

# AURIGA INDUSTRIES A/S



## COMPANY PRESENTATION

ROADSHOW

JUNE 2011



>> Satisfactory improvements on objectives and strategic focus areas

# Agenda

- **Introduction:**
  - **Investment case highlights**
  - **Significant crop protection products**
  - **Key growth drivers**
- Strategic results
- Financial results
- Outlook and guidance
- Supplementary information

# 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.

# Key growth drivers

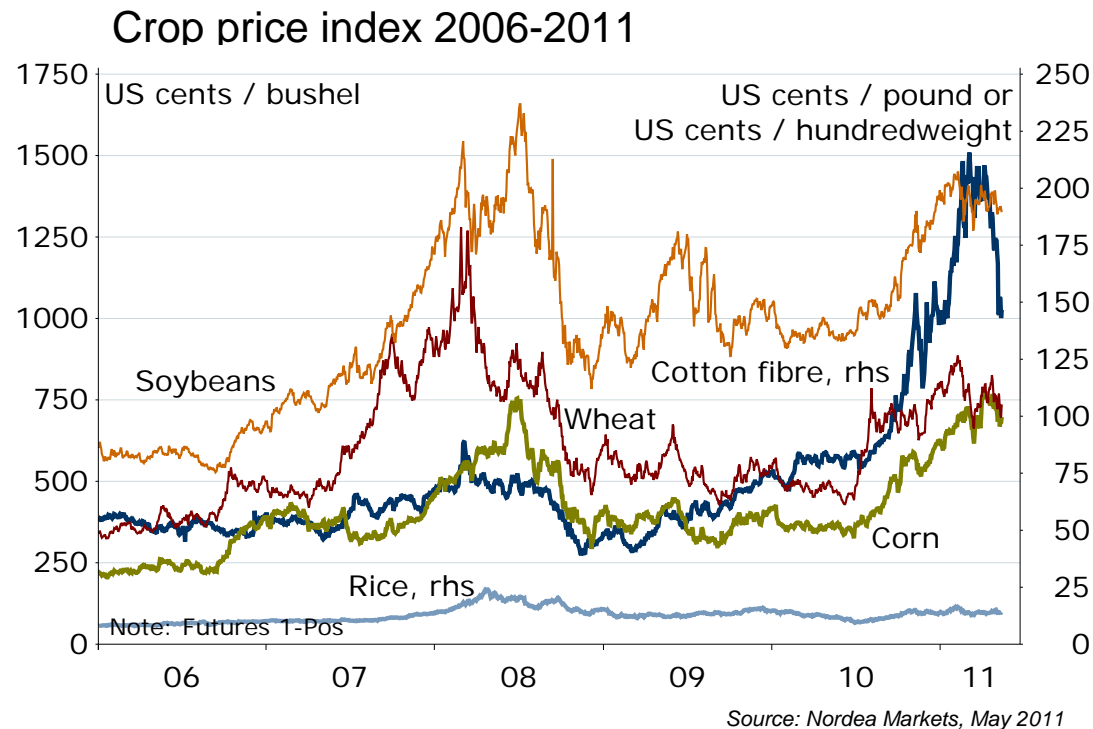
- Identification, development and registration of several new products.
- Introduction of these products in several new markets.
- Increased market share over time for new products.
- Reduction of the glyphosate share of revenue to 10%.
- Add-on acquisitions of products, activities and companies.

# Agenda

- Introduction
- **Strategic results:**
  - **Market situation**
  - **Transformation of product portfolio**
  - **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

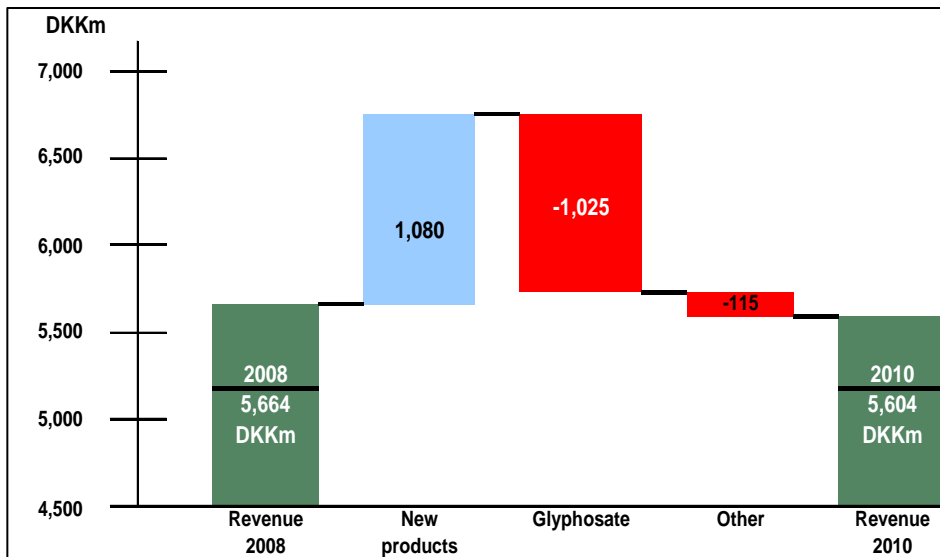
# Market situation

- High agricultural commodity prices leading to increased demand for crop protection.
- Normal climatic conditions in Q1 2011 contrary to Q1 2010.
- Market growth of approx. 10% in Q1 2011.
- Competitive pressure unchanged but prices have stabilized.
- Selective price increases to counter high energy and raw materials costs.

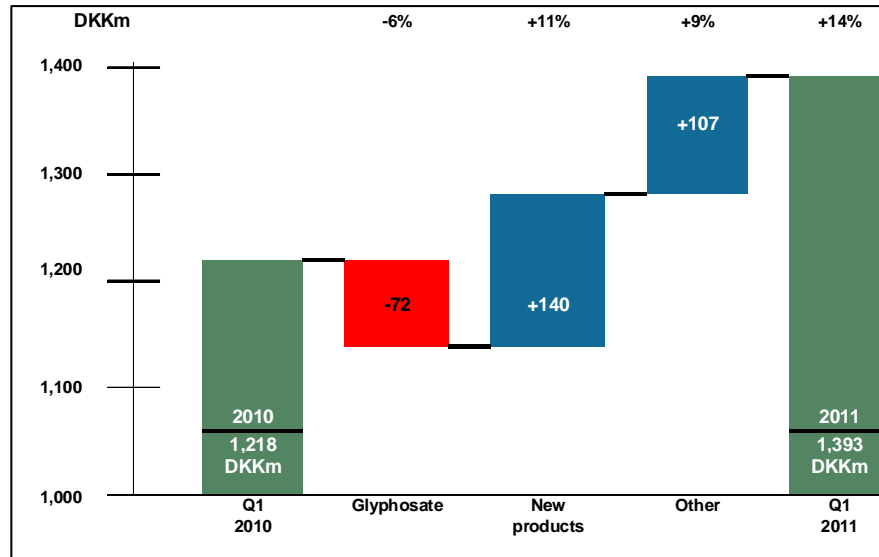


# Transformation of product portfolio

Sales development 2008-2010



Sales development Q1 2010-Q1 2011



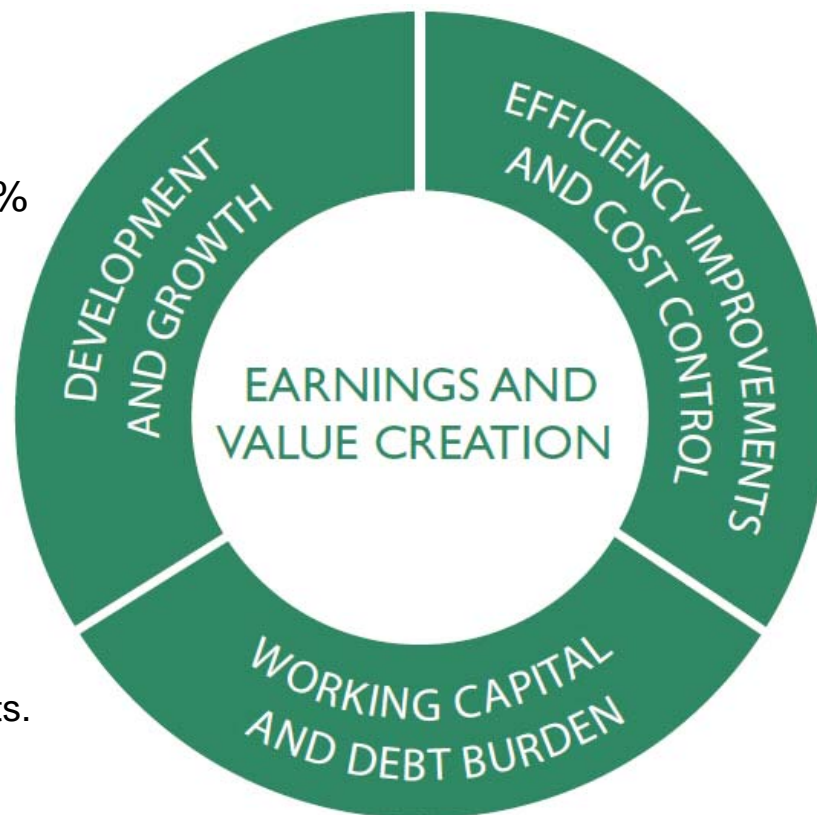
# Objectives and strategic focus areas

## 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

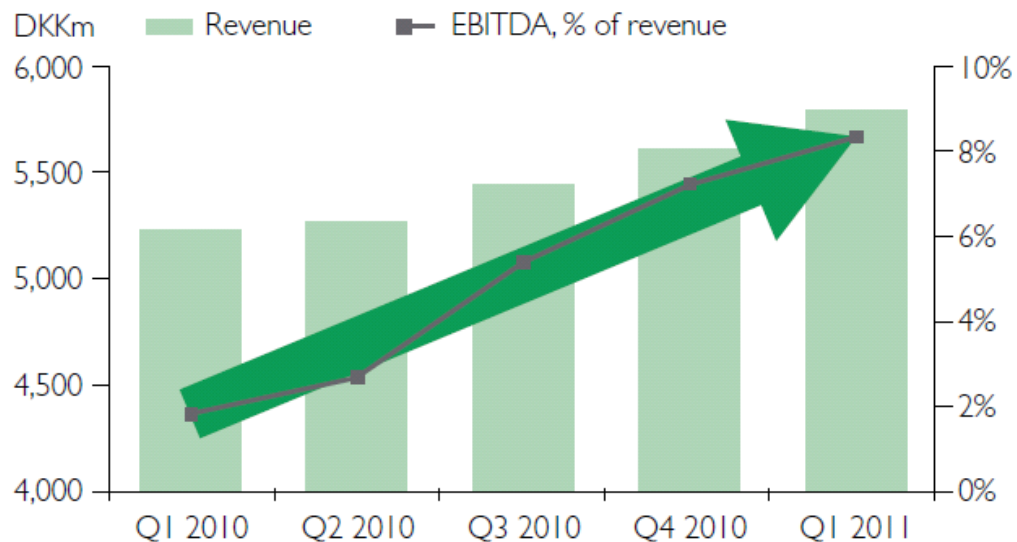
➤ **Improved performance on strategic focus areas to generate continuous increase in earnings and value creation.**

➤ **Earnings (EBITDA %)**

- Q1 2011: 8.9%
- Q1 2010: 4.0%

➤ **Value creation (ROIC %)**

- Q1 2011: 4.5%
- Q1 2010: neg.



*Graphs are based on 12 months' rolling data*

# Development and growth

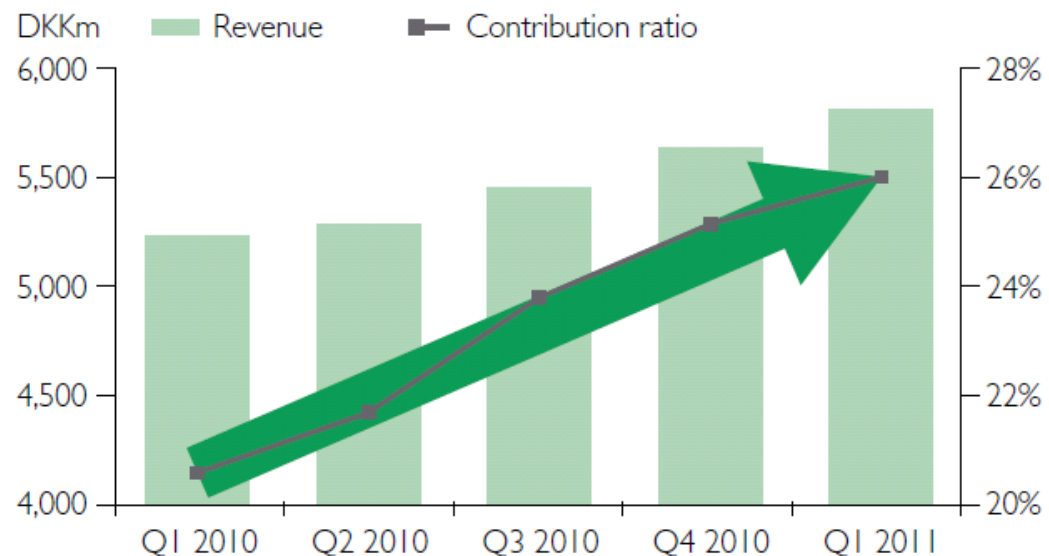
➤ **Increased revenue from new products and improved product portfolio to generate growth and increased average contribution ratio.**

➤ **Revenue growth**

- Q1 2011: +14%
- Q1 2010: -15%

➤ **Gross margin**

- Q1 2011: 26.7%
- Q1 2010: 22.5%



*Graphs are based on 12 months' rolling data*

# Efficiency improvements and cost control

➤ **Continuous improvements, LEAN and scale effects.**

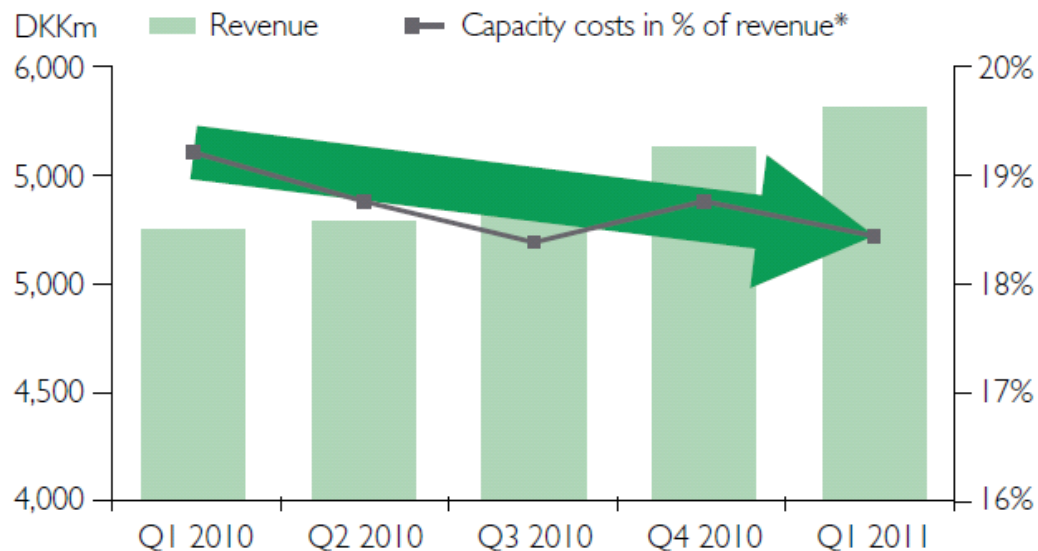
➤ **Capacity adjustment in Q1.**

➤ **Net fixed costs increase**

- Non-recurrent severance pay.
- Increased activity level.
- Foreign exchange rates.

➤ **Net fixed costs ratio decline**

- Q1 2011: 19.6%
- Q1 2010: 21.4%



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

Graphs are based on 12 months' rolling data

# Working capital and debt burden

➤ Targeted and dedicated efforts to reduce working capital.

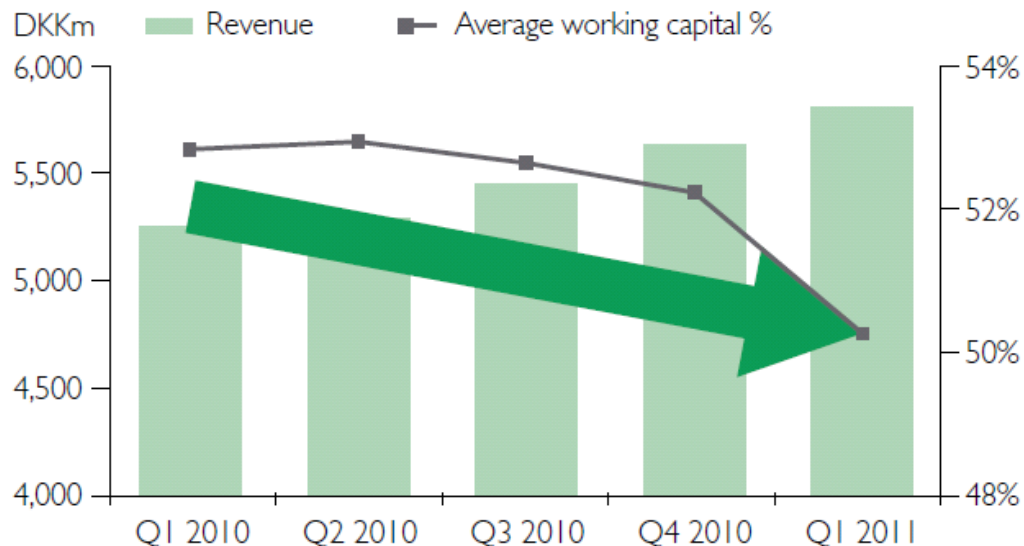
➤ Significant results especially on inventories and payables.

➤ Net working capital

- Q1 2011: 50.9%
- Q1 2010: 59.2%

➤ Debt burden (NIBD/EBITDA)

- Q1 2011: 5.1
- Q1 2010: 27.1



*Graphs are based on 12 months' rolling data*

# Agenda

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

# Income statement

- Total revenue growth 14% (12% CER).
- Positive development in product mix has improved gross margin in spite of high raw material and energy costs.
- Fixed costs impacted by severance pay, high activity level and exchange rates.
- Capitalized development and registration costs of DKKm 18 (DKKm 7).
- Finance costs of DKKm 34 (DKKm 20) - increase due to exchange rates and higher average debt.

DKKm	Q1 2011	Q1 2010	2010
Revenue	1,393	1,218	5,604
Gross profit	372	274	1,403
EBITDA	124	48	409
EBIT (operating profit)	80	3	215
Profit before tax	46	(15)	58
Gross margin	26.7%	22.5%	25.0%
EBITDA margin	8.9%	4.0%	7.3%
EBIT margin	5.8%	0.3%	3.8%

## Balance sheet: Assets, equity and liabilities

- Working capital DKKm 147 lower than Q1 2010.
- Net interest-bearing debt of DKKm 2,478 of which 54% in foreign currency.
- Equity improved DKKm 106 to DKKm 2,151 equal to 33% of balance.
- Debt burden (NIBD/EBITDA) reduced to 5,1 (27,1).

### Balance sheet: Assets

DKKm	Q1 2011	Q1 2010
Non-current assets	1,704	1,447
Inventory	1,933	1,964
Receivables	2,733	2,565
Cash	159	288
Total assets	6,529	6,264

### Balance sheet: Equity and liabilities

DKKm	Q1 2011	Q1 2010
Equity	2,151	2,045
Interest-bearing debt	2,651	2,776
Payables	1,727	1,443
Total liabilities	6,529	6,264

# Cash flow

- Operating cash flow of DKKm -467 (DKKm -503).
- Total investments of DKKm 32 (DKKm 43).
- Available credit facilities of DKKm 800 out of DKKm 3,200 total facility.

DKKm	Q1 2011	Q1 2010
<b>Net profit</b>	33	(10)
Depreciation, amortisation and impairment losses	44	45
Adjustments	33	(64)
Change in working capital	(555)	(535)
Income taxes paid	(22)	61
<b>Cash flow from operating activities</b>	<b>(467)</b>	<b>(503)</b>
Investments	(32)	(43)
<b>Available cash flow</b>	<b>(499)</b>	<b>(546)</b>

# Agenda

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

# Outlook 2011 – Assumptions

- Crop prices remain high creating good demand for crop protection.
- Energy and raw material costs remain high in 2011.
- Competitive environment unchanged.
- Exchange rates at current level.
- Normal business, 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.

# Contact Investor Relations

Kurt Pedersen Kaalund  
President & CEO  
Tel.: +45 7010 7030  
[investor@auriga.dk](mailto:investor@auriga.dk)



Jens Ole Jensen  
Vice President  
Tel.: +45 7010 7030  
[investor@auriga.dk](mailto:investor@auriga.dk)

## 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:
- Strategic results
- Financial results
- Outlook and guidance
- **Supplementary information:**
  - **Market position and development**
  - **Corporate presentation**

# 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.

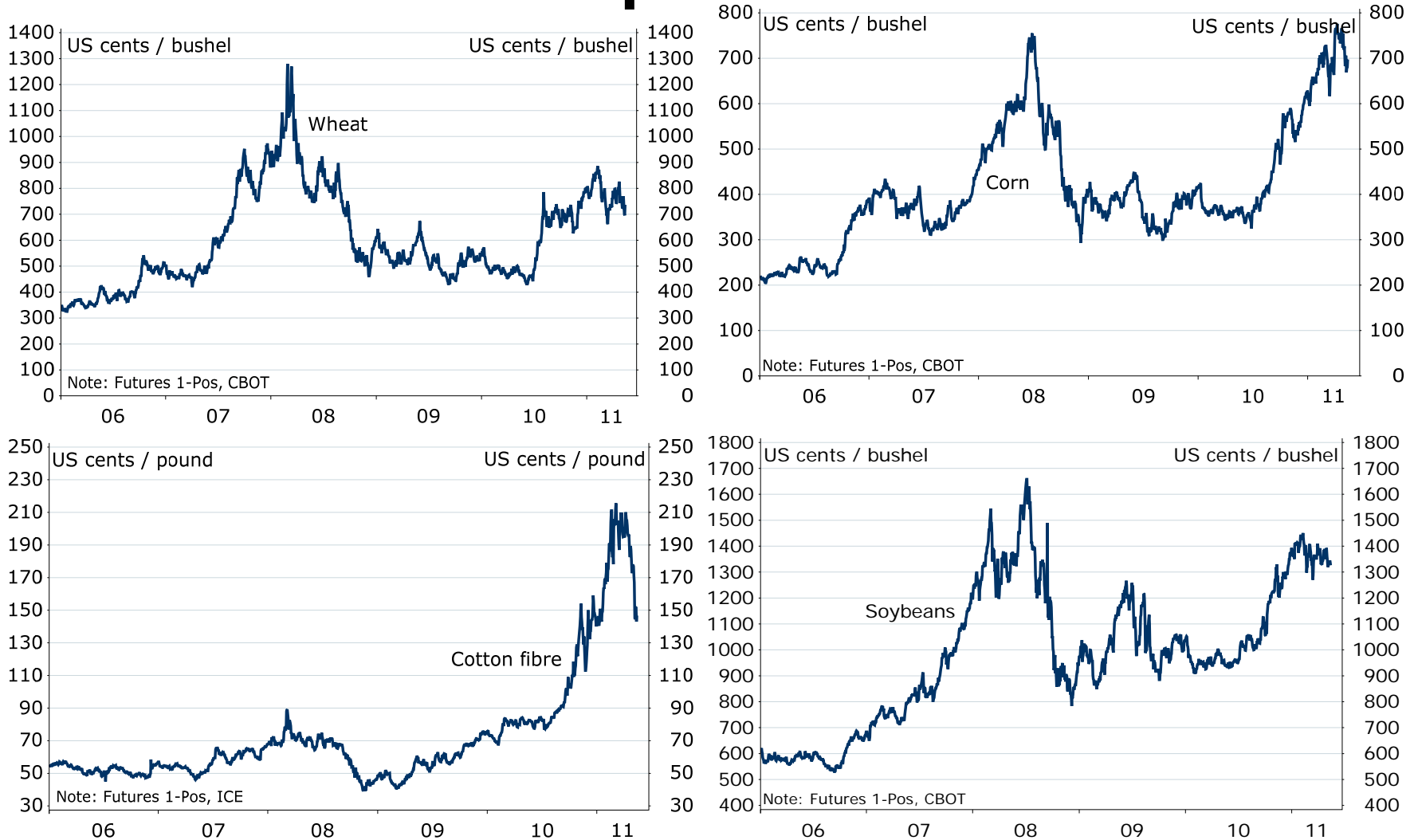
## Tier III companies:

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

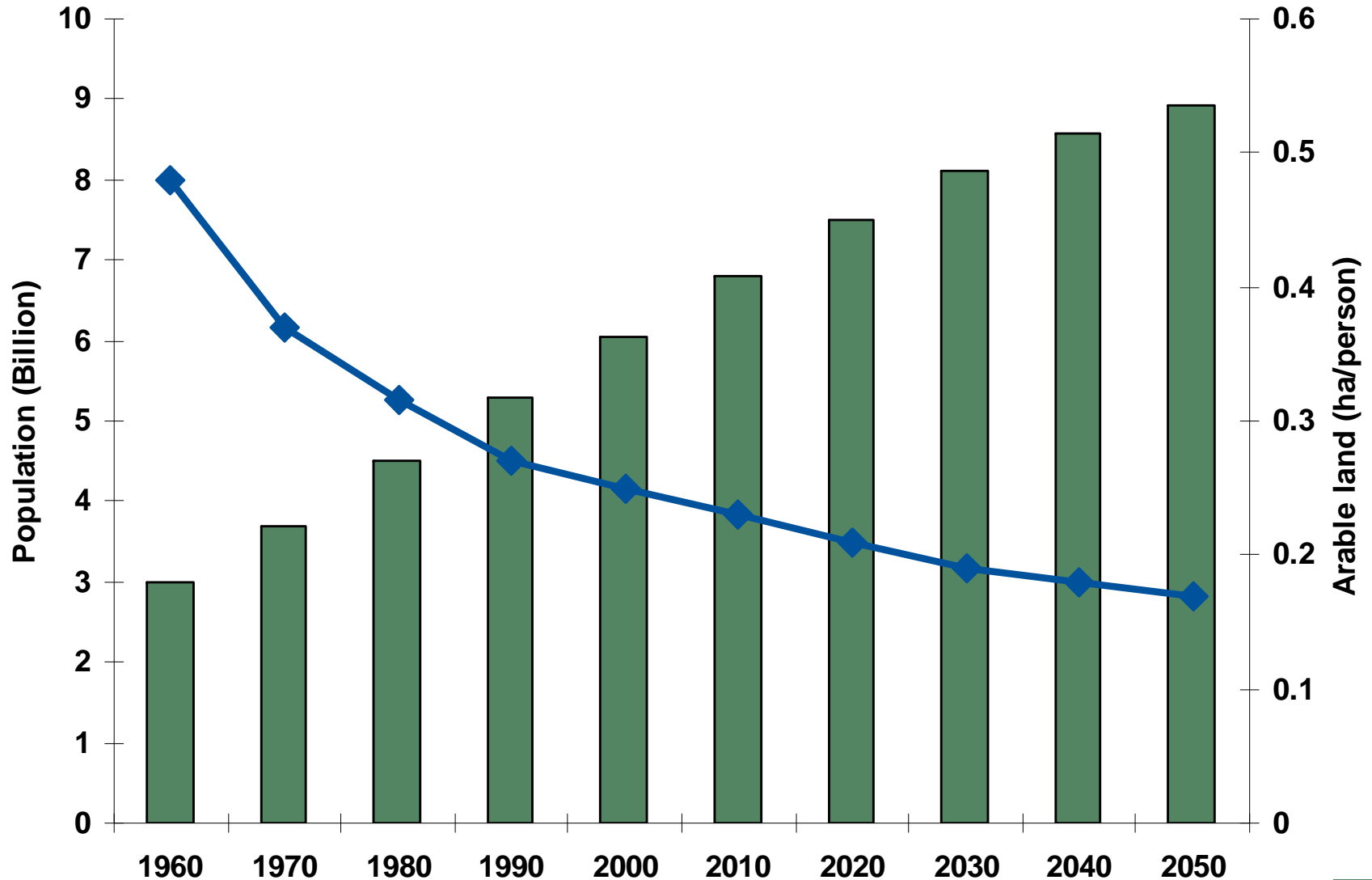
# Market & industry development

- **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%) last 10 years..
  - Higher annual average growth (3-4%) from 2007.
  - Strong growth of approx. 10% in Q1 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.

# Soft commodities prices

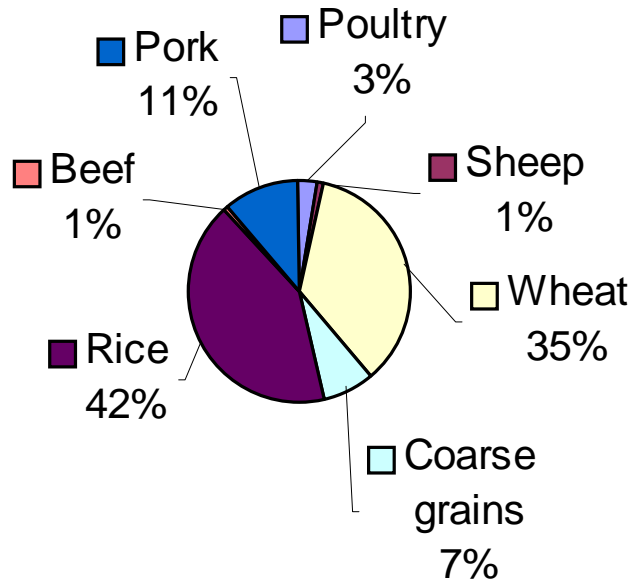


# Arable land per cap vs. population

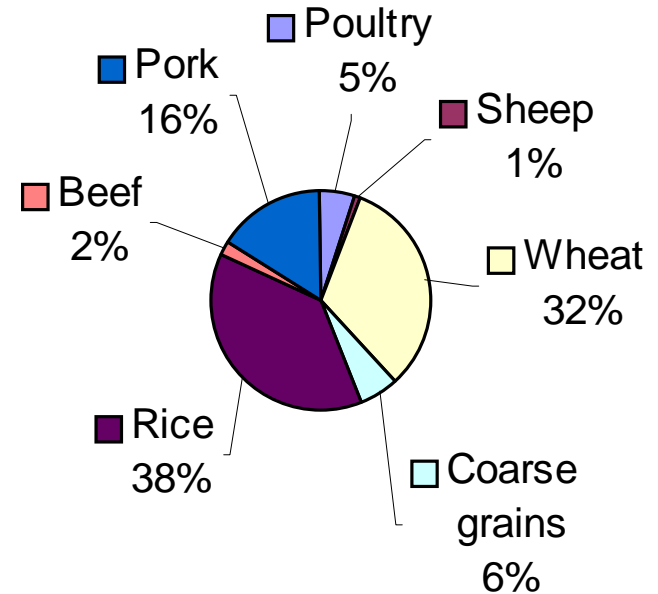


# Chinese diets are shifting

1997

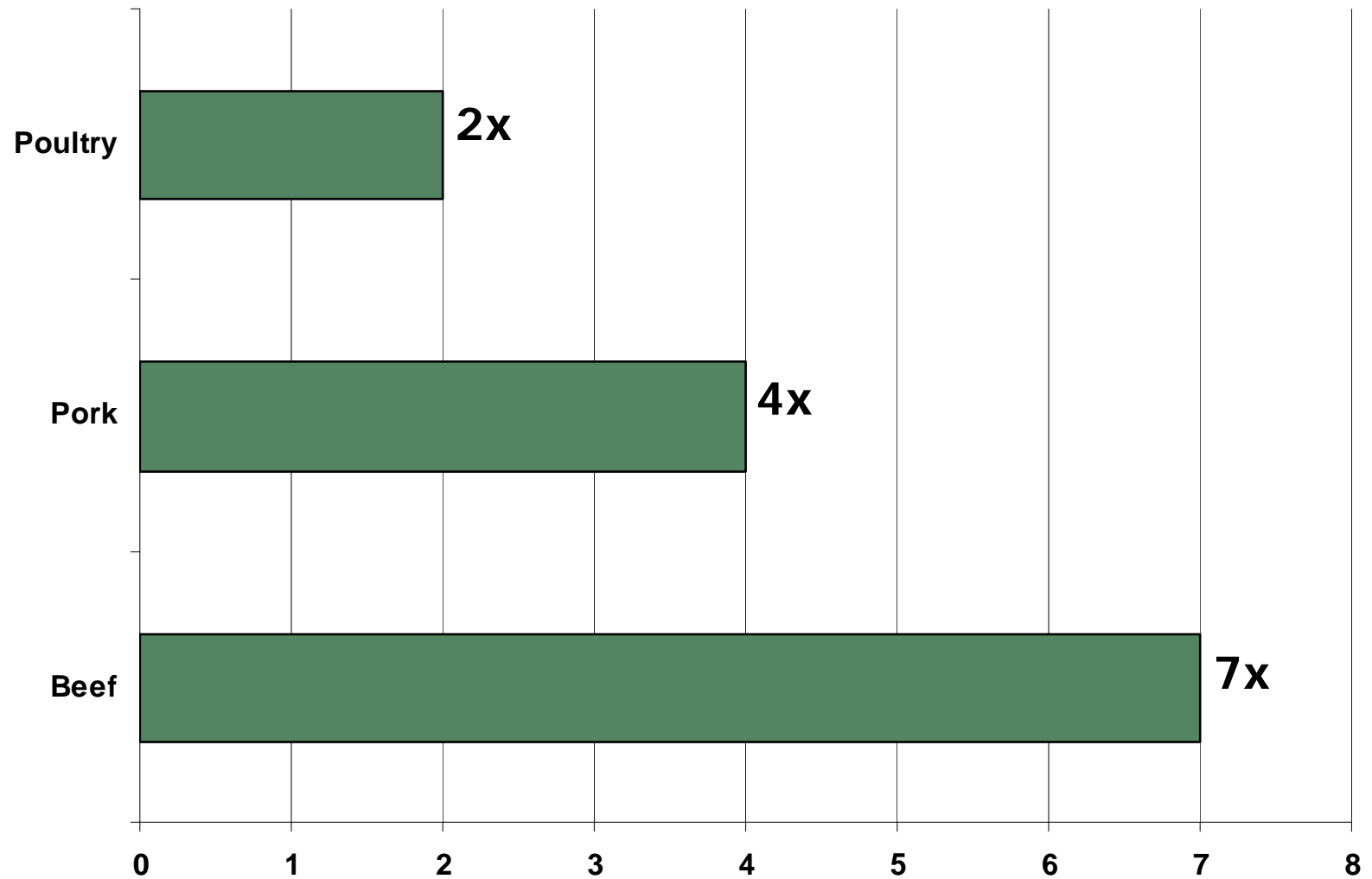


2008



- 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





## 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

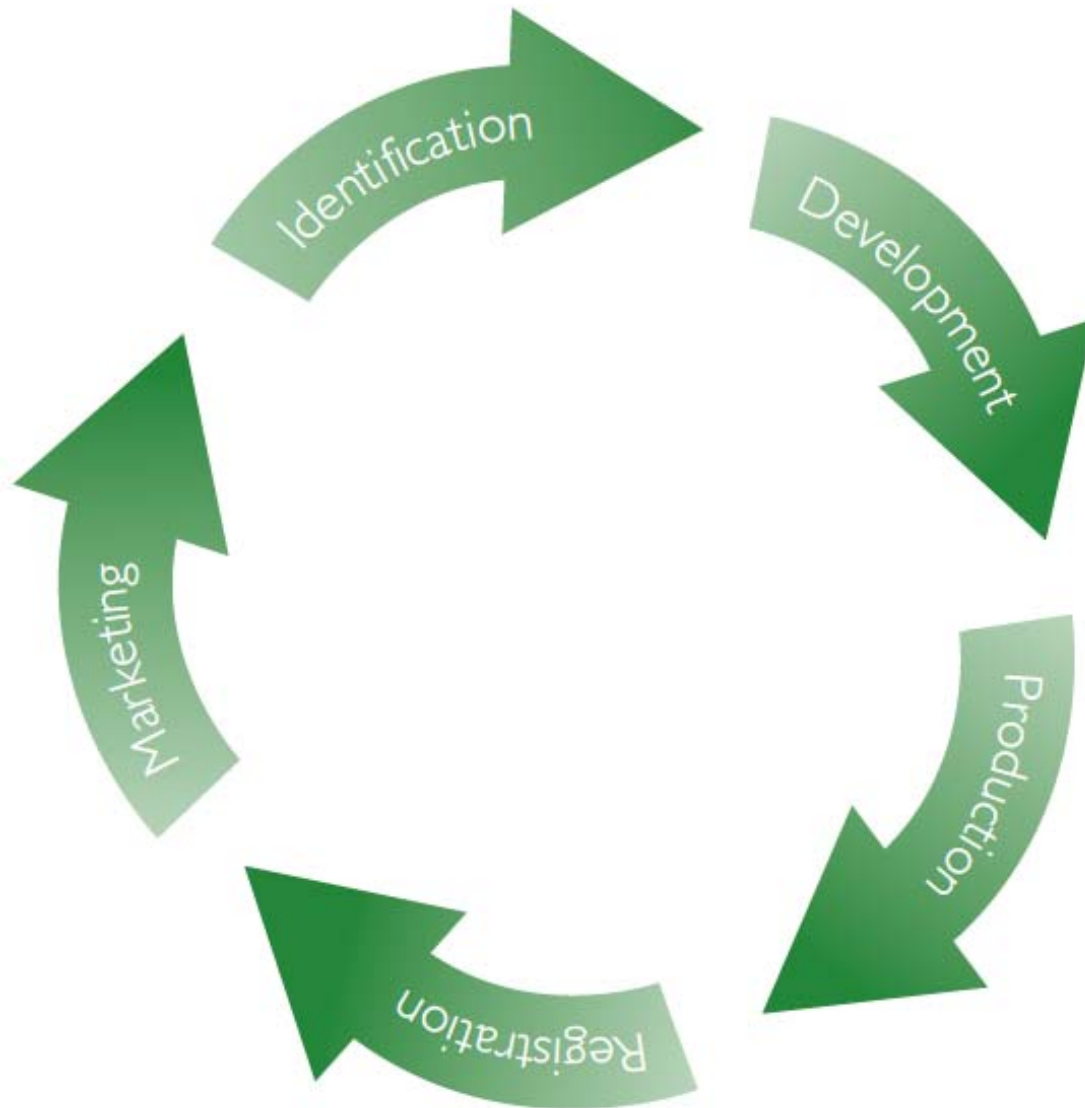
We create results for our customers by being a sustainable and innovative world-class supplier of a broad range of quality crop protection products. Value creation shall match the best among peer companies to the benefit of all stakeholders.



## Værdier

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

# 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.

# Employees in more than 30 countries



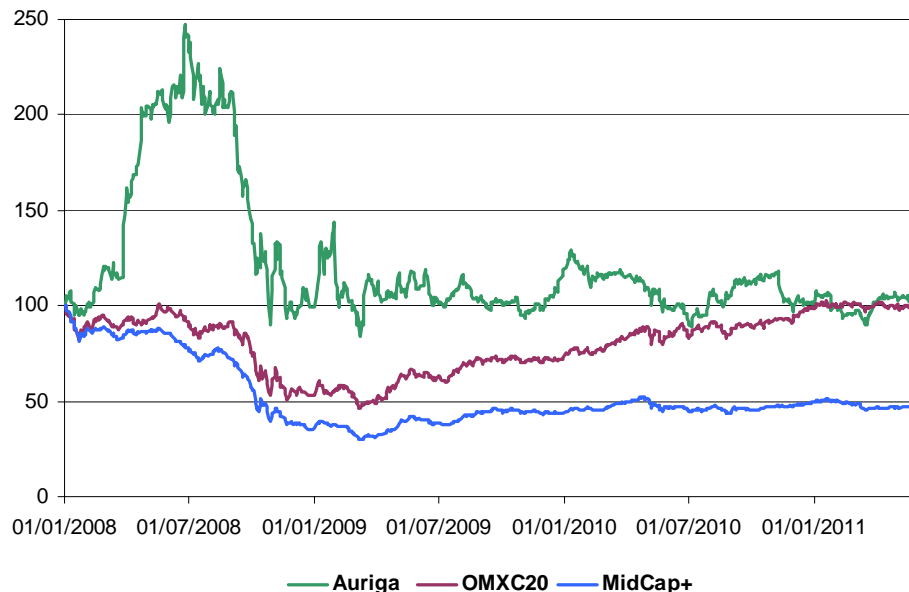
# Historic financial performance

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

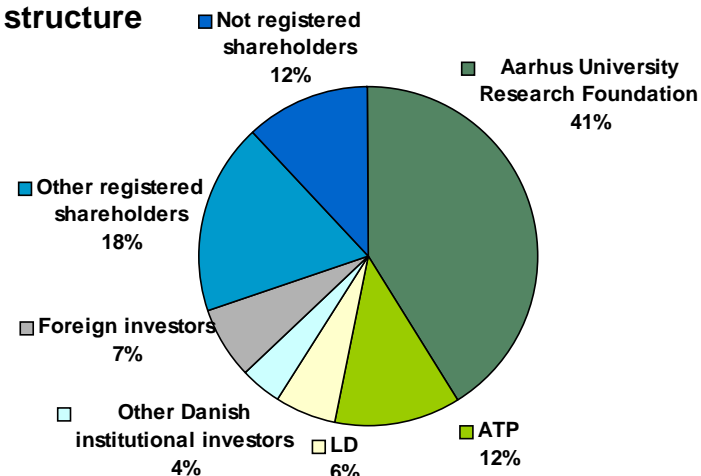
# Ownership and shareprice

- Market value:  
Approx. DKK 2.4 bn.  
(at shareprice 95).  
*(May 31, 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

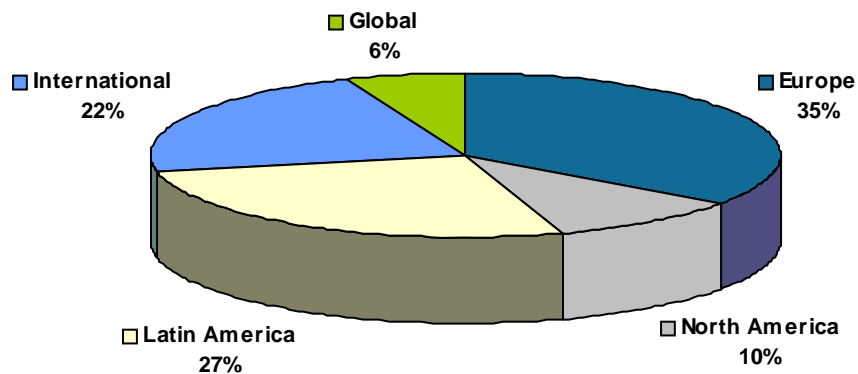


Ownership structure



# Region and product split – 2010

Crop protection – Cheminova regions



Crop protection – Cheminova products

