

Date: 30.08.2023

Q4 2022/23 AIDE MEMOIRE

This memoire sets forth public information previously provided by Chr. Hansen. The information provided below may prove helpful in estimating the financial performance for Q4 2022/23. Please note that the items listed below are not exhaustive and that other factors may affect the comparisons versus last year.

Outlook for September 1, 2022 - August 31, 2023 and January 1, 2023 - December 31, 2023 ([Company Announcement Q3 FY23, p. 9](#)):

- “While expectations to underlying market growth for the remainder of 2023 remain modest given the current uncertain geopolitical and macroeconomic environment, **Chr. Hansen is adjusting the outlook for organic growth covering September 1, 2022 to August 31, 2023 to 9-11%** (previously 8-11%) to reflect the performance of the third quarter. The expected growth is composed of price adjustments incl. EUR-based pricing combined with growth in lighthouses, and successful execution of the project pipeline in the core businesses.

Organic growth for the period covering January 1 to December 31, 2023 is expected to be 9-12%, while the impact from exchange rates on revenue is expected to be negative.”

- “**The EBIT margin b.s.i. covering September 1, 2022 to August 31, 2023 is still expected to be in the range of 26-27%**, as a positive impact from operational efficiencies and pricing initiatives is expected to be partly offset by continued pressure from the inflationary environment and continuing actions to protect against supply chain disruptions.

The EBIT margin b.s.i. for the period covering January 1 to December 31, 2023 is expected to be in the range of 26-27% compared to 26.3% in the same period last year. The EBIT margin b.s.i. is expected to be negatively impacted by exchange rates.”

- “**For the period covering from September 1, 2022 to August 31, 2023 the free cash flow b.s.i. is now expected to be in the range of EUR 200-230 million** (previously 180-220) reflecting a change in phasing of operational investing activities and a positive impact from lower taxes paid.

The free cash flow b.s.i. for the period covering January 1 to December 31, 2023 is expected to be EUR 200-250 million compared to EUR 152 million in the same period last year.”

Sensitivities ([Company Announcement Q3 FY23, p. 9](#)):

- “Continued changes in the geopolitical and macroeconomic climate including additional sanctions against Russia or other countries where Chr. Hansen operates, supply disruptions and developments in raw material and other input costs, such as energy, may impact the outlook for the remainder of 2023.”
- “The most significant currency exposure relates to USD, while exposure to other currencies is relatively modest. A 5% increase/decrease in the EUR/USD exchange rate would have a positive/negative annualized (12 months) impact on revenue measured in EUR of around EUR 25 million, while the impact on EBIT and cash flow is approximately two thirds of the impact on revenue. The outlook is based on actual rates until July 5, 2023, and for the remainder of the year assuming constant exchange rates at the current level of EUR/USD rate of 1.09 (previously EUR/USD rate of 1.10).”
- “Organic revenue growth is sensitive to exchange rate fluctuations in currencies for which Chr. Hansen applies an EUR-based pricing model, while protecting the impact on EBIT and cash flow.”

Q3 FY23 comments ([Conference Call Transcript Q3 FY23](#)):

- **Human Health:** "Human Health and HMO delivered good growth, driven by pricing. Volumes declined as they were negatively impacted by the timing of orders in HMO."
- **HMO:** "Chr. Hansen received the EU approval of the final HMO, 6'-SL, in our 5 HMO mix, for highest use levels in infant formula. This is an important step, since now we are able to offer customers with a mix of 5 HMOs, bringing infant nutrition products closer to human breast milk. Product registrations in China are ongoing, and we still expect the approval at the end of 2023, or the beginning of 2024."
- **Animal and Plant Health:** "Animal and Plant Health delivered strong growth supported by both pricing and volume growth."
- **FC&E:** "Strong 10% in the third quarter and also year to date. This was mainly driven by price which contributed 9% in the quarter, but we also saw slight volume growth. Dairy growth was strong, supported by pricing initiatives and strong momentum in cheese, while fresh dairy was solid, except for probiotics, which continued to decline. Bioprotection and fermented plant bases also supported the growth in FC&E. Food & Beverages performed well, driven by pricing, while volumes declined due to market softness within meat and prepared food categories."
- **Lighthouses:** "Organic growth in the Lighthouses combined reached 15% in the third quarter, and looking at the year to date they delivered very strong growth of 19%. All the lighthouses delivered double-digit growth in the first nine months of the year. [...] It is important not to look at the lighthouses on a quarterly basis but on an annual basis instead, since the businesses combined account only for approximately 10% of group sales."
- **Q3 EBIT margin:** "The Q3 EBIT margin before special items reached 27.5%, which was an increase of 0.8 percentage points compared to the year before. The positive development in the margin was due to the strong sales development and scalability effects, which was partly offset by a negative impact from higher input costs, a change in product mix and exchange rates. [...] The year-to-date EBIT margin before special items was 26.4% compared to 26.3% last year."

Q4/FY23 comments ([Conference Call Transcript Q3 FY23](#)):

- **Human Health:** "The market outlook is slightly more positive compared to the previous quarter, and the sector growth of probiotic Human Health products is in line with the midterm outlook of 4% to 6%, with some recent improvements in North American consumption after a period of very soft growth and despite softness in the South Korean markets for dietary supplements. [...] We see signs in North America on the market strengthening, both in the pipeline, in our open order books. [...] Markets across EMEA and in China have continued to show resilient growth in this segment."
- **FC&E China:** "The positive news in China is that our interactions with customers have now normalised, we have seen a very rich inflow of projects, a strong pipeline, but I do not expect this to be translated into any improvement in China volumes until 2024."
- **Pricing:** "Pricing as such, from a year-on-year perspective in Q4, will not be as strong as Q3 because we are getting to the annualised impact of our, in particular, Food Cultures and Enzymes price-up initiatives from last year."
- **Interim dividend for the period September 1, 2022 - August 31, 2023:** "In connection with the merger agreement, Novozymes and Chr. Hansen have agreed on certain specific restrictions in respect of distributions to their shareholders until completion of the proposed merger. As part of this, it has been agreed that Chr. Hansen can make a dividend payout in respect of its earnings for the period September 1st 2022 to August 31st 2023 up to an amount corresponding to a dividend payout ratio of 55%. The board of directors intends to announce such a dividend in connection with the 12-month report on

October 12th 2023, which is subject to closing of the proposed merger not taking place prior to the payout date.”

Q4 FY22 comments (Investor Presentation Q4 FY22, p. 8):

Regions:

- EMEA: Solid growth supported by all product areas (except Human Health) and pricing initiatives, including a positive impact from EUR-based pricing; growth negatively impacted by Russia; Human Health negatively impacted by customer order patterns.
- NA: FC&E supported by solid momentum in cheese and fermented beverages as well as pricing initiatives; fresh dairy below last year; H&N declined compared to last year due to customer order patterns in HMO and Human Health.
- LATAM: Pricing initiatives in FC&E partly offset by a negative impact from EUR-based pricing and lower volumes; H&N adversely impacted by the timing of orders in Plant Health.
- APAC: Growth driven by volume growth and supported by all product areas, except for dairy which was negatively impacted by declining volumes in China; positive impact from pricing initiatives was more than offset by a negative impact from EUR-based pricing.

Timing of the merger

The completion of the combination remains subject to the satisfaction of an additional number of conditions set out in the merger plan, including certain regulatory approvals. The completion of the combination is expected to occur in the fourth quarter of the calendar year 2023 or the first quarter of the calendar year 2024.

Restated quarterly financial highlights and key figures based on calendar year

Provided in the company announcement Q3 FY23, Note 6.

Sources

- [Company Announcement Q3 FY23, Conference Call Transcript Q3 FY23, Investor Presentation Q4 FY22](#)

Forward-looking statements

This document contains forward-looking statements that reflect management’s current views and expectations with respect to Chr. Hansen’s future and potential financial performance. Those forward-looking statements are based upon data and information currently available to the Company, and on a variety of assumptions, many of which may be beyond our control and subject to risks and uncertainties that may cause the actual results of the Company or the industry to differ materially from such forward-looking statements. The information, opinions and forward-looking statements are provided as of the date stated in this document and the Company is under no obligation to publish any updates thereof except for what is required by applicable law or stock exchange rules and regulations.