

PRESENTATION OF HATTING A/S

CEO PER NYBY PEDERSEN



CEO PER NYBY PEDERSEN, HATTING A/S

Employment

- 1997- CEO Hatting A/S
- 1985-1997 Section leader, Danish Pig Research Centre, Research & Development in AI and Reproduction in Pigs
- 1983-1985 Head of Pig Advisory Section, Regional Farm Advisory Association, Hjørring
- 1981-1983 PA for the CEO, Danish Slaughter Houses

CEO PER NYBY PEDERSEN, HATTING A/S

Education

- 2013 Executive Board Programme, INSEAD, France
- 2010 Breakpoint, IMD, E-MBA – Master class, Paul Strebel
- 2009 Executive Management Programme, INSEAD, France
 - Strategy, Innovation, Management
- 2001 Executive Management Programme, DIEU, France
 - 30 days, different courses in management
- 1981 M.Sc. in Animal Science, Copenhagen University, Faculty of Life Science
 - Thesis: „Semen Quality in Boars“

HATTING A/S COMPANY BUSINESS IDEA

- Hatting A/S has the best boars and can use them 35 times better than compared to the natural method
- AI acts as a filter for diseases, because the animals are undergoing a range of disease studies to ensure they are healthy before entering AI
- On AI the animals are frequently examined to ensure that they are not infected with diseases.
 - It is also possible to detail the examinations so much that each collection from an animal can be examined.



KONCERN – ownership structure

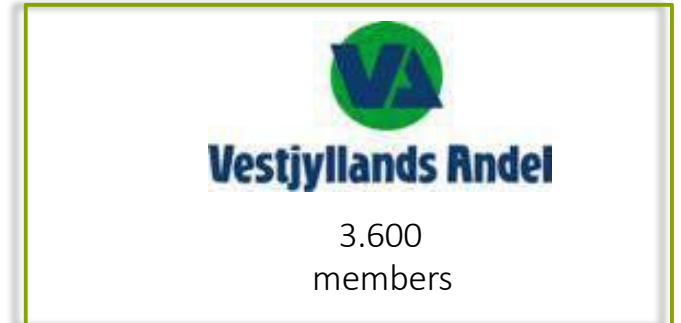
5 – 10 %



70 – 80 %



15 – 20 %



**Agribusiness
Denmark**

**Agribusiness
International**

**Agribusiness
Support**

Special Feed

**Food
Activities**

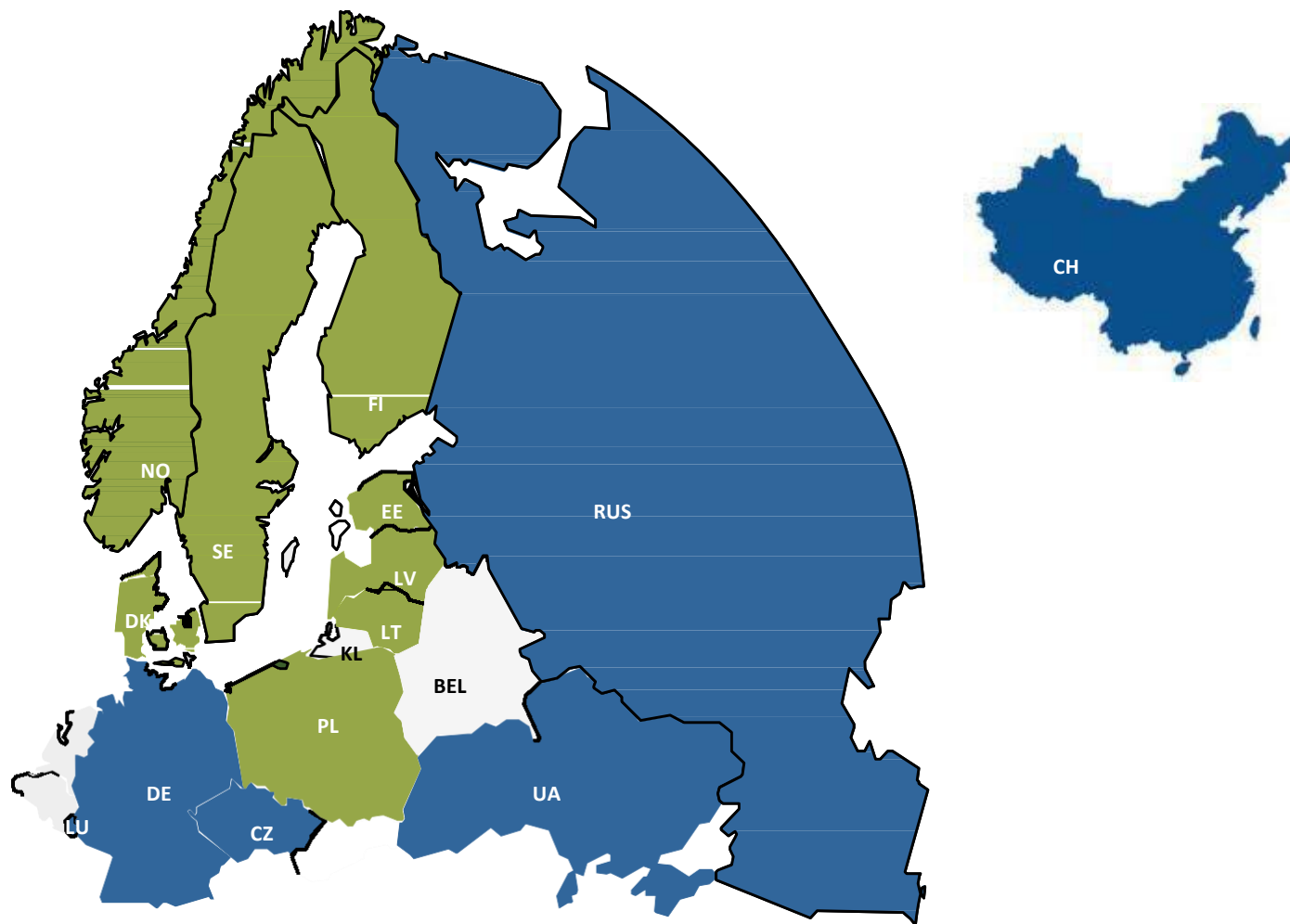
Cultivating Value



Established in 14 countries with all facilities

“Homemarked”
all business units

Special Feed
activities



Cultivating Value

Danish Agro

DANISH AGRO KONCERN

5 strategic business units

AGRIBUSINESS DENMARK	AGRIBUSINESS INTERNATIONAL	AGRIBUSINES SUPPORT	AGRIBUSINES SPECIAL FEED	FOOD ACTIVITIES
<p>Danish Agro a.m.b.a. Danish Agro Shoppen A/S Danish Agro Finance A/S Danish Agro Byggecenter A/S Danish Grain Terminals A/S Aller Ejendomsselskab</p> <p>Hedegaard Agro A/S</p>	<p>DAVA International Holding A/S Hankkija Oy Movere Oy Finnish Agro Oy Agro Oy Swedish Agro AB DLA Agravis Internat+onal Holding A/S AS Bal+c Agro, Estonia SIA Bal+c Agro, Latvia UAB Baltic Agro, Lithuania Polish Agro, Poland Raitech sp.z.o.o, Poland</p> <p>Agromex s.ro, Czech Republic</p>	<p>DLA Agro a.m.b.a. DLA Agro Sweden AB Scanola A/S AS Scanola, Baltic Scanfedt A/S Nordic Seed A/S Nordic Seed International A/S DLA Agro Energy A/S DanGødning A/S DGF Sikring a.m.b.a.</p>	<p>Vilomix Internat+onal Holding A/S Vilomix Holding A/S Vilomix A/S Vilofarm A/S Vilovet A/S Hamng A/S Vilomix Sweden AB Vilomix Norway A/S Vilomix Finland Oy Vilomix Hatting A/S Baltic SIA Vilomix Rus Hamburger LeistungsfuVer</p>	<p>DAVA Foods Holding A/S Hedegaard Foods A/S Svenska Lantägg AB Munakunta Oy Starup Æg K/S DanHatch A/S Hama Plus s.a. DanHatch Polska Binadan A/S HRP Kyllingefarme A/S HRP A/S Rumænien Invest A/S DPL Invest A/S</p>
<p>Turnover: 9,9 mia. kr. 805 employees</p>	<p>Turnover: 11,3 mia. kr. 1.526 employees</p>	<p>Turnover: 6,9 mia. kr. 86 employees</p>	<p>Turnover: 2,0 mia. kr. 528 employees</p>	<p>Turnover: 1,8 mia. kr. 514 employees</p>
BRUTTO - 31,9 mia. kr. - NETTO - 25,1 mia. kr. - 3.459 employees				

HATTING A/S COMPANY PRESENTATION

- Introduction to Hatting A/S
- The market
- Customers and sale
- Business units and quality system
 - Hatting Genetics (semen)
 - Hatting Agro (Farm Supply)
 - Distribution
- Purchase and suppliers
- Organisation
- Strategic and commercial goals

HATTING A/S

- Hatting A/S is Europe's largest producer of boar semen.
More than 76 % of all Danish piglets and 11 % of the German piglets are produced using boar semen supplied by Hatting A/S.
- Hatting A/S has 50 years of experience in providing semen and products for the farming industry.
- Hatting A/S is owned - since 2013 - by Vilomix Holding A/S.
Vilomix Holding is owned by Danish Agro and Vestjyllands Andel.
- Hatting A/S has one subsidiary company in Germany.
Hatting Germany GmbH - with 1 AI station.

KEY FIGURES - HATTING A/S

Budget Hatting A/S 2016 (Koncern)

- Turnover per year 47,3 mio. euro
- EBT 3,8 mio. euro
- 5,4 mio. semen doses sold per year
- 173,000 deliveries per year
- 55 vehicles for distribution
- Approx. 3,550 boars
- 280 employees

VISION AND MISSION FOR HATTING A/S

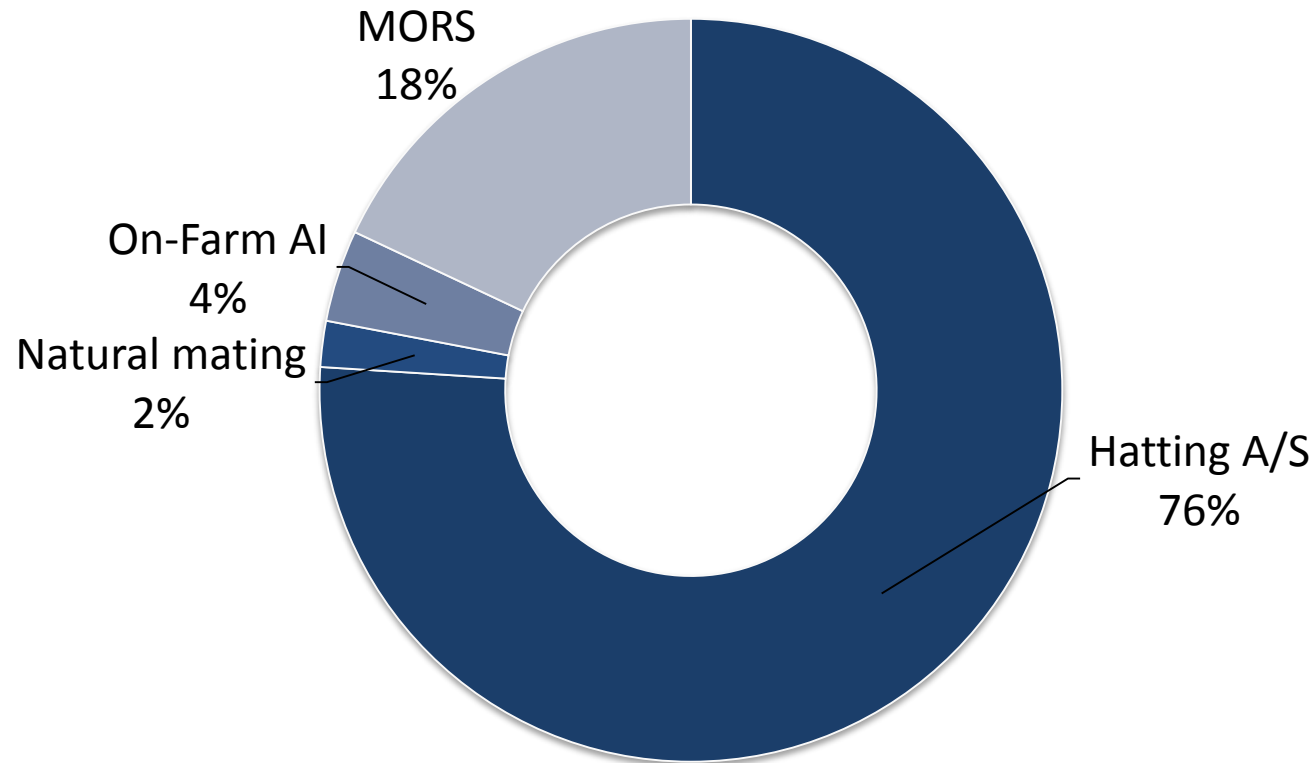
Vision

- We wish to consolidate our position as Europe's largest producer of boar semen and follow DanAvl and gilts into Europe with Danish genetics.
- We want to retain and develop our position as the absolute largest supplier of boar semen of the best possible breeding quality in Denmark.
- We want to strengthen and develop our Farm Supply products for pigs.

Mission

- Hatting's mission is to contribute to ensuring an economically viable production of pigs.
- Hatting will support the distribution of DanAvl material in Europe through the sale of boar semen and dissemination of breeding material at a high breeding and health level.
- Hatting will offer Farm Supply and services to customers in partnership with the Group's other companies.

AI MARKET SHARE IN DENMARK, SEMEN ALL BREEDINGS



THE GERMAN MARKET FOR PIG GENETICS

A very complex market with many different companies

Breeding companies:

- DanAvl (30% share of female)
- PIC
- BHZP
- German Pietrain
- Topigs
- Various local breeding organisations

AI companies:

- GFS
- Weser-Ems
- BHZP
- BuS
- Hatting Germany
- Topigs
- NOS

HATTING GERMANY - DANAVL

- Hatting Germany has the DanAvl boars with the highest breeding value in Germany

	Duroc	Landrace	Yorkshire
No. of boars	232	56	53
Index	109	122	118



Cultivating Value

Hatting

CUSTOMERS, SALE AND MARKETING

Denmark

- Hatting A/S has 2,200 pig producers as customers
- Contact to the customers 2-3 times per week
- Customer satisfaction is very high
- The customers own approx 90 % of the Danish sows
- Customers with other production animals, such as cows, horses, minks, poultry and others

Germany

- Hatting Germany has 120 pig producers as customers
- The farm size is smaller than in Denmark

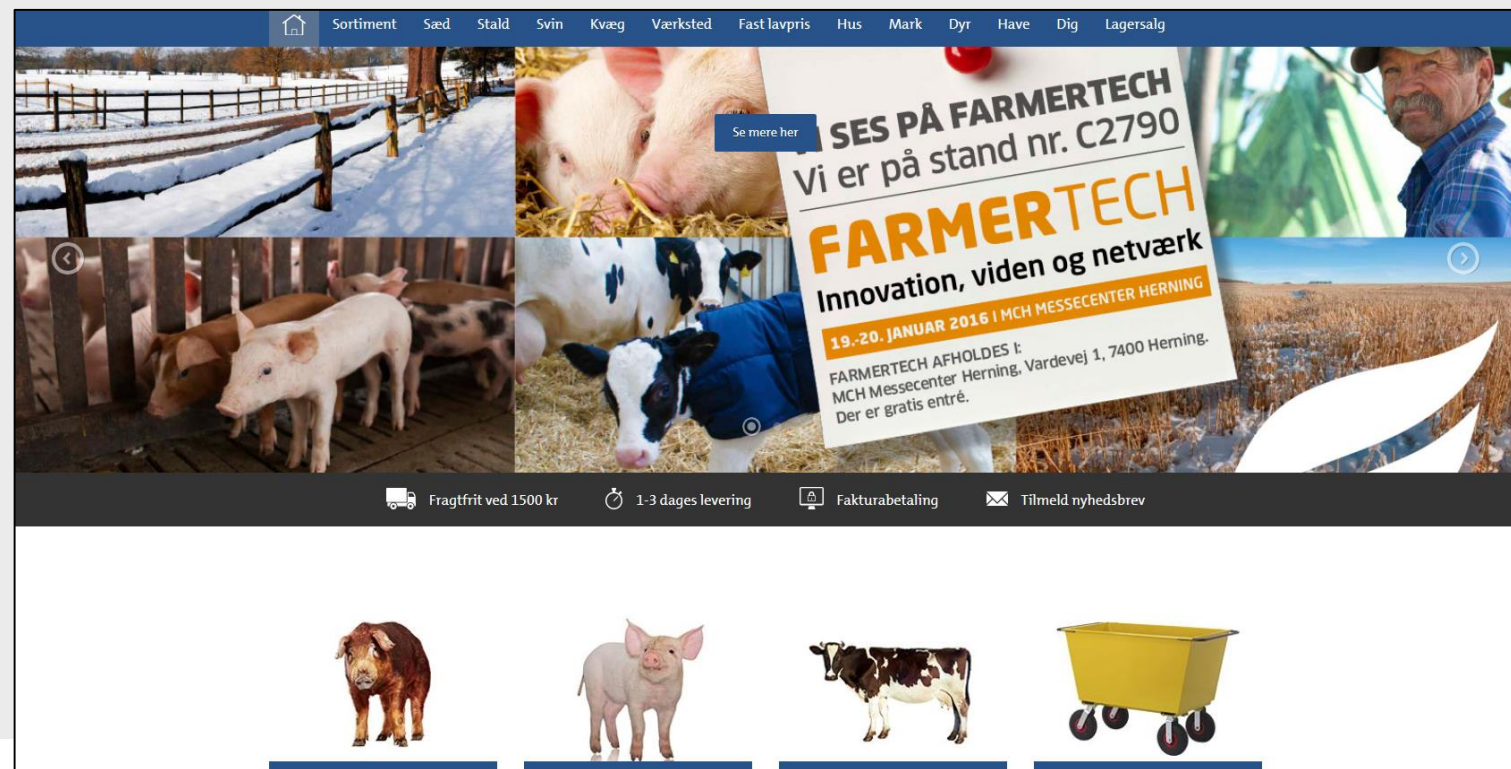
Customer value propositions

- Nice and easy to trade with Hatting A/S
- Good quality products
- Good and professional service

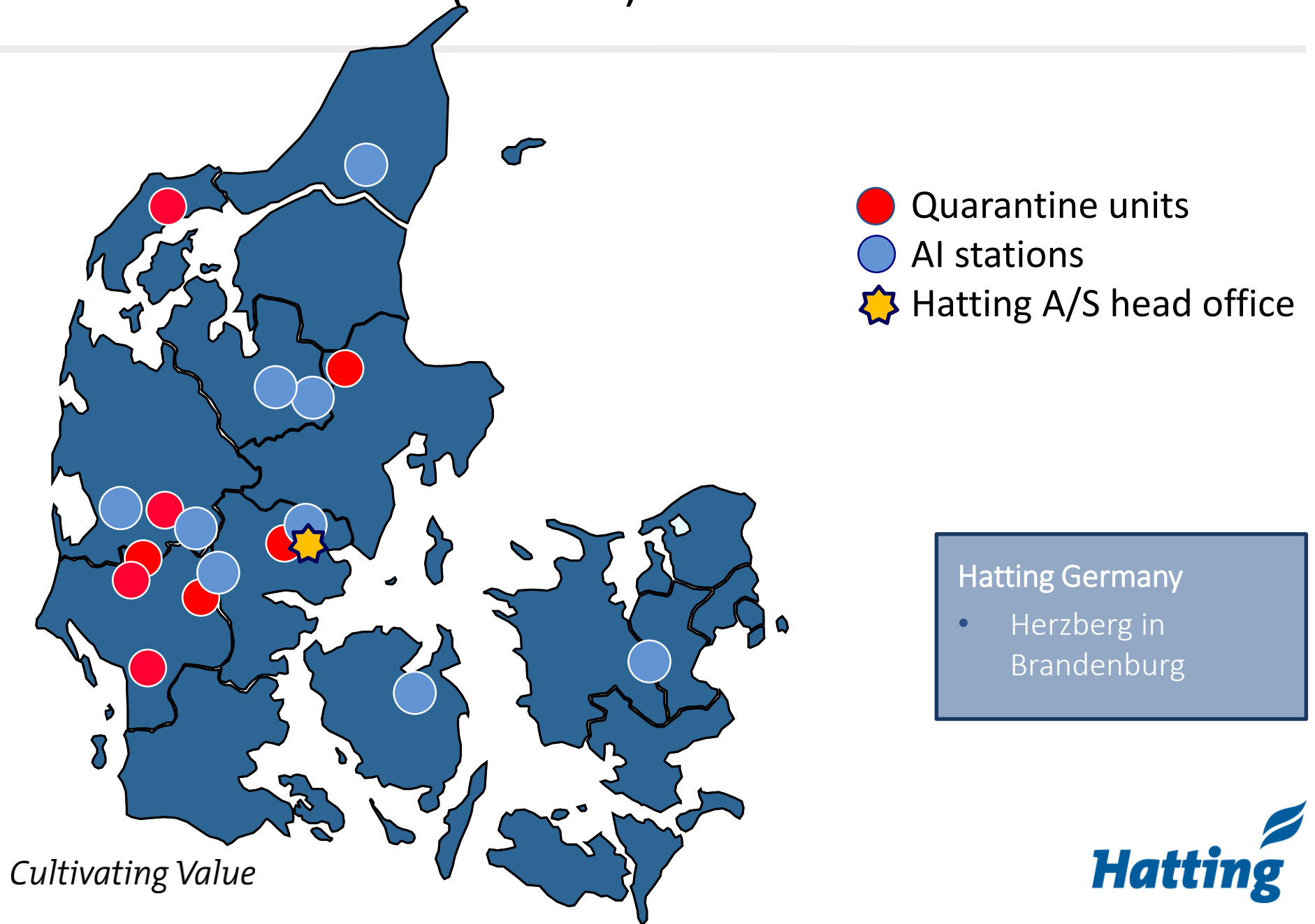
CUSTOMERS, SALE AND MARKETING

Web shop

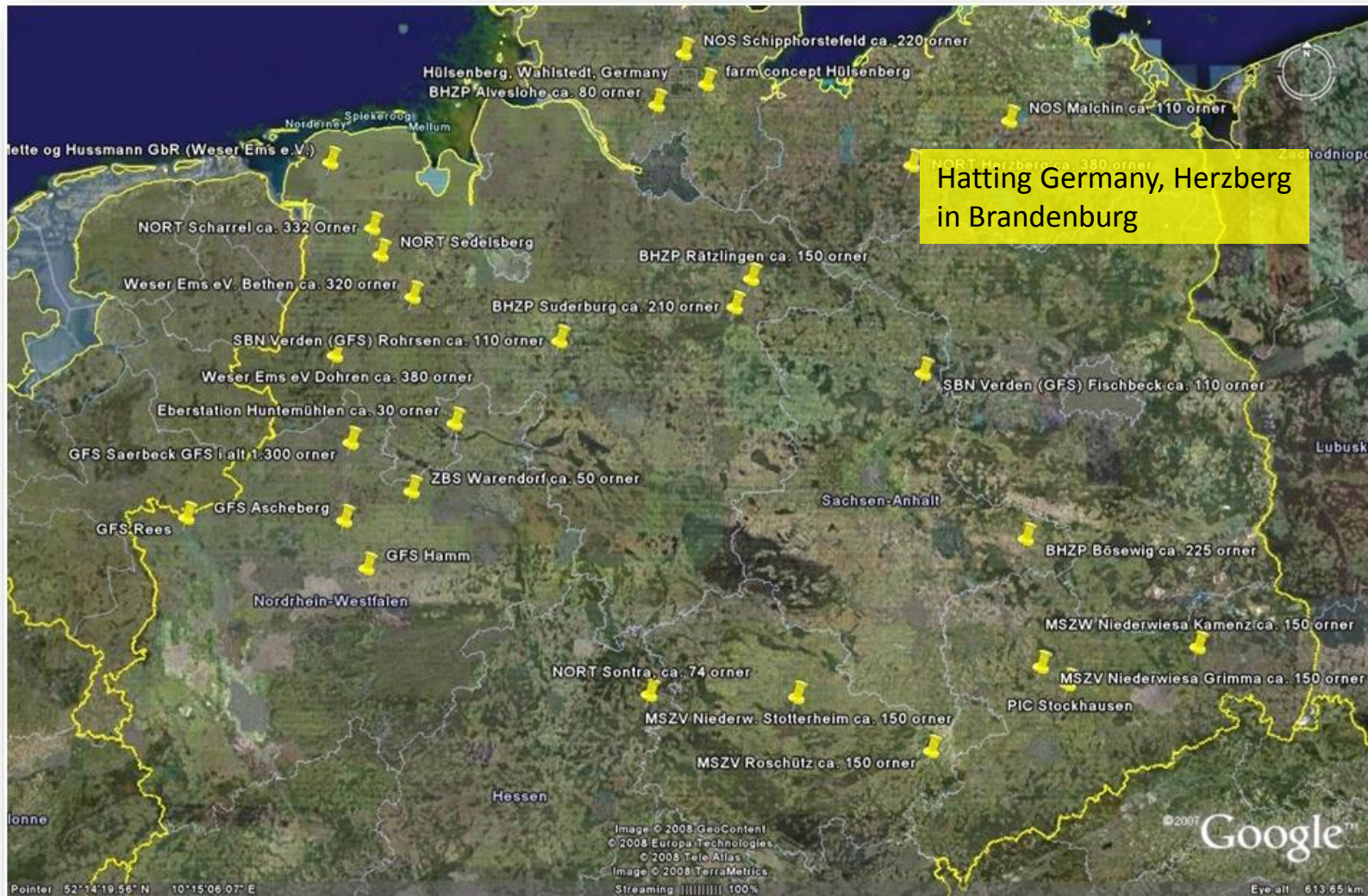
In 2015 the internet accounted for approx. 27 % of all orders.



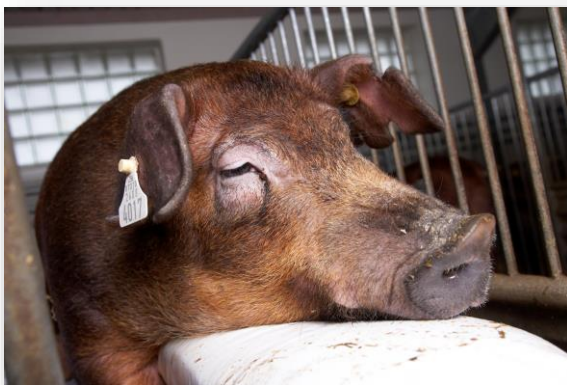
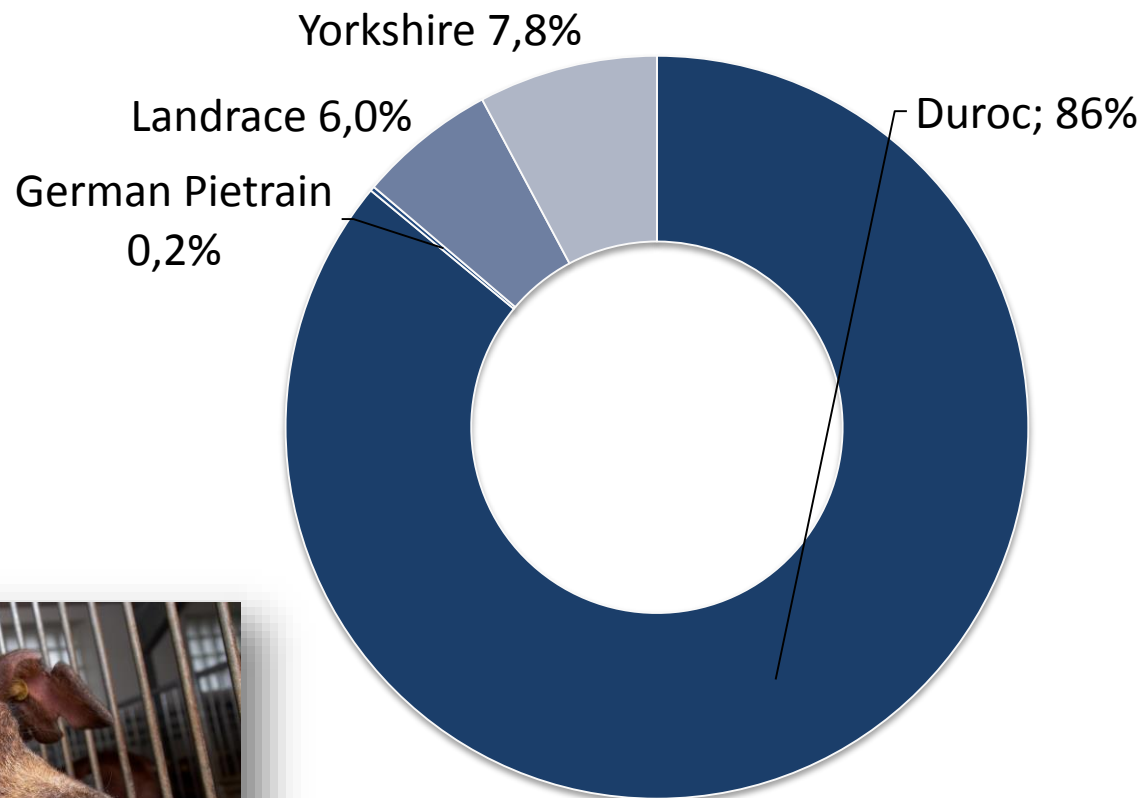
HATTING GENETICS (SEMEN)



AI STATION IN GERMANY

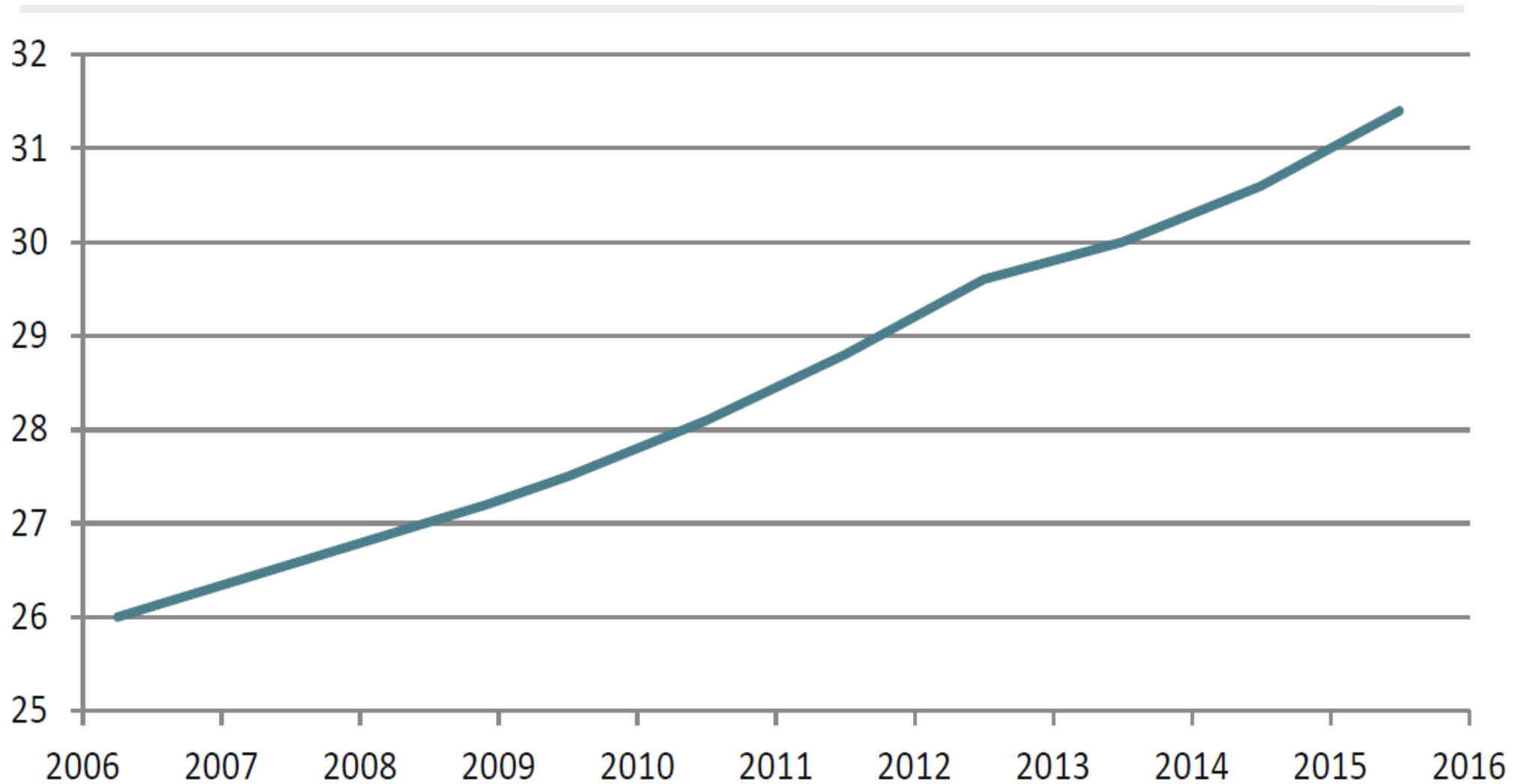


SEMEN PRODUCTS AND SALE PER BREED, DENMARK



Cultivating Value

WEANED PIGS PER YEAR/SOW IN DENMARK



Cultivating Value



RESULTS – DANISH AVERAGE SOW HERDS

	Top 25 %	Average 2015
Sows, avg. per farm	844	707
Live born per litter	16.5	15.9
Still born per litter	1.6	1.7
Weaned pigs per litter	14.6	13.8
Weaned pigs per sow per year	33.8	31.6
Age at weaning, days	29	30
Farrowing rate, %	90.7%	88.1%

Source: VSP Notat Landsgennemsnit for produktivitet i svineproduktionen 2015

RESULTS – DANISH AVERAGE SLAUGHTER PIG HERDS

	Top 25 %	Average 2015
Produced pigs per year	8,659	8,008
Daily gain (30-100 kg), gram	981	936
Food conversion(30-100 kg), kilo per kilo gain	2.55	2.70
Weight at transfer, kg	31.3	31.5
Average slaughter weight, kg	84.5	84.3
Average meat percentage	60.5	60.4
Dead and rejected, %	3.4	3.7

Source: VSP Notat: Landsgennemsnit for produktivitet i svineproduktionen 2015

REPLACEMENT OF BOARS

2014	Replacement of boars (months)
Landrace	5,9
Yorkshire	6,0
Duroc	12,5

HATTING AGRO

- We have approx. 4,000 items in our product range and the product turnover of Farm Supply contributes with a little more than 1/3 to our total turnover.
- Hatting A/S sell a wide range of product for the use in pig production for example:
 - Insemination articles
 - Disinfectants
 - Cleaning articles

Cooperation partners regarding:

- Electrical power
- Waste disposal
- Pest control
- Agricultural wearing and plough parts

DISTRIBUTION IN DENMARK

Distribution

- Approx.173,000 deliveries and 3.7 million km a year
- Electronic driving planning (MapBooking)
- Optimizing the deliveries to reduce the freight costs
- 95 % of our customers have joined our free text message service

Warehouse

- Location management at our main warehouse in Horsens



DISTRIBUTION IN DENMARK

Hatting A/S distribution can offer:

- Distribution of smaller parcels as well as a few pallets
- Delivery all over Denmark
- Transport across Denmark 3 times a week
- Thermo operation range from 5 to 20 degrees
- Distribution of “fragile goods” i.e. parcels sensitive to shock (not “dangerous goods”)
- Storage – in small scale – in our warehouses
- Route optimisation where time of delivery is known
- Sending of text messages if delivery is delayed
- High level of security of supply all year round

QUALITY

Strategy

To maintain focus on quality "High quality" has its own focus area in the strategy

Strategic targets

Quality is measured in numbers of errors and in the expense of the errors added up for each business unit every month

Follow-up - leaders

The business unit leaders co-ordinate and discuss quality once a month with the mid-level managers

Follow-up - employees

Quality and number of errors made are discussed weekly at employee group meetings

Action against errors

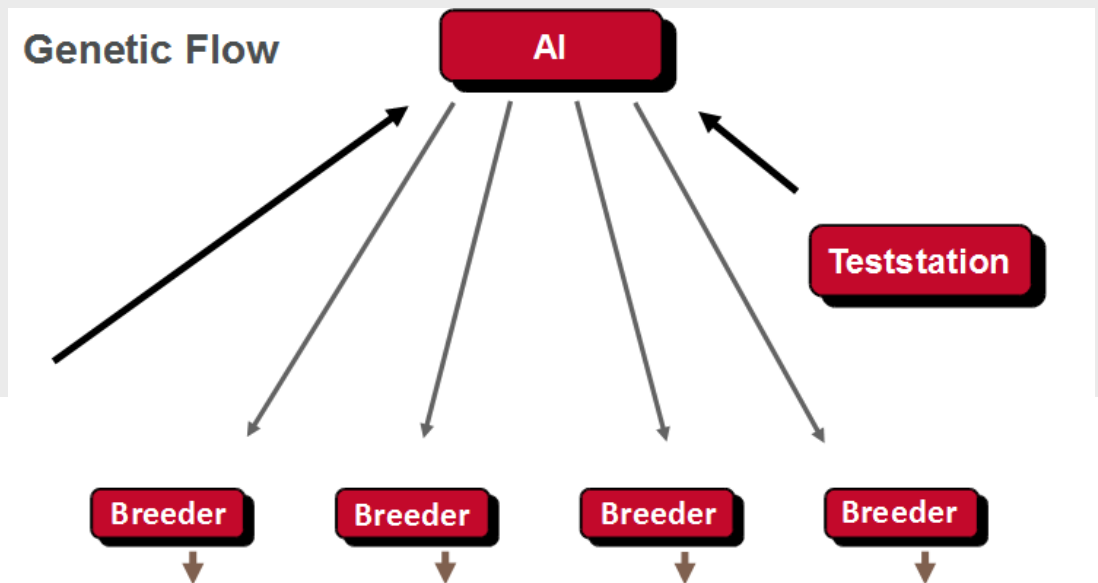
Immediate action is taken to correct errors

Once a year the system is quality assured

BREEDING ASSOCIATION DANAVL

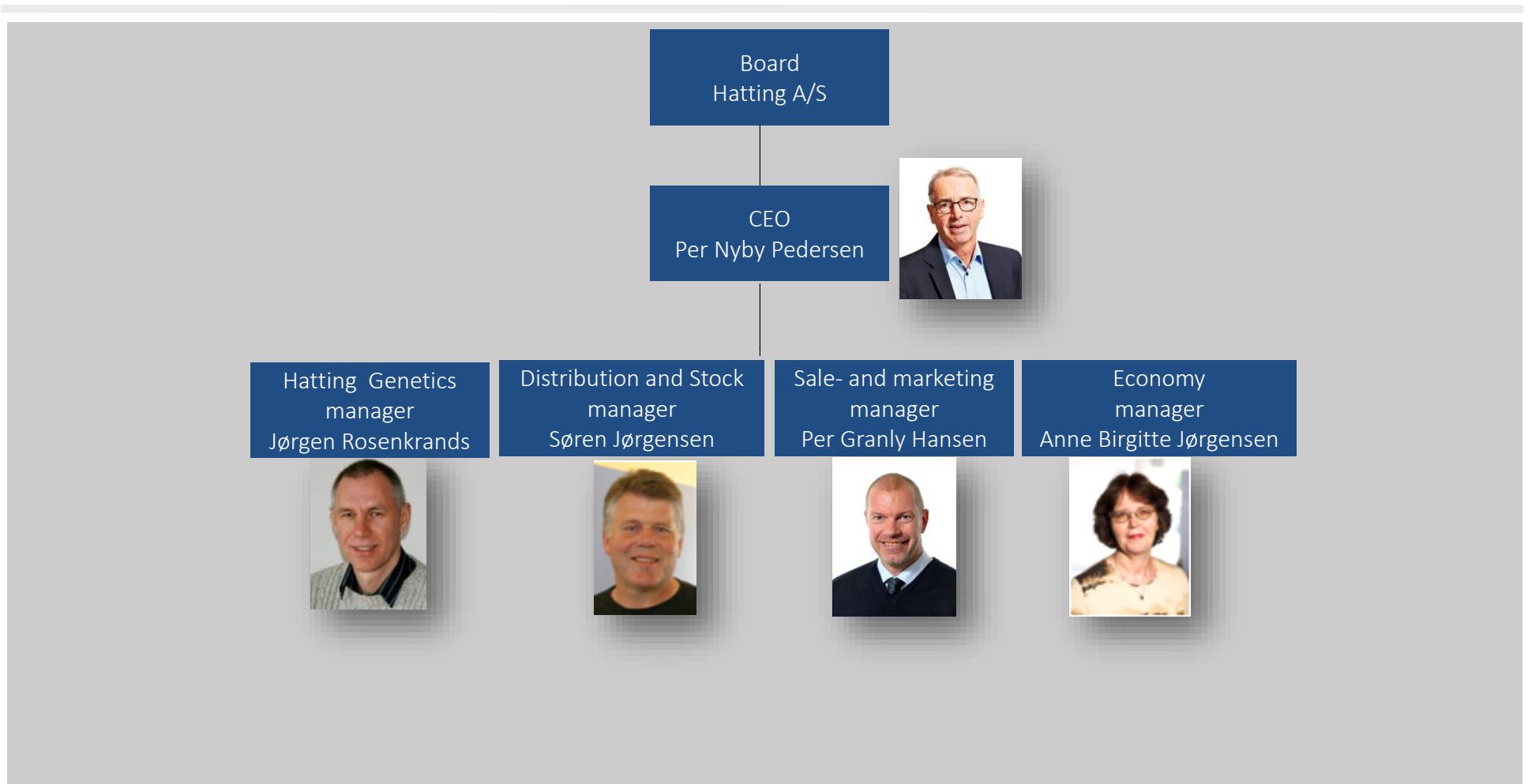


- Hatting A/S has been approved as DanAvl dealer and is one of the key figures for the DanAvl organisation together with the private AI station "MORS".
- Hatting A/S has a close working relationship with the Danish breeding association DanAvl.
- DanAvl makes contracts with 25 breeders to place top-boars at Hatting A/S and calculates weekly index in correlation with the outlined breeding goals.



Cultivating Value

ORGANISATION HATTING A/S



STRATEGY 2016

Earnings

- EBT Hatting A/S

Market share DanAvl semen in DK

- Hatting A/S' share of DanAvl semen in DK

Gross profit

- Gross profit Farm Supply
- Gross profit Hatting Genitics
- Gross profit per delivery

High customer Loyalty

- Customer Loyalty survey

Semen sale

- Doses sold from Hatting A/S

Eksport of semen

- Doses sold to eksport

Farm Supply sale

- Turnover Farm Supply

Sales activities

- Focus on customers with a low Farm Supply purchase

Innovation

- Number of completed innovation projects

High quality

- Error handling costs per month
- Goodwill payment

Process optimisation

- Time spent in production per semen dose
- Turnover of products against time spent in warehouse and packing facility
- Time spent on administration, finance, sale and marketing
- Distribution cost per delivery

Welfare

- Sickness rate
- Staff member satisfaction
- Social responsibility

Professional qualifying development

- Number of employees attending education

Active communication

- Number of news on the Intranet

Cultivating Value



STRATEGY - EXAMPLE OF BALANCED SCORECARD

Kunder		Okt	Nov	Dec	Jan	Feb	Mar	Apr	Maj	Jun	Jul	Aug	Sep
Omsætning af produkter til kvæg i kr.	Opnået	0,26	0,66	0,8	0,4	0,26	0,25	0,36	0,24	0,21	0,23	0,26	0,23
	Ambition	0,15	0,15	0,2	0,2	0,25	0,25	0,3	0,35	0,4	0,4	0,45	0,55
Omsætning af produkter til svin i kr.	Opnået	7,7	10,47	11,2	10,4	8,78	9,5	9,3	9,8	8,3	9,5	8,1	11
	Ambition	6,9	7,2	7,4	7,7	8	8,5	8,4	8	8,9	8,4	9,8	10
Salg af sæd udenfor DK (inkl. salg fra NORT) pr. uge i doser	Opnået	24296	24252	23189	21334	20506	19946	20089	21487	21325	21353	21272	22135
	Ambition	22925	23340	23750	24160	24570	24980	20587	20813	21095	21376	21602	21956
Kundetilfredshedsundersøgelsen i procent	Opnået	0	47	0	0	0	0	0	0	0	0	0	0
	Ambition	0	50	0	0	0	0	0	0	0	0	0	0
Omsætning af veterinærmedicin i mio. kr.	Opnået	9,9	10,1	7,8	12,1	10,1	10,8	11,7	12,1	11,6	13,7	13,1	12
	Ambition	13,1	13,4	13,7	14,9	16,2	16,5	13,2	13,2	13,2	13,3	13,3	13,3
Salg af sæddoser pr. uge fra Hatting-KS	Opnået	84029	84430	83400	83482	82305	83349	84002	85310	84827	85892	86629	86790
	Ambition	80750	80750	80750	80750	82644	82644	82644	82644	82644	82644	82644	82644
Drift		Okt	Nov	Dec	Jan	Feb	Mar	Apr	Maj	Jun	Jul	Aug	Sep
Tidsforbrug i Hatting-Vet pr. vareenhed, min. pr. ekspereret vareenhed	Opnået	2,35	2,08	2,22	2,9	2,17	2,39	2,45	2,2	2,36	3,08	2,54	2,49
	Ambition	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,1
Fejlhåndtering i kr.	Opnået	179348	221394	173235	175966	155507	222412	140649	191250	318893	334059	514160	400155
	Ambition	170000	170000	170000	170000	170000	170000	170000	170000	170000	170000	170000	170000
Andel tid brugt på direkte kundedkontakt ud af den samlede tid i procent	Opnået	76	77	76	76	74	71	74	78	76	79	78	77
	Ambition	72	72	72	72	75	75	75	75	75	75	75	75
Tidsforbrug i KS forretningen pr. prod. Sæddose i minutter	Opnået	1,5	1,46	1,39	1,5	1,48	1,45	1,47	1,49	1,5	1,31	1,38	1,45
	Ambition	1,47	1,47	1,47	1,47	1,47	1,47	1,47	1,47	1,47	1,47	1,47	1,47
Tidsforbrug - direktion, økonomi, HR, salg/marketing og produktforretningen i timer pr. uge	Opnået	5869,8	5928,8	6296,55	7669,6	6486,2	7667,8	6053,7	5557	6893	5398,4	6937,1	5718,7
	Ambition	5908	5908	5908	7385	5784	7230	5916	5374	6718	5374	6718	5374
Omsætning af produkter ift. tidsforbrug på lager og pakkeri i kr.	Opnået	93,3	108,2	146,2	96,4	82,8	95,5	96,9	108,2	102,6	106,9	89	107,2
	Ambition	100	100	100	100	100	100	100	100	100	100	100	100
Innovation - tidsforbrug i timer pr. mdr.	Opnået	138	218	357	468	587	198	324	448	472	190	279	240
	Ambition	300	300	300	300	280	280	280	280	300	0	80	300
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