



Chr. Hansen Holding A/S

Annual Report 2015/16

Roadshow presentation 27 & 28 October 2016

Safe harbor statement

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Financial highlights 2015/16

Revenue

EUR **949** million
(up 11% on 2014/15)

Operating profit (EBIT) margin
before special items

28.2%
(27.1% in 2014/15)

R&D expenditures incurred

EUR **67** million
(7.1% of revenue, compared to 6.4% in 2014/15)

Organic growth

12%
(10% in 2014/15)

Profit for the year

EUR **184** million
(up 13% from 2014/15)

Free cash flow
before acquisitions and special items

EUR **175** million
(EUR 151 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
- **Bioprotection:** Very strong growth in dairy and meat supported by sales in new food categories
- **Plant Health:** First sales in the US of the VGR™ biostimulant for corn plants
- **Human Microbiome:** Entered into two partnerships and progressed with own study program
- **Capacity:** Expansion of production capacity for cultures in Copenhagen progressing as planned
- **Animal Health:** Despite current challenging market conditions, the long-term growth outlook remains very positive
- **Animal Health:** Integration of NPC progressed as planned
- **Probiotics:** Acquired LGG® and related business from Valio Oy in September 2016



Creating a broader platform in animal health



NPC

Purchase price

- EUR 185 million
- EUR 109 million classified as goodwill
- Fully allocated to Health & Nutrition

Revenue

- EUR 14 million in 2015/16 (6 months)
- Distribution business (EUR 10 million in 2015) to be discontinued. Reported as other operating income in 2015/16

EBIT b.s.i.

- EUR 3 million in 2015/16

Special items

- EUR 6 million in 2015/16

EV/EBITDA

- 15.9x before synergies based on 2015 results

Business update

- Revenue from continuing business slightly lower than originally expected due to market conditions
- First revenue from cross-selling of Chr. Hansen products to former NPC customers in 2015/16
- First revenue from internationalization of NPC products
- Production synergies accelerated by up to 4 months. Initial impact from second half 2016/17

Integration process

- Successful integration process with focus on speed and direct involvement of key NPC employees
- High retention rate of customers, employees and suppliers
- Recent survey showed high engagement level of NPC employees (above Chr. Hansen average)
- Legal entities merged

Building a branded LGG® business*



LGG® trademark and related business

Purchase price

- EUR 73 million
- Approx. 2/3 classified as goodwill
- Majority allocated to H&N

Revenue

- EUR 9 million in 2015
- Approx. EUR 2 million in royalty from Chr. Hansen to be eliminated
- Expected to be included in P/L effective Q2 (9 month impact)

EBIT b.s.i.

- Small positive contribution in 2016/17

Special items

- EUR 2 million

EV/EBITDA

- 12x before synergies

Health & Nutrition opportunity

- Optimizing license agreements taken over from Valio
- Expanding existing Chr. Hansen LGG® partnerships
- New business through strategic accounts and geographical expansion
- R&D collaboration with Valio

Up to 1%-point positive impact on organic growth for human health expected from 2017/18

Food Cultures & Enzymes opportunity

- Stronger probiotic position, especially in immune function for children through combination of LGG® and BB-12®
- Supporting existing dairy customers incl. Valio with LGG®
- Access to new strains, Transglutaminase technology and supporting Valio with production of specialty strains

Slight positive impact on organic growth for Food Cultures & Enzymes expected from 2017/18

*Expected closing during Q1 2016/17

Regional performance 2015/16

EMEA — 46%

- Strong growth in fermented milk, cheese, meat and natural colors and solid growth in probiotics
- Enzymes at the same level as 2014/15
- Human and animal health below 2014/15
- Positive impact from EUR-based pricing

9%

Organic growth

North America — 26%

- Strong growth in cheese, meat, human health and natural colors. Modest growth in fermented milk
- Enzymes at the same level as 2014/15
- Animal health and probiotics below 2014/15
- Animal health negatively impacted by insourcing by a major customer and tough market conditions

7%

Organic growth

LATAM — 13%

- Strong growth across all segments except for probiotics for fermented milk
- Positive impact from EUR-based pricing
- Continued demand for natural ingredients despite economic turmoil, however slower momentum

17%

Organic growth

APAC — 15%

- Strong growth in fermented milk, cheese, probiotics, animal health and natural colors
- Solid growth in human health and modest growth in enzymes
- Growth across the region, but particular strong growth in China

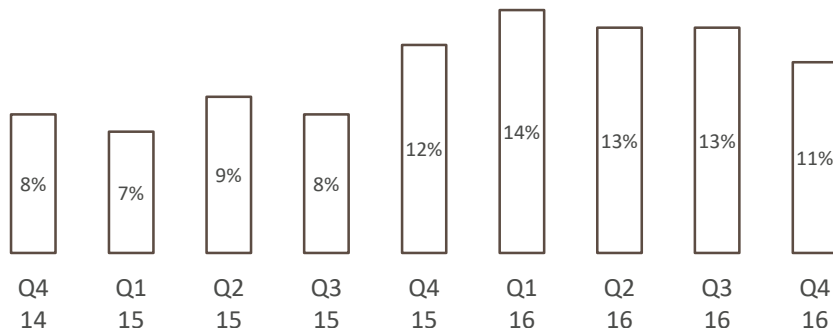
24%

Organic growth

Food Cultures & Enzymes

EUR million	Q4 15/16	Q4 14/15	FY 15/16	FY 14/15
Revenue	153	142	565	519
Organic growth	11%	12%	12%	9%
EBIT	59	53	194	163
EBIT margin	38.4%	37.0%	34.3%	31.5%
ROIC ex. goodwill			46.2%	40.3%

Quarterly organic growth



Organic growth

- Volume/mix 9% and price 3%. Local price increases mainly through EUR-based pricing
- Strong growth in fermented milk, cheese and meat supported by very strong growth in bioprotection. Solid growth in probiotics and good growth in enzymes
- **Q4:** Volume/mix 8% and price 3%. Strong growth in fermented milk, probiotics and meat. Solid growth in cheese, while enzymes around the same level as last year

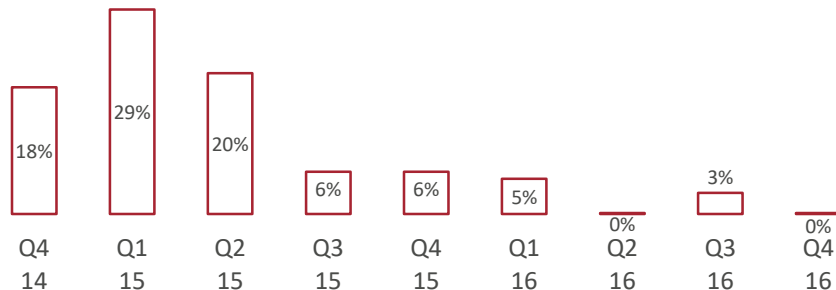
EBIT margin

- Margin up 2.8%-points on 2014/15
 - Operational efficiencies, including lower depreciation level and product mix
 - partly offset by higher R&D activity
- **Q4:** Margin up 1.4%-points due to operational efficiencies, including lower depreciation, product mix and cost management, partly offset by higher R&D activity and negative impact from currencies

Health & Nutrition

EUR million	Q4 15/16	Q4 14/15	FY 15/16	FY 14/15
Revenue	50	45	184	165
Organic growth	0%	6%	2%	13%
EBIT	14	17	52	55
EBIT margin	28.3%	36.3%	28.3%	33.3%
ROIC ex. goodwill			30.6%	42.2%

Quarterly organic growth



Organic growth

- Volume/mix 2%
- Strong growth in human and plant health while revenue from animal health below last year due to challenging market conditions and insourcing at major customer (1H)
- **Q4:** Strong growth in plant health. Human health at the same level as last year (mainly timing) and animal health declined due to tough market conditions. First revenue from the human microbiome

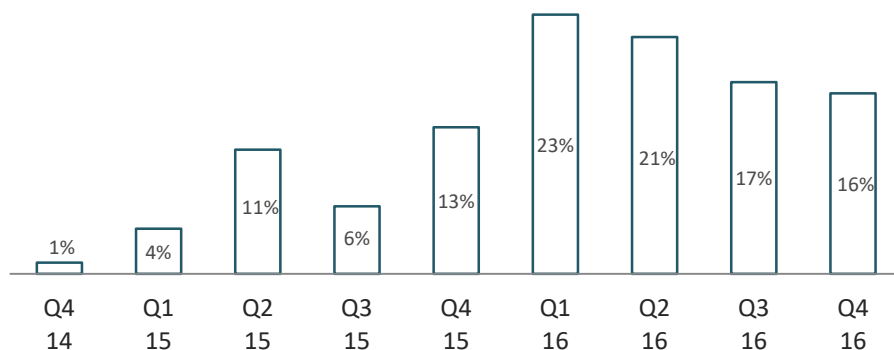
EBIT margin

- Margin down 5.0%-points on 2014/15
 - Lower activity in animal health, higher US tariff costs, impairment of obsolete technology platform (EUR 2 million) and inclusion of NPC
- **Q4:** Margin down 8.0%-points. Mainly due to impairment charge, lower sales activity, higher US tariff costs and inclusion of NPC

Natural Colors

EUR million	Q4 15/16	Q4 14/15	FY 15/16	FY 14/15
Revenue	52	46	200	175
Organic growth	16%	13%	19%	9%
EBIT	6	4	22	14
EBIT margin	11.2%	8.0%	10.9%	8.3%
ROIC ex. goodwill			25.8%	17.4%

Quarterly organic growth



Organic growth

- Volume/mix 9% and price 10%. Local price increases mainly reflecting higher raw material prices and EUR-based pricing
- Strong growth in prepared food, meat, dairy & fruit preparations and confectionary & ice cream categories.
- **Q4:** Volume/mix 6% and price 10%. Strong growth in annatto and coloring foodstuff. Price increases reflecting higher raw material prices, EUR based pricing and price management

EBIT margin

- Margin up 2.6%-points on 2014/15
 - Positive impact from increased sales and ongoing optimization initiatives
 - Partly offset by negative impact from currencies
- **Q4:** Margin up 3.2%-points. Positive impact from increased sales and ongoing optimization initiatives partly offset by negative impact from currencies

Income statement

EUR million	FY 15/16	FY 14/15
Revenue	949	859
<i>Organic growth</i>	12%	10%
<i>EUR growth</i>	11%	14%
<i>Gross margin</i>	53.3%	52.0%
R&D expenses	(63)	(51)
Sales & marketing expenses	(113)	(102)
Administrative expenses	(66)	(61)
Other income/expenses	4	-
EBIT before special items	268	233
<i>EBIT margin b.s.i.</i>	28.2%	27.1%
Special items	(12)	-
EBIT	256	233
<i>EBIT Margin</i>	26.9%	27.1%
Net financials	(16)	(13)
Income tax	(56)	(57)
Profit for the period	184	163

Highlights

Revenue

Volume/mix 8 %

Price 4 %

Organic growth 12 %

Currency (3)%

NPC 2 %

EUR growth 11 %

EBIT

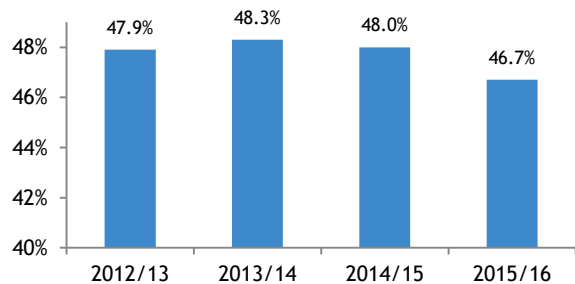
- EBIT before special items up EUR 35 million
- EBIT margin b.s.i. improved by 1.1%-point to 28.2%

Special items

- EUR 12 million related to acquisitions and US tariff cost from previous years

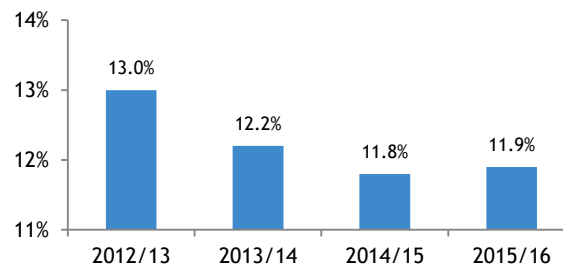
Scalability funding increased investment in R&D

Cost of sales*



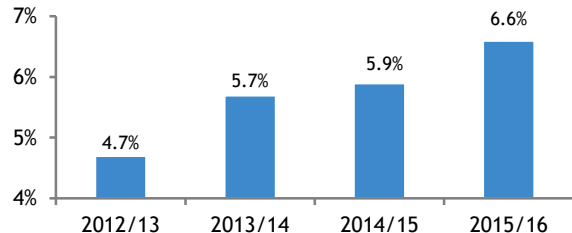
- 2015/16: Production efficiencies and lower depreciation

Sales & marketing expenses*



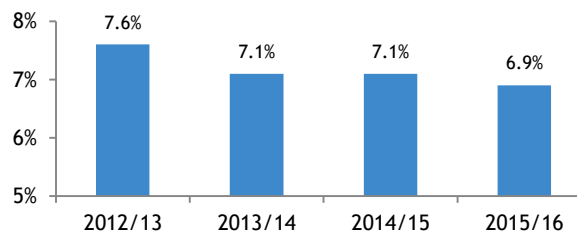
- 2015/16: Increase due to inclusion of NPC (0.4%-point)

R&D expenses*



- 2015/16: Acquisition of strain collection from Dial, higher activity and impairment

Administrative expenses*



- 2015/16: General cost discipline

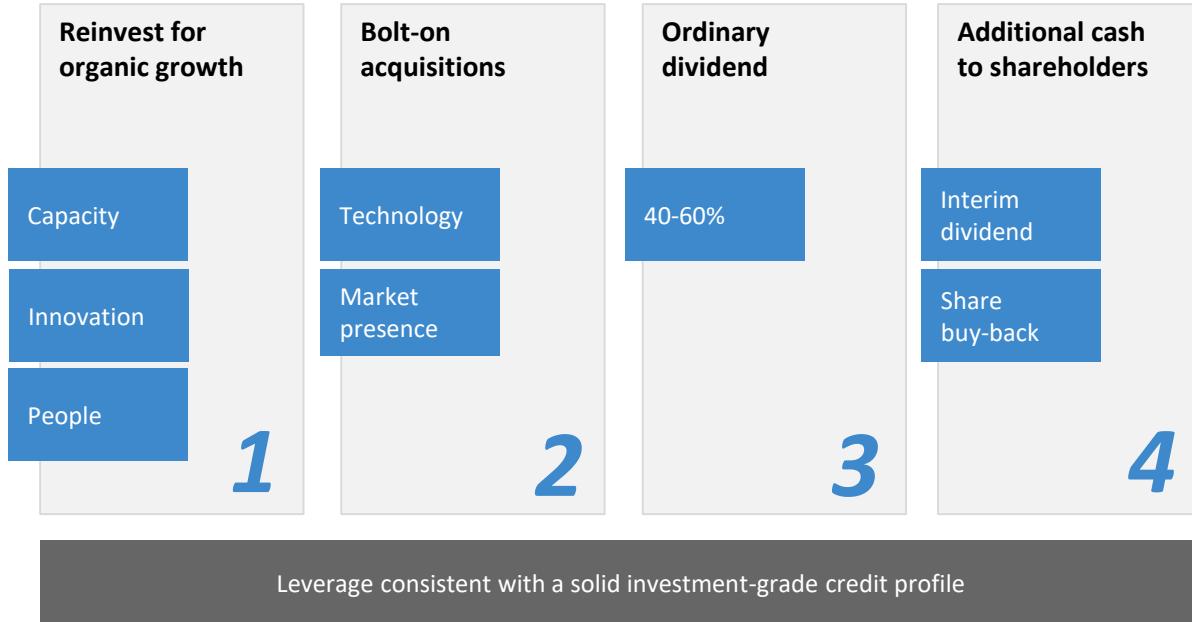
Cash flow and balance sheet

EUR million	FY 15/16	FY 14/15
Cash flow		
Operating activities b.s.i.	250	222
Investing activities	(75)	(70)
Free operating cash flow b.s.i.	175	151
Acquisition activities	(169)	-
Free cash flow b.s.i.	6	151
Free cash flow	0	151
Balance sheet		
Total assets	1,715	1,445
Equity	730	601
Net interest-bearing debt	548	488
Key Figures		
<i>Net working capital</i>	15.5%	16.1%
<i>Capital expenditure</i>	8.2%	8.2%
<i>ROIC excluding goodwill</i>	39.7%	37.6%
<i>NIBD/EBITDA</i>	1.7x	1.7x

Highlights

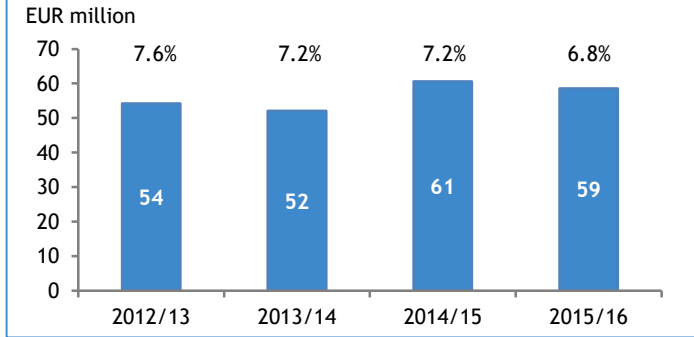
- Cash flow from operating activities before special items improved by EUR 28 million due to improved operating profit
- Cash flow used for investing activities increased by EUR 5 million, mainly due to investments in capacity for culture production and laboratory facilities for human microbiome
- Acquisition of NPC at a purchase price of EUR 169 million
- Capital expenditures corresponded to 8.2% of revenue, similar to level in 2014/15
- ROIC excluding goodwill up 2.1%-points
- NIBD/EBITDA at 1.7x despite acquisition of NPC

Capital allocation priorities

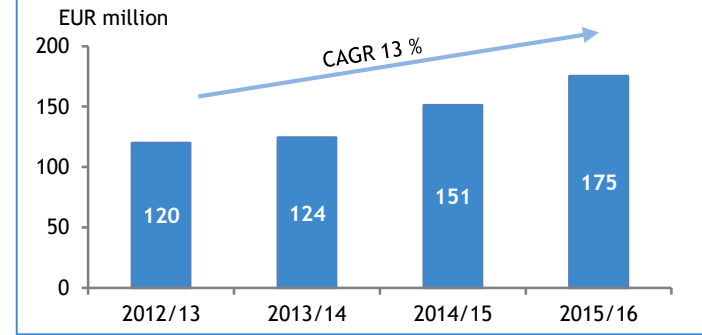


Investing in organic growth, while growing cash generation and ROIC

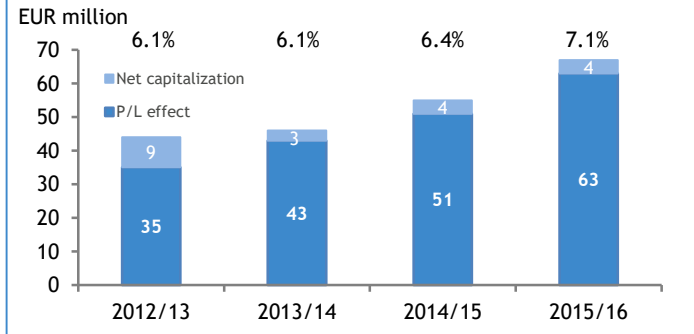
Capex excl. acquisitions, divestments & capitalized development costs



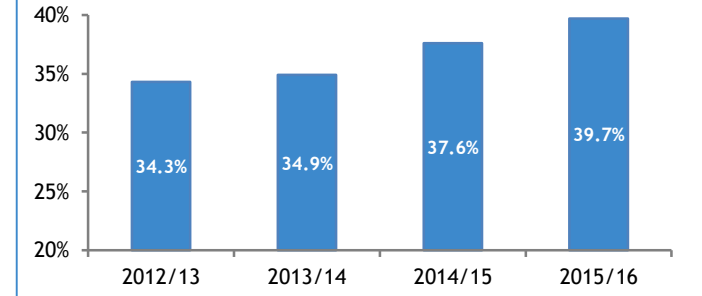
Free cash flow before acquisitions, divestments and special items



R&D expenditures



ROIC excluding goodwill



Ordinary dividend and additional cash

Shareholder return

2015/16

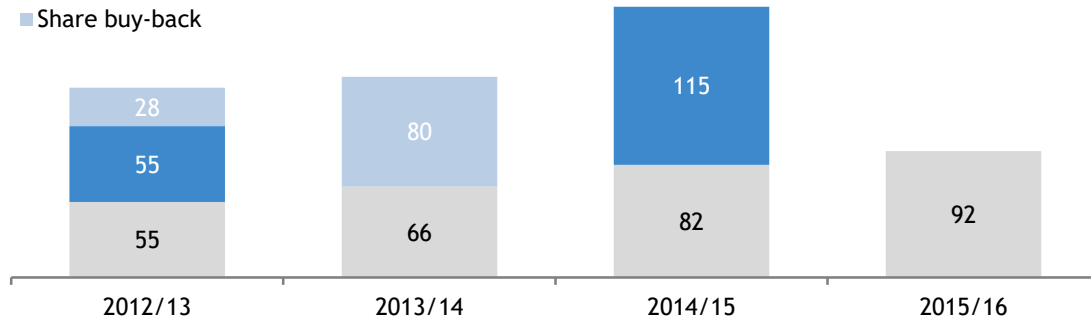
- Ordinary dividend for 2015/16 of EUR 0.70 per share is proposed (50% of profit for the year)
- With this the ordinary dividend have increased by 67% over three years

2016/17

- Despite the announced acquisition of LGG®, the Board of Directors will consider the option of distributing excess cash during 2016/17, while maintaining financial leverage consistent with a solid investment-grade credit profile

Total cash returned (EUR million)

■ Ordinary dividend ■ Interim dividend
■ Share buy-back



Outlook for 2016/17

	Realized 2015/16	Outlook 2016/17	Long-term financial ambitions*
Organic revenue growth	12%	8-10%	8-10%
<ul style="list-style-type: none"> ✓ Food Cultures & Enzymes ✓ Health & Nutrition ✓ Natural Colors 	12% 2% 19%	<i>In line with long-term ambitions</i>	7-8% +10% Around 10%
EBIT margin b.s.i.	28.2%	Slightly above 2015/16	Increasing
Free cash flow before acquisition, divestments and special items	EUR 175 million	Around the same level as in 2015/16	Increasing**

* Baseline 2014/15

** Over the period



Q&A

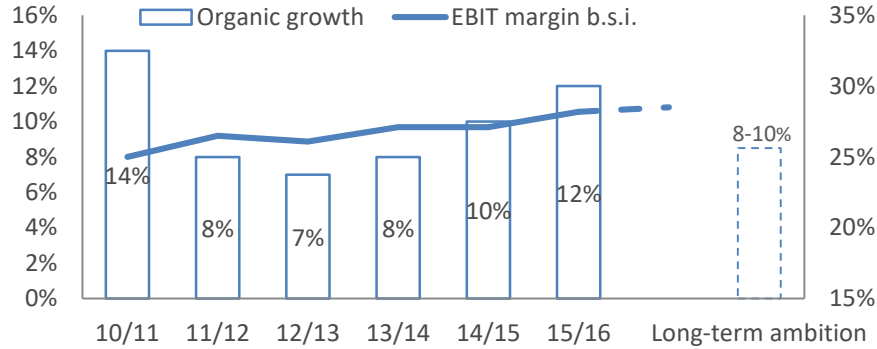




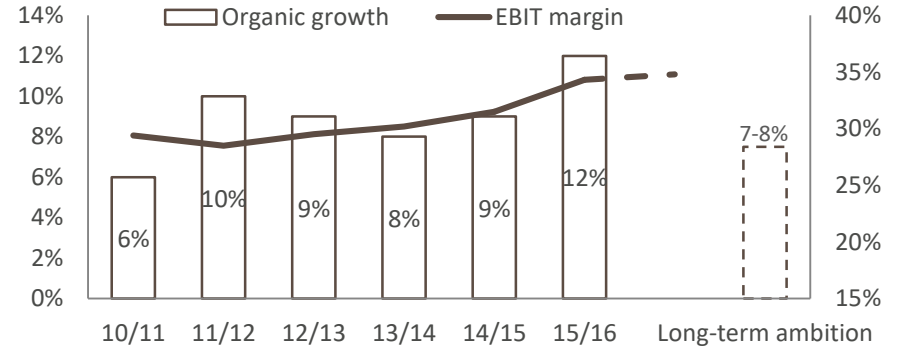
Back up

Organic growth and EBIT margin history

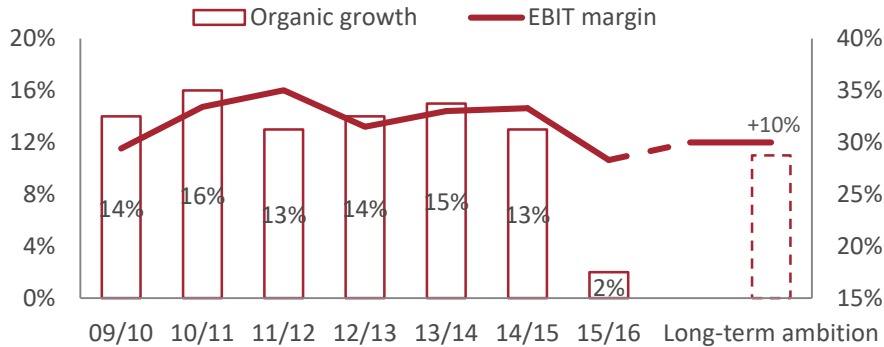
Group



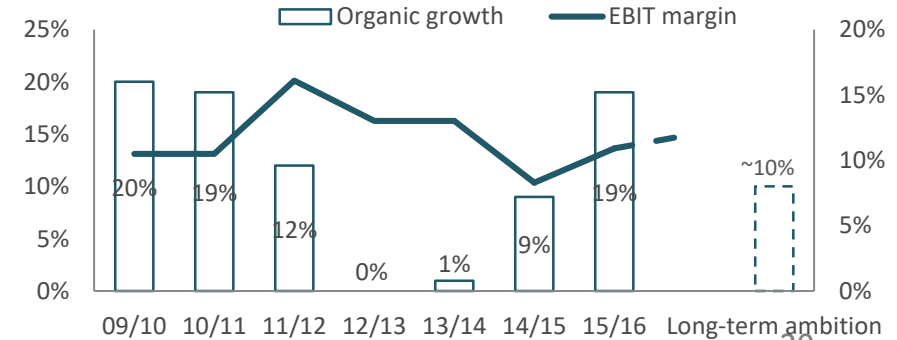
FC&E



H&N



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

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 2016/17

29 November 2016	Annual General Meeting
11 January 2017	Q1 Interim Report
6 April 2017	Q2 Interim Report
29 June 2017	Q3 Interim Report
25 October 2017	Annual Report
29 November 2017	Annual General Meeting

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