

CHR HANSEN

Improving food & health

Chr. Hansen Holding A/S

Interim Report Q3 2010/11

6 July 2011



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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 YTD 2010/11

- Revenue EUR 474 million, up 19%
- Organic revenue growth of 16%
 - Increased sales prices reflecting higher raw material prices for carmine (+6%-points)
 - Effect from euro pricing (-1%-points)
- EBIT b.s.i. EUR 113 million, up 18%
- EBIT margin b.s.i. 24%, unchanged
- Exit from the functional blends business
- Revised outlook
 - Revenue expected to grow organically by 14-15%, up from 12-14%
 - EBIT margin b.s.i. is expected to be at or above 25% (Unchanged)

YTD 2010/11

YTD 2009/10

Organic
growth

16%

13%

EBIT margin
b.s.i.

24%

24%

Chr. Hansen have exited the functional blends activities

- Sale of European functional blends activities to Frutarom

- Total consideration of EUR 25 million
- The transaction, subject to normal closing conditions, is expected to be completed in Q4 2010/11
- Expected gain of around EUR 1 million to be booked under special items

- Subsequently decided to close down remaining functional blends activities in South America

- Functional blends activities reclassified to “Discontinuing operations”

- The “Colors & Blends Division” has changed name to the “Natural Colors Division”

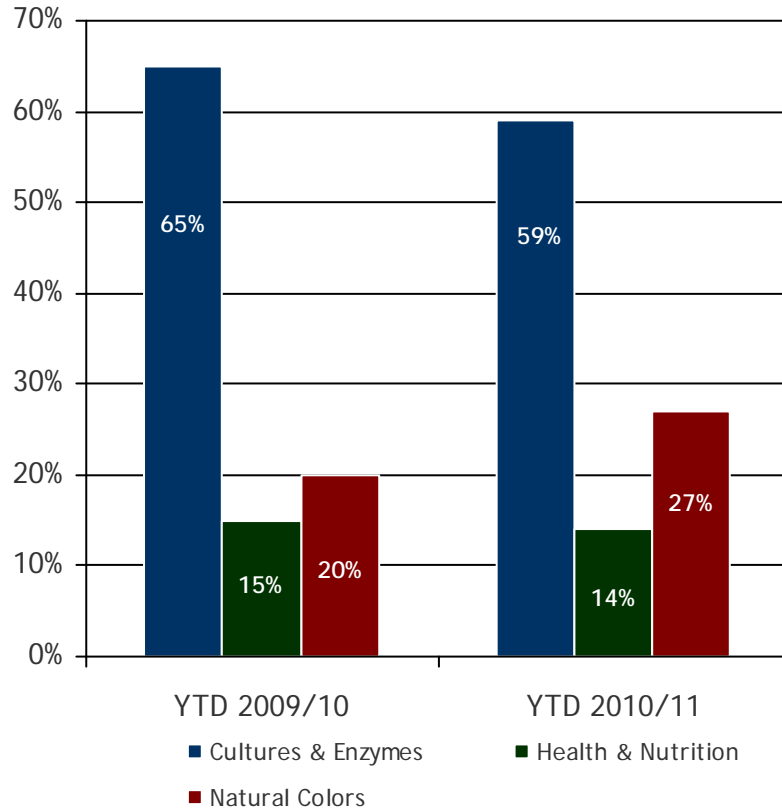
- The exit from the functional blends business is not expected to have a significant impact on the result for the year

Functional Blends

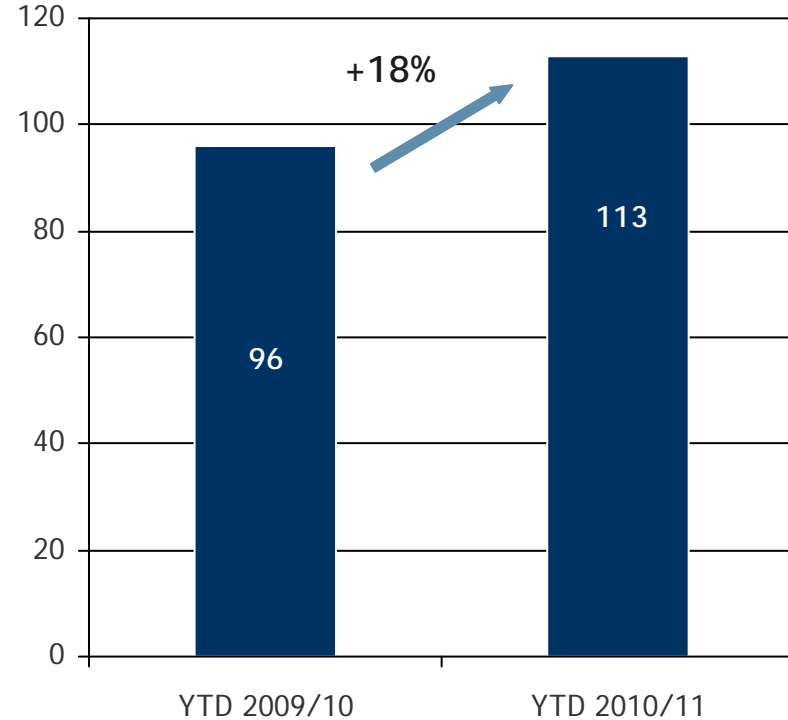
EUR million	YTD 2010/11
Revenue	16.5
EBIT	2.0
EBIT margin	12%
Net profit	1.1
Cash flow from operations	2.9
Assets	14.8
Liabilities	2.0

Change in business mix affects EBIT-margin by approx 1%-point, but solid growth in absolute EBIT b.s.i.

Share of total revenue



EBIT b.s.i. (EUR million)



Growth across regions in YTD 2010/11

North America

- 9% organic growth
- 21% of total revenue

Europe

- 18% organic growth
- 51% of total revenue

South America

- 18% organic growth
- 12% of total revenue

APMEA

- 20% organic growth
- 16% of total revenue

Highlights Q3 2010/11

- Revenue EUR 170 million, up 11%
- Organic revenue growth of 12%
 - Increased sales prices reflecting higher raw material prices for carmine (+4%-points)
 - Effect from euro pricing (+1%-points)
- EBIT b.s.i. EUR 44 million, up 10%
- EBIT margin b.s.i. 26%, unchanged
- Change in business mix
 - Cultures & Enzymes Division: 58% vs. 62%
 - Health & Nutrition Division: 15% vs. 16%
 - Natural Colors Division: 27% vs. 22%
- Exit from the functional blends business

	Q3 2010/11	Q3 2009/10
Organic growth	12%	17%
EBIT margin b.s.i.	26%	26%

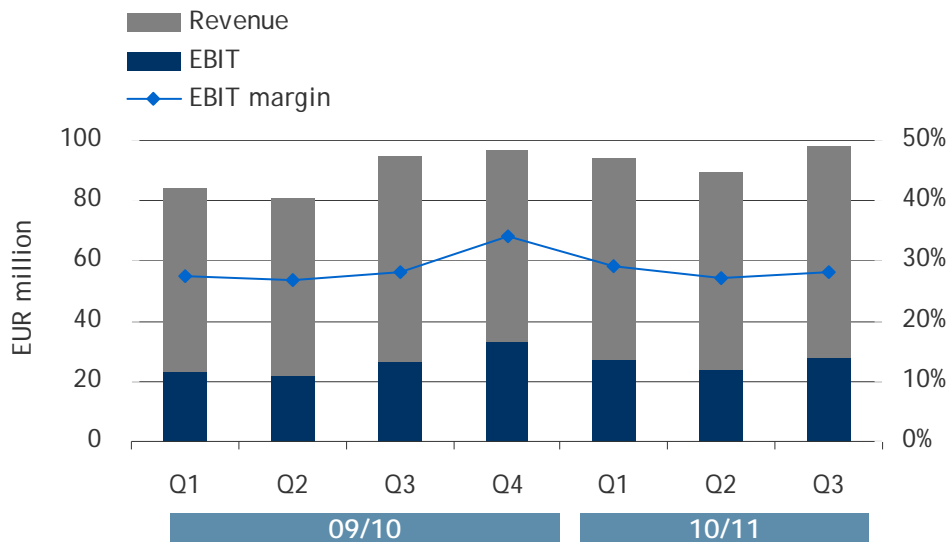
Strong revenue growth and EBIT margins

EUR million	YTD			Q3		
	2010/11	2009/10	Index	2010/11	2009/10	Index
Revenue	474.1	397.7	119	169.8	153.5	111
Organic growth	16%	13%		12%	17%	
Gross margin	48%	50%		48%	50%	
EBIT b.s.i.	113.3	95.7	118	43.5	39.6	110
EBIT b.s.i. margin	24%	24%		26%	26%	
EBIT	113.3	73.1	155	43.5	18.5	235
EBIT margin	24%	18%		26%	12%	
Net financials	(2.1)	(20.3)	10	(9.0)	(62.2)	14
Profit/loss	78.6	(8.2)		30.9	(4.6)	
EPS continuing activities, diluted	0.56	(0.11)		0.22	(0.05)	
Cash flow						
Cash flow from operating activities	63.3	54.3	117	52.6	38.3	137
Cash flow from investing activities	(27.4)	(25.4)	108	(10.6)	(8.7)	122
Free cash flow	35.9	28.9	124	42.0	29.6	142
Balance sheet						
Total assets	1,304	1,337	98			
Equity, excl. minorities	609	108	564			
Net interest-bearing debt	436	833	52			



Cultures & Enzymes

EUR million	Q3 2010/11	Q3 2009/10	YTD 2010/11	YTD 2009/10
Revenue	98	95	281	260
Organic growth	5%	8%	6%	7%
EBITDA	35	35	102	96
EBITDA margin	36%	37%	36%	37%
EBIT	28	27	78	71
EBIT margin	28%	28%	28%	27%



Organic growth

- Organic growth driven by cheese, fermented milk and wine cultures, while probiotics continues to be affected by the uncertainty around EFSA regulation
- Euro pricing
 - -1%-point YTD
 - +1%-point Q3

EBIT margin

- Scalability gains offset by higher distribution cost and changed product mix
 - Cheese i/o probiotics
 - Freeze dried i/o frozen



Growth drivers in Cultures & Enzymes



Cultures for Cheese, Fermented milk (>50% of divisional revenue)

- Good underlying growth in fermented milk products
- Expanded product offerings in cheese, fermented milk cultures
 - e.g. cottage cheese solution launched in Europe and North America
- Continued conversion in all markets

Probiotic cultures for Yogurt (~20% of divisional revenue)

- EFSA uncertainty affecting both new product launches and existing business
- EFSA released 5th batch of opinions end of June

Enzymes for Cheese production (~20% of divisional revenue)

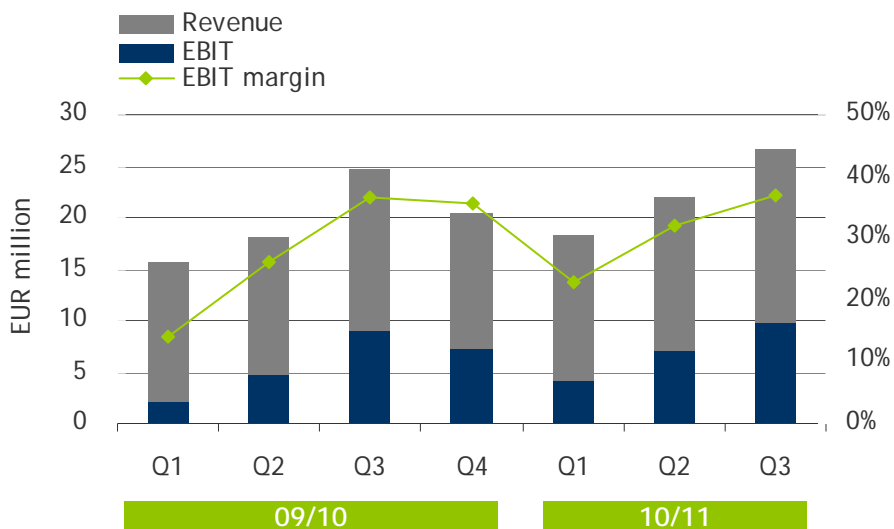
- Growing in line with Cheese consumption
- Continued decline in animal rennet due to conversion to fermented enzymes (Chymax)

Wine and Meat cultures (~10% of divisional revenue)

- Stable growth
- Launch of Viniflora® FrootZen™ yeast for white wine

Health & Nutrition

EUR million	Q3 2010/11	Q3 2009/10	YTD 2010/11	YTD 2009/10
Revenue	27	25	67	59
Organic growth	9%	14%	13%	19%
EBITDA	12	10	26	19
EBITDA margin	43%	40%	39%	33%
EBIT	10	9	21	16
EBIT margin	37%	37%	32%	27%



Organic growth

- Organic growth driven by strong growth in the human health businesses while animal health experienced lower growth
- Quarterly growth in the Health & Nutrition Division is significantly affected by timing of orders

EBIT margin

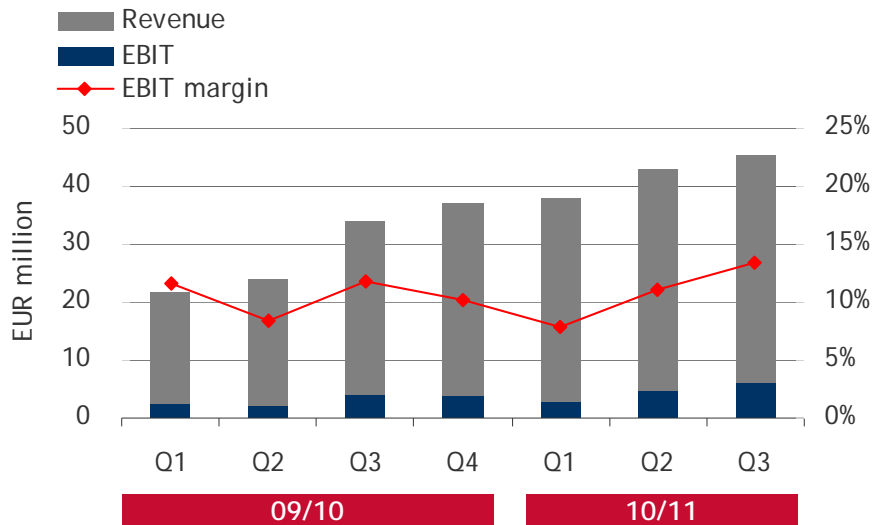
- YTD EBIT margin up 5%-points driven mainly by increased sales volume and easy comparison with last year
- Q3 EBIT margin unchanged due to higher depreciation



Natural Colors Division



EUR million	Q3 2010/11	Q3 2009/10	YTD 2010/11	YTD 2009/10
Revenue	45	34	126	80
Organic growth	34%	53%	54%	33%
EBITDA	7	5	17	11
EBITDA margin	15%	14%	13%	14%
EBIT	6	4	14	9
EBIT margin	13%	11%	11%	11%



Organic growth

Organic growth was driven by the continued conversion from synthetic to natural colors

YTD

- Recovery of higher raw material prices for carmine color (29%-points)
- Volume growth of 15-20% in the various color offerings

Q3

- Recovery of higher raw material prices for carmine color (17%-points)

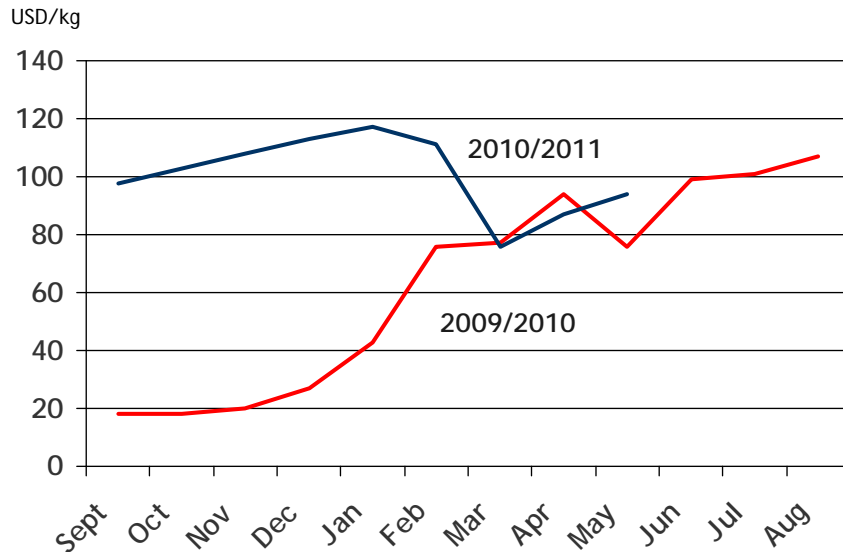
EBIT

EBIT YTD of EUR 14 million, up 5 million

- YTD EBIT margin unchanged. Margins diluted by the increased raw material costs
- Q3 EBIT margin increased to 13%

Raw material costs for carmine at a high level YTD

Purchase prices for carmine raw materials



Raw material prices for carmine fluctuated around USD 90/kilogram with high volatility in Q3

Getting into a more "like for like" comparison



Continued potential for conversion

- Natural colors accounts for around 25% (volume) of the total color market for food and beverage (varying by geography and industry)
 - Good potential for additional conversion in Asia (excluding Japan), Pacific, Africa, South and North America
 - Focus industries remains beverage, confectionary, Ice Cream but also prepared food
- Conversion driven by regulatory pressure and strong consumer preference for natural colors
- Total annual market potential for natural colors in food & beverage estimated EUR 3-3.5 billion
- To capture growth opportunities investment in development projects is expected to increase

Outlook

2010/11 (6 July)

Org. Growth	EBIT margin b.s.i.	NWC (% of revenue)	Cap. Exp.* (% of revenue)	R/D Exp.* (% of revenue)	Tax rate	Net debt/ EBITDA
14-15%	At or above 25%	In line with long term target			~26%	~2.0
		(14-17%)	(6.5-7.5%)	(~6%)		

2010/11 (6 April)

Org. Growth	EBIT margin b.s.i.	NWC (% of revenue)	Cap. Exp.* (% of revenue)	R/D Exp.* (% of revenue)	Tax rate	Net debt/ EBITDA
12-14%	At or above 25%	In line with long term target			~26%	~2.0

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 financial performance of the company

* Includes capitalised development costs

