



Chr. Hansen Holding A/S Annual Report 2016/17

25 October 2017

Roadshow presentation

CHR HANSEN

Improving food & health

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.

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Financial highlights 2016/17

Revenue

EUR **1,063** million
(up 12% on 2015/16)

Operating profit (EBIT) margin
before special items

28.9%
(28.2% in 2015/16)

R&D expenditures incurred

EUR **75** million
(7.0% of revenue, compared to 7.1% in 2015/16)

Organic growth

10%
(12% in 2015/16)

Profit for the period

EUR **224** million
(up 22% on 2015/16)

Free cash flow
before acquisitions and special items

EUR **188** million
(EUR 175 million in 2015/16)



Strategic & operational highlights 2016/17

No.1

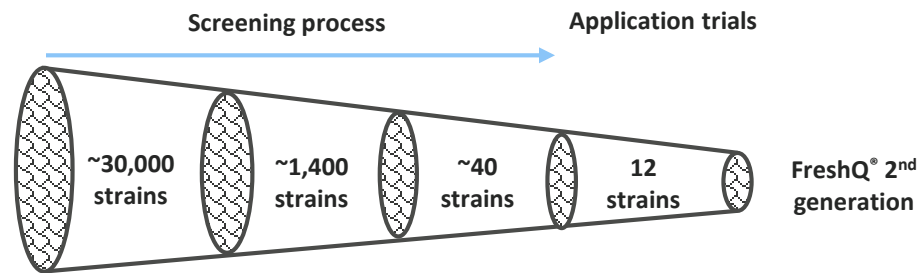
Nature's no. 1 strategy launched in September 2013 with the ambition to pursue growth opportunities in the current core businesses and within new microbial solutions. Strategy reaffirmed at Capital Market Day in April 2016.

- **Bioprotection:** Strong growth of approx. 30%, with momentum in all segments. Growth of approx. 35% in Q4 driven by both Europe and North America. 2nd generation products just launched.
- **Plant Health:** Penetration continued with strong growth fueled by encouraging field trial results. Two new products launched in Brazil.
- **Human Microbiome:** Expanded our strain library with lead candidates targeting gastrointestinal, immune and metabolic health. Solid interest from potential partners.
- **Capacity:** Expansion of production capacity for food cultures in Copenhagen progressing as planned. Ramp-up has started and first industrial production completed.
- **NPC & LGG[®]:** Integration of NPC completed with synergies ahead of schedule and contributing to margin progression. LGG[®] integration running according to plan and with strong customer interest.
- **Natural Colors:** Strong profitability improvements driven by ongoing optimization initiatives including pruning of low margin business.



Launching Bioprotection 2nd generation

Development of 2nd generation solutions through systematic screening of entire strain collection

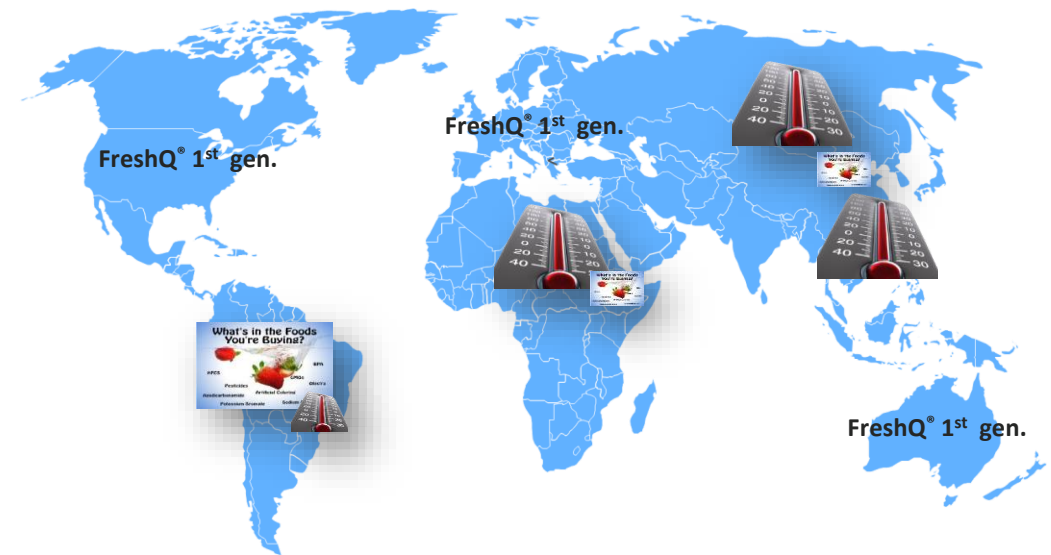


- Robotized high throughput screening assays made screening of entire strain collection possible
- Application trials strengthened by improved mode of action and formulation understanding

FreshQ® 2nd generation mode of action against harmful microorganisms:

- Eating their food
- Outnumbering them
- Fighting them
- Sending signals

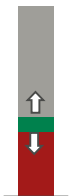
2nd generation to unlock Latin America and Asia, but also complement 1st generation in existing markets



Expanding use of Bioprotection:

- Extend shelf life and mitigate impact from broken cold chains
- Replace chemical preservatives
- Regional expertise teams to drive penetration

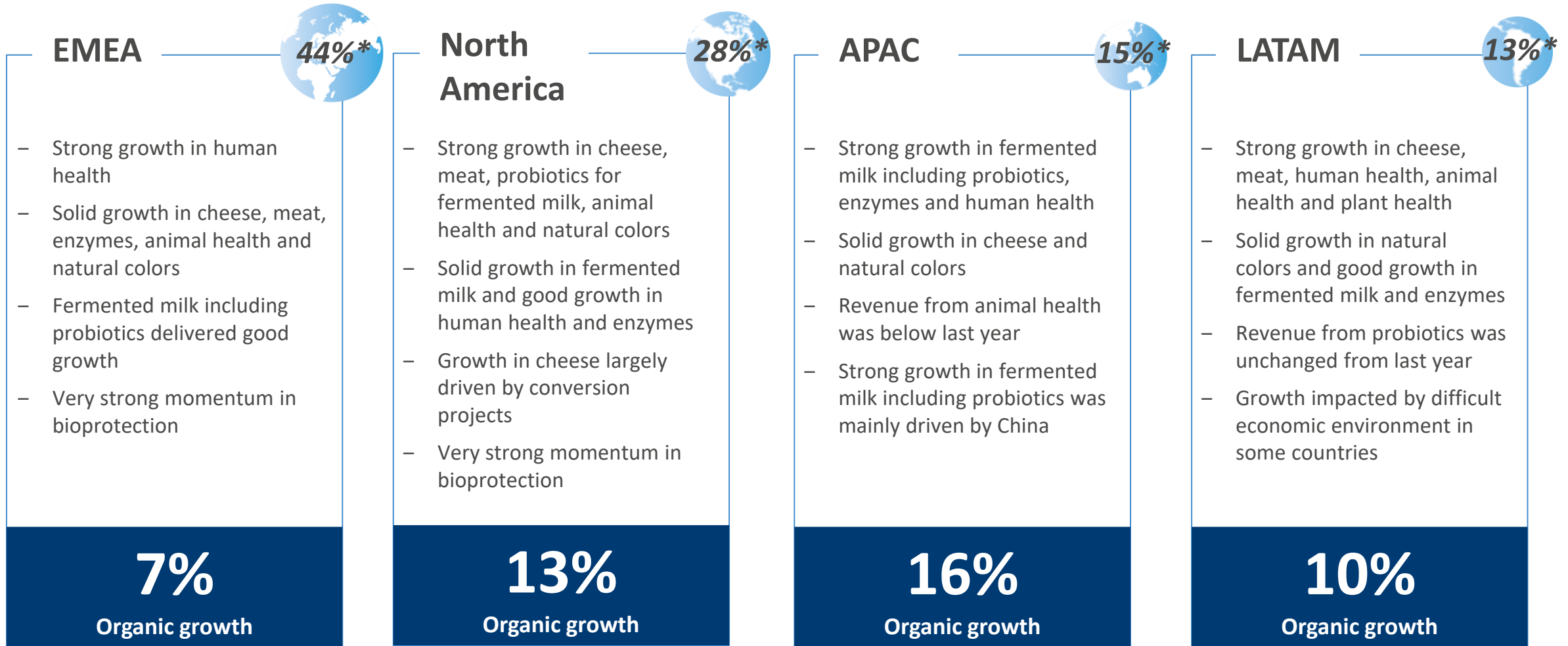
No protection
Bioprotection
Artificial pres.



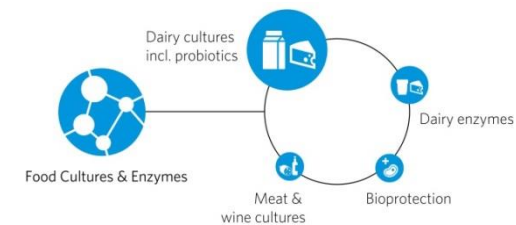
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Regional performance 2016/17



Food Cultures & Enzymes

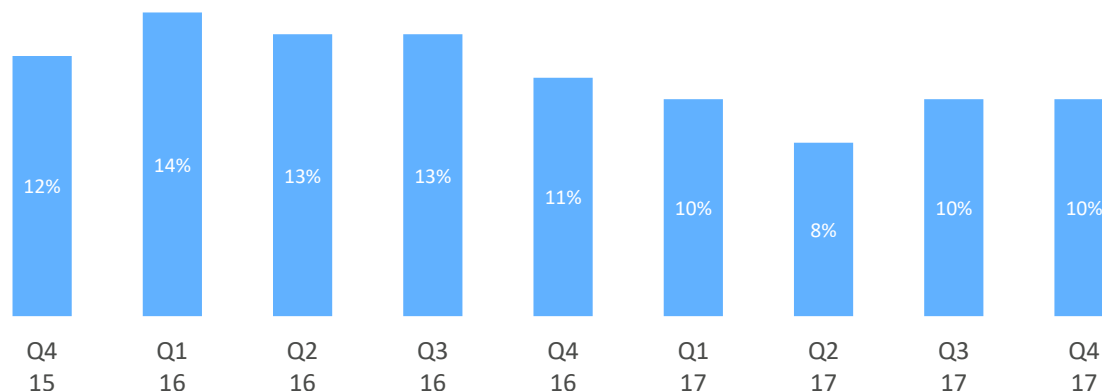


EUR million	Q4 16/17	Q4 15/16	FY 16/17	FY 15/16
Revenue	165	153	618	565
Organic growth	10%	11%	9%	12%
EBIT	61	59	213	194
EBIT margin	37.1%	38.4%	34.5%	34.3%
ROIC ex. goodwill			47.1%	46.2%

Organic growth

- Volume/mix 9%. Strong growth in cheese, fermented milk, meat and wine, while probiotics and enzymes showed good growth
- Growth of approximately 30% in bioprotection driven by the core segments
- **Q4:** Volume/mix 9% and price 1%. Strong growth in cheese, meat and wine. Fermented milk including probiotics and enzymes delivered solid growth

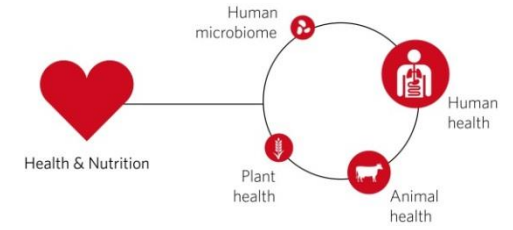
Quarterly organic growth



EBIT margin

- Margin up 0.2%-point on 2015/16
 - Driven by underlying scalability in production
 - Partly offset by initiatives to secure full utilization of existing capacity, higher R&D activity and currency
- **Q4:** Margin down 1.3%-points on 2015/16 driven by increased activity to support strategic initiatives, a tough comparable from sale of property last year and currency

Health & Nutrition



EUR million	Q4 16/17	Q4 15/16	FY 16/17	FY 15/16
Revenue	62	50	225	184
Organic growth	21%	0%	14%	2%
EBIT	21	14	66	52
EBIT margin	33.6%	28.3%	29.2%	28.3%
ROIC ex. goodwill			29.8%	30.6%

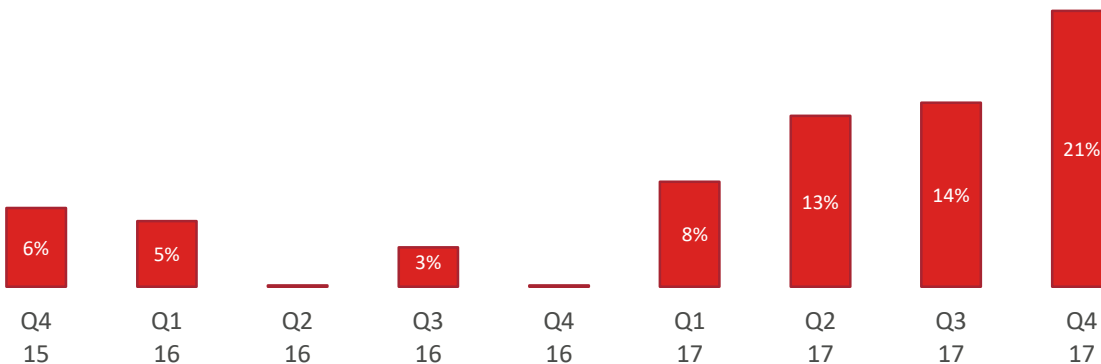
Organic growth

- Volume/mix 14%
- Strong growth in human health driven by both dietary supplements and infant formula in APAC and EMEA and in animal health driven by silage and poultry. Plant health showed very strong growth, albeit from a small base
- **Q4:** Strong growth in human health and plant health, while animal health showed good growth
- Market conditions for animal health have normalized in most segments

EBIT margin

- Margin up 0.9%-point on 2015/16
 - Driven by scalability in production, including insourcing of NPC products, lower scrap levels in human health, and positive timing of production costs
 - Partly offset by increased activity to support strategic initiatives and higher depreciation & amortization related to acquisitions
- **Q4:** Margin up 5.3%-points driven by operational efficiencies, including insourcing of NPC and lower scrap levels, positive timing of production costs and higher sales volumes. Partly offset by discontinuation of NPC traded products

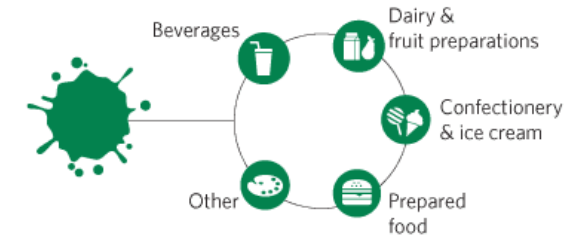
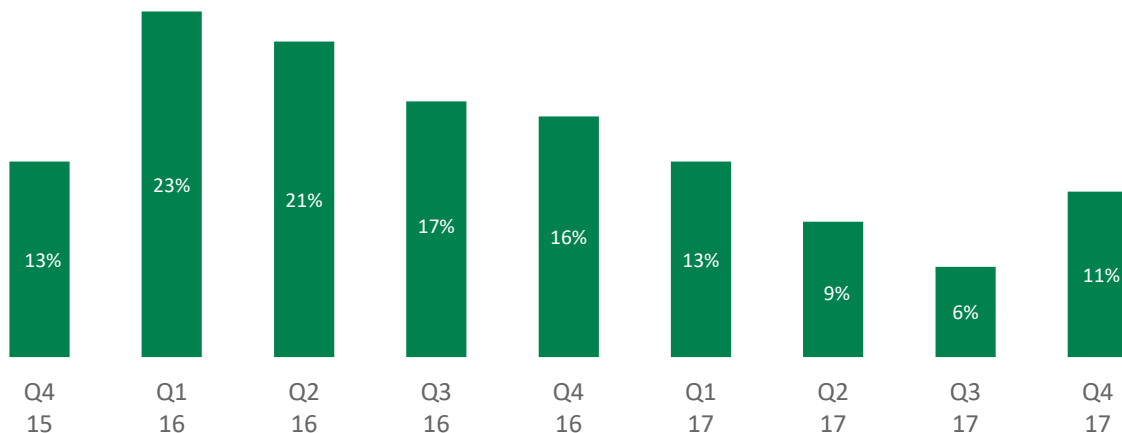
Quarterly organic growth



Natural Colors

EUR million	Q4 16/17	Q4 15/16	FY 16/17	FY 15/16
Revenue	57	52	220	200
Organic growth	11%	16%	10%	19%
EBIT	8	6	29	22
EBIT margin	14.3%	11.2%	12.9%	10.9%
ROIC ex. goodwill			30.3%	25.8%

Quarterly organic growth



Organic growth

- Volume/mix 6% and price 4%. Price increases mainly reflecting higher raw material prices and general price increases
- Strong growth in natural carotene, annatto, anthocyanin and coloring foodstuff, while carmine volume declined due to profitability initiatives. Growth was anchored across most industries and regions, especially North America
- **Q4:** Volume/mix 8%, driven by North America. Price 3%, reflecting higher raw material prices, EUR-based pricing and general price increases. Negative price growth in carmine was offset by higher annatto prices

EBIT margin

- Margin up 2.0%-points on 2015/16
 - Driven by the ongoing optimization initiatives including product management, operating efficiencies and favorable timing of inventories
- **Q4:** Margin up 3.1%-points on 2015/16
 - Driven by margin management initiatives and favorable timing of inventories

Income statement

EUR million	FY 16/17	FY 15/16
Revenue	1,063	949
<i>Organic growth</i>	10%	12%
<i>EUR growth</i>	12%	11%
<i>Gross margin</i>	54.4%	53.3%
R&D expenses	(71)	(63)
Sales & marketing expenses	(134)	(113)
Administrative expenses	(71)	(66)
Other income/expenses	5	4
EBIT before special items	307	268
<i>EBIT margin b.s.i.</i>	28.9%	28.2%
Special items	(1)	(12)
EBIT	306	256
<i>EBIT Margin</i>	28.8%	26.9%
Net financials	(15)	(16)
Income tax	(67)	(56)
Profit for the period	224	184

Highlights

Revenue

Volume/mix 9 %

Price 1 %

Organic growth 10 %

Currency 0 %

Acquisitions 2 %

EUR growth 12 %

Gross margin

- Up 1.1%-points to 54.4% driven by improvements in all business areas, specifically H&N and NCD

EBIT b.s.i.

- Up EUR 39 million or 15%, and margin improved by 0.7%-point to 28.9%

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	FY 16/17	FY 15/16
Cash flow		
Operating activities	284	245
Operational investing activities	(104)	(75)
Free operating cash flow	180	170
Acquisition activities	(73)	(169)
Free cash flow	107	0
Balance sheet		
Total assets	1,802	1,715
Equity	769	730
Net interest-bearing debt	628	548
Key figures		
<i>Net working capital</i>	16.5%	15.5%
<i>Capital expenditure</i>	10.0%	8.2%
<i>ROIC excluding goodwill</i>	40.1%	39.7%
<i>NIBD/EBITDA</i>	1.7x	1.7x

Highlights

Cash flow

- Cash flow from operating activities improved by EUR 39 million
- Cash flow used for operational investing activities increased by EUR 29 million, primarily driven by capacity expansion for culture production
- Acquisition of LGG® at a price of EUR 73 million
- Free cash flow before special items and acquisitions improved by EUR 13 million to EUR 188 million

Key figures

- Capital expenditures corresponded to 10.0% of revenue, up from 8.2% in 2015/16
- ROIC excluding goodwill up 0.4%-point
- NIBD/EBITDA unchanged at 1.7x

Outlook for 2017/18

	Realized 2016/17	Outlook 2017/18	Long-term financial ambitions ¹
Organic revenue growth	10%	8-10%	8-10%
✓ <i>Food Cultures & Enzymes</i>	9%	<i>Slightly above L.T.</i>	7-8%
✓ <i>Health & Nutrition</i>	14%	<i>In line w/ L.T.</i>	+10%
✓ <i>Natural Colors</i>	10%	<i>In line w/ L.T.</i>	Around 10%
EBIT margin b.s.i.	28.9%	Around the same level as in 2016/17	Increasing ²
Free cash flow before acquisition, divestments and special items	EUR 188 million	Around the same level as in 2016/17	Increasing ²

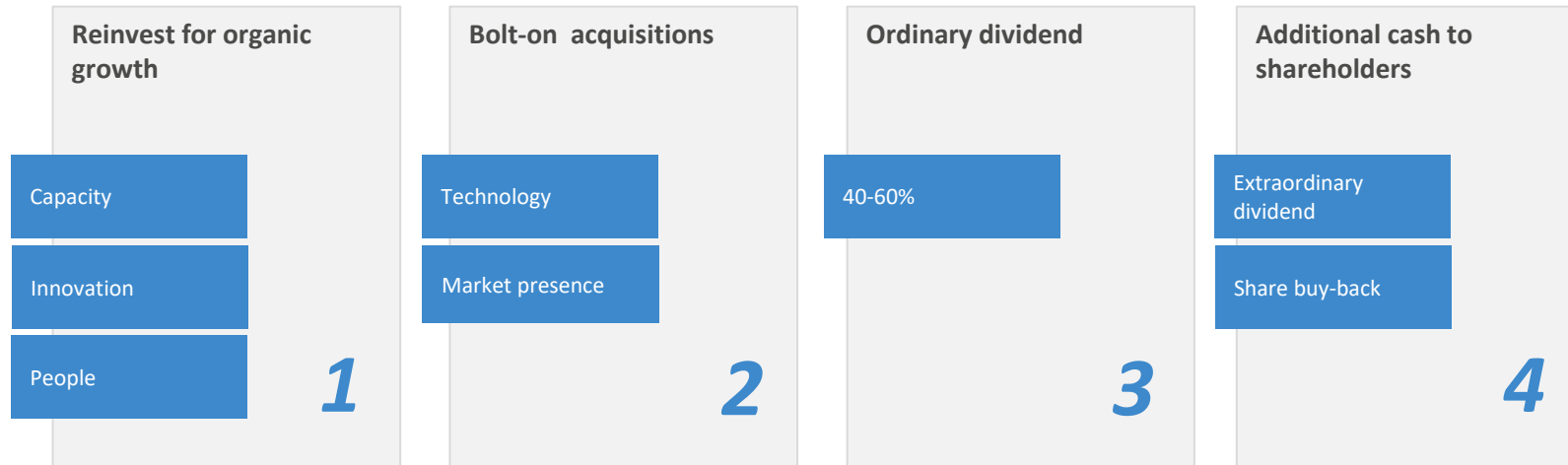
¹ Baseline 2014/15

² Over the period

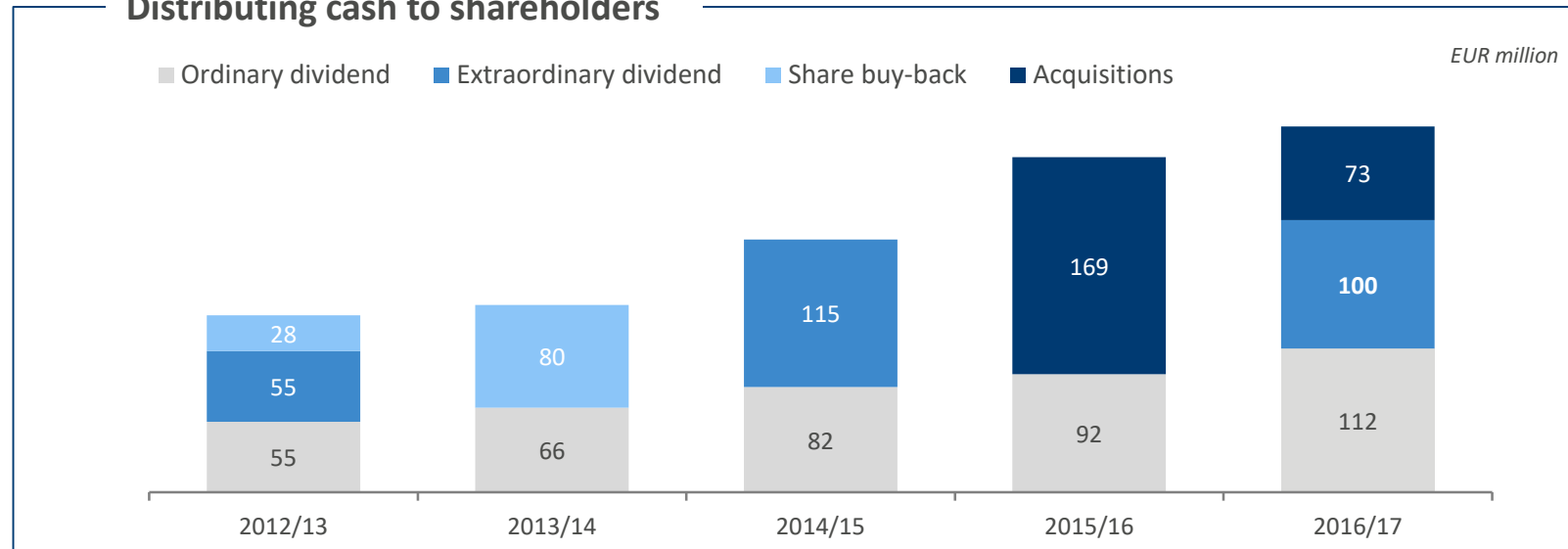


Committed to our capital allocation priorities

Ordinary dividend of EUR 0.85 (DKK 6.33) per share, totaling EUR 112 million, is proposed



Distributing cash to shareholders



Capital Market Day on 18 April 2018 in London



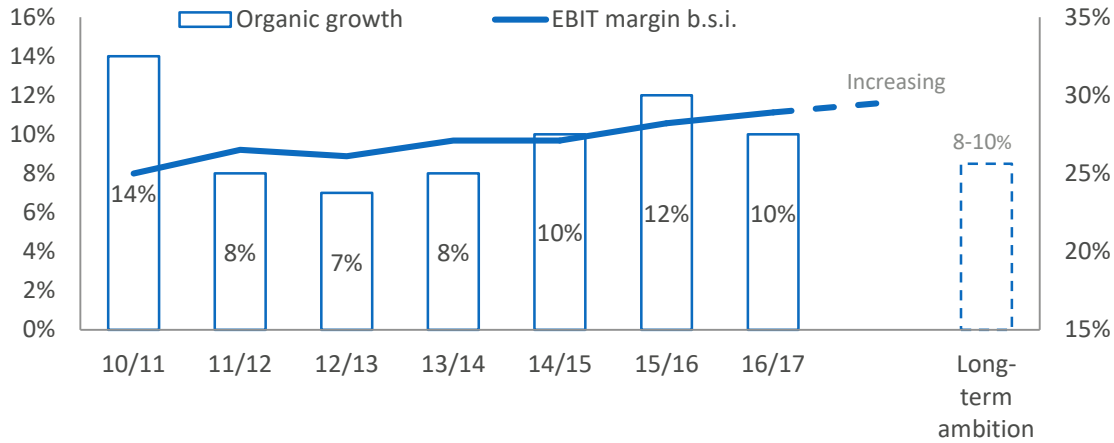
Q & A



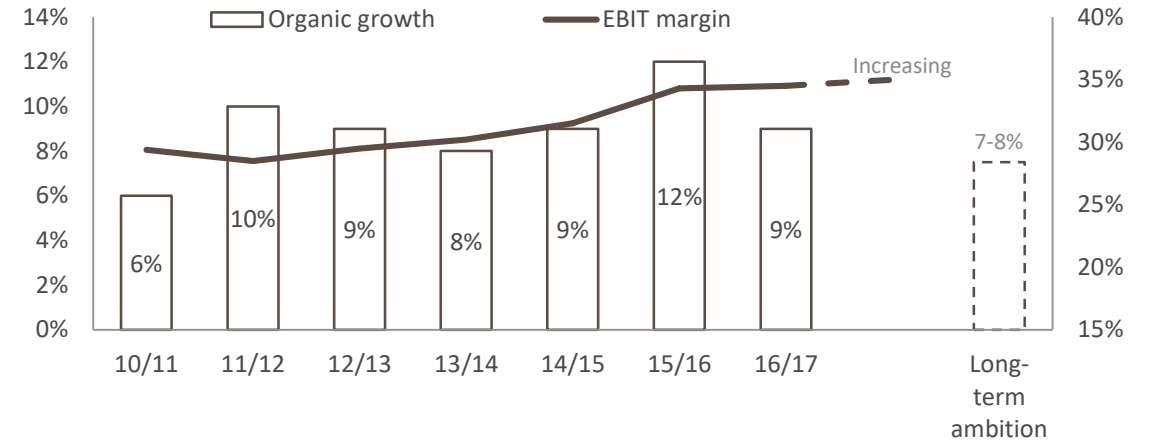
Back up

Organic growth and EBIT margin history

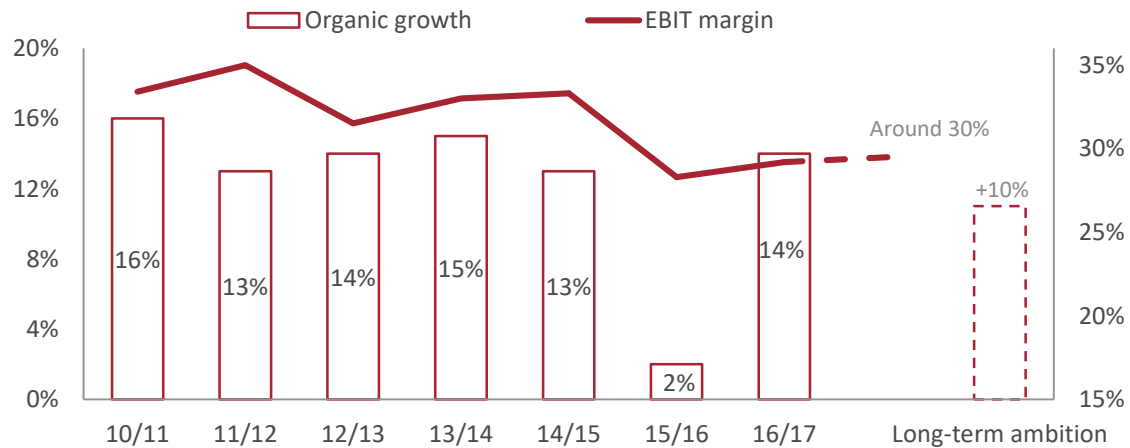
Group



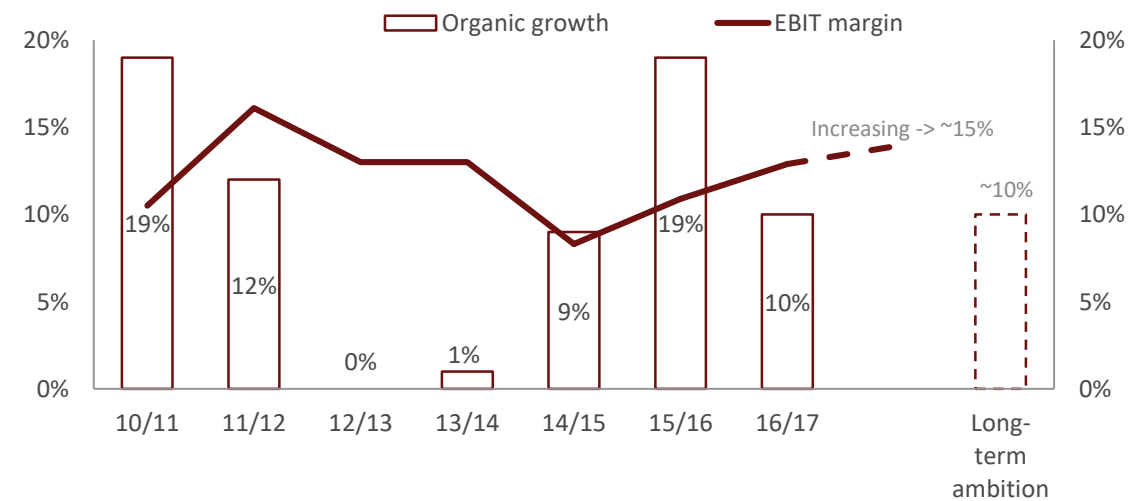
FC&E



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

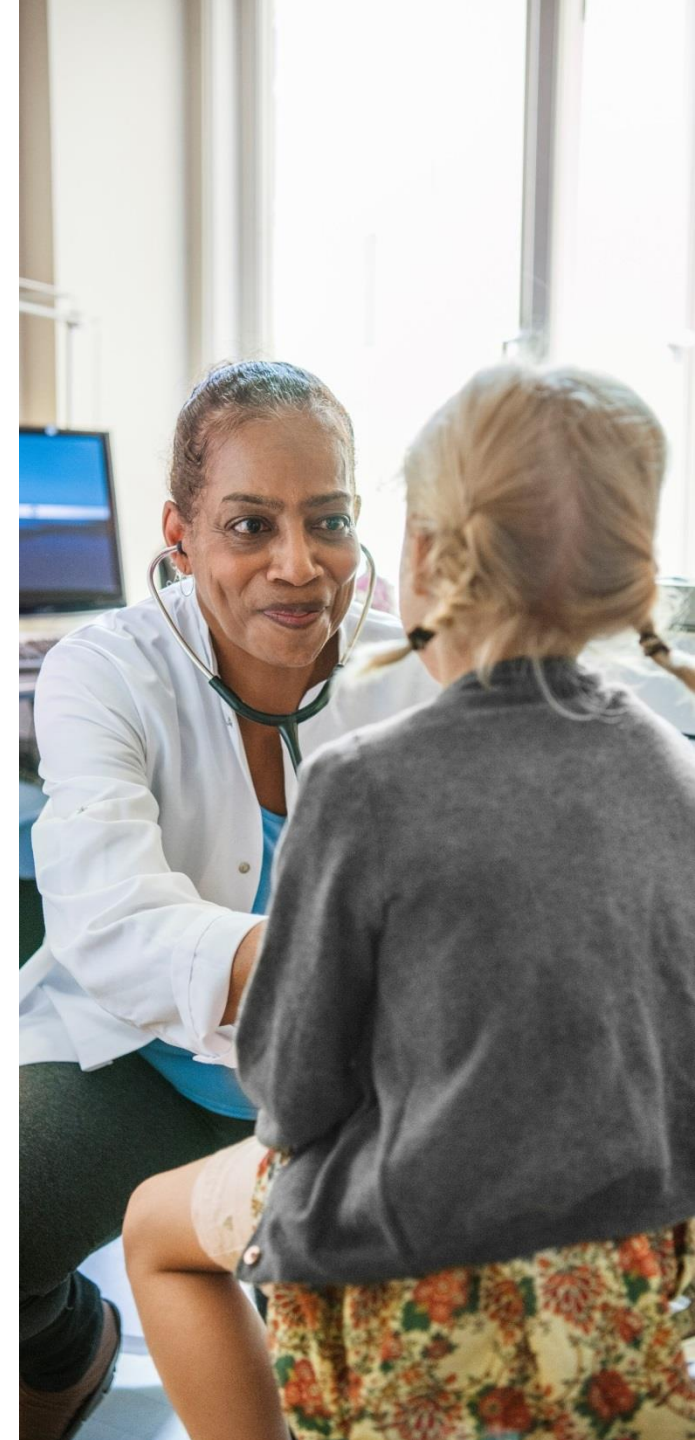
Free cash flow is a measure of financial performance calculated as operating cash flow less net capital expenditures.

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 August 2017)	287,336
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 2017/18

28 November 2017	Annual General Meeting 2017
12 January 2018	Interim Report Q1
11 April 2018	Interim Report Q2
28 June 2018	Interim Report Q3
11 October 2018	Annual Report 2017/18
29 November 2018	Annual General Meeting 2018

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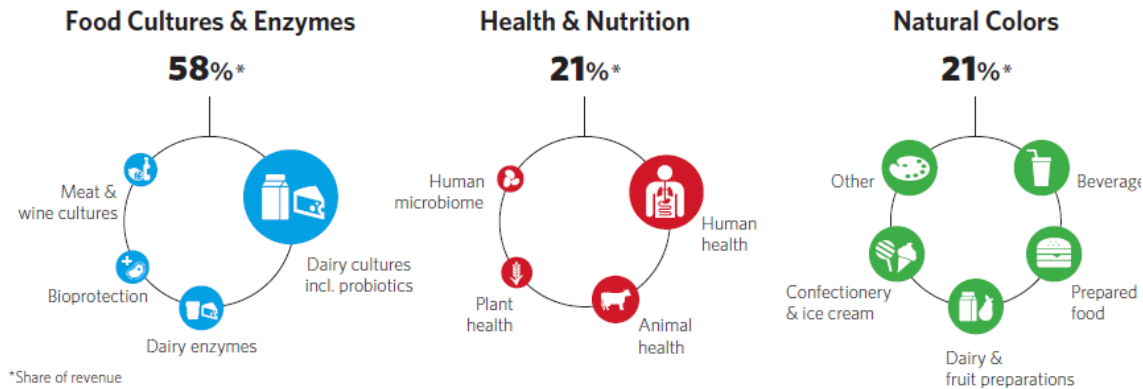
Company Information

Chr. Hansen – Key Characteristics

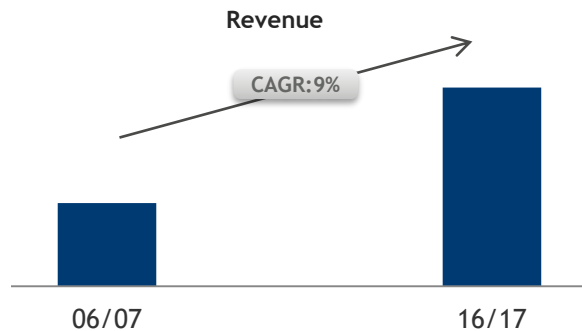
Founded in 1874

Focused business areas

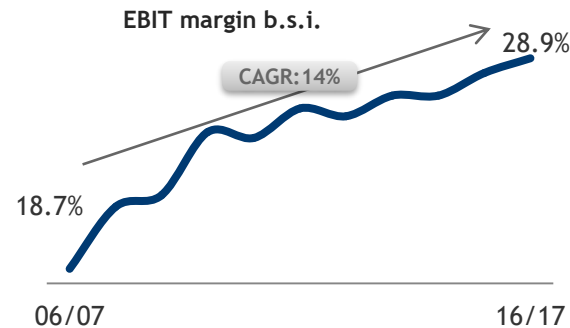
THREE BUSINESS AREAS - MULTIPLE PRODUCT CATEGORIES



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

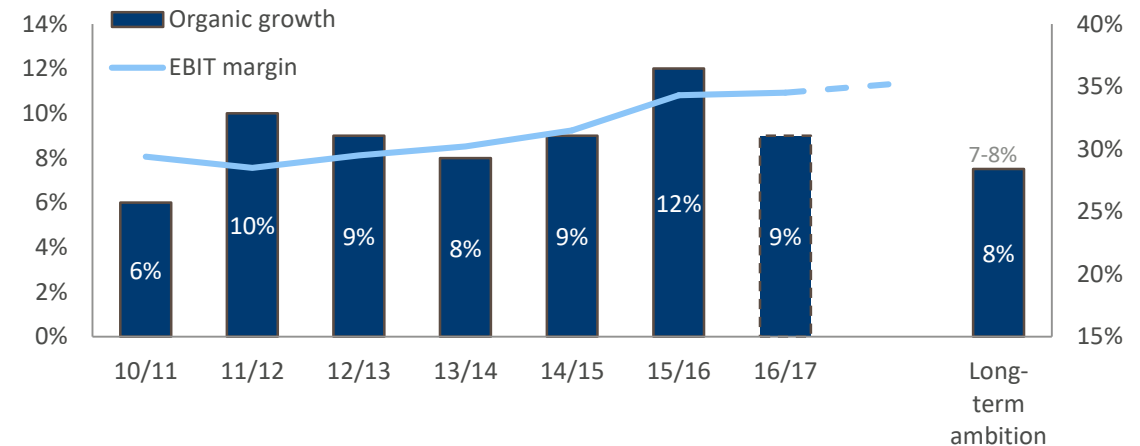
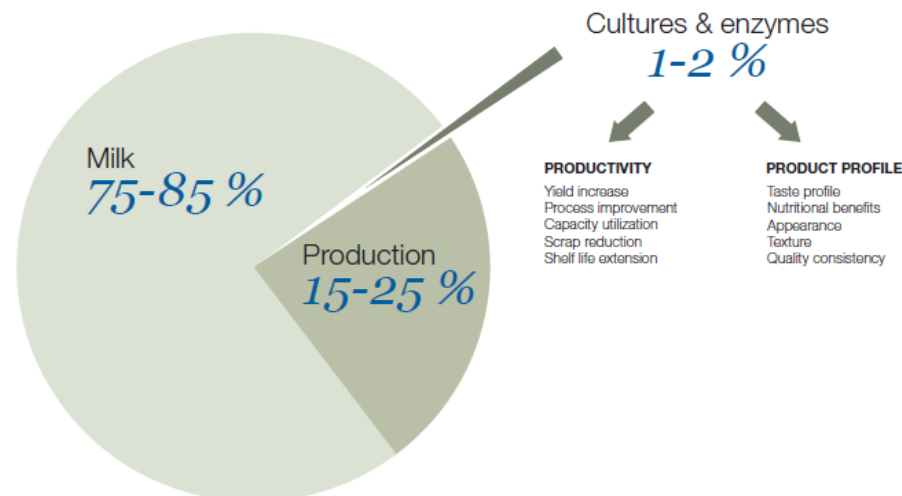
- Largest and most sophisticated bacterial culture production in the world
- Global market share of 50% secures volume which drives scalability
- Technical know-how around up-scaling and large scale fermentation

Deep customer intimacy

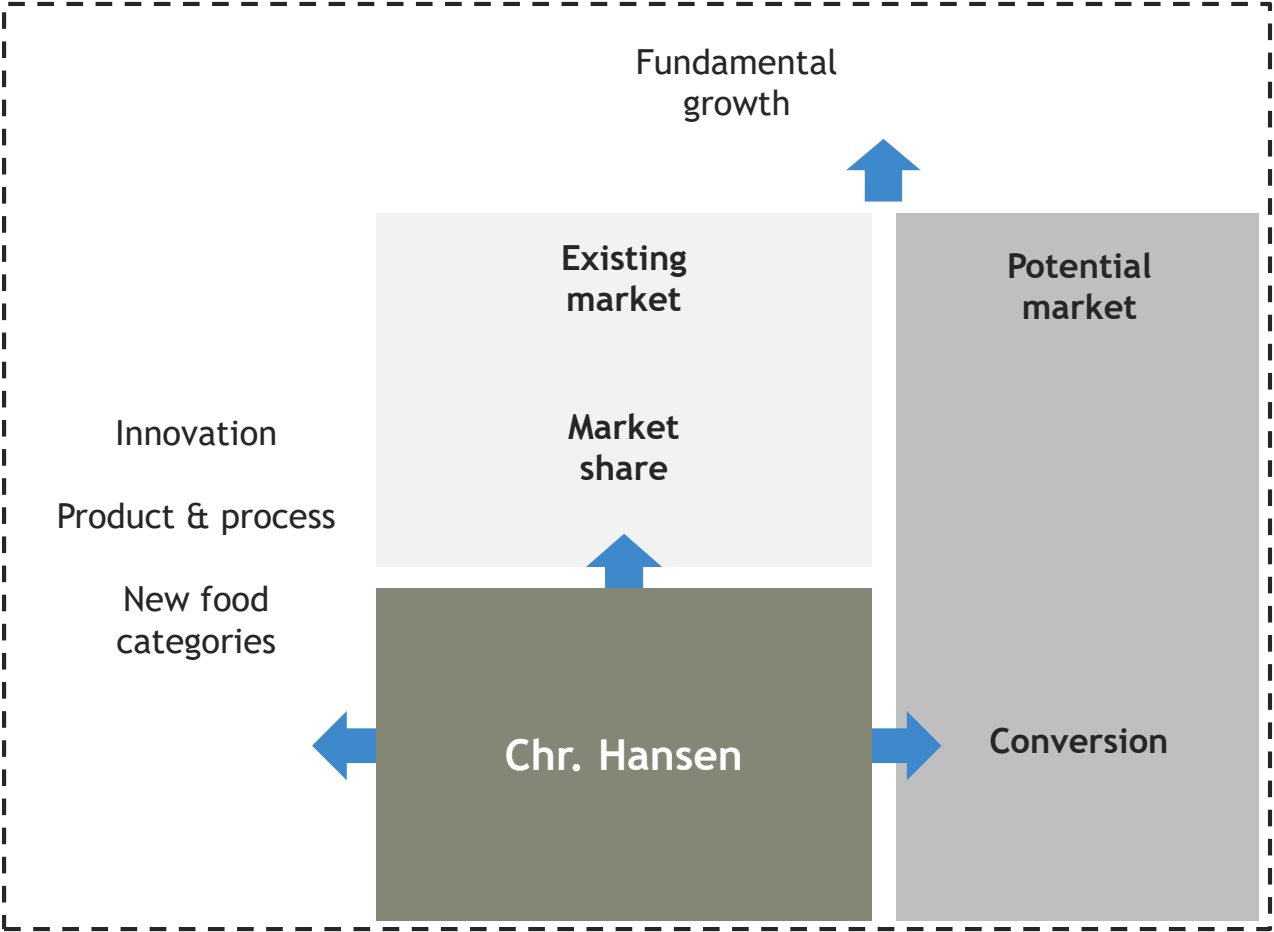
- Done business with all major dairies for many years. All industrialized dairies are mapped
- Local technical and application people in all countries
- Insight in the production processes of the individual dairy plants

Strategic ingredients

COST OF PRODUCING A CHEESE



Growth opportunities in Food Cultures & Enzymes



Growth components

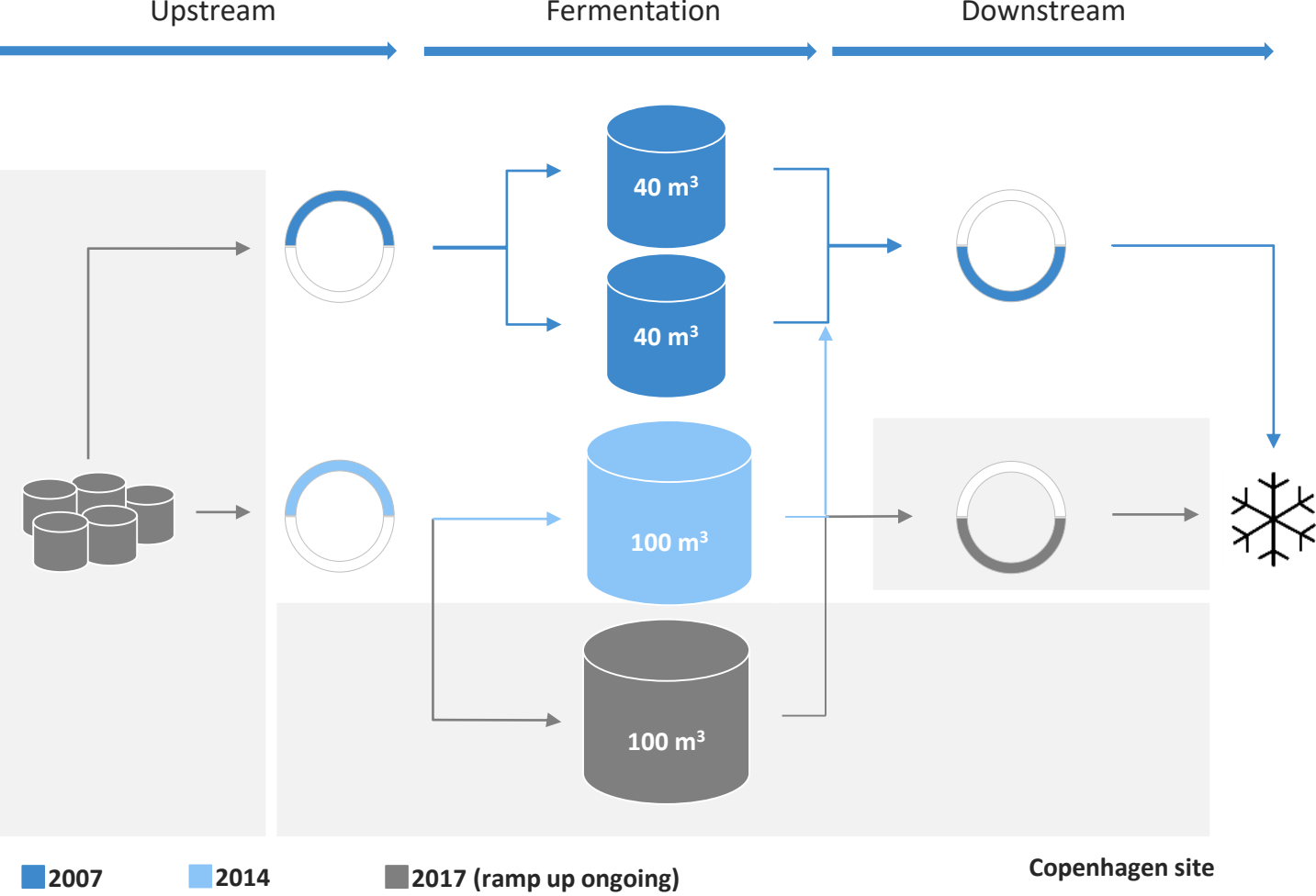
- Fundamental growth in dairy markets
- Conversion from bulk starters to DVS® solutions
- Innovation incl. bioprotection
- Pricing & market share

7-8% organic growth

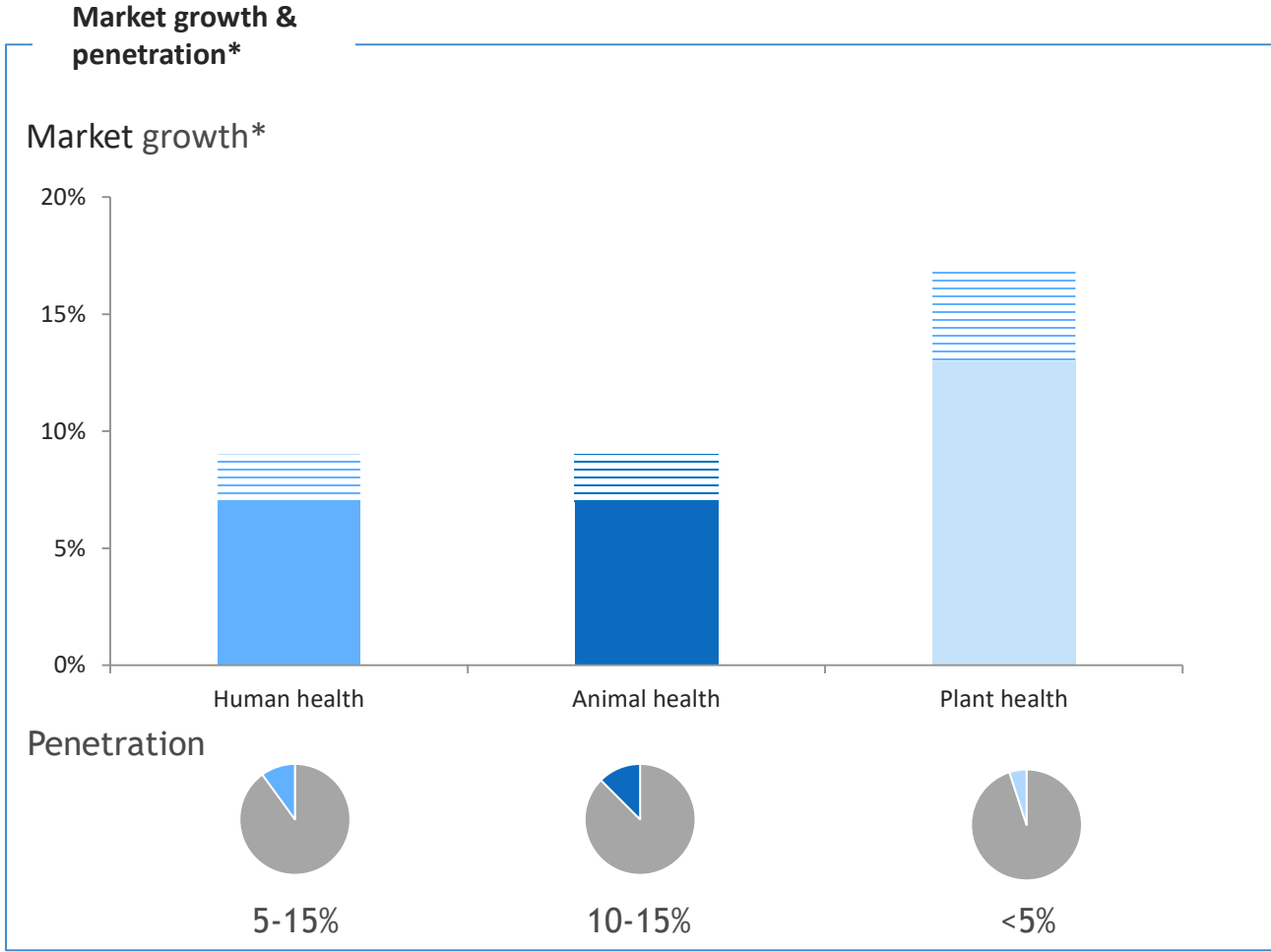


Industrial culture production footprint in FC&E

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



Growth opportunities in Health & Nutrition



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

* Based on Euromonitor and management estimates



Growth opportunities in Human Health

The best value proposition...

IT WORKS



- Only strains with documented health benefits on e.g. GI and Immune
- Further benefits via other ingredients
- Dosage forms that ensure efficacy and appeal to consumers

IT LASTS



- 2 years at 25°C for finished products
- 3 years at 30°C for selected products
- Stability data from blends to packed products

IT'S DIFFERENT

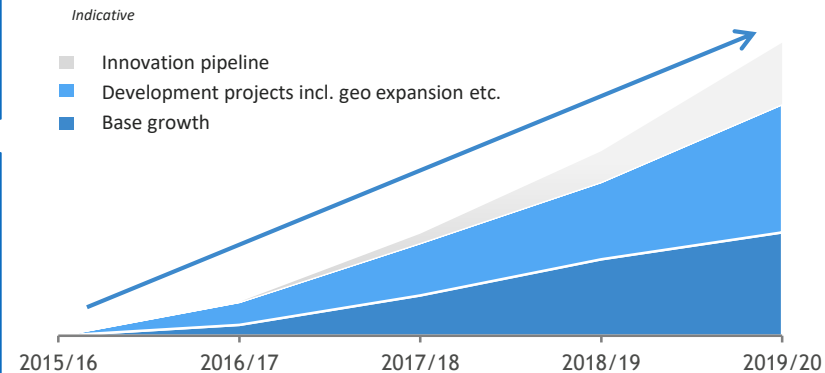


- Comprehensive capabilities for customization
- Unique technology platforms
- Stand-out product concepts

...Offers opportunities to “Win with the winners”...

- Supporting 8 of the top global consumer health players
- Co-development of solutions create long-term relationships
- Developing solutions that allow customers to differentiate in the high-end market based on our unique selling points

...and secure future organic growth



Growth opportunities in Animal Health

Strong value proposition...



- Efficiency of milk production and better rumen health (dairy cows)
- Increased feed conversion (beef)



- Significant reduction in dry matter loss
- Improved aerobic stability and fermentation



- Reduction in piglet mortality
- Increased calorie efficiency (reduced cost with same result)



- Increased feed digestibility and production boost
- Defense against pathogens
- *But increasing competition*

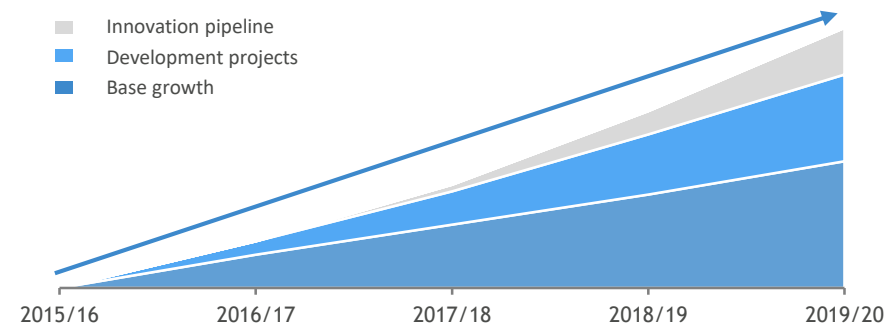
...Offers opportunities to deliver customer value...

- Boosting efficiency and profitability for farmers and producers
- Meeting all regulatory requirements for safety, stability, and efficacy
- Address concern around use of antibiotic growth promoters

...and secure future organic growth

Indicative

- Innovation pipeline
- Development projects
- Base growth



Growth opportunities in Plant Health

We bring unique and distinctive capabilities pursuing two paths



Bacterial production at scale

- Worlds largest producer of live bacteria
- Produce over 400 different bacterial strains



Bacteria stabilization

- Agrochemicals need long shelf life at poorly controlled temperatures
- Chr. Hansen is world leading in stabilization



Strain improvement

- >50 years of expertise in non-GMO strain improvement in close collaboration with customers understanding their application



Alliance with FMC

- Exclusive R&D partner since 2013
- Chr. Hansen provides unique development capabilities
- FMC leads scouting, field trials, registration & commercialization
- Investments and profits are shared

Relationships with agrochemical companies

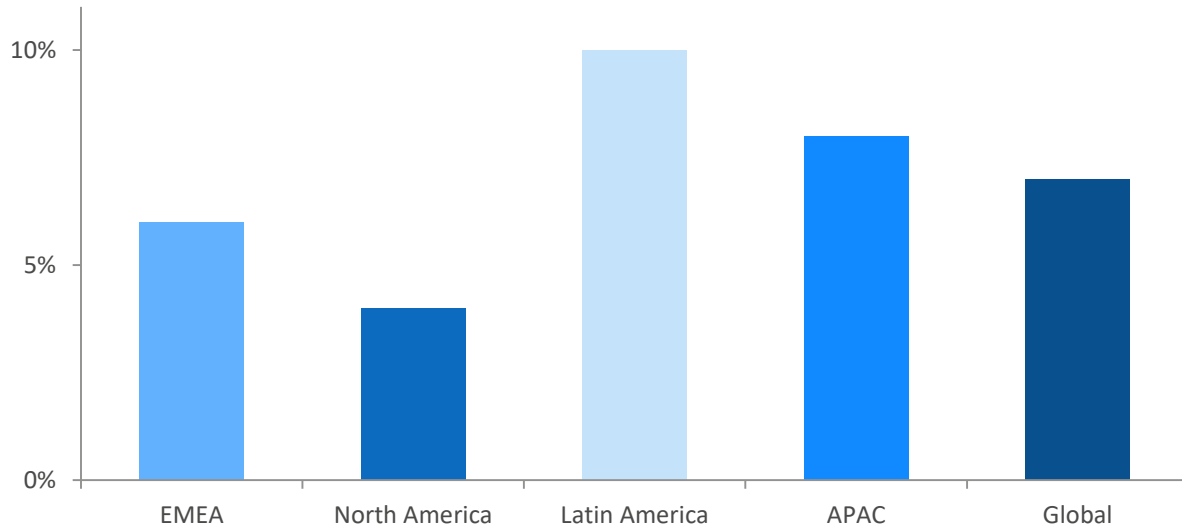
- Custom process development
- Scale-up
- Manufacturing



Growth opportunities in Natural Colors

Market growth & penetration*

Market growth**



Conversion



55-60%



20-25%



25-30%



30-35%



30-40%

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



* Based on Euromonitor and management estimates

** 2013-2015

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

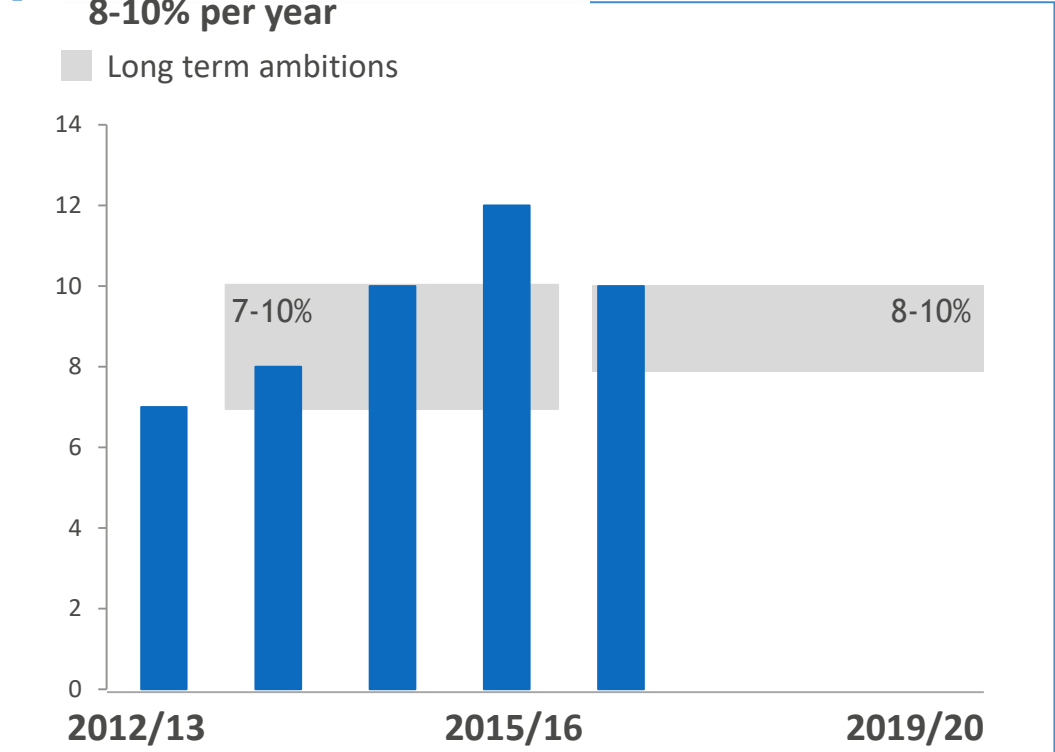
What we will **still NOT** do

- 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

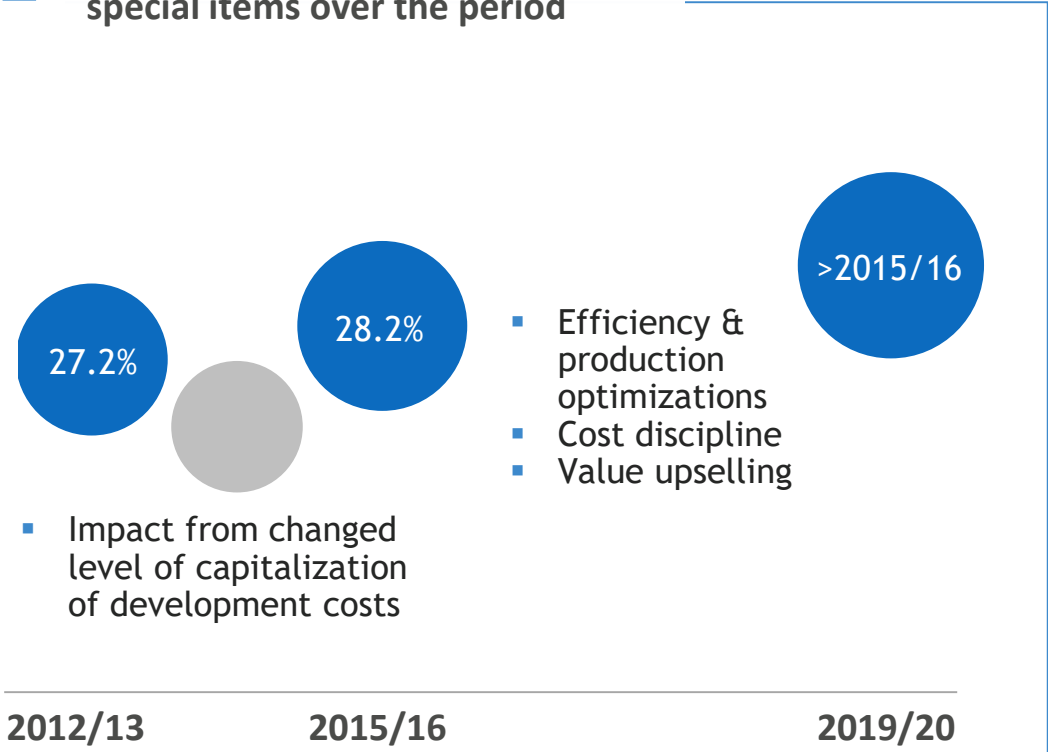


Securing profitable growth to 2020

1 Organic revenue growth of 8-10% per year

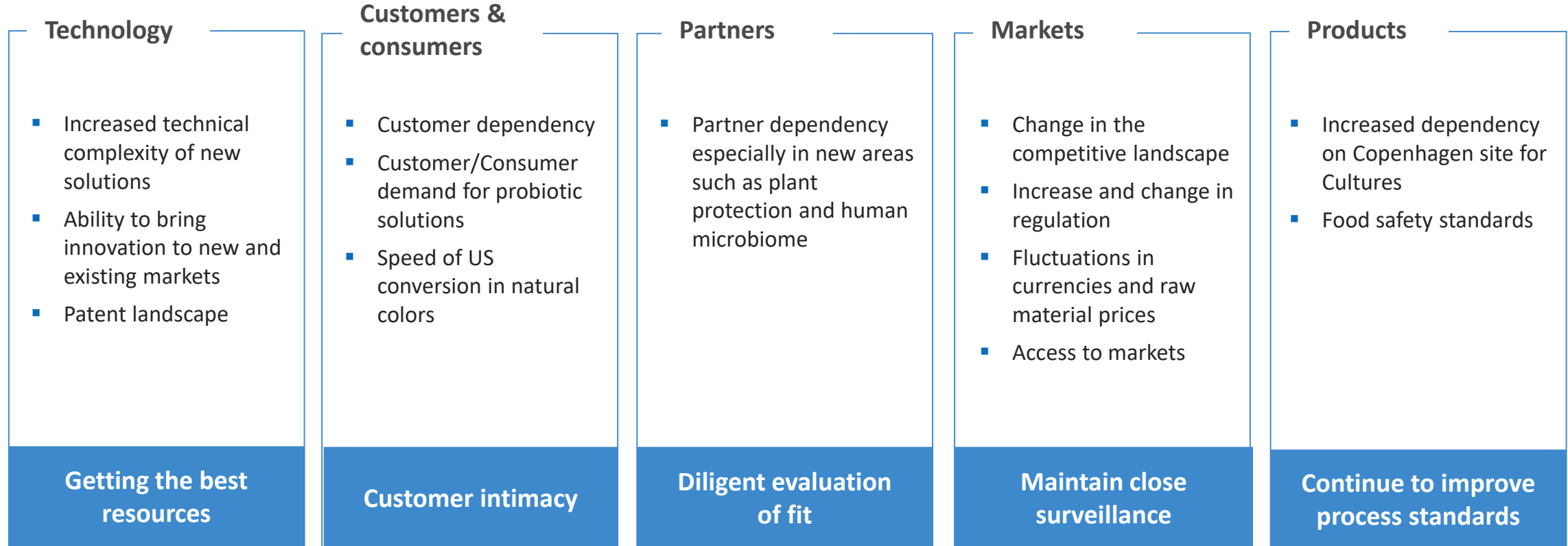


2 Increasing EBIT margin before special items over the period

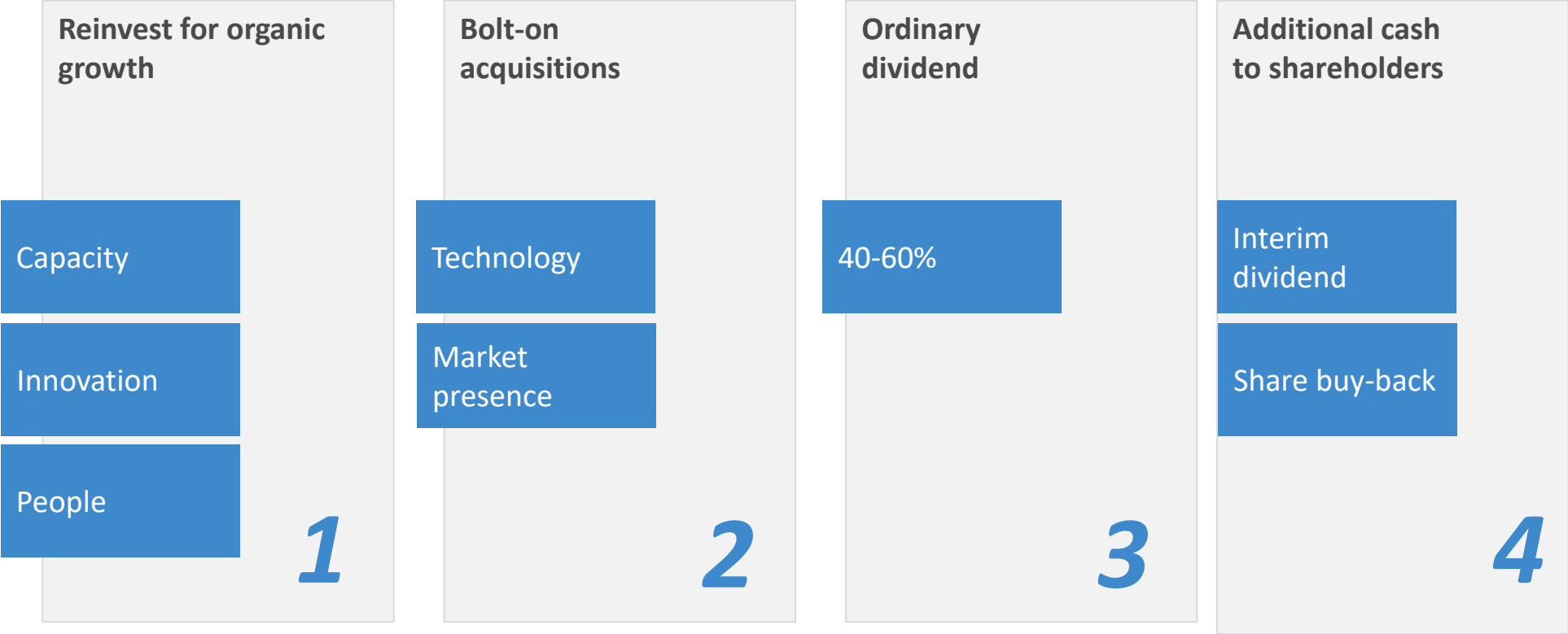


3 Increasing free cash flow before acquisitions, divestments and special items over the period

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