

# CHR. HANSEN HOLDING A/S

## STATEMENT OF RESULTS 2017/18



OCTOBER 15, 2018

### STRONG RESULTS IN 2017/18, GROWTH SET TO CONTINUE IN 2018/19

CEO Mauricio Graber says: "2017/18 was another good year for Chr. Hansen, and we finished strongly in Q4 driven by Food Cultures & Enzymes and Health & Nutrition. We achieved all the overall financial targets that we set at the beginning of the year, in spite of currency headwinds impacting both revenues and earnings, with organic growth reaching 9%, EBIT margin before special items increasing to 29.2%, and free cash flow before special items and acquisitions increasing by 4% to EUR 196 million. For the full year, Food Cultures & Enzymes delivered strong growth organic of 12%, performing well above the long-term ambition of growing 7-8% per year, while Health & Nutrition and Natural Colors delivered moderate growth and grew by 8% and 5%, respectively.

2017/18 was also a good year from a strategic perspective: We updated our strategy to become Nature's no. 1 Sustainably, and set a new financial ambition to take us to 2021/22. We reconfirmed that the products behind 82% of our revenues directly support three of the 17 UN Sustainability Development Goals. We began utilizing our new fermentation capacity in Copenhagen, which is the largest and most modern culture production plant in the world. Our three lighthouse projects each showed great progress through the year. Revenue in bioprotection grew around 35% and with the second-generation products showing impressive early progress. Plant Health also had good results, with very good traction of the newly launched products, Quartzo® and Presence® in Brazil. Human Microbiome saw exciting developments in two key projects – a partnership with Prota Therapeutics on peanut allergy and a discovery of the potential to use a probiotic to treat side-effects from regular consumption of acetylsalicylic acid, the active ingredient in aspirin.

The key focus for Chr. Hansen in 2018/19 will be to continue to execute the Nature's no. 1 Sustainably strategy and to bring strong organic growth through innovation."

### 2017/18 IN BRIEF

Organic growth was 9%, and adjusting for a negative currency impact of 6%, corresponded to a revenue increase of 3% to EUR 1,097 million.

- Food Cultures & Enzymes: 12% organic growth
- Health & Nutrition: 8% organic growth
- Natural Colors: 5% organic growth

EBIT before special items increased by 4% to EUR 320 million (incl. a significant negative impact from currencies), compared to EUR 307 million in 2016/17. The EBIT margin before special items was 29.2%, compared to 28.9% in 2016/17.

Profit for the year increased by 2% to EUR 228 million, compared to EUR 224 million in 2016/17.

Free cash flow before special items and acquisitions was EUR 196 million, compared to EUR 188 million in 2016/17.

### Q4 2017/18 IN BRIEF

Organic growth was 10%, and adjusting for a negative currency impact of 5%, corresponded to a revenue increase of 5% to EUR 297 million.

- Food Cultures & Enzymes: 12% organic growth
- Health & Nutrition: 10% organic growth
- Natural Colors: 6% organic growth

EBIT before special items increased by 12% to EUR 100 million, compared to EUR 90 million in Q4 2016/17. The EBIT margin before special items was 33.8%, compared to 31.8% in Q4 2016/17.

Profit for the period increased by 3% to EUR 70 million (incl. a significant negative impact from unrealized currency losses), compared to EUR 68 million in Q4 2016/17.

Free cash flow before special items and acquisitions was EUR 121 million, compared to EUR 90 million in Q4 2016/17.

### DIVIDEND

An ordinary dividend for 2017/18 of EUR 0.87 (DKK 6.47) per share, or a total of EUR 114 million, is proposed. The proposed ordinary dividend is equivalent to 50% of the profit for the year. The Board of Directors will consider the options for distributing any excess cash during 2018/19, while maintaining financial leverage consistent with a solid investment-grade credit profile.

### OUTLOOK FOR 2018/19

Organic revenue growth	9-11%
EBIT margin before special items	Around 29.5%
Free cash flow before special items, acquisitions and divestments	Around the EUR 196 million achieved in 2017/18

# CHR. HANSEN HOLDING A/S

## FINANCIAL HIGHLIGHTS AND KEY FIGURES



	Q4 2017/18	Q4 2016/17	Growth	YTD 2017/18	YTD 2016/17	Growth
<b>Income statement, EUR million</b>						
Revenue	296.5	283.0	5%	1,097.4	1,062.5	3%
Gross profit	168.9	158.9	6%	600.6	578.1	4%
EBITDA before special items	116.4	107.3	8%	384.0	368.1	4%
EBIT before special items	100.3	89.9	12%	320.2	307.1	4%
Special items	-	-	-	-	(1.4)	(100)%
EBIT	100.3	89.9	12%	320.2	305.7	5%
Profit for the period	70.1	68.2	3%	228.2	224.0	2%
<b>Financial position, EUR million</b>						
Total assets				1,861.1	1,802.1	
Invested capital				1,631.5	1,581.1	
Net working capital				189.1	174.8	
Equity				771.6	768.5	
Net interest-bearing debt				658.7	628.4	
<b>Cash flow and investments, EUR million</b>						
Cash flow from operating activities	154.5	123.4	25%	302.4	283.7	7%
Cash flow used for investing activities	(34.4)	(34.1)	(1)%	(107.0)	(176.5)	39%
Free cash flow	120.1	89.3	34%	195.4	107.2	82%
Free cash flow before acquisitions and special items	120.5	89.5	35%	195.9	187.8.3	4%
<b>Earnings per share, EUR</b>						
EPS, diluted	0.53	0.51	4%	1.73	1.68	3%
<b>Key ratios</b>						
Organic growth, % *	10	12		9	10	
Gross margin, %	57.0	56.1		54.7	54.4	
Operating expenses, %	23.1	24.4		25.6	25.5	
EBITDA margin before special items, %	39.3	37.9		35.0	34.6	
EBIT margin before special items, %	33.8	31.8		29.2	28.9	
EBIT margin, %	33.8	31.8		29.2	28.8	
ROIC excl. goodwill, %	45.3	43.7		38.0	40.1	
ROIC, %	24.3	22.6		19.9	20.3	
NWC, %	17.2	16.5		17.2	16.5	
R&D, %	6.9	6.9		7.3	7.0	
Capital expenditures, %	11.9	12.1		9.8	10.0	
Net debt to EBITDA before special items				1.7x	1.7x	

\*Organic growth: Increase in revenue adjusted for sales reduction, acquisitions and divestments, and measured in local currency.

# CHR. HANSEN HOLDING A/S

## 2017/18 FULL YEAR RESULTS



### REVENUE

Organic growth was 9%, and adjusting for a negative currency impact of 6%, corresponded to a revenue increase of 3% to EUR 1,097 million.

Organic growth was primarily driven by volume/mix effects, with around 2% coming from pricing. The price increases were mainly achieved by using EUR-based pricing in certain countries to protect EBIT from depreciating currencies.

### REVENUE BY BUSINESS AREA

#### Food Cultures & Enzymes

Organic growth was 12%, and adjusting for a negative currency impact of 7%, corresponded to a revenue increase of 5% to EUR 647 million. The contribution from volume was 8%, while the contribution from pricing was around 4%, mostly driven by the EUR-price list.

Organic growth was positively impacted by double digit growth in cheese, fermented milk, meat and enzymes, while probiotics grew slightly.

Bioprotective cultures delivered organic growth of approximately 35%, driven by the existing segments within fermented milk, cheese and meat. Bioprotection constituted around 7% of the Food Cultures & Enzymes business in 2017/18.

#### Health & Nutrition

Organic growth was 8%, and adjusting for a negative currency impact of 5%, corresponded to a revenue increase of 3% to EUR 231 million, driven by volume/mix. Animal Health and Plant Health realized strong growth, while Human Health delivered good growth.

Organic growth in Human Health was driven by strong growth in infant formula in Asia-Pacific and North America and by dietary supplements in Asia-Pacific. Dietary supplements in North America, and infant formula in Europe, Middle East and Africa, declined due to order patterns and inventory reductions.

Animal Health was positively impacted by strong growth in silage and solid growth in swine and poultry. The cattle segment declined due to difficult market conditions for cattle farmers in the US.

Plant Health benefited strongly from the new product introductions in Brazil.

### Natural Colors

Organic growth was 5%, and adjusting for a negative currency impact of 5%, corresponded to a revenue of EUR 219 million, which was on par with last year. The momentum in the business improved from the first half of the year to the second half, with 4% organic growth in the first half and 6% in the second half.

Organic volume growth was primarily driven by strong growth in the FruitMax® product range, in Asia-Pacific and Europe, the Middle East and Africa. North America and Latin America were flat.

### REVENUE BY REGION

#### EMEA (Europe, the Middle East and Africa)

The EMEA region accounted for 45% of revenue, compared to 44% in 2016/17. Organic growth was 8%, and adjusting for a negative currency impact of 2%, corresponded to a revenue increase of 6%. Organic growth was driven by strong growth in Food Cultures & Enzymes and Animal Health, and Natural Colors showed solid growth. Human Health declined due to inventory reductions at a key customer in the infant formula segment.

#### North America

The North American region accounted for 26% of revenue, compared to 28% in 2016/17. Organic growth was 3%, and adjusting for a negative currency impact of 8%, corresponded to a revenue decrease of 5%. Organic growth was driven by solid growth in Food Cultures & Enzymes and Animal Health, while Human Health declined and Natural Colors was flat.

#### APAC (Asia-Pacific)

The APAC region accounted for 17% of revenue, compared to 15% in 2016/17. Organic growth was 16%, and adjusting for a negative currency impact of 4%, corresponded to a revenue increase of 12%, mainly driven by China. Organic growth was driven by strong growth in Health & Nutrition and Natural Colors, while Food Cultures & Enzymes showed solid growth.

#### LATAM (Latin America)

The LATAM region accounted for 12% of revenue, compared to 13% in 2016/17. Organic growth was 19%, and adjusting for a negative currency impact of 17%, corresponded to a revenue increase of 2%. Organic growth was driven by strong growth in Food Cultures & Enzymes, Animal Health and Plant Health, while Natural Colors was flat.

### GROSS PROFIT

Gross profit was EUR 601 million, up 4% on 2016/17. The gross margin increased by 0.3 percentage points to 54.7%, driven by improvements in Health & Nutrition due to favorable product mix more than offsetting adverse currencies.

### OPERATING EXPENSES (% OF REVENUE)

Operating expenses totaled EUR 280 million (25.6%), compared to EUR 271 million (25.5%) in 2016/17.

Research & development (R&D) expenses, including amortization and depreciation, amounted to EUR 73 million (6.7%), compared to EUR 71 million (6.7%) in 2016/17.

The net impact from capitalization less amortization and impairment of development costs was EUR 7 million (0.6%), compared to EUR 3 million (0.3%) in 2016/17.

Total R&D expenditures incurred increased by 7% to EUR 80 million (7.3%), compared to EUR 75 million (7.0%) in 2016/17.

The increase was driven by Nature's no. 1 initiatives, including bioprotection and LGG®, while currency drove the increase relative to topline.

Sales & marketing expenses amounted to EUR 139 million (12.7%), compared to EUR 134 million (12.6%) in 2016/17. The increase was mainly driven by strategic initiatives to support Nature's no. 1.

Administrative expenses amounted to EUR 70 million (6.4%), compared to EUR 71 million (6.7%) in 2016/17.

Net other operating income/expenses was an income of EUR 3 million, compared to EUR 5 million in 2016/17. The income in 2016/17 was mainly driven by the sale of a property in Argentina.

### OPERATING PROFIT (EBIT) BEFORE SPECIAL ITEMS

EBIT before special items amounted to EUR 320 million, compared to EUR 307 million in 2016/17, an increase of 4%. The increase was mainly due to the higher gross profit, partly offset by a substantial adverse impact from currencies.

The EBIT margin before special items was 29.2%, up from 28.9% in 2016/17, driven by underlying improvements in Food Cultures & Enzymes and Health & Nutrition, and offset by negative currency and slightly lower margin in Natural Colors.

In Food Cultures & Enzymes, EBIT amounted to EUR 222 million, compared to EUR 213 million in 2016/17. The EBIT margin was 34.3%, down 0.2%-points on 2016/17, driven by adverse currency impacts. The ramp-up of the new capacity progressed as planned, and a positive contribution was realized in the second half of the year, more than offsetting costs associated with the expansion incurred in the first half.

In Health & Nutrition, EBIT amounted to EUR 72 million, compared to EUR 66 million in 2016/17. The EBIT margin was 31.0%, up 1.8%-points on 2016/17. The increase was driven by a positive product mix in Human Health, lower scrap, and synergies from the NPC and LGG® acquisitions, partly offset by currency.

In Natural Colors, EBIT amounted to EUR 26 million, compared to EUR 29 million in 2016/17. The EBIT margin was 12.0%, down 0.9%-points on 2015/16. The decrease was due to currency impacts, a negative impact from raw material prices on inventories, and a negative impact from management changes in Q2, but offset somewhat by the higher sales growth in the second half of the year.

### SPECIAL ITEMS

Special items were nil compared to EUR 1 million in 2016/17.

### OPERATING PROFIT (EBIT)

EBIT amounted to EUR 320 million, compared to EUR 306 million in 2016/17, an increase of 5%. The EBIT margin was 29.2%, compared to 28.9% in 2016/17.

### NET FINANCIALS AND TAX

Net financial expenses amounted to EUR 24 million, compared to EUR 15 million in 2016/17. The net interest cost was EUR 11 million, up from EUR 10 million in 2016/17.

The net impact from exchange rate adjustments was a negative EUR 12 million, compared to a negative EUR 3 million in 2016/17. The negative impact related mainly to unrealized losses from the depreciation of the Argentinian, Brazilian, Chinese and Turkish currencies.

Income taxes were EUR 68 million, equivalent to an effective tax rate of 23%, on par with 2016/17.

### PROFIT FOR THE YEAR

Profit for the year increased by 2% to EUR 228 million, up from EUR 224 million in 2016/17.

## ASSETS

At August 31, 2018, total assets amounted to EUR 1,861 million, compared to EUR 1,802 million a year earlier. The increase was mainly due to investments in the microbial production platform and higher net working capital.

Total non-current assets amounted to EUR 1,450 million, compared to EUR 1,415 million at August 31, 2017. Intangible assets decreased by EUR 14 million, while property, plant and equipment increased by EUR 50 million.

Total current assets amounted to EUR 411 million, compared to EUR 388 million at August 31, 2017. Inventories increased by EUR 12 million, or 9%, and receivables by EUR 16 million, or 9%. Cash decreased by EUR 4 million to EUR 69 million.

## NET WORKING CAPITAL

Net working capital was EUR 189 million, or 17.2% of revenue, compared to EUR 175 million, or 16.5%, in 2016/17, which was driven by higher inventories following the capacity ramp-up in Copenhagen and higher trade receivables, partly due to mix.

## EQUITY

Total equity amounted to EUR 772 million at August 31, 2018, compared to EUR 769 million a year earlier. An ordinary dividend for the financial year 2016/17 totaling EUR 112 million was paid in December 2017, and an extraordinary dividend for the financial year 2017/18 totaling EUR 105 million was paid in July 2018.

## NET DEBT

Net interest-bearing debt amounted to EUR 659 million, or 1.7x EBITDA, compared to EUR 628 million, or 1.7x EBITDA, at August 31, 2017.

## RETURN ON INVESTED CAPITAL (ROIC)

The return on invested capital excluding goodwill was 38.0%, compared to 40.1% in 2016/17, due to higher invested capital, and a relatively higher negative currency impact on EBIT compared to invested capital. Invested capital excluding goodwill increased to EUR 870 million, compared to EUR 814 million at August 31, 2017. The increase was mainly due to investments in the microbial platform.

The return on invested capital including goodwill was 19.9%, compared to 20.3% in 2016/17. Invested capital including goodwill increased to EUR 1,632 million, compared to EUR 1,581 million at August 31, 2017.

## CASH FLOW

Cash flow from operating activities was EUR 302 million, compared to EUR 284 million in 2016/17. The increase was driven by the improved operating profit and non-cash adjustments, offset by the changed Danish export credit scheme, which impacted working capital negatively.

Cash flow used for operational investing activities was EUR 107 million, or 9.8% of revenue, compared to EUR 104 million, or 10.0% of revenue, in 2016/17.

Free cash flow before acquisitions, divestments and special items was EUR 196 million, compared to EUR 188 million in 2016/17.

# CHR. HANSEN HOLDING A/S

## Q4 2017/18 RESULTS



### REVENUE

Organic growth was 10%, and adjusting for a negative currency impact of 5%, corresponded to a revenue increase of 5% to EUR 297 million. Organic growth comprised 7% from volume/mix effects, and a 3% positive impact from price increases in local currencies. The price increases were mainly achieved by using EUR-based pricing in certain countries to protect EBIT from depreciating currencies.

REVENUE	Q4 2017/18
Organic growth (vol/mix)	7%
Organic growth (price)	3%
<b>Organic growth</b>	<b>10%</b>
Currencies	(5)%
EUR growth	5%

### REVENUE BY BUSINESS AREA

#### Food Cultures & Enzymes

Organic growth was 12%, and adjusting for a negative currency impact of 7%, corresponded to a revenue increase of 5% to EUR 173 million. Organic growth comprised 8% from volume/mix and 4% from price increases in local currencies. The price increases were mainly achieved by using EUR-based pricing in certain countries to protect EBIT from depreciating currencies.

Organic growth was driven by strong growth in cheese cultures, fermented milk, dairy enzymes and meat.

#### Health & Nutrition

Organic growth was 10%, all from volume/mix, and adjusting for a negative currency impact of 2%, corresponded to a revenue increase of 8% to EUR 66 million.

Organic growth was driven by strong growth in Animal Health due to poultry and silage, and Plant Health, while Human Health showed solid growth, driven by infant formula.

#### Natural Colors

Organic growth was 6%, and adjusting for a negative currency impact of 4%, corresponded to a revenue increase of 2% to EUR 58 million. Organic growth comprised approximately 5% from volume/mix effects and 1% from price increases in local currencies.

Organic volume growth was primarily driven by strong growth in the coloring foodstuff range FruitMax®.

### REVENUE BY REGION

#### EMEA (Europe, Middle East and Africa)

Organic growth was 9%, and adjusting for a negative currency impact of 4%, corresponded to a revenue increase of 5%.

Organic growth was driven by strong growth in Food Cultures & Enzymes and solid growth in Natural Colors. Human Health declined slightly due to timing of orders. Revenue from Animal Health was on par with Q4 2016/17.

#### North America

Organic growth was 2%, and adjusting for a negative currency impact of 1%, corresponded to a revenue increase of 1%.

Organic growth was driven by solid growth in Food Cultures & Enzymes and Animal Health. Human Health declined due to customer inventory reductions in dietary supplements. Natural Colors declined slightly.

#### LATAM (Latin America)

Organic growth was 26%, and adjusting for a negative currency impact of 24%, corresponded to a revenue increase of 2%. Less than half of the organic growth was attributable to the positive impact of the EUR-based pricing model. Organic growth was driven by strong growth in Food Cultures & Enzymes, Animal Health and Plant Health. Natural Colors showed good organic growth.

#### APAC (Asia-Pacific)

Organic growth was 13%, and adjusting for a negative currency impact of 1%, corresponded to a revenue increase of 12%. Organic growth was driven by strong growth in Health & Nutrition and good growth in Food Cultures & Enzymes and Natural Colors.

### GROSS PROFIT

Gross profit was EUR 169 million, up 6% on Q4 2016/17. The gross margin increased by 0.9%-points to 57.0%. The increase was mainly driven by productivity improvements from the new capacity, product mix and margin management initiatives.

### OPERATING EXPENSES (% OF REVENUE)

Operating expenses totaled EUR 69 million (23.1%), compared to EUR 69 million (24.4%) in Q4 2016/17.

### OPERATING PROFIT (EBIT) BEFORE SPECIAL ITEMS

EBIT before special items amounted to EUR 100 million, compared to EUR 90 million in Q4 2016/17, an increase of 12%. All business areas contributed to the increase in EBIT, primarily driven by operational efficiencies and positive product mix.

The EBIT margin before special items was 33.8%, up from 31.8% in Q4 2016/17.

In Food Cultures & Enzymes, EBIT amounted to EUR 68 million, compared to EUR 61 million in Q4 2016/17. The EBIT margin was 39.4%, up 2.3%-points on Q4 2016/17. The increase was driven by scalability from the new production capacity, and one-offs incurred in Q4 2016/17 relating to the finalization of the new capacity.

In Health & Nutrition, EBIT amounted to EUR 24 million, compared to EUR 21 million in Q4 2016/17. The EBIT margin was 35.7%, up 2.1%-points on Q4 2016/17. The increase was driven by a positive product mix and a positive impact from the absence of impairments in Q4 2017/18 compared to Q4 2016/17, offset by currencies and costs related to Nature's no. 1 initiatives.

In Natural Colors, EBIT amounted to EUR 9 million, compared to EUR 8 million in Q4 2016/17. The EBIT margin was 15.3%, up 1.0%-points on Q4 2016/17. The increase was primarily driven by margin management initiatives.

#### **OPERATING PROFIT (EBIT)**

EBIT increased by 12% to EUR 100 million, compared to EUR 90 million in Q4 2016/17. The EBIT margin was 33.8%, compared to 31.8% in Q4 2016/17.

#### **NET FINANCIALS AND TAX**

Net financial expenses amounted to EUR 10 million, compared to EUR 4 million in Q4 2016/17. The increase related mainly to higher unrealized losses from the depreciation of the Argentinian, Brazilian, Chinese and Turkish currencies compared to last year.

Income taxes were EUR 21 million, equivalent to an effective tax rate of 22.8%, compared to 20.6% in Q4 2016/17, which was impacted positively by tax adjustments.

#### **PROFIT FOR THE PERIOD**

Profit for the period increased by 3% to EUR 70 million, up from EUR 68 million in Q4 2016/17.

#### **CASH FLOW**

Cash flow from operating activities was EUR 155 million, compared to EUR 123 million in Q4 2016/17. The increase was driven by higher operating profit and improvements in net working capital.

Cash flow used for operational investing activities was EUR 34 million, on par with Q4 2016/17.

Free cash flow before special items and acquisitions was EUR 121 million, compared to EUR 90 million in Q4 2016/17, driven by the improvement in cash flow from operating activities.

EUR million Group	Q4	Q3	Q2	2017/18		Q4	Q3	Q2	2016/17
				Q1	Q1				
<b>Income statement</b>									
Revenue	297	283	264	255		283	278	259	242
Gross profit	169	157	141	134		159	151	139	129
EBITDA before special items	116	100	87	80		107	97	85	80
Depreciation, amortization and impairment	(16)	(16)	(16)	(15)		(17)	(15)	(15)	(14)
EBIT before special items	100	84	71	65		90	82	70	66
EBIT	100	84	71	65		90	81	70	65
Net financial items	(10)	(5)	(5)	(4)		(4)	(5)	(3)	(3)
Profit before tax	91	79	66	60		86	76	67	62
Income taxes	(21)	(18)	(15)	(14)		(18)	(18)	(16)	(15)
Profit for the period	70	61	51	47		68	58	51	47
<b>Cash flow</b>									
Cash flow from operating activities	155	92	52	4		123	91	67	2
Cash flow used for investing activities	(34)	(28)	(22)	(23)		(34)	(22)	(25)	(95)
Free cash flow	120	64	30	(19)		89	68	43	(93)
Free cash flow before special items and acquisitions	121	64	30	(19)		90	68	49	(19)
<b>Key ratios</b>									
EPS, diluted	0.53	0.46	0.39	0.35		0.51	0.44	0.38	0.35
Organic growth, %	10	9	9	10		12	10	9	11
Gross margin, %	57.0	55.6	53.4	52.5		56.1	54.2	53.7	53.4
EBITDA margin before special items, %	39.3	35.5	33.1	31.4		37.9	34.7	32.7	32.9
EBIT margin before special items, %	33.8	29.7	27.0	25.4		31.8	29.3	27.0	27.1
EBIT margin, %	33.8	29.7	27.0	25.4		31.8	29.1	27.0	26.8
ROIC excl. goodwill, %	45.3	37.7	32.8	30.9		43.7	39.2	34.1	34.3
R&D, %	6.9	7.3	7.4	7.8		6.9	6.7	7.1	7.4
Capital expenditure, %	11.9	9.8	8.3	9.1		12.1	8.0	9.5	10.2
NWC, %	17.2	21.9	21.3	19.7		16.5	19.9	21.1	20.5
Net debt to EBITDA	1.7x	1.8x	2.0x	1.8x		1.7x	1.8x	2.0x	1.9x



# CHR. HANSEN HOLDING A/S

## QUARTERLY KEY FIGURES



EUR million	Q4	Q3	Q2	2017/18		Q4	Q3	Q2	2016/17
				Q1	Q1				
<b>FOOD CULTURES &amp; ENZYMES</b>									
<b>Income statement</b>									
Revenue	173	166	154	155		165	162	147	144
EBITDA	78	68	57	58		71	66	54	59
Depr., amort. and impair.	(10)	(10)	(10)	(9)		(10)	(9)	(9)	(9)
EBIT	68	58	48	49		61	57	45	50
<b>Key ratios</b>									
EUR growth, %	5	2	5	7		7	12	9	9
Organic growth, %	12	11	12	12		10	10	8	10
EBITDA margin, %	45.0	40.7	37.3	37.7		43.0	40.7	36.5	41.0
EBIT margin, %	39.4	34.7	31.0	31.7		37.1	35.1	30.5	35.0
Invested capital excl. goodwill	504	517	504	494		472	467	473	465
ROIC excl. goodwill, %	53.2	41.6	39.7	40.8		52.1	45.0	42.0	45.0
<b>HEALTH &amp; NUTRITION</b>									
<b>Income statement</b>									
Revenue	66	59	57	48		62	59	59	46
EBITDA	28	23	23	16		27	21	23	13
Depr., amort. and impair.	(5)	(4)	(4)	(4)		(6)	(4)	(4)	(4)
EBIT	24	18	19	11		21	17	19	10
<b>Key ratios</b>									
EUR growth, %	8	1	(2)	5		23	12	30	28
Organic growth, %	10	7	7	10		21	14	13	8
EBITDA margin, %	42.7	38.2	40.2	32.3		43.2	35.4	38.8	29.2
EBIT margin, %	35.7	30.8	32.5	23.2		33.6	28.3	31.7	21.1
Invested capital excl. goodwill	256	254	247	240		238	250	243	235
ROIC excl. goodwill, %	37.1	26.0	24.6	18.7		33.9	26.4	25.4	17.8
<b>NATURAL COLORS</b>									
<b>Income statement</b>									
Revenue	58	58	53	51		57	58	54	51
EBITDA	11	10	7	6		10	10	9	7
Depr., amort. and impair.	(2)	(2)	(2)	(2)		(2)	(2)	(2)	(2)
EBIT	9	8	5	4		8	8	7	5
<b>Key ratios</b>									
EUR growth, %	2	-	(3)	(1)		8	8	11	13
Organic growth, %	6	6	4	4		11	6	9	13
EBITDA margin, %	18.2	17.5	12.9	11.8		17.3	17.0	15.6	13.6
EBIT margin, %	15.3	14.4	9.5	8.4		14.3	14.1	12.5	10.5
Invested capital excl. goodwill	110	130	129	125		104	114	118	111
ROIC excl. goodwill, %	29.0	20.1	15.9	15.0		29.7	27.4	24.1	22.1

# CHR. HANSEN HOLDING A/S

## OUTLOOK 2018/19

### ORGANIC REVENUE GROWTH

For 2018/19, organic revenue growth is expected to be 9-11%, positively impacted by a high EUR price effect.

Food Cultures & Enzymes is expected to grow above the long-term ambition of 7-8% organic growth, with the additional growth driven by a high EUR price impact. Health & Nutrition is expected to grow organically at 10% or above, while Natural Colors is expected to grow organically between 6-10%.

### EBIT MARGIN BEFORE SPECIAL ITEMS (B.S.I.)

The EBIT margin b.s.i. is expected to be around 29.5%. Increased utilization of production capacity in Food Cultures & Enzymes will have a positive impact on the margin. The positive margin development is expected to be partly offset by increased investments into the lighthouse projects and other strategic priorities.

### FREE CASH FLOW

Free cash flow before acquisitions, divestments and special items is expected to be around the EUR 196 million realized in 2017/18. This expectation assumes lower growth in cash flow from operating activities than growth of EBIT before special items, due to a higher level of taxes to be paid in 2018/19, mainly related to the absence of acquisition-driven tax benefits realized in 2017/18. Cash flow used for operational investment activities will be at a relatively high level, and is expected to be between EUR 110-130 million. This includes multiple investments across the group, and also assumes a successful sale-and-lease-back of the company's main site in Hørsholm in Q4 2018/19.

### ASSUMPTIONS

The outlook is based on constant currencies and stable raw material prices, and assumes no acquisitions. The outlook is also based on the current political and economic environment, although there is a risk of increased political and economic uncertainty – e.g. the economic climate in the Middle East and Latin America, and trade tensions between large economies. Any deterioration in these situations might impact the outlook.

### SENSITIVITY

Chr. Hansen is a global company serving more than 140 countries through subsidiaries in more than 30 countries.

The most significant currency exposure relates to USD, which accounts for 25-30% of revenue, while exposure to other currencies is more modest. A 5% decrease in the USD exchange rate impacts revenue measured in EUR negatively by around EUR 15-20 million.

Organic revenue growth is sensitive to exchange rate fluctuations in currencies for which Chr. Hansen applies a EUR-based pricing model, and to changes in raw material prices for Natural Colors as some contracts are adjusted for movements in raw material prices.

The EBIT margin is also sensitive to exchange rate fluctuations and to changes in raw material prices for Natural Colors. Production in the US and sourcing in USD only partly offset the impact on revenue from changes in the USD exchange rate. Therefore, the relative EBIT exposure is higher than the 25-30% revenue exposure. A 5% decrease in the USD exchange rate would impact EBIT negatively by roughly half of the revenue impact.

The sensitivity to currency also applies to free cash flow.

The use of currency hedging of balance sheet exposures and future cash flows is described in note 4.3 to the Consolidated Financial Statements 2017/18.

# ADDITIONAL INFORMATION

## INCENTIVE PROGRAM

Chr. Hansen has put in place a short-term incentive program of up to 75,029 restricted share units (RSUs) for around 150 key employees. The number of RSU's vesting is subject to specified KPIs and criteria supporting performance and retention, including financial performance indicators (organic growth and EBIT). The RSU's vest over a period of two years. Upon vesting the RSUs may be exercised for a period of 2 years at DKK 0 per share from the time of the first open trading window after vesting. The theoretical market value of the grant is EUR 6.5 million, applying the principles described in the Group's annual report in note 5.1.

## FINANCIAL CALENDAR 2018/2019

November 29, 2018	Annual General Meeting 2018
January 17, 2019	Interim Report Q1 2018/19
April 3, 2019	Interim Report Q2 2018/19
July 3, 2019	Interim Report Q3 2018/19
October 10, 2019	Annual Report 2018/19
November 27, 2019	Annual General Meeting 2019

## CONFERENCE CALL

Chr. Hansen will host a conference call on October 15, 2018 at 10:00 am CET. The conference call can be accessed via the Company's website, [www.chr-hansen.com](http://www.chr-hansen.com).

For further information, please contact:

Head of IR	IR Officer
Martin Riise	Annika Stern
Tel.: +45 5339 2250	Tel.: +45 2399 2382
dkmari@chr-hansen.com	dkaste@chr-hansen.com

## COMPANY INFORMATION

Chr. Hansen Holding A/S  
Bøge Allé 10-12  
2970 Hørsholm  
Denmark  
Tel. +45 45 74 74 74  
[www.chr-hansen.com](http://www.chr-hansen.com)  
Company reg. no.: 28318677

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of Chr. Hansen Holding A/S, may cause actual developments and results to differ materially from the expectations expressed in this report.

## ABOUT CHR. HANSEN

Chr. Hansen is a leading global bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. We develop and produce cultures, enzymes, probiotics and natural colors for a rich variety of foods, confectionery, beverages, dietary supplements and even animal feed and plant protection. Our product innovation is based on more than 30,000 microbial strains – we like to refer to them as “good bacteria.” Our solutions enable food manufacturers to produce more with less – while also reducing the use of chemicals and other synthetic additives – which makes our products highly relevant in today's world. We have been delivering value to our partners – and, ultimately, end consumers worldwide – for more than 140 years. We are proud that more than 1 billion people consume products containing our natural ingredients every day.

# CHR. HANSEN HOLDING A/S

## **STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD**

Today, the Board of Directors and Executive Board considered and approved the audited Consolidated Financial Statements in the Annual Report of Chr. Hansen Holding A/S for the financial year ended August 31, 2018.

The Board of Directors and Executive Board also approved this unaudited Statement of Results containing financial information for Q4 2017/18 and condensed financial information for the financial year ended August 31, 2018.

The Consolidated Financial Statements in the Annual Report have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We consider the accounting policies applied to be appropriate and the accounting estimates reasonable, and in our opinion the Consolidated Financial Statements in the Annual Report give a true and fair view of the Group's assets, liabilities and financial position at August 31, 2018 and of the results of the Group's operations and cash flows.

This Statement of Results has been prepared in accordance with the accounting policies applied in the Consolidated Financial Statements for the financial year ended August 31, 2018 and further requirements in the Danish Financial Statements Act, and in our opinion the overall presentation of this Statement of Results is adequate.

We further consider that Management's Review in the preceding pages includes a true and fair account of the development and performance of the Group, the results for the year and the financial position, together with a description of the principal risks and uncertainties that the Group faces in accordance with requirements in the Danish Financial Statements Act.

**Hørsholm, October 15, 2018**

### **Executive Board**

Mauricio Graber  
President and CEO

Søren Westh Lonning  
CFO

Christoffer Lorenzen  
EVP

Thomas Schäfer  
CSO

### **Board of Directors**

Ole Andersen  
Chairman

Dominique Reiniche  
Vice Chairman

Jesper Brandgaard

Luis Cantarell

Lisbeth Grubov

Charlotte Hemmingsen

Heidi Kleinbach-Sauter

Per Poulsen

Kim Ib Sørensen

Kristian Villumsen

Mark Wilson