# AURIGA INDUSTRIES A/S

Stock Exchange Notification No. 19/2005

November 8, 2005

# Interim financial report for Auriga Industries A/S for the period January 1, 2005 – September 30, 2005

*The interim financial report been presented in accordance with the new international accounting standards (IFRS). Figures in brackets are 2004 figures in accordance with IFRS.*

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**Despite difficult market conditions, revenues and operating profit generated by Auriga in the third quarter were in line with expectations. Outlook is for a good fourth quarter and revenues of approx. DKK 5.2 billion and a profit before tax of approx. DKK 375 million for 2005.**

- Revenues in the first three quarters of 2005 were DKK 3,960 million (DKK 4,104 million), while operating profit was DKK 382 million (DKK 579 million).
- The lower USD exchange rate applied for the first three quarters of 2005 relative to 2004 resulted in a fall in operating profit of approx. DKK 170 million.
- The first three quarters of 2005 saw an EBITDA margin of 14 per cent (19 per cent) and an EBIT margin of 10 per cent (14 per cent).
- Net financials amounted to DKK -88 million (DKK -57 million) in the first three quarters of 2005. The increase is in particular due to lower interest income from debtors in Brazil.
- The first three quarters of 2005 were characterised by difficult market conditions and by unfavourable climatic conditions several countries.
- Sales of Cheminova's new products and sales of Hardi's new trailer sprayer were satisfactory.

**Outlook 2005**
The season in the southern hemisphere has started late this year, but is now running at a satisfactory level. This trend is expected to continue during the remainder of 2005.

For 2005 as a whole, Auriga is still expecting revenues of approx. DKK 5.2 billion and a profit before tax of approx. DKK 375 million. The outlook for 2005 is unchanged relative to the outlook after the first half of the year.

AURIGA INDUSTRIES A/S

| | |
|---|---|
| Povl U. Skifter<br>Chairman of the Board of Directors | Mogens Nehen-Hansen<br>President |

*Enquiries concerning this interim financial report should be addressed to President Mogens Nehen-Hansen on tel. +45 7010 7030.*

Postboks 9
7620 Lemvig
Telefon: 7010 7030
Telefax: 7010 7031
E-mail: investor@auriga.dk
Internet: www.auriga.dk



CVR No. 34629218
Reg.kontor:
Gustav Wieds Vej 10
DK-8000 Århus C.

## KEY FIGURES FOR THE AURIGA GROUP

| Income statement (DKKm) | 3rd quarter 2005 | 3rd quarter 2004 | Q1-Q3 2005 | Q1-Q3 2004 | 2004 |
|---|---|---|---|---|---|
| Revenue | 1,324 | 1,384 | 3,960 | 4,104 | 5,310 |
| Cost of sales | 972 | 936 | 2,783 | 2,700 | 3,387 |
| Other costs | 264 | 265 | 806 | 833 | 1,243 |
| Other operating income | 3 | 3 | 11 | 8 | 22 |
| Write-down, consolidated goodwill | - | - | - | - | 2 |
| Operating profit (EBIT) | 91 | 186 | 382 | 579 | 700 |
| Income from investments in associates | 1 | 2 | 2 | 5 | 7 |
| Net financials etc. | (42) | (30) | (88) | (57) | (78) |
| Profit before tax | 50 | 158 | 296 | 527 | 629 |
| Tax | 16 | 49 | 96 | 169 | 195 |
| Minority interests' share | 1 | 1 | 8 | 12 | 9 |
| Net profit | 33 | 108 | 192 | 346 | 425 |

| Balance sheet (DKKm) | 30.09.2005 | 30.09.2004 | 31.12.2004 |
|---|---|---|---|
| *Assets* | | | |
| Fixed assets | 1,586 | 1,695 | 1,676 |
| Inventories | 1,480 | 1,258 | 1,383 |
| Receivables | 1,949 | 1,824 | 1,746 |
| Cash and cash equivalents | 548 | 397 | 551 |
| Total assets | 5,563 | 5,174 | 5,356 |
| *Liabilities* | | | |
| Equity | 2,550 | 2,295 | 2,383 |
| Provisions | 143 | 195 | 119 |
| Interest-bearing debt | 1,674 | 1,650 | 1,708 |
| Other debt (not interest-bearing) | 1,196 | 1,034 | 1,146 |
| Total liabilities | 5,563 | 5,174 | 5,356 |

| Cash flow statement (DKKm) | 30.09.2005 | 30.09.2004 | 31.12.2004 |
|---|---|---|---|
| Cash flows from ordinary activities | 528 | 433 | 641 |
| Cash flows from operating activities | 331 | 320 | 462 |
| Cash flows from investing activities | (76) | (66) | (110) |
| Available cash flow | 255 | 254 | 352 |

| Key figures | 30.09.2005 | 30.09.2004 | 31.12.2004 |
|---|---|---|---|
| Profit on ordinary operations before depreciation, amortisation and write-down | 554 | 778 | 954 |
| Profit margin (EBITDA) | 14% | 19% | 18% |
| Profit margin (EBIT) | 10% | 14% | 13% |
| Debt ratio | 29% | 34% | 32% |
| Profit in DKK per share of DKK 10 (EPS) | 7.8 | 14.1 | 17.3 |
| Quoted price/equity value | 1.68 | 0.89 | 1.19 |

In the financial statements, tax has been estimated at 32.5 per cent. The accounting policies are in accordance with the IFRS standards and the accounting provisions applicable to companies listed on the Copenhagen Stock Exchange. The interim financial report has not been audited.

| Changes in equity (DKKm) | 30.09.2005 | 30.09.2004 | 31.12.2004 |
|---|---|---|---|
| Equity as at January 1 | 2,383 | 2,156 | 2,156 |
| Change of accounting policies | 27 | 52 | 59 |
| Dividend paid in respect of last financial year | (99) | (61) | (61) |
| Sale, treasury shares | 9 | 2 | 2 |
| Profit for the period after tax * | 192 | 316 | 393 |
| Price adjustments subsidiaries | 100 | 2 | (12) |
| Change in fair value of financial instruments after tax | (62) | (172) | (154) |
| Equity end of period | 2,550 | 2,295 | 2,383 |

* Profit/loss after tax for the period in 2004 is calculated in accordance with the Danish Financial Statements Act. The effect of the transition to IFRS on the profit/loss after tax is included in the change of accounting policies.

## Comments on the interim financial report

### AURIGA INDUSTRIES A/S

The interim financial report has been prepared in accordance with the IFRS provisions on recognition and measurement. Annex 1 shows the effect of the changed accounting policies. Key figures and ratios for 2004 have been adjusted to reflect the changed accounting policies.

In the first three quarters of 2005, Auriga generated revenues of DKK 3,960 million, down 3 per cent on the same period in 2004.

EBITDA was DKK 554 million (DKK 778 million) and EBIT DKK 382 million (DKK 579 million).

The USD settlement rate was 6.02 in the first three quarters. Had the settlement rate been unchanged relative to the same period in 2004, the profit would have been approx. DKK 170 million higher.

Because of that and given that 2004 was a record year with exceptionally favourable conditions, the results are satisfactory and indicate a healthy underlying growth.

Net financials amounted to DKK -88 million (DKK -57 million) in the first three quarters of 2005. The increase is in particular due to lower interest income from debtors in Brazil.

Profit before tax was DKK 296 million (DKK 527 million) in the first three quarters of 2005. For 2005 as a whole a tax rate of 32.5 per cent is expected against 31.0 per cent in 2004.

Cash flow from ordinary activities, i.e. before tax paid, was DKK 528 million (DKK 433 million). Tax paid amounted to DKK 197 million, while investments amounted to DKK 76 million. Available cash flow was DKK 255 million, unchanged relative to 2004.

Calculated in accordance with the new IFRS rules, Auriga maintains its outlook for 2005 of revenues of approx. DKK 5.2 billion and a profit before tax of approx. DKK 375 million.

Cash flow from ordinary activities for 2005 is expected to be approx. DKK 400 million, up somewhat relative to expectations after the first six months.

**CHEMINOVA A/S**

In third quarter 2005, Cheminova generated revenues of DKK 1,078 million (DKK 1,148 million) which is largely in line with expectations.

Sales of malathion to the US boll weevil eradication programme started already in June this year. Deliveries to this programme will again this year be higher than expected, but lower than last year.

In South America and India the season started somewhat later than in 2004, but especially in Brazil sales have developed satisfactorily since the end of September. This year is again expected to see a large demand for fungicides to prevent Asian rust in soya in Brazil.

The Brazilian farmers have seen falling prices on important crops aggravated by an increase in the Brazilian exchange rate relative to the US dollar. The decline in income among Brazilian farmers has meant that Cheminova in some cases has had to extend the credit terms until spring 2006.

In the northern hemisphere the spraying season ended in most places at the beginning of the third quarter. However, in the third quarter Cheminova Mexico continued the satisfactory growth which also characterised the first half of 2005.

Sales of Cheminova's new products have so far developed satisfactorily in 2005. The new products account for a minor share of Cheminova's total revenues, but this share will increase in the coming years. Cheminova's portfolio of products comprises just over 30 products, twice as many as five years ago.

Cheminova is continuing to increase its number of sales subsidiaries. Following the opening of sales subsidiaries in Poland and Bulgaria, Cheminova is now represented by sales subsidiaries in fourteen countries, and the distribution network is expected to be enlarged further in the coming years.

In October Cheminova's subsidiary in the UK, Headland, acquired the company Verdi-Crop Ltd. Verdi-Crop is a minor distributor of micronutrients. The acquisition opens up new possibilities of expanding Headland's production and sales of micronutrients.

Cheminova maintains the outlook of revenues for 2005 of approx. DKK 4,000 million.

**HARDI INTERNATIONAL A/S**

In the third quarter, which is normally the weakest quarter, Hardi saw revenues of DKK 198 million (DKK 183 million). The increase is in line with expectations.

The market trends from the first half of 2005 continued in the third quarter. The agricultural sector in the new EU member states is characterised by optimism and high investments. On the contrary, farmers in the old EU member states have been investing less, partly on account of unfavourable climatic conditions in southern Europe, partly because of uncertainty and delays in the disbursement of agricultural subsidies under the new EU rules. Despite this, sales in France and Denmark have developed satisfactorily.

Australia continues to be characterised by very low levels of investments following the devastating harvest in 2004/2005. In the first three quarters, Hardi's revenues in Australia decreased by approx. DKK 50 million relative to 2004. On the other hand, Hardi's revenues in North America increased by approx. DKK 40 million.

On account of the weak US dollar and severe competition from local manufacturers, price levels in North America are considerably lower than in Australia. This has a negative impact on Hardi's results for 2005.

Hardi expects revenues for 2005 as a whole to amount to approx. DKK 1,000 million.

**SKAMOL A/S**

Skamol's revenues in the third quarter of 2005 was DKK 48 million (DKK 53 million).

Revenues in 2005 are affected by the fact that a number of new aluminium projects will not be implemented until 2006 onwards. On the other hand, sales of calcium silicate to other high-temperature industries and for other applications, such as fire doors, are up, although growth within sales of fire doors has not lived up to expectations. Sales of vermiculite inserts for fireplaces and wood-burning stoves are exceeding expectations.

The lower USD settlement rate, the high energy prices and the drop in sales to the aluminium industry are all factors which have a negative impact on Skamol's earnings in 2005 relative to 2004.

For 2005 as a whole, Skamol is expecting revenues of approx. DKK 200 million, which is slightly below expectations after the first six months of the year.

**Financial calendar for 2006**

21.03.2006: Financial Statements for 2005.
25.04.2006: Interim financial report for the 1st quarter of 2006 and ordinary general meeting.
16.08.2006: Interim financial report for the 1st half of 2006.
08.11.2006: Interim financial report for the 3rd quarter of 2006.

## Statement by the Boards

The Board of Directors and the Board of Executives have today reviewed and approved the interim financial report for the third quarter of 2005 for Auriga Industries A/S.

The interim financial report has been presented in accordance with IFRS and other provisions governing the presentation of financial statements by companies listed on the Copenhagen Stock Exchange. In our opinion, the accounting policies chosen are expedient, so that the interim financial report gives a true and fair view of the group's assets and liabilities and financial position and result as well as the cash flows of the group.

Harboøre, November 8, 2005

**Board of Executives:**

| | | | |
|---|---|---|---|
| Mogens Nehen-Hansen | Bjørn Albinus | Niels-Jørn Rahbek | Kurt Pedersen Kaalund |

**Board of Directors:**

| | | | | |
|---|---|---|---|---|
| Povl U. Skifter<br>*Chairman* | Ole Steen Andersen<br>*Deputy Chairman* | Johannes Jacobsen | Povl Krogsgaard-Larsen | |
| Ernst Lunding | Jan Stranges | Helle Krøll | Bjarne Damgaard | Jørn Sand Madsen |

# Annex 1

**General comments**
The interim financial report has been presented in accordance with the IFRS rules.

The accounting policies according to the IFRS rules will be described in detail in the annual report for 2005.

**Change of accounting policies**
The accounting policies in the interim financial report have, as a consequence of the transition to IFRS, been changed in the following areas (figures in parenthesis are comparative figures for the first three quarters of 2004):

1. **Goodwill** is not amortised in the income statement. Instead, impairment testing in accordance with the provisions in IAS 36 is performed. So far, goodwill has been amortised in accordance with the straight-line method over its expected useful life, the maximum period, however, being 20 years. The change has a positive effect of DKK 24.4 million (DKK 23.2 million) on the profit before tax. Equity as at September 30, 2005 is increased by DKK 24.4 million (DKK 23.2 million).

2. **Share-based payment** established after November 7, 2002, with the time of acquisition of the right being after January 1, 2005, must in accordance with IFRS 2 be recognised in the income statement. Up until 2005, share-based payment has not been recognised in the income statement. The change has a negative effect of DKK -0.1 million (DKK -0.2 million) on the profit before tax. As the share-based payment is an equity scheme, the net equity is not affected by the recognition of these in the income statement.

3. According to IFRS, **income from investments in associates** must be included after tax. The change has a negative effect of DKK -0.8 million (DKK -2.4 million) on the profit before tax. The net profit for the year is not affected by the change.

4. **Employee benefits:** Holidays not yet finally earned must in accordance with IAS 19 be recognised proportionately over the earning period. So far, only holidays not taken on the balance sheet date, have been recognised. In accordance with the rules in IAS 19, provisions are also made for other long-term employee benefits (anniversary bonuses). Equity as at January 1, 2004 is reduced by DKK 5.3 million net after tax as a consequence of these changes. The effect on the first three quarters of 2004 and 2005 is insignificant.

5. **Major regroupings:** In accordance with IAS 1, minority interests must be included as a part of equity. Under the Danish Financial Statements Act (*Årsregnskabsloven* (*ÅRL*)), minority interests are not part of equity. The change results in an increase in equity of DKK 32.5 million as at December 31, 2004. The effect on equity in 2005 is DKK 2.9 million (DKK 3.2 million).

   In the income statement for 2004, profit-sharing of DKK 23.9 million is entered as a separate item. In accordance with the IFRS rules, profit-sharing must be included in the income statement. The change results in an increase in the cost groups: production costs of DKK 11.5 million, sales and distribution costs of DKK 1.1 million, administration costs of DKK 9.6 million and R&D costs of DKK 1.7 million. The profit for the year is not affected by the change.

## Income statement for 2004 under IFRS

| Income statement for 2004 | | | |
|---|---|---|---|
| **(DKKm)** | **2004 ÅRL** | **2004 IFRS** | **Effect of transition to IFRS** |
| Revenue | 5,310 | 5,310 | - |
| Cost of sales | 3,376 | 3,387 | 11 |
| **Gross margin** | **1,934** | **1,923** | **(11)** |
| Other operating income | 22 | 22 | - |
| Sales and distribution costs | 692 | 693 | 1 |
| Administrative expenses | 380 | 386 | 6 |
| Research and development costs | 162 | 164 | 2 |
| Amortisation and write-down, consolidated goodwill | 30 | 2 | (28) |
| **Operating profit/loss** | **692** | **700** | **8** |
| Share of profit/loss in associates after tax | 11 | 7 | (4) |
| Financial income | 63 | 63 | - |
| Financial expenses | (141) | (141) | - |
| Profit-sharing | (24) | - | 24 |
| **Profit before tax** | **601** | **629** | **28** |
| Tax on profit/loss for the year | 200 | 195 | (4) |
| **Net profit for the year** | **401** | **434** | **32** |

| | | | |
|---|---|---|---|
| **Appropriation of the profit for the year** | | | |
| Auriga Industries A/S | 392 | 425 | 32 |
| Minority interests | 9 | 9 | - |
| **Total** | 401 | 434 | 32 |

## Reconciliation of equity as at September 30, 2005

| Reconciliation of equity | | | |
|---|---|---|---|
| **(DKKm)** | **ÅRL** | **IFRS** | **Effect of transition to IFRS** |
| **Equity as at January 1, 2004** | **2,156** | **2,156** | **-** |
| Change in equity in 2004 | 168 | 168 | - |
| *Change of accounting policies* | | | |
| Minority interests | - | 32 | 32 |
| Amortisation of goodwill | - | 32 | 32 |
| Staff payments | - | (5) | (5) |
| **Equity as at December 31, 2004** | **2,324** | **2,383** | **59** |
| Change in equity in 2005 | 140 | 140 | - |
| *Change of accounting policies* | | | |
| Minority interests | - | 3 | 3 |
| Amortisation of goodwill | - | 24 | 24 |
| **Equity as at September 30, 2005** | **2,464** | **2,550** | **86** |