



Chr. Hansen Holding A/S
Q3 Report 2016/17
5 July 2017

CHR HANSEN

Improving food & health

Safe harbor statement

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Financial highlights YTD 2016/17

Revenue

EUR **780** million
(up 12% on 2015/16)

Operating profit (EBIT) margin before special items

27.9%
(27.2% in 2015/16)

R&D expenditures incurred

EUR **55** million
(7.0% of revenue, compared to 7.3% in 2015/16)

Organic growth

10%
(13% in 2015/16)

Profit for the period

EUR **156** million
(up 22% on 2015/16)

Free cash flow before acquisitions and special items

EUR **98** million
(EUR 58 million in 2015/16)



Strategic & operational highlights 2016/17

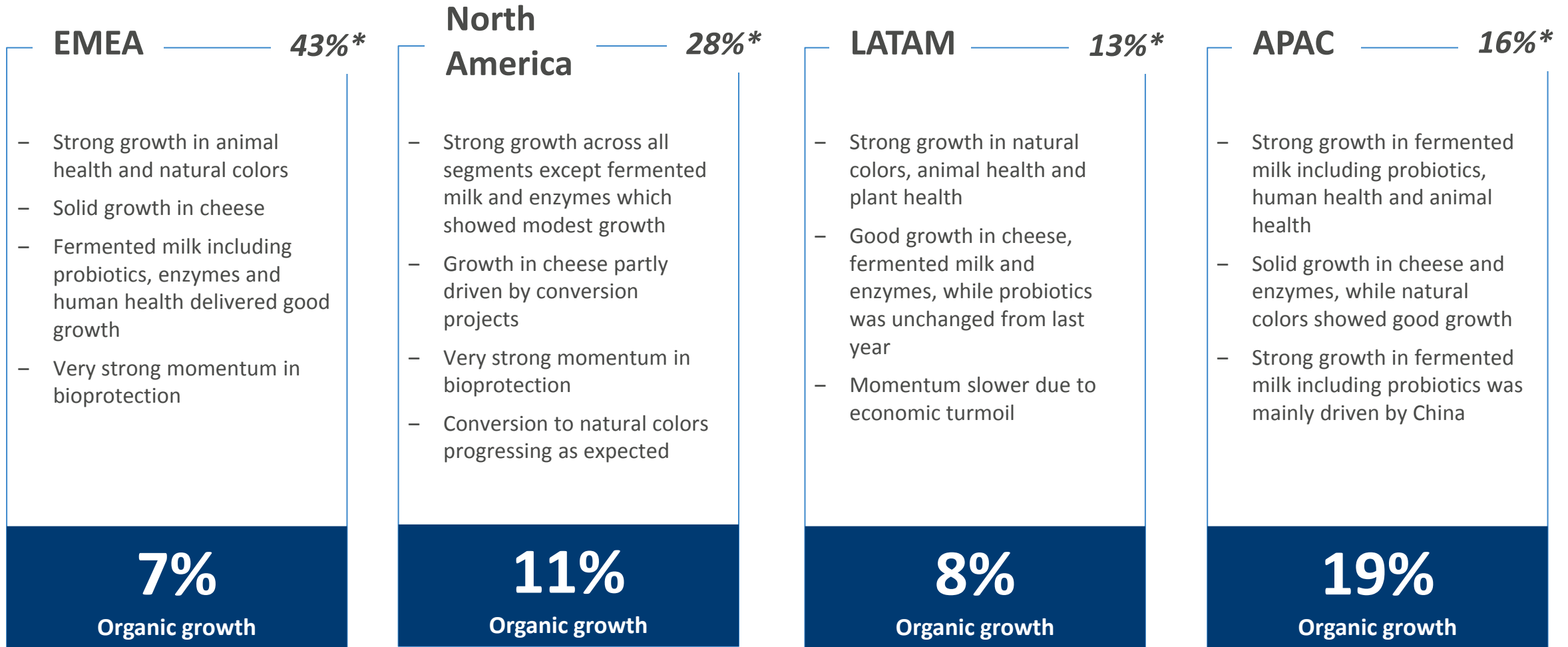
No.1

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 Capital Market Day in April 2016.

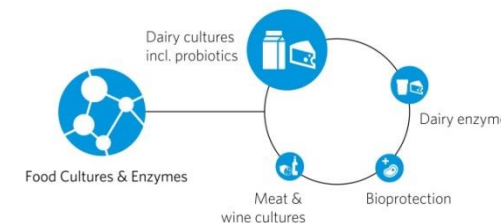
- **Bioprotection:** Strong growth of approx. 30% YTD, with momentum in all segments. Growth of 40% in Q3 driven by both Europe and North America. Next generation under development with expected launch in Q1 of FY18.
- **Plant Health:** Penetration continued with strong growth driven by encouraging field trial results. Pipeline developing as planned.
- **Human Microbiome:** Expanded our strain library with lead candidates targeting gastrointestinal, immune and metabolic health. Both for internal innovation efforts and for partners looking to develop next generation probiotics.
- **Capacity:** Expansion of production capacity for cultures in Copenhagen progressing as planned. First industrial production expected in November.
- **Animal Health:** Strong growth primarily driven by winning customer projects. Market conditions are normalizing in most areas. Integration of NPC ahead of schedule and contributing to margin progression in Q3. Unique product launch in poultry to differentiate offering.
- **Natural Colors:** Profitability improving driven by ongoing optimization initiatives including margin management.



Regional performance YTD 2016/17



Food Cultures & Enzymes

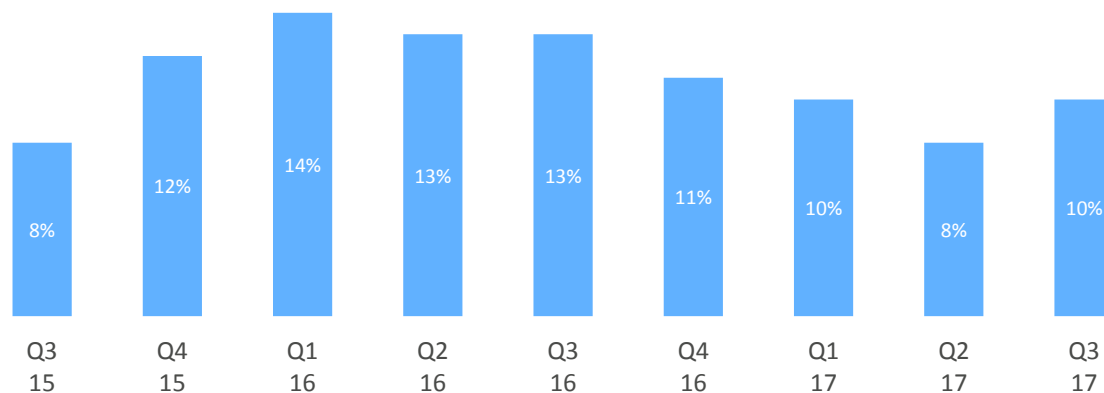


EUR million	Q3 16/17	Q3 15/16	YTD 16/17	YTD 15/16
Revenue	162	144	453	412
Organic growth	10%	13%	9%	13%
EBIT	57	50	152	135
EBIT margin	35.1%	34.8%	33.6%	32.8%
ROIC ex. goodwill			45.0%	41.6%

Organic growth

- Volume/mix 9%. Strong growth in cheese, fermented milk, meat and wine. Solid growth in probiotics, while enzymes showed good growth
- Growth of approximately 30% in bioprotection driven by the existing segments
- **Q3:** Volume/mix 10%. Strong growth in cheese, fermented milk, meat and wine. Solid growth in probiotics and enzymes. Slight negative impact from EUR-based pricing

Quarterly organic growth



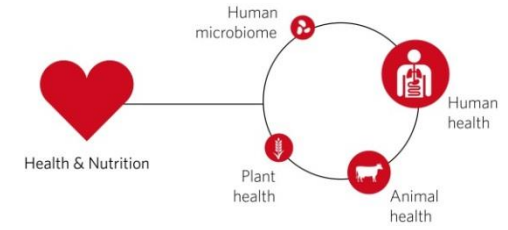
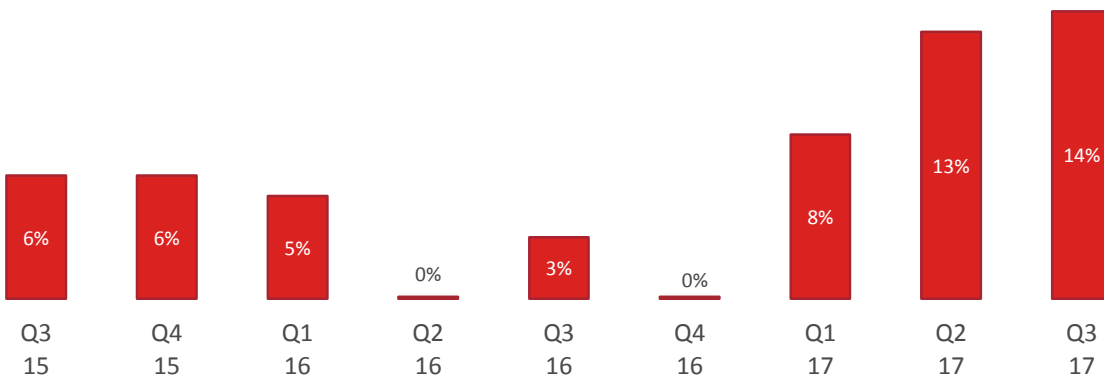
EBIT margin

- Margin up 0.8%-point on 2015/16
 - Driven by scalability in production
 - Partly offset by initiatives to secure full utilization of existing capacity and higher R&D activity
- **Q3:** Margin up 0.3%-point on 2015/16 driven by scalability in the operating cost base and improved scrap levels. Partly offset by initiatives to secure full utilization of existing capacity and an unfavorable product mix

Health & Nutrition

EUR million	Q3 16/17	Q3 15/16	YTD 16/17	YTD 15/16
Revenue	59	52	163	134
Organic growth	14%	3%	12%	2%
EBIT	17	14	45	38
EBIT margin	28.3%	27.2%	27.5%	28.3%
ROIC ex. goodwill			26.4%	29.5%

Quarterly organic growth



Organic growth

- Volume/mix 12%
- Strong growth in animal health driven by silage and poultry, while dairy cattle declined. Strong growth in plant health and solid growth in human health driven by both dietary supplements and infant formula in APAC
- **Q3:** Strong growth in Animal health and plant health, while human health showed solid growth driven by infant formula
- Market conditions for animal health have normalized in Europe and are improving in North America

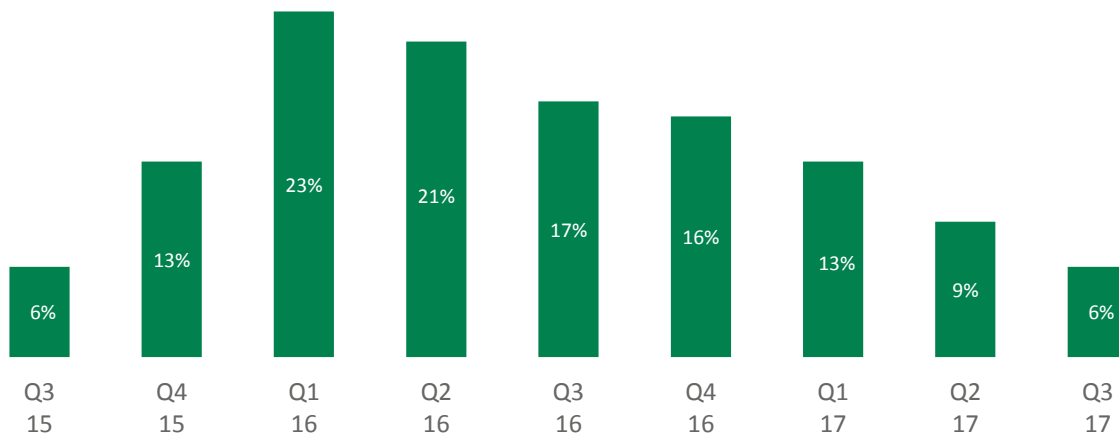
EBIT margin

- Margin down 0.8%-point on 2015/16
 - Driven by increased activity to support strategic initiatives and higher depreciation & amortization related to acquisitions
 - Partly offset by lower scrap levels in human health production, insourcing of NPC products and discontinuation of NPC traded products
- **Q3:** Margin up 1.1%-points on 2015/16 driven by discontinuation of NPC traded products (will reverse in Q4) and insourcing of NPC products. Partly offset by higher depreciation & amortization related to acquisitions and increased R&D activity

Natural Colors

EUR million	Q3 16/17	Q3 15/16	YTD 16/17	YTD 15/16
Revenue	58	53	164	148
Organic growth	6%	17%	9%	20%
EBIT	8	7	20	16
EBIT margin	14.1%	12.4%	12.5%	10.8%
ROIC ex. goodwill			27.4%	22.2%

Quarterly organic growth



Organic growth

- Volume/mix 5% and price 4%. Price increases reflecting higher raw material prices and general price increases
- Strong growth in natural carotene, annatto and anthocyanin, while carmine volume declined due to profitability initiatives. Growth was anchored across most industries and driven by North America and EMEA
- **Q3:** Volume/mix 5%. Price 1%. Negative price growth in carmine was offset by higher annatto prices

EBIT margin

- Margin up 1.7%-points on 2015/16
 - Driven by the ongoing optimization initiatives including margin management, operating efficiencies and positive timing from inventories
- **Q3:** Margin up 1.7%-points on 2015/16
 - Driven by margin management and positive mix from coloring foodstuff

Income statement

EUR million	YTD 16/17	YTD 15/16
Revenue	780	693
<i>Organic growth</i>	10%	13%
<i>EUR growth</i>	12%	11%
<i>Gross margin</i>	53.8%	52.8%
R&D expenses	(52)	(45)
Sales & marketing expenses	(100)	(83)
Administrative expenses	(54)	(50)
Other income/expenses	4	1
EBIT before special items	217	189
<i>EBIT margin b.s.i.</i>	27.9%	27.2%
Special items	(1)	(8)
EBIT	216	181
<i>EBIT Margin</i>	27.7%	26.1%
Net financials	(11)	(11)
Income tax	(49)	(43)
Profit for the period	156	128

Highlights

Revenue

Volume/mix 9 %

Price 1 %

Organic growth 10 %

Currency 0 %

Acquisitions 2 %

EUR growth 12 %

Gross margin

- Up 1.0%-point to 53.8% driven by improvements in all business areas, specifically H&N and NCD

EBIT b.s.i.

- Up EUR 28 million and margin improved by 0.7%-point to 27.9%

Special items

- EUR 1 million related to the acquisition and integration of LGG® and the announced closure of the acquired factory

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Cash flow and balance sheet

EUR million	YTD 16/17	YTD 15/16
Cash flow		
Operating activities	160	115
Operational investing activities	(69)	(61)
Free operating cash flow	91	54
Acquisition activities	(73)	(169)
Free cash flow	18	(115)
Balance sheet		
Total assets	1,792	1,662
Equity	799	667
Net interest-bearing debt	629	666
Key figures		
<i>Net working capital</i>	19.9%	21.0%
<i>Capital expenditure</i>	9.2%	8.8%
<i>ROIC excluding goodwill</i>	37.4%	36.0%
<i>NIBD/EBITDA</i>	1.8x	2.1x

Highlights

Cash flow

- Cash flow from operating activities improved by EUR 45 million
- Cash flow used for operational investing activities increased by EUR 8 million, primarily driven by capacity expansion for culture production
- Acquisition of LGG® at a purchase price of EUR 73 million

Key figures

- Capital expenditures corresponded to 9.2% of revenue, up from 8.8% in 2015/16. High investment level expected in Q4
- ROIC excluding goodwill up 1.4%-points
- NIBD/EBITDA down to 1.8x

Outlook for 2016/17

Organic growth target narrowed to the upward end of range

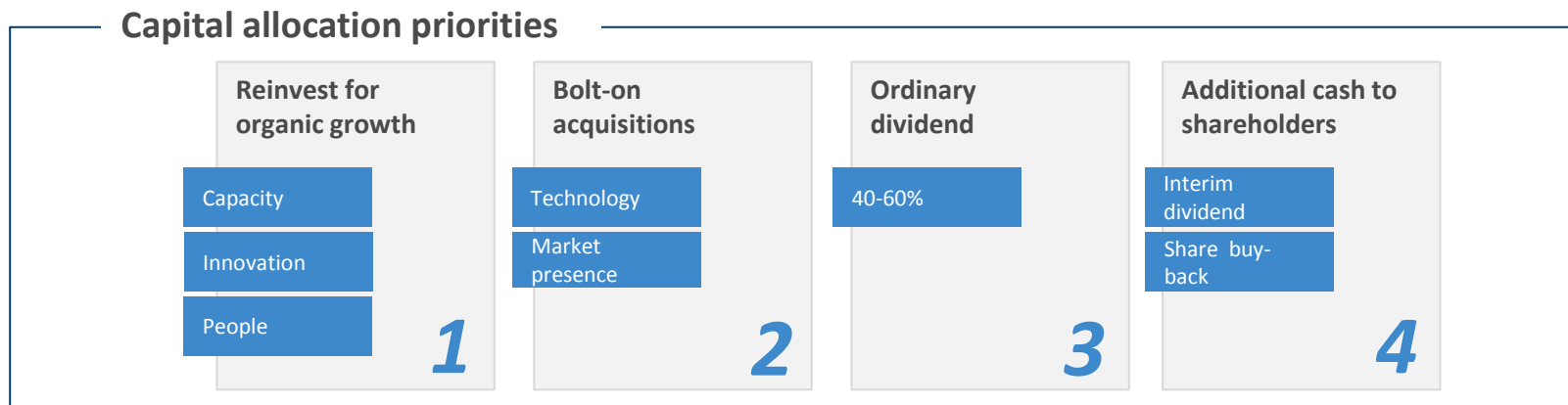
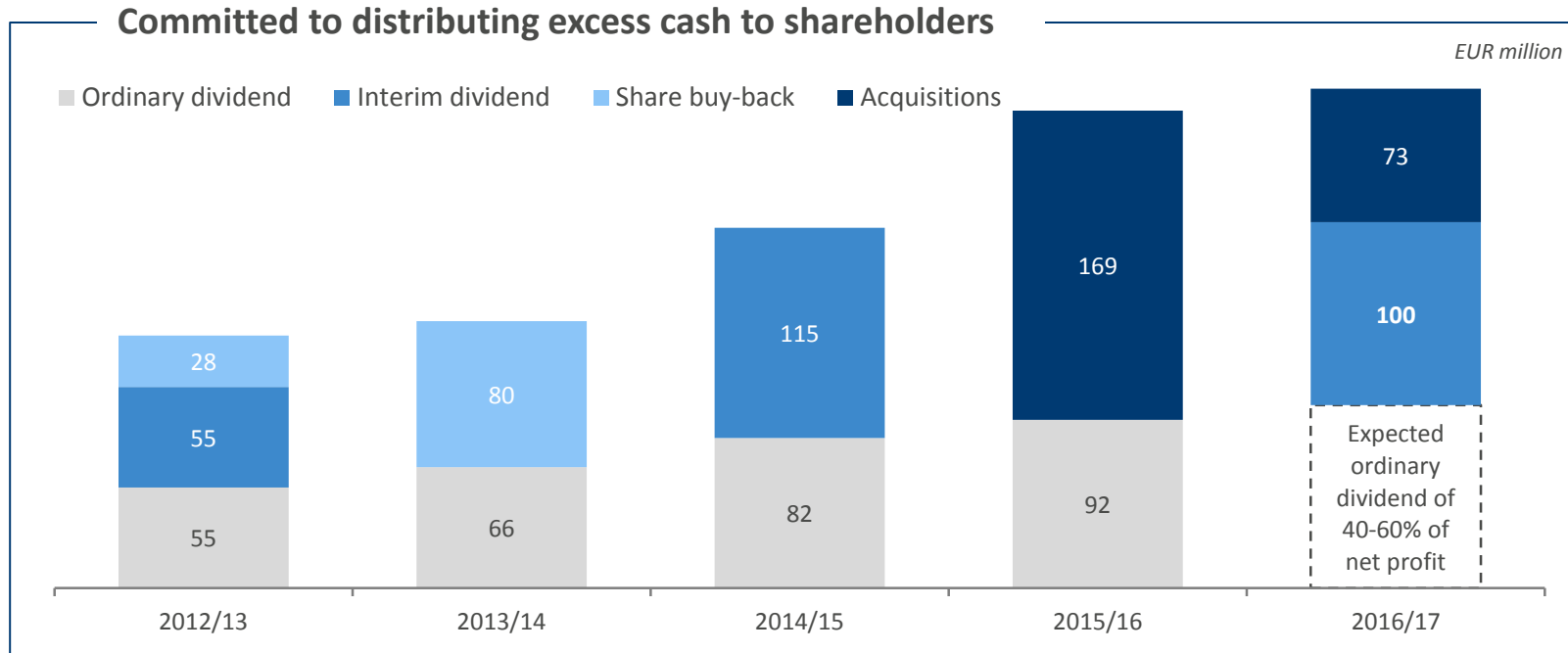
	Realized 2015/16	Outlook 2016/17, April 6	Outlook 2016/17, July 5	Long-term financial ambitions ¹
Organic revenue growth	12%	8-10%	9-10%	8-10%
✓ Food Cultures & Enzymes	12%	<i>In line w/ L.T.</i>	<i>Slightly above L.T.</i>	7-8%
✓ Health & Nutrition	2%	<i>In line w/ L.T.</i>	<i>In line w/ L.T.</i>	+10%
✓ Natural Colors	19%	<i>In line w/ L.T.</i>	<i>In line w/ L.T.</i>	Around 10%
EBIT margin b.s.i.	28.2%	Slightly above 2015/16	Slightly above 2015/16	Increasing ²
Free cash flow before acquisition, divestments and special items	EUR 175 million	Around the same level as in 2015/16	Around the same level as in 2015/16	Increasing ²

¹ Baseline 2014/15

² Over the period



Interim dividend of EUR 100 million in 2016/17



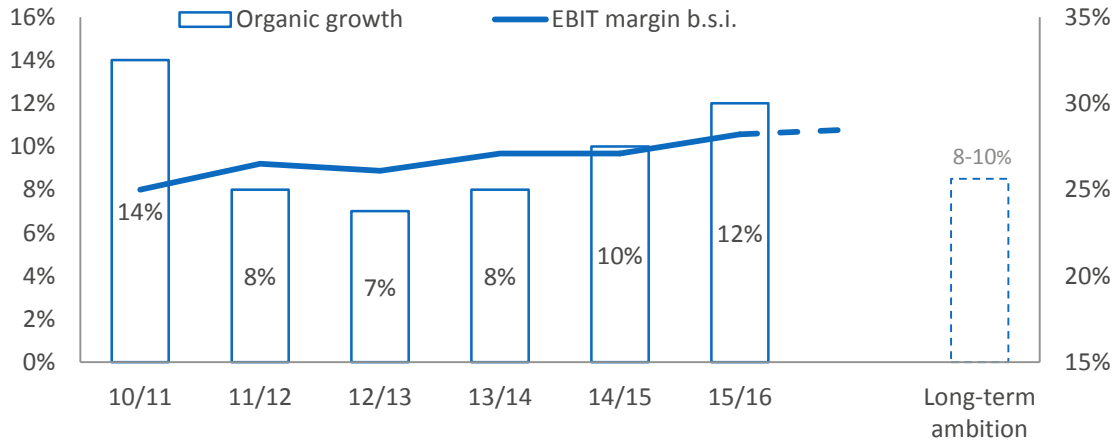
Q & A



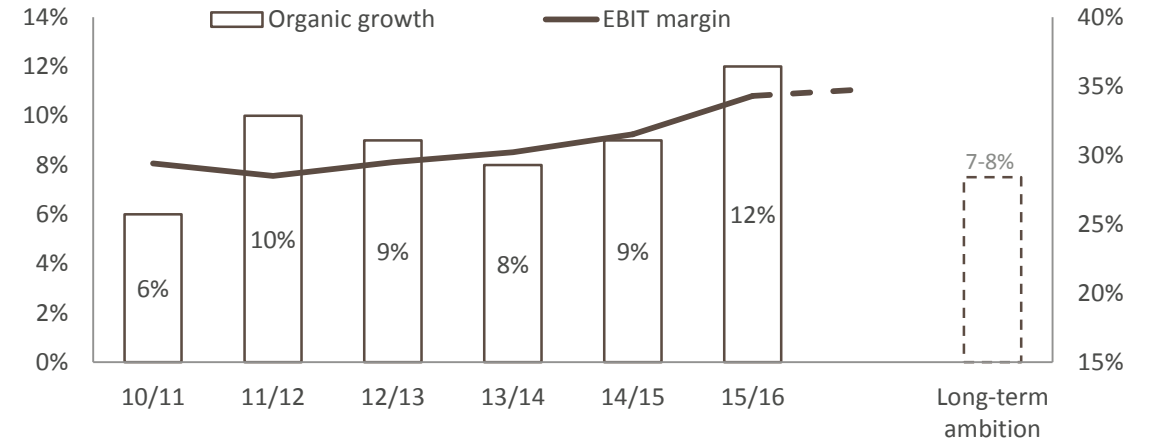
Back up

Organic growth and EBIT margin history

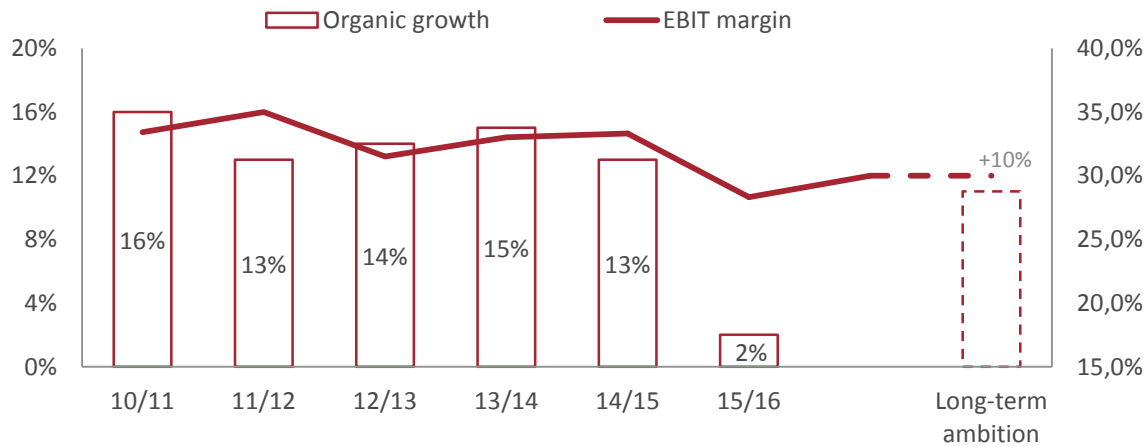
Group



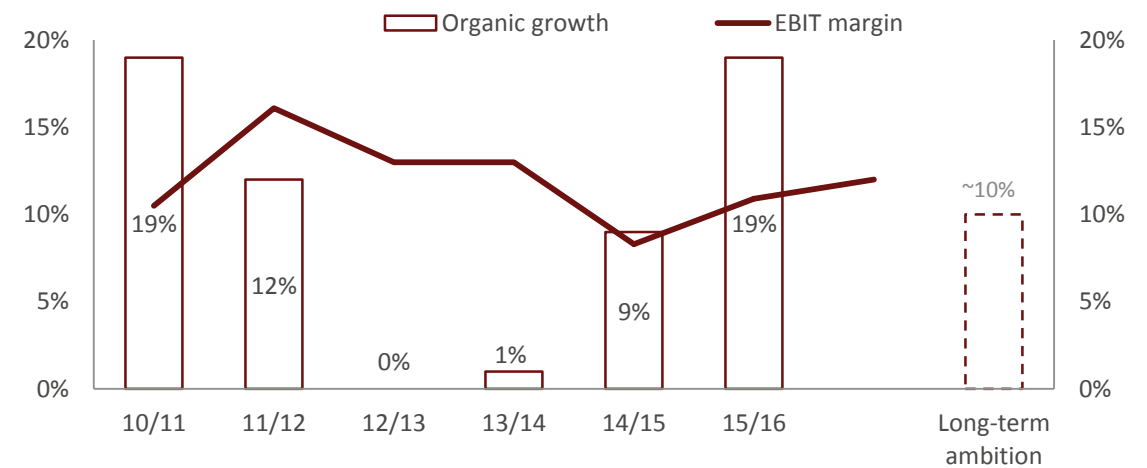
FC&E



H&N



NCD



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 (31 May 2017)	325,461
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

25 October 2017	Annual Report
28 November 2017	Annual General Meeting

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