

The background of the slide is a close-up, shallow depth-of-field photograph of numerous small, white, spherical beads scattered across a light-colored, possibly white, surface. The beads are in various positions, some in sharp focus in the foreground and others blurred in the background, creating a sense of depth and texture.

**CHR. HANSEN HOLDING A/S**

**First nine months 2015/16**

1 September 2015 - 31 May 2016

5 July 2016

# 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 YTD 2015/16

## Revenue

EUR **693** million  
(up 11% on 2014/15)

## Organic growth

**13%**  
(9% in 2014/15)

## Operating profit (EBIT) margin before special items

**27.2%**  
(25.6% in 2014/15)

## Profit for the period

EUR **128** million  
(up 15% from 2014/15)

## R&D expenditures incurred

EUR **51** million  
(7.3% of revenue, compared to 6.6% in 2014/15)

## Free cash flow before acquisitions and special items

EUR **58** million  
(EUR 65 million in 2014/15)

# Strategic & operational highlights 2015/16

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

- **Nature's No. 1 strategy** reaffirmed. Organic growth target of 8-10% per year until 2019/20
- **Capacity:** Initiated next phase of expansion for production of cultures in Copenhagen
- **Animal health:** Despite current challenging market conditions due to milk and meat prices remaining at extraordinarily low levels, the long-term growth outlook remains very positive
- **NPC:** Integration of NPC progressing as planned
- **Bioprotection:** Very strong growth in dairy and meat supported by new sales in salad and fish
- **Plant Health:** First sales in the US of the VGR™ biostimulant for corn plants
- **Human Microbiome:** Completed clinical study showing a positive physiological effect of the bacteria tested. Based on the results achieved, the clinical development has moved to the next stage

# Regional performance YTD 2015/16

## EMEA

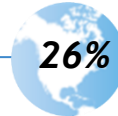


- Strong growth in natural colors, fermented milk, cheese, meat and solid growth in probiotics
- Enzymes and human health at the same level as 2014/15
- Animal health below 2014/15 due to market conditions
- Positive impact from EUR-based pricing

**10%**

Organic growth

## North America

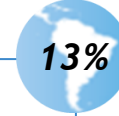


- Strong growth in human health, natural colors, cheese and meat
- Modest growth in fermented milk and enzymes
- Animal health and probiotic cultures below 2014/15
- Animal health negatively impacted by insourcing at a major customer and market conditions

**8%**

Organic growth

## LATAM



- Strong growth across all segments except for probiotic cultures and plant health
- Positive impact from EUR-based pricing

**22%**

Organic growth

## APAC

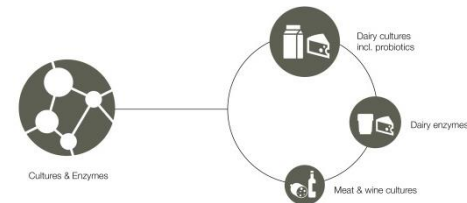


- Strong growth in fermented milk including probiotics, natural colors and cheese
- Particular strong growth in China

**21%**

Organic growth

# Food Cultures & Enzymes

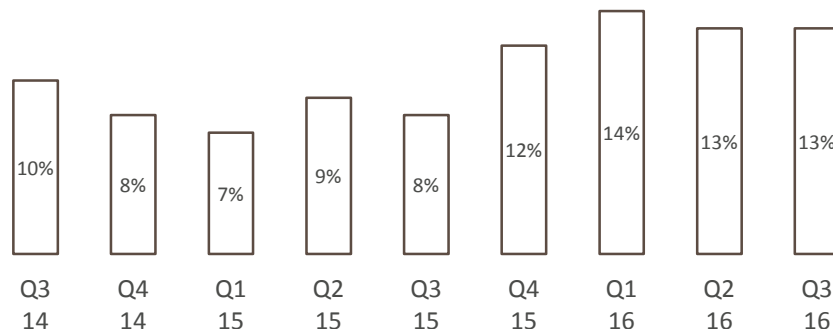


EUR million	Q3 15/16	Q3 14/15	YTD 15/16	YTD 14/15
Revenue	144	136	412	377
Organic growth	13%	8%	13%	8%
EBIT	50	45	135	111
EBIT margin	34.8%	32.9%	32.8%	29.4%
ROIC ex. goodwill			41.6%	35.6%

## Organic growth

- Volume/mix 9% and price 4%. Local price increases mainly through EUR-based pricing
- Strong growth in fermented milk, cheese and meat supported by very strong growth in bioprotection. Good growth in probiotics and enzymes
- **Q3:** Volume/mix 10% and price 3%. Strong growth in fermented milk, cheese and meat. Solid growth in probiotics and modest growth in enzymes

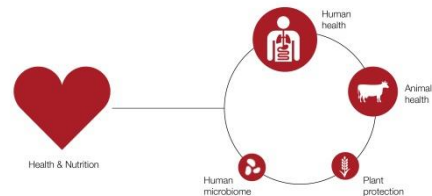
## Quarterly organic growth



## EBIT margin

- Margin up 3.4%-points on 2014/15
  - Operational efficiencies, including lower depreciation level, impact from start-up costs in 2014/15 and product mix
- **Q3:** Margin up 1.9%-points due to operational efficiencies, including lower depreciation and product mix partly offset by higher R&D activity and negative impact from depreciating currencies

# Health & Nutrition

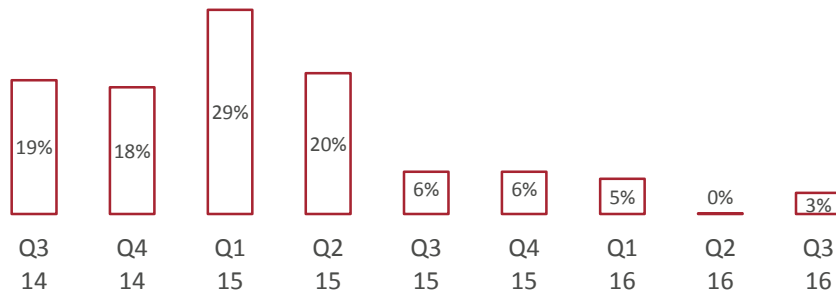


EUR million	Q3 15/16	Q3 14/15	YTD 15/16	YTD 14/15
Revenue	52	43	134	120
Organic growth	3%	6%	2%	17%
EBIT	14	14	38	38
EBIT margin	27.2%	32.8%	28.3%	32.2%
ROIC ex. goodwill			29.5%	39.3%

## Organic growth

- Volume/mix 2% and price 0%
- Strong growth in human health, while revenue from animal health below last year due to insourcing at major customer (1H) and challenging market conditions
- **Q3:** Strong growth in human health partly due to timing, offset by decline in animal health due to tough market conditions. First sales of VGR™ in plant health

## Quarterly organic growth



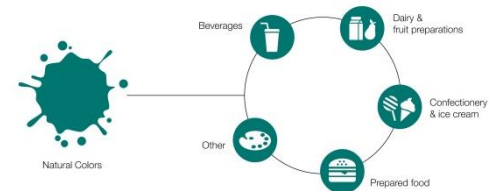
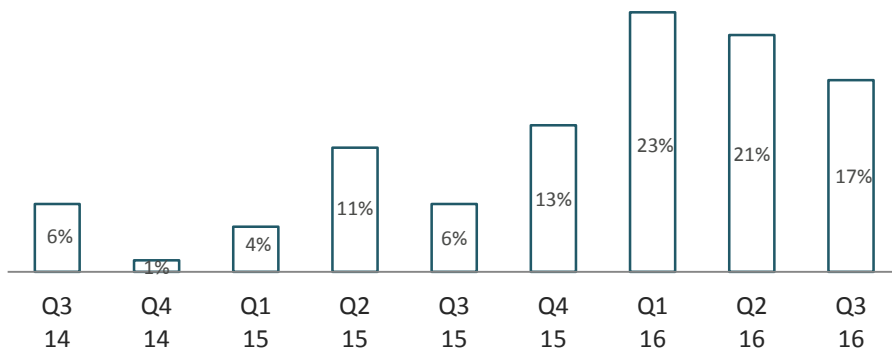
## EBIT margin

- Margin down 3.9 %-points on 2014/15
  - Increased US tariff costs, higher research & development activity, lower sales activity in animal health and inclusion of NPC
  - Partly offset by favorable exchange rates
- **Q3:** Margin down 5.6%-points. Mainly due to inclusion of NPC, higher research & development activity, higher US tariff costs and lower sales in animal health

# Natural Colors

EUR million	Q3 15/16	Q3 14/15	YTD 15/16	YTD 14/15
Revenue	53	49	148	129
Organic growth	17%	6%	20%	7%
EBIT	7	5	16	11
EBIT margin	12.4%	10.0%	10.8%	8.3%
ROIC ex. goodwill			22.2%	16.5%

## Quarterly organic growth



## Organic growth

- Volume/mix 12% and price 8%. Local price increases mainly reflecting higher raw material prices and EUR-based pricing
- Strong growth in prepared food, confectionery & ice cream and dairy & fruit preparations. Modest organic growth in beverage
- **Q3:** Volume/mix 7% and price 10%. Strong growth across most food categories. Price increases reflecting higher raw material prices

## EBIT margin

- Margin up 2.5%-points on 2014/15
  - Positive impact from increased volume and optimization initiatives
  - Partly offset by negative impact from currencies
- **Q3:** Margin up 2.4%-points. Positive impact from the ongoing optimization initiatives partly offset by negative impact from currencies



# Cash flow and balance sheet

EUR million	Q3 15/16	Q3 14/15	YTD 15/16	YTD 14/15
<b>Cash flow</b>				
Operating activities	60	72	115	111
Investing activities	(20)	(18)	(61)	(46)
<i>Free operating cash flow</i>	41	54	54	65
Acquisition activities	-	-	(169)	-
<i>Free cash flow</i>	41	54	(115)	65
<b>Balance sheet</b>				
Total assets			1,662	1,442
Equity			667	694
Net interest-bearing debt			666	438
<b>Key Figures</b>				
<i>Net working capital</i>			21.0%	20.8%
<i>Capital expenditure</i>			8.8%	7.3%
<i>ROIC excluding goodwill</i>			36.0%	33.8%
<i>NIBD/EBITDA</i>			2.1x	1.6x

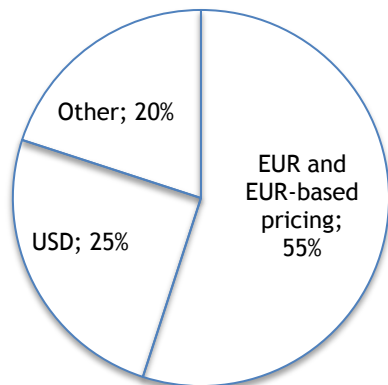
## Highlights

- Cash flow from operating activities improved by EUR 4 million. Improved operating profit partly offset by higher net working capital
- Cash flow used for investing activities increased by EUR 15 million, mainly due to investments in capacity for culture production and laboratory facilities for the human microbiome initiative
- Capital expenditures corresponded to 8.8% of revenue, compared to 7.3% in 2014/15
  - Capitalized development expenditures increased to 1.5% of revenue, compared to 1.1% in 2014/15 driven by acquired bacterial strain collection from DIAL
- ROIC excluding goodwill up 2.2%-points
- NIBD/EBITDA at 2.1x due to acquisition of NPC

# Currency exposure

## Revenue - Currency split

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## Protecting EBIT by use of EUR price list

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- Used in countries where we have little or no cost base to protect EBIT from currency fluctuations
- Covers approx. 25% of revenue
- Approx. 3% positive impact on organic growth in both Q3 and YTD 2015/16

## Modest impact from Brexit

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- GBP exposure 2-3% of revenue
  - >50% of GBP exposure covered by EUR price list
  - Slightly positive impact on organic growth
- Uncovered GBP exposure around 1% of revenue
  - Partly offset by local sales and application costs
- Balance sheet exposure after hedging below GBP 0.2 million

## Revenue 2015/16

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	Q3	YTD
Organic growth (volume/mix)	8%	9%
Organic growth (price)	4%	4%
<b>Organic growth</b>	<b>12%</b>	<b>13%</b>
Currencies	(6)%	(4)%
NPC acquisition	4%	2%
<b>EUR growth</b>	<b>10%</b>	<b>11%</b>

# Outlook for 2015/16

Group outlook unchanged compared to 7 April 2016

	Realized 2014/15	Outlook 2015/16	Long-term financial ambitions**
Organic revenue growth	10%	10-12%*	8-10%
✓ <i>Food Cultures &amp; Enzymes</i>	9%	<i>Above long-term ambitions*</i>	7-8%
✓ <i>Health &amp; Nutrition</i>	13%	<i>Well below 2014/15</i>	+10%
✓ <i>Natural Colors</i>	9%	<i>Above 2014/15</i>	<i>Around 10%</i>
R&D expenditures (as percentage of revenue)	6.4%	Around 7%	
EBIT margin b.s.i.	27.1%	Above 2014/15	Increasing
✓ <i>Food Cultures &amp; Enzymes</i>	31.5%	<i>Above 2014/15</i>	<i>Increasing</i>
✓ <i>Health &amp; Nutrition</i>	33.3%	<i>Below 2014/15</i>	<i>Around 30%</i>
✓ <i>Natural Colors</i>	8.3%	<i>Above 2014/15</i>	<i>Increasing</i>
Free cash flow before acquisition, divestments and special items	EUR 151 million	Above 2014/15	Increasing***

\* 14 January 2016: 9-11%; 21 October 2015: 8-10% and "in line with long-term ambitions"

\*\* Baseline 2014/15

\*\*\* Over the period

# Q&A





Back up

# Income statement

EUR million	YTD 15/16	YTD 14/15
Revenue	693	625
<i>EUR growth</i>	11%	13%
<i>Organic growth</i>	13%	9%
<i>Gross margin</i>	52.8%	51.4%
R&D expenses	(45)	(39)
Sales & marketing expenses	(83)	(77)
Administrative expenses	(50)	(45)
Other income/expenses	1	(1)
EBIT before special items	189	160
<i>EBIT margin b.s.i.</i>	27.2%	25.6%
Special items	(8)	-
EBIT	181	160
<i>EBIT Margin</i>	26.1%	25.6%
Net financials	(11)	(10)
Income tax	(43)	(39)
Profit for the period	128	111

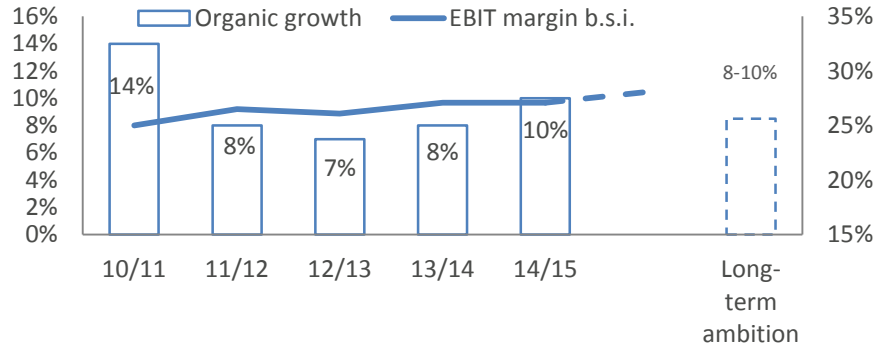
# R&D expenditures

EUR million	YTD 15/16	Share of revenue	YTD 14/15	Share of revenue
R&D expenses (P/L)	44.9	6.5%	38.9	6.2%
- Amortization	(4.7)	(0.7)%	(4.4)	(0.7)%
+ Capitalized development costs	10.4	1.5%	7.1	1.1%
<b>R&amp;D expenditures incurred</b>	<b>50.6</b>	<b>7.3%</b>	<b>41.6</b>	<b>6.6%</b>
- Depreciation	(3.3)	(0.5)%	(2.1)	(0.3)%
+ Investment in tangible assets	7.3	1.1%	4.0	0.6%
<b>Total R&amp;D investment</b>	<b>54.6</b>	<b>7.9%</b>	<b>43.5</b>	<b>7.0%</b>

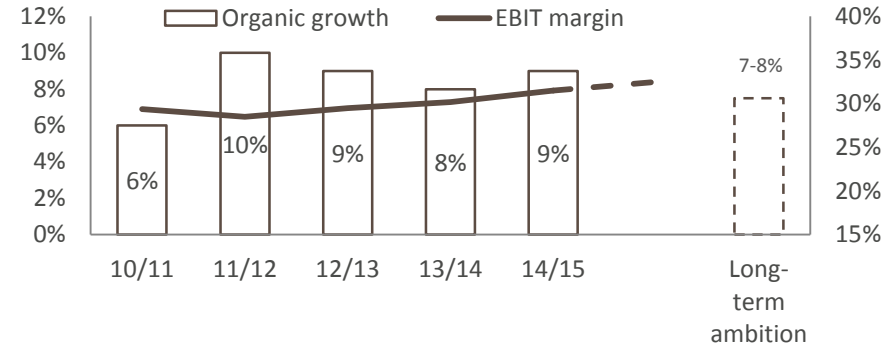
- R&D expenditures incurred was up 22% in first nine months, mainly driven by acquisition of a bacterial strain collection from the Board of Dairy Innovation Australia (part of capitalized development costs)
- Increase in investment in tangible assets mainly due to new facility for human microbiome

# Organic growth and EBIT margin history

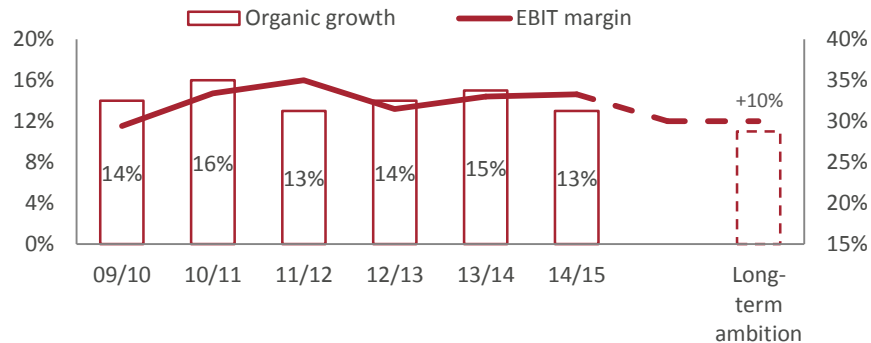
## Group



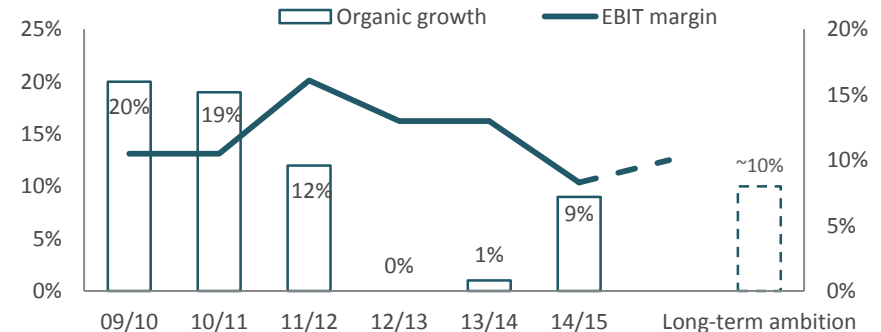
## CED



## HND



## 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

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Number of shares of DKK 10 (1 September 2015)	131,852,496
Own shares (31 May)	849,916
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 2015/16

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26 October 2016	Annual Report 2015/16
29 November 2016	Annual General Meeting

## Contact Chr. Hansen

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