# AURIGA INDUSTRIES A/S

## INTERIM REPORT / 1ST QUARTER 2012

Company announcement
no. 7/2012

May 23, 2012

# » SATISFACTORY START TO THE YEAR

» 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.

Our vision

# HELPING YOU GROW

We supply crop protection products that help farmers improve yields and quality of crops to satisfy the global demand for food. By doing so we create value not only for the farmer, but also for our shareholders, customers, employees and other stakeholders – be it financially, professionally or humanly.

## INDHOLD



## ACCOUNTS AND NOTES



### Presentation of financial highlights at 9.30 CET

President & CEO Kurt Pedersen Kaalund, Vice President Jens Ole Jensen and Senior Vice President, Finance & Support, Jesper Barslund Jacobsen (CFO in Cheminova) will present the financial highlights at a meeting for analysts and institutional investors today, May 23, 2012, at 9.30 am CET (Danish time).

The presentation of the financial highlights including Q&A session and conference call can be followed directly as webcast on www.auriga-industries.com and www.auriga.dk, where the related presentation will be available approx. 30 minutes beforehand. An indexed version of the webcast will be available on the websites afterwards. Presentation, Q&A session and conference call will be conducted in English.

### Conference call

Participants in the conference call are kindly requested to call in before 9.25 am CET on tel. +45 32 71 47 67 (Danish participants) and tel. +44 207 509 5139 (international participants).

### More information about the financial statements:


Kurt Pedersen Kaalund, President & CEO
Tel. +45 40 80 99 01

Jens Ole Jensen, Vice President
Tel. +45 40 80 99 40

Investor Relations
Tel. +45 70 10 70 30 - investor@auriga.dk

# Satisfactory start to the year

**Continued positive market developments with a good and early start to the season have supported positive growth for the group. Auriga has seen a satisfactory start to 2012 with progress on all defined objectives and strategic focus areas. Revenue was up 16% in Q1 2012, while the contribution ratio increased to 29.5%. The cost ratio was reduced by 1.0 percentage point, and the EBITDA margin was up at 11.6%. Continued focus on improving working capital has resulted in lower debt compared to the end of Q1 2011. The outlook for 2012 remains unchanged.**

## Highlights for Q1 2012

*(Unaudited – Figures in brackets are figures for Q1 2011)*

- Auriga's revenue increased in Q1 2012 by 16% to DKK 1,610 million (DKK 1,393 million). The impact from foreign exchange rate developments was marginal. Realised selling prices increased by an average of 3% relative to the prior-year period.
- The contribution ratio is up 1.7 percentage points at 29.5% (27.8%), primarily due to an improved product mix, while positive price developments compensated for higher raw material and energy costs. The average fixed capacity costs were reduced to 17.4% (18.4%) of revenue.
- The operating profit before depreciation and amortisation (EBITDA) increased to DKK 187 million (DKK 124 million), corresponding to an EBITDA margin of 11.6% (8.9%). Operating profit (EBIT) was up DKK 68 million at DKK 148 million (DKK 80 million), while profit before tax doubled to DKK 100 million (DKK 46 million).
- The working capital was reduced, which has improved the cash flow from operating activities to DKK -187 million against DKK -467 million for the prior-year period. Net interest-bearing debt (NIBD) amounted to DKK 2,444 million (DKK 2,478 million), while the debt burden (NIBD/EBITDA) was reduced to 4.4 (5.1).

## Outlook

- The good start to the season is attributable to climatic conditions and a positive outlook in the agricultural sector. Farmers are thus expected to increase the acreage used for growing important crops such as corn, soybeans and wheat as crop prices remain high. The industry therefore still expects to achieve growth of up to 5% for the year as a whole based on volume growth and price increases.
- Auriga still expects growth corresponding at least to market growth. During the year, i.a. new fungicides containing azoxystrobin will be introduced in a number of markets, while market penetration will continue for products introduced in recent years. Earnings will be improved through improved contribution ratios and a lower cost ratio.
- Continued working capital improvements, positive cash flows and reduced debt will increase the return on the invested capital and reduce the debt burden.
- Auriga maintains the previously announced outlook for 2012 of revenue of approx. DKK 6,000 million with an earnings margin (EBITDA) of approx. 10% and an operating profit (EBIT) in the level of DKK 350-450 million.

» **We have succeeded in making the most of the good market conditions and report growth and increased earnings without burdening the business with increased working capital and debt. Our focus this year is on improving results and reducing debt. We are pleased with the good start to the year and continue the targeted efforts.**

**Kurt Pedersen Kaalund**
*President & CEO*

*FORWARD-LOOKING STATEMENTS*

*The outlook is based on current foreign exchange rate levels, while it is also assumed that the global economic and financial situation will not materially change the business conditions for the group in 2012. Auriga's results are generally impacted by developments in the agricultural sector, and by climatic, economic, foreign exchange and market conditions, including the possibilities for obtaining registrations and reregistrations. Forward-looking statements, including the outlook for revenue and financial results, are associated with risks and uncertainties that may cause actual results to differ materially from expectations. To the extent that legislation and best practices so require, Auriga is obliged to update and adjust specifically stated expectations.*

# Increased earnings and value creation after progress on all focus areas

## Earnings and value creation

Auriga's ambition is improved earnings and value creation. The aim for 2012 is to continue the positive developments which can bring results closer to the target earnings (EBITDA) of 13-18% and a return on the invested capital (ROIC) of approx. 15% after 2013. With a debt burden (NIBD/EBITDA) of 4.4, debt remains high relative to earnings. In 2012, it is therefore decisive that the debt burden is reduced by increasing earnings and reducing debt.

Earnings and cash flows were improved significantly in Q1 2012, while debt was reduced relative to Q1 2011. EBITDA is up DKK 63 million at DKK 187 million (DKK 124 million), corresponding to an EBITDA margin of 11.6% (8.9%). In the past 12 months, an EBITDA margin of 9.4% has been realised, up 1.0 percentage point on the previous 12 months. In the past 12 months, a return on the invested capital of 6.4% has been realised against 4.5% over the previous 12 months.

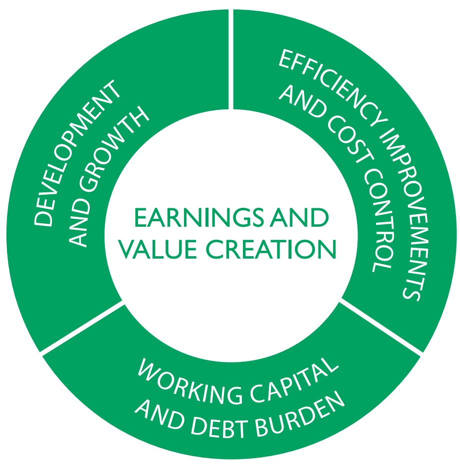
The objectives must be achieved through balanced development within the three strategic focus areas Development and growth, Efficiency improvements and cost control and Working capital and debt burden.

## Development and growth

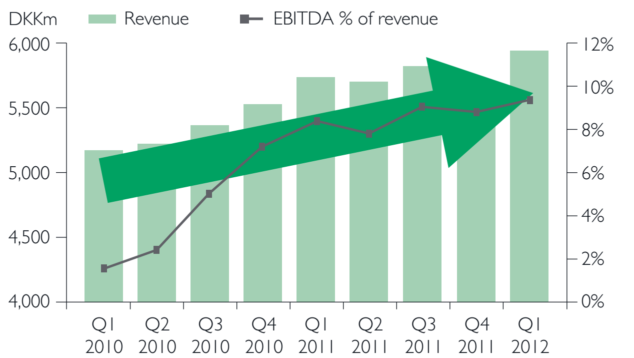
Following the completion of the transformation of the product portfolio at the end of 2011, total revenue for 2012 and the years ahead will be increased through the continued market penetration of products introduced in recent years and through the introduction of more new products from the development pipeline. As the new products are increasingly differentiated end products adding greater value for farmers, the growth is contributing to improving earnings through a higher contribution ratio.

In Q1 2012, sales of crop protection products grew by 20% after a good and early start to the season in North

### Strategic focus areas

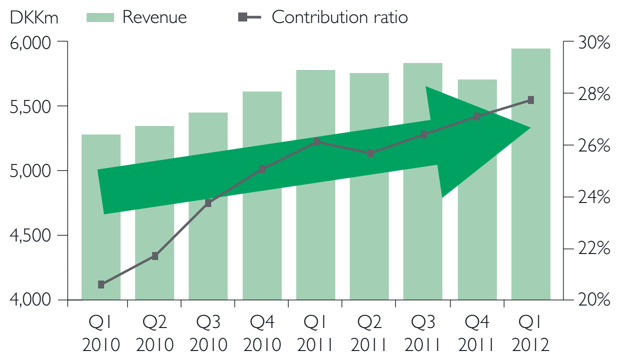



### Earnings and value creation




*The graphs are based on 12 months' rolling data*

### Development and growth



America and Northern Europe and a strong end to the season in Brazil. Total revenue is up DKK 217 million at DKK 1,610 million (DKK 1,393 million), while the contribution ratio for the period is up 1.7 percentage points at 29.5% (27.8%), primarily through continued improvements to the product portfolio. A contribution ratio of 27.6% has been achieved for the past 12 months, also representing an improvement on the previous 12 months.

## Efficiency improvements and cost control

In the past year, we have worked actively with Lean in production and maintenance. In the course of 2012, Lean will also be implemented in a number of laboratory areas and administrative functions. Moreover, other improvement measures are continuously being identified, while the full effect of last year's adjustment to the number of salaried workers will be realised this year. Finally, growth this year and in the coming years will mean that economies of scale can be realised within a number of areas, for example in sales and administration. A lower cost ratio will thus contribute to improving earnings.

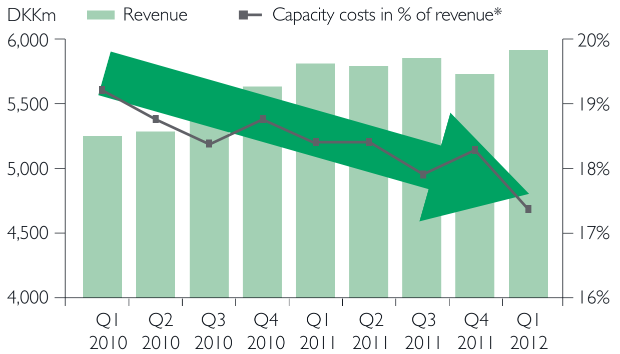
Total capacity costs represented a declining share of revenue, but increased to DKK 338 million (DKK 313 million) due to the higher activity level. In the past 12 months, fixed costs in production, sales, administration and development thus amounted to 17.4% of revenue against 18.4% for the previous 12 months.

## Working capital and debt burden

Since mid-2010, a continuous and significant reduction has been achieved in the average level of funds tied up in working capital. The special focus on reducing the debt and the debt burden in 2012 has resulted in the implementation of several initiatives aimed at improving the working capital.

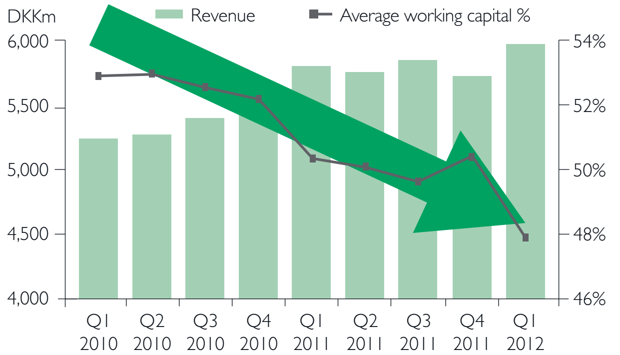
At the end of Q1 2012, working capital amounted to DKK 2,689 million (DKK 2,990 million), corresponding to a reduction of DKK 301 million, achieved primarily through an increase in trade payables. Inventories have been reduced, while receivables have increased marginally, which must be seen in relation to the 16% growth in revenue. At the end of Q1, working capital amounted to 45.3% of revenue for the past 12 months against 51.7% at the same time last year. Measured over a period of 12 months, working capital amounted to 47.9% of revenue against 50.3% a year earlier. The reduced level of working capital has improved cash flows and reduced debts relative to the prior-year period. The debt burden (NIBD/EBITDA) was thus reduced to 4.4 from 5.1 a year earlier.

### Efficiency improvements and cost control




** Fixed costs in production, sales, administration and development*

### Working capital and debt burden




*The graphs are based on 12 months' rolling data*

# Financial key figures

| DKKm<br>Income statement: | Q1<br>2012 | Q1<br>2011 | FY<br>2011 |
|---|---|---|---|
| Revenue | 1,610 | 1,393 | 5,723 |
| Gross margin | 475 | 387 | 1,549 |
| EBITDA | 187 | 124 | 495 |
| Depreciation, amortisation, impairment losses and write-downs | 39 | 44 | 177 |
| Operating profit (EBIT) | 148 | 80 | 318 |
| Net financials | (48) | (34) | (240) |
| Profit before tax | 100 | 46 | 79 |
| Profit after tax | 75 | 33 | (9) |
| **Balance sheet:** | **31.03.2012** | **31.03.2011** | **31.12.2011** |
| Balance sheet total | 6,983 | 6,529 | 6,048 |
| Share capital | 255 | 255 | 255 |
| Equity | 2,008 | 2,151 | 1,914 |
| Net assets | 4,558 | 4,694 | 4,190 |
| Interest-bearing debt | 2,845 | 2,637 | 2,457 |
| Net interest-bearing debt | 2,444 | 2,478 | 2,186 |
| **Cash flows:** | **Q1<br>2012** | **Q1<br>2011** | **FY<br>2011** |
| Cash flows from operating activities | (187) | (467) | 207 |
| Cash flows from investing activities | (69) | (32) | (293) |
| - of which invested in property, plant and equipment | (23) | (10) | (116) |
| Free cash flow | (256) | (499) | (86) |
| **Financial ratios:** | **Q1<br>2012** | **Q1<br>2011** | **FY<br>2011** |
| EBITDA margin | 11.6% | 8.9% | 8.7% |
| EBIT margin | 9.2% | 5.8% | 5.6% |
| NOPLAT | 111 | 58 | (37) |
| ROIC * | 6.4% | 4.5% | (0.9%) |
| NIBD/EBITDA factor * | 4.4 | 5.1 | 4.4 |
| NIBD/Equity | 1.2 | 1.2 | 1.1 |
| Debt ratio | 54% | 53% | 52% |
| **Share-related ratios:** | **Q1<br>2012** | **Q1<br>2011** | **FY<br>2011** |
| Profit in DKK per share of DKK 10 | 2.94 | 0.93 | (0.60) |
| Cash flows from operating activities per share of DKK 10 | (7.4) | (18.6) | 8.2 |
| Equity value in DKK per share of DKK 10 | 79.1 | 85.5 | 75.8 |
| Share price | 74 | 93 | 75 |
| Price/earnings ratio | 25 | 100 | (124) |
| Share price/equity value | 0.94 | 1.08 | 0.98 |
| Market value | 1,887 | 2,359 | 1,900 |

* NOPLAT and EBITDA are based on current 12 months

# Satisfactory financial results

Auriga has seen a satisfactory start to the year with a positive development on all significant key figures.

## Consolidated revenue

Revenue for Q1 2012 was up 16% at DKK 1,610 million (DKK 1,393 million). Compared to Q1 last year, the foreign exchange rate developments were largely neutral, as increasing exchange rates for USD, GBP and AUD have almost compensated for lower exchange rates for INR and several Latin American currencies. At constant exchange rates relative to Q1 2011, revenue would have been DKK 5 million higher.

## Gross margin

The realised gross margin was up 23% at DKK 475 million (DKK 387 million), corresponding to an improvement of 1.7 percentage points to 29.5% (27.8%), primarily due to an improved product portfolio. Selling prices are up 3%, which has compensated for higher raw material and energy prices.

## Costs and operating results

Increasing activity levels meant that the group's total capacity costs were up 8% at DKK 338 million (DKK 313 million), corresponding to 21.0% (22.4%) of revenue. Forward-looking development activities remain a high priority, and as expected development and registration costs of DKK 32 million (DKK 18 million) were capitalised in Q1.

An operating profit before depreciation and amortisation (EBITDA) of DKK 187 million (DKK 124 million) was returned, together with an EBITDA margin for Q1 of 11.6% (8.9%). After depreciation and amortisation of DKK 39 million (DKK 44 million), an operating profit (EBIT) of DKK 148 million (DKK 80 million) was realised, corresponding to an increase in the EBIT margin of 3.4 percentage points to 9.2% (5.8%).

## Net financials and profit for the period

Financial expenses increased as expected by DKK 14 million to DKK 48 million (DKK 34 million) as a consequence of increasing interest costs, while the impact from foreign exchange rate developments was marginal.

The consolidated profit before tax was up at DKK 100 million (DKK 46 million), representing more than a doubling relative to Q1 2011.

## Cash flows and balance sheet

A negative cash flow from operating activities of DKK -187 million was posted in Q1 2012 against DKK -467 million for the prior-year period. The improvement is primarily attributable to a reduction in working capital. After deducting total investments of DKK 69 million (DKK 32 million), a free cash flow of DKK -256 million (DKK -499 million) was generated.

As a result of higher cash and cash equivalents and increased activity levels, the consolidated balance sheet total increased by DKK 454 million to DKK 6,983 million (DKK 6,529 million). Equity was increased by DKK 94 million and amounted to DKK 2,008 million (DKK 2,151 million) at the end of Q1. Current assets still exceed total debt.

## Net interest-bearing debt

At the end of Q1 2012, the group's net interest-bearing debt (NIBD) totalled DKK 2,444 million (DKK 2,478 million), of which 46% (37%) represented fixed-interest loans, while 47% (54%) was arranged in foreign currencies. The debt burden (NIBD/EBITDA) was reduced to 4.4 from 5.1 at the end of March 2011.

## Credit facilities

| DKK billion | 31.03.2012 | 31.03.2011 |
|---|---|---|
| Committed more than 3 yrs | 0.7 | 0.8 |
| Committed 1-3 yrs | 1.5 | 0.9 |
| Committed less than 1 yr | 0.0 | 0.3 |
| **Total committed** | **2.2** | **2.0** |
| % of total | 65% | 60% |
| Uncommitted | 1.2 | 1.2 |
| % of total | 35% | 40% |
| **Total credit facilities** | **3.4** | **3.2** |
| Cash and cash equivalents | 0.4 | 0.2 |
| Utilised | 2.8 | 2.6 |
| **Cash resources** | **1.0** | **0.8** |

## Cash

At the end of Q1 2012, Auriga's cash resources amounted to DKK 967 million, representing an improvement of DKK 192 million relative to the end of March last year. Committed credit facilities were increased by DKK 263 million during the period.

# Growth and improved contribution ratio

The market for crop protection remains positively influenced by strong demand for and high prices on agricultural crops. Farmers are thus encouraged to increase the acreage and protect crop yields through the use of crop protection products. In Q1 2012, the industry also benefited from an early start to the season in Northern Europe and North America as well as a good end to the season in Brazil. The largest players in the market have realised average growth rates of 8-9% through increasing volume sales at slightly increasing prices.

The positive underlying development in the group means that Auriga has won market share and improved its contribution ratio.

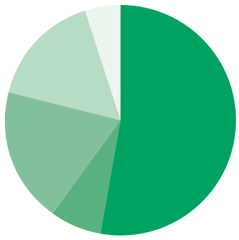
## Region Europe

Continued market growth in Eastern Europe and a good and early season in Northern Europe more than compensated for a declining market in Southern Europe, which was affected by drought in Spain and the difficult financial situation in, e.g., Greece. Growth was driven primarily by herbicides, especially pethoxamide and sulfonylurea herbicides. Positive market developments were seen in France and Germany. In the past year, the French subsidiary has obtained registrations for a number of new products and ensured good market access through a new partnership with a local distribution partner. Growth and improved results were thus seen in France. In Germany, the new management is restructuring the business, which is now posting satisfactory results in the form of increasing sales and reduced costs. Satisfactory results were also returned by the other companies in the region. A combined total growth of 12% was posted for the region with satisfactory improvements in earnings.

## Region North America

Good climatic conditions have resulted in a good and early start to the season in North America. The introduction of new differentiated products, for example based on the active ingredient kresoxim, and growth from gamma-cyhalothrin and flutriafol, which has now been introduced for cotton, have contributed to sound growth in the region. At the same time, a strong demand has been seen for the traditional insecticides such as chlorpyrifos and dimethoate. It is satisfactory that market access is successfully created for new differentiated products through established distribution channels. A combined total growth of more than 50% was posted for the region with improvements in earnings.

## Revenue, regions Q1 2012



| | | |
|---|---|---|
| Europe | 53% | (55%) |
| North America | 7% | (5%) |
| Latin America | 19% | (16%) |
| International | 16% | (17%) |
| Global activities | 5% | (7%) |

*Figures in brackets are Q1 2011 figures*

## Region Latin America

As expected, a good end to the season was seen as large areas had been allocated to agricultural production in Brazil during the now ended season, while Argentina was hit by drought. In Brazil, growth is driven by differentiated products with high margins, including products based on fluazinam and a modern micro capsule formulation containing methyl parathion, offering a replacement for a number of phased-out products in cotton. In Argentina, growth from differentiated products continues, and in Colombia a good position is being maintained for flutriafol based products. The region realised a combined total growth of more than 40% and a satisfactory improvement in earnings through focus on high margin products.

## Region International

Satisfactory results were posted for the early season in India despite a less positive outlook for the coming season compared to the past couple of years. In Australia, climatic conditions and the competitive situation have resulted in lower than expected sales. In the CIS countries, the winter weather has delayed the start to the season in for example Russia. In India and in the region as a whole, focus on developing the product portfolio has produced satisfactory results. Total sales in the region did not develop as expected, but earnings have been satisfactory.

# Increased market penetration

The process of transforming Cheminova's product portfolio was completed in 2011, and glyphosate now accounts for only 10% of revenue. Growth now and in the coming years will be driven primarily by increased market penetration for products which have already been introduced in the first markets. Moreover, the introduction of several new products from the development pipeline is expected to strengthen growth. Sales of crop protection products have seen a total growth of 20%.

Herbicides saw growth of 16% through increased market penetration by products introduced in recent years. No new products were launched in Q1, but the selective products such as, for example, the sulfonylurea products saw satisfactory growth. Herbicides based on the active ingredient pethoxamide, which has been added to the product portfolio following the acquisition of Stähler, also generated satisfactory growth. In light of the expectation of continued growth for this active ingredient, production will start up at the factory in Denmark later in the year, once the production plant has been completed.

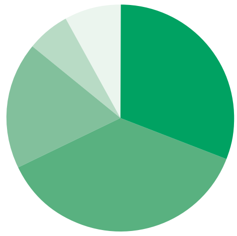
Realising a growth rate of 25%, insecticides grew more than expected due to the early start to the season in North America and accounted for 33% (30%) of revenue in Q1. Satisfactory growth has been realised for abamectin and gamma-cyhalothrin, while also the traditional products such as chlorpyrifos and dimethoate generated growth based on the early start to the season.

Revenue from fungicides was up 22% and now accounts for 20% (19%) of total revenue. Sales growth was achieved following continued progress for flutriafol and fluazinam, while a kresoxim-based product was successfully introduced during the early season in the USA.

Sales of other crop protection products accounted for an unchanged 8% (8%) of revenue. The segment comprises, e.g., Headland's micro nutrients and growth regulators such as trinexapac, which has now been introduced in Europe.

Other activities accounted for 6% (10%) of revenue following a decline within fine chemicals.

### Revenue, products Q1 2012



| | | |
|---|---|---|
| Herbicides | **33%** | (33%) |
| Insecticides | **33%** | (30%) |
| Fungicides | **20%** | (19%) |
| Other crop protection products | **8%** | (8%) |
| Other activities | **6%** | (10%) |

*Figures in brackets are Q1 2011 figures*

| Significant active ingredients | | | |
|---|---|---|---|
| **Herbicides** | **Insecticides** | **Fungicides** | **Others** |
| Beflubutamid | Abamectin | Azoxystrobin[4] | Micronutrions |
| Chlorimuron[2] | Acephate[1] | Epoxiconazole[3] | Trinexapac |
| Chlorsulfuron[2] | Acrinathrin | Fluazinam | Mepiquat-chlorid |
| Clodinafop | Chlorpyrifos[1] | Flutriafol[3] | |
| Clomazone | Dimethoate[1] | Fosetyl-al | |
| Diflufenican | Fipronil | Kresoxim-methyl[4] | |
| Fenoxaprop | Gamma-cyhalothrin | Tebuconazole[3] | |
| Fomesafen | Imidacloprid | | |
| Glyphosate | Malathion[1] | | |
| Imazethapyr | Methyl parathion[1] | | |
| Metsulfuron[2] | Phosalone[1] | | |
| Nicosulfuron[2] | | | |
| Pethoxamid | | | |
| Propoxycarbazone[2] | | | |
| Rimsulfuron[2] | | | |
| Thifensulfuron[2] | | | |
| Tribenuron[2] | | | |

*1) OP insecticides (organophosphates)*
*2) Sulfonylurea herbicides (SU products)*
*3) Triazole fungicides*
*4) Strobilurin fungicides*

| Examples of differentiated products | | |
|---|---|---|
| **Herbicides** | **Insecticides** | **Fungicides** |
| Beflubutamid + isoproturon | Abamectin EW | Azoxystrobin + flutriafol SC |
| Clodinafop + diflufenican | Acrinathrin EW | Epoxiconazole SC |
| Chlorimuron WG | Dimethoate EC | Flutriafol SC |
| Fenoxaprop + clodinafop | Methyl parathion CS | Flutriafol + chlorothalonil SC |
| Metsulfuron + diflufenican | Gamma cyhalothrin + chlorpyrifos EC | Flutriafol + imazalil SC |
| Pethoxamid EC | Malathion EC/EW/ULV | Flutriafol + tebuconazole SC |
| Pethoxamid + terbutilazine SC | Gamma-cyhalothrin CS | Flutriafol + thiophanate methyl SC |
| Propoxycarbazone + amidosulfuron + iodosulfuron | Phosalone EC | |
| Propoxycarbazone + iodosulfuron | | |

# Responsible growth and sustainable development

Cheminova's CSR report for 2011, which forms part of Auriga's annual reporting, describes important activities as well as setting out the targets for 2012 and an action plan for the CSR area.

The realisation of the targets has commenced and has progressed according to plan in Q1.

## Sales of crop protection products

Even though the most toxic (WHO class I) products have been phased out of Cheminova's product portfolio in the developing countries, efforts aimed at promoting the safe and correct use of Cheminova's crop protection products continue and are being strengthened further. Generally, product stewardship is an integrated part of marketing.

## Village projects

The village projects in Brazil and India are developing according to plan, focusing on value creation and the safe use of crop protection products.

In India, a number of diverse and socially relevant projects are being implemented in conjunction with the work being undertaken in the model villages, for example a blood donor programme and courses in animal husbandry.

The projects are aimed at improving living standards for the villagers. With reference to the international UN Days, activities aimed at protecting the environmentally sensitive mangroves were, for example, organised in celebration of World Wetlands Day in February. For the purpose of supporting biodiversity in the areas, activities centred on increasing the understanding of the unique flora and fauna of these areas.

## Production

All production units work with safety, environmental and energy optimisation, and the initiatives are progressing according to plan. At the factory in Denmark, a large number of sub-projects relating to the environmental management system are being prepared and launched.

## Development

In Q1, the ongoing efforts aimed at developing improved end products resulted in the development of two insecticides with improved environmental properties. The developers succeeded in replacing undesired organic solvents with water and more environmentally friendly additives.


*The World Wetlands Day has also in 2012 been an occasion for activities aimed at, for instance, tree planting at model villages.*

# New market for flutriafol in Texas

**With Cheminova's fungicide TOPGUARD®, Texas cotton growers now have a tool to gain control of cotton root rot, a devastating fungus disease estimated to cause direct yield losses of as much as USD 40 million per year.**

The US Environmental Protection Agency (EPA) has granted a Section 18 emergency exemption to the Texas Department of Agriculture approving the use of Cheminova's fungicide TOPGUARD® in certain parts of Texas in 2012. In some fields, the cotton root rot fungus is so prevalent, that growers won't even consider planting cotton, and up until now there has been no chance of controlling the disease.

The product targets the cotton root rot fungus causing extreme yield losses in addition to decreased fiber quality and increased trash in lint. The fungus infects the roots of the plant causing a rot. Without protection, the cotton plant quickly dies.

TOPGUARD® is one of the new end products of Cheminova based on the active ingredient flutriafol. The fungicide works by protecting the plant, not by killing the fungus in the soil. The product is applied at planting and only in the sections of the field where root rot usually occurs. Field trials by Texas A&M University and Cheminova have shown excellent results with yield increases between 20 to 60 percent, when cotton root rot is controlled by TOPGUARD®.

The first sales and use of TOPGUARD® has taken place in Texas in Q1 2012.

## Already known in the USA

The excellent effect from TOPGUARD® is already known to many US growers from use in effective farming production of apples and soy beans. Following a Section 18 emergency exemption for use in the soybean rust control, the product has been used in key soybean producing states since 2007. In mid-2010, the first TOPGUARD® registrations were obtained by Cheminova in key producing states of both soybean and apples.

The registrations represented an exceptional milestone for Cheminova being the first company ever having obtained a registration for flutriafol in the USA, thus allowing us to market new flutriafol based end products to control fungus in one of the world's largest agricultural countries.

For several years, flutriafol has been used extensively and successfully in other countries including Europe and Latin America. The fungicide has proven its worth in many different crops, eg. soy, cereal, coffee, corn, beet, rape, banana, apples and cotton. The acquisition of flutriafol by Cheminova in 2001 paved the way for the identification, development and production of an improved and broader product portfolio including fungicides to be registered and sold all over the world.

## HELPING YOU GROW

In step with the expansion of the product portfolio, we are becoming better at meeting growers' demands for unique products which create value not only for the individual farmer, but also for Cheminova by providing higher profitability for the benefit of all stakeholders. By doing so, we are living up to our slogan HELPING YOU GROW.

TOPGUARD® is an example of us living up to our basic mission of contributing to improve the quality of life for an increasing world population by supplying products that help farmers increase their yields and quality of crops to satisfy the global demand for food, feed, fibre and energy.

Facts about TOPGUARD®

- Stable, systemic fungus control
- Curative and preventive activity
- Readily absorbed and translocated throughout the plant
- Rainfast within 2 hours
- Easy to use

*- TOPGUARD® substantially reduces the cotton root rot disease, states Tom Isakeit, a Texas AgriLIFE Extension Service plant pathologist, who tested its performance in field trials with his extension co-workers. Watch the video on www.cheminova.us.com/topguardnews/*

» Key to success is a portfolio of differentiated products for use in many crops and several products for use within the same crop, thus meeting the grower's demands and providing higher margins to ensure increased earnings and value creation.

**Rico Toft Christensen**
*President, Region North America*

# Management´s statement

The Board of Directors and the Executive Board have today reviewed and approved the interim report for the period January 1 to March 31, 2012 for Auriga Industries A/S.

The interim report has been prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies, including the requirements of NASDAQ OMX Copenhagen concerning the presentation of financial statements.

In our opinion, the accounting policies applied are expedient, so that the interim report gives a true and fair view of the group's assets and liabilities, financial position as at March 31, 2012 and of the results of the group's activities and cash flows for the period January 1 to March 31, 2012.

In our opinion, the management's review provides a true and fair description of the development in the group's activities and financial affairs, the results for the period and the group's financial position as a whole as well as a description of the most important risks and uncertainty factors faced by the group.

The interim report has not been audited or reviewed by the company's auditors.

Harboøre, May 23, 2012

## Board of Directors:

| | | |
|---|---|---|
| Jens Due Olsen<br>*Chairman* | Torben Svejgård<br>*Deputy Chairman* | Lars Hvidtfeldt |
| Jørgen Jensen | Karl Anker Jørgensen | Jutta af Rosenborg |
| Kapil Kumar Saini | Peder Munk Sørensen | Jørn Sand Tofting |

## Executive Board:

Kurt Pedersen Kaalund
*President & CEO*

# Income statement

| DKKm | | Q1 2012 | Q1 2011 | FY 2011 |
|---|---|---|---|---|
| Revenue | Note 2 | 1,610 | 1,393 | 5,723 |
| Production costs | Note 3 | 1,135 | 1,006 | 4,174 |
| **Gross margin** | | **475** | **387** | **1,549** |
| Other operating income | | 11 | 6 | 34 |
| Other capacity costs | Note 3 | 338 | 313 | 1,265 |
| **Operating profit** | Note 2 | **148** | **80** | **318** |
| Net financials | | (48) | (34) | (240) |
| **Profit before tax** | | **100** | **46** | **79** |
| Tax | Note 4 | (25) | (13) | (88) |
| **Net profit** | | **75** | **33** | **(9)** |
| **To be distributed as follows:** | | | | |
| Shareholders of Auriga Industries A/S | | 75 | 23 | (15) |
| Minority interests | | 0 | 10 | 6 |
| | | **75** | **33** | **(9)** |
| **Earnings per share (EPS):** | | | | |
| Earnings per share | | 2.94 | 0.93 | (0.60) |
| Diluted earnings per share | | 2.94 | 0.93 | (0.60) |

# Statement of comprehensive income

| DKKm | Q1 2012 | Q1 2011 | FY 2011 |
|---|---|---|---|
| Net profit for the period | 75 | 33 | (9) |
| **Other comprehensive income** | | | |
| Foreign currency translation adjustment of foreign enterprises | 16 | (26) | (108) |
| Fair value adjustment of financial instruments | (2) | 7 | 5 |
| Other movements | 5 | (1) | 19 |
| **Other comprehensive income** | **19** | **(20)** | **(84)** |
| **Total comprehensive income** | **94** | **13** | **(93)** |

# Cash flow statement

| DKKm | Q1 2012 | Q1 2011 | FY 2011 |
|---|---|---|---|
| Operating profit | 148 | 80 | 318 |
| Depreciation, amortisation, impairment losses and write-downs | 39 | 44 | 177 |
| Other adjustments | 21 | 20 | 0 |
| Change in receivables | (399) | (483) | (208) |
| Change in inventories | (381) | (325) | 71 |
| Change in trade payables | 462 | 253 | 152 |
| **Operating cash flows** | **(110)** | **(411)** | **510** |
| Financial income | 44 | 59 | 356 |
| Financial expenses | (92) | (93) | (596) |
| **Cash flows generated from operations** | **(158)** | **(445)** | **270** |
| Income tax paid | (29) | (22) | (63) |
| **Cash flows from operating activities** | **(187)** | **(467)** | **207** |
| Acquisition of intangible assets | 0 | 0 | (5) |
| Investment concerning intangible assets under development | (46) | (22) | (172) |
| Sale of intangible assets | 0 | 0 | 1 |
| Acquisition of property, plant and equipment | (23) | (10) | (116) |
| Sale of property, plant and equipment | 0 | 0 | 10 |
| Acquisition of financial assets | 0 | 0 | (11) |
| **Cash flows from investing activities** | **(69)** | **(32)** | **(293)** |
| **Free cash flow** | **(256)** | **(499)** | **(86)** |
| Repayment of non-current payables | 0 | (10) | (84) |
| Raising of long-term loan | 192 | 190 | 100 |
| Acquisition of minority interests | 0 | 0 | (88) |
| Dividend paid | 0 | 0 | (61) |
| Sale of treasury shares | 0 | 0 | 20 |
| **Cash flows from financing activities** | **192** | **180** | **(113)** |
| **Change in cash and cash equivalents** | **(64)** | **(319)** | **(199)** |
| Cash and cash equivalents as at January 1 | (645) | (480) | (480) |
| Value adjustment | (1) | 15 | 34 |
| **Cash and cash equivalents, end of period** | **(710)** | **(784)** | **(645)** |

# Balance sheet

| DKKm | 31.03.2012 | 31.03.2011 | 31.12.2011 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 1,027 | 896 | 1,001 |
| Property, plant and equipment | 666 | 651 | 663 |
| Financial assets | 176 | 157 | 179 |
| **Total non-current assets** | **1,869** | **1,704** | **1,843** |
| **Current assets** | | | |
| Inventories | 1,921 | 1,933 | 1,543 |
| Trade receivables | 2,476 | 2,361 | 2,125 |
| Income tax | 8 | 39 | 27 |
| Other receivables | 308 | 333 | 239 |
| Cash | 401 | 159 | 271 |
| **Total current assets** | **5,114** | **4,825** | **4,205** |
| **Total assets** | **6,983** | **6,529** | **6,048** |
| **Equity and liabilities** | | | |
| Equity | 1,998 | 2,094 | 1,904 |
| Minority interests | 10 | 57 | 10 |
| **Total equity** | **2,008** | **2,151** | **1,914** |
| **Non-current liabilities** | | | |
| Credit institutions etc. | 1,715 | 1,286 | 1,522 |
| Deferred tax | 5 | 4 | 5 |
| Other payables | 54 | 55 | 44 |
| **Total non-current liabilities** | **1,774** | **1,345** | **1,571** |
| **Current liabilities** | | | |
| Credit institutions etc. | 1,144 | 1,365 | 948 |
| Trade payables | 1,525 | 1,163 | 1,008 |
| Income tax | 41 | 31 | 42 |
| Other payables | 491 | 474 | 565 |
| **Total current liabilities** | **3,201** | **3,033** | **2,563** |
| **Total liabilities** | **4,975** | **4,378** | **4,134** |
| **Total equity and liabilities** | **6,983** | **6,529** | **6,048** |

# Statement of changes in equity

| DKKm Statement of changes in equity, 2012 | Share capital | Retained earnings | Accumulated fair value adjustments | Accumulated translation adjustments | Proposed dividend | Total | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|
| Equity as at January 1, 2012 | 255 | 1,699 | 9 | (59) | 0 | 1,904 | 10 | 1,914 |
| Net profit for the period | 0 | 75 | 0 | 0 | 0 | 75 | 0 | 75 |
| Other comprehensive income | 0 | 0 | 3 | 16 | 0 | 19 | 0 | 19 |
| **Equity as at March 31, 2012** | **255** | **1,774** | **12** | **(43)** | **0** | **1,998** | **10** | **2,008** |

| DKKm Statement of changes in equity, 2011 | Share capital | Retained earnings | Accumulated fair value adjustments | Accumulated translation adjustments | Proposed dividend | Total | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|
| Equity as at January 1, 2011 | 255 | 1,739 | 6 | 28 | 61 | 2,089 | 49 | 2,138 |
| Net profit for the period | 0 | 23 | 0 | 0 | 0 | 23 | 10 | 33 |
| Other comprehensive income | 0 | 0 | 8 | (26) | 0 | (18) | (2) | (20) |
| **Equity as at March 31, 2011** | **255** | **1,762** | **14** | **2** | **61** | **2,094** | **57** | **2,151** |

# Notes on the financial statements

*Unless otherwise indicated, all figures are stated in DKKm*

**Note 1. Accounting policies**

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

No interim report has been prepared for the parent.

The accounting policies have been applied consistently with the annual report for 2011. The annual report for 2011 contains the full description of the accounting policies applied and the definitions of the stated key figures.

Assumptions and estimates

The preparation of the interim report requires management to make assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The most significant estimates made by management in applying the group's accounting policies, and the most significant uncertainties attaching to these estimates in connection with the preparation of the interim report are the same as for the estimates in connection with the preparation of the annual report for the year ending December 31, 2011.

**Note 2. Segment information**

Regions Q1 2012

| | Europe | North America | Latin America | International | Global activities | Group total |
|---|---|---|---|---|---|---|
| Revenue | 855 | 111 | 314 | 252 | 78 | 1,610 |
| Operating profit | 111 | 18 | 25 | 7 | (13) | 148 |
| Net financials | | | | | | (48) |
| Profit before tax | | | | | | 100 |

Regions Q1 2011

| | Europe | North America | Latin America | International | Global activities | Group total |
|---|---|---|---|---|---|---|
| Revenue | 761 | 73 | 223 | 238 | 98 | 1,393 |
| Operating profit | 83 | 2 | (17) | 11 | 1 | 80 |
| Net financials | | | | | | (34) |
| Profit before tax | | | | | | 46 |

Activities are divided into four geographical regions:
Europe, North America (USA and Canada), Latin America and International (India, Australia, New Zealand, the CIS countries: Russia, Ukraine etc., Asia, the Middle East and Africa). Global activities include Cheminova's sale of fine chemicals, the parent's direct sales to global contract customers and Auriga Ejendomme.

**Note 2. Segment information, continued**

Regions 2011 - Operating profit

| | Europe | North America | Latin America | International | Global activities | Group total |
|---|---|---|---|---|---|---|
| Q1 | 83 | 2 | (17) | 11 | 1 | 80 |
| Q2 | 35 | (2) | 11 | 29 | 43 | 116 |
| Q3 | (29) | 7 | 58 | 43 | (1) | 78 |
| Q4 | (31) | 20 | 61 | 30 | (36) | 44 |
| Total | 58 | 27 | 113 | 113 | 7 | 318 |

With effect from January 1, 2012, the calculated profitability (EBIT) for the segments has been changed. Previously, segment earnings were based on an allocation of fixed costs based on the segments' local earnings. In step with the increased integration of the group's business processes, this allocation is no longer expedient. Consequently, the allocation of fixed costs is now based on the consolidated margin, i.e. earnings in both the producing company and the local company.

Revenue by product groups

| | Herbicides | Insecticides | Fungicides | Other crop protection products | Other activities | Group total |
|---|---|---|---|---|---|---|
| Q1 2012 | 539 | 530 | 315 | 126 | 100 | 1,610 |
| Q1 2011 | 464 | 422 | 259 | 109 | 139 | 1,393 |

**Note 3. Reclassification of costs**

A reclassification of costs between production costs and capacity costs as at December 31, 2011, impacts the comparative figures in the quarterly statements for the individual quarters of 2011.

For Q1 2011, the gross margin is changed from DKK 372 million to DKK 387 million. For Q2 2011, the gross margin is changed from DKK 780 million to DKK 815 million. For Q3 2011, the gross margin is changed from DKK 1,121 million to DKK 1,179 million. The changes do not affect the annual report for 2011, and the changes do not affect EBIT for the group.

**Note 4. Tax**

The taxes payable stated in the income statement of the interim report have been calculated based on the profit before tax and an estimated effective tax rate for the group as a whole for 2012. The estimated effective tax rate for 2012 is 25% (28% as at March 31, 2011).

**Note 5. Contingent liabilities**

There have been no changes in contingent liabilities and contingent assets since the Annual Report for 2011.

**Note 6. Events occurring after the balance sheet date**

No significant events have occurred after the balance sheet date.

# IR-communication

## Annual General Meeting

At the annual general meeting held on April 11, 2012, Jørgen Jensen was elected new member of the Board of Directors, while Jens Due Olsen, Torben Svejgård, Jutta af Rosenborg, Lars Hvidtfeldt and Karl Anker Jørgensen were reelected. The previous Chairman of the Board Povl Krogsgaard-Larsen retired having reached the age of 70.

After the general meeting, the Board of Directors elected Jens Due Olsen as new Chairman of the Board of Directors and Torben Svejgård as new Deputy Chairman. Jutta af Rosenborg was reelected Chairman of the Audit Committee, while Jørgen Jensen was elected new Member of the Audit Committee.

The general meeting adopted the proposal from the Board of Directors that no dividend be paid. The background is a wish to reduce the group's debt and improve the cash resources so as to be able to seize any opportunities for growth supporting the future strengthening of the long-term value creation.

After the annual general meeting the adopted resolutions were released in company announcement no. 5/2012 of April 11, 2012, to be read on the website. Here you can also see a presentation of each board member with information on background and competencies.

## E-news

Sign up for Auriga's email service and get your news on email. Sign up at www.auriga-industries.com.

## Financial calender 2012

| | |
|---|---|
| *Silent period* | *26.07-23.08.2012* |
| Interim financial report, 1st half 2012 | 23.08.2012 |
| *Silent period* | *18.10-15.11.2012* |
| Interim financial report, 3rd quarter 2012 | 15.11.2012 |

## Company announcements 2012

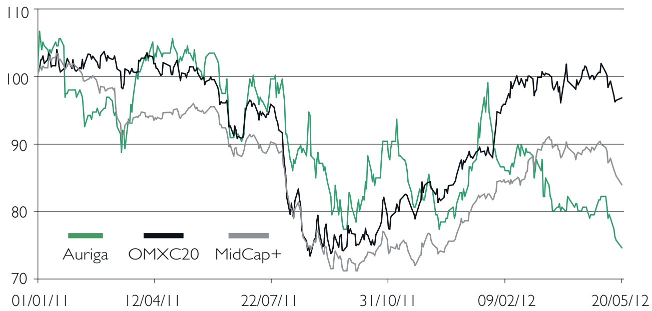
| | | | |
|---|---|---|---|
| No. | 1 | Preliminary financial highlights for FY 2011 | 27.01.2012 |
| No. | 2 | Annual report 2011 | 14.03.2012 |
| No. | 3 | Notice convening annual general meeting 2012 | 14.03.2012 |
| No. | 4 | Reporting of transaction in Auriga securities by a primary insider | 04.04.2012 |
| No. | 5 | Proceedings at annual general meeting 2012 | 11.04.2012 |
| No. | 6 | Articles of association for Auriga Industries A/S | 20.04.2012 |

## Shareholder service

**VP Investor Services A/S**
Weidekampsgade 14
2300 København S., Denmark
Tel. +45 43 58 88 66

The interim report has been prepared in Danish and English. The Danish version is prevailing in case of misunderstandings arising out of the English translation.

## Indexed share price development January 1, 2011 - May 21, 2012




## Registration of shares in Auriga Industries A/S

Shareholders may register their holdings of Auriga shares by contacting the bank where the shares are held.

Shareholders registered by name enjoy the following advantages:

- You can exercise your rights as a shareholder and attend Auriga's general meeting.
- You receive Auriga's shareholder letter 1-2 times a year with ordinary mail, unless subscription to this service is cancelled.
- You have access to Auriga's InvestorPortal via www.auriga.dk (Danish website) and www.auriga-industries.com (English website).

In the InvestorPortal, registered shareholders can see their holdings of Auriga shares and change subscription to shareholder letters, annual reports, interims reports and notices of general meetings. You can subscribe to delivery by ordinary mail.

## Contact investor relations

**Kurt Pedersen Kaalund**
President & CEO
Direct: +45 96 90 91 00
Mobile: +45 40 80 99 01

**Jens Ole Jensen**
Vice President
Direct: +45 96 90 92 01
Mobile: +45 40 80 99 40

**Lene Faurskov**
IR Manager / PA to CEO
Direct: +45 96 90 92 04
Mobile: +45 41 64 05 04

idworks.dk · 0512 · 5964


## AURIGA INDUSTRIES A/S

P.O. Box 9
DK-7620 Lemvig
Telephone: +45 7010 7030
Fax: +45 7010 7031
Registered address: Finlandsgade 14, DK-8200 Århus N

Email: investor@auriga.dk
www.auriga.dk
www.auriga-industries.com

CVR no. 34 62 92 18

Visiting address:
Thyborønvej 78, DK-7673 Harboøre

## CHEMINOVA A/S

Thyborønvej 78
DK-7673 Harboøre
Telephone: +45 9690 9690
Fax: +45 9690 9691

Email: info@cheminova.dk
www.cheminova.dk
www.cheminova.com

CVR no. 12 76 00 43


## AURIGA'S LOGO

**- is stellar!**

Auriga's logo is inspired by the Auriga constellation and the decorative motif from Greek antique vases depicting a charioteer with his horses - dynamic and moving forward!

The charioteer is a much-loved motif and character. You see the charioteer standing in his chariot clutching his reins – dynamic, moving forward and in full control of the situation. As regards the Auriga group, most people will see the logo as representing the parent company with the many subsidiaries worldwide, all working hard and pulling together.