

The background of the slide is a close-up, shallow depth-of-field photograph of numerous white, round pills scattered on a light-colored surface. The pills are in various positions, some in sharp focus and others blurred, creating a sense of depth and texture. The overall color palette is monochromatic, consisting of various shades of white and light gray.

**CHR. HANSEN HOLDING A/S**

# **Q1 REPORT 2015/16**

1 September 2015 - 30 November 2015

Roadshow presentation - 15 January 2016

# Safe harbor statement

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.

The information, opinions and forward-looking statements contained in this presentation speak only as at the date of this presentation, and are subject to change without notice. The Company and its respective agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this presentation to reflect any change in events, conditions or circumstances beyond what is required by applicable law or applicable stock exchange rules and regulations.

By viewing this presentation, you acknowledge and agree to be bound by the foregoing limitations and restrictions.

Commercial  
excellence

# Financial highlights YTD 2015/16

## Revenue

EUR **214** million  
(up 14% on 2014/15)

## Organic growth

**14%**  
(9% in 2014/15)

## Operating profit (EBIT) margin before special items

**25.2%**  
(23.1% in 2014/15)

## Profit for the period

EUR **39** million  
(up 31% from 2014/15)

## R&D expenditures incurred

EUR **17** million  
(7.8% of revenue, compared to 6.8% in 2014/15)

## Free cash flow

EUR **(17)** million  
(EUR (30) million in 2014/15)

# Regional highlights YTD 2015/16

## Organic growth

EMEA

8%

- Strong growth in natural colors, fermented milk, cheese and meat
- Probiotic cultures for fermented milk at the same level as in 2014/15
- Revenue from enzymes, human health and animal health lower than 2014/15
- Positive impact from enforcing EUR based pricing to protect EBIT from depreciating currencies

AMERICAS

17%

- Strong growth across all segments except for probiotic cultures for fermented milk and animal health
- Animal health negatively impacted by a major customer's decision to insource the production of silage inoculants from Q3 2014/15

APAC

31%

- Strong growth in fermented milk including probiotics, natural colors and human health
- Organic growth especially strong in China across all segments

## Share of revenue



45%



40%



15%

# Strategic & operational highlights 2015/16

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



Reaping the benefits from fermentation capacity in Denmark and Germany with positive impact on profitability



Challenged market for biological plant protection in Brazil will impact especially Q2 negatively



Positive contribution to growth in CED from innovation and conversion. Acquired bacterial strain collection from Dairy Innovation Australia Ltd (DIAL)



Agreed acquisition of Nutrition Physiology Co. LLC (NPC) to expand business in the market for microbial solutions to the livestock industry



Progress in natural colors. Working with a number of US food & beverage producers to prepare a potential future conversion

No.1

Strategy update progressing as planned. Capital Market Day will be held in Copenhagen on 12 April 2016 to present findings



Entered into first commercial partnership in the human microbiome initiative with Caelus Health

# Attractive animal health market

## High growth and continued upside from further penetration

**Demand for natural solutions to advance health and productivity in the livestock industry on the rise**

- Need for increased output to feed a growing population: Food production has to increase by est. 70% to feed the world by 2050
- Sustained productivity gains essential to meet this challenge
- Nutritional optimization will play a major role in driving gains

**Pressure to curb the usage of antibiotic growth promoters driving increased demand for natural alternatives**

- Increased focus on antibiotic resistance in livestock production given increasing illness and death in humans caused by antibiotic resistant bacteria
- Legislators taking measures: The EU banned the use of antibiotic growth promoters in 2006 and in 2014 the FDA announced legislation to curb their usage in the U.S.
- Major companies placing demand on suppliers to curb usage of antibiotic growth promoters (e.g. McDonalds, Subway, Wal-Mart)

**Attractive market for microbial solutions to Animal Health & Nutrition**

*7-9% global market growth*

*Only 10-15% current global average penetration creating upside potential*

# Acquisition of Nutrition Physiology Co.

## Creating a broader platform

CHR HANSEN

*Improving food & health*



### Strong fit with Nature's No.1 strategy

- Expanding existing business in animal health through complementary microbial solutions for beef cattle
- Aligned with capital allocation principles - bolt-on acquisition to support market presence and technology

### Attractive synergies

- Sales, supply chain, and innovation
- Synergies expected to be achieved in the coming two years

### Fast returns

- Acquisition is expected to be EPS accretive by 2016/17

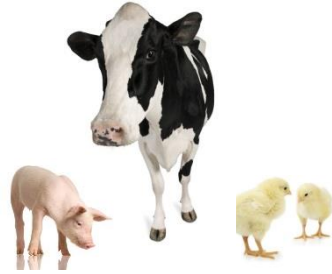
### Natures No.1 strategy

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<br>➤ Develop plant protection<br>➤ Explore human biome | ➤ Improve cost-in-use<br>➤ 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<br>➤ Commercial excellence | ➤ Commercial excellence   | ➤ Continued conversion<br>➤ Commercial excellence            |

**CHR HANSEN**

*Improving food & health*



The animal health business is part of the Health & Nutrition Division and supply well documented microbial solutions to the global animal health industry

- Revenue EUR ~60 million\*
- Production at own facilities in Germany and Czech Republic
- Dedicated employees within sales, R&D and production

#### Key industries:

- Dairy cattle, swine, poultry and microbial inoculants for silage production

\*2014/15 actuals



Nutrition Physiology Co. LLC



NPC is a provider of microbial solutions to the US livestock industry, especially within the beef cattle segment. Founded in 1993

- Revenue USD 41 million and EBITDA USD 10 million\*
- Strong customer relationships backed by strong scientific trial data with IP protection
- Asset light operations with outsourced production (Chr. Hansen a supplier)
- 52 employees across US, mainly within sales and R&D

#### Key products:

- Bovamine®, Bovamine® Defend™, Bovamine® Dairy

\*2015 estimate



# Transaction overview

## Purchase price

- Enterprise value USD 185 million paid in cash
- The EV/EBITDA multiple of 15.9x (2016 estimates before synergies)

## Completion

- Subject to customary closing conditions
- Closing is expected during the first three month of 2016

## Financing

- The acquisition will be funded through Chr. Hansen's own cash flow and current credit facilities
- NIBD is expected to be around 1.8x EBITDA by the end of 2015/16 when including the impact from the acquisition



# Value creating synergies

## Synergies to be realized mainly through

- Utilization of commercial opportunities from complementary businesses
- Optimization of supply chain
- Strengthened innovation efforts

Synergies are expected to be achieved in the coming two years

Full tax deductibility on acquired intangible assets

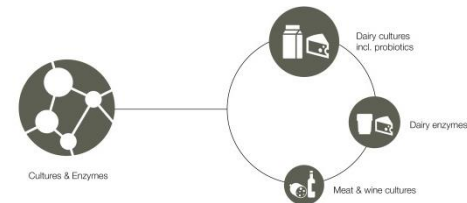
Asses strategic fit of NPC distributor business

Approx. EUR 6 million in non-recurring costs related to the transaction and integration (recognized as special items), however acquisition expected to be EPS accretive by 2016/17

The acquisition is expected to be margin accretive to the Health & Nutrition Division once synergies are fully realized



# Cultures & Enzymes

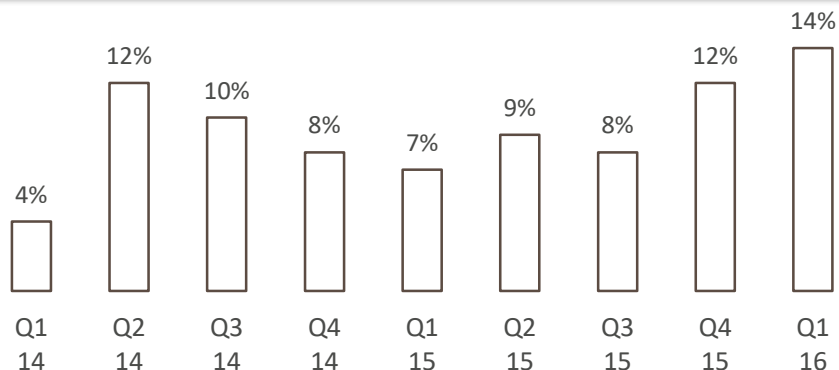


| EUR million       | Q1<br>15/16 | Q1<br>14/15 |
|-------------------|-------------|-------------|
| Revenue           | 133         | 118         |
| Organic growth    | 14%         | 7%          |
| EBIT              | 42          | 32          |
| EBIT margin       | 31.3%       | 27.3%       |
| ROIC ex. goodwill | 40.0%       | 31.6%       |

## Organic growth

- Volume/mix 10% and price 4%. Local price increases mainly through EUR based pricing
- Strong growth in fermented milk, cheese and meat. Solid growth in probiotics and enzymes.
- Fermented milk driven by China and the US. Cheese supported by conversion in the US. Positive impact from innovations such as SoGreek, YoFlex® Premium, and bioprotective cultures

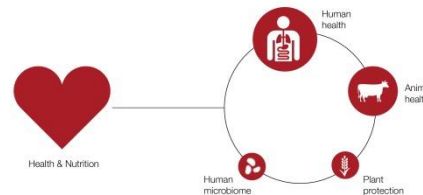
## Quarterly organic growth



## EBIT margin

- Margin up 4.0%-points on Q1 2014/15
  - Operational efficiencies, including lower depreciation level and impact from start-up costs in Q1 2014/15
  - Favorable exchange rates
  - Product mix
  - Partly offset by non-recurring administration expenses

# Health & Nutrition

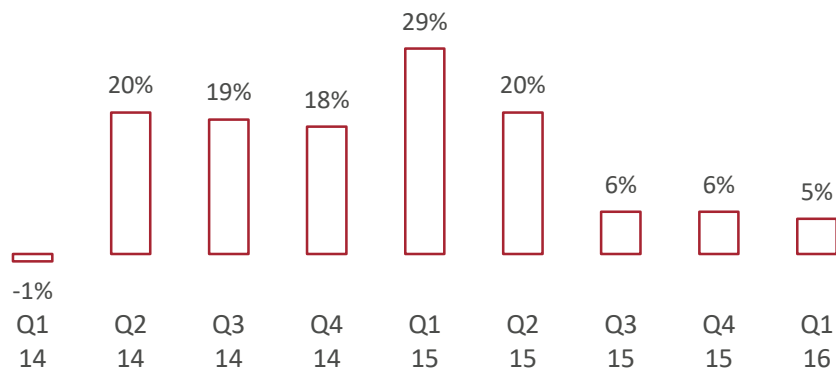


| EUR million       | Q1<br>15/16 | Q1<br>14/15 |
|-------------------|-------------|-------------|
| Revenue           | 36          | 32          |
| Organic growth    | 5%          | 29%         |
| EBIT              | 9           | 9           |
| EBIT margin       | 24.7%       | 26.3%       |
| ROIC ex. goodwill | 24.9%       | 27.0%       |

## Organic growth

- Volume/mix 5%
- Strong growth in human health, driven by Americas (positive impact from timing of orders) and APAC (China and South Korea). EMEA below last year
- Revenue from animal health below last year due insourcing silage inoculants at major customer from Q3 2014/15 and trading conditions in EMEA

## Quarterly organic growth



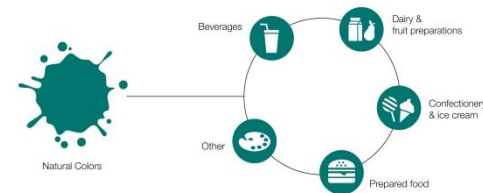
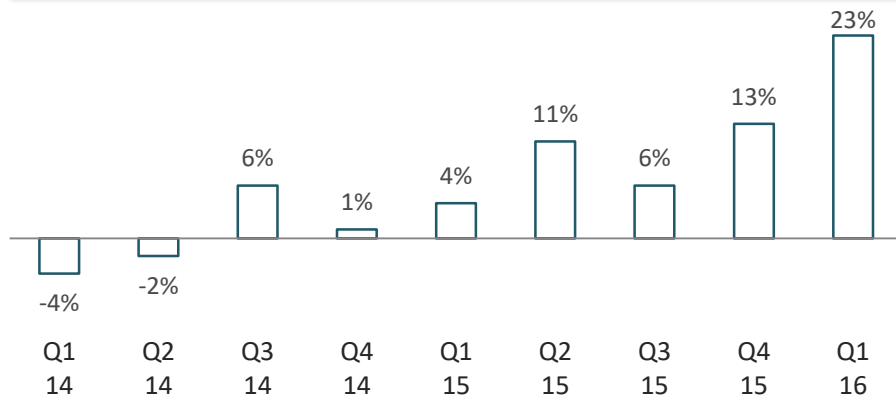
## EBIT margin

- Margin down 1.6 %-points on 2014/15
  - Higher scrapping in human health
  - Increased research & development activity
  - Non-recurring administration expenses
- Partly offset by favorable exchange rates
- New dedicated freeze dryers for human health is over a period of time expected to help address the current scrapping level

# Natural Colors

| EUR million       | Q1<br>15/16 | Q1<br>14/15 |
|-------------------|-------------|-------------|
| Revenue           | 45          | 38          |
| Organic growth    | 23%         | 4%          |
| EBIT              | 4           | 3           |
| EBIT margin       | 7.8%        | 7.3%        |
| ROIC ex. goodwill | 15.2%       | 12.8%       |

## Quarterly organic growth



## Organic growth

- Volume/mix 19% and price 4%. Local price increases mainly to reflect increased raw material prices and through enforcing EUR based pricing
- Strong growth in confectionery & ice cream and prepared food. Modest growth in beverage
- EMEA (FruitMax®), Americas (market share in Latin America and conversion in US), and APAC (China on weak Q1 2014/15) all delivered strong growth

## EBIT margin

- Margin up 0.5%-point on 2014/15
  - Increased volume
  - Saving initiatives
- Partly offset by unfavorable exchange rates and increased raw material costs

# Cash flow and balance sheet

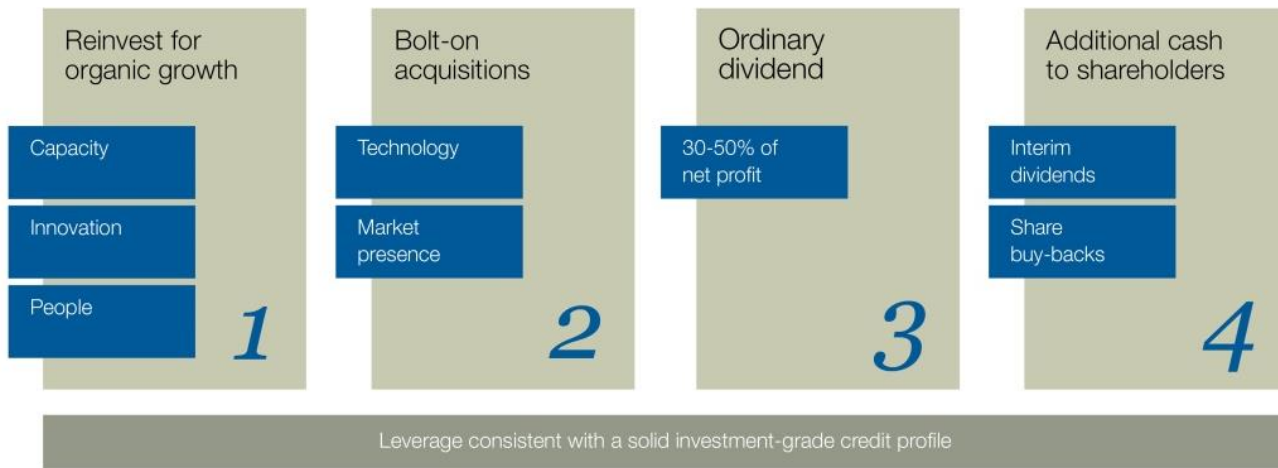
| EUR million                    | Q1<br>15/16 | Q1<br>14/15 |
|--------------------------------|-------------|-------------|
| <b>Cash flow</b>               |             |             |
| Operating activities           | 1           | (16)        |
| Investing activities           | (18)        | (14)        |
| Free cash flow                 | (17)        | (30)        |
| <b>Balance sheet</b>           |             |             |
| Total assets                   | 1,456       | 1,390       |
| Equity                         | 564         | 625         |
| Net interest-bearing debt      | 513         | 432         |
| <b>Key Figures</b>             |             |             |
| <i>Net working capital</i>     | 19.4%       | 20.7%       |
| <i>Capital expenditure</i>     | 8.3%        | 7.6%        |
| <i>ROIC excluding goodwill</i> | 33.1%       | 28.0%       |
| <i>NIBD/EBITDA</i>             | 1.7x        | 1.7x        |

## Highlights

- Cash flow from operating activities improved by EUR 17 million, mainly due to improved operating profit and improved net working capital ratio
- Cash flow used for investing activities increased by EUR 4 million. Investments in laboratory facilities for the human microbiome initiative and packaging capacity for cultures
- Capital expenditures corresponded to 8.3% of revenue, compared to 7.6% in 2014/15
  - Capitalized development expenditures increased to 2.0% of revenue, compared to 1.1% in 2014/15 driven by acquisition of a bacterial strain collection from DIAL
- Free cash flow improved by EUR 13 million
- ROIC excluding goodwill up 5.1%-points

# Capital allocation priorities

No additional cash to shareholders expected in 2015/16



As a consequence of the acquisition the Board of Directors does not expect to execute share-buy-back programs or pay out interim dividends during 2015/16

NIBD expected to be around 1.8x EBITDA by the end of 2015/16

Total spend 2013/14 to 2014/15 (EUR million)

|                |     |            |             |           |     |           |     |
|----------------|-----|------------|-------------|-----------|-----|-----------|-----|
| Capacity (PPE) | 105 | Dial       | N/A         | Dividend  | 148 | Interim   | 115 |
| Innovation     | 100 | <b>NPC</b> | <b>~170</b> | of profit | 50% | Buy-backs | 80  |

# Outlook for 2015/16

## Organic growth target increased

|  | <i>Realized<br/>2014/15</i> | <i>Outlook<br/>2015/16</i>        | <i>Long-term<br/>financial ambitions**</i> |
|--|-----------------------------|-----------------------------------|--|
| Organic revenue growth                               | 10%                         | <b>9-11%*</b>                     | 7-10%                                      |
| ✓ <i>Cultures &amp; Enzymes Division</i>             | 9%                          | <i>Above long-term ambitions*</i> | 7-8%                                       |
| ✓ <i>Health &amp; Nutrition Division</i>             | 13%                         | <i>Below 2014/15</i>              | +10%                                       |
| ✓ <i>Natural Colors Division</i>                     | 9%                          | <i>Above 2014/15</i>              | <i>Targeting around 10%</i>                |
| R&D expenditures<br>(as percentage of revenue)       | 6.4%                        | 6.5-7.0%                          | Around 7%                                  |
| EBIT margin b.s.i.                                   | 27.1%                       | Above 2014/15                     | Increasing                                 |
| ✓ <i>Cultures &amp; Enzymes Division</i>             | 31.5%                       | <i>Above 2014/15</i>              | <i>Increasing</i>                          |
| ✓ <i>Health &amp; Nutrition Division</i>             | 33.3%                       | <i>Below 2014/15</i>              | <i>Around 30%</i>                          |
| ✓ <i>Natural Colors Division</i>                     | 8.3%                        | <i>Above 2014/15</i>              | <i>Increasing</i>                          |
| Free cash flow before<br>acquisition and divestments | EUR 151 million             | Above 2014/15                     | Increasing                                 |

\* Previously "8-10%" and "in line with long-term ambitions" (21 October 2015)

\*\* Baseline 2012/13



# Q&A



# OUR COMPANY



# Natures No.1 strategy

## Evolution, not revolution

### 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      | <ul style="list-style-type: none"> <li>➢ New innovation for yield &amp; functionality</li> </ul>          | <ul style="list-style-type: none"> <li>➢ Expand existing business</li> <li>➢ Develop plant protection</li> <li>➢ Explore human biome</li> </ul> | <ul style="list-style-type: none"> <li>➢ Improve cost-in-use</li> <li>➢ New transformational technologies</li> </ul> |
| 5 Reinforcing position in emerging markets | <ul style="list-style-type: none"> <li>➢ Undisputed leadership in emerging markets</li> </ul>             | <ul style="list-style-type: none"> <li>➢ Pursue probiotic opportunities in emerging markets</li> </ul>  | <ul style="list-style-type: none"> <li>➢ Drive emerging market conversion</li> </ul>                                 |
| 6 Generating fuel for growth               | <ul style="list-style-type: none"> <li>➢ Drive scalability</li> </ul>                                     | <ul style="list-style-type: none"> <li>➢ Reinvest in future growth</li> </ul>   | <ul style="list-style-type: none"> <li>➢ Drive scalability</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>➢ Continued conversion</li> <li>➢ Commercial excellence</li> </ul> | <ul style="list-style-type: none"> <li>➢ Commercial excellence</li> </ul>   | <ul style="list-style-type: none"> <li>➢ Continued conversion</li> <li>➢ Commercial excellence</li> </ul>            |

**STRATEGY REVIEW - Update at CMD on 12 April 2016**

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 initiated in the autumn of 2015 a review process in order to update and, if necessary, adjust the strategic direction based on a thorough review of capabilities and reassessment of relevant market opportunities.

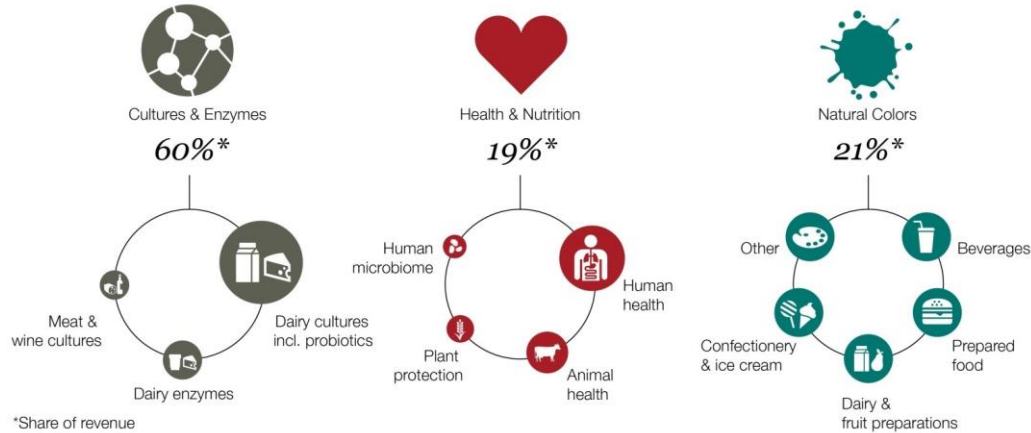
### What we will NOT do:

- ✗ 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

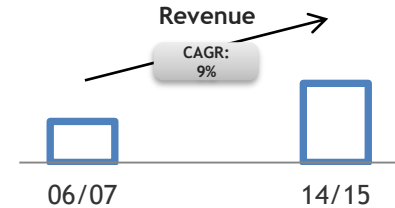
# Chr. Hansen - Key Characteristics

Founded in 1874

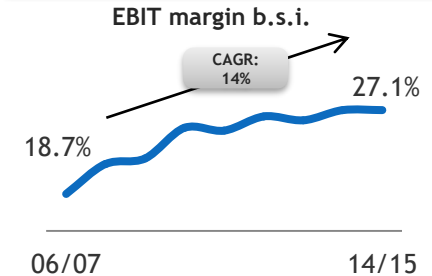
## THREE DIVISIONS - MULTIPLE PRODUCT AREAS



## Attractive growth markets



## Strong profitability

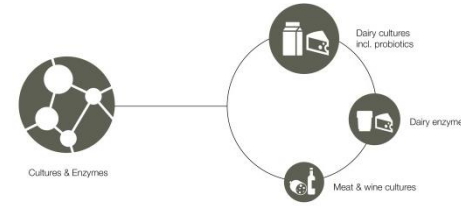


## Unique value composition

- Strategic ingredients based on a strong R&D platform
- Up-scaling & large scale fermentation
- Application & customer intimacy
- Talent & expertise

# 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

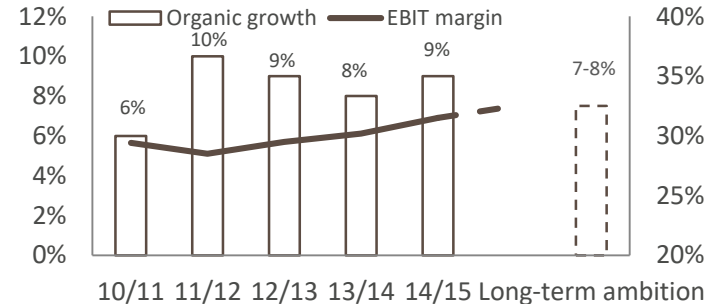
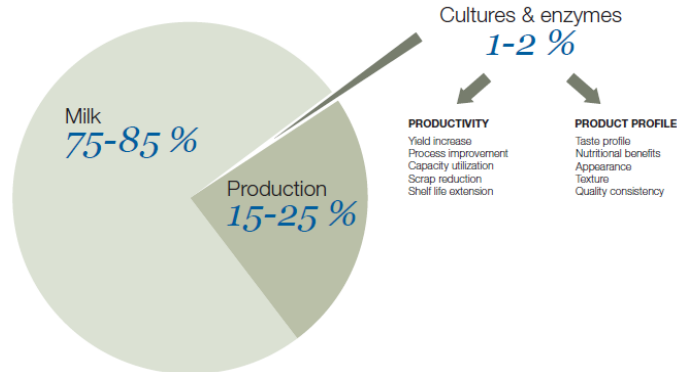
- Largest and most sophisticated bacterial culture production in the world
- Global market share of 45% secures volume which drives scalability
- Technical know-how around up-scaling and large scale fermentation

### Deep customer intimacy

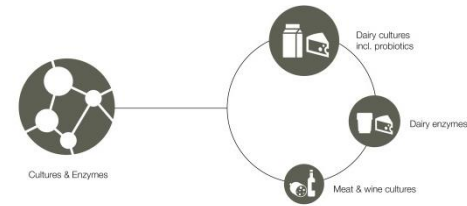
- Done business with all major dairies for many years. All industrialized dairies are mapped
- Local technical and application people in all countries
- Insight in the production processes of the individual dairy plants

## Strategic ingredients

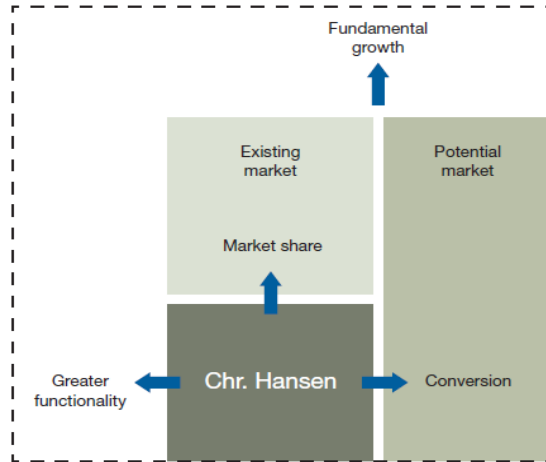
COST OF PRODUCING A CHEESE



# 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%          |
| <b>Total</b> | <b>4.4%</b>   | <b>1.9%</b> | <b>75-80%</b>     | <b>45-50%</b> |

## 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%)

- Pricing in local currencies, which can be impacted by use of EUR pricelist mechanism

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

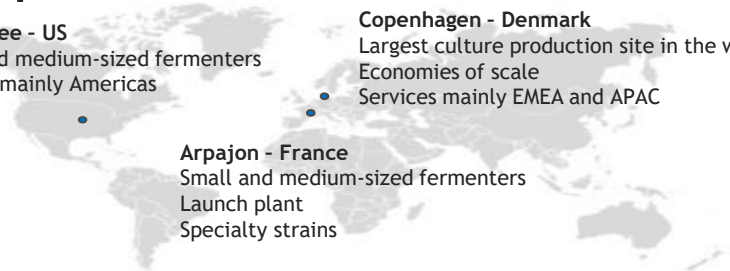
# Industrial culture production footprint in CED

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

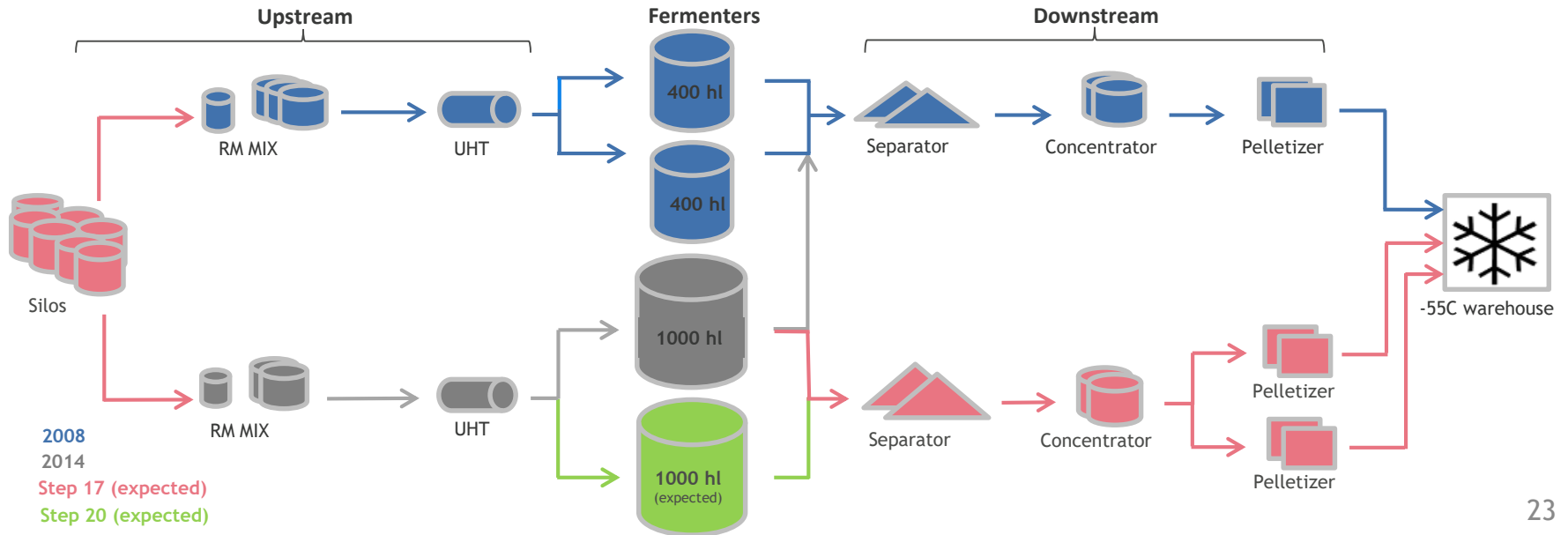
**Milwaukee - US**  
Small and medium-sized fermenters  
Services mainly Americas

**Copenhagen - Denmark**  
Largest culture production site in the world  
Economies of scale  
Services mainly EMEA and APAC

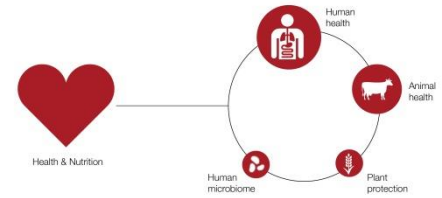
**Arpajon - France**  
Small and medium-sized fermenters  
Launch plant  
Specialty strains



## Copenhagen capacity expansion plan (expected)

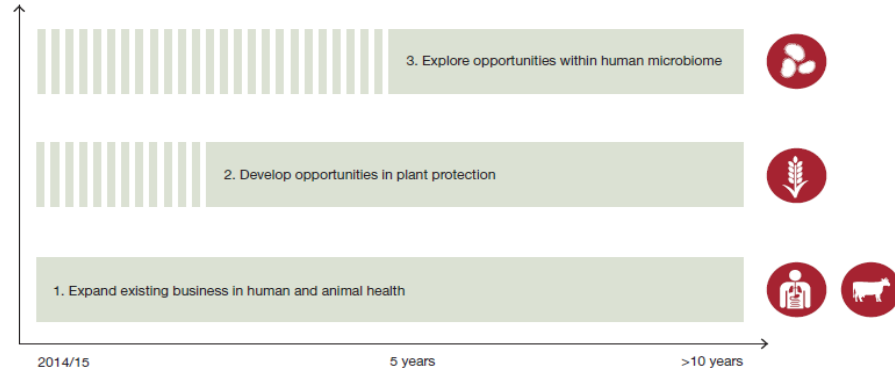


# Health & Nutrition Division's growth model



## HND growth model

Uncertainty



- 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

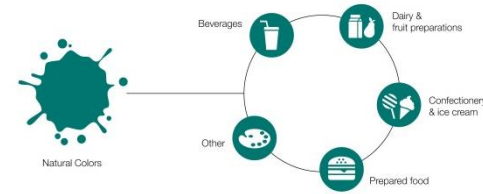
- The bio solutions alliance with FMC Corporation
- Aiming at new crops, new geographies and new products

### 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)



# 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<sub>2</sub> 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 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. The 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.



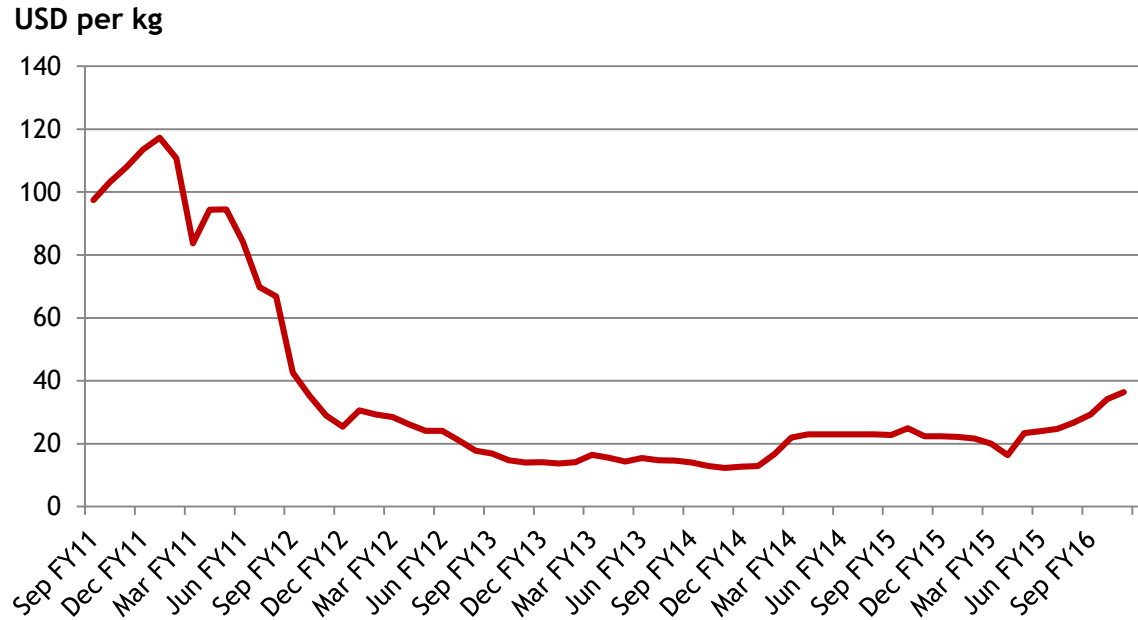
Back up

# Income statement

| EUR million                                     | Q1<br>15/16 | Q1<br>14/15 |
|---|-------------|-------------|
| Revenue   | 214         | 188         |
| <i>EUR growth</i>                               | 14%         | 10%         |
| <i>Organic growth</i>                           | 14%         | 9%          |
| <i>Gross margin</i>                             | 52.3%       | 51.2%       |
| R&D expenses                                    | (14)        | (12)        |
| Sales & marketing expenses                      | (27)        | (26)        |
| Administrative expenses & other income/expenses | (18)        | (15)        |
| EBIT before special items                       | 54          | 44          |
| <i>EBIT margin b.s.i.</i>                       | 25.2%       | 23.1%       |
| Net financials                                  | (2)         | (3)         |
| Income tax                                      | (13)        | (11)        |
| Profit for the period                           | 39          | 30          |



# Cochineal price development



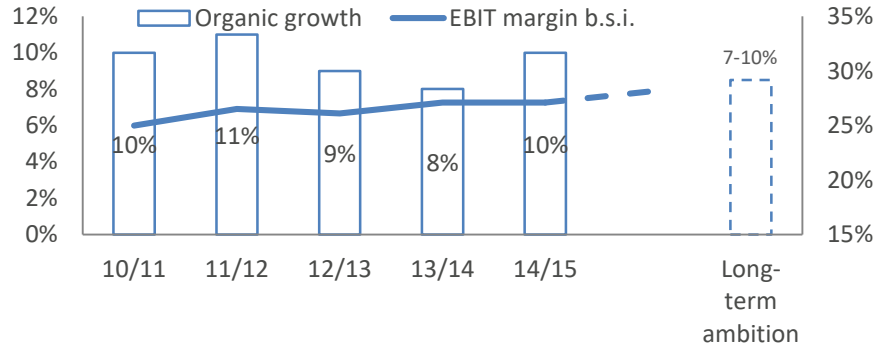
# R&D expenditures

| EUR million                          | YTD<br>15/16 | Share of<br>revenue | YTD<br>14/15 | Share of<br>revenue |
|--------------------------------------|--------------|---------------------|--------------|---------------------|
| R&D expenses (P/L)                   | 13.9         | 6.5%                | 12.2         | 6.5%                |
| - Amortization                       | (1.5)        | (0.7)%              | (1.4)        | (0.8)%              |
| + Capitalized development costs      | 4.3          | 2.0%                | 2.0          | 1.1%                |
| <b>R&amp;D expenditures incurred</b> | <b>16.7</b>  | <b>7.8%</b>         | <b>12.8</b>  | <b>6.8%</b>         |
| - Depreciation                       | (0.8)        | (0.4)%              | (0.6)        | (0.3)%              |
| + Investment in tangible assets      | 2.8          | 1.4%                | 1.8          | 0.9%                |
| <b>Total R&amp;D investment</b>      | <b>18.7</b>  | <b>8.8%</b>         | <b>14.0</b>  | <b>7.4%</b>         |

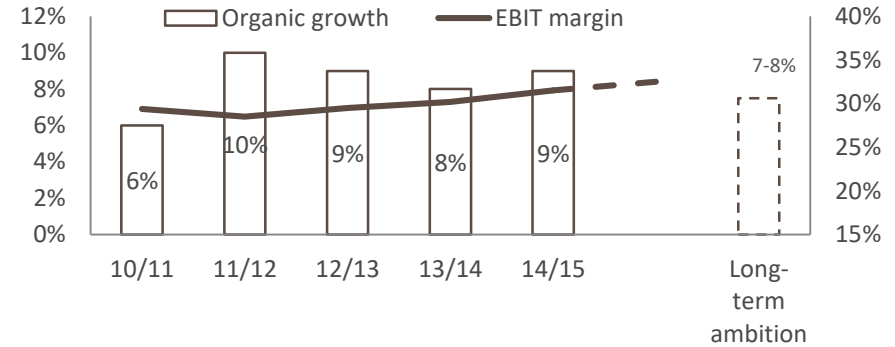
R&D expenditures incurred up 30% in Q1, mainly driven by acquisition of a bacterial strain collection from the Board of Dairy Innovation Australia (part of capitalized development costs)

# Organic growth and EBIT margin history

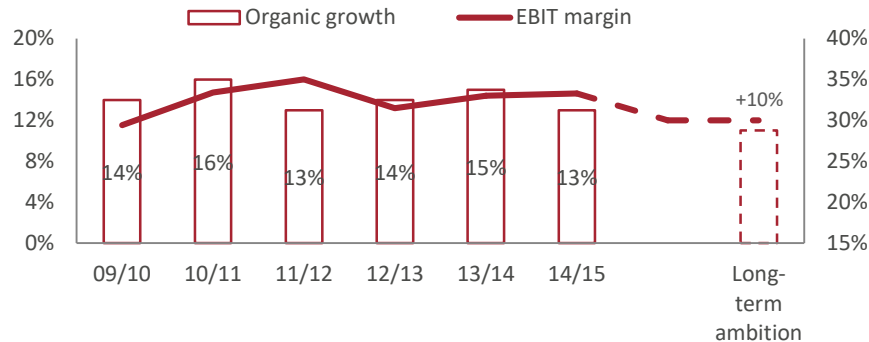
## Group



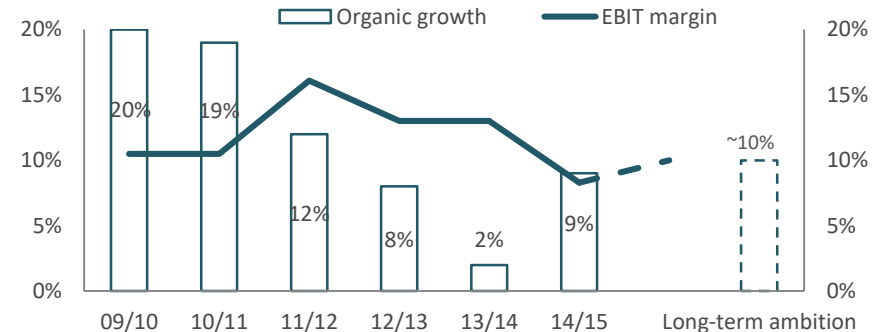
## CED



## 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 2015) | 131,852,496 |
| Own shares (30 November 2015)                 | 1,517,276   |
| Classes of shares                             | 1           |
| Voting & Ownership restrictions               | None        |

## NASDAQ Copenhagen

|               |              |
|---------------|--------------|
| ISIN code     | DK0060227585 |
| Ticker symbol | CHR          |
| Sector        | Health Care  |

## OTC ADR Level 1 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

---

|                  |                        |
|------------------|------------------------|
| 7 April 2016     | Q2 interim report      |
| 12 April 2016    | Capital Market Day     |
| 5 July 2016      | Q3 interim report      |
| 26 October 2016  | Annual Report 2015/16  |
| 29 November 2016 | Annual General Meeting |

## Contact Chr. Hansen

---

|  |  |
|--|--|
| Head of Investor Relations                                     | IR Manager   |
| Anders Mohr Christensen  | Anders Enevoldsen  |
| Office: +45 45 74 76 18  | Office: +45 45 74 76 30  |
| Mobile: +45 25 15 23 64  | Mobile: +45 53 39 22 54  |
| <a href="mailto:dkamc@chr-hansen.com">dkamc@chr-hansen.com</a> | <a href="mailto:dkanen@chr-hansen.com">dkanen@chr-hansen.com</a> |