henrik Hougaard (chairman)

Income statement

DKK 1,000	Note	Group 2007	Group 21/9–31/12 2006	Parent company 2007	Parent company 2006
Revenue	2,3	58,751	9,183	890	0
Value adjustments of biological assets	4	10,458	1,322	0	0
Production costs	5	-67,746	-11,272	0	0
Grants	6	12,492	3,350	0	0
Gross profit/loss		13,955	2,583	890	0
Other operating incomes	7	611	731	21	0
Administrative costs	5	-17,884	-2,658	-10,047	-1,231
Other operating costs	8	-520	-899	0	0
Operating profit/loss		-3,838	-243	-9,136	-1,231
Financial incomes	9	12,094	1,421	18,173	1,512
Financial expenses	10	-1,940	-1,895	-32	-1,359
Profit/loss before tax		6,316	-717	9,005	-1,078
Tax on profit/loss of the year	11	-1,638	208	-2,327	338
Profit/loss of the year		4,678	-509	6,678	-740
Proposal to result disposal					
Proposed dividends		0	0	0	0
Transferred result		4,678	-509	6,678	-740
Total		4,678	-509	6,678	-740
Earnings per share		0.99	-0.11	-	-
Diluted earnings per share		0.99	-0.11	-	-

Balance sheet

DKK 1,000	Note	Group 2007	2006	Parent company 2007	2006
ASSETS					
Non-current assets					
Intangible assets	13				
Goodwill		14,406	3,727	0	0
		14,406	3,727	0	0
Tangible assets					
Property, plant and equipment	14				
Land and buildings		117,439	47,822	0	0
Plant and machinery		38,315	31,681	0	0
Fixtures and fittings, tools and equipment		1,621	375	800	0
Fixed assets under construction		19,589	0	0	0
		176,964	79,878	800	0
Biological assets	4				
Basic herd and milk quotas		36,345	18,952	0	0
		36,345	18,952	0	0
Other non-current assets					
Investments in associated companies	15	0	0	0	0
Investments in subsidiaries	16	0	0	22,720	22,594
Amount owed by affiliated companies	18	0	0	226,175	69,611
Amount owed by associated company		0	0	0	0
Deferred tax asset	20	700	1,796	0	1,638
		700	1,796	248,895	93,843
Total non-current assets		228,415	104,353	249,695	93,843
Currents assets					
Inventories	17	18,173	14,884	0	0
Biological assets – breeding and crops	4	31,877	15,844	0	0
Trade receivables	18	10,160	5,136	0	0
Other receivables	18	20,033	18,886	1,161	498
Prepayments		1,225	527	114	0
Cash at bank and in hand		186,177	347,796	180,350	346,063
Total current assets		267,645	403,073	181,625	346,561
TOTAL ASSETS		496,060	507,426	431,320	440,404

DKK 1,000	Note	Group 2007	Group 2006	Parent company 2007	Parent company 2006
EQUITY AND LIABILITIES					
Equity					
Share capital	19	471,224	471,224	471,224	471,224
Reserve for exchange rate adjustment		-1,595	2,821	0	0
Transferred result		-44,530	-49,413	-42,540	-49,423
Proposed dividends		0	0	0	0
Total equity		425,099	424,632	428,684	421,801
Liabilities					
Non-current liabilities					
Deferred tax	20	13,957	11,074	21	0
Credit institutions	21	6,216	0	0	0
		20,173	11,074	21	0
Current liabilities					
Credit institutions	21	10,295	25,628	0	0
Trade payables and other payables	22	23,996	33,008	2,005	18,603
Corporation tax	23	821	205	610	0
Prepayments	6	15,676	12,879	0	0
		50,788	71,720	2,615	18,603
Total liabilities		70,961	82,794	2,636	18,603
TOTAL EQUITY AND LIABILITIES		496,060	507,426	431,320	440,404

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Equity statement

Group DKK 1,000	Share capital	Reserve for exchange rate adjustment	Transferred result	Proposed dividend	Total
Group establishment 21/9-2006	58,252	0	-47,124	0	11,128
Exchange rate adjustments re. foreign companies	0	2,821	1,146	0	3,967
Writing-up re. gradual company take-over	0	0	108	0	108
Correction re. gradual company take-over, cp. note 27	0	0	-1,392	0	-1,392
Result of the period	0	0	-509	0	-509
Total income	0	2,821	-647	0	2,174
Capital increase at stock-exchange listing	412,972	0	20,649	0	433,621
Costs at issue	0	0	-22,332	0	-22,332
Share based remuneration	0	0	41	0	41
Equity 31 December 2006	471,224	2,821	-49,413	0	424,632
Equity 1 January 2007	471,224	2,821	-49,413	0	424,632
Exchange rate adjustments re. foreign companies	0	-4,416	0	0	-4,416
Result of the year	0	0	4,678	0	4,678
Total income	0	-4,416	4,678	0	262
Tax correction at equity entries	0	0	40	0	40
Share based remuneration	0	0	165	0	165
Equity 31 December 2007	471,224	-1,595	-44,530	0	425,099

Parent company DKK 1,000	**Share capital**	**Transferred result**	**Proposed dividend**	**Total**
Equity 1 January 2006	128	83	0	211
Result of the year	0	-740	0	-740
Total income	0	-740	0	-740
Other equity movements:				
Other contributions	10,000	1,000	0	11,000
Bonus share issue	48,124	-48,124	0	0
Subscription issue	412,972	20,649	0	433,621
Costs at issue	0	-22,332	0	-22,332
Share based remuneration	0	41	0	41
Equity 31 December 2006	471,224	-49,423	0	421,801
Equity 1 January 2007	471,224	-49,423	0	421,801
Result of the year	0	6,678	0	6,678
Total income	0	6,678	0	6,678
Tax correction at equity entries	0	40	0	40
Share based remuneration	0	165	0	165
Equity 31 December 2007	471,224	-42,540	0	428,684

Cash flow statement

DKK 1,000	Note	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Profit before tax		6,316	-717	9,005	-1,078
Adjustments for non-monetary operating items, etc.					
Depreciation/amortisation and impairment	14	9,550	2,882	152	0
Value adjustment of biological assets	4	-10,458	-1,322	0	0
Financial incomes	9	-12,094	-1,421	-18,173	-1,512
Financial expenses	10	1,940	1,895	32	1,359
Share based remuneration		165	0	165	0
Cash generated from operations (operating activities) before changes in working capital		-4,581	1,317	- 8,819	-1,231
Changes in working capital	25	-9,263	-16,713	-1,274	1,072
Cash flow from main activities		-13,844	-15,396	-10,093	-159
Interest received	9	12,094	912	12,019	1,018
Interest paid	10	-1,940	-1,895	-32	-1,359
Corporation tax paid	23	-205	-120	-16	-37
Cash flow from operating activities		-3,895	-16,499	1,878	-537
Acquisition of companies	27	-30,223	0	0	0
Acquisition of biological assets	4	-14,965	0	0	0
Disposal of material assets, paid		1,501	4,562	0	0
Acquisition of material assets	26	-85,774	-5,363	-951	0
Acquisition of financial assets	16	0	0	-126	-11,594
Cash flow from investing activities		-129,461	-801	-1,077	-11,594
Capital increases		0	433,621	0	433,621
Paid costs at stock-exchange listing		-16,101	-6,231	- 16,101	-6,231
Repayment of long-term debts		0	-68,720	0	-17,841
Proceeds from loans	26	3,810	0	0	0
Loan to affiliated businesses		0	0	-150,413	-51,436
Cash flow from financing activities		-12,291	358,670	-166,514	358,113
Cash flow of the year		-145,647	341,370	-165,713	345,982
Available, at the beginning		322,168	-17,694	346,063	81
Exchange rate adjustment of availables		-639	-1,508	0	0
Available at closing	28	175,882	322,168	180,350	346,063
Available at closing is recognised as follows:					
Available funds		186,177	347,796	180,350	346,063
Short-term bank debt		-10,295	-25,628	0	0
Available at closing		175,882	322,168	180,350	346,063

Notes

1 Accounting estimates

As part of the utilisation 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.

In 2007 the Management made valuations regarding the following:

Biological assets

The biological assets – herd with milk quotas, breeding and land stock (crops) – are valued at fair value with deduction of realisation costs. The total value of the biological assets totals DKK 68 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 with the necessary adjustments.

2 Segment information

In 2007, the FirstFarms Group operated agricultural production in Slovakia and bought up land in Romania. At the end of 2007, cultivation of 1,500 hectares of agricultural land in Romania was started.

2007 DKK 1,000	**Romanian activities**	**Slovakian activities**	**Group function**	**Elimination**	**Group total**
Turnover	0	58,751	890	-890	58,751
Gross profit/loss	-41	13,996	890	-890	13,955
Result before main activities	-968	7,156	-9,136	-890	-3,838
Result before tax	-2,293	6,648	9,005	-7,044	6,316
Result of the year	-1,926	6,970	6,678	-7,044	4,678
Segment assets	74,334	239,301	431,320	-248,895	496,060
Plant investments	54,174	33,736	952	0	88,862
Depreciations	25	9,373	152	0	9,550
Segment obligations	81,375	213,125	2,636	-226,175	70,961
Average number of employees	5	198	5	-	208

Transactions between the segments are carried out on market terms.

The elimination column is mainly an expression for accounts and interest hereof between the parent company and the activities in Slovakia and Romania.

21/9-31/12-2006 DKK 1,000	Slovakian activities	Group function	Elimination	Group total
Turnover	9,183	0	0	9,183
Gross profit/loss	2,583	0	0	2,583
Result before main activities	825	-1,068	0	-243
Result before tax	651	-805	-563	-717
Segment assets	159,227	440,404	-92,205	507,426
Plant investments	5,363	0	0	5,363
Depreciations	2,882	0	0	2,882
Segment obligations	133,802	18,603	-69,611	82,794
Average number of employees	191	3	0	194

The elimination column is mainly an expression for accounts and interest hereof between the parent company and the activities in Slovakia.

3 Revenue

	Group		Parent company	
DKK 1,000	2007	21/9–31/12 2006	2007	2006
Sale of milk	35,032	5,973	0	0
Sale of meat	3,876	965	0	0
Sale of corn etc.	15,302	1,335	0	0
Other revenue	4,541	910	890	0
Total	58,751	9,183	890	0

4 Valuation of biological assets

Group 2007	**Non-current**	**Current**		**Total**
DKK 1,000	**herd + milk quota**	**Breeding**	**Land stock**	
Opening	18,952	9,992	4,345	34,796
Addition at acquisition of company, cp. note 27	9	7	1,527	1,543
Addition	11,555	3,410	30,824	45,789
Value adjustment of the period	5,741	4,717	0	10,458
Disposal	-129	0	-24,698	-24,827
Exchange rate adjustments	217	0	246	463
Value at 31 December 2007	36,345	17,512	14,365	68,222

Non-current assets consist of a herd of 2,070 cows at the end of 2007. Milk quota of 19.3 million kg milk belongs to the herd. Breeding consist of 2,280 heifers and calves, whereas land stock (crops) is the value of the sowed fields. The land itself is valued at cost price under material assets as far as the land is not leased, cp. note 30. Regarding estimation of fair value, please see note 1 and risk management on page 14.

Group 2006	**Non-current**	**Current**		**Total**
DKK 1,000	**herd + milk quota**	**Breeding**	**Land stock**	
Addition at group establishment 21/9-2006	16,430	9,992	4,345	30,767
Value adjustment of the period	1,936	-614	0	1,322
Addition	0	0	1,561	1,561
Exchange rate adjustments	586	0	560	1,146
Value at 31 December 2006	18,952	9,378	6,466	34,796

At the end of 2006, non-current assets consisted of milk quota of 11.5 million kg milk and a herd of 1,300 cows. Breeding consists of 1,380 calves and heifers, whereas land stock (crops) is the value of the sowed fields.

5 Costs

	Group		**Parent company**	
DKK 1,000	**2007**	**21/9–31/12 2006**	**2007**	**2006**
R&D costs incurred	55	0	0	0
Costs of sales for the year	29,795	2,734	0	0
Write-down on inventories	1,045	0	0	0
Reversed write-down on inventories	0	0	0	0
Staff costs				
Fees to the Board of Directors in the parent company	900	888	900	888
Advisory Board	73	75	73	75
Wages and salaries	17,602	2,981	3,457	250
Defined contribution plans	336	30	332	30
Other social security costs	4,907	967	29	1
Share based remuneration	165	41	165	41
Other staff costs	557	613	539	22
Total staff costs	24,540	5,595	5,495	1,307

DKK 1,000	Group 2007	Group 21/9–31/12 2006	Parent company 2007	Parent company 2006
Staff costs are recognised as follows:				
Production costs	16,202	3,710	0	0
Administration costs	8,338	1,150	5,495	697
Stock exchange costs recognised directly on the equity	0	735	0	610
Total	24,540	5,595	5,495	1,307
Average number of employees	208	194	5	1

Executive Board remuneration

DKK 1,000	The parent company's Board of Directors 2007	The parent company's Management 2007	The parent company's Board of Directors 2006	The parent company's Management 2006
Wages and salaries	900	1,500	888	912
Pension	0	188	0	0
Share based remuneration	0	132	0	30
Total	900	1,820	888	942

In 2006 and 2007, the parent company and the Group did not have other managerial employees, according to the Management. In 2006 and in the first months of 2007, the CEO of the parent company was General Manager in the Slovak corporations, and in the above table the total salary payment is shown. In connection with the company's work with the stock-exchange listing in 2006, a special fee was given to the Chairman of the Board of Directors.

Warrant programme
FirstFarms A/S has a warrant programme which is equity settled. Specifications of outstanding warrants are shown below:

Outstanding at the end of 2007	The parent company's management board pcs.	Other employees pcs.	Total number pcs.	Average utilization per option DKK	Fair value per option[1] DKK	Fair value in total[1] DKK
Allotted-Type 1	6,667	1,667	8,334	118.7	22.7	189
Allotted-Type 2	6,667	1,667	8,334	124.6	25.9	216
Allotted-Type 3	6,666	1,666	8,332	130.8	28.7	239
Total	20,000	5,000	25,000	124.7	-	-
No. of options to be utilized at the end of the year 2007	0	0	0	-	-	-

[1] At allotment time

All types of options per 31 December 2007 is "out-of-money" but can potentially dilute in the future.

Outstanding at the end of 2006	The parent company's management board pcs.	Other employees pcs.	Total number pcs.	Average utilization per option DKK	Fair value per option[1] DKK	Fair value in total[1] DKK
Allotted-Type 1	6,667	2,500	9,167	118.7	22.7	208
Allotted-Type 2	6,667	2,500	9,167	124.6	25.9	237
Allotted-Type 3	6,666	2,500	9,166	130.8	28.7	263
Total	20,000	7,500	27,500	124.7	-	-
No. of options to be utilized at the end of the year 2006	0	0	0	-	-	-

Specification of development in outstanding warrants:

	Allotted 1/1-2006	Allotted in 2006	Allotted 1/1-2007	Disposals in the year	Allotted 31/12-2007
Type 1	0	9,167	9,167	833	8,334
Type 2	0	9,167	9,167	833	8,334
Type 3	0	9,166	9,166	834	8,332
Total	0	27,500	27,500	2,500	25,000

As per 31 December 2007, the average remaining currency for outstanding warrants is 2.8 years, and the utilization exchange rates are between 118-131.

In 2007, the recognised cost in the income statement regarding warrants was DKK 165,000. (2006: DKK 41,000)
At the allotment time, fair value per option was calculated to DKK 22.7 (type 1), DKK 25.9 (type 2) and DKK 28.7 (type 3) in 2006.

The calculated fair values by allotment are based on a Black-Scholes-model for valuation of options. Warrants are allotted in three different "categories" with takeover in October 2009, 2010 and 2011, respectively, provided that the conditions for takeover is fulfilled, which is continuous appointment.

The basis for estimation of the fair value on the time of allotment is as follows:

	Type 1	Type 2	Type 3
Utilization rate (DKK)	118.70	124.60	130.80
Expected volatility	30 %	30 %	30 %
Expected currency	36 months	48 months	60 months
Expected profit per share	0	0	0
Risk-free interest (based on Danish government bond)	5 %	5 %	5 %

The expected volatility is based on an estimate on future volatility. This is calculated starting from the share price development in the short period of time the company was listed in 2006 together with expectations of company development, including the expected effect on the changed Group structure due to purchase and sale of businesses.

No other special conditions at the allotment time is calculated in the fair value calculations, i.e. engagement requirements or the warrants' lack of negotiability, even though these facts will reduce the fair value.

Depreciations and impairments

	Group		Parent company	
		21/9-31/12		
DKK 1,000	2007	2006	2007	2006
Impairments, intangible assets	0	0	0	0
Depreciations, property, plant and equipment	9,550	2,882	152	0
Impairments, property, plant and equipment	0	0	0	0
Total depreciations and impairments	9,550	2,882	152	0
Depreciations and impairments are recognised as follows:				
Production costs	9,213	2,852	0	0
Administration costs	337	30	152	0
Total	9,550	2,882	152	0

Fee to the auditors appointed at the general meeting

DKK 1,000	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Complete fee KPMG	1,360	1,356	982	1,356
Complete fee APX, Slovakia	59	73	0	0
Total	1,419	1,429	982	1,356
Of this ordinary audit fee				
KPMG	678	275	300	275
APX, Slovakia	0	73	0	0
Total	678	348	300	275
Of this fee for other non-audit services				
KPMG	682	1,081	682	1,081
APX, Slovakia	59	0	0	0
Total	741	1,081	682	1,081

The annual account for 2007 has been audited by KPMG. The annual account for 2006 for the Slovaki activities has been audited by APX, Slovakia, whereas the annual account for FirstFarms A/S has been audited by KPMG. A significant part of other payments in 2006 is concerning payments in connection with FirstFarms' stock-exchange listing, which is recognised directly under equity.

6 Grants

DKK 1,000	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Grant for investments	2,013	1,350	0	0
EU hectare subsidy	5,504	644	0	0
Grant for "Organic Farming"	0	534	0	0
Grant for milk production	4,589	0	0	0
Grant from the Slovak government	386	822	0	0
Total	12,492	3,350	0	0

FirstFarms can apply for grants for investments from EU. Investment grants are given under assumption that the assets are kept in the company for at least 5 years. The subsidy is credited concurrently as the assets are depreciated. EU hectare subsidy is a yearly subsidy, which is given to operation of farming. Grant for "Organic Farming" concerns subsidy for environmentally careful production. The cattle subsidy is a subsidy to milk production, which is permanent every year. Furthermore, there are some old subsidies from the Slovak government that is credited concurrently as the assets are depreciated. In 2006, the company also received grants due to special weather conditions from the Slovak government.

As per 31 December 2007, subsidies form an essential part of the accruals and other receivables. Different subsidy schemes and calculation is shown below:

DKK 1,000	Hectare grant	Milk grant	Investment grant etc.	"Organic Farming"	Ecology grant	Special soil grant	Total
Grants calculated in accruals	0	0	11,586	2,232	366	1,492	15,676
Period of creditting	Continu-ously	Continu-ously	Concurrently as the asset is depreciated	2008	2010	2008	-
Grants calculated in "other receivables"	2,181	4,613	136	2,232	0	0	9,162

At the end of 2006, accrual amounted to DKK 12.9 million which mainly related to investment grants. At the end of 2006, other receivables included receivables regarding EU subsidy of DKK 9.1 million.

7 Other operating income

DKK 1,000	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Income from sale of fixed assets	611	731	0	0
Other income	0	0	21	0
Total	611	731	21	0

8 Other operating costs

DKK 1,000	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Loss from sale of fixed assets	0	280	0	0
Other costs	520	619	0	0
Total	520	899	0	0

9 Financial income

DKK 1,000	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Interests, cash at bank and in hand	12,084	922	12,018	922
Interest income from affiliated companies	0	0	6,154	563
Exchange rate adjustment of currency loan	0	0	0	27
Other interest incomes	10	499	1	0
Total	12,094	1,421	18,173	1,512

10 Financial expenses

DKK 1,000	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Interest, bank loans	1,299	886	0	494
Foreign exchange loss	0	58	0	224
Other interest expense	641	951	32	641
Total	1,940	1,895	32	1,359

11 Tax on profit/loss of the year

DKK 1,000	Group 2007	21/9-31/12 2006	Parent company 2007	2006
Tax on profit/los of the year	-1,638	208	-2,327	338
Total	-1,638	208	-2,327	338
Tax on profit/loss for the year is specified as:				
Current tax	-821	-205	-628	0
Deferred tax	-817	413	-1,699	338
Total	-1,638	208	-2,327	338
Tax on profit/lost for the year can be explained as:				
Calculated tax of profit/loss before tax	-1,543	201	-2,258	302
Adjustment re. change of tax percentage from 28 % to 25 %	-62	0	-36	0
Other adjustments, net	-33	7	-33	36
Total	-1,638	208	-2,327	338
Effective tax percentage	26	29	26	31

12 Earnings per share

DKK 1,000	Group 2007	Group 2006
Profit/loss for the year	4,678	-509
Number of shares	4,712,240	4,712,240
Average diluted effect of outstanding warrants	0	0
Diluted number of shares in circulation	4,712,240	4,712,240
Earnings per share (EPS)	0.99	-0.11
Diluted earnings per share (EPS-D)	0.99	-0.11

13 Intangible assets

	Group 2007		Group 2006	
DKK 1,000	**Goodwill**	**Total**	**Goodwill**	**Total**
Cost price 1 January	3,727	3,727	0	0
Addition by establishment of Group	0	0	2,891	2,891
Correction, cp. note 27	0	0	836	836
Addition, Mlyn, cp. note 27	10,667	10,667	0	0
Disposal	0	0	0	0
Exchange rate adjustment	12	12	0	0
Cost price 31 December	14,406	14,406	3,727	3,727
Impairments 1 January	0	0	0	0
Impairments	0	0	0	0
Impairments 31 December	0	0	0	0
Accounting value 31 December	14,406	14,406	3,727	3,727

The parent company has not included intangible assets.

The Management in FirstFarms has carried out tests of impairments of the accounting value of goodwill of DKK 14,406,000, which all in all relates to the farming activities in Slovakia. The test is based on expectations for future cash flow the coming 5 years on the assumption that prices on milk, crops etc. stay unchanged. For the purpose of the valuation, return on investment at 13 % (after tax) and a growth increase in the terminal period at 2 % have been used.

The valuation of the activities in Slovakia has shown that the value of the activities is beyond book value including goodwill.

14 Tangible assets

Group 2007 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Construction work under execution	Total
Cost price 1 January 2007	48,562	33,800	393	0	82,755
Addition from acquisition of businesses, cf. note 27	19,891	2,120	0	0	22,011
Addition	56,188	11,566	1,625	19,483	88,862
Disposal	0	-2,228	0	0	-2,228
Exchange rate adjustments	-4,172	878	-36	106	-3,224
Cost price 31 December 2007	120,469	46,136	1,982	19,589	188,176
Depreciations and impairments 1 January 2007	-740	-2,119	-18	0	-2,877
Depreciations	-2,263	-6,949	-338	0	-9,550
Disposal	0	1,338	0	0	1,338
Exchange rate adjustment	-27	-91	-5	0	-123
Depreciations and impairments 31 December 2007	-3,030	-7,821	-361	0	-11,212
Accounting value 31 December 2007	117,439	38,315	1,621	19,589	176,964
– assets held under finance lease	0	3,939	95	0	4,034
Depreciation period	15-30 years	5-10 years	3-7 years	-	-

To secure bank guarantees in the Slovak subsidiaries, a security in the company's activities in Slovakia was given. In 2007, an agreement of construction of new cattle stables in Slovakia was made, which is expected to be completed at the end of 2009. In 2008, an investment of approx. DKK 45 million is expected. At the end of 2006, no commitments of fixed assets were made.

Group 2006 DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost price 1 January 2006	0	0	0	0
Addition at establishment of Group, cf. note 27	49,179	28,328	345	77,852
Addition	603	4,740	20	5,363
Disposal	-5,012	-1,683	0	-6,695
Exchange rate adjustments	3,792	2,415	28	6,235
Cost price 31 December 2006	48,562	33,800	393	82,755
Depreciations and impairments 1 January 2006	0	0	0	0
Depreciations	-790	-2,075	-17	-2,882
Disposal	87	41	0	128
Exchange rate adjustment	-37	-85	-1	-123
Depreciations and impairments 31 December 2006	-740	-2,119	-18	-2,877
Accounting value 31 December 2006	47,822	31,681	375	79,878
– assets held under finance lease	0	2,316	330	2,646
Depreciated over	15-30 years	5-10 years	3-7 years	-

Parent company 2007 DKK 1,000	**Fixtures and fittings, tools and equipment**
Cost price 1 January 2007	0
Addition	952
Disposal	0
Exchange rate adjustments	0
Cost price 31 December 2007	952
Depreciations and impairments 1 January 2007	0
Depreciations	152
Disposal	0
Exchange rate adjustments	0
Depreciations and impairments 31 December 2007	152
Accounting value 31 December 2007	800
-assets held under finance lease	0
Depreciated over	3-7 years

Book value – purchased farm land DKK 1,000	**2007** hectare	DKK	**2006** hectare	DKK
Farm land in Slovakia	238	4,270	98	1,525
Farm land in Romania	4,576	62,516	0	0

15 Capital shares in associated companies

Parent company DKK 1,000	**2007**	**2006**
Cost price 1 January	0	0
Purchase of 50 % of FirstFarms Slovakiet ApS (Investeringsselskabet Slovagri ApS)	0	11,594
Purchase of further 50 % of FirstFarms Slovakiet ApS (Investeringsselskabet Slovagri ApS)	0	11,000
Transferred to capital shares in subsidiaries	0	-22,594
Other adjustments	0	0
Cost price 31 December	0	0
Accounting value 31 December	0	0

16 Capital shares in subsidiaries

Parent company DKK 1,000	2007	2006
Cost price 1 January	22,594	0
Addition by establishment of Group	0	22,594
Addition in the period	126	0
Cost price 31 December	22,720	22,594
Accounting value 31 December	22,720	22,594

»Addition in the period« regards establishment of FirstFarms Rumænien ApS.

Name	Domicile	Share
FirstFarms Slovakiet ApS	Billund	100 %
- Westpro s.r.o.	Slovakia	
- Agra M s.r.o.	Slovakia	
- Zdruzenie Stupavských Vlastníkov Pody A/S (Mast Stupava)	Slovakia	
- Mlyn Zahorie A/S	Slovakia	
FirstFarms Rumænien ApS	Billund	100 %
- FirstFarms s.r.l.	Romania	
- SC Cistapibe s.r.l.	Romania	

All companies are 100 % owned by the FirstFarms Group.

17 Inventories

DKK 1,000	Group 2007	2006	Parent company 2007	2006
Raw materials and other materials	7,592	4,640	0	0
Manufactured goods and commodities, grain, fodder etc.	10,581	10,244	0	0
Total	18,173	14,884	0	0

18 Receivables

DKK 1,000	Group 2007	2006	Parent company 2007	2006
Receivables from sales	10,160	5,136	0	0
Other receivables	20,033	18,886	1,161	498
Receivables from associated companies	0	0	226,175	69,611
Total	30,193	24,022	227,336	70,109

Devaluations, contained in the receivables above, have developed as follows:	2007	2006
1 January	1,077	2,002
Addition as result of purchased subsidiary	201	0
Devaluations in the year	0	0
Implemented in the year	0	-1,123
Reversed	0	0
Exchange rate adjustments	22	198
31 December	1,300	1,077

No securities have been received from receivables from sales. Most of the Group's receivables from sales can be assigned to the RAJO dairy.

Receivables, which per 31 December were over due, but not devaluated, can be seen below:

DKK 1,000	2007	2006
Period of decadence:		
Up til 30 days	1,292	8
Between 30 and 90 days	317	0
Over 90 days	1,967	0

19 Share capital

Issued shares	Number		Nominal value (DKK)	
	2007	2006	2007	2006
1 January	4,712,241	1,280	471,224,100	128,000
Capital increase at the time of share conversion	0	100,000	0	10,000,000
Capital increase at the time of issuing bonus shares	0	481,244	0	48,124,400
Capital increase at the time of stock issue	0	4,129,717	0	412,971,700
31 December	4,712,241	4,712,241	471,224,100	471,224,100

The share capital consists of 4,712,241 shares at nominal DKK 100.00. No shares are attributed special rights.
Until September 2006 the company's capital was registered as share capital.

Capital management
The capital structure in FirstFarms is evaluated continuously. To see the Groups' policies on profit distribution, debt finance etc., see p. 26 concerning profit and to p. 14-15 for risk management and investment strategy and -criteria.

20 Deferred tax

Group DKK 1,000	**2007**	**2006**
Deferred tax 1 January	9,278	0
Addition from acquisition of companies	3,292	10,139
Exchange rate adjustments	-90	852
Deferred tax of the year calculated in profit/loss gain	817	-413
Deferred tax – equity entries	-40	-1,300
Deferred tax 31 December	13,257	9,278
How deferred tax is calculated in the balance:		
Deferred tax (asset)	-700	-1,796
Deferred tax (liability)	13,957	11,074
Deferred tax 31 December, net	13,257	9,278
Deferred tax 31 December concerns:		
Tangible assets	10,514	8,457
Biological assets	5,762	2,722
Other accounting items	-909	-105
Deficits with right to put forward	-2,110	-1,796
Total	13,257	9,278

All deferred tax assets and obligations are included in the balance sheet. The fiscal deficits concerns mostly the Slovak companies and are activated on the assumption that a positive taxable income in 2008/2009 will be obtained. The activated deficit in 2006 concerned mostly the parent company and was activated on the assumption that a positive taxable income in 2007 would be obtained due to a significant financial income.

Change in interim differences in 2007

DKK 1,000	**Balance 1/1-2007**	**Included in the result of the year, net**	**Addition as a result of purchased companies, cp. note 27**	**Exchange rate adjustments**	**Deferred tax – equity entries**	**Balance 31/12-2007**
Tangible assets	8,457	-1,363	3,500	-80	0	10,514
Biological assets	2,722	3,050	0	-10	0	5,762
Other accounting items	-105	-596	-208	0	0	-909
Deficits with right to put forward	-1,796	-274	0	0	-40	-2,110
Total	9,278	817	3,292	-90	-40	13,257

Change in interim differences in 2006

DKK 1,000	**Balance 21/9-2006**	**Included in the result of the year, net**	**Exchange rate adjustments**	**Deferred tax – equity entries**	**Balance 31/12-2006**
Tangible assets	7,743	61	653	0	8,457
Biological assets	2,483	22	217	0	2,722
Other accounting items	-87	0	-18	0	-105
Deficits with right to put forward	0	-496	0	-1,300	-1,796
Total	10,139	-413	852	-1,300	9,278

Parent company DKK 1,000	**2007**	**2006**
Deferred tax 1 January	-1,638	0
Deferred tax in the year calculated in profit/loss gain	1,699	-338
Deferred tax – equity entries	-40	-1,300
Deferred tax 31 December	21	-1,638

How deferred tax is calculated in the balance:		
Deferred tax (asset)	0	-1,638
Deferred tax (liability)	21	0
Deferred tax 31 December, net	21	-1,638

The deferred tax at the end of 2007 at DKK 21,000 can mostly be assigned to tangible fixed assets. The deferred tax asset in 2006 concerned at the most deficits with right to put forward.

All deferred tax assets and obligations are included in the balance sheet.

21 Amounts owed to credit institutions

Liabilities are recognised in the balance as follows:

DKK 1,000	**Group**		**Parent company**	
	2007	**2006**	**2007**	**2006**
Non-current liabilities	6,216	0	0	0
Current liabilities	10,295	25,628	0	0
Total	16,511	25,628	0	0
Fair value	16,511	25,628	0	0
Nominal value	16,511	25,628	0	0

Per 31 December, the Group had the following loans and credits:

Current maturity:	**2007**	**2006**
Within 1 year	10,295	25,628
1-3 years	6,216	0
Total accounting value	16,511	25,628

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. In 2006 and 2007, the Group's debt to credit institutions were carried with variable interests and estimated in Slovak koruna (SKK).

Finance leases

Obligations regarding financial leased assets incurs in debts to credit institutions:

2007 DKK 1,000	**Contribution**	**Interest etc.**	**Repayment of liabilities**
0-1 year	1,732	-247	1,485
1-5 years	2,351	-167	2,184
> 5 years	0	0	0
Total	4,083	-414	3,669

2006 DKK 1,000	Contribution	Interest etc.	Repayment of liabilities
0-1 year	1,135	-340	795
1-5 years	1,437	-207	1,230
> 5 years	0	0	0
Total	2,572	-547	2,025

22 Supplier debts and other debt obligations

DKK 1,000	Group 2007	2006	Parent company 2007	2006
Supplier debt	12,117	24,890	250	17,401
Other debt obligations	11,879	8,118	1,755	1,202
Total	23,996	33,008	2,005	18,603

23 Outstanding corporation tax

DKK 1,000	Group 2007	2006	Parent company 2007	2006
Outstanding corporation tax 1 January	205	0	0	73
Addition from acquisition of companies	0	120	0	0
Current tax of the year	821	205	626	0
Paid corporation tax	-205	-120	-16	-37
Adjustments	0	0	0	-36
Outstanding corporation tax 31 December	821	205	610	0

24 Contingent assets, liabilities and security

Securities:
As securities for bank debts in Slovak subsidiaries, DKK 16,511,000 (2006: DKK 25,628,000), forfeit has been given in the company's assets in Slovakia. Beyond this, no other security has been disposed for.

25 Change in working capital

DKK 1,000	Group 2007	2006	Parent company 2007	2006
Change in biological assets and inventories	-11,307	-6,235	0	0
Change in prepayments etc.	-2,118	-4,731	-777	-498
Change in trade payables, other payables and prepayments	4,162	-5,747	-497	1,570
Total	-9,263	-16,713	-1,274	1,072

26 Non-cash transactions

DKK 1,000	2007	2006
Acquisition of tangible fixed assets, cf. note 14	88,862	5,363
Of this financial leased assets	-3,088	0
Paid regarding acquisition of tangible fixed assets	85,774	5,363
Proceeds at raising financial debt liabilities	6,216	0
Of this leasing debt	-2,406	0
Received at raising financial debt liabilities	3,810	0

27 Purchase of companies and activities

2007

In the financial year 2007, FirstFarms A/S took over 2 new companies and paid cash with a total amount of DKK 25,993,000. Current bank debt of DKK 4,230,000 was taken over at the transactions.

A specification of fair values for the net assets taken over is shown below.

Mlyn Zahorie A/S

Per 25 October 2007, FirstFarms took over the Slovak company Mlyn Zahorie A/S, which gave the following calculation:

DKK 1,000	Fair value at the time of takeover	Accounting value before takeover
Plant and buildings	3,796	1,405
Machinery	2,120	2,587
Biological assets	1,543	1,543
Inventories	267	267
Trade debtors	1,575	1,665
Outstanding amount of grants etc.	3,073	4,080
Current bank debt	-4,230	-4,230
Supplier debt	-3,069	-3,069
Deferred tax, net	-810	-653
Other liabilities	-1,208	-1,208
Net assets taken over	3,057	2,387
Goodwill	10,667	0
Cost price	13,724	2,387
- of this current bank debt	4,230	-
Cost price cash	17,954	-

A turnover of DKK 0.7 million, along with a result of DKK -0.8 million has been realised in the period 25/10-31/12-2007.

If the company had been owned for the whole of 2007, turnover and result would have amounted to DKK 9.2 million and DKK 1.6 million, respectively.

Estimation of goodwill is temporary.

SC Cistapibe s.r.l.

Per 24 September 2007, FirstFarms took over the Romanian company SC Cistapibe s.r.l., which gave the following calculation:

DKK 1,000	Fair value at the time of takeover	Accounting value before takeover
Tangible fixed assets	16,095	580
Current assets	103	103
Deferred tax, net	-2,482	0
Other obligations	-1,447	-1,447
Net assets taken over	12,269	-764
Cost price	12,269	-764

A turnover of DKK 0.0 million, along with a result of DKK -0.1 million was realised in the period 24/9-31/12-2007.
If the company had been owned for the whole of 2007, turnover and result would have amounted to DKK 0.0 million and DKK -0.1 million, respectively.

2006

At share conversion on 21 September 2006 the FirstFarms Group was established. At the time of Group establishment, estimation was made in accordance to IFRS 3 of all identifiable assets and obligations concerning estimation of the fair value. A review of the consequences appears below:

DKK 1,000	Net assets	Reassessment	Fair value at the time of takeover
Tangible fixed assets	70,637	7,215	77,852
Biological assets – non current	16,430	0	16,430
Biological assets - current	16,565	0	16,565
Inventories	10,210	0	10,210
Other current assets	19,818	0	19,818
Non-current debt liabilities	-38,999	0	-38,999
Deferred tax, net	-8,768	-1,371	-10,139
Other liabilities	-72,686	0	-72,686
Net assets 100 %	13,207	5,844	19,051
Of this minority interests			-2,833
Total			16,218
Takeover share 50 %			8,109
Paid non-cash remuneration with own shares			11,000
Goodwill			2,891

As shown above, a reassessment has been made of the company's land and buildings. The basis for the assessment is expert estimates prepared in connection with the company's purchase of the operating companies etc.

In connection with the gradual takeover of the Slovak activities, a net revaluation of DKK 108,000 was found, which has been included direct in the Groups' equity. The revaluation is composed of a positive adjustment of approx. DKK 3 million regarding the original share part of 25 % of Westpro s.r.o. and a negative adjustment of approx. DKK 3 million regarding the purchase of the first 50 % of FirstFarms Slovakiet ApS. Goodwill has not been found at these acquisitions. Net turnover and result of the year would have amounted to DKK 48 million and DKK -1 million, respectively, if the Group had been established 1 January 2006.

Subsequently, a new assessment has been made of current biological assets of DKK -2,228,000, which caused an increase of the temporary calculated goodwill with DKK 836,000 and a reduction of the equity with DKK 1,392,000.

28 Available funds

DKK 1,000	Group 2007	2006	Parent company 2007	2006
Available funds	186,177	347,796	180,350	346,063
Short-term debt for credit institutions	-10,295	-25,628	0	0
Available funds 31 December	175,882	322,168	180,350	346,063

29 Risk of interests and exchange rates etc.

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.

FirstFarms' foreign companies are not affected to a large extent 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 2008.

In 2008, FirstFarms' activities will be placed in Slovak and Romania. By a 1 percent change in the Slovakian koruna (SKK) and the Romanian lei (RON), the pre-tax profit for the Group will change by DKK 123,000 and DKK 21,000, respectively. 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.

The Group has a positive liquidity and therefore; an increase in the interest rate will result in higher net income from interests in the Group. A change in the interest rate with 1 percentage point will change the net income from interest with DKK 0.6 million.

FirstFarms' result will mainly be affected by changes in the milk price, where a change in the milk price of 1 percent will cause changed earnings of DKK 555,000. In addition to this, a value adjustment on biological assets (value of stock) as a result of changes in milk prices can occur.

A 1 percent change in the price of sales crops will affect the pre-tax result with DKK 130,000.

For description of credit risks, see note 18.

30 Operational leasing

Minimum irredeemable operational leasing payments are as follows:

DKK 1,000	Group 2007	2006	Parent company 2007	2006
0-1 years	0	1,198	0	0
1-5 years	0	3,138	0	0
> 5 years	0	0	0	0
Total	0	4,336	0	0

The Group has earlier leased work material in operational leasing contracts with a currency of 2-8 years. None of the leasing contracts comprised conditioned rental payments.

In the income statement 2007 for the Group an operational leasing payment for work material of DKK 0.2 million is included (2006: DKK 0.3 million).

Agricultural activity in foreign subsidiaries is partly carried out by ownership of farm land and partly by making leasing contracts. The yearly rent is determined by the official unit of land valuation. Payment of leasing contracts is not included in the above.

In the income statement 2007 for the Group DKK 1.5 million was put to cost as regards rent of land (2006: DKK 0.3 million). Costs for rent of land are expected to amount to DKK 1.5 million in 2008. In the following years, the amount is not expected to change significant by renting the same area.

Per 31 December 2007, FirstFarms has leased 8,000 hectares in total, distributed on approx. 5,200 lease contracts with a currency between 1 and 15 years (2006: Approx. 6,200 hectares distributed on approx. 5,000 lease contracts). The greater part has a currency of 5, 10 or 15 years, but with continuous renewal. Per 31 December 2007, FirstFarms has entered into lease contracts with a call option of approx. 225 hectares (included in the above).

31 Related parties

FirstFarms A/S do not have shareholders with determinative influence on FirstFarms A/S.
FirstFarms A/S' related parties with determinative influence include the Management and the Board of Directors in the company. Related parties also include the company where the above mentioned persons have considerable interests. Besides remuneration, cp. note 5, no transactions with the Board of Directors and Management have been made.

For a description of accounts between related companies, see the balance of the parent company and note 9 and 10 as regards to returns on accounts.
In 2007, FirstFarms A/S has invoiced group contributions etc. of DKK 890,000 (2006: DKK 0.00).

32 Subsequent events

For a more detailed description, see p. 13.
After the balance day, no essential events on the presentation of FirstFarms' accounts have occurred.

33 New accounting regulation

IASB has published the following new accounting standards (IAS and IFRS) and interpretation contributions (IFRIC), which are not compulsory to FirstFarms A/S by the composition of the annual report 2007: IAS 1, 23 and 27, IFRS 2, 3 and 8 and IFRIC 11-14. Only IFRS 8 and IFRIC 11 are adopted by the EU. FirstFarms expects to implement the new accounting standards and interpretation contributions when they will be compulsory in 2008, 2009 and 2010. None of the new standards or contributions is expected to have an essential effect on the presentation of FirstFarms' accounts.

Financial ratios

Financial ratios

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 2005«.

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

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Assets/equity	$\frac{\text{Total assets}}{\text{Total equity}}$
Return on equity	$\frac{\text{Profit} \times 100}{\text{Average equity, ex. minority interests}}$

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

Silo plant in Romania