

11 January 2012

Chr. Hansen Holding A/S

Q1 2011/12

*Natural red*

**CHR HANSEN**

*Improving food & health*

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# Chr. Hansen - A Bioscience based Company

Founded in 1874

## Cultures

- ▼ Cultures are living microorganisms which control fermentation processes in a range of food products

## Dairy Enzymes

- ▼ Enzymes are proteins which catalyze naturally occurring processes
- ▼ Transforms milk to cheese

## Probiotics

- ▼ Selected microorganisms recognized for their healthy properties
- ▼ Science progresses fast in this area

## Natural colors

- ▼ A complete color range extracted from seeds, roots, and berries
- ▼ Natural alternative to synthetic colors



# Highlights Q1 2011/12

- Revenue EUR 168 million, up 12%
- Organic revenue growth of 13%
  - 12% adjusted for change in sales prices to reflect changes in raw material prices for carmine
- EBIT b.s.i. EUR 41 million, up 20%
- EBIT margin b.s.i. 25%, up from 23%
- Net profit EUR 26 million, up 14%
- R&D spend EUR 12 million, 7% of revenue (EUR 8 million or 6% of revenue Q1 last year)
- NIBD EUR 376 million or 1.8 times EBITDA b.s.i.

	Q1 2011/12	Q1 2010/11
Organic growth	13%	17%
EBIT margin b.s.i.	25%	23%

# Growth across Divisions in Q1 2011/12 ...

## CULTURES & ENZYMES



### Growth

8% organic growth

7% EUR growth

### Share of Revenue (Q1 2010/11)

60% (63%)

## HEALTH & NUTRITION



21% organic growth

22% EUR growth

13% (12%)

## NATURAL COLORS



19% organic growth

19% EUR growth

27% (25%)

# ...and Regions

## EUROPE



## NORTH AMERICA



## SOUTH AMERICA



## APMEA



### Growth

**6%** organic growth

**5%** EUR growth

**17%** organic growth

**16%** EUR growth

**30%** organic growth

**27%** EUR growth

**13%** organic growth

**15%** EUR growth

### Share of Revenue (Q1 2010/11)

**46%** (50%)

**22%** (21%)

**14%** (12%)

**18%** (17%)

# Innovation - Product Launches Q1

## L. casei 431® Juice probiotic for fruit juices



- Superior survival and stability in fruit and vegetable juice
- Good flavor profile
- Maintains good cell counts
- 100% Dairy free culture

## DVS® SafelT™ culture for feta-type cheeses



- Phage robustness
- Enhancing taste and texture
- Faster fermentation reducing process time
- Extended shelf life (4-6 months)
- Strong bacteriophage resistance

## Safepro® B-LC-007 culture for Italian-style salami



- Preventing Listeria growth
- Suppressing Salmonella
- Enhancing Mediterranean aroma
- Fast and full color development

## I-Colors™ range of instant natural colors for powder soft drinks



- Dissolve smoothly and easily
- Withstand warm conditions and long shelf-life
- Available in yellow, orange, red and magenta/purple

## 3<sup>rd</sup> generation coloring foodstuffs range FruitMax®, for various confectionery applications



- No E-number declaration
- Bright shades (green, yellow, orange, red, purple and blue)
- Originate from fruits, vegetables, herbs and other edible raw materials



# Cultures & Enzymes



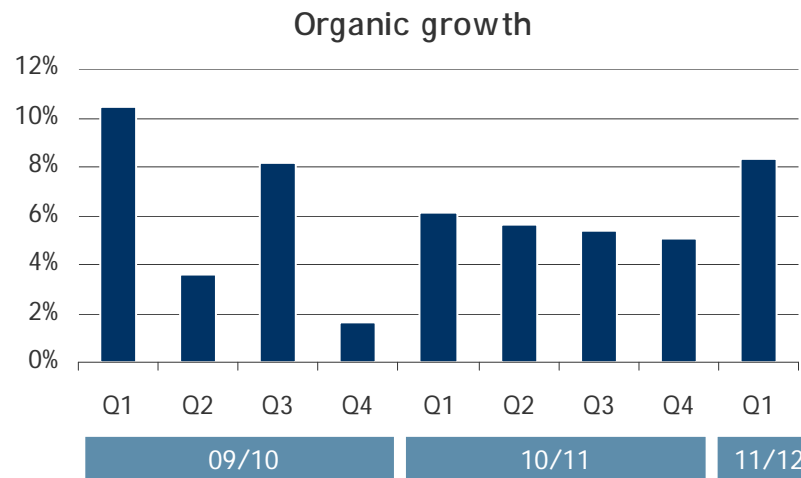
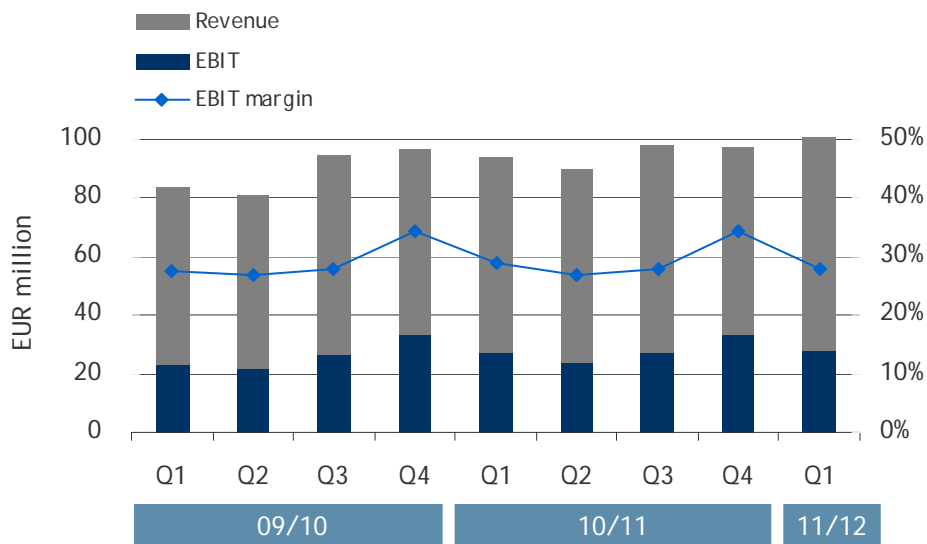
EUR million	Q1 2011/12	Q1 2010/11
Revenue	100.6	93.9
Organic growth	8%	6%
EBITDA	36.1	35.1
EBITDA margin	35.9%	37.4%
EBIT	28.1	27.2
EBIT margin	28.0%	29.0%
ROIC excl. goodwill	28.7%	28.3%

## Organic growth

- Driven by strong growth in cultures for fermented milk and enzymes
- Effect of timing of orders in enzymes approx. 1 percentage point on organic growth for the division
- Probiotic cultures at the same level as Q1 last year
  - Europe unchanged
  - North America declined
  - APMEA and South America growing

## EBIT margin

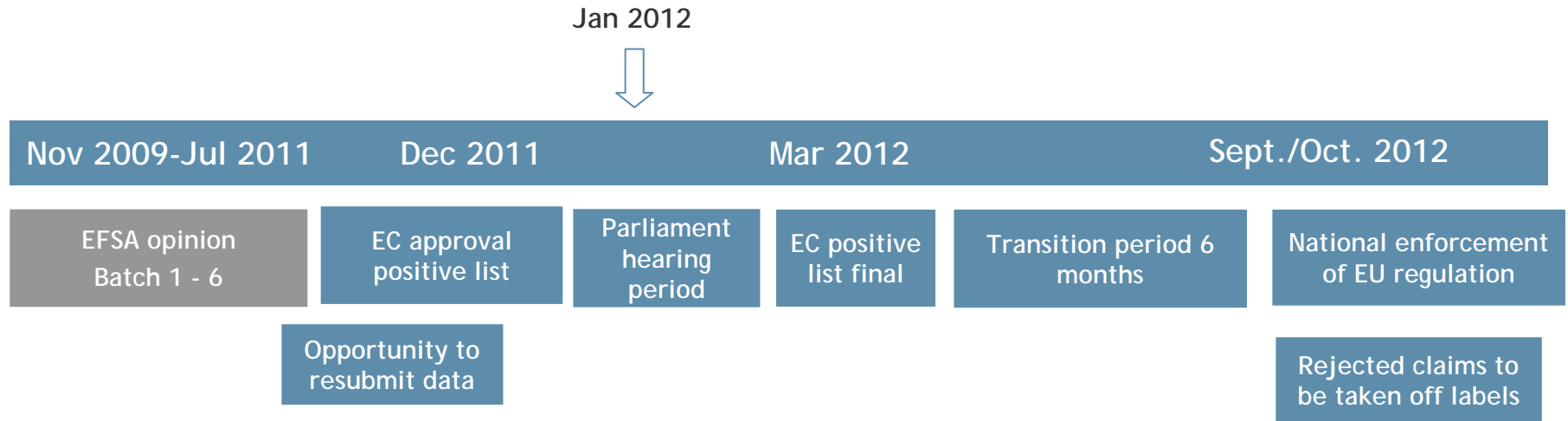
- Negatively affected by changed product mix and higher distribution costs





# EU Health Claim Regulation

Transition period for Art. 13.1 claims will extend into second half of 2012



## Status

- No probiotic claims on the positive list under art. 13.1. Positive list to be approved by EU Parliament in spring 2012
- Positive results from Immune Study
- Three studies in the process
- Filing of 13.5 claims when sufficient data available and solid understanding of requirements

## Impact on Chr. Hansen

- **Short term:** Negative effect from uncertainty
- **Long term:** Well positioned with documented strains and competencies to carry out necessary clinical studies

# Health & Nutrition



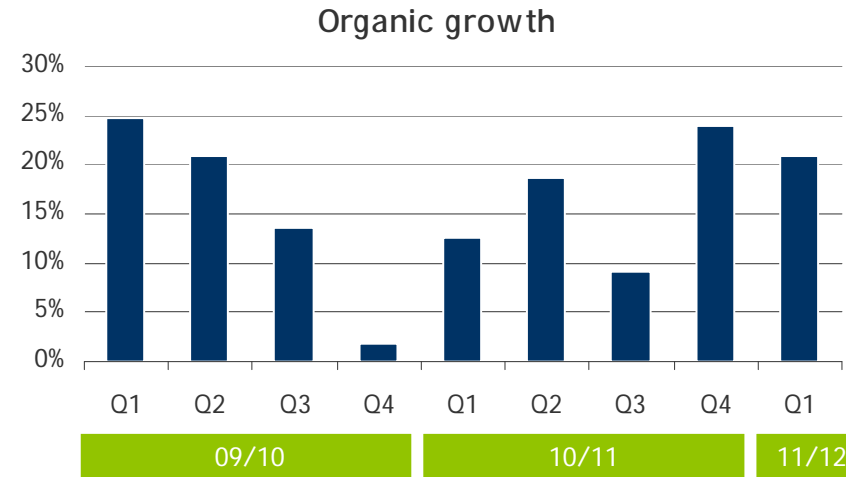
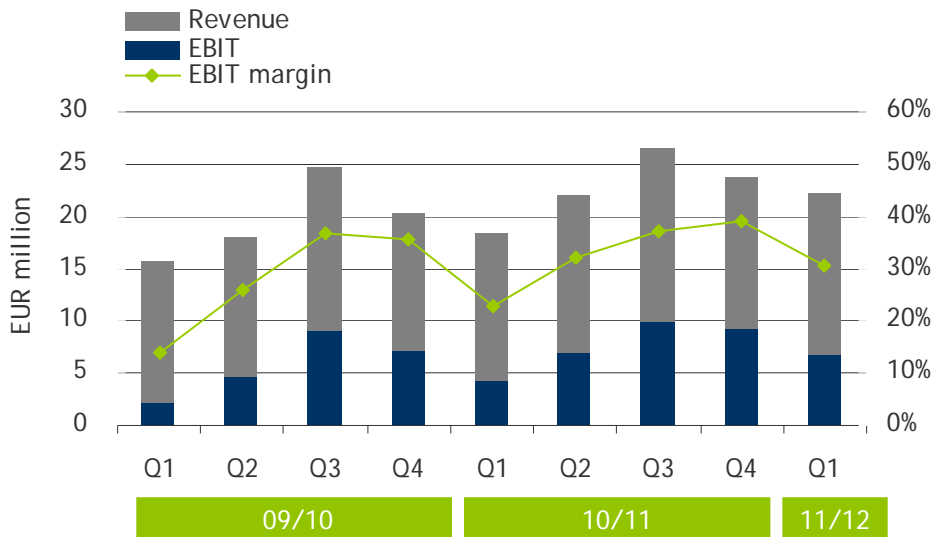
EUR million	Q1 2011/12	Q1 2010/11
Revenue	22.2	18.2
Organic growth	21%	13%
EBITDA	8.6	5.6
EBITDA margin	39%	31%
EBIT	6.8	4.1
EBIT margin	30.7%	22.5%
ROIC excl. goodwill	29.0%	19.2%

## Organic growth

- Organic growth driven by human health, especially within dietary supplements in North America

## EBIT margin

- EBIT margin improvement primarily driven by strong growth in high margin dietary supplements and scalability effects from the increased sales volume



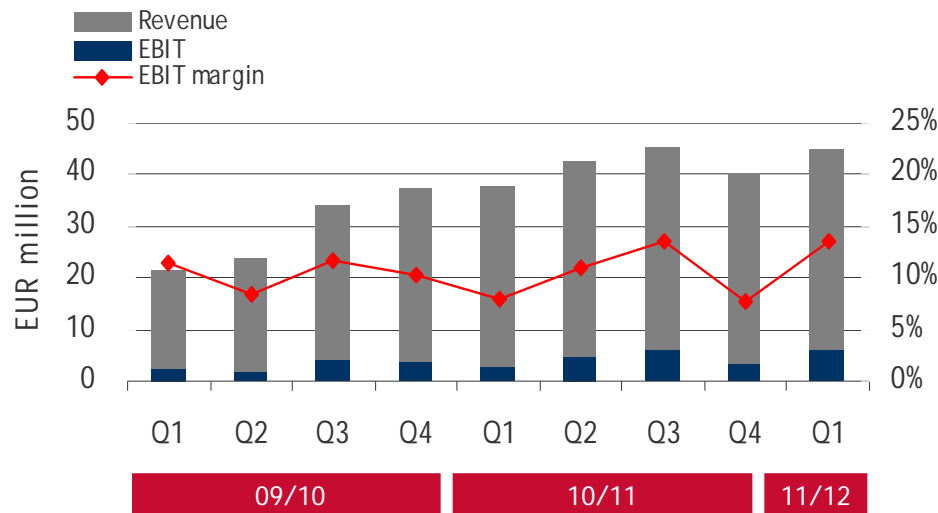
# Natural Colors Division



EUR million	Q1 2011/12	Q1 2010/11
Revenue	44.8	37.8
Organic growth	19%	64%
Organic growth excl. carmine price effect	18%	31%
EBITDA	7.2	3.9
EBITDA margin	16.1%	10.3%
EBIT	6.1	3.0
EBIT margin	13.7%	7.9%
ROIC excl. goodwill	29.6%	14.7%

## Organic growth

- Solid growth across all applications and color types except carmine
- Continued conversion from synthetic colors
  - South America: strong growth especially natural carotene (orange)
  - APMEA: strong growth especially anthocyanin (purple)
  - North America: Good growth
  - Europe: Modest growth, lower carmine sales partly offsetting growth across other color offerings



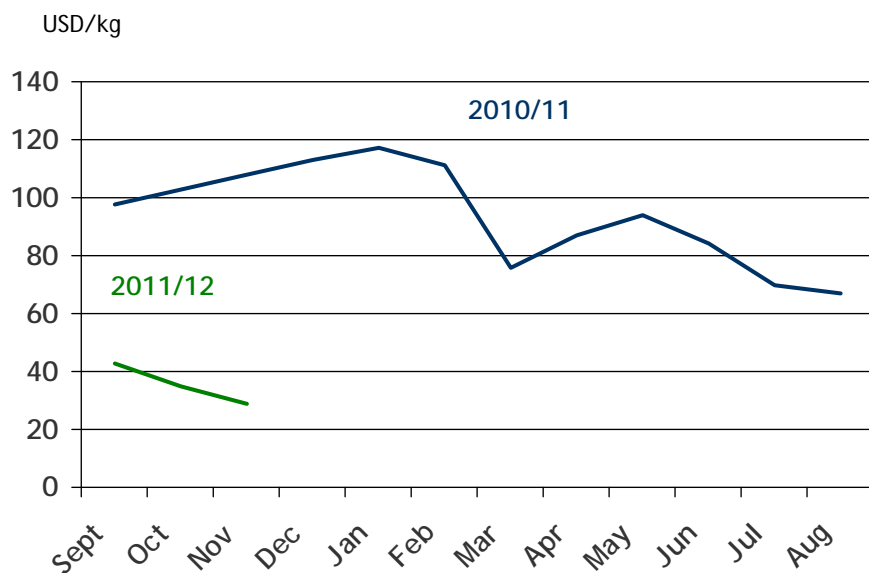
## EBIT margin

- EBIT-margin improvement of 6 percentage points driven by volume growth
- Q1 2010/11 was negatively impacted by certain contractual agreements resulting in delayed implementation of price increases

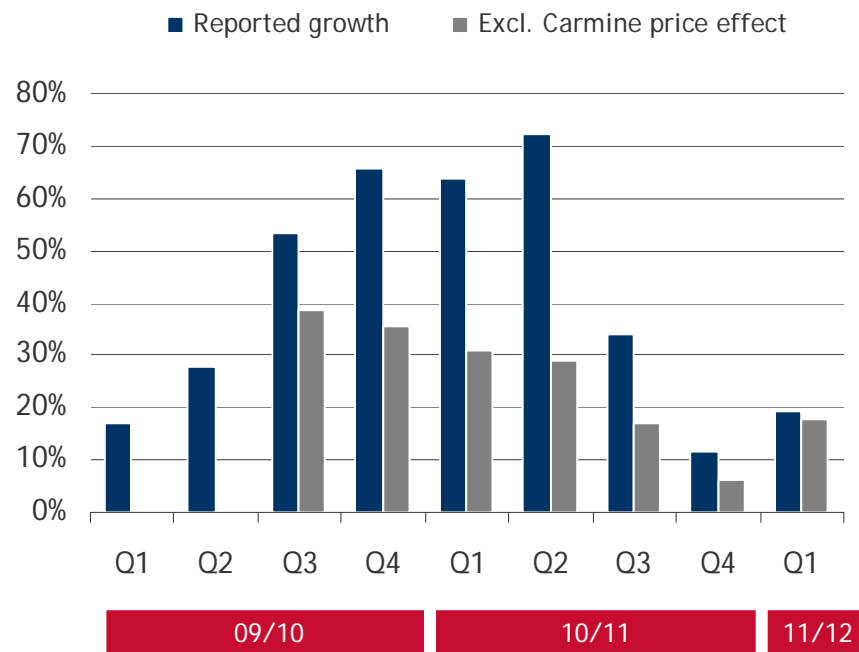


# Raw material costs for Carmine continued to decline in Q1

## Purchase prices for carmine raw materials



## Organic Growth



# Strong Revenue and EBIT Growth

EUR million	Q1 2011/12	Q1 2010/11	Index
Revenue	167.6	149.9	112
Organic growth	13%	17%	
Organic growth excl. carmine effect	12%	10%	
Gross margin	49.4%	48.3%	
EBIT b.s.i.	41.1	34.3	120
EBIT b.s.i. margin	24.5%	22.9%	
Net financials	(5.5)	(3.8)	145
<b>Net profit</b>	<b>26.4</b>	<b>23.2</b>	<b>114</b>
<b>EPS continuing activities, diluted</b>	<b>0.19</b>	<b>0.16</b>	<b>119</b>



- Gross margin improvement driven by scalability effects in Health & Nutrition and Natural Colors
- Net financials increased 45% driven by exchange rate adjustments. Net interest expenses below last year

# ROIC excluding Goodwill up 4%-point



EUR million	Q1 2011/12	Q1 2010/11
<b>Cash flow</b>		
Cash flow from operating activities	(10.3)	(17.2)
Cash flow from investing activities	(12.6)	(7.0)
Free cash flow	(22.9)	(24.2)
<b>Balance sheet</b>		
Total assets	1,354	1,312
Equity, excl. minorities	669	557
Net interest-bearing debt (NIBD)	376	495
<b>Key Figures</b>		
ROIC excluding goodwill	28.9%	24.8%
Net working capital %	20.0%	21.5%
Capital expenditure %	7.5%	4.7%
Research & Development %	7.3%	5.5%
NIBD/EBITDA	1.8	2.6

- Cash flow from operating activities improved by EUR 7 million
  - Improved operating profit (EUR +7 million) lower negative change in WC (EUR +15 million) partly offset by higher taxes paid (EUR -15 million)
- CAPEX and R/D of revenue up driven by clinical studies related to Probiotic health claims
- Free cash flow EUR (23) million compared to EUR (24) million Q1 last year

## Research & Development

EUR million	Q1 2011/12	Q1 2010/11
R&D expenses incl. dep & amort.	7.3	6.7
- Dep. & amort.	1.1	0.7
+ Capitalization	6.0	2.3
<b>R&amp;D spend</b>	<b>12.2</b>	<b>8.3</b>

# Outlook (unchanged)

2011/12

Org. Growth  
(Excl. carmine price  
effect)

Org. Growth

EBIT margin  
b.s.i.

R/D Exp. \*  
(% of revenue)

Free cash flow  
(before acquisitions  
and divestments)

7-10%

5-8%

>26%

~7%

Above last  
year

The 2011/12 outlook is sensitive to major changes in the global economy including fluctuations in currencies and raw material prices for carmine which could impact the financial performance of the company

\* Including capitalized development costs



# Q & A

# Strong market leadership positions and strong financials

FY 2010/11

Cultures & Enzymes

Health & Nutrition

Natural Colors

Chr. Hansen total

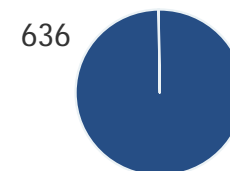
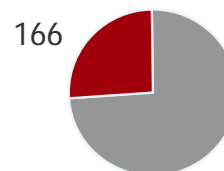
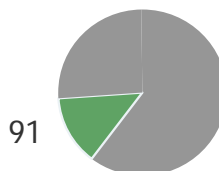
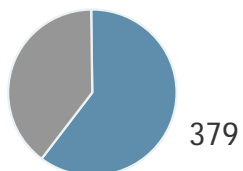
Global market share

approx. 45%

approx. 15%

>20%

Revenue (EUR million)



Organic growth

6%

16%

40%

14%

EBIT b.s.i. (EUR million)

111

30

18

159

EBIT-margin b.s.i

29%

33%

11%

25%

ROIC excl. goodwill

30%

34%

27%

30%



# Cultures & Enzymes Division

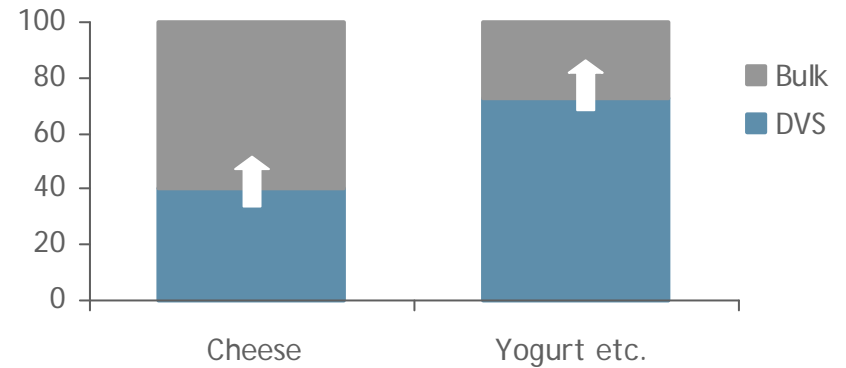
## Fundamental market growth

- ▼ GDP growth
- ▼ Higher standard of living in emerging markets
- ▼ Increased demand for healthy food

## Greater functionality

- ▼ Added value e.g. through probiotics
- ▼ Improved taste and texture
- ▼ Better process control and increased yield

## Conversion



# Health & Nutrition Division

Leveraging core technology and creating new growth opportunities

## Human health

- ▼ Probiotic cultures as supplements
  - ▼ Intestinal flora
  - ▼ Immune system
  - ▼ Infants
- ▼ Documented health claims
- ▼ Increased awareness from consumers







## Animal health

- ▼ Probiotic cultures for silage
- ▼ Probiotic cultures for increased feed to meat conversion



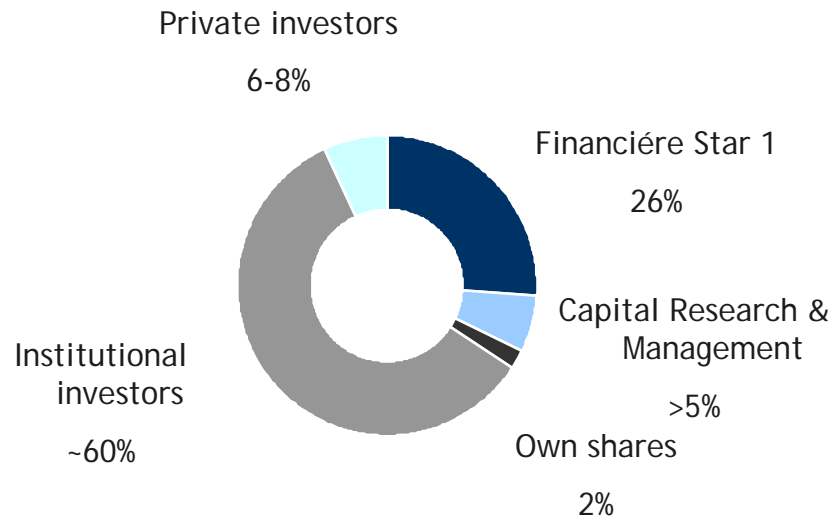
# Natural Colors

Three strong growth drivers for natural colors

Key growth drivers in natural colors	Implication for natural colors market	
<b>Regulation</b>	<ul style="list-style-type: none"><li>➤ Warning label on Southampton six colors in EU from July 2010 - latest adopted by Russia</li><li>➤ FDA did a public hearing including vote on labelling (March 2011)</li></ul>	
<b>Consumer health concerns</b>	<ul style="list-style-type: none"><li>➤ Trend towards fewer and more natural ingredients and away from artificial additives</li><li>➤ A focus on sustainable and renewable sources</li></ul>	
<b>Labelling trends</b>	<ul style="list-style-type: none"><li>➤ EU: Push towards clean labelling – no E-numbers</li><li>➤ Additive regulation in US</li></ul>	
<b>Price pressure &amp; fluctuations</b>	<ul style="list-style-type: none"><li>➤ Technical challenges on stability</li><li>➤ Price point of natural vs. synthetic</li><li>➤ Raw-material fluctuations making conversion more risky for the big brands</li><li>➤ CSR issues</li></ul>	

# Shareholder structure

## Shareholder type



## Countries

