

FOSS - Strategically managed and focused on Execution

Dedicated Analytical Solutions



FOSS - Strategically managed and focused on Execution

Contents:

- ◆ Introduction to FOSS
- ◆ FOSS Complexity and challenges
- ◆ Characteristics of a strategically managed company focused on execution
- ◆ FOSS Mission, Vision and strategies
- ◆ Execution – the Discipline of getting things done

The FOSS mission

- ◆ FOSS provides rapid, reliable and *dedicated analytical solutions* for routine control of quality and processing of agricultural, food, pharmaceutical and chemical products.

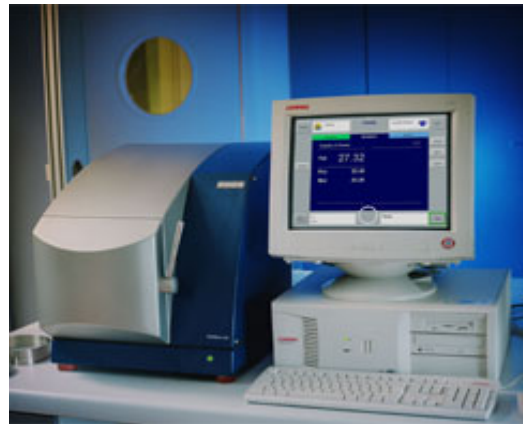


FOSS today

- ◆ The clear market leader in FOOD, AGRI and Pharma/Chemical applications
- ◆ R&D in three countries – 21 sales companies
- ◆ 1100 dedicated employees world-wide
- ◆ A turnover of 1,25 billion DKK – 98% export
- ◆ Financially strong and 100% family owned



Infratec™ 1241



FoodScan™ Lab



WineScan™

Dedicated Analytical Solutions

FOSS

Dedicated analytical solutions - Examples

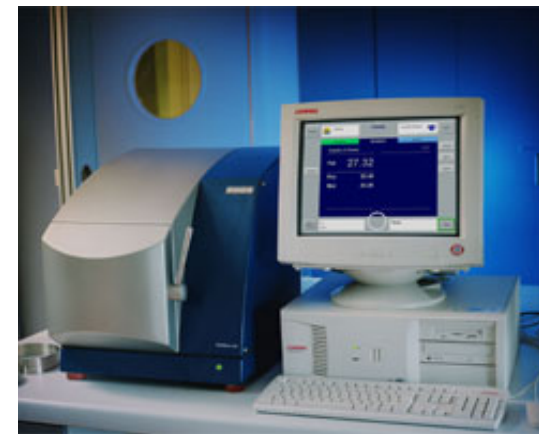
The FOSS solutions typically combine chemistry, precision mechanics, electronics, software, microbiology, optics and chemometrics.

Compositional quality -



MilkoScan™ FT 120

Multi-component analysis of milk, cream and a wide range of intermediates and finished dairy products



FoodScan™ Dairy Analyser

At-line process control of intermediate and finished products

Dedicated analytical solutions - Examples

Hygienic quality



BactoScan™
Individual bacteria count in
raw milk



Fossomatic™
Somatic cell counter for raw milk
mastitis screening



MicroFoss™
Analysis system for the detection and
enumeration of microorganisms in food

Dedicated analytical solutions - Examples

On-line process control



ProcesScan™ FT
Dairy On-line standardisation



MeatMaster™
On-line analysis of raw meat



XDS on-line
On-line analysis

FOSS core technology competences

Combining the below core competences into user-friendly dedicated analytical solutions:

- ◆ Infra red spectroscopy
 - Fourier transform infra red
 - Near infra red
- ◆ Flow cytometry
- ◆ Reference chemical analysis
- ◆ Dual-channel X-ray
- ◆ Image analysis
- ◆ Lightscatter photometry
- ◆ Microbiology
- ◆ Software
 - Embedded
 - P.C.
- ◆ Electronics
- ◆ Chemistry
- ◆ Sample handling
- ◆ Chemometrics
- ◆ Mechanics
- ◆ Instrument networks

A financially strong partner

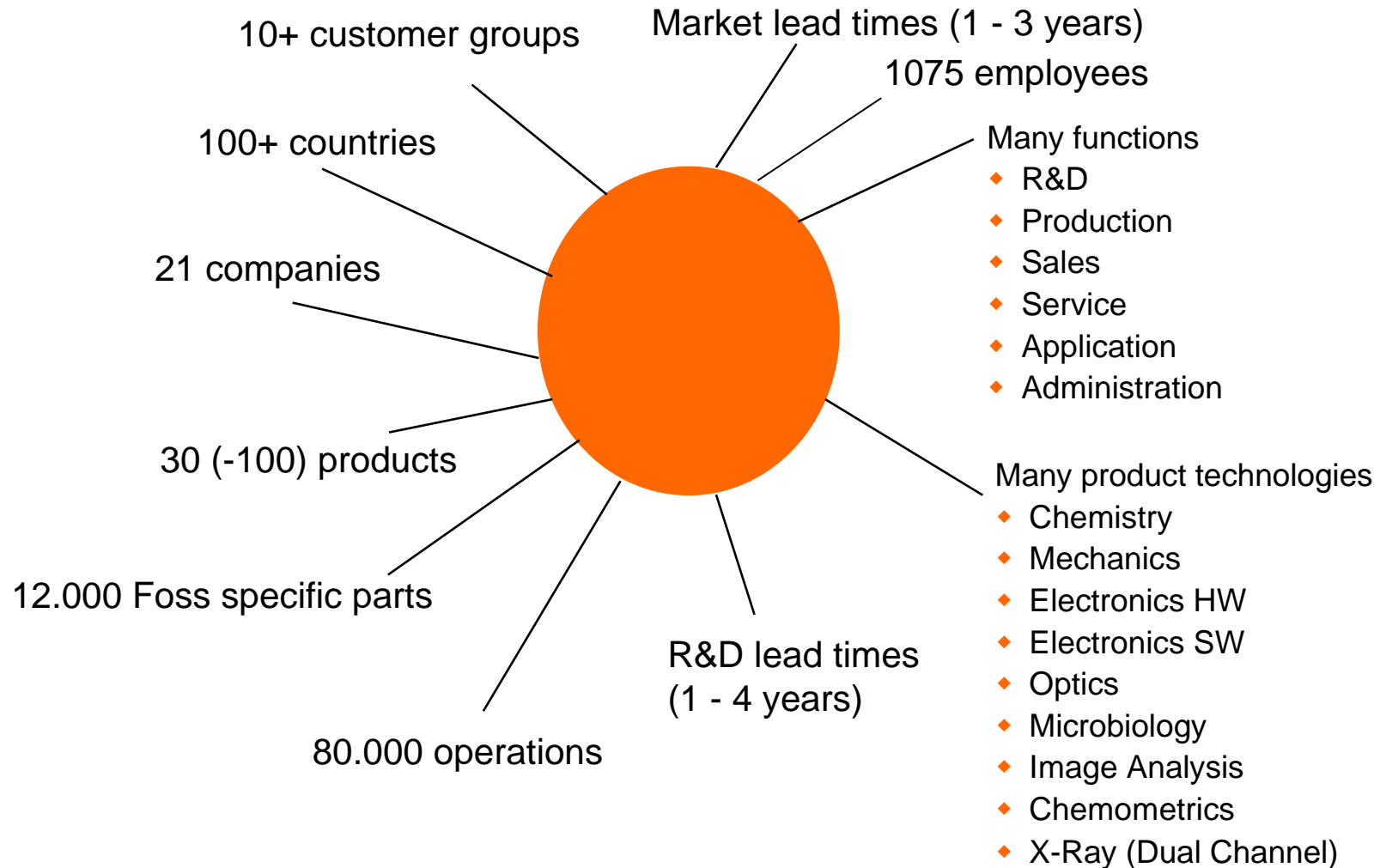
Highlights in FOSS

	2004	2005
Turnover	1.237 mill. DKK	1.251 mill. DKK
Profit before tax	164 mill. DKK	189 mill. DKK
Profit after tax	109 mill. DKK	129 mill. DKK
Equity	865 mill. DKK	952 mill. DKK
Solvency ratio	73%	72%
Export share	97%	98%



HIGH COMPLEXITY

relative to a turnover of 1.250 mill. DKK



FOSS – a strategically managed company focused on execution

FOSS wants to be a "strategically managed company focused on execution", i.e. characterized by the fact that we have

- ◆ a clear **Mission** and clear **Values**, i.e.
 - know which business areas we want to operate in based on selected core competences unique to the company
 - have deeply founded value-adding attitudes towards how to do business and towards the employees

- ◆ a clear and ambitious **Vision** for what we want to achieve on a min. 3-5 year horizon, which is based on
 - a thorough understanding of our present and future customers and markets. The vision consist both of simple and measurable objectives (Key Result Areas) and a narrative/scenario for the future.

FOSS – a strategically managed company focused on execution

- ◆ a clear **Strategy** - i.e. know how to achieve the Vision – which is based on
 - customer needs
 - Strategic Breakthroughs (i.e. focus areas in order to bring FOSS to world class performance, "how to win")
 - facts ("we know" not "we think")
 - a planning process which adjust strategies to conform with reality

FOSS – a strategically managed company focused on execution

- ◆ a strong focus on **Execution**, i.e. of "getting things done". The execution is based on
 - a clear link between the vision, the strategies and the concrete actions and resources
 - facts and reality ("we know" not "we think" or "we hope")
 - metrics, i.e. measurable targets like
 - Strategic Breakthroughs
 - Key Performance Indicators (continued improvement of daily business)with assigned responsible person and dead-lines
 - Systematic follow-up with a monthly DRC (deviation-root cause-counter measure) and a review of organisation and competences ("do we have the right team")
- ◆ Created commitment and competence amongst our **Employees**, so that they work wholeheartedly towards executing FOSS Vision in accordance with FOSS values

The FOSS Values

- **“FIRST”** - because we want to be first and best!
- **“CUSTOMER SATISFACTION”** – because the customer (of course!) is the focus of FOSS
- **“KNOWLEDGE”** – because FOSS exceedingly is a company based on know-ledge
- **“PEOPLE and TEAMS”** - because our employees in co-operation are the basis of FOSS’ success

The FOSS Vision

FOSS has a clear and ambitious vision based on a thorough understanding of its present and future customers and markets. The vision consists both of some simple and measurable objectives and of a narrative for the future. FOSS Vision has a 3-5 year horizon and is adjusted on a yearly basis

Narrative

FOSS wants to contribute to the rationale use of our planets natural resources and thus to the nutrition and health of the people of the world.

FOSS wants to be world-class within its business areas in terms of

- customer satisfaction and value of ownership
- product innovation
- growth and profitability
- providing challenging and rewarding jobs

The FOSS Vision

FOSS wants to be the world's leading provider and partner for Dedicated Analytical Solutions for routine control of quality and processing within

- ◆ Grain evaluation and segregation and fair trading - at elevators or on-farm
- ◆ Oils seeds trading and crushing and edible oils refining
- ◆ Manufacturing of feed, pet food and forage
- ◆ Dairying - from the farm to the finished dairy product:
- ◆ On-farm milk and forage testing
- ◆ Central milk testing (Dairy Herd Improvement and Payment)
- ◆ Dairy processing
- ◆ Meat processing
- ◆ Viticulture and wine making (from vine to wine)
- ◆ Development and manufacturing of pharmaceuticals and chemicals – based on NIR

FOSS is ready to capture the above - and other - markets within our Business Concept – through organic growth and acquisitions

The FOSS Vision

Key Result Areas

- ◆ Growth in turnover > 8%/year
- ◆ EBITA > 20% of turnover by 2007
- ◆ CRONA > 30% by 2007 (Cash return on net assets)
- ◆ Customer Satisfaction > 4,0 out of 5 by 2007

The Strategy

FOSS has a clear strategy based on customer needs and "how to win" and facts ("we know" not "we think"). FOSS knows how to (prepare for or) create the future and achieve its Vision. FOSS has organised the planning process, so that the strategic decisions are adjusted to conform with reality.

In order to achieve the Key Result Areas from the Vision, FOSS focuses on specific areas which are measured either by Strategic Breakthroughs (game changers which lift FOSS performance steeply upward) or by Key Performance Indicators (KPI's running the daily business).

FOSS Strategy has a 1-3 year horizon and is adjusted progressively.

The Strategy

Strategic Breakthroughs

2006

- ◆ Growth in turnover 2005A + 8%
- ◆ Growth in turnover in North America 2005A + 10%
- ◆ Product launches 06B resp. launch targets
- ◆ Value of R&D pipeline Exp. Growth from portfolios
- ◆ Beat competitor X <10 lost core food/ag segment orders <X lost orders in pharma/chem
- ◆ Quality and Quantity of Sales Processes Sales Calls>8, PIPS, values/benefits
- ◆ Manufacturing efficiency (F-ANA) Productivity improved 30% in 2007 Savings purchase>11MDKK in 2007 Stock reduced by >25% in 2007
- ◆ OneFoss (administrative processes) Multiple targets for function, benefit
- ◆ Quality Install. defect complaints.

The Strategy

The Strategy for how to achieve our Vision must be clear and based on customer needs and facts and “how to win”

MARKET/PRODUCT STRATEGIES FOR GROWTH

- 1) Maintain base turnover in our core segments through timely, effective and profitable release of replacement products and fierce competition strategies
- 2) FOSS shall expand through value chain extensions towards on-farm
- 3) Support sales in profitable experimental sub-segments.
- 4) Add significant sales resources for food/agri in North America, China, and Japan (and later India, L.A.).

Execution – the discipline of getting things done

Execution is vital and the best execution is based on

- A clear link between the vision, the strategies and the concrete actions and resources
- Facts and reality (“we know” not “we think” or “we hope”)
- Metrics, i.e. measurable targets like
 - Strategic Breakthroughs
 - Key Performance Indicators (continued improvement of daily business)

with assigned responsible person and deadlines

Execution

- the discipline of getting things done

- Systematic follow-up with monthly reviews in management of the Strategic Breakthroughs and Core processes – in a "no blame" and forward-looking atmosphere. Mainly based on the responsible manager's monthly description of:
 - Deviations from plan/budget
 - Root causes - 5 times "why?"
 - Counter measures – to (by a given date)
 - Eliminate root causes - or
 - Take compensatory measures
 - Review of organisation and competences, (i.e. do we have the people, management and skills to do the job)

Execution

- the discipline of getting things done

Reasons for failure:

- ◆ The leaders misjudge the challenges the companies face in the business environment. Face reality! Most companies don't face reality very well. That is the basis reason they can't execute. Reality requires relentless pursuit of reality (robust dialogue, know your own capabilities) and deviations (yardsticks) - coupled with processes for constant improvement
- ◆ The organization is not capable
- ◆ Failure to deal with under performers and non-performance

Execution

– the discipline of getting things done

Conclusions:

- ◆ Strategy is easy – execution is the major job of a business leader
- ◆ Execution – as described above - is the missing link between aspiration and results