

Q2 2012/13

CHR. HANSEN HOLDING A/S

11 April 2013

CHR HANSEN

Improving food & health



Cees de Jong

1989-1998: Gist-Brocades (NL)

Different positions including Managing Director for the Industrial Pharmaceutical division. Gist-Brocades was acquired by DSM in 1998

1998-2000: DSM (NL)

President of the Anti-Infectives division

2000-2003: Campina (NL)

President for the Industrial Products Division

2003-2007: Quest International and ICI (NL/UK)

Group Vice President and member of the Board, Head of Flavour Division

2007-2011: Crucell (NL)

Chief Operating Officer and member of the Board. Crucell was acquired by Johnson & Johnson in 2011

Education

Degree in Medicine from the Erasmus University in Rotterdam

MBA from the Rotterdam School of Management

Highlights 1H 2012/13

- Revenue EUR 353 million, up 6%
- Impairment of EUR 8 million related to clinical studies
- EBIT EUR 80 million, down 3%
 - EBIT margin 22.7%, down from 25.0%
 - EBIT margin before impairment 25.0%
- Profit for the period EUR 53 million, down 7%
- EPS, diluted EUR 0.39, down 5%
- R&D expenditures incurred EUR 23 million, 6.6% of revenue
- Free cash flow EUR 6 million compared to EUR 11 million last year
- NIBD EUR 446 million or 1.8x EBITDA

	1H 12/13	1H 11/12
Organic growth	6%	9%
Organic growth excl. carmine price	9%	11%
EBIT margin	22.7%	25.0%
EBIT margin before impairment	25.0%	25.0%

Highlights Q2 2012/13

- Revenue EUR 174 million, up 6%
- Impairment of EUR 8 million related to clinical studies
- EBIT EUR 33 million
 - EBIT margin 18.7%, down from 25.4%
 - EBIT margin before impairment 23.3%
- Profit for the period EUR 21 million, down 32%
- EPS, diluted EUR 0.15, down 32%
- R&D expenditures incurred EUR 11 million
6.5% of revenue
- Free cash flow EUR 33 million compared to
EUR 34 million last year

	Q2 12/13	Q2 11/12
Organic growth	8%	6%
Organic growth excl. carmine price	10%	9%
EBIT margin	18.7%	25.4%
EBIT margin before impairment	23.3%	25.4%

Revenue by regions 1H 2012/13

South America (14%)



15% organic growth*

- Strong growth in fermented milk, cheese and enzymes
- Decline in carmine volume offset by continued conversion

North America (25%)



19% organic growth*

- Strong growth in dietary supplements, animal health, fermented milk and cheese
- Modest growth in Natural colors

Europe (44%)



3% organic growth*

- Solid growth in Cultures & Enzymes Division despite lower sale of probiotics
- Natural color volumes flat

APMEA (17%)



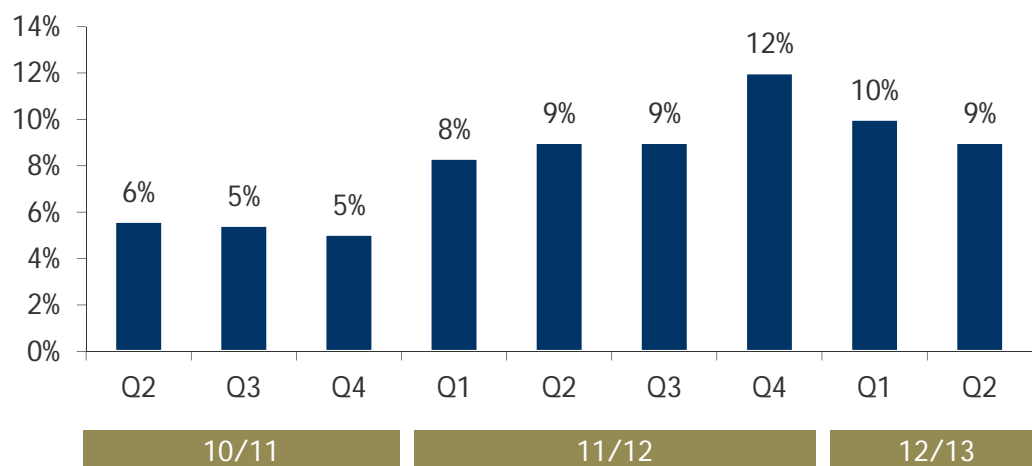
5% organic growth*

- Strong growth in fermented milk, cheese, probiotics and dietary supplements
- Natural colors declining

Cultures & Enzymes Division

EUR million	Q2 12/13	Q2 11/12	YTD 12/13	YTD 11/12
Revenue	105.2	97.8	217.6	198.3
Organic growth	9%	9%	10%	9%
EBITDA	36.4	33.7	79.1	69.8
EBITDA margin	34.6%	34.5%	36.4%	35.2%
EBIT	23.3	25.7	57.5	53.8
EBIT margin	22.1%	26.3%	26.4%	27.1%
EBIT margin before impair.	26.2%	26.3%	28.4%	27.1%
ROIC excl. goodwill			29.7%	28.1%

Organic growth



YTD

- **Organic growth** driven by strong growth in the cheese, fermented milk and meat categories
- Probiotic cultures flat. Growth in APMEA and South America offset by negative development in Europe and North America
- **EBIT margin** down 0.7%-point due to impairment (EUR 4.3 million)
- **ROIC excl. Goodwill** up 1.6%-point

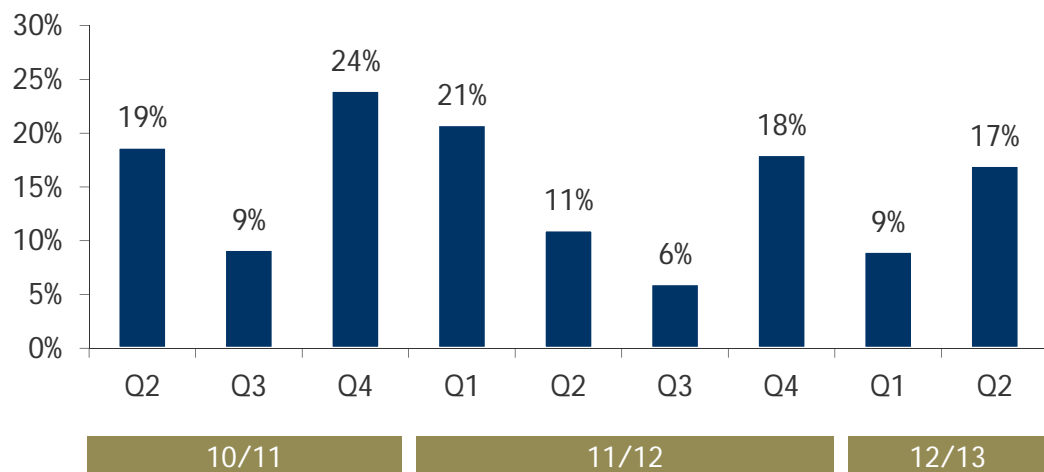
Q2

- **Organic growth** driven by continued strong growth in the cheese, fermented milk and meat categories as well as wine cultures
- Probiotic cultures declined. Continued negative development in Europe and North America partly offset by growth in APMEA and South America
- **EBIT margin** down 4.2%-point negatively impacted by impairment and non-recurring costs related to the sales platform

Health & Nutrition Division

EUR million	Q2 12/13	Q2 11/12	YTD 12/13	YTD 11/12
Revenue	29.0	25.2	54.5	47.4
Organic growth	17%	11%	13%	15%
EBITDA	10.9	10.5	21.2	19.1
EBITDA margin	37.6%	41.7%	38.9%	40.3%
EBIT	5.2	8.6	13.7	15.4
EBIT margin	17.9%	34.2%	25.1%	32.5%
EBIT margin before impair.	31.0%	34.2%	32.1%	32.5%
ROIC excl. goodwill			26.4%	31.3%

Organic growth



YTD

- Organic growth driven by strong growth in dietary supplements and animal health
- EBIT margin down 7.4%-point primarily due to impairment (EUR 3.8 million)
- ROIC excl. goodwill down 4.9%-point due to impairment

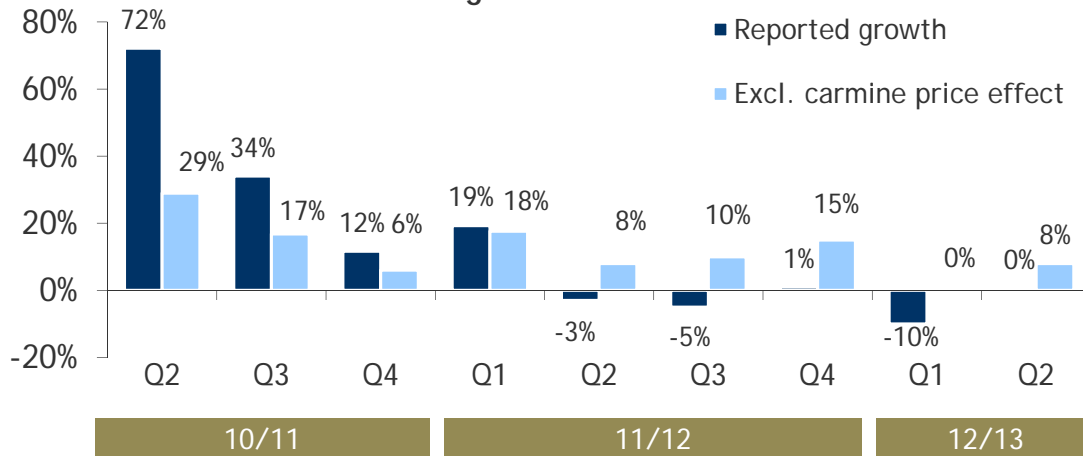
Q2

- Organic growth driven by strong growth in dietary supplements and animal health
- EBIT margin down 16.3%-point primarily due to impairment and non-recurring costs related to the sales platform

Natural Colors Division

EUR million	Q2 12/13	Q2 11/12	YTD 12/13	YTD 11/12
Revenue	40.2	42.0	80.8	86.8
Organic growth	0%	(3)%	(5)%	8%
- excl. carmine price effect	8%	8%	4%	13%
EBITDA	5.3	8.8	11.4	16.1
EBITDA margin	13.2%	21.0%	14.1%	18.5%
EBIT	4.1	7.6	9.0	13.8
EBIT margin	10.2%	18.1%	11.1%	15.9%
ROIC			22.6%	38.8%

Organic Growth



YTD

- **Organic growth** negatively impacted by lower carmine price and volume while annatto, natural carotene and FruitMax® delivered strong growth
- **EBIT margin** down 4.8%-point negatively impacted by non-recurring costs related to the sales platform and pricing initiatives to address earlier carmine volume losses
- **ROIC** down 16.2%-point. Invested capital excl. goodwill up 10% mainly due to investments in production facilities

Q2

- **Organic growth** positively impacted by recovery in anthocyanin volumes as raw material became available while carmine volume stabilized
- **EBIT margin** down 7.9%-point primarily due to non-recurring costs related to the sales platform and pricing initiatives to address earlier carmine volume losses

Profit & Loss

EUR million	Q2 12/13	Q2 11/12	Index	YTD 12/13	YTD 11/12	Index
Revenue	174.4	164.9	106	352.9	332.5	106
Organic growth	8%	6%		6%	9%	
Organic growth excl. carmine effect	10%	9%		9%	11%	
Gross margin	51.0%	50.8%		51.6%	50.1%	
EBIT	32.6	41.9	88	80.2	83.0	97
EBIT margin	18.7%	25.4%		22.7%	25.0%	
EBIT margin before impairment	23.3%	25.4%		25.0%	25.0%	
Net financials	(4.1)	(0.7)	586	(7.8)	(6.2)	126
Tax	(7.8)	(10.8)	72	(19.6)	(20.0)	98
Profit for the period	20.7	30.4	68	52.8	56.8	93
EPS, diluted	0.15	0.22		0.39	0.41	

YTD

- Gross margin improved 1.5%-point primarily driven by scale benefits
- Net financials up 26%. Exchange rate adjustments EUR (2) million compared to EUR 2 million last year
- Tax rate 27% compared to 26% last year

Q2

- EBIT margin before impairment 23.3% down from 25.4% primarily driven by non-recurring costs related to the sales platform and change of CEO

Research & Development

EUR million	Q2 12/13	Q2 11/12	YTD 12/13	YTD 11/12
R&D expenses	17.1	8.0	25.4	15.3
- Amortization	1.0	0.2	2.0	1.3
- Impairment	8.1	0.0	8.1	0.0
+ Capitalization	3.3	3.9	7.9	9.9
R&D expenditures incurred	11.3	11.7	23.2	23.9

Selected product launches in Q2

- SaltLite™ cross-functional solution for sodium reduction in cheese (CED)
- FAR-M® enzyme for camel milk-based cheese (CED)

Clinical studies

Gastrointestinal health

- Preliminary analysis of two clinical studies relating to gastro-intestinal health was finalized in March 2013. Despite indications of positive results the studies' primary end points were not met
- Data currently available assessed to be insufficient for approval of an EU health claim
- EUR 8 million impairment of capitalized development costs

Cash flow and Balance sheet

EUR million	Q2 12/13	Q2 11/12	YTD 12/13	YTD 11/12
Cash flow				
Cash flow - operating activities	49.1	47.6	36.3	37.3
Cash flow - investing activities	(16.4)	(14.0)	(30.3)	(26.6)
Free cash flow	32.7	33.6	6.0	10.7
Balance sheet				
Total assets			1,331	1,311
Equity, excl. minorities			621	637
Net interest-bearing debt (NIBD)			446	410
Key Figures				
ROIC excluding goodwill	22.1%	29.3%	28.1%	30.1%
Net working capital			19.3%	19.4%
Capital expenditure	9.4%	8.5%	8.6%	8.0%
Research & Development	6.5%	7.0%	6.6%	7.2%
NIBD/EBITDA			1.8x	1.9x

YTD

- Cash flow from operating activities declined by EUR 1 million
 - Operating profit and adjustments (EUR +7 million)
 - Interest payments (EUR +1 million)
 - Working capital (EUR -5 million)
 - Higher taxes paid (EUR -4 million)

- Increased CAPEX driven by
 - Investments in fermentation and freeze drying capacity for cultures
 - Clinical studies

Outlook 2012/13

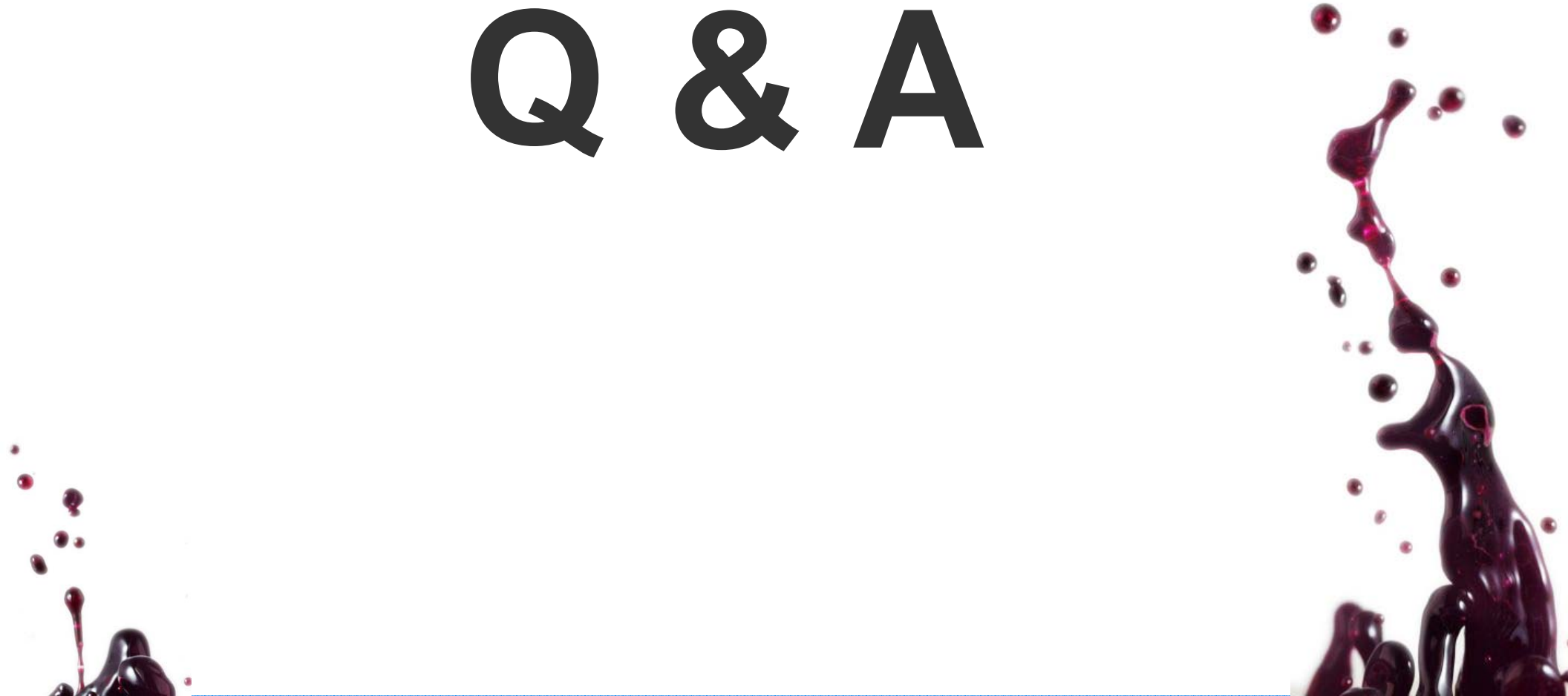
Reconfirmed



Org. growth excl. carmine price effect	Org. growth	EBIT margin before impair. & special item	Free cash flow before acquisitions and divestments
8-10%	7-9%	Above last year	Same level as last year

The 2012/13 outlook is sensitive to major changes in the global economy including fluctuations in currencies and raw material prices for natural colors which could impact the financial performance of the company

Q & A



Disclaimers

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance.

Forward-looking statements are other than statements of historical facts. The words "believe," "expect," "anticipate," "intend," "estimate," "outlook," "will," "may," "continue," "should" and similar expressions identify forward-looking statements.

Forward-looking statements include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; developments of the Company's markets; the impact of regulatory initiatives; and the strength of competitors. The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in records and other data available from third parties.

Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and may be beyond our control. Such risks, uncertainties, contingencies and other important factors could cause the actual results of the Company or the industry to differ materially from those results expressed or implied in this presentation by such forward-looking statements.

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Chr. Hansen - A Bioscience based Company

Founded in 1874

Dairy Enzymes
(12% of revenue*)

CED

▼ Cheese

Cultures
(37% of revenue*)

CED

▼ Yogurt

▼ Meat

▼ Cheese

▼ Wine

Probiotic cultures
(26% of revenue*)

CED

▼ Yogurt

Human

▼ Food supplements

▼ Infant formula

Animal

▼ Animal health

Natural colors
(25% of revenue*)

N. Colors

▼ Beverage

▼ Confectionary

▼ Dairy & fruit preparation

▼ Prepared food



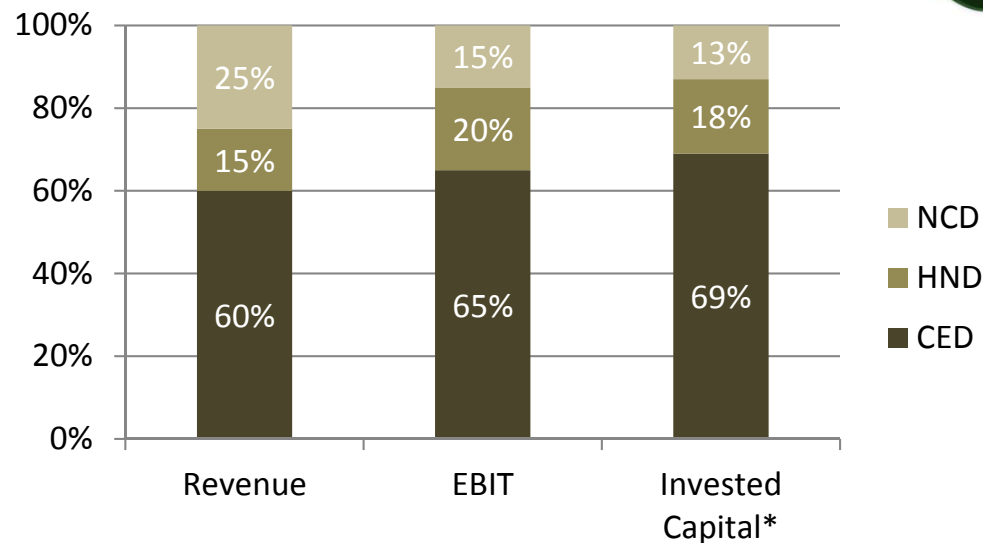
Chr. Hansen at a glance

FY 2011/12



Chr. Hansen

Revenue	EUR 699m
Organic growth	8%/11%
EBIT	EUR 185m
EBIT margin	26.5%
Invested capital*	EUR 552m
ROIC*	34.1%



Cultures & Enzymes

Revenue	EUR 420m
Organic growth	10%
EBIT	EUR 120m
EBIT margin	28.5%
ROIC*	31.8%
Market share	~45%**

Health & Nutrition

Revenue	EUR 107m
Organic growth	13%
EBIT	EUR 38m
EBIT margin	35.0%
ROIC*	39.1%
Market share	~15%**

Natural Colors

Revenue	EUR 172m
Organic growth	2%/12%
EBIT	EUR 28m
EBIT margin	16.0%
ROIC*	40.5%
Market share	~25%**

Competition



Cultures	Dairy Enzymes	Human Health	Animal Health	Natural Colors
Dupont (US)	DSM (NL)	Dupont (US)	Lallemand (CA)	Sensient (US)
DSM (NL)	Dupont (US)	Lallemand (CA)	Calpis (JP)	San-Ei-Gen (JP)
CSK (NL)	CSK (NL)	Biogaia (SE)	DSM (NL)	GNT (DE)
Clerici Sacco (IT)	Clerici Sacco (IT)			Wild (DE)
				Naturex (FR)

Cultures & Enzymes Division (60% of revenue)

Growth Drivers

Fundamental Market Growth

- GDP Growth
- Increased demand for healthy food products
- Increase in middle income groups in Asia, South America and Africa

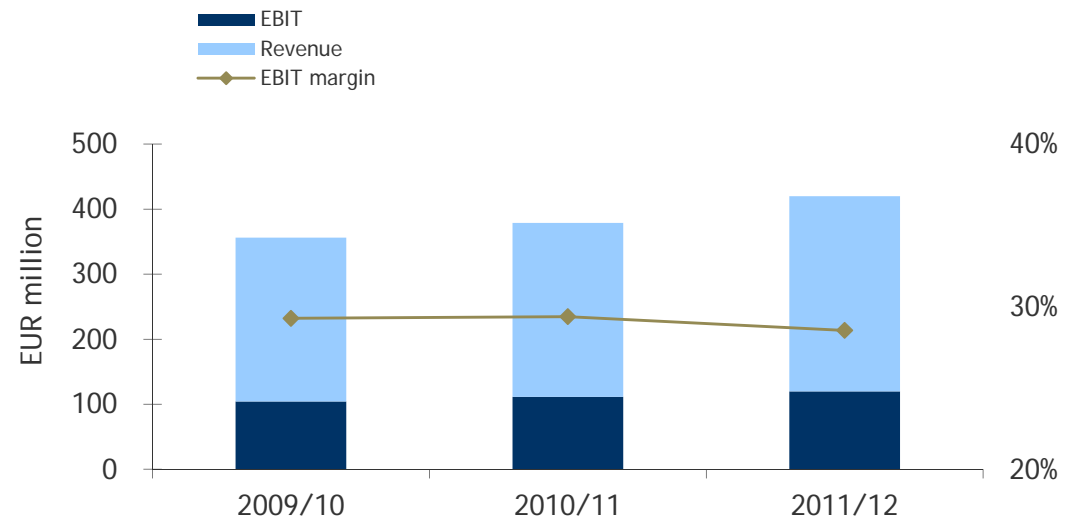
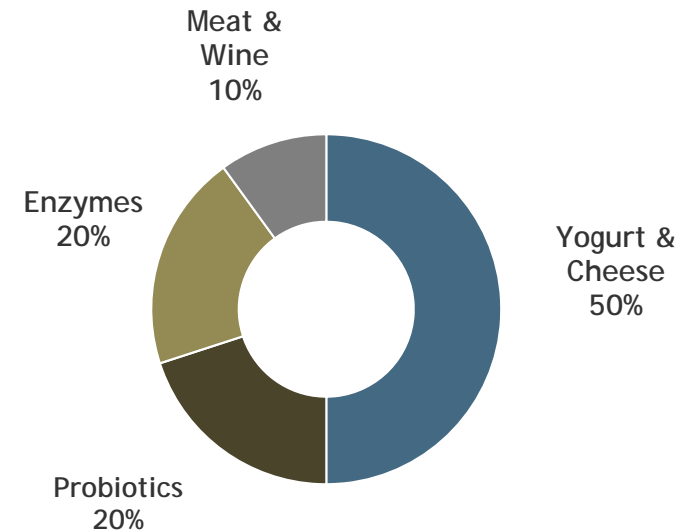
Conversion of Culture Production

- Dairies outsourcing production of cultures
 - Yogurt: approx. 75% converted*
 - Cheese: approx. 45% converted*

Increased functionality

- Probiotics
- Low fat

Improved yield/efficiency



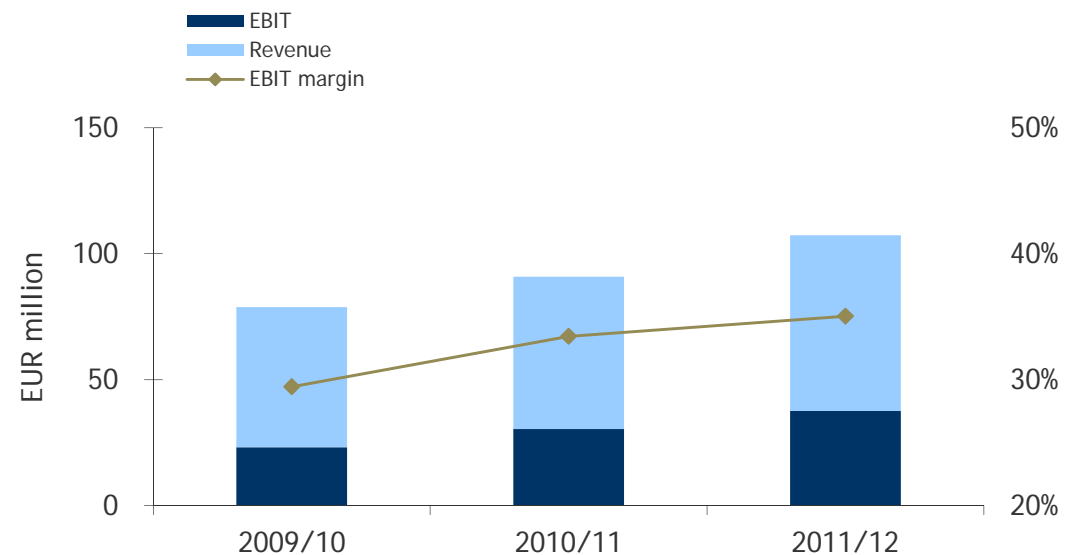
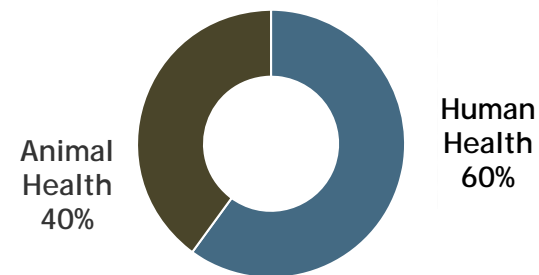
Health & Nutrition Division (15% of revenue)

Human health

- Food supplements with documented health benefits on:
 - Intestinal flora
 - Immune system
- Ingredient in infant formula
- Customers: Pharmaceutical and health companies

Animal health

- Preserve nutritional value of silage
- Increased feed uptake and reduce mortality in livestock
- Customers: Agricultural industry, primarily within pigs, poultry and cattle



Natural Colors Division (25% of revenue)



Growth drivers

Increased Regulation

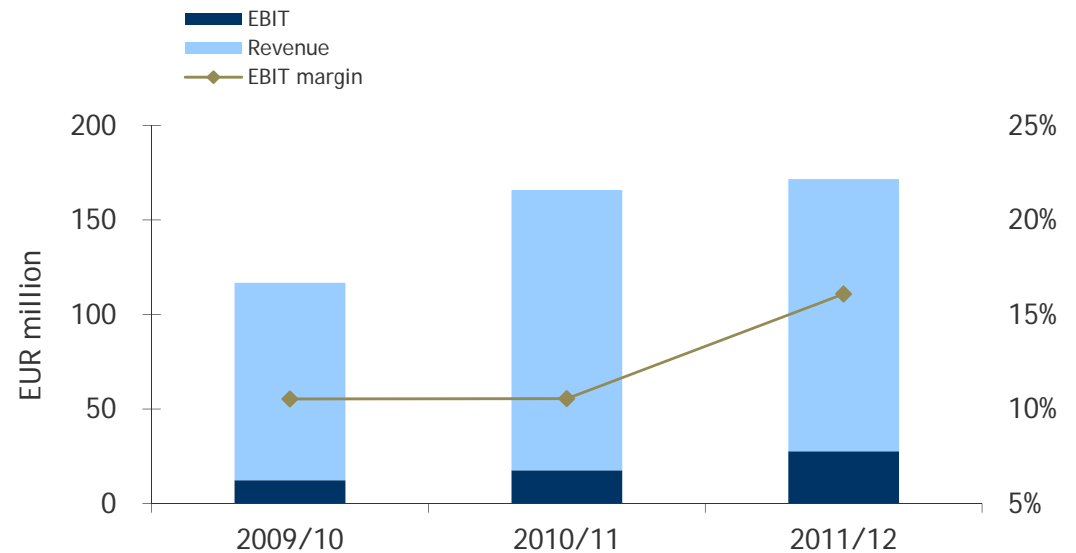
- Warning label on Southampton six colors in EU from July 2010 – latest adopted by Russia

Consumer Health Concerns

- Increased consumer demand for natural ingredients

Future Conversion opportunity

- Natural colors account for approx. 25-30% of volume in the total color market in food and beverages

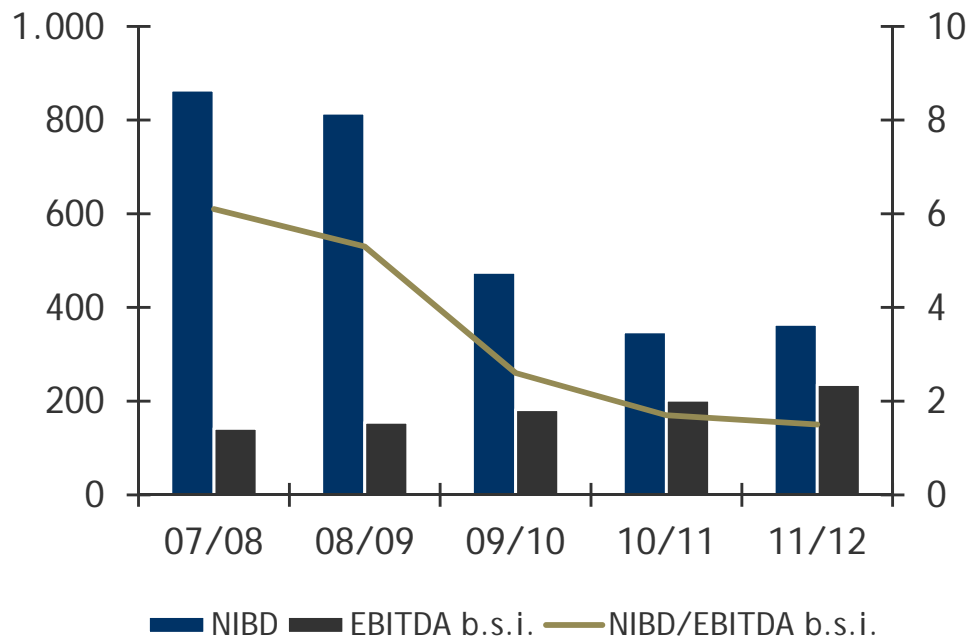


Gearing Level and Dividend Policy



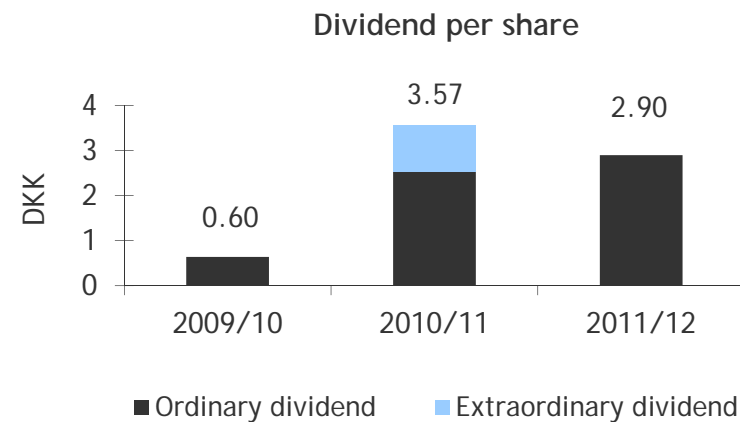
The Board of Directors is committed to maintaining leverage consistent with a solid investment grade credit profile while returning excess cash to shareholders either through normal and extraordinary dividends or share buy-back programs

Gearing Level



Dividend Policy

➤ Pay out ratio: 30-50% of net profit



Key risks

STRATEGIC RISKS

Product safety

Product safety is of utmost importance for Chr. Hansen. All products are procured in accordance with ISO 22000 while 12 production sites are FSSC 22000 certified. The remaining two production sites are expected to receive the certification by the end of calendar year 2013

Health claims

Chr. Hansen works diligently to further improve the documentation of health claims for our probiotic products

FINANCIAL RISKS

Chr. Hansen is exposed to a number of financial risks relating to currency and interest rate fluctuations, funding and liquidity, credit and counter party risk

Please refer to the Annual Report 2011/12 (p. 22-23) and relevant notes for more information on Chr. Hansen's known key risks

OPERATIONAL RISKS

Production

Chr. Hansen has five main production sites located in Denmark (2), France, Germany and USA. These sites represent the core of Chr. Hansen's business, and each site monitors safety and delivery performance to manage all potential risks

Legal Proceedings

Chr. Hansen were as of 31 August 2012 defendant in several diacetyl related lawsuits. The diacetyl lawsuits are not expected to have a material adverse effect on Chr. Hansen's financial position or results of operation. Chr. Hansen has an insurance covering loss from diacetyl claims against the Company at the time of production of products containing diacetyl. A condition for insurance is that the claims are based on the same liability entailing conduct. The insurance is expected to be adequate to cover any losses arising from the cases related to diacetyl exposure

Human Capital

Human knowledge is instrumental to Chr. Hansen's business and there is a strong focus on building and expanding the knowledge base by actively developing the key competencies of the employees. In Chr. Hansen, a large number of field experts and scientists are employed

Tax and transfer pricing

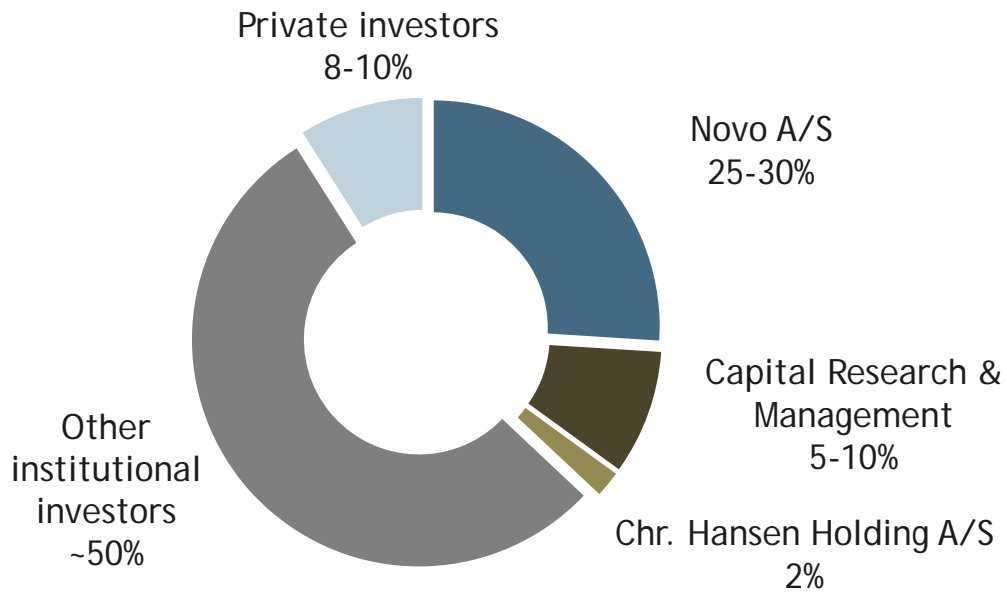
Chr. Hansen is a global company that operates in multiple jurisdictions with different tax rules and regulations. It is the Company's intention always to fulfill tax requirements in all the countries where business is conducted.

Shareholder Structure*

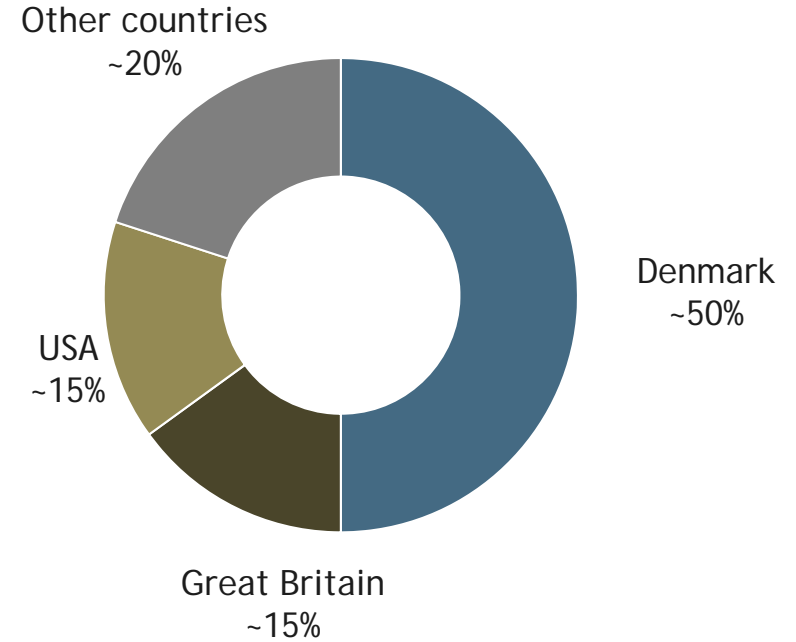
Jan 2013



Shareholder Type



Countries



Chr. Hansen

Financial Calendar 2012/13

3 July 2013 Interim Report Q3
23 October 2013 Annual Report 2012/2013

Interactive Annual Report 2011/12

<http://annualreport1112.chr-hansen.com>

Share Data

Share capital	1,344,999,760
Number of shares	134,499,976
Outstanding shares	131,624,177
Classes of shares	1
Voting & Ownership restrictions	None
Stock exchange	NASDAQ OMX Copenhagen
ISIN code	DK0060227585
Ticker symbol	CHR

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Webpage

www.chr-hansen.com

Product videos

www.video.chr-hansen.com



Definitions



Organic growth

Adjusted organic revenue growth is calculated based on the reported International Financial Reporting Standards revenue adjusted for sales reductions (such as commissions and sales discounts), further adjusted for acquisitions and divestitures in order to standardize year-on-year comparisons and measured in local currency.

EBIT (Earnings before Interest & taxes)

EBIT is calculated as profit for the period before financial income and expenses and corporate income taxes. EBIT also excludes income and expenses from discontinued operations.

Free cash flow

Free cash flow is a measure of financial performance calculated as operating cash flow less net capital expenditures.

Invested capital

Invested capital is calculated as intangible assets, property, plant and equipment, trade receivables and inventories less trade payables.

ROIC (return on invested capital) excluding goodwill

Operating profit as a percentage of average invested capital excluding goodwill.