

CHR HANSEN

Improving food & health

Chr. Hansen Holding A/S

Interim Report Q1 2010/11

12 January 2011

Teleconference 9:30am CET



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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 2010/11



Financial Highlights

- Revenue EUR 156 million; up 22%
- 16% Organic growth
 - High raw material costs for Carmine (+5.5%-point)
 - Effect from Euro price list (-2%-point)
- EBIT b.s.i. EUR 35 million
- EBIT margin b.s.i. 23%
- NWC increased by EUR 46 million mainly due to higher activity and increased raw material prices
- Outlook for FY 2010/11 revised upward
 - Revenue is expected to grow organically by 11-13% (previously 8-10%)
 - Operating profit (EBIT) margin b.s.i. still expected to be above 25%
 - NWC still expected to be 14-17% of revenue
- Henning Jakobsen, CFO has decided to leave Chr. Hansen with effect from September 30, 2011

Org. Growth

EBIT margin b.s.i.

Q1 2010/11	16%	23%
Q1 2009/10	12%	23%

Operational Highlights

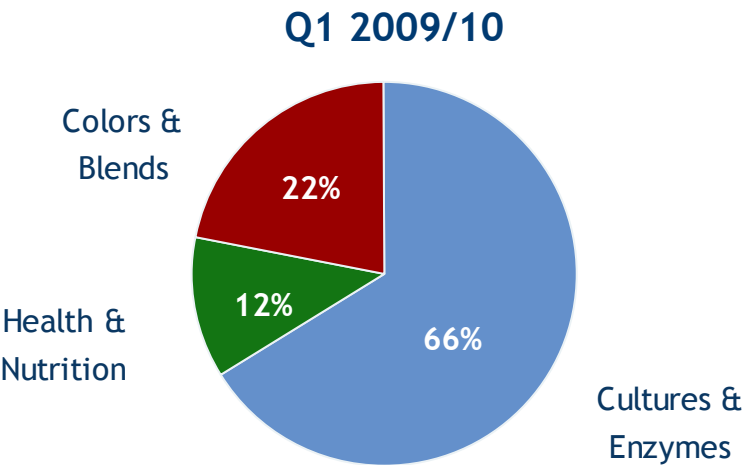
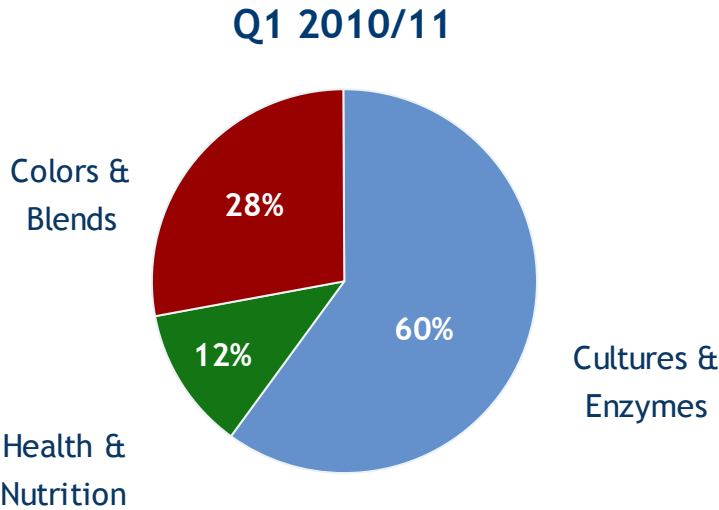
- Strong momentum for Cheese and Yoflex DVS® cultures while Probiotics and Enzymes saw modest growth
- Progress in our comprehensive clinical study program
- Continued strong momentum in conversion to natural colors



Strong growth in all divisions in Q1 2010/11...

	Cultures & Enzymes	Health & Nutrition	Colors & Blends
EUR growth	12%	16%	56%
Org. growth	6%	13%	46%

Revenue split by Division



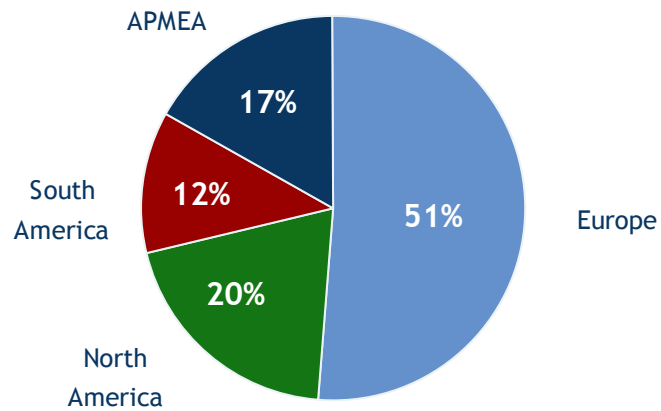
...and in all regions

	Europe	North America	South America	APMEA*
EUR growth	19%	20%	25%	34%
Org. growth	16%	9%	14%	24%

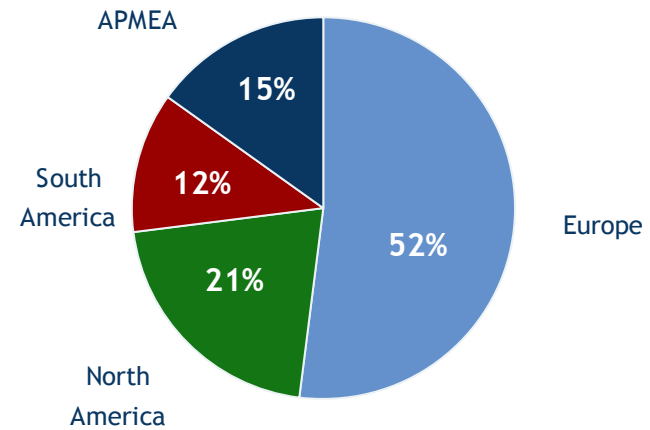
*Asia, Pacific, Middle East & Africa

Revenue split by Region

2010/11

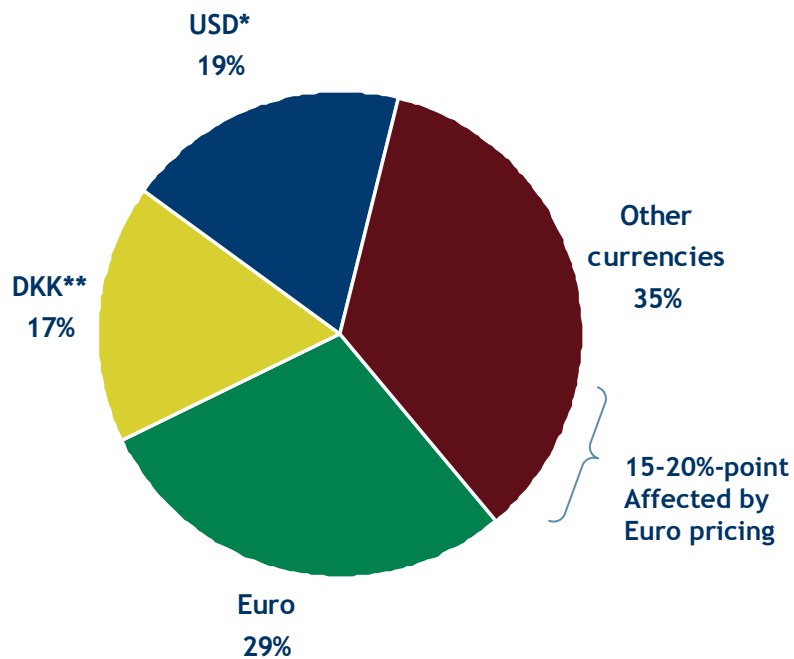


2009/10



Effect of Euro pricing

Currency breakdown



*USD hedged for 2011 against Euro at around the 1.3 level

**Include sale to countries with no local set-up

Euro pricing

- Approximately 15-20% of total revenue affected by Euro pricelist
- Customers in countries such as Poland, Russia, Belarus, Brazil, Argentina and the African continent
- Rate of exchange exposure placed with our customers, while we have a better alignment between revenue and costs
- Products to these customers are priced in EUR, but invoiced in local currency at the rate of exchange on the invoice date
- Illustrative example (Sale of 1 item of product A)

Q1 09/10:	EUR 100	PLZ 418
Q1 10/11:	EUR 100	PLZ 395
Growth	0%	-6%

Net profit significantly improved

Profit & Loss statement

EUR million	Q1 10/11	Q1 09/10	Index
Revenue	155.8	127.8	122
Gross profit	74.0	62.3	119
EBITDA b.s.i.	45.7	39.6	115
EBIT b.s.i.	35.2	28.9	122
EBIT	35.2	28.2	125
Net financials	(3.8)	(10.0)	38
Tax	(8.2)	(6.8)	121
Net profit	23.2	11.3	205

Key figures

Organic revenue growth	16%	12%
Gross margin	47%	49%
EBIT b.s.i. margin	23%	23%
EBIT margin	23%	22%

Highlights

- Gross margin affected by higher raw material prices for carmine of approx. 3%-point
- Costs affected by strengthening of the sales and marketing organization during 2009/10 and cost from being listed
- Net financial decreased due to refinancing of debt and proceeds from IPO

High raw material prices affecting Balance sheet and Cash flow

Balance sheet and cash flow

EUR million	Q1 10/11	Q1 09/10	Index
Total assets	1,312	1,283	102
Equity, excl. minorities	557	104	536
Net working capital	129	96	134
Net interest-bearing debt	495	902	55
Cash flow from operating activities	(15.9)	6.9	N/A
Cash flow from investing activities	(7.0)	(6.8)	103
Free cash flow	(22.9)	0.1	N/A

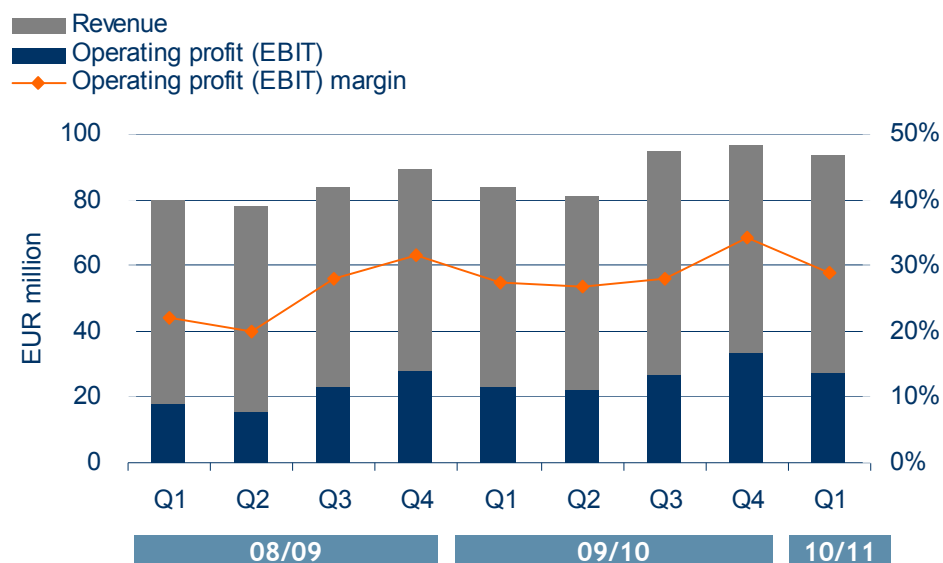
Highlights

- Equity and Net interest-bearing debt improved by net proceeds from the listing
- Net working capital increased primarily due to the effect from higher raw material prices as well as higher trade receivables as a result of increased activity
- Cash flow from operating activities negatively affected by changes in net working capital and taxes paid partly offset by lower interest payments

Cultures & Enzymes

EUR million	Q1 10/11	Q1 09/10	Index
Revenue	93.9	84.0	112
Organic growth	6%	10%	
EBITDA	35.1	31.4	112
EBITDA margin	37%	37%	
EBIT	27.2	22.9	119
EBIT margin	29%	27%	

	Org. Growth	EBIT margin
Q1 10/11	6%	29%



- ▼ Growth driven by fermented milk and wine cultures. Primarily in Asia and North America
- ▼ Flat development in Enzymes and slow growth in probiotics sales
- ▼ Organic growth negatively affected by approx. 2%-point from Euro pricing offset by positive effect from timing of orders between Q4 09/10 and Q1 10/11
- ▼ Positive impact from scalability with EBIT growing ahead of revenue

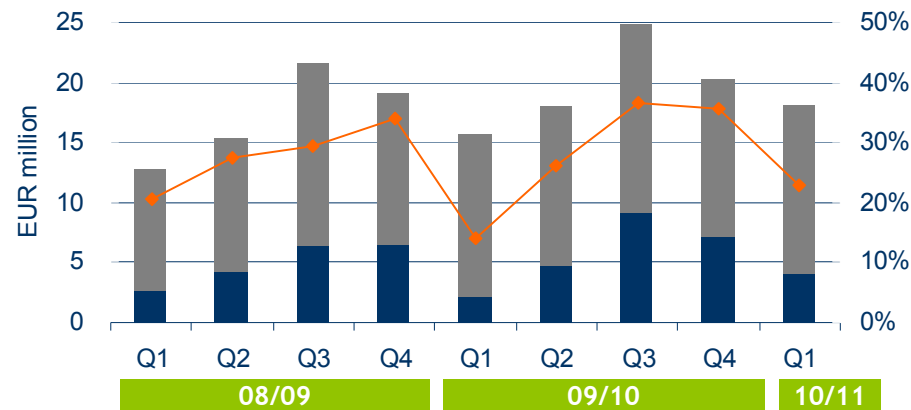
Health & Nutrition



EUR million	Q1 10/11	Q1 09/10	Index
Revenue	18.2	15.7	116
Organic growth	13%	12%	
EBITDA	5.6	3.3	170
EBITDA margin	31%	21%	
EBIT	4.1	2.2	186
EBIT margin	23%	14%	

	Org. Growth	EBIT margin
Q1 10/11	13%	23%

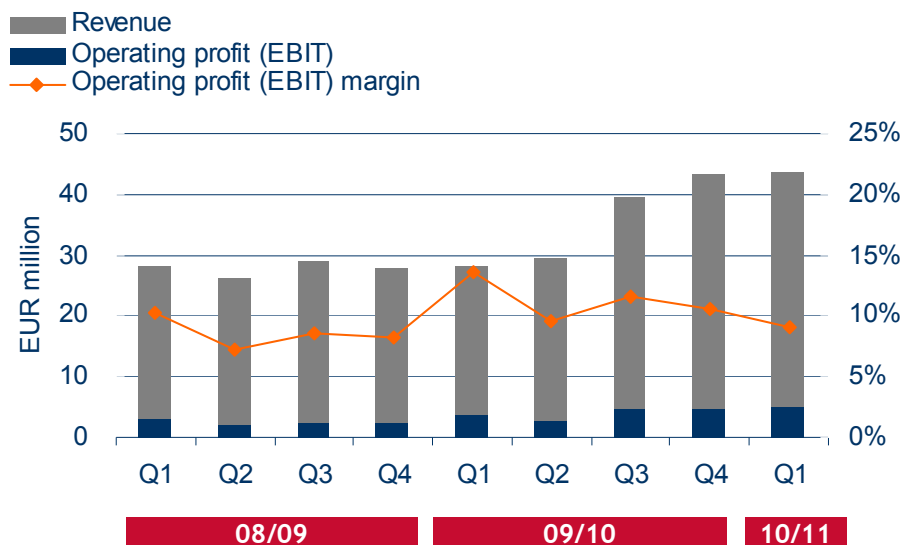
Revenue
 Operating profit (EBIT)
 Operating profit (EBIT) margin



- ▼ Strong growth from new business in human health while animal health saw lower growth
- ▼ Organic growth negatively affected by approx. 1%-point from Euro pricing
- ▼ EBIT in Q1 2009/10 negatively affected by production issues in North America
- ▼ New studies
 - ▼ BB-12® and L. casei 431® effect on immune system (Sponsored by CHR)
 - ▼ BB-12® effect on occurrence of respiratory infections in early childhood

Colors & Blends

EUR million	Q1 10/11	Q1 09/10	Index
Revenue	43.7	28.1	156
Organic growth	46%	25%	
EBITDA	5.0	4.9	102
EBITDA margin	11%	17%	
EBIT	3.9	3.8	103
EBIT margin	9%	14%	



	Org. Growth	EBIT margin
Q1 10/11	46%	9%

- ▼ Strong move towards natural colors as a replacement of synthetic colors in a number of food products.
- ▼ During Q1 we have seen major manufacturers of beverage, confectionery and ice cream looking to convert to natural color solutions resulting in increased demand for raw materials.
- ▼ Organic growth positively affected by carmine raw material prices in Q1 by 25%-point
- ▼ Organic growth negatively affected by approx. 2%-point from Euro pricing



Outlook 2010/11

Avg. Org. Growth	EBIT margin b.s.i.	NWC (% of revenue)	Cap. Exp.* (% of revenue)	R/D Exp.* (% of revenue)	Tax rate (On operating profit)	Net debt/ EBITDA
11-13%	>25%	In line with long term targets (14-17%)	In line with long term targets (6.5-7.5%)	In line with long term targets (~6%)	~26%	~2.0

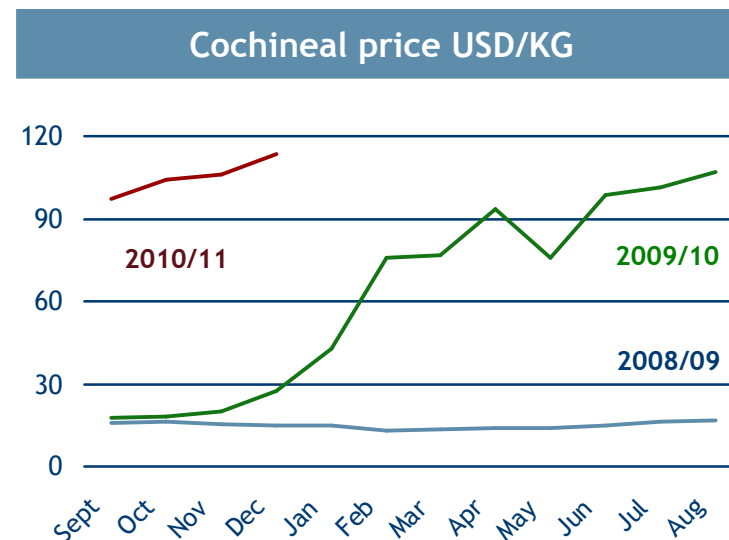
* Includes capitalised development costs

As a result of the continued strong move towards natural colors in a number of food products, raw material prices for carmine have continued at a high level in Q1 2010/11, and are now expected to stay at the current level for the remainder of the financial year.

As a result, revenue for 2010/11 is now expected to grow organically by 11-13% compared to 8-10% in the announcement on 2 November 2010.

The EBIT margin in the Colors & Blends division is expected to recover throughout the year and EBIT margin b.s.i. for the group is still expected to be above 25%, despite this pressure on group margins from changed business mix.

The 2010/11 outlook is sensitive to major changes in the global economy including the USD exchange rate, and raw material prices for carmine which could impact the operational and financial performance of the company

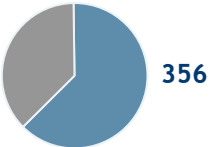
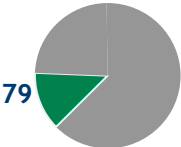
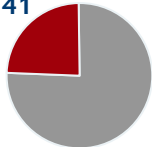
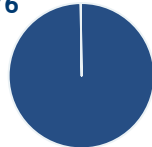






Appendix

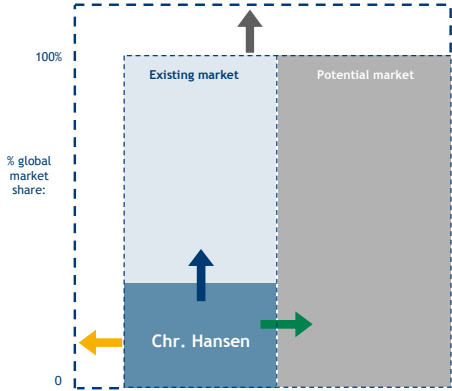
...with strong market leadership positions

	Cultures & Enzymes	Health & Nutrition	Colors & Blends	Total Chr. Hansen
Market position	Market leader	Market leader	Market leader	
Market share	c. 45% ¹	c. 15% ¹	c. 20% ¹	
Revenue FY 2008/09 (EUR m)	 356	 79	 141	 576
Organic growth 3Y CAGR / FY 2009/10	8% / 6%	21% / 14%	13% / 29%	11% / 12%
EBIT margin b.s.i. FY 2009/10	29%	29%	11%	25%
ROIC· excl goodwill FY 2009/10	28%	27%	21%	27%

Note 1: Management estimates, based on market reports

Three key characteristics

Attractive growth story

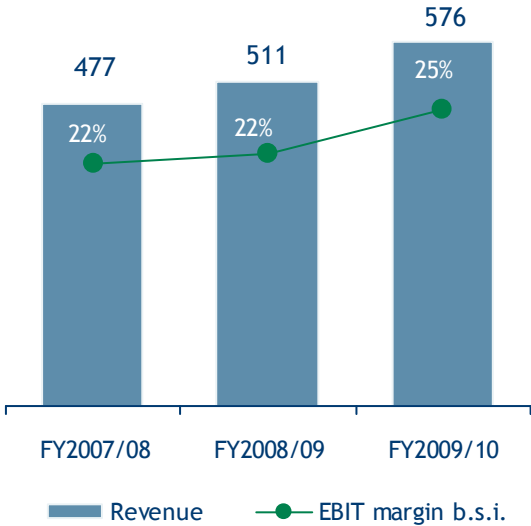


- ↑ Fundamental growth
- Market expansion through conversion
- ← Market expansion through greater functionality
- ↑ Market share growth

Market leader in segments with high barriers to entry



Strong financials

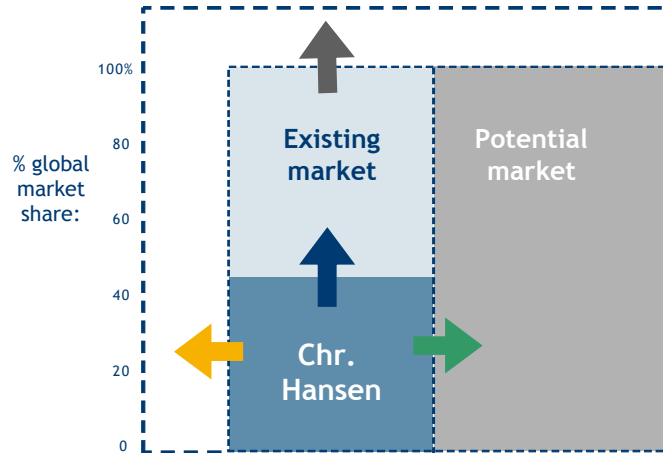


Cultures & Enzymes Division

Leading supplier of Cultures and Enzymes

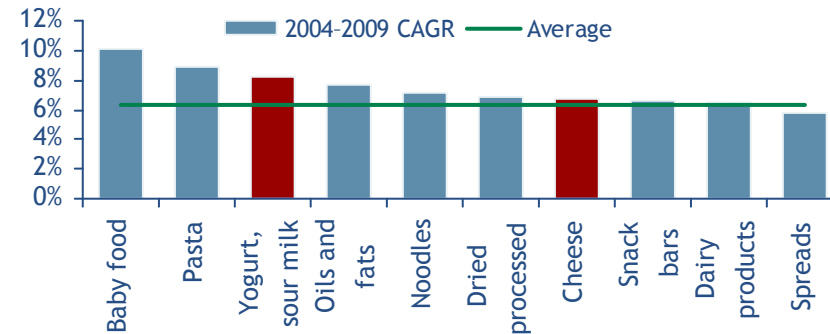


Growth dimensions



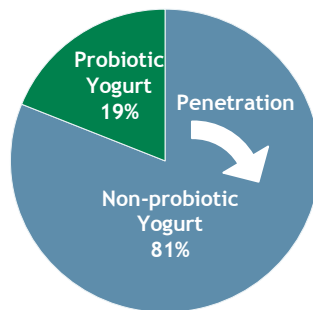
Fundamental growth

Top 10 highest growing food categories in 2004-09 (revenue)²

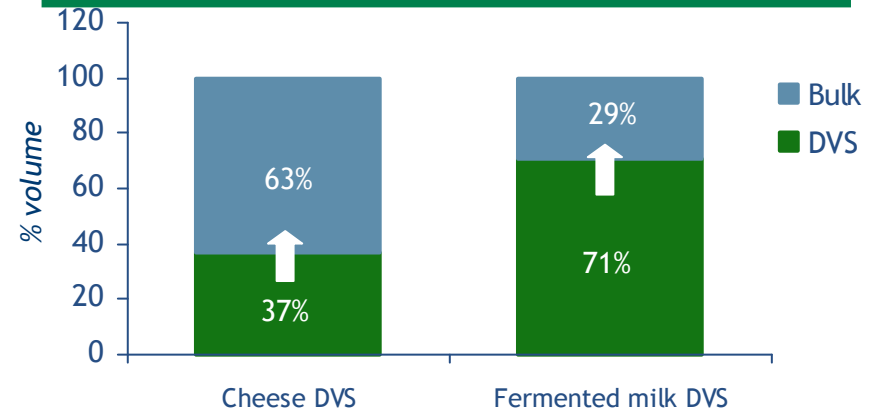


Greater functionality

Probiotics penetration (volume)¹



Conversion



Note 1: Based on management estimates and market reports
 Note 2: Euromonitor
 Note 3: Volume excludes informal sector

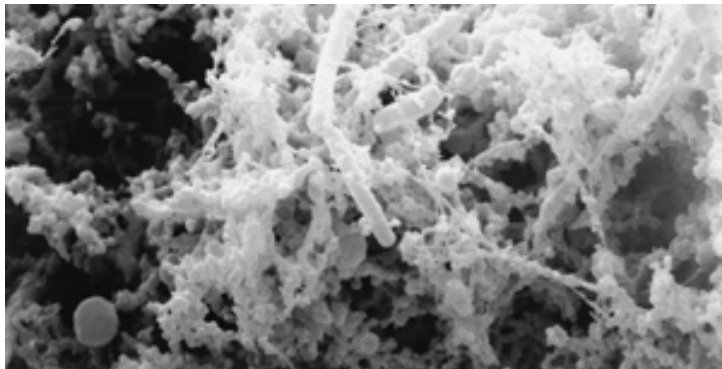
Health & Nutrition Division

Leveraging core technology and creating new growth opportunities



Our strong offer

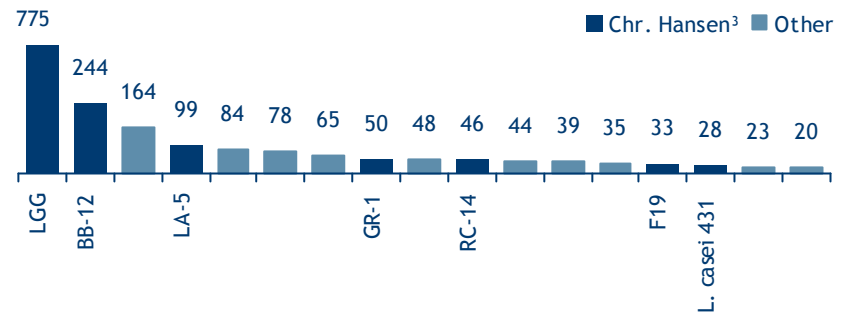
- ▼ Products based on probiotic cultures for
 - ▼ Human Health
 - ▶ Demonstrated health benefits
 - ▶ Increased consumer awareness
 - ▼ Animal Health
 - ▶ Increased efficiency of feed uptake
 - ▶ Non-antibiotic solution
- ▼ Ability to continue to expand



Key driver

- ▼ Human Health
 - ▼ Documentation & regulatory process an opportunity to differentiate (EFSA)
- ▼ Animal Health
 - ▼ Feed to meat conversion

of publications on leading probiotic strains²



Note 1: Survey done in United States since 2002 by the Natural Marketing Institute; Natural Marketing Institute (NMI, 2009)
 Note 2: Based on FSTA (Food Science and Technology Abstracts) and MEDLINE using standardized search terms (March 2010)
 Note 3: Including strains produced and sold under license
 Source: Management estimates, based on market reports

Colors & Blends Division

Natural solutions to consumers concerned with synthetic colors



Synthetic

Natural

Label requirements in EU effective 1 July 2010

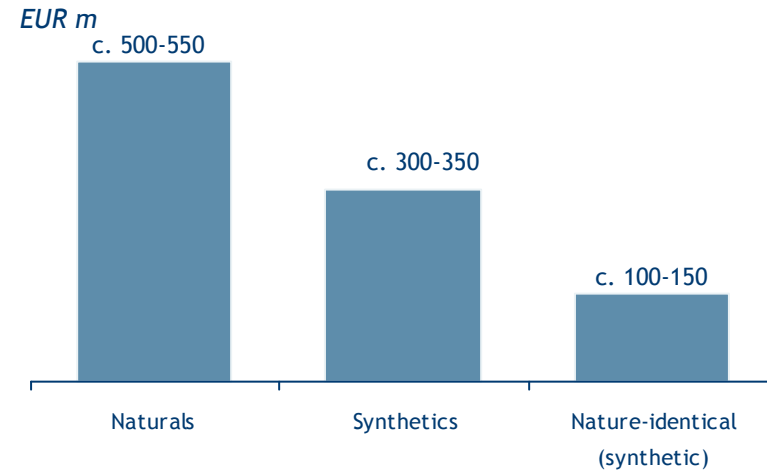


Cost of color¹
1%



Cost of color¹
3-5%

Est. global food colors market size² (value)

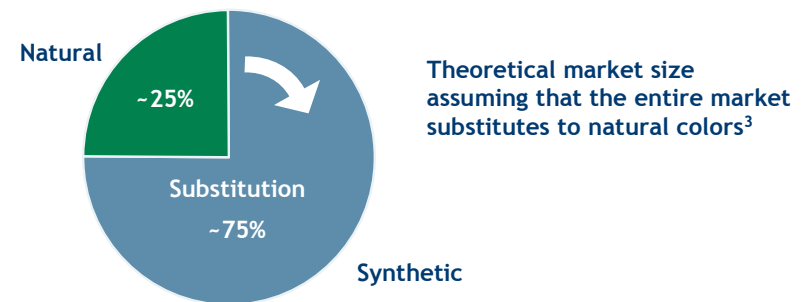


Southampton study

The Lancet September 2007

“An adverse effect of food additives has been found on the hyperactive behaviour of children.”

Natural colors substitution potential (vol)



Note 1: Based on management estimates
 Note 2: Management estimates, based on market reports; Naturals market includes coloring foodstuff segment of EUR 50m-100m
 Note 3: Management estimates, based on market reports; Assuming a price ratio of approximately 5:1

Long term relationships ensure a loyal customer base

Strategic value of Chr. Hansen ingredient is much higher than ingredient cost

Illustrative example of Chr. Hansen ingredient costs

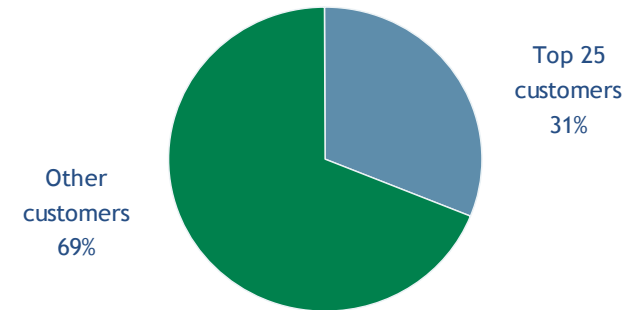


We build customer competitiveness



A diversified and loyal customer base

Top 25 customers¹ share of revenue (2009/10: EUR 576m)



Top customers ¹	Avg. years with Chr. Hansen	3yr revenue CAGR
Top 5	>20	19%
Top 10	>20	15%

Source: Chr. Hansen
Note 1: Includes distributors

Strong R&D platform for innovative product development

Platform based on deep technological knowledge and market understanding...

- ▼ Strains, Metrics, Process, Product and application, Probiotic screening and technology & Pigment
- ▼ Library of over 10,000 microorganisms
- ▼ Investment in documentation

...Strong basis for innovation...

- ▶ New products, applications, concepts (products)
- ▶ Stable processes, Better yields, Lower unit costs (processes)

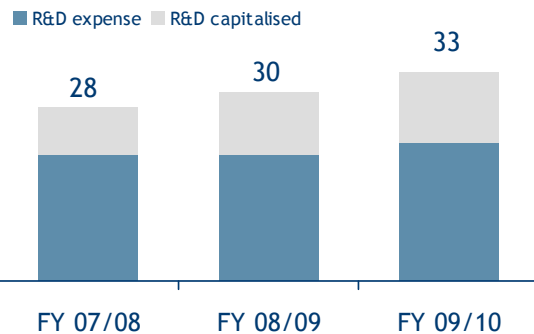
...in close cooperation with customers

- ▼ 19 application centers around the world with Focused customer service, Local adaptation, Trouble shooting

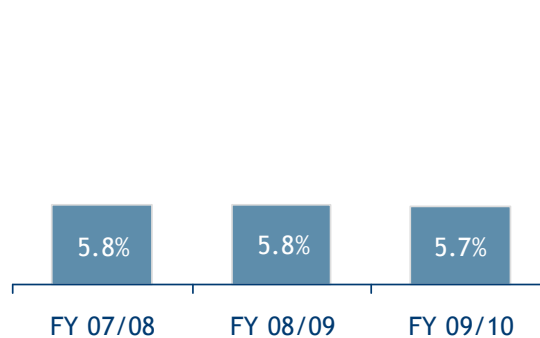
~1,100 patents and patent applications



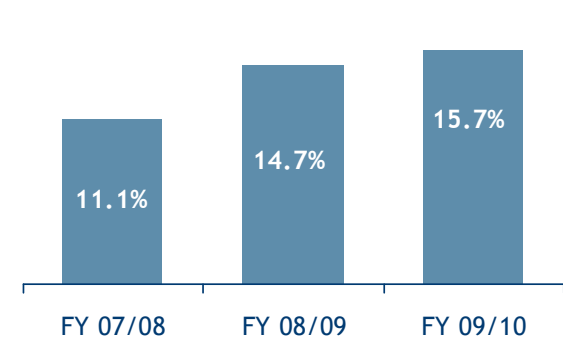
R&D costs in EUR m



R&D as percentage of revenue



% of revenue from products with a lifetime < 3 years

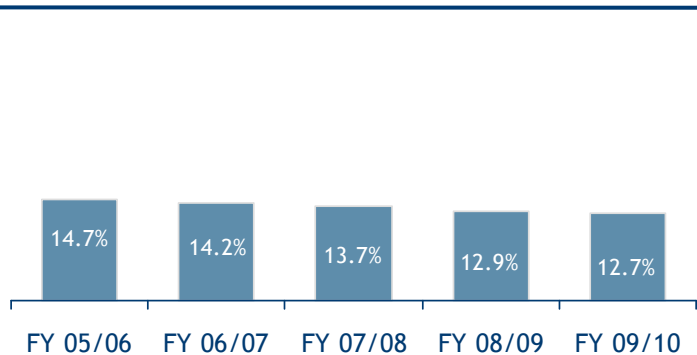


Growing sales faster than costs with a scalable business model

Sales platform

- ▼ Global platform with local presence
- ▼ Key account coverage
- ▼ Stable, technically skilled sales force

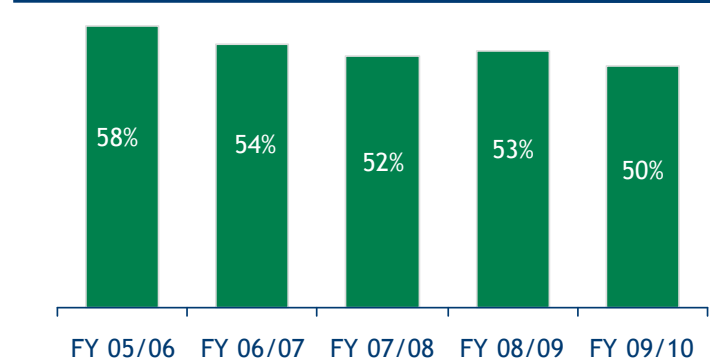
Sales and marketing percentage of revenue



Global supply chain

- ▼ Few and well invested production sites
- ▼ Highly scalable set-up allows leveraging of capacity costs
- ▼ Introduction of Lean principles reduces time to market

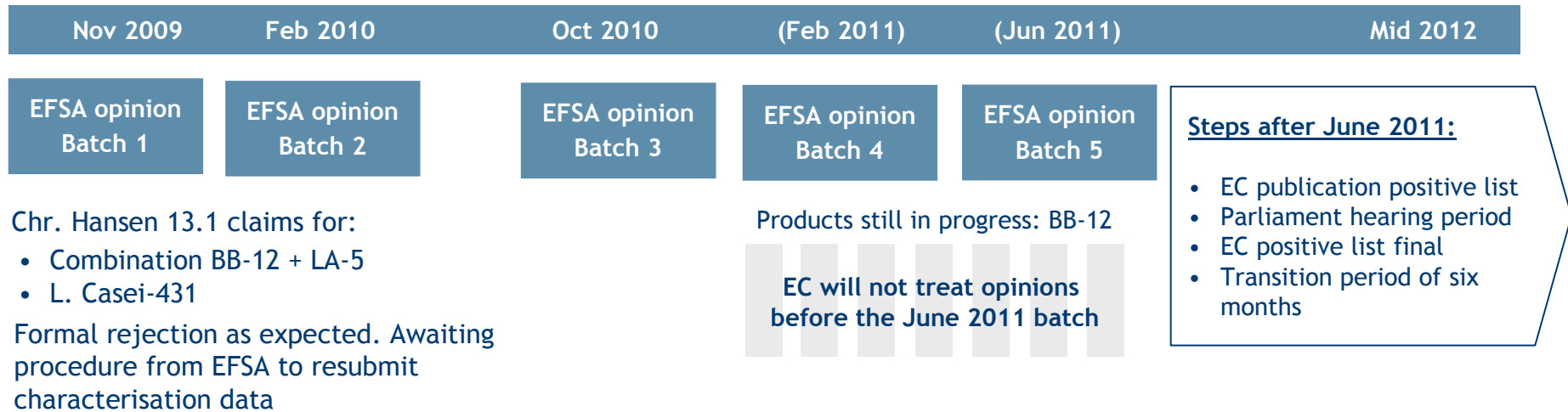
COGS¹ as percentage of revenue



2008/09 negatively affected by implementation of Avedore facility

Note 1: Cost of sales includes depreciation and amortization, impairments and losses
Source: Chr. Hansen

Transition period for all Article 13.1 claims will extend at least into mid-2012



Latest development

- EFSA has issued a positive opinion on live cultures effect on lactose degradation
- EFSA has initiated a number of workshops with the industry to clarify issues on documentation
- We continue to build documentation and will file Article 13.5 claims in due time

Impact on Chr. Hansen

- **Short term:** Negative effect from uncertainty
- **Long term:** Chr. Hansen well positioned with well documented strains and resources to carry out necessary clinical studies for Article 13.5 claims