MANAGEMENT'S REVIEW

Objectives and strategy

It is the overall objective of Auriga to ensure long-term value creation for the benefit of the company's shareholders and all other stakeholders. Cheminova's Business Plan "Five-in-Fifteen" outlines how the company will, through development and growth, achieve a substantial improvement in earnings. A number of new products must be developed and introduced in the market, which means that growth is mostly organic, but acquisitions of complementary products, companies and activities will also contribute to fulfilling the objective. Earnings must be improved through a strengthening of the product programme, achievement of economies of scale and through general efficiency improvements, thereby bringing earnings in line with the best among peers.

In 2009, the market for crop protection products fell by up to 10% after record growth in 2008. Cheminova has for years been gaining market share and continued to do so in 2009. This was achieved through growth of almost 20% from new products, including in particular products based on Cheminova's own development activities. Thus, traditional products now account for just half of the company's total revenue from crop protection products. Development and growth generated by new products form the basis of the Business Plan "Five-in-Fifteen", and these developments are therefore very satisfactory.

The market for the herbicide glyphosate developed negatively in 2009, with market prices falling back to historically normal levels. In 2009, this resulted in revenue from crop protection products being on a par with 2008, showing only a slight increase when measured at unchanged exchange rates. On account of recuced sales of fine chemicals products, the group's consolidated revenue for 2009 thus declined by 4% when measured in Danish kroner.

DIVIDEND POLICY

Auriga's shareholders obtain attractive, long-term returns via a combination of dividend distribution and a positive price development for the share. When determining the level of the future dividend, the possibilities for continued development and growth in Cheminova are taken into account in accordance with the Business Plan "Five-in-Fifteen".

The intention is to distribute at least DKK 2.40 per share each year and to supplement this with an extraordinary dividend such that 35% of the profit after tax and minority interests is distributed as dividend to the shareholders each year.

The price erosion for the company's largest product, glyphosate, which accounts for 25% of revenue, has in fact meant that inventories purchased at high cost prices have in some instances had to be sold at a loss. As a result, glyphosate did not generate any contribution margin for the year. With normal margins for this product, the contribution margin would have been approx. DKK 200 million higher. This is the main reason for the company's unsatisfactory operating results for 2009.

Income, balance sheet and cash flow

Even though the results posted for 2009 are not satisfactory, the group lived up to the outlook announced in the interim report for Q3 2009 of revenue of approx. DKK 5,500 million and an operating profit of approx. DKK 10-50 million as well as a positive cash flow from operating activities.

Consolidated revenue

The decline in the market for crop protection products in 2009 is primarily attributable to the considerable price erosion for glyphosate starting in June 2009, a late season in Europe and North America resulting in low levels of fungal and insect infestation, drought in southern Latin America and the consequences of the financial crisis.

Despite increasing revenue in Q4 2009, Auriga's revenue for 2009 declined by 4% to DKK 5,437 million (DKK 5,664 million). Measured at unchanged exchange rates, revenue would have been down by 2%. Even though the USD settlement price for 2009 was higher than the year before, the impact from changes in exchange rates on revenue was generally negative due to developments in other currencies.

Gross profit

The gross profit totalled DKK 1,185 million (DKK 1,722 million), corresponding to a gross margin of 21.8% against 30.4% in 2008.

The lower gross margin for 2009 is primarily attributable to the price erosion for Cheminova's largest product, glyphosate, but other products, including fine chemicals products, also saw an increasing pressure on prices in a declining market. At the same time, the production economy was affected by reduced capacity utilisation while, on the other hand, lower raw materials and energy prices (natural gas) had a positive impact.

Costs

Despite 100% consolidation of Stähler from March 1, 2009, costs were maintained at 2008 levels. The whole organisation has demonstrated caution, created improvements and cut costs, but the costs incidental to securing future development and growth have been maintained.

Sales and distribution costs were DKK 696 million (DKK 673 million), corresponding to 12.8% of revenue against 11.9% last year, as the sales organisations have been strengthened in several markets, and Stähler is fully consolidated for most of the year.

Administrative expenses were DKK 270 million (DKK 304 million), corresponding to 5% of revenue against 5.4% in 2008. Last year, administrative expenses were affected by an extraordinary impairment of DKK 20 million on the property in Taastrup, Denmark.

At DKK 255 million (DKK 252 million), development and registration costs were on a par with 2008 and amounted to 4.7% of revenue.

Operating results

An operating profit before amortisation and depreciation (EBITDA) of DKK 197 million (DKK 712 million) was posted, corresponding to an EBITDA margin of 3.6% (12.6%). After depreciation and amortisation of DKK 186 million, an operating profit (EBIT) of DKK 11 million (DKK 515 million) was realised, corresponding to an EBIT margin of 0.2% (9.1%).

Net financials

Financial expenses were up at DKK 125 million (DKK 114 million), primarily due to higher interest-bearing debt. Of the financial expenses, foreign currency translation adjustments account for DKK 28 million (DKK 21 million), while the rest are attributable to interest expenses.

A net profit of DKK 7 million (DKK 1 million) from the associate Damolin A/S has been recognised.

Profit before tax

Auriga posted a loss before tax of DKK -107 million against a profit of DKK 402 million in 2008.

Balance sheet

Following the full consolidation of Stähler, the balance sheet total increased by DKK 506 million to DKK 5,638 million (DKK 5,132 million).

Equity

Equity was down DKK 135 million at DKK 2,075 million (DKK 2,210 million) and amounted to 36.8% (43.1%) of the balance sheet total at the end of the year. Equity has been reduced by the net loss for the year of DKK -66 million and dividend distributed in respect of 2008 of DKK 147 million, while foreign exchange adjustments etc. of DKK 78 million have been added.

Net interest-bearing debt

In 2009, consolidated net interest-bearing debt increased by DKK 423 million to DKK 1,909 million (DKK 1,486 million), with approx. 23% of the debt being fixed-interest. The increase is primarily attributable to the investment in Stähler. At the end of 2009, the gearing of net interest-bearing debt to EBITDA was 9.7 against 2.1 last year.

Cash flows

In 2009, a positive cash flow from operating activities of DKK 299 million (DKK -342 million) was realised, which is better than expected. After investments of DKK 373 million (DKK 378 million), of which an amount of DKK 203 million pertains to acquisitions, the free cash flow was DKK -74 million (DKK -720 million).

Capital resources

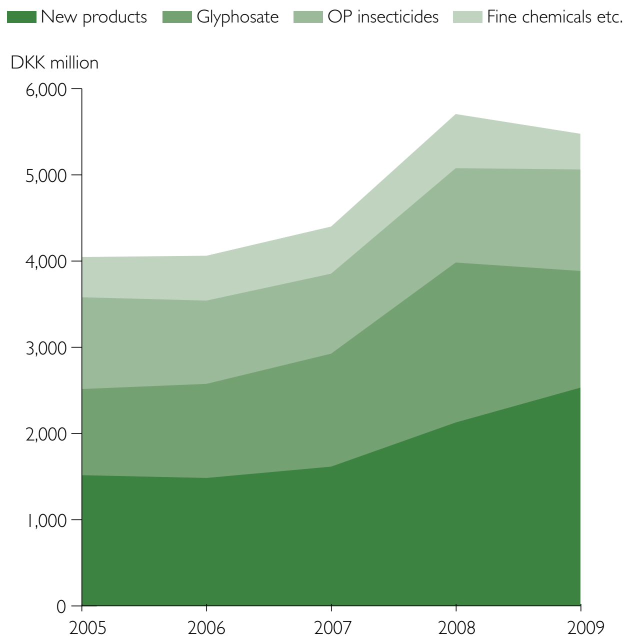
At the end of 2009, the group had credit facilities of DKK 2.8 billion, including approx. DKK 1 billion in the form of committed facilities and approx. DKK 0.7 billion of unutilised facilities.

After the end of the financial year, the group has increased its combined credit facilities to DKK 3.2 billion, with promises of DKK 2 billion as committed facilities.

Market conditions and sales

Cheminova is active in the global market for crop protection products, and only a small share of revenue (7%) comes from outside this area of activity. An increasing share of revenue is made up of new products introduced after 2000, and traditional products now account for 50% of revenue. The company's development is therefore very dependent on developments in the general market for crop protection products and on the ability to identify, develop and introduce new products.

Revenue development 2005-2009



Market conditions

After strong growth in 2008, the sector saw a decline in 2009. This is attributable, among other things, to a fall in the glyphosate price, climatic conditions and the consequences of the global financial crisis. Demand for agricultural crops is still increasing, and the fundamental growth potential for the sector is unchanged. A late season in Europe and North America with low levels of fungal and insect infestation and drought in southern Latin America early in the year led to a falling demand for crop protection products. As a result of the financial crisis, it has been much harder for farmers and distributors in several countries to obtain financing, and the sector has had to display considerable caution with the extension of credit. Falling prices for the biggest product, glyphosate, and intensifying competition in, for example, Brazil also contributed to a falling market.

Sales

Having won market share in a strongly growing market in 2008, Cheminova also succeeded in improving its market share in a falling market in 2009. This means that the company's market share now exceeds 2.5% of the world market. Growth has primarily been driven by new products, including in particular products based on the company's own development activities. Products acquired in recent years have also developed satisfactorily with healthy growth.

Region Europe

Since March 1, 2009, when Cheminova increased its ownership share from 50% to the current 75%, the Stähler group has been fully consolidated in the consolidated financial statements. This has resulted in growth, and revenue for the region now amounts to DKK 1,822 million, corresponding to one third of the company's sales.

Earnings in the region are affected by lower prices for glyphosate and higher fixed costs following the Stähler consolidation. New products developed very satisfactorily with increasing sales of especially the fungicides epoxiconazole and tebuconazole and the selective herbicide nicosulfuron for use in maize. Market access in Europe has been further strengthened following the establishment of direct representation in countries such as Greece, Portugal and Serbia.

Region ANZAC

Developments in the market for glyphosate particularly impacted Region ANZAC, which comprises major glyphosate markets such as the USA, Canada and Australia. Firstly, a lot of the subsidiaries' business in these countries is based on glyphosate, and secondly, the late season in North America meant that inventories purchased at high prices had to be sold at a loss in some instances. New products, including in particular the insecticide gamma-cyhalothrin, saw very satisfactory developments. At DKK 1,146 million, revenue was slightly lower than previous years, but earnings were negative due to developments within glyphosate. Market access in the region has been improved following the acquisition of the company's own formulation and packaging facility in Australia and a strengthening of the organisations in North America.

Region Latin America

Access to larger volumes of glyphosate in Brazil for the 2009/10 season compensated for the negative price developments for the product. Growth from several new products, including the fungicide fluazinam, made a positive contribution, while sales of products distributed for third parties were reduced as a result of a restrictive credit policy. At DKK 1,389 million, total sales were unchanged relative to 2008, while earnings were negative due to developments in exchange rates and intensifying competition. Market access in Latin America has been strengthened through direct representation in Chile and a restructuring of the business foundation and organisation in the company in Colombia.

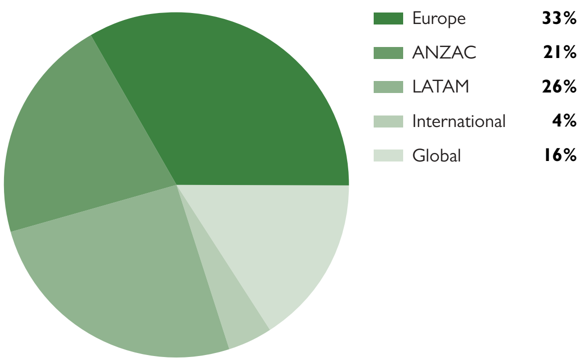
Region International

As a consequence of the global financial crisis, the generally restrictive credit policy in the region and especially in the CIS states means that sales have been focused on products with high earnings. Revenue thereby fell to DKK 227 million, while earnings were positive. Market access in the region is currently being strengthened through direct representation in several countries, most recently in Thailand and East Africa.

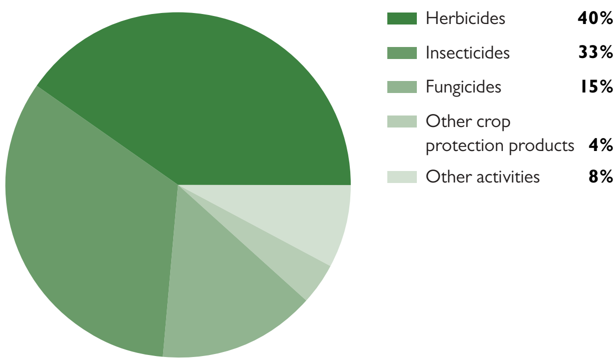
Global activities

The company in India saw new growth and very satisfactory results. The product programme is undergoing strong

Revenue, regions 2009



Revenue, products 2009



development, and several new products have been introduced to replace the Class I products which are being phased out. Fine chemicals products account for a falling share of activities and accounted for approx. 5% of revenue in 2009. All in all, revenue declined to DKK 853 million.

Products

Due to market developments for glyphosate, herbicides accounted for a falling share of 40% of sales. The new selective herbicides are developing satisfactorily and are seeing strong growth. Focus is increasingly on the development and sale of mixtures containing glyphosate as a way to combat glyphosate resistance problems. Additionally, sales of mixtures allow Cheminova to offer more differentiated products to farmers.

Insecticides accounted for 33% and an increasing share of revenue. This is, among other things, due to continuing positive developments for gamma-cyhalothrin and several other new products. The traditional OP insecticides still account for a substantial share of sales, even though the Class I products have largely been phased out in accordance with the phase-out plan.

Fungicides account for 15% and an increasing share of sales in step with the expansion of the product programme. New products such as epoxiconazole, tebuconazole and fluazinam still contribute growth, while flutriafol has developed satisfactorily despite a falling market share in the market for the Asian rust fungal disease in Brazil.

Sales of other crop protection products comprise, among other things, micronutrients based on products from the subsidiary Headland and the growth regulator trinexapac, which has now been introduced in the first markets. Sales of other crop protection products are increasing and accounted for 4% of total sales. Other activities include sales of fine chemicals products etc. and in total account for 8% of sales.

Production and logistics

Cheminova's production of active ingredients takes place at the factories in Denmark and India, while micronutrients are produced by the subsidiary Headland in the UK. Moreover, packaging and formulation activities take place in both Denmark and at the group's subsidiaries in India, Australia, Germany, Italy and the UK.

In 2009, falling demand and focus on reducing inventories resulted in a generally low level of utilisation of the production facilities, especially at the factory in Denmark; in the second half of the year, production of glyphosate and other products closed down for a six-week period. The employees affected received relevant supplementary training during this period.

The LEAN project has already resulted in considerable improvements and savings. Whereas the initial LEAN process concentrated especially on the production facilities, focus has now shifted to, for example, the filling plant, maintenance and administrative functions, and with good results.

While 2008 was characterised by shortages of several key ingredients and increasing raw material and energy prices, demand declined considerably in 2009, for which reason the company has been able to realise raw materials and energy prices (natural gas) somewhat below 2008 levels.

2009 as a whole was characterised by considerable fluctuations in the cost prices of inventories, and in connection with the valuation at the end of the year, the accounting estimates of the impairment of inventories of glyphosate and spare parts have been revised, which has reduced cost of sales by DKK 31 million.

In 2009, investments in property, plant and equipment amounted to DKK 104 million against DKK 139 million in 2008. Resources have, among other things, been used to complete the fungicide production facility in Denmark and to convert and improve production facilities in India.

Development and registration

In accordance with the strategy outlined in Cheminova's Business Plan "Five-in-Fifteen", considerable resources are still going into developing and introducing new products. In 2009, global development and registration costs were on a par with 2008, thus amounting to 4.7% (4.4%) of revenue. The company's development pipeline and product programme is thus being strengthened further, and in 2009 the company succeeded in introducing five new active ingredients.

The development partnership with Stähler has been strengthened after the acquisition at the start of the year which increased Cheminova's ownership share to 75%. Synergies are being realised continuously, and Cheminova now has access to several patented selective herbicides, for example pethoxamid, which has been introduced in maize in France.

The increased use of modern formulation technology to produce new advanced formulations and mixtures is enabling the company to pursue a more differentiated product strategy. New types of formulations improve safety and environmental impacts and ensure a competitive price/effect relationship for farmers.

The ongoing re-registration process in the EU and the granting of a large number of product approvals (registrations) have resulted in a high level of activity in the registration function throughout 2009. Most recently, gamma-cyhalothrin was registered in Germany, while malathion has again be approved for registration in the EU.

The establishment of the global matrix organisation and an effective project management system have made it possible to calculate the costs of development projects more accurately. As from January 1, 2010, the treatment for

accounting purposes of internal development costs will change so that in future development costs will be capitalised in accordance with IAS 38 Intangible Assets.

Human Resources and IT

The roll-out of Cheminova's new mission, vision and values in the global matrix organisation was almost completed in 2009. Employees from all over the world and with different cultures have in their own organisation been brought together with a view to anchoring Cheminova's values in the local companies.

The Auriga group endeavours to offer competitive terms of employment and to be an attractive workplace which can attract, develop and retain competent employees globally to ensure the company's future innovativeness, thereby supporting the global business strategy.

The average number of employees went up by 123 to 2,027 in the course of the year, of whom 1,219 work abroad.

During the year, Cheminova invested considerable resources in preparing the implementation of the new IT system SAP – a new Enterprise Resource Planning system (ERP). At the beginning of 2010, SAP was implemented in Denmark and Spain, and later in the year it will be implemented in a number of subsidiaries in Europe. The aim is global implementation of the new IT system by 2013.

Outlook of the group

The prices of agricultural crops have fallen back compared to the historically high price levels in 2008. Nevertheless, the outlook for 2010 is for a price level for the most important crops in the world market which is 25-50% higher than what has historically been considered normal. Against this background, the sector expects to see positive developments in 2010 with a continuing solid demand for crop protection products. An unchanged or slightly growing market is expected, corresponding to an average annual growth rate of 3-4% in the three-year period 2008-2010, which is in line with the assumptions for Cheminova's Business Plan "Five-in-Fifteen".

In 2010, Cheminova also expects a positive development from the new products and will consequently gain more market share. New products – including the fungicide azoxystrobin, which is being introduced in the first markets based on the newly established production at the factory in India – will account for an increasing share of revenue. The exposure as regards glyphosate will be reduced further leading to adjustments at the factory in Denmark, but the contribution margin for the product is expected to normalise.

Auriga's revenue for 2010 is expected to be approx. DKK 5,600 million, corresponding to growth of 3% relative to the year before. The cold winter in the northern hemisphere is expected to delay the season, and earnings for the first two quarters of the financial year are expected to decline relative to 2009, when glyphosate prices were high. For the year as a whole, the outlook is of substantially improved earnings, and the company expects to post an operating profit (EBIT) of approx. DKK 300-400 million. Cash flow from operating activities is expected to improve relative to 2009, which will lead to improved balance sheet ratios.

Glyphosate's share of revenue will be reduced faster than originally expected in the Business Plan "Five-in-Fifteen", but development and growth from new products will still contribute to fulfilling the ambitious target of a market share of 5% in 2015.

Whether future expectations can be fulfilled is subject to some uncertainty. Cheminova is dependent on developments within the agricultural sector and especially climatic conditions, while macroeconomic, foreign exchange and commercial and market conditions also impact the group financially. It is crucial for future growth that Cheminova is able to create development and growth through the development and introduction of new products.

» "FIVE-IN-FIFTEEN" – CHEMINOVA'S BUSINESS PLAN 2015

OBJECTIVE

- DOUBLE MARKET SHARE TO 5% IN 2015.
- EBITDA MATCHING THE BEST AMONG PEERS.
- INCREASED VALUE CREATION FOR THE BENEFIT OF ALL STAKEHOLDERS.

STRATEGY

- ORGANIC GROWTH THROUGH DEVELOPMENT AND SALES OF NEW PRODUCTS.
- ACQUISITIONS OF COMPLEMENTARY PRODUCTS AND COMPANIES.
- ECONOMIES OF SCALE AND IMPROVED EFFICIENCY IN ALL FUNCTIONS.