



Chr. Hansen Holding A/S

Interim Report Q3 2013/14

2 July 2014

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Highlights YTD 2013/14 – Chr. Hansen Group

- Continued good momentum in Q3 with 10% organic growth – 7% YTD
 - CED: 8% organic growth (10% in Q3)
 - HND: 13% organic growth (19% in Q3)
 - NCD: 2% organic growth excl. carmine price effect (7% in Q3)
- EBIT margin before special items and impairments 26.0% compared to 25.9% last year despite negative impact of 1.1%-points from changed assessment of development costs
- Outlook for 2013/14 unchanged
- Continued good momentum in implementation of Nature's No. 1 strategy.

Highlights YTD 2013/14 - Regions

EMEA
(50%)*



8% organic growth
(11% in Q3)

- Growth driven by fermented milk, cheese, meat & dietary supplements
- Revenue from probiotic cultures for fermented milk and animal health was lower than last year

Americas
(36%)*



3% organic growth
(6% in Q3)

- Negative impact from loss of customer in natural colors (5%-points)
- Strong growth in fermented milk, meat, enzymes and animal health products
- Decline in probiotics

APAC
(14%)*



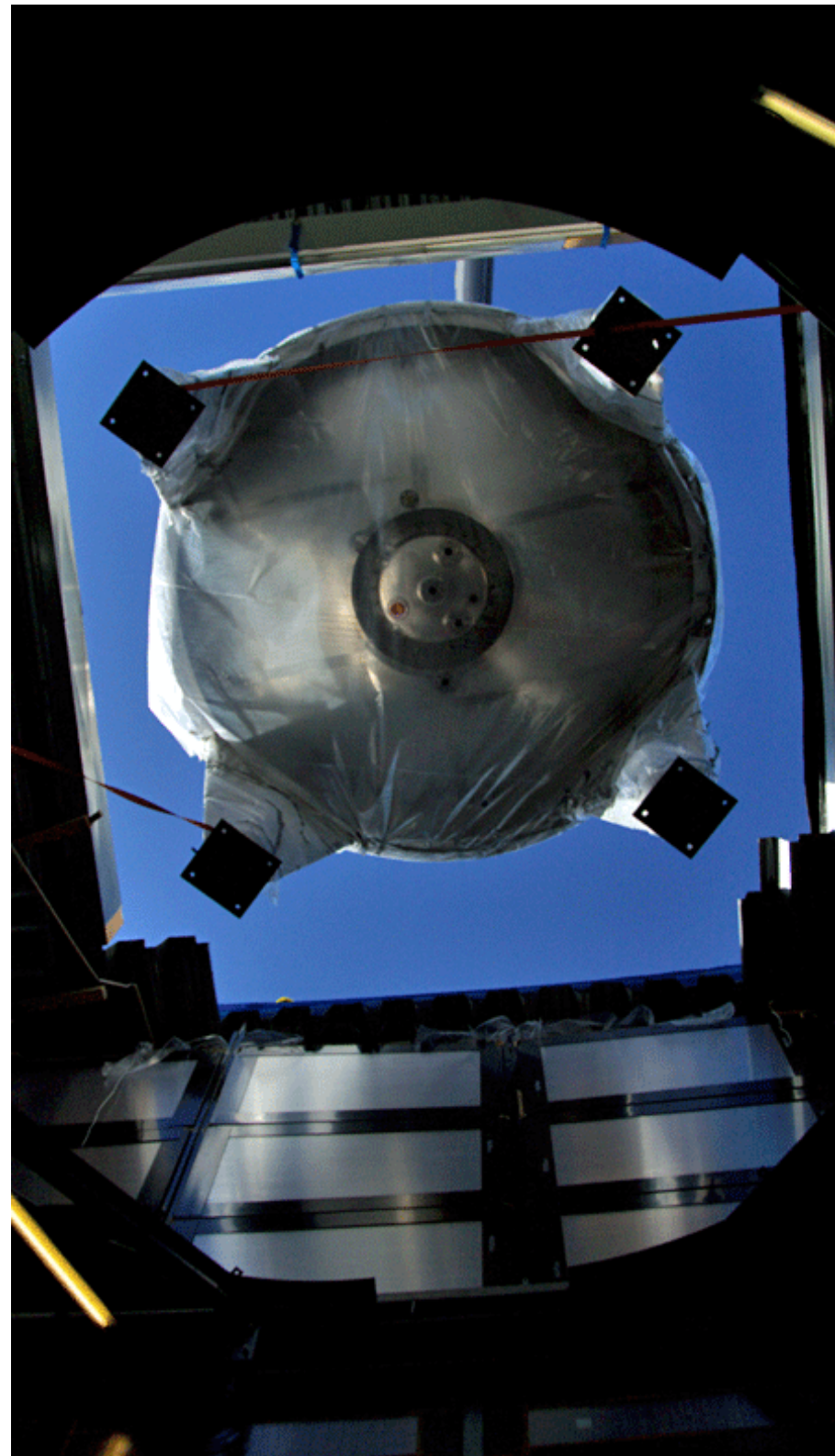
17% organic growth
(21% in Q3)

- Growth driven by human health, fermented milk and probiotic cultures for fermented milk

Capacity expansion in Copenhagen completed

Adding capacity

- Approx. 100,000 liters fermenter installed (existing fermenters in Copenhagen 2x approx. 40,000 liters)
- Second largest UHT system in the world
- Upgrading cleaning capacity
- Utilizing existing downstream capacity incl. centrifuges
- Utilize existing buildings (space available for 1 more fermenter)
- First ten batches produced awaiting final release



Crop protection update

Nemix® C

- *Launched October 2013 and "Field trials" carried out by farmers 12-18 month cycle. Results expected during 2015*
- *Current sugarcane market in Brazil*
Significantly impacted by drought in Sao Paolo region

Biostimulant efforts

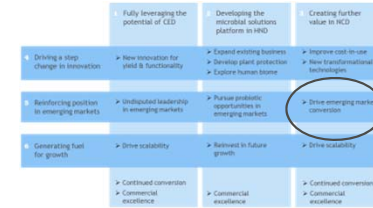
- *More than 100 field trials ongoing or planned for 2014 with more expected in 2015*
 - New crops (e.g. potatoes)
 - New geographies (e.g. US and Mexico)
 - New products (new strains and application methods)

Beyond biostimulant:

- *Identifying/upscaling new bacteria solutions for*
 - Fungicides, Insecticides, Nematicides



Strengthening our position in emerging markets - Natural Colors



Establishing a natural color expertize center in China

- Support the development of a dedicated Asian product range - through identification of local natural color sources and pigments
- Secure a stronger and more direct relationship with key customers in Asia
- *Food safety and quality is an increasing issue in China. According to a Nielsen Company survey (2011), 60% of Chinese consumers are 'very concerned' about the use of synthetic colors in food and beverage*



Cultures & Enzymes Division

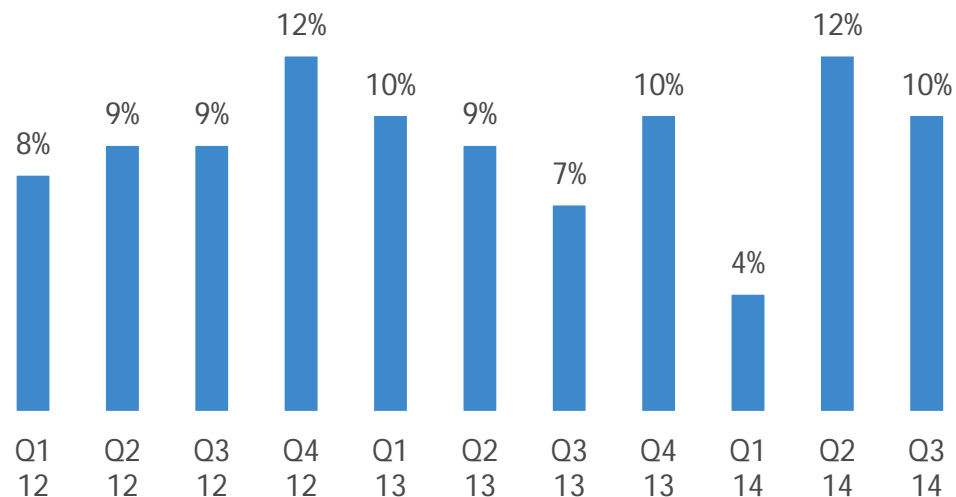
(62% of revenue)

EUR million	Q3 13/14	Q3 12/13	YTD 13/14	YTD 12/13
Revenue	118.3	115.1	339.8	332.7
Organic growth	10%	7%	8%	8%
EBIT	34.5	34.9	97.9	92.3
EBIT margin	29.1%	30.3%	28.8%	27.8%
EBIT margin ex. impairment			28.8%	29.1%
ROIC ex. goodwill			32.0%	31.7%

Organic growth

- Strong performance by fermented milk and meat and solid growth in cheese and enzymes
- Probiotics declined driven by EMEA and Americas, partly offset by growth in APAC
- Q3: Strong growth in fermented milk, meat and enzymes and solid growth in cheese. Probiotics increased due to strong growth in APAC while EMEA and Americas declined

Organic growth



EBIT margin ex. impairment

- Margin slightly down. Negative impact from changed assessment of development costs (0.8%-point) partly offset by very high utilization of production capacity
- Q3: Margin decrease driven by changes in inventory and changed assessment of development costs

CHR HANSEN

Improving food & health

Health & Nutrition Division

(17% of revenue)

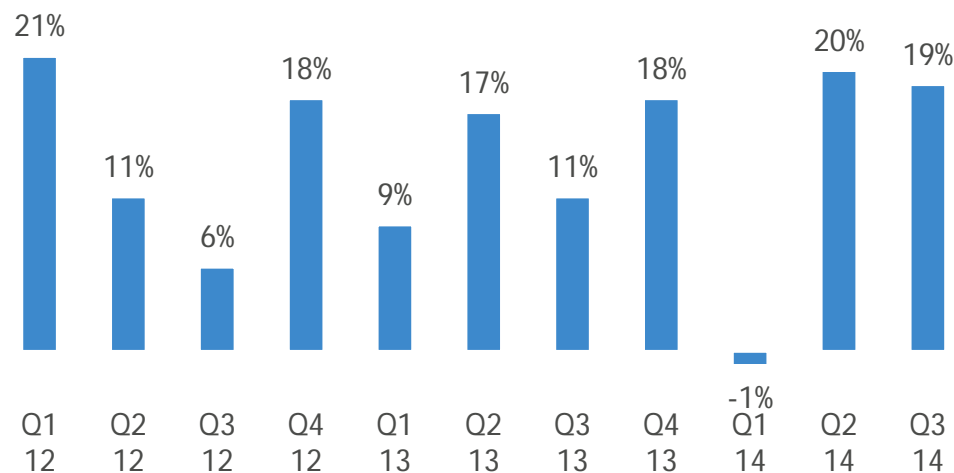


EUR million	Q3 13/14	Q3 12/13	YTD 13/14	YTD 12/13
Revenue	36.2	32.1	93.7	86.6
Organic growth	19%	11%	13%	12%
EBIT	14.0	12.0	29.2	25.8
EBIT margin	38.6%	37.4%	31.2%	29.8%
EBIT margin ex. impairment			31.4%	34.2%
ROIC ex. goodwill			37.5%	32.8%

Organic growth

- Strong growth in both animal and human continued into Q3
- Human health driven by dietary supplements especially from new launch in APAC. Americas down YTD due to timing while strong growth in Q3
- Animal health driven by all categories, especially in Americas. EMEA declined due to timing

Organic growth



EBIT margin ex. impairment

EBIT margin down 2.8%-points driven by changed assessment of development costs (-3.0%-points)

Q3: EBIT margin up 1.2%-points

- Higher sales and timing of investments in strategic initiatives
- Changed assessment of development costs (-2.2%-points)

CHR HANSEN

Improving food & health

Natural Colors Division

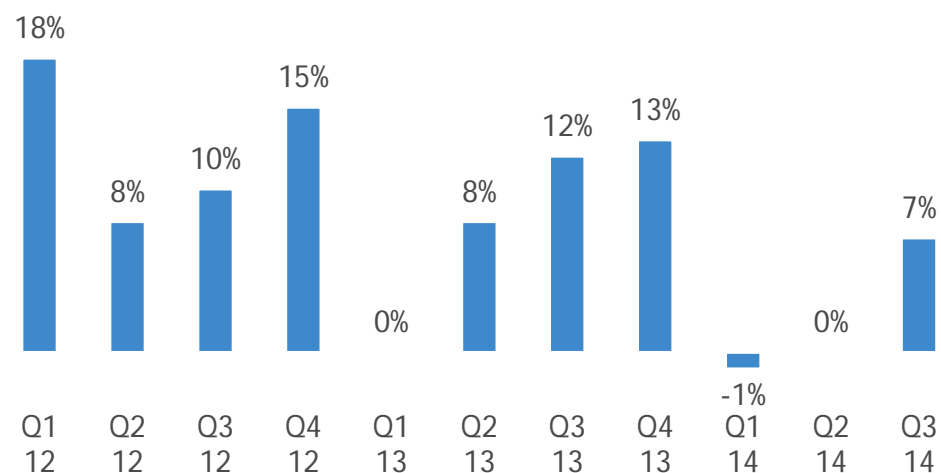
(21% of revenue)

EUR million	Q3 13/14	Q3 12/13	YTD 13/14	YTD 12/13
Revenue	43.6	44.4	117.5	125.2
Organic growth	6%	4%	0%	(2%)
Organic growth ex. carmine	7%	12%	2%	7%
EBIT	6.6	5.9	16.0	14.9
EBIT margin	15.2%	13.4%	13.6%	11.9%
ROIC			26.1%	25.5%

Organic growth

- Negative impact of approx. 8%-points from loss of customer in Q4 2012/13
- Solid growth in EMEA and APAC (despite China below ambitions). Americas down due the lost customer and slow conversion in US
- Q3: Strong growth in EMEA, especially within FruitMax®. Solid growth in APAC. Growth positively impacted by timing of orders

Organic growth excl. carmine price effect



EBIT margin

- EBIT margin up 1.7%-points despite negative impact from R&D (0.5%-point). Improvement driven by efficiency improvements
- Q3: Margin improvement driven by efficiency improvements

Income Statement (1)

EUR million	Q3 13/14	Q3 12/13	YTD 13/14	YTD 12/13
Revenue	198.1	191.6	550.9	544.5
<i>EUR growth</i>	<i>3%</i>	<i>6%</i>	<i>1%</i>	<i>6%</i>
<i>Organic growth</i>	<i>10%</i>	<i>7%</i>	<i>7%</i>	<i>6%</i>
<i>Gross margin</i>	<i>50.5</i>	<i>50.7</i>	<i>51.7</i>	<i>51.3</i>
R&D expenses excl. impairments	(10.5)	(8.8)	(32.8)	(26.1)
Sales & marketing expenses	(23.4)	(24.3)	(70.4)	(71.8)
Administrative expenses & Other income/expenses	(11.0)	(11.2)	(38.2)	(40.2)
EBIT before special items and impairments	55.1	52.9	143.3	141
<i>EBIT margin before special items and impairments</i>	<i>27.8%</i>	<i>27.6%</i>	<i>26.0%</i>	<i>25.9%</i>

Highlights

- Revenue negatively affected by exchange rate effects, primarily related to BRL, USD and AUD
- Gross margin up driven by very high capacity utilization in CED, improvements in NCD and mix effects
- YTD EBIT margin before special items and impairments slightly up on last year despite 1.1%-points negative impact from changed assessment of development costs

EBIT margin development

	Q3		YTD	
	EUR million	Margin (%)	EUR million	Margin (%)
Reported EBIT b.s.i. 2012/13	53	27.6%	133	24.4%
<i>Impairments</i>	-	0%	8	1.5%
Adjusted EBIT b.s.i. 2012/13	53	27.6%	141	25.9%
Reported EBIT b.s.i. 2013/14	55	27.8%	143	26.0%
<i>Changed assessment of development costs</i>	2	1.0%	5	1.0%
<i>Increased R&D activity</i>	-1	-0.3%	1	0.1%
Adjusted EBIT margin b.s.i. 2013/14	57	28.5%	149	27.1%
Change		0.9%		1.2%

YTD Highlights

- Very high utilization of production capacity in CED (Negative inventory impact in Q3)
- Increased investments in HND for strategic initiatives
- Efficiency improvements in NCD
- More favorable business mix

Income Statement (2)

EUR million	Q3 13/14	Q3 12/13	YTD 13/14	YTD 12/13
Impairments	0	0	(0.2)	(8.1)
Special items	(0.7)	0	(4.7)	0
EBIT	54.3	52.8	143.2	133.0
<i>EBIT margin</i>	<i>27.4%</i>	<i>27.6%</i>	<i>25.1%</i>	<i>24.4%</i>
Net financials	(3.2)	(4.3)	(10.2)	(12.1)
Income tax	(13.7)	(13.0)	(34.6)	(32.6)
Profit for the period	37.4	34.9	93.7	86.9
<i>EPS, diluted (EUR)</i>	<i>0.28</i>	<i>0.26</i>	<i>0.70</i>	<i>0.66</i>

Highlights

Special items

- Organization, including consolidation of CED/HND production management and de-layering of management structure
- Optimization of production footprint will primarily impact Q4
- Business process optimization
- Optimize legal structure of subsidiaries

Net financials

- Net interest expenses at the same level as last year
- Exchange rate adjustments EUR (1) million compared to EUR (3) million YTD 2012/13

Income tax

- Effective tax rate 27%

Cash Flow and Balance Sheet

EUR million	Q3 13/14	Q3 12/13	YTD 13/14	YTD 12/13
Cash flow				
Operating activities	54.7	62.3	82.3	98.6
Investing activities	(14.2)	(16.6)	(40.5)	(46.9)
Free cash flow	40.5	45.7	41.8	51.7
Balance sheet				
Total assets			1,358	1,353
Equity, excl. minorities			641	648
Net interest-bearing debt			439	407
Key Figures				
<i>Net working capital</i>			20.7%	18.9%
<i>Capital expenditure</i>			7.4%	8.6%
<i>ROIC excluding goodwill</i>			32.1%	31.0%
<i>NIBD/EBITDA</i>			1.7x	1.7x

Highlights

- Cash flow from operating activities, down
 - Increased net working capital driven by increased inventory in CED in preparation for the implementation of new capacity as well as higher receivables end Q3
 - Special items
- Cash flow used for investing activities lower than last year, due to lower capitalization of development costs
 - Major investments related to fermentation and warehousing capacity in Denmark, packaging capacity for frozen cultures in USA and freeze drying for human health
- ROIC excluding goodwill up across all three divisions

Outlook 2013/14

Unchanged

Organic revenue growth	7-9%
Research & development expenditures (as percentage of revenue)	Towards 7%
EBIT margin before special items*	Above 26%
Free cash flow before acquisition and divestments	Around EUR 110 million

*Increased research & development activity and lower level of capitalization is estimated to reduce the EBIT margin by 1-1.5%-points compared to 2012/13

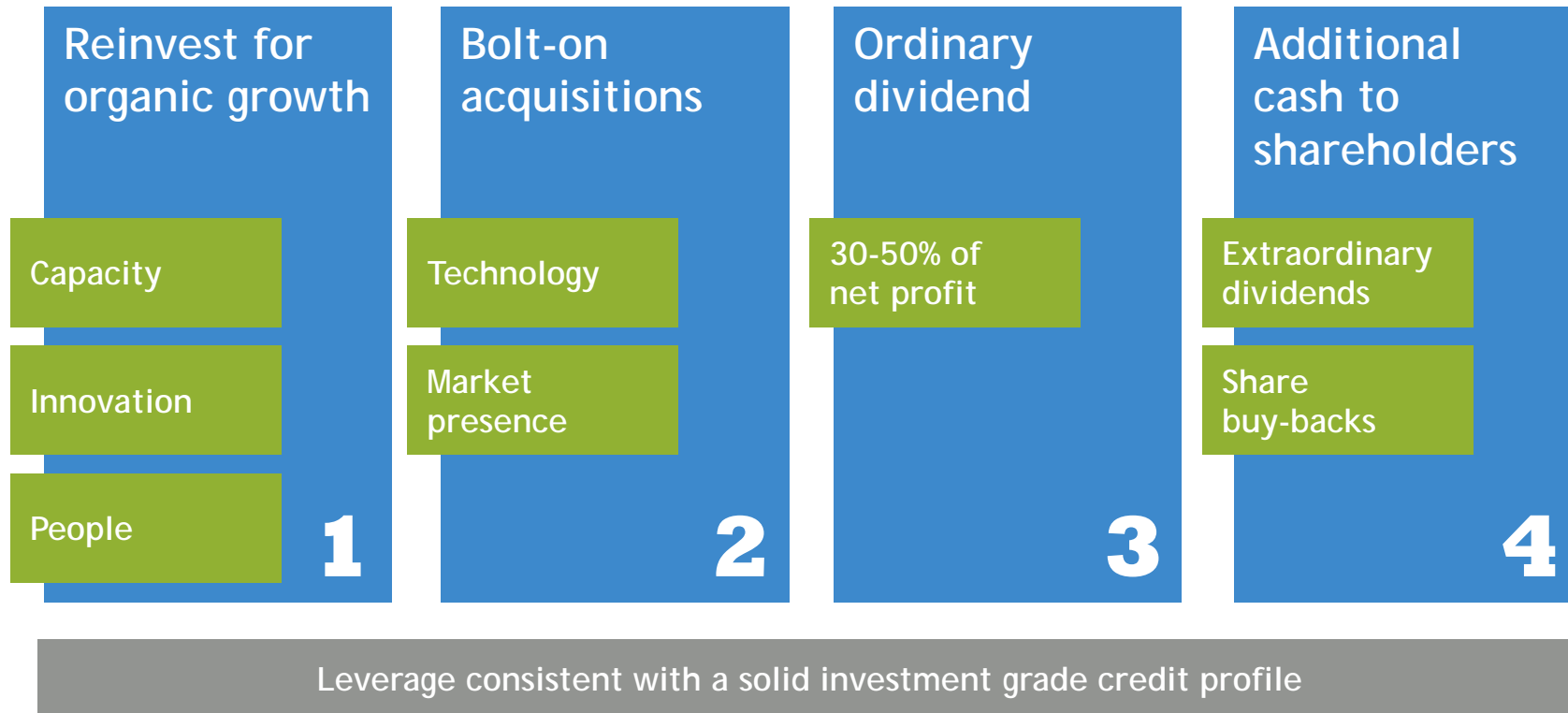
Based on exchange rate levels at the beginning of April 2014, revenue for 2013/14 would be impacted negatively by approximately 5% compared to last year while the impact on EBIT would be modest

APPENDIX

EBIT Margin Before Special Items YTD

YTD	CED		HND		NCD	
	EUR m.	Margin	EUR m.	Margin	EUR m.	Margin
Reported EBIT b.s.i. 2012/13	92.3	27.7%	25.7	29.7%	14.9	11.9%
<i>Impairments</i>	4.3	1.3%	3.8	4.4%	-	0.0%
Adjusted EBIT b.s.i. 2012/13	96.6	29.0%	29.5	34.1%	14.9	11.9%
Reported EBIT b.s.i. 2013/14	97.9	28.8%	29.2	31.2%	16.0	13.6%
<i>Impairments</i>	-	0.0%	0.2	0.2%	-	0.0%
<i>Changed assessment of development costs and increased R&D activity</i>	2.8	0.8%	2.8	3.0%	0.6	0.5%
Adjusted EBIT margin b.s.i. 2013/14	100.7	29.6%	32.2	34.4%	16.6	14.1%
Change		0.6%		0.3%		2.2%

Capital Allocation Priorities 2013/14



YTD status

- Fermentation capacity
- R&D 6.6% of revenue
- Resources for strategic initiatives

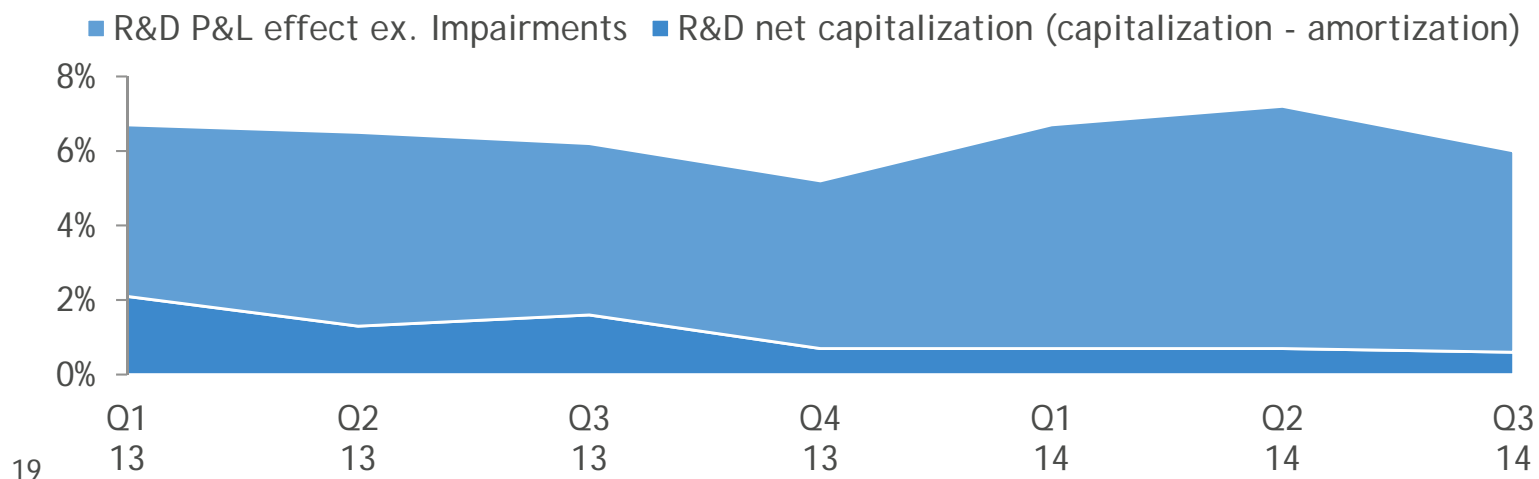
- 2012/13 dividend of EUR 55 million paid in Q2
- 2013/14 dividend to be announced in connection with Q4

- Extraordinary dividend of EUR 55 million paid in Q2
- EUR 80 million share buy-back program announced

Innovation

EUR million	Q3 13/14	Q3 12/13	YTD 13/14	YTD 12/13
R&D expenses	10.5	8.8	33.0	34.2
- Amortization	1.4	1.2	4.1	3.2
- Impairment	0	0	0.2	8.1
+ Capitalization	2.6	4.4	7.6	12.3
R&D expenditures incurred	11.7	12.0	36.3	35.2
Share of revenue	5.9%	6.2%	6.6%	6.5%
- of which P&L effect ex impairments	5.4%	4.6%	5.9%	4.8%

Impact from changed assessment



Chr. Hansen

Founded in 1874

Dairy Enzymes

CED

➤ Cheese

Cultures

CED

➤ Yogurt

➤ Meat

➤ Cheese

➤ Wine

Probiotic cultures

CED

➤ Yogurt

HND

➤ Food supplements

➤ Infant formula

➤ Animal health

Natural colors

NCD

➤ Beverage

➤ Confectionary

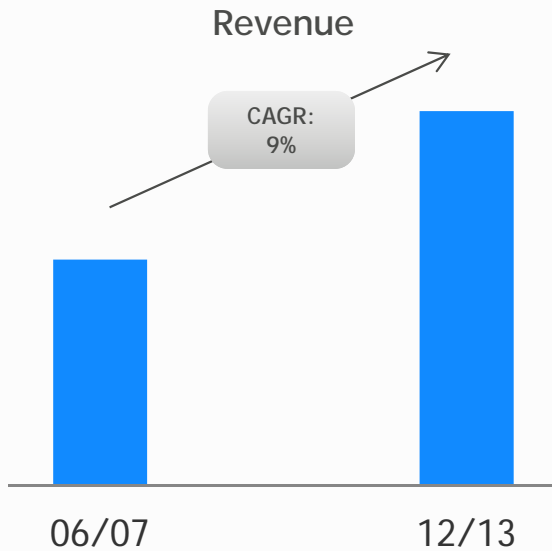
➤ Dairy & fruit preparation

➤ Prepared food

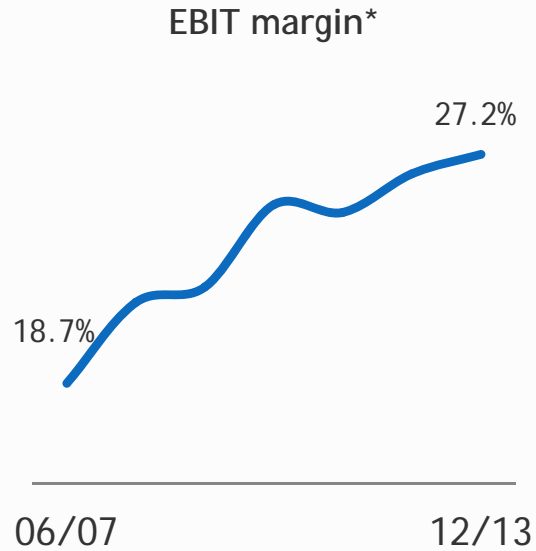


Chr. Hansen - Key Characteristics

Attractive growth markets



Strong profitability



Unique value composition

- Strategic ingredients
- Strong R&D platform
- Up-scaling & large scale fermentation
- Application & customer intimacy
- Talent & expertise

Natures No.1

Evolution, not revolution

	1 Fully leveraging the potential of CED	2 Developing the microbial solutions platform in HND	3 Creating further value in NCD
4 Driving a step change in innovation	➤ New innovation for yield & functionality	➤ Expand existing business ➤ Develop plant protection ➤ Explore human biome	➤ Improve cost-in-use ➤ New transformational technologies
5 Reinforcing position in emerging markets	➤ Undisputed leadership in emerging markets	➤ Pursue probiotic opportunities in emerging markets	➤ Drive emerging market conversion
6 Generating fuel for growth	➤ Drive scalability	➤ Reinvest in future growth	➤ Drive scalability
	➤ Continued conversion ➤ Commercial excellence	➤ Commercial excellence	➤ Continued conversion ➤ Commercial excellence

Natures No.1

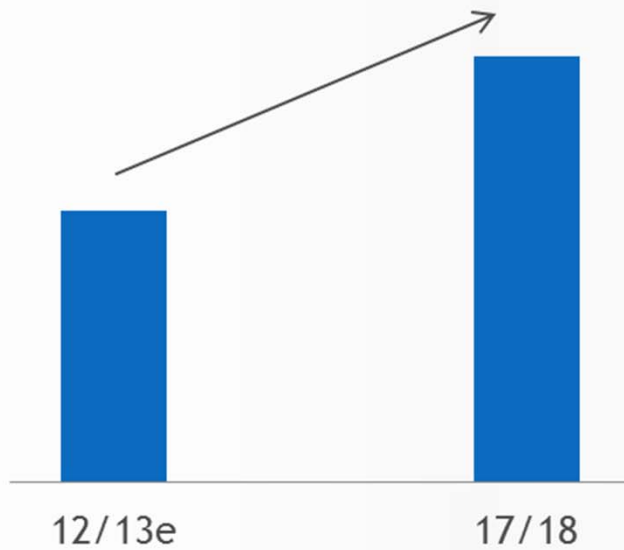
What we will **NOT** do

- X** Pursue acquisitions in unrelated areas
- X** Expand into products outside microbials/natural colors
- X** Attempt to become a full fledged pharma player
- X** Lose focus on cost control & operational efficiency

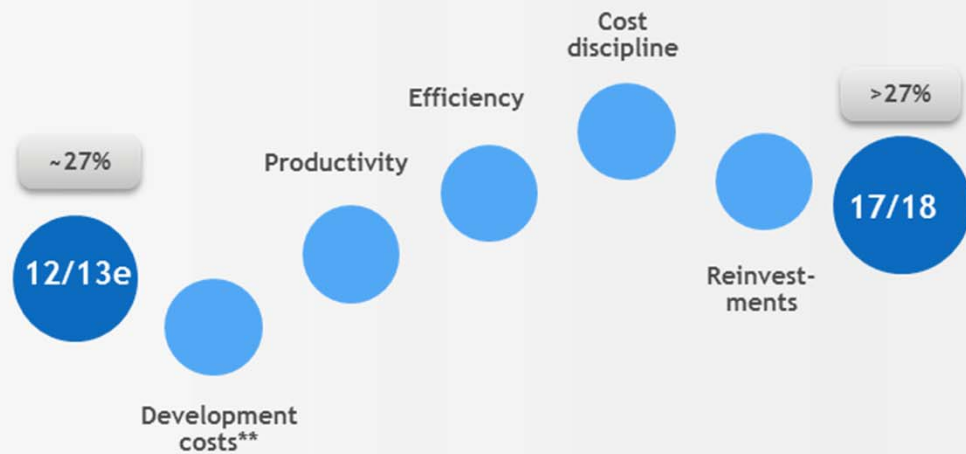


Long-Term Financial Ambitions (5 years)

Organic growth of 7-10% per year



Improved EBIT margin* over the period



Increased free cash flow before acquisitions and divestments

*Before special items

** Impact from changed level of capitalization of development costs

Cultures & Enzymes Division

Cultures & Enzymes

61% of revenue

2012/13

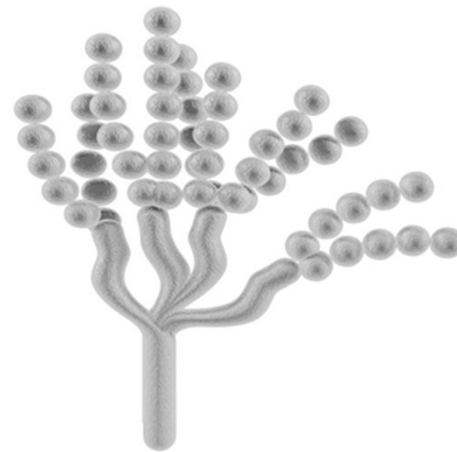
Revenue	EUR 451m
Organic growth	9%
EBIT margin	29.5%
ROIC*	34.5%

Cultures, enzymes and probiotics for the food industry, especially the dairy markets

The ingredients help determine the taste, nutritional value, health benefits and product shelf life of the end products

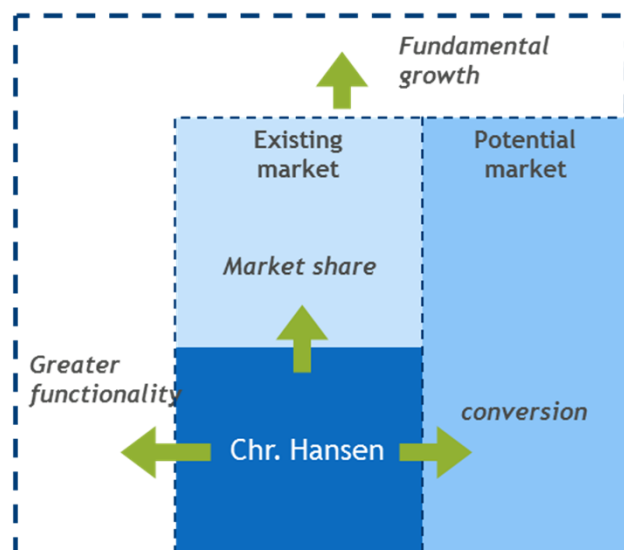
Financial ambition (5 years)

- Average annual organic growth rate between 7-8%
- Increased EBIT margin over the period



Cultures & Enzymes Division

CED growth model



Fundamental growth & conversion

EUR million	CAGR 2010-12*		Conversion rate**	
	Fermented milk	Cheese	Fermented milk	Cheese
North America	2.2%	2.4%	~75	~40
South America	6.5%	4.3%	~90	~70
Europe	2.4%	1.5%	~80	~45
Africa & Middle East	10.1%	6.0%	~65	~20
APAC	9.4%	4.6%	~70	~35
Total	5.2%	2.4%	~80	~45

Market share***

Estimated global market share around 45%

Greater functionality

Addressing consumer needs

- Low sugar, lactose and fat
- Distinctive texture & flavors
- Low salt
- Local taste preferences

Addressing customer needs

- Improve yield
- Improve efficiency

Health & Nutrition Division

Expanding the microbial solutions platform



Health & Nutrition

16% of revenue

2012/13

Revenue	EUR 121m
Organic growth	14%
EBIT margin	31.5%
ROIC*	36.7%

Products for the dietary supplement, infant formula and animal feed industries

The key offering is probiotic cultures with a documented health effect

Financial ambition (5 years)

- Average annual organic growth rate above 10%
- Plant protection is expected to add additional growth from the end of the period
- Due to increased investment level in future growth opportunities EBIT margin is expected to be around current levels during the period

Health & Nutrition Division

Expanding the microbial solutions platform



HND growth model

Uncertainty



1. Expand existing business

- Emerging markets
- Documentation
- Operational excellence

2. Develop opportunities in plant protection

- Initially sugar cane, Brazil
- The Biosolutions Alliance with FMC Corporation

3. Explore opportunities within next generation probiotics

- Strengthen relevant competences through “incubator environment”
- Prepared to adapt approach given the technological, regulatory, and commercial uncertainties involved

Creating Further Value in NCD

Natural Colors Division

23% of revenue

2012/13

Revenue	EUR 167m
Organic growth	0%/8%
EBIT margin	13.0%
ROIC	29.5%

World leader in natural color solutions to the food & beverage industry

The colors are extracted from natural sources such as fruits, vegetables, berries, roots and seeds

Financial ambitions (5 years)

- Average annual organic growth rate above 10%
- Increased EBIT margin over the period



Strong Conversion Potential in Food and Beverages

Current natural color market and conversion rate

Natural color in food & beverages	Market value* (EUR million)	Conversion**
North America	~115	~20%
South America	~80	~25%
Europe	~260	~60%
Africa & Middle East	~25	~15%
APAC	~200	~25%
Total	~650	~30%



Improved cost-in-use solutions

- Agronomy: Pigment optimization through breeding programs
- Sourcing: Global reach, multiple suppliers, long term contracts
- Formulation: e.g. encapsulation, milling and emulsion techniques

Coloring foodstuff

- Develop full product offering
- Optimize crop and pigment yield to improve cost-in-use
- Stability of pigments (e.g. ultra stable anthocyanin)

New transformational technologies

- DairyMax™
- Fermented carmine

Shareholder Return

EUR million	2010	2011	2012	2013	2014
Net Profit	19	119	131	140	
<i>Cash flow from operations</i>	98	150	176	190	
<i>Cash flow used for investments</i>	(38)	(43)	(63)	(70)	
<i>Cash flow - acquisitions/divestments</i>		17			
Free Cash flow	60	124	113	120	~110
<i>Ordinary dividend</i>	12	48	52	55	?
<i>Extraordinary dividend</i>	-	17	-	55	
<i>Share buy-back</i>	-	-	52	28	80
Total cash returned	12	65	104	138	
<i>% of free cash flow</i>	20%	52%	92%	115%	
<i>Dividend pay out ratio</i>	63%	40%	40%	40%	

Key Risks

STRATEGIC RISKS

Product safety

Chr. Hansen's customers demand and expect high-quality products, and it is a major strategic risk for the Company if the safety of its products is questioned by customers, consumers or authorities

To ensure the highest product safety, Chr. Hansen has an extensive quality assurance and food safety program covering the entire value chain, from the sourcing of raw materials until the finished products are delivered to customers

Health claims and documentation

Chr. Hansen has some of the best-documented probiotic strains on the market. However, governments and agencies, especially the European Food Safety Authority (EFSA), are introducing more stringent rules and regulations for the documentation of health claims for food-related products. The Company is working to further improve the documentation of health claims for its probiotic products.

FINANCIAL RISKS

As an international business, Chr. Hansen is exposed to a number of financial risks relating to currency and interest rate fluctuations, funding, liquidity, credit and counterparty risks

Please refer to the Annual Report 2012/13 (p. 21-22) and relevant notes for more information on Chr. Hansen's known key risks

OPERATIONAL RISKS

Production

To minimize the risk of production breakdowns or failures, Chr. Hansen has implemented a risk prevention program where regular safety audits are conducted to ensure that maintenance and replacements are performed preventively. The Company also maintains redundant capacity for key processes.

Legal proceedings

Chr. Hansen is from time to time party to legal proceedings arising in the ordinary course of its business. A number of diacetyl-related lawsuits in which the Company was defendant were settled in 2012/13. Chr. Hansen is still defendant in a few diacetyl-related lawsuits.

Human capital

Attracting and retaining the best employees and new talents will remain crucial if Chr. Hansen is to continue to excel. Human knowledge is instrumental to Chr. Hansen's business, and there is a strong focus on continuously building and expanding the knowledge base by actively developing employees' key skills.

Health & safety

Chr. Hansen is committed to continuously improving both the physical and psychological workplace so that employees experience a safe working environment.

Taxes and transfer pricing

It is the Company's intention always to fulfill the tax requirements in all countries where business is conducted. Chr. Hansen constantly works on creating tax awareness in the organization and has defined clear roles and responsibilities between line management, local finance and the Group Tax function

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

Special items

Special items comprise material amounts that cannot be attributed to recurring operations, such as income and expenses related to divestment, closure or restructuring of subsidiaries and business lines from the time the decision is made. Also classified as special items are, if major, gains and losses on disposal of subsidiaries not qualifying for recognition as discontinued operations in the income statement. Material nonrecurring income and expenses that originate from projects related to the strategy for the development of the Group and process optimizations are classified as special items

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

Share Data

Share capital	1,344,999,760
Number of shares	134,499,976
Outstanding shares	131,125,177
Classes of shares	1
Voting & Ownership restrictions	None

NASDAQ OMX Copenhagen

ISIN code	DK0060227585
Ticker symbol	CHR
Sector	Health Care

OTC ADR program (BNY Mellon)

DR Symbol	CHYHY
CUSIP	12545M207
DR ISIN	US12545M2070
Ratio	DR:ORD 2:1
Effective Date	Jan 27, 2014
Industry	General Industrials

Financial Calendar 2013/14

22 October 2014 Annual Report 2013/2014

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