



# TO REAP WHAT IS SOWN

On this site, we want to tell you a little bit more about our company. And unveil, to you especially, the course of the journey that Idavang will take in the years to come.





# THE STORY OF IDAVANG

## FERTILE KNOWLEDGE

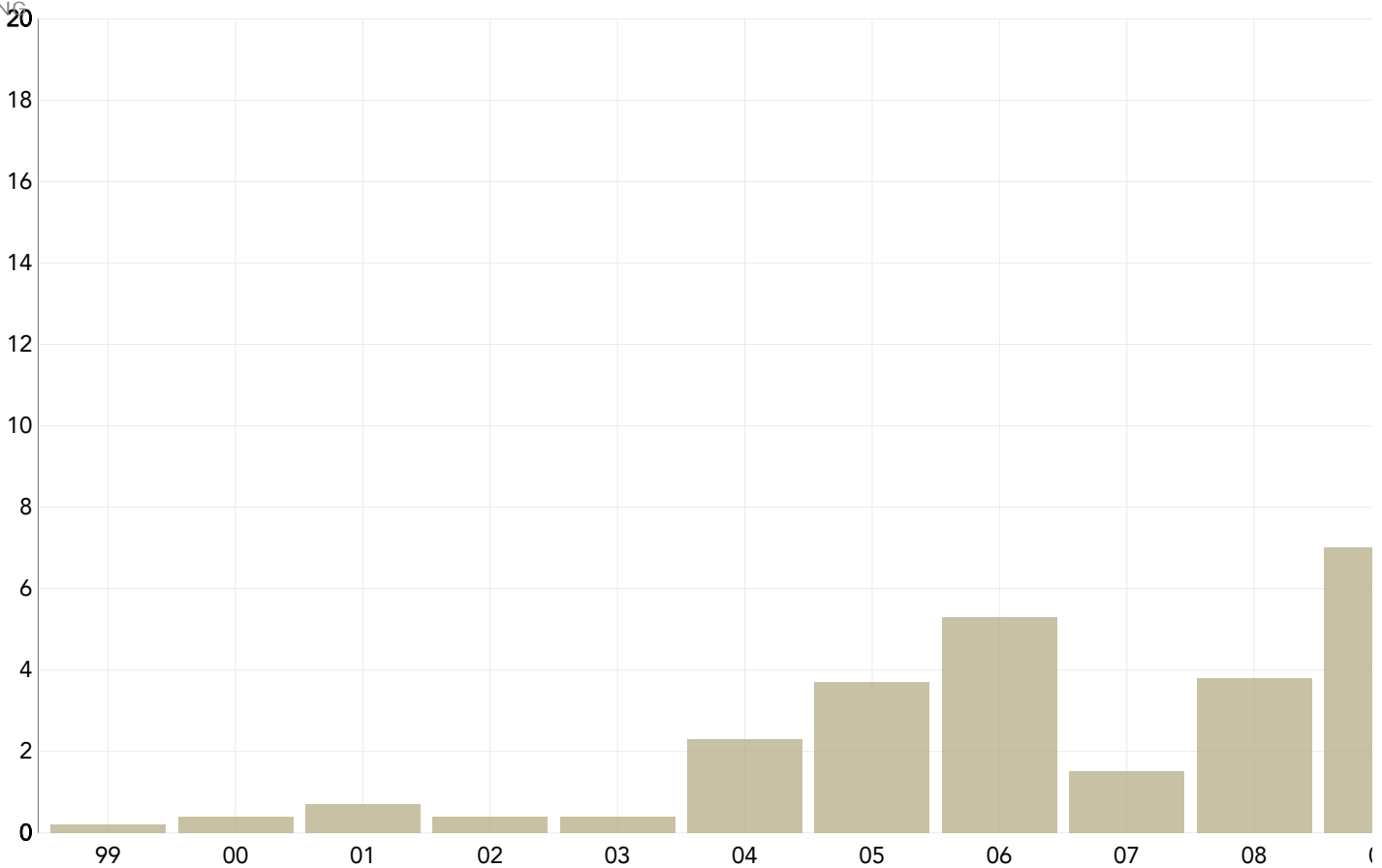
20 years ago, the Lithuanian farmlands welcomed a small party of Danish farmers. By constantly improving and spreading know-how from farm to farm, the small group of farmers has become an international company. One farm has turned into many, and the individual ideas of good farming have created an organisation of highly qualified employees.

Idavang has built an organisation that is becoming more intelligent, more agile, more innovative, and therefore a more scalable company.

Today, Idavang has expanded its operations from Lithuania in the EU to the Russian Federation with the constant goal of improving the production of high-quality food products to price-conscious consumers in undersupplied markets.

Through innovative production methods and technology, Idavang has been able to set the agenda for modern food production in both countries. And due to investments in the competencies of the organisation, the company is able to quickly adapt to future international consumer demands.

## PROFIT BY YEAR



## QUALITY EXPANSION

With a start-up capital of € 800,000, Idavang bought its first brown field farm in 1999. Since then, Idavang has been perfecting the brown field method. The past couple of years, the company has also got proof of concept for its green field expansion method, which has been successfully tested in Russia.

## BROWN AND GREEN FIELDS

### SCALING METHODS

The CEO of the Idavang Group, Claus Baltersen, explains the brown field methods the company has developed throughout the years:

#### BROWN FIELDS

“When using the brown field methods, our goal is to generate cash flow within 16 weeks”, says Claus Baltersen.

“We mainly use existing facilities. We start breeding in our other facilities so that we can replace the old herd with our own genetics as soon as the farm is disinfected” explains Baltersen.

“We know how to rationalise the production and we’ve developed a model where more experienced employees can help integrate the company know-how into the new farm”.

### PRODUCING MEAT CLOSE TO THE MARKET

Pork production demands farmlands where liquid manure can be spread. To handle production close to densely populated areas where farming land is scarce and more expensive, Idavang has developed an Environmental Processing Plan (EPP) with technology from the company Nutriflow. The EPP removes

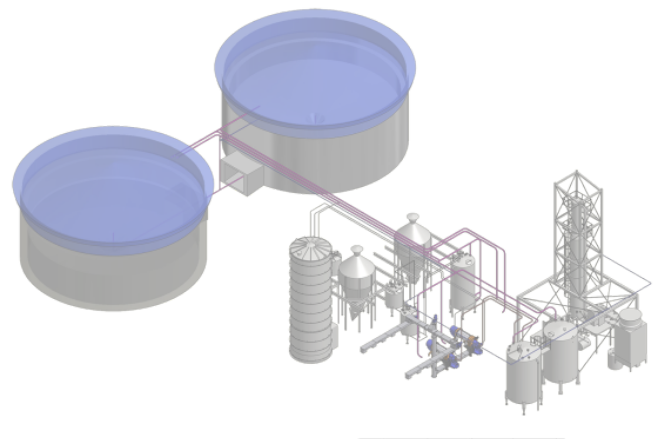
### GREEN FIELDS

“In other places, you don’t have the possibility of buying existing facilities – at least not in close enough proximity to the consumers”.

In Russia, Idavang has proven its capability to build a green field farm. “When I talk to other people, they are very surprised by how fast we are able to erect a completely new farm. To me, this proves how successful we have been in handling both the legal side and the practical side of the process”.

### SCALABILITY

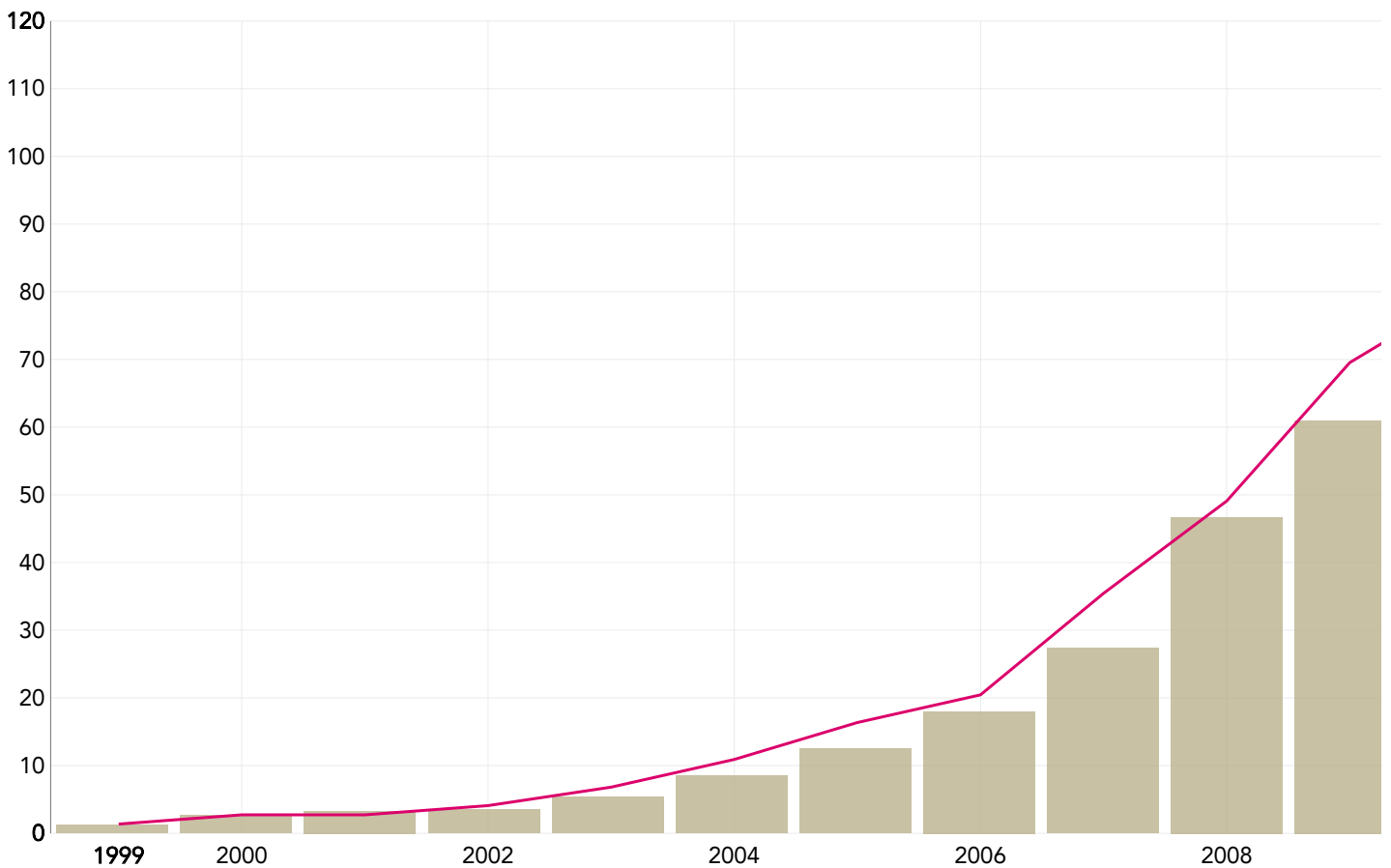
Along with developing its expansion models, Idavang has consciously strengthened its scalability by investing in an agile and competent organisation: “We need to be able to move fast. So it has been a guiding principle in our development that two people are ready at all times to take over each leading function. Managers might be promoted, or we might need them for a new project”, he explains.





The solid part of the manure and extracts phosphor and nitrogen so that it may be used as valuable  $NH_3$  fertilizer. The technology has allowed Idavang's Vostochny farm, close to St. Petersburg, to reduce the nutrients in the water by a factor of 1:10. The spreading area needed for the Vostochny production has been reduced from 6000 to 600 hectares, and the valuable fertilizer can be transported further away.

## HISTORIC GROWTH





## BETTER EDUCATED EMPLOYEES MEANS BETTER ANIMAL WELFARE

In an Idavang Farm, fewer but better educated employees are able to run the farms more intelligently and more efficiently and to take better care of the animals. Idavang has developed nutrition labs for every farm that analyse how they combine the best and most nutritious feed for the animals, and the company employs only highly qualified animal handling specialists. The employees participate in international fairs and education programmes to continuously improve their knowledge. Each farm employs its own veterinarian to ensure the livelihood of the animals, and external veterinarians routinely inspect the facilities.

# GROWING THROUGH CHALLENGES

Since 1999, Idavang has kept an eye out for undersupplied markets and with a growing international middle class, the demand for pork products is increasing alongside a growing interest in the quality of meat.

## MAKING THE RIGHT DECISIONS

# RISK MANAGEMENT IDAVANG

Alongside delivering quality products to undersupplied markets, Idavang has developed a model that has ensured the company a profit in spite of the volatility that any commodity industry might experience.

“While improving our forecasting, Idavang has also worked to build general manoeuvrability into the organisation. We have worked hard to increase bio safety measures, develop a more balanced product portfolio and a higher degree of self-supply for feed”, Deputy Chairman and former CEO Jytte Rosenmaj explains.

Michael Henriksen, Idavang’s CFO, agrees:

“Idavang has always made money every year since the beginning. As a CFO, that kind of sets the bar for the next year. So every day, we try to make the decisions that will help us profit from the changes in the market”.

# GEOPOLITICS

Still, no execution power or operational improvement in any company could have influenced the geopolitical challenges that international food producers with exposure to EU and Russian markets have experienced in recent years. Backed by the World Bank, Idavang made the decision to place operations in Russia in 2008. That decision has paid off.

“With productions both in Russia and in the EU, Idavang has made itself more resistant to geopolitical volatility”, says Jytte Rosenmaj: “While prices in Lithuania are falling because of its exposure to the Russian market, prices in Russia are increasing due to the low degree of self-sufficiency”, she explains.

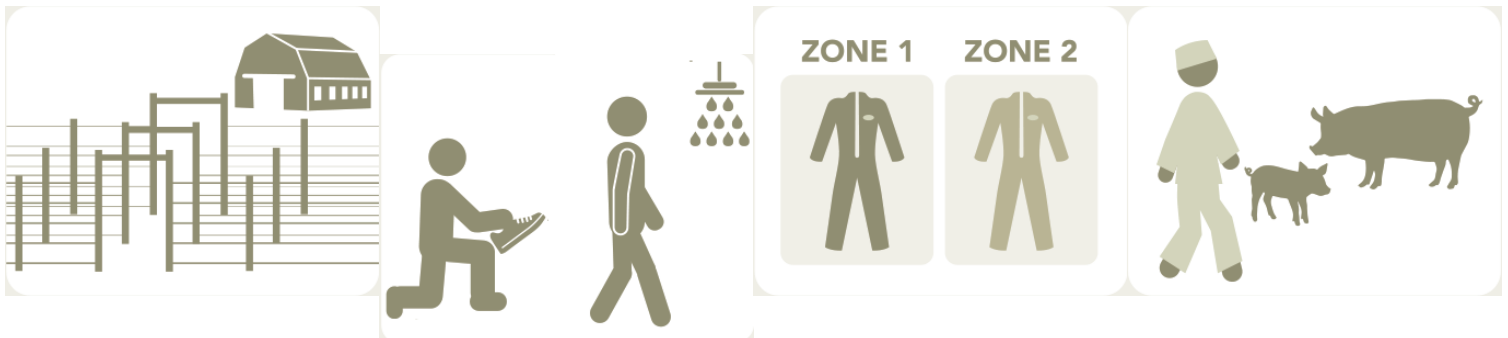
# BIO SAFETY ON AN IDAVANG FARM

WILD ANIMALS: FARMS ARE SURROUNDED BY 3 LINES OF FENCES.

EMPLOYEES ...TAKE A ...AND CHANGE MUST CHANGE SHOES...

...TAKE A SHOWER...THEIR CLOTHES...

...BEFORE THEY ARE ALLOWED TO ENTER THE STABLES.



## FUNDAMENTAL RISK FACTORS AFFECTING IDAVANG

### EPIDEMIC RISKS

Bio safety hazards are a major risk for any company dealing with livestock. Idavang has taken a wide range of measures to reduce the risk of veterinary epidemics (see below). Idavang's herds are insured in case of epidemics.

### RISK OF LOSS OF COMPETENCIES

Because of Idavang's need for qualified labour Idavang is making sure that the next line of employees are constantly trained and thereby ready to be promoted.

### FEED DEPENDENCY

Food producers are highly dependent on feed. Idavang has developed a high degree of self-supply in Russia. In Lithuania, Idavang hedges the feed supply by combining physical contracts and forward contracts.



### FINANCES

To reduce the exposure to financial instability, Idavang has secured stable loan contracts with flexibility on future installments.

### SALES PRICES, MARKET RISKS AND GEOPOLITICAL EFFECTS ON MARKET

Idavang's focus is on delivering a commodity at a price-conscious cost. Idavang's strategic placement of operations in both the EU and Russia moderates the effect of political sanctions and instability.

### CURRENCY

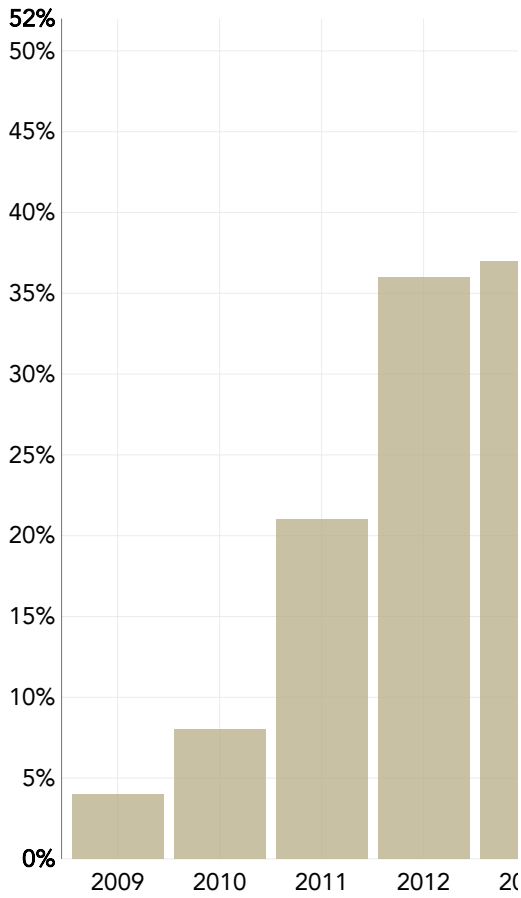
Idavang is exposed to EUR/RUB exchange rates where fluctuations are affected by, for instance, oil prices, political situations and embargos. Idavang reduces its exposure by having a significant amount of debt in RUB. Idavang is also exposed to EUR/USD exchange rates, which affect the



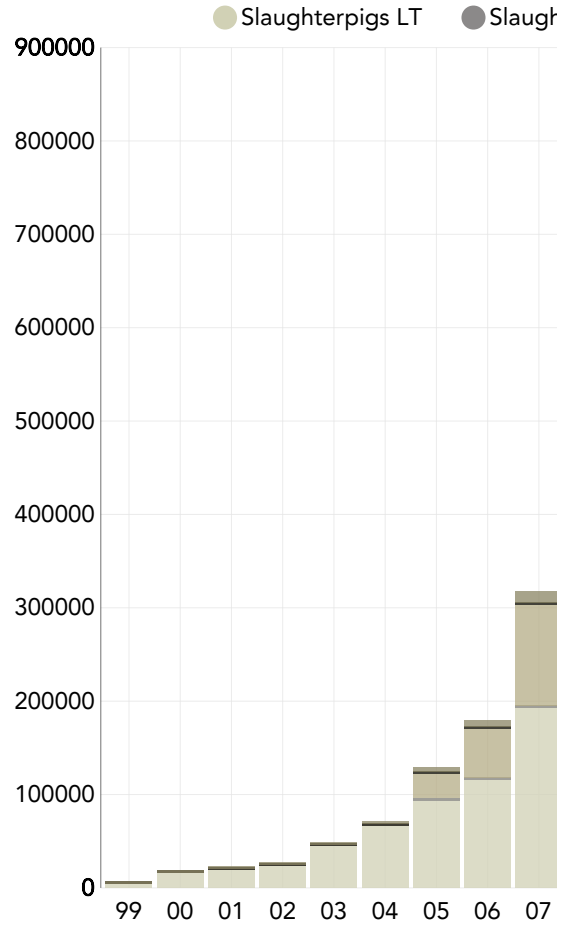


global competitiveness of all key commodities including pork, grain, soya, and minerals.

### IDAVANG RUSSIA'S SELF-SUPPLY OF GRAIN



### DEVELOPMENT IN MIX OF PRODUCTS





# SPREADING KNOWLEDGE



We spend a lot of resources finding the right people. To work at Idavang, you need to be curious and willing to learn. That goes for the CEO, as well as for people in the stables. We respect each other, and because we invest in people, we also expect them to contribute solutions and good ideas. “

CEO of the Idavang Group, Claus Baltersen

## MAKING EVERYONE BETTER

Mouths were agape back in 1999 in Salnaiciu, where an astonished staff reluctantly had to accept that their new top management wanted to help them clean out stables and help feed the pigs.

“Back then, a lot of our new employees were used to managers in nice suits who would stay in the office. I’m not sure they even knew what the herd downstairs looked like”, Claus Baltersen says.

But Idavang’s management focus was to spread know-how in the organisation. “We were not used to just sitting behind a desk. We wanted to teach our new employees everything we knew. We knew that if everybody understood more about the line of production, it would rationalise and improve production”, Baltersen explains.


## JOB ROTATION

Today, Idavang has systematised the education of its organisation. The company has applied a job rotation system, so that every employee understands more about the value that the

Ole Bjerremund Hansen has been one of the leading forces in the establishment of Idavang. Seeing the organisation grow with the results it has made makes him proud: “Moving from an entrepre- neurial organisation to a modern management-driven organisation has been crucial. From where I see it, we have created an organi- sation that is able to carry itself onwards and created a culture that ensuring that Idavang will never stop evolving”, he says.

## AN INTELLIGENT ORGANISATION

The idea of investing resources in staff competencies is that the organisation becomes intelligent in itself, says Chairman of the Board and former CEO in a range of international companies, Niels Hermansen: “The best system knows when to improve itself. You can’t do that if people do not have the competencies to know when to adjust. Knowing more about the value chain makes them more agile and better equipped for understanding where the company might need improvements”.


 organisation is creating as a whole. Idavang also has two education programmes. One for new employees and one for middle management.

91% of the employees in Lithuania would recommend others to come and work at Idavang

## EDUCATION AT IDAVANG

At Idavang, the skills and competencies of each employee are developed individually. Employees are regularly inter-viewed by direct managers, and a training programme is developed to fit their individual needs. New employees undergo a three-month education and probation period, which allow Idavang to test both their skills and motivation.


# FARMING IN THE FUTURE

## MOVING CLOSER TO THE CONSUMER

In the years to come, a growing focus on consumer demands will guide the strategic decisions of Idavang: "In the end, it's always the end consumer that determines if we have done our job well enough", says Saulius Leonavičius, CEO of Idavang in Lithuania. "In the supermarket and at the dinner table, all the effort that we have put into creating the product needs to stand the test of price and quality. So we're pleased to find that consumers are interested in the quality and the production of meat".

## THE DEMAND FOR TRANSPARENCY

To meet the growing demand for transparency and traceability, Idavang is developing a new generation of IT production management systems that will allow the company to better trace feed and use of veterinarian products and make the information available to the consumer in the supermarket who's wondering what to cook for dinner.

 CFO, Michael Henriksen, explains that Idavang sees itself more as a modern industrial company than as a classic farming company and that he believes modern industries should be able to create this kind of insight in its value creation: “A platform like this, I believe, makes us even more competitive, because it allows us to meet demands from more conscious consumers and improve our own production,” he explains.

“We hope that, in a couple of years, the platform will allow the consumers to better understand the product they are buying and to choose between different kind of products.”



“ I hope that, in a couple of years, the platform will allow the consumers to better understand the product they are buying and to choose between different kinds of products. ”

CFO, Michael Henriksen

### THE IT PLATFORM:

The Cloudfarms system is the first real multi-sited Pig Production Management System. By using Cloudfarms, Idavang can access production data online to help

### TRACEABILITY:

The IT platform will allow Idavang to trace the use of feed and medicinal products all the way through the production process. In the future, this will allow customers to better assess the quality of different products.



streamline and standardise production processes throughout the Idavang organisation.

## WINNING BEHAVIOURS

Niels Hermansen became Chairman of the Board in 2013. He sees Idavang as a remarkable company and points out what he believes have been the “winning behaviours” since the company’s beginning.

### IDAVANG WILL FIND A WAY

“To me, the story of the Environmental Processing Plan in Vostochny is remarkable. It’s Idavang in a nutshell”, says Niels Hermansen and explains: “In 2008, Idavang had its eyes on a farm around St. Petersburg and we weren’t the only ones. So close to the metropolitan area, the land was limited valuable.

But even so — the other potential buyers left again. The problem was that with the relatively small farmland area, the production possibilities were limited. You need area around the farm to spread the manure. But instead of considering it impossible, they found a way to build an EPP that makes production possible in more densely populated areas,” Niels Hermansen says. “We’ll find a way!”

### IDAVANG MAKES IT HAPPEN

“In my long work life in various industries, I’ve rarely seen people with this sense of execution. I mean, we decided to build new fences around the facilities because of the ASF risk. Only 2 weeks later, many kilometres of fence surrounded the farms. The power of execution really is a virtue in the organisation”.

### IDAVANG DOES THINGS PROPERLY

“Historically, Idavang has had a high focus on production methods and animal welfare. As a kind of a newcomer to the organisation, I believe that this idea of doing things properly exists throughout the organisation: Idavang does things properly. That goes for how we handle our animals, how we care for each other, how we



constantly update biosafety measures, how we innovate production and how we forecast our risks".

## IDAVANG STAYS AGILE

"In a market like ours, you need to stay agile, and I think that insight has guided most decisions in the company. We're constantly innovating our products to fit new consumer demands. Two employees are ready to step in, at any time, should we need a certain employee's help elsewhere. We've developed a degree of self-sufficiency. We developed our mix of products too and we've reduced production costs. We've built farms in both the EU and in Russia that create agility in respect to geopolitical developments".

## IDAVANG IS INNOVATIVE

"At Idavang, you need to be curious, because we are always striving to develop a more efficient production. Here, we see ourselves more as an industrial company than as a classic farming company. That's why we developed the cooperation with "Cloudfarms". We want to understand more of the value creation and we want to give consumers the possibility of understanding the product better".

## IDAVANG TAKES RESPONSIBILITY

"Idavang really is a responsible and mindful company. We're doing everything we can to take good care of our employees, our local communities and the animals we work with. We have very strict CSR policies. We support local activities with donations and assistance in the communities where the company operates. In cooperation with Modus Energija, we have built biogas plants on several of our facilities. The plants produce green energy for hundreds of households and neutralise the odours from production".



# THE ORGANISATION

Idavang has grown rapidly in the last 20 years. Today, Idavang employs close to 800 people. Idavang's operations are spread across 14 farms located in both Russia and Lithuania.

## IDAVANG BOARD

Chairman, Niels Hermansen  
 Deputy Chairman, Jytte Rosenmaj  
 Board member, Ole B. Hansen  
 Board member, Carsten L. Thomsen  
 Board member, Leo Grønvall

## IDAVANG GROUP MANAGEMENT

Idavang Lithuania CEO, Saulius  
 Leonavičius  
 Idavang Group CEO, Claus  
 Baltersen  
 Idavang Group CFO, Michael  
 Henriksen  
 Idavang Group COO, Lars  
 Christiansen  
 Idavang Group CCO, Marijus Klevas  
 Idavang Group HR, Darius Makauskis  
 Idavang Group Business  
 Development Director, Audrius  
 Skučas  
 Idavang Russia CEO, Tatyana  
 Sharygina

IDAVANG LITHUANIA

IDAVANG RUSSIA



 200,000 m<sup>2</sup>  
Approx. 500,000 pigs

133.000 m<sup>2</sup>  
Approx. 300,000 pigs



# 2018

## IDAVANG ANNUAL KEY FIGURES

<b>PROFIT AND LOSS</b>	2018	2017	2016	2015	2014
mEUR	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	99,5	109,6	95,1	91,2	115,3
EBITDA	17,7	21,6	26,0	20,3	38,3
EBIT	13,8	18,7	12,3	29,5	10,9
EBITDA Fixed Herd Prices	15,1	26,6	20,0	21,9	35,4
Net – Finance	-9,3	-5,9	-3,8	-6,3	-10,4
Profit / Loss for the year	1,2	6,1	14,2	5,9	18,8
<b>BALANCE</b>	2018	2017	2016	2015	2014
Assets – total	181,0	180,4	165,0	145,5	155,2
Tangible assets	86,8	88,6	94,0	87,7	98,6
Biological assets (Herd + Crop)	37,4	37,3	43,8	32,7	35,5
Invested capital	142,5	128,4	140,4	124,5	136,8
Net interest-bearing debt (NIBD)	78,3	74,3	68,1	74,4	79,5



Equity		50,4	54,1	72,3	50,0	57,3
<b>CASH FLOW</b>		2018	2017	2016	2015	2014
Cash flow from operating activities		5,4	19,6	14,6	10,9	29,6
Cash flow from Investment activities		-12,7	-6,3	-2,9	-3,9	-8,2
Cash flow from financing activities		10,5	-11,4	-11,5	-2,7	-20,1
Net cash flow for the year		3,2	2,0	0,2	4,3	1,4
<b>PRODUCTION RATIOS</b>		2018	2017	2016	2015	2014
<b>Volume</b>						
Slaughterpigs	'000 pcs	760	753	734	642	622
Weaners	'000 pcs	38	47	22	102	177
Sows/Young Female	'000 pcs	16	15	15	16	15
<b>Fields</b>						
Harvested	Ha	6.926	7.016	7.268	7.155	8.505
Harvested part of consumption	%	19%	14%	14%	22%	18%
<b>FINANCIAL RATIOS</b>		2018	2017	2016	2015	2014
EBITDA margin	%	18	20	27	22	33
Return on average invested capital (ROIC)	%	7	10	14	9	19
Return on equity	%	2	10	20	12	33
Equity ratio	%	28	30	44	34	37
Current ratio	%	255	254	196	109	141
Net interest-bearing debt / Equity	x	155	137	94	149	139
Net interest-bearing debt / EBITDA	x	4,4	3,4	2,6	3,7	2,1



Dividend paid	mEUR	–	21,0	–	7,0	8,0
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## PROFIT AND LOSS

000 EUR	2018	2017
Revenue	99.518	109.596
Value adj. biological assets	2.556	-5.046
Production cost	-88.854	-86.614
Administration cost	-4.666	-5.373
Other income	1.674	1.577
Other expense	-102	-330
<b>Operating profit</b>	<b>10.126</b>	<b>13.810</b>
Interest – Net	-6.886	-4.624
Exchange rate losses	-2.410	-1.275
<b>Pre-tax profit</b>	<b>830</b>	<b>7.911</b>
Income tax expense	383	-1.849
<b>Profit for the year</b>	<b>1.123</b>	<b>6.062</b>

## STATEMENT OF CHANGES IN EQUITY

000 EUR	2018	2017
<b>EQUITY 1/1</b>	<b>54.071</b>	<b>72.253</b>
Profit for period	1.213	6.062
Dividend paid	-	-21.000
Exchange rate loss/gain	-5.785	-2.892
Other	901	-352
<b>EQUITY 31/12</b>	<b>50.400</b>	<b>54.071</b>

## BALANCE SHEET


000 EUR	2018	2017
<b>ASSETS</b>		


**BALANCE SHEET**

000 EUR	2018	2017
Intangible assets	1.296	1.353
Property – plant and equipment	86.755	88.592
Biological assets – non current	14.194	14.235
Other non-current assets	1.202	764
<b>Total non-current assets</b>	<b>103.447</b>	<b>104.944</b>
<b>Inventories</b>	<b>10.180</b>	<b>9.182</b>
<b>Biological assets – current</b>	<b>23.192</b>	<b>23.033</b>
<b>Receivable</b>		
Trade receivables	2.194	2.055
Other receivables	1.930	1.432
Prepayments	1.117	951
Assets for sale		37
<b>Receivables</b>	<b>5.706</b>	<b>4.475</b>
<b>Cash</b>	<b>38.462</b>	<b>37.451</b>
<b>Total current assets</b>	<b>77.520</b>	<b>74.426</b>
<b>Total Assets</b>	<b>180.967</b>	<b>179.085</b>

<b>EQUITY AND LIABILITIES</b>	2018	2017
<b>Equity</b>	<b>50.400</b>	<b>54.071</b>
<b>Non-current liabilities</b>		
Payables to credit institutions	96.436	92.148
Subordinated loans	-	-
Grants	1.925	2.221
Deferred tax	1.594	2.073
Other non-current liabilities	173	173
<b>Total non-current liabilities</b>	<b>95.330</b>	<b>100.128</b>

**Current liabilities**

 EQUITY AND LIABILITIES	2018	2017
Current payables to credit inst.	9.659	2.578
Payables to credit institutions	10.686	17.004
Trade payables	8.208	7.403
Income taxes payables	-	470
Other payables	-	2.229
<b>Total current liabilities</b>	<b>30.439</b>	<b>29.684</b>
<b>Total liabilities</b>	<b>130.567</b>	<b>125.014</b>
<b>Total equity and liabilities</b>	<b>180.967</b>	<b>179.085</b>



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