



Chr. Hansen Holding A/S

Q1 Report 2016/17 - 11 January 2017

Roadshow presentation

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.

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Financial highlights YTD 2016/17

Revenue

EUR **242** million
(up 13% on 2015/16)

Operating profit (EBIT) margin before special items

27.1%
(25.2% in 2015/16)

R&D expenditures incurred

EUR **18** million
(7.4% of revenue, compared to 7.8% in 2015/16)

Organic growth

11%
(14% in 2015/16)

Profit for the period

EUR **47** million
(up 21% on 2015/16)

Free cash flow before acquisitions and special items

EUR **(19)** million
(EUR (17) million in 2015/16)



Strategic & operational highlights 2016/17

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. Strategy reaffirmed at CMD in April 2016

- **Bioprotection:** Strong growth of approx. 25%, and the segment now accounts for approx. 5% of revenue in FC&E
- **Plant Health:** Penetration continued with strong growth in both Nemix® C and VGR™. Good progress on initiatives to introduce new products in the coming years
- **Human Microbiome:** Continued progress in developing competences and partnerships
- **Probiotics:** Acquisition of LGG® completed in November 2016, and integration process initiated
- **Capacity:** Expansion of production capacity for cultures in Copenhagen progressing as planned
- **Animal Health:** Slowly improving market conditions. Better than expected performance in Q1 mainly due to timing
- **Animal Health:** Integration of NPC ahead of schedule and synergies are materializing



Keep it great!



Fresh Q[®] can reduce yogurt waste by 30% (360,000 Tons in the EU)

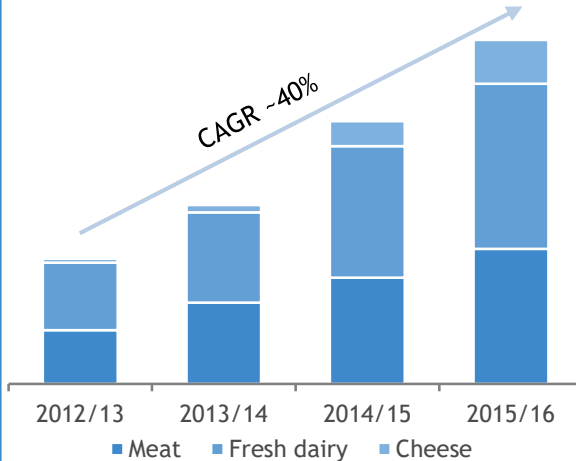
- Equivalent to no yogurt waste in the UK for 6 years
- EUR 180 million net savings in EU
- 430,000 Ton CO₂ savings

Bioprotection

Keep it great!

Bioprotective solutions have seen strong growth in recent years ...

Current 1st generation products (FreshQ[®] and SafePro[®]) are driving growth



... and have the potential for further strong growth

To maximize the opportunity, investments will increase over the year:

- Increasing R&D activity to develop the next generations
- Work with authorities to define a regulatory framework for expanding into new areas incl. ready-to-eat and fresh meat & fish
- Increase sales & marketing activity to accelerate penetration in existing markets

Fight against food waste

1/3

Of all food produced is wasted

17%

Of all yoghurt is wasted every year in the EU

80%

Of all yoghurt waste is related to expiry date

Regional performance YTD 2016/17

EMEA — 44%*

- Strong growth in fermented milk, animal health and natural colors
- Solid growth in cheese, meat and probiotics for fermented milk
- Modest growth in enzymes, while human health on par with last year
- Strong momentum in bioprotection and positive trend in probiotics for fermented milk

10%

Organic growth

North America — 27%*

- Strong growth in cheese, natural colors and plant health
- Good growth in human health and modest growth in fermented milk including probiotics and meat
- Enzymes and animal health below 2015/16
- Growth in cheese partly driven by conversion

7%

Organic growth

LATAM — 13%*

- Strong growth across all segments except for fermented milk including probiotics
- Solid growth in fermented milk while probiotics were below 2015/16
- Positive impact from EUR-based pricing
- Continued demand for natural ingredients despite economic turmoil. However, momentum slowed down

13%

Organic growth

APAC — 16%*

- Strong growth in fermented milk including probiotics, cheese, enzymes, human health and animal health
- Modest growth in natural colors
- Strong growth in fermented milk including probiotics was mainly driven by China

16%

Organic growth

* Share of revenue

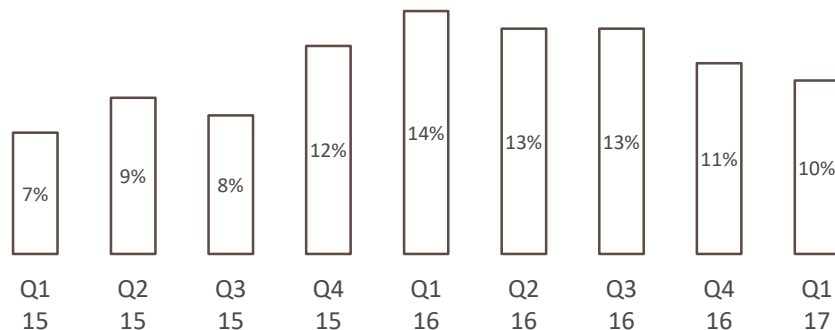
Food Cultures & Enzymes

EUR million	Q1 16/17	Q1 15/16
Revenue	144	133
Organic growth	10%	14%
EBIT	50	42
EBIT margin	35.0%	31.3%
ROIC ex. goodwill	45.0%	40.0%

Organic growth

- Volume/mix 9% and price 1%. Price increases mainly through EUR-based pricing in LATAM
- Strong growth in fermented milk, cheese, and wine. Solid growth in meat and probiotics for fermented milk, while enzymes showed good growth
- Growth of approximately 25% in bioprotection driven by the existing segments

Quarterly organic growth



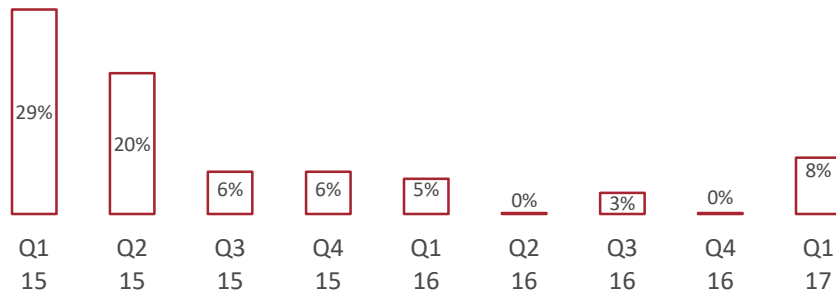
EBIT margin

- Margin up 3.7%-points on 2015/16
 - Driven by operational efficiencies, timing of production costs, sale of a property in Argentina and positive product mix
 - Partly offset by higher R&D activity

Health & Nutrition

EUR million	Q1 16/17	Q1 15/16
Revenue	46	36
Organic growth	8%	5%
EBIT	10	9
EBIT margin	21.1%	24.7%
ROIC ex. goodwill	17.8%	24.9%

Quarterly organic growth



Organic growth

- Volume/mix 8%. Positively impacted by timing of orders
- Solid growth in animal health driven by swine and poultry, while dairy cattle declined. Strong growth in plant health. Human health showed good growth driven by dietary supplements in North America
- Continued negative impact on animal health products, especially within dairy cattle, from low commodity prices, but the trend is slowly improving

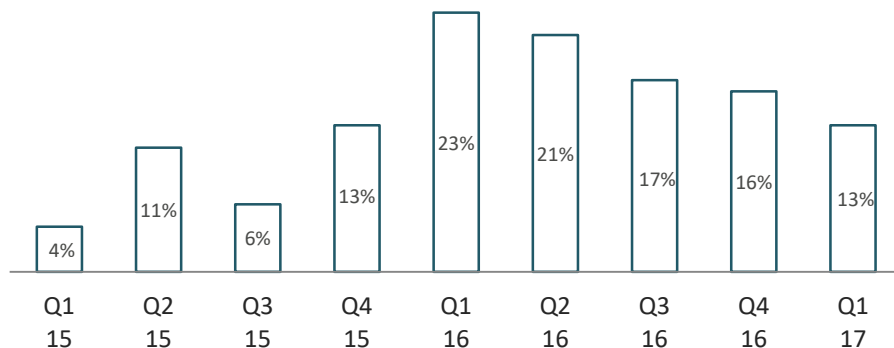
EBIT margin

- Margin down 3.6%-points on 2015/16
 - Driven by unfavorable timing of production costs, negative sales mix and higher US tariff costs
 - Partly offset by an improvement in scrap levels in human health production

Natural Colors

EUR million	Q1 16/17	Q1 15/16
Revenue	51	45
Organic growth	13%	23%
EBIT	5	4
EBIT margin	10.5%	7.8%
ROIC ex. goodwill	22.1%	15.2%

Quarterly organic growth



Organic growth

- Volume/mix 6% and price 7%. Price increases mainly reflecting higher raw material prices and, to a lesser extent, general price increases
- Strong growth in anthocyanin, natural carotene and annatto, while carmine volume declined due to profitability initiatives. Growth was anchored across most industries
- Strong growth in all regions except APAC which showed good growth

EBIT margin

- Margin up 2.7%-points on 2015/16
 - Driven by the ongoing optimization initiatives

Income statement

EUR million	Q1 16/17	Q1 15/16
Revenue	242	214
<i>Organic growth</i>	11%	14%
<i>EUR growth</i>	13%	14%
<i>Gross margin</i>	53.4%	52.3%
R&D expenses	(17)	(14)
Sales & marketing expenses	(32)	(27)
Administrative expenses	(17)	(18)
Other income/expenses	3	-
EBIT before special items	66	54
<i>EBIT margin b.s.i.</i>	27.1%	25.2%
Special items	(1)	-
EBIT	65	54
<i>EBIT Margin</i>	26.8%	25.2%
Net financials	(3)	(2)
Income tax	(15)	(13)
Profit for the period	47	39

Highlights

Revenue

Volume/mix 9 %

Price 2 %

Organic growth 11 %

Currency (1)%

NPC 3 %

EUR growth 13 %

EBIT

➤ EBIT before special items up EUR 12 million

➤ EBIT margin b.s.i. improved by 1.9%-point to 27.1%

Special items

➤ EUR 1 million related to the acquisition and integration of LGG®

Cash flow and balance sheet

EUR million	Q1 16/17	Q1 15/16
Cash flow		
Operating activities	2	1
Operational investing activities	(22)	(18)
Free operating cash flow	(20)	(17)
Acquisition activities	(73)	-
Free cash flow	(93)	(17)
Balance sheet		
Total assets	1,767	1,456
Equity	697	564
Net interest-bearing debt	645	513
Key Figures		
<i>Net working capital</i>	20.5%	19.4%
<i>Capital expenditure</i>	10.2%	8.3%
<i>ROIC excluding goodwill</i>	34.3%	33.1%
<i>NIBD/EBITDA</i>	1.9x	1.7x

Highlights

- Cash flow from operating activities improved by EUR 1 million
- Cash flow used for operational investing activities increased by EUR 4 million, primarily driven by capacity expansion for culture production
- Acquisition of LGG® at a purchase price of EUR 73 million
- Capital expenditures corresponded to 10.2% of revenue, up from 8.3% in 2015/16
- ROIC excluding goodwill up 1.2%-points
- NIBD/EBITDA up to 1.9x due to the acquisitions of NPC and LGG®

Maintaining outlook for 2016/17

Unchanged compared to announcement of 26 October 2016

	Realized 2015/16	Outlook 2016/17	Long-term financial ambitions*
Organic revenue growth	12%	8-10%	8-10%
<ul style="list-style-type: none"> ✓ Food Cultures & Enzymes ✓ Health & Nutrition ✓ Natural Colors 	12% 2% 19%	<i>In line with long-term ambitions</i>	7-8% +10% Around 10%
EBIT margin b.s.i.	28.2%	Slightly above 2015/16	Increasing
Free cash flow before acquisition, divestments and special items	EUR 175 million	Around the same level as in 2015/16	Increasing**

* Baseline 2014/15

** Over the period

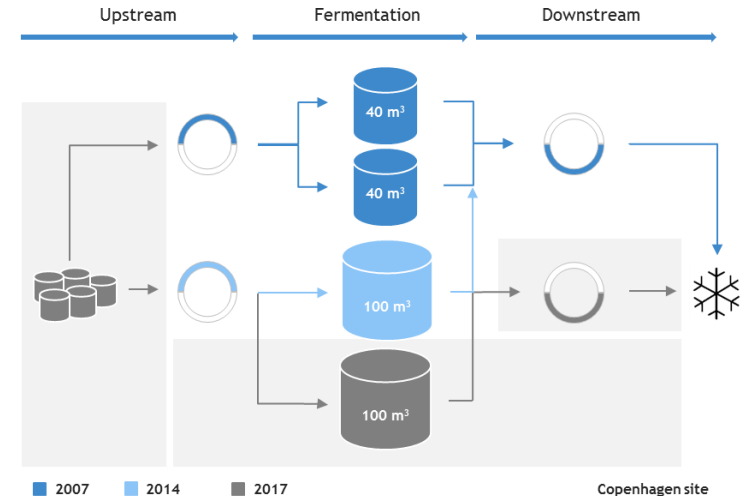


Capacity expansion Copenhagen

On schedule for inauguration during Autumn 2017



- All main equipment installed in the existing facility which was prepared for the expansion
- Two main shutdowns of the existing facility have been completed successfully
- Final installation of piping, wiring etc. is ongoing
- First commissioning activities are scheduled to take place during the spring 2017
- The new facility is expected to be inaugurated during Autumn 2017 and at full operation in the beginning of 2018



Q&A





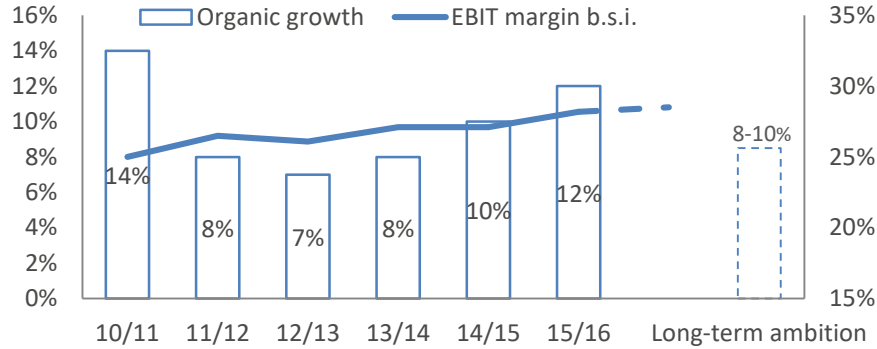
Back up

Corporate Leadership Team as of 1 March 2017

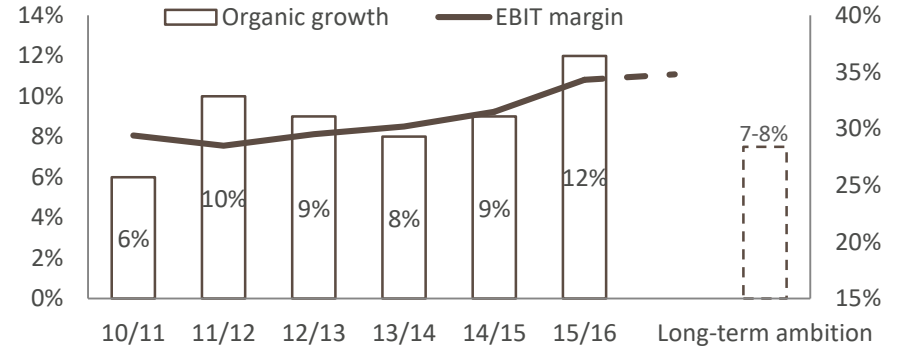


Organic growth and EBIT margin history

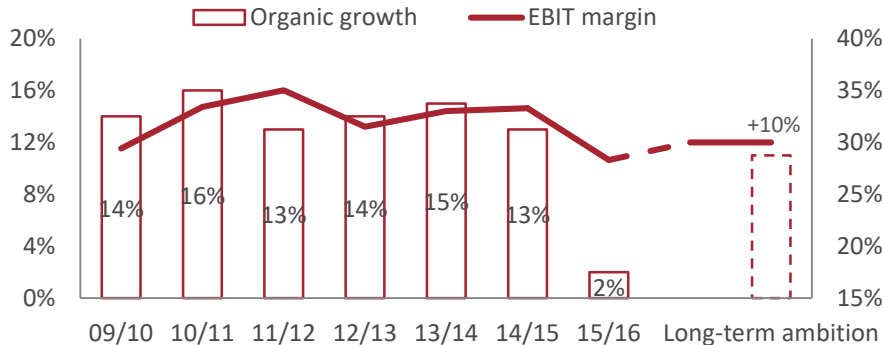
Group



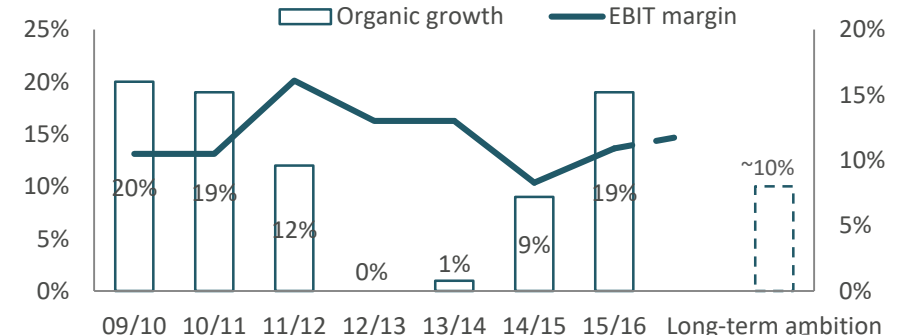
FC&E



H&N



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 non-recurring income and expenses that originate from prior years or 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 2016)	131,852,496
Own shares (30 November)	393,631
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 2016/17

6 April 2017	Q2 Interim Report
5 July 2017	Q3 Interim Report
25 October 2017	Annual Report
29 November 2017	Annual General Meeting

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Company information

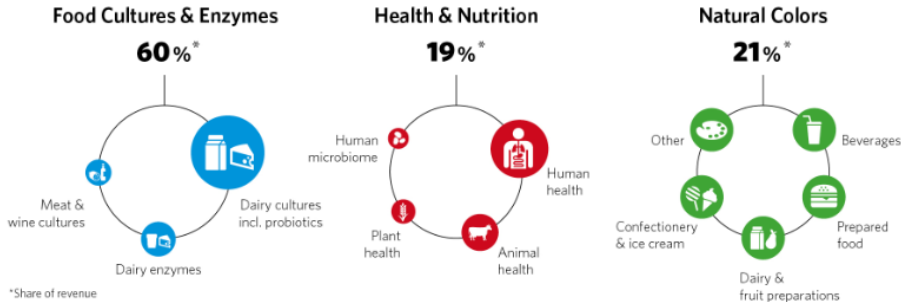


Chr. Hansen - Key Characteristics

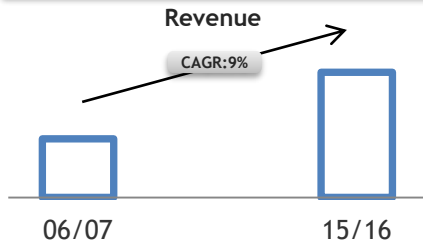
Founded in 1874

Focused business areas

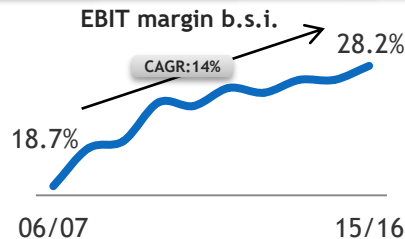
THREE BUSINESS AREAS - MULTIPLE PRODUCT CATEGORIES



Attractive growth opportunities



Strong profitability



Distinctive capabilities

	Innovation	Production process & capacity	Customer relations
Food cultures	✓	✓	✓
Bioprotection	✓	✓	✓
Dairy enzymes	✓	✓	✓
Human health	✓	✓	✓
Animal health	✓	✓	✓
Human microbiome	✓	✓	✓
Plant health	✓	✓	✓
Natural Colors	✓	✓	✓

Strategic advantages in Food Cultures & Enzymes

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

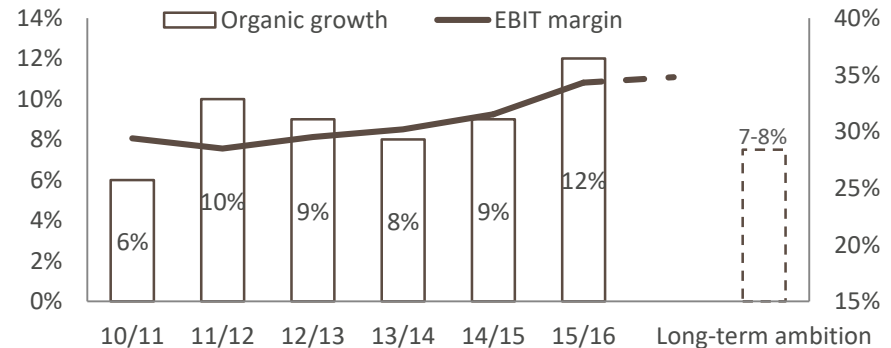
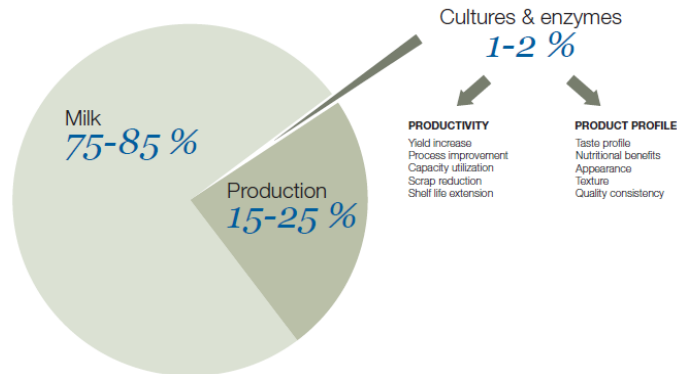
- Largest and most sophisticated bacterial culture production in the world
- Global market share of 45% secures volume which drives scalability
- Technical know-how around up-scaling and large scale fermentation

Deep customer intimacy

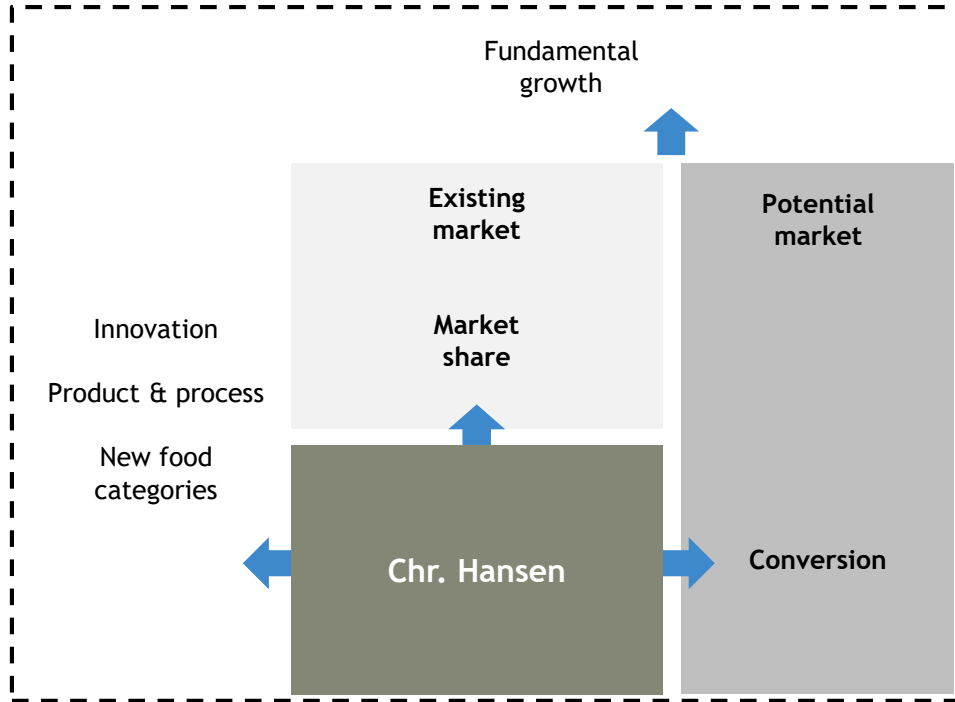
- Done business with all major dairies for many years. All industrialized dairies are mapped
- Local technical and application people in all countries
- Insight in the production processes of the individual dairy plants

Strategic ingredients

COST OF PRODUCING A CHEESE



Growth opportunities in Food Cultures & Enzymes



Growth components

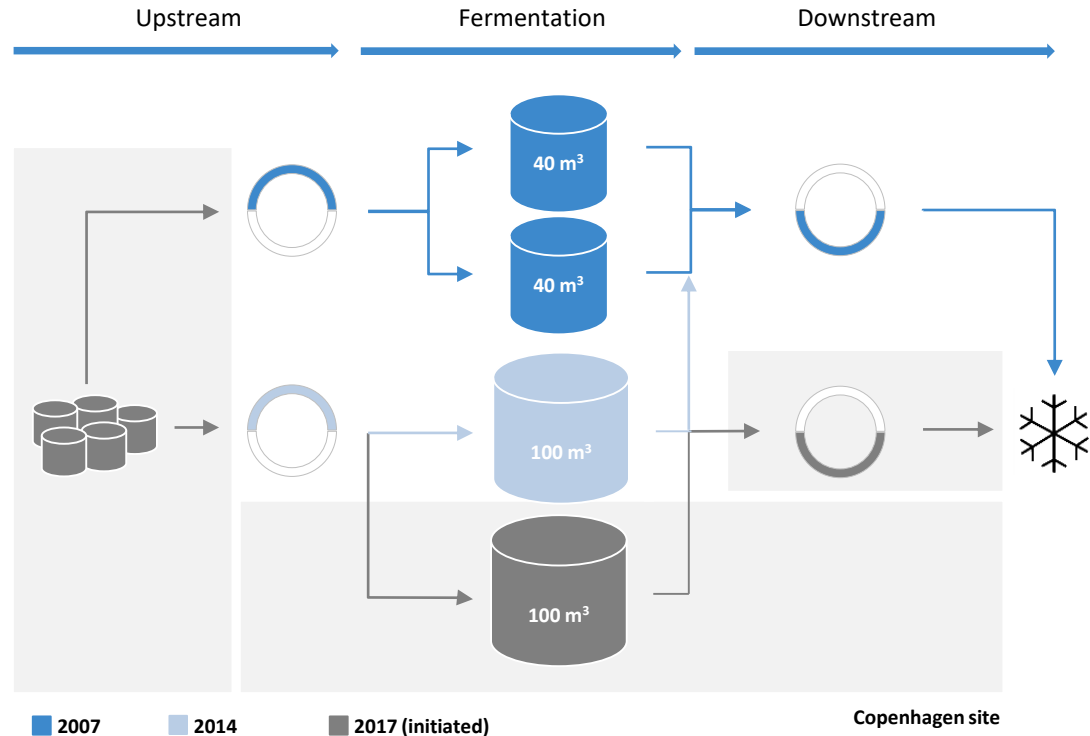
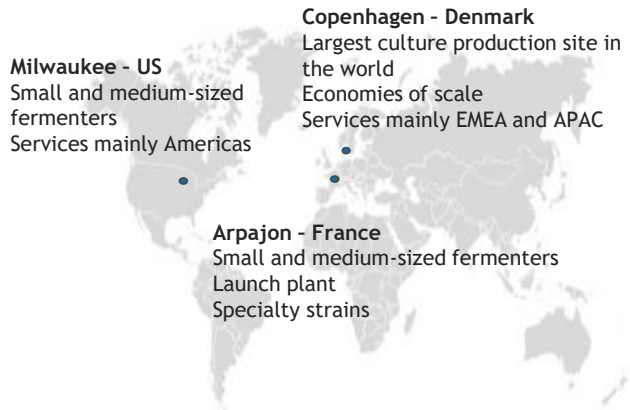
- Fundamental growth in dairy markets
- Conversion from bulk starters to DVS® solutions
- Innovation incl. bioprotection
- Pricing & market share

7-8%
organic growth



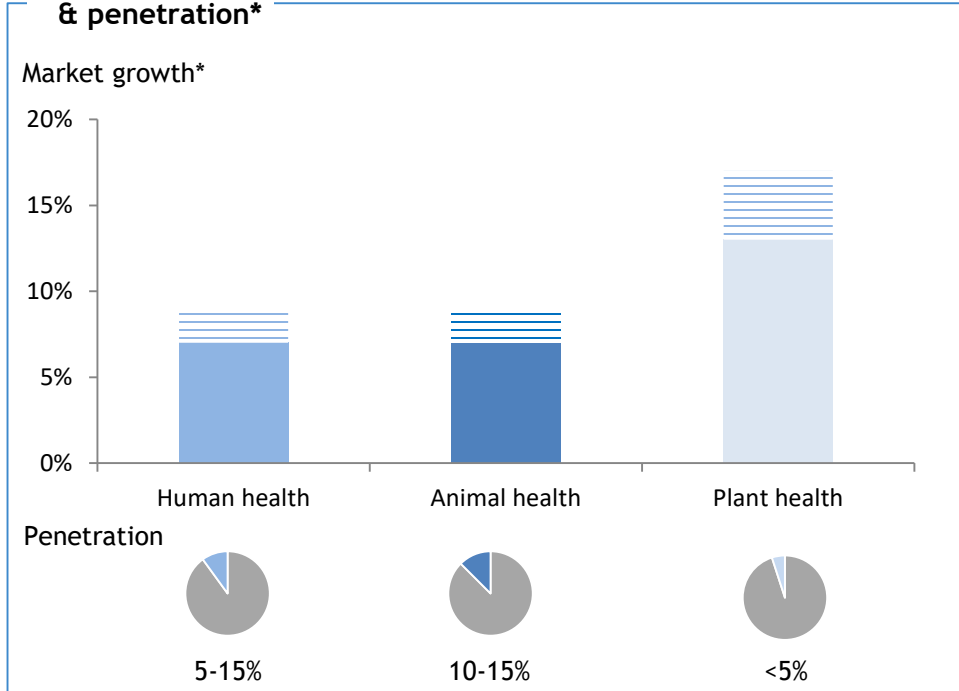
Industrial culture production footprint in FC&E

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



Growth opportunities in Health & Nutrition

Market growth & penetration*



* Based on Euromonitor and management estimates

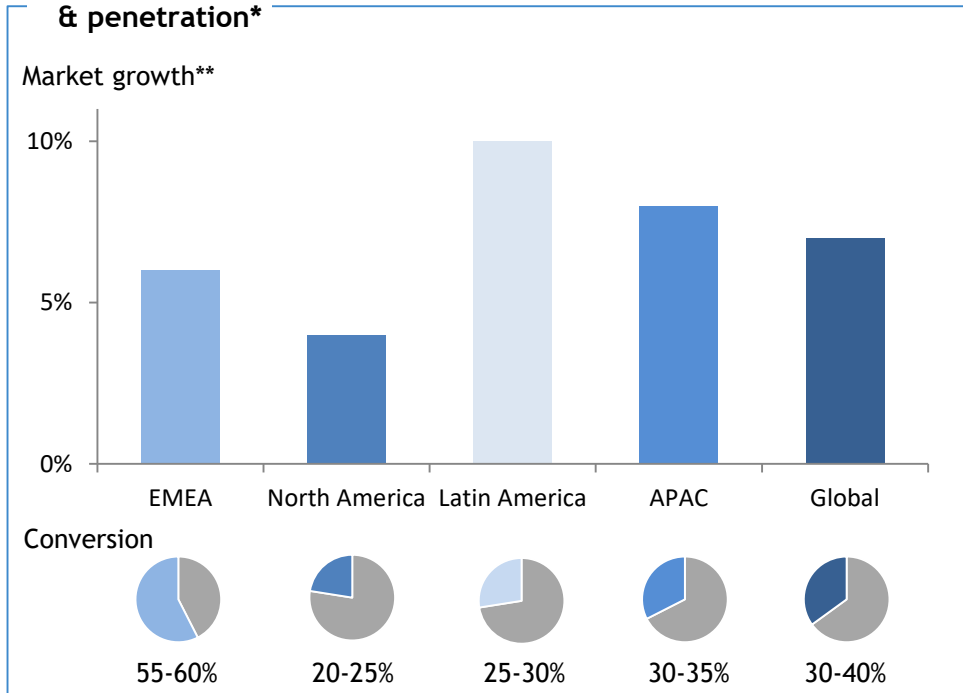
Growth components

- Penetration of existing microbial solutions for human, animal and plants
- Addressing new markets and indications areas
- Development of new strains
- Pricing & market share

>10%
organic growth

Growth opportunities in Natural Colors

Market growth & penetration*



* Based on Euromonitor and management estimates

** 2013-2015

Growth components

- Fundamental growth in food and beverages
- Conversion from artificial to natural ingredients
- Innovation e.g. coloring foodstuff
- Pricing & market share

**Around 10%
organic growth**



Natures No.1 strategy - 2016 update

Evolution, not revolution

	1 Fully leveraging the potential of Food Cultures & Enzymes	2 Developing the microbial solutions platform in Health & Nutrition	3 Creating further value in Natural Colors
4 Driving a step change in innovation	<ul style="list-style-type: none"> ➤ New platforms for dairy ➤ Expand Bioprotection beyond meat and dairy 	<ul style="list-style-type: none"> ➤ Expand existing business ➤ Develop plant protection ➤ Explore & develop human microbiome 	<ul style="list-style-type: none"> ➤ Expand FruitMax® range of coloring foodstuff
5 Reinforcing position in emerging markets	<ul style="list-style-type: none"> ➤ Establish direct market presence in key emerging markets 	<ul style="list-style-type: none"> ➤ Increase penetration of human and animal health products 	<ul style="list-style-type: none"> ➤ Drive US conversion and secure APAC growth
6 Generating fuel for growth	<ul style="list-style-type: none"> ➤ Drive scalability through new capacity in Copenhagen 	<ul style="list-style-type: none"> ➤ Reinvest in future growth 	<ul style="list-style-type: none"> ➤ Restore profitability
	<ul style="list-style-type: none"> ➤ Continued conversion ➤ Commercial excellence 	<ul style="list-style-type: none"> ➤ Commercial excellence 	<ul style="list-style-type: none"> ➤ Continued conversion ➤ Commercial excellence

Strategic direction

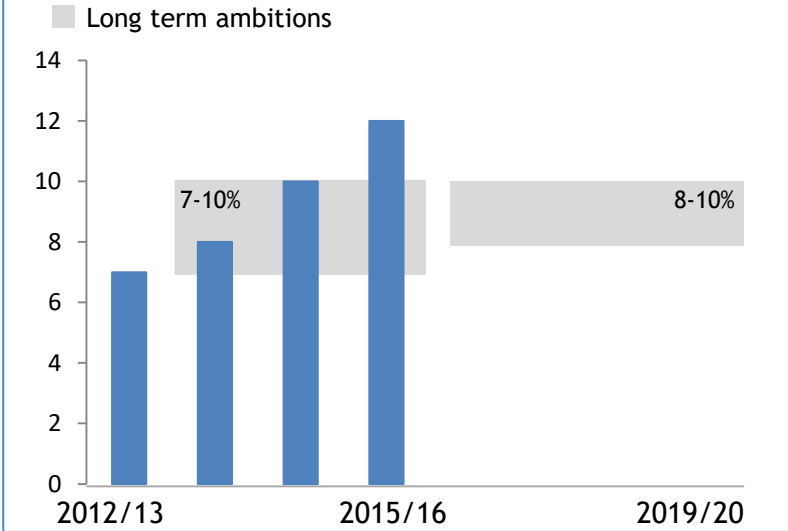
What we will **still NOT** do

- 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

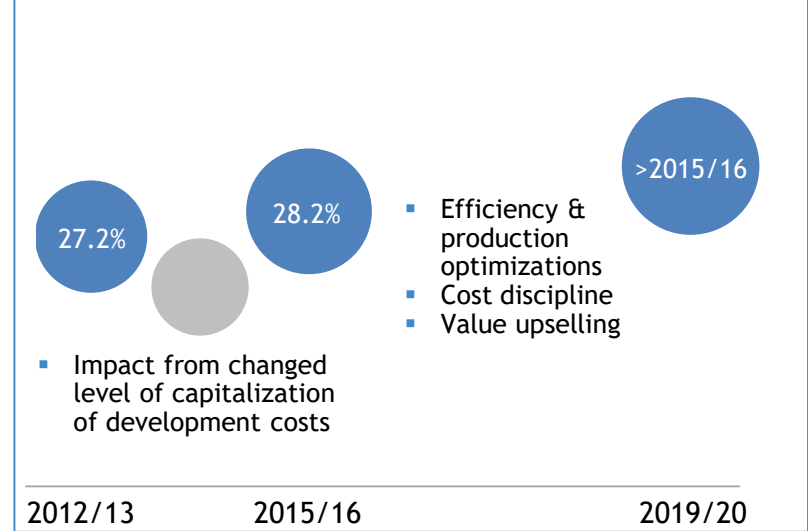


Securing profitable growth to 2020

1 Organic revenue growth of 8-10% per year



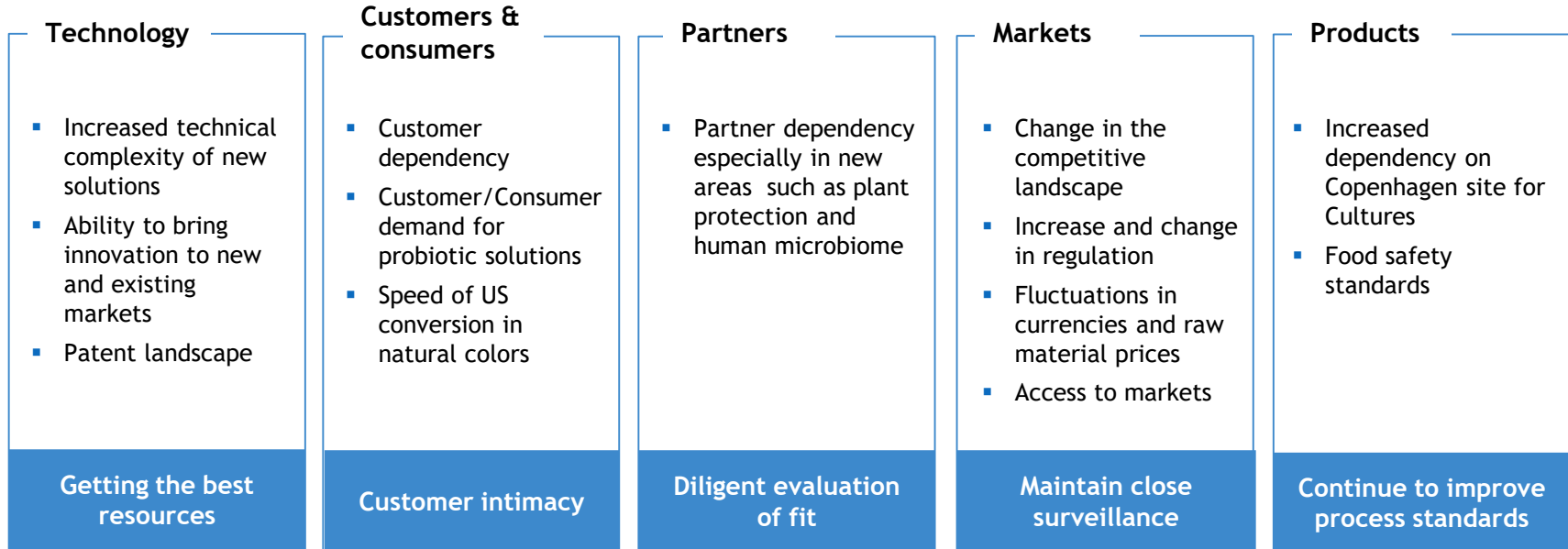
2 Increasing EBIT margin before special items over the period



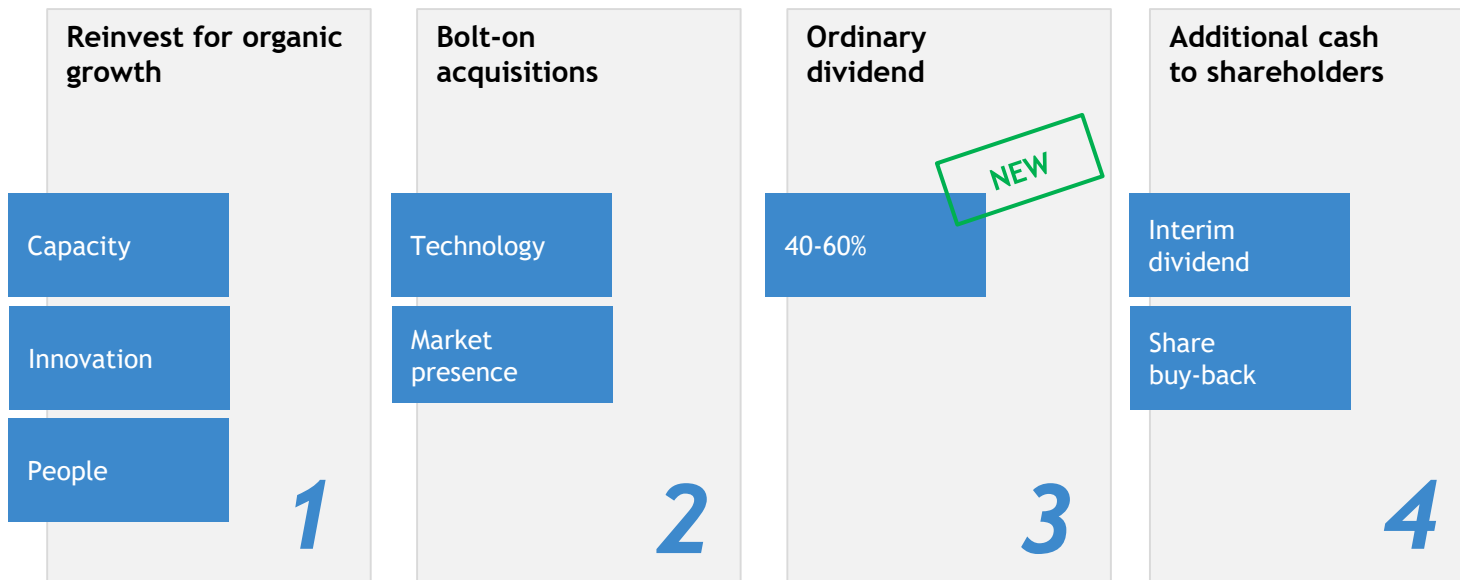
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Increasing free cash flow before acquisitions, divestments and special items over the period

Key risks to the 2019/20 financial ambition



Capital allocation priorities



Leverage consistent with a solid investment-grade credit profile

Chr. Hansen supported by strong megatrends

The trend



Growing world population and rapid urbanization



Resource scarcity



Increasing health care costs



Demand for cleaner, healthier and more natural products



Technology breakthroughs



The implication*

By 2030 almost 2/3 of world population will reside in cities and the middle class will have increased by 2.5 billion people

Global food production will have to increase with 70% by 2050 to support growing world population

Global health spend is estimated at USD 6.5 trillion, with an expected growth rate of 5.3% until 2018

67% of U.S. consumers prefer groceries with fewer and simpler ingredients

Big data and speed of DNA sequencing allow for much faster strain screening and knowledge sharing

The opportunity

Need for more industrialized produced food & beverages

Need for innovation to improve productivity

Need for cheaper and preventive solutions

Need for better, safer products based on natural ingredients

Open up for faster innovation and new areas such as human microbiome

*EIU, WHO, The World Bank, IDA, IBRD, Food & Agriculture Organization of the United Nations, ReD, OECD, PwC, E&Y