

**AURIGA INDUSTRIES A/S**



## **COMPANY PRESENTATION**

**ROADSHOW**

**SEPTEMBER 2011**



**>> Satisfactory development in H1**

# Agenda

- **Introduction:**
  - **The competitive landscape**
  - **Core competences**
  - **Ownership and shareprice**
  - **Investment case highlights**
  - **Significant crop protection products**
- Objectives and strategy
- Financial results
- Outlook and guidance
- Supplementary information

# The competitive landscape

## Tier I companies:

*Bayer, Syngenta, BASF, Monsanto, Dow, DuPont*

- Large R&D based multinational companies.
- Diminishing returns of R&D.
- Increasing R&D effects in biotech.
- Consolidation to be expected.

## Tier II companies:

*Makhteshim, Nufarm, United Phosphorous, Arysta, Cheminova, FMC, Sumitomo*

- Focus primarily on off-patent products.
- Increasing market share through organic growth and acquisitions.
- Economies of scale in development, sales and distribution.

## Tier III companies:

- Local and regional companies.
- Narrow product portfolio companies.
- Acquisition targets for Tier II companies.

# Core competences

- Identification of new product opportunities satisfying farmer needs by value-added products.
- Development of competitive manufacturing processes and proprietary formulations and mixtures.
- Manufacturing in own facilities or with third parties having competitive infrastructure.
- Data development and registration competence for global introduction and defense of products.
- Marketing, sales and distribution of own branded products in all key markets.



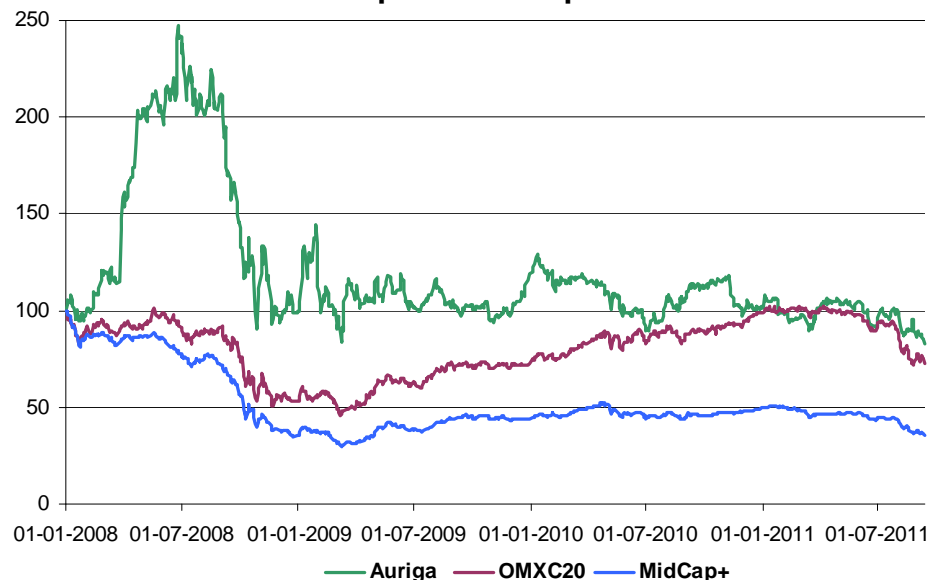
# Ownership and shareprice

- Auriga Industries A/S:  
Listed parent company.
- Cheminova A/S:  
100% owned operating  
company.
- Market value:  
Approx. DKK 1.8 bn.  
(at shareprice 71).

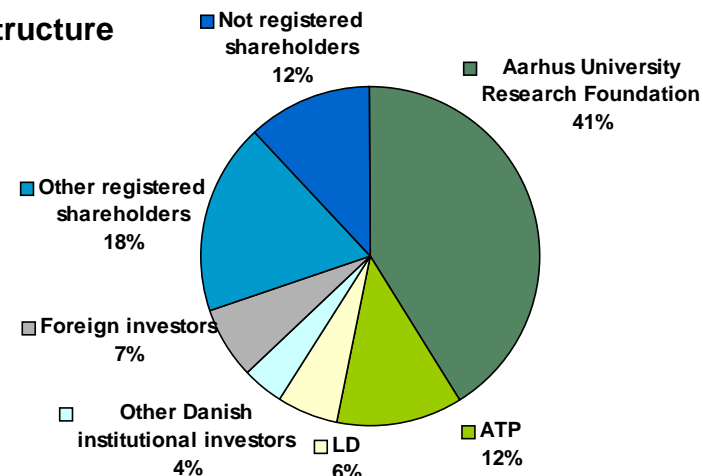
*(September 26, 2011)*

- Approx. 7,700  
registered  
shareholders.
- Firm dividend policy:  
Min. DKK 2.40 per  
share and pay-out ratio  
of 35%.

Indexed share price development 2008-2011



Ownership structure



# Investment case highlights

- Sustainable industry growth drivers.
- Unique off-patent segment growth and acquisition opportunities.
- Competitive advantage based on innovation, product development and registration.
- Sales of new products through global market access.
- Improved product portfolio warrants substantial revenue growth and margin improvement.
- Strategy focus on earnings and value creation.

# Significant crop protection products

SIGNIFICANT CROP PROTECTION PRODUCTS					
	Traditional products introduced before 2000		New developed products introduced after 2000		Acquired products
<b>Herbicides</b>	glyphosate		clodinafop clomazone diflufenican fenoxaprop fomesafen	metsulfuron <sup>2</sup> nicosulfuron <sup>2</sup> sulcotrione thifensulfuron <sup>2</sup> tribenuron <sup>2</sup>	beflubutamid pethoxamid propoxycarbazone
<b>Insecticides</b>	acephate <sup>1</sup> chlorpyrifos <sup>1</sup> dimethoate <sup>1</sup>	malathion <sup>1</sup> methyl parathion <sup>1</sup>	abamectin gamma-cyhalothrin imidacloprid		acrinathrin phosalone <sup>1</sup>
<b>Fungicides</b>			azoxystrobin difenoconazole <sup>3</sup> epoxiconazole <sup>3</sup>	fluazinam tebuconazole <sup>3</sup>	flutriafol <sup>3</sup>
<b>Other</b>			trinexapac		micronutrients

<sup>1)</sup> OP insecticides (organophosphates)   <sup>2)</sup> Sulfonylurea herbicides (SU products)   <sup>3)</sup> Triazole fungicides.

# Agenda

- Introduction
- **Objectives and strategy:**
  - Objectives and strategic focus areas
  - Earnings and value creation
  - Development and growth
  - Efficiency improvements and cost control
  - Working capital and debt burden
- Financial results
- Outlook and guidance
- Supplementary information

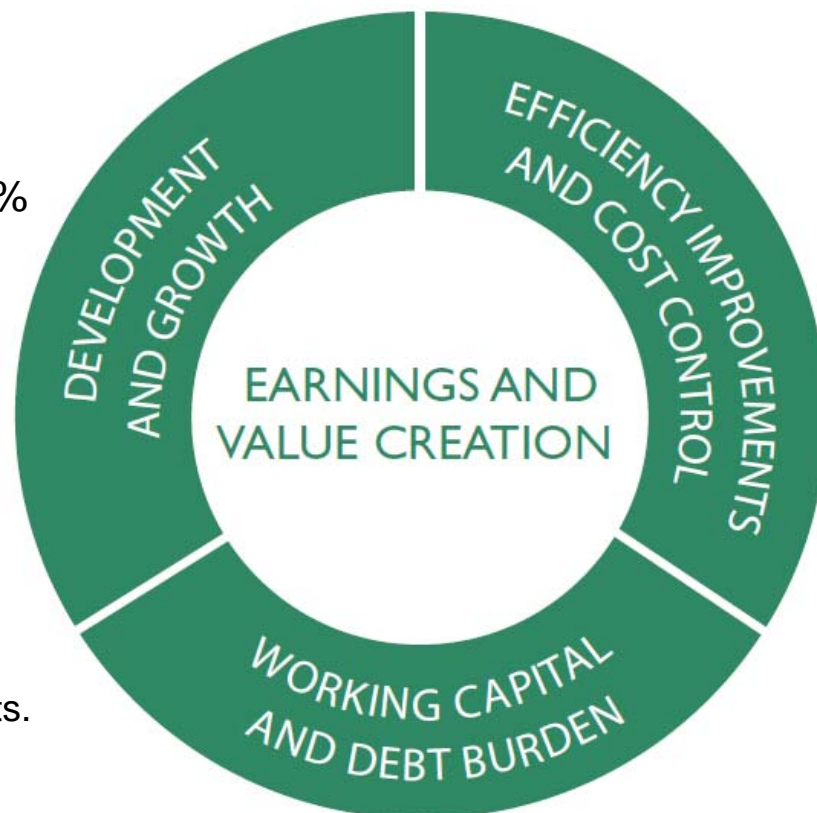
# Objectives and strategic focus areas

## Objectives:

- Improved **earnings** (EBITDA) of 13-18% after 2013.
- Improved **value creation** (ROIC) of approx. 15% after 2013.

## Strategic focus areas:

- **Development and growth**
  - Annual organic growth of 10% after 2011.
  - Continuous improvement of gross margin rate.
- **Efficiency improvements and cost control**
  - Continuous improvements, LEAN and scale effects.
  - Reduction of net fixed costs ratio.
- **Working capital and debt burden**
  - Continuous reduction of working capital ratio.
  - Improvement of debt burden to investment grade.



# Objectives: Earnings and value creation

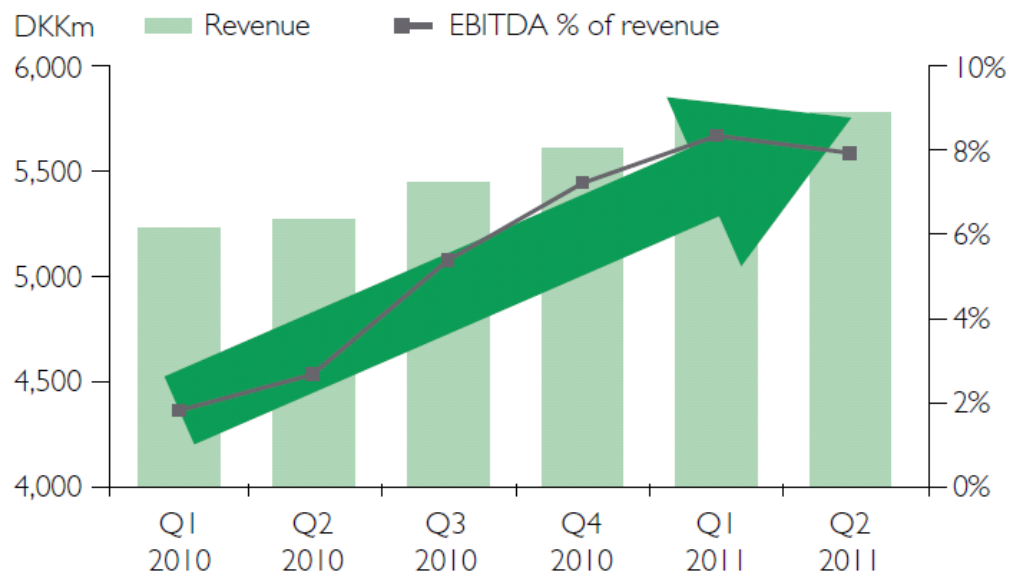
➤ **Improved performance on strategic focus areas to generate continuous increase in earnings and value creation.**

➤ **Earnings (EBITDA %)**

- H1 2011: 9.5%
- H1 2010: 8.5%

➤ **Value creation (ROIC %)**

- H1 2011: 4.1%
- H1 2010: neg.



*Graphs are based on 12 months' rolling data*

# Development and growth

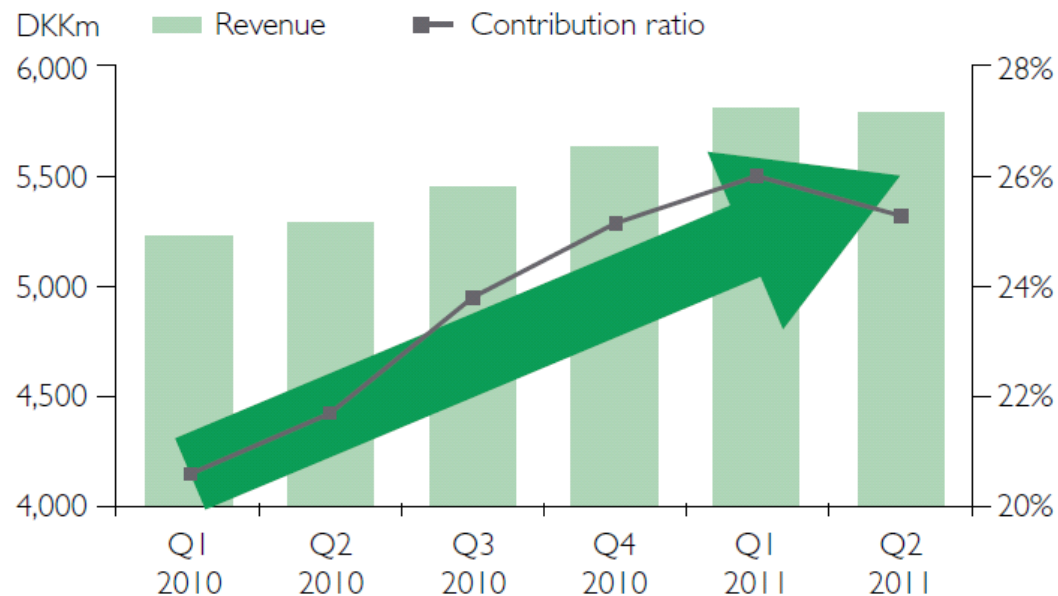
➤ **Growth generated by revenue from new products. Improved product mix offsetting margin impact from high raw material and energy prices.**

➤ **Revenue growth**

- H1 2011: +6%
- H1 2010: -6%

➤ **Gross margin**

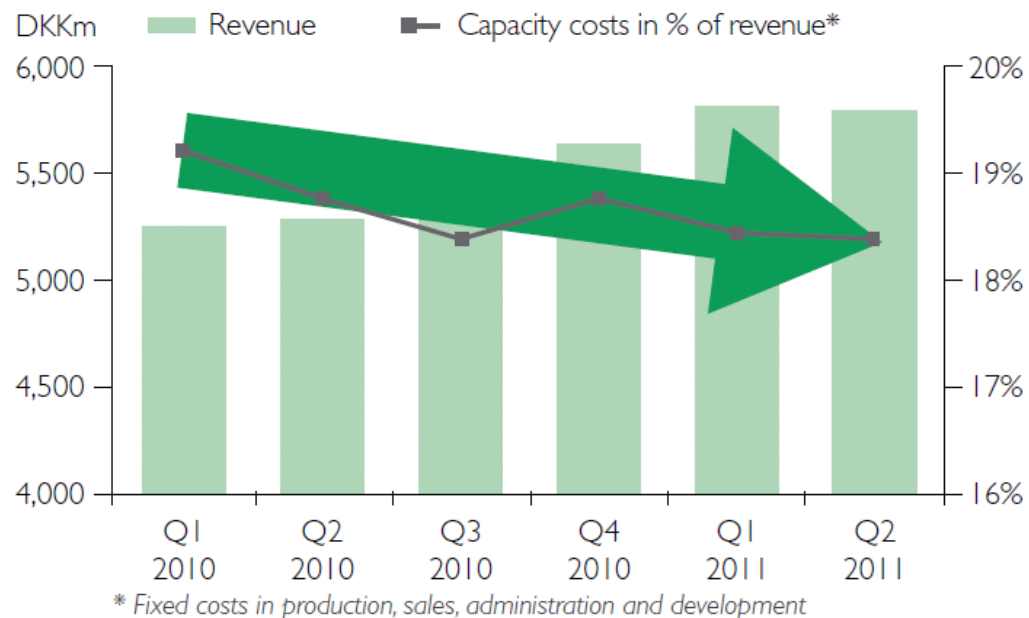
- H1 2011: 26.3%
- H1 2010: 26.3%



*Graphs are based on 12 months' rolling data*

# Efficiency improvements and cost control

- **Net fixed costs on a par with H1 2010 despite non-recurrent severance pay and high activity level.**
- **Focus on capacity adjustments and LEAN warrant continuous improvements.**
- **Net fixed costs ratio improved**
  - H1 2011: 17.8%
  - H1 2010: 18.4%



Graphs are based on 12 months' rolling data

# Working capital and debt burden

➤ **Focus on working capital which has been improved every quarter since Q1 2010.**

➤ **Significant results especially on inventories and payables.**

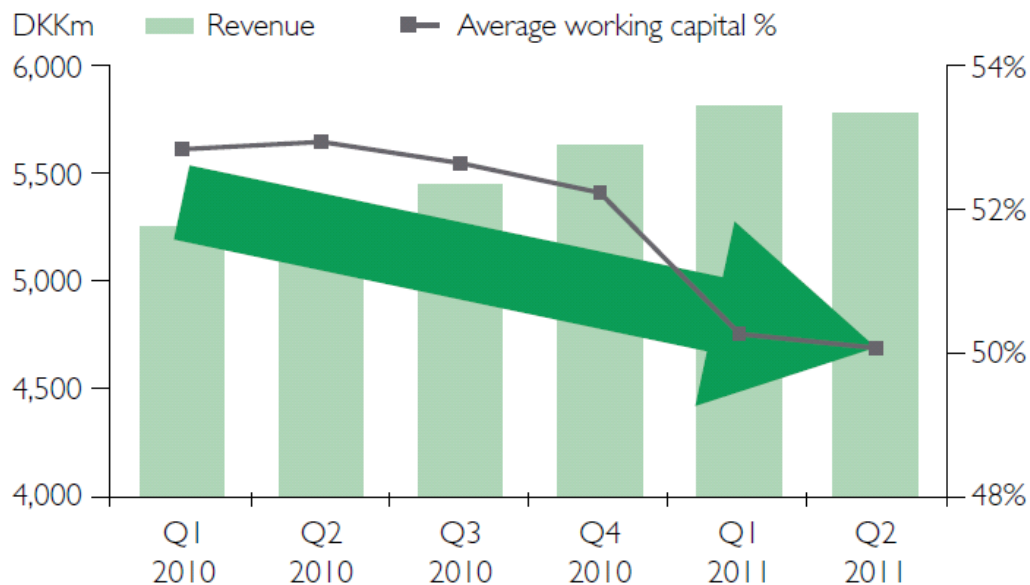
➤ **NIBD reduced DKKm 47.**

➤ **Net working capital**

- H1 2011: 50.5%
- H1 2010: 57.5%

➤ **Debt burden (NIBD/EBITDA)**

- H1 2011: 5.4
- H1 2010: 18.1



*Graphs are based on 12 months' rolling data*

# Agenda

- Introduction
- Objectives and strategy
- **Financial results:**
  - **Income statement**
  - **Balance sheet**
  - **Cash flow**
- Outlook and guidance
- Supplementary information

# Income statement

- Total revenue growth 6%.
- Positive product mix offsetting impact from high raw material and energy costs on gross margin.
- Fixed costs on a par with H1 2010 in spite of severance pay and high activity level.
- Capitalized development and registration costs of DKKm 53 (DKKm 23) as expected.
- Finance costs of DKKm 76 (DKKm 68) - increase due to FX in Brazil and high average debt.

DKKm	H1 2011	H1 2010	2010
Revenue	2,968	2,798	5,604
Gross profit	780	736	1,403
EBITDA	283	238	409
EBIT (operating profit)	196	146	215
Profit before tax	120	81	58
Gross-margin	26.3%	26.3%	25.0%
EBITDA margin	9.5%	8.5%	7.3%
EBIT margin	6.6%	5.2%	3.8%

## Balance sheet: Assets, equity and liabilities

- Working capital DKKm 105 lower than H1 2010.
- Net interest-bearing debt DKKm 2,466 (DKK 2,513) of which 44% in foreign currency.
- Equity of DKKm 2,105 equal to 32% of balance.
- Debt burden (NIBD/EBITDA) reduced to 5.4 (18.1).

### Balance sheet: Assets

DKKm	H1 2011	H1 2010	2010
Non-current assets	1,721	1,577	1,725
Inventory	1,871	2,091	1,639
Receivables	2,626	2,579	2,331
Cash	279	201	266
Total assets	6,497	6,448	5,961

### Balance sheet: Equity and liabilities

DKKm	H1 2011	H1 2010	2010
Equity	2,105	2,110	2,138
Interest-bearing debt	2,759	2,714	2,285
Payables	1,633	1,624	1,538
Total liabilities	6,497	6,448	5,961

# Key balance sheet ratios

- **Trade working capital ratios further improved.**
- **Trade receivables impacted by reduced sales in North America, where credit terms (DSO) are shorter.**
- **Inventory reduction due to sales volume growth and focused management.**

<b>% of revenue</b>	<b>H1 2011</b>	<b>H1 2010</b>
Average trade working capital	<b>54.4%</b>	<b>61.7%</b>
Trade receivables	<b>37.5%</b>	<b>37.5%</b>
Inventories	<b>32.7%</b>	<b>36.9%</b>
Trade payables	<b>15.8%</b>	<b>12.7%</b>

# Cash flow

- Despite positive development in Q2, operating cash flow was negative with DKKm -294 (DKKm -278).
- Total investments of DKKm 97 (DKKm 168).
- Available credit facilities of DKKm 700 out of DKKm 3,200 total facility.

DKKm	H1 2011	H1 2010	2010
<b>Net profit</b>	86	58	45
Depreciation, amortisation and impairment losses	87	92	194
Adjustments	57	(80)	(139)
Change in working capital	(491)	(334)	236
Income taxes paid	(33)	(14)	0
<b>Cash flow from operating activities</b>	<b>(294)</b>	<b>(278)</b>	<b>336</b>
Investments	(97)	(168)	(326)
<b>Available cash flow</b>	<b>(391)</b>	<b>(446)</b>	<b>10</b>

# Agenda

- Introduction
- Strategic results
- Financial results
- **Outlook and guidance:**
  - **Outlook 2011 – Assumptions**
  - **Guidance 2011 – unchanged**
- Supplementary information

# Outlook 2011 – Assumptions

- Crop prices remain high creating good demand for crop protection.
- Satisfactory development in Latin America.
- Energy and raw material costs remain high in 2011.
- Competitive environment unchanged with prices stabilizing.
- Exchange rates at current level.
- No change in business conditions, current economic and financial situation.
- Normal market and climatic conditions.
- Successful development and maintenance of registrations.

# Guidance 2011 - unchanged

- Revenue of approx. DKKm 5,800.
- EBITDA of 8-10%.
- EBIT of DKKm 300-400.
- Operating cash flow of more than DKKm 336.

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## Disclaimer

This presentation contains forward-looking statements such as revenue and financial results outlook. Forward-looking statements are, by their very nature, associated with risks and uncertainties that may cause actual results to differ materially from expectations.

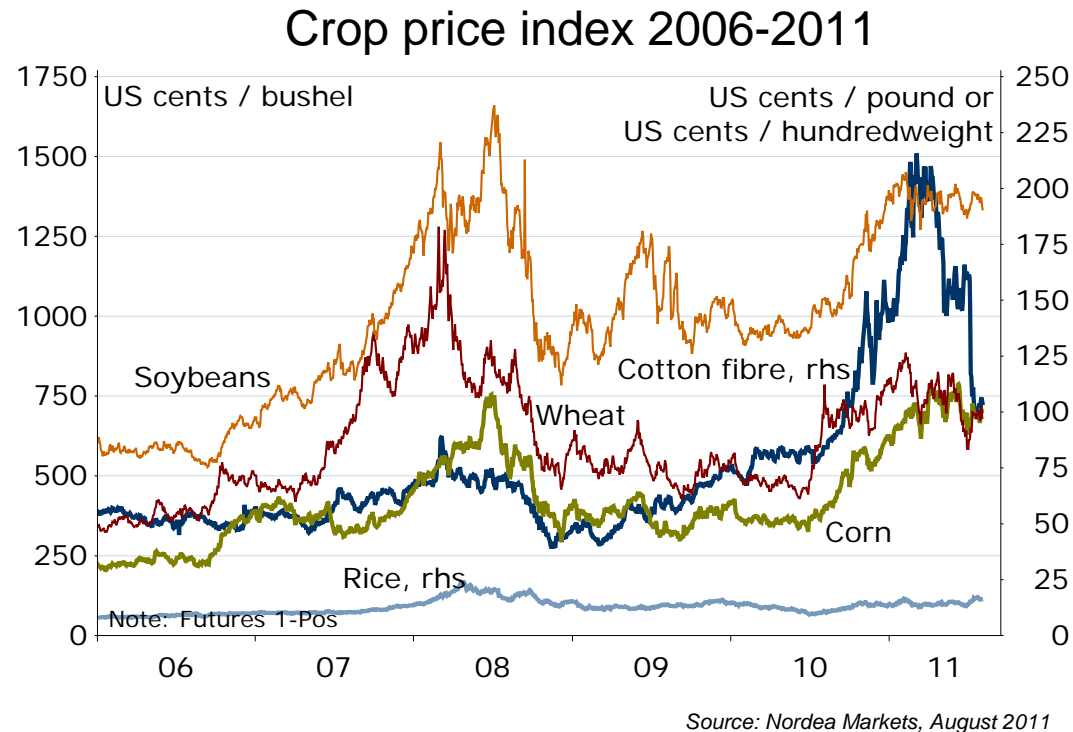
To the extent that legislation so requires (e.g. the Danish Securities Trading Act), Auriga shall be obliged to update and adjust specifically stated expectations.

# Agenda

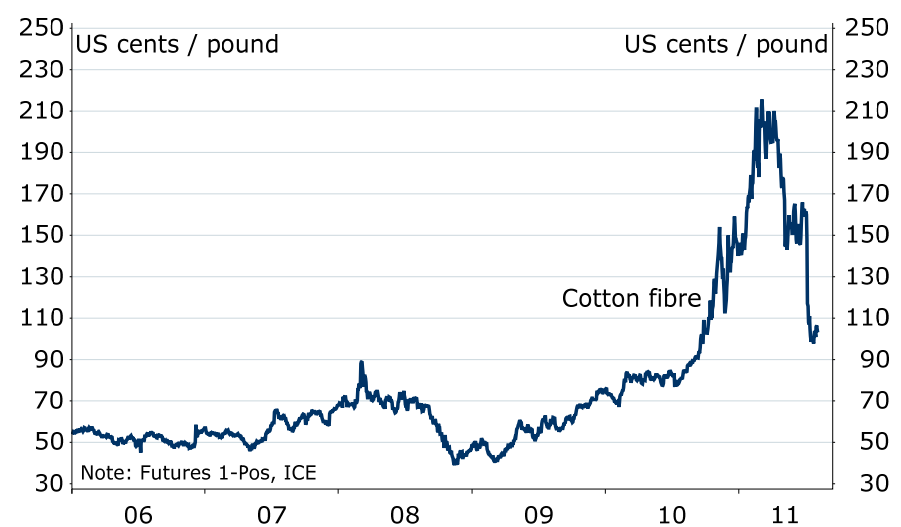
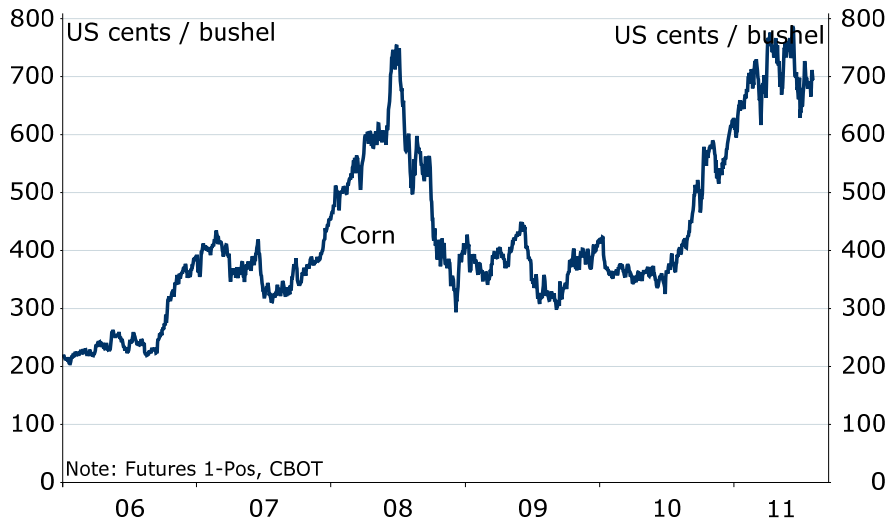
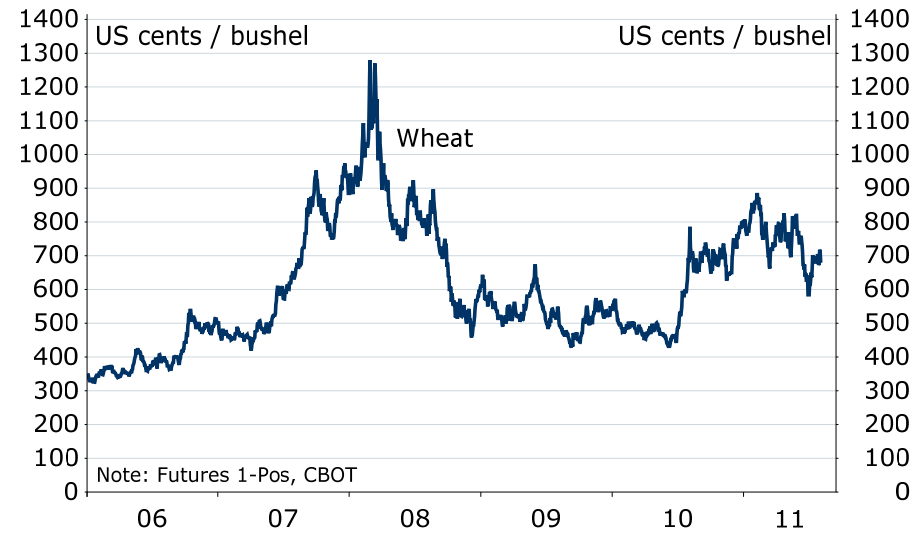
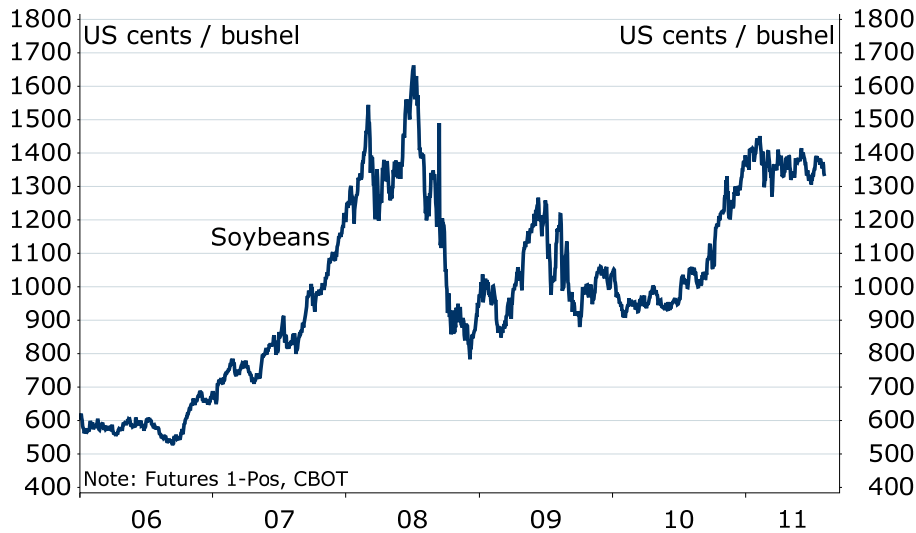
- Introduction:
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# Market situation

- High agricultural commodity prices stimulating demand for crop protection.
- Challenging climatic conditions in Europe and North America in Q2.
- Market growth of 5-10% in H1 2011.
- Competitive pressure unchanged but prices have stabilized with only few price increases yet.



# Soft commodities prices



# Regional sales H1

## Region Europe

- Revenue growth of 13% due to increased sales of new products and the acquisition of Rogor® (dimethoate). New management to improve future performance of Stähler.

## Region North America

- Sales impacted by climatic conditions and lower glyphosate sales. Future sales to benefit from introduction of flutriafol and several other new products.

## Region Latin America

- High crop prices are driving market growth, but competition and FX are negatively impacting margins especially in Brazil.

## Region International

- Positive development in India and CIS-countries driven by sales growth in new products.

Revenue, regions H1 2011



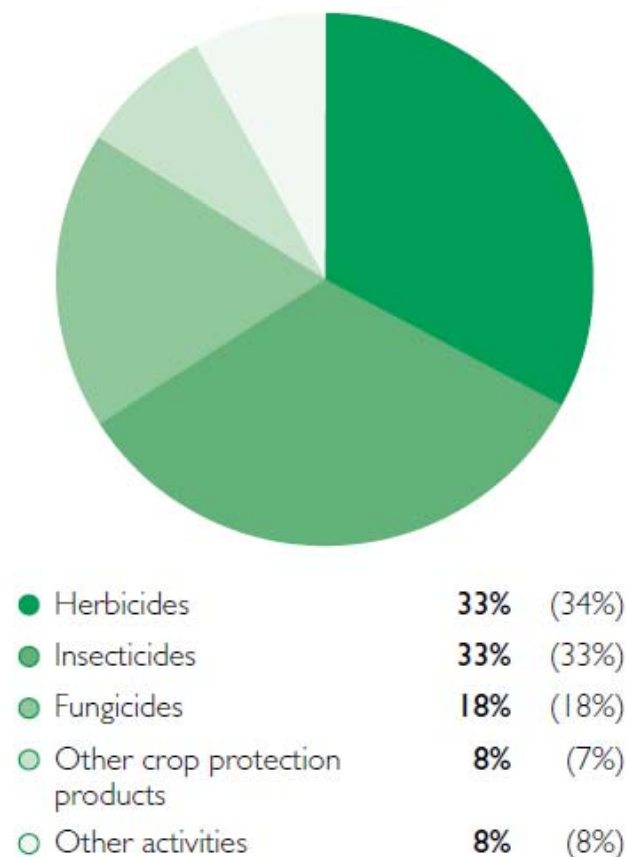
● Europe	50%	(47%)
● North America	6%	(10%)
● Latin America	16%	(16%)
● International	21%	(20%)
○ Global activities	7%	(7%)

*Figures in brackets are H1 2010 figures*

# Product sales H1

- **Herbicides** declined to 33% of revenue due to glyphosate. Growth from selective herbicides, ie. pethoxamid, fenoxaprop and SU herbicides, new formulations and mixtures.
- **Insecticides** accounted for 33% of revenue. Growth driven by new products such as abamectin and gamma-cyhalothrin, but traditional insecticides like dimethoate also performed satisfactory.
- **Fungicides** accounting for 18% of revenue due to strong performance for fluazinam and flutriafol.
- **Micronutrients from Headland and fine chemicals** showed strong performance.

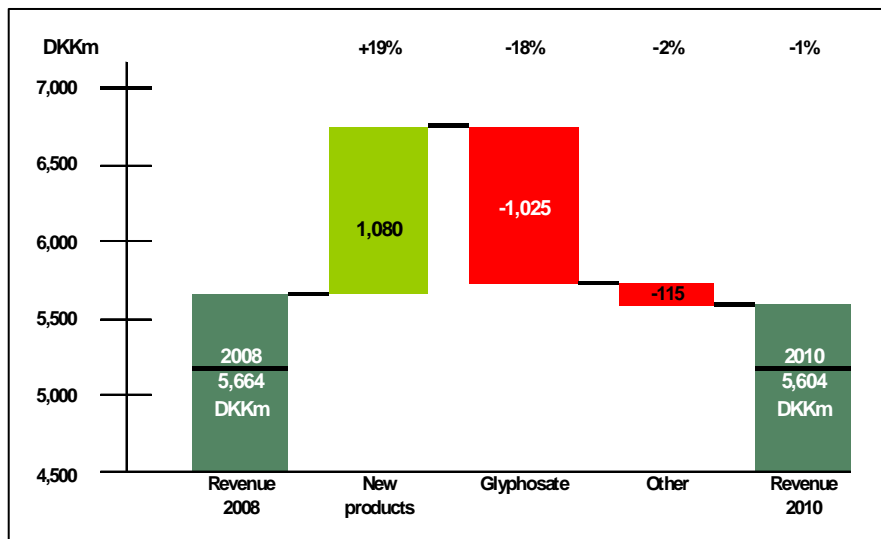
## Revenue, products H1 2011



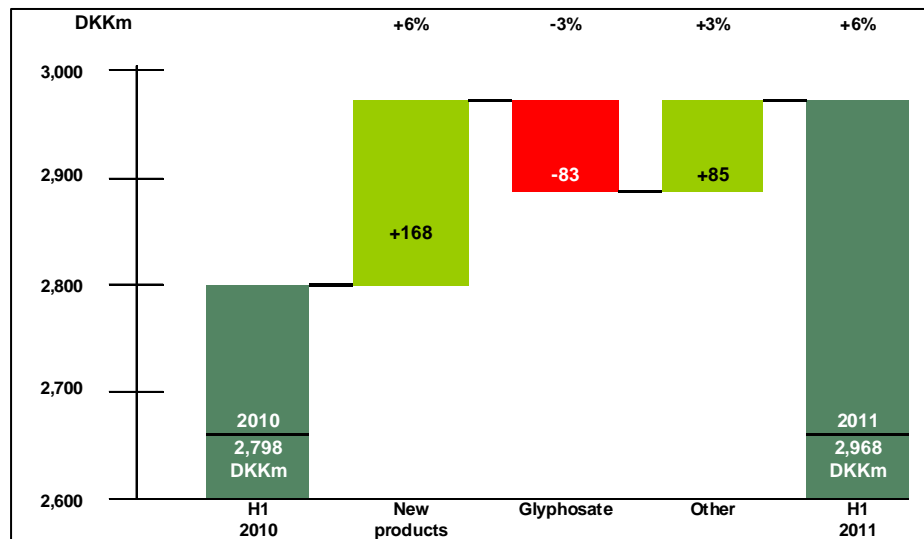
*Figures in brackets are H1 2010 figures*

# Transformation of product portfolio

Sales development 2008-2010



Sales development H1 2010-H1 2011



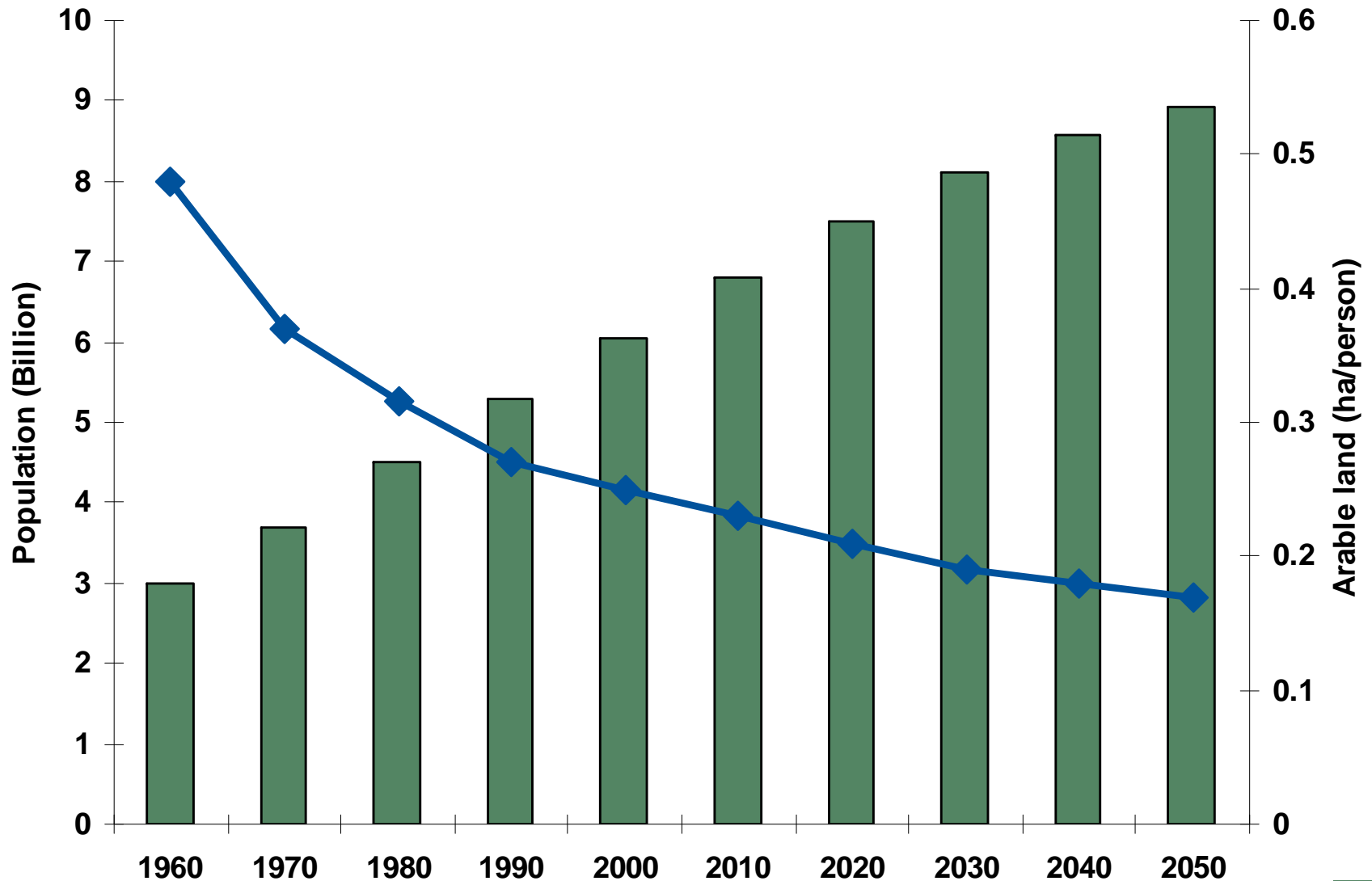
# Historic financial performance

DKKm	Auriga					
	E2011	2010	2009	2008	2007	2006
Revenue	<b>5,800</b>	<b>5,604</b>	5,437	5,664	4,368	4,032
EBITDA		<b>409</b>	197	712	327	175
EBITDA margin	<b>8-10%</b>	<b>7.3%</b>	3.6%	12.6%	7.5%	4.3%
EBIT	<b>300-400</b>	<b>215</b>	11	515	145	7
EBIT margin		<b>3.8%</b>	0.2%	9.1%	3.3%	0.2%
Profit/loss before tax		<b>58</b>	(107)	402	83	(75)
Cash flow from operating activities	<b>&gt;336</b>	<b>336</b>	299	(342)	274	45
Trade working capital		<b>2,801</b>	2,825	2,622	1,926	2,628
Equity		<b>2,138</b>	2,075	2,210	2,142	2,304
Total assets		<b>5,961</b>	5,638	5,132	4,422	5,642

# Market & industry development

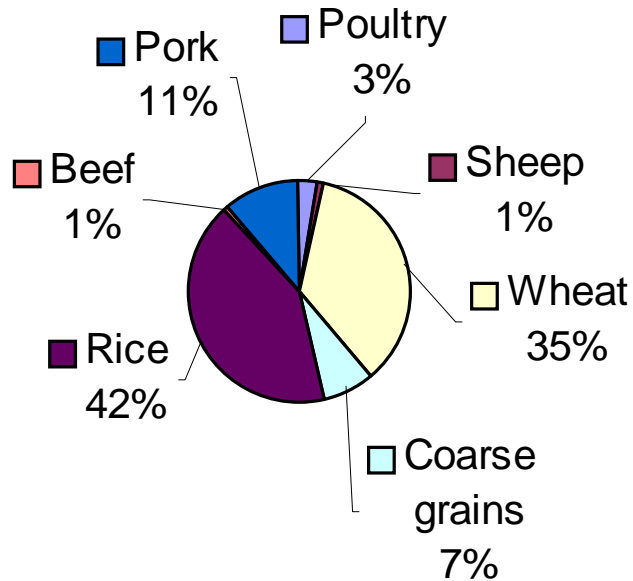
- **Increased demand for farm commodities:**
  - Population growth ➡ need for food.
  - Change in diets ➡ need for feed.
  - Increase in biofuels ➡ need for land.
  
- **Renewed market growth:**
  - Mature industry with low growth (1%) past 10 years.
  - Higher annual average growth (3-4%) since 2007.
  - Strong growth of approx. 5-10% in H1 2011.
  
- **Lower share of patented products:**
  - Fewer new block-busters introduced in recent years.
  - Several large products currently coming off-patent.
  
- **Further industry consolidation:**
  - Consolidation among Tier-I companies.
  - Continued acquisitions of Tier-III companies by Tier-II companies.
  - Potential consolidation in Tier-II.

# Arable land per cap vs. population

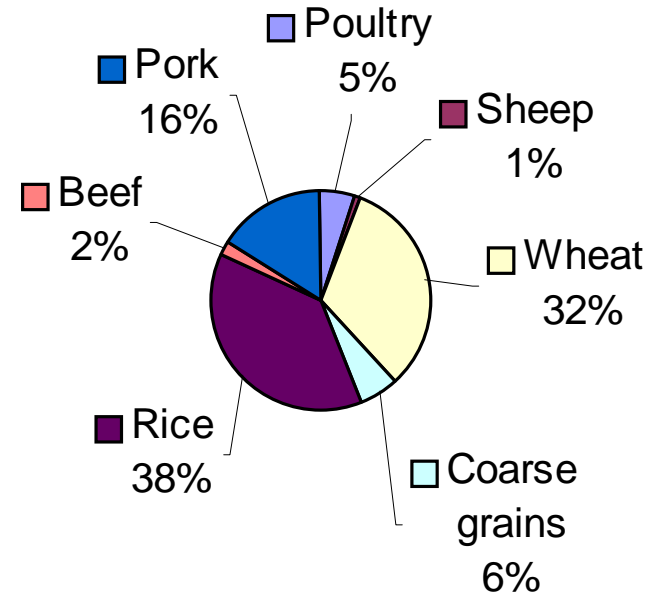


# Chinese diets are shifting

1997

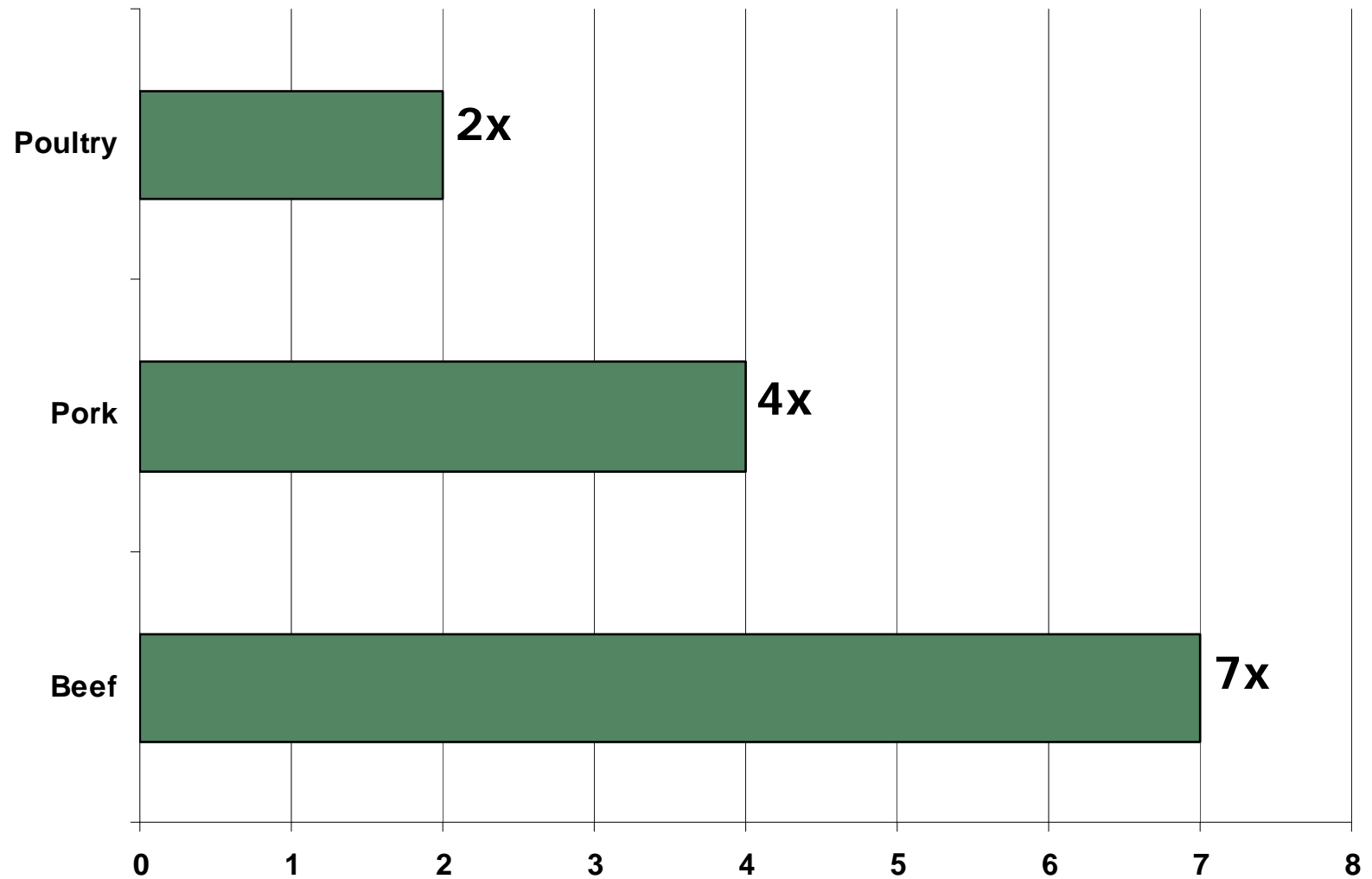


2008

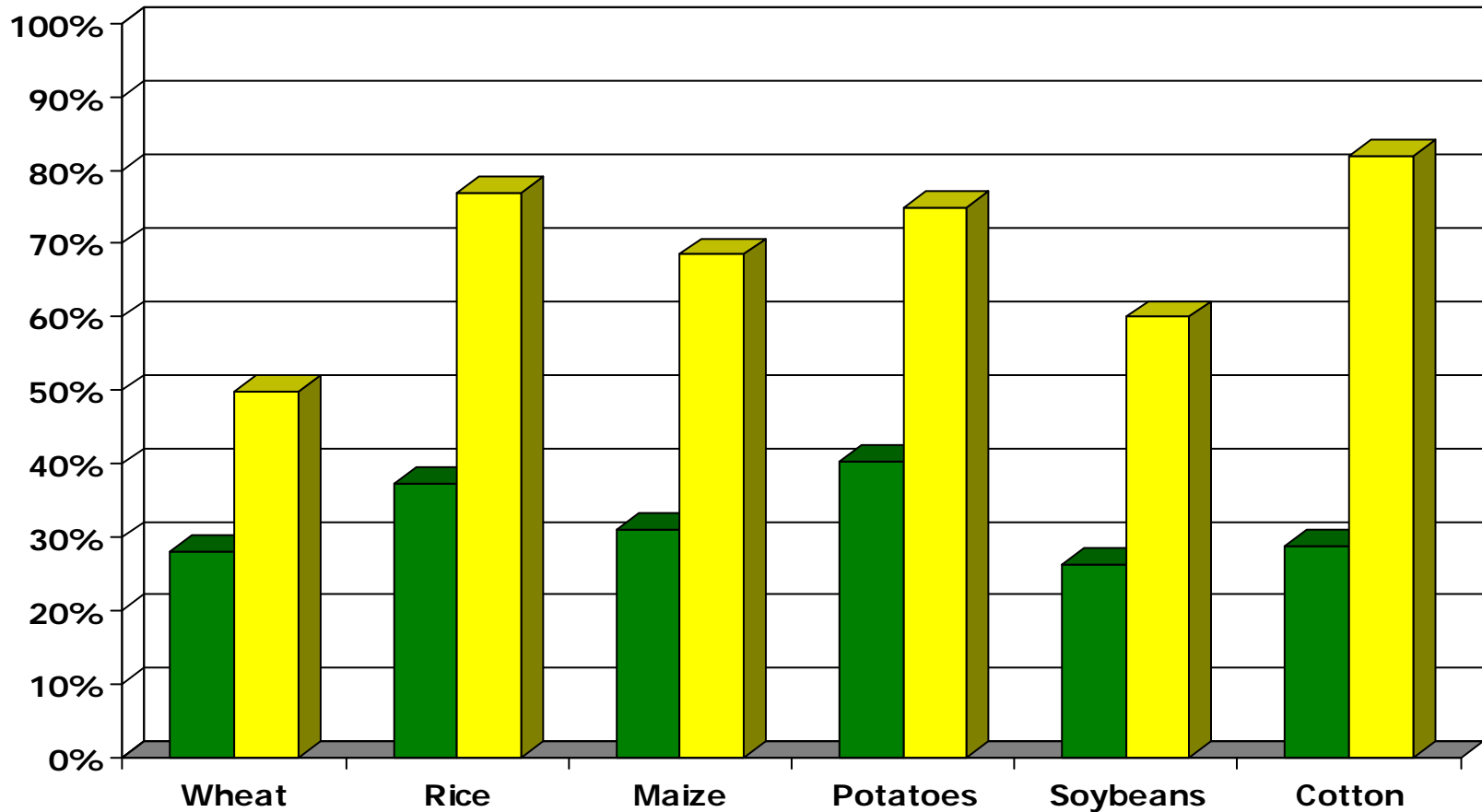


- As incomes increase in China and other developing countries, diets shift towards more meat consumption.
- Meat is energy-inefficient, meaning that more feed is required to produce the same amount of calories.
- Feed growth has been primarily in Brazil and China recently, which feed their herd with domestically produced grain.
- However, China cannot produce enough soybeans to sate demand and has relied increasingly on imports.

# Feed grain multipliers for meat production



# Crop losses with and without crop protection



■ With plant protection  
■ Without plant protection

Source: E.C. Oerke, *Journal of Agricultural Science*, 2006



## Mission

We help improve quality of life for the world's population by supplying products that help farmers increase yields and quality of crops to satisfy the global demand for food, feed, fibre and energy.








## Vision

We create results for our customers by being a sustainable and innovative world-class supplier of a broad range of quality crop protection products. Value creation shall match the best among peer companies to the benefit of all stakeholders.



## Values

-  We achieve ambitious goals.
-  We are innovative.
-  We decide and act.
-  We recognize results.
-  We are good corporate citizens.



# Corporate Social Responsibility

- Phase-out plan for the most toxic products in development countries fully accomplished without delay.
- The first progress report in accordance with the UN Global Compact released in the CSR report 2010.
- Target met for reduction of energy consumption in production in India and Denmark.
- Increased number of supplier audits and screenings in China, India, Mexico, Uruguay, Argentina and USA.
- Village projects in India and Brazil to improve quality of life for the citizen.



## CSR and innovation protect banana plants from destructive fungal diseases in Brazil

A few drops of Impact® (flutriafol) – one of Cheminova's new products – in combination with new and cheap precision technology help small farmers in Brazil to increase yields and the quality of their banana production by eradicating fungi. Airplane spraying is substituted with a new technique placing few drops of the fungicide directly on the plant.

# Employees in more than 30 countries



# Regions



# Regions

## Region North America:

- Canada
- USA

## Region Latin America:

- Argentina
- Brazil
- Colombia
- Mexico

## Region International:

- Australia
- Kenya
- Russia
- Taiwan
- Thailand
- Ukraine
- China
- India



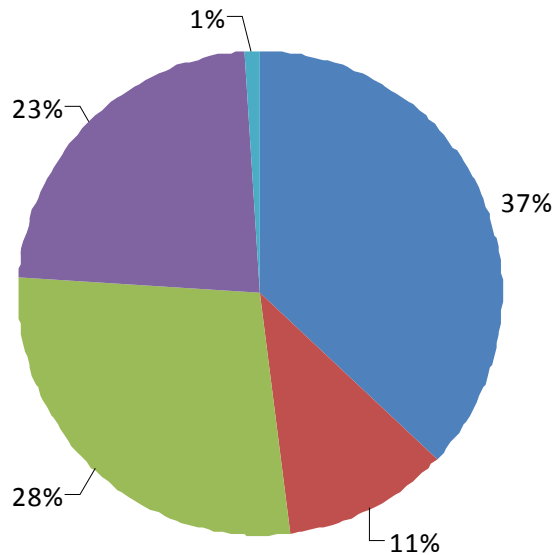
## Region Europe:

- Austria
- Bulgaria
- France
- Germany
- Hungary
- Italy
- Poland
- Serbia
- Spain
- Switzerland
- United Kingdom



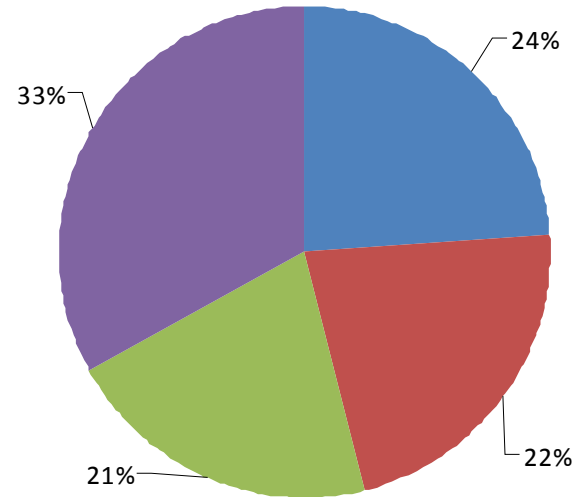
# Sales split on region 2010

## Cheminova



■ Europe ■ Noram ■ Latam ■ International ■ Other

## World market



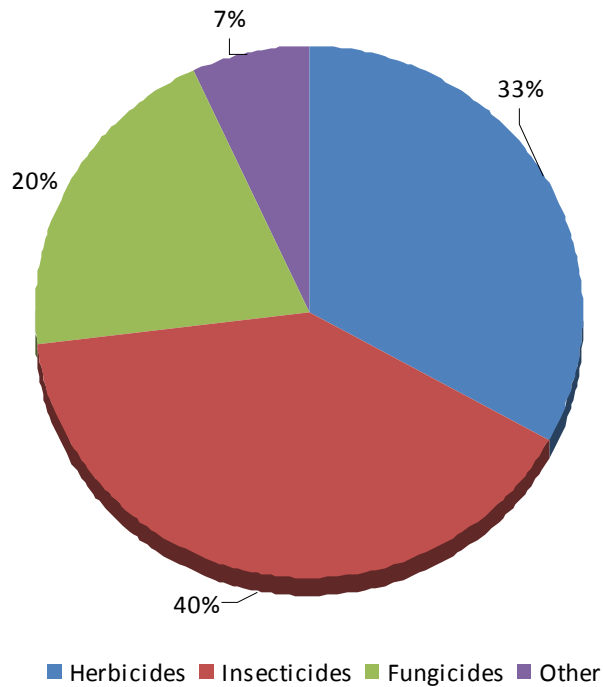
■ Europe ■ Noram ■ Latam ■ International

Source: Phillips McDougall

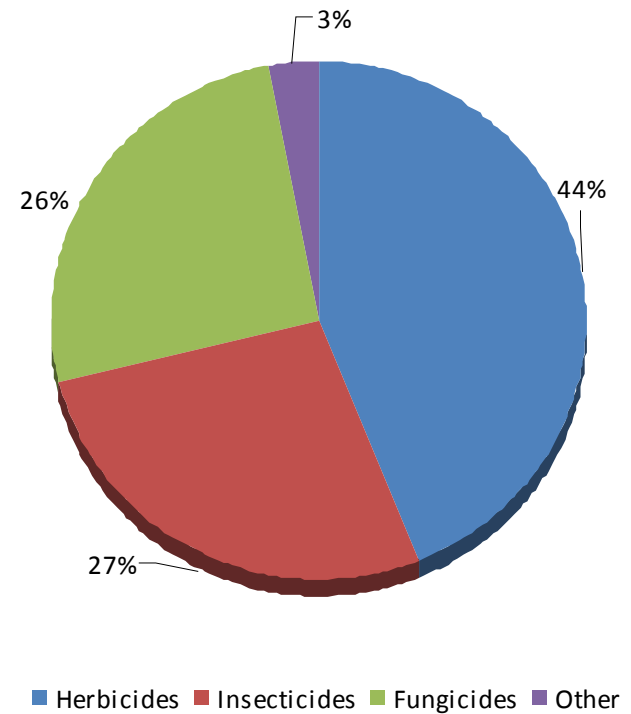


# Sales split on FIFO 2010

## Cheminova



## World Market



Source: PhillipsMcDougall