



**Chr. Hansen Holding A/S**

**Q2 2011/12**

*Natural red*

**CHR HANSEN**

*Improving food & health*

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# Highlights Q2 2011/12

- Revenue EUR 165 million, up 7%
- Organic revenue growth of 6%
  - 9% adjusted for change in sales prices to reflect changes in raw material prices for carmine
- EBIT EUR 42 million, up 18%
- EBIT margin 25%, up from 23%
- Net profit EUR 30 million, up 24%
- R&D spend EUR 12 million, 7% of revenue (EUR 10 million or 6% of revenue Q2 last year)
- Free cash flow EUR 34 million, up 85%

	Q2 11/12	Q2 10/11
Organic growth	6%	20%
Organic growth excl. carmine price	9%	11%
EBIT margin	25%	23%

# Highlights 1H 2011/12

➤ Revenue EUR 333 million, up 9%

➤ Organic revenue growth of 9%

➤ 11% adjusted for change in sales prices to reflect changes in raw material prices for carmine

➤ EBIT EUR 83 million, up 19%

➤ EBIT margin 25%, up from 23%

➤ Net profit EUR 57 million, up 19%

➤ R&D spend EUR 24 million, 7% of revenue (EUR 19 million or 6% of revenue last year)

➤ Free cash flow EUR 11 million, up from EUR -6 million last year

➤ NIBD EUR 410 million or 1.9 times EBITDA

➤ Initiation of share buy-back program of up to EUR 80 million

	1H 11/12	1H 10/11
Organic growth	9%	19%
Organic growth excl. carmine price	11%	12%
EBIT margin	25%	23%

# Growth across Divisions in 1H 2011/12 ...

## CULTURES & ENZYMES



## HEALTH & NUTRITION



## NATURAL COLORS



### Growth

**9%** organic growth

**8%** EUR growth

**15%** organic growth

**18%** EUR growth

**8%** organic growth

**8%** EUR growth

### Share of Revenue (1H 2010/11)

**60%** (60%)

**14%** (13%)

**26%** (27%)

# ...and Regions

## EUROPE



## NORTH AMERICA



## SOUTH AMERICA



## APMEA



## Growth

**4%** organic growth

**2%** EUR growth

**15%** organic growth

**16%** EUR growth

**26%** organic growth

**23%** EUR growth

**8%** organic growth

**11%** EUR growth

## Share of Revenue (1H 2010/11)

**46%** (50%)

**22%** (21%)

**14%** (12%)

**18%** (17%)

# Cultures & Enzymes Division

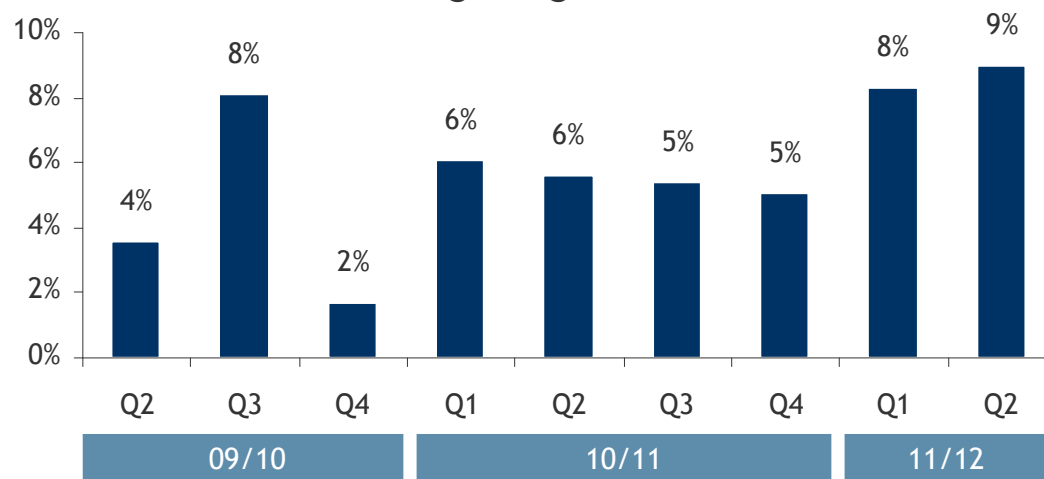


EUR million	Q2 11/12	Q2 10/11	1H 11/12	1H 10/11
Revenue	97.8	89.6	198.3	183.5
Organic growth	9%	6%	9%	6%
EBITDA	33.7	31.5	69.8	66.6
EBITDA margin	34.5%	35.2%	35.2%	36.3%
EBIT	25.7	23.8	53.8	50.9
EBIT margin	26.3%	26.6%	27.1%	27.7%
ROIC excl. goodwill			28.1%	26.7%

## Organic growth

- Driven by strong growth in cultures for fermented milk, cheese and enzymes
  - In Q2 negative effect from early timing of orders placed in Q1 was offset by good growth across the enzyme product range
- Probiotic cultures slightly positive
  - Europe unchanged
  - North America declined
  - APMEA and South America growing
- Overall good growth in all regions

## Organic growth



## EBIT margin

- Negatively affected primarily by changed product mix

# Health & Nutrition Division

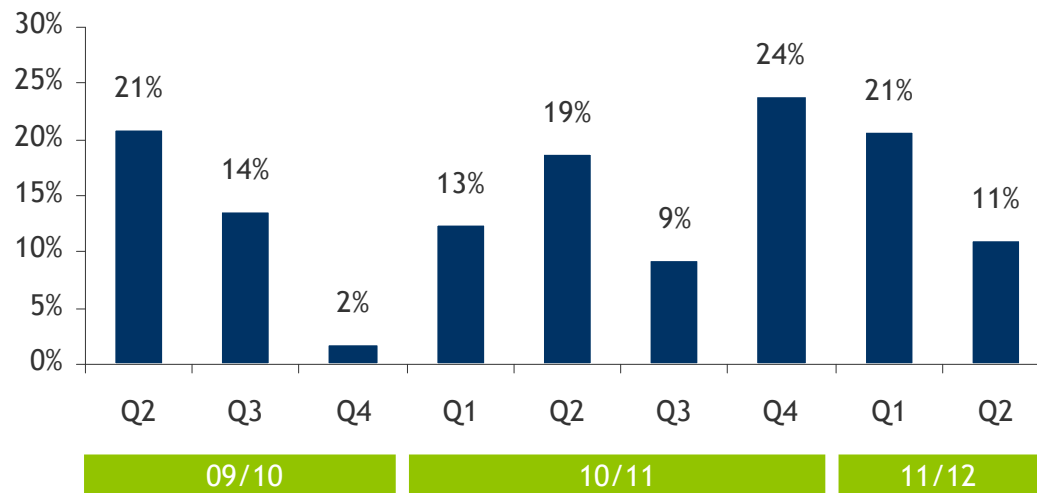


EUR million	Q2 11/12	Q2 10/11	1H 11/12	1H 10/11
Revenue	25.2	22.0	47.4	40.2
Organic growth	11%	19%	15%	16%
EBITDA	10.5	8.6	19.1	14.2
EBITDA margin	41.7%	39.1%	40.3%	35.3%
EBIT	8.6	7.0	15.4	11.2
EBIT margin	34.2%	31.8%	32.5%	27.9%
ROIC excl. goodwill			31.3%	24.8%

## Organic growth

- Driven by strong growth in both the human and animal health businesses
  - In Q2 dietary supplements softened after a strong performance in Q1 and Q4
  - Infant formula and cultures for animal feed delivered strong performance in Q2
  - Silage cultures also delivered strong growth in Q2 partly due to change in order pattern

## Organic growth



## EBIT margin

- Improvement primarily driven by product mix and scalability effects from the increased sales volume



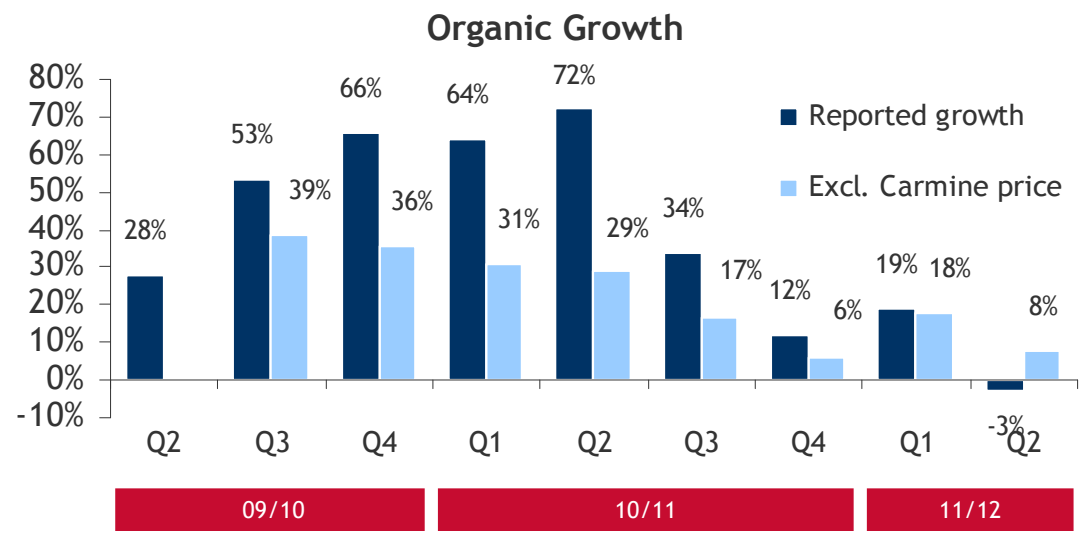


# Natural Colors Division

EUR million	Q2 11/12	Q2 10/11	1H 11/12	1H 10/11
Revenue	42.0	42.7	86.8	80.5
Organic growth	(3%)	72%	8%	68%
Organic growth excl. carmine price effect	8%	29%	13%	30%
EBITDA	8.8	5.7	16.1	9.6
EBITDA margin	21.0%	13.3%	18.5%	11.9%
EBIT	7.6	4.7	13.8	7.7
EBIT margin	18.1%	11.0%	15.9%	9.6%
ROIC excl. goodwill			38.8%	19.7%

## Organic growth

- Solid growth across all applications and color types except carmine which was down on price and volume
- Excluding carmine, organic volume growth was around 20% during 1H
- Continued conversion from synthetic colors
  - **South America:** Strong growth
  - **APMEA:** Good growth
  - **North America:** Good growth
  - **Europe:** Declined due to lower carmine prices and volume



## EBIT margin

- Improvement driven by
  - Scalability from the increased sales volume
  - Margin improvement in carmine as sales prices decreased to reflect lower raw material prices

# Strong Revenue and EBIT Growth

EUR million	Q2 11/12	Q2 10/11	Index	1H 11/12	1H 10/11	Index
Revenue	164.9	154.3	107	332.5	304.2	109
Organic growth	6%	20%		9%	19%	
Organic growth excl. carmine effect	9%	11%		11%	12%	
Gross margin	50.8%	50.4%		50.1%	49.4%	
EBIT	41.9	35.5	118	83.0	69.8	119
EBIT margin	25.4%	23.0%		25.0%	22.9%	
Net financials	(0.7)	(3.1)	23	(6.2)	(6.9)	90
<b>Net profit continuing operations</b>	<b>30.4</b>	<b>24.1</b>	<b>126</b>	<b>56.8</b>	<b>46.6</b>	<b>122</b>
<b>EPS continuing operations, diluted</b>	<b>0.22</b>	<b>0.18</b>		<b>0.41</b>	<b>0.34</b>	

- Gross margin improvement primarily driven by effect from lower raw material prices for carmine
- Net financials decreased by 77% in Q2 driven by positive exchange rate adjustments (EUR 2.0 million) reversing negative exchange rate adjustments (EUR 1.3 million) in Q1



# Research & Development Activity at a high level

EUR million	Q2 11/12	Q2 10/11	1H 11/12	1H 10/11
R&D expenses incl. amortization	8.0	7.2	15.3	13.9
- Amortization	0.6	0.5	1.3	0.8
+ Capitalization	4.2	3.3	9.9	5.6
<b>R&amp;D spend</b>	<b>11.5</b>	<b>10.0</b>	<b>23.9</b>	<b>18.7</b>
<b>% of revenue</b>	<b>7%</b>	<b>6%</b>	<b>7%</b>	<b>6%</b>

## Clinical studies

- The clinical study program is continuing as planned
- The program was initiated to generate additional clinical data for business and health claim support of our core probiotics for gastrointestinal health and immunity.

## Selected Product Launches in Q2

- Fresco® 3000 cultures for increasing cottage cheese yield
- OpenIT™ PS-60 culture for fast and controlled eye formation (formation of holes) in Swiss cheeses
- New YoFlex® and probiotic nu-trish® yogurt cultures including cultures for low fat products

## EFSA status

- In March 2012, the ENVI Committee under the EU Parliament supported the draft regulation to adopt a list of permitted health claims for use on food under Article 13.1
- The draft regulation is expected to be approved by the EU Parliament during April, after which a transition period of six months will commence for those health claims not permitted under Article 13.1

# ROIC excluding Goodwill up 5%-point driven by all three divisions

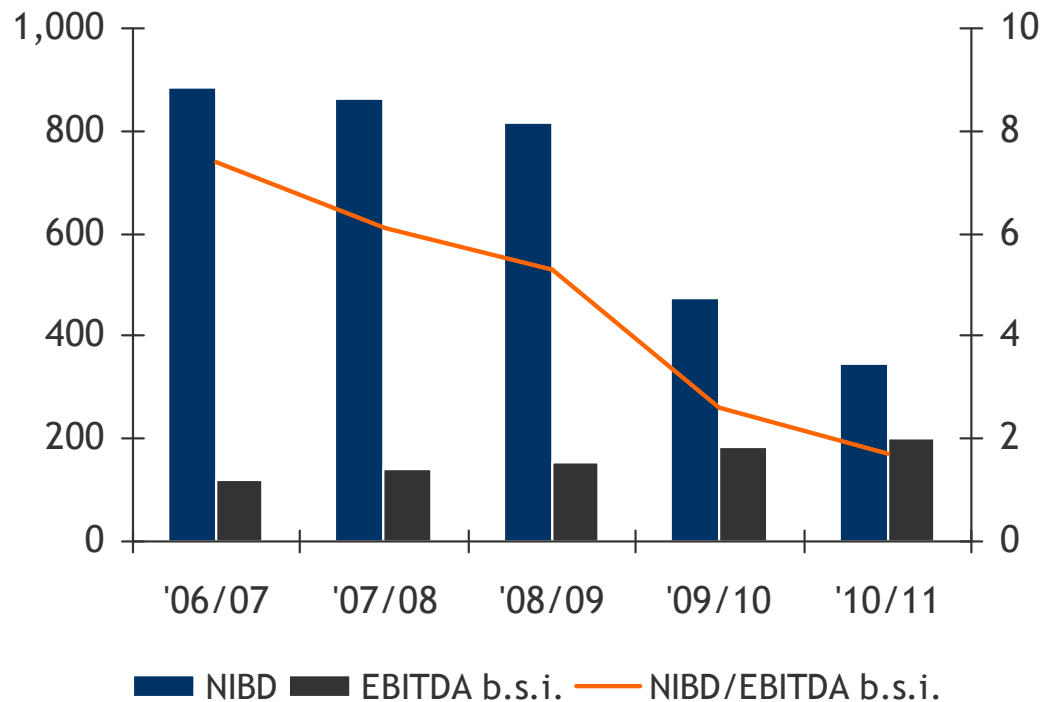


EUR million	Q2 11/12	Q2 10/11	1H 11/12	1H 10/11
<b>Cash flow</b>				
Cash flow from operating activities	47.6	28.0	37.3	10.8
Cash flow from investing activities	(14.0)	(9.8)	(26.6)	(16.8)
Free cash flow	33.6	18.2	10.7	(6.0)
<b>Balance sheet</b>				
Total assets			1,311	1,315
Equity, excl. minorities			637	590
Net interest-bearing debt (NIBD)			410	483
<b>Key Figures</b>				
ROIC excluding goodwill	29.3%	24.9%	30.1%	24.9%
Net working capital %			19.4%	21.1%
Capital expenditure %	8.5%	6.4%	8.0%	5.5%
Research & Development %	7.0%	6.5%	7.2%	6.1%
NIBD/EBITDA			1.9x	2.5x

- Cash flow from operating activities improved by EUR 27 million
  - Higher operating profit (EUR +13 million)
  - Lower negative change in WC (EUR +28 million)
  - Higher taxes paid (EUR -17 million)
  
- Increased CAPEX driven by clinical studies and frozen packaging capacity
  
- Free cash flow EUR 11 million compared to EUR -6 million 1H last year
  
- ROIC excluding goodwill improved by 5 percentage points to 30.1% driven by improved returns in all three divisions

# Strong Cash Generation and Balance Sheet

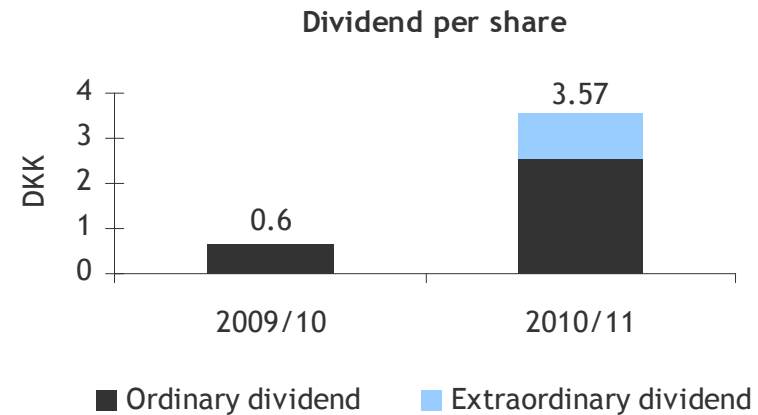
## Gearing level



**NIBD/EBITDA target: 2-2.5x**

## Dividend policy

- Pay out ratio of 30%-50% of net profit
- Proposal of dividends depends on the Board's assessment of factors such as business development, growth strategy and financing needs, and there can be no assurance that in any given year a dividend will be proposed or declared



- The Board of Directors will, on an ongoing basis, determine whether any surplus capital may be distributed as an extraordinary dividend or through share buy-back programs in order to optimize our capital structure

# Initiation of Share Buy-Back

- Share buy-back program of up to EUR 80 million
- Exercised during the period 19 April - 19 October 2012
- Purpose of the share buy-back is to adjust the capital structure by distributing excess capital to the shareholders
- The share buy-back will be conducted under the Safe Harbor regulation
- Following the expiry of the share buy-back program, the Board of Directors intends to recommend to the shareholders at the next AGM on 27 November 2012 to decrease the share capital with the number of shares acquired under the program

# Outlook 2011/12 Narrowed based on solid first half



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)
8-10% (prev. 7-10%)	5-7% (prev. 5-8%)	>26%	~7%	Above last year

Organic growth in second half 2011/12 is expected to be below the growth rate in the first half of the year. Especially Q3 is expected to be negatively affected by among other things timing of orders and lower raw material prices for carmine

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