

Annual report 2019/20
(Financial year September 1, 2019 – August 31, 2020)

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

Business registration no. 12 51 64 79

The Annual General Meeting adopted the annual report on December 14, 2020

Chairman of the General Meeting: _____




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Company information

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Business registration no.: 12 51 64 79

Board of Directors: Lise Skaarup Mortensen, Chairman
Torsten Steenholt Christensen
Winnie H. Bügel
Mikkel Wisborg-Møller, Employee representative
Asger Geppel, Employee representative

Executive Board: Winnie H. Bügel, CEO
Alice Hjørdis Larsen, CVP HR

Auditors: PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Management commentary

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

The financial year 2019/20 has been a satisfying year for Chr. Hansen A/S. A sustainable business model combined with an adaptable organization has secured Chr. Hansen yet another year with growth – both in the most important business areas and financially.

Business structure

Chr. Hansen A/S is organized into two business units. The business units Food Cultures & Enzymes and Health & Nutrition.

Through our new 2025 Strategy, we will cement our position as a global, differentiated bioscience company. We will continue focus on the things that we are uniquely good at – microbial science. And this direction is reflected in our acquisitions of HSO Health Care, UAS Laboratories and very recently, Jenne-wein.

Food Cultures & Enzymes

Chr. Hansen is the market leader on the cultures and enzymes market. Our goal is to deliver innovative solutions of the highest quality on the culture and enzymes market. It is an important part of Chr. Hansen's strategy to continuously enable our customers to improve their business with new concepts which create value in dairy products and processes and at the same time optimize food safety.

Health & Nutrition

Besides the animal and feed industry, the division is developing new products for the food supplement industry and the pharmaceutical industry, first and foremost based on probiotic cultures. Chr. Hansen is one of the global leaders within the areas. The business area within microbiome has continued its development in the financial year 2019/20.

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. Besides this competence based platform, we are ready to further develop our activities within our existing business areas.

A sustainable business

In Chr. Hansen A/S, 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 Chr. Hansen Group Annual Report for 2019/20, which constitutes Chr. Hansen Groups 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:

www://chr-hansen.com/en/investors/reports-and-presentations

Statutory diversity report pursuant to ÅRL 99b

Chr. Hansen A/S complies with the group strategy for Diversity and Inclusion (D&I) with focus on gender, Chr. Hansen's definition of a diverse team is striving to have a diverse workforce which means a strong background, work and life experience, socio economics, diversity of thought, nationality and gender.

The diversity within the Board of directors is 1 woman and 2 men which are Danes with different educational background. Thereby, Chr. Hansen 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). No foreign employees are in the Board of Directors. The Board of Directors maintains the target of having at least two women elected by 2023.

Chr. Hansen A/S strives to create a work environment that provides employees with equal opportunities in terms of personal and professional development. The full policy can be found here:

<https://www.chr-hansen.com/media/files/chrhansen/home/investors/policies-and-charters/diversity-and-inclusion.pdf>

Building an inclusive culture for a diverse workforce

As a company driven by science and innovation, our future relies on our ability to generate ideas, create solutions, and approach problems in new ways. To achieve this, we need a workforce of employees with diverse socio-economic backgrounds, experiences and points of view. We strive to develop a diverse workforce and an engaged, innovative and open-minded culture, where each employee's unique differences are not only acknowledged and encouraged, but where they add value and make our organization stronger.

While we are proud of the diversity of our workforce today, we acknowledge that we still have more work to do, primarily in terms of improving our gender diversity and developing more varied skill-sets among teams of employees. Recognizing that diversity challenges are unique to teams and locations, Chr. Hansen works on a range of parameters to help raise the bar, for example by focusing on unconscious bias and developing engaging and inspiring leaders.

We work with diversity broadly, yet believe that gender is an important parameter to pay attention to. This year, the percentage of female managers was 41% compared to 47% of female employees and we will continue to work with this in order to meet the target of having equal ratio between female employees and female managers.

Diversity metrics are also included in the corporate leadership team's remuneration, reflecting the degree to which it represents a strategic objective.

Research and development

For Chr. Hansen A/S, innovation is an important contributor to business growth. More than 400 people, which exceeds 30% of the total number of employees, are working with research and development.

Chr. Hansen A/S 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 Chr. Hansen A/S, we view risk management as an integrated part of managing the business. 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 Chr. Hansen A/S. 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.

Risk

Risks relate to future events or developments that may 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 following an annual cycle. 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 proactively adapt business processes and controls to meet, manage or mitigate these risks.

Identified risks are evaluated based on their possible safety, business or financial impact and the likelihood of the risk materializing. Clear roles and responsibilities are assigned for 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.

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

COVID-19

The Company recognized early the Coronavirus' potential to become a pandemic that could potentially have significant consequences for the Company. Recognizing that this was initially a health crisis, the corporate crisis management team's prime focus was to ensure the safety and wellbeing of Chr. Hansen's employees and their families, hence a "People, Health & Safety" taskforce was established. At the same time an operational business continuity task force was established, focused on ensuring continued operations throughout the crisis. Actions included identifying business critical staff, segregating production teams, securing raw material availability and customer coordination. Throughout the crisis, Chr. Hansen has not furloughed any employees, closed any production site or otherwise observed any work-from-home demotivation, even though Chr. Hansen has been present in many of the epicenters of the virus across the world.

Production risk

Chr. Hansen A/S has two main production sites in Denmark; these sites together with the group's sites in Germany, France and US 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 in order to reduce production costs. To minimize the risk of production breakdowns or failures, Chr. Hansen has implemented a risk prevention program where regular audits are conducted, which ensures preventive maintenance and replacements. The company also maintains idle capacity for key processes. 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.

With this concentrated production setup, there is a risk of a production breakdown interrupting the company's operations and leading to a loss of income in both the short term and the longer term due to long lead times on the replacement of key equipment.

The causes might be contamination of production equipment, key equipment breakdown, fire, terrorism and natural disasters.

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

Product safety

The majority of Chr. Hansen's products are sold to the food & beverage, human health, animal health and plant protection 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 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 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 A/S achieved revenue in 2019/20 of DKK 5,351 million, equal to an increase in revenue of 3%. The net revenue increase is caused by a mix of the development in exchange rates and actual sales.

In total, DKK 551 million, equal to a share of 10% of total revenue, was spent on research and development expenditure. DKK 92 million was capitalized in 2019/20 (DKK 84 million in 2018/19). Thereby, capitalized research and development spending has increased by DKK 8 million compared with the previous financial year.

Chr. Hansen A/S's results before tax present a profit of DKK 1,526 million, against DKK 1,860 million in the previous financial year. The result after tax amounts to DKK 1,153 million in financial year 2019/20, compared to DKK 1,462 million in 2018/19. The decrease is due to a write-down of the investment in Germany and increased depreciations from acquired assets in HSO and UAS Labs.

The number of employees amounts to 1,484 at the end of the financial year, compared to 1,445 for 2018/19.

Investments

The investment activities amounted to DKK 4,988 million in 2019/20, compared to DKK 1,117 million in 2018/19. The high investment level in 2019/20 is caused by the acquisition of assets in UAS laboratories and HSO Health Care. The investments reflect our strategy, we will focus on the things that we are uniquely good at – microbial science. With our new strategy, we aim to grow faster than the markets we serve by focusing and re-investing in our core, unleashing the potential of our lighthouses and expanding into new adjacencies.

Capital structure

On August 31, 2020 equity amounts to DKK 6.584 billion, equal to an equity ratio of 52%. A dividend of DKK 1,000 million has been paid out to the parent company.

In the statement for the financial year 2019/20 loans from Group companies are extraordinarily high compared to prior year. The increase is due to the fact that no dividend, DKK 1.5 billion, for the year 2018/19 has been settled to Chr. Hansen Holding A/S. The dividend has been settled immediately after the balance sheet date. Chr. Hansen A/S is financed with a Cash Pool setup with Chr. Hansen Holding A/S with extensive drawing rights.

Outlook

The results for the financial year 2019/20 are below our expectations. Revenue and operating profit are expected to increase in the financial year 2020/21, however the net result is expected to be at the same level as in 2019/20 due to uncertainties from Covid-19 impact and increased depreciations from acquired assets. Cash flows are expected to stay at the same level as in 2019/20.

Events after the balance sheet date

At September 22, 2020 Chr. Hansen announced the conclusion of an agreement to acquire all shares in Jennewein Biotechnologie GmbH ("Jennewein"). Jennewein is a leading international industrial biotechnology company with a range of products in the field of human milk oligosaccharides and rare monosaccharides. Jennewein is acquired by the German company Halley GmbH, which is owned by Chr. Hansen A/S.

No further events with significant impact on the financial statement have occurred subsequent to August 31, 2020.

5 years' key figures and ratios for Chr. Hansen A/S

	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures DKK'000					
Income statement					
Revenue	5.351.199	5.219.517	5.254.185	5.530.908	4.803.528
Gross profit	3.332.977	3.278.005	2.911.524	2.842.944	2.387.081
Operating profit	1.759.407	1.857.543	1.741.093	1.694.652	1.461.351
Net financials	(162.913)	(3.504)	(30.526)	6.161	15.556
Profit before tax	1.525.675	1.860.416	1.710.567	1.700.812	1.459.726
Net profit	1.153.070	1.462.142	1.333.943	1.330.210	1.140.262
Balance sheet					
Inventory	493.627	488.972	449.387	455.088	423.755
Trade receivables	135.058	170.607	119.320	117.583	100.497
Equity	6.583.771	3.757.039	3.294.896	2.960.954	2.630.744
Total assets	12.622.141	6.981.798	6.286.998	5.895.271	5.183.335
Investments in intangible and tangible assets	4.988.404	1.116.508	548.641	1.102.168	1.536.633
Ratios %					
Gross margin (Gross profit * 100 / revenue)	62	63	55	51	50
Operating margin (Operating profit * 100 / revenue)	33	36	33	31	30
Return on invested capital (Operating profit * 100 / total assets end of year)	14	27	28	29	28
Return on equity (Net profit * 100 / equity end of year)	18	39	40	45	43
Equity ratio (Equity * 100 / total assets)	52	54	52	50	51
Growth					
Revenue	5.351.199	5.219.517	5.254.185	5.530.908	4.803.528
Growth in %	3%	-1%	-5%	15%	13%

IFRS16 Leases was implemented using the modified retrospective approach, and comparative figures for 2015/16 - 2018/19 have not been restated.

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 A/S for the financial year September 1, 2019 – August 31, 2020.

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

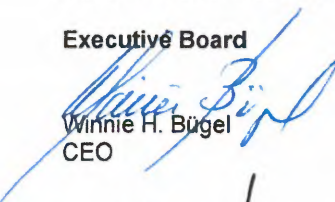
In our opinion, the financial statements give a true and fair view of the Company's financial position at August 31, 2020 and of the results of its operations for the financial year September 1, 2019 – August 31, 2020.

We believe that the management commentary contains a fair review of the affairs and a condition referred to therein, and describes the company's most significant risks and uncertainties.

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

Hørsholm, December 14, 2020

Executive Board


Winnie H. Bügel
CEO



Alice Hjørdis Larsen
CVP HR


Board of Directors


Lise Skaarup Mortensen
Chairman


Winnie H. Bügel


Torsten Steenholt Christensen


Mikkel Wisborg-Møller
Employee representative


Asger Geppel
Employee representative

Independent Auditor's Report

To the Shareholders of Chr. Hansen A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2020, and of the results of the Company's operations for the financial year 1 September 2019 - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Chr. Hansen A/S for the financial year 1 September 2019 - 31 August 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities 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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that

an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

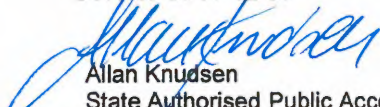
As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, December 14, 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31


Allan Knudsen
State Authorised Public Accountant
mne29465


Elife Savas
State Authorised Public Accountant
mne34453

Income statement, September 1 - August 31

Amounts in DKK '000	Notes	2019/20 DKK	2018/19 DKK
Revenue	2	5.351.199	5.219.517
Production costs	3	<u>(2.018.222)</u>	<u>(1.941.512)</u>
Gross profit		3.332.977	3.278.005
Research and development costs	3	(550.769)	(522.294)
Sales and marketing expenses	3	(563.782)	(488.107)
Administrative expenses	3	(444.312)	(385.063)
Other operating income	3	4.283	6.777
Other operating expenses	3	<u>(18.990)</u>	<u>(31.775)</u>
Operating profit (EBIT)		1.759.407	1.857.543
Dividends received		9.181	6.377
Financial income	4	55.571	111.346
Impairment investment in Group companies		(80.000)	-
Financial expenses	4	<u>(218.483)</u>	<u>(114.850)</u>
Profit before tax		1.525.675	1.860.416
Income taxes	5	<u>(372.605)</u>	<u>(398.274)</u>
Net profit for the year		1.153.070	1.462.142
Distribution of result	6		

Balance sheet at August 31, 2020

Assets

Amounts in DKK '000	Notes	2020 DKK	2019 DKK
Non-current assets			
Intangible assets	7		
Goodwill		4.316.484	908.886
Patents, trademarks, intellectual property, etc		1.016.148	481.795
Development projects		241.911	236.496
Software		118.938	124.405
Intangible assets in progress		389.417	334.854
Total intangible assets		6.082.898	2.086.436
Tangible assets	8		
Land and buildings		1.174.429	1.052.836
Plant and machinery		900.207	958.792
Other fixtures and equipment		173.291	167.078
Prepayments and assets under construction		1.038.871	598.571
Total tangible assets		3.286.798	2.777.277
Financial assets			
Investments in Group companies	9	436.902	568.484
Investments in Joint ventures	10	94.555	-
Total financial assets		531.457	568.484
Total non-current assets		9.901.153	5.432.197
Current assets			
Inventories			
Raw materials and consumables		60.238	51.703
Work in progress		186.980	192.133
Finished goods and goods for resale		246.409	245.136
Total inventories		493.627	488.972
Receivables			
Trade receivables		135.058	170.607
Tax receivables		36.929	-
Receivables from Group companies		600.108	648.654
Receivables from Joint ventures		38.230	-
Other receivables		56.741	44.645
Prepayments		51.122	41.997
Total receivables		918.187	905.903
Cash at bank and in hand		1.309.173	154.726
Total current assets		2.720.987	1.549.601
Total assets		12.622.141	6.981.798

Balance sheet at August 31, 2020

Equity and liabilities

Amounts in DKK '000

	Notes	2020 DKK	2019 DKK
Equity			
Share capital		194.101	194.101
Retained earnings		5.199.593	1.920.192
Reserve for development projects		190.077	142.746
Proposed dividend		1.000.000	1.500.000
Total equity		6.583.771	3.757.039
Provisions			
Deferred tax	11	917.515	521.878
Other provisions		926	1.000
Total provisions		918.441	522.878
Non-current liabilities			
Lease liabilities		527.675	406.187
Mortgage debt		512.730	515.662
Tax payables		-	344.144
Total non-current liabilities	12	1.040.405	1.265.993
Current liabilities			
Lease liabilities		51.008	15.137
Mortgage debt		3.483	4.649
Trade payables		520.073	491.826
Loans from Group companies		2.798.453	339.609
Tax payables		355.871	314.965
Other payables		350.635	269.702
Total current liabilities		4.079.523	1.435.888
Total liabilities		5.119.929	2.701.881
Total equity and liabilities		12.622.141	6.981.798
Accounting policies	1		
Related parties	13		
Accounting relations	14		
Contingent liabilities	15		
Events after the balance sheet date	16		

Statement of changes in Equity

Amounts in DKK '000

Equity

	Share capital	Reserve for development projects	Retained earnings	Proposed dividend	Total equity
Equity at September 1, 2019	194.101	142.746	1.920.192	1.500.000	3.757.039
Dividend distribution	-	-	-	(1.500.000)	(1.500.000)
Dividend proposed	-	-	(1.000.000)	1.000.000	-
Capital injection	-	-	3.173.662	-	3.173.662
Reserve for development projects	-	47.331	(47.331)	-	-
Net profit for the year	-	-	1.153.070	-	1.153.070
Equity at August 31, 2020	194.101	190.077	5.199.593	1.000.000	6.583.771

The share capital consists of shares of DKK 100 each or multiple thereof.

	Share capital	Reserve for development projects	Retained earnings	Proposed dividend	Total equity
Equity at September 1, 2018	194.101	80.877	2.019.919	1.000.000	3.294.896
Dividend distribution	-	-	-	(1.000.000)	(1.000.000)
Dividend proposed	-	-	(1.500.000)	1.500.000	-
Reserve for development projects	-	61.869	(61.869)	-	-
Net profit for the year	-	-	1.462.142	-	1.462.142
Equity at August 31, 2019	194.101	142.746	1.920.192	1.500.000	3.757.039

The share capital is consists of shares of DKK 100 each or multiple thereof.

Notes to the income statement

1 Accounting policies

Reporting class

The annual report of Chr. Hansen 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 A/S has not prepared any consolidated financial statements. Chr. Hansen 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 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. With reference to section 96(3) the fee to the statutory auditors appointed at the general meeting has not been presented.

The annual report for the financial year 2019/20 is presented in DKK 1,000.

Changes in accounting policies

With effect for the financial year 2019/20, Chr. Hansen A/S has chosen to apply the options cf. the Danish Financial Statements Act of applying IFRS 15, Revenue from contracts with customers, and IFRS16, Leases, within the framework.

IFRS 15, Revenue from contract with customers

Chr. Hansen A/S has changed its accounting policy for the recognition of revenue from contracts with customers. This means that the Company applies IFRS 15 for recognition and measurement of revenue. The change of accounting policy has not had an impact on revenue, net profit, total assets or equity.

IFRS 16, Leases

Chr. Hansen A/S has also changed its accounting policy for leases, and now applies IFRS 16 for lease transactions. Thus, leased assets are recognised with a calculated value and are depreciated over their expected useful lives, whereas the lease liability is recognised in the balance sheet. The change of accounting policy is based on the transitional rules of IFRS 16, and IFRS 16 was implemented using the modified retrospective approach:

- in respect of leases previously classified as operating leases, a lease liability is recognised and measured corresponding to the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 September 2019 – 31 August 2020 - lease assets are recognised at the same amount adjusted for prepaid or accrued lease payments;
- in respect of portfolios of leases with similar characteristics, one single discount rate is applied;

The accounting policy change has had the following effect as per 1 September 2019:

Land and buildings:	102.532 k. DKK
Plant and machinery:	0 k. DKK
Other fixtures and equipment	14.585 k. DKK
Lease liability:	117.117 k. DKK

The implementation had no effect on equity.

Accounting policies

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.

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.

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.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value.

Derivative financial instruments are recognized under other receivables or other payables. Deductions of positive and negative values only take place when the Chr. Hansen Group has the right and intention to realize more net financial instruments. The fair value of derivative financial instruments is measured based on current market data and acknowledged accounting valuation methods.

Some derivative financial instruments are classified as either:

- Hedging of the fair value of recognized assets, liabilities or provisions (fair value hedge)
- Hedging of special risks in association with a recognized asset, liability or a very likely future transaction

Changes in the fair value of derivative financial instruments that are classified as and comply with the requirements for hedging of future transactions are recognized in the reserve for fair value under equity. The reserve is transferred to the income statement when the hedged cash flows have been realized. If the hedged transaction is no longer expected to be conducted, any possible reserve for fair value hedging will be transferred to the income statement.

Accounting policies

Changes in the fair value of derivative financial instruments that are classified as and comply with the requirements for hedging of the fair value of a recognized asset or a recognized liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability for that part of the asset or liability that has been hedged.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognized currently in the income statement as financial income or financial expenses.

Income statement

The income statement is classified by function.

Revenue

Chr. Hansen A/S produces a wide range of cultures and enzymes. Revenue of sales of goods and related services and royalties and is recognized at an amount that reflects the consideration to which Chr. Hansen A/S expects to be entitled.

Revenue from a straightforward sale of goods to customers is recognized when control of the goods is transferred to the customer, i.e. when the goods are delivered to the end-customer.

The performance obligations in the contracts are to deliver produced cultures and enzymes to the customers, and each batch delivered is considered a separate performance obligation, as each batch is distinct.

Products are often sold with a discount. Such an agreement can be set up in various ways, but common to all discounts agreements is that revenue is recognized based on the price specified in the contract, net of the estimated discount. Discounts are estimated based on historical data as well as forecasts. Estimated discounts are reassessed at the end of each reporting period.

A relatively small part of revenue originates from commission agreements where agents undertake sales to third parties in return for commission on realized sales. Revenue from such agreements is recognized, when the goods are delivered, as the nature of the performance obligation is to provide the specified goods.

A trade receivable is recognized when the customer obtains control of the goods and an invoice is issued, as this is the point in time when the consideration is unconditional and only the passage of time is required before the payment is due.

The obligation to provide a refund for products that are not of the agreed quality or according to agreed specifications under standard warranty terms is recognized as a provision.

Accounting policies

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.

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 A/S. The value of the granted stock options is subsequently recognized in the income statement of Chr. Hansen A/S over the period in which the employees of Chr. Hansen A/S achieve the right to redeem the stock options.

Accounting policies

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.

Dividends from group companies

Dividends from group companies are recognized in the income statement when the investors' right to receive dividend has been approved. Potential write-downs of shares are deducted.

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 Natural Colors A/S and BacThera Denmark 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).

Balance sheet

Intangible assets

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

Goodwill is amortized over its estimated useful life determined on the basis of management's experience within the individual business areas. The amortization period is set for 15 years, due to the acquired company's strategic position in a strong market and long-term earnings profile.

Goodwill is written down to the recoverable amount if this is lower than the carrying value.

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.

Accounting policies

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.

Capitalized development costs are measured at cost less accumulated amortization and impairment losses or recoverable amount, whichever is lower. An amount corresponding to the recognized development costs is reserved in the item "Reserve for development costs" under equity. The reserve includes only development costs that are recognized in financial years beginning on or after 1 January 2016. The reserve is continuously reduced with depreciation and write-downs on the development projects.

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.

Gains or losses associated with disposal of intangible assets are recognized in the income statement. Borrowing costs in respect to construction of assets are capitalized when it takes more than a year for them to be ready for use

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	5-20 years
Other fixtures and equipment	3-10 years

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

Accounting policies

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.

Leases

Lease assets are "right-of-use-assets", which is a contract or part of a contract that conveys the lessee's right to use an asset for a period of time. The lease asset is initially measured at the present value of future fixed lease payments plus upfront payments and/or other initial direct costs incurred, less any lease incentives received. If, at the inception of the lease, it is reasonably certain that an extension or purchase option will be exercised, future lease payments will be included.

The lease liability is measured using the Company's average incremental borrowing rate.

Lease assets are classified alongside owned assets of similar type under property, plant and equipment. The lease assets are depreciated using the straight-line method over the lease term. Lease assets are tested for impairment in case of indication hereof.

Short-term leases and leases of low value are recognized as expenses in the income statement on a straight-line basis over the lease term. The Company's portfolio of leases covers land, buildings, cars and equipment.

Investments in Group companies

Investments in group companies are measured at cost. The investments are written down to the recoverable amount if this is lower than the carrying value.

Investments in Joint ventures

Investments in Joint ventures are measured at cost. The investments are written down to the recoverable amount if this is lower than the carrying 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.

Prepayments

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

Other provisions

Other provisions are recognized in the balance sheet when it is probable, as a result of prior events 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.

Accounting policies

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 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.

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 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.

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

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

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

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

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

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

Notes to the income statement

Amounts in DKK '000	2019/20 DKK	2018/19 DKK
2 Revenue		
Revenue by geographical allocation		
Denmark	133.187	65.101
Europe (excl. Denmark)	2.345.082	2.282.284
North America	1.225.262	1.161.545
Other markets	1.647.668	1.710.587
	<u>5.351.199</u>	<u>5.219.517</u>

The geographical segmentation is based on customer location.

3 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 and marketing, administrative expenses and other operating income and expenses include wages and salaries etc, which are distributed as follows:

Wages and salaries etc	908.120	836.295
Transferred capitalization	(173.392)	(146.704)
Pensions	88.563	82.963
Expenses for social security	10.099	10.896
Other employee expenses	17.244	21.638
	<u>850.634</u>	<u>805.088</u>
Fees to the Management*	5.183	5.000
Total staff expenses	<u>855.817</u>	<u>810.088</u>
Average number of full-time employees	<u>1.464</u>	<u>1.383</u>
Number of employees at year end	<u>1.484</u>	<u>1.445</u>

* Salary to members of the executive board is presented as the full salary paid by Chr. Hansen Holding A/S related to the executive board members employment in Chr. Hansen Holding A/S and Chr. Hansen A/S.

Incentive program

The short-term restricted stock unit (RSU) programs are granted to members of the Executive Board and other key employees based on the fulfillment of individual key performance indicators. The RSUs are granted as shares and vest over a three-year period subject to the person still being employed with Chr. Hansen A/S.

Long-term matching share programs are granted to members of 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 and retain ownership of such shares for a predefined holding period of three years. Upon expiration of the holding period and subject to the fulfillment of certain predefined performance targets and continued employment at the vesting date, the participants will be entitled to receive up to 7.5 additional shares in Chr. Hansen Holding A/S (matching shares) per investment share for no consideration.

Notes to the income statement

Amounts in DKK '000	2019/20 DKK	2018/19 DKK
3 Production, research and development costs, sales, marketing and administrative expenses as well as other operating income and other operating expenses, continued		
Other operating income and expenses		
Other operating income and expenses primarily consist of management fee to the parent company		
Depreciation, amortization and impairment/writedowns		
Depreciation, amortization and impairments/writedowns are included in production expenses, research and development costs, sales, marketing and administrative expenses and are distributed as follows:		
Production costs	144.438	133.035
Research and development costs	112.775 *	77.574
Sales and marketing expenses	186.335	119.270
Administrative expenses	22.788	18.470
	<u>466.336</u>	<u>348.349</u>

* The impairment of development projects amounting to TDKK 26.123 is included in the amount.
See note 7 for further information

Notes to the income statement

Amounts in DKK '000	2019/20 DKK	2018/19 DKK
4 Financial income and expenses		
Interest income and other financial income:		
Interest income from Group companies	1.643	1.623
Interest income and other financial gains	53.927	109.723
Total financial income	<u>55.571</u>	<u>111.346</u>
Interest expenses and other financial expenses:		
Interest expenses to Group companies	2.718	1.350
Interest expenses and other financial losses	215.765	113.500
Total financial expenses	<u>218.483</u>	<u>114.850</u>
5 Income taxes		
Income taxes are distributed as follows:		
Current tax on operating profit	(36.937)	344.144
Change in deferred tax concerning operating profit	397.176	58.851
Other taxes	2.170	1.027
Changes in deferred tax previous years	(1.474)	1.154
Changes in income tax previous years	11.669	(6.902)
Total income taxes	<u>372.605</u>	<u>398.274</u>
<p>The company is jointly taxed with the other Danish companies in the Group, Chr. Holding A/S, Chr. Hansen Natural Colors A/S and BacThera Denmark A/S, and the companies are jointly liable for the joint taxes.</p>		
6 Distribution of result		
Proposed dividend for the year	1.000.000	1.500.000
Reserve for development projects	47.331	61.869
Net profit for the year	<u>105.739</u>	<u>(99.727)</u>
	<u>1.153.070</u>	<u>1.462.142</u>

Notes to the balance sheet

Amounts in DKK '000

7 Intangible assets

	Patents, trade- marks, intell- ectual property	Development projects	Software	Intangible assets in progress	Goodwill	Total intangi- ble assets
Cost at September 1, 2019	857.556	512.601	401.110	334.854	1.162.195	3.268.317
Transferred	-	56.561	28.459	(83.634)	-	1.386
Additions for the year	585.117	19.486	8.546	138.197	3.532.917	4.284.262
Disposals for the year	(172.000)	(25.411)	(40.354)	-	-	(237.764)
Cost at August 31, 2020	1.270.673	563.237	397.761	389.417	4.695.112	7.316.201
Amortization and impairment losses at September 1, 2019	375.761	276.105	276.705	-	253.309	1.181.880
Amortization and impairment for the year	50.764	47.022	39.957	-	125.319	263.062
Amortization disposals for the year	(172.000)	(1.801)	(37.839)	-	-	(211.640)
Amortization and impairment losses at August 31, 2020	254.525	321.326	278.823	-	378.628	1.233.301
Carrying amount at August 31, 2020	1.016.148	241.911	118.938	389.417	4.316.484	6.082.898
Interest included in the above assets	-	-	-	255	-	255

Development projects relates to design, construction and testing of existing production within new strains for cultures and enzymes, and health & nutrition. The projects are being carried out based on demand from existing customers, and varies in time for finalization. The projects are performed based on the resources, management has allocated hereto. It is expected that the products have a technical and commercial likelihood at the present marked and to existing customers.

8 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and equipment	Prepaid assets under construction	Total tangible assets
Cost at September 1, 2019	1.309.385	1.818.133	330.258	598.571	4.056.346
Transferred	2.996	30.711	6.069	(41.162)	(1.386)
Additions for the year	172.536	9.522	40.622	481.462	704.142
Disposals for the year	(2.990)	(13.622)	(30.099)	-	(46.711)
Cost at August 31, 2020	1.481.927	1.844.744	346.850	1.038.871	4.712.389
Depreciation and impairment losses at September 1, 2019	256.549	859.341	163.181	-	1.279.071
Transferred	-	2.779	(2.779)	-	-
Depreciation and impairment losses for the year	53.916	94.881	41.413	-	190.210
Depreciation of disposals for the year	(2.967)	(12.464)	(28.256)	-	(43.687)
Depreciation and impairment losses at August 31, 2020	307.498	944.537	173.559	-	1.425.594
Carrying amount at August 31, 2020	1.174.429	900.207	173.291	1.038.871	3.286.798
Hereof Leased assets	560.400	300	9.964	-	570.664
Interest included the above assets	-	-	-	701	701

The carrying amount of building and machinery, TDKK 2.074.636 have been pledged as security for mortgage loans of TDKK 516.213.

Notes to the balance sheet

Amounts in DKK '000

2019/20
DKK

2018/19
DKK

9 Investments in Group companies

Cost at September 1, 2019	568.484	516.902
Additions for the year	42.975	51.582
Write-downs	(80.000)	
Disposals for the year	(94.557)	-
Cost at August 31, 2020	<u>436.902</u>	<u>568.484</u>

Group companies	Capital share	Country	Currency	Nominal capital	Equity	Net profit for the year
Chr. Hansen France SA	100%	France	EUR	11.100	53.892	3.961
Chr. Hansen (Tianjin) Food Ingredients CO. Ltd	100%	China	CNY	8.000	27.841	3.012
Chr. Hansen India Pvt. Ltd.	100%	India	INR	24.992	403.727	60.288
Peyma Chr. Hansen Turkey	50%	Turkey	TRY	988	77.964	15.643
Chr Hansen Romania	100%	Rumania	RON	4	3.114	1.461
Halley	99%	Germany	EUR	25	66.974	2.995
Chr. Hansen Malaysia SDN. BHD.	50%	Malaysia	MYR	1.000	46.340	9.537
Chr. Hansen Colombia	46%	Colombia	COP	3.887	4.897	2.627
Chr Hansen Middle East and Africa	80%	United Arab Emirates	AED	500	28.131	3.748

10 Investments in Joint Ventures

Cost at September 1, 2019	-	-
Additions for the year	94.557	-
Disposals for the year	-	-
Cost at August 31, 2020	<u>94.557</u>	<u>-</u>

Joint Ventures	Capital share	Country	Currency	Nominal capital	Equity	Net profit for the year
BacThera	50%	Denmark	CHF	11.000	2.176	8.824

Notes to the balance sheet

Amounts in DKK '000

	<u>2020</u> DKK	<u>2019</u> DKK
11 Deferred tax		
Deferred tax in the balance sheet relates to:		
Intangible and tangible assets	896.229	471.372
Current assets	42.140	41.253
Other assets, deferred commitments and liabilities	172.194	9.253
Carry-forward tax loss	(193.048)	-
Carrying amount at August 31, 2020	<u>917.515</u>	<u>521.878</u>
Deferred tax has been recognized at 22%.		
12 Non-current liabilities		
Due after 5 years		
Lease liabilities	389.669	319.086
Mortgage debt	466.540	496.260
	<u>856.209</u>	<u>815.346</u>
Due within 1 - 5 years		
Lease liabilities	138.006	87.101
Mortgage debt	46.190	19.402
Tax payables	-	344.144
	<u>184.196</u>	<u>450.647</u>
Long-term loans	<u>1.040.405</u>	<u>1.265.993</u>

The average interest rate on mortgage loans is 0,4% p.a.

Notes to the balance sheet

13 Related parties

Related parties are defined as parties with control or significant influence over Chr. Hansen A/S and all transactions are made on market terms:

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

Chr. Hansen Holding A/S is holding 100% of the votes in the company.

14 Accounting relations

The annual report of Chr. Hansen 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.

15 Contingent liabilities

Amounts in DKK '000	2019/20	2018/19
Operating lease commitments		
Due within 1 year	-	22.453
Due between 1 and 5 years	-	36.497
Due after 5 years	-	-
Total	-	58.950

Per 1. September 2019 the company's operational leasing contracts are recognized in accordance with IFRS 16 as financial leasing. In 2018/19, Chr. Hansen A/S entered into lease agreements related to the renovation of the headquarter in Hørsholm. The project is expected to be finalized in 2023. The contract amounting to DKK 577 mDKK (undiscounted) are not commenced, and consequently not accounted for in the lease liabilities.

Chr. Hansen A/S is jointly taxed with other companies in the Chr. Hansen Group. Chr. Hansen A/S is jointly and unlimited liable for the Danish income taxes together with the other jointly taxed companies, and for withholding taxes on dividends, interest and royalties related to the jointly taxed companies. Chr. Hansen A/S is part of a VAT group with other companies in the Chr. Hansen Group. Chr. Hansen A/S is jointly and severally liable together with the other companies in the VAT group for any Danish VAT.

Chr. Hansen A/S has provided security for associated companies in the Chr. Hansen Group. The security is limited to USD 5 million/11,45 mio. DKK.

The carrying amount of building and machinery, TDKK 2.074.636 have been pledged as security for mortgage loans of TDKK 516.213.

16 Events after the balance sheet date

At September 22, 2020, Chr. Hansen announced the conclusion of an agreement to acquire all shares in Jennewein Biotechnologie GmbH ("Jennewein").

Jennewein is a leading international industrial biotechnology company with a range of products in the field of human milk oligosaccharides and rare monosaccharides.

Jennewein is acquired by the German company Halley GmbH, which is owned by Chr. Hansen A/S.