



Nature's 1TM
Sustainably no. 1

CHR HANSEN

Improving food & health

Nature's **no. 1**

Sustainably

no.

Together, we deliver natural innovative solutions that address global challenges by advancing food, health, and productivity.

We are a front-runner on sustainability



Better farming

We help feed the growing population by promoting sustainable agriculture

Expand reach of natural plant protection by 25m hectares (2025)



Good health

We improve global health through healthier, safer and more products

Launch 6 new products with a documented health effect (2022)



Less waste

We help customers reduce food waste and improve yield and productivity

Reduce global yogurt waste by 1.2m ton (2022)



81%

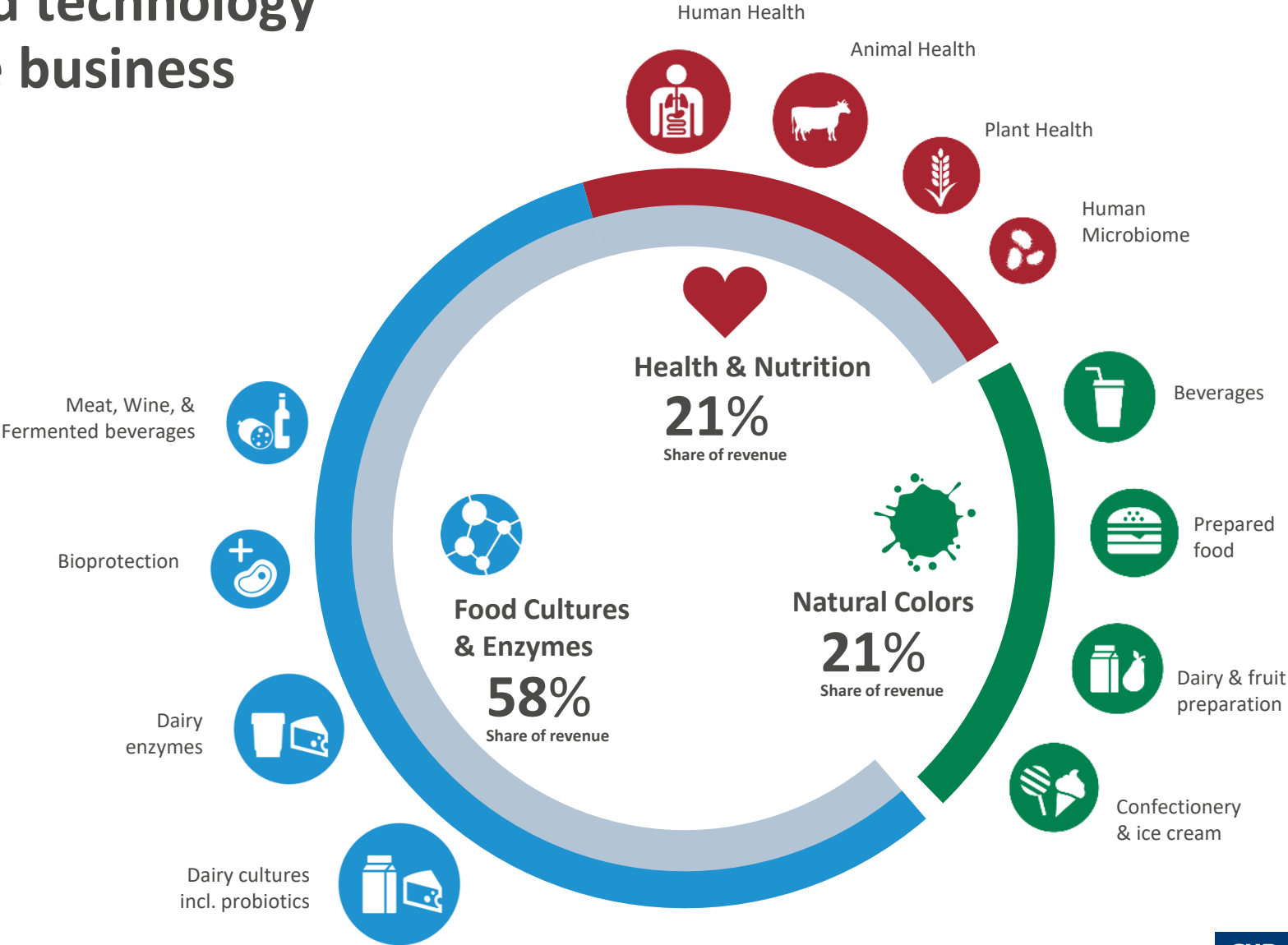
81% of Chr. Hansen's revenue contributes to the UN Global Goals

- validated by PWC

We are market and technology leaders in our core business

Shared R&D platform – the Microbial Platform

Food Cultures & Enzymes and Health & Nutrition share a common research platform, and production method. The R&D platform is a process of screening, developing and upscaling of microbes. Production is the optimization of recipes, flows and infrastructure for the fermentation of microbes. Together: **The Microbial Platform.**



Strong mega trends continue to support our business

The trend



Growing world population and resource scarcity



“Real foods” and consumerism



Aging population and increasing health care costs



Urbanization and industrialization



Technology breakthroughs

Our opportunity

Need for innovation to improve productivity and reduce food waste

Optimization of recipes to meet clean label demands

Need for cheaper and preventive solutions

Enhanced value of potential markets

Scientific evidence of benefits from good bacteria

Our three lighthouses address challenges within food safety, agriculture and public health



Lighthouse

Potential revenue of minimum EUR 100m per year


FOOD CULTURES
& ENZYMES



Bioprotection
Bacterial solutions for food safety and freshness

Designated as lighthouse in 2016


HEALTH & NUTRITION



Plant Health
Bacterial cultures for crop protection

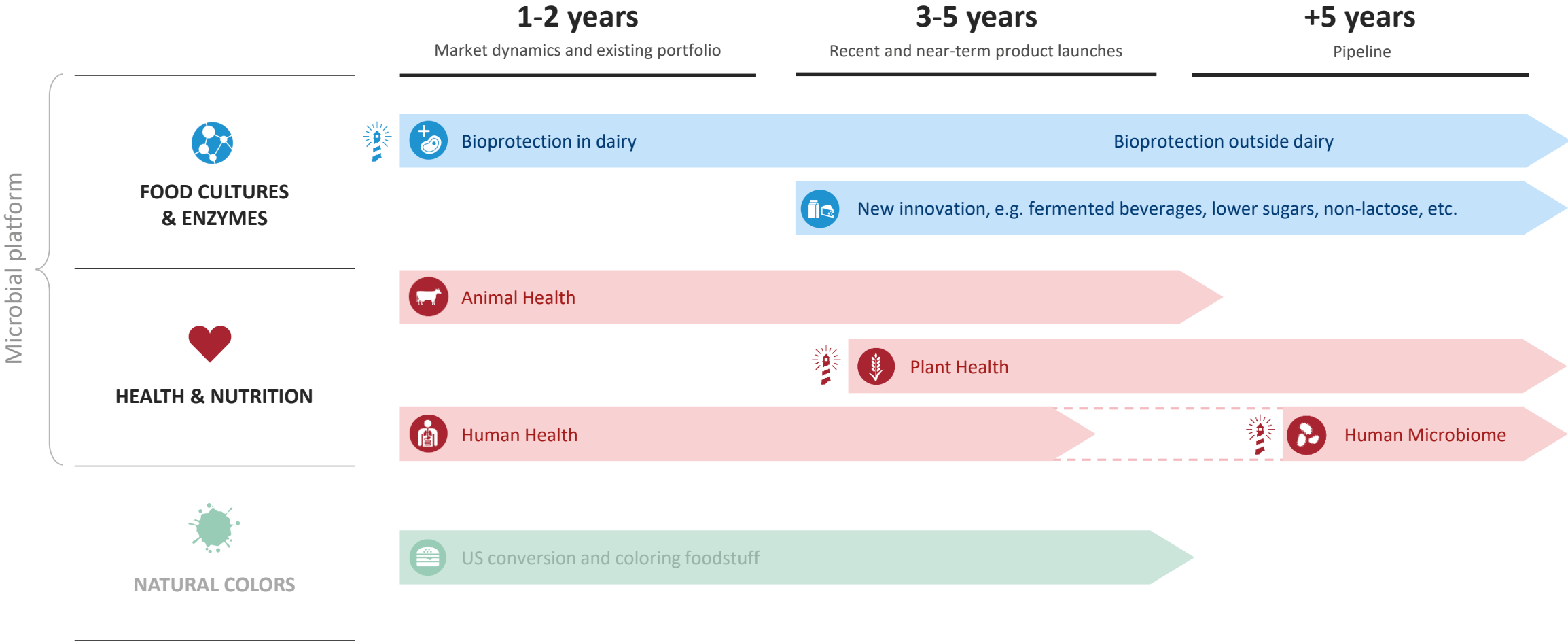
Designated as lighthouse in 2013



Human Microbiome
Next generation bacteria for Human Health

Designated as lighthouse in 2013

In addition to the core dairy business, the microbial solutions platform is a key driver for strong growth





Evolution, not revolution



FOOD CULTURES & ENZYMES



HEALTH & NUTRITION



NATURAL COLORS

Leverage the full potential of Food Cultures & Enzymes

Develop the microbial platform in Health & Nutrition

Create further value in Natural Colors

Drive penetration of new innovation

- ▶ Continue to prioritize core dairy business
- ▶ Develop adjuncts and adjacencies
- ▶ Drive Bioprotection lighthouse to EUR 200m by 2025

- ▶ Drive new products for Human Health (incl. Microbiome) and Animal Health
- ▶ Invest in Plant Health platform to unlock potential of EUR 100m by 2025

- ▶ Expand FruitMax® range of coloring foodstuff

Reinforce position in growth markets

- ▶ Further strengthen global market presence
- ▶ Application support in core adjacencies

- ▶ Human Health: Expansion into emerging markets and growth segments
- ▶ Strengthen route-to-market in Ag businesses

- ▶ Drive US conversion and secure APAC growth

Generate fuel for growth

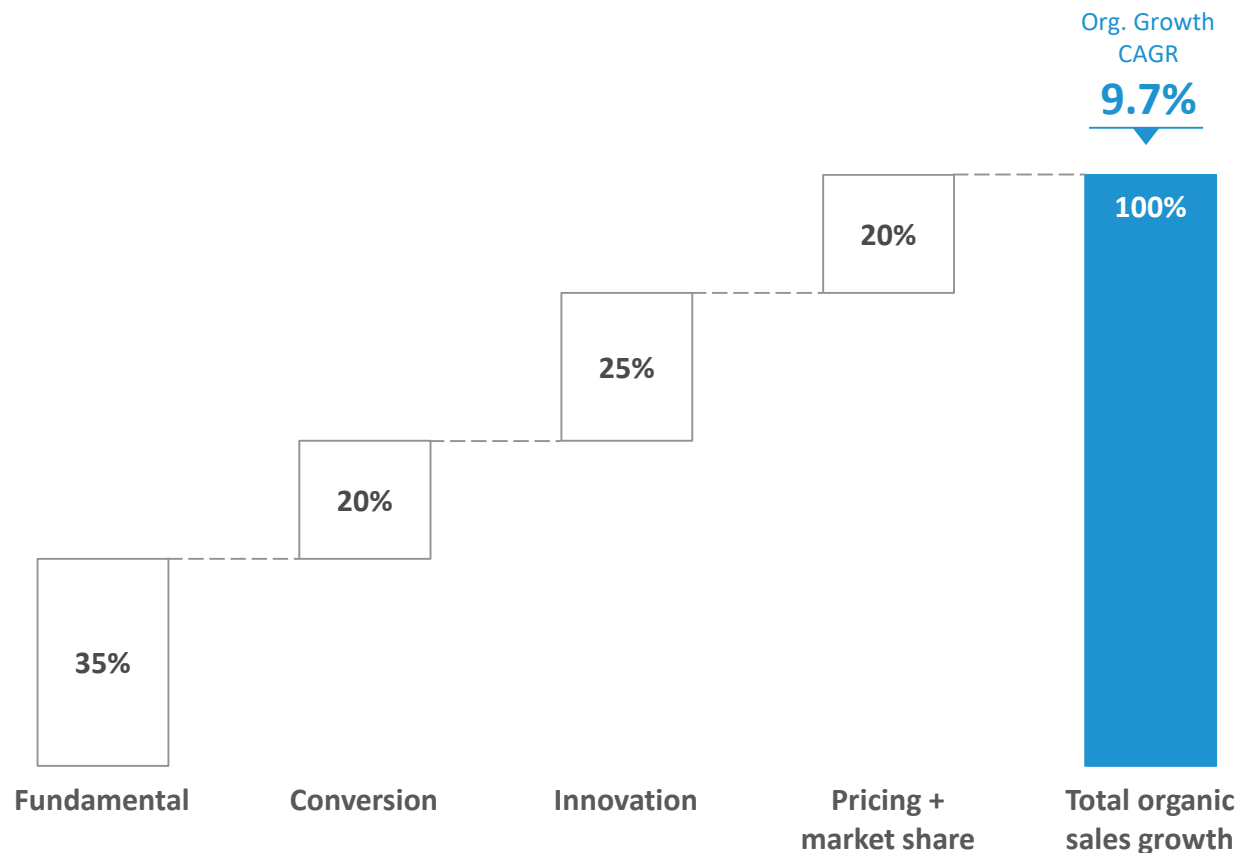
- ▶ Drive scalability in supply chain
- ▶ Digitalize core processes

- ▶ Reinvest in future growth

- ▶ Continue drive to restore profitability

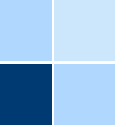
Our business has seen robust growth performance ahead of guidance, supported by all growth drivers

Contribution of total organic sales growth (2012/13 – 2016/17)



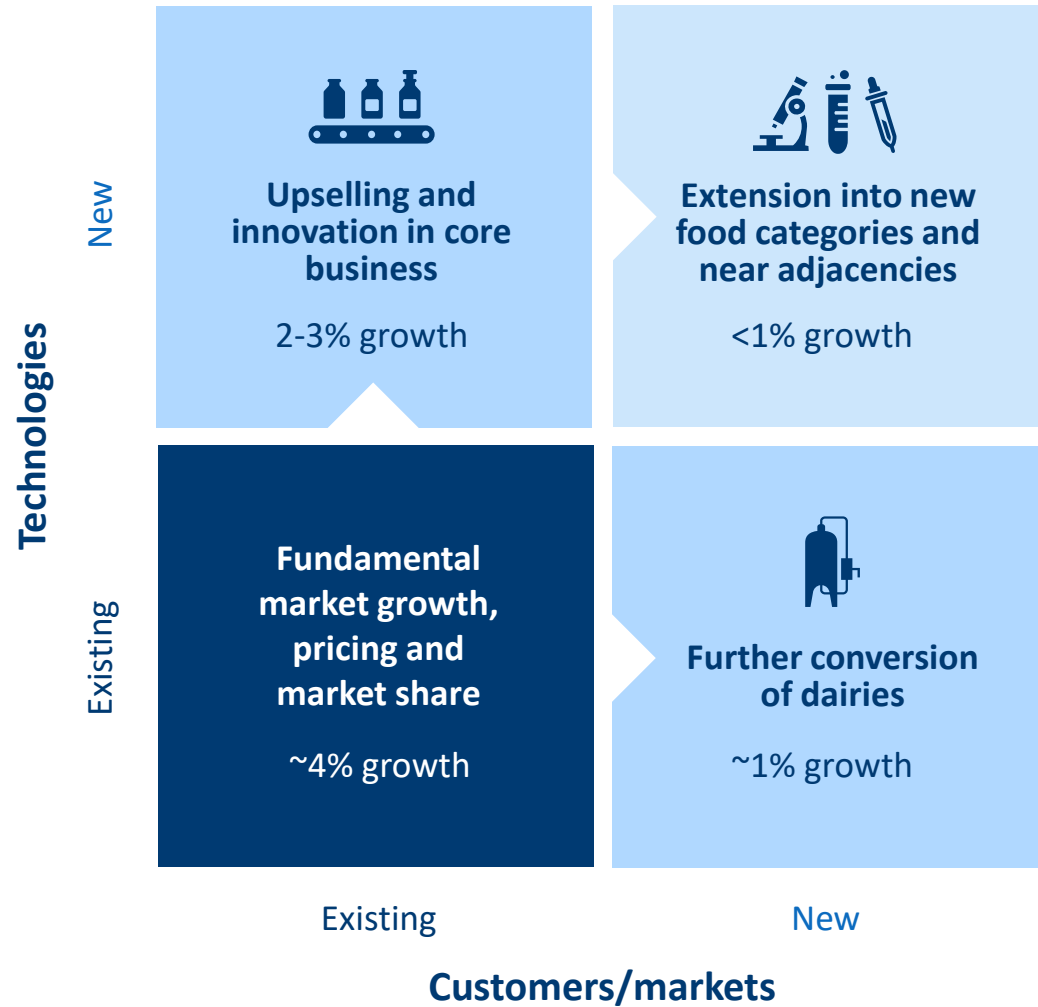
Growth drivers

- ▶ Fundamental (market) growth accounted for roughly 1/3 of total growth
- ▶ Innovation driven by:
 - ▶ Up-selling to new concept generations (superior functionality and performance)
 - ▶ New and more uses of cultures and enzymes (e.g. Bioprotection)
- ▶ Market share gains are not a primary target
- ▶ Pricing performance is heavily impacted by currencies with an adjusted EUR growth CAGR of 8.2% for the 2012/13 – 2016/17



We retain our long term growth guidance with majority of growth coming from core customers and markets

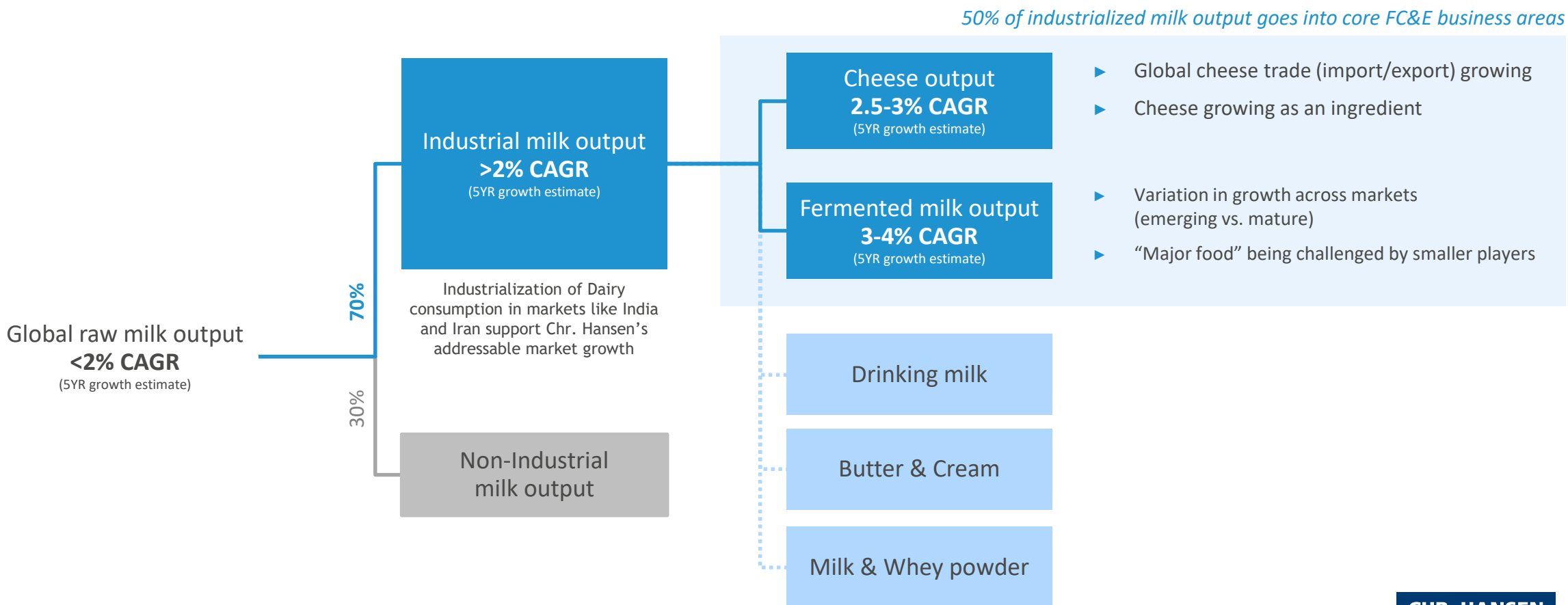

Organic growth divisional target
 7-8 %





The fundamental market growth outlook is robust

Market growth in the segments served by Chr. Hansen will outgrow the global raw milk output





Bioprotection today and tomorrow – a EUR 200m business by 2025

Bioprotection has made strong progression since 2013, and will continue to create long-term revenue optionality

6%

of Food Cultures & Enzymes revenue in 2016/17



Fresh Dairy



Cheese



Fermented Meat



Animal products
(meat adjacencies/fish)



Vegetable products

Traditionally Fermented Food Products

Non Traditionally Fermented Food Products

Food waste

Shelf Life Extension targeting yeasts/mould/LAB



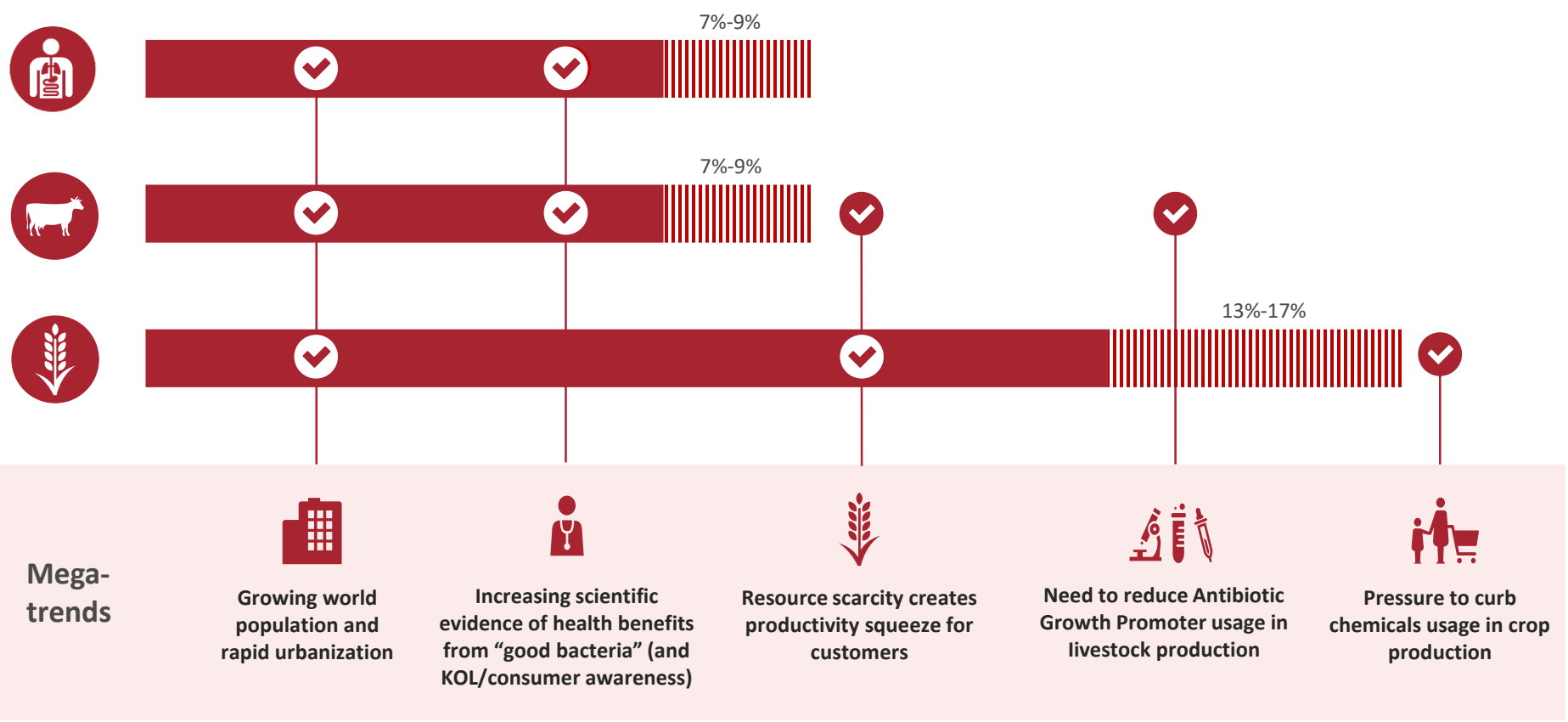
Food Safety

Additional protection against gram-positive food pathogens (Listeria, Clostridium)

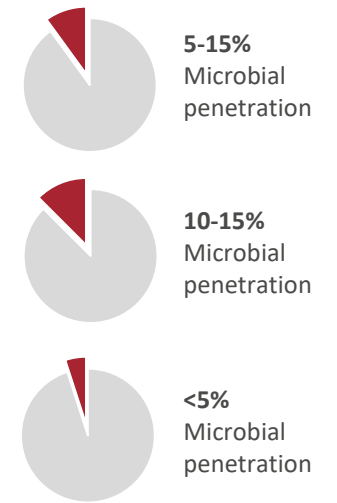


We participate in high growth markets with headroom to increase penetration

Attractive market growth driven by megatrends

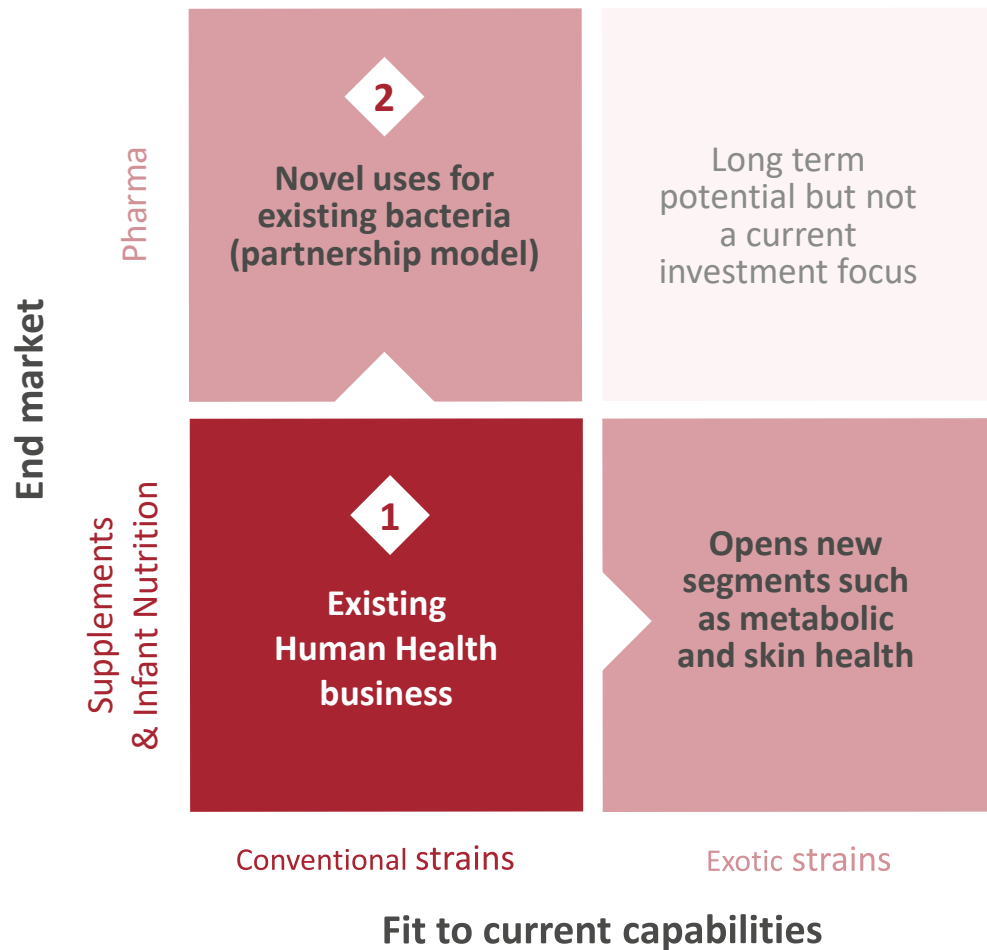


Opportunities to increase penetration





New innovation, fueled by Microbiome concepts, will drive medium and long-term growth



1 Microbiome is creating new opportunities within conventional strains and existing end markets

Infants in hospitals Reduce risk of gastrointestinal complications

Infant: Support infant gut microbiome for healthy development

Adult: Promote intestinal integrity

Women: Rebalance a healthy vaginal microbiome

2 Recent partnership with Prota Therapeutics to treat peanut allergy with LGG®





Our Animal Health products are differentiated and well positioned to address changing market conditions



BioPlus[®] YC

The reference swine probiotic on the market for 30 years



SiloSolve[®] FC

Patented Silage inoculant providing unique flexibility and usability for farmers



GalliPro[®] Fit

Next generation poultry probiotic with best in class pathogen inhibition

Differentiators

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> ▶ Product for all Swine subsegments (from piglet to growth/finisher) ▶ Most documented dual strain product on the market ▶ 20% reduction in pre-wean mortality ▶ Flexible Feed Formulation concept | <ul style="list-style-type: none"> ▶ Offers best aerobic stability in the market ▶ Allows farmers to feed out early from bunker ▶ Broadest range applicability across crops and humidity levels | <ul style="list-style-type: none"> ▶ Blend of 3 unique new strains ▶ Best in class in inhibition of pathogens to support the health of poultry and securing food safety for consumer ▶ Superior digestibility of protein, carbs and non-starch poly-saccharides |
| <ul style="list-style-type: none"> ▶ Launched in all major geographies ▶ Continued opportunities to deepen market penetration | <ul style="list-style-type: none"> ▶ Global roll-out in progress | <ul style="list-style-type: none"> ▶ Recently launched in US and Australia ▶ Global roll-out in the next 2 years |



Our recent alliance launches Quartzo and Presence have a nematocidal claim and effect



Description	Bacillus based product Applied in-furrow or through drip irrigation	Bacillus based product Applied as seed treatment before planting
Applicable crops	Sugarcane, F&V, other	Soybean, Corn, Cotton, beans, wheat
Registration	Bionematicide	Bionematicide
Benefits and yields	Root colonization Protection against nematodes and soil diseases Increase of plant robustness and yield	Root colonization Protection against nematodes and soil diseases Increase of plant robustness and yield



Competing technologies

- Chemicals
- GMO
- Biological

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- GMO
- Biological

Our Natural Colors business presents an attractive growth opportunity


Key messages

Attractive growth potential from conversion and coloring foodstuff

Transformation project completed

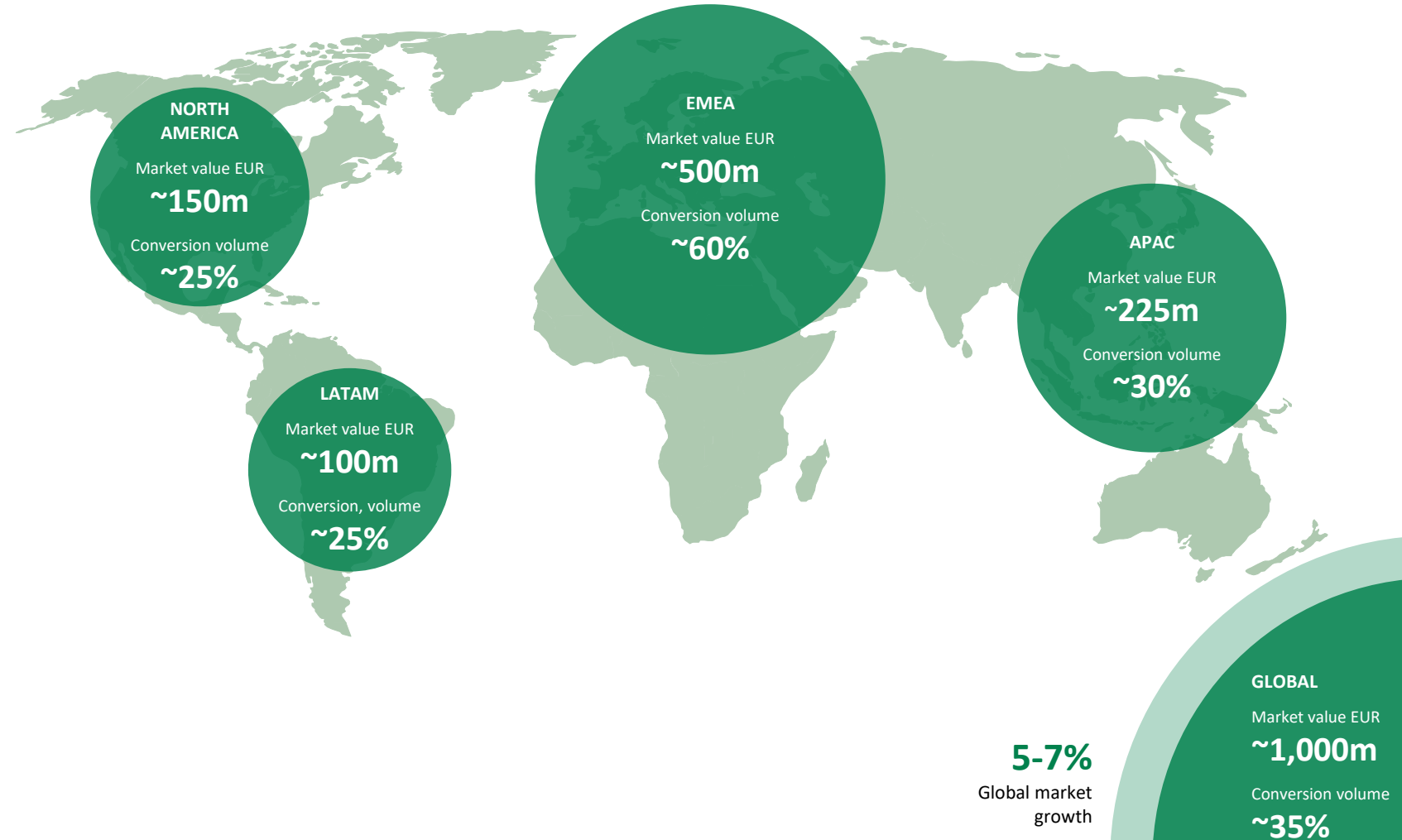
Limited synergies between Natural Colors and our microbial platform

Main trend and projected value

 Demand for cleaner, healthier and more natural products

Projected 2030 market value of EUR 2.0 - 2.5bn

Current market overview



Source: Euromonitor and management estimates.

Note: Market value measured as Food & Beverages Natural Colors including Coloring Foods, and excluding Caramel colors (approximately EUR 200m)

We will continue to pursue profitable growth through 2021/22

8-10% Organic growth

Pro anno from
2017/18 to 2021/22

Supported by all business areas and with an
average organic growth of **7-8%**
in **Food Cultures & Enzymes**

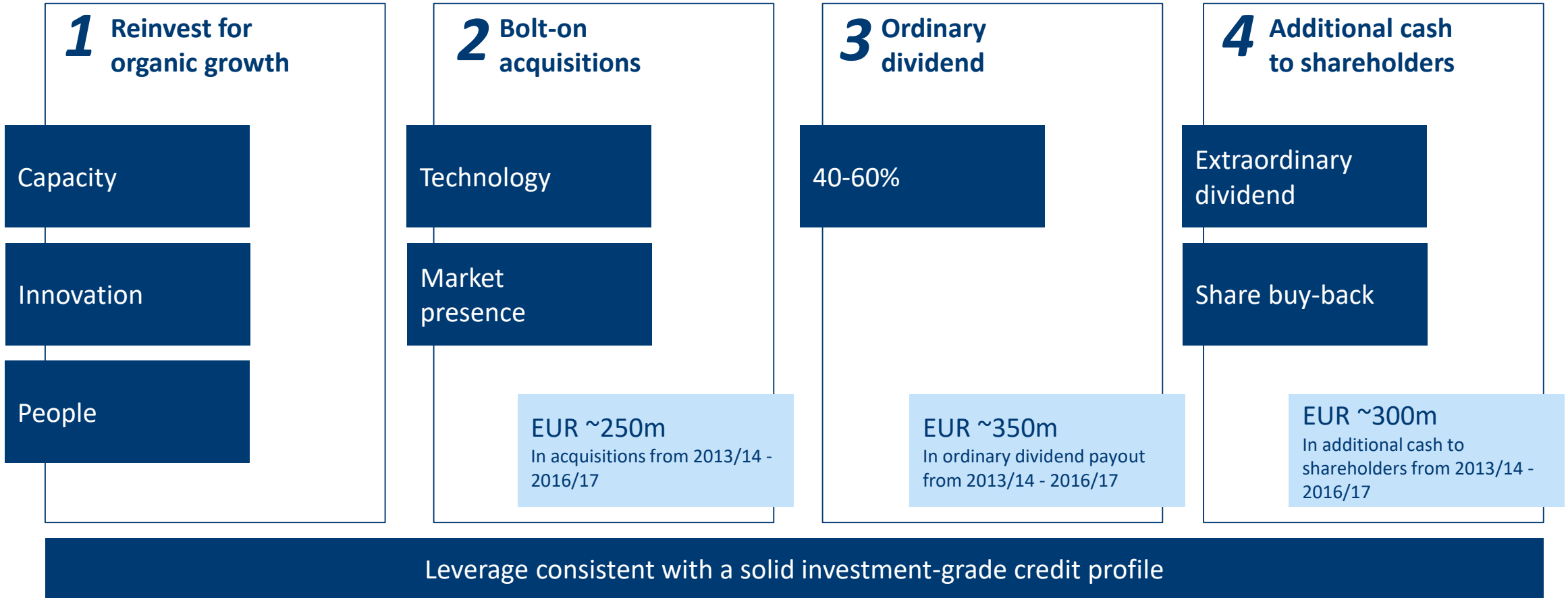
+30% EBIT margin

Increasing to
above 30%

~10% Growth in free cash flow

CAGR growth from 2017/18 to 2021/22

Our capital priorities are unchanged with organic growth still being the top priority





Chr. Hansen Holding A/S
Q2 Report 2017/18

11 April 2018

CHR HANSEN

Improving food & health

Financial highlights YTD 2017/18

Revenue

EUR **518** million
(up 3% on 2016/17)

Operating profit (EBIT) margin
before special items

26.2%
(26.9% in 2016/17)

R&D expenditures incurred

EUR **39** million
(7.6% of revenue, compared to 7.2% in 2016/17)

Organic growth

9%
(10% in 2016/17)

Profit for the period

EUR **98** million
(on par with 2016/17)

Free cash flow
before acquisitions and special items

EUR **11** million
(EUR 30 million in 2016/17)



Progress on strategic agenda YTD 2017/18

Nature's **no. 1**

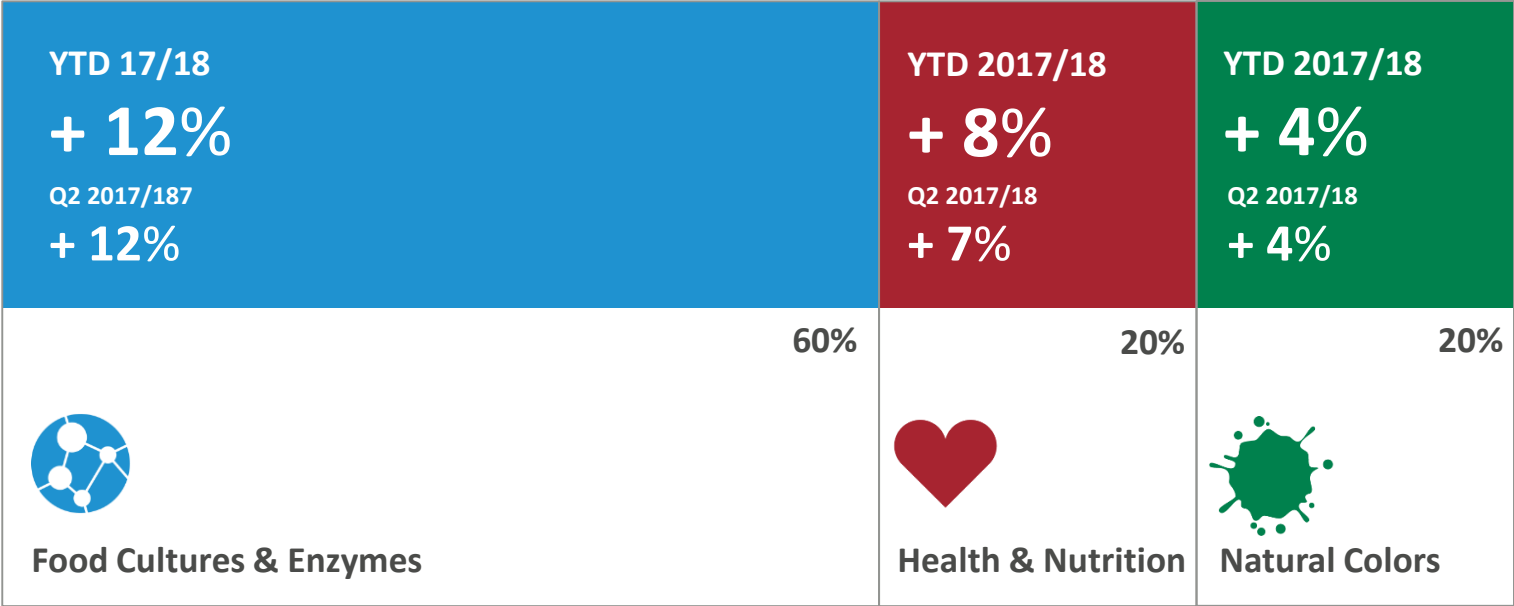
Nature's no. 1 strategy launched in September 2013 with the ambition to pursue growth opportunities in the current core businesses and within new microbial solutions. Strategy reaffirmed at Capital Market Day in April 2016. A new strategy review is in progress with finding to be presented in April 2018.

- ▶ **Bioprotection:** Strong growth of approx. 45%, with momentum in all segments driven by 1st generation. Positive feedback from launch of 2nd generation and first sales driving very strong growth in LATAM, albeit from a low base
- ▶ **Capacity:** Ramp-up of the new capacity has progressed according to plan and is expected to contribute positively towards the end of the year
- ▶ **Emerging markets:** Growth in emerging markets across business units very strong. We continue to strengthen our presence incl. local application labs
- ▶ **Penetration** in human and animal health continuing. Dietary supplements in North America underperforming
- ▶ **Plant Health:** Recently launched products in Brazil Quartzo™ and Presence™ driving strong growth combined with continued penetration of Nemix® C
- ▶ **Natural Colors:** Profitability initiatives showing good progress, raw material pricing volatility presents a challenge to growth



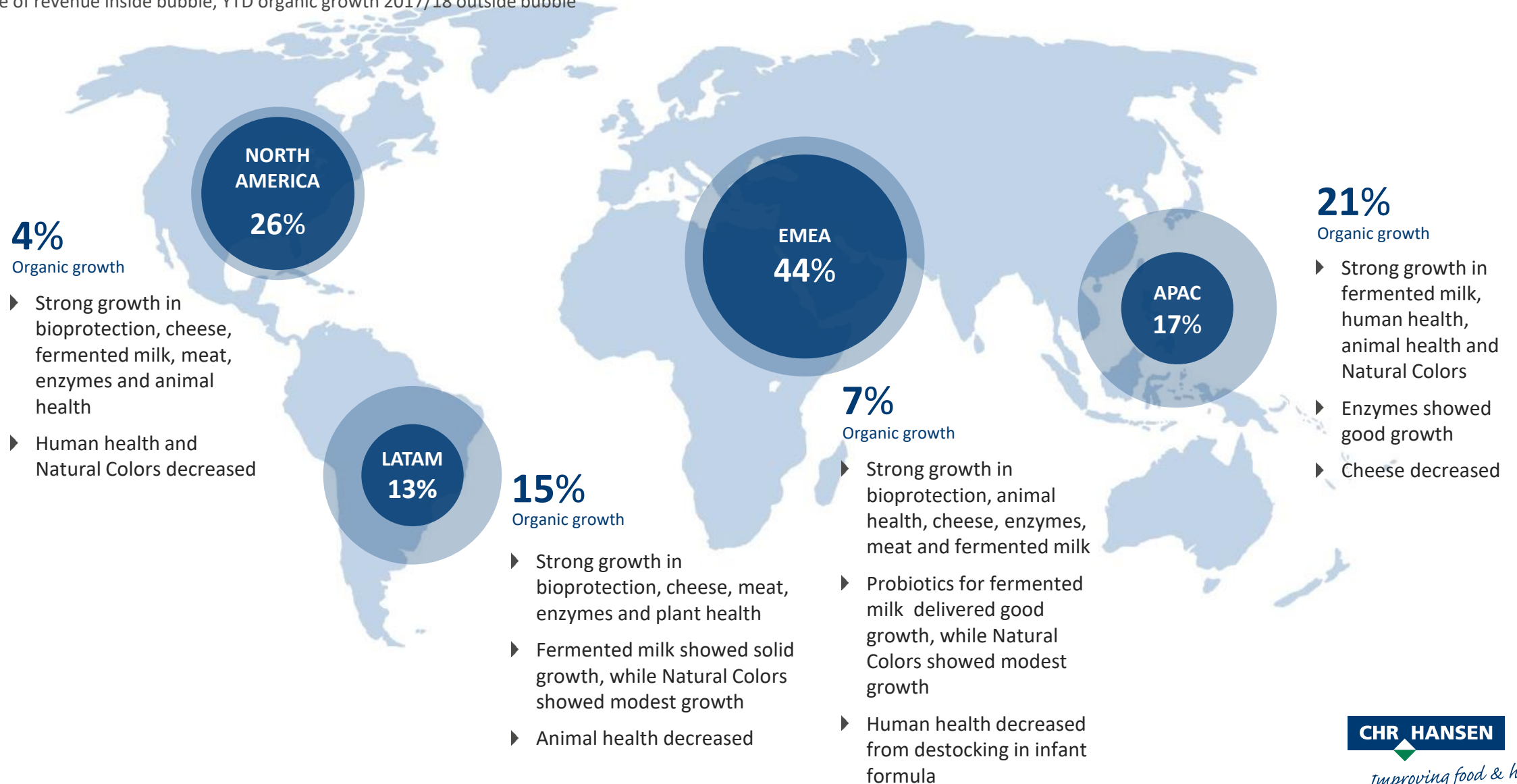
Organic sales growth in our business areas driven by volume and mix

- ▶ Strong organic growth in Food Cultures & Enzymes, with bioprotection growing at ~45%. Strong growth in cheese, fermented milk, enzymes and meat cultures
- ▶ Strong growth in animal and plant health (albeit from a low base), offset by low growth in human health
- ▶ Growth in Natural Colors driven by coloring foodstuffs and APAC



Regional performance – all regions contributing to growth

Share of revenue inside bubble, YTD organic growth 2017/18 outside bubble



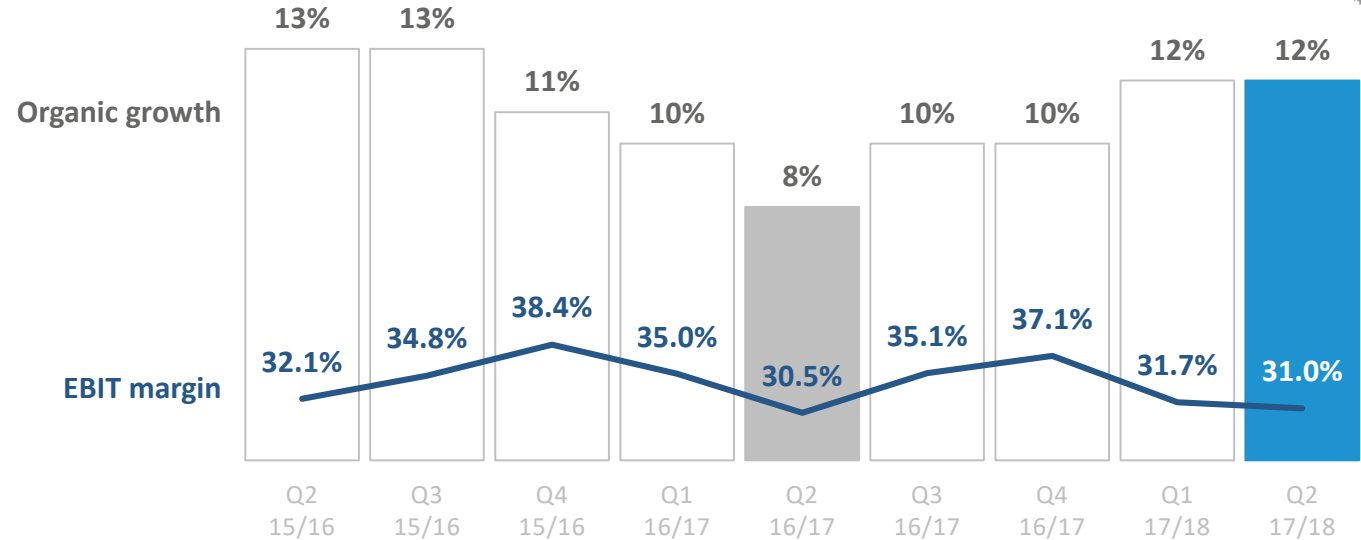


Strong growth continues in Food Cultures & Enzymes

+12%

YTD ORGANIC SALES GROWTH

- ▶ Organic growth comprised 10% from volume/mix and 2% from price increases in local currencies
- ▶ The organic growth was primarily driven by strong growth in cheese, fermented milk, enzymes and meat cultures
- ▶ Bioprotective cultures delivered organic growth of approximately 45%



+0.5%

IMPROVED EBIT MARGIN ON Q2 2016/17

- ▶ Driven by scalability in production and cost management, partly offset by higher depreciations and adverse currencies
- ▶ Margins down 1.4 %-points YTD, driven by adverse currency and positive one-offs in 2016/17
- ▶ Margins expected to improve in 2H

EUR million	Q2 17/18	Q2 16/17	YTD 17/18	YTD 16/17
Revenue	153.7	146.6	308.8	290.9
Organic growth	12%	8%	12%	9%
EBIT margin	31.0%	30.5%	31.3%	32.7%
ROIC ex. goodwill			39.7%	42.0%



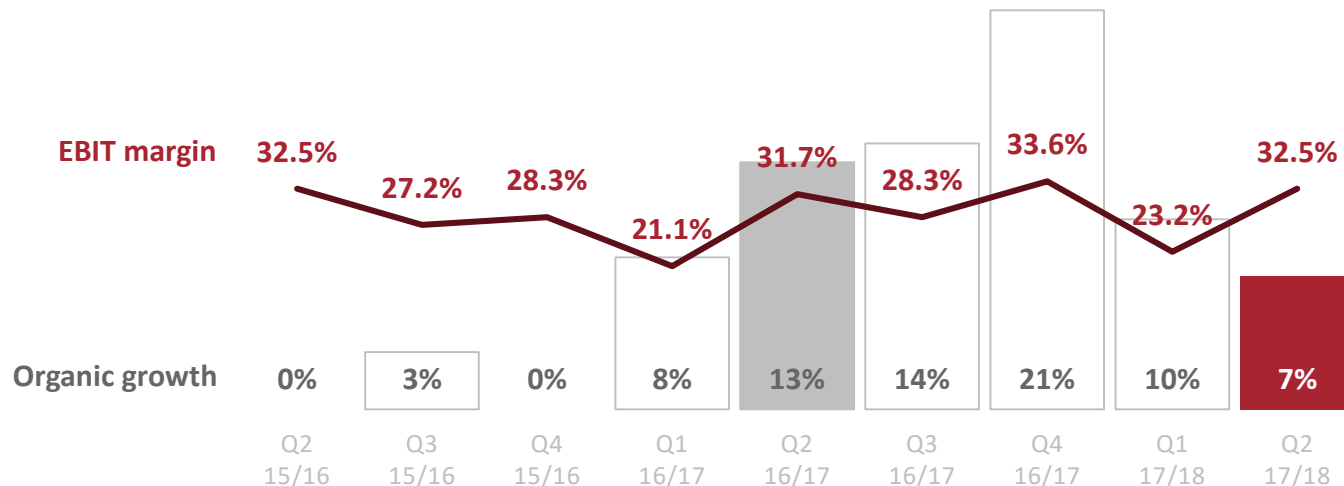
Organic growth driven by Animal Health



+8%

YTD ORGANIC SALES GROWTH

- ▶ Organic growth in human health was driven by both dietary supplements and infant formula in APAC, partly offset by North America
- ▶ Animal health continued to deliver strong growth driven by improved sales coverage outside North America. Animal health was positively impacted by strong growth in silage and swine
- ▶ Plant health grew strongly, albeit from a low base



+1.1%

IMPROVED EBIT MARGIN ON YTD 2016/17

- ▶ Growth in EBIT margin driven by a positive mix in human health, lower scrap, insourcing of NPC products, the absence of royalty payments for LGG®, partly offset by currencies

EUR million	Q2 17/18	Q2 16/17	YTD 17/18	YTD 16/17
Revenue	57.2	58.6	105.5	104.5
Organic growth	7%	13%	8%	10%
EBIT margin	32.5%	31.7%	28.2%	27.1%
ROIC ex. goodwill			24.6%	25.4%



Growth in all regions, except North America



+4%

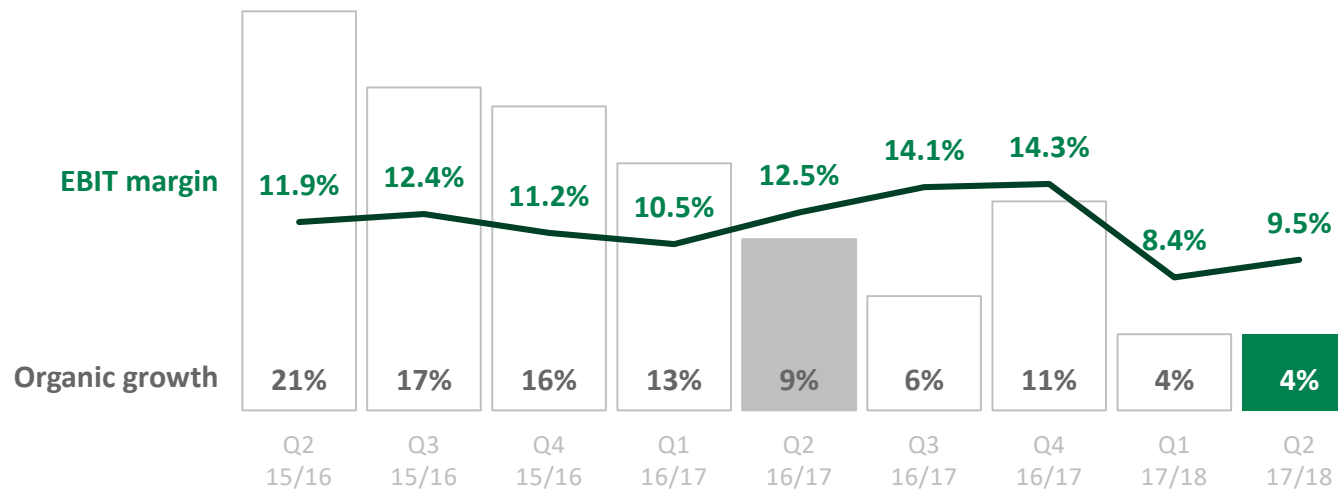
YTD ORGANIC SALES GROWTH

- ▶ Organic growth comprised approximately 2% from volume/mix effects and 2% from price increases in local currencies
- ▶ Organic volume growth was primarily driven by strong growth in coloring foodstuffs (Spirulina and Fruitmax®) and solid growth in annatto. Carmine declined compared to last year
- ▶ Globally, prepared food grew strongly, whereas dairy and fruit preparations in North America declined

-2.6%

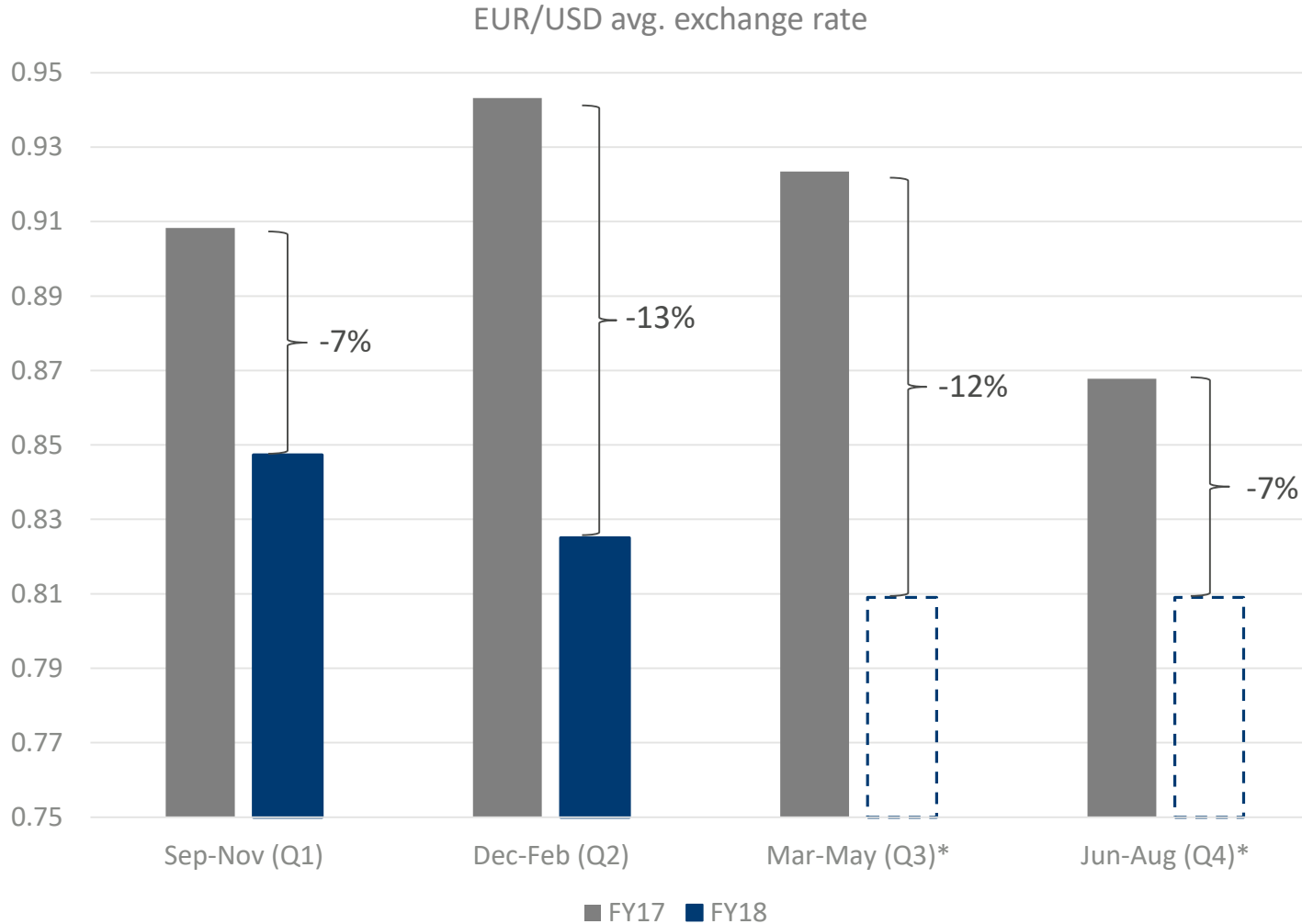
LOWER EBIT MARGIN ON YTD 2016/17

- ▶ Margin decline mainly driven by raw material impacts, incl. timing of inventories, and lower sales
- ▶ Margins expected to improve in 2H



EUR million	Q2 17/18	Q2 16/17	YTD 17/18	YTD 16/17
Revenue	52.8	54.2	103.9	105.7
Organic growth	4%	9%	4%	11%
EBIT margin	9.5%	12.5%	8.9%	11.5%
ROIC ex. goodwill			15.9%	24.1%

Substantial adverse currency impact especially driven by USD



The weakened USD has a sizable impact on topline, EBIT and free cash flow

- ▶ The depreciation in 1H was -10%, with a similar effect expected in 2H*

Impact on revenues from all currencies:

- ▶ In Q2 the currency impact was -7%, and in 1H the currency impact was -6%

Impact on EBIT margin from all currencies:

- ▶ In Q2 the currency impact was -1.2%-point, and in 1H the currency impact was -0.9%-point

*Q3 and Q4 based on fixed exchange rates from 10 April 2018

Income statement

EUR million	YTD 17/18	YTD 16/17
Revenue	518	501
<i>Organic growth</i>	9%	10%
<i>EUR growth</i>	3%	13%
<i>Gross margin</i>	53.0%	53.5%
R&D expenses	(37)	(34)
Sales & marketing expenses	(66)	(65)
Administrative expenses	(37)	(37)
Other income/expenses	1	3
EBIT before special items	136	136
<i>EBIT margin b.s.i.</i>	26.2%	27.1%
Special items	-	(1)
EBIT	136	135
<i>EBIT Margin</i>	26.2%	26.9%
Net financials	(9)	(6)
Income tax	(29)	(31)
Profit for the period	98	98

Highlights

Revenue

Volume/mix 7 %

Price 2 %

Organic growth 9 %

Currencies -6 %

EUR growth 3 %

Gross margin

- ▶ Down 0.5%-point to 53.0% driven by FC&E and NCD, partly offset by H&N

EBIT b.s.i.

- ▶ EUR 136 million YTD, same as 2016/17, margin decreased by 0.9%-points to 26.2% driven by FC&E and NCD, partly offset by H&N
- ▶ Margin development as expected and guidance for EBIT margin b.s.i. around 28.9% maintained

Cash flow and balance sheet

EUR million	YTD 17/18	YTD 16/17
Cash flow		
Operating activities	56	70
Operational investing activities	(45)	(47)
Free operating cash flow	11	23
Acquisition activities	-	(73)
Free cash flow	11	(50)
Balance sheet		
Total assets	1,810	1,797
Equity	748	762
Net interest-bearing debt	733	691
Key figures		
<i>Net working capital</i>	21.3%	21.1%
<i>Capital expenditure</i>	8.7%	9.9%
<i>ROIC excluding goodwill</i>	32.1%	35.2%
<i>NIBD/EBITDA</i>	2.0x	2.0x

Highlights

Cash flow

- ▶ Cash flow from operating activities declined by EUR 14 million, primarily driven by regulation change on Danish export credit scheme and higher taxes paid
- ▶ Cash flow used for operational investing activities decreased by EUR 2 million
- ▶ Free cash flow before special items and acquisitions was EUR 11 million, down from EUR 30 million last year

Key figures

- ▶ Capital expenditures corresponded to 8.7% of revenue, down from 9.9% in 2016/17
- ▶ ROIC excluding goodwill down 3.1%-points
- ▶ NIBD/EBITDA was stable at 2.0x

Outlook for 2017/18 slightly adjusted

	Realized 2016/17	Outlook 2017/18 12 Jan., 2018	Outlook 2017/18 11 April, 2018	Long-term financial ambitions ¹
Organic revenue growth	10%	8-10%	8-10%	8-10%
<i>Food Cultures & Enzymes</i>	9%	<i>Above L.T.</i>	<i>Above L.T.</i>	7-8%
<i>Health & Nutrition</i>	14%	<i>Below L.T.</i>	<i>Below L.T.</i>	+10%
<i>Natural Colors</i>	10%	<i>In line w/ L.T.</i>	<i>Below L.T.</i>	<i>Around 10%</i>
EBIT margin b.s.i.	28.9%	Around the same level as in 2016/17	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	Around the same level as in 2016/17	Increasing ²

¹ Baseline 2014/15

² Over the period



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