Chr. Hansen Holding A/S

ANNUAL REPORT 2014/15

1 September 2014 – 31 August 2015

21 October 2015

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Highlights FY 2014/15

Revenue

EUR ***859*** million
(up 14% on 2013/14)

Organic growth

10%
(8% in 2013/14)

Operating profit (EBIT) margin
before special items

27.1%
(27.1% in 2013/14)

Profit for the year

EUR ***163*** million
(up 23% from 2013/14)

R&D expenditures incurred

EUR ***55*** million
(6.4% of sales, compared to 6.1% in 2013/14)

Free cash flow

EUR ***151*** million
(EUR 115 million in 2013/14)

Strategic and operational highlights FY 2014/15

No.1

Nature's No. 1 strategy launched in September 2013 with the ambition to pursue growth opportunities in the current core businesses and within new microbial solutions

Successful start-up and scale-up of new fermentation capacity both in Denmark and Germany with positive impact on profitability

New go-to-market strategy in China with direct access to key customers, especially for dairy products, providing a stronger platform to capture attractive growth opportunities in a key market

Ongoing efforts to further strengthen market leadership position in human and animal health by improving the product portfolio and collaborating with key customers

Second season of revenue from biological plant protection. In addition, a significant number of field trials conducted to develop new biological plant protection solutions

Consortium established with leading universities within anaerobic bacteria, and construction of pilot-scale pharma-grade facility initiated

Major reorganization in the Natural Colors Division, including management change and integration of sales and application functions

Solid growth across regions in 2014/15

EMEA

9%

- Strong growth in cheese, enzymes, meat, human health and natural colors
- Solid growth in fermented milk, while probiotics for fermented milk was lower than 2013/14
- Modest growth in animal health

Americas

12%

- Strong growth in cheese, enzymes, human health and natural colors
- Solid growth in fermented milk, while probiotics for fermented milk was lower than 2013/14
- Modest growth in animal health. Negatively impacted by insourcing of silage inoculants by a major customer

APAC

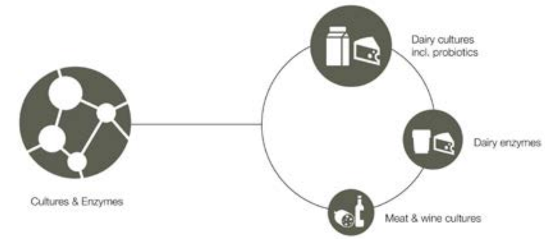
7%

- Strong growth in cheese, fermented milk and human health, while probiotics for fermented milk showed good growth
- Growth in fermented milk including probiotics and human health was driven by China
- Natural colors below 2013/14 across the region, except for Australia and New Zealand

Organic growth

Share of revenue

Cultures & Enzymes

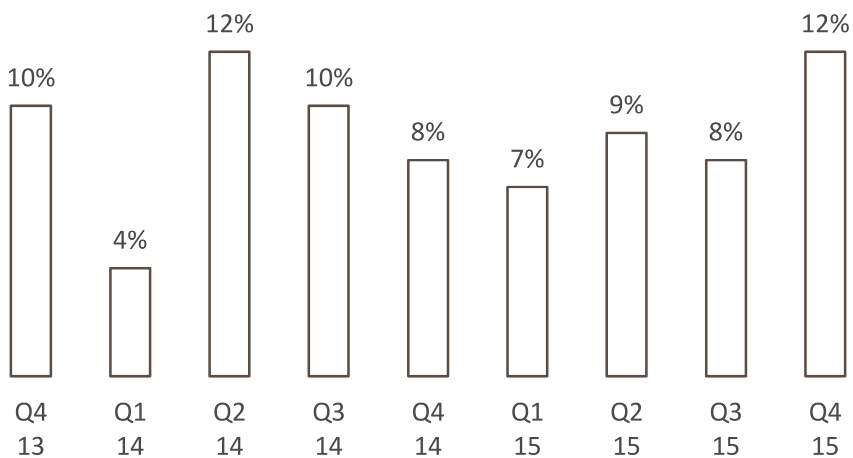


EUR million	Q4 14/15	Q4 13/14	FY 14/15	FY 13/14
Revenue	142	125	519	464
Organic growth	12%	8%	9%	8%
EBIT	53	42	163	140
EBIT margin	37.0%	33.9%	31.5%	30.2%
ROIC ex. goodwill	50.4%	40.0%	40.3%	34.6%

Organic growth

- Strong growth in cheese cultures and enzymes
- Solid growth in fermented milk and meat cultures
- Despite growth in APAC, probiotic cultures experienced negative organic growth
- **Q4:** Strong growth in cultures for cheese, fermented milk, meat and enzymes. Probiotics at same level as 2013/14

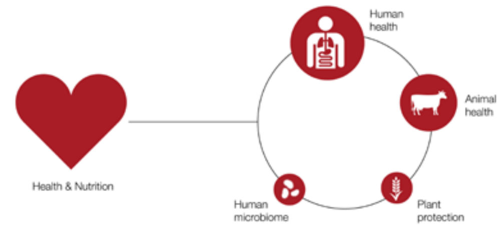
Quarterly organic growth



EBIT margin

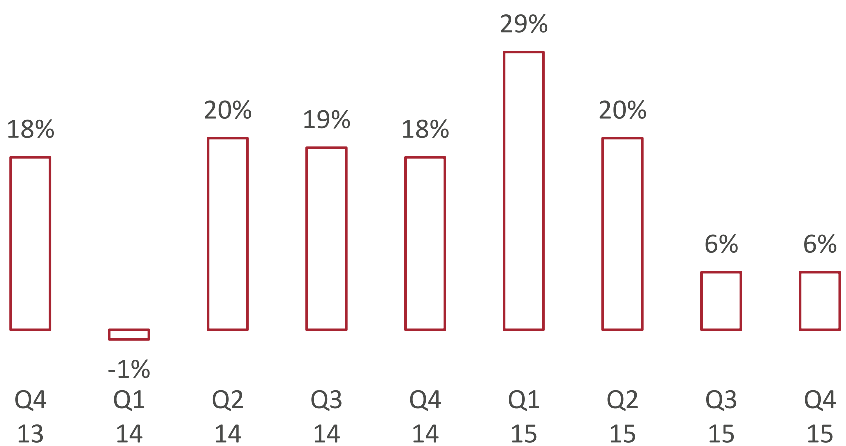
- Margin up 1.3%-point on YTD 2013/14
  - Improved operating efficiency from new fermentation capacity realized during the year and optimization of enzyme production footprint
  - Favorable exchange rates
  - Unfavorable product mix and startup costs related to the new fermentation capacity
- **Q4:** Margin up 3.1%-point on last year primarily due to improved operating efficiency, favorable exchange rates and higher level of capitalized development costs

Health & Nutrition



EUR million	Q4 14/15	Q4 13/14	FY 14/15	FY 13/14
Revenue	45	40	165	134
Organic growth	6%	18%	13%	15%
EBIT	17	15	55	44
EBIT margin	36.3%	37.4%	33.3%	33.0%
ROIC ex. goodwill	47.5%	58.5%	42.2%	42.7%

Quarterly organic growth



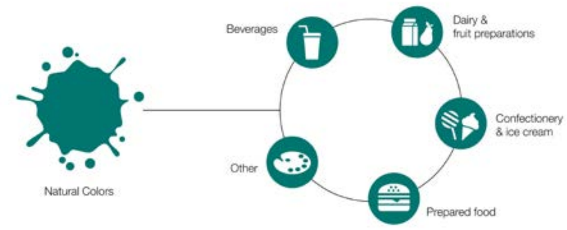
Organic growth

- Strong growth in human health and plant. Human health driven by dietary supplements in the Americas and EMEA regions and by infant formula in APAC
- Modest growth in animal health driven by continued penetration of poultry segment, while negatively impacted by the insourcing of silage inoculants by a major customer with effect from Q3
- **Q4:** Solid growth in human health. Animal health negatively impacted by insourcing of silage inoculants. Revenue positively impacted by the stronger USD and timing of orders in human health

EBIT margin

- Margin up 0.3 %-points on 2013/14:
  - Positive impact from higher sales volume and the stronger USD
  - Negative impact from increased R&D expenses into biological plant protection and the human microbiome as well as product mix in human health
- **Q4:** Margin down 1.1%-points on last year. Positive impact from higher sales volume and the stronger USD more than offset by increased R&D expenses

Natural Colors

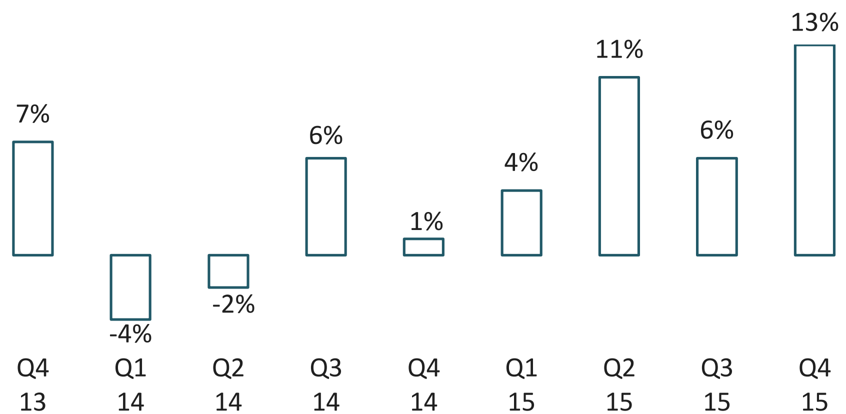


EUR million	Q4 14/15	Q4 13/14	FY 14/15	FY 13/14
Revenue	46	41	175	158
Organic growth	13%	1%	9%	1%
EBIT	4	5	14	21
EBIT margin	8.0%	11.2%	8.3%	13.0%
ROIC ex. goodwill	16.7%	21.1%	17.4%	26.2%

Organic growth

- Strong growth in the prepared food, dairy, meat, and confectionary categories. Revenue from the beverage category at same level as last year
- Strong growth in Americas, driven by Latin America, while US conversion remained slow
- Solid growth in EMEA, while APAC lower than last year
- **Q4:** Strong growth in the confectionery & ice cream, prepared food, dairy, dietary supplement and meat categories. Beverage unchanged

Quarterly organic growth



EBIT margin

- Margin down 4.7%-points on 2013/14:
  - Increased raw material costs mainly due to USD appreciation
  - Negative effect from the reorganization, including one-off costs related to the management change, and increased freight costs
- **Q4:** Margin down 3.2%-points, primarily due to increased raw material costs, partly as a result of the stronger USD, a negative effect from the reorganization, and increased freight costs

Income statement

EUR million	Q4 14/15	Q4 13/14	FY 14/15	FY 13/14
Revenue	233.6	205.2	858.6	756.2
EUR growth	*14%*	*6%*	*14%*	*2%*
Organic growth	*11%*	*8%*	*10%*	*8%*
Gross margin	*53.6%*	*51.7%*	*52.0%*	*51.7%*
R&D expenses	(12.1)	(10.2)	(51.0)	(43.2)
Sales & marketing expenses	(25.2)	(22.3)	(101.7)	(92.7)
Administrative expenses & other income/expenses	(16.0)	(14.0)	(61.2)	(50.6)
EBIT before special items	72.7	61.7	232.5	204.8
EBIT margin b.s.i.	*31.1%*	*30.0%*	*27.1%*	*27.1%*
Special items	-	(5.0)	-	(9.7)
Net financials	(3.0)	(3.7)	(12.8)	(13.8)
Income tax	(18.2)	(14.6)	(57.2)	(49.1)
Profit for the period/year	51.5	38.3	162.5	132.2

Highlights

- Positive exchange rate effect on revenue
- Gross margin up 0.3%-point on 2013/14:
  - Positive impact from operating efficiencies and exchange rate
  - Negative impact from unfavorable product mix , startup costs in 1H 2014/15 related to new capacity and higher raw material costs in natural colors
- EBIT margin b.s.i. at same level as 2013/14:
  - Positive impact from gross margin, higher sales and exchange rates
  - Negative impact from increased R&D expenses and costs related to the reorganization of natural colors activities

Cash flow and balance sheet

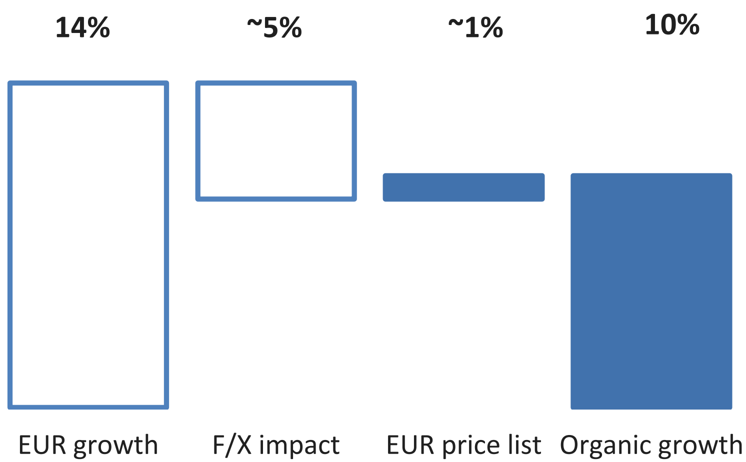
EUR million	FY 14/15	FY 13/14
Cash flow		
Operating activities	221.5	176.4
Investing activities	(70.4)	(61.8)
Free cash flow	151.1	114.6
Balance sheet		
Total assets	1,445	1,375
Equity	601	657
Net interest-bearing debt	488	404
Key Figures		
Net working capital	*16.1%*	*17.2%*
Capital expenditure	*8.2%*	*8.3%*
ROIC excluding goodwill	*37.6%*	*34.9%*
NIBD/EBITDA	*1.7x*	*1.6x*

Highlights

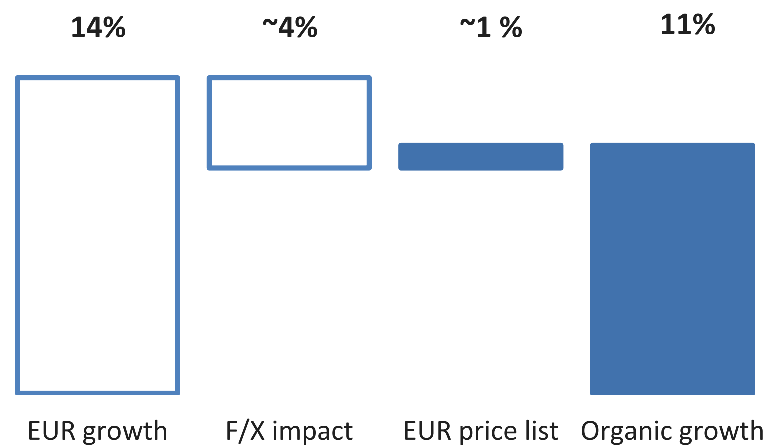
- Cash flow from operating activities improved by EUR 45 million, mainly due to the improved operating profit
- Cash flow used for investing activities increased by EUR 9 million. Investments mainly in freeze-drying, warehousing, packaging and fermentation capacity and laboratory facilities for plant protection and the human microbiome initiatives
- Capital expenditures corresponded to 8.2% of revenue, compared to 8.3% in 2013/14
  - Capitalized development expenditures 1.2% of revenue, unchanged from 2013/14
- Free cash flow increased EUR 37 million due to the improved cash flow from operating activities
- ROIC excluding goodwill up 2.7%-points

Exchange rate impact

FY 2014/15 - growth



Q4 2014/15 - growth



- **Revenue:** Positive impact from exchange rates by around 5%
- **Organic growth:** Positive impact from EUR price list by around 1%-point
- **EBIT margin:** Positively impacted by below 1%-point

- **Revenue:** Positive impact from exchange rates by around 4%
- **Organic growth:** Positive impact from EUR price list by around 1%-point
- **EBIT margin:** Positively impacted by below 1%-point

Long-term ambitions and outlook for 2015/16

	Realized 2014/15	Outlook 2015/16	Long-term financial ambitions*
Organic revenue growth	10%	8-10%	7-10%
✓ *Cultures & Enzymes Division*	*9%*	*In line with long-term ambitions*	*7-8%*
✓ *Health & Nutrition Division*	*13%*	*Below 2014/15*	*+10%*
✓ *Natural Colors Division*	*9%*	*Above 2014/15*	*Targeting around 10%*
R&D expenditures (as percentage of revenue)	6.4%	6.5-7.0%	Around 7%
EBIT margin b.s.i.	27.1%	Above 2014/15	Increasing
✓ *Cultures & Enzymes Division*	*31.5%*	*Above 2014/15*	*Increasing*
✓ *Health & Nutrition Division*	*33.3%*	*Below 2014/15*	*Around 30%*
✓ *Natural Colors Division*	*8.3%*	*Above 2014/15*	*Increasing*
Free cash flow before acquisition and divestments	EUR 151 million	Above 2014/15	Increasing

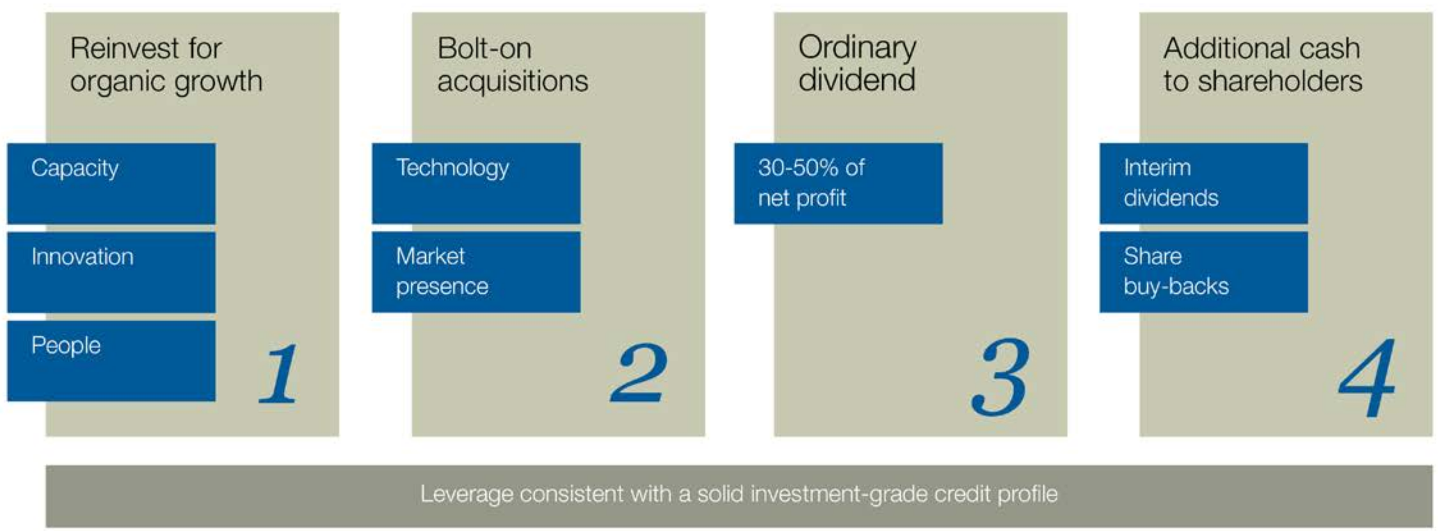
** Baseline 2012/13*

Cash returned to shareholders

EUR million	10/11	11/12	12/13	13/14	14/15
Net profit	119	131	140	132	163
Free cash flow	125	113	120	115	151
Ordinary dividend	*48*	*52*	*55*	*66*	*82**
Extraordinary/interim dividend	*17*	*-*	*55*		*115*
Share buy-back	*-*	*52*	*28*	*80*	
Total cash returned	**65**	**104**	**138**	**146**	**197**

* Proposed

CAPITAL ALLOCATION PRIORITY

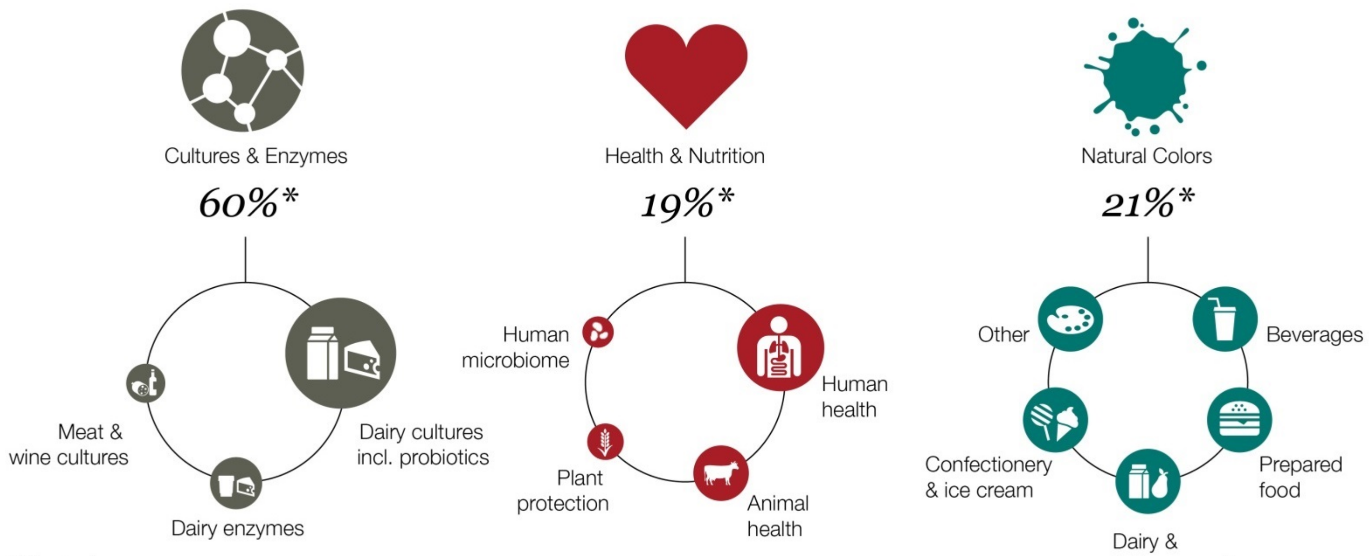


OUR COMPANY

Chr. Hansen – Key Characteristics

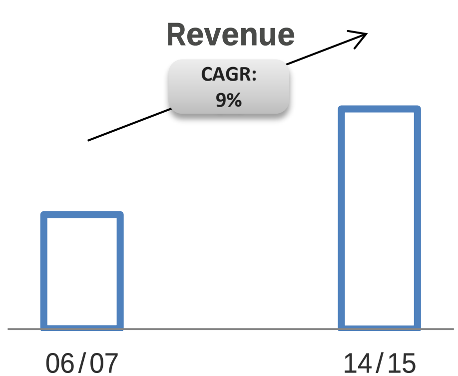
Founded in 1874

THREE DIVISIONS – MULTIPLE PRODUCT AREAS

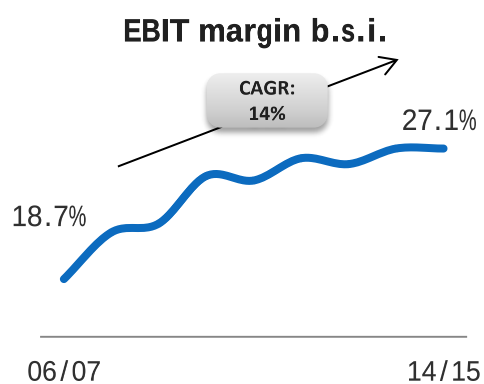


*Share of revenue

Attractive growth markets



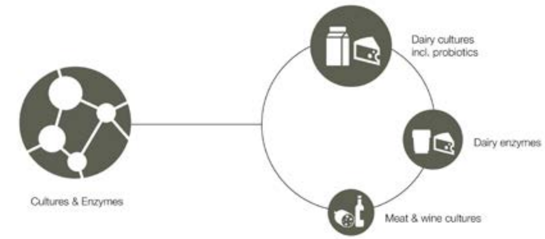
Strong profitability



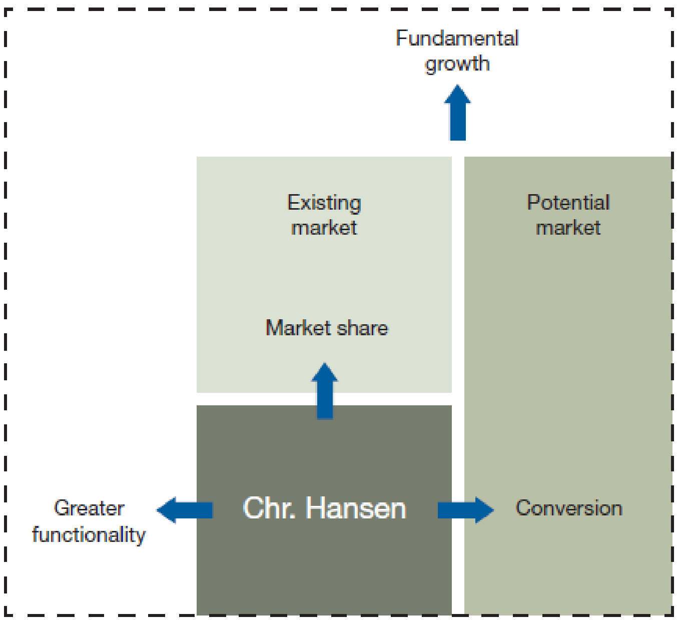
Unique value composition

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

Cultures & Enzymes Division's growth model



CED growth model



- 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
- Attractive cost-to-value ratio

Fundamental growth (3-4%) & Conversion (1-2%)

	CAGR 2012-14*		Conversion rate**	
	Fermented	**Cheese**	**Fermented**	**Cheese**
EMEA	2.8%	1.4%	~75%	~50%
Americas	3.3%	2.0%	~80%	~45%
APAC	8.9%	4.4%	~70%	~30%
Total	**4.4%**	**1.9%**	**75-80%**	**45-50%**

Greater functionality/Innovation (1-2%)

Addressing consumer needs

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

Addressing customer needs

- Improve yield
- Improve efficiency

Market share***

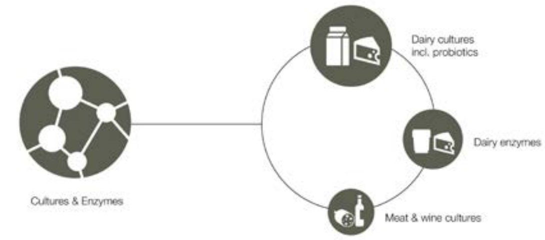
- Est. global market share around 45%.

Pricing (1%)

**Volume growth. Source: Euromonitor and management estimates **Source: Management estimates. Fermented milk is excluding India ***Source: Management estimates*

Strategic advantages in CED

Core competences creates resilient position in niche industry



Strong R&D platform

- Largest strain bank in the world
- Capability to identify and map the genomes of a bacteria
- Innovative product and process solutions developed in cooperation with customers

Unique production setup

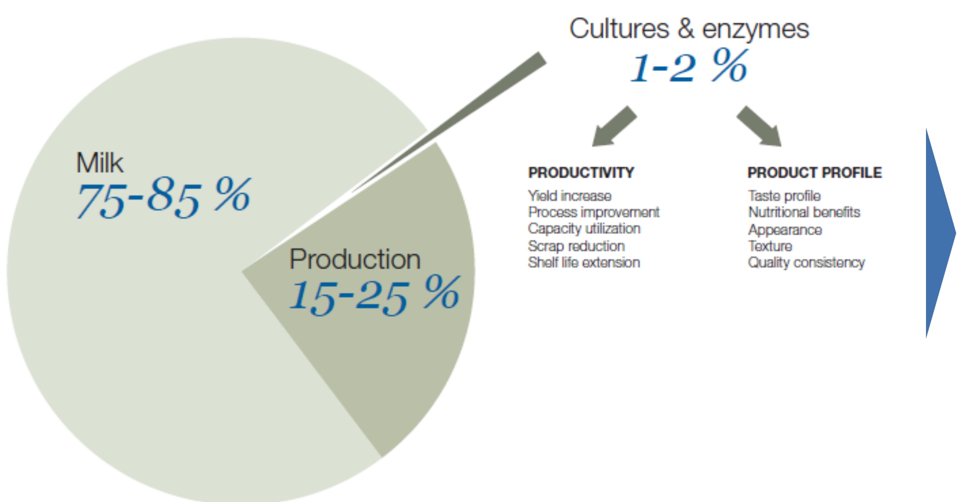
- Largest and most sophisticated bac-terial culture production in the world
- Global market share of 45% secures volume which drives scalability
- Technical know-how around up-scaling and large scale fermentation

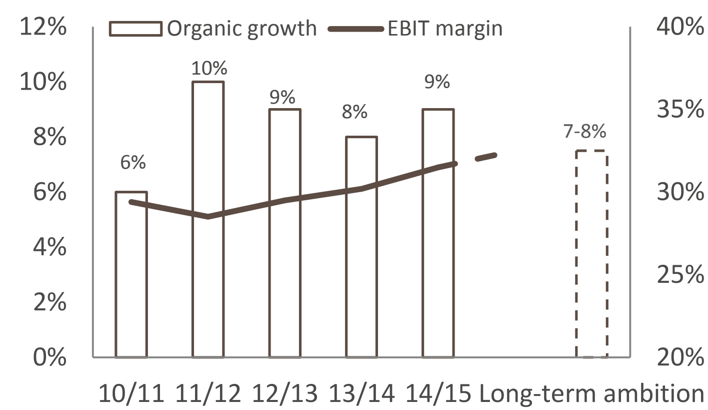
Deep customer intimacy

- Done business with all major dairies for many years. All industrialized dairies are mapped
- Local technical and application people in all countries
- Insight in the production processes of the individual dairy plants

Strategic ingredients

COST OF PRODUCING A CHEESE

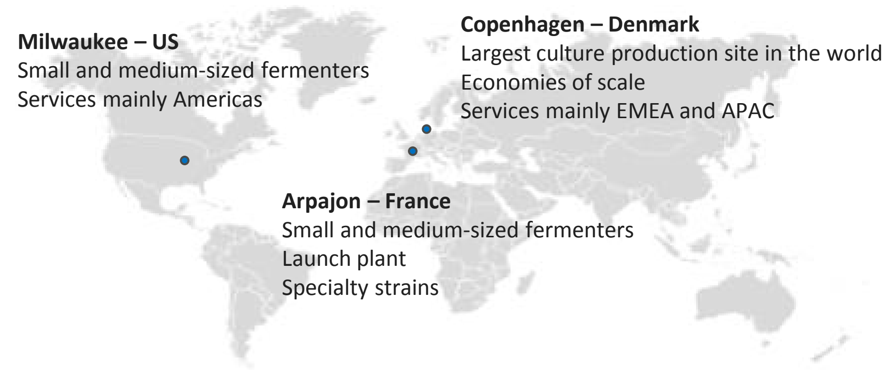




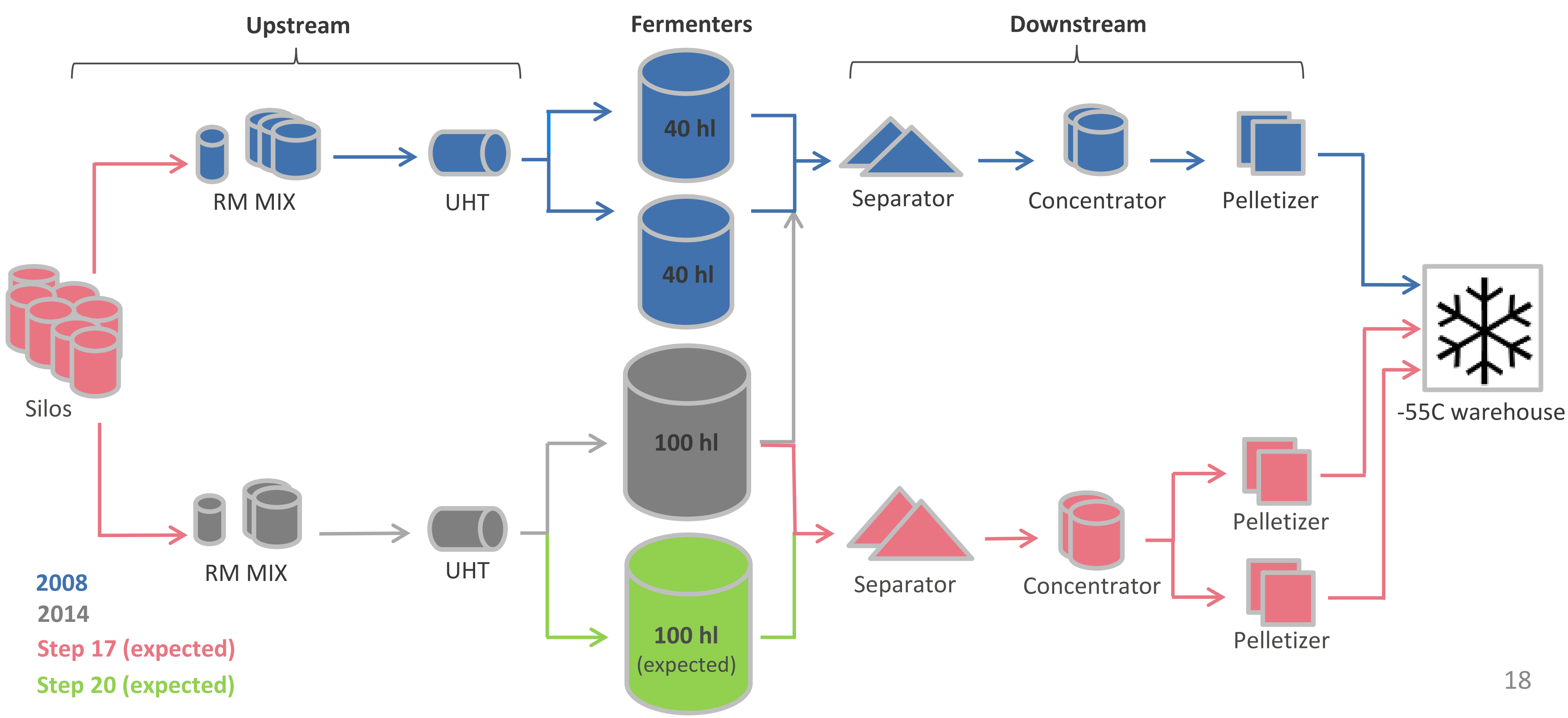
Industrial culture production footprint in CED

Key elements

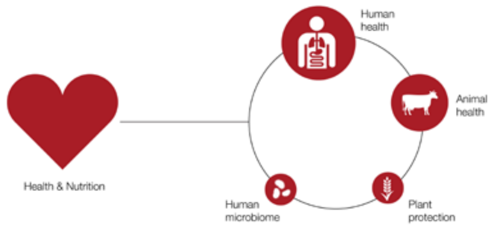
- 3 large culture production sites secures supply security and flexibility
- Expansion of Copenhagen plant drives scalability and margin expansion



Copenhagen capacity expansion plan (expected)



Health & Nutrition Division's growth model



HND growth model

- Products for dietary supplement, infant formula, animal feed and plant protection
- Key offering is probiotic cultures with a documented effect

1. Expand existing business

- Documentation
- Operational excellence

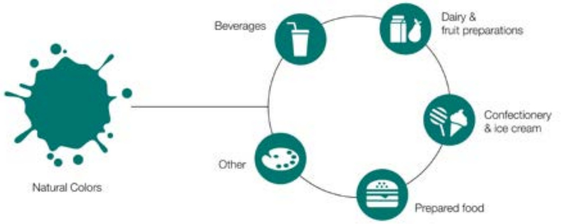
2. Develop opportunities in plant protection

- The bio solutions alliance with FMC Corporation
- Aiming at new crops, new geographies and new products

3. Explore opportunities within the human microbiome

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

Natural Colors Division's growth model



NCD growth model

- 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
- Increased consumer demand for natural and "clean label" products
- Stricter regulation on the use of synthetic solutions in food and beverages, especially in the EU

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)

OUR STRATEGY

Natures No.1 strategy

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

What we will NOT do:

- Pursue acquisitions in unrelated areas
- Expand into products outside microbial and natural colors
- Attempt to become a full fledged pharma company
- Lose focus on cost control and operational efficiency

Strategy progress 2014/15 (I)

1 FULLY LEVERAGING THE POTENTIAL OF THE CULTURES & ENZYMES DIVISION

		PROGRESS 2014/15
FOCUS AREAS	Focus on new innovation	Progress on new solutions for improved products and processes Extracting value from previous launches, e.g. CHY-MAX®M
	Securing undisputed leadership in selected emerging markets	Market position in China reinforced by establishing stronger and direct relationships with key Chinese dairies through a new go-to-market model Strong growth in APAC in 2014/15
	Developing customer-driven commercial excellence	New go-to-market model in China Rollout of sales excellence processes from EMEA to other regions
	Reaping further improvements in scalability	Operating efficiency improved by implementing new fermentation capacity in Copenhagen Benefits reaped from simplification of enzyme footprint
LONG TERM FINANCIAL AMBITIONS	Average annual organic growth of 7-8%	9% organic growth in 2014/15 9% average organic growth since 2012/13
	Increased EBIT margin over the period	31.5% EBIT margin in 2014/15, compared to 30.4% in 2012/13 (before impairments).

Strategy progress 2014/15 (II)

2 DEVELOPING THE MICROBIAL SOLUTIONS PLATFORM IN THE HEALTH & NUTRITION DIVISION

		PROGRESS 2014/15
FOCUS AREAS	Expand existing business in human health through differentiation	Production standards upgraded Introduction of new formats with unique stability
	Deepen market penetration in animal health through increased investments	Increased investments in expanding product portfolio Production capabilities strengthened
	Developing medium-term opportunities in plant protection	Continued implementation of Nemix C™ in the Brazilian sugarcane market Significant number of field trials conducted to develop new biological plant protection solutions
	Explore long-term opportunities for developing second-generation human health solutions	Establishment of research & development consortium, partnering with leading universities in the field of anaerobic bacteria Construction of new pilot-scale pharma-grade facility capable of handling anaerobic bacteria initiated
LONG TERM FINANCIAL AMBITIONS	Average annual organic growth above 10% from core business. Plant protection expected to add additional growth toward 2017/18	13% organic growth in 2014/15 14% average organic growth since 2012/13
	Due to increased investments in future growth opportunities, the EBIT margin is expected to be around 30% during the period	33.3% EBIT margin in 2014/15, compared to 34.6% in 2012/13 (before impairments).

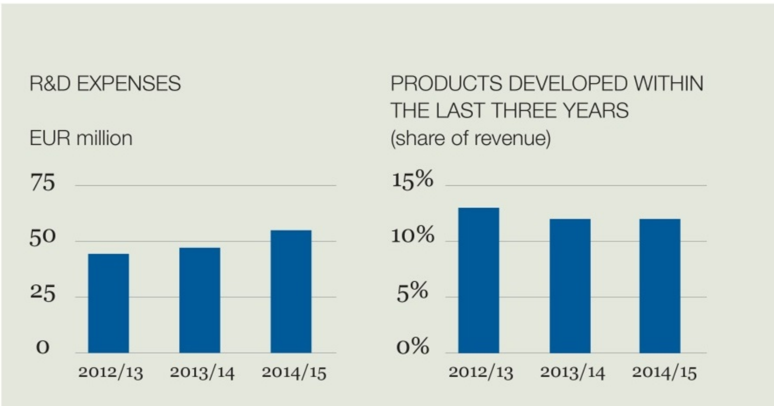
Strategy progress 2014/15 (III)

3 CREATING FURTHER VALUE IN THE NATURAL COLORS DIVISION

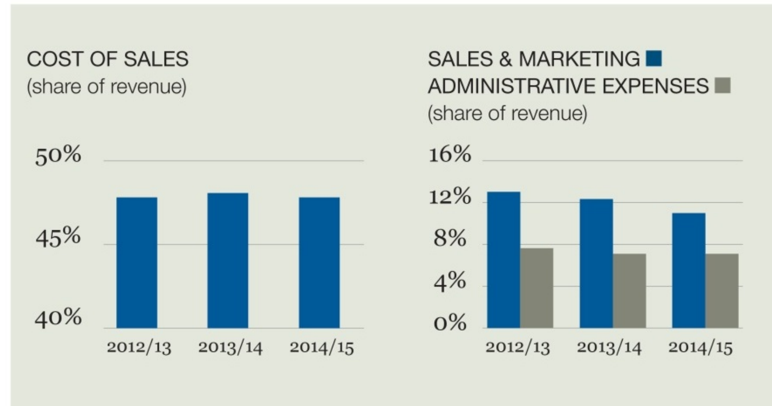
		PROGRESS 2014/15
FOCUS AREAS	Improved cost-in-use solutions	Yield improvement program for key raw materials, including annatto, cochineal and carotenoids
	Address the significant potential in emerging markets	New go-to-market model in China
	Develop an enhanced product offering	Enhanced product offering within the FruitMax® range of coloring foodstuffs
	Transformational technology	Patents obtained on fermented carmine
LONG TERM FINANCIAL AMBITIONS	Annual organic growth around 10%	9% organic growth in 2014/15 5% average organic growth since 2012/13
	Increased EBIT margin over the period	8.3% EBIT margin in 2014/15, compared to 13.0% in 2012/13.

Strategy progress 2014/15 (IV)

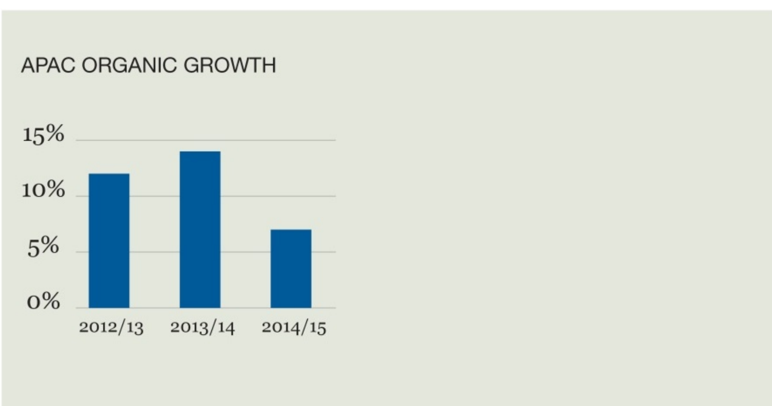
4 DRIVING A STEP CHANGE IN INNOVATION



6 GENERATING THE FUEL FOR GROWTH



5 REINFORCING CHR. HANSEN'S POSITION IN EMERGING MARKETS



STRATEGY REVIEW

The Nature's No. 1 strategy has given Chr. Hansen direction for the past two years and will continue to do so in the coming years as the fundamentals behind the strategy remain intact. However, Management has initiated a review process to be conducted over the coming months in order to update and, if necessary, adjust the strategic direction based on a thorough review of capabilities and reassessment of relevant market opportunities.

Managing risks

Key risks (I)

Please refer to the Annual Report 2014/15 and relevant notes for more information on Chr. Hansen's known key risks

Production

Chr. Hansen has five main production sites. These sites represent the core of Chr. Hansen's business, and each site carefully monitors product safety and delivery performance to manage all potential risks. With this concentrated production setup, there is a risk of a production breakdown interrupting the Company's operations and leading to a loss of income in both the short term and the longer term due to long lead times on the replacement of key equipment. The causes might be contamination of production equipment, key equipment breakdown, fire, terrorism and natural disasters. The risk and effect of a production breakdown are mitigated through maintenance, insurance, fire safety measures, behavior-based training, continuous improvements to operational processes and business continuity plans including alternative production possibilities.

Developments in 2014/15

- Chr. Hansen continued to invest in optimizing production processes and removing bottlenecks before they occur. Implementation of and upscaling of production in new fermentation capacity, installed in 2013/14, has been ongoing during 2014/15. Other large projects include a new freeze-dryer installed in the Roskilde plant for human health products. Energy, water and CO_2 emission efficiency per unit produced increased by 5%, 4% and 13% respectively. With these improvements the EPI levels are back to the same level as the base year 2012/13 and further improvements will be needed to reach the targets for 2019/20. With the new capacity up and running and other mitigation activities, the risk of production disruptions is considered to have been reduced.

Product safety

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. The risk assessment performed in the food safety program includes an evaluation of the use of our products in customers' end products. Chr. Hansen's food safety program is certified according to internationally recognized food safety standards. All production sites are FSSC 22000 certified, and central product development functions are certified according to ISO 22000.

Developments in 2014/15

- By the end of August 2015, all 14 production sites had achieved FSSC 22000 certification including China which received certification in 2014/15. There were four product retrievals during the year, of which one had potential food safety implications while the remainder related to product performance. With increased efforts, including a comprehensive project to do with allergens, the risk of product safety incidents is considered to have been reduced.

Key risks (II)

Please refer to the Annual Report 2014/15 and relevant notes for more information on Chr. Hansen's known key risks

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), have introduced more stringent rules and regulations for the documentation of health claims for food-related products. Chr. Hansen works continuously on improving the documentation of health claims related to the probiotic strains as well as responding to changing documentation demands from authorities

Developments in 2014/15

- The sale of probiotics for fermented milk products in the EU has continued to decline as a consequence of a lack of EU-approved probiotic health claims. It is likely that there will be a continued decline in the EU markets. Also in the US and Australia there has been a decline in the sale of probiotics for fermented milk. Chr. Hansen continues to discuss with agencies and governments the possibility of marketing well-documented health claims. The risk related to existing documentation is considered to be unchanged.

Business environment

Chr. Hansen is a global company with a vision to improve food and health around the world. With offices in 30 countries and sales to more than 140 countries, Chr. Hansen is from time to time affected by geopolitical uncertainties and unrest. As a supplier of ingredients mainly to the food industry, Chr. Hansen is rarely directly affected by trade restrictions. Customers of Chr. Hansen are more likely to be affected by trade restrictions, and that could potentially have an adverse effect on the Company's sales. In those instances where the Company's products are or will be affected by sanctions, Chr. Hansen acts in full compliance with these sanctions. Political and economic unrest in countries and regions where Chr. Hansen operates or plans to operate is constantly monitored and taken into account when making strategic decisions.

Developments in 2014/15

- Geopolitical tensions have continued in 2015, and trade restrictions have affected trade, especially between the EU and Russia. The industry as a whole has been affected by the trade restrictions, which have led to a changed flow of products, that Chr. Hansen has mitigated by leveraging its strong global market position. While the Company has not yet been directly impacted by these restrictions, such barriers to international trade may have a negative effect on the opportunities for further organic growth. Political and economic unrest in certain countries has led to increased focus in these areas to protect both the business and staff. Risk related to the business environment is considered to have increased.

Key risks (III)

Please refer to the Annual Report 2014/15 and relevant notes for more information on Chr. Hansen's known key risks

Taxes and transfer pricing

Chr. Hansen is a global business that operates in multiple jurisdictions with different tax rules and regulations. 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. However, tax and transfer pricing disputes do arise from time to time as cross-border transactions receive increasing attention from local tax authorities.
Group Tax ensures compliance with the Group's tax position. In cooperation with tax advisors, requests from local tax authorities are met, and a positive dialogue with local tax authorities is pursued in order to prevent disputes. The Group Tax function constantly strives to support the business activities worldwide in the best possible way.

Developments in 2014/15

- Chr. Hansen ensured that its transfer pricing documentation is compliant with the new OECD transfer pricing guidelines and requirements. Chr. Hansen's overall transfer pricing setup has been confirmed by international tax audits, including one concluded in 2014/15. Please refer to note 2.8 to the Consolidated Financial Statements for further information on taxes. The risk related to taxes and transfer pricing is considered to be unchanged.

Intellectual property rights

A strong and protected technology platform is important for Chr. Hansen. Focus on protecting intellectual property has increased significantly in the industries in which Chr. Hansen operates. Chr. Hansen has a proactive patent strategy and protects new knowledge created to support and protect its business. Chr. Hansen has more than 1,500 patents granted or pending.

Developments in 2014/15

- Chr. Hansen filed 30 new patent applications in 2014/15, around the same level as in 2013/14. The applications were in areas such as fermentation of carmine, probiotic formulations, bio-protection and new enzyme variants. With these filings, the risk related to intellectual property rights is considered to be unchanged.

Legal risk

Chr. Hansen is from time to time party to legal proceedings arising in the ordinary course of its business. The legal department is focused on analyzing possible risks in a timely manner and mitigating them in an appropriate way using both internal and, if needed, external capabilities. Despite the focus from Chr. Hansen on these matters, the outcome of legal proceedings cannot be predicted with certainty. Please refer to note 3.8 to the Consolidated Financial Statements for further information on legal proceedings.

Key risks (IV)

Please refer to the Annual Report 2014/15 and relevant notes for more information on Chr. Hansen's known key risks

Health, safety and security

Chr. Hansen is committed to continuously improving both the physical and psychological working environment for its employees. The Company has implemented several initiatives to underline the importance of a safe working environment. Monitoring and follow-up of incidents have been strengthened from departmental level to the Executive Board. All major sites have implemented or are in the process of implementing measures to increase awareness of safe behavior and site security. There is also focus on behavior in relation to IT-security due to the increased risk of cybercrime.

Developments in 2014/15

- The lost-time incident frequency decreased from 4 per million working hours in 2013/14 to 3 in 2014/15. A project to increase the security level at all major sites has been initiated and findings will be implemented during 2015/16. With continued focus and efforts to train employees in behavior-based safety and security, the risk of health, safety and security incidents is considered to be unchanged.

Human capital

Attracting and retaining the best employees and new talents remain crucial if Chr. Hansen is to continue to excel. Human knowledge is critical 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. The Company employs a large number of scientists and other experts in their fields. Developing their skills and knowledge is an important part of building competencies globally. It is, however, equally essential to integrate these highly qualified employees into the day-to-day business and help them become better at converting their expertise into business value. In order to retain key personnel, a number of tools are utilized, including suitable incentive systems, education and succession planning. One priority is the next-in-line talent for top management positions.

Developments in 2014/15

- The average number of training days per employee was 3.4 in 2014/15, compared to 3.1 in 2013/14. Employee turnover was 12%, of which 8 percentage points were voluntarily, and this is considered to be an acceptable level. Work is on-going to further enhance the talent development and leadership training. The risk related to attracting and retaining the best employees and new talents is considered to be unchanged.

Financial risk

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 note 4.2 to the Consolidated Financial Statements for further information on these risks.

Back up

Market developments

EMEA

47%

- Dairy markets in turmoil during 2014/15. Continued restrictions on exports of certain food categories to Russia
- EU milk quota system abolished with effect from 1 April 2015. However, due to the Russian restrictions, lower Chinese demand for milk powder and a ramp-up of production during 2014, EU milk output did not increase immediately
- Continued conversion from synthetic colors and increased demand for coloring foodstuff products

Americas

39%

- Dairy markets developed positively during 2014/15. Cheese market growth above historical levels, stimulated by inventory levels, consumer demand and increased exports. Slower growth in the fermented milk market
- US markets for probiotic dietary supplements and microbial based solutions for animal health continued to grow, driven by higher penetration
- Conversion to natural colors in the US remained slow. A number of food & beverage manufacturers announced intention to convert to natural colors

APAC

14%

- Dairy markets developed positively
- Consolidation of the dairy industry in China. Local dairies are increasingly diversifying from standard to premium products and expanding into new product categories.
- The market for natural colors was to some extent impacted by lower economic growth in some countries

Share of revenue

Highlights Q4 2014/15

Revenue

EUR **234** million

(up 14% on Q4 2013/14)

Organic growth

11%

(8% in Q4 2013/14)

Operating profit (EBIT) margin
before special items

31.1%

(30.0% in Q4 2013/14)

Profit for the period

EUR **52** million

(up 23% from Q4 2013/14)

R&D expenditures incurred

EUR **13** million

(5.6% of sales, compared to 4.9% in Q4 2013/14)

Free cash flow

EUR **86** million

(EUR 73 million in Q4 2013/14)

R&D expenditures

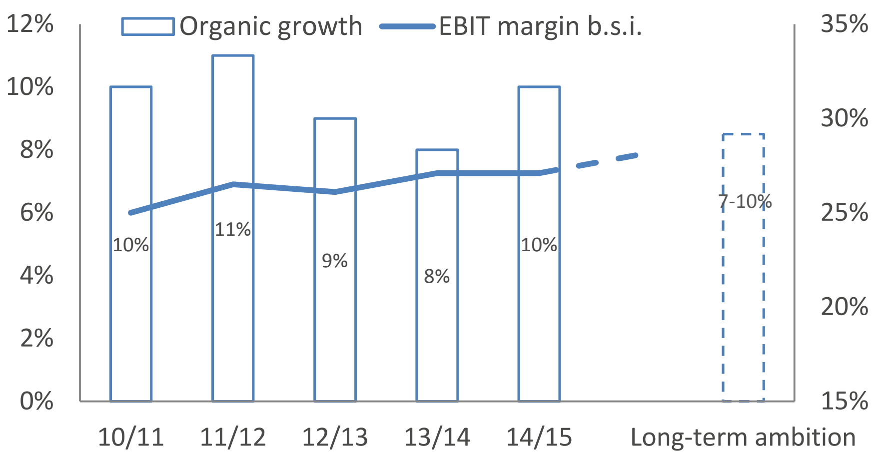
EUR million	13/14	Share of revenue	14/15	Share of revenue
R&D expenses (P/L)	43.2	5.7%	51.0	5.9%
- Amortization*	(5.6)	(0.7)%	(5.9)	(0.6)%
+ Capitalized development costs	8.9	1.1%	9.4	1.1%
R&D expenditures incurred	**46.5**	**6.1%**	**54.5**	**6.4%**
- Depreciation	(2.4)	(0.4)%	(2.8)	(0.4)%
+ Investment in tangible assets	3.4	0.6%	8.6	1.0%
Total R&D investment	**47.3**	**6.3%**	**60.3**	**7.0%**

* Including impairment of EUR 0.2 million in 2013/14

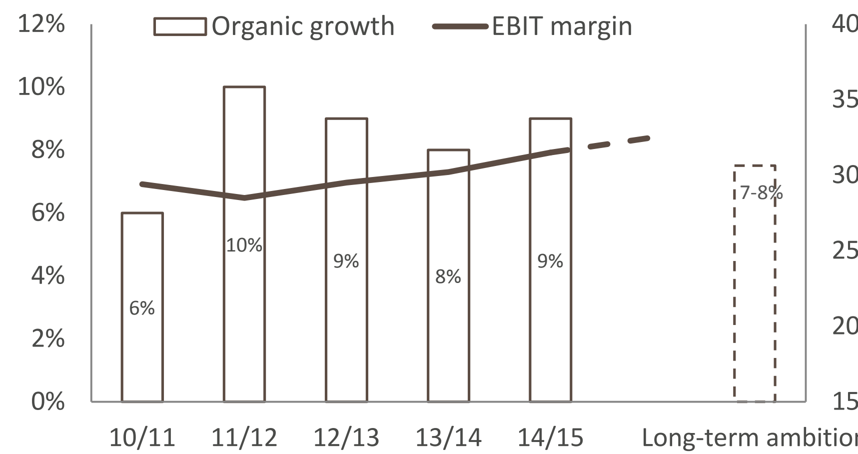
R&D expenditures incurred up EUR 13 million or 27% compared to 2013/14 including increased investment in laboratories and other facilities for R&D activities. Excluding the same R&D expenditures increased by EUR 8 million or 17%.

Organic growth and EBIT margin history

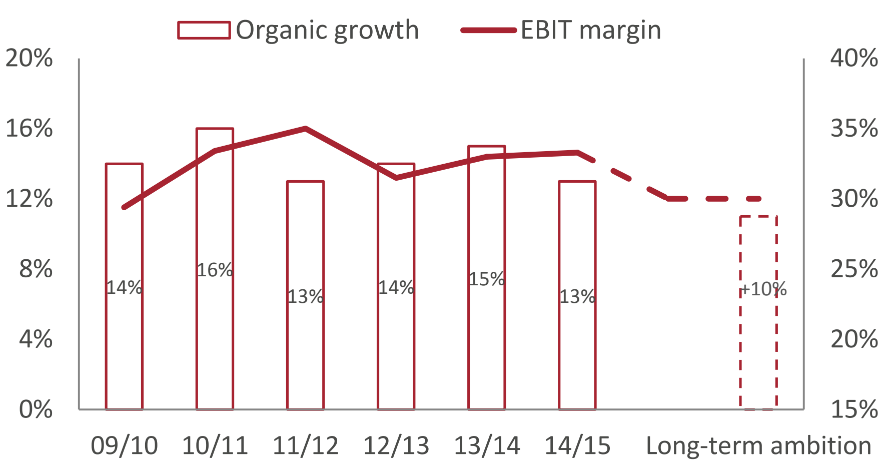
Group



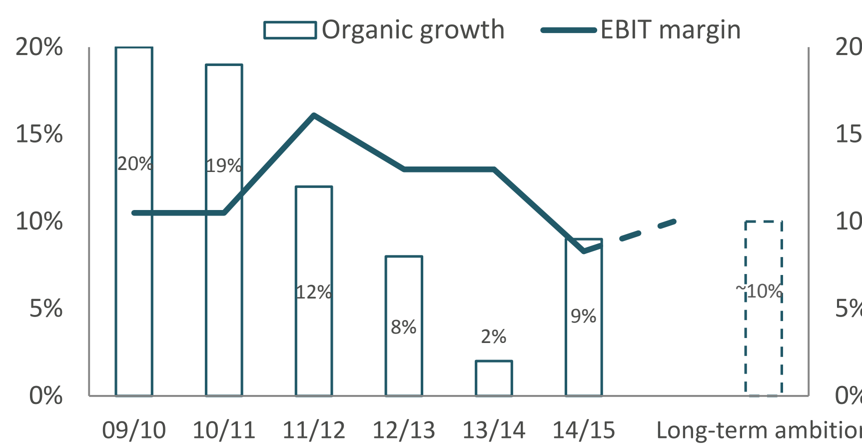
CED



HND



NCD



* Baseline 2012/13

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 details

Share Data

Number of shares of DKK 10 (1 September 2014)	134,499,976
Cancellation of shares (8 Jan 2015)	*2,647,480*
Number of shares of DKK 10 (31 August 2015)	131,852,496
Own shares (31 August 2015)	1,592,042
Classes of shares	1
Voting & Ownership restrictions	None

NASDAQ 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 2015/16

26 November 2015	Annual General Meeting 2014/15
14 January 2016	Q1 interim report
7 April 2016	Q2 interim report
5 July 2016	Q3 interim report
26 October 2016	Annual Report 2015/16
29 November 2016	Annual General Meeting

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