

Half year report for 1 January – 30 June 2009 for FirstFarms A/S

Summary

The Board of Directors and Management of FirstFarms A/S have today reviewed and adopted the un-audited half year report for the period 1 January – 30 June 2009.

Highlights

- FirstFarms has in the accounting period achieved a turnover of DKK 30.4 million, an EBIT result of DKK -16.3 million and a pre-tax result of DKK -18.9 million.
- The pre-tax results for the first half year are as expected and are achieved with a milk price that was 19 percent lower than expected and also include a negative valuation adjustment of the biological assets of DKK 1.6 million. The expectations have been fulfilled as a consequence of efficiency improvements and lower purchasing prices on raw materials.
- In Q2, the milk price continued to decrease to a very low level. However, a smaller increase in July and August was achieved and the company now expects a milk price for the rest of the year of DKK 1.75-1.80 per kg milk. The price is 11 percent below the company's previous expectations for the second half year, which entails a negative effect on the EBIT result with DKK 2 million.
- At present, the average settlement prices on grain are 40 percent lower than originally expected and the average prices on oil seed are 20 percent lower. In the second half year, this price level affects the result negatively with DKK 26 million. A significant part of the crops have not yet been sold.
- After the accounting period the company has harvested crops in Slovakia and Romania with variable yields. The company's total yield is expected to be a little below the expected.
- With the expected effect from the present low prices on grain, oil seed and milk, that totals DKK 28 million, and the expected efficiency measures and cost savings, the company scales down its expectations and now expects a turnover of DKK 57-62 million (DKK -43 million), an EBIT result of DKK -14 to -19 million (DKK -25 million) and a pre-tax result of DKK -22 to -27 million (DKK -25 million). The figures in brackets indicate the down-grading compared to the recent announced expectations.

Billund, 26 August 2009

FirstFarms A/SFor further information:

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Main and key ratios

	The Group Q1+Q2 2009	The Group Q1+Q2 2008	The Group Q2 2009	The Group Q2 2008	The Group 2008
DKK 1,000					

Main figures

Turnover	30,354	27,173	18,783	12,549	59,490
Gross profit/loss	-3,048	8,874	-4,278	4,955	1,404
Profit/loss of primary operations	-16,304	623	-8,699	416	-25,710
Net financial items	-2,614	1,775	-1,635	471	2,273
Pre-tax result of continued operations	-18,918	2,398	-10,334	887	-23,437
Net profit of continued operations	-14,783	2,024	-7,514	839	-21,227
Result of discontinued operations	0	-276	0	-61	-791
Net profit	-14,783	1,748	-7,514	778	-22,018

Non-current assets	419,095	289,935	419,095	289,935	400,953
Current assets	123,594	258,535	123,594	258,535	128,131
Total assets	542,689	548,470	542,689	548,470	529,084
Share capital	47,122	471,224	47,122	471,224	471,224
Equity	367,110	440,764	367,110	440,764	394,785
Non-current liabilities	56,055	21,712	56,055	21,712	40,571
Current liabilities	119,524	85,994	119,524	85,994	93,728

Cash flow from operations	10,860	-22,931	13,961	11,160	-19,997
Cash flow for investment, net	-32,645	-54,914	-17,366	-31,913	-178,203
Cash flow from financing	15,795	1,934	4,900	-16,101	14,220
Total cash flow	-5,990	-75,911	1,495	-36,854	-180,184

Key figures

Gross margin	-10.1	32.6	-22.7	39.5	2.4
Operating margin	-53.7	2.3	-46.3	3.3	-43.2
Assets/equity	1.4	1.2	1.4	1.2	1.3
Earnings per share, DKK.	-3.13	0.37	-1.59	0.17	-4.67
Diluted earnings per share, DKK	-3.13	0.37	-1.59	0.17	-4.67
Return on shareholders' equity	-7.4	0.8	-8.0	0.7	-5.4

Average number of employees	212	209	211	209	219
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Management report for the period 1 January – 30 June 2009

In the accounting period, FirstFarms has realized a turnover of DKK 30.4 million, an EBIT result of DKK -16.3 million and a pre-tax result of DKK -18.9 million. The results correspond to the expectations despite a negative adjustment of the biological assets with DKK 1.6 million, due to depreciation of the stock value, and a lower milk price in the accounting period. The negative deviation, compared to the result of DKK 21.3 million for the first half year 2008, is caused by falling milk prices and value adjustment on biological assets.

By means of efficiency measures and lower costs in the field production on especially salaries, fertilizers, chemicals and fuel, FirstFarms has achieved significant savings. Efficiency measures and savings on purchasing fodder have also been carried out in the milk production. The total savings amount to DKK 12 million for the whole year. In the accounting period the company completed the harvest of rape in Slovakia with yields a little below the expectations. After the accounting period, FirstFarms has harvested rape, wheat, rye, triticale and barley and the result of the harvest was a little lower than expected, especially in Eastern Romania, as this was the first operating season for the company and the crops are therefore particularly sensitive towards drought as a result of bad land structure. Beets, maize, sunflower, sorghum and organic crops have not yet been harvested, but by the end of the accounting period the crops looked satisfactory. At present time, the average settlement prices on grain are 40 percent lower than originally expected, and the average prices on oil seed are 20 percent lower. In the second half year, this price level affects the result negatively with DKK 26 million. A significant part of the crops have not yet been sold.

In Q2, the milk price continued to decrease to a very low level and was therefore lower than expected in the accounting period. In July and August a minor increase in the milk price was achieved but the price is in general still lower than in Western Europe. In the expectations for the rest of the year, a milk price of DKK 1.75-1.80 per kg milk is expected. The price is 11 percent below the company's previous expectations for the second half year and therefore EBIT is expected to be DKK 2 million lower.

In Slovakia, the construction is well under way and in July the company took the new milking parlour into use which secures a better milking of the cows and at the same time makes the milking process more effective. The delay of the construction of cattle stables to mid 2010 has entailed that the company has purchased fewer cows than expected in 2009, resulting in a lower turnover in the milk production than expected.

In the accounting period, sale of crops, that were produced and put in stock in 2008, meant a larger turnover for the company. The crops were sold at the value as listed in the accounts for 2008, and the extra turnover has therefore no influence on the result.

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In the first half year, the share capital decreased with DKK 27.7 million. The decrease is composed of the net profit of DKK -14.8 million and an exchange rate adjustment of DKK -12.9 million, which is caused by a decrease in the Romania currency with approx. 5 percent in Q1. The exchange rate has stabilized on the lower level in Q2.

Risk assessment

In the annual report 2008, FirstFarms has described the essential risks for the company, and it is the Management's opinion, that this description continues to be adequate. The annual report and risk assessment can be found on the company's homepage www.firstfarms.com.

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Expectations for 2009

With the expected effect from the present low prices on grain and milk, that totals DKK 28 million, and the expected efficiency measures and savings, the company scales down its expectations and now expects a turnover of DKK 57-62 million (DKK -43 million), an EBIT result of DKK -14 to -19 million (DKK -25 million) and a pre-tax result of DKK -22 to -27 million (DKK -25 million). The figures in brackets indicate the downgrading compared to the latest announcement.

Assumptions

The average milk price for the second half year of 2009 is now expected on to be DKK 1.75-1.80 per kg milk. A change in the milk price with 10 percent in Q4 2009 will entail a change in EBIT with DKK 0.8 million.

For the second half year of 2009, the settlement prices on grain (wheat, rye, maize and barley) enter into the expectations with DKK 900 per tonne and oil seed (rape and sunflower) enter into the expectations with DKK 2,000 per tonne. These prices correspond to today's prices, and a change in these prices with 10 percent will entail a change in EBIT of DKK 3.2 million.

In 2009, the company operates 8,300 hectares of land in Slovakia, whilst in Romania 4,324 hectares of land is operated, divided with 2,559 hectares in Western Romania and 1,765 hectares in Eastern Romania.

Financial calendar for 2009

25 November 2009

Quarterly report Q3 2009

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Management statement

The Board of Directors and the Management of FirstFarms A/S have today discussed and approved the half year report for the period 1 January – 30 June 2009.

The account, which has not been audited by the independent auditors of the Company, has been prepared in accordance with IAS 34 – “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirement for interim reports of listed companies.

In our opinion the half year report gives a true and fair view of the Group’s assets, liabilities and financial position at 30 June 2009 and of the results for the Group’s operations and cash flows for the period 1 January – 30 June 2009.

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

Billund, 26 August 2009

Management

Kim Stokholm
Managing Director

Board of Directors

Henrik Hougaard
Chairman

Kjeld Iversen

Jens Møller

Lars Thomassen

Per Villumsen

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Income statement

	The Group	The Group	The Group	The Group	The Group
	Q1+Q2	Q1+Q2	Q2	Q2	Q2
DKK 1,000	2009	2008	2009	2008	2008
Turnover	30,354	27,173	18,783	12,549	59,490
Value adjustments of biological assets	-1,609	4,210	-1,948	3,227	1,069
Production costs	-43,360	-32,758	-26,543	-15,430	-81,839
Grants	11,567	10,249	5,430	4,609	22,684
Gross profit/loss	-3,048	8,874	-4,278	4,955	1,404
Other operating incomes	1,222	58	767	0	611
Administration costs	-13,327	-8,245	-4,976	-4,475	-27,023
Other operating costs	-1,151	-64	-212	-64	-702
EBIT result	-16,304	623	-8,699	416	-25,710
Financial income	54	3,276	23	1,486	4,567
Financial costs	-2,668	-1,501	-1,658	-1,015	-2,294
Pre-tax result of continued operations	-18,918	2,398	-10,334	887	-23,437
Tax on net profit of continued operations	4,135	-374	2,820	-48	2,210
Net profit of continued operations	-14,783	2,024	-7,514	839	-21,227
Result of discontinued operations	0	-276	0	-61	-791
Net profit	-14,783	1,748	-7,514	778	-22,018

Total income statement

	The Group	The Group	The Group	The Group	The Group
	Q1+Q2	Q1+Q2	Q2	Q2	Q2
DKK 1,000	2009	2008	2009	2008	2008
Net profit	-14,783	1,748	-7,514	778	-22,018
Exchange rate adjustment	-12,892	17,368	-1,395	16,925	-6,172
Net profit	-27,675	19,116	-8,909	17,703	-28,190

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Balance

	The Group	The Group	The Group
	Q1+Q2 2009	Q1+Q2 2008	2008
DKK 1,000			
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	16,048	14,406	16,048
Milk quota	11,264	13,784	12,254
	<u>27,312</u>	<u>28,190</u>	<u>28,302</u>
Tangible assets			
Land and buildings	234,292	143,897	221,081
Plant and machinery	57,903	47,469	58,653
Fixtures and fittings, tools and equipment	1,840	2,012	2,036
Fixed assets under construction	74,923	46,248	68,000
	<u>368,958</u>	<u>239,626</u>	<u>349,770</u>
Biological assets			
Basic herd	19,538	21,419	19,827
	<u>19,538</u>	<u>21,419</u>	<u>19,827</u>
Other non-current assets			
Deferred tax asset	3,287	700	3,054
	<u>3,287</u>	<u>700</u>	<u>3,054</u>
Total non-current assets	<u>419,095</u>	<u>289,935</u>	<u>400,953</u>
Current assets			
Inventories	25,519	17,016	45,069
Biological assets – breeding and crops	59,989	63,816	40,013
Receivables	9,306	26,713	9,837
Other receivables	15,997	24,981	16,853
Accruals and deferred expenses	2,678	1,881	3,071
Cast at bank and in hand	10,105	124,128	13,288
	<u>123,594</u>	<u>258,535</u>	<u>128,131</u>
Total current assets	<u>123,594</u>	<u>258,535</u>	<u>128,131</u>
TOTAL ASSETS	<u>542,689</u>	<u>548,470</u>	<u>529,084</u>

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	The Group	The Group	The Group
	Q1+Q2 2009	Q1+Q2 2008	2008
DKK 1,000			
EQUITY AND LIABILITIES			
Equity			
Share capital	47,122	471,224	471,224
Reserve for reduction of the share capital	424,102	0	0
Reserve for exchange rate adjustment	-20,702	15,773	-7,810
Transferred result	-83,412	-46,233	-68,629
Proposed dividend	0	0	0
Total equity	367,110	440,764	394,785
Liabilities			
Non-current liabilities			
Deferred tax	13,095	13,562	13,406
Credit institutions	42,960	8,150	27,165
	56,055	21,712	40,571
Current liabilities			
Credit institutions	21,593	23,607	18,769
Trade payables and other payables	76,824	40,452	49,354
Corporation tax	0	821	4,057
Accruals and deferred income	21,107	21,114	21,548
	119,524	85,994	93,728
Total liabilities	175,579	107,706	134,299
TOTAL EQUITY AND LIABILITIES	542,689	548,470	529,084

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Equity development

	The Group	The Group
	Q1+Q2 2009	Q1+Q2 2008
DKK 1,000		
EQUITY DEVELOPMENT		
Equity 1 January	394,785	421,605
Reserve for exchange rate adjustment	-12,892	17,411
Result of the period	-14,783	1,748
Equity at closing	367,110	440,764

Cash flow adjustment

	The Group	The Group
	Q1+Q2 2009	Q1+Q2 2008
DKK 1,000		
Pre-tax result	-18,918	3,345
Cash generated from operations (operating activities) before changes in working capital	-6,192	2,877
Cash flow from operating activities	10,860	-22,931
Cash flow from investing activities	-32,645	-54,914
Cash flow from financing activities	15,795	1,934
Total cash flow	-5,990	-75,911
Available, at the beginning	-5,481	175,882
Exchange rate adjustment of available	-17	550
Available at closing	-11,488	100,521
Available at closing is recognised as follows:		
Available funds	10,105	124,128
Current bank debt	-21,593	-23,607
Available at closing	-11,488	100,521

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Segment information

1. half-year 2009

Turnover	Romanian activities	Slovakian activities	Group function	Elimination	Group total
External turnover	5,863	24,489	0	0	30,352
Internal turnover	0	0	216	-216	0
Total turnover	5,863	24,289	216	-216	30,352
Result	-3,679	-12,502	1,501	-103	-14,783

1. half-year 2008

Turnover	Romanian activities	Slovakian activities	Group function	Elimination	Group total
External turnover	0	27,173	0	0	27,173
Internal turnover	0	0	2,205	-2,205	0
Total turnover	0	27,173	2,205	-2,205	27,173
Result	2,677	-6,018	5,934	-845	1,748

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