

Annual report 2015/16  
(Financial year September 1, 2015 – August 31, 2016)

Chr. Hansen Natural Colors A/S  
Bøge Allé 10-12  
DK-2970 Hørsholm

Business registration no. 35 63 87 84

The Annual General Meeting adopted the annual report on December 7, 2016

Chairman of the General Meeting: \_\_\_\_\_

  
CORNELIS DE JONG

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## Company information

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Business registration no.: 35 63 87 84

Board of Directors:      Cornelis de Jong, Chairman  
                                 Søren Westh Lonning, Vice Chairman  
                                 Winnie H. Bügel

Executive Board:         Jørgen Middelhede Erichsen, CEO

Auditors:                 PricewaterhouseCoopers  
                                 Statsautoriseret Revisionspartnerselskab

## **Management commentary**

Chr. Hansen Natural Colors A/S is a company within the Chr. Hansen Group and it is 100% owned by Chr. Hansen Holding A/S.

### **Natural Colors Division**

Chr. Hansen is the market leader on the global market for natural colors and has a solid platform for growth in this area. The global market for natural colors has been growing in recent years as a consequence of increased focus on the link between synthetic colors and hyperactivity in the behavior of children.

### **Creative and committed employees**

As a knowledge-based company Chr. Hansen is very dependent on having committed and motivated employees as well as skilled managers. Chr. Hansen therefore invests in the development of competences through ambitious development programs for employees and managers.

### **A sustainable business**

In the Chr. Hansen Group, we take our responsibility to do business in a sustainable way very seriously. We have constant focus on creating value while keeping our impact on the surrounding society to a minimum and securing a good working environment for all our employees.

### **Statutory report on social responsibility pursuant to ÅRL 99a**

The management commentary does not include a full review of corporate social responsibility; instead we refer to the separate report on Chr. Hansen Groups sustainability, which constitutes Chr. Hansen Group's reporting on the progress towards FN's Global Compact and is in accordance with the Danish Financial Statements Act regarding corporate social responsibility. The report can be found on: <http://www.chr-hansen.com/en/sustainability/reporting-and-disclosure>

### **Statutory diversity report pursuant to ÅRL 99a**

Chr. Hansen Natural Colors A/S complies with the group strategy for Diversity and Inclusion (D&I) with focus on gender, age and nationality. Chr. Hansen's definition of a diverse team is having at least one woman and at least one non-local as a part of the team.

The diversity within the Board of directors is 1 woman and 2 men which again is diverse with 2 Danes and 1 Dutchman. Thereby, Chr. Hansen Natural Colors A/S has equal representation of men and women on the Board of Directors in accordance with the Danish Financial Statements Act section 99 (b). The policy can be found on:

[http://d1p5pqcd07w67z.cloudfront.net/\\_/media/files/chrhansen/home/cards/downloadable-cards/investor-relations/policies-and-charters/diversity-and-inclusion.pdf?vs=1](http://d1p5pqcd07w67z.cloudfront.net/_/media/files/chrhansen/home/cards/downloadable-cards/investor-relations/policies-and-charters/diversity-and-inclusion.pdf?vs=1)

**Research and development**

For the Chr. Hansen Group innovation is an important contributor to business growth. More than 300 people which exceeds 10% of the total number of employees, are working with research and development.

Chr. Hansen Group generally patents all new products of commercial value. The patents protect our investments in research and development and increase the value of our business. In addition, we make sure that our product technology and application methods are protected by a wide patent portfolio.

**Risk management**

In the Chr. Hansen Group, we view risk management as an integrated part of managing the company. We strive to make sure that we do business in a prudent way where we assess and manage both financial and non-financial risks to protect our employees, assets and reputation. At least once a year, the Board of Directors reviews the risk exposure associated with the activities of the Chr. Hansen Group. Guidelines are adopted for areas of risk, and the development is monitored to secure that identified risks are accounted for, including strategic, operational and financial risks.

**Product safety**

The majority of Chr. Hansen natural colors products are sold to the food & beverage 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. The Danish production sites are FSSC 22000 certified.

**Health, safety & security**

Chr. Hansen is committed to continuously improving both the physical and psychological 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 strengthened from departmental level to the Executive Board. There is also focus on behavior in relation to IT security due to the increased risk of cybercrime.

**Financial risk**

As an international business, Chr. Hansen Natural Colors A/S is exposed to a number of financial risks relating to currency and interest rate fluctuations, funding, liquidity, credit and counterparty risks.

**Legal risk**

Chr. Hansen Natural Colors A/S is from time to time a party to legal proceedings arising in the ordinary course of 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 necessary, external capabilities. Despite the focus from Chr. Hansen on these matters, the outcome of legal proceedings cannot be predicted with certainty.

**Results**

Chr. Hansen Natural Colors A/S has achieved revenue in 2015/16 of DKK 878 million, equal to a revenue growth of 38%. The net revenue growth is partly due to the fact that the financial growth is caused by a mix of the development in exchange rates and actual sales.

The results before tax of Chr. Hansen Natural Colors A/S show a profit of DKK 69 million an increase compared with the profit of DKK 35 million for 2014/15. The results after tax amount to a profit of DKK 53 million for the financial year 2015/16, compared to DKK 28 million for 2014/15.

The number of employees at Chr. Hansen Natural Colors A/S at the end of the financial year 2015/16 amounts to 111 compared to 109 for 2014/15.

Management regards the results for the financial year as satisfactory and in accordance with expectations.

#### **Investments**

The investment activities amounted to DKK 17.7 million in the financial year 2015/16.

#### **Capital structure**

On August 31, 2016 equity amounts to DKK 261 million, equal to an equity ratio of 53%.

#### **Outlook**

The results for the financial year 2015/16 are in accordance with our expectations. Revenue and operating profit are expected to increase in the financial year 2016/17. Cash flows are expected to stay at the same level as in 2015/16.

#### **Events after the balance sheet date**

After the balance sheet date until today's date, no events have occurred which could influence the evaluation of this annual report.

### 3 years' key figures and ratios for Chr. Natural Colors A/S

	2015/16	2014/15	2013/14
			8 months
<b>Key figures DKK '000</b>			
<b>Income statement</b>			
Revenue	878,465	634,955	418,631
Gross profit	141,906	144,438	100,978
Operating profit	68,980	34,997	35,438
Net financials	33	363	53
Profit before tax	69,013	35,361	35,491
Net profit	53,390	27,538	27,239
<b>Balance sheet</b>			
Inventory	69,558	56,597	105,312
Equity	261,128	207,739	179,700
Total assets	490,696	334,902	260,728
Investments in intangible and tangible assets	17,692	24,561	92,974
<b>Ratios %</b>			
Gross margin	16	23	24
(Gross profit * 100 / revenue)			
Operating margin	8	6	8
(Operating profit * 100 / revenue)			
Return on invested capital	14	10	14
(Operating profit * 100 / total assets end of year)			
Return on equity	20	13	15
(Net profit * 100 / equity end of year)			
Equity ratio	53	62	69
(Equity * 100 / total assets)			
<b>Growth</b>			
Revenue	878,465	634,955	418,631
Growth in %	38%	52%	0%

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and adopted the annual report of Chr. Hansen Natural Colors A/S for the financial year September 1, 2015 – August 31, 2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at August 31, 2016 and of the results of its operations for the financial year September 1, 2015 – August 31, 2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend adoption of the annual report at the Annual General Meeting.


Hørsholm, December 7, 2016

### Executive Board



Jørgen Middelhede Erichsen  
CEO


### Board of Directors



Cornelis de Jong  
Chairman



Winnie H. Bügel



Søren Westh Lonning  
Vice Chairman



## **Independent auditor's report**

**To the owners of Chr. Hansen Natural Colors A/S**

### **Report on the financial statements**

We have audited the financial statements of Chr. Hansen Natural Colors A/S for the financial year September 1, 2015 – August 31, 2016, which comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of 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 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 as to whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 entity'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 the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the financial statements give a true and fair view of Chr. Hansen Natural Colors A/S's financial position at August 31, 2016 and of the results of the company's operations for the financial year September 1, 2015 – August 31, 2016 in accordance with the Danish Financial Statements Act.

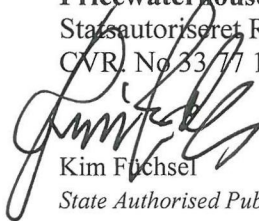
### **Statement on the management commentary**

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

Hellerup, December 7, 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR. No. 33 77 12 31



Kim Fichsel  
*State Authorised Public Accountant*



Rasmus Friis Jørgensen  
*State Authorised Public Accountant*

## Accounting policies

### Reporting class

The annual report of Chr. Hansen Natural Colors A/S for the financial year has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

In accordance with section 112(1) of the Danish Financial Statements Act, Chr. Hansen Natural Colors A/S has not prepared any consolidated financial statements. Chr. Hansen Natural Colors A/S is included in the consolidated financial statements of Chr. Hansen Holding A/S, business registration no. 28 31 86 77.

In accordance with section 86(4) of the Danish Financial Statements Act, Chr. Hansen Natural Colors A/S has not prepared any cash flow statement. With reference to section 98c(3) of the Danish Financial Statements Act, separate information on transactions with associated companies has been omitted. Similarly, with reference to section 99a(6) of the Danish Financial Statements Act, no statement on corporate social responsibility has been prepared.

The annual report for the financial year 2015/16 is presented in DKK 1,000.

The Natural Colors division was in financial year 2014/15 demerged into Chr. Hansen Natural Colors A/S business registration no. 35 63 87 84 from Chr. Hansen A/S. The demerger was performed in accordance with the pooling-of-interests method. A correction due to reclassification has been made in the comparative figures in note 2. The correction has no effect on the profit or equity.

The accounting policies, as set out below, have been consistently applied for the full financial year and for the comparative figures (besides the reclassification mentioned above).

In accordance with section 98(b) of the Danish Financial Statements Act, Chr. Hansen Natural Colors A/S is not presenting the salary to the sole member of the executive board.

### Recognition and measurement

Income is recognized in the income statement when earned. This includes value adjustments of financial assets and liabilities which are measured at fair value or amortized cost. All costs are recognized which have been incurred in order to achieve the results for the year, including amortization, depreciation, provisions and reversals that result from changes in accounting estimates previously recognized in the income statement.

Assets are recognized in the balance sheet when it is probable as a result of prior events that future economic benefit will flow to the company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the company has a legal or constructive obligation as a result of prior events, and it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

## **Accounting policies**

### **Recognition and measurement (continued)**

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Certain financial assets and liabilities are measured at amortized cost; thereby a constant effective discount rate is applied over the lifetime of the asset/liability. Amortized cost is measured as the initial cost less repayments and with addition/deduction of the accumulated amortization of the difference between cost and the nominal value. Thereby, capital gains or losses are allocated out over the entire lifetime of the asset/liability.

Predictable risks or losses arising before the time of presentation of the annual report and which confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Danish kroner is used as the measurement currency and all other currencies are considered foreign currencies.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate of the balance sheet date are recognized in the income statement as financial income or financial expenses; however, see the section on accounting-based hedging.

## **Accounting policies**

### **Income statement**

The income statement is classified by function.

#### **Revenue**

Revenue from the sales of manufactured goods and goods for resale is recognized in the income statement when delivery is made and the risk has passed on to the buyer, at latest on the balance sheet date and the income can be measured reliably. Revenue is recognized net of commission and sales discounts.

For competitive reasons, it has been decided not to disclose the distribution of revenue between business segments, as Management believes this could do significant harm to the company, cf. section 96(3) of the Danish Financial Statements Act. The revenue of the Chr. Hansen Group divided between business segments is presented in the consolidated annual report of Chr. Hansen Holding A/S.

#### **Production costs**

Production costs cover the cost of goods sold. The cost includes the acquisition price for raw materials, consumables, trading goods, direct labor costs and a portion of indirect production costs comprising costs related to the operation and depreciation of production facilities, as well as operation, administration and management of production plant. Furthermore, cost and depreciation related to the net realized value of defective goods and goods with a long turnover rate.

#### **Research and development costs**

Research and development costs include labor cost, amortization and other costs directly or indirectly associated with the company's research and development activities.

Development projects related to new products and processes that are clearly defined and identifiable, while having a high degree of technical utilization, sufficient resources and where a potential future market or development potential within the company can be proved, and where it is the intention to manufacture, market and utilize the project, are recognized as intangible assets if there is sufficient certainty that the capital value of future earnings will cover the production costs, sales and administrative expenses, as well as the development costs.

Development projects that do not comply with the requirements for recognition in the balance sheet are recognized in the income statement as costs are incurred.

#### **Sales and marketing expenses**

Sales and marketing expenses include expenses for salaries to sales personnel, advertising and exhibition expenses, depreciations, etc.

#### **Administrative expenses**

Administrative expenses include expenses for administrative personnel, IT and management, including office expenses, salaries, depreciation, etc.

## Accounting policies

### **Share-based payment**

The stock options that the parent company has issued as part of an incentive program are measured at fair value on the granting date. The program is treated as a cash scheme in Chr. Hansen Natural Colors A/S. The value of the granted stock options is subsequently recognized in the income statement of Chr. Hansen Natural Colors A/S over the period in which the employees of Chr. Hansen Natural Colors A/S achieve the right to redeem the stock options.

### **Other operating income and expenses**

Other operating income and expenses include income and expenses of a secondary nature in relation to the company's main activities, comprising income from administrative or service agreements. Other operating income also includes net gains from the sale of activities.

### **Financial income and expenses**

Financial income and expenses include interest income and expenses, amortization income and expenses, and value adjustments of financial assets and transactions in foreign currencies.

### **Income taxes**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

The company is jointly taxed with the parent company Chr. Hansen Holding A/S and group companies Chr. Hansen A/S and Chr. Hansen Properties A/S. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Accounting policies

### Balance sheet

#### Intangible assets

Intangible assets are measured at cost with deduction of accumulated amortization and impairments.

Intellectual property rights acquired are measured at cost less accumulated amortization. Patents are amortized over their remaining duration, and licenses are amortized over the term of the agreement, but over not more than 20 years. Intellectual property rights etc are written down to the lower of the recoverable amount and the carrying amount.

Development projects on clearly defined and identifiable products and processes for which the technical rate of utilization, adequate resources and a potential future market or development opportunity in the company can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred. The cost of development projects comprises costs such as salaries and amortization that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirect attributable staff expenses and amortization of intangible assets and depreciation on property, plant and equipment used in the development process are recognized in cost based on time spent on each project.

Completed development projects are amortized on a straight-line basis using the estimated useful lives of the assets. The amortization period for development projects is up to 15 years, defined on the basis of individual assessment of the product life expectancy. Development projects are written down to the lower of recoverable amount and carrying amount.

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 so, 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 the 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 based on technical as well as commercial criteria.

Expenses for project work, comprising direct labor costs and a share of indirect costs, are included in the cost of software. The amortization period for software is up to 10 years, defined on the basis of individual assessment of the software life expectancy.

## Accounting policies

### Tangible assets

Tangible assets are measured at cost with deduction of accumulated depreciation and impairment losses. Tangible assets under construction are measured at acquisition value and cost respectively. Cost comprises expenses for materials, direct labor costs and a share of indirect costs.

The basis of depreciation of tangible assets is cost less estimated residual value after the end of the useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 – 50 years
Plant and machinery	5 – 10 years
Other fixtures and equipment	5 – 10 years

Assets with a short useful life or with a value below DKK 50K are expensed in the year of acquisition.

The book values of intangible and tangible assets are reviewed yearly to determine if there are any indications of value reductions other than that expressed by depreciation. An impairment test is performed if this is the case in order to assess whether the recoverable value is lower than the book value, and the value is written down to the recoverable value.

### Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value.

Comprised in the cost are raw materials, consumables, direct labor costs and a share of indirect production costs, including expenses for operation and depreciation of production facilities, as well as operation, administration and management of production plant.

Obsolete and defective inventories are written down to net realizable value.

### Receivables

Receivables are measured at amortized cost, usually equaling nominal value less provisions for bad and doubtful debts. The provisions are based on a specific assessment of the individual receivable.

### Deferred income

Deferred income, recognized as assets, comprises among other things, insurance payments, subscriptions and licenses. Deferred income is measured at amortized cost.

### Financial liabilities

Fixed-rate loans, comprising mortgage loans and bank loans, are measured at cost which corresponds to the proceeds received less transaction costs incurred. In subsequent periods, the loan is measured at amortized cost. This means that the difference between the proceeds at the time of



## Accounting policies

### **Financial liabilities (continued)**

the borrowing and the nominal repayable amount of the loan is recognized in the income statement as financial expenses over the term of the loan.

Other liabilities are measured at amortized cost, which usually corresponds to nominal value.

### **Other provisions**

Other provisions are recognized in the balance sheet when it is probable as a result of a prior event that a contractual or actual liability has arisen which will probably draw on the economic resources of the company. Other provisions are measured at net realizable value.

### **Deferred tax**

Deferred tax is recognized on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is measured based on current tax legislation and rates applying at the balance date. Where the measurement of the tax base can be conducted in accordance with alternative tax legislation, deferred tax is measured based on the planned life of the asset or liability.

Deferred tax assets, including the tax base of losses that may be carried forward, are measured at the value at which the asset is expected to be realized, either by settlement as tax or deducted in deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

## Financial highlights

$$\text{Gross margin} = \frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

$$\text{Operating margin} = \frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

$$\text{Return on invested capital} = \frac{\text{Operating profit} \times 100}{\text{Total assets}}$$

$$\text{Equity ratio} = \frac{\text{Equity end of year} \times 100}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net profit} \times 100}{\text{Equity end of year}}$$

***Income statement, September 1 - August 31***

Note	Amounts in DKK '000	2015/16	2014/15
1	<b>Revenue</b>	878,465	634,955
2	Cost of sales	<u>(736,559)</u>	<u>(490,517)</u>
	<b>Gross profit</b>	<b>141,906</b>	<b>144,438</b>
2	Research and development costs	(27,427)	(20,689)
2	Sales and marketing expenses	(24,829)	(17,133)
2	Administrative expenses	<u>(20,670)</u>	<u>(71,618)</u>
	<b>Operating profit (EBIT)</b>	<b>68,980</b>	<b>34,997</b>
3	Financial income	3,152	784
3	Financial expenses	<u>(3,119)</u>	<u>(421)</u>
	<b>Profit before tax</b>	<b>69,013</b>	<b>35,361</b>
4	Income taxes	<u>(15,623)</u>	<u>(7,823)</u>
	<b>Net profit for the year</b>	<b>53,390</b>	<b>27,538</b>
	<b>At disposition:</b>		
	Retained earnings	197,739	179,650
	Equity adjustments	-	-9,450
	Net profit for the year	<u>53,390</u>	<u>27,538</u>
		<b>251,129</b>	<b>197,738</b>
	<b>Proposed distribution dividend</b>		
	Dividend	-	-
	Retained earnings	<u>251,129</u>	<u>197,738</u>
		<b>251,129</b>	<b>197,738</b>

## **Balance sheet at August 31**

Note	Amounts in DKK '000	2016	2015
	<b>Assets</b>		
	<b>Non-current assets</b>		
5	<b>Intangible assets</b>		
	Development projects	32,541	12,051
	Software	3,052	3,911
	Intangible assets in progress	23,028	36,192
	<b>Total intangible assets</b>	<u>58,622</u>	<u>52,154</u>
6	<b>Tangible assets</b>		
	Plant and machinery	41,087	28,105
	Other fixtures and equipment	4,936	5,521
	Property, plant and equipment in progress	4,602	18,023
	<b>Total tangible assets</b>	<u>50,625</u>	<u>51,650</u>
	<b>Total non-current assets</b>	<u>109,246</u>	<u>103,804</u>
	<b>Current assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	39,868	36,157
	Work in progress	11,229	10,592
	Finished goods and goods for resale	18,461	9,848
	<b>Total inventories</b>	<u>69,558</u>	<u>56,597</u>
	<b>Receivables</b>		
	Receivables from Group companies	301,969	171,438
	Other receivables	1,923	1,900
	<b>Total receivables</b>	<u>303,892</u>	<u>173,338</u>
	Cash at bank and in hand	7,999	1,162
	<b>Total current assets</b>	<u>381,450</u>	<u>231,098</u>
	<b>Total assets</b>	<u>490,696</u>	<u>334,902</u>

## **Balance sheet at August 31**

<b>Equity and liabilities</b>			
Note	Amounts in DKK '000	2016	2015
7	<b>Equity</b>		
	Share capital	10,000	10,000
	Retained earnings	251,128	197,739
	<b>Total equity</b>	<u>261,128</u>	<u>207,739</u>
	<b>Provisions</b>		
	Deferred tax	16,889	15,260
	<b>Total provisions</b>	<u>16,889</u>	<u>15,260</u>
	<b>Non-current liabilities</b>		
4	Tax payables	13,197	7,378
	<b>Total non-current liabilities</b>	<u>13,197</u>	<u>7,378</u>
	<b>Current liabilities</b>		
	Tax payable	7,845	-
	Trade payables	62,559	54,047
	Loans from Group companies	107,921	32,592
	Other borrowings	21,157	17,886
	<b>Total current liabilities</b>	<u>199,482</u>	<u>104,525</u>
	<b>Total liabilities</b>	<u>212,679</u>	<u>111,903</u>
	<b>Total equity and liabilities</b>	<u>490,696</u>	<u>334,902</u>
8	Related parties		
9	Accounting relations		
10	Contingent liabilities		
11	Events after the balance sheet date		

## Notes to the income statement

Amounts in DKK '000	2015/16	2014/15
<b>1 Revenue</b>		
<b>Revenue by geographical allocation</b>		
Denmark	878,465	634,955

The geographical segmentation is based on customer location.

## 2 Production, research and development costs, sales, marketing and administrative expenses as well as other operating income and other operating expenses

### Staff expenses

Production, research and development costs, sales, marketing, and administrative expenses, and other operating income and expenses include wages and salaries etc, which are distributed as follows:

	2015/16	2014/15
Wages and salaries etc.	64,413	67,960
Transferred capitalization	(7,670)	(10,010)
Pensions	6,805	6,344
Expenses for social security	780	551
Other employee expenses	5,517	904
	<u>69,845</u>	<u>65,749</u>
Fees to the Board of Directors	-	-
<b>Total staff expenses</b>	<u>69,845</u>	<u>65,749</u>
Average number of full-time employees	117	108
Number of full-time employees at year end	111	109

In accordance with section 98(b) of the Danish Financial Statements Act, Chr. Hansen Natural Colors A/S is not presenting the salary to the sole member of the executive board.

## **Notes to the income statement**

Amounts in DKK '000

	2015/16	2014/15
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**2 Production, research and development costs, sales, marketing and administrative expenses as well as other operating income and operating expenses, continued.**

### **Depreciation and amortization**

Depreciation and amortization are included in production, research and development costs and sales, marketing and administrative expenses and are distributed as follows:

Production costs	8,311	9,113
Research and development costs	317	291
Sales and marketing expenses	3,622	3,931
Administrative expenses	-	-
	<u>12,249</u>	<u>13,336</u>

## Notes to the income statement

Amounts in DKK '000	2015/16	2014/15
<b>3 Financial income and expenses</b>		
Interest income and similar:		
Interest income from Group companies	1	-
Interest income and other financial gains	<u>3,151</u>	<u>784</u>
Total financial income	<u>3,152</u>	<u>784</u>
Interest expenses and similar:		
Interest expenses and other financial losses	<u>(3,119)</u>	<u>(421)</u>
Total financial expenses	<u>(3,119)</u>	<u>(421)</u>
<b>4 Income taxes</b>		
Income taxes are distributed as follows:		
Current tax on operating profit	(13,528)	(7,378)
Change in deferred tax concerning operating profit	<u>(2,095)</u>	<u>(445)</u>
Total income taxes	<u>(15,623)</u>	<u>(7,823)</u>

The company is jointly taxed with the other Danish companies in the Group, Chr. Hansen Holding A/S, Chr. Hansen A/S and Chr. Hansen Properties A/S, and the companies are jointly liable for the joint taxes.



## Notes to the balance sheet

Amounts in DKK '000

### 5 Intangible assets

	Development projects	Software	Intangible assets in progress	Total intangible assets
Cost at September 1, 2015	24,832	6,163	36,192	67,187
Transferred	20,984	-	(21,505)	(521)
Additions for the year	2,638	77	8,341	11,056
Disposals for the year	-	-	-	-
Cost at August 31, 2016	<u>48,454</u>	<u>6,240</u>	<u>23,028</u>	<u>77,722</u>
Amortization and impairment losses at September 1, 2015	12,781	2,252	-	15,033
Transferred	-	-	-	-
Amortization and impairment losses for the year	3,131	936	-	4,067
Amortization of years disposals	-	-	-	-
Amortization and impairment losses at August 31, 2016	<u>15,912</u>	<u>3,188</u>	<u>-</u>	<u>19,100</u>
<b>Carrying amount at August 31, 2016</b>	<b><u>32,542</u></b>	<b><u>3,052</u></b>	<b><u>23,028</u></b>	<b><u>58,623</u></b>

### 6 Tangible assets

	Plant and machinery	Other fixtures and equipment	Prepaid assets under construction	Total tangible assets
Cost at September 1, 2015	116,640	8,632	18,023	143,295
Transferred	17,937	188	(17,604)	521
Additions for the year	2,172	281	4,183	6,636
Disposals for the year	-	-	-	-
Cost at August 31, 2016	<u>136,749</u>	<u>9,101</u>	<u>4,602</u>	<u>150,452</u>
Depreciation and impairment losses at September 1, 2015	88,534	3,111	-	91,645
Transferred	-	-	-	-
Depreciation and impairment losses for the year	7,128	1,054	-	8,182
Depreciation of disposals for the year	-	-	-	-
Depreciation and impairment losses at August 31, 2016	<u>95,662</u>	<u>4,165</u>	<u>-</u>	<u>99,827</u>
<b>Carrying amount at August 31, 2016</b>	<b><u>41,087</u></b>	<b><u>4,936</u></b>	<b><u>4,602</u></b>	<b><u>50,625</u></b>

## Notes to the balance sheet

Amounts in DKK '000

### 7 Equity

	Share capital	Retained earnings	Total equity
<b>Equity at September 1, 2015</b>	10,000	197,739	207,739
Increase of share capital	-	-	-
Net profit for the year	-	53,390	53,390
<b>Equity at August 31, 2016</b>	<b>10,000</b>	<b>251,129</b>	<b>261,129</b>

The share capital is consists of shares of DKK 1 each or multiple thereof.

	Share capital	Retained earnings	Total equity
<b>Equity at September 1, 2014</b>	50	179,650	179,700
Increase of share capital	9,950	(9,450)	500
Net profit for the year	-	27,539	27,539
<b>Equity at August 31, 2015</b>	<b>10,000</b>	<b>197,739</b>	<b>207,739</b>

The share capital is consists of shares of DKK 1 each or multiple thereof.

The Company's share capital was increased by 9,950 t.DKK in the fiscal year 2014/15

## **Notes to the balance sheet**

### **8 Related parties**

Related parties are defined as parties with control or significant influence over Chr. Hansen Natural Colors A/S:

Chr. Hansen Holding A/S (holding 100%)  
Bøge Allé 10 - 12  
DK-2970 Hørsholm

### **9 Accounting relations**

The annual report of Chr. Hansen Natural Colors A/S is included in the consolidated financial statements of Chr. Hansen Holding A/S, Hørsholm, which is the immediate and ultimate parent company.

The consolidated financial statements can be obtained by request to Chr. Hansen Holding A/S, Bøge Allé 10 -12, DK-2970 Hørsholm.

### **10 Contingent liabilities**

No claims have been raised against Chr. Hansen Natural Colors A/S.

The commitment related to lease of cars amounted to DKK 1,124K on August 31, 2016. The complete commitment expires within 5 years.  
Lease of car commitment 0-1 year amounts to DKK 440K.  
Lease of car commitment 1-5 year amounts to DKK 684K.

### **11 Events after the balance sheet date**

No events have occurred during the period from the end of the financial year until today that significantly influence the annual report.