Improving food & health

ANNUAL REPORT
2015/16

Chr. Hansen Holding A/S
Bøge Allé 10-12, 2970 Hørsholm, Denmark
Company reg. no. 28318677

APPROVED AT THE ANNUAL GENERAL MEETING 29 NOVEMBER 2016

CHAIRMAN OF THE ANNUAL GENERAL MEETING

ANNUAL REPORT 2015/16

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IN BRIEF

ENGAGEMENT MATTERS

At the end of the day, employee engagement (not just satisfaction) matters. Engagement – emotional attachment to a company – is scientifically proven to be a better measure of employees' well-being and commitment, which in turn translate into improved business performance. Chr. Hansen has therefore embarked on a journey to work strategically with employee engagement and has introduced a new annual employee survey to that end.

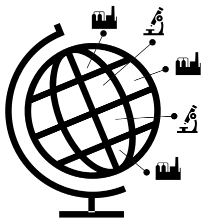
IN BRIEF

ABOUT CHR. HANSEN

Chr. Hansen is a global bioscience company with leadership positions in a number of attractive niche markets, including cultures for the food & beverage, human health, animal health and plant protection industries, enzymes for the dairy industry and natural colors for the food & beverage industry. Chr. Hansen's solutions offer an attractive cost-to-value ratio for customers. Solutions are based on a strong research & development platform, core capabilities in large-scale fermentation of cultures and strong application know-how, ensuring successful integration with customers' products and processes.

INTERNATIONAL ORGANIZATION

2,700 EMPLOYEES

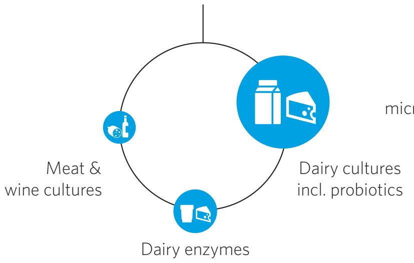


in **30** COUNTRIES

THREE BUSINESS AREAS – MULTIPLE PRODUCT CATEGORIES

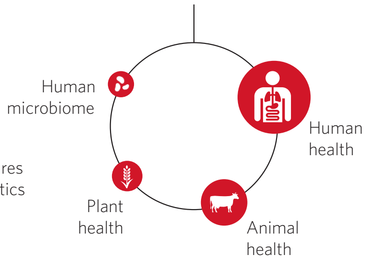
Food Cultures & Enzymes

60%*



Health & Nutrition

19%*



Natural Colors

21%*

*Share of revenue

IN BRIEF
HIGHLIGHTS

REVENUE

949 EURm **+11%**

OPERATING PROFIT MARGIN B.S.I.

28.2%

ORGANIC GROWTH

+12%

PROFIT FOR THE YEAR

184 EURm **+13%**

OPERATING PROFIT B.S.I.

268 EURm **+15%**

FREE CASH FLOW BEFORE SPECIAL ITEMS AND ACQUISITIONS

175 EURm **+16%**

2015/16 IN BRIEF
KEY FIGURES

EUR million	2015/16	2014/15	2013/14	2012/13	2011/12
Income statement					
Revenue	948.9	858.6	756.2	738.4	698.7
Gross profit	505.4	446.4	391.3	384.8	359.6
EBITDA before special items	324.0	286.4	256.6	249.0	235.5
EBIT before special items	267.8	232.5	204.8	192.5	185.0
EBIT	255.6	232.5	195.1	192.5	185.0
Net financial items	(16.2)	(12.8)	(13.8)	(15.8)	(12.7)
Profit for the year	183.8	162.5	132.2	139.8	131.3
Average number of employees (FTEs)	2,708	2,573	2,510	2,510	2,425
Financial position at 31 August					
Total assets	1,715.3	1,444.6	1,374.9	1,366.8	1,342.9
Invested capital	1,445.0	1,247.0	1,213.8	1,180.1	1,174.3
Net working capital	147.4	138.1	129.8	107.8	98.8
Equity*	730.3	600.8	656.8	680.7	655.1
Net interest-bearing debt	547.9	487.6	403.5	351.5	363.9
Cash flow and investments					
Cash flow from operating activities	244.8	221.5	176.4	190.3	176.4
Cash flow used for investing activities	(244.4)	(70.4)	(61.8)	(70.3)	(63.1)
Free cash flow	0.4	151.1	114.6	120.0	113.3
Free cash flow before special items and acquisitions	175.2	151.1	124.3	120.0	113.3
Acquisition and sale of property, plant and equipment, net	(56.6)	(55.0)	(49.6)	(52.0)	(40.0)
Earnings per share					
EPS, diluted	1.40	1.23	1.00	1.04	0.95
Key ratios					
Organic growth, %**	12	10	8	7	8
Gross margin, %	53.3	52.0	51.7	52.1	51.5
EBITDA margin before special items, %	34.1	33.4	33.9	33.7	33.7
EBIT margin before special items, %	28.2	27.1	27.1	26.1	26.5
EBIT margin, %	26.9	27.1	25.8	26.1	26.5
ROIC excl. goodwill, %	39.7	37.6	34.9	34.3	34.1
ROIC, %	19.9	18.9	17.1	16.4	15.9
NWC, %	15.5	16.1	17.2	14.6	14.1
R&D, %	7.1	6.4	6.1	6.1	6.7
Capital expenditure, %	8.2	8.2	8.3	9.6	9.1
Cash conversion, %	73.2	72.5	67.0	67.9	72.4
Net debt to EBITDA before special items	1.7x	1.7x	1.6x	1.4x	1.5x

* Equity for 2012/13 has been restated to reflect a changed accounting policy for employee benefit obligations.
** Organic growth: Increase in revenue adjusted for sales reductions, acquisitions and divestments and measured in local currencies.

LETTER TO SHAREHOLDERS

Our financial year 2015/16 was overall a good year for Chr. Hansen. We delivered on our financial outlook for the year with 12% organic growth, an EBIT margin before special items of 28.2% and a free cash flow before special items and acquisitions of EUR 175 million.

In Food Cultures & Enzymes, we continued to see strong growth across our business areas, including bioprotective solutions, but also a significant improvement in profitability, not least due to our efficient production footprint. In Natural Colors, we have seen growth return to a strong level with profitability also improving.

However, we have also felt headwind in a small part of our business, especially in animal health and, to a lesser extent, in plant health, both of which have been negatively impacted by the challenging market conditions in the agricultural sector during 2015/16. Human health delivered strong growth, and we generated our first revenue from the human microbiome initiative.

NATURE'S NO. 1 - REAFFIRMED

During the year, we conducted a review of our Nature's No. 1 strategy to reassess Chr. Hansen's capabilities, the market fundamentals and relevant business opportunities. The outcome was a reaffirmation of Nature's No. 1, with only a few – yet important – adjustments to the strategy.

To support the strategy, we implemented a number of organizational changes by creating a Microbial Backbone organization. R&D, production, logistics and IT supporting both Food Cultures & Enzymes and Health & Nutrition have been combined into a single organization to create operational leverage.

Our increased focus on developing innovative platforms for growth in Food Cultures & Enzymes has paid off, and we have launched solutions addressing our customers' need for new, healthier and safer products, as well as helping them to improve their production processes. Bioprotection is a good example of this, where we now have solutions that help keep dairy, meat, fish and salad products safe and fresh for longer while reducing chemical additives.

In 2015/16, we benefited from high utilization of the fermentation capacity for cultures in Copenhagen, which was installed in 2014, and this was the single most important driver for the EBIT margin increase in Food Cultures & Enzymes. We are now facing bottlenecks in other parts of the production process and have therefore initiated the next expansion phase, which we expect to inaugurate in the second half of 2017.

In Health & Nutrition, we have entered into our first partnerships within the human microbiome, and we have launched a second biostimulant for plant health as well as filed a biopesticide registration application with the US Environmental Protection Agency. Our animal health business has been under pressure in 2015/16, but the long-term growth opportunities remain very positive and we made progress in strengthening our product portfolio and market reach.

More than a year ago, we changed the Natural Colors organization to make it more independent of the microbial-based businesses and have seen good progress as a result. Organic growth was strong in 2015/16, and profitability increased significantly. The important US market has started to convert, with more opportunities ahead, and we have created a stronger presence in the small, but important, market for coloring foodstuff, i.e. coloring food with food.

BOLT-ON ACQUISITIONS

During 2016, we were more active than usual in the M&A market, as attractive targets that complement our existing businesses became available.

In February 2016, we acquired Nutrition Physiology Company (NPC) within animal health, and in September 2016, we entered into an agreement with Valio Oy to acquire LGG®, the world's best-documented probiotic strain, which will support our current business in both human health, and food cultures. Lastly, we made a minor acquisition of a culture production unit and strain collection from Dairy Innovation Australia Ltd. in October 2015.

Despite the increased activity, we will still only pursue acquisitions that support our core businesses within microbial solutions and natural colors.

SUSTAINABILITY

At Chr. Hansen, we remain committed to conducting our business with the highest standards of integrity, and to developing and protecting our employees. In addition, we wish to pursue opportunities where through our ability to create natural solutions to improve food and health we can help to address some of the global challenges, as defined in the UN Sustainable Development Goals.

2015/16 IN BRIEF

As part of this, we have introduced a new sustainability strategy, including a number of commercial targets to ensure that the sustainability agenda becomes an even more integrated part of our growth ambitions.

You can read more about our progress on sustainability issues in our sustainability report 2015/16, which is available at www.chr-hansen.com/sustainability/reporting-and-disclosure.

CAPITAL STRUCTURE AND DIVIDEND

Our capital allocation principles prioritize investment in organic revenue growth and bolt-on acquisitions to support our existing business and, over the last year, we have invested around EUR 300 million in, among others, capacity, R&D and bolt-on acquisitions.

Following the acquisition of NPC, the Board decided not to pay an interim dividend or to implement a share buy-back program in 2015/16.

The Company's ability to generate free cash flows remains strong, and to support an optimal capital structure, the Board of Directors proposes paying an ordinary dividend of EUR 0.70 (DKK 5.23) per share, or in total EUR 92 million, for the financial year 2015/16.

FOCUS AREAS 2016/17

During the coming year, we will continue to implement the elements of the Nature's No. 1 strategy to secure the long-term success of Chr. Hansen.

This includes integrating the acquired businesses in human and animal health, driving the penetration of bioprotective solutions in various food applications, expanding our capacity in food cultures, and accelerating the momentum in plant health and the human microbiome.

In Natural Colors, focus will be on delivering further improvements in profitability and on driving the conversion from synthetic colors to natural alternatives.

The performance in 2015/16 and our ability to succeed in 2016/17 too are highly dependent on the engagement of our employees, their unique skillset and their willingness to go the extra mile for Chr. Hansen and our customers. We would like to thank all employees for their dedicated efforts in the last year, and we look forward to bring Chr. Hansen forward together with the entire organization.

Ole Andersen	Cees de Jong
Chairman of the Board	President & CEO

STRATEGY & AMBITIONS

IMPROVING PERFORMANCE THROUGH DIVERSITY AND INCLUSION

Research proves that companies that are more diverse are better able to attract top talent and improve their customer orientation, employee engagement and decision-making, leading to a virtuous cycle of increasing returns.

Chr. Hansen has set long-term diversity objectives focusing on gender, nationality and age for management and key positions and embedded diversity considerations into HR policies and procedures, and is making steady progress.

BUSINESS MODEL

The Chr. Hansen business model builds on the Company's unique solutions and strong innovation platform, a centralized and scalable production setup, and strong customer relationships.

ATTRACTIVE MARKETS

Chr. Hansen holds leadership positions in attractive niche markets, supported by a number of global trends that offer attractive growth opportunities based on:

- A growing world population and rapid urbanization, both of which drive growth in industrially produced food & beverages
- Increased consumer awareness of food composition and increased transparency driving demand for innovation to meet consumer demand for healthy and nutritious, yet safe, tasty and affordable food with clean labels
- Increasing health care costs and focus on well-being driving demand for natural solutions to support human health
- Concerns about the adverse impact of excessive use of antibiotics and chemicals in the agricultural sector driving the need both to reduce and replace use of antibiotics as a productivity enhancer in livestock production and to substitute current chemical solutions in plant production
- A continued need for process optimization and yield improvements in production processes driving dairies around the world to convert from bulk starter to DVS® cultures and driving demand for solutions to reduce food waste

UNIQUE SOLUTIONS

Chr. Hansen's solutions offer an attractive cost-to-value ratio for customers, supporting their need for both process optimization and product innovation. Solutions are often customized to meet customer demands, such as local taste preferences and specific production setups at dairies and other food & beverage manufacturing facilities.

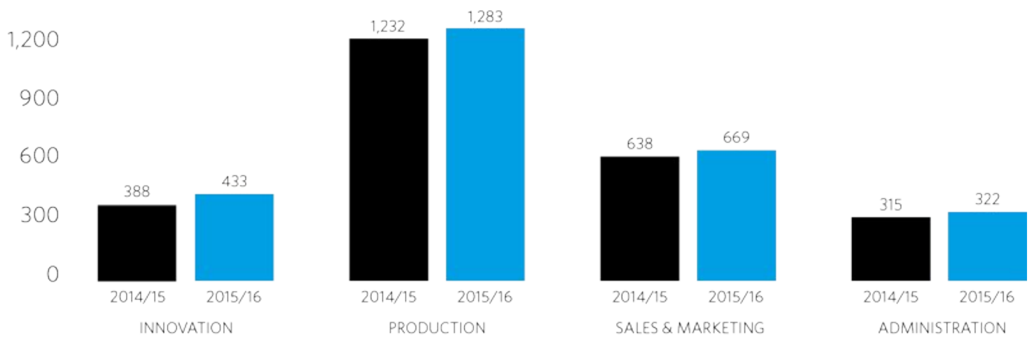
A STRONG INNOVATION PLATFORM

The majority of Chr. Hansen's innovations derive from a strong bioscience technology platform based on in-depth scientific knowledge and competencies.

In-house access to more than 25,000 bacterial samples enables extensive screening and selection of the best available combinations of strains for new, improved solutions.

Know-how in fundamental bioprocess engineering is used to develop products that optimize customers' production efficiency, with higher yields and improved stability. Scientific knowledge of bacterial strain properties and technical application knowledge are used to develop healthy and tasty new product solutions.

NO. OF EMPLOYEES



STRATEGY AND AMBITIONS

Chr. Hansen differentiates itself as a provider of some of the best-documented probiotic bacterial strains, such as BB-12®, LA-5® and L. casei 431®. In September 2016, Chr. Hansen announced the acquisition of LGG®, the world's best-documented strain, to further complement its range of probiotic strains.

In addition, Chr. Hansen's formulation expertise helps customers combine probiotics with other ingredients and deliver them in innovative dosage forms with documented stability.

In Natural Colors, Chr. Hansen combines an understanding of formulation techniques with technical insight into customers' processes and products to develop new natural color solutions, such as coloring foodstuffs.

Approximately 450 employees are dedicated to research & development and technical application activities. Chr. Hansen also actively partners with universities, researchers and companies on innovative projects in its specialist fields.

In 2015/16, EUR 67 million, or 7.1% of revenue, was spent on research & development activities.

A SCALABLE PRODUCTION PLATFORM

Chr. Hansen holds significant competencies in upscaling production of bacterial strains at an industrial level. Production is managed centrally to ensure optimization of production facilities by serving the world from a consolidated production setup. Cultures for Food Cultures & Enzymes are produced at locations in Denmark, France and the US, while enzymes are produced in Denmark and Germany.

Significant investments have been made in recent years to expand the production facilities for cultures, particularly in Denmark.

In 2015/16, a small production unit for culture production in Australia was added as part of the acquisition from Dairy Innovation Australia Ltd.

Production of cultures for Health & Nutrition takes place at facilities in Denmark (human), Germany (animal and plant) and the Czech Republic (animal).

Production for Natural Colors takes place at facilities in Brazil, China, Denmark, Italy, Peru and the US.

In 2015/16, 6.3% of revenue was invested in property, plant and equipment, while approximately 1,300 employees are dedicated to production activities.

STRONG CUSTOMER RELATIONSHIPS

Chr. Hansen has strong and long-term strategic relationships with many of its customers, building on more than 140 years of experience.

Chr. Hansen develops and maintains relationships with existing and new customers by providing a superior customer experience that builds on strong customer and consumer insight combined with local technical competencies. In more than 140 countries, Chr. Hansen offers its customers solutions that are adapted to local preferences and can be applied under local conditions. Customer relationships are managed locally through a direct Chr. Hansen presence in key markets, supported by a global network of application and development centers.

Chr. Hansen has a diverse customer base, serving large multinationals, regional and local customers, from farmers and dairies to other food & beverage manufacturers and pharmaceutical companies.

In 2015/16, the top 25 customers accounted for approximately 31% of revenue. Sales & marketing expenses amounted to 11.9% of revenue. Approximately 700 employees are dedicated to sales & marketing activities.

RISKS RELATED TO THE BUSINESS MODEL AND OPERATIONS

The most significant risks related to the business model, business operations and execution of the Nature's No. 1 strategy are described in the section on risk management, including progress on mitigation initiatives.

STRATEGY AND AMBITIONS

STRATEGY UPDATE

NATURE'S NO. 1 – REAFFIRMED

Chr. Hansen's Nature's No. 1 strategy was launched in 2013 with the aim of capturing the full potential of Chr. Hansen's core business and pursuing broader opportunities within microbial solutions by leveraging the Company's strong technology platform.

During 2015/16, the strategy was reviewed, and the results were presented in April 2016. In all major respects, the strategy review reaffirmed Nature's No. 1 and led to only minor – yet important – adjustments, including increasing focus on bioprotective solutions in food applications; new products and partnerships in human, animal and plant health; accelerating capacity expansion for cultures; and prioritizing profitability over growth in Natural Colors. In addition, the expectation of meaningful revenue within plant health was postponed from 2017/18 to 2019/20 due to the current market conditions.

As part of the strategy review, it was reaffirmed that Chr. Hansen will not:

- Expand organically or through acquisitions in areas unrelated to the existing businesses within microbial solutions and natural colors
- Attempt to become a full-fledged pharma company
- Lose focus on cost control and operational efficiency

The long-term financial ambition for organic revenue growth was revised to 8-10% each year from 2016/17 through 2019/20 (previously 7-10% until 2017/18), combined with improvements in EBIT margin before special items and free cash flow before acquisitions, divestments and special items over the period.

FULLY LEVERAGING THE POTENTIAL OF FOOD CULTURES & ENZYMES

As a market leader, Chr. Hansen remains strongly positioned to drive growth in specific niches within dairy and other food segments. Chr. Hansen's technologies cater to emerging consumer and food market trends and deliver high impact and value to its customers.

Future growth opportunities are mainly based on fundamental market growth – not least in emerging markets – as well as continuing to convert bulk starter users to DVS® formats, introducing new culture and enzyme functionalities, and expanding the use of bioprotective solutions.

Chr. Hansen has opportunities to further expand margins, mainly through production efficiency and the ability to upsell solutions that bring added value to customers' products and/or processes.

Food Cultures & Enzymes

1 FULLY LEVERAGING THE POTENTIAL OF FOOD CULTURES & ENZYMES

FOCUS AREAS	PROGRESS 2015/16
- Focus on innovation including accelerating growth in bioprotection	› New platforms introduced including Acidifix™ and NOLA® Fit › High double-digit organic growth in bioprotection
- Secure undisputed leadership in selected emerging markets	› Expanded market leadership in China and increased direct presence in the Middle East › High double-digit organic growth in China
- Develop customer-driven commercial excellence	› Conducted major consumer study to identify the long-term trends in food & beverages and relevance of dairy › Continued investment in commercialization capabilities and processes when introducing new solutions
- Reap further improvements in scalability, especially from new capacity coming onstream in 2017	› New capacity expansion initiated at Copenhagen plant with investment of around EUR 40 million. Expected inauguration in autumn 2017 › 1.5-2 percentage points impact on EBIT margin from scalability
LONG-TERM FINANCIAL AMBITIONS	
- Average annual organic growth rate of 7-8%	› 12% organic growth. 3 percentage points from pricing
- Increased EBIT margin over the period	› 34.3% EBIT margin, compared to 31.5% in 2014/15

FOCUS AREAS IN 2016/17

The key focus areas for Food Cultures & Enzymes in 2016/17 will be to further develop the bioprotection initiative, strengthen Chr. Hansen's position in emerging markets and secure the capacity expansion of the Copenhagen facility.

DEVELOPING THE MICROBIAL SOLUTIONS PLATFORM IN HEALTH & NUTRITION

The business areas in Health & Nutrition are supported by global trends, such as increasing awareness of the adverse effects of antibiotic growth promoters and chemical pesticides, resource scarcity, increasing health costs, and a growing scientific understanding of the benefits of "good bacteria."

Chr. Hansen has opportunities to expand and grow its businesses in human and animal health through innovation in the form of new strains and new applications, and further penetration with key customers and in new geographies.

The product pipeline in plant health also offers attractive opportunities. Opportunities have opened up faster than expected within the human microbiome, especially the potential to support partners in upscaling and establishing production processes.

To support long-term growth in Health & Nutrition, a high investment level will be maintained in innovation across all four business areas, but particularly the human microbiome and plant health. Chr. Hansen will also pursue bolt-on acquisitions where these support existing business areas.

Health & Nutrition

2 DEVELOPING THE MICROBIAL SOLUTIONS PLATFORM IN HEALTH & NUTRITION

FOCUS AREAS	PROGRESS 2015/16
- Expand existing business in human health through differentiation	› Announced acquisition of full rights to LGG® which is the best-documented probiotic strain in the world › FDA dietary supplements inspection concluded without observations
- Deeper market penetration in animal health through increased investments	› Acquisition of NPC to expand market presence in the US beef and dairy cattle market › Development of new products for the poultry and swine segment for commercial launch in 2016/17
- Develop medium-term opportunities in plant health	› Continued adoption of NEMIX® C by sugar producers in Brazil › Launched VGR™ soil amendment for corn and soybeans with first revenue
- Explore and develop long-term opportunities for human microbiome solutions, particularly through partnerships	› Entered into two partnerships and generated first revenue › Conducted clinical study on own bacteria. Based on the results, clinical development has moved to the next stage
LONG-TERM FINANCIAL AMBITIONS	
- Average annual organic growth above 10% with meaningful growth from plant health by 2019/20 (previously by 2017/18)	› 2% organic growth. Negative impact from tough market conditions and customer insourcing in animal health, while plant health contribution still small
- Increased investments in future growth opportunities mean the EBIT margin is expected to be around 30% during the period	› 28.3% EBIT margin, compared to 33.3% in 2014/15

FOCUS AREAS IN 2016/17

The key focus areas for Health & Nutrition in 2016/17 will be integrating the acquired businesses in human and animal health, ensuring the successful launch of new products to secure long-term growth in animal and plant health, and developing existing and new partnerships in the human microbiome.

CREATING FURTHER VALUE IN NATURAL COLORS

Increased regulation and growing consumer awareness are driving the demand for cleaner food & beverage products, including natural ingredients. Chr. Hansen benefits from these trends, which are driving a fundamental long-term conversion from synthetic to natural colors. This trend has recently also started to materialize in the US market.

Chr. Hansen will secure profitable growth, not least in the US, by strengthening the commercial organization, expanding the product offering within coloring foodstuffs, improving cost-in-use solutions and optimizing the product portfolio.

Profitability in Natural Colors has been below expectations, but optimization and simplification initiatives identified across the business offer opportunities to increase profitability over the period.

Natural Colors

3 CREATING FURTHER VALUE IN NATURAL COLORS

FOCUS AREAS	PROGRESS 2015/16
- Improve cost-in-use solutions	› Continued progress in improving cost-in-use through breeding programs for raw materials, optimization of production yield and better application performance
- Address the significant potential of conversion in the US and emerging markets	› High double-digit organic growth from the US and emerging markets
- Develop an enhanced product offering, in particular by expanding the FRUITMAX® range of coloring foodstuff	› High double-digit organic growth in coloring foodstuff
LONG-TERM FINANCIAL AMBITIONS	
- Average annual organic growth around 10%	› 19% organic growth. 13% excluding impact from raw material prices
- Increased EBIT margin over the period	› 10.9% EBIT margin, compared to 8.3% in 2014/15

FOCUS AREAS IN 2016/17

The key focus areas for Natural Colors in 2016/17 will be to continue driving the conversion from synthetic colors to natural colors, particularly in the US and emerging markets, to develop a stronger position in coloring foodstuff to secure continued growth, and to optimize products and processes to restore profitability.

FURTHER INFORMATION

Further information on the Nature's No. 1 strategy can be found at www.chr-hansen.com/investors/business.

Read more on how sustainability is integrated in the Nature's No. 1 strategy at www.chr-hansen.com/sustainability/our-strategy.

STRATEGY AND AMBITIONS

LONG-TERM AMBITIONS 2019/20

FINANCIAL AMBITIONS THROUGH 2019/20

Organic revenue growth

Revenue for the Chr. Hansen Group is expected to grow organically by 8-10% per annum.

Food Cultures & Enzymes is expected to deliver average annual organic growth of 7-8%.

Health & Nutrition is expected to deliver average annual organic growth above 10%.

Natural Colors is expected to deliver average annual organic growth around 10%.

EBIT margin before special items

The EBIT margin before special items is expected to improve over the period compared to 2014/15 (27.1%).

The improvement will be driven by continued focus on strong cost discipline as well as productivity and efficiency gains across the organization, while at the same time investing in innovation, emerging markets and exploration of new growth opportunities.

The EBIT margins in Food Cultures & Enzymes and Natural Colors are expected to increase over the period. The EBIT margin in Health & Nutrition is expected to be around 30% during the period due to increased investment in future growth opportunities.

Free cash flow

Free cash flow is expected to increase over the period compared to 2014/15 (EUR 151 million).

SUSTAINABILITY AMBITIONS BY 2019/20

Commercial targets

In 2015/16, Chr. Hansen launched a new sustainability strategy, which focuses on how the Company can help address global trends and challenges with its natural products. The strategy focuses on three areas where Chr. Hansen has the biggest impact:

Better farming

Help feed the growing population by promoting sustainable agriculture using Chr. Hansen's biological plant health solutions and silage inoculants. For 2024/25, the ambition is to reach 25 million hectares of farmland with Chr. Hansen's natural solutions.

Less waste

Help customers reduce food waste through Chr. Hansen's bioprotection solutions and enzyme technology. For 2019/20, the ambition is to reduce global yogurt waste by 2%, or 700,000 tons.

Good health

Improve global health through probiotics and healthier and safer food ingredients. For 2019/20, the ambition is to have launched five new products with a documented health effect.

Operational targets

As part of the strategy review and to reduce the environmental footprint of its own operations, Chr. Hansen revised its 2019/20 operational targets for health and safety, energy, water, CO_2 and waste recycling. Compared to the base year 2013/14 Chr. Hansen is aiming for:

- 20% energy and water efficiency improvement
- 25% CO_2 efficiency improvement
- 40% waste recycling
- Reduction of lost time incident frequency to 2.0

A full report on sustainability and progress on commercial and operational targets during 2015/16 can be found at www.chr-hansen.com/sustainability/reporting-and-disclosure.

OUTLOOK FOR 2016/17

ORGANIC REVENUE GROWTH

For 2016/17, organic revenue growth is expected to be 8-10%.

The organic revenue growth in the second half of the year is expected to be higher than in the first half, mainly driven by new projects in Food Cultures & Enzymes and animal health, as well as timing of orders in human health.

All three business areas are expected to grow in line with the long-term ambitions.

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

The EBIT margin b.s.i. is expected to be slightly above the 28.2% achieved in 2015/16.

FREE CASH FLOW

Free cash flow before acquisitions, divestments and special items is expected to be around the EUR 175 million achieved in 2015/16.

An increase in the cash flow used for investing activities is expected to offset an improvement in the operational cash flow.

SENSITIVITY

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

The greatest exchange rate exposure relates to USD, which accounts for around 25% of revenue, while the exposure to other currencies is modest.

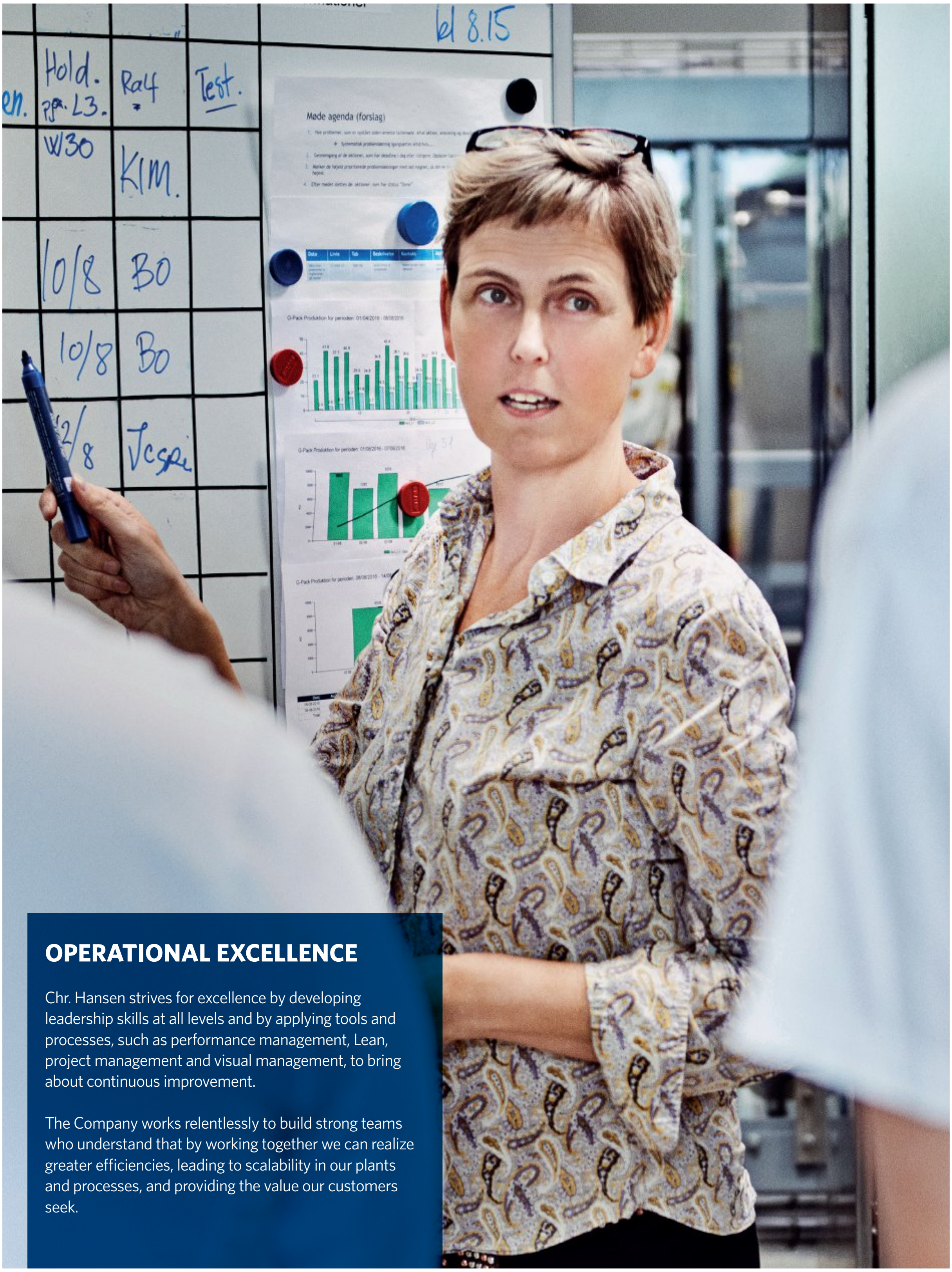
The organic revenue growth is sensitive to exchange rate fluctuations in currencies where Chr. Hansen applies a EUR-based pricing model, and changes in raw material prices for natural colors.

The EBIT margin is also sensitive to exchange rate fluctuations and to changes in raw material prices for natural colors. Significant production in the US and sourcing in USD means the exchange rate impact on EBIT is significantly lower than that on revenue.

The use of currency hedging of balance sheet exposures and future cash flows is described in note 4.3 in the Annual Report for 2015/16.

ANNUAL REPORT 2015/16

BUSINESS PERFORMANCE



OPERATIONAL EXCELLENCE

Chr. Hansen strives for excellence by developing leadership skills at all levels and by applying tools and processes, such as performance management, Lean, project management and visual management, to bring about continuous improvement.

The Company works relentlessly to build strong teams who understand that by working together we can realize greater efficiencies, leading to scalability in our plants and processes, and providing the value our customers seek.

BUSINESS PERFORMANCE

REGIONS

With customers in more than 140 countries and offices in more than 30 countries across the world, Chr. Hansen has organized its sales operations in four regions:

- EMEA (Europe, Middle East and Africa)
- North America
- LATAM (Latin America)
- APAC (Asia-Pacific)

EMEA

The EMEA region accounted for 46% of revenue, compared to 47% in 2014/15. Chr. Hansen has offices in 17 countries.

During 2015/16, production of milk increased in the region, driven by the abolition of the EU milk quota system in March 2015. The higher availability of milk had a positive impact on production volumes of cheese, leading to higher EU export and inventory levels, whereas growth in fermented milk products was modest in the EU.

The probiotic supplement markets in the region continued to grow in line with previous years, while the market for microbial-based animal health products was negatively impacted by commodity prices for milk and pork remaining at extraordinarily low levels, causing farmers to cut down on certain feed additives such as probiotics and silage inoculants.

The demand for natural ingredients, including natural colors, remained solid during the year, as producers - mainly in the EU - continue to reformulate products to meet consumer demands for simpler products with clean labels.

Revenue increased by 6%, with organic growth of 9%, driven by strong growth in fermented milk, meat, cheese and natural colors. Probiotics showed solid growth, and revenue from enzymes was in line with 2014/15. Revenue from human health and animal health was lower than in 2014/15.

NORTH AMERICA

The North America region accounted for 26% of revenue, compared to 25% in 2014/15.

Fermented milk production levels in the US were in line with 2014/15, whereas the growth in cheese production volume continued the trend from 2014/15, which was slightly higher than in previous years.

The market for probiotic dietary supplements showed strong growth, largely due to higher penetration levels, while the market for microbial-based animal health products was negatively impacted by low commodity prices, causing farmers to cut down on certain feed additives such as probiotics and silage inoculants.

Driven by increased consumer demand to replace chemical additives with natural solutions, market growth for natural colors accelerated during 2015/16.

Revenue increased by 17%, with organic growth of 7%. The organic growth was driven by strong growth in meat, cheese, human health and natural colors. Fermented milk showed modest growth, while revenue from enzymes was in line with 2014/15. Revenue from probiotics for fermented milk and animal health was below 2014/15.

LATAM

The LATAM region accounted for 13% of revenue, compared to 14% in 2014/15. Chr. Hansen has offices in five countries.

While the key markets in the region experienced a continued economic slowdown, the demand for natural ingredients continued to grow, albeit at a slower pace than previously.

Revenue increased by 3%, with organic growth of 17%. The organic growth was driven by strong growth in meat, fermented milk, cheese, enzymes and natural colors. Revenue from probiotics for fermented milk and animal health was below 2014/15.

APAC

The APAC region accounted for 15% of revenue, compared to 14% in 2014/15. Chr. Hansen has offices in five countries.

During 2015/16, dairy markets across the region developed positively, particularly the market for fermented milk in China, which has seen strong growth in recent years driven by consumer demand for premium products combined with a high innovation rate from Chinese dairies. India continued to support regional growth through increased industrialization of the dairy industry. Emerging ASEAN economies are also showing solid growth in the fermented milk category.

The market for probiotic supplements developed positively in some countries as awareness of the category increased, whereas penetration of microbial-based animal health products remained low. Food legislation is maturing across the region with increasing interest in support of natural food ingredients.

The demand for natural colors varies across the region with high penetration levels in countries such as Australia and Japan, while there are still significant opportunities for conversion from synthetic colors in China and Southeast Asian countries.

Revenue increased by 17%, with organic growth of 24%, mainly driven by China. The organic growth was due to strong growth in fermented milk including probiotics, cheese, animal health and natural colors. Human health delivered solid growth, while enzymes showed modest growth.

HIGHLIGHTS	NORTH AMERICA	EMEA	LATAM	APAC
ORGANIC GROWTH	7%	9%	17%	24%
SHARE OF REVENUE	26%	46%	13%	15%

BUSINESS PERFORMANCE
FOOD CULTURES & ENZYMES

EUR million	2015/16	2014/15
Revenue	564.9	518.9
Organic growth	12%	9%
EBITDA	229.2	202.0
EBIT	193.9	163.2
EBIT margin	34.3%	31.5%
ROIC excluding goodwill	46.2%	40.3%

Food Cultures & Enzymes supplies cultures, enzymes and probiotics for the food industry in general and the dairy industry in particular. Chr. Hansen's ingredients help determine the taste, nutritional value, health benefits and shelf life of a wide variety of end products. Chr. Hansen also assists customers in optimizing production processes, increasing yields, and improving the quality and safety of their products.

Chr. Hansen is the market leader in cultures and enzymes for the dairy market with an estimated market share of around 45%, and has consistently outperformed end market growth.

The dairy market continues to hold attractive growth opportunities driven by fundamental category growth (not least in emerging markets), continued conversion, and consumer and customer needs for better functionality and yield. While the dairy market remains the key market for Food Cultures & Enzymes, new market opportunities have emerged with the introduction of bioprotective solutions to preserve and protect fresh salmon, fresh cut salads, etc.

FUNDAMENTAL GROWTH

According to the Company's own estimates and based on volume, the global market for fermented milk grew by 3-4% in 2015/16. The market for cheese is estimated to have increased by more than 2%.

CONVERSION

Chr. Hansen estimates that, based on volume, up to 80% of the fermented milk market (excluding India) and up to 50% of the cheese market had converted from bulk starter to Chr. Hansen's industrialized DVS® cultures or similar technologies by the end of 2015/16.

INNOVATION

Chr. Hansen works on developing solutions to help customers meet consumer demands for low sugar, lactose, salt or fat; distinctive texture and flavors; and clean label products, and to adapt solutions to local taste preferences.

Optimization of production processes and distribution is addressed through innovative solutions that improve yield or efficiency in the customers' production process or in the distribution chain.

Chr. Hansen also continues to optimize its own production processes.

One of the products Chr. Hansen launched in 2015/16 was NOLA™ Fit, which can help reduce lactose content in fresh and fermented dairy products, and added sugar content in fermented dairy products. YOFLEX® ACIDIFIX® culture was launched in October 2015 and helps reduce production cost as well as offering unique pH stability. The culture also offers the opportunity to introduce fermented milk products with new flavors.

PRODUCTION

During 2015/16, Chr. Hansen increased the utilization of culture fermentation capacity in Copenhagen with positive effects on profitability. The volume growth in 2015/16 has led to bottlenecks, mainly in the downstream process, which is why an expansion of the facility has been initiated, with expected inauguration in 2017.

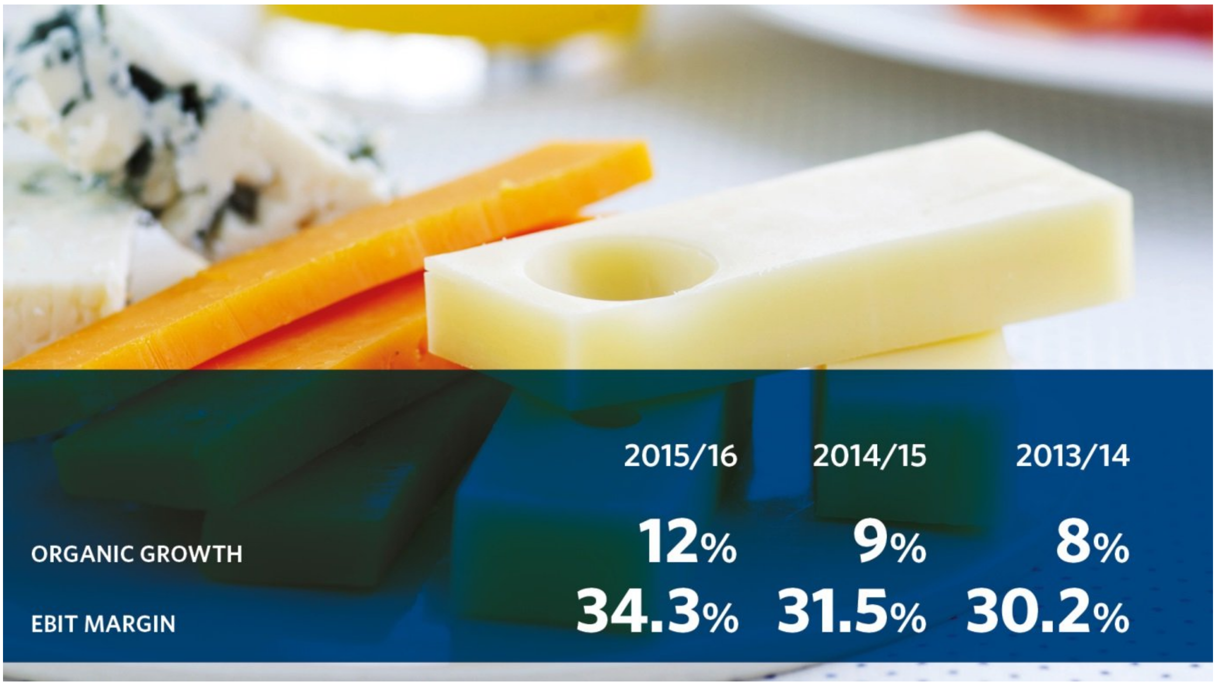
BUSINESS PERFORMANCE

REVENUE
Revenue increased by 9% to EUR 565 million, corresponding to organic growth of 12%. The organic growth comprised 9% from volume/mix and 3% 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 positively impacted by strong growth in fermented milk, meat and cheese. Probiotics showed solid growth, while organic growth from enzymes was good.

EBIT
EBIT amounted to EUR 194 million, compared to EUR 163 million in 2014/15. The EBIT margin was 34.3%, up 2.8 percentage points on 2014/15 due to operational efficiencies, including lower depreciation related to production facilities and product mix. The increase was partly offset by higher research & development costs.

ROIC EXCLUDING GOODWILL
The return on invested capital excluding goodwill was 46.2%, compared to 40.3% in 2014/15. Invested capital excluding goodwill increased by EUR 25 million, or 6%, to EUR 432 million. The increase was due to investments in production capacity.



BUSINESS PERFORMANCE
HEALTH & NUTRITION

EUR million	2015/16	2014/15
Revenue	184.0	164.8
Organic growth	2%	13%
EBITDA	66.9	64.2
EBIT	52.0	54.9
EBIT margin	28.3%	33.3%
ROIC excluding goodwill	30.6%	42.2%

HUMAN HEALTH

The role of beneficial bacteria in humans is increasingly acknowledged across the world, and Chr. Hansen is a global leader in the development and production of probiotics for dietary supplements and infant formula.

Market conditions for human probiotic dietary supplements were favorable in 2015/16. Penetration of probiotic solutions in the dietary supplements market increased, largely due to higher penetration in the US.

Chr. Hansen continuously invests in providing clinical evidence of the health benefits of its products, strengthening its GMP manufacturing competencies, and developing innovative formats and product combinations that ensure superior stability of the live bacteria in a range of settings.

In 2015/16, an FDA dietary supplements inspection was concluded without observations, and in September 2016, Chr. Hansen announced the acquisition of full rights to LGG®, which is the best-documented probiotic strain in the world. The acquisition will enable Chr. Hansen to capture the full potential of the LGG® brand across markets for dietary supplements, infant formula and dairy.

HUMAN MICROBIOME

Based on its core competencies within microbial research and production, Chr. Hansen is exploring opportunities related to the human microbiome. Chr. Hansen seeks to build relationships and collaborations with the companies and research institutions that are most advanced in this area, to identify the most attractive microbes for various health endpoints, and to establish production and formulation processes for these microbes.

In 2015/16, Chr. Hansen made progress in exploring the long-term growth opportunities within the human microbiome area. During the year, Chr. Hansen entered into its first partnerships for developing processes to produce bacteria and conducted a clinical study, which showed a positive physiological effect of the bacteria tested. Based on the results achieved from the study, clinical development has moved to the next stage. These efforts were supported by the inauguration of a pilot-scale pharma-grade facility in 2016, and investments in this area are expected to increase in the coming years.

ANIMAL HEALTH

With a growing world population, there is a long-term need to increase productivity in the agricultural industry while at the same time reducing and replacing the use of antibiotic growth promoters in the livestock industry. Chr. Hansen's microbial concepts for animal feed and silage support farmers in addressing these challenges.

In 2015/16, the market for microbial solutions in the agricultural industry was, however, negatively impacted by commodity prices for milk and pork being at extraordinarily low levels, causing farmers to cut down on certain feed additives such as microbial solutions and silage inoculants. During the year, a number of existing competitors also stepped up their activity levels in part of the market.

Despite the current pressure on the agricultural industry, the long-term growth prospects for microbial solutions for the industry remain very positive. Chr. Hansen has taken initiatives to strengthen its position by increasing focus on the development of new solutions and expects to introduce new products for the poultry and swine segments in 2016/17.

In February 2016, Chr. Hansen acquired NPC to expand its presence in the US beef and dairy cattle markets. Despite the challenging market conditions NPC delivered in line with expectations. Optimization of the supply chain progressed well, and the first revenue was generated from cross-selling and internationalization of NPC's product portfolio.

PLANT HEALTH

Plant and crop producers also need to improve productivity and find more sustainable solutions to replace the use of chemical products.

Chr. Hansen and FMC Corporation continued the rollout of NEMIX® C in the Brazilian sugarcane market and introduced VGR™, a new biostimulant for corn plants. In addition, a biopesticide registration application was filed with the US Environmental Protection Agency with expected product launch within 2-3 years and a significant number of field trials were conducted to develop new biological plant health solutions.

BUSINESS PERFORMANCE

REVENUE

Revenue increased by 12% to EUR 184 million (3% excluding NPC), corresponding to organic growth of 2%, due to volume/mix. Human health and plant health realized strong growth while organic growth from animal health was negative. The human microbiome initiative generated its first revenue.

Organic growth in human health was driven by dietary supplements in North America, while plant health was positively impacted by the launch of VGR™.

Organic growth in animal health was negatively impacted by challenging market conditions and a major customer's decision to insource the production of silage inoculants from Q3 2014/15.

EBIT

EBIT amounted to EUR 52 million, compared to EUR 55 million in 2014/15. The EBIT margin was 28.3%, down 5.0 percentage points on 2014/15. The decrease was mainly due to lower activity in animal health, inclusion of NPC, higher US tariff costs for specific human health products, an impairment charge of EUR 2 million relating to an obsolete technology platform and higher investments in strategic initiatives.

ROIC EXCLUDING GOODWILL

The return on invested capital excluding goodwill was 30.6%, compared to 42.2% in 2014/15. Invested capital excluding goodwill increased by EUR 64 million, or 46%, to EUR 202 million, driven by the acquisition of NPC.

NATURAL COLORS

EUR million	2015/16	2014/15
Revenue	200.0	174.9
Organic growth	19%	9%
EBITDA	27.9	20.2
EBIT	21.9	14.4
EBIT margin	10.9%	8.3%
ROIC excluding goodwill	25.8%	17.4%

Natural Colors supplies natural color solutions for the food industry, in particular the beverage, confectionery, ice cream, dairy, fruit preparation and prepared food segments. The colors are extracted from natural sources, such as berries, roots and seeds, and Chr. Hansen uses a number of encapsulation techniques that help stabilize the appearance of colors in various food applications.

In recent years, consumer demand for more natural products has increased. Chr. Hansen is well positioned to capture these opportunities by providing improved cost-in-use solutions, addressing the significant potential in emerging markets and developing an enhanced product offering.

CONVERSION

The increased consumer demand for natural and clean-label products, combined with stricter regulation of the use of synthetic solutions in food and beverages, especially in the EU, has led to a conversion from synthetic colors to natural solutions.

In 2015/16, the conversion to natural colors continued in Latin America and Asia-Pacific, while the European market experienced increasing penetration of more advanced natural color solutions. Conversion in the US accelerated throughout the year as major US food & beverage manufacturers slowly started to convert to natural ingredients, including colors. Emerging markets and the US delivered high double-digit organic growth in 2015/16.

PRODUCT RANGE

Chr. Hansen works continuously on improving its products, especially within the FRUITMAX® range of coloring foodstuff. Coloring foodstuffs, processed from edible, natural sources such as fruit and vegetables, give food manufacturers the opportunity to color food with food, for example juices or concentrates. Coloring foodstuff delivered high double-digit growth in 2015/16.

SOURCING

Chr. Hansen sources a wide range of natural raw materials through a global sourcing network. During the year, Chr. Hansen continued its efforts to improve standards and farm yields at raw material suppliers, to secure sustainable sourcing opportunities and to deliver improved cost-in-use solutions for customers.

However, purchase prices for certain raw materials increased significantly at the beginning of the financial year, which impacted the organic growth positively in 2015/16.

OPERATIONAL OPTIMIZATION INITIATIVES

As part of the Nature's No. 1 strategy review, Chr. Hansen initiated a project to ensure sustainable profitable growth in Natural Colors. Initiatives to optimize production yields, product portfolio and transportation costs contributed positively to the improvement in EBIT margin in 2015/16.

REVENUE

Revenue increased by 14% to EUR 200 million, corresponding to organic growth of 19%. The organic growth comprised approximately 9% from volume/mix and 10% from price increases in local currencies. The price increases mainly reflected increased raw material prices and use of EUR-based pricing to protect EBIT from depreciating currencies.

Organic growth was positively affected by strong growth in the prepared food, meat, dairy & fruit preparation and confectionery & ice cream categories, while the beverage category showed good growth.

EBIT

EBIT amounted to EUR 22 million, compared to EUR 14 million in 2014/15. The EBIT margin was 10.9%, up 2.6 percentage points on 2014/15. The increase was primarily due to increased sales and ongoing operational optimization initiatives partly offset by a negative impact from currencies.

ROIC

The return on invested capital was 25.8%, compared to 17.4% in 2014/15. The invested capital decreased by EUR 2 million, or 2%, to EUR 84 million, due to a positive development in trade payables.

	2015/16	2014/15	2013/14
ORGANIC GROWTH	19%	9%	1%
EBIT MARGIN	10.9%	8.3%	13.0%

FINANCIAL REVIEW

REVENUE

Revenue increased by 11% to EUR 949 million (9% excluding NPC), corresponding to organic growth of 12%. A positive impact on revenue from the appreciation of the USD was more than offset by depreciating currencies in some countries in Eastern Europe and Latin America.

The organic growth of 12% comprised 8% from volume/mix and 4% from price increases in local currencies. The price increases were mainly achieved by using EUR-based pricing to protect EBIT from depreciating currencies and to reflect higher raw material prices in Natural Colors.

REVENUE GROWTH	2015/16
Organic growth (vol/mix)	8%
Organic growth (price)	4%
Organic growth	**12%**
Currencies	(3)%
NPC acquisition	2%
EUR growth	**11%**

GROSS PROFIT

Gross profit was EUR 505 million, up 13% on 2014/15. The gross margin increased by 1.3 percentage points to 53.3%. The increase was mainly driven by efficiencies in culture production, including lower depreciation related to production equipment.

OPERATING EXPENSES (% OF REVENUE)

Operating expenses totaled EUR 238 million (25.0%), compared to EUR 214 million (24.9%) in 2014/15.

Research & development (R&D) expenses, including amortization and depreciation, amounted to EUR 63 million (6.6%), compared to EUR 51 million (5.9%) in 2014/15. The increase was partly due to impairment of an obsolete technology platform.

The net impact from capitalization less amortization and impairment of development costs was EUR 4 million (0.5%), compared to EUR 4 million (0.5%) in 2014/15. Capitalization increased due to the acquisition of a bacterial strain collection from the Board of Dairy Innovation Australia Ltd (DIAL).

Total R&D expenditures incurred increased by 23% to EUR 67 million (7.1%), compared to EUR 55 million (6.4%) in 2014/15. The increase was mainly due to a higher activity level in the microbial-based businesses, including the acquisition from DIAL.

Sales & marketing expenses amounted to EUR 113 million (11.9%), compared to EUR 102 million (11.8%) in 2014/15.

Administrative expenses amounted to EUR 66 million (6.9%), compared to EUR 61 million (7.1%) in 2014/15.

Net other operating income/expenses was an income of EUR 4 million, compared to nil in 2014/15. The income was partly due to sale of property.

OPERATING PROFIT (EBIT) BEFORE SPECIAL ITEMS

EBIT before special items amounted to EUR 268 million, compared to EUR 233 million in 2014/15, an increase of 15%. The increase in EBIT was mainly due to higher sales volumes and operational efficiencies in Food Cultures & Enzymes and Natural Colors, partly offset by low sales in animal health.

The EBIT margin before special items was 28.2%, up from 27.1% in 2014/15, primarily due to production and scale efficiencies.

SPECIAL ITEMS

Special items at EUR 12 million in 2015/16 mainly concerned costs related to the acquisition and integration of NPC and an accrual for US import tariff costs covering reclassification of certain human health and natural color products related to previous years.

OPERATING PROFIT (EBIT)

EBIT amounted to EUR 256 million, compared to EUR 233 million in 2014/15, an increase of 10%. The EBIT margin was 26.9%, compared to 27.1% in 2014/15.

NET FINANCIALS AND TAX

Net financial expenses amounted to EUR 16 million, compared to EUR 13 million in 2014/15. The net interest cost was EUR 12 million, unchanged from 2014/15. The increase due to higher debt from the acquisition of NPC was offset by lower interest rates.

The net impact from exchange rate adjustments was a negative EUR 4 million, compared to a negative EUR 1 million in 2014/15. The negative impact related mainly to unrealized losses from the depreciation of the Argentine peso.

Income taxes were EUR 56 million, equivalent to an effective tax rate of 23.2%, compared to 26.0% in 2014/15. This was mainly due to a reduction in the corporate tax rate in Denmark from 23.5% to 22.0% and a reduction in tax-related risk following the positive outcome of tax audits in certain countries.

PROFIT FOR THE YEAR

Profit for the year increased by 13% to EUR 184 million from EUR 163 million in 2014/15.

ASSETS

At 31 August 2016, total assets amounted to EUR 1,715 million, compared to EUR 1,445 million a year earlier. The increase was mainly due to the acquisition of NPC.

Total non-current assets amounted to EUR 1,307 million, compared to EUR 1,116 million at 31 August 2015. Intangible assets increased by EUR 160 million, while property, plant and equipment increased by EUR 28 million.

Total current assets amounted to EUR 408 million, compared to EUR 329 million at 31 August 2015. Inventories increased by EUR 12 million, or 11%, and receivables by EUR 24 million, or 17%. Cash increased by EUR 43 million to EUR 120 million.

NPC IMPACT EUR million	2015/16
Intangible assets incl. goodwill	163
Property, plant and equipment	3
Inventories	3
Trade receivables	2
Trade payables and other payables	(2)
Total effect	169

NET WORKING CAPITAL

Net working capital was EUR 147 million, or 15.5% of revenue, compared to EUR 138 million, or 16.1%, in 2014/15. The improvement relative to revenue was mainly due to a favorable development in trade payables.

EQUITY

Total equity amounted to EUR 730 million at 31 August 2016, compared to EUR 601 million a year earlier. An ordinary dividend for the financial year 2014/15 totaling EUR 82 million was paid in Q2 2015/16.

NET DEBT

Net interest-bearing debt amounted to EUR 548 million, or 1.7x EBITDA, compared to EUR 488 million, or 1.7x EBITDA, at 31 August 2015. The increase in net interest-bearing debt was mainly due to the acquisition of NPC.

RETURN ON INVESTED CAPITAL (ROIC)

The return on invested capital excluding goodwill was 39.7%, compared to 37.6% in 2014/15. Invested capital excluding goodwill increased to EUR 719 million, compared to EUR 632 million at 31 August 2015. The increase was mainly due to the acquisition of NPC and investments in production capacity.

The return on invested capital including goodwill was 19.9%, compared to 18.9% in 2014/15. Invested capital including goodwill increased to EUR 1,445 million, compared to EUR 1,247 million at 31 August 2015. Goodwill increased by EUR 111 million due to the acquisition of NPC.

CASH FLOW

Cash flow from operating activities was EUR 245 million, compared to EUR 222 million in 2014/15. The increase was due to the improved operating profit. Special items accounted for EUR 5 million in 2015/16.

Cash flow used for operational investing activities was EUR 75 million, or 7.9% of revenue, compared to EUR 70 million, or 8.2% of revenue, in 2014/15. Major investments in 2015/16 included capacity expansion for cultures and laboratory facilities for the human microbiome initiative. Cash flow was positively impacted by sale of a property in 2015/16.

Development expenditures of EUR 13 million, or 1.4% of revenue, were capitalized, compared to EUR 9 million, or 1.1%, in 2014/15. The increase was primarily due to the acquisition of a bacterial strain collection from DIAL.

Free cash flow before acquisitions, divestments and special items was EUR 175 million, compared to EUR 151 million in 2014/15. The increase was mainly due to the improved operating profit.

Cash flow used for acquisitions was EUR 169 million and related to the acquisition of NPC in February 2016.

ANNUAL REPORT 2015/16

RISK MANAGEMENT

SAFETY FIRST

At Chr. Hansen, safety is a top priority. The Environmental, Health & Safety organization and activities in this field have been significantly upgraded over the past year. To underline the strategic importance Chr. Hansen attaches to this, the Corporate Leadership Team – along with hundreds of employees – has taken part in several workshops and training events on Behavior-Based Safety, a program that focuses on individual responsibility for using common sense and evaluating risks before rushing into tasks.

RISK MANAGEMENT

Risk management is an integrated part of doing business at Chr. Hansen. Risks relate to future events or developments that can have an influence on the Company achieving its targets.

Relevant risks are identified, monitored and reported to the Executive Board and the Board of Directors through an Enterprise Risk Management process that follows an annual schedule. Furthermore, the identified risks are presented to and discussed by Management on a quarterly basis. The purpose of this process is to identify risks as early as possible and enable Management to take a proactive approach to adapting business processes and controls to meet, manage or mitigate these risks, or to prevent any increase in the current level of exposure.

Identified risks are evaluated based on their possible safety, business, reputational or financial impact and the likelihood of the risk materializing. Clear roles and responsibilities are assigned in relation to major risks, and mitigation initiatives are identified, prioritized and launched. The most significant risks identified and reported to the Board of Directors are described below, including measures taken to mitigate these where necessary.

As part of the Nature's No. 1 strategy update, the key risks were categorized into five categories where the mitigating actions are of a similar nature, to further ensure a high-quality and consistent approach in the risk management process. The categories are:

- Products
- Technology
- Customers & consumers
- Partners
- Markets

Chr. Hansen continues to work on identifying and evaluating relevant risks, and the list does not include all the risks that could ultimately affect the Company.

PRODUCTS

In order continuously to deliver high-quality products while growing the business, Chr. Hansen is focused on improving process standards of all aspects relating to the production of its products. This includes long-term planning of the production footprint to minimize the risks of a consolidated production setup, strong focus on quality and purity to meet the highest food safety standards, and ensuring a safe working environment.

Production footprint

Chr. Hansen has five main production sites: two in Denmark and one each in France, Germany and the US. These sites represent the core of Chr. Hansen's business, and each site carefully monitors product safety and delivery performance to manage all potential risks. This consolidation of production allows capacity to be optimized to reduce production costs. To minimize the risk of production breakdowns or failures, Chr. Hansen has implemented a risk prevention program of regular audits, which ensures preventive maintenance and replacements.

As production processes are optimized and automated, dependence on robust IT systems and infrastructure increases. Chr. Hansen continues to reduce complexity in IT systems and conduct regular restore tests.

This concentrated production setup entails the risk of a production breakdown interrupting the Company's operations and leading to a loss of income in both the short and long term due to long lead times for the replacement of key equipment. The causes might be contamination of production equipment, key equipment breakdown, fire, terrorism or natural disasters.

The risk and effect of a production breakdown are mitigated through maintenance, fire safety measures, behavior-based training, continuous improvements to operational processes, insurance and business continuity plans, including alternative production possibilities.

Developments in 2015/16

Chr. Hansen has successfully implemented and upscaled production in the new fermentation capacity installed in the Copenhagen factory in August 2014.

The increased utilization of new fermentation capacity means that production bottlenecks in other parts of the production process are now imminent. To mitigate this, Chr. Hansen has initiated the next expansion phase of capacity in Copenhagen, which is expected to be inaugurated in the autumn 2017.

Significant volume growth in human health in recent years means that utilization of the existing facilities has reached a very high level. Installation of a new fermentation line has been initiated.

Additional freeze-dryers have been installed, making Chr. Hansen less dependent on external providers for this critical production step.

The environmental footprint from Chr. Hansen's production improved in 2015/16 in terms of energy and CO_2 efficiency by 2% and 5% respectively, while water consumption was on par with 2014/15.

The capacity bottleneck in the production of cultures and the inherent risk of expanding capacity next to ongoing production mean the production risk is considered to have temporarily increased slightly.

Product safety
The majority of Chr. Hansen's products are sold to the food & beverage, human health, animal health and plant health industries. Most products are components in customers' end products that are consumed as food, beverages or dietary supplements.

To ensure the highest product safety, Chr. Hansen has an extensive quality assurance and food safety program covering the entire value chain, from the sourcing of raw materials until the finished products are delivered to customers. The risk assessment performed in the food safety program includes an evaluation of the use of our products in customers' end products. Chr. Hansen's food safety program is certified according to internationally recognized food safety standards. All production sites are FSSC 22000 certified, and central product development functions are certified according to ISO 22000.

Developments in 2015/16
There were three product retrievals in 2015/16, compared to four in 2014/15. In all cases, the retrievals were carried out as a precautionary measure due to identification of a potential risk and not as a result of an actual confirmed safety risk related to the product.

A major FDA Dietary Supplements inspection at the human health sites in Denmark was passed without observations over six days of inspection in January 2016. The risk related to product safety is considered unchanged.

Health, safety and security
Chr. Hansen is committed to continuously improving both the physical and psychosocial working environment for its employees. The Company has implemented several initiatives to underline the importance of a safe working environment. Monitoring and follow-up of incidents have been raised from departmental level to the Executive Board. All major sites have implemented or are in the process of implementing measures to increase awareness of safe behavior and site security. Focus has also been sharpened on behavior in relation to IT security due to the increased risk of cybercrime.

Developments in 2015/16
Chr. Hansen intensified its focus on health and safety in 2015/16. A global Health and Safety Organization was established, working to build a safety mindset across the entire Company and share best practice to prevent incidents from happening.

In 2015/16, the Lost Time Incident Frequency (LTIF) increased from 3.3 to 4.0. The main reason for this was an improved global awareness of when and how to report incidents and injuries as a consequence of the ongoing work to improve the focus on safety in Chr. Hansen. The risk of health, safety and security incidents is considered unchanged.

TECHNOLOGY
The increased technical complexity of new solutions demands a growing number of highly skilled employees not only in research & development but also in sales & marketing to ensure that continued innovation is introduced to both existing and new markets. To continue to deliver relevant innovation to customers and navigate the complex patent landscape, it is paramount that Chr. Hansen continues to attract the best resources.

Human capital
Attracting and retaining the best employees and new talents remain crucial if Chr. Hansen is to continue to excel. Human knowledge is critical to Chr. Hansen's business, and there is a strong focus on continuously building and expanding the knowledge base by actively developing employees' key skills.

The Company employs a large number of scientists and other experts in their fields. Developing their skills and knowledge is an important part of building competencies globally. Equally essential, however, are integrating these highly qualified employees into the day-to-day business and helping them become better at converting their expertise into business value. A number of tools are utilized to retain key personnel, including appropriate incentive systems, education and succession planning.

RISK MANAGEMENT

In 2015/16, Chr. Hansen decided to transition from the previously biennial employee satisfaction survey to an annual employee engagement survey. Employee engagement is a better measure of the employees' desire to perform, be productive and have an emotional connection to their workplace. These are strong drivers of overall business performance. The average score was 3.8 out of 5.0, showing clear strengths to build on as well as areas needing improvement.

Developments in 2015/16
The average number of training days per employee was 3.4 in 2015/16, unchanged from 2014/15. Employee turnover was 10%, compared to 12% in 2014/15, which is considered an acceptable level. During 2015/16, the average number of full-time employees increased by 135, partly due to 50 employees joining as part of the acquisition of NPC. Work is ongoing, particularly to integrate these new employees in the organization and to further enhance talent development and leadership training. In addition, new retention programs for specific core employee groups have been implemented. The risk related to attracting and retaining the best employees and new talents is considered unchanged.

Intellectual property rights
A strong and protected technology platform is important for Chr. Hansen. Focus on protecting intellectual property has increased significantly in the industries in which Chr. Hansen operates. The Company has a proactive patent strategy and protects new knowledge created to support and protect its business. Chr. Hansen has close to 2,000 patents granted or pending.

Developments in 2015/16
Chr. Hansen filed 37 new patent applications in 2015/16, compared to 30 in 2014/15. New applications were filed in almost all our business areas. Thanks to these filings, the risk related to intellectual property rights is considered unchanged.

CUSTOMERS & CONSUMERS
Chr. Hansen is highly dependent on delivering relevant and value-creating solutions to its customers and to the end consumers. The Company depends on close relationships with customers and a strong understanding of consumers and regional taste preferences. To ensure this, direct sales representation is established in all major markets.

The strong focus on customer intimacy often leads to long-term and strategic relationships that yield increased visibility. In general, Chr. Hansen becomes less dependent on individual customers as local and regional players take share from larger players. However, certain individual customers grow in importance and if the Company fails to deliver on e.g. innovation or quality, the potential downside of losing strategic customers increases. Chr. Hansen monitors its customer dependency across business areas to understand potential vulnerabilities and to initiate mitigating activities.

Developments in 2015/16
In connection with the Nature's No. 1 strategy review, a study examining long-term structural trends in food and health was conducted. The study confirmed dairy as an essential and healthy food category for consumers and one with a stable outlook. The risk related to customers and consumers is considered unchanged.

PARTNERS
In some parts of its business, Chr. Hansen depends on partners to handle key areas where the Company does not possess the required key competencies. To ensure that such partners live up to the standards of Chr. Hansen, diligent evaluation of fit is performed when engaging with new partners.

Existing partnerships are also monitored to ensure a continued high standard. Chr. Hansen has various kinds of partnerships, including large farmers producing raw materials for natural colors, production and packaging partners, universities and biotech companies in the human microbiome space, and FMC Corporation in plant health.

Developments in 2015/16
During 2015/16, Chr. Hansen entered into its first partnerships within the human microbiome and continued to build a position in plant health together with FMC Corporation. The risk related to partners is considered unchanged.

MARKETS
Competing globally and having an increasing share of revenue in emerging markets can add uncertainty and obstacles in certain markets, which can impact both revenue and profitability. Examples are changes in the competitive landscape, limited or no access to markets due to sanctions, fluctuations in currencies and raw material prices, and regulatory changes. Close surveillance of the markets in which the Company operates is important in order to take any necessary mitigating actions in due time.

Business environment
With offices in more than 30 countries and sales to more than 140 countries, Chr. Hansen is from time to time affected by geopolitical uncertainties and unrest.

As a supplier of ingredients mainly to the food industry, Chr. Hansen is rarely directly affected by trade restrictions. Customers of Chr. Hansen are more likely to be affected by trade restrictions, which could potentially have an adverse effect on the Company's sales. In those instances where the Company's products are or will be affected by sanctions, Chr. Hansen acts in full compliance with these.

Political and economic unrest in countries and regions where Chr. Hansen operates or plans to operate is monitored continuously and taken into account when making strategic decisions.

Developments in 2015/16
Macroeconomic and political tension in many countries has led to increased uncertainty associated with doing business in certain regions. While the impact on the short term is minimal for Chr. Hansen, the long-term impact is more uncertain. The risk related to the business environment is considered to have increased.

Documentation
Chr. Hansen has some of the best-documented probiotic strains on the market and works continuously to improve the documentation of health claims related to the probiotic strains as well as to respond to changing documentation requirements from authorities.

Developments in 2015/16
Chr. Hansen continues to work on better clinical data supporting the health claims of existing and new strains in specific settings. The Company has adopted a new approach to these studies, which is in line with EFSA's new guidelines on the subject, such that the effect is now evaluated on the basis of quantifiable responses in biomarkers and not subjective outcome measures such as questionnaires.

In September 2016, Chr. Hansen acquired the rights to LGG®, the world's best-documented probiotic strain, which it previously produced under a license agreement. Complete control of LGG® further strengthens the Company's position as a leading player within documented probiotic strains. The risk related to documentation is considered to have decreased.

Direct and indirect taxes and transfer pricing
Chr. Hansen is a global business operating in multiple jurisdictions with different tax rules and regulations. It is the Company's intention always to fulfill the tax requirements in all countries where business is conducted. Chr. Hansen works constantly to create tax awareness in the organization, and has defined clear roles and responsibilities between line management, local finance and the Group Tax function. However, tax and transfer pricing disputes do arise from time to time as cross-border transactions receive increasing attention from local tax authorities.

Chr. Hansen's Group Tax function ensures compliance with the Group's tax position. Enquiries from local tax authorities are addressed in cooperation with tax advisors, and a positive dialogue with local tax authorities is pursued to prevent disputes. The Group Tax function constantly strives to support business activities worldwide in the best possible way.

Developments in 2015/16
During 2015/16, Chr. Hansen ensured that its transfer pricing documentation is compliant with the OECD transfer pricing guidelines and requirements. Chr. Hansen's overall transfer pricing setup has been confirmed by international tax audits, including one concluded in 2015/16. Please refer to note 2.8 to the Consolidated Financial Statements for further information on taxes.

In Q2 2015/16, Chr. Hansen received an unfavorable ruling from the US customs authorities regarding classification of some probiotic powders used in human health products. This has led to a tariff reclassification of certain human health and natural color products. A provision of EUR 5 million has been made to cover the unpaid tariff for previous years, while an additional tariff cost of EUR 2 million has been expensed for 2015/16. There is a limited risk that there could be a higher exposure related to previous years. Chr. Hansen is working with the authorities to ensure correct tariff classification. The risk related to direct and indirect taxes and transfer pricing is considered to be at the same level as in 2014/15.

Legal risk
Chr. Hansen is from time to time party to legal proceedings arising in the ordinary course of its business. The Legal department is focused on analyzing possible risks in a timely manner and mitigating them in an appropriate way using both internal and, if needed, external capabilities. Despite the focus from Chr. Hansen on these matters, the outcome of legal proceedings cannot be predicted with certainty.

Developments in 2015/16
During 2015/16, two new diacetyl-related lawsuits have emerged concerning the period when products containing diacetyl were produced. Chr. Hansen has insurance cover for potential losses on these claims. Please refer to note 3.8 to the Consolidated Financial Statements for further information on legal proceedings.

Financial risk
As an international business, Chr. Hansen is exposed to a number of financial risks relating to currency and interest rate fluctuations, funding, liquidity, credit and counterparty risks.

Developments in 2015/16
During 2015/2016, Chr. Hansen refinanced its revolving credit facility. The objective was to increase the size of the facility and to achieve greater flexibility. As a result of refinancing the credit facility and new loans from the European Investment Bank and KfW Bank, Chr. Hansen has significantly improved its liquidity ratio. Please refer to note 4.2 to the Consolidated Financial Statements for further information on these risks.

ANNUAL REPORT 2015/16

GOVERNANCE

A MEANINGFUL CAREER

Attracting and retaining high-performing employees is crucial for Chr. Hansen in order to realize the business strategy and to stay competitive in the marketplace. Fortunately, the Company has a lot to offer, with capabilities that tap into some of the most important global challenges and can play a role in supporting the wider adoption of natural ingredients.

Ultimately, this will make the world a better place for the generations to come, and Chr. Hansen a meaningful place to work

CORPORATE GOVERNANCE

The Board of Directors of Chr. Hansen Holding A/S remains committed to following the Danish Recommendations on Corporate Governance as adopted on 1 June 2013 by Nasdaq Copenhagen in its Rules for Issuers of Shares - and complied with the recommendations in all respects in 2015/16.

Chr. Hansen is committed to being accountable to all relevant stakeholders. The Company has developed a set of policies and positions aligned with international conventions, treaties and standards. As part of this, Chr. Hansen continues to support the United Nations Global Compact's ten principles in the areas of human rights, labor, the environment and anticorruption.

KEY DEVELOPMENTS IN 2015/16

Diversity

Chr. Hansen made progress toward diversity in management and key positions in 2015/16. The percentage of women in key positions increased from 18 to 22. The gender equality in management positions also improved and there are now 39% women in management positions, up from 36% in 2014/15. However, the percentage of diverse management teams decreased by 8 percentage points to 69%, following an organizational change.

Two out of seven members of Chr. Hansen's Board of Directors are women, while four are non-locals, compared to a. target of at least three women and one non-local member by the end of 2020.

Business ethics

Chr. Hansen is committed to conducting business with the highest level of integrity to ensure fair, safe and inclusive business practices. To ensure that all relevant employees are aware of, and comply with, business integrity standards, Chr. Hansen relaunched its anticorruption e-learning program in 2015/16.

Chr. Hansen encourages employees and external stakeholders, such as suppliers and customers, to raise concerns regarding business integrity. In 2015/16, two issues were raised directly with senior management and one was reported through the whistleblower hotline. All three incidents were investigated and appropriate action was taken where necessary. Chr. Hansen will continue communicating about the whistleblower system to ensure that all employees and relevant stakeholders are aware of and familiar with it.

Annual Board of Directors review

The Chairman of the Board of Directors is responsible for conducting an annual review of the Board's performance, addressing the effectiveness of the Board, the processes supporting its work, individual members' contributions and the Chairman's performance.

In 2015/16, the evaluation was conducted by the individual directors and executives anonymously completing a comprehensive online questionnaire which was then summarized by an external consultant.

The results of the assessment process were presented to the Board of Directors in September 2016 by the external consultant. The report describes a number of areas in which the Board is both effective and very well-functioning and gives an overall impression of a high-performing board of directors. Almost all areas for improvement which were identified in last year's assessment have been complied with. This year, too, the assessment identified some minor areas in which improvements will be considered.

The Chairman will hold individual meetings with the other directors to review their performance.

Similar evaluations of their effectiveness have been undertaken by the Audit Committee, the Nomination Committee, the Remuneration Committee and the Scientific Committee.

REMUNERATION

The remuneration of the Executive Board and Board of Directors at Chr. Hansen shall contribute to the creation of value in the Company and support the Company's short- and long-term objectives. The incentive-based remuneration shall further seek to align the interests of the Executive Board and those of the shareholders and, finally, ensure that the Company is able to attract and retain highly qualified members for both its Executive Board and Board of Directors.

The following section describes the most important elements of Chr. Hansen's remuneration of the Executive Board and Board of Directors.

Executive Board

Members of the Executive Board receive an agreed base salary, which is subject to annual reassessment, and are granted certain benefits such as company car, insurance, newspaper, free telephone and internet access. Pension contributions amount to 20% of the base salary.

The Executive Board and other key employees are further offered incentive-based remuneration in accordance with the Board of Directors' overall guidelines for incentive-based remuneration as approved by the Company's Annual General Meeting.

In the event of change of control, members of the Executive Board do not receive any additional compensation.

Board of Directors

The remuneration of members of the Board of Directors comprises a fixed annual base fee and fixed annual supplementary fees for the Chairman, Vice Chairman, and members and chairmen of permanent committees. Members of the Board of Directors do not receive any incentive-based remuneration.

Assessment of the remuneration

The remuneration of the Executive Board and Board of Directors is assessed annually. The Board of Directors decides on the remuneration of the Executive Board and other key employees based on a recommendation from the Board's Remuneration Committee.

FURTHER INFORMATION

Section 107b of the Danish Financial Statements Act requires Chr. Hansen Holding A/S to prepare a statement on corporate governance for the 2015/16 financial year. This statement forms part of Management's Review and can be viewed at www.chr-hansen.com/investors/governance/corporate-governance.

For a full report on corporate social responsibility as required by sections 99a and 99b of the Danish Financial Statements Act, please refer to Chr. Hansen's Communication on Progress to the UN Global Compact, available at www.chr-hansen.com/sustainability/reporting-and-disclosure.

For more information on remuneration, please refer to Chr. Hansen's Remuneration Policy as approved by the Annual General Meeting on 29 November 2011 and Overall Guidelines for Incentive-Based Remuneration as approved by the Annual General Meeting on 26 November 2015. The remuneration policy and guidelines, Chr. Hansen's Articles of Association, and other policies and positions are available at www.chr-hansen.com/investors/governance/remuneration.

For specific information on the remuneration of the Executive Board and Board of Directors in 2015/16, please refer to notes 2.3 and 5.1 to the Consolidated Financial Statements.

BOARD OF DIRECTORS AND EXECUTIVE BOARD

BOARD OF DIRECTORS

OLE ANDERSEN

Professional board member. Born 1956. Independent. Chairman of the Board since 2010; re-elected 2015; term expires 2016. Chairman of the Remuneration and Nomination Committees; member of the Audit Committee.

Other board positions
Chairman: Danske Bank A/S, Bang & Olufsen A/S (and one group company). Member: Denmark Bridge, Nomination Committee of Nasdaq Nordic Ltd., Danish Committee on Corporate Governance. Adjunct professor: CBS (Copenhagen Business School).

Skills
Professional experience in managing and developing large international companies. Extensive board experience, including from listed companies. Financial and accounting expertise.

DOMINIQUE REINICHE

Professional board member. Born 1955. Independent. Vice chairman. Member of the Board since November 2013; re-elected 2015; term expires 2016. Member of the Nomination, Remuneration and Scientific Committees.

Other board positions
Board member: PayPal Luxembourg, member of the Governance and Remuneration Committees. AXA Global Insurance Group, member of the Compensation & Governance Committee. Mondi plc, member of the Nomination and Remuneration Committees. Severn Trent plc, member of the Sustainability Committee.

Skills
Professional experience from positions in the food, beverage and hygiene/beauty care industries at, among others, Procter & Gamble and Jacobs-Suchard (now Mondelēz International). 22 years in senior leadership positions at French and European levels within Coca-Cola Enterprises and The Coca-Cola Company.

FRÉDÉRIC STÉVENIN

Partner at PAI Partners. Born 1966. Independent. Member of the Board since 2005; re-elected 2015; term expires 2016. Member of the Audit and Nomination Committees.

Other board positions
Chairman of the Supervisory Board of B&B Hotels and member of the Board of Directors of one group company. Chairman of the Supervisory Board of Cerba European Lab and member of the Board of Directors/Manager of two group companies. Chairman/member of the Board of Directors of Domus Vi and two group companies. Member of the Supervisory Board of Ethypharm. Member of the Board of Directors of Kaufman & Broad SA and Chairman of the Board of Directors and Managing Director of one group company. Member of the Supervisory Board of Labeyrie and Chairman/member of the Board of Directors of two group companies. Member: Marcolin SpA and three group companies, two R&R Ice Cream group companies, PAI Partners SAS, PAI Partners UK Ltd and PAI Europe III. Manager: Alta Rocca Investissements and G.A.V.U. Gestion Sprl.

Skills
Professional experience in investing in large international companies. Financial and accounting expertise. Extensive board experience, including from listed companies.

MARK WILSON

Born 1952. Independent. Member of the Board since 2010; re-elected 2015; term expires 2016. Chairman of the Audit Committee; member of the Remuneration Committee.

Skills
International CEO/MD with over 40 years in fast moving consumer goods companies and service/B2B industries in Asian, South American, UK, Irish and international markets. Financial and accounting experience.

SØREN CARLSEN

Born 1952. Independent. Member of the Board since November 2012; re-elected 2015; term expires 2016. Chairman of the Scientific Committee.

Other board positions
Member: PreSeed Innovation, Biosyntia A/S, Albumedix A/S and Bioneer A/S.

Skills
Extensive international experience, knowledge and skills within research & development and investments in biotechnology.

TIINA MATTILA-SANDHOLM

Professor and Executive Advisor to the CEO and the Executive Board of Valio Oy, Finland. Born 1958. Independent. Member of the Board since November 2014; re-elected 2015; term expires 2016. Member of the Scientific Committee.

Other board positions:
Chairman: Nutrition Foundation. Member: Natural Resources Institute (LUKE).

Skills:
More than a dozen years of experience as CSO, HRM and Business Group Director in a fast moving consumer goods company, and 30 years of strategic leadership in international academic and industrial R&D.

KRISTIAN VILLUMSEN
Executive Vice President of Chronic Care at Coloplast A/S Born 1970. Independent. Member of the Board since November 2014; re-elected 2015; term expires 2016. Member of the Audit Committee.

Other board positions
Member in eight subsidiaries fully owned by Coloplast A/S.

Skills
Extensive knowledge of the medico and life science industry as well as solid international and managerial experience in both European and emerging markets.

SVEND LAULUND
Manager Global External Affairs, Chr. Hansen A/S.
Born 1954. Employee representative. Member of the Board since 2006; re-elected 2013, term expires 2017.

Other board positions
Member: Scandinavian Property Investment 11.

MADS BENNEDSEN
Senior Research Scientist, Chr. Hansen A/S. Born 1964 Employee representative. Member of the Board since 2013; term expires 2017.

PER POULSEN
Senior Technology Specialist, Chr. Hansen A/S. Born 1966. Employee representative. Member of the Board since 2013; term expires 2017.

EXECUTIVE BOARD
CEES DE JONG
President & Chief Executive Officer, Chr. Hansen Holding A/S. Born 1961. Joined Chr. Hansen in April 2013.

Education
Master of Business Administration from Rotterdam School of Management, Erasmus University, Netherlands. Doctor of Medicine, Erasmus University, Netherlands.

KNUD VINDFELDT
Deputy CEO and Chief Operating Officer, Science, Technology & Supply, Chr. Hansen Holding A/S. Born 1963. Joined Chr. Hansen in 1991.

Education
Master of Dairy Science. Bachelor of International Business.

SØREN WESTH LONNING
Chief Financial Officer, Chr. Hansen Holding A/S. Born 1977 Joined Chr. Hansen in 2007.

Education
M.Sc. in Finance and Accounting (cand.merc.fir.) from Copenhagen Business School.

Board positions
CEO and sole shareholder: MNGT4 SWL ApS

CORPORATE LEADERSHIP TEAM
In addition to the Executive Board, the Company has established a Corporate Leadership Team that assists in the day-to-day management of the Company. In addition to the members of the Executive Board, the Corporate Leadership Team comprises a further eight members.

MANAGEMENT
BOARD OF DIRECTORS

Ole Andersen
Chairman

Dominique Reiniche
Vice Chairman

Frédéric Stévenin
Board member

Tiina Mattila-Sandholm
Board member

Søren Carlsen
Board member

Mark Wilson
Board member

Kristian Villumsen
Board member

Svend Laulund
Board member, employee-elected

Mads Bennedsen
Board member, employee-elected

Per Poulsen
Board member, employee-elected

MANAGEMENT

EXECUTIVE BOARD & CORPORATE LEADERSHIP TEAM

Cees de Jong
President & CEO
Executive Board member

Knud Vindfeldt
Chief Operating Officer, Vice CEO, Science, Technology & Supply
Executive Board member

Søren Westh Lonning
Executive Vice President & CFO
Executive Board member

Christoffer Lorenzen
Executive Vice President, Food Cultures & Enzymes

Christian Barker
Executive Vice President, Health & Nutrition

Jørgen M. Erichsen
Executive Vice President, Natural Colors

Jacob Vishof Paulsen
Executive Vice President, EMEA & North American regions

Sten Estrup
Executive Vice President, APAC & LATAM regions

Winnie Bügel
Corporate Vice President, Compliance, Corporate Communications & Sustainability

Erik Norström
Corporate Vice President, Strategic & Business Development

Alice Larsen
Corporate Vice President, Human Resources

GOVERNANCE
SHAREHOLDER INFORMATION

Chr. Hansen Holding A/S is listed on Nasdaq Copenhagen and aims to provide long-term returns to shareholders through increases in share price and dividend payouts.

The sole activity of Chr. Hansen Holding A/S is the general management and central administration of shareholdings in companies in the Chr. Hansen Group.

TOTAL SHAREHOLDER RETURN 2015/16

The share price developed positively in 2015/16. At the end of August 2016, the share traded at DKK 405, while the share price at 1 September 2015 was DKK 335, corresponding to an increase of DKK 70 per share.

During the year, an ordinary dividend of DKK 4.70 per share was paid for the 2014/15 financial year. The total shareholder return for 2015/16 was equal to 22%.

Chr. Hansen is included in a number of share indexes, including the Nasdaq C20CAP index, and benchmarks itself against a predefined group of companies. The Nasdaq C20CAP index returned 7%, while the predefined peer group returned 21% including dividends.

CAPITAL STRUCTURE

The Board of Directors regularly assesses whether the capital structure of Chr. Hansen is in the shareholders' best interests. The Board of Directors is committed to maintaining financial leverage consistent with a solid investment-grade credit profile, while returning excess cash to shareholders through ordinary dividends and through either interim dividends or share buy-back programs, in accordance with the Company's capital allocation priorities.

Due to the acquisition of NPC in February 2016, the Board of Directors decided not to pay an interim dividend or to implement a share buy-back program in 2015/16.

Dividends

The Company's policy for ordinary dividends is a payout ratio of 40-60% of net profit. In addition, the Annual General Meeting has authorized the Board of Directors to distribute interim dividends.

The dividends proposed depend on the Board's assessment of factors such as business development, growth strategy and financing needs, and there can be no assurance that an ordinary or interim dividend will be proposed or declared in any given year.

1 September 2015 – 31 August 2016 DKK per share

The Board of Directors proposes that the Annual General Meeting approves an ordinary dividend for 2015/16 of EUR 0.7 (DKK 5.23) per share, or a total of EUR 92 million. The proposed ordinary dividend is equivalent to 50% of the profit for the year. The Board of Directors believes that the proposed dividend best serves the interests of the shareholders. The capital and share structure will be assessed regularly to determine whether it remains in the shareholders' best interests.

AUTHORIZATION OF THE BOARD OF DIRECTORS
Up to and including 26 November 2017, the Board of Directors has been authorized by the Annual General Meeting to:

- Increase the share capital in one or more stages, with preemptive rights for existing shareholders, by up to a total nominal value of DKK 131,852,496 (previously DKK 134,499,976). The capital increase shall be effected by payment in cash.
- Increase the share capital in one or more stages, without preemptive rights for existing shareholders, by up to a total nominal value of DKK 131,852,496 (previously DKK 134,499,976), provided that the increase takes place at market price. The capital increase may be effected by payment in cash or by contribution of assets other than cash.
- Have the Company acquire up to 13,185,249 (previously 13,449,997) treasury shares, provided that the Company's holding of treasury shares at no time exceeds 10% of the Company's share capital. The consideration payable for the shares may not deviate by more than 10% from the share price listed on Nasdaq Copenhagen at the time of acquisition.
- Distribute extraordinary dividends in accordance with the rules and limitations set out in the Danish Companies Act.

SHAREHOLDERS
At the end of August 2016, Chr. Hansen had around 22,000 institutional and private shareholders, three of which each held more than 5% of the shares:

- Novo A/S (Denmark) 25.7%
- Capital Group Companies Inc. (US) 10.1%
- APG Asset Management N.V. (Netherlands) 5.2%

Other institutional investors, primarily from the UK and the US, held around 50%, while retail investors held around 5%. Chr. Hansen held 0.6% in order to meet certain obligations to deliver shares under management incentive programs.

AMERICAN DEPOSITARY RECEIPT PROGRAM
Chr. Hansen has a sponsored Level 1 American Depositary Receipt (ADR) program with Bank of New York Mellon acting as depositary bank. An ADR is a USD-denominated negotiable certificate that represents ownership of shares in a non-US company, facilitating the purchase, holding and sale of non-US securities by US investors. At the end of August 2016, 1.4% of the share capital was held through the ADR program.

ANALYST COVERAGE
The Company is currently covered by 20 analysts, including major international investment banks. A list of analysts covering Chr. Hansen can be found at www.chr-hansen.com/investors/share-info/analysts.

INVESTOR RELATIONS ACTIVITIES
Chr. Hansen seeks to ensure that relevant, accurate and timely information is made available to the capital markets to serve as a basis for regular trading and fair pricing of the Company's shares. In providing this information, Chr. Hansen aims to ensure that it is perceived as a visible, accessible, reliable and professional company by the investor community, and that the Company is regarded as one of the best among its peers in this area. This is to be achieved while complying with the rules and legislation for companies listed on Nasdaq Copenhagen and Chr. Hansen's communication policy.

In 2015/16, Chr. Hansen held more than 300 meetings with investors and analysts, including road shows in among others Copenhagen, London and the US, and participated in a number of conferences held by various brokers.

INVESTOR RELATIONS WEBSITE
The Company's investor relations site contains both historical and current information about the Company, including company announcements, investor presentations, teleconferences including transcripts, a financial calendar and annual reports. See www.chr-hansen.com/investors.

CONTACT
The Investor Relations department handles daily contact with analysts and investors.

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dkamc@chr-hansen.com	dkanen@chr-hansen.com

GOVERNANCE

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday 29 November 2016 in Chr. Hansen's headquarters at Bøge Allé 10-12, 2970 Hørsholm, Denmark, at 4 p.m. CET.

SHARE DATA

Share capital	DKK 1,318,524,960
Number of shares	131,852,496 of DKK 10
Outstanding shares	131,002,580 of DKK 10
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	Nasdaq Copenhagen A/S
ISIN code	DK0060227585
Ticker symbol	CHR
Share price at year-end	DKK 405
Proposed dividend per share	DKK 5.23

OTC ADR Level 1 program (BNY Mellon)	
DR Symbol	CHYHY
CUSIP	12545M207
DR ISIN	US12545M2070
Ratio	DR:ORD 2:1

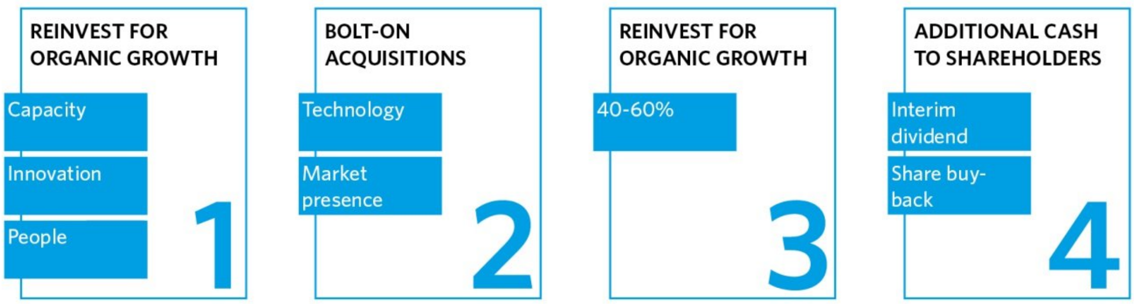
FINANCIAL CALENDAR

29 November 2016	Annual General Meeting 2015/16
11 January 2017	Interim Report Q1
6 April 2017	Interim Report Q2
29 June 2017	Interim Report Q3
25 October 2017	Annual Report 2016/17
28 November 2017	Annual General Meeting 2016/17

MAIN COMPANY ANNOUNCEMENTS 2015/16

2 October 2015	Major shareholder announcement from WCM IM
16 December 2015	Major shareholder announcement from WCM IM
13 January 2016	Agreement to acquire Nutrition Physiology Company
18 February 2016	Closing of acquisition of Nutrition Physiology Company
12 April 2016	Natures No. 1 reaffirmed – strategy update
17 May 2016	Major shareholder announcement from Capital Group Companies

CAPITAL ALLOCATION PRIORITIES



MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Chr. Hansen Holding A/S for the financial year 1 September 2015 to 31 August 2016.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 August 2016 of the Group and the Parent Company and of the results of the Group's and Parent Company's operations and cash flows for 2015/16.

In our opinion, Management's Review includes a true and fair account of developments in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company, as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hørsholm, 26 October 2016

Executive Board

Cees De Jong
President and CEO

Knud Vindfeldt
COO and Vice CEO

Søren Westh Lonning
CFO

Board of Directors

Ole Andersen
Chairman

Dominique Reiniche
Vice Chairman

Frédéric Stévenin

Mark Wilson

Tiina Mattila-Sandholm

Søren Carlsen

Kristian Villumsen

Per Poulsen

Svend Laulund

Mads Bennedsen

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHR. HANSEN HOLDING A/S

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Chr. Hansen Holding A/S for the financial year 1 September 2015 to 31 August 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 August 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 September 2015 to 31 August 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON MANAGEMENT'S REVIEW

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 26 October 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Kim Füchsel
State Authorized Public Accountant

Rasmus Friis Jørgensen
State Authorized Public Accountant

ANNUAL REPORT 2015/16

FINANCIAL STATEMENTS GROUP

A STRONG INNOVATION PLATFORM

With in-house access to more than 25,000 bacterial strains, Chr. Hansen is one step ahead when it comes to developing new cutting-edge cultures on the borders of what is scientifically possible.

The majority of Chr. Hansen's innovations derive from a strong bioscience technology platform based on in-depth scientific knowledge and competencies, leading to groundbreaking solutions for food, feed and dietary supplement applications.

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FINANCIAL STATEMENTS – GROUP

INCOME STATEMENT

1 SEPTEMBER – 31 AUGUST

EUR million	Note	2015/16	2014/15
Revenue	2.1	948.9	858.6
Cost of sales	2.2 - 2.3	(443.5)	(412.2)
Gross profit		**505.4**	**446.4**
Research and development expenses	2.2 - 2.3	(62.5)	(51.0)
Sales and marketing expenses	2.2 - 2.3	(112.7)	(101.7)
Administrative expenses	2.2 - 2.3 - 2.4	(65.9)	(61.3)
Other operating income		3.7	2.7
Other operating expenses		(0.2)	(2.6)
Operating profit before special items		**267.8**	**232.5**
Special items	2.5	(12.2)	-
Operating profit (EBIT)		**255.6**	**232.5**
Financial income	2.6	29.3	47.1
Financial expenses	2.7	(45.5)	(59.9)
Profit before tax		**239.4**	**219.7**
Income taxes	2.8	(55.6)	(57.2)
Profit for the year		**183.8**	**162.5**
Earnings per share (EUR)	2.9	1.41	1.24
Earnings per share, diluted (EUR)	2.9	1.40	1.23

STATEMENT OF COMPREHENSIVE INCOME

1 SEPTEMBER – 31 AUGUST

EUR million	Note	2015/16	2014/15
Profit for the year		**183.8**	**162.5**
Items that will not be reclassified subsequently to the income statement:			
Remeasurements of defined benefit plans		(1.1)	(0.1)
Items that will be reclassified subsequently to the income statement when specific conditions are met:			
Currency translation of foreign Group companies		2.9	(12.4)
Deferred gains/(losses) on cash flow hedges arising during the year		(2.5)	(1.8)
Gains/(losses) on cash flow hedges expiring during the year		1.9	2.9
Tax related to cash flow hedges		0.1	(1.3)
Other comprehensive income for the year		**1.3**	**(12.7)**
Total comprehensive income for the year		**185.1**	**149.8**

BALANCE SHEET

AT 31 AUGUST

EUR million	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	3.1	726.5	615.1
Other intangible assets	3.2	185.3	129.5
Intangible assets in progress	3.2	32.5	39.4
Total intangible assets		**944.3**	**784.0**
Property, plant and equipment			
Land and buildings	3.3	138.9	135.3
Plant and machinery	3.3	142.5	136.3
Other fixtures and equipment	3.3	16.2	14.4
Property, plant and equipment in progress	3.3	55.7	38.9
Total property, plant and equipment		**353.3**	**324.9**
Other non-current assets			
Deferred tax	2.8	9.8	7.0
Total other non-current assets		**9.8**	**7.0**
Total non-current assets		**1,307.4**	**1,115.9**
Current assets			
Inventories			
Raw materials and consumables		21.5	21.0
Work in progress		42.4	40.4
Finished goods and goods for resale		56.2	46.9
Total inventories	3.4	**120.1**	**108.3**
Receivables			
Trade receivables	3.5	137.1	123.1
Tax receivables		4.8	2.4
Other receivables		16.6	12.0
Prepayments		9.5	6.5
Total receivables		**168.0**	**144.0**
Cash and cash equivalents		**119.8**	**76.4**
Total current assets		**407.9**	**328.7**
Total assets		**1,715.3**	**1,444.6**

BALANCE SHEET

AT 31 AUGUST

EUR million	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	177.2	176.7
Reserves		553.1	424.1
Total equity		**730.3**	**600.8**
Liabilities			
Non-current liabilities			
Employee benefit obligations	3.6	7.4	6.3
Deferred tax	2.8	66.4	52.3
Provisions	3.7	2.1	2.6
Borrowings	4.2	601.0	536.3
Tax payables		17.5	19.5
Other non-current debt		-	0.6
Total non-current liabilities		**694.4**	**617.6**
Current liabilities			
Provisions	3.7	6.2	-
Borrowings	4.2	66.7	27.7
Prepayments from customers		0.8	0.6
Trade payables		109.8	93.3
Tax payables		25.5	38.6
Other payables		81.6	66.0
Total current liabilities		**290.6**	**226.2**
Total liabilities		**985.0**	**843.8**
Total equity and liabilities		**1,715.3**	**1,444.6**

Commitments and contingent liabilities	3.8
Derivative financial instruments	4.3
Related parties	5.4
Events after the balance sheet date	5.5
List of Group companies at 31 August 2016	5.6

STATEMENT OF CHANGES IN EQUITY

1 SEPTEMBER – 31 AUGUST

EUR million	Note	Share capital	Currency translation	Cash flow hedges	Retained earnings	2015/16 Total
Equity at 1 September 2015		**176.7**	**(33.4)**	**(3.2)**	**460.7**	**600.8**
Total comprehensive income for the year, cf. statement of comprehensive income		0.5	2.4	(0.5)	182.7	185.1
Transactions with owners:						
Exercised share options		-	-	-	17.5	17.5
Share-based payment	5.1	-	-	-	4.4	4.4
Tax related to share-based payment		-	-	-	4.6	4.6
Dividend		-	-	-	(82.1)	(82.1)
Equity at 31 August 2016		**177.2**	**(31.0)**	**(3.7)**	**587.8**	**730.3**

An ordinary dividend for the financial year 2014/15 of DKK 4.70 per share was paid during the year.
A dividend of EUR 0.70 (DKK 5.23), corresponding to EUR 92 million in total, is proposed for 2015/16.

EUR million	Note	Share capital	Currency translation	Cash flow hedges	Retained earnings	2014/15 Total
Equity at 1 September 2014		**180.5**	**(21.3)**	**(3.0)**	**500.6**	**656.8**
Total comprehensive income for the year, cf. statement of comprehensive income		(0.3)	(12.1)	(0.2)	162.4	149.8
Transactions with owners:						
Reduction of share capital		(3.5)	-	-	3.5	-
Purchase of treasury shares		-	-	-	(38.0)	(38.0)
Exercised share options		-	-	-	8.0	8.0
Share-based payment	5.1	-	-	-	3.3	3.3
Tax related to share-based payment		-	-	-	2.3	2.3
Dividend		-	-	-	(181.4)	(181.4)
Equity at 31 August 2015		**176.7**	**(33.4)**	**(3.2)**	**460.7**	**600.8**

An ordinary dividend for the financial year 2013/14 of DKK 3.77 per share and an interim dividend related to the financial year 2014/15 of DKK 6.57 per share were paid during the year.

CASH FLOW STATEMENT

1 SEPTEMBER - 31 AUGUST

EUR million	Note	2015/16	2014/15
Operating profit		255.6	232.5
Non-cash adjustments	5.2	63.4	57.7
Change in working capital		(5.5)	(8.1)
Interest payments received		0.7	0.8
Interest payments made		(12.0)	(11.4)
Taxes paid		(57.4)	(50.0)
Cash flow from operating activities		**244.8**	**221.5**
Investments in intangible assets		(18.4)	(15.4)
Investments in property, plant and equipment		(59.7)	(55.1)
Sale of property, plant and equipment		3.1	0.1
Cash flow used for operational investing activities		**(75.0)**	**(70.4)**
Free operating cash flow		**169.8**	**151.1**
Acquisition of entities, net of cash acquired	5.3	(169.4)	-
Cash flow used for investing activities		**(244.4)**	**(70.4)**
Free cash flow		**0.4**	**151.1**
Borrowings		132.8	90.6
Repayment of long-term loans		(24.9)	(8.8)
Exercise of options		17.5	8.0
Purchase of treasury shares, net		-	(38.0)
Dividends paid		(82.1)	(181.4)
Non-controlling interests, dividends, etc.		-	(2.1)
Cash flow used in financing activities		**43.3**	**(131.7)**
Net cash flow for the year		**43.7**	**19.4**
Cash and cash equivalents at 1 September		76.4	57.6
Unrealized exchange gains/(losses) included in cash and cash equivalents		(0.3)	(0.6)
Net cash flow for the year		43.7	19.4
Cash and cash equivalents at 31 August		**119.8**	**76.4**

1.1 GENERAL ACCOUNTING POLICIES

ACCOUNTING POLICIES

BASIS OF PREPARATION
The Consolidated Financial Statements for the Chr. Hansen Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, as well as additional Danish disclosure requirements applying to entities of reporting class D.

GENERAL INFORMATION ON RECOGNITION AND MEASUREMENT
The Consolidated Financial Statements have been prepared under the historical cost method, except for the measurement of certain financial instruments at fair value. The accounting policies set out below have been applied consistently in respect of the financial year 2015/16 and the comparative figures. The accounting policies are unchanged from 2014/15, except for the implementation of new and amended IFRS/IAS standards as stated below.

NEW AND AMENDED STANDARDS
Chr. Hansen has adopted all new or amended accounting standards and interpretations (IFRSs) issued by the IASB and endorsed by the European Union effective for the accounting year 2015/16.

The application of new IFRSs has not had any material impact on the Consolidated Financial Statements for 2015/16, and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

The IASB has issued new or amended standards and interpretations effective for financial years beginning after 1 September 2015. Some of these have not yet been endorsed by the EU. Most relevant to the Group are the following:

- IFRS 9 "Financial Instruments," which substantially changes the classification and measurement of financial instruments and hedging requirements. The standard will be effective for financial years beginning on or after 1 January 2018.
- IFRS 15 “Revenue Recognition,” which clarifies the principles for recognizing revenue from contracts with customers, with the notion of control replacing the existing notion of risk and rewards. The principle is applied to each individual performance obligation identified in the contract. The standard will be effective for financial years beginning on or after 1 January 2018.
- IFRS 16 “Leasing,” which changes the requirements for capitalization of operational lease contracts resulting in the majority of operational lease contracts being capitalized. The standard will be effective for financial years beginning on or after 1 January 2019.

Chr. Hansen’s preliminary assessment concludes that none of the new or amended standards and interpretations are expected to have a material effect on the Group’s Consolidated Financial Statements. The Group expects to adopt the standards and interpretations when they become effective.

PRESENTATION OF ACCOUNTING POLICIES
Where possible, the accounting policies for an accounting area are presented in the individual notes for that area. Accounting policies not directly related to an area covered by a note are presented below.

DEFINING MATERIALITY
The Consolidated Financial Statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the Consolidated Financial Statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the Consolidated Financial Statements or in the notes. There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

TRANSLATION FROM FUNCTIONAL CURRENCY TO PRESENTATION CURRENCY
Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

1.1 GENERAL ACCOUNTING POLICIES (CONTINUED)

Assets, liabilities and equity items are translated from each reporting company's functional currency to EUR at the balance sheet date. The income statements are translated from the functional currency into the presentation currency based on the average exchange rate for the individual months. Differences arising on the translation of the equity at the beginning of the period and translation of the income statement from the average rates to the exchange rate at the balance sheet date are recognized in other comprehensive income and presented as a separate reserve in equity.

The functional currency of the Parent Company is the Danish krone (DKK). However, due to the Group's international relations, the Consolidated Financial Statements are presented in euros (EUR).

BASIS OF CONSOLIDATION

The Consolidated Financial Statements cover Chr. Hansen Holding A/S (the Parent Company) and entities over which the Parent Company has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Gains or losses on the disposal or winding up of Group companies, joint ventures and associates are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal or winding up, foreign exchange adjustments recognized directly in equity, plus costs to sell or winding-up expenses.

Gains or losses on disposal or winding up of subsidiaries are recognized in the income statement under special items, while gains or losses on disposal or winding up of associates are recognized under financial income and expenses.

BUSINESS COMBINATIONS

Entities acquired or formed during the year are recognized in the Consolidated Financial Statements from the date of acquisition or formation. Entities that are disposed of or wound up are recognized in the consolidated income statement until the date of disposal or winding up. The comparative figures are not restated for entities acquired, disposed of or wound up.

TRANSLATION OF TRANSACTIONS AND AMOUNTS

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the transaction date.

Exchange adjustments arising due to differences between the transaction date rates and the rates at the payment date are recognized in financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognized in financial income or financial expenses in the income statement.

REVENUE

Revenue is recognized in the income statement if the risk has been transferred to the purchaser at the balance sheet date, the income can be measured reliably, and expenses incurred or expected to be incurred in connection with the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received excluding VAT and less commission and discounts granted in connection with the sales.

Royalty and license fees are recognized when earned according to the terms of the license agreements.

COST OF SALES

Cost of sales comprises the cost of products sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labor costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of factories.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise income that is not related to the principal activities. This includes income from government grants, rental income, gains and losses on the disposal of intangible assets and property, plant and equipment, and other income of a secondary nature in relation to the main activities of the Group.

1.2 SUMMARY OF KEY ACCOUNTING ESTIMATES

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the Consolidated Financial Statements, Management makes various accounting estimates and assumptions that form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgments are presented below.

In applying the Group's accounting policies, Management makes judgments that may significantly influence the amounts recognized in the Consolidated Financial Statements. Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions to be made concerning future events.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Assumptions about the future and estimation uncertainty on the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amounts of assets or liabilities within the next financial year.

Management considers the key accounting estimates and assumptions used in the preparation of the Consolidated Financial Statements to relate to the following:

- Segment information (note 2.1)
- Tax assets and liabilities (note 2.8)
- Goodwill (note 3.1)
- Development projects (note 3.2)
- Inventories (note 3.4)
- Acquisition of entities (note 5.3)

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.

2.1 SEGMENT INFORMATION

ACCOUNTING POLICIES

Segment information is provided on the Group's three business units: Food Cultures & Enzymes, Health & Nutrition and Natural Colors. The information is based on the management structure and internal management reporting to the Corporate Leadership Team and the Executive Board, and constitutes our reportable segments.

The identification of the segments on which to report does not include aggregation of operating segments. The accounting policies regarding recognition and measurement used in the segment information are identical to the ones used in the Consolidated Financial Statements.
The geographic distribution of revenue is based on customers' location.

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

When presenting segment information from the income statement and balance sheet, disclosed amounts are split according to internal management information. Some costs, assets and liabilities are not directly attributable to the three business units and have to be distributed according to allocation keys used in internal management reporting. These allocation keys are reassessed at least annually, based on planned activity in the three business units, and are subject to Management's judgment.

Segment information
The reportable segments are based on the segmentation in the internal financial reporting received by the Corporate Leadership Team and the Executive Board. The reportable segments are business units offering customers different products and services.

Food Cultures & Enzymes produces and sells innovative cultures, enzymes and probiotic products that help determine the taste, flavor, color, texture, safety, preservation, nutritional value and health benefits of a variety of consumer products in the food industry, especially in the dairy industry.

Health & Nutrition produces and sells products for the dietary supplement, over-the-counter pharmaceutical, infant formula, animal feed and plant protection industries.

Natural Colors supplies natural color solutions to the food & beverage industry.

Segment performance is evaluated on the basis of EBIT before special items consistent with the Consolidated Financial Statements. Special items, financial income and expenses, and income taxes are managed at Group level and are not allocated to the business units.

2.1 SEGMENT INFORMATION (CONTINUED)

EUR million

	Food Cultures & Enzymes	Health & Nutrition	Natural Colors	2015/16 Group
INCOME STATEMENT				
Revenue	564.9	184.0	200.0	948.9
EUR growth	9%	12%	14%	11%
Organic growth	12%	2%	19%	12%
EBITDA	229.2	66.9	27.9	324.0
EBITDA margin	40.6%	36.4%	13.9%	34.1%
Depreciation, amortization and impairment losses	(35.3)	(14.9)	(6.0)	(56.2)
EBIT before special items	193.9	52.0	21.9	267.8
EBIT margin before special items	34.3%	28.3%	10.9%	28.2%
Special items and net financial expenses				(28.4)
Profit before tax				**239.4**
ASSETS				
Goodwill	540.4	186.1	-	726.5
Other intangible assets	112.3	89.9	15.6	217.8
Intangible assets	**652.7**	**276.0**	**15.6**	**944.3**
Property, plant and equipment	234.6	78.4	40.3	353.3
Total non-current assets excluding deferred tax	**887.3**	**354.4**	**55.9**	**1,297.6**
Inventories	57.1	25.0	38.0	120.1
Trade receivables	80.9	29.4	26.8	137.1
Trade payables	(52.6)	(20.4)	(36.8)	(109.8)
Net working capital	**85.4**	**34.0**	**28.0**	**147.4**
Assets not allocated				160.5
Group assets				**1,715.3**
Invested capital excluding goodwill	**432.3**	**202.3**	**83.9**	**718.5**
ROIC excluding goodwill	**46.2%**	**30.6%**	**25.8%**	**39.7%**
Investment in non-current assets excluding deferred tax	54.4	16.3	7.4	78.1

2.1 SEGMENT INFORMATION (CONTINUED)

EUR million				2014/15
	Food Cultures & Enzymes	**Health & Nutrition**	**Natural Colors**	**Group**
INCOME STATEMENT				
Revenue	518.9	164.8	174.9	858.6
EUR growth	12%	23%	10%	14%
Organic growth	9%	13%	9%	10%
EBITDA	202.0	64.2	20.2	286.4
EBITDA margin	38.9%	39.0%	11.5%	33.4%
Depreciation, amortization and impairment losses	(38.8)	(9.3)	(5.8)	(53.9)
EBIT before special items	163.2	54.9	14.4	232.5
EBIT margin before special items	31.5%	33.3%	8.3%	27.1%
Net financial expenses				(12.8)
Profit before tax				**219.7**
Assets				
Goodwill	538.3	76.8	-	615.1
Other intangible assets	115.1	38.1	15.7	168.9
Intangible assets	**653.4**	**114.9**	**15.7**	**784.0**
Property, plant and equipment	215.6	71.0	38.3	324.9
Total non-current assets excluding deferred tax	**869.0**	**185.9**	**54.0**	**1,108.9**
Inventories	52.2	19.7	36.4	108.3
Trade receivables	71.9	25.5	25.7	123.1
Trade payables	(47.0)	(16.2)	(30.1)	(93.3)
Net working capital	**77.1**	**29.0**	**32.0**	**138.1**
Assets not allocated				104.3
Group assets				**1,444.6**
Invested capital excluding goodwill	**407.8**	**138.1**	**86.0**	**631.9**
ROIC excluding goodwill	40.3%	42.2%	17.4%	37.6%
Investment in non-current assets excluding deferred tax	43.8	20.5	6.2	70.5

2.1 SEGMENT INFORMATION (CONTINUED)

EUR million	EMEA*	North America**	LATAM	APAC	2015/16 Group
GEOGRAPHIC ALLOCATION					
Revenue	431.1	249.4	124.0	144.4	948.9
EUR growth	6%	17%	3%	21%	11%
Organic growth	9%	7%	17%	24%	12%
Non-current assets excluding deferred tax* **	**1,087.3**	**162.9**	**33.9**	**13.5**	**1,297.6**

* Includes Denmark, which accounts for 1% of total revenue.
** Includes the US, which accounts for 25% of total revenue.
*** Non-current assets in Denmark amount to EUR 822.7 million.

EUR million	EMEA*	North America**	LATAM	APAC	2014/15 Group
Revenue	405.8	212.3	120.9	119.6	858.6
EUR growth	6%	28%	17%	15%	14%
Organic growth	9%	8%	19%	7%	10%
Non-current assets excluding deferred tax* **	**916.9**	**147.2**	**32.1**	**12.7**	**1,108.9**

* Includes Denmark, which accounts for 1% of total revenue.
** Includes the US, which accounts for 23% of total revenue.
*** Non-current assets in Denmark amounts to EUR 652.3 million.

2.2 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

ACCOUNTING POLICIES

The accounting policies for depreciation, amortization and impairment losses are specified in notes 3.1, 3.2 and 3.3.

EUR million	2015/16	2014/15
AMORTIZATION AND IMPAIRMENT LOSSES		
INTANGIBLE ASSETS		
Cost of sales	(4.4)	(4.0)
Research and development expenses	(9.1)	(5.9)
Sales and marketing expenses	(10.3)	(9.0)
Administrative expenses	(1.5)	(1.5)
Total	**(25.3)**	**(20.4)**
DEPRECIATION AND WRITE-DOWN		
PROPERTY, PLANT AND EQUIPMENT		
Cost of sales	(23.3)	(26.9)
Research and development expenses	(3.9)	(2.8)
Sales and marketing expenses	(0.7)	(0.7)
Administrative expenses	(3.0)	(3.1)
Total	**(30.9)**	**(33.5)**
Total depreciation, amortization and impairment losses	**(56.2)**	**(53.9)**

2.3 STAFF EXPENSES

EUR million	2015/16	2014/15
Wages and salaries, etc.	(174.6)	(165.0)
Pension expenses - defined contribution plans	(15.2)	(13.2)
Pension expenses - defined benefit plans (note 3.6)	(0.3)	(0.4)
Social security, etc.	(21.3)	(20.0)
Total	**(211.4)**	**(198.6)**
Average number of employees (FTE)	**2,708**	**2,573**

Remuneration of the Board of Directors and Executive Board
Total fees to key management personnel, who comprise the Board of Directors and Executive Board, amounted to EUR 4.6 million in 2015/16 and EUR 4.3 million in 2014/15.

Members of the Executive Board receive a fixed salary, pension and bonus based on corporate and individual KPIs, the size of which is subject to certain financial and non-financial targets being met. If a member is dismissed, the ordinary salary is paid for an 18-month notice period. In the event of change of control, members of the Executive Board do not receive any additional compensation.

Board of Directors
Total fees to the Board of Directors amounted to EUR 0.9 million in 2015/16 and EUR 0.8 million in 2014/15.

Executive Board

2015/16 EUR million	Salary	Bonus[1]	Pension	Share-based payment[2]	Total
Cees de Jong	(0.74)	(0.41)	(0.15)	(0.80)	(2.10)
Knud Vindfeldt	(0.45)	(0.23)	(0.09)	(0.47)	(1.24)
Søren Westh Lonning[3]	(0.30)	-	(0.06)	(0.04)	(0.40)
Total	**(1.49)**	**(0.64)**	**(0.30)**	**(1.31)**	**(3.74)**

2014/15	Salary	Bonus[1]	Pension	Share-based payment[2]	Total
Cees de Jong	(0.70)	(0.35)	(0.14)	(0.47)	(1.66)
Knud Vindfeldt	(0.44)	(0.19)	(0.09)	(0.33)	(1.05)
Søren Westh Lonning[3]	(0.02)	-	(0.01)	(0.01)	(0.04)
Klaus Pedersen[4]	(0.39)	(0.19)	(0.08)	(0.11)	(0.77)
Total	**(1.55)**	**(0.73)**	**(0.32)**	**(0.92)**	**(3.52)**

1) The amounts express the actual bonus payments during the year.
2) The amounts are based on the principles set out in note 5.1.
3) Member of the Executive Board since 1 August 2015.
4) Member of the Executive Board until 1 August 2015.

2.3 STAFF EXPENSES (CONTINUED)

EUR million			2015/16	2014/15
Fee to the Board of Directors	**Joined the Board**	**Left the Board**		
Ole Andersen	February 2010		(0.20)	(0.18)
Dominique Reiniche	November 2013		(0.14)	(0.07)
Søren Carlsen	November 2012		(0.08)	(0.08)
Tiina Mattila-Sandholm	November 2014		(0.07)	(0.05)
Frédéric Stévenin	November 2006		(0.09)	(0.09)
Kristian Villumsen	November 2014		(0.07)	(0.05)
Mark Wilson	October 2010		(0.12)	(0.11)
Mads Bennedsen	November 2013		(0.05)	(0.05)
Svend Laulund	January 2006		(0.05)	(0.05)
Per Poulsen	November 2013		(0.05)	(0.05)
Henrik Poulsen	March 2010	Nov. 2014	-	(0.02)
Total			**(0.92)**	**(0.80)**

Shares

Shares in Chr. Hansen Holding A/S held by the Executive Board and the Board of Directors:

Number of shares	**Beginning of the year**	**Bought during the year**	**Sold during the year**	**End of the year**
Ole Andersen	16,666	-	-	**16,666**
Dominique Reiniche	1,462	-	-	**1,462**
Søren Carlsen	2,300	-	-	**2,300**
Tiina Mattila-Sandholm	1,040	-	-	**1,040**
Frédéric Stévenin	11,111	-	-	**11,111**
Kristian Villumsen	1,500	-	-	**1,500**
Mark Wilson	3,000	-	-	**3,000**
Mads Bennedsen	-	-	-	**-**
Svend Laulund	1,666	-	(250)	**1,416**
Per Poulsen	150	-	-	**150**
Total	**38,895**	**-**	**(250)**	**38,645**
Cees de Jong	12,000	147,683	(139,683)	**20,000**
Knud Vindfeldt	8,100	108,877	(108,312)	**8,665**
Søren Westh Lonning	-	1,932	-	**1,932**
Total	**20,100**	**258,492**	**(247,995)**	**30,597**

Each director elected by the General Meeting must, no later than 12 months after appointment to the Board of Directors, purchase shares in the Company corresponding to an amount of at least one year's base fee. The director must maintain a shareholding corresponding to at least one year's base fee for as long as he/she is a member of the Company's Board of Directors.
The Executive Board has undertaken to maintain ownership of shares in Chr. Hansen, either directly or indirectly as specified in note 5.1, with a minimum value corresponding to six months of the executive officer's gross base salary.

2.4 FEES TO AUDITORS

EUR million	2015/16	2014/15
PricewaterhouseCoopers		
Statutory audit	(0.7)	(0.6)
Audit-related services	(0.1)	(0.4)
Tax advisory services	(0.3)	(0.5)
Other services	(0.3)	(0.1)
Total	**(1.4)**	**(1.6)**

2.5 SPECIAL ITEMS

ACCOUNTING POLICIES

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, as well as transaction costs and adjustments to purchase prices relating to the acquisition of entities. 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.

EUR million	2015/16	2014/15
Cost related to the acquisition and integration of NPC	(6.0)	-
US import tariff costs related to previous years	(5.2)	-
Other	(1.0)	-
Total	**(12.2)**	**-**

The special items for 2015/16 comprise 9% staff costs and 91% other external costs.

2.6 FINANCIAL INCOME

ACCOUNTING POLICIES

Financial income and expenses comprise interest receivable and interest payable, commission, the interest component of payments under finance leases, surcharges and refunds under Denmark's on-account tax scheme, and value adjustments of financial fixed assets, derivative financial instruments and items denominated in a foreign currency.

EUR million	2015/16	2014/15
Interest income	0.7	0.8
Foreign exchange gains	26.1	43.4
Foreign exchange gains on derivatives	2.5	2.9
Total	**29.3**	**47.1**

2.7 FINANCIAL EXPENSES

ACCOUNTING POLICIES

See note 2.6 above.

EUR million	2015/16	2014/15
Interest expenses	(9.0)	(7.9)
Borrowing costs related to construction of assets	0.3	0.5
Foreign exchange losses	(30.0)	(35.0)
Foreign exchange losses on derivatives	(2.9)	(12.6)
Losses on derivatives transferred from other comprehensive income	(1.9)	(2.9)
Other financial expenses including amortized costs	(2.0)	(2.0)
Total	**(45.5)**	**(59.9)**

Effective interest expenses amounted to EUR 10.9 million (EUR 10.8 million in 2014/15).
The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 0.60%.

2.8 INCOME TAXES AND DEFERRED TAX

ACCOUNTING POLICIES

Current tax liabilities and receivables are recognized in the balance sheet at the amounts calculated on the taxable income for the year, adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Apart from assets acquired as part of business combinations, deferred tax is not recognized in respect of temporary differences concerning goodwill, office premises and other items where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be performed according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset or settlement of the liability.

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

Tax and transfer pricing disputes arise from time to time as cross-border transactions receive increasing attention from local tax authorities. The Group recognizes tax assets and liabilities in order always to fulfill tax requirements in all the countries where business is conducted. Management assesses tax assets and liabilities at least annually, based on dialogue with local tax authorities, tax advisors, business plans and knowledge of the business.

EUR million	2015/16	2014/15
Income taxes		
Current tax on profit for the year	(47.4)	(56.1)
Change in deferred tax concerning profit for the year	(6.4)	2.7
Tax on profit for the year	**(53.8)**	**(53.4)**
Adjustments concerning previous years	(1.8)	(3.8)
Tax in the income statement	**(55.6)**	**(57.2)**
Tax on other comprehensive income	**0.1**	**(1.3)**

		2015/16		2014/15
Reconciliation of tax rate				
Danish tax rate	22.0%	(52.6)	23.5%	(51.6)
Deviation of non-Danish Group companies from Danish tax rate	1.3%	(3.1)	1.1%	(2.4)
Non-taxable income and non-deductible expenses	(1.2)%	2.7	(0.7)%	1.4
Adjustments concerning previous years	0.8%	(1.9)	1.7%	(3.8)
Other taxes	0.3%	(0.7)	0.4%	(0.8)
Effective tax rate	**23.2%**		**26.0%**	
Tax on profit for the year		**(55.6)**		**(57.2)**

2.8 INCOME TAXES AND DEFERRED TAX (CONTINUED)

EUR million	2015/16	2014/15
Deferred tax		
Deferred tax at 1 September	45.3	46.4
Currency translation	0.4	0.4
Change in deferred tax - recognized in the income statement	10.7	(2.7)
Change in deferred tax - recognized through equity	0.2	1.2
Deferred tax at 31 August	**56.6**	**45.3**
Deferred tax assets	(9.8)	(7.0)
Deferred tax liabilities	66.4	52.3
Deferred tax at 31 August	**56.6**	**45.3**
Specification of deferred tax		
Intangible assets	47.9	37.4
Property, plant and equipment	17.7	13.7
Non-current assets	1.0	0.7
Tax loss carryforwards	(2.2)	(2.2)
Liabilities	(7.8)	(4.3)
Total deferred tax at 31 August	**56.6**	**45.3**
Amounts due after 12 months, estimated	**54.9**	**43.9**
Tax loss carryforwards		
Total tax loss carryforwards	12.8	13.7
Tax losses expected to be utilized	7.6	8.1
Deferred tax assets from tax losses recognized in the balance sheet	**2.2**	**2.2**

2.9 EARNINGS PER SHARE

EUR million	2015/16	2014/15
Profit from continuing operations	183.8	162.5
Profit for the year attributable to shareholders of Chr. Hansen Holding A/S	**183.8**	**162.5**
Average number of shares	131,852,496	132,759,167
Average number of treasury shares	(1,451,902)	(2,063,598)
Average number of shares excluding treasury shares	**130,400,594**	**130,695,569**
Average dilution effect of share options	1,332,835	983,950
Average number of shares, diluted	**131,733,429**	**131,679,519**
Earnings per share (EUR)	**1.41**	**1.24**
Earnings per share, diluted (EUR)	**1.40**	**1.23**

3.1 GOODWILL

ACCOUNTING POLICIES

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired company.

The carrying amount of goodwill is allocated to the Group's cash-generating units, which are the operating segments at the acquisition date.

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

Goodwill is tested annually for impairment, whereby an estimate is made to determine whether the parts of the entity (cash-generating units) related to the goodwill will be able to generate sufficient future positive net cash flows to support the value of goodwill, trademarks with an indefinite useful life and other net assets of the entity in question.

The estimate of future free net cash flows is based on budgets and business plans for the coming five years and on projections for subsequent years. Budgets and business plans are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognized in estimated future free cash flows. Projections for years following the five-year period are based on general expectations and risks. Key parameters are revenue development, profit margins, proposed capital expenditure and growth expectations.

The discount rate used to calculate recoverable amounts is the weighted average cost of capital before tax.

EUR million	2016	2015
Cost at 1 September	615.1	609.8
Currency translation	2.7	5.3
Addition	108.7	-
Cost at 31 August	**726.5**	**615.1**
The carrying amount of goodwill has been allocated to the identified cash-generating units according to the operating segments as follows:		
Food Cultures & Enzymes	540.4	538.3
Health & Nutrition	186.1	76.8
Total	**726.5**	**615.1**

3.1 GOODWILL (CONTINUED)

The addition to goodwill in 2015/16 relates to the purchase of NPC and has been allocated in full to the Health & Nutrition business unit; refer to note 5.3 Acquisition of entities.

At 31 August 2016, Management performed an impairment test of the carrying amount of goodwill. No basis for impairment was found. The impairment tests compare the carrying amount of the assets to the discounted value of future cash flows. The future cash flows are based on budgets and Management's estimates of the expected development in the next five years. Revenue, EBIT, working capital, discount rate and growth assumptions constitute the most material parameters in the calculations.

At 31 August 2016, an average growth rate of 8% (7% in 2014/15) in the five-year period has been applied for revenue in the Food Cultures & Enzymes business unit, and an increased EBIT margin over the period is expected, fully leveraging the potential of Food Cultures & Enzymes in the form of new innovation for yields and functionality, reinforcing positions in emerging markets and driving scalability. In the Health & Nutrition business unit, an average growth rate of 10% (10% in 2014/15) in the five-year period has been applied for revenue, and an EBIT margin around 30% over the period is expected, based on developing the microbial solutions platform and reinvesting in future growth.

The expected growth rate is based on the Company's own market intelligence process through which information is collected from all key markets to form the basis for future market growth expectations. As a market leader with a global presence, the Company has a unique opportunity to assess the market through direct interactions with customers. The internal expectations are, however, then verified against available market data from external resources, including global market intelligence and research companies.

As well as market growth, the Company also assesses commercial opportunities for conversion of customers to the Company's products, pricing and upselling to existing customers within the five-year period to establish expectations for growth above the expected level of market growth. The assessment is based on the Company's current product portfolio, and ongoing and potential new projects with existing and potential new customers.

A conservative approach has been taken in applying the growth rates for revenue, using the lower range of the long-term financial ambitions set out in Nature's No. 1 – reaffirmed. Overall, an expected improvement in the EBIT margin in the five-year period of more than 1 percentage point (1 percentage point in 2014/15) has been applied, and working capital is assumed to constitute 15-16% (14-17% in 2014/15) of revenue for both business units. A pre-tax discount rate of 10% (10% in 2014/15) has been applied in the impairment test for both business units.

3.2 OTHER INTANGIBLE ASSETS

ACCOUNTING POLICIES

Research expenses are recognized in the income statement as they are incurred. Development costs are recognized as intangible assets if the costs are expected to generate future economic benefits.

Costs for development and implementation of substantial software and IT systems are capitalized and amortized over their expected useful lives.

Trademarks, patents and customer lists acquired are recognized at cost and amortized over their expected useful lives.

Other intangible assets are measured at cost less accumulated amortization and impairment losses. Borrowing costs in respect of construction of assets are capitalized when it takes more than a year for them to be ready for use.

Amortization is carried out systematically over the expected useful lives of the assets:

- Customer lists: 7-15 years
- Patents, trademarks and rights: 7-15 years
- Software: 5-10 years
- Development projects: 3-15 years

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

Finished development projects are reviewed at the time of completion and on an annual basis to determine whether there is any indication of impairment. If there is, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of estimated future earnings or savings, interest rates and risks.

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria.

3.2 OTHER INTANGIBLE ASSETS (CONTINUED)

EUR million

2016	Trade-marks	Patents	Develop-ment projects	Software	Develop-ment projects in progress	Other intangible assets in progress	Total
Cost at 1 September	158.9	34.4	60.1	44.0	33.4	6.0	336.8
Currency translation	0.4	0.3	0.2	0.1	0.1	-	1.1
Additions from acquisition	6.3	48.0	-	-	-	-	54.3
Additions for the year	-	2.4	1.7	1.3	8.8	4.2	18.4
Disposals for the year	-	-	(11.9)	(0.1)	(2.8)	-	(14.8)
Transferred	-	-	14.0	4.1	(14.0)	(3.2)	0.9
Cost at 31 August	**165.6**	**85.1**	**64.1**	**49.4**	**25.5**	**7.0**	**396.7**
Amortization and impairment at 1 September	(85.1)	(25.2)	(33.9)	(23.7)	-	-	(167.9)
Currency translation	(0.4)	-	-	(0.1)	-	-	(0.5)
Amortization for the year	(7.6)	(4.1)	(6.0)	(4.8)	-	-	(22.5)
Disposals for the year	-	-	11.9	0.1	2.8	-	14.8
Impairment	-	-	-	-	(2.8)	-	(2.8)
Amortization and impairment at 31 August	**(93.1)**	**(29.3)**	**(28.0)**	**(28.5)**	**-**	**-**	**(178.9)**
Carrying amount at 31 August	**72.5**	**55.8**	**36.1**	**20.9**	**25.5**	**7.0**	**217.8**
Salary expenses for the year included in assets above					6.2	1.0	
Interest for the year included in assets above					0.1	-	

3.2 OTHER INTANGIBLE ASSETS (CONTINUED)

EUR million

2015	Trade-marks	Patents	Develop-ment projects	Software	Develop-ment projects in progress	Other intangible assets in progress	Total
Cost at 1 September	157.6	36.0	51.0	40.3	33.8	3.4	322.1
Currency translation	0.1	(0.4)	(0.1)	0.3	(0.5)	(0.1)	(0.7)
Additions for the year	-	-	0.7	1.3	8.7	4.7	15.4
Transferred	1.2	(1.2)	8.5	2.1	(8.6)	(2.0)	-
Cost at 31 August	**158.9**	**34.4**	**60.1**	**44.0**	**33.4**	**6.0**	**336.8**
Amortization and impairment at 1 September	(68.7)	(31.4)	(28.2)	(19.5)	-	-	(147.8)
Adjustment to amortization	(7.4)	7.4	-	-	-	-	-
Currency translation	-	0.2	-	0.1	-	-	0.3
Amortization for the year	(7.8)	(2.6)	(5.7)	(4.3)	-	-	(20.4)
Transferred	(1.2)	1.2	-	-	-	-	-
Amortization and impairment at 31 August	**(85.1)**	**(25.2)**	**(33.9)**	**(23.7)**	**-**	**-**	**(167.9)**
Carrying amount at 31 August	**73.8**	**9.2**	**26.2**	**20.3**	**33.4**	**6.0**	**168.9**
Salary expenses for the year included in assets above					6.2	1.9	
Interest for the year included in assets above					0.1	-	

Trademarks

Of the trademarks, the carrying amount of the Chr. Hansen trademark alone at 31 August 2016 is EUR 21.3 million, with a remaining amortization period of nine years.

Patents and development projects

Completed development projects and development projects in progress comprise development and testing of new strains for cultures, enzymes and natural colors as well as production techniques. The value of the development projects recognized has been compared to expected sales or cost savings. In cases where indications of impairment have been identified, the relevant assets have been written down. The impairment tests have been prepared similarly to the goodwill impairment test described in note 3.1, based on the value in use of the assets.

Chr. Hansen has recognized impairment losses of EUR 2.8 million in 2015/16, mainly concerning acquired technology that has proved difficult to exploit in Chr. Hansen (no impairment losses in 2014/15).

Software

Software comprises expenses for acquiring software licenses and expenses related to internally developed software. The value of the recognized software has been compared to the expected value in use. No indications of impairment have been identified.

3.3 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use, and re-establishment expenses, provided that a corresponding provision is made at the same time. Borrowing costs in respect of construction of assets are capitalized when it takes more than a year for them to be ready for use.

The useful lives of the individual groups of assets are estimated as follows:

- Buildings: 25-50 years
- Plant and machinery: 5-20 years
- Other fixtures and equipment: 5-10 years

Land is not depreciated.

Depreciation is based on a straight-line pattern.

Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

3.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

EUR million	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total 2016
Cost at 1 September	190.3	295.1	33.6	38.9	557.9
Currency translation	0.1	0.7	0.3	0.2	1.3
Additions from acquisition	-	-	2.5	-	2.5
Additions for the year	5.1	11.1	1.9	41.6	59.7
Disposals for the year	(2.3)	(0.8)	(0.2)	-	(3.3)
Transferred	8.1	14.4	1.6	(25.0)	(0.9)
Cost at 31 August	**201.3**	**320.5**	**39.7**	**55.7**	**617.2**
Depreciation and write-down at 1 September	(55.0)	(158.8)	(19.2)	-	(233.0)
Currency translation	(0.1)	(0.5)	(0.3)	-	(0.9)
Depreciation and write-down for the year	(7.4)	(19.4)	(4.1)	-	(30.9)
Disposals for the year	0.1	0.7	0.1	-	0.9
Depreciation and write-down at 31 August	**(62.4)**	**(178.0)**	**(23.5)**	**-**	**(263.9)**
Carrying amount at 31 August	**138.9**	**142.5**	**16.2**	**55.7**	**353.3**
Salary expenses for the year included in assets above				4.8	
Interest for the year included in assets above				0.2	

Land and buildings include buildings on land leased for an unlimited term from Scion DTU A/S at Hørsholm, Denmark, at EUR 19.2 million (EUR 18.3 million in 2014/15).

Value of mortgaged property, plant and equipment, cf. note 3.8 regarding other guarantees and commitments, at EUR 163.5 million (EUR 158.1 million in 2014/15).

3.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

					2015
EUR million	Land and buildings	Plant and machinery	Other fixtures and equip-ment	Property, plant and equip-ment in progress	Total
Cost at 1 September	171.3	217.9	28.7	77.0	494.9
Currency translation	5.4	4.4	(0.3)	-	9.5
Additions for the year	2.3	16.0	3.0	33.8	55.1
Disposals for the year	(0.3)	(0.4)	(0.9)	-	(1.6)
Transferred	11.6	57.2	3.1	(71.9)	-
Cost at 31 August	**190.3**	**295.1**	**33.6**	**38.9**	**557.9**
Depreciation and write-down at 1 September	(45.9)	(134.4)	(14.7)	-	(195.0)
Currency translation	(2.2)	(2.4)	(0.6)	-	(5.2)
Depreciation and write-down for the year	(6.9)	(22.4)	(4.2)	-	(33.5)
Disposals for the year	-	0.4	0.3	-	0.7
Depreciation and write-down at 31 August	**(55.0)**	**(158.8)**	**(19.2)**	**-**	**(233.0)**
Carrying amount at 31 August	**135.3**	**136.3**	**14.4**	**38.9**	**324.9**
Salary expenses for the year included in assets above				4.1	
Interest for the year included in assets above				0.3	

3.4 INVENTORIES

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs. Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to the current completion stage and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery, buildings and equipment, and production administration and management.

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

The calculation of indirect production costs is reviewed regularly in order to ensure that relevant assumptions such as prices, production yield and measures of utilization are incorporated correctly. Changes in the parameters, assumed production yield and utilization levels, etc. could have a significant impact on cost and, in turn, on the valuation of inventories and production costs.

EUR million	2016	2015
Direct materials	73.1	66.4
Other direct and indirect production costs	47.0	41.9
Total	**120.1**	**108.3**
Movements in inventory write-downs:		
Inventory write-downs at 1 September	**3.8**	**2.9**
Inventory write-downs during the year	3.6	3.4
Utilization of inventory write-downs	(3.3)	(2.5)
Inventory write-downs at 31 August	**4.1**	**3.8**

3.5 TRADE RECEIVABLES

ACCOUNTING POLICIES

Receivables are initially recognized at fair value, adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts.

Provisions for bad debts are determined on the basis of an individual assessment of each receivable, taking into consideration the period overdue and the expected likelihood of receiving payment.

EUR million	2016	2015
Aging of receivables:		
Not due	131.8	115.3
0-30 days overdue	3.5	5.7
31-60 days overdue	0.7	0.4
61-120 days overdue	1.0	1.0
> 120 days overdue	0.1	0.7
Total trade receivables	**137.1**	**123.1**
Allowances for bad debts:		
Allowances at 1 September	1.1	0.6
Additions for the year	0.6	1.2
Reversals for the year	(0.9)	(0.7)
Allowances at 31 August	**0.8**	**1.1**

3.6 EMPLOYEE BENEFIT OBLIGATIONS

ACCOUNTING POLICIES

Contributions to defined contribution plans are charged to the income statement in the year to which they relate. In a few countries, the Group still operates defined benefit plans. The costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees up to the valuation dates and is based on actuarial assumptions, primarily regarding discount rates used in determining the present value of benefits and projected rates of remuneration growth. Discount rates are based on the market yields of high-rated corporate bonds in the country concerned.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement. Pension assets are only recognized to the extent that it is possible to derive future economic benefits such as refunds from the plan or reductions of future contributions. The Group's defined benefit plans are usually funded by payments from Group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement obligation is recognized in the balance sheet.

Employee benefit plans in the Group
Other employee benefit obligations consist of obligations regarding payments made in connection with employee service tenure, long-service benefits and other social benefits.

The Group has entered into pension agreements with a significant share of its employees. The majority of the plans are defined contribution plans and only a small proportion are defined benefit plans.

Defined contribution plans
The Group finances the plans through regular premium payments to independent insurance companies, which are responsible for the pension obligations. Once the pension contributions to the defined contribution plans have been paid, the Group has no further pension obligations toward current or resigned employees.

Defined benefit plans
For certain groups of employees, the Group has entered into agreements on the payment of certain benefits, including pensions. These obligations are not or only partly covered by insurance. Unfunded plans have been recognized in the balance sheet, income statement and other comprehensive income as shown below.

3.6 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

EUR million	2016	2015
Movement in the employee benefit obligations recognized		
Obligations at 1 September	12.1	10.9
Currency translation	(0.7)	0.4
Current service expenses	0.2	0.2
Interest expenses	0.3	0.4
Actuarial gains/(losses)	1.4	0.6
Payments made	(0.4)	(0.4)
Employee benefit obligations recognized at 31 August	**12.9**	**12.1**
Movement in the fair value of plan assets		
Fair value of plan assets at 1 September	5.8	4.9
Currency translation	(0.7)	0.4
Expected return on plan assets	0.2	0.2
Actuarial gains/(losses)	0.5	0.2
Employer contributions	0.2	0.2
Benefits paid	(0.5)	(0.1)
Fair value of plan assets at 31 August	**5.5**	**5.8**
Net benefit obligations at 31 August	**7.4**	**6.3**
Net employee benefit obligations		
Net obligations at 1 September	6.3	6.0
Costs recognized in the income statement	0.3	0.4
Remeasurements recognized in other comprehensive income	1.1	0.4
Employer contributions	(0.3)	(0.5)
Net employee benefit obligations at 31 August	**7.4**	**6.3**
Weighted average actuarial assumptions applied		
Discount rate	1.8%	2.8%
Future increase in salaries	2.9%	4.4%
Future increase in pensions	1.7%	2.4%
Distribution of plan assets to cover obligation		
Shares	40%	38%
Bonds	49%	49%
Real estate	7%	9%
Cash and cash equivalents	4%	4%
	100%	**100%**

3.7 PROVISIONS

ACCOUNTING POLICIES

Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to be met.

EUR million	2016	2015
Provisions at 1 September	2.6	2.5
Additions for the year	7.5	0.7
Used during the year	(1.8)	(0.6)
Provisions at 31 August	**8.3**	**2.6**

The provisions primarily concern US import tariff costs related to previous years.

3.8 COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2016	2015
Operating lease commitments		
Due within 1 year	2.8	3.0
Due between 1 and 5 years	6.5	3.4
Total	**9.3**	**6.4**
Lease commitments relate primarily to car and equipment rental.		
Expensed payments relating to operating leases	**4.1**	**4.2**
Individual assets directly pledged		
Land and buildings	82.3	75.2
Plant and machinery	81.2	82.9
Book value of pledged individual assets	**163.5**	**158.1**

The recognized liabilities are based on minimum lease payments.

Pending court and arbitration cases
Certain claims have been made against the Chr. Hansen Group. Management is of the opinion that the outcome of these disputes will not have a significant effect on the Group's financial position.

At 31 August 2016, Chr. Hansen was the opposing party in one and the defendant in three diacetyl-related lawsuits based on alleged personal injuries as a result of exposure to diacetyl vapors. Management does not believe that diacetyl lawsuits will have a material adverse effect on the Company's financial position or operating results.

Change of control
The loan facilities are subject to change-of-control clauses. Regarding change-of-control clauses in employment contracts, please refer to note 2.3.

4.1 SHARE CAPITAL

The Company's share capital has a nominal value of DKK 1,318,524,960 (equivalent to EUR 177.2 million), divided into shares of DKK 10. The share capital has been fully paid up.

The Company has not conducted a share buy-back program in the last two years. At 31 August 2016, the company held 849,916 treasury shares, corresponding to less than 1% of the total (1,592,042 treasury shares at 31 August 2015, less than 1% of total shares). All of the treasury shares were held to cover share option programs.

In 2014/15, the share capital was reduced by canceling 2,647,480 treasury shares.

In 2012/13, the share capital was reduced by canceling 3,534,244 treasury shares.

Further information about the Group's policy for managing its capital can be found under "Shareholder information."

Number of shares outstanding:	2016	2015
Outstanding at 1 September	130,260,454	130,550,576
Purchased during the year	-	(840,000)
Sold during the year	742,126	549,878
Outstanding at 31 August	**131,002,580**	**130,260,454**

The Company had share capital of DKK 1,380,342,200 at 1 September 2010. It was reduced by DKK 35,342,440 in 2012/13 and DKK 26,474,800 in 2014/15.

4.2 FINANCIAL ASSETS AND LIABILITIES

ACCOUNTING POLICIES

Cash and cash equivalents comprise cash balances and unrestricted deposits with banks.

Financial liabilities, including mortgage loans and loans from credit institutions, are initially measured at fair value less transaction costs incurred. Subsequently, the loans are measured at amortized cost. Amortized cost is calculated as original cost less installments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

The portion of the debt maturing after one year is recognized as non-current debt and the remainder as current debt.

Other debts are measured at amortized cost. However, derivative financial instruments recognized under other payables are measured at fair value. See “Derivative financial instruments” below.

For accounting purposes, lease obligations are divided into finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized in the income statement on a straight-line basis over the lease term.

4.2 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

EUR million

ASSETS	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2016 Total
Trade receivables	137.1	-	-	137.1
Other receivables	16.6	-	-	16.6
Cash and cash equivalents	119.8	-	-	119.8
Total	**273.5**	**-**	**-**	**273.5**

	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2015 Total
Trade receivables	123.1	-	-	123.1
Other receivables	12.0	-	-	12.0
Cash and cash equivalents	76.4	-	-	76.4
Total	**211.5**	**-**	**-**	**211.5**

LIABILITIES	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2016 Total
Long-term borrowings*	-	605.5	25.4	630.9
Short-term borrowings*	73.7	-	-	73.7
Trade payables	109.8	-	-	109.8
Other payables	85.1	-	-	85.1
	268.6	605.5	25.4	**899.5**
Derivative financial instruments	-	(3.5)	-	(3.5)
Total	**268.6**	**602.0**	**25.4**	**896.0**

* Including future interest payments.

	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2015 Total
Long-term borrowings*	-	513.3	38.8	552.1
Short-term borrowings*	33.9	-	-	33.9
Trade payables	93.3	-	-	93.3
Other payables	68.9	-	-	68.9
	196.1	**513.3**	**38.8**	**748.2**
Derivative financial instruments	(0.2)	(2.7)	-	(2.9)
Total	**195.9**	**510.6**	**38.8**	**745.3**

* Including future interest payments.

4.2 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

EUR million	2016	2015
LONG-TERM BORROWINGS		
Senior bank borrowings	576.5	501.7
Mortgages	29.0	37.2
Total before amortization of financing expenses	**605.5**	**538.9**
Capitalized financing expenses	(4.5)	(2.6)
Total long-term borrowings	**601.0**	**536.3**
SHORT-TERM BORROWINGS		
Mortgages	8.2	8.2
Bank borrowings	58.5	19.5
Total	**66.7**	**27.7**

The Group's borrowings are denominated in EUR, USD and DKK. The borrowings in USD are subject to a currency risk at Group level, which is hedged with FX forward contracts.

The terms for the bank debt include a few covenants focusing on the Group's ability to generate sufficient cash flow. The financing of each Group company is monitored and managed at Group level. In 2015/16, the covenants have been met, and estimates for the income statement, balance sheet and cash flow statement indicate that the covenants will be met by a comfortable margin in 2016/17.

EUR million				2016
	Effective interest rate	**Maturity**	**Carrying amount**	**Interest rate risk**
MORTGAGES				
Floating rate*	0.07%	1-11 years	26.6	Cash flow
Fixed rate*	0.81%	0-8 years	10.7	Fair value
Total mortgages			**37.3**	
BANK BORROWINGS				
Floating rate		0-6 years	270.1	Cash flow
Fixed rate**		0-4 years	364.8	Fair value
Total bank borrowings			**634.9**	

* Interest rate excluding margin.
** Interest rate swaps have been used to fix the interest rate. These are denominated in EUR and USD and have an average interest rate of 0.68%.

The fair value of mortgages is EUR 38.5 million, whereas the fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 2 in the fair value hierarchy using direct quotes.

4.2 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

EUR million

CURRENCY OF THE PRINCIPAL	Interest-bearing debt	Floating rate	2016 Fixed rate
EUR	409.8	33%	67%
USD	134.7	33%	67%
DKK	127.7	92%	8%
Total	**672.2**	**44%**	**56%**

	Effective interest rate	Maturity	Carrying amount	2015 Interest rate risk
MORTGAGES				
Floating rate*	(0.02%)	2-12 years	32.3	Cash flow
Fixed rate*	0.80%	0-9 years	13.1	Fair value
Total mortgages			**45.4**	
BANK BORROWINGS				
Floating rate		0-7 years	125.0	Cash flow
Fixed rate**		0-3 years	393.4	Fair value
Total bank borrowings			**518.4**	

* Interest rate excluding margin.
** Interest rate swaps have been used to fix the interest rate. These are denominated in EUR and have an average interest rate of 0.56%.

The fair value of mortgages is EUR 46.5 million, whereas the fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 2 in the fair value hierarchy using direct quotes.

EUR million

CURRENCY OF THE PRINCIPAL	Interest-bearing debt	Floating rate	2015 Fixed rate
EUR	300.4	8%	92%
USD	100.1	100%	0%
DKK	165.8	93%	7%
Total	**566.3**	**49%**	**51%**

4.2 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

FINANCIAL RISKS

Being an international company, Chr. Hansen is exposed to currency and interest rate fluctuations.

Chr. Hansen's corporate Treasury department monitors and manages risks related to currency exposure and interest rate levels in accordance with the corporate Treasury Procedure approved by the Board of Directors. The procedure reflects how Chr. Hansen manages financial risks and contains rules defining not only how financial instruments are used to hedge risks, but also an acceptable level of risk exposure and use of counterparties.

Funding and liquidity

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of Chr. Hansen's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, Chr. Hansen's corporate Treasury department manages and monitors funding and liquidity for the entire Group and ensures the availability of the required liquidity through cash management and uncommitted as well as committed facilities.

Foreign exchange

To reduce exposure to exchange rate changes, Chr. Hansen trades primarily in EUR and USD. However, trading also takes place in other currencies. Currency exposure is mainly managed by having revenue and expenses in the same currency. Where this is insufficient to manage the risk, Chr. Hansen's corporate Treasury department performs hedging in accordance with the Treasury Procedure. Please refer to note 4.3 for further information.

Interest rates

Interest rate risk mainly relates to interest on debt. Debt is financed at the market rate plus a margin. The risk is limited by entering into interest-hedging agreements in accordance with the Treasury Procedure (note 4.3).

Credit

Credit risks mainly relate to trade receivables and other receivables. The risk is limited due to Chr. Hansen's diverse customer base representing multiple industries and businesses on international markets where the Company cooperates with many large and medium-sized partners. When dealing with smaller businesses, the Company sells mainly through distributors, thus reducing the credit risk regarding these customers.

Counterparty risk

Counterparty risk for cash, deposits and financial instruments is handled by working only with financial institutions that have a satisfactory long-term credit rating. Chr. Hansen's core financial counterparties currently have long-term credit ratings of AA or A. Chr. Hansen's Treasury Procedure also defines a credit limit for each counterparty.

4.3 DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. The fair values of derivative financial instruments are included in other receivables and other payables respectively, and positive and negative values are offset only when the Group has the right and the intention to settle financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Certain derivative financial instruments are designated as one of the following:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- Hedges associated with highly probable forecasted transactions (cash flow hedges)
- Hedges of a net investment in a foreign operation (net investment hedges)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognized assets and liabilities are recognized in the income statement together with changes in the value of the hedged asset or liability with respect to the hedged portion.

The effective part of changes in the fair value of derivative financial instruments used for cash flow hedges is recognized in other comprehensive income and presented as a separate reserve in equity. The reserve is transferred to the income statement on realization of the hedged transactions. If a derivative financial instrument used to hedge expected future transactions expires, is sold or no longer qualifies for hedge accounting, any accumulated fair value reserve remains in equity until the hedged transaction is concluded. If the transaction is no longer expected to be concluded, any fair value reserve accumulated under equity is transferred to the income statement.

Changes in the fair value of derivative financial instruments used for net investment hedges that effectively hedge currency fluctuations in these entities are recognized directly in the Consolidated Financial Statements in a separate translation reserve in equity.

Realized gains and losses on derivative financial instruments are recognized in the income statement as financial income or financial expenses.

Derivative financial instruments in the Group

The Group is exposed to market risk, primarily risks relating to currency and interest rates, and uses financial instruments to hedge recognized and future transactions. The Group only enters into hedging agreements that relate to the underlying business.

Interest rate risk

Interest rate swaps are used for cash flow hedging where the underlying floating interest rates are hedged. At 31 August 2016, the outstanding interest swaps had the following market value:

4.3 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

EUR million	Expiry	Contract amount	Gain/(loss)	Recognized in income statement	Recognized in fair value reserve
					2016
USD 100 million interest rate swaps	Nov. 2018	89.8	-	-	-
EUR 200 million interest rate swaps	Aug. 2018	200.0	(3.5)	-	(3.5)
Total		**289.8**	**(3.5)**	**-**	**(3.5)**

	Expiry	Contract amount	Gain/(loss)	Recognized in income statement	Recognized in fair value reserve
					2015
EUR 75 million interest rate swaps	Feb. 2016	75.0	(0.2)	-	(0.2)
EUR 200 million interest rate swaps	Aug. 2018	200.0	(2.7)	-	(2.7)
Total		**275.0**	**(2.9)**	**-**	**(2.9)**

The fair value is calculated using a validation model, based primarily on observable market data, corresponding to level 2 in the fair value hierarchy. There is no currency risk related to the swaps for the Group.

The interest on the Group's financing facilities is based on a floating interest rate plus a margin.

EUR million	2016	2015
Outstanding debt with fixed interest rate or hedged through interest rate swaps	56%	51%
Total debt, average maturity in years	4.3	3.5
Effect on total debt of a 1 percentage point increase in interest rates	(5.2)	(5.5)
Effect on interest rate swaps of a 1 percentage point increase in interest rates	2.3	2.8
Net effect	**(2.9)**	**(2.7)**

An increase of 1 percentage point in the average interest rate on the Group's interest-bearing debt including swaps would reduce the Group's earnings before tax by EUR 2.9 million (EUR 2.7 million for 2014/15) over the next 12-month period and have a positive effect on equity of EUR 3.9 million (EUR 6.1 million in 2014/15).

4.3 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Currency hedging of balance sheet position and future cash flows

NET OUTSTANDING FORWARD EXCHANGE CONTRACTS

2016

	Nominal principal	Gain/loss in income statement	Recognized in fair value reserve	Fair value of principal	Maximum maturity (months)
USD	9.9	-	-	9.9	1.0
AUD	7.1	-	-	7.1	3.0
CZK	0.7	-	-	0.7	1.0
DKK	(17.7)	-	-	(17.7)	
Total		**-**	**-**	**-**	

2015

	Nominal principal	Gain/loss in income statement	Included in fair value reserve	Fair value of principal	Maximum maturity (months)
USD	49.5	1.1	-	48.4	3.0
GBP	2.3	0.1	-	2.2	1.0
AUD	7.0	0.6	-	6.4	3.0
DKK	(58.8)	-	-	(58.8)	
Total		**1.8**	**-**	**(1.8)**	

The fair value is calculated using a validation model, based primarily on observable market data, corresponding to level 2 in the fair value hierarchy. All contracts are used for fair value hedges.

The overall purpose of managing currency risk is to minimize the effect of short-term currency movements on earnings and cash flow. The Group's main currencies are EUR, USD and USD-related currencies. Exposure is limited by assets, debt and expenses to a certain degree matching the geographic segmentation of sales. Investments in subsidiaries are not hedged. The fair value is calculated using direct quotes corresponding to level 1 in the fair value hierarchy.

FOREIGN EXCHANGE SENSITIVITY ANALYSIS

Net profit effect	2015/16	2014/15
Increase of 5%	1.3	0.9
Decrease of 5%	(1.3)	(0.9)

Financial instruments are defined as cash, trade receivables, trade payables, current and non-current loans and foreign exchange forwards.

5.1 SHARE-BASED PAYMENT

ACCOUNTING POLICIES

The share programs are accounted for on an accrual basis over the service period. Share options issued are measured at fair value at the date of granting times the probability of vesting. Matching shares are measured as the value of the maximum number of matching shares to be granted times the probability of vesting. The probabilities are adjusted every year until vesting.

Share option programs
Long-term share option programs are granted to the Executive Board and certain key employees. Vesting is subject to fulfillment of certain key performance indicators and continued employment at the vesting date. Each option gives the right to purchase one existing share in Chr. Hansen Holding A/S.

No share option programs were granted in 2015/16 (EUR 0 million in 2014/15).

EUR 1.6 million was expensed in 2015/16 relating to the long-term share option programs, including accelerations and reversals (EUR 1.2 million in 2014/15).

There were no outstanding exercisable share options (vested) at 31 August 2016.

Share option programs	**Program 3**	**Program 4**	**Program 5**	**Program 6**
Year allocated	2011/12	2012/13	2012/13	2013/14
Vesting conditions (KPIs)	EBIT and EPS	EBIT and EPS	EBIT and EPS	EBIT and EPS
Exercise price	DKK 127	DKK 196	DKK 228	DKK 219
Vesting	Nov. 2014	Nov. 2015	April 2016	Nov. 2016
Weighted average share price during exercise period	DKK 247	DKK 427	DKK 413	Not vested
Average Black-Scholes value of options	EUR 3.4	EUR 3.5	EUR 3.8	EUR 2.9
Assumptions:				
Risk-free interest rate	0.99%	0.04%	0.23%	0.23%
Volatility	31.1%	25.7%	23.0%	19.9%
Dividend	1.5%	1.5%	1.5%	1.5%
Period	3-5 years	3-5 years	3-5 years	3-5 years

Number of share options	**Executive Board**	**Key employees**	**Former employees**	**Total**
Outstanding at 31 August 2014	**1,078,369**	**947,013**	**144,137**	**2,169,519**
Transferred	(102,360)	102,360	-	-
Forfeited	(132,540)	-	-	(132,540)
Exercised	(231,394)	(172,543)	(69,017)	(472,954)
Outstanding at 31 August 2015	**612,075**	**876,830**	**75,120**	**1,564,025**
Transferred	-	(436,445)	436,445	-
Forfeited	-	-	(102,360)	(102,360)
Exercised	(250,710)	(99,660)	(214,630)	(565,000)
Outstanding at 31 August 2016	**361,365**	**340,725**	**194,575**	**896,665**

5.1 SHARE-BASED PAYMENT (CONTINUED)

Matching shares program

Long-term matching shares programs are granted to the Executive Board and certain key employees.

Under the program, the participants are required to acquire a number of existing shares in Chr. Hansen Holding A/S (investment shares) and retain ownership of such shares for a predefined holding period of three years. Upon expiration of the holding period and subject to fulfillment of certain predefined performance targets, and continued employment at the vesting date, the participants will be entitled to receive up to four additional shares in Chr. Hansen Holding A/S (matching shares) per investment share for no consideration.

The theoretical market value of the program in 2015/16 was EUR 2.1 million, based on fulfillment of all predefined performance targets (EUR 2.1 million in 2014/15). The fair value at grant was EUR 1.6 million, taking into consideration the assessed likelihood of meeting the no-market condition (EUR 1.7 million in 2014/15).

EUR 0.9 million was expensed in 2015/16 relating to the matching shares programs, including accelerations and reversals (EUR 0.5 million in 2014/15).

Matching shares programs	**Program 1**	**Program 2**
Year allocated	2014/15	2015/16
Vesting conditions (KPIs)	Org. growth, EBIT, TSR	Org. growth, EBIT, TSR
Vesting	Nov. 2017	Nov. 2018
Average fair market value of matching shares	EUR 26.4	EUR 36.8
Assumptions:		
Dividend	1.5%	1.5%
Period	3 years	3 years
TSR peer group likelihood	50.0%	50.0%

Number of matching shares	**Executive Board**	**Key employees**	**Former employees**	**Total**
Outstanding at 31 August 2014	**-**	**-**	**-**	**-**
Allocated	30,592	33,584	-	64,176
Forfeited	(7,960)	-	-	(7,960)
Outstanding at 31 August 2015	**22,632**	**33,584**	**-**	**56,216**
Allocated	18,892	23,424	5,064	47,380
Transferred	-	(11,684)	11,684	-
Outstanding at 31 August 2016	**41,524**	**45,324**	**16,748**	**103,596**

5.1 SHARE-BASED PAYMENT (CONTINUED)

Short-term restricted stock unit (RSU) programs
The short-term RSU programs are granted to the Executive Board and other key employees based on fulfillment of individual key performance indicators. The RSUs are granted as share options with an exercise price of DKK 1 and vest gradually over a three-year period. Subject to the person still being employed with Chr. Hansen, each share option may be exercised to purchase one existing share in Chr. Hansen Holding A/S.

The value of RSUs allocated in 2015/16 (RSU program 7) is estimated to be EUR 2.9 million (EUR 2.8 million in 2014/15). The number of options allocated, their value and assumptions will be finally determined in November 2016.

EUR 2.4 million was expensed in 2015/16 relating to the short-term RSU programs (EUR 2.2 million in 2014/15).

There were no outstanding exercisable RSUs at 31 August 2016.

RSU programs	**Program 2**	**Program 3**	**Program 4**	**Program 5**	**Program 6**	**Program 7**
Year allocated	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Vesting	Nov. 2012, 2013 & 2014	Nov. 2013, 2014 & 2015	Nov. 2014, 2015 & 2016	Nov. 2015, 2016 & 2017	Nov. 2016, 2017 & 2018	Nov. 2017, 2018 & 2019
Weighted average share price during exercise period	EUR 27.0	EUR 27.0	EUR 32.9	EUR 56.3	Not vested	Not granted
Average Black-Scholes value of options	EUR 15.9	EUR 24.2	EUR 25.8	EUR 33.8	EUR 53.5	EUR 56.2*
Assumptions:						
Risk-free interest rate, average	2.42%	(0.21)%	(0.22)%	(0.01)%	(0.35)%	
Volatility, average	30.0%	21.5%	23.0%	18.8%	24.2%	
Dividend	1.5%	1.5%	1.5%	1.5%	1.0%	
Period	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years

* Estimated value

RSUs (number)	**Executive Board**	**Key employees**	**Former employees**	**Total**
Outstanding at 31 August 2014	**24,589**	**187,661**	**10,026**	**222,276**
Adjustment to allocation	1,173	(4,918)	-	(3,745)
Allocated	8,873	59,301	-	68,174
Transferred	(3,599)	(6,964)	10,563	-
Exercised	(6,233)	(60,551)	(10,140)	(76,924)
Forfeited	(3,086)	-	(5,731)	(8,817)
Outstanding at 31 August 2015	**21,717**	**174,529**	**4,718**	**200,964**
Adjustment to allocation	918	(5,485)	-	(4,567)
Allocated	6,339	37,322	-	43,661
Transferred	-	(20,483)	20,483	-
Exercised	(6,782)	(52,991)	(14,993)	(74,766)
Forfeited	-	-	(5,065)	(5,065)
Outstanding at 31 August 2016	**22,192**	**132,892**	**5,143**	**160,227**

5.2 NON-CASH ADJUSTMENTS

EUR million	2015/16	2014/15
Depreciation, amortization and impairment losses	56.2	53.9
Gains and losses from disposal of assets	(0.8)	0.1
Share-based payment	2.4	3.3
Change regarding employee benefits	(1.2)	0.3
Change in provisions	6.8	0.1
Total	**63.4**	**57.7**

5.3 ACQUISITION OF ENTITIES

ACCOUNTING POLICIES

On acquisition of subsidiaries, joint ventures and associates, the acquisition method is applied, and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair value at the time control is deemed to exist. Identifiable intangible assets are recognized if they can be separated and the fair value can be reliably measured. Deferred tax on revaluations is recognized.

Any positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognized as goodwill under intangible assets. The cost is stated at the fair value of shares, debt instruments as well as cash and cash equivalents. Goodwill is not amortized, but is tested annually for impairment. Negative balances (negative goodwill) are recognized in the income statement on the date of acquisition. Positive differences on acquisition of joint ventures and associates are recognized in the balance sheet under investments in joint ventures and associates.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition within 12 months of the acquisition date are adjusted to the initial goodwill. The adjustment is calculated as if it had been recognized at the acquisition date, and comparative figures are restated.

Changes in estimates of the cost of the acquisition that are contingent on future events are recognized in the income statement.

Acquired entities are recognized in the Consolidated Financial statements from the time of the acquisition.

KEY ACCOUTING ESTIMATES AND JUDGMENTS

For acquisitions of entities, the assets, liabilities and contingent liabilities of the acquiree are recognized using the acquisition method. The most significant assets acquired generally comprise goodwill, trademarks, non-current assets, receivables and inventories.

No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, Management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

5.3 ACQUISITION OF ENTITIES (CONTINUED)

On 18 February 2016, Chr. Hansen acquired full ownership and control of Nutrition Physiology Holdings LLC and Guardian Food Tech. LLC in the US (collectively NPC) in a membership deal. NPC is a US-based provider of microbial solutions to the US livestock industry. The purchase consideration was paid in cash. The acquisition expands Chr. Hansen's business within microbial solutions for animal health, particularly in the US beef cattle segment, and complements the Company's existing market position within dairy cattle, swine and poultry.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

EUR million	2015/16
PURCHASE CONSIDERATION:	
Cash paid	169.6
Net assets acquired	60.9
Goodwill from acquisition	**108.7**

Goodwill represents competencies and synergies from innovation, optimization of sales and supply chain.

According to IFRS 3, the acquired assets are recognized at fair value in the opening balance based on market participants' use of assets, even if the acquirer does not intend to use them or does not intend to use them in a way that is similar to what would be expected. The fair value of the assets acquired is estimated using generally accepted valuation methods e.g. the relief-from royalty method for trademarks and MEEM (Multi-period Excess Earnings Method) and the allowed-earnings models for technology and customer relationships.

EUR million	2015/16
FAIR VALUE OF NET ASSETS ACQUIRED:	
Trademarks	6.3
Technology (patents and other rights)	38.3
Customer relationships	9.7
Property, plant and equipment	2.5
Inventories	3.0
Trade receivables (gross contractual amounts receivable: EUR 2.5 million)	2.5
Trade payables	(0.8)
Other receivables and payables, net	(0.8)
Cash	0.2
Net identifiable assets acquired	**60.9**

The costs totaling EUR 6.0 million relating to the acquisition and integration of NPC are recognized as special items.

The acquisition of NPC contributed EUR 13.6 million to revenue and EUR (3.4) million to profit, including special items for the year in 2015/16. A full-year contribution from NPC would have resulted in EUR 962.5 million in revenue and EUR 186.4 million in profit for the year in 2015/16.

5.4 RELATED PARTIES

Related parties are defined as parties with control or significant influence, including Group companies.

At 31 August 2016, Novo A/S, Denmark, held 26% of the share capital in Chr. Hansen Holding A/S (significant influence).

Other related parties include the Group's Executive Board and Board of Directors together with their immediate families.

All agreements relating to transactions with these parties are based on market price (arm's length). The majority of the agreements are renegotiated regularly. The Group has the following transactions with related parties:

EUR million

	2015/16	
TRANSACTIONS WITH RELATED PARTIES	**Purchases of goods, materials and services**	**Financial liabilities**
Novo A/S Group	3.5	1.6

Fees and other considerations to the Executive Board and Board of Directors are specified in note 2.3. Share-based payment is specified in note 5.1.

5.5 EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of the LGG® strain from Valio Oy
On 13 September 2016, Chr. Hansen signed an agreement with Valio Oy to acquire the LGG® strain, including trademarks and related business, for a cash consideration of EUR 73 million. The acquired business includes the LGG® trademarks and related royalties, a collection of around 3,200 strains and a small production site in Tikkurila, Finland, which currently produces the LGG® strain and a number of specialty strains for cheese, etc.

The acquisition is subject to customary closing conditions. Closing is expected during the fall of 2016.

The acquisition will be funded by Chr. Hansen's own cash and existing credit facilities.

Approximately EUR 2 million in non-recurring costs related to the transaction will be recognized as special items.

In 2015, the acquired business generated revenue of around EUR 9 million, including royalty payments from Chr. Hansen Holding A/S. The acquisition will contribute positively to Chr. Hansen's EBIT b.s.i. in 2016/17.

Other events
No other events of importance to the Annual Report have occurred after the balance sheet date.

5.6 LIST OF GROUP COMPANIES AT 31 AUGUST 2016

Entity	Country	Currency	Nominal capital (000)	Chr. Hansen share in %	Pro-duction	Sales	Other
Chr. Hansen Argentina S.A.I.C.	Argentina	ARS	648	98		x	
Paprika S.A.	Argentina	ARS	1,300	70			x
Chr. Hansen Pty Ltd	Australia	AUD	1,004	100		x	
Hale-Bopp Australia Pty Ltd	Australia	AUD	30,686	100			x
Chr. Hansen Ind. e Com. Ltda.	Brazil	BRL	17,499	100	x	x	
Chr. Hansen Limited	Canada	CAD	24	100		x	
Chr. Hansen Chile SpA	Chile	CLP	4,680	100		x	
Chr. Hansen (Tianjin) Food Ingredients Co. Ltd.	China	CNY	7,995	100	x	x	
Chr. Hansen (Beijing) Trading Co., Ltd.	China	CNY	5,000	100		x	
Chr. Hansen Colombia S.A.S.	Colombia	COP	3,856,597	100		x	
Chr. Hansen Czech Republic s.r.o.	Czech Republic	CZK	470	100	x	x	
Chr. Hansen A/S	Denmark	DKK	194,101	100	x	x	x
Chr. Hansen Natural Colors A/S	Denmark	DKK	10,000	100	x	x	x
Chr. Hansen Properties A/S	Denmark	DKK	500	100			x
Chr. Hansen Finland Oy	Finland	EUR	3	100			x
Chr. Hansen France SAS	France	EUR	11,100	100	x	x	
Biostar GmbH	Germany	EUR	25	100			x
Chr. Hansen GmbH	Germany	EUR	383	100	x	x	
Halley GmbH	Germany	EUR	25	100			x
Hansen Hellas ABEE	Greece	EUR	1,057	100		x	
Chr. Hansen India Pvt. Ltd	India	INR	24,992	99.6		x	
Chr. Hansen Ireland Limited	Ireland	EUR	1	100		x	
Chr. Hansen Italia S.p.A.	Italy	EUR	500	100	x	x	
Chr. Hansen Japan Co., Ltd.	Japan	JPY	10,000	100		x	
Chr. Hansen Malaysia SDN. BHD.	Malaysia	MYR	1,000	100		x	
Chr. Hansen de Mexico S.A. de C.V.	Mexico	MXN	25,878	100		x	
Chr. Hansen S.A.	Peru	PEN	1,842	100	x	x	
Chr. Hansen Poland Sp. z o.o.	Poland	PLN	8,950	100		x	
Chr. Hansen SRL	Romania	RON	4	100		x	
Chr. Hansen LLC	Russia	RUB	10,972	100		x	
Chr. Hansen Singapore Pte Ltd.	Singapore	SGD	1,000	100			x
Chr. Hansen, S.L.	Spain	EUR	8,926	100		x	
Chr. Hansen Sweden AB	Sweden	SEK	1,000	100		x	
Chr. Hansen Gida Sanayi ve Ticaret A.S.	Turkey	TRY	140	100		x	
Chr. Hansen Ukraine L.L.C.	Ukraine	UAH	32	100		x	
Chr. Hansen Middle East FZ-LLC	UAE	AED	500	100		x	
Chr. Hansen (UK) Limited	UK	GBP	250	100		x	
Chr. Hansen Inc.	US	USD	-	100	x	x	

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FINANCIAL STATEMENTS
PARENT COMPANY

CLOSE BONDS WITH ACADEMIA

Chr. Hansen has a long tradition for maintaining close bonds with academia. Thanks to a 3-year-long project with Copenhagen University and the Technical University of Denmark, Chr. Hansen has gained a deeper insight into metagenomics – the art of sequencing and analyzing ALL DNA in a mixed sample in one go. This insight enables us to develop more efficient cultures in a smarter way.

CONTENTS

INCOME STATEMENT

1 SEPTEMBER - 31 AUGUST

EUR million	Note	2015/16	2014/15
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Sales and marketing expenses	2.1	(3.0)	(2.8)
Administrative expenses	2.1 - 2.2 - 2.3	(17.1)	(13.8)
Other operating income		22.9	18.8
Other operating expenses		-	(1.8)
Operating profit before special items		**2.8**	**0.4**
Special items	2.4	(1.7)	-
Operating profit		**1.1**	**0.4**
Dividends received from Group companies		137.4	167.3
Impairment loss, Group companies	3.2	(15.0)	(37.6)
Financial income	2.5	13.5	25.6
Financial expenses	2.6	(17.1)	(27.0)
Profit before tax		**119.9**	**128.7**
Income taxes	2.7	(0.4)	(0.3)
Profit for the year		**119.5**	**128.4**

STATEMENT OF COMPREHENSIVE INCOME

1 SEPTEMBER - 31 AUGUST

EUR million	Note	2015/16	2014/15
Profit for the year		**119.5**	**128.4**
Items that will be reclassified subsequently to the income statement when specific conditions are met:			
Currency translation to presentation currency		2.2	(1.2)
Deferred gains/(losses) on cash flow hedges arising during the year		(2.5)	(1.8)
Gains/(losses) on cash flow hedges expiring during the year		1.9	2.9
Tax related to cash flow hedges		0.1	(1.3)
Other comprehensive income for the year		**1.7**	**(1.4)**
Total comprehensive income for the year		**121.2**	**127.0**

BALANCE SHEET

AT 31 AUGUST

EUR million	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets			
Software	3.1	0.3	0.5
Intangible assets in progress	3.1	0.3	0.3
Total intangible assets		**0.6**	**0.8**
Fixed asset investments			
Investments in Group companies	3.2	944.5	805.6
Receivables from Group companies	3.3	197.9	184.2
Total fixed asset investments		**1,142.4**	**989.8**
Other non-current assets			
Deferred tax	2.7	2.3	2.2
Total other non-current assets		**2.3**	**2.2**
Total non-current assets		**1,145.3**	**992.8**
Current assets			
Receivables			
Receivables from Group companies		73.1	43.3
Tax receivables		55.3	46.5
Other receivables		0.2	1.8
Prepayments		0.1	0.1
Total receivables		**128.7**	**91.7**
Cash and cash equivalents		**7.4**	**1.6**
Total current assets		**136.1**	**93.3**
Total assets		**1,281.4**	**1,086.1**

BALANCE SHEET

AT 31 AUGUST

EUR million	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	177.2	176.7
Reserves		444.1	379.0
Total equity		**621.3**	**555.7**
Liabilities			
Non-current liabilities			
Borrowings		573.3	500.1
Payables to Group companies		19.8	7.5
Total non-current liabilities		**593.1**	**507.6**
Current liabilities			
Borrowings		56.0	15.9
Trade payables		3.9	0.5
Payables to Group companies		-	0.1
Other payables		7.1	6.3
Total current liabilities		**67.0**	**22.8**
Total liabilities		**660.1**	**530.4**
Total equity and liabilities		**1,281.4**	**1,086.1**

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STATEMENT OF CHANGES IN EQUITY

1 SEPTEMBER - 31 AUGUST

EUR million

	Note	Share capital	Cash flow hedges	Retained earnings	2015/16 Total
Equity at 1 September 2015		**176.7**	**(3.2)**	**382.2**	**555.7**
Total comprehensive income for the year, cf. statement of comprehensive income		0.5	(0.5)	121.2	121.2
Transactions with owners:					
Exercised share options		-	-	17.5	17.5
Share-based payment	5.1	-	-	4.4	4.4
Tax related to share-based payment		-	-	4.6	4.6
Dividend		-	-	(82.1)	(82.1)
Equity at 31 August 2016		**177.2**	**(3.7)**	**447.8**	**621.3**

An ordinary dividend for the financial year 2014/15 of DKK 4.70 per share was paid during the year.
A dividend of EUR 0.70 (DKK 5.23), corresponding to EUR 92 million in total, is proposed for 2015/16.

	Note	Share capital	Cash flow hedges	Retained earnings	2014/15 Total
Equity at 1 September 2014		**180.5**	**(3.0)**	**457.0**	**634.5**
Total comprehensive income for the year, cf. statement of comprehensive income		(0.3)	(0.2)	127.5	127.0
Transactions with owners:					
Reduction of share capital		(3.5)	-	3.5	-
Purchase of treasury shares		-	-	(38.0)	(38.0)
Exercised share options		-	-	8.0	8.0
Share-based payment	5.1	-	-	3.3	3.3
Tax related to share-based payment		-	-	2.3	2.3
Dividend		-	-	(181.4)	(181.4)
Equity at 31 August 2015		**176.7**	**(3.2)**	**382.2**	**555.7**

An ordinary dividend for the financial year 2013/14 of DKK 3.77 per share and an interim dividend related to the financial year 2014/15 of DKK 6.57 per share were paid during the year.

CASH FLOW STATEMENT

1 SEPTEMBER - 31 AUGUST

EUR million	Note	2015/16	2014/15
Operating profit		**1.1**	**0.4**
Non-cash adjustments	5.2	(12.4)	(34.1)
Change in working capital		5.5	(1.7)
Interest payments received		6.7	12.6
Interest payments made		(9.4)	(12.3)
Dividends received		137.4	167.3
Taxes paid		(9.3)	(2.6)
Cash flow from operating activities		**119.6**	**129.6**
Investments in intangible assets		-	(0.2)
Investments in Group companies	3.2	(151.4)	(16.3)
Cash flow used for investing activities		**(151.4)**	**(16.5)**
Free cash flow		**(31.8)**	**113.1**
Repayment to/from Group companies		(11.9)	(31.7)
Repayment of long-term loans		114.1	130.0
Exercise of options		17.5	8.0
Purchase of treasury shares, net		-	(38.0)
Dividends paid		(82.1)	(181.4)
Cash flow used for financing activities		**37.6**	**(113.1)**
Net cash flow for the year		**5.8**	**0.0**
Cash and cash equivalents at 1 September		1.6	1.6
Net cash flow for the year		5.8	0.0
Cash and cash equivalents at 31 August		**7.4**	**1.6**

1.1 GENERAL ACCOUNTING POLICIES

ACCOUNTING POLICIES

The Financial Statements of Chr. Hansen Holding A/S as Parent Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements applying to entities of reporting class D.

The accounting policies for the Company are the same as for the Chr. Hansen Group, cf. notes to the Consolidated Financial Statements, with the exception of the following.

Other income and expenses
Other income and expenses comprise income that is of a secondary nature to the activities of the Company, including income from management and service agreements.

1.2 SUMMARY OF KEY ACCOUNTING ESTIMATES

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the Financial Statements for Chr. Hansen Holding A/S, Management makes various accounting estimates and assumptions that form the basis of recognition and measurement of the Parent Company's assets and liabilities.

The most significant accounting estimates and judgments for the Chr. Hansen Group are presented in notes to the Consolidated Financial Statements.

Other accounting estimates and judgments considered key for the Company are:

- Investments in Group companies (note 3.2)

Estimation uncertainty
Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions to be made concerning future events.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Assumptions about the future and estimation uncertainty on the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Judgments in applying accounting policies
In applying the Group's accounting policies, Management makes judgments that may significantly influence the amounts recognized in the Financial Statements.

2.1 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR million	2015/16	2014/15
AMORTIZATION		
Intangible assets		
Administrative expenses	(0.2)	(0.2)
Total depreciation, amortization and impairment losses	**(0.2)**	**(0.2)**

2.2 STAFF EXPENSES

EUR million	2015/16	2014/15
Wages and salaries, etc.	(12.6)	(8.9)
Pension expenses - defined contribution plans	(0.7)	(0.4)
Social security, etc.	-	(0.1)
Salaries and other remuneration of the Executive Board and Board of Directors of Chr. Hansen Holding A/S	(4.6)	(4.3)
Total	**(17.9)**	**(13.7)**
Average number of employees	**49**	**48**
Remuneration of the Executive Board and Board of Directors:		
Executive Board		
Salaries, etc.	(2.1)	(2.3)
Pension - defined contribution plans	(0.3)	(0.3)
Share-based payment	(1.3)	(0.9)
Total	**(3.7)**	**(3.5)**
Board of Directors		
Fee	(0.9)	(0.8)

2.3 FEES TO AUDITORS

EUR million	2015/16	2014/15
PricewaterhouseCoopers		
Statutory audit	(0.2)	(0.2)
Tax advisory services	(0.1)	(0.2)
Total	**(0.3)**	**(0.4)**

2.4 SPECIAL ITEMS

EUR million	2015/16	2014/15
Cost related to the acquisition and integration of NPC	(0.9)	-
Other	(0.8)	-
Total	**(1.7)**	-

2.5 FINANCIAL INCOME

EUR million	2015/16	2014/15
Interest from Group companies	6.7	9.5
Foreign exchange gains on derivatives	2.0	2.2
Foreign exchange gains	4.8	13.9
Total	**13.5**	**25.6**

Effective interest income amounted to EUR 0.0 million (EUR 0.0 million in 2014/15).

2.6 FINANCIAL EXPENSES

EUR million	2015/16	2014/15
Interest paid to Group companies	(0.2)	(0.4)
Foreign exchange losses on derivatives	(2.6)	(11.9)
Interest expenses	(7.3)	(5.8)
Foreign exchange losses	(2.9)	(4.0)
Losses on derivatives transferred from other comprehensive income	(1.9)	(2.9)
Other financial expenses including amortized costs	(2.2)	(2.0)
Total	**(17.1)**	**(27.0)**

Effective interest expenses amounted to EUR 10.3 million (EUR 8.7 million in 2014/15).

2.7 INCOME TAXES AND DEFERRED TAX

EUR million	2015/16	2014/15
Current tax on profit for the year	-	(0.7)
Change in deferred tax concerning profit for the year	0.3	0.3
Tax on profit for the year	**0.3**	**(0.4)**
Adjustments concerning previous years	(0.7)	0.1
Tax in the income statement	**(0.4)**	**(0.3)**
Tax on other comprehensive income	**0.1**	**(1.3)**

		2015/16		2014/15
Reconciliation of tax rate				
Danish tax rate	22.0%	(26.4)	23.5%	(30.2)
Non-taxable income and non-deductible expenses	(22.5)%	27.0	(23.5)%	30.2
Adjustments concerning previous years	0.6%	(0.7)	(0.1)%	0.1
Other taxes	0.3%	(0.3)	0.3%	(0.4)
Effective tax rate	**0.3%**		**0.2%**	
Tax on profit for the year		**(0.4)**		**(0.3)**

Deferred tax

EUR million	2015/16	2014/15
Deferred tax at 1 September	2.2	2.0
Change in deferred tax - recognized in the income statement	0.3	1.4
Change in deferred tax - recognized through equity	-	(1.2)
Adjustment concerning previous years	(0.2)	-
Deferred tax asset at 31 August	**2.3**	**2.2**
Specification of deferred tax		
Intangible assets	(0.1)	(0.1)
Liabilities	2.4	2.3
Total deferred tax at 31 August	**2.3**	**2.2**

3.1 INTANGIBLE ASSETS

EUR million

2016	Software	Intangible assets in progress	Total
Cost at 1 September	2.1	0.3	2.4
Cost at 31 August	**2.1**	**0.3**	**2.4**
Amortization at 1 September	(1.6)	-	(1.6)
Amortization for the year	(0.2)	-	(0.2)
Amortization at 31 August	**(1.8)**	**-**	**(1.8)**
Carrying amount at 31 August	**0.3**	**0.3**	**0.6**

2015	Software	Intangible assets in progress	Total
Cost at 1 September	2.1	0.1	2.2
Additions for the year	-	0.2	0.2
Cost at 31 August	**2.1**	**0.3**	**2.4**
Amortization at 1 September	(1.4)	-	(1.4)
Amortization for the year	(0.2)	-	(0.2)
Amortization at 31 August	**(1.6)**	**-**	**(1.6)**
Carrying amount at 31 August	**0.5**	**0.3**	**0.8**

Software
Software comprises expenses for acquiring software licenses and expenses related to internal development of software within the Group.

The value of the recognized software has been compared to the expected value in use. No indications of impairment have been identified.

3.2 INVESTMENTS IN GROUP COMPANIES

ACCOUNTING POLICIES

Dividends from Group companies
Dividends from Group companies are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared. If the carrying amount of an investment in a subsidiary exceeds the carrying amount of the net assets in the subsidiary's financial statements, or the dividend exceeds the total comprehensive income of the subsidiary in the period in which the dividend is declared, the carrying amount of the subsidiary is tested for impairment.

Investments in Group companies
Investments in Group companies are measured at cost. If the cost exceeds the recoverable amount, it is written down.

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

Management performs an annual test for indications of impairment of investments in Group companies. Impairment tests are conducted in the same way as for goodwill in the Chr. Hansen Group, cf. note 3.1 to the Consolidated Financial Statements.

There were indications of impairment of the investments in the Turkish subsidiary at 31 August 2016; the impairment test showed that the value was too high and consequently a write-down of EUR 15.0 million has been included in the income statement. (An impairment loss of EUR 37.6 million related to the investment in the Spanish and Australian subsidiaries was recognized in the income statement at 31 August 2015.)

EUR million	2016	2015
Cost at 1 September	805.6	830.1
Currency translation	2.5	(1.1)
Additions for the year	151.4	14.2
Impairment losses	(15.0)	(37.6)
Cost at 31 August	**944.5**	**805.6**

See note 5.6 to the Consolidated Financial Statements for a list of Group companies.

Most of the additions relate to a capital contribution in Chr. Hansen A/S to finance the NPC acquisition.

In August 2016, Chr. Hansen Holding A/S acquired 100% of the shares of Chr. Hansen Finland Oy. The purchase consideration was paid in cash. There has been no activity in the Finnish company in 2015/16.

In 2015, as part of the Nature's No. 1 strategy, a decision was made to close down small production facilities, including the Spanish and Australian production sites. Consequently, the carrying amount of these subsidiaries has been impaired.

3.3 RECEIVABLES FROM GROUP COMPANIES

EUR million	2016	2015
Due between 1 and 5 years		
Loans to Group companies	197.9	184.2
Total	**197.9**	**184.2**

3.4 COMMITMENTS AND CONTINGENT LIABILITIES

Operating leases
Lease commitments primarily relate to car and equipment rental; EUR 0.2 million is due within 1 year and EUR 0.3 million is due between 1 and 5 years (EUR 0.2 million due within 1 year and EUR 0.3 million due between 1 and 5 years in 2014/15). Payments of EUR 0.3 million were expensed in 2015/16 (EUR 0.3 million in 2014/15).

Other guarantees and liabilities
Chr. Hansen Holding A/S is jointly and severally liable for Chr. Hansen A/S's drawings on the Group's credit facility. Chr. Hansen A/S had no drawings at 31 August 2016 or at 31 August 2015.

Pending court and arbitration cases
Certain claims have been made against Chr. Hansen Holding A/S. Management is of the opinion that the outcome of these disputes will not have a significant impact on the Company's financial position.

Change of control
The loan facilities are subject to change-of-control clauses. Regarding change-of-control clauses in Management contracts, please see note 2.3 to the Consolidated Financial Statements.

4.1 SHARE CAPITAL

The Company's share capital has a nominal value of DKK 1,318,524,960 (equivalent to EUR 177.2 million), divided into shares of DKK 10. The share capital has been fully paid up.

The Company has not conducted a share buy-back program in the last two years. At 31 August 2016, the Company held 849,916 treasury shares (1,592,042 treasury shares at 31 August 2015). All of the treasury shares were held to cover share option programs.

In 2014/15, the share capital was reduced by canceling 2,647,480 treasury shares.

In 2012/13, the share capital was reduced by canceling 3,534,244 treasury shares.

Further information about the Group's policy for managing its capital can be found under "Shareholder information."

Number of shares outstanding:	2016	2015
Outstanding at 1 September	130,260,454	130,550,576
Purchased during the year	-	(840,000)
Sold during the year	742,126	549,878
Outstanding at 31 August	**131,002,580**	**130,260,454**

The Company had share capital of DKK 1,380,342,200 at 1 September 2010.
It was reduced by DKK 35,342,440 in 2012/13 and DKK 26,474,800 in 2014/15.

4.2 DERIVATIVE FINANCIAL INSTRUMENTS

Chr. Hansen Holding A/S is exposed to market risk, primarily risks relating to currency and interest, and uses financial instruments to hedge recognized and future transactions. Chr. Hansen Holding A/S only enters into hedging agreements that relate to the underlying business.

Interest rate risk
Interest rate swaps are used for cash flow hedging by hedging the underlying floating interest rates. At 31 August 2016, the outstanding interest swaps had the following market value:

EUR million

					2016
Market value of open interest rate swaps	**Expiry**	**Contract amount**	**Gain/(loss)**	**Recognized in income statement**	**Recognized in fair value reserve**
USD 100 million interest rate swaps	Nov. 2018	89.8	-	-	-
EUR 200 million interest rate swaps	Aug. 2018	200.0	(3.5)	-	(3.5)
Total		**289.8**	**(3.5)**	**-**	**(3.5)**

					2015
	Expiry	**Contract amount**	**Gain/(loss)**	**Recognized in income statement**	**Recognized in fair value reserve**
EUR 75 million interest rate swaps	Feb. 2016	75.0	(0.2)	-	(0.2)
EUR 200 million interest rate swaps	Aug. 2018	200.0	(2.7)	-	(2.7)
Total		**275.0**	**(2.9)**	**-**	**(2.9)**

The fair value is calculated using a valuation model, based primarily on observable market data, corresponding to level 2 in the fair value hierarchy. There is no currency risk related to the swaps for the Company.

The interest on the Company's financing facilities is based on a floating interest rate plus a margin. At 31 August 2016, 58% of outstanding debt was hedged through interest rate swaps or loans at fixed interest rates (53% at 31 August 2015). The total debt had an average maturity of 4.3 years at 31 August 2016 (3.4 years at 31 August 2015). An increase of 1 percentage point in the average interest rate on the Company's interest-bearing debt excluding swaps would reduce the Company's earnings before tax by EUR 4.9 million over the next 12-month period (EUR 4.7 million in the financial year 2014/15). The effect of an interest rate change of 1 percentage point on the swaps entered into would be EUR 2.9 million (EUR 2.8 million in 2014/2015).

4.2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

EUR million	2016	2015
Financial assets		
Receivables from Group companies	73.1	43.3
Tax receivables	55.3	46.5
Other receivables and prepayments	0.3	1.9
Cash and cash equivalents	7.4	1.6
Total financial assets	**136.1**	**93.3**
Financial liabilities		
Borrowings	629.3	516.0
Trade payables	3.9	0.5
Other financial liabilities	26.9	13.9
Financial liabilities	**660.1**	**530.4**
Classification of financial assets		
Loans and receivables	136.1	93.3
Total	**136.1**	**93.3**
Classification of financial liabilities		
Financial liabilities measured at amortized cost	660.1	530.4
Total	**660.1**	**530.4**

EUR million	2016	2015
Maturity analysis for financial liabilities		
Borrowings		
0-1 year	56.0	15.9
1-5 years	562.2	477.9
> 5 years	11.1	22.2
Trade payables		
0-1 year	3.9	0.5
Other financial liabilities		
0-1 year	7.1	6.3
1-5 years	19.8	7.5
Total	**660.1**	**530.3**
Average interest rate	1.2%	1.2%
Borrowings have been reduced by amortization and financing expenses.		
Amortization expenses offset under non-current debt	**4.4**	**2.4**

4.3 CREDIT, CURRENCY AND INTEREST RATE RISK

Credit risk
Credit risk for cash and cash equivalents and financial instruments is managed by working only with financial institutions that have a satisfactory credit rating. In general, the risk is considered limited.

Currency risk
The overall purpose of managing currency risk is to minimize the impact of short-term currency movements on earnings and cash flow. The main exchange rate risk for the Company is loans denominated in USD.

It is the policy of the Company not to hedge investments in subsidiaries.

Interest risk
The interest on the Company's multicurrency loan facility is based on a floating interest rate plus a margin. Interest rate swaps are utilized to reduce the risk relating to the income statement. 58% of the outstanding debt was hedged through interest rate swaps at 31 August 2016 (53% at 31 August 2015).

Cash flow risk
Chr. Hansen Holding A/S's interest-bearing debt amounted to EUR 626.3 million at 31 August 2016 (EUR 514.4 million at 31 August 2015).

5.1 SHARE-BASED PAYMENT

Share option programs
Long-term share option programs are granted to the Executive Board and certain key employees. Vesting is subject to fulfillment of certain key performance indicators and continued employment at the vesting date. Each option gives the right to purchase one existing share in Chr. Hansen Holding A/S.

No share option programs were granted in 2015/16 or in 2014/15.

EUR 1.3 million was expensed in 2015/16 relating to the long-term share option programs, including accelerations and reversals (EUR 1.0 million in 2014/15).

There were no outstanding exercisable share options at 31 August 2016.

Option programs	**Program 3**	**Program 4**	**Program 5**	**Program 6**
Year allocated	2011/12	2012/13	2012/13	2013/14
Vesting conditions (KPIs)	EBIT and EPS	EBIT and EPS	EBIT and EPS	EBIT and EPS
Exercise price	DKK 127	DKK 196	DKK 228	DKK 219
Vesting	Nov. 2014	Nov. 2015	Apr. 2016	Nov. 2016
Weighted average share price during exercise period	DKK 247	DKK 427	DKK 413	Not vested
Average Black-Scholes value of options	EUR 3.4	EUR 3.5	EUR 3.8	EUR 2.9
Assumptions:				
Risk-free interest rate	0.99%	0.04%	0.23%	0.23%
Volatility	31.1%	25.7%	23.0%	19.9%
Dividend	1.5%	1.5%	1.5%	1.5%
Period	3-5 years	3-5 years	3-5 years	3-5 years

Number of share options	**Executive Board**	**Key employees**	**Former employees**	**Total**
Outstanding at 31 August 2014	**1,078,369**	**740,968**	**144,137**	**1,963,474**
Transferred	(102,360)	102,360	-	-
Forfeited	(132,540)	-	-	(132,540)
Exercised	(231,394)	(172,543)	(69,017)	(472,954)
Outstanding at 31 August 2015	**612,075**	**670,785**	**75,120**	**1,357,980**
Transferred	-	(436,445)	436,445	-
Forfeited	-	-	(102,360)	(102,360)
Exercised	(250,710)	(99,660)	(214,630)	(565,000)
Outstanding at 31 August 2016	**361,365**	**134,680**	**194,575**	**690,620**

5.1 SHARE-BASED PAYMENT (CONTINUED)

Matching shares programs

Long-term matching shares programs are granted to the Executive Board and certain key employees. Under the programs, the participants are required to acquire a number of existing shares in Chr. Hansen Holding A/S (investment shares) and retain ownership of such shares for a predefined holding period of three years (the holding period). Upon expiration of the holding period and subject to fulfillment of certain predefined performance targets and continued employment at the vesting date, the participants will be entitled to receive up to four additional shares in Chr. Hansen Holding A/S (matching shares) per investment share for no consideration.

The theoretical market value of the program in 2015/16 was EUR 1.7 million based on fulfillment of all predefined performance targets (EUR 1.7 million in 2014/15). The fair value at grant was EUR 1.3 million, taking into consideration the assessed likelihood of meeting the no-market condition (EUR 1.3 million in 2014/15).

EUR 0.7 million was expensed in 2015/16 relating to the matching shares programs, including accelerations and reversals (EUR 0.4 million in 2014/15).

Matching shares programs	**Program 1**	**Program 2**
Year allocated	2014/15	2015/16
Vesting conditions (KPIs)	Org. growth, EBIT, TSR	Org. growth, EBIT, TSR
Vesting	Nov. 2017	Nov. 2018
Average fair market value of matching shares	EUR 26.4	EUR 36.8
Assumptions:		
Dividend	1.5%	1.5%
Period	3 years	3 years
TSR peer group likelihood	50.0%	50.0%

Number of matching shares	**Executive Board**	**Key employees**	**Former employees**	**Total**
Outstanding at 31 August 2014	**-**	**-**	**-**	**-**
Allocated	30,592	20,428	-	51,020
Forfeited	(7,960)	-	-	(7,960)
Outstanding at 31 August 2015	**22,632**	**20,428**	**-**	**43,060**
Allocated	18,892	8,796	5,064	32,752
Transferred	-	(11,684)	11,684	-
Outstanding at 31 August 2016	**41,524**	**17,540**	**16,748**	**75,812**

5.1 SHARE-BASED PAYMENT (CONTINUED)

Short-term restricted stock unit (RSU) programs
Short-term RSU programs are granted to the Executive Board and other key employees based on fulfillment of individual key performance indicators and continued employment at the vesting date. The RSUs are granted as share options with an exercise price of DKK 1 and vest gradually over a three-year period. Subject to the person still being employed with Chr. Hansen, each share option may be exercised to purchase one existing share in Chr. Hansen Holding A/S.

The value of RSUs allocated in 2015/16 (RSU program 7) is estimated to be EUR 0.8 million (EUR 0.8 million in 2014/15). The number of options allocated, their value and assumptions behind this will be finally determined in November 2016.

EUR 0.8 million was expensed in 2015/16 relating to the short-term RSU programs (EUR 0.3 million in 2014/15).

There were no outstanding exercisable RSUs at 31 August 2016.

RSU programs	**Program 2**	**Program 3**	**Program 4**	**Program 5**	**Program 6**	**Program 7**
Year allocated	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Vesting	Nov. 2012, 2013 & 2014	Nov. 2013, 2014 & 2015	Nov. 2014, 2015 & 2016	Nov. 2015, 2016 & 2017	Nov. 2016, 2017 & 2018	Nov. 2017, 2018 & 2019
Weighted average share price during exercise period	EUR 27.0	EUR 27.0	EUR 32.7	EUR 55.3	Not vested	Not granted
Average Black-Scholes value of options	EUR 15.9	EUR 24.2	EUR 25.8	EUR 33.8	EUR 53.5	EUR 56.2*
Assumptions:						
Risk-free interest rate, average	2.42%	(0.21)%	(0.22)%	(0.01)%	(0.35)%	
Volatility, average	30.0%	21.5%	23.0%	18.8%	24.2%	
Dividend	1.5%	1.5%	1.5%	1.5%	1.0%	
Period	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years

*Estimated value

RSUs (number)	**Executive Board**	**Key employees**	**Former employees**	**Total**
Outstanding at 31 August 2014	**24,589**	**49,274**	**4,315**	**78,178**
Adjustment to allocation	1,173	(21,962)	-	(20,789)
Allocated	8,873	8,831	-	17,704
Transferred	(3,599)	5,243	-	1,644
Exercised	(6,233)	(8,467)	(3,042)	(17,742)
Forfeited	(3,086)	-	-	(3,086)
Outstanding at 31 August 2015	**21,717**	**32,919**	**1,273**	**55,909**
Adjustment to allocation	918	(2,380)	-	(1,462)
Allocated	6,339	8,542	-	14,881
Transferred	-	(12,796)	12,796	-
Exercised	(6,782)	(5,173)	(9,565)	(21,520)
Forfeited	-	-	(1,367)	(1,367)
Outstanding at 31 August 2016	**22,192**	**21,112**	**3,137**	**46,441**

5.2 NON-CASH ADJUSTMENTS

EUR million	2015/16	2014/15
Depreciation, amortization and impairment losses	0.2	0.2
Share-based payment	2.4	3.3
Impairment of subsidiaries	(15.0)	(37.6)
Total	**(12.4)**	**(34.1)**

5.3 RELATED PARTIES

Related parties are identified as parties with control or significant influence, including Group companies.

At 31 August 2016, Novo A/S, Denmark, held 26% of the share capital in Chr. Hansen Holding A/S (significant influence).

Other related parties include the Group's Executive Board and Board of Directors together with their immediate families.

Transactions with Group companies

EUR million	2015/16	2014/15
Sale of services	22.9	18.8
Interest income	6.7	9.5
Interest expenses	(0.2)	(0.4)
Total	**29.4**	**27.9**
Amounts receivable at 31 August	271.0	227.5
Amounts payable at 31 August	19.8	7.6

Transactions with other related parties are specified in note 5.4 to the Consolidated Financial Statements.

5.4 EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date of importance to the Annual Report.