CHR. HANSEN ANNUAL REPORT 2019/20

Let's grow a better world. Naturally.

Chr. Hansen Holding A/S
Company reg. no. 28318677

Financial year 1 September 2019 to 31 August 2020

Bøge Allé 10-12,
2970 Hørsholm, Denmark

Approved at the Annual General Meeting on November 25, 2020

Chairman of the Annual General Meeting Niels Heering

Company reg. no. 28318677

CHR HANSEN

Improving food & health

Content

Management's review

Financial statements

STRATEGIC REVIEW

A strategic review exploring the future of the Natural Colors business was initiated in July 2019/20. As a result, this 2019/20 report meets the requirements for the business to be presented as discontinued operations. Following the classification as discontinued operations in 2019/20, the business is presented separately on an aggregated level in the income statement, balance sheet and cash flow statement. The income statement and cash flow statement have both been restated in 2018/19, while the balance sheet has not been restated in 2018/19. On September 26, Chr. Hansen signed an agreement to sell the Natural Colors business to EQT.

2025 Strategy

With our 2025 Strategy we will form a differentiated bioscience player with a strong purpose that pioneers microbial science to improve food and health, for a sustainable future.

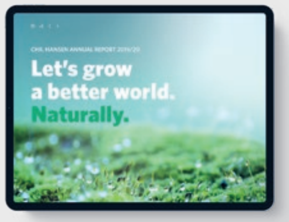
Read more about our 2025 Strategy

Farm to fork

Chr. Hansen integrates sustainability across the value chain from farm to fork – for a more sustainable food system.

Read more about how sustainability is integrated across our products

Explore
the Chr. Hansen website.



chr-hansen.com

01 2019/20 in brief

Chr. Hansen at a glance | Strategic highlights | Financial highlights | Key figures | Letter to our shareholders

“As a father of two girls, I pursue choices that sustain the transition to green energy and a climate-friendly future.”

Jesper, Senior Manager,
Global Sourcing

Chr. Hansen at a glance

Chr. Hansen is pioneering microbial science to improve food, health and productivity for a sustainable future.

We have been in bioscience since

1874

We have 300+ academic partnerships and are represented in **30+** scientific associations, advisory boards, etc.

We have one of the world's largest commercial bacterial collections, with around

40,000

bacterial strains

Every day more than

1 billion

people in the world consume a product with a Chr. Hansen ingredient

We have a strong **R&D platform**

8.0%

of turnover

17%

of employees in R&D and application (cont. operations)

We develop and produce cultures, enzymes and probiotics for a variety of foods, beverages, dietary supplements, animal feed, and plant protection.

FOOD CULTURES & ENZYMES

HEALTH & NUTRITION

Our purpose

Let's grow a better world. Naturally.

We are more than

3,200

employees (cont. operations)

In 2019 Chr. Hansen was awarded the **most sustainable** company in the world

81%

of Chr. Hansen's revenue (cont. operations) contributes directly to the UN Global Goals

Strategic highlights

During the year, a number of significant highlights have supported our purpose to grow a better world. Naturally. At the end of the year, we reached a central milestone as we launched our new 2025 Strategy.

Product impact

Operational impact

Read more about our 2025 Strategy

Strategic review of Chr.Hansen's Natural Colors business announced and concluded

Scientific breakthrough on the main mechanism behind the food cultures with better bioprotective effect

1.5°C
Chr. Hansen has joined the 'Business ambition for 1.5°C' to limit global temperature rise to 1.5°C

Extend microbial platform through the acquisitions of **UAS Laboratories** and **Jennewein**

75
product registrations obtained globally in 2020 among all species in Animal Health & Nutrition

Crowned Transformation Award Winner in the British Safety Council 2020 International safety award

Grow probiotics offerings for women's health through the acquisition of **HSO Health Care GmbH**

Joins MISTA, California-based start-up optimizer to further develop fermented plant-based solutions

81%
of our revenue (cont. operations) contributes to the UN Global Goals

Financial highlights

6%

Organic growth 2019/20
Outlook 2020/21: 5-8%
(continuing operations)

33.7%

EBIT margin 2019/20
Outlook 2020/21: 27-28%
(continuing operations)

225 EURm

Free cash flow (b.a.s.i.) 2019/20
Outlook 2020/21: 120-160 EURm
(continuing operations)

KEY FIGURES*

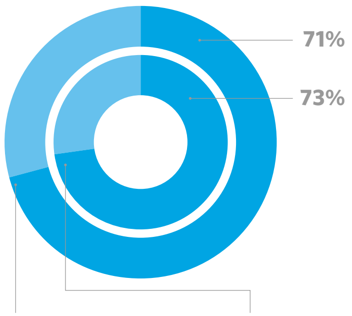
	2019/20 Realized	2020/21 Outlook
Organic growth	6%	5-8%
EBIT margin before special items	33.7%	27-28%
Free cash flow before acquisitions and special items, EURm	225	120-160

*Continuing operations

Outlook 2020/21

See more details on performance in Financial Review section

FOOD CULTURES & ENZYMES

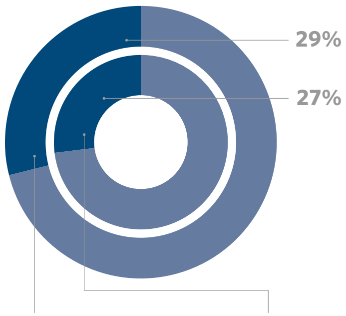


Net revenue
693 EURm
(**+5%** ORG growth)

EBIT b.s.i
238 EURm
(**34.3%** margin)

Read more on page 39

HEALTH & NUTRITION



Net revenue
277 EURm
(**+9%** ORG growth)

EBIT b.s.i
89 EURm
(**32.2%** margin)

Read more on page 41

Key figures

EUR million	2019/20	2018/19	2017/18	2016/17	2015/16
Income statement (cont. operations)					
Revenue	970.0	937.4	1,097.4	1,062.5	948.9
Gross profit	584.0	576.9	600.6	578.1	505.4
EBITDA before special items	400.6	372.3	384.0	368.1	324.0
EBIT before special items	326.9	314.7	320.2	307.1	267.8
EBIT	313.0	312.4	320.2	305.7	255.6
Net financial items	(13.5)	(16.1)	(24.1)	(14.8)	(16.2)
Profit from continuing operations	231.6	229.2	228.2	224.0	183.8
Profit from discontinued operations	13.4	21.0	-	-	-
Profit for the year	245.0	250.2	228.2	224.0	183.8
Cash flow (Group)					
Cash flow from operating activities	364.6	298.6	302.4	283.7	244.8
Cash flow from investing activities	(807.5)	(81.6)	(107.0)	(176.5)	(244.4)
Free cash flow	(442.9)	217.0	195.4	107.2	0.4
Free cash flow before acquisitions and special items	244.5	229.1	195.9	187.8	175.2
Balance sheet (Group)					
Total assets*	2,853.6	2,057.8	1,861.1	1,802.1	1,715.3
Invested capital	1,238.5	972.5	1,631.5	1,581.1	1,445.0
Net working capital	208.1	220.6	189.1	174.8	147.4
Equity	893.0	797.2	771.6	768.5	730.3
Net interest-bearing debt	1,345.0	734.4	658.7	628.4	547.9

* Includes assets classified as held for sale in 2019/20 of EUR 202.4 million (EUR 0 million in 2018/19).

	2019/20	2018/19	2017/18	2016/17	2015/16
Key ratios					
Continuing operations					
Organic growth, %	6	8	9	10	12
Gross margin, %	60.2	61.5	54.7	54.4	53.3
EBITDA margin before special items, %	41.3	39.7	35.0	34.6	34.1
EBIT margin before special items, %	33.7	33.6	29.2	28.9	28.2
EBIT margin, %	32.3	33.3	29.2	28.8	26.9
R&D, %	8.0	8.1	7.3	7.0	7.1
Capital expenditure, %	12.2	12.6	9.8	10.0	8.2
Group					
ROIC excl. goodwill, %	32.2	37.3	38.0	40.1	39.7
ROIC, %	16.8	20.3	19.9	20.3	19.9
EPS, diluted	1.86	1.90	1.73	1.68	1.40
Net debt to EBITDA before special items	3.1x	1.8x	1.7x	1.7x	1.7x
Average number of employees (FTEs)	3,600	3,420	3,151	2,940	2,708

Following the classification of the Natural Colors business as discontinued operations in 2019/20, the business is presented separately on an aggregated level in the income statement, balance sheet and cash flow statement. In accordance with IFRS, the income statement and cash flow statement have both been restated in 2018/19, while the balance sheet has not been restated in 2018/19. The comparative figures for 2015/16 - 2017/2018 have not been restated and are not directly comparable.

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

Numbers are not restated and therefore not directly comparable

In 2020 Chr. Hansen demonstrated its resilience as a business

Chr. Hansen works to integrate sustainability across our value chain. We work strategically with the UN Sustainable Development Goals no. 2, 3 and 12.

In times of adversity, Chr. Hansen focused relentlessly on delivering products to our customers across the globe, while safeguarding the health and safety of all Chr. Hansen employees.

As a company, we operate in unprecedented times, but despite the radically changed circumstances and a much more volatile macro-economic environment, FY2019/20 was a good year for Chr. Hansen. We ended the year with 5% organic growth for the group, well within the guidance we provided at the beginning of the year. We also delivered on the earnings side and came in at almost 30% EBIT margin for the full year. Our free cash flow also developed strongly, but this was partly due to capital investments that were delayed due to COVID-19.

While the fight against COVID-19 is not won yet, Chr. Hansen plays a vital role in the food value chain, contributing to a steady, global supply of food. With our ingredients reaching more than 1 billion people every day, our production is indispensable for global food security.

This year's results, and value creation for our shareholders, are a testimony to the resilience of Chr. Hansen's business, our ability to work as a team and in close collaboration with customers, also in times of crisis.

Accelerating the sustainability agenda

COVID-19 has shown us that we rely on nature more than anything else. Political leaders, governments and corporations have been given a unique opportunity to take bold actions and make sure that we don't just return to business as usual. The reboot of our economy must have a green signature. It has been very positive to see how EU's Green Deal, and recently the Australian government, have articulated ambitious targets to drastically lower the use of chemical pesticides and the quest to fight food waste. Important steps towards enabling a future that values nature as the foundation of a healthy society.

The pandemic has confirmed to us as a company that our advocacy and determination to shape a more resilient agri-food system are more relevant than ever. There is simply a growing call for transformative changes in the way we produce and consume food. Sustainability has been deeply rooted in our company for more than 146 years, and we remain optimistic that by unleashing the Power of Good Bacteria™ transformative change is possible. That is why we remain committed to support the UN Global Compact and work strategically to address UN's Sustainable Development Goals 2, 3 and 12.

Commitments to curb climate change

The need for climate action is evident and urgent. We consider it our corporate responsibility to take effective measures to help fight climate change through strategic partnerships with suppliers and NGOs, through our product innovation and optimization of our CO_2 footprint. In the past financial year, three concrete initiatives demonstrated how we as a company strive to walk the talk for a more climate friendly future:

Chr. Hansen has joined 'Business Ambition for 1.5°C', led by a global coalition of UN agencies and leading companies aligning their business with the most ambitious aim of the Paris Agreement, to limit global temperature rise to 1.5°C above pre-industrial levels. Committing to set science-based targets is a clear sign that we are stepping up on our ambition level when it comes to curbing climate change.

Pushing to advance the transition to a sustainable future can be done in many ways. Once such way is through the green pension solutions that we have made available, through PFA, for employees in Denmark. About half of our global workforce is located in Denmark, and we are proud to be among the first companies on a national level to offer employees the opportunity to place all or parts of their pension in selected climate-friendly investments. This way, it is not only our employees who work for a greener and more sustainable future – their pension funds do so too.

Finally, a 10-year power purchase agreement with the Danish company Better Energy secures that our Danish sites now run 100% on renewable energy, which became a reality when two new solar parks were taken into operation in spring 2020. By going green we are not only contributing positively to the transition to green energy sources, the model is also highly cost competitive. With this initiative, Chr. Hansen furthermore makes a contribution to Denmark's collective efforts to reduce its CO_2 emissions by 70 percent by 2030. The greatest feature of this solution is that it is scalable, and we are working towards converting all Chr. Hansen's global sites to run on renewable energy by 2025.

Looking ahead against the backdrop of COVID-19
After seven successful years with the Nature's No. 1 strategy, the Corporate Leadership Team, together with the Board of Directors, initiated a strategy process in the fall of 2019 – with the aim of formulating a new strategy that would build on Chr. Hansen's successful foundation while unleashing its promising future. The plan was initially to communicate the results of this work in spring 2020, but then came COVID-19 and changed the world as we know it. We therefore quickly decided to postpone the conclusions of the strategy for a few months, allowing ourselves to better understand the implications of the pandemic on Chr. Hansen's business in the near future as well as long-term.

Even though the world still navigates in unknown territory, it is our conviction that the food and health industries continue to play vital roles. The global health crisis has triggered immunity to become a leading topic, and has amplified the desire among consumers to know where their food comes from, and how it was grown and processed. We expect these trends to continue in a post-COVID-19 environment, as consumers around the world increasingly focus on health, food safety, quality, affordability and sustainability. This confirms the absolute relevance of our microbial and fermentation technology platforms now and in the future, and has guided our strategic focus to become a differentiated bioscience player and further accelerate our sustainability agenda.

That is why, at the heart of the 2025 Strategy, is our newly articulated purpose, to "Grow a better world. Naturally." A purpose that draws on our strong Chr. Hansen culture, reflects the potential of our microbial and fermentation technology platforms, and which serves as a guiding principle for innovation and decision-making across the company.

Let's grow a better world. Naturally.
So while we are repositioning the company to focus on the microbial and fermentation technology platforms, our ambition to deliver industry leading profitable organic growth remains unchanged. As part of

"Through our 2025 Strategy, we will cement our position as a global, differentiated bioscience company and grow a better world."

Dominique Reiniche,
Chair of the Board

“The need for climate action is evident and urgent. We consider it our corporate responsibility to take effective measures to help fight climate change.”

Mauricio Graber,
President & CEO

our focus on bioscience, we initiated a strategic review of our Natural Colors business, and on September 26, 2020, we announced that we would divest the business to EQT.

Through the 2025 Strategy, we will cement our position as a global, differentiated bioscience company that delivers innovation to enable our customers’ success and grow a better world. We see some companies becoming more diversified across many different technology types and product offerings. In contrast, our path focuses on the things that we are uniquely good at – microbial science. This direction is also clearly reflected in our acquisitions of HSO Health Care, UAS Laboratories and very recently, Jennewein. 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.

We will re-invest in Food Cultures & Enzymes’ core dairy and meat segments to drive growth through innovation, upselling and continued conversion. Health & Nutrition will continue its growth journey, strengthening Human Health through new products and concepts, and taking Animal Health’s products global. We will leverage the potential of our three existing strategic lighthouses – Bioprotection, Bacthera and Plant Health – and launch Fermented Plant Bases as our fourth lighthouse to meet the increasing consumer focus on plant-based foods.

We will expand into adjacencies where we can further leverage our unique technology platforms for growth, such as pet health, probiotics in food beyond dairy and fermented beverages, such as beer. Innovation continues to be the backbone of our business, and the success of the strategy depends on accelerating our innovation output by 2025 and successfully commercializing these innovations at speed.

When we look ahead, we expect that we will continue to see the greatest contribution to absolute growth to come from the core businesses, including our recent acquisitions, while the strategic lighthouses will make a more important contribution than they have in the past. We aim to deliver mid to high single-digit organic growth CAGR, underlying EBIT margin expansion (before portfolio changes and currency), and growth in free cash flow before acquisitions and special items that exceeds the growth rate of the absolute EBIT during the period.

A winning formula

Our technology has never been more relevant, our customer relationships have never been stronger, and we are only just beginning to unlock the Power of Good Bacteria™ for a more sustainable tomorrow. Having a strong purpose and a technology platform that can both help our planet and address societal challenges also comes with a great responsibility to do well by doing good. A pledge that motivates our global workforce greatly.

The way we mobilized during the global coronavirus pandemic showed us that we have what it takes to act with agility and succeed in the face of extraordinary challenges. Furthermore, we have also experienced the power of digital connectivity combined with our unique Chr. Hansen culture. A culture that centers around our engaged and passionate employees who are at the heart of Chr. Hansen and the driving force, enabling us to reach our goals. With the 2025 Strategy as our guiding beacon, we believe Chr. Hansen is in great shape to deliver the next wave of value creation.

Let’s grow a better world. Naturally.

Dominique Reiniche
Chair of the Board

Mauricio Graber
President & CEO

02 Strategy and ambitions

"It's fascinating how good bacteria are a key ingredient in many foods, but also how beneficial they can be to improve health. That makes my job very relevant."

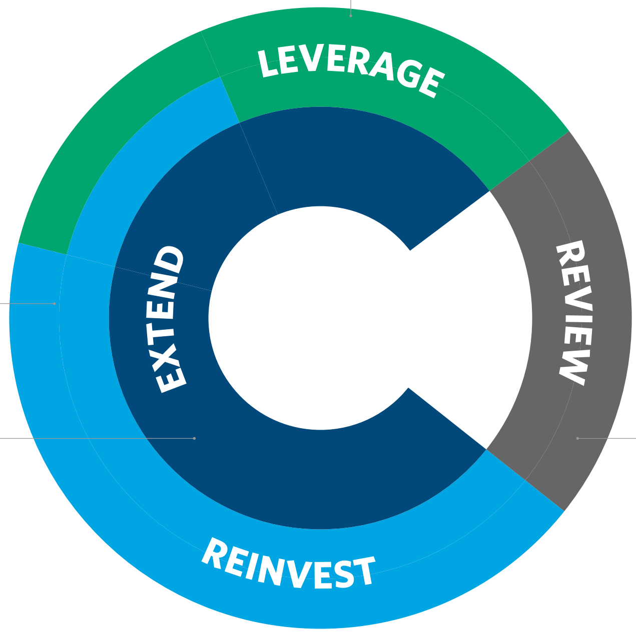
Yvonne, Principal Research Scientist, Analytical Solutions, R&D

2025 Strategy

Under its 2025 Strategy, Chr. Hansen has defined four strategic focus areas that set the framework for its future growth trajectory: REINVEST, LEVERAGE, EXTEND and REVIEW.

REINVEST in core platforms
Chr. Hansen has been the ingredient supplier of choice for the dairy and meat industry for many decades and has also built a strong microbial business for animal feed, dietary supplements and infant formula over the last thirty years. During the strategy period the majority of the absolute growth will come from the core platforms. As such Chr. Hansen will continue to prioritize and invest in Food Cultures & Enzymes, Animal and Human Health. Innovative products, launched across all business areas, are expected in the strategy period, both in existing and new product categories, for example probiotic solutions for foods and pet food.

EXTEND Microbial Platform through M&A and R&D partnerships
During the strategy period Chr. Hansen intends to further strengthen its technology platform across its competencies, such as cultures and probiotics, dairy enzymes and value-added fermentation through acquisitions and the expansion of the R&D partner network. The recent acquisitions of HSO Health Care and UAS Laboratories are examples of this, and both offer attractive commercial, operational and R&D synergy opportunities.



LEVERAGE the Microbial Platform to grow lighthouses and new areas
Chr. Hansen continues to see many attractive growth opportunities to leverage its technology platform to develop solutions for new applications and end markets. The Company remains committed to further develop its lighthouses - Bioprotection Fermented Plant Bases, Plant Health and Bacthera. Fermented Plant Bases is a new lighthouse, where Chr. Hansen sees itself uniquely positioned to gain a meaningful share in this fast-growing market.

REVIEW strategic options for non-microbial assets
Chr. Hansen's Natural Colors division is the global market leader for natural colors. While the division shares the Company's overall purpose and stand-alone offers an attractive return profile, synergies with the Microbial Platform are limited. On September 26, 2020, a definitive agreement to divest the business to EQT was announced.

Business overview

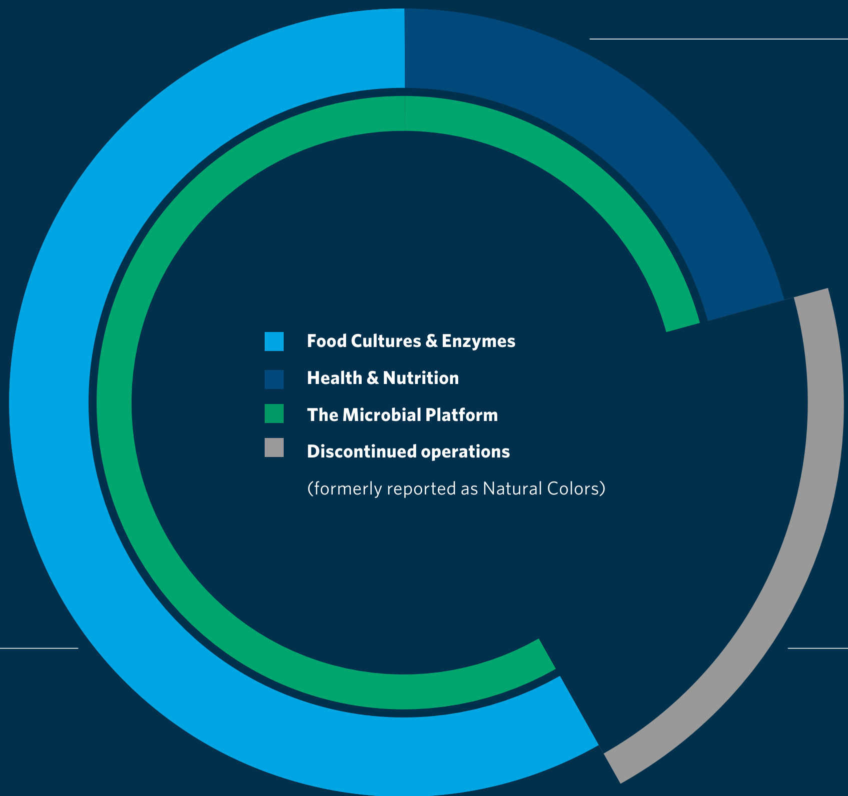
We are market and technology leaders in our core business

Innovative R&D platform
As a specialty ingredients supplier, Chr. Hansen serves different niche markets with attractive growth prospects and high entry barriers. The Company's business model is centered around strong innovation capabilities, a scalable production set-up and longstanding customer relationships all of which places Chr. Hansen in a very strong competitive position.

FOOD CULTURES & ENZYMES

58%
Share of revenue

FERMENTED MILK
CHEESE
MEAT & WINE



HEALTH & NUTRITION

24%
Share of revenue

HUMAN HEALTH
ANIMAL HEALTH
PLANT HEALTH

DISCONTINUED OPERATIONS

18%
Share of revenue

FOOD & BEVERAGES
NUTRACEUTICALS

Strategic lighthouses

We will unleash the potential of our three existing strategic lighthouses – Bioprotection, Plant Health and Bacthera – and launch Fermented Plant Bases as our fourth lighthouse to meet the increased consumer focus towards plant-based foods.

Lighthouse
New business area of strategic importance with a minimum revenue potential of EUR 100m per year and Group leading growth rates.

Food Cultures & Enzymes		Health & Nutrition	
Bioprotection Special culture range that prevents spoilage, reduces food waste and increases safety of dairy and other foods.	**Fermented plant bases** Fermentation solutions for spoonable and drinkable fermented milk alternatives and fermented beverages.	**Plant health** Microbial crop protection solutions with a focus on bionematicides, biostimulants and biofungicides.	**Bacthera** Joint venture with Lonza AG in contract manufacturing for live biotherapeutics for pharma.
Addressable market:	**Addressable market:**	**Addressable market:**	**Addressable market:**
EUR 200m By 2025	**EUR <100m** By 2025	**EUR 400m** By 2025	**EUR 150-200m** By 2025 (only clinical trial market)
EUR 1b Long-term (in core segments)	**EUR >100m** Long-term	**EUR >1b** Long-term	**EUR >1b** Long-term (incl. commercial drugs)

Gemma, Project and Portfolio Management at Bacthera

The strategic lighthouse on the human microbiome took a quantum leap when Bacthera was established. What's the current status?
Since our launch in September 2019, Bacthera has been successful in winning and executing several projects for customers based in Europe, the US, and Asia. We continue to grow with now over 50 employees and expect the Hørsholm drug substance and Basel drug product facilities to be approved for pharma GMP production in early 2021.

What's it like being a pioneer in this field?
Live biotherapeutic products, sometimes also referred to as "bugs as drugs", hold huge promise to treat or prevent diseases, especially where patients do not respond to existing therapies. Our ambition is to enable our customers to bring life-changing treatments to patients by pioneering the live biotherapeutic industry. I find it extremely rewarding to be treading on virgin territory together with our customers and am proud to contribute to such a strong purpose in my daily work.

Strategic lighthouses

Food Cultures & Enzymes Bioprotection

Bioprotection makes use of natural microbial food cultures to inhibit growth of unwanted contaminants, thereby preventing food spoilage and enhancing food safety. Depending on the market, bioprotection allows customers to replace chemical preservatives for cleaner labels, improve food safety against contamination, or extend shelf life and reduce food waste in the supply chain. Bioprotective cultures can be applied not only to dairy and fermented meat products but also to other, traditionally non-fermented foods such as ready-to-eat salads or salmon that are exposed to a high risk of Listeria, opening up a new market and customer segment for Chr. Hansen.

Fermentation is an ancient way of preserving food. Bioprotection is the modern day equivalent.

Strategic lighthouses

Food Cultures & Enzymes

Fermented plant bases

The demand for fermented plant bases and fermented beverages has shown impressive growth in recent years. Consumers seek more alternative protein sources and healthy beverage choices. Solutions for spoonable and drinkable “yougurt alternatives” have already been succesfully launched, as have technologies to produce tasteful low/non-alcohol beer. Building on our competencies in fermentation and our special cultures, we can ensure the mild and fresh taste of the fermented plant base, and we will continue to develop and launch relevant value proposition for fermented plant bases.

Plant based products have shown very high growth rates in recent years among high-income urban millenials.

Strategic lighthouses

Health & Nutrition
Plant health

Drawing on the company's microbial backbone, Plant Health develops microbial solutions with the goal of reducing the usage of chemical pesticides in crop farming. We carefully select strains based on their ability to thrive and interact effectively with their environment, and how they can directly combat microbial plant pathogenic diseases as well as stimulate the physiology of the crop for increased health and robustness. Together with our partner FMC, Chr. Hansen aims to expand the geographical reach beyond the Latin American market while increasing adoption levels in sugar cane, soy and other crops. Several new products are in the pipeline to be launched in the coming years.

Strategic lighthouses

Health & Nutrition
Bacthera

Chr. Hansen defined a lighthouse in 2013 to explore how the human microbiota influences health and the role microbes could play in treating diseases in the future and develop relevant competencies. A joint venture was established in 2019 with Lonza, the Swiss pharma company, to pioneer the emerging market for live biotherapeutic products. Together the partners are establishing a contract manufacturing organization to produce bacteria-based pharmaceuticals, so called live biotherapeutic products (LBP), for pharma and biotech firms that have discovered new strains with therapeutic potential. In 2020, the first customer contracts were signed.

From farm to fork – for a more sustainable food system[1]

As a global bioscience company developing natural solutions for the food, nutritional, pharmaceutical and agricultural industries, we have an important role to play in creating a food system that is resilient and prepared to feed a growing population while also minimizing its adverse climate impact.

2 ZERO HUNGER

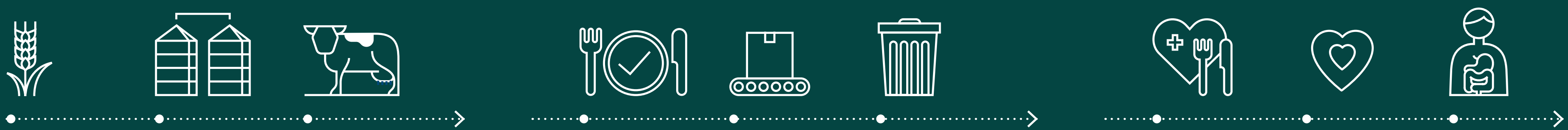
SUSTAINABLE AGRICULTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

BETTER FOOD PRODUCTION

3 GOOD HEALTH AND WELL-BEING

IMPROVED HEALTH



Natural plant protection · **Better quality silage** · **Animal nutrition**

Quality and safety · **Efficient production** · **Less waste**

Healthier food · **Supporting health** · **Next generation health**

[1] The pages 19-31 constitues our reporting according to the Danish Financial Statement Act, section 99 a, and the Communication on progress to the UN Global Compact.

Everyday more than 1 billion people consume a product containing Chr. Hansen's natural ingredients.

With the offset in our microbial platform, we are uniquely positioned to address some of society's most pressing challenges such as climate change, food waste, global health, and the overuse of antibiotics and pesticides. Our ingredients may be small, and usually only make up a small part of a product, but their functionality has a large impact and is strategically critical to the final consumer product.

Farm to fork

Food production is estimated to account for nearly one-third of global greenhouse gas emissions[2], which establishes a common responsibility across the sector to develop and adopt necessary adjustments. We work closely with partners across the entire food chain, and we experience growing demand from customers and consumers for innovative solutions that enable a sustainable transition. This is supported by global policy makers, such as the European Commission, who have set out high ambitions to change food policies towards a more fair, healthy and environmentally-friendly food system. At Chr. Hansen, we see this as a promising opportunity for our product portfolio and we actively support policy makers in these reform efforts.

Our role in bringing sustainable solutions forward

At Chr. Hansen, we have worked strategically with the UN Sustainable Development Goals since 2016. We focus on goals no. 2, 3 and 12 about sustainable agricultural practices, good health and less food waste, and have set ambitious targets to guide our work. Each year, we assess the percentage of our revenue that comes from products supporting one or more of the three UN Sustainable Development Goals. In 2019/20, the figure was 81% – up from 79%[3]. This is testimony to our purpose to grow a better world, naturally – all the way from farm to fork.

[2] European Commission, 2020 https://ec.europa.eu/food/farm2fork_en

[3] The UN Global Goals revenue contribution is presented for continuing operations only

Louise, Sustainability Program and Partnership Officer

Chr. Hansen has over the past years, been recognized as a leader within sustainability. What has this meant for you?

It is testimony to our company purpose and the valuable collaboration we have with customers all over the world, who are with us on this journey. But more importantly, it has been a real catalyst for change, and it has raised our own ambitions as well as the expectations from our investors and customers, who continue to set the bar higher.

How are you supporting customers in their sustainability journey?

We are currently experiencing an increase in the demand for sustainable solutions from our customers, who are also ambitious on their journey. By delivering natural, high performing solutions, we can support our customers in getting a more efficient production, reduced waste levels, higher yields and reducing their climate impact. We always take our starting point in the specific customer in question to ensure a solution that supports their specific strategic objectives.

A sustainable food system starts with the farmer

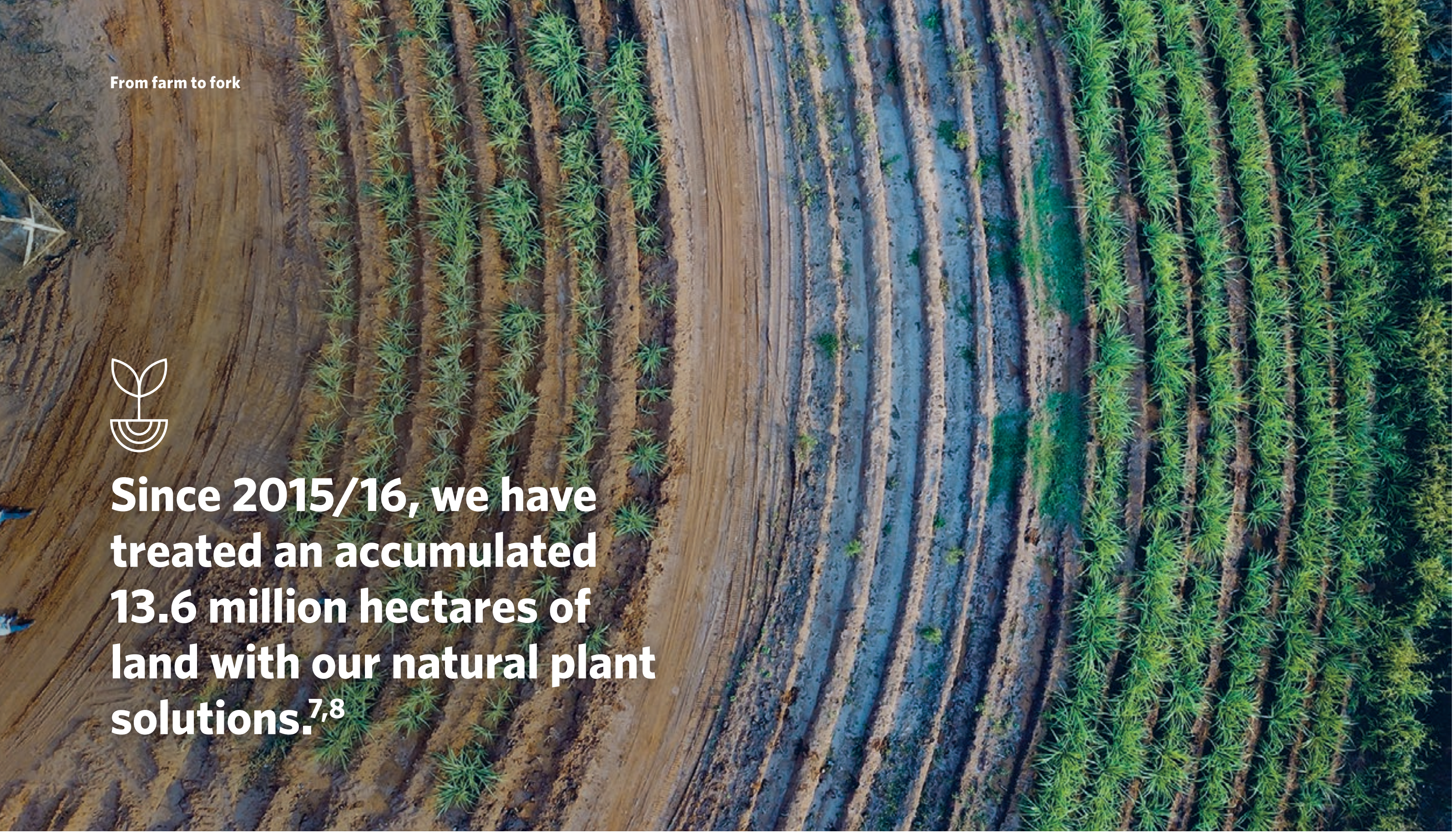
At Chr. Hansen, we believe that natural microbes are one of the answers to the current long-term sustainability challenges of the agricultural industry. These microbes – or good bacteria as we like to call them – provide plants with access to nutrients and defend them from harmful invaders.

Supporting farmers to find more sustainable practices
Climate change, scarce resources and a growing population are all factors putting immense pressure on the agricultural industry. With prospects of a population of more than 9 billion people in 2050, it is estimated that the agricultural industry will need to increase its efficiency by 70% in order to feed the world's population 30 years from now[4]. With conventional approaches this requires land corresponding to an area nearly twice the size of India[5].

While farmers are currently challenged to find the right solutions that can support them with productivity improvements, the global agricultural industry is facing ever more challenging conditions due to more harsh weather conditions, pest resistance development and a decline in new chemical technology entering the market[6].

Farmers are eager to find new and sustainable solutions and alternatives to their existing tools that can support them in maximizing yields and productivity, while also sustaining biodiversity and the future performance of the fields, and we are here to support them on that journey.

[4] UN Food and Agriculture Organisation (FAO), 2011
[5] World Resource Institute, How to sustainably feed 10 billion people by 2050, in 21 charts, 2018, https://www.wri.org/blog/2018/12/how-sustainably-feed-10-billion-people-2050-21-charts
[6] https://onlinelibrary.wiley.com/doi/full/10.1002/ps.5728



Since 2015/16, we have treated an accumulated 13.6 million hectares of land with our natural plant solutions.[7,8]

BENEFITS TO SOIL AND WATER USE

Trials have shown that the bacillus-based products also can enhance enzymatic activity in the soil, which is central for plant health. In addition, a recent peer-reviewed and published article shows how Chr. Hansen's biological product increases water use efficiency for the plant, ultimately making the field more water efficient[9].

Enhancing crop resilience with bacillus bacteria
Bacillus bacteria are used in Chr. Hansen's biological crop protection. Bacillus are a natural part of the bacterial composition of the soil. Some of our bacterial solutions are strong root colonizers, which create a physical and biochemical barrier that is particularly effective in protecting the roots against attacks from the plant parasites nematodes. As the crop is better protected and more robust, the good bacteria can also increase productivity and yield. Field trials have shown an average yield increase of up to 10% in selected crops.

We continuously develop our product range and expand to new crops beyond sugar and soy, and a number of trials are ongoing for high value crops like coffee. This enables us to offer more and wider biological solutions for the farmers in our markets.

We continue our support in Kenya through our Danida-funded partnership with CARE Denmark, which shows good progress on trials within local crops such as flowers, potatoes, sugar cane and corn. Although still limited, the data looks promising and we are excited to see how the project evolves over the coming year. The partnership was established in 2016 for the purpose of supporting small-scale farmers in Kenya by giving them access to our biological technology. Not only does this support a more sustainable direction of the local industry, it may also create a higher financial return for the farmers.

[7] Accounting principles at https://www.chr-hansen.com/accountingprinciples
[8] Historic development of sustainability data available at www.chr-hansen.com/sustainabilitydatasheet1920
[9] Akhtar et al., Bacillus licheniformis FMCH001, Increases Water Use Efficiency via Growth Stimulation in Both Normal and Drought Conditions, frontiers in Plant Science, 07 Apr. 2020. doi: 10.3389/fpls.2020.00297

Limiting waste and saving resources

Chr. Hansen supports the fight against food waste by enabling our customers to develop high quality products with extended shelf life. Through our food cultures with better bioprotective effects, the products last longer and less is wasted.

The food waste challenge is global and significant
When producing food, resources go into growing, harvesting, processing, producing, packing and transporting food. Needless to say, anything wasted in the process or at the consumer is a waste of resources. The carbon load of food waste is estimated to be 8% of total global greenhouse gas emissions, which sadly means that, if food waste was a country, it would be the third largest in the world in terms of its climate impact – exceeded only by China and the US[10]. As a central player in the food industry, we have a responsibility to ensure that most of what leaves the farm also makes it to the consumer's plate.

[10] FAO, food wastage footprint and climate change, http://www.fao.org/3/a-bb144e.pdf

We are proud of our membership of ONE/THIRD, the Danish Government's think tank on food waste, and wish to contribute to further advance innovative solutions, sharing best practices and joining calls to action.

Reducing food waste starts with improving food quality
As 80% of waste within dairy is the result of relatively short product shelf life, there is a great potential in reducing food waste by adding extra days of shelf life to a product. Through food cultures with better bioprotective effect, Chr. Hansen enables dairy producers to make a yogurt with a conservative estimate of 7 days extra shelf life. An impact study commissioned by Chr. Hansen, shows that this can help reduce the waste of yogurt in Europe by 30%[11].

The food cultures are a combination of carefully selected bacterial strains that not only ferment milk into yogurt, but also protect against contamination from yeast and mold by delaying the growth of bad bacteria. This provides benefits to producers, retailers and consumers by adding more days to distribute or consume the product.

Consumer behavior and date labelling are central
It is our conviction that the fight against food waste is about food quality as well as consumer behavior. For both aspects, correct date labelling is crucial. 'Best before' or 'Use by' are the two common types of date labelling, considering respectively food quality and food safety. Fermented dairy products like yogurt and cheese do not per se pose a health risk at the end of shelf life, yet as 68% of yogurt products across Europe are date labelled with 'use by', consumers are more likely to blindly throw them out at the end of shelf life, potentially wasting food that is still good to eat[12].

At Chr. Hansen, we advocate for a standardized approach to date labelling of yogurt to avoid the unnecessary use of the 'use by' date label, and we support the practice of adding 'Often good after' to the 'Best before' date. Consumers should be encouraged to engage their senses to assess if the product is still good to eat. This requires a change in consumer behavior, clear and standardized date labelling and a product for which the quality is high and can be maintained, even at the end of shelf life.

Increased demand for innovative solutions that reduce food waste
During the year, we have experienced growing interest from our customers in reducing food waste across our regions. We also see many of the big global food producers taking a more strategic approach to reducing food waste, including our solutions as one of the levers to advance the agenda.

The range of food cultures with more bioprotective effect is expanding and the product application is becoming broader. During the year, we have seen growing demand for using the technology, especially in yogurt and fermented milk like sour cream, but also in other product categories within dairy, such as white and soft cheeses. During the year we reduced 200,000 tons of yogurt waste with the bioprotective food cultures. Since the base year 2015/16, we have helped avoid an accumulated 780,000 tons of yogurt waste.[13, 14]

SCIENTIFIC BREAKTHROUGH

This year, Chr. Hansen's scientists revealed the mechanism behind the food cultures with better bioprotective effect. The bacteria in the culture absorb a nutrient – manganese – that yeast and mold need in order to grow. The findings are documented in a scientific article featured in the prestigious Applied and Environmental Microbiology Journal.[15]

[11] White paper on food waste: https://cdn.chr-hansen.com/_/media/files/chrhansen/home/sustainability/our-fight-against-food-waste/white-paperchr-hansen-impact-study04112016.pdf
[12] European Commission, 2018
[13] Accounting principles at https://www.chr-hansen.com/accountingprinciples
[14] Historic development of sustainability data available at www.chr-hansen.com/sustainabilitydatasheet1920
[15] Applied and Environmental Microbiology Journal, https://aem.asm.org/content/86/7/e02312-19

A healthy lifestyle starts in the gut

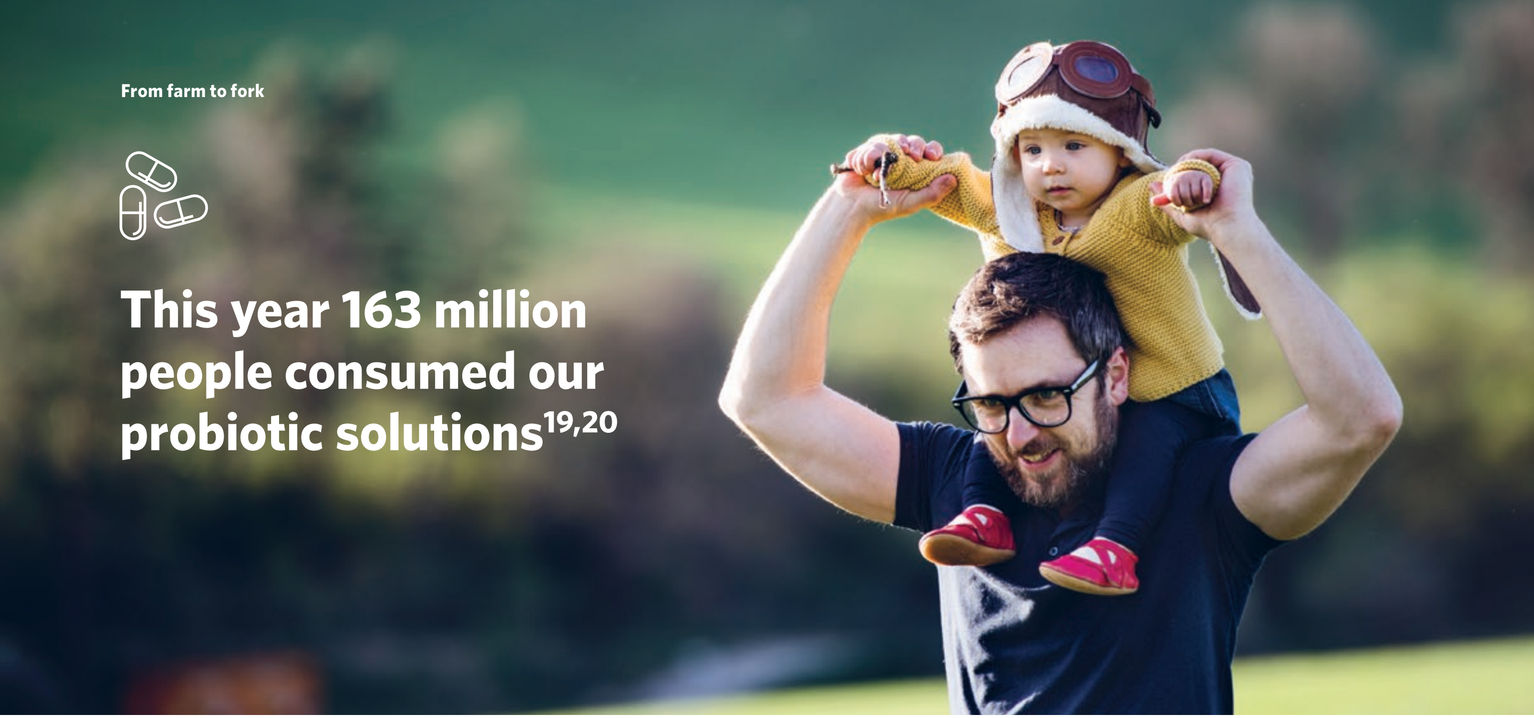
The bacterial composition of our gut is critical for our health and well-being, supporting, among other things, our digestion and immune system.

Bringing back naturally occurring bacteria to our gut
From shortly after birth, our gut is home to trillions of good bacteria and during the first two-and-a half years, the diversity and stability of the gut microbes increase dramatically. It is a fascinating ecosystem of more than 38 trillion bacteria, of which approximately 90% reside in our lower intestines or colon. Over time, harmful bacteria and other immune challenges can make the bacterial composition in the gut less diverse, which may influence our immune health.

The microbial balance in the gut can be restored and maintained by adding probiotics to our diet. At Chr. Hansen, we believe that there can be significant health benefits in bringing back these naturally-occurring bacteria by adding them to our food or as dietary supplements.

Supporting immune health
Up to 70% - 80% of our immunity cells reside in the gut[16]. Studies show that the probiotic strain L. CASEI 431® may support the immune response, and help reduce the duration of respiratory discomfort[17]. Previous studies further show that there can be potential health benefits from the strains *Lactobacillus Rhamnosus* (LGG®) and *Bifidobacterium* (BB-12®) in reducing the duration and severity of flu-like sickness. A health-economic study further showed the potential value, both from an individual as well as a societal perspective, in taking probiotics[18].

16 Vighi et al., Allergy and the gastrointestinal system. Clin Exp Immunol 2008; 153(Supp 1):3-6.
17 Rizzardini G. et al., Br J Nutr. 2012;107(6):876-84; Jespersen L. et al. Am J Clin Nutr. 2015;101(6):1188-96; Trachootham, D. et al. Journal of Functional Foods. 2017;33, 1–10; De Vrese, M. et al. European Journal of Nutrition. 2005;44(7), 406-413.
18 Lenoir-Wijnkoop et al., Probiotics reduce health care cost and societal impact of flu-like respiratory tract infections in the USA: An economic modeling study. Frontiers in Pharmacology, Aug 2019, Vol. 10, art. 980.



This year 163 million people consumed our probiotic solutions[19,20]

Probiotics and crying and fussing in babies
Up to one in four babies globally suffer from excessive crying and fussing. It may be due to digestive upset, which can be caused by a lower count of good bacteria and increased concentrations of undesirable bacteria in their digestive tracts[21]. This year, a study investigating the impact of Chr. Hansen's probiotic strain *Bifidobacterium*, BB-12® was published. The study shows that a daily intake of *Bifidobacterium*, BB-12® may provide help to infants suffering from excessive crying and fussing. 80% of the infants in the study who received the *Bifidobacterium*, BB-12®, reduced the duration of crying by 50% or more.

Probiotics for preterm infants
Another milestone this year within the probiotic sphere, is a solution for preterm babies. Today, about 1%-2% of all infants are born very preterm or extremely preterm. Necrotizing enterocolitis (NEC) is an inflammatory disease that affects approximately 5% of preterm babies. NEC has a mortality rate of up to 30%, making it a leading cause of mortality worldwide for this group. Experts believe that an underdeveloped or damaged intestine is the main cause of NEC.

Studies show that a three-strain probiotic blend by Chr. Hansen (*Bifidobacterium*, BB-12®, *Streptococcus thermophilus*, TH-4® and *Bifidobacterium infantis*) has been shown to reduce the risk of NEC by 50%[22]. The product is now used in neonatal intensive care units where it is fed to babies through a feeding tube.

The study was reinforced as the probiotic blend was endorsed by the organization European Society for Pediatric Gastroenterology Hepatology and Nutrition (ESPHGAN), which included the specific blend in its recommendations for infants suffering from NEC.

[19] Accounting principles at https://www.chr-hansen.com/accountingprinciples
[20] Historic development of sustainability data available at www.chr-hansen.com/sustainabilitydatasheet1920
[21] Zeevenhooven et al. Nat Rev Gastroenterol Hepatol, 2018;15:479-496; Kheir et al. Ital J Pediatr, 2012;38:34; and Mayer et al. J Clin Invest, 2015;125:926-38
[22] As documented in two clinical trials including a total of more than 1,200 preterm infants born two months or earlier than due date

Christel, Head of Mergers and Acquisitions Legal

Chr. Hansen has been very active on the M&A side this past year. Can you share some perspectives on that?
We have a strong focus on continuing to strengthen the Chr. Hansen global microbial platform. During the year there have been attractive companies with the quality and focus matching the ambitions and strategy of Chr. Hansen. We have succeeded with the acquisition of UAS Laboratories, HSO Health Care and Jennewein through a focused and agile due diligence team in close collaboration with various departments throughout the organization.

What do you wish to achieve in the probiotic segment through M&A?
We want to accelerate and grow the Health & Nutrition business globally. The probiotic space is one of our focus areas and the two acquisitions support our ambition to develop and expand the global probiotics market.

Solutions for a more environmental and climate-friendly future

Climate change is undoubtedly the defining issue of our time – and we are at a crucial crossroads. This year, at Chr. Hansen, we raised our ambition and strengthened our climate commitment to ensure that we play our part in reducing greenhouse gas emissions[23].

Chr. Hansen joins the UN Climate Initiative to limit global temperature rise to 1.5°C
By joining the 'Business Ambition for 1.5°C', led by a global coalition of UN agencies and leading companies, we commit to set ambitious carbon emission reduction targets through the Science Based Targets initiative.

We are currently defining science-based carbon emission reduction targets across our entire value chain, and we will continue to find ways to raise the bar, focusing on reducing emissions from production and transportation.

1.5°C
Chr. Hansen has joined 'Business Ambition for 1.5°C', led by a global coalition of UN agencies and leading companies.

[23] For all climate and environmental data points, see the Sustainability data sheet www.chr-hansen.com/sustainabilitydatasheet1920

Producing good bacteria on solar power

During the year, Chr. Hansen entered a new ambitious 10-year agreement with the organization Better Energy – a Power Purchase Agreement (PPA). Through the partnership, we commit to purchase electricity from renewable sources corresponding to the use of 15,000 households, covering 100% of the electricity need for all of our Danish sites.

Central to the agreement is our ambition to contribute to the global transition to green energy, which happens through the construction and opening of two new solar parks in Denmark. The energy supply is secured with power production from a mix of several other renewable sources such as wind or biogas, to ensure a steady supply even when there is no sunshine.

Currently, this ensures that 40% of our global electricity consumption is based on renewables[24], but this is only the beginning. We are currently investigating how to scale this model to cover all of our global sites.

MEMBER OF THE DANISH GOVERNMENT'S CLIMATE PARTNERSHIP

Chr. Hansen participated in the Danish Government's Climate partnership for the food and agricultural sector. Together with twelve other partnerships representing different industries, the purpose of the climate partnerships was to define initiatives to reach the Danish Government's climate ambition of reducing CO_2 emissions by 70% by 2030.

Up- and recycling resources

As a production company we continuously work to ensure that, to the extent possible, the materials we use and the waste we generate can be recycled or upscaled to alternative uses.

Our packaging materials are one of the areas where we add extra focus on ensuring recyclability, especially of plastic-based components. Although an important and ubiquitous material, the million tons of plastic litter that end up in the oceans every year is one of the most visible and alarming signs of the challenge to properly design and enable proper reuse of the material[25]. With millions of tons of products leaving our premise each year, we are committed to being part of the solution for ensuring recyclability of our main packaging materials. Packaging is complex and requirements are high in order to ensure that food safety and quality standards are upheld. We are currently conducting feasibility studies for alternative material choices.

When it comes to our waste streams, the majority of this is composed by biowaste, which is primarily eluate, a bi-product from our culture production. This is still rich in nutrients and are therefore of value when we pass it on for alternative production flows, where it is transformed to for example biogas or fertilizers.

[24] Accounting principles available at https://www.chr-hansen.com/accountingprinciples
[25] European Commission, 2020 https://ec.europa.eu/environment/circular-economy/pdf/plastics-strategy-brochure.pdf

Leverage strong culture to drive employee engagement[26]

As a bioscience company with focus on innovation, our future relies on our ability to generate ideas and create solutions. It requires an innovative approach to people development, a strong culture, and a leadership dedicated to making the right choices in order to be able to attract and develop the right people.

LTIF: 1.3

The Lost Time Incidents Frequency (LTIF) remained at a low level due to the strong safety mindset of our employees.

[26] For reporting according to §99b, see the Corporate Governance section of this report

Unique culture and employee engagement
Chr. Hansen's company culture, articulates the unique behavior of Chr. Hansen employees, and together with employee engagement, it is instrumental in ensuring high performance and future success.

We are dedicated to ensure proper introduction to the culture during onboarding as well as stepping up the montioring of engagement to better reflect real-time engagement levels, provide more instant responses and give us better insights to react.

Digital super users
It is our mission to be a modern employer where leadership, development and flexible work life are present and enabled by digital solutions.

Our future success and ability to deliver on our strategy, depends on the experience and expertise of our employees. Due to the fast pace of technologies and innovation, it is predicted that over the span of three years, employees need to be reskilled for one third of their job content as new requirements and tools will surface[27]. With that in mind, it is central for us to ensure that all our employees are on a continuous development journey, with special focus on digital learning. We want to increase knowledge and learning in a flexible and fast-paced manner, at the employee's preferred time and location.

A new flexible workplace position will be in effect at the end of the calendar year to better match the needs of the individual employees and prepare for a more flexible and digitally driven workplace globally.

Safety above all
At Chr. Hansen, nothing is more important to us, than the health and safety of our employees. This year, employee health and safety has been even more prominent due to the COVID-19 pandemic. With our underlying safety DNA, we have been able to adapt and ensure business continuity, while also implementing new protocols and even stricter safety measures. Safety is an ongoing journey, but we believe that we have the right mindset and tools to continue our efforts to keep each other safe.

While a safe workplace and production set-up can minimize a significant part of potential incidents, we know that human behavior is critical in making significant reductions in number of incidents. It is estimated that more than 85% of workplace injuries and accidents can be linked to human behavior[28]. We therefore rely on a combination of robust management systems, behavior-based training and consistent and clear communicaitons to minimize the number of incidents.

The COVID-19 crisis has given us the possibility to fast forward on the digital agenda, rethinking how meetings, trainings and seminars might look.

[27] Gartner, CEB analysis
[28] LaBar 1996

AWARD WINNING SAFETY FOCUS

This year Chr. Hansen was among the very few selected companies that were crowned Transformation Award Winner in the British Safety Council 2020 International Safety Award. The award is a recognition of Chr. Hansen's commitment and efforts to keep our employees and workplaces free of injury and ill health.

Ethics and responsibility from supplier to customer

Chr. Hansen is committed to ensuring that the business we conduct globally is fair, transparent and ethical.

ENCOURAGING STAKEHOLDERS TO RAISE CONCERNS

A total of six cases were reported during the year, including five through our Whistleblower Hotline. The cases related to harassment, discrimination and falsification of documents and embezzlements. All cases were investigated, four cases have been closed, three of which were substantiated. Two cases are still under investigation.

Leading with integrity

As we operate across industries and geographical contexts where risks to business integrity may vary, it is essential that we continue to set the bar high to ensure that we act in compliance within all parts of our business, whether it is about selling products, sourcing materials or collaborating with external parties.

It is our responsibility that our employees receive the relevant and necessary training so they know how to act in different situations. Each year, we require that 100% of relevant employees complete mandatory online training in, among other areas, anti-corruption and anti-trust. Where relevant, we supplement e-learning with in-person training across regions. This year, 98% completed the annual e-learning training. The number is lower than the expected due to the implications of COVID-19 on our production sites, making it difficult for certain employee groups to complete the e-learning.

Sourcing and selling responsibly

With a wide product portfolio follows a wide supplier and customer base. It is our responsibility, regardless of the industry we source from, to ensure that it is done in a responsible manner, and that we are a responsible and transparent supplier to our customers. In addition to our vendor approval program, which includes requirements for sustainability, capacity building is central to our supplier program. We work closely and in long-term collaborations with our suppliers to improve standards and quality. Our internal auditors receive regular training to ensure that the highest environmental and labor standards are upheld throughout our supply chain.

Chr. Hansen is a member of Sedex, one of the world's largest collaborative platforms for sharing responsible sourcing data throughout the supply chain. Third party social and environmental audits are performed at all Chr. Hansen production sites once every three years, as a minimum.

Whether it concerns our own employees, our suppliers or the communities we operate in, we work diligently to ensure that human rights are respected. Our annual human rights due diligence assessment shows that our main risks lie in our supply chain due to the inherent risk of some of the geographical contexts we source from. We strive to mitigate these through our responsible sourcing program by setting out requirements, conducting audits and focusing on capacity building at the suppliers.

Transparent tax reporting

Transparent tax practices are central to ensuring corporate fiscal accountability and responsible business practices in all countries we operate in. Although we pursue competitive tax levels in each jurisdiction of operation, this never compromises the requirements – and our commitment – to comply with local tax regulations and international transfer pricing principles. Our positions on tax guide the tax payments and set-up. Each year we submit our country-by-country report to the Danish tax authorities as required.

During the year, Chr. Hansen supported the NGO Dairy Without Borders with a financial donation. Dairy Without Borders intends to use the money to help small milk farmers optimize their production, ahieve better prices and improve food safety.

Financial ambitions until 2024/25

Chr. Hansen has an ambitious financial agenda and remains committed to delivering industry-leading profitable growth and a strong cash flow generation. From the base year of 2018/19, Chr. Hansen aims to deliver:

ORGANIC GROWTH CAGR OF MID- TO HIGH SINGLE-DIGIT

Mid- to high single-digit organic growth, averaged over the period. Organic growth excludes revenue from acquistions that have closed within the past 12 months, and also excludes impacts from changing currency rates.

UNDERLYING EXPANSION IN EBIT MARGIN B.S.I. BEFORE PORTFOLIO CHANGES AND FX

An increase in EBIT margin before special items, before portfolio changes and currency impacts. The margin improvement is expected to be based on efficiency gains and scalability benefits from operations as well as synergies from recent acquisitions, which will be partly reinvested into the business during the strategy period.

FREE CASH FLOW B.A.S.I. TO OUTGROW ABSOLUTE EBIT B.S.I.

An average growth in free cash flow before acquisitions and special items exceeding the average growth in absolute EBIT before acquisitions and special items.

The financial ambition is based on constant currencies and does not take future acquisitions or divestments into account, even if future activities are likely. The financial ambition has been outlined based on the current political and economic environment and projections, and any deterioration is likely to impact the ambition negatively.

Non-financial ambitions until 2024/25

PRODUCTS

>80%

of gross revenue from sustainable product
Chr. Hansen commits to have >80% of our gross revenue come from sustainable products[29].

25 million

Sustainable agriculture: Covering 25 million hectares of land
The target is composed by our biological plant protection and our silage inoculants - a bacterial solution for preserving forage for animal feed. It is accumulated since base year 2015/16.

200 million

200 million people consuming our probiotics
The target is composed by probiotic sold for dietary supplements, and probiotic cultures for fermented milk and other food types.

2 million

Reduce yogurt waste by 2 million tons
The target builds on the waste reduction potential of the bioprotective food culture, FreshQ® in fermented milk applications. It is accumulated since base year 2015/16.

PLANET

1.5°C

commitment to 1.5°C
Chr. Hansen has joined 'Business Ambition for 1.5°C', led by a global coalition of UN agencies and leading companies. This is a commitment to do our part in keeping global temperature rise below 1.5°C.

100%

renewable energy
Commitment to 100% renewable electricity across all our global sites.

100%

circular management of biowaste
A commitment to ensure that 100% of our biowaste streams are recirculated for other purposes.

100%

key packaging materials recyclable
A commitment to ensure that all our key packaging material is recyclable.

PEOPLE

1:1

equal ratio between female employees and female managers
We maintain a focus on ensuring equal ratio between the percentage of female employees and female managers.

100%

of new employees introduced to Culture model
A commitment to ensure that all new employees are introduced to our culture model as part of their onboarding.

Top 25%

score in employee engagement survey
A commitment to ensure that we are in the top 25% score in annual employee engagement survey of the benchmark.

<1.5

Lost Time Incident Frequency
An ambition to keep Lost Time Incident Frequency below 1.5. Defined as incidents per million working hours.

[29] For more information about the methodology see the acconting principles: https://www.chr-hansen.com/accountingprinciples

Outlook for 2020/21

Assumptions
The outlook is based on constant currencies and assumes no further acquisitions. The outlook is also based on the current political and economic environment. The depth and duration of a global recession, or other negative macroeconomic events, triggered by COVID-19 may affect demand negatively in the medium term, especially in emerging markets, and a combination of quarantine measures and recession may change consumption patterns between eating out, on-the-go and in-home. The various quarantine measures and travel restrictions already imposed around the world make it more difficult to visit customers to advance projects with new innovative solutions, a very important growth driver for Chr. Hansen, and this will slow the progress of the commercial project pipeline in the medium term. The impacts of COVID-19 are continuously being monitored and evaluated for their short- and medium-term effects. Any deterioration in the political and economic climate might impact the outlook negatively. This includes, but is not limited to, the economic climate in several emerging markets, such as China, Turkey, Brazil and Argentina; the overall situation in the Middle East, including any potential sanctions; a deterioration in global trading conditions; and a negative Brexit scenario.

Organic revenue growth
For 2020/21, organic revenue growth is expected to be 5-8%, with the highest contribution from Health & Nutrition. Food Cultures & Enzymes is expected to grow significantly above the relatively low end market growth, and with a positive impact from EUR pricing similar to the reported effect in 2019/20. Growth will be driven by continued momentum in bioprotection and dairy enzymes, as well as fermented plant bases, albeit from a relatively low base. Health & Nutrition is expected to grow faster than the respective underlying markets of probiotics for humans, animals and plants, and will generally be driven by increased demand and increased market penetration of new and recently launched products.

EBIT margin before special items (b.s.i.)
EBIT margin b.s.i. is expected to be 27-28%. Relative to the EBIT margin of 29.9% delivered in 2019/20, the margin is expected to be impacted negatively by currencies, primarily the USD and CNY, while the portfolio changes – acquisitions of HSO Health Care, UAS Laboratories, and Jennewein, and the divestment of Natural Colors – combined are expected to have a small net negative impact (but accretive on EBITDA). Additionally, the Company expects to return to a more normalized travel activity and cost level during 2021, and to continue investments in growth and innovation opportunities.

Free cash flow
Free cash flow before acquisitions & divestments and special items is expected to be EUR 120-160 million. Cash flow from operations is expected to be similar to 2019/20 despite a normalization of certain working capital items and higher interest costs. Cash flow used for investing activities is expected to be around EUR 200 million driven by investments into the new HMO business incl. the new factory in Kalundborg (which is expected to be less than EUR 100 million), whereas as the capex-to-sales ratio excluding the HMO investments is expected to be lower than 2019/20.

Financial implications of portfolio changes
In addition to the guidance parameters outlined above, the acquired businesses (that will have no material impact on organic growth), are estimated to contribute around EUR 130-140 million in revenues, with the highest uncertainty around the timing of ramp-up of the HMO business, and with an estimated EBITDA contribution of around EUR 30 million. In addition, the divestment of Natural Colors is expected to contribute a gain from divested businesses on profit from discontinued operations for the period of around EUR 650-700 million.

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

The most significant currency exposure relates to USD, which accounts for 30-35% of revenue, while exposure to other currencies is more modest. A 5% decrease in the EUR/USD exchange rate would impact revenue measured in EUR negatively by EUR 15-20 million.

Organic revenue growth is sensitive to exchange rate fluctuations in currencies for which Chr. Hansen applies a EUR-based pricing model.

The EBIT margin is also sensitive to exchange rate fluctuations. Production in the US only partly offsets the impact on revenue from changes in the EUR/USD exchange rate. Therefore, the relative EBIT exposure is higher than the revenue exposure. A 5% decrease in the EUR/USD exchange rate would impact EBIT negatively by roughly two thirds of the revenue impact.

The sensitivity to currency developments also applies to the free cash flow.

The use of currency hedging of balance sheet exposures and future cash flows is described in note 4.3 to the Consolidated Financial Statements 2019/20.

5-8%
Organic growth expectation for 2020/21.

03 Business performance

Financial review | Regions | Business areas

"I work closely with our customers to help them get a high quality product. I bring a solution that further helps them reduce food waste by extending the shelf life of for example yogurt."

Jingxian, Key Account Manager,
Food Cultures & Enzymes

Financial review

Revenue (cont. operations)
Organic growth was 6%, and adjusting for a negative currency impact of 3%, corresponded to a revenue increase of 3% to EUR 970 million. The impact from acquisitions was immaterial. COVID-19 impacts during the year were neutral, as the slight net positive effect in Q3 turned into a slight net negative impact in Q4.

Organic growth was primarily driven by volume/mix effects, with around 2% from price increases in local currencies.

Revenue (cont. operations)	2019/20
Organic growth (vol/mix)	4%
Organic growth (price)	2%
Organic growth	**6%**
Currencies	(3)%
Acquisitions	0%
EUR growth	**3%**

Gross profit (cont. operations)
Gross profit was EUR 584 million, up 1% on 2018/19. The gross margin decreased by 1.3%-points to 60.2%, as increased freight costs due to COVID-19, an unfavorable product mix and a slight negative currency impact were only partially offset by scalability benefits in production.

Operating expenses (% of revenue, cont. operations)
Operating expenses totaled EUR 257 million (26.5%), compared to EUR 262 million (28.0%) in 2018/19.

Total R&D expenditures incurred amounted to EUR 78 million (8.0%), compared to EUR 76 million (8.1%) in 2018/19. The increase in cost was primarily driven by increased activities in Food Cultures & Enzymes and Plant Health.

EUR million	YTD 2019/20	YTD 2018/19
R&D expenses (P&L)	76.2	70.7
- Amortization	6.9	6.7
- Impairment	3.1	0.3
+ Capitalization	11.8	12.0
R&D expenditures incurred	78.0	75.7

Sales & marketing expenses amounted to EUR 135 million (13.9%), compared to EUR 132 million (14.1%) in 2018/19. Increased investments in strategic priorities in Food Cultures & Enzymes and Health & Nutrition were partly offset by lower travel expenses due to COVID-19 travel restrictions.

Administrative expenses amounted to EUR 53 million (5.5%), compared to EUR 61 million (6.5%) in 2018/19, the lower expense was driven by cost management initiatives and lower travel activity due to COVID-19.

Net other operating income/expenses was an income of EUR 8 million, compared to EUR 1 million in 2018/19. The increase was of a one-off nature and driven by the single-line consolidation of UAS Laboratories and a favorable ruling in a VAT dispute case in Brazil.

Operating profit (EBIT) before special items (cont. operations)
EBIT before special items amounted to EUR 327 million, compared to EUR 315 million in 2018/19, an increase of 4%.

The EBIT margin before special items was 33.7%, up from 33.6% in 2018/19.

In Food Cultures & Enzymes, EBIT amounted to EUR 238 million, compared to EUR 234 million in 2018/19. The EBIT margin was 34.3%, on par with 2018/19. In Health & Nutrition, EBIT amounted to EUR 89 million, compared to EUR 80 million in 2018/19. The EBIT margin was 32.2%, up 0.7%-point on 2018/19.

Special items (cont. operations)
Special items were an expense of EUR 14 million compared to an expense of EUR 2 million in 2018/19. The increase in expenses was driven by strategic activities such as the acquisitions of HSO Health Care, UAS Laboratories and Jennewein.

Operating profit (EBIT, cont. operations)
EBIT amounted to EUR 313 million, compared to EUR 312 million in 2018/19. The EBIT margin was 32.3%, compared to 33.3% in 2018/19.

Net financials, share of JV and tax (cont. operations)
Net financial expenses amounted to EUR 14 million, compared to EUR 16 million in 2018/19. The net interest expenses were EUR 13 million, up from EUR 9 million in 2018/19. The interest expense from the implementation of IFRS 16 Leases was EUR 3 million.

The net impact from exchange rate adjustments was a negative EUR 1 million, compared to a negative EUR 2 million in 2018/19.

The Bacthera JV produced a EUR 4 million loss to Chr. Hansen. The JV was launched in September 2019, so there is no comparison from last year. Several customer contracts for early-stage feasibility studies were signed during the year.

Income taxes amounted to EUR 64 million, equivalent to an effective tax rate of 22.9%, compared to EUR 67 million and 23.0%, respectively, in 2018/19.

Profit for the year from continuing operations
Profit from continuing operations for the year increased by 1% to EUR 232 million from EUR 229 million in 2018/19.

Profit for the year from discontinued operations
Profit from the divested business of Natural Colors amounted to EUR 13 million, compared to EUR 21 million in 2018/19. The lower amount compared to last year was primarily due to special item costs related to the divestment of the business.

Profit for the year
Profit for the year decreased by 2% to EUR 245 million compared to EUR 250 million in 2018/19.

Assets (Group)
At August 31, 2020, total assets amounted to EUR 2,854 million (of which EUR 202 million was classified as held for sale), compared to EUR 2,058 million a year earlier. The increase was mainly due to the acquisitions of HSO Health Care and UAS Laboratories, and investments in the microbial production platform.

Total non-current assets amounted to EUR 2,351 million (of which continuing operations amounted to EUR 2,247 million), compared to EUR 1,584 million at August 31, 2019. Goodwill and intangible assets increased by EUR 590 million, while property, plant and equipment increased by EUR 163 million.

Total current assets amounted to EUR 503 million (of which continuing operations amounted to EUR 405 million), compared to EUR 474 million at August 31, 2019. Inventories increased by EUR 21 million, or 13%, and receivables decreased by EUR 16 million, or 8%. Cash increased by EUR 9 million to EUR 96 million.

See more information in note 2.1.

Net working capital (Group)
Net working capital was EUR 208 million (of which EUR 166 million, or 17.1% of revenue were related to continuing operations), compared to EUR 221 million (of which EUR 172 million, or 18.3% of revenue were related to continuing operations), in 2018/19. The improvement was primarily driven by higher trade payables and lower trade receivables and partly offset by higher inventories.

Equity (Group)
Total equity amounted to EUR 893 million at August 31, 2020, compared to EUR 797 million a year earlier. An ordinary dividend for the financial year 2018/19 totaling EUR 124 million was paid in December 2019 (incl. dividend retained due to Treasury shares). No extraordinary dividend was paid out in 2019/20.

Net debt (Group)
Net interest-bearing debt amounted to EUR 1,345 million, or 3.1x EBITDA, compared to EUR 734 million, or 1.8x EBITDA, at August 31, 2019. The increase was driven by the acquisitions of HSO Health Care and UAS Laboratories.

Return on invested capital (ROIC, Group)
The return on invested capital excluding goodwill was 32.2%, compared to 37.3% in 2018/19. The decrease was driven by the acquisitions of HSO Health Care and UAS Laboratories, which accounted for around 3%-points of the decline, and investments in the microbial platform. Around 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital excluding goodwill increased to EUR 1,239 million, compared to EUR 973 million at August 31, 2019.

See more information in note 2.1.

The return on invested capital including goodwill was 16.8%, compared to 20.3% in 2018/19. Invested capital including goodwill increased to EUR 2,488 million, compared to EUR 1,745 million at August 31, 2019.

Cash flow (Group)
Cash flow from operating activities was EUR 365 million (of which EUR 330 million was from continuing operations), compared to EUR 299 million in 2018/19 (of which EUR 268 million was from continuing business). The increase was driven by a positive development in working capital, especially with trade receivables and temporary governmental liquidity supporting initiatives against COVID-19.

Cash flow used for operational investing activities was EUR 140 million (of which EUR 119 million was from continuing operations, or 12.2% of revenue), compared to EUR 139 million (excluding the inflow from the sale-and-lease-back of the Company's main site in Hørsholm, and of which EUR 118 million was from continuing operations, or 12.6% of revenue), in 2018/19. COVID-19 delayed several Capex projects during the second half of the year which led to lower spending than expected at the start of the year.

Free cash flow before acquisitions, and special items was EUR 245 million (of which EUR 225 million was from continuing operations), compared to EUR 162 million in 2018/19 (excluding the inflow from the sale-and-lease-back of the Company's main site in Hørsholm, and of which EUR 153 million was from continuing operations).

Investments in associates was EUR 6 million and represented the investment in the Bacthera JV.

Regional performance

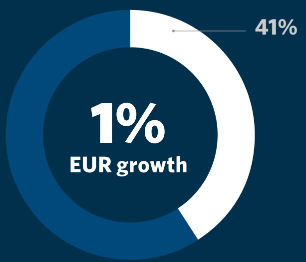
With customers in more than 140 countries and offices in more than 30 countries around the world, Chr. Hansen has organized its sales operations in four regions.

EMEA

3%

organic growth

Organic growth was impacted negatively by the Middle East in particular, whereas Europe drove the growth. Organic growth was driven by good growth in Food Cultures & Enzymes while Health & Nutrition declined slightly.

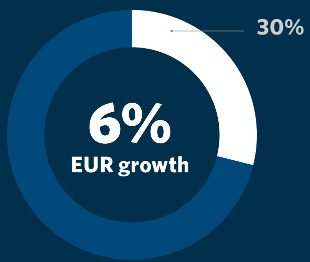


NORTH AMERICA

4%

organic growth

Organic growth was driven by strong growth in Health & Nutrition driven by strong growth in both Animal Health due to Cattle and BOVAMINE® Dairy, and Human Health due to extraordinary demand riven by COVID-19. Food Cultures & Enzymes was flat, as growth in fermented milk was offset by a slight decline in cheese.

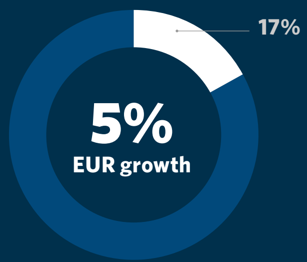


APAC

6%

organic growth

Organic growth was driven by very strong growth in Health & Nutrition, while Food Cultures & Enzymes declined as solid growth in fermented milk was more than offset by a decline in probiotics in China.

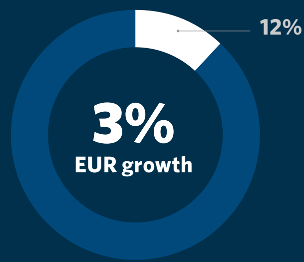


LATINAMERICA

24%

organic growth

Organic growth was driven by very strong growth in Food Cultures & Enzymes, especially by the successful launch of CHY-MAX® Supreme and supported by EUR pricing, and solid growth in Health & Nutrition.



Business areas

Food Cultures & Enzymes

We develop and produce cultures, enzymes and probiotics for the food industry, including for example wine and meat, and in particular for the dairy industry. Our ingredients determine taste, appearance, nutritional value and health benefits.

50%
Every second cheese and every second yogurt in the world contains at least one of our natural ingredients.

KEY FIGURES

EUR million	2019/20	2018/19
Revenue	693.1	682.3
Organic growth	5%	8%
EBIT	237.8	234.3
EBIT margin	34.3%	34.3%
ROIC excluding goodwill	41.1%	44.2%

Performance

Fundamental growth
According to the Company's own estimates, the end markets for fermented milk were roughly flat in 2019/20, as the impacts of COVID-19 led to reductions in output in China, the largest yogurt market in the world, in the months of February through August. Among the remaining markets Europe is estimated to have grown slightly, while the other regions declined slightly. The global production of cheese is estimated to have grown by around 1% in 2019/20, broadly driven by all regions. Globally, pricing structures slightly favored cheese production over available alternatives such as milk powders.

Conversion
Based on industrialized production volume, Chr. Hansen estimates that around 80% of the fermented milk market and around 55% of the cheese market had converted from bulk starter to Chr. Hansen's industrialized DVS® cultures or similar technologies by the end of 2019/20. Chr. Hansen expects growth from continued conversion in the future, especially within cheese.

Innovation and upselling
A significant part of the growth contribution in Food Cultures & Enzymes comes from innovation and upselling. Several new product upgrades and specialized products were launched during the year, and progress was made in adjacent areas like plant-based dairy alternatives, fermented beverages and bioprotection for segments outside dairy.

Revenue
Organic growth was 5%, and adjusting for a negative currency impact of 3%, corresponded to a revenue increase of 2% to EUR 693 million. Organic growth comprised 3% from volume/mix and 2% from price increases in local currencies. The price increases were achieved partly by using EUR-based pricing in certain countries.

Organic growth was primarily driven by strong growth in enzymes and continued solid growth in core categories such as cheese and meat cultures, and good growth in fermented milk. In enzymes, growth was driven by the launch of CHY-MAX® Supreme, and by continued growth of the NOLA® Fit lactase enzyme. Probiotics declined, primarily due to lower volumes in China. Bioprotective cultures delivered double digit growth, driven by the existing segments within fermented milk and meat. Bioprotection accounted for around 8% of the Food Cultures & Enzymes business in 2019/20.

EBIT
In Food Cultures & Enzymes, EBIT amounted to EUR 238 million, compared to EUR 234 million in 2018/19. The EBIT margin was 34.3%, on par with 2018/19. Scalability and efficiencies in production, and lower travel expenses due to COVID-19, were offset by higher freight costs and investments in strategic initiatives, e.g. bioprotection and fermented plant bases.

ROIC excluding goodwill
The return on invested capital excluding goodwill was 41.1%, compared to 44.2% in 2018/19, primarily due to IFRS 16 (which caused more than 1 %-point decline in ROIC) and invested capital which increased by EUR 42 million, or 7%, to EUR 558 million. The increase was mainly due to investments in production capacity.

Even during COVID-19, we kept our entire customer base supplied – on time, and with record quality perfomance.

Ross, Senior Director, Fresh Dairy

Plant based food is a huge trend. How well prepared is Chr. Hansen to respond to his?
Fermented plant based products remain a close adjacency to the solutions we have long offered as market leader to the dairy industry, both in terms of consumer preferences as well as industry requirements for consistent and robust fermentation. Now we have accelerated our development efforts, for example by joining MISTA, a California-based industry ecosystem focusing on the development of sustainable, innovative foods.

What do you expect to gain from this?
We want to further develop fermented plant-based solutions that help customers match this fast evolving trend, and help create a sustainable and resilient global food system that can feed a growing population. We will use the ecosystem in MISTA to co-create prototypes together with innovative start-ups while leveraging the power of large ingredient and FMCG companies. This provides a platform for rapid and focused innovation with an in-built path for commercialization. We look forward to new discoveries, new partnerships, and contributing to the development of new, tasty, nutritious and sustainable plant-based foods.

Business areas

Health & Nutrition

We develop and produce probiotic solutions for dietary supplements and infant formula in Human Health, feed ingredients in Animal Health and crop protection in Plant Health. All products provide a natural benefit when applied or consumed.

200m

New target to improve health: 200 million people consume our documented probiotics by 2025.

KEY FIGURES

EUR million	2019/20	2018/19
Revenue	276.9	255.1
Organic growth	9%	9%
EBIT	89.1	80.4
EBIT margin	32.2%	31.5%
ROIC excluding goodwill	22.6%	29.5%

Performance

Human probiotics
The overall market for probiotics for human probiotics is estimated to have grown by 5-7%, with COVID-19 creating extraordinary demand in the second half of the year, especially in dietary supplements. Market growth in the North American and Asian markets is estimated to have been above 10% driven by e-commerce platforms, whereas the European market is estimated to be in a small decline due to COVID-19 lock-downs during the year prevented consumers from going to pharmacies, especially in key markets in Southern Europe. The global market for probiotics for infant formula has continued at a higher pace than dietary supplements, primarily driven by continued premiumization of the infant formula category.

Animal probiotics
The market for microbial-based solutions for animals developed favorably overall, supported by an increased focus on reducing the use of antibiotics in livestock production. Milk prices in North America were volatile in Q3 and Q4 due to concerns over supply chains and reduced demand driven by COVID-19, as public schools and restaurants were shut down, but were also helped by governmental support. In both the US and Europe, shut-downs in meat processing plants impacted meat prices and caused uncertainty in the meat processing industry. Pork exports from Europe and North America to Asia due to African Swine Fever also supported demand for microbial products.

Revenue
Organic growth was 9%, and a negative currency impact of 1% was offset by an acquisition impact from HSO Healthcare, corresponding to a revenue increase of 9% to EUR 277 million, driven by volume/mix. Human Health delivered solid growth, while Animal Health delivered strong growth. Plant Health declined due to timing of orders and lower-than-expected sales for soy crops in Latin America.

The solid growth in Human Health consisted of strong growth in dietary supplements, while infant formula declined slightly, primarily due to a very strong development last year. Animal Health delivered strong growth, driven by very strong growth in Cattle, and solid growth in Poultry & Swine. Sales were supported by the roll-out in North America of a new product, BOVAMINE® Dairy Plus probiotic.

EBIT
In Health & Nutrition, EBIT amounted to EUR 89 million, compared to EUR 80 million in 2018/19. The EBIT margin was 32.2%, up 0.7%-point on 2018/19. The increase was driven by the single-line consolidation of UAS Laboratories in Q4, cost management initiatives and savings from COVID-19 related travel restrictions, partly offset by an impairment of intangible assets.

ROIC excluding goodwill
The return on invested capital excluding goodwill was 22.6%, compared to 29.5% in 2018/19. Invested capital excluding goodwill increased by EUR 208 million, or 72%, to EUR 498 million, driven by the acquisitions of HSO Health Care and UAS Laboratories. The acquisitions accounted for a decline in ROIC of around 7%-points, whereas investments in production capacity and strategic initiatives, and implementation of IFRS 16, were offset by the increase in EBIT.

9% organic growth despite challenging trading conditions.

Steve, Head of Marketing and Product Management, Animal Health, North America

What can Chr. Hansen offer in the field of Animal Health?
We have been offering natural products for animal health in the form of probiotics for over 40 years. Our science-based, research-proven good bacteria support the normal functions of the gastro-intestinal tracts of animals and birds and contribute meaningfully to the efficient, sustainable production of meat, milk, and eggs.

What is Bovamine Dairy Plus and what makes it so special?
This product for dairy cows, which was launched last year, is a powerful combination of four of the most extensively researched animal probiotic strains. Daily feeding of this combination of organisms enables dairy cows to get what they need out of their feed, while simultaneously supporting gut-based immune functions, thereby improving the likelihood of having normal, healthy, productive animals in the herd.

04 Risk management

Risk management

"My job is to ensure that our good bacteria reach customers in even the most remote areas of the world on time and on quality."

Omar, Senior Manager, Supply & Logistics

Risk management

At Chr. Hansen, risk management is a mindset of continuous risk-conscious vigilance.

The achievement of Chr. Hansen's long-term purpose and business strategy requires a shared understanding of the key risks and of the overall level of risk exposure throughout the Company.

The Company's position on enterprise risk stipulates how Chr. Hansen applies enterprise risk management as a concept, how it applies to all areas of the organization, and how it is integrated into the business processes. The risk management process supports a healthy balance between risk and return in the Company's business model. Therefore, for Chr. Hansen, enterprise risk management is not about risk avoidance but about ensuring risk awareness and that adequate control and mitigations are in place.

To get the full benefit of enterprise risk management, the Company works with concrete and specific risks, providing the ability to track and work in a dedicated manner with the individual risks and mitigations. Through insights and foresight, using skills and capabilities as well as using the understanding of the business, the stakeholders and surrounding markets, the Company is able to identify and focus on the right risks, at the right time. The Company takes a holistic approach through cross-organization participation to analyzing risks, ensuring that risks are addressed from all perspectives.

To achieve clear-risk ownership and an embedded risk culture within the Company, Risk Champs are appointed in each business unit. The purpose of Risk Champs is to facilitate risk management discussions locally and support the risk review processes, enabling decentralized risk structure and management, where appropriate.

Governance structure
The Board of Directors and the Corporate Leadership Team maintain a strong focus on the enterprise risk management process to safeguard that risk management remains an integral part of decision-making processes. The Audit Committee is responsible for reviewing the effectiveness of the risk management process.

Risk reviews are conducted on a quarterly basis with the Coporate Leadership Team, and bi-annually with the Board of Directors. Through these reviews, Management discusses the current risk, and ensures that the right risk mitigation strategies are adopted.

The enterprise risks are assessed in terms of six impact drivers: Safety, Compliance, Financial, Business Interruption, Environment, and Brand & Reputation. The risks are furthermore assessed in respect of the likelihood of the impact materializing.

The Company operates a three-tier risk system ensuring clarity and transparency in the reporting process. Tier 1 risks, the most significant risks, are reported to, and monitored by, the Board of Directors. Tier 2 risks are managed by the Corporate Leadership Team, while Tier 3 risks are managed locally by the respective leadership teams.

Søren, Head of Global Logistics

How have you, as a worldwide supplier, been impacted by COVID-19 in a world in lockdown?
To us, business continuity and consistent supply and quality for our customers have been in focus all along. Already in January, we began to foresee global transport-challenges and we actively sought alternative options, where our strategic relationship with freight forwarders proved useful. The delivery service to all customers has been maintained, first to China, and later to the rest of the world as the epidemic spread globally. At the same time, we have introduced additional sea freight to the US, Australia, Brazil, Peru, Uruguay and Argentina, which additionally brings sustainability benefits due to the lower carbon insensitivity compared to air freight.

How were you able to adjust so swiftly?
This is down to our employees in our global network! We couldn't have done it without them and we are most proud of the way we have adapted to the unusual and difficult circumstances. Our customers are recognizing our extraordinary efforts and performance during the COVID-19 crisis, and this is owing to our employees worldwide, demonstrating huge engagement and dedication in these challenging times.

As for everyone else, the global COVID-19 pandemic has had an influence on Chr. Hansen's normal business routines. Although the world is in the midst of a global pandemic crisis, the Company's business model has shown resilience against the disturbances and kept a constant production and delivery flow. **The previous years' work on business continuity was put to the test and proved its value. The Company has used the crisis to reaffirm the validity of the enterprise risks management process.**

Each enterprise risk has a risk owner appointed who is responsible for overseeing the management of the risk, including for developing and executing mitigation action plans. On the following pages the four key risks and mitigation actions are explained.

COVID-19

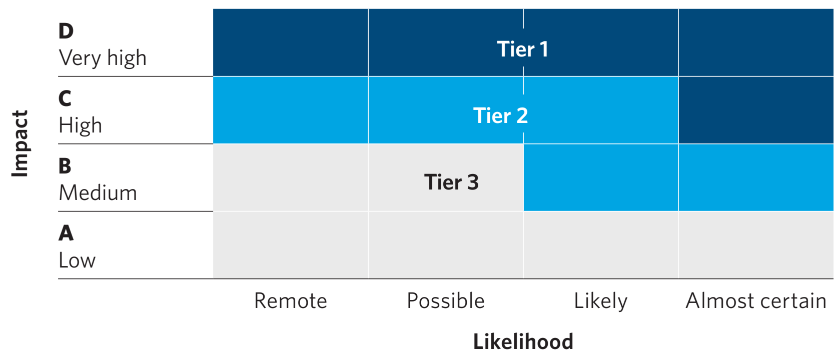
The Company recognized early the Coronavirus' potential to become a pandemic that could potentially have significant consequences for the Company. Recognizing that this was initially a health crisis, the corporate crisis management team's prime focus was to ensure the safety and wellbeing of Chr. Hansen's 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.

Due to Chr. Hansen's global footprint, the immediate and uncoordinated border closures and a sharp decline in air transport availability imposed significant challenges to the distribution system. With sourcing in South America, India and China and production sites in North America, China, Northern Italy, Peru and Brazil, Chr. Hansen has faced many logistical and regulatory challenges.

Scarce availability of raw materials, in particular in the Color division, and limited sources of certain key materials posed challenges. However, thanks to a high level of agility and flexibility – supported by the Company's Culture model - Chr. Hansen has found solutions to keep the production at a high level and minimize disruptions.

In response to the COVID-19 crisis, the Company has reviewed and reaffirmed the validity of the enterprise risk picture and the work performed on ensuring business continuity. The review of the risk register has confirmed the general risk picture for Chr. Hansen. For the past two years, the focus has been on developing and preparing business continuity plans for various scenarios. The effectiveness of these plans have been clearly demonstrated, with production and delivery performance upheld during the COVID-19 crisis.

OUR THREE-TIER RISK SYSTEM ENSURES TRANSPARENCY

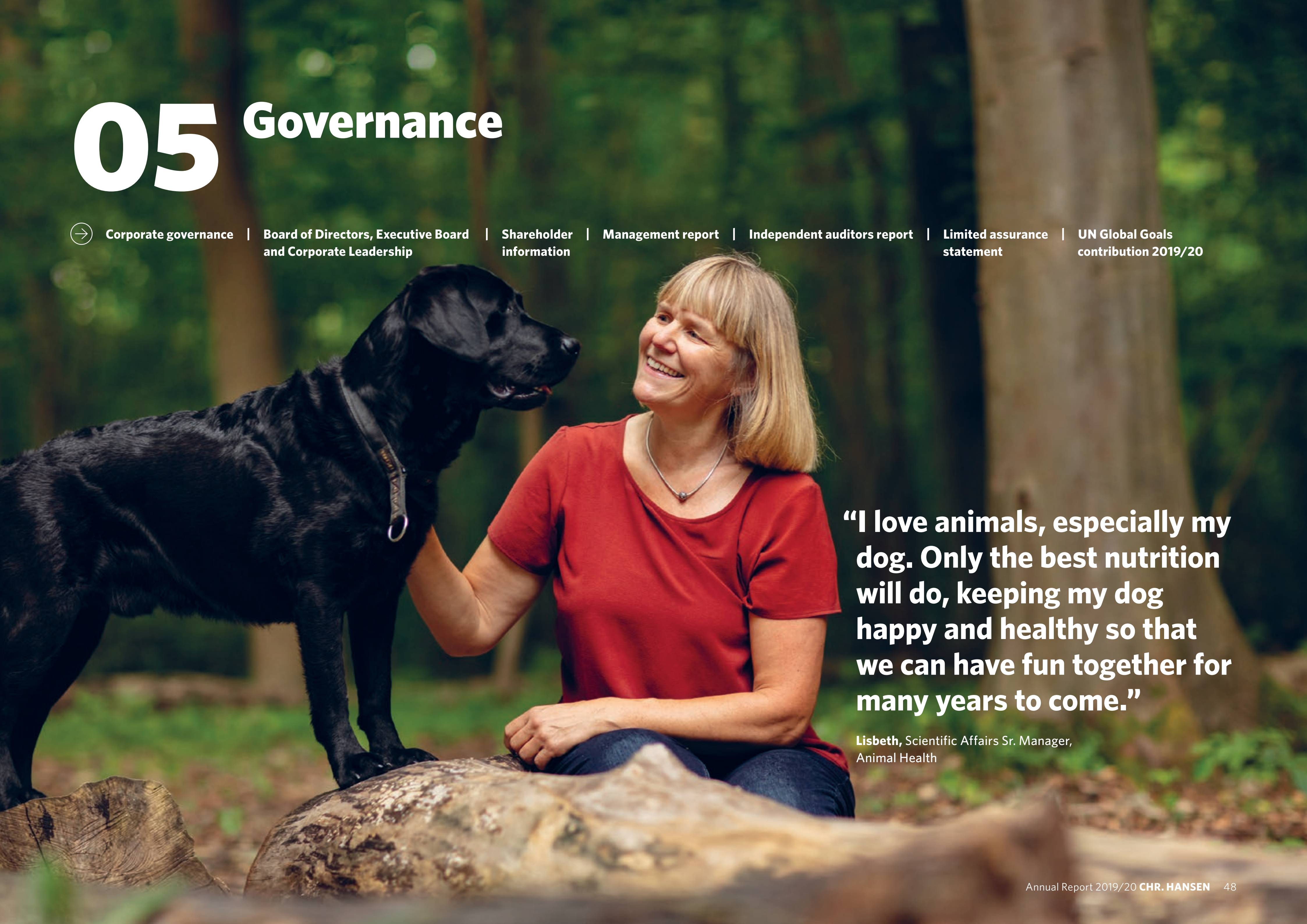


Four key enterprise risk areas in 2019/20 and 2020/21

	Product Quality & Safety	IT security
Description	As Chr. Hansen develops and manufactures natural solutions and ingredients within the food and healthcare segments, a significant risk is ensuring that its products do not have unintended health effects for the consumer.	Digital connectivity continues to transform the way Chr. Hansen does business, and became even more important due to COVID-19. Like all other organizations, Chr. Hansen is heavily dependent on an IT infrastructure and technology supporting the day-to-day business. A breakdown or an attempt to cause damage to Chr. Hansen, its customers, its suppliers or partners through unauthorized access, destruction, corruption, manipulation of data or systems, would pose a significant risk to the Company.
Risk assessment	Consequences, should the risk materialize, are potential health effects for the consumer, significant brand and reputational damage and corporate liability/fines/penalties. The likelihood is considered to be very low given the already strong established food safety management system. Chr. Hansen's food safety program is certified to internationally recognized food safety standards. All food production sites are FSSC 22000 certified, and central product development functions are certified to ISO 22000 standards.	Consequences, should the risk materialize, are potentially very substantial financial implications, long term business disruption with a high impact on deliveries to Chr. Hansen's customers, reputational damage and a potential loss of customers to competitors. The likelihood of a breakdown or malicious interference with major impact is considered to be low, due to a strong and protected technology platform.
Mitigation strategy	Keep current food safety management system up to date, with new legislation and food safety law. Specifically, the Company is working proactively to incorporate new US food safety legislation (FSMA) and to recertify all sites, ensuring compliance with the newly released ISO 22000 food safety standards. To ensure the highest level of product safety, Chr. Hansen maintains an extensive quality assurance and food safety program spanning the entire value chain, from the sourcing of raw materials to delivery of finished products to customers. The Company is working proactively to align quality standards for Chr. Hansen's internal production and its external partners.	Stay focused on maintaining a strong and protected technology platform. It is important to ensure that the Company's critical and sensitive data, assets and reputation are protected against the increasing global threat of cyberattack and theft. Chr. Hansen continues the work to enhance the IT disaster recovery organization and to develop a structured training program in order to enable the Company to withstand potential threats. IT security is a strategic focus area with a concrete and ambitious digitalization strategy hence, more resources are continuously put into protecting Chr. Hansen from cyber-crime.

	Supply disruptions	Protection of knowledge and brand
Description	With a global production footprint, a sustainable sourcing program and a complex distribution network, there is a high risk that disruption could affect the delivery to customers, which would lead to disruption in the global dairy supply chain. Disruption may result from property damage, non-accessibility to raw materials, natural catastrophe or global network disruptions. Pandemics, as seen during the COVID-19 crisis, may also have a significant effect.	Chr. Hansen's products have been perfected through our 146 year history. Hence, protecting this innovative knowledge is essential to maintaining our position as market leader. Copyright pirates, brand impersonators and trade secret thieves possess an increasing risk to the company.
Risk assessment	Consequences, should the risk materialize, are a potentially high impact on deliveries to Chr. Hansen's customers, significant brand and reputational damage and a potential loss of customers to competitors. The likelihood of property damage, leading to a significant disruption in delivery to our customers, is considered to be very low. However, given the global COVID-19 challenges, the risk of disruption to the global logistic network has increased.	Consequences, should the risk materialize, are a potentially high financial impact due to loss of customers, legal disputes, and a potential damage to the Company's brand and reputation. Although an increased aggressiveness towards intellectual property (IP) theft has been registered in the market, the likelihood is considered to be medium. The Company protects new knowledge, through a proactive IP strategy created to support and protect its business.
Mitigation strategy	Maintain a constant focus and evolution on business continuity, where an essential element is the Company's "One plant many locations" philosophy, allowing a swift switchover in production, reducing the impact on business and delivery performance. For value chains not fully duplicated, the Company ensures stronger inventories of bulk products. The Company has introduced a new process for a criticality assessment of raw materials and production materials, ensuring an overall stronger supply chain that highlights critical risks such as single sourcing. As a result, the Company is making a transition from several vulnerable single supply chains to a supply chain network and dual sourcing. Through partnerships with insurance carriers, risk engineering provides valuable knowledge, reducing the risk of property damage. Regular follow-ups are performed with the insurance carriers to ensure progress of eliminating identified shortcomings.	Stay focused on proactive and strict governance of IP/knowledge across the orgnization. The Company has developed an updated IP strategy framework connecting business strategy, R&D activities and IP intelligence. In addition, IP strategy groups have been set up to support each individual business area in adhering to governance requirements. Moreover, the Company enforces an aggressive strategy towards infringers of its intellectual property rights (IPR). During the year, the Company successfully defended a number of IP rights through legal action. To support the Company's enforcement strategy, surveillance and an automated action tool is being implemented for global e-platform enforcement. A Trade Secret Control Group oversees all trade secrets and secures continuous improvements in governance initiatives. Risk assessments are continuously being carried out, classifying trade secrets into three risk groups. A mitigation action plan for production know-how has been prepared and will be implemented during the current financial year. Production know-how is considered the Company's core trade secret.

05 Governance



"I love animals, especially my dog. Only the best nutrition will do, keeping my dog happy and healthy so that we can have fun together for many years to come."

Lisbeth, Scientific Affairs Sr. Manager, Animal Health

Corporate governance

The Board of Directors of Chr. Hansen Holding A/S remains committed to good governance practices and to following the Danish Recommendations on Corporate Governance[30] (Recommendations).

The Board of Directors regularly reviews Chr. Hansen's corporate governance framework and policies in relation to the activities of Chr. Hansen.

Section 107b of the Danish Financial Statements Act requires Chr. Hansen Holding A/S to prepare a statement on corporate governance for the 2019/20 financial year. This statement is available at www.chr-hansen.com/en/investors/governance/corporate-governance and forms part of the Management's Review, but is not covered by the independent auditor's report. The statement provides an overview of our overall governance structure and our position on each of the Recommendations. The Company currently complies with all of the Recommendations.

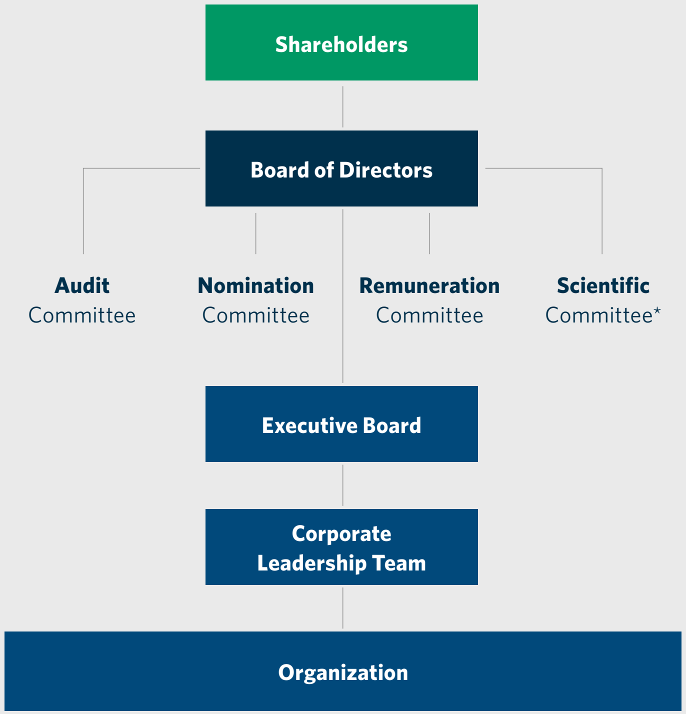
In addition, Chr. Hansen is committed to be accountable to all relevant stakeholders. The Company has developed a number of policies and positions that are aligned with international conventions, treaties and standards. For example, Chr. Hansen continues to support the ten principles of the United Nations Global Compact and works strategically with the UN Sustainable Development goals. For more information, go to https://www.chr-hansen.com/en/sustainability.

Shareholders
The shareholders have ultimate authority over the Company and can exercise their rights by passing resolutions at general meetings, which is the supreme governing body of Chr. Hansen. At annual general meetings, shareholders approve the annual reports, any amendments to the Articles of Association, and elect board members and the independent auditor. Resolutions can generally be passed by a simple majority. However, resolutions to amend the Articles of Association require the affirmative votes of two-thirds of the votes cast and capital represented, unless the Danish Companies Act imposes other adoption requirements.

The 2019 Annual General Meeting was held on November 27, 2019 and the minutes of the meeting are available at www.chr-hansen.com/en/investors/governance/annual-general-meeting. Rules and deadlines applicable to the Annual General Meeting are stipulated in the Company's Articles of Association available at www.chr-hansen.com/en/investors/governance/annual-general-meeting.

[30] The Danish Recommendations on Corporate Governance of November 23, 2017 as adopted by Nasdaq Copenhagen in the Nordic Main Market Rulebook for Issuers of Shares, Supplement A.

GOVERNANCE STRUCTURE



*As per September 24, 2020 the committee has changed name to the Science & Innovation Committee

Management

Chr. Hansen has a two-tier management structure consisting of the Board of Directors and the Executive Board. The two bodies are separate and have no overlapping members. The Executive Board oversees the day-to-day management, while the Board of Directors supervises the work of the Executive Board and is responsible for the overall management and strategic direction.

Board of Directors

The Board of Directors has eleven members, seven of whom are elected by the shareholders and four by the employees in Denmark. All shareholder-elected members of the Board of Directors serve for terms of one year and may stand for re-election at each year's annual general meeting. Currently, all seven board members elected by the shareholders are independent as defined by the Recommendations.

In June 2017, the employees in Denmark elected four board members, two men and two women, for a statutory four-year term. The current employee representatives joined the Board of Directors after the annual general meeting held in November 2017 and are up for election again in 2021. Employee-elected board members are not considered independent as defined in the Recommendations.

At the Annual General Meeting held in November 2019, Dominique Reiniche was re-elected Chair of the Board of Directors. Dominique Reiniche has served on the Board since 2013, including as Vice Chair since 2015. The Board subsequently re-appointed Jesper Brandgaard as Vice Chair of the Board. Jesper Brandgaard has served on the Board of Directors since 2017, including as Vice Chair since 2018.

The Board of Directors held twelve board meetings in 2019/20. For information about meeting attendance see p 52.

More information on each of the board members is available on pp 54-57 and at www.chr-hansen.com/en/about-us/management/board-of-directors.

The Chair of the Board of Directors is overall responsible for conducting an annual evaluation of the Board's performance. The evaluation includes all members of the Board, the Executive Board and the other members of the Corporate Leadership Team. The evaluation addresses the efficiency of the Board, the board composition and dynamics, the processes supporting its work, the value contributions of individual members, the Chair's performance and the collaboration with the Executive Board. Further, the process evaluates topics such as agendas and discussions, strategy development and implementation, risk awareness, monitoring and reporting, succession, and potential overboarding of board members. In addition, each member of the Board of Directors is provided with feedback from all other board members, members of the Executive Board and the other members of the Corporate Leadership Team on their individual performance.

The evaluation is directed by the Chair and has in recent years been facilitated by an external consultant. In 2019/20, the Board decided to conduct an internal board evaluation facilitated by the Corporate Secretary, where the Board, the Executive Board and the other members of the Corporate Leadership Team anonymously completed a comprehensive specially-designed online questionnaire, the responses of which were summarized in a report. In addition, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Science & Innovation Committee all conducted informal self-evaluations.

The results of the evaluation presented to the Board of Directors in September 2020 showed a very good and professional performing board and a strong collaboration between the Board and the Executive Board. Overall all the areas for improvement identified in the 2018/19 evaluation had been addressed. The 2019/2020 evaluation resulted in a continued focus on ensuring the competitiveness of the remuneration of the Corporate Leadership Team and securing the succession bench for the Chair, Vice Chair and committee chairs, as well as a focus on strengthening the annual budget review process, the follow-up process in Board approved investment projects, the process of enterprise risk management reporting and making the reporting process on the financial position of the Company more dynamic. The Chair of the Board held individual meetings with each of the other board members to review their performance, and a member of the Nomination Committee held a meeting with the Chair to review the Chair's performance.

Board committees

Audit Committee

The Audit Committee assists the Board of Directors in meeting its responsibilities with respect to the financial reporting process, the system of internal controls, the audit process and the Company's process for monitoring compliance with laws, regulations, internal policies and positions, including considering the independence of the independent auditor and reviewing the annual and quarterly financial reports.

In 2019/20, the Audit Committee organized an audit firm selection process in accordance with Article 16 of the EU Audit Regulation (Regulation (EU) No. 537/2014). In the selection process, the Audit Committee evaluated relevant audit firms with regards to electability, competences and global presence. Two audit firms were short-listed resulting in the Audit Committee recommending to the Board of Directors to propose the appointment of PwC at the 2020 Annual General Meeting to be held on November 25, 2020. The Audit Committee's preference was based inter alia on PwC's significant knowledge of the food ingredients industry, its good knowledge of Chr. Hansen and a competitive fee level. Furthermore, PwC has a global organization that provides valuable and professional support to Chr. Hansen's global business.

Board committees

For information on the key matters handled by the Board committees in 2019/20 please refer to www.chr-hansen.com/en/about-us/management/board-committees

The Audit Committee is appointed by the Board and consists of:

- **Mark Wilson (chair; financial expert)**
- **Jesper Brandgaard (financial expert)**
- **Dominique Reiniche**

All members are independent as defined by the Recommendations. Under Danish law, at least one of the members must have expertise and experience in accounting and auditing (financial expert), and the members of the committee must as a whole have competencies relevant to the industry in which the Company operates. Two members are financial experts, and the members as a whole have competencies relevant to the industries in which Chr. Hansen operates.

The Audit Committee held four meetings in 2019/20. For information about meeting attendance see p 52.

Nomination Committee

The Nomination Committee assists the Board of Directors in meeting its responsibilities with respect to the nomination and appointment of members of the Board of Directors and the Executive Board, ensuring that the Board of Directors and the Executive Board are at all times of the appropriate size and composed of individuals with the necessary professional qualifications and experience, and to conducting regular evaluations of the performance of the Board of Directors and the Executive Board.

The Nomination Committee is appointed by the Board and consists of:

- **Dominique Reiniche (chair)**
- **Jesper Brandgaard**
- **Heidi Kleinbach-Sauter**

All members are independent as defined by the Recommendations. The Nomination Committee held three meetings in 2019/2020. For information about meeting attendance see p 52.

Remuneration Committee

The Remuneration Committee assists the Board of Directors in meeting its responsibilities with respect to establishing, implementing and executing its remuneration policy for the members of the Board of Directors, its committees and the Executive Board, and the principles hereof for the other members of the Corporate Leadership Team. Furthermore, the Remuneration Committee assists the Board of Directors in preparing a general remuneration policy for the Company and preparing an annual Remuneration Report for the Board of Directors and the Executive Board.

The Remuneration Committee is appointed by the Board and consists of:

- **Dominique Reiniche (chair)**
- **Kristian Villumsen**
- **Mark Wilson**

All members are independent as defined by the Recommendations. The Remuneration Committee held four meetings in 2019/2020. For information about meeting attendance see p 52.

Scientific Committee

The Scientific Committee assists the Board of Directors in meeting its responsibilities with respect to the Company's R&D activities and ensuring that the Board of Directors has an informed, independent view of the focus and direction of the R&D function's work and capabilities. Furthermore, the Scientific Committee provides reassurance to the Board of Directors that the R&D and technical resources of the Company are appropriately aligned with the agreed strategy.

The Scientific Committee is appointed by the Board and consists of:

- **Luis Cantarell (chair)**
- **Niels Peder Nielsen**
- **Heidi Kleinbach-Sauter**

All members are independent as defined by the Recommendations. The Scientific Committee held five meetings in 2019/2020. For information about meeting attendance see p 52.

At the September 24, 2020 board meeting, it was decided to change the role of the committee to assist and advise the members of the Board of Directors in matters relating to the R&D strategy of the Company including the commercialization strategies to bring innovations from R&D to the relevant markets. The purpose is to provide reassurance to the Board that the R&D, technical resources and innovation plans of the Company are appropriately aligned with the agreed business and customer strategies. As a consequence the name of the Scientific Committee was changed to the Science & Innovation Committee.

Executive board

The Executive Board is responsible for the day-to-day management and compliance with the guidelines and recommendations issued by the Board of Directors. The Executive Board is to and recommend proposals for the Company's overall strategy and objectives to the Board of Directors.

As per August 31, 2020, the Executive Board had three members and was chaired by the President and Chief Executive Officer ("CEO"). The Executive Board forms part of the Corporate Leadership Team, which currently has six additional members and meets at least once a month apart from in the month of July. The Board of Directors appoints members of the Executive Board, and reviews their performance based on a recommendation from the Nomination Committee, and determines their remuneration based on a recommendation from the Remuneration Committee.

No later than on October 31, 2020, the Executive Vice President & CFO Søren Westh Lonning will step down from the Executive Board and be replaced by Lise Skaarup Mortensen. Lise Skaarup Mortensen comes from a position as CFO of Microsoft Germany.

Board committees

For information on the key matters handled by the Board committees in 2019/20 please refer to www.chr-hansen.com/en/about-us/management/board-committees

More information on the members of the Executive Board and the other members of the Corporate Leadership Team is available on pp 58-60 and at www.chr-hansen.com/en/about-us/management/executive-board-and-clt.

Remuneration

The remuneration of the Board of Directors and the Executive Board at Chr. Hansen must contribute towards ensuring that the Company is able to attract and retain highly qualified members to its Board of Directors and Executive Board. The remuneration and its composition is structured so as to create a suitable alignment of the interests of management and those of the shareholders. In this context, the remuneraton must contribute towards promoting the strategy, long-term sustainability and creation of value in the Chr. Hansen Group by supporting the Group's long-term and short-term objectives.

Chr. Hansen's Remuneration Policy forms the basis of the framework governing remuneration of the Board of Directors and the Executive Board. The Remuneration Policy was most recently revised at the 2019 Annual General Meeting held on November 27, 2019, when the Annual General Meeting approved amendments to the principles of the short-term incentive (cash bonus and restricted stock units) program and the long-term incentive (matching shares) program to the Executive Board by introducing target values, changing the maximum values, clarifying mandatory claw-back in the event of errors in the accounting figures or other basis for the award or vesting under the incentive programs, and specifying that with respect to the short-term incentive minimum of one-third of the earned short-term incentives will be granted in the form of restricted stock units. Further, the Annual General Meeting approved amendments in order to reflect that board members receive fixed travel allowance in connection with Board and committee-related meetings outside their country of residence instead of in connection with overseas travel only. The Remuneration Policy is available at www.chr-hansen.com/en/investors/governance/remuneration.

Chr. Hansen has prepared a separate Remuneration Report that provides an overview of the total remuneration received by each member of the Board of Directors and of the Executive Board during the 2019/20 financial year with comparative figures for past financial years where relevant.

OVERVIEW OF MEMBERS AND ATTENDANCE

	Board & meetings*		Committees and meetings*			
Name	**Position**	**Meetings**	**Audit**	**Nomination**	**Remuneration**	**Scientific******
Ms. Dominique Reiniche	Chair	●●●●●●●●●●●● 12/12	●●●● 4/4	●●● 3/3	●●●● 4/4	
Mr. Jesper Brandgaard	Vice Chair	●●●●●●●●●●●● 12/12	●●●● 4/4	●●● 3/3		
Mr. Luis Cantarell**	Member	●●●●●●●●●●●○ 11/12				●●●●● 5/5
Ms. Lisbeth Grubov	Employee Representative	●●●●●●●●●●●● 12/12				
Ms. Charlotte Hemmingsen**	Employee Representative	●●●●○●●●●●●● 11/12				
Ms. Heidi Kleinbach-Sauter	Member	●●●●●●●●●●●● 12/12		○● 1/2	● 1/1	●●●●● 5/5
Mr. Niels Peder Nielsen	Member	●●●●●●●●●●●● 12/12				●●●●● 5/5
Mr. Per Poulsen	Employee Representative	●●●●●●●●●●●● 12/12				
Mr. Kim Ib Sørensen	Employee Representative	●●●●●●●●●●●● 12/12				
Mr. Kristian Villumsen***	Member	●●●●○●●●○●●● 10/12		● 1/1	●●● 3/3	
Mr. Mark Wilson	Member	●●●●●●●●●●●● 12/12	●●●● 4/4		●●●● 4/4	

● Attended ○ Did not attend

* Number of meetings attended by each board member out of the total number of meetings during the member's term.

** The board member has been excused from one extraordinary board meeting convened with short notice during the member's term.

*** The board member has been excused from two extraordinary board meetings convened with short notice during the member's term.

**** As per September 24, 2020 the Scientific Committee has changed name to the Science & Innovation Committee.

The Remuneration Report is available at www.chr-hansen.com/en/investors/governance/remuneration. Reference is also made to notes 2.3 (staff expenses) and 5.1 (share-based payment) to the Consolidated Financial Statements.

Diversity

Having a diverse employee population is critical for our ability to deliver ambitious results. To achieve our long-term strategy, we are dependent on our internal capabilities to solve problems and create solutions. This is valid whether it is an apprentice in operations, a scientist in discovery or a manager in global sales. Our diversity policy is centered around the ambition of creating a workforce of employees where diversity, on a number of parameters, is high. We believe that diversity within gender, education, socio-economic background and experience are critical factors for creating a diverse culture and workplace. Key levers are recruitment and promotion processes, where managers are asked to look beyond traditional profiles in an effort to drive more diversity.

We work with diversity broadly, yet believe that gender is an important parameter to pay attention to. As a result the targets presented here relates specifically to the gender composition at different management levels. This year, the percentage of female managers remained at 37%, compared to 43% female employees. Our target is to have equal ratio between female employees and female managers. The positive aspect is a stronger overall gender balance, with the possibility to promote more female managers from within over the next years. When hiring externally, also through recruitment agencies and headhunters, we set out specific requirements for a gender diverse pool of candidates. To ensure the right leadership focus on the diversity targets, diversity remains a component of the remuneration of the Executive Board and the other members of the Corporate Leadership Team.

At board level, the Board of Directors of Chr. Hansen Holding A/S, with two out of the seven shareholder-elected members being women, has retained its equal gender representation, as defined under Danish law[31]. The Board of Directors maintains the target of having at least three women elected by the shareholders by 2022, as well as a strong diversity of skills, experience and nationalities.

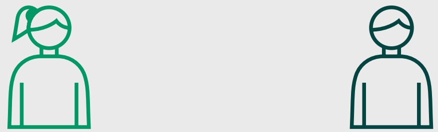
The diversity level of the board of directors in other Denmark-based Chr. Hansen companies, was also stable with equal gender representation, as defined under Danish law[32].

More performance data on diversity can be found in the Sustainability Data Sheet available at www.chr-hansen.com/sustainabilitydatasheet1920.

[31] See the Danish Business Authority's "Guidelines on target figures, policies and reporting on the gender composition of management" at www.erhvervsstyrelsen.dk.

[32] This applies to Chr. Hansen A/S and Chr. Hansen Natural Colors A/S. With regard to the definition of equal gender representation, reference is made to the previous footnote.

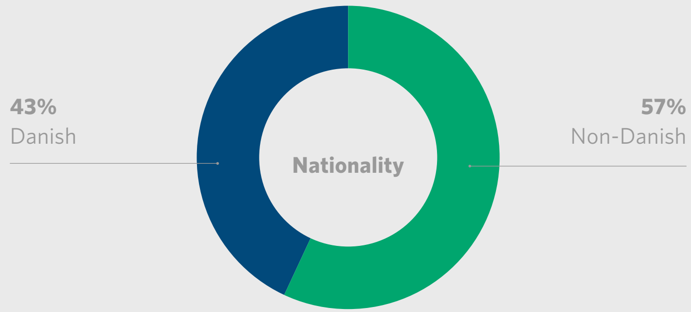
DIVERSITY OF
THE SHAREHOLDER-ELECTED BOARD MEMBERS

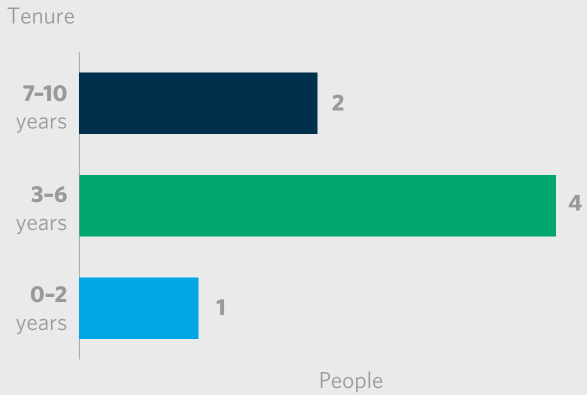


29% Female*

71% Male*

* Of the four employee-elected members of the Board, 50% are female and 50% are male.





Board of Directors

	Dominique Reiniche	**Jesper Brandgaard**
Position	Chair	Vice Chair
Board member since	November 2013. Vice Chair in the period 2015-2018 and elected as Chair in 2018	November 2017 and Vice Chair since 2018
Current term	2020	2020
Committees	Chair of the Nomination and Remuneration Committees. Member of the Audit Committee	Member of the Audit and Nomination Committees
Nationality	French	Danish
Gender	Female	Male
Born	July 1955	October 1963
Independence*	Yes	Yes
Profession	Professional board member	Professional board member
Board competencies	Professional experience from positions in the food, beverage and hygiene/beauty care industries at, among others, Procter & Gamble and Jacobs-Suchard (now Mondelēz International). 22 years in senior leadership positions at French and European levels within Coca-Cola Enterprises and The Coca-Cola Company.	Experience from group management in a multinational pharmaceutical company, including responsibility for strategy development and implementation, legal affairs and patents, information technology and investor relations. Board and executive experience with financial reporting and capital markets.
Board positions and other offices	Chair: Eurostar EIL, UK, chair of the nomination & remuneration committee and member of the audit committee. Member: PayPal Luxembourg, LX, chair of the remuneration committee and member of the audit committee. Mondi plc, UK, chair of the sustainability committee and member of the nomination and remuneration committees. Severn Trent plc, UK, member of the sustainability and nomination committees.	Vice Chair: William Demant Invest A/S, DK. Member: William Demant Fonden and the Advisory Board of the private equity company, Vækst Partner Kapital, both DK. President of the Novo Nordisk Haeophilia Foundation Council, CH (until October 28, 2020). Director of JBR Counselling ApS, DK.

* As defined in the Danish Recommendations on Corporate Governance.

			
	Luis Cantarell	**Lisbeth Grubov**	**Charlotte Hemmingsen**
Position	Member	Employee representative**	Employee representative**
Board member since	November 2016	November 2017	November 2017
Current term	2020	2021	2021
Committees	Chair of the Scientific Committee	–	–
Nationality	Spanish/Swiss	Danish	Danish
Gender	Male	Female	Female
Born	August 1952	June 1955	September 1964
Independence*	Yes	No	No
Profession	Professional board member	Process Specialist, Global Engineering, Chr. Hansen A/S	Senior Specialist, CMC Documentation, QA, Chr. Hansen A/S
Board competencies	Professional global experience within the food and beverage industry, as well as the consumer health industry. Extensive board experience and over 10 years' of executive leadership experience with the Nestlé Group.	–	–
Board positions and other offices	Chair: Froneri Ltd., UK. Member: Kintai Therapeutics, Inc., US, Grupo URIACH SL, Werfen SA and "Foundation Fero", all E.	–	–

* As defined in the Danish Recommendations on Corporate Governance.
** Employee representative elected by the employees of Chr. Hansen Holding A/S, Chr. Hansen A/S and Chr. Hansen Natural Colors A/S.

	Heidi Kleinbach-Sauter	Niels Peder Nielsen	Per Poulsen
Position	Member	Member	Employee representative**
Board member since	November 2017	November 2018	November 2013
Current term	2020	2020	2021
Committees	Member of the Nomination and Scientific Committees	Member of the Scientific Committee	-
Nationality	German/US	Danish	Danish
Gender	Female	Male	Male
Born	June 1956	November 1965	April 1966
Independence*	Yes	Yes	No
Profession	Professional board member	Deputy-CEO of Novo Nordisk Fonden, DK	Principal Specialist, Chr. Hansen A/S
Board competencies	More than 25 years of innovation and R&D experience across a broad range of categories within the CPG (consumer packaged goods) food and beverage industry in Europe, the US, Latin America, Asia and Australia. Founding Chair of several councils, including from listed companies. Experience as a member of the Advisory Committee of Northern Seed Montana LCC, US.	International experience in managing and developing large international companies from his position as partner with Bain & Company and McKinsey & Co., both global management consultant firms operating in various industries, including healthcare and biological solutions. Mr. Nielsen also has experience in digital strategy and business development.	–
Board positions and other offices	Member: Royal Unibrew A/S, DK.	Member: BioInnovation Institute and Danish Venture Capital Association, both DK.	–

* As defined in the Danish Recommendations on Corporate Governance.
** Employee representative elected by the employees of Chr. Hansen Holding A/S, Chr. Hansen A/S and Chr. Hansen Natural Colors A/S.



	Kim Ib Sørensen	Kristian Villumsen	Mark Wilson
Position	Employee representative**	Member	Member
Board member since	November 2017	November 2014	October 2010
Current term	2021	2020	2020
Committees	–	Member of the Remuneration Committee	Chair of the Audit Committee and member of the Remuneration Committee
Nationality	Danish	Danish	British
Gender	Male	Male	Male
Born	July 1963	November 1970	July 1952
Independence*	No	Yes	Yes
Profession	Senior Principal Scientist with responsibilities within bacterial strain development and acquisition, Chr. Hansen A/S	CEO of Coloplast A/S, DK	Professional board member
Board competencies	–	Extensive knowledge of the medtech and life science industry as well as solid international and managerial experience in both European and emerging markets.	International CEO/MD with over 40 years in fast moving consumer goods companies and service/B2B industries in Asian, South American, UK, Irish and international markets. Financial and accounting experience.
Board positions and other offices	–	–	–

* As defined in the Danish Recommendations on Corporate Governance.
** Employee representative elected by the employees of Chr. Hansen Holding A/S, Chr. Hansen A/S and Chr. Hansen Natural Colors A/S.

Executive Board

			
	Mauricio Graber	**Søren Westh Lonning**	**Thomas Schäfer**
Position	President & Chief Executive Officer	Executive Vice President & Chief Financial Officer	Executive Vice President & Chief Scientific Officer
Joined	Chr. Hansen and the Executive Board in June 2018	Chr. Hansen in October 2007 and the Executive Board in August 2015	Chr. Hansen and the Executive Board in August 2017
Nationality	Mexican	Danish	German
Gender	Male	Male	Male
Born	March 1963	June 1977	January 1963
Education	Master of Business Administration from Kellogg Graduate School of Management, Northwestern University, US. Bachelor of Science in Electronic Engineering, Universidad Autonoma Metropoli, MEX.	M.Sc. in Finance and Accounting (Cand. Merc. FIR) from Copenhagen Business School, DK.	PhD in Microbiology from Freie Universität Berlin, D.
Board positions and other offices	Member: Bachtera AG and Jungbunzlauer Suisse AG, both CH.	CEO and sole shareholder of MNGT4 SWL ApS, DK. Member: Bacthera AG, CH, Bacthera Denmark ApS and Fondsmæglerselskabet Investering & Tryghed A/S, both DK.	Member: Bacthera AG, CH, Bacthera Denmark ApS, BioInnovation Institute and the advisory board for DTU Bioengineering, all DK.

Corporate Leadership Team

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

	Christian Barker	Klaus Bjerrum
Position	Executive Vice President, Health & Nutrition	Executive Vice President, Natural Colors Division
Joined	Chr. Hansen in May 2012 and the Corporate Leadership Team in August 2013	Chr. Hansen and the Corporate Leadership Team in August 2018
Nationality	Danish/US	Danish
Gender	Male	Male
Born	May 1970	June 1968
Education	M.Sc. in Economics and Business Administration, Copenhagen Business School, DK	Food Science and Technology from Copenhagen University, Graduate in International Business Administration from Copenhagen Business School, Master Brewer (Carlsberg) Scandinavian School of Brewing, all DK. Kellogg School of Management in Business Marketing Strategy, US.
Board positions and other offices	Member: Bacthera AG, CH, and Bacthera Denmark ApS, DK.	-

				
	Winnie Bügel	**Alice Larsen**	**Jacob Vishof Paulsen**	**Torsten Steenholt**
Position	Corporate Vice President, Compliance & Corporate Affairs	Corporate Vice President, Human Resources	Executive Vice President, Food Cultures & Enzymes	Executive Vice President, Global Operations
Joined	Chr. Hansen in February 2000 and the Corporate Leadership Team in January 2006	Chr. Hansen and the Corporate Leadership Team in June 2016	Chr. Hansen in 2006 and the Corporate Leadership Team in August 2013	Chr. Hansen in October 2012 and the Corporate Leadership Team in March 2017
Nationality	Danish	Danish	Danish	Danish
Gender	Female	Female	Male	Male
Born	September 1965	January 1968	August 1976	April 1969
Education	M.A. Law from the University of Copenhagen, B.Com, International Trade, Copenhagen Business School, DK.	Master of Science, Copenhagen Business School, DK.	M.Sc. in Applied Economics and Finance from Copenhagen Business School, DK.	M.Sc. in Pharmacy from the Royal Danish School of Pharmacy (now Copenhagen University); in Chemical Research from University College London, UK, and Diploma Master Brewer from the Scandinavian School of Brewing, DK.
Board positions and other offices	–	–	–	Member: Co-Ro Holding A/S and Co-Ro A/S, both DK, and Altia Plc, FIN.

Shareholder information

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

Total shareholder return 2019/20
The Chr. Hansen share closed the financial year on August 31, 2020 at DKK 716. This represents an increase of DKK 146 per share or +26% compared to the previous year's closing price.

During the year, an ordinary dividend of EUR 0.95 (DKK 7.07) per share, or a total of EUR 125 million, was paid for the 2018/19 financial year. The total shareholder return in 2018/19 was equal to +27%. No extraordinary dividend was issued.

Chr. Hansen is included in a number of share indexes, including the Nasdaq OMX C25 index, and benchmarks itself against a predefined group of companies. The Nasdaq OMX C25 index returned +30%, while the predefined peer group returned +27% including dividends.

Capital structure
The Board of Directors regularly assesses whether the capital structure of Chr. Hansen is in the shareholders' best interests. The Board of Directors is committed to maintaining financial leverage consistent with a solid investment-grade credit profile, while returning excess cash to shareholders.

SHARE PRICE DEVELOPMENT IN 2019/20

Share data

Share capital	DKK 1,318,524,960
Number of shares	131,852,496 of DKK 10
Outstanding shares	131,733,677 of DKK 10
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	Nasdaq Copenhagen A/S
ISIN code	DK0060227585
Ticker symbol	CHR
Share price at year-end	DKK 716

OTC ADR Level 1 program
(J.P. Morgan Chase Bank N.A.)

DR Symbol	CHYHY
CUSIP	12545M207
DR ISIN	US12545M2070
Ratio	DR:ORD 4:1

The Company's policy for ordinary dividends is a payout ratio of 40-60% of net profit. In addition, the Annual General Meeting has authorized the Board of Directors to distribute extraordinary dividends. The dividends proposed depend on the Board's assessment of factors such as business development, growth strategy, current leverage and financing needs, and there can be no assurance that an ordinary or extraordinary dividend will be proposed or declared in any given year.

+26%
per share compared to the previous year's closing price.

The divestment of Natural Colors is expected to complete during the spring of 2021, and upon receiving the proceeds the Board of Directors expects to pay out an extraordinary dividend at least equal to a normalized ordinary dividend for 2019/20. Until then, the Board of Directors has decided to not propose an ordinary dividend for 2019/20, to prudently manage the leverage of the Company.

Authorization of the board of directors
Until and including November 28, 2022, the Board of Directors has been authorized by the Annual General Meeting to:

- Increase the share capital in one or more stages, with pre-emptive rights for existing shareholders, by up to a total nominal value of DKK 131,852,496. The capital increase shall be effected by payment in cash.

- Increase the share capital in one or more stages, without pre-emptive rights for existing shareholders, by up to a total nominal value of DKK 131,852,496, provided that the increase takes place at market price. The capital increase may be effected by payment in cash or by contribution of assets other than cash. The authorizations to increase the share capital are subject to a joint cap of nominally DKK 131,852,496.

- To acquire up to 13,185,249 treasury shares, provided that the Company's holding of treasury shares at no time exceeds 10% of the Company's share capital. The consideration payable for the shares may not deviate by more than 10% from the share price listed on Nasdaq Copenhagen at the time of acquisition.

Shareholders
At the end of August 2020, Chr. Hansen had around 31,000 institutional and private shareholders, two of which each held 5% or more of the shares:

- Novo Holdings A/S (Denmark)

- APG Asset Management N.V. (Netherlands)

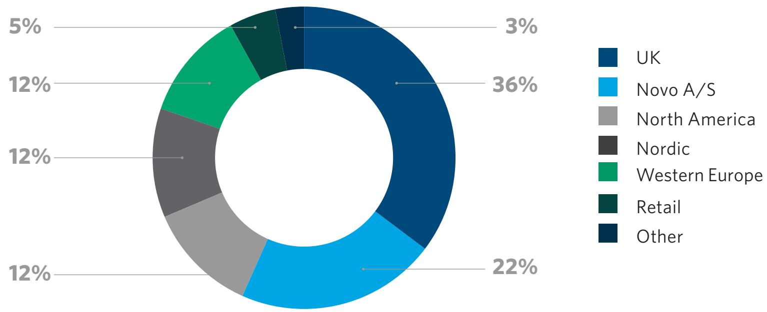
An analysis of the shareholder structure carried out in August 2020 showed that the United States and United Kingdom represent the largest regional group of institutional investors at 36% of share capital. Around 5% of shares were held by retail investors.

To meet certain obligations to deliver shares under management incentive programs Chr. Hansen held less than 1% in treasury stock.

American depositary receipt program
Chr. Hansen has a sponsored Level 1 American Depositary Receipt (ADR) program with J.P. Morgan Chase Bank N.A. acting as depositary bank. An ADR is a USD-denominated negotiable certificate that represents ownership of shares in a non-US company, facilitating the purchase, holding and sale of non-US securities by US investors. At the end of August 2020, less than 1% of the share capital was held through the ADR program.

Analyst coverage
The Company is currently covered by 17 brokers including major international investment banks. A list of analysts covering Chr. Hansen can be found at www.chr-hansen.com/investors/share-info/analysts.

SHAREHOLDERS, AUGUST 2020



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

In 2019/20, Chr. Hansen maintained a close dialogue with investors and analysts by conducting in-person and virtual roadshows and participating in different conferences hosted by various brokers. At the end of August, Chr. Hansen hosted a Virtual Capital Markets Day.

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

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

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Annual general meeting
The Annual General Meeting will be held on November 25, 2020.

Main company announcements 2019/20

2019	
October 29	Major shareholder announcement from the Capital Group Companies, Inc.
November 8	Major shareholder announcement from WCM Investment Management
2020	
January 10	Major shareholder announcement from the Capital Group Companies, Inc.
March 31	Major shareholder announcement from BlackRock, Inc.
April 20	Chr. Hansen Holding A/S acquires HSO Health Care GmbH
June 9	Chr. Hansen Holding A/S acquires UAS Laboratories LLC
July 9	Lise Skaarup Mortensen appointed new CFO of Chr. Hansen Holding A/S
August 24	Chr. Hansen launches 2025 Strategy with the ambition to create a differentiated bio-science leader to improve food and health for a sustainable future

Financial calendar 2020/21

2020	
November 25	Annual General Meeting 2020
2021	
January 14	Interim Report Q1 2020/21
April 15	Interim Report Q2 2020/21
July 8	Interim Report Q3 2020/21
October 14	Annual Report 2020/21
November 24	Annual General Meeting 2021

Read more at chr-hansen.com

Statement of the Board of Directors and Executive Board

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Chr. Hansen Holding A/S for the financial year September 1, 2019 – August 31, 2020.

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

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at August 31, 2020 of the Group and the Parent Company and of the results of the Group's and Parent Company's operations and cash flows for 2019/20.

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

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

Hørsholm, October 8, 2020

Executive Board

Mauricio Graber President and CEO	Søren Westh Lonning CFO	Thomas Schäfer CSO

Board of Directors

Dominique Reiniche Chair	Jesper Brandgaard Vice Chair	Luis Cantarell
Lisbeth Grubov	Charlotte Hemmingsen	Heidi Kleinbach-Sauter
Niels Peder Nielsen	Per Poulsen	Kim Ib Sørensen
Kristian Villumsen	Mark Wilson	

Independent auditor's report

To the shareholders of Chr. Hansen Holding A/S

Our opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 August 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 September 2019 to 31 August 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and Parent Company Financial Statements of Chr. Hansen Holding A/S for the financial year 1 September 2019 to 31 August 2020 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group 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. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were first appointed auditors of Chr. Hansen Holding A/S for the first time after the initial public offering on 30 November 2010. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 10 years including the financial year for the period 1 September 2019 to 31 August 2020.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for the period 1 September 2019 to 31 August 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
Business combinations In April 2020, HSO Health Care GmbH and in July 2020, UAS Laboratories LLC were acquired respectively. Management prepared purchase price allocations ('PPA') for the acquisitions, resulting in assets and liabilities being separately recognised and measured at fair value in the opening balance sheet. When performing the PPAs, Management used the Group's valuation methodologies. In order to determine the fair value of the separately identified assets and liabilities in a business combination, the valuation methodologies require input based on assumptions about the applied discounted cash flow forecasts, including estimation of a WACC. The significant judgements and estimates involved in the PPAs mainly relate to assessing the fair value of the acquired assets and liabilities at the opening balance sheet date. We focused on this area because the PPAs, which includes identification of the acquired assets and liabilities and their respective fair values, requires significant judgements and estimates by Management. Refer to note 5.3 in the Consolidated Financial Statements.	We assessed whether the acquisitions met the criteria of a business combination. We verified the assets and liabilities recognised in the opening balance sheet by performing audit procedures in relation to the opening balance sheet comprising, amongst others, agreed the opening balance to the trial balance, and verified the existence of inventory and tangible assets on a sample basis. We involved our internal specialists in assessing the valuation methodologies used by Management and the fair valuation of the acquired assets and liabilities. We challenged the significant assumptions used to determine the fair value of the acquired assets and liabilities in the business combination. We assessed the appropriateness of the related disclosure provided in the Consolidated Financial Statements.

Key audit matter	How our audit addressed the key audit matter
Discontinuing Natural Colors business A strategic review exploring strategic options for the future of the Natural Colors business was initiated during 2019/20. By the end of the year 2019/20, the requirements for the business to be presented as discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations were met. We focused on this area because determining the appropriate application of IFRS 5 is dependent on judgements by Management, in particular: • Whether the transaction meets the criteria for separate presentation of assets and liabilities classified as held for sale. • Whether the Natural Colors business represents a separate major line of business or geographical area of operations resulting in the presentation of discontinued operations. • Whether the assets and liabilities are measured at the lower of the fair value less costs of disposal or their carrying amounts. In addition, the disclosures relating to the Natural Colors business as contained in the income statement, the balance sheet and the cash flow statement, especially in relation to eliminations of intragroup transactions between the continuing and the discontinued business is complex and includes judgements on whether other activities within the Group should be classified as discontinued. Refer to note 5.4 in the Consolidated Financial Statements.	We evaluated whether Management had appropriately applied the requirements of IFRS 5 by, among others: • Examining minutes of Board of Directors' meetings, written correspondence between the Group and the prospective purchasers to assess the classification of assets held for sale and discontinued operations against the 'highly probable' criteria in the accounting standard • Assessing the valuation of assets and liabilities in the Natural Colors business to consider whether any revaluation or impairment was required by considering the headroom between the fair value less costs of disposal and the carrying value of assets and liabilities in the Group. • Assessing the completeness and accuracy of the disclosure of discontinued operations against the disclosure requirements of IFRS 5. • Testing the Group's restatement of the comparative numbers, including eliminations of intragroup transactions, and associated disclosures to assess whether the relevant Natural Colors business had been appropriately recognised and discontinued. We assessed the appropriateness of the related disclosure provided in the Consolidated Financial Statements.

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation and valuation of development projects The Group capitalizes development costs in accordance with IFRS, which prescribe capitalization when certain criteria are met. Recognition and measurement of development projects are subject to judgement and estimates based on Management's assumptions of the future, which is uncertain by nature. Completed development projects are reviewed at the time of completion and on an annual basis to determine whether there is any indication of impairment. For development projects in progress, an annual impairment test is performed. The impairment test is based on strategic plans and value-in-use calculation based on expected future cash flows. We focused on this area because recognition and measurement of development projects are subject to judgement and estimates based on Management's assumptions of the future, which is uncertain by nature. Refer to note 3.2 in the Consolidated Financial Statements.	We considered whether all criteria are met as basis for the capitalisation of development projects in progress. We evaluated procedures and tested relevant internal controls to ensure correct accounting for development projects and performed substantive audit procedures to verify capitalised amounts. We evaluated and challenged Management's assessment of indication of impairment of completed development projects. Our work was based on our understanding of the commercial prospects of the completed development projects. For development projects in progress we evaluated the impairment test performed by Management. We selected a sample of in progress projects and challenged whether a future intent to develop the project remains and whether they will generate probable future economic benefit exceeding the expected carrying value. We challenged the appropriateness of the key assumptions applied and the probability of key future events occurring. Our work was based on our understanding of the commercial prospects of the development projects in progress. We considered the appropriateness of the related disclosure provided in the Consolidated Financial Statements.

Statement on Management's Review
Management is responsible for Management's Review, pages 3-63.

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 in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 Group's and the Parent 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 unless Management either intends to liquidate the Group or the Parent 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.

Independent auditor's report (continued)

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Group's and the Parent 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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, October 8, 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Kim Tromholt	**Allan Knudsen**
State Authorised	State Authorised
Public Accountant	Public Accountant
mne33251	mne29465

UN GLOBAL GOALS Contribution 2019/20

Sustainability data	2019/20	2018/19	2017/18	2016/17	2015/16
Continuing operations Revenue contribution to the UN Global Goals					
Gross revenue contribution, %	81	79	N/A	N/A	N/A
Group total Revenue contribution to the UN Global Goals					
Gross revenue contribution, %	84	82	82	81	N/A
Discontinued operations Revenue contribution to the UN Global Goals					
Gross revenue contribution, %	96	96	N/A	N/A	N/A

Each year, Chr. Hansen reports the percentage of gross revenue that comes from products supporting UN Global Goals no. 2, 3 or 12.

Resume of the Sustainability Accounting Principles

Scope
The revenue contribution to the UN Global Goals is the result of an annual assessment of Chr. Hansen's entire product portfolio. All products are assessed in terms of their contribution/ impact on UN Global Goals no. 2, 3 or 12. The impact is assessed according to eight defined impact categories:

- Increase productivity and yield (UN Global Goals 2 or 12)
- Reduce waste (UN Global Goals 2 or 12)
- Substitute artificial ingredients (UN Global Goals 3 and 12)
- Increase food safety (UN Global Goals 3 and 12)
- Enhance animal welfare (UN Global Goals 2)
- Promote health and well-being (UN Global Goals 3)
- Reduce salt, sugar, fat and lactose (UN Global Goals 3)
- Ensure access to affordable and available nutrition (UN Global Goals 2 and 12)

Products and gross revenue related to mergers acquisitions and divestments are included in the scope of the revenue contribution within 12 months, or no later than the following fiscal year reporting. In case of divestments, products and gross revenue are excluded from the revenue contribution from the day operational control is transferred.

Documentation requirements
The documentation reports include one of the following types of documentation for each of the product categories):

- Results from scientific trials or clinical trials
- Reviewed impact studies or articles
- Customer trials and feedback
- R&D internal tests (should, to the extent possible, be supported by additional documentation and interviews with relevant internal stakeholders)

For more information about the methodology and product mapping read www.chr-hansen.com/globalgoals

Limited assurance statement

Independent practitioner's limited assurance report on the 2019/20 contribution of Chr. Hansen Holding A/S to the UN Global Goals

To the stakeholders of Chr. Hansen Holding A/S
Chr. Hansen Holding A/S (Chr. Hansen) engaged us to provide limited assurance on the Company's percentage of gross revenue from products which contribute to the UN Sustainable Development Goals (SDG's no. 2, 3 and 12) for the period 1 September 2019 to 31 August 2020. Chr. Hansen has mapped its entire product portfolio with respect to SDG impact and concluded that sold products in an amount of 84% in total where 81% of its gross revenue from continued operations and 96% from discontinued operations, respectively, have a positive impact on one or more of the SDG's number 2, 3 and 12.

Our limited review conclusion
Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the 2019/20 percentage of gross revenue from products contributing to the UN Sustainable Development Goals (SDGs no. 2, 3 and 12) for both the continuing and the discontinued businesses as stated on page 69 in the 2019/20 Annual Report have not been prepared, in all material respects, in accordance with the applied criteria and methodology as described in the "Resume of Sustainability Accounting Principles" on page 69 of the Annual Report.

What we are assuring
The scope of our work was limited to assurance over the percentage of the gross revenue from products with an impact on SDG's no. 2, 3 and 12 as stated on page 69 of the Annual Report 2019/20. The percentage is consolidated as well as stated for both for the continuing and the discontinued business.

Professional standards applied and level of assurance
We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control
We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies
The percentage of gross revenue from products with an impact on SDG's no 2, 3 and 12 needs to be read and understood together with the accounting policies, which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different,

but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed
We are required to plan and perform our work in order to consider the risk of material misstatement of the data. In doing so and based on our professional judgement, we:

- made inquiries regarding the preparation of product data sheets;
- assessed underlying documentation in support of product's impact on SDG's whether based on scientific trials, externally reviewed impact studies, customer appraisals or internal R&D test results;
- assessed consolidations of sold amounts of products and reconciled whether total gross revenues per product are aligned with the audited net revenue in the 2019/20 Annual Report;
- conducted show me meetings with key individuals at Chr. Hansen responsible for sales and preparation of product datasheets as well as for calculations and consolidation.
- Evaluated the evidence obtained.

Management's responsibilities
Management of Chr. Hansen is responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the percentage of the gross revenue from products with an impact on SDG's no. 2, 3 and 12 that are free from material misstatement, whether due to fraud or error;
- establishing objective accounting principles for preparing data; and
- consolidating and reporting the gross revenue percentages based on the accounting policies.

Our responsibility
We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the percentages of gross revenue from sold products with an impact on SDG's 2, 3 and 12 as stated on page 69 in the Annual Report 2019/20 are free from material misstatement, and are prepared, in all material respects, in accordance with the accounting policies;
- forming an independent conclusion, based on the procedures we have performed, and the evidence obtained; and
- reporting our conclusion to the Stakeholders of Chr. Hansen Holding A/S.

Hellerup, October 8, 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Kim Tromholt
State Authorised
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mne33251

Allan Knudsen
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Public Accountant
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06 Financial statements

Financial statements – Group | Financial statements – Parent

“I’m intrigued by the link between the bacteria in our gut and our general well-being. It’s very meaningful to have a job where my daily work can actually make a difference for people.”

Natalia, Research Scientist, Human Health

Consolidated financial statements – Chr. Hansen Group

Notes

Income statement
September 1 – August 31

EUR million	Note	2019/20	2018/19
Revenue	2.1	970.0	937.4
Cost of sales	2.2 - 2.3 - 3.5	(386.0)	(360.5)
Gross profit		**584.0**	**576.9**
Research and development expenses	2.2 - 2.3	(76.2)	(70.7)
Sales and marketing expenses	2.2 - 2.3	(135.1)	(131.9)
Administrative expenses	2.2 - 2.3 - 2.4	(53.3)	(60.8)
Other operating income		7.7	3.7
Other operating expenses		(0.2)	(2.5)
Operating profit before special items		**326.9**	**314.7**
Special items	2.5	(13.9)	(2.3)
Operating profit (EBIT)		**313.0**	**312.4**
Financial income	2.6	86.4	36.5
Financial expenses	2.6	(99.9)	(52.6)
Share of loss of joint ventures	5.5	(3.9)	-
Profit before tax		**295.6**	**296.3**
Income taxes	2.7	(64.0)	(67.1)
Profit from continuing operations		**231.6**	**229.2**
Profit from discontinued operations	5.4	13.4	21.0
Profit for the year		**245.0**	**250.2**
Earnings per share, EUR			
Earnings per share	2.8	1.86	1.90
Earnings per share, diluted	2.8	1.86	1.90
Earnings per share from continuing operations	2.8	1.76	1.74
Earnings per share from continuing operations, diluted	2.8	1.76	1.74

Statement of comprehensive income
September 1 – August 31

EUR million	Note	2019/20	2018/19
Profit for the year		245.0	250.2
Items that will not be reclassified subsequently to the income statement			
Remeasurements of defined benefit plans		(0.2)	(0.5)
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Currency translation of foreign Group companies		(31.0)	5.7
Fair value adjustments on cash flow hedges		(18.0)	(6.9)
Gains/(losses) on cash flow hedges reclassified to financial expenses		(0.7)	-
Tax related to cash flow hedges		2.7	1.4
Other comprehensive income for the year		**(47.2)**	**(0.3)**
Total comprehensive income for the year		**197.8**	**249.9**

Cash flow statement
September 1 – August 31

EUR million	Note	2019/20	2018/19
Operating profit from continuing operations		313.0	312.4
Non-cash adjustments	5.2	74.7	58.2
Change in working capital		16.2	(24.2)
Interest received		1.6	-
Interest paid		(15.0)	(10.6)
Taxes paid		(60.7)	(67.4)
Cash flow from operating activities - continuing operations		329.8	268.4
Cash flow from operating activities - discontinued operations		34.8	30.2
Cash flow from operating activities		**364.6**	**298.6**
Investments in intangible assets		(20.5)	(20.6)
Investments in property, plant and equipment		(98.3)	(97.7)
Sale and lease back proceeds		-	67.6
Sale of property, plant and equipment		-	0.2
Cash flow from operational investing activities - continuing operations		(118.8)	(50.5)
Cash flow from operational investing activities - discontinued operations		(20.9)	(21.3)
Cash flow from operational investing activities		(139.7)	(71.8)

EUR million	Note	2019/20	2018/19
Acquisition of entities, net of cash acquired	5.3	(657.2)	(9.8)
Investments in joint ventures	5.6	(5.5)	-
Loan to joint ventures	5.6	(5.1)	-
Cash flow from investing activities - continuing operations		(786.6)	(60.3)
Cash flow from investing activities - discontinued operations		(20.9)	(21.3)
Cash flow from investing activities		**(807.5)**	**(81.6)**
Free cash flow		**(442.9)**	**217.0**
Borrowings		989.4	315.8
Repayment of borrowings		(394.0)	(277.8)
Purchase of treasury shares, net		-	(5.3)
Dividends paid		(124.7)	(224.3)
Cash flow from financing activities - continuing operations		470.7	(191.6)
Cash flow from financing activities - discontinued operations		(13.9)	(8.9)
Cash flow from financing activities		**456.8**	**(200.5)**
Net cash flow for the year		**13.9**	**16.5**
Cash and cash equivalents at September 1		87.4	69.1
Unrealized exchange gains/(losses) included in cash and cash equivalents		(5.1)	1.8
Net cash flow for the year		13.9	16.5
Cash and cash equivalents at August 31		**96.2**	**87.4**

Balance Sheet
at August 31

EUR million	Note	2020	2019
ASSETS			
Non-current assets			
Goodwill	3.1	1,249.1	772.9
Other intangible assets	3.2	321.7	225.5
Property, plant and equipment	3.3 - 3.4	654.8	577.8
Investments in joint ventures	5.5	8.8	-
Receivables from joint ventures	5.6	5.1	-
Deferred tax	2.7	7.0	7.6
Total non-current assets		**2,246.5**	**1,583.8**
Current assets			
Inventories	3.5	122.3	160.0
Trade receivables	3.6	145.1	192.7
Tax receivables		4.1	3.8
Other receivables		24.6	19.1
Prepayments		12.4	11.0
Cash and cash equivalents		96.2	87.4
Total current assets		**404.7**	**474.0**
Assets classified as held for sale	5.4	202.4	-
Total assets		**2,853.6**	**2,057.8**

EUR million	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	177.1	176.8
Reserves		715.9	620.4
Total equity		**893.0**	**797.2**
Non-current liabilities			
Employee benefit obligations	3.7	6.6	7.8
Deferred tax	2.7	133.3	91.2
Provisions	3.8	3.5	3.8
Borrowings	4.2	736.7	723.5
Tax payables		12.0	15.6
Deferred gain sale and lease back		43.4	49.6
Other payables		7.8	8.3
Total non-current liabilities		**943.3**	**899.8**
Current liabilities			
Borrowings	4.2	685.2	98.3
Trade payables		101.2	132.1
Tax payables		29.0	40.7
Deferred gain sale and lease back		1.8	1.8
Other payables		99.7	87.9
Total current liabilities		**916.9**	**360.8**
Total liabilities		**1,860.2**	**1,260.6**
Liabilities relating to assets classified as held for sale	5.4	100.4	-
Total equity and liabilities		**2,853.6**	**2,057.8**

Statement of changes in equity
September 1 – August 31

EUR million	Note	Share capital	Currency translation	Cash flow hedges	Retained earnings	Total
2019/20						
Equity at September 1		176.8	(45.3)	(6.2)	671.9	797.2
Total comprehensive income for the year, see statement of comprehensive income		0.3	(31.3)	(16.0)	244.8	197.8
Transfer of cash flow hedge reserve to the initial carrying amount of hedge items		-	-	14.8	4.1	18.9
Transactions with owners						
Share-based payment	5.1	-	-	-	1.2	1.2
Tax related to share-based payment		-	-	-	2.6	2.6
Dividend		-	-	-	(124.7)	(124.7)
Equity at August 31		**177.1**	**(76.6)**	**(7.4)**	**799.9**	**893.0**

During the year, an ordinary dividend of EUR 0.95 (DKK 7.07) per share, corresponding to EUR 125 million, were paid for the financial year 2018/19.

The Board of Directors has decided to not propose an ordinary dividend for 2019/20.

EUR million	Note	Share capital	Currency translation	Cash flow hedges	Retained earnings	Total
2018/19						
Equity at September 1		176.8	(51.0)	(0.7)	646.5	771.6
Total comprehensive income for the year, see statement of comprehensive income		-	5.7	(5.5)	249.7	249.9
Transactions with owners						
Purchase of treasury shares		-	-	-	(5.4)	(5.4)
Share-based payment	5.1	-	-	-	4.7	4.7
Tax related to share-based payment		-	-	-	0.7	0.7
Dividend		-	-	-	(224.3)	(224.3)
Equity at August 31		**176.8**	**(45.3)**	**(6.2)**	**671.9**	**797.2**

During the year, an ordinary dividend of EUR 0.87 (DKK 6.47) per share, corresponding to EUR 114 million, and an extraordinary dividend of EUR 0.84 (DKK 6.24) per share, corresponding to EUR 110 million, were paid for the financial year 2017/18.

1.1 General accounting policies

Basis of preparation
The consolidated financial statements of the Chr. Hansen Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and further requirements set out in the Danish Financial Statements Act.

General information on recognition and measurement
The consolidated financial statements have been prepared under the historical cost method, except for the measurement of certain financial instruments at fair value.

The accounting policies are unchanged from last year, except for the implementation of new and amended IFRS/IAS standards as stated below and the application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and IAS 28 Investments in Associates and Joint Ventures.

Following the classification of the Natural Colors business as discontinued operations in 2019/20, the business is presented separately at an aggregate level in the income statement, balance sheet and cash flow statement. In accordance with IFRS, the income statement and cash flow statement have both been restated in 2018/19, while the balance sheet has not been restated. For more details concerning the application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and IAS 28 Investments in Associates and Joint Ventures, see note 5.4 and note 5.5, respectively.

New accounting standards, amendments and interpretations
Chr. Hansen adopts new IFRS standards, amendments and interpretations (IFRICs) from the mandatory effective date at the latest. Effective for the accounting year 2019/20, the most relevant to the Group is IFRS 16 Leases.

Other than IFRS 16, the adoption of new amendments and interpretations taking effect on September 1, 2019 has not had any material impact on the recognition, measurement or disclosures in the consolidated financial statements for 2019/20 and is not expected to have any significant impact on the financial reporting in future periods.

IFRS 16 Leases introduces a single lessee accounting model where the lessee is required to recognize all leases, except for short-term leases and 'low-value' leases, as a lease asset and a lease liability in the balance sheet.

Under IAS 17, fixed lease expenses were recognized as other external expenses (above EBIT). In the income statement, the lease cost is replaced by depreciation of the lease asset (above EBIT) and an interest expense on the financial liability (below EBIT). Cash flow classifications are impacted with lease debt repayments which are classified as cash flows from financing activities and interest payments are classified as cash flows from operating activities. Under IAS 17, all lease payments were classified as cash flows from operating activities.

The standard was implemented on September 1, 2019 using the modified retrospective approach, according to which comparative figures are not restated but presented in accordance with IAS 17 and IFRIC 4. At initial recognition, the right-of-use assets are measured at an amount equal to the lease liability, which is measured as the present value of future lease payments using the Group's average incremental borrowing rate of 1.1%, except for the lease relating to leasing of the headquarter (4%). For leases classified as finance lease at August 31, 2019, the carrying amount of the right-of-use asset and the lease liability continues to be stated under IFRS 16.

Chr. Hansen has applied the following practical expedients:
- A single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- An explicit recognition and measurement exemption for leases accounted for as low value and short-term leases. Short-term leases are defined as leases with a remaining lease term of less than 12 months as at September 1, 2019.

The accounting policies for leases are described in note 3.4, and for further disclosures on IFRS 16, please refer to note 4.2.

Impact on the consolidated financial statements
IFRS 16 replaced IAS 17 and IFRIC 4. Under IAS 17, operating lease commitments were EUR 26.4 million. The following table bridges operating lease commitments to IFRS 16 lease liabilities at September 1, 2019.

EUR million	
Operating lease commitments at August 31, 2019	26.4
Discounted using the Group's incremental borrowing rate	(1.4)
Adjustment for useful life changes and extension options	20.5
Low value and short-term leases	0.1
Finance lease obligations at August 31, 2019	56.7
Lease liability recognized at September 1, 2019	**102.3**

At September 1, 2019, Chr. Hansen recognized lease assets of EUR 102.3 million, of which EUR 56.7 million was transferred from finance lease assets under IAS 17. A corresponding lease liability of EUR 102.3 million was recognized, of which EUR 56.7 million was transferred from finance liabilities.

1.1 General accounting policies (continued)

Net book value of lease assets are recognized as:

EUR million	September 1, 2019
Land and buildings	94.8
Plant and machinery	0.5
Other fixtures and equipment	7.0
Non-current lease liabilities	64.3
Current lease liabilities	38.0

EBIT for 2019/20 was impacted by EUR 0.8 million compared to continued expensing of operational lease costs according to IAS 17, and the profit before tax was impacted with less than EUR 0.1 million.

New standards and interpretations not yet adopted
The IASB has issued new or amended standards and interpretations that have not yet become effective and consequently not been implemented in the consolidated financial statements for 2019/20.

Chr. Hansen expects to adopt the new accounting standards, amendments and interpretations when they become mandatory, none of which are expected to have any significant impact on the consolidated financial statements.

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

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

Translation of foreign currencies
Translation from functional currency to presentation currency
Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

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

The functional currency of the Parent Company is the Danish krone (DKK). However, due to the Group's international relations, the consolidated financial statements are presented in Euro (EUR).

Translation of transactions and amounts
Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the transaction date.

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

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of Chr. Hansen Holding A/S (the Parent Company) and subsidiaries controlled by Chr. Hansen Holding A/S, which are prepared in accordance with the Group's accounting policies.

Intercompany transactions, shareholdings, balances and dividends as well as realized and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

Entities satisfying the criteria for joint control are accounted for as investments in joint ventures.

1.1 General accounting policies (continued)

Revenue
Chr. Hansen produces a wide range of cultures, enzymes and natural colors. Revenue includes sales of goods and related services and royalties and is recognized at an amount that reflects the consideration to which Chr. Hansen 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, enzymes or natural colors 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 discount 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. Typical payment terms are around 45 days, but there may be country-specific deviations from typical payment terms.

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

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

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

Alternative performance measures
Chr. Hansen presents certain financial measures of the Group's financial performance, financial position and cash flows that are not defined according to IFRS.

These non-IFRS financial measures may not be defined and calculated by other companies using the same method and may not be comparable.

The financial measures should not be considered as a replacement for performance measures as defined under IFRS, but rather as supplementary information.

1.1 General accounting policies (continued)

Calculation of key figures and financial ratios

EBITDA before special items	Operating profit adjusted for amortization, depreciation, impairment losses and special items
EBIT before special items	Operating profit adjusted for special items
EBIT	Operating profit
Invested capital	Intangible assets, property, plant and equipment adjusted for deferred gain on sale and lease back transaction, trade receivables and inventories less trade payables
Net working capital	Inventories and trade receivables less trade payables
Net interest-bearing debt	Borrowings from financial institutions and lease liabilities less cash and cash equivalents
Free cash flow before special items and acquisitions	Free cash flow adjusted for cash effect of special items and acquisitions
Earnings per share, diluted	Profit for the year divided by the average number of shares excluding treasury shares fully diluted for share programs and performance shares in the money, in accordance with IAS 33
Organic growth	Increase in revenue adjusted for sales reductions, acquisitions and divestments, and measured in local currencies
ROIC excl. goodwill	Operating profit before special items as a percentage of average invested capital excl. goodwill
Capital expenditure	Investments for the year in intangible assets and property, plant and equipment divided by revenue
Other key ratios	Other key ratios used are measured as a percentage of revenue

1.2 Summary of key accounting estimates

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

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

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

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

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

Management considers the key accounting estimates and judgements used in the preparation of the consolidated financial statements to relate to the following:

- Note 2.7 Income taxes and deferred tax
- Note 3.1 Goodwill
- Note 3.2 Other intangible assets
- Note 3.5 Inventories
- Note 5.3 Acquisition of entities
- Note 5.4 Discontinued operations

See the specific notes for further information on the key accounting estimates and assumptions applied.

2.1 Segment information

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Continuing operations	Dis-continued operations	Group
2019/20						
Income statement						
Revenue	693.1	276.9	-	970.0	219.1	1,189.1
EUR growth	2%	9%	-	3%	(2%)	2%
Organic growth	5%	9%	-	6%	0%	5%
Amortization, depreciation and impairment losses	(47.4)	(26.3)	-	(73.7)	(10.2)	(83.9)
EBIT before special items	237.8	89.1	-	326.9	28.6	355.5
EBIT margin before special items	34.3%	32.2%	-	33.7%	13.0%	29.9%
Share of loss of joint ventures	-	(3.9)	-	(3.9)	-	(3.9)
Special items and net financial expenses	-	-	(27.4)	(27.4)	(6.3)	(33.7)
Profit before tax	**237.8**	**85.2**	**(27.4)**	**295.6**	**22.3**	**317.9**

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Continuing operations	Dis-continued operations	Group
2018/19						
Income statement						
Revenue	682.3	255.1	-	937.4	223.7	1,161.1
EUR growth	5%	10%	-	7%	2%	6%
Organic growth	8%	9%	-	8%	3%	7%
Amortization, depreciation and impairment losses	(39.2)	(18.4)	-	(57.6)	(7.0)	(64.6)
EBIT before special items	234.3	80.4	-	314.7	28.5	343.2
EBIT margin before special items	34.3%	31.5%	-	33.6%	12.7%	29.6%
Special items and net financial expenses	-	-	(18.4)	(18.4)	-	(18.4)
Profit before tax	**234.3**	**80.4**	**(18.4)**	**296.3**	**28.5**	**324.8**

2.1 Segment information (continued)

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Continuing operations	Dis-continued operations	Group
2020						
Assets						
Goodwill	523.7	725.4	-	1,249.1	-	1,249.1
Other intangible assets	102.2	219.5	-	321.7	17.8	339.5
Property, plant and equipment	428.6	226.2	-	654.8	86.2	741.0
Other non-current assets	-	-	20.9	20.9	-	20.9
Total non-current assets	**1,054.5**	**1,171.1**	**20.9**	**2,246.5**	**104.0**	**2,350.5**
Inventories	82.4	39.9	-	122.3	58.3	180.6
Trade receivables	93.8	51.3	-	145.1	31.4	176.5
Other assets	-	-	137.3	137.3	8.7	146.0
Total current assets	**176.2**	**91.2**	**137.3**	**404.7**	**98.4**	**503.1**
Total assets	**1,230.7**	**1,262.3**	**158.2**	**2,651.2**	**202.4**	**2,853.6**
Liabilities						
Trade payables	73.2	28.0	-	101.2	47.8	149.0
Deferred gain sale and lease back	34.4	10.8	-	45.2	4.9	50.1
Other liabilities	-	-	1,713.8	1,713.8	47.7	1,761.5
Total liabilities	**107.6**	**38.8**	**1,713.8**	**1,860.2**	**100.4**	**1,960.6**
Net working capital	**103.0**	**63.2**	**-**	**166.2**	**41.9**	**208.1**
Invested capital excluding goodwill	**599.4**	**498.1**	**-**	**1,097.5**	**141.0**	**1,238.5**
ROIC excluding goodwill	**41.1%**	**22.6%**	**-**	**33.6%**	**22.0%**	**32.2%**
Investments in intangible assets and property, plant and equipment	75.8	237.5	-	313.3	20.9	334.2

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Continuing operations	Dis-continued operations	Group
2019						
Assets						
Goodwill	535.4	237.5	-	772.9	-	772.9
Other intangible assets	103.9	103.6	-	207.5	18.0	225.5
Property, plant and equipment	372.3	142.4	-	514.7	63.1	577.8
Other non-current assets	-	-	7.6	7.6	-	7.6
Total non-current assets	**1,011.6**	**483.5**	**7.6**	**1,502.7**	**81.1**	**1,583.8**
Inventories	77.8	29.4	-	107.2	52.8	160.0
Trade receivables	103.9	50.4	-	154.3	38.4	192.7
Other assets	-	-	113.8	113.8	7.5	121.3
Total current assets	**181.7**	**79.8**	**113.8**	**375.3**	**98.7**	**474.0**
Total assets	**1,193.3**	**563.3**	**121.4**	**1,878.0**	**179.8**	**2,057.8**
Liabilities						
Trade payables	64.9	24.8	-	89.7	42.4	132.1
Deferred gain sale and lease back	35.2	11.1	-	46.3	5.1	51.4
Other liabilities	-	-	1,000.4	1,000.4	76.7	1,077.1
Total liabilities	**100.1**	**35.9**	**1,000.4**	**1,136.4**	**124.2**	**1,260.6**
Net working capital	**116.8**	**55.0**	**-**	**171.8**	**48.8**	**220.6**
Invested capital excluding goodwill	**557.8**	**289.9**	**-**	**847.7**	**124.8**	**972.5**
ROIC excluding goodwill	**44.2%**	**29.5%**	**-**	**39.2%**	**24.2%**	**37.3%**
Investments in intangible assets and property, plant and equipment	127.8	49.5	-	177.3	27.0	204.3

2.1 Segment information (continued)

Geographic allocation

EUR million	EMEA[1]	North America[2]	LATAM	APAC	Continuing operations
2019/20					
Revenue	399.8	286.1	119.6	164.5	970.0
EUR growth	1%	6%	3%	5%	3%
Organic growth	3%	4%	24%	6%	6%
Non-current assets excluding joint ventures and deferred tax[3]	1,923.6	266.4	19.1	16.5	2,225.6

1) Includes Denmark, which accounts for 1% of total revenue, corresponding to EUR 9.0 million.
2) Includes the US, which accounts for 28% of total revenue, corresponding to EUR 277.1 million.
3) Non-current assets in Denmark amount to EUR 1,608.4 million.

EUR million	EMEA[1]	North America[2]	LATAM	APAC	Continuing operations
2018/19					
Revenue	393.9	270.0	116.4	157.1	937.4
EUR growth	4%	11%	10%	5%	7%
Organic growth	5%	5%	28%	5%	8%
Non-current assets excluding joint ventures and deferred tax[3]	1,287.4	174.1	21.3	12.3	1,495.1

1) Includes Denmark, which accounts for 1% of total revenue, corresponding to EUR 9.1 million.
2) Includes the US, which accounts for 27% of total revenue, corresponding to EUR 259.2 million.
3) Non-current assets in Denmark amount to EUR 1,002.5 million.

Segment information

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

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

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

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

Accounting policies

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

The identification of the segments on which to report does not involve aggregation of operating segments. The recognition and measurement principles used in the segment information are identical to the ones used in the consolidated financial statements.

The geographic distribution of revenue is based on customers' location.

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

2.2 Amortization, depreciation and impairment losses

EUR million	2019/20	2018/19
Amortization and impairment losses		
Intangible assets		
Cost of sales	(5.2)	(4.2)
Research and development expenses	(10.8)	(7.6)
Sales and marketing expenses	(15.4)	(13.8)
Administrative expenses	(2.1)	(1.5)
Total	**(33.5)**	**(27.1)**
Depreciation and impairment losses		
Property, plant and equipment		
Cost of sales	(33.6)	(28.4)
Research and development expenses	(6.6)	(4.7)
Sales and marketing expenses	(4.6)	(0.8)
Administrative expenses	(7.4)	(3.6)
Total	**(52.2)**	**(37.5)**
Deferred gain sale and lease back		
Administrative expenses[1)]	1.8	-
Total amortization, depreciation and impairment losses	**(83.9)**	**(64.6)**
Of which:		
Continuing operations	(73.7)	(57.6)
Discontinued operations	(10.2)	(7.0)
Total	**(83.9)**	**(64.6)**

1) Deferred gain relates to the sale and lease back of the headquarter in 2018/19.

Accounting policies

The accounting policies on amortization, depreciation and impairment losses are specified in notes 3.1, 3.2, 3.3 and 3.4.

2.3 Staff expenses

EUR million	2019/20	2018/19
Wages and salaries, etc.	(266.3)	(249.8)
Pension expenses - defined contribution plans	(21.8)	(20.6)
Pension expenses - defined benefit plans (note 3.7)	(0.3)	(0.6)
Social security, etc.	(23.8)	(23.0)
Total	**(312.2)**	**(294.0)**
Of which:		
Continuing operations	(253.3)	(238.5)
Discontinued operations	(58.9)	(55.5)
Total	**(312.2)**	**(294.0)**
Average number of employees (FTE), continuing operations	2,932	2,768
Average number of employees (FTE), discontinued operations	668	652
Average number of employees (FTE)	**3,600**	**3,420**

2.3 Staff expenses (continued)

EUR million	2019/20	2018/19
Executive Board		
Salaries	(1.91)	(2.16)
Bonus[1)]	(1.44)	(1.40)
Pension expenses - defined contribution plans	(0.34)	(0.40)
Share-based payment[2)]	(0.48)	(0.90)
Total	**(4.17)**	**(4.86)**
Board of Directors		
Fee	(1.08)	(1.09)
Total fees to key management personnel	**(5.25)**	**(5.95)**

1) The amounts express the cash value of the bonus.
2) The amounts are based on the principles set out in note 5.1.

Remuneration of the Board of Directors and Executive Board
Total fees to key management personnel, comprising the Board of Directors and the Executive Board, amounted to EUR 5.25 million in 2019/20 and EUR 5.95 million in 2018/19.

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

Board of Directors
Total fees to the Board of Directors amounted to EUR 1.08 million in 2019/20 and EUR 1.09 million in 2018/19.

Each director elected by the General Meeting must, no later than 12 months after appointment to the Board of Directors, purchase shares in the Company corresponding to an amount of at least one year's base fee. The director must maintain a shareholding corresponding to at least one year's base fee for as long as he/she is a member of the Company's Board of Directors.

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

Number of shares	September 1	Purchased	Sold	August 31
Dominique Reiniche	1,462	1,000	-	2,462
Jesper Brandgaard	3,622	1,000	-	4,622
Luis Cantarell	2,200	-	-	2,200
Lisbeth Grubov	100	20	-	120
Charlotte Hemmingsen	1,092	-	-	1,092
Heidi Kleinbach-Sauter	750	-	-	750
Niels Peder Nielsen	775	500	-	1,275
Per Poulsen	150	100	-	250
Kim Ib Sørensen	20	-	-	20
Kristian Villumsen	5,000	1,000	-	6,000
Mark Wilson	3,000	-	-	3,000
Total	**18,171**	**3,620**	**-**	**21,791**
Mauricio Graber	17,500	4,561	-	22,061
Søren Westh Lonning	4,576	3,443	(4,000)	4,019
Thomas Schäfer	2,262	153	-	2,415
Total	**24,338**	**8,157**	**(4,000)**	**28,495**

2.4 Fees to auditors

EUR million	2019/20	2018/19
PricewaterhouseCoopers		
Statutory audit	(0.7)	(0.6)
Audit-related services	(0.1)	-
Tax advisory services	-	(0.1)
Other services	(0.1)	(0.3)
Total	**(0.9)**	**(1.0)**

Implementation of the EU Audit Reform has led to restrictions on the non-audit services provided by the auditor elected at the Annual Shareholders' Meeting. It is Chr. Hansen's policy to follow the 70% fee cap restriction on non-audit services provided by the auditor of the parent company.

Other services performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (Denmark) amounted to less than EUR 0.1 million, corresponding to 22% of the annual fee for statutory audit services delivered. Other services consists mainly of advisory services.

2.5 Special items

EUR million	2019/20	2018/19
Cost related to acquisition of UAS Labs Inc.	(10.3)	-
Cost related to acquisition of HSO Health Care GmbH	(1.2)	-
Cost related to acquisition of Jennewine Biotechnologies GmbH	(1.1)	
Cost related to strategic review of Natural Color business	(5.7)	
Strategic projects	(2.0)	-
Adjustment to previous acquisitions	1.0	-
Other projects including establishment of microbiome joint venture	(0.3)	(2.3)
Total	**(19.6)**	**(2.3)**
Of which:		
Continuing operations	(13.9)	(2.3)
Discontinued operations	(5.7)	-
Total	**(19.6)**	**(2.3)**

Accounting policies

Special items comprise material amounts that cannot be attributed to recurring operations, such as income and expenses related to divestment, closure or restructuring of subsidiaries and business lines from the time the decision is made. Also classified as special items are, if material, gains and losses on the disposal of subsidiaries not qualifying for recognition as discontinued operations in the income statement, as well as transaction costs and adjustments to purchase prices relating to the acquisition of entities. Material non-recurring income and expenses that originate from prior years or from projects related to the strategy for the development of the Group and process optimizations are classified as special items.

2.6 Financial income and expenses

EUR million	2019/20	2018/19
Financial income		
Interest income	3.7	5.1
Foreign exchange gains	80.6	30.7
Foreign exchange gains on derivatives	1.4	0.7
Gain on derivatives transferred from other comprehensive income	0.7	-
Total	**86.4**	**36.5**
Of which:		
Continuing operations	86.4	36.5
Discontinued operations	-	-
Total	**86.4**	**36.5**

Accounting policies

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

EUR million	2019/20	2018/19
Financial expenses		
Interest expenses	(10.4)	(15.6)
Interest on lease liabilities	(3.0)	-
Borrowing costs related to construction of assets	0.3	1.3
Foreign exchange losses	(81.9)	(30.5)
Foreign exchange losses on derivatives	(1.1)	(2.7)
Losses on derivatives transferred from other comprehensive income	-	(1.9)
Other financial expenses including amortized costs	(4.4)	(3.2)
Total	**(100.5)**	**(52.6)**
Of which:		
Continuing operations	(99.9)	(52.6)
Discontinued operations	(0.6)	-
Total	**(100.5)**	**(52.6)**

Effective interest expenses amounted to EUR 13.4 million (EUR 17.5 million in 2018/19). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 0.4%.

The implementation of IFRS 16 as of September 1, 2019 has caused the interest element regarding lease liabilities to be recognized as financial expenses. For further details, refer to note 1.1.

2.7 Income taxes and deferred tax

EUR million	2019/20	2018/19
Income taxes		
Current tax on profit for the year	(22.2)	(64.3)
Change in deferred tax concerning profit for the year	(49.5)	(8.8)
Tax on profit for the year	**(71.7)**	**(73.1)**
Adjustments concerning previous years	(1.2)	(1.5)
Tax in the income statement	**(72.9)**	**(74.6)**
Tax on other comprehensive income	**2.7**	**1.4**
Of which:		
Continuing operations	(64.0)	(67.1)
Discontinued operations	(8.9)	(7.5)
Total	**(72.9)**	**(74.6)**

EUR million		2019/20		2018/19
Reconciliation of tax rate				
Danish tax rate	22.0%	(69.9)	22.0%	(71.4)
Deviation of non-Danish Group companies from Danish tax rate	1.3%	(4.1)	0.9%	(3.0)
Non-taxable income and non-deductible expenses	0.2%	(0.7)	(0.6)%	1.8
Adjustments concerning previous years	0.4%	(1.2)	0.5%	(1.6)
Other taxes	(1.0)%	3.0	0.2%	(0.4)
Effective tax rate	**22.9%**		**23.0%**	
Tax on profit for the year		**(72.9)**		**(74.6)**

EUR million	2019/20	2018/19
Deferred tax		
Deferred tax at September 1	83.6	74.2
Currency translation	0.6	0.2
Change in deferred tax - recognized in the income statement	47.9	8.6
Change in deferred tax - recognized in other comprehensive income	1.3	-
Change in deferred tax - recognized through equity	(2.6)	0.6
Transferred to assets classified as held for sale	(4.5)	-
Deferred tax at August 31	**126.3**	**83.6**
Deferred tax assets	(7.0)	(7.6)
Deferred tax liabilities	133.3	91.2
Deferred tax at August 31	**126.3**	**83.6**
Specification of deferred tax		
Intangible assets	139.5	64.3
Property, plant and equipment	26.4	24.8
Non-current assets	(2.8)	-
Tax loss carryforwards	(26.8)	(1.0)
Liabilities	(5.5)	(4.5)
Transferred to assets classified as held for sale	(4.5)	-
Total deferred tax at August 31	**126.3**	**83.6**
Amounts due after 12 months, estimated	**101.7**	**83.2**
Tax losses carry forwards		
Tax losses carry forwards	121.3	5.1
Tax losses expected to be utilized	120.8	3.4
Deferred tax assets from tax losses recognized in the balance sheet	26.8	1.0

2.7 Income taxes and deferred tax (continued)

Key accounting estimates and judgments

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

Accounting policies

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

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

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

2.8 Earnings per share

EUR million	2019/20	2018/19
Profit for the year		
Profit from continuing operations	231.6	229.2
Profit from discontinued operations	13.4	21.0
Profit for the year attributable to shareholders of Chr. Hansen Holding A/S	**245.0**	**250.2**
Average number of shares		
Average number of shares	131,852,496	131,852,496
Average number of treasury shares	(118,819)	(132,890)
Average number of shares excluding treasury shares	**131,733,677**	**131,719,606**
Average dilutive effect of share programs	182,574	169,856
Average number of shares, diluted	**131,916,251**	**131,889,462**
Earnings per share, EUR		
Earnings per share	1.86	1.90
Earnings per share, diluted	1.86	1.90
Earnings per share from continuing operations	1.76	1.74
Earnings per share from continuing operations, diluted	1.76	1.74
Earnings per share from discontinued operations	0.10	0.16
Earnings per share from discocntinued operations, diluted	0.10	0.16

3.1 Goodwill

EUR million	2019/20	2018/19
Cost at September 1	772.9	761.7
Exchange rate adjustments	(12.4)	6.3
Additions	488.6	4.9
Cost at August 31	**1,249.1**	**772.9**
The carrying amount of goodwill has been allocated to the identified cash-generating units according to the operating segments as follows:		
Food Cultures & Enzymes	523.7	535.4
Health & Nutrition	725.4	237.5
Total	**1,249.1**	**772.9**

I In 2019/20, Chr. Hansen acquired HSO Health Care GmbH and UAS Laboratories LLC. Both acquisitions have been allocated in full and tested for impairment within the Health & Nutrition business unit, refer to note 5.3.

In 2018/19, the addition to goodwill related to the acquisition of Österreichische Laberzeugung Hundsbichler GmbH, which was allocated in full to the Food Cultures & Enzymes business unit.

At August 31, 2020, Management performed an impairment test of the carrying amount of goodwill. No basis for impairment was identified. The impairment tests compare the carrying amount of the assets to the discounted value of future cash flows (value in use). The future cash flows are based on budgets and Management's estimates of expected developments over the next five years. Revenue growth assumptions, EBIT, working capital and discount rate constitute the most material parameters in the calculations.

At August 31, 2020, the growth rate for Food Cultures & Enzymes business unit has been projected to larger than average for the underlying market in the five-year period. Chr. Hansen continues to prioritize the core dairy business whilst developing new adjacencies to outgrow the market and protect/expand its leadership position. The growth projections in Food Cultures & Enzymes is expected to be reached through fundamental market growth, pricing and market share gains; upselling and innovation; conversion; and adjacencies.

In the Health & Nutrition business unit, an average growth rate exceeding the market growth in the five-year period has been applied for revenue, in alignment with our long-term ambitions for organic growth in Health & Nutrition. Future growth in Health & Nutrition is to be derived through vast growth opportunities to expand and grow the businesses through driving penetration of probiotics and reinforcing the position in growth markets globally.

The expected growth rate is based on the Company's own market intelligence process, through which information is collected from all key markets to form the basis for future market growth expectations. As a market leader with a global presence, the Company has a unique opportunity to assess the market through direct interactions with customers. The internal expectations are, however, then verified against available market data from external resources, including global market intelligence and research companies. As well as market growth, the Company also assesses commercial opportunities for conversion of customers to the Company's products, pricing and upselling to existing customers within the five-year period to establish expectations for growth above the expected level of market growth. The assessment is based on the Company's current product portfolio and ongoing and potential new projects with existing and potential new customers.

Growth rates for revenue, has been applied with the lower range of the long-term financial ambitions set out in Grow A Better World, Naturally. Overall, an expected improvement in EBIT margin in the five-year period increasing to above 30% for the Group has been applied for both business units. A pre-tax discount rate of 7.8% (8.3% in 2018/19) has been applied in the impairment test for both business units.

Sensitivity tests covering key assumptions have been performed in connection with impairment testing. These additional sensitivity tests did not identify any potential impairment.

Key accounting estimates and judgments

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

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

Accounting policies

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired company. The carrying amount of goodwill is allocated to the Group's cash-generating units, which are the operating segments at the acquisition date.

3.2 Other intangible assets

EUR million	Patents, trademarks, know-how etc.	Develop-ment projects	Software	Intangible assets in progress	Total
2019/20					
Cost at September 1	282.9	75.7	65.0	53.2	476.8
Exchange rate adjustments	(0.9)	0.1	(0.3)	0.1	(1.0)
Additions of acquisitions	121.7	2.2	-	-	123.9
Additions	-	0.3	2.1	20.1	22.5
Disposals	(13.4)	(3.4)	(5.6)	-	(22.4)
Transferred	-	10.9	6.7	(15.7)	1.9
Transferred to assets classified as held for sale	(6.0)	(6.9)	(3.3)	(5.6)	(21.8)
Cost at August 31	**384.3**	**78.9**	**64.6**	**52.1**	**579.9**
Amortization and impairment at September 1	(166.0)	(40.3)	(45.0)	-	(251.3)
Exchange rate adjustments	(0.1)	-	0.3	-	0.2
Disposals	13.4	3.4	5.6	-	22.4
Amortization and impairment[1)]	(16.1)	(10.3)	(7.1)	-	(33.5)
Transferred to assets classified as held for sale	2.7	0.8	0.5	-	4.0
Amortization and impairment at August 31	**(166.1)**	**(46.4)**	**(45.7)**	**-**	**(258.2)**
Carrying amount at August 31	**218.2**	**32.5**	**18.9**	**52.1**	**321.7**
Capitalized salary expenses for the year				13.8	
Capitalized borrowing costs for the year				0.2	

1) Impairment losses of EUR 3.2 million were recognized as development projects and EUR 0.3 million were recognized as software in 2019/20.

EUR million	Patents, trademarks, know-how etc.	Develop-ment projects	Software	Intangible assets in progress	Total
2018/19					
Cost at September 1	274.2	66.2	58.1	45.4	443.9
Exchange rate adjustment	0.5	-	0.1	-	0.6
Additions of acquisitions	8.2	-	-	-	8.2
Additions	-	1.2	2.4	19.7	23.3
Disposals	-	(0.5)	-	(0.3)	(0.8)
Transferred	-	8.8	4.4	(11.6)	1.6
Cost at August 31	**282.9**	**75.7**	**65.0**	**53.2**	**476.8**
Amortization and impairment at September 1	(151.9)	(33.9)	(38.9)	-	(224.7)
Exchange rate adjustment	-	-	(0.1)	-	(0.1)
Disposals	-	0.6	-	-	0.6
Amortization and impairment[1)]	(14.1)	(7.0)	(6.0)	-	(27.1)
Amortization and impairment at August 31	**(166.0)**	**(40.3)**	**(45.0)**	**-**	**(251.3)**
Carrying amount at August 31	**116.9**	**35.4**	**20.0**	**53.2**	**225.5**
Capitalized salary expenses for the year				12.6	
Capitalized borrowing costs for the year				0.2	

1) Impairment losses of EUR 0.3 million were recognized as development projects in 2018/19.

3.2 Other intangible assets (continued)

Patents, trademarks, know-how etc.
In 2019/20, Chr. Hansen has enquired intangible assets through acquisitions amounting to EUR 123.9 million which primarily related to patents, trademarks, costumer relations and know-how.

Of the trademarks, the carrying amount of the Chr. Hansen trademark alone at August 31, 2020 is EUR 11.9 million, with a remaining amortization period of five years.

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

Chr. Hansen recognized impairment losses of EUR 3.2 million in 2019/20 in respect of capitalized development costs assessed not to be commercially feasible in light of the latest knowledge of the market potential (Health & Nutrition Division). In 2018/2019, impairment losses amounted to EUR 0.3 million (Food Cultures & Enzymes Division).

Software
Software comprises expenses for acquiring software licenses and expenses related to internally developed software. The value of the recognized software has been compared to the expected value in use. Impairment losses of EUR 0.3 million were recognized in 2019/20 (no impairment losses in 2018/19).

Key accounting estimates and judgments
Finished development projects are reviewed at the time of completion and on an annual basis to determine whether there is any indication of impairment. If 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 estimated future earnings or savings, interest rates and risks.

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

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

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

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

Other intangible assets are measured at cost less accumulated amortization and impairment losses. Borrowing costs in respect of construction of assets are capitalized when it takes more than 12 months for them to be ready for use.

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

· Patents, trademarks, know-how etc.	5-20 years
· Software	5-10 years
· Development projects	3-15 years

3.3 Property, plant and equipment

EUR million	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2019/20					
Cost at September 1	288.9	438.4	67.0	138.4	932.7
Lease assets at September 1	38.3	0.3	7.0	-	45.6
Exchange rate adjustments	(4.3)	(6.2)	(2.6)	(2.5)	(15.6)
Additions of acquisitions	33.3	24.1	1.4	-	58.8
Additions	15.1	10.4	8.5	95.0	129.0
Disposals	(0.8)	(1.7)	(8.0)	-	(10.5)
Transferred[2]	6.0	11.1	3.9	(33.3)	(12.3)
Transferred to assets classified as held for sale	(38.8)	(21.3)	(6.3)	(28.5)	(94.9)
Cost at August 31	**337.7**	**455.1**	**70.9**	**169.1**	**1,032.8**
Depreciation and impairment at September 1	(81.8)	(237.7)	(35.4)	-	(354.9)
Exchange rate adjustments	2.0	5.2	1.9	-	9.1
Disposals	0.7	2.6	6.3	-	9.6
Transferred[2]	-	1.7	-	-	1.7
Depreciation and impairment[1]	(16.4)	(25.0)	(10.8)	-	(52.2)
Transferred to assets classified as held for sale	2.8	4.2	1.7	-	8.7
Depreciation and impairment at August 31	**(92.7)**	**(249.0)**	**(36.3)**	**-**	**(378.0)**
Carrying amount at August 31	**245.0**	**206.1**	**34.6**	**169.1**	**654.8**
Capitalized salary expenses for the year				13.5	
Capitalized borrowing costs for the year				0.1	

1) No impairment losses were recognized in 2019/20 or 2018/19.
2) Assets transferred to joint venture amount to a cost of EUR 10.3 million and depreciation of EUR 1.7 million. Refer to note 5.5.

EUR million	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2018/19					
Cost at September 1	220.9	403.4	55.3	103.1	782.7
Exchange rate adjustments	2.2	3.0	0.9	0.7	6.8
Additions	69.5	4.8	7.0	91.5	172.8
Disposals	(21.1)	(3.7)	(3.2)	-	(28.0)
Transferred	17.4	30.9	7.0	(56.9)	(1.6)
Cost at August 31	**288.9**	**438.4**	**67.0**	**138.4**	**932.7**
Depreciation and impairment at September 1	(75.6)	(215.3)	(30.3)	-	(321.2)
Exchange rate adjustments	(1.2)	(2.0)	(0.7)	-	(3.9)
Disposals	3.8	2.0	1.9	-	7.7
Depreciation and impairment[1]	(8.8)	(22.4)	(6.3)	-	(37.5)
Depreciation and impairment at August 31	**(81.8)**	**(237.7)**	**(35.4)**	**-**	**(354.9)**
Carrying amount at August 31	**207.1**	**200.7**	**31.6**	**138.4**	**577.8**
Hereof finance leased assets	56.5	0.2	-	-	56.7
Capitalized salary expenses for the year				11.8	
Capitalized borrowing costs for the year				0.1	

The implementation of IFRS 16 as of September 1, 2019 resulted in an increase in Property, plant and equipment of EUR 45.6 million. For a description of the impact, refer to note 1.1 and for additional disclosures relating to leases, refer to note 3.4 and note 4.2.

The value of mortgaged property, plant and equipment amounts to EUR 195.5 million (EUR 208.4 million in 2018/19). Refer to note 3.9 regarding guarantees and commitments.

In 2018/19, the headquarter buildings on leased land were sold. At the same time, Chr. Hansen A/S leased back the buildings.

3.3 Property, plant and equipment (continued)

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use and re-establishment expenses, provided that a corresponding provision is made at the same time. Borrowing costs in respect of construction of assets are capitalized when it takes more than 12 months for the assets to be ready for use.

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

- Buildings 25-50 years
- Plant and machinery 5-20 years
- Other fixtures and equipment 3-10 years

Land is not depreciated.

Depreciation is computed on a straight-line basis.

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

Refer to note 3.4 for accounting policies regarding leases.

3.4 Leases

EUR million	2020	2019
Lease assets		
Land and buildings	94.8	56.5
Plant and machinery	0.4	0.2
Other fixtures and equipment	6.7	-
Carrying amount at August 31	**101.8**	**56.7**
Of which:		
Continuing operations	82.7	-
Assets classified as held for sale	19.1	-
Total	**101.8**	**-**
Additions on lease assets	11.8	56.7

EUR million	2019/20	2018/19
Depreciation of lease assets per asset class		
Land and buildings	(8.6)	-
Plant and machinery	(0.2)	-
Other fixtures and equipment	(3.3)	-
Total	**(12.1)**	**-**
Of which:		
Continuing operations	(9.5)	-
Assets classified as held for sale	(2.6)	-
Total	**(12.1)**	**-**
Expenses related to low value and short-term leases	0.1	-
Amount recognized in the cash flow statement	14.2	-

In 2018/19, Chr. Hansen entered into lease agreements related to the renovation of the headquarter in Hørsholm. The project is expected to be finalized in 2023. The contracts amounting to EUR 77.4 million (undiscounted), are not commenced, and consequently not accounted for in the lease liabilities.

Chr. Hansen implemented IFRS 16 Leases effective September 1, 2019. The Group has applied the simplified transition approach and, accordingly, not restated the comparative figures. For further description of the impact of implementing IFRS 16 Leases, refer to note 1.1.

Lease liabilities are classified as part of borrowings in the balance sheet. For further information related to lease liabilities, refer to note 4.2.

Accounting estimates and judgments

The lease relating to the headquarter in Hørsholm is part of the transition to IFRS 16. Management has assessed that the lease terms for the current leases are 27 years including an extension option of five years. This is considered a significant judgement as a change hereto would have a significant impact on lease liabilities and right-of-use assets.

Accounting policies

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 as 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 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 Group'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.

Chr. Hansen's portfolio of leases covers land, buildings, cars and equipment.

3.5 Inventories

EUR million	2020	2019
Raw materials and consumables	38.1	30.0
Work in progress	64.1	59.8
Finished goods and goods for resale	78.4	70.2
Total	**180.6**	**160.0**
Of which:		
Continuing operations	122.3	-
Assets classified as held for sale	58.3	-
Total	**180.6**	**-**

EUR million	2019/20	2018/19
Continuing operations		
Cost of materials included in Cost of sales	190.8	174.0
Changes in inventory write-downs		
Write-downs at September 1	3.0	3.6
Write-downs	2.7	2.1
Utilization of write-downs	(2.5)	(2.7)
Transferred to assets classified as held for sale	(1.4)	-
Inventory write-down at August 31	**1.8**	**3.0**

Key accounting estimates and judgments

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

Accounting policies

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

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

3.6 Trade receivables

EUR million	2020	2019
Aging of trade receivables		
Not due	159.4	170.2
0-30 days overdue	10.2	11.3
31-60 days overdue	2.8	2.4
61-120 days overdue	2.3	3.4
> 120 days overdue	1.8	5.4
Total	**176.5**	**192.7**
Of which:		
Continuing operations	145.1	-
Assets classified as held for sale	31.4	-
Total	**176.5**	**-**

EUR million	2019/20	2018/19
Changes in allowances for trade receivables		
Allowances at September 1	3.1	1.3
Additions	1.4	2.9
Reversals	(1.1)	(1.1)
Transferred to assets classified as held for sale	(0.6)	-
Allowances at August 31	**2.8**	**3.1**

Accounting estimates and judgments

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macroeconomic factors affecting the credit risk. The expected loss rates are updated at every reporting date.

Accounting policies

Trade receivables are measured at amortized cost less allowances for lifetime expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days overdue. Furthermore, an allowance for lifetime expected credit losses for trade receivables is recognized on initial recognition.

Trade receivables are written off when all possible options have been exhausted and there are no reasonable expectations of recovery. The cost of allowances for expected credit losses and write-offs for trade receivables are included in Sales and marketing expenses.

3.7 Employee benefit obligations

EUR million	2019/20	2018/19
Movement in the employee benefit obligations recognized		
Obligations at September 1	13.5	12.6
Currency translation	-	0.2
Current service expenses	0.3	0.3
Interest expenses	0.2	0.2
Actuarial gains/(losses)	0.5	1.1
Payments made	(0.6)	(0.9)
Transferred to liabilities relating to assets classified as held for sale	(1.5)	-
Employee benefit obligations recognized at August 31	**12.4**	**13.5**
Movement in the fair value of plan assets		
Fair value of plan assets at September 1	5.7	5.5
Currency translation	-	0.2
Expected return on plan assets	0.1	0.1
Actuarial gains/(losses)	0.3	0.5
Benefits paid	(0.3)	(0.6)
Fair value of plan assets at August 31	**5.8**	**5.7**
Net benefit obligations at August 31	**6.6**	**7.8**

EUR million	2019/20	2018/19
Net employee benefit obligations		
Net obligations at September 1	7.8	7.1
Costs recognized in the income statement	0.4	0.4
Remeasurements recognized in other comprehensive income	0.2	0.6
Employer contributions	(0.3)	(0.3)
Transferred to liabilities relating to assets classified as held for sale	(1.5)	-
Net employee benefit obligations at August 31	**6.6**	**7.8**
Weighted average actuarial assumptions applied		
Discount rate	1.0%	1.9%
Future increase in salaries	0.3%	0.3%
Future increase in pensions	1.6%	1.6%
Distribution of plan assets to cover obligations		
Shares	1%	2%
Bonds	88%	84%
Real estate	0%	0%
Cash and cash equivalents	11%	14%
Total	**100%**	**100%**

3.7 Employee benefit obligations (continued)

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

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

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

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

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

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

3.8 Provisions

EUR million	2019/20	2018/19
Provisions at September 1	3.8	3.7
Additions	0.8	1.0
Used	(0.4)	(0.9)
Transferred to liabilities relating to assets classified as held for sale	(0.7)	-
Provisions at August 31	**3.5**	**3.8**

The provisions primarily concern US import tariff costs related to previous years and 2019/20.

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

3.9 Commitments and contingent liabilities

EUR million	2020	2019
Operating lease commitments		
Due within 1 year	-	9.2
Due between 1 and 5 years	-	16.9
Due after 5 years	-	0.3
Total	**-**	**26.4**

As of September 1, 2019, EUR 26.4 million from operating lease commitments was recognized as lease liabilities. See note 1.1 and note 3.4 for a description of the impact of the implementation of IFRS 16.

In 2019, lease commitments related primarily to leaseholds and leased cars and equipment. The calculated liabilities were based on minimum lease payments.

EUR million	2020	2019
Individual assets directly pledged		
Land and buildings	77.9	80.1
Plant and machinery	117.6	128.3
Carrying amount of pledged individual assets	**195.5**	**208.4**

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

At August 31, 2020, Chr. Hansen was the opposing party in 48 diacetyl-related lawsuits based on alleged personal injuries as a result of exposure to diacetyl vapors. Management does not believe that diacetyl lawsuits will have a material adverse effect on the Company's financial position or operating results.

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

4.1 Share capital

Number of shares	2019/20	2018/19
Common stock in circulation		
Shares of stock at September 1	131,686,267	131,655,778
Purchase of treasury stock	-	(64,000)
Sale of treasury stock	57,478	94,489
Share of common stock in circulation at August 31	**131,743,745**	**131,686,267**

The Company's share capital has a nominal value of DKK 1,318,524,960 (equivalent to EUR 177.1 million), divided into shares of DKK 10 each. The share capital is fully paid up.

The Company has not conducted a share buy-back program in the last three years. At August 31, 2020, the Company held 108.751 treasury shares, corresponding to less than 1% of the total (166,229 treasury shares at August 31, 2019, less than 1% of total shares). All of the treasury shares were held to cover share programs.

4.2 Financial assets and liabilities

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

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

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

Interest rates
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans with floating interest rates. The risk is managed by entering into interest hedging agreements in accordance with the Treasury Procedure, refer to note 4.3 for further information.

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

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

4.2 Financial assets and liabilities (continued)

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2020					
Financial assets					
Receivables from joint ventures	5.1	-	-	5.1	5.1
Trade receivables	176.5	-	-	176.5	176.5
Other receivables	28.2	-	-	28.2	28.2
Cash and cash equivalents	96.2	-	-	96.2	96.2
Financial assets at amortized costs	**306.0**	**-**	**-**	**306.0**	**306.0**
Financial liabilities					
Non-current borrowings[1)]	-	494.8	189.5	684.3	664.6
Current borrowings[1)]	683.5	-	-	683.5	673.8
Lease liabilities[1)2)]	13.8	32.6	98.4	144.8	102.8
Trade payables	149.0	-	-	149.0	149.0
Other payables	115.1	0.1	-	115.2	115.1
Financial liabilities at amortized cost	**961.4**	**527.5**	**287.9**	**1,776.8**	**1,705.3**
Derivative financial instruments	(0.2)	7.7	-	7.5	7.8
Fair value through other comprehensive income	**(0.2)**	**7.7**	**-**	**7.5**	**7.8**
Total financial liabilities	**961.2**	**535.2**	**287.9**	**1,784.3**	**1,713.1**

1) Including future interest payments.
2) Including IFRS 16 lease liabilities.

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2019					
Financial assets					
Trade receivables	192.7	-	-	192.7	192.7
Other receivables	19.1	-	-	19.1	19.1
Cash and cash equivalents	87.4	-	-	87.4	87.4
Financial assets at amortized costs	**299.2**	**-**	**-**	**299.2**	**299.2**
Financial liabilities					
Non-current borrowings[1)]	-	609.8	81.4	691.2	668.9
Current borrowings[1)]	103.9	-	-	103.9	96.2
Lease liabilities[1)2)]	3.3	16.5	76.0	95.8	56.7
Trade payables	132.1	-	-	132.1	132.1
Other payables	87.5	-	-	87.5	87.9
Financial liabilities at amortized cost	**326.8**	**626.3**	**157.4**	**1,110.5**	**1,041.8**
Derivative financial instruments	0.2	8.3	-	8.5	8.3
Fair value through other comprehensive income	**0.2**	**8.3**	**-**	**8.5**	**8.3**
Total financial liabilities	**327.0**	**634.6**	**157.4**	**1,119.0**	**1,050.1**

1) Including future interest payments.
2) Excluding IFRS 16 lease liabilities.

4.2 Financial assets and liabilities (continued)

EUR million	2020	2019
Non-current borrowings		
Senior bank borrowings	596.8	601.4
Mortgages	68.8	69.2
Lease liabilities	88.8	54.6
Total before amortization of financing expenses	**754.4**	**725.2**
Capitalized financing expenses	(1.0)	(1.7)
Total non-current borrowings	**753.4**	**723.5**
Current borrowings		
Mortgages	0.5	0.6
Bank borrowings	673.3	95.6
Lease liabilities	14.0	2.1
Total current borrowings	**687.8**	**98.3**
Total	**1,441.2**	**821.8**
Of which:		
Continuing operations	1,421.9	-
Assets classified as held for sale	19.3	-
Total	**1,441.2**	**-**

EUR million	2019/20	2018/19
Changes in liabilities arising from financing activities		
Borrowings at September 1	821.8	727.8
Recognition of lease liabilities	45.6	-
Restated borrowings at September 1	**867.4**	**727.8**
Proceeds from borrowings	989.4	306.9
Repayments of borrowings	(396.7)	(277.8)
Installments on lease liabilities	(11.2)	-
Increase in lease liabilities	11.8	54.6
Currency translation	(18.8)	5.6
Other non-cash movements	(0.7)	4.7
Transferred to liabilities relating to assets classified as held for sale	(19.3)	-
Borrowings at August 31	**1,421.9**	**821.8**

Repayment of bank borrowings is expected to be funded through the proceeds from sale of the Natural Colors business. Refer to note 5.7.

The Group's borrowings are denominated in EUR, USD and DKK.

The terms for the bank debt include a few covenants focusing on the Group's ability to generate sufficient cash flows. The financing of each Group company is monitored and managed at Group level. In 2019/20, the covenants were met, and estimates for the income statement, balance sheet and cash flow statement indicate that the covenants will be met by a comfortable margin in 2020/21.

4.2 Financial assets and liabilities (continued)

EUR million	Effective interest rate	Maturity	Carrying amount	Interest rate risk
2020				
Mortgages				
Floating rate[1]	(0.11%)	0-19 years	67.6	Cash flow
Fixed rate[1]	1.18%	0-5 years	1.7	Fair value
Total			**69.3**	
Senior bank borrowings				
Floating rate		0-7 years	838.8	Cash flow
Fixed rate[2]		0-4 years	431.3	Fair value
Total			**1,270.1**	
Total mortgages and senior bank borrowings			**1,339.4**	

1) Interest rate excluding margin.
2) Interest rate swaps have been used to fix the interest rate. These are denominated in EUR and USD and have an average interest rate of 1.10%.

The fair value of mortgages is EUR 69.8 million, whereas the fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 1 in the fair value hierarchy using direct quotes.

EUR million	Effective interest rate	Maturity	Carrying amount	Interest rate risk
2019				
Mortgages				
Floating rate[1]	(0.30%)	0-20 years	67.7	Cash flow
Fixed rate[1]	1.18%	0-6 years	2.1	Fair value
Total			**69.8**	
Senior bank borrowings				
Floating rate		0-7 years	281.8	Cash flow
Fixed rate[2]		0-5 years	415.2	Fair value
Total			**697.0**	
Total mortgages and senior bank borrowings			**766.8**	

1) Interest rate excluding margin.
2) Interest rate swaps have been used to fix the interest rate. These are denominated in EUR and USD and have an average interest rate of 1.13%.

The fair value of mortgages is EUR 70.2 million, whereas the fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 1 in the fair value hierarchy using direct quotes.

4.2 Financial assets and liabilities (continued)

EUR million	Total mortgages and senior bank borrowings	Floating rate	Fixed rate
2020			
Currency of the principal			
EUR	914.9	70%	30%
USD	135.4	17%	83%
DKK	289.1	82%	18%
Total	**1,339.4**	**68%**	**32%**

EUR million	Total mortgages and senior bank borrowings	Floating rate	Fixed rate
2019			
Currency of the principal			
EUR	350.7	21%	79%
USD	135.9	33%	67%
DKK	280.2	81%	19%
Total	**766.8**	**45%**	**55%**

Accounting policies

The Group classifies financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

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

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

Other debts are measured at amortized cost. However, derivative financial instruments recognized under other payables are measured at fair value. Refer to note 4.3.

4.3 Derivative financial instruments

Open interest rate swaps had the following market values:

EUR million	Expiry	Contract amount	Gain/ (loss)	Recognized in income statement	Recognized in fair value reserve
2019/20					
EUR 75 million interest rate swaps[1]	Aug. 2022	75.0	0.3	0.3	-
EUR 50 million interest rate swaps[1]	Aug. 2021	50.0	0.1	0.1	-
EUR 75 million interest rate swaps[1]	Aug. 2023	75.0	0.3	0.3	-
USD 50 million interest rate swaps[1]	Aug. 2025	41.9	-	-	-
USD 25 million interest rate swaps	Aug. 2021	20.9	-	-	-
USD 50 million interest rate swaps	Aug. 2023	41.9	(0.6)	-	(0.6)
Total		**304.7**	**0.1**	**0.7**	**(0.6)**

1) Interest rate swaps with forward start 2020.

EUR million	Expiry	Contract amount	Gain/ (loss)	Recognized in income statement	Recognized in fair value reserve
2018/19					
EUR 75 million interest rate swaps[1]	Aug. 2022	75.0	(1.6)	(0.7)	(0.9)
EUR 50 million interest rate swaps[1]	Aug. 2021	50.0	(0.5)	(0.2)	(0.3)
EUR 75 million interest rate swaps[1]	Aug. 2023	75.0	(2.7)	(1.2)	(1.5)
USD 25 million interest rate swaps	Aug. 2020	22.7	(0.2)	-	(0.2)
USD 25 million interest rate swaps	Aug. 2021	22.7	(0.6)	-	(0.6)
USD 50 million interest rate swaps[2]	Aug. 2023	45.3	(2.7)	-	(2.7)
Total		**290.7**	**(8.3)**	**(2.1)**	**(6.2)**

1) Interest rate swaps with forward start 2020.
2) Interest rate swaps with forward start November 2018.

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

The interest on the Group's financing facilities is based on a floating interest rate plus a margin. Due to the current negative interest rate environment and floor on loan agreements, the EUR swaps were ineffective in financial year 2019/20. Average fixed rate on USD swaps is 1.84%. EUR swaps were forwarded starting August 2020, and both EUR and USD swaps are designed as bullet notional.

EUR million	2019/20	2018/19
Outstanding debt with fixed interest rate or hedged through interest rate swaps	32.0%	54.0%
Total debt, average maturity in years	2.2	3.1
Effect on total debt of a 1 percentage point increase in interest rates	(9.9)	(4.6)
Effect on interest rate swaps of a 1 percentage point increase in interest rates	3.0	0.9
Net effect	**(6.9)**	**(3.7)**

An increase of 1%-point in the average interest rate on the Group's interest-bearing debt including swaps would reduce the Group's earnings before tax by EUR 6.9 million (EUR 3.7 million for 2018/19) over the next 12-month period and have a positive effect on equity of EUR 7.2 million (positive effect of EUR 7.7 million in 2018/19).

4.3 Derivative financial instruments (continued)

Currency hedging of balance sheet position and future cash flows:

EUR million	Nominal principal	Gain/loss in income statement	Recognized in fair value reserve	Fair value of principal	Maximum maturity (months)
2019/20					
Net outstanding forward exchange contracts					
USD	(23.5)	-	-	(23.5)	1.3
AUD	(14.3)	-	-	(14.3)	3.0
SGD	4.1	-	-	4.1	3.0
GBP	4.2	-	-	4.2	1.0
CHF	(5.9)	-	-	(5.9)	3.0
DKK	35.4	-	-	35.4	3.0
Total		**-**	**-**	**-**	

EUR million	Nominal principal	Gain/loss in income statement	Included in fair value reserve	Fair value of principal	Maximum maturity (months)
2018/19					
Net outstanding forward exchange contracts					
USD	12.7	-	-	12.7	2.0
AUD	5.4	-	-	5.4	3.0
SGD	1.5	-	-	1.5	3.0
DKK	(19.6)	-	-	(19.6)	-
Total		**-**	**-**	**-**	

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

The overall purpose of managing currency risk is to minimize the effect of short-term currency movements on earnings and cash flows. The Group's main currencies are EUR, USD and USD-related currencies. Exposure is limited by assets, debt and expenses to a certain degree matching the geographic segmentation of sales. Investments in subsidiaries are not hedged. The fair value is based on direct quotes corresponding to level 2 in the fair value hierarchy.

Foreign exchange sensitivity analysis

Net profit effect	2019/20	2018/19
Increase of 5%	(0.2)	0.1
Decrease of 5%	0.2	(0.1)

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

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

Interest rate risk
Interest rate swaps are used for cash flow hedging where the underlying floating interest rates are hedged into fixed interest rates. At least 50% of the Group's bank loans must carry fixed interest rates directly or through derivatives. The CFO has the mandate to approve a threshold below 50% for a 6-month period. Gross debt (fixed-rate period) must have a duration of a minimum of 1 year.

The balance between fixed and variable interest rates and gross debt duration (fixed-rate period) is measured on a monthly basis.

4.3 Derivative financial instruments (continued)

Accounting policies

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

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

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

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

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

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

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

5.1 Share-based payment

Number of matching shares	Executive Board	Key employees	Former employees	Total
2019/20				
Outstanding at September 1	43,738	50,603	13,701	108,042
Allocated	25,589	25,935	(96)	51,428
Forfeited	(2,256)	(7,784)	(7,426)	(17,466)
Exercised	(2,266)	(7,835)	(7,748)	(17,849)
Outstanding at August 31	**64,805**	**60,919**	**(1,569)**	**124,155**

Number of matching shares	Executive Board	Key employees	Former employees	Total
2018/19				
Outstanding at September 1	37,847	53,183	32,137	123,167
Allocated	21,348	19,555	242	41,145
Transferred	(10,869)	(6,915)	17,784	-
Forfeited	-	-	(12,774)	(12,774)
Exercised	(4,588)	(15,220)	(23,688)	(43,496)
Outstanding at August 31	**43,738**	**50,603**	**13,701**	**108,042**

Key information	Program 5	Program 6
Year allocated	2018/19	2019/20
Expected dividend yield	1.5%	1.5%
Vesting period	3 years	3 years
TSR peer group likelihood	50%	50%
Average fair market value of matching shares	EUR 72.0	EUR 57.7
Vesting	Nov. 2021	Nov. 2022
Vesting conditions (KPIs)	Org. growth, EBIT, TSR	Org. growth, EBIT margin, TSR

Matching shares program

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 (investment shares) and retain ownership of such shares for a predefined holding period of three years. Upon expiration of the holding period and subject to 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.

The theoretical market value of the program in 2019/20 was EUR 3.2 million, based on the fulfillment of all predefined performance targets (EUR 4.8 million in 2018/19). The fair value at grant was EUR 2.8 million, taking into consideration the assessed likelihood of meeting the no-market condition (EUR 3.9 million in 2018/19).

EUR 0.1 million was expensed in 2019/20 relating to the matching shares programs, including accelerations and reversals (EUR 1.0 million in 2018/19).

Accounting policies

The share programs are accounted for on an accrual basis over the service period. RSU's issued are measured at fair value at the grant date multiplied by the probability of vesting. Matching shares are measured as the value of the maximum number of matching shares to be granted multiplied by the probability of vesting. Probabilities are adjusted every year until vesting.

5.1 Share-based payment (continued)

Number of RSU's	Executive Board	Key employees	Former employees	Total
2019/20				
Outstanding at September 1	11,062	124,053	8,018	143,133
Adjustment to allocation	346	5,818	-	6,164
Allocated	4,629	63,204	-	67,833
Transferred	-	(3,030)	3,030	-
Exercised	(2,391)	(32,060)	(5,178)	(39,629)
Forfeited	-	(1,575)	(745)	(2,320)
Outstanding at August 31	**13,646**	**156,410**	**5,125**	**175,181**

Number of RSU's	Executive Board	Key employees	Former employees	Total
2018/19				
Outstanding at September 1	9,104	109,071	12,533	130,708
Adjustment to allocation	503	420	(1,954)	(1,031)
Allocated	5,304	60,601	-	65,905
Transferred	(1,820)	(8,071)	9,891	-
Exercised	(2,029)	(37,968)	(9,087)	(49,084)
Forfeited	-	-	(3,365)	(3,365)
Outstanding at August 31	**11,062**	**124,053**	**8,018**	**143,133**

Key information	Program 10	Program 11
Year allocated	2018/19	2019/20
Vesting period	3 years	3 years
Share price at grant	EUR 69.7	EUR 92.2[1)]
Vesting	Nov. 2020 & 2021	Nov. 2021 & 2022
Weighted average share price during exercise period	Not vested	Not granted

1) Estimated value, based on average share price in Q4 2019/20.

Short-term restricted stock unit (RSU) programs
The short-term 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.

The value of RSUs allocated in 2019/20 (RSU program 11) was estimated at EUR 6.3 million (EUR 4.9 million in 2018/19). The number of RSUs allocated, their value and underlying assumptions will be finally determined in November 2020.

EUR 3.9 million was expensed in 2019/20 relating to the short-term RSU programs (EUR 3.2 million in 2018/19).

There were no outstanding exercisable RSUs at August 31, 2020.

5.2 Non-cash adjustments

EUR million	2019/20	2018/19
Amortization, depreciation and impairment losses	83.9	64.6
Gains and losses from disposal of assets	-	(0.3)
Share-based payment	(0.5)	0.4
Change regarding employee benefits	0.3	(0.1)
Change in provisions	0.7	0.7
Other non-cash adjustments	0.6	-
Total	**85.0**	**65.3**
Of which:		
Continuing operations	74.7	58.2
Discontinued operations	10.3	7.1
Total	**85.0**	**65.3**

5.3 Acquisition of entities

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

EUR million	HSO[1]	UAS LABS[2]	2019/20
Purchase consideration			
Cash paid	119.4	538.8	658.2
Fair value of total consideration	**119.4**	**538.8**	**658.2**

EUR million	HSO[1]	UAS LABS[2]	2019/20
Fair value of net assets acquired			
Intangible assets	38.0	85.9	123.9
Property, plant and equipment	-	58.8	58.8
Inventories	-	13.1	13.1
Trade receivables	4.5	5.7	10.2
Trade payables	(1.5)	(2.4)	(3.9)
Other receivables and payables, net	(4.9)	1.7	(3.2)
Tax payables	(30.3)	-	(30.3)
Cash and cash equivalents	-	1.0	1.0
Net identifiable assets acquired	**5.8**	**163.8**	**169.6**
Goodwill from acquisition	113.6	375.0	488.6
Fair value of total consideration	**119.4**	**538.8**	**658.2**
Of which cash and cash equivalents	-	1.0	1.0
Paid acquisition cost, net	**119.4**	**537.8**	**657.2**

1) HSO Health Care GmbH.
2) UAS Laboratories LLC. Purchase price consideration includes FX hedge of the USD denominated transaction price through an FX forward contract, EUR 18.9 million.

5.3 Acquisition of entities (continued)

Acquisitions during 2019/20

Acquired business has been recognized in the consolidated financial statements from the time of the acquisition. A preliminary purchase price allocation have been conducted in accordance with IFRS by fair value assessment of identifiable assets and liabilities at the acquisition date in the opening balance sheet.

The following valuation techniques have been applied in the fair value assessment of significant net assets acquired:

- *Property,* plant and equipment; have been assessed for fair value by applying replacement cost approach.
- *Technology;* has been assessed applying relief from royalty method.
- *Customer relationships*; have been assessed using a multi-period excess earnings model approach as the valuation methodology.
- *Trademarks;* have been assessed by applying the relief from royalty method.

HSO Health Care GmbH

On April 20, 2020, Chr. Hansen acquired full ownership and control of HSO Health Care GmbH (HSO), an Austria-based B2B company specializing in probiotics for women's health that will strengthen and expand Chr. Hansen's global microbial platform.

Immediately following the acquisition, all assets and liabilities of HSO were transferred to Chr. Hansen A/S resulting in an exit taxation of HSO of EUR 30.3 million. Management has considered this an integral part of the transaction as it from a tax perspective not is a viable solution not to transfer the Intellectual property and all other assets to the Danish Parent company and recognized the exit tax liability in the purchase price allocation. The transfer was contemplated as of the acquisition date and was fully under the control of the Chr. Hansen Group.

Goodwill relates to expected commercial and operational synergies from the strengthening of women's health offering by combining Astarte™ with Chr. Hansen's UREX™ products, creating a portfolio that can be leveraged globally and expanded into new adjacencies within women's health.

Transaction costs related to the acquisition of HSO amounted to EUR 1.2 million which were recognized in 2019/20. Transaction costs were recognized in the income statement.

Earnings impact

Revenue and EBIT comprise EUR 2.8 million and less than EUR 1 million, respectively, reported by HSO since the date of acquisition. On a pro forma basis, if the acquisition had been effective from September 1, 2019, HSO would have contributed EUR 8 million to revenue and EUR 1 million to EBIT.

UAS Laboratories LLC

On July 27, 2020, Chr. Hansen completed the acquisition of the full ownership and control of UAS Laboratories LLC (UAS Labs), an US-based B2B company specializing in clinically documented probiotics that will further strengthen and expand Chr. Hansen's global microbial platform and Human Health business by moving into the highly attractive space of multi-species, high-potency blends and broadening our product offering and customer base.

Goodwill relates to expected commercial and operational synergies from significant potentials and know-how with respect to production, innovation and commercialization accumulated by the workforce in the UAS Labs.

Transaction costs related to the acquisition of UAS Labs amount to EUR 6.5 million, which amount was recognized in 2019/20. Order back-log recognized as part of the purchase price allocation, EUR 3.5 million, has been fully amortized in 2019/20. Transaction costs and amortization of order back-log were recognized in the income statement as special items.

Earnings impact

Revenue and EBIT comprise EUR 7.6 million and EUR 2.0 million, respectively, reported by UAS Labs since the date of acquisition. Result from operations are recognized in the income statement under other operating income in 2019/20. On a pro forma basis, if the acquisition had been effective from September 1, 2019, UAS Labs would have contributed EUR 61 million to revenue and EUR 12 million to EBIT.

Acquisitions during 2018/19

On October 4, 2018, Chr. Hansen acquired full ownership of the assets of Österreichische Laberzeugung Hundsbichler GmbH, a widely recognized producer of high quality enzymes for the traditional segment of specialty cheeses. Hundsbichler was recognized as part of the Food Cultures & Enzymes business area.

5.3 Acquisition of entities (continued)

Key accounting estimates and judgments

The most significant assets acquired generally comprise goodwill, trademarks, patents, IP rights and property, plant and equipment. No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, Management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

Accounting policies

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

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

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

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

Acquired entities are recognized in the consolidated financial statements from the time of the acquisition.

5.4 Discontinued operations

EUR million	2019/20	2018/19
Revenue	219.1	223.7
Operating profit before special items	**28.6**	**28.5**
Special items	(5.7)	-
Operating profit (EBIT)	**22.9**	**28.5**
Financial items, net	(0.6)	-
Profit before tax	**22.3**	**28.5**
Income taxes	(8.9)	(7.5)
Profit from discontinued operations	**13.4**	**21.0**

EUR million	2020	2019
Assets classified as held for sale		
Other intangible assets	17.8	-
Property, plant and equipment	86.2	-
Deferred tax and tax receivables	2.4	-
Inventories	58.3	-
Trade receivables	31.4	-
Other receivables and prepayments	6.3	-
Total	**202.4**	**-**
Liabilities relating to assets classified as held for sale		
Provisions	2.2	-
Deferred tax	6.2	-
Borrowings	19.3	-
Trade payables	47.8	-
Tax payables	4.5	-
Other payables including deferred gain	20.4	-
Total	**100.4**	**-**
Net assets classified as held for sale	**102.0**	**-**

5.4 Discontinued operations (continued)

Discontinued operations

A strategic review exploring strategic options for the future of the Natural Colors business was initiated in July 2019/20. By the end of the year 2019/20, the requirements for the business to be presented as discontinued operations were met.

In the consolidated financial statements, the result of the Natural Colors business is classified under discontinued operations with a net profit of EUR 13.4 million. Assets and liabilities attributable to Natural Colors amount to EUR 202.4 million and EUR 100.4 million, respectively.

On September 26, Chr. Hansen signed an agreement to sell the Natural Colors business to the Private Equity Fund EQT. The sale is expected to be finalized within the coming year through a carve-out and transfer of the Natural Colors business.

Key accounting estimates and judgments

When classifying assets and liabilities held for sale, Management makes a number of judgements to the estimated fair value of the disposal group. Depending on the nature of the disposal group's activities, assets and liabilities, the estimated fair value may be associated with different levels of uncertainty, and subsequent adjustments are thus possible. Measurement of the fair value of the disposal group is categorized as level 3 in the fair value hierarchy, as measurement is not based on observable market data.

Accounting policies

A major separate line of business is classified as a discontinued operation if it is available for immediate sale in its present condition and a sale is highly probable and expected to be completed within 12 months from the balance sheet date.

The results of the discontinued operations are presented as one separate line item in the income statement, and the assets and liabilities expected to be transferred are presented as a single line item within current assets and current liabilities, respectively. In the cash flow statement, cash flows from discontinued operations are presented as separate lines items under operating, investing and financing cash flows.

Assets and liabilities attributable to discontinuing operations are measured at the lower of the carrying amount at the time of classification as 'held for sale' and fair value less selling costs, whichever is lower. The carrying amount is measured in accordance with the Group's accounting policies. A profit from the sale will be recognized when closing has taken place.

No depreciation or amortization will be effected on intangible assets and property, plant and equipment from the time of classification as 'held for sale', which is considered to be the last day of the financial year 2019/20.

5.5 Investments in joint ventures

In April 2019, Chr. Hansen announced that it had entered into an agreement to establish a 50/50 joint venture with Lonza. The joint venture, BacThera, was established in September 2019. BacThera operates in the emerging market for live biotherapeutic products and position themselves as the leading contract development and manufacturing partner (CDMO) for biotech and pharma customers.

As part of the joint venture agreement the parties have agreed on a total investment of EUR 90 million to be financed, shared equally between Chr. Hansen and Lonza, over a period of three years. BacThera is expected to be largely self-funding after that.

Chr. Hansen's contribution in FY20 comprises a capital injection and net assets related to BacThera Denmark amounting to a total investment of EUR 12.7 million.

Investments in joint ventures are not considered material to the consolidated financial statements.

Key figures for joint ventures (Chr. Hansen's share):

EUR million	2019/20	2018/19
Share of loss of joint ventures after tax	(3.9)	-
Investments in joint ventures	8.8	-

See note 5.8 for an overview of the Group's joint ventures.

Accounting policies

Investments in joint ventures are recognized and measured under the equity method. The item "Investments in joint ventures" in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealized intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill. Joint ventures with a negative net asset value are recognized at EUR 0. If the Group has a legal or constructive obligation to cover a deficit in the joint venture, the deficit is recognized under provisions.

5.6 Related parties

EUR million	2019/20	2018/19
Novo Holdings A/S Group		
Purchase of goods, materials and services	11.8	9.7
Payables	1.7	0.1
BacThera Group		
Sale of goods and services	5.3	-
Capital transactions	5.5	-
Loan to joint ventures	5.1	-

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

At August 31, 2020, Novo Holdings A/S, Denmark, held 21.98% of the share capital in Chr. Hansen Holding A/S (significant influence). In addition, APG Asset Management N.V., Netherlands, held 5.01%.

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

Remuneration of the Executive Board and Board of Directors are specified in note 2.3. Share-based payment is specified in note 5.1.

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

The loan granted to BacThera AG is a bullet loan of EUR 5.1 million and is intended to support the business with respect to research and investments in new facilities until they are self-funded. The loan is unsecured and repayable in full on September 1, 2029. Interest is charged at 1% in accordance with the Swiss Federal Tax Administration/safe haven rate.

5.7 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 has around 100 employees headquartered in Germany, with production partly outsourced to contract manufacturers.

Jennewein is recognized as a global leader in the HMO market with six commercialized HMOs, a strong product pipeline, a global customer base and a strong IP portfolio of more than 200 patents granted in key markets. The addressable market for HMOs is estimated at more than EUR 400 million by 2025, and more than EUR 1 billion long-term, with Chr. Hansen now poised to be a leading supplier.

The total consideration equals EUR 310 million on a debt-free basis.

On September 26, Chr. Hansen signed an agreement to sell the Natural Colors business to the Private Equity Fund EQT. The sale is expected to be finalized within the coming year through a carve-out and transfer of the Natural Colors business. Natural Colors is expected to contribute a gain from divested businesses on Net Profit of around EUR 650-700 million in 2020/21.

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

5.8 Group companies

Entity	Country	Consolidated ownership in %	Activity
Chr. Hansen Argentina S.A.I.C.	Argentina	100	S
Paprika S.A.[1)]	Argentina	70	O
Chr. Hansen Pty Ltd	Australia	100	S
Hale-Bopp Australia Pty Ltd	Australia	100	O
HSO Health Care GmbH	Austria	100	O
Chr. Hansen Ind. e Com. Ltda.	Brazil	100	P, S
Chr. Hansen Ltd.	Canada	100	S
Chr. Hansen Chile SpA	Chile	100	S
Chr. Hansen (Tianjin) Food Ingredients Co. Ltd.	China	100	P, S
Chr. Hansen (Beijing) Trading Co., Ltd.	China	100	S
Chr. Hansen Colombia S.A.S.	Colombia	100	S
Chr. Hansen Czech Republic s.r.o.	Czech Republic	100	P, S
BacThera Denmark A/S[2)]	Denmark	50	O
Chr. Hansen A/S	Denmark	100	P, S, O
Chr. Hansen Natural Colors A/S	Denmark	100	P, S
Chr. Hansen Finland Oy	Finland	100	S
Chr. Hansen France SAS	France	100	P, S
Chr. Hansen GmbH	Germany	100	P, S
Halley GmbH	Germany	100	O
Hansen Hellas ABEE	Greece	100	S
Chr. Hansen India Pvt. Ltd[1)]	India	99.6	S
UAS Life Sciences India Private Ltd.	India	100	S
Chr. Hansen Pars Co. Ltd.	Iran	100	O
Chr. Hansen Ireland Ltd.	Ireland	100	S
Chr. Hansen Italia S.p.A.	Italy	100	P, S
Chr. Hansen Japan Co., Ltd.	Japan	100	S

Entity	Country	Consolidated ownership in %	Activity
Chr. Hansen Malaysia SDN. BHD.	Malaysia	100	S
Chr. Hansen de Mexico S.A. de C.V.	Mexico	100	S
Chr. Hansen S.A.	Peru	100	P, S
Chr. Hansen Poland Sp. z o.o.	Poland	100	S
Chr. Hansen SRL	Romania	100	S
Chr. Hansen LLC	Russia	100	S
Chr. Hansen Singapore Pte Ltd.	Singapore	100	O
Chr. Hansen, S.L.	Spain	100	S
Chr. Hansen Sweden AB	Sweden	100	S
BacThera AG[2)]	Switzerland	50	O
Chr. Hansen Gida Sanayi ve Ticaret A.S.	Turkey	100	S
Chr. Hansen Ukraine LLC	Ukraine	100	S
Chr. Hansen Middle East & Africa FZ-LLC	UAE	100	S
Chr. Hansen (UK) Limited	UK	100	S
Chr. Hansen Inc.	US	100	P, S
Chr. Hansen Natural Colors LLC	US	100	P, S
UAS Laboratories LLC	US	100	P, S
Duraform Lane LLC	US	100	P
Healthy Bellies, Healthy Babies Foundation, Inc	US	100	O

Consolidated ownership shows the share of the result of the entity that is attributed to the shareholders of Chr. Hansen Holding A/S in the consolidated financial statements.
P - Production
S - Sales
O - Other
1) The governance structure, provides Chr. Hansen with the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary with no non-controlling interest.
2) Joint venture

Chr. Hansen Holding A/S

Notes

Income Statement
September 1 – August 31

EUR million	Note	2019/20	2018/19
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Sales and marketing expenses	2.1	(6.6)	(6.0)
Administrative expenses	2.1 - 2.2 - 2.3	(14.0)	(14.4)
Other operating income		35.5	22.7
Other operating expenses		-	(1.2)
Operating profit before special items		**14.9**	**1.1**
Special items	2.4	(13.8)	-
Operating profit (EBIT)		**1.1**	**1.1**
Dividends received from Group companies		211.1	135.7
Gain from sale of Chr. Hansen Properties A/S		0.5	55.4
Financial income	2.5	83.5	12.3
Financial expenses	2.5	(89.4)	(21.2)
Profit before tax		**206.8**	**183.3**
Income taxes	2.6	(5.1)	(0.7)
Profit for the year		**201.7**	**182.6**

Statement of comprehensive income
September 1 – August 31

EUR million	Note	2019/20	2018/19
Profit for the year		201.7	182.6
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Currency translation to presentation currency		0.2	(0.1)
Fair value adjustments on cash flow hedges		(18.0)	(6.9)
Gains/(losses) on cash flow hedges reclassified to financial expenses		18.2	-
Tax related to cash flow hedges		(1.3)	1.4
Other comprehensive income for the year		**(0.9)**	**(5.6)**
Total comprehensive income for the year		**200.8**	**177.0**

Cash flow statement
September 1 – August 31

EUR million	Note	2019/20	2018/19
Operating profit		1.1	1.1
Non-cash adjustments	5.2	(0.1)	0.6
Change in working capital		9.2	58.7
Interest received		12.0	6.6
Interest paid		(31.0)	(10.6)
Dividends received		211.1	135.7
Taxes paid		(46.2)	(50.4)
Cash flow from operating activities		**156.0**	**141.7**
Investments in intangible assets		(0.2)	(0.2)
Acquisition of subsidiaries, net of cash acquired		(119.4)	-
Sale of subsidiaries		-	59.6
Cash flow from investing activities		**(119.6)**	**59.4**
Free cash flow		**36.4**	**201.1**

EUR million	Note	2019/20	2018/19
Repayment from/(to) Group companies		(467.6)	37.8
Borrowings		931.8	-
Repayment of borrowings		(384.6)	(16.2)
Purchase of treasury shares, net		-	(5.3)
Dividends paid		(124.7)	(224.3)
Cash flow from financing activities		**(45.1)**	**(208.0)**
Net cash flow for the year		**(8.7)**	**(6.9)**
Cash and cash equivalents at September 1		21.8	28.7
Net cash flow for the year		(8.7)	(6.9)
Cash and cash equivalents at August 31		**13.1**	**21.8**

Balance sheet
at August 31

EUR million	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	3.1	1.0	0.9
Property, plant and equipment	3.1	0.3	-
Investments in Group companies	3.2	1,583.9	942.4
Receivables from Group companies	3.3	188.9	198.0
Deferred tax	2.6	3.4	2.5
Total non-current assets		**1,777.5**	**1,143.8**
Current assets			
Receivables from Group companies		208.1	16.0
Tax receivables		54.9	57.3
Other receivables		2.5	1.9
Prepayments		0.2	0.1
Cash and cash equivalents		13.1	21.8
Total current assets		**278.8**	**97.1**
Total assets		**2,056.3**	**1,240.9**

EUR million	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	177.1	176.8
Reserves		350.7	271.1
Total equity		**527.8**	**447.9**
Non-current liabilities			
Borrowings		576.9	600.5
Total non-current liabilities		**576.9**	**600.5**
Current liabilities			
Borrowings		682.8	92.5
Trade payables		4.0	0.7
Payables to Group companies		246.5	85.6
Other payables		18.3	13.7
Total current liabilities		**951.6**	**192.5**
Total liabilities		**1,528.5**	**793.0**
Total equity and liabilities		**2,056.3**	**1,240.9**

Statement of changes in equity
September 1 – August 31

EUR million	Note	Share capital	Cash flow hedges	Retained earnings	Total
2019/20					
Equity at September 1		176.8	(6.2)	277.3	447.9
Total comprehensive income for the year, see statement of comprehensive income		0.3	(1.1)	201.6	200.8
Transactions with owners					
Share-based payment	5.1	-	-	1.2	1.2
Tax related to share-based payment		-	-	2.6	2.6
Dividend		-	-	(124.7)	(124.7)
Equity at August 31		**177.1**	**(7.3)**	**358.0**	**527.8**

During the year, an ordinary dividend of EUR 0.95 (DKK 7.07) per share, corresponding to EUR 125 million, were paid for the financial year 2018/19.

The Board of Directors has decided to not propose an ordinary dividend for 2019/20.

EUR million	Note	Share capital	Cash flow hedges	Retained earnings	Total
2018/19					
Equity at September 1		176.8	(0.7)	318.9	495.0
Total comprehensive income for the year, see statement of comprehensive income		-	(5.5)	182.5	177.0
Transactions with owners					-
Purchase of treasury shares		-	-	(5.3)	(5.3)
Share-based payment	5.1	-	-	4.7	4.7
Tax related to share-based payment		-	-	0.8	0.8
Dividend		-	-	(224.3)	(224.3)
Equity at August 31		**176.8**	**(6.2)**	**277.3**	**447.9**

During the year, an ordinary dividend of EUR 0.87 (DKK 6.47) per share, corresponding to EUR 114 million, and an extraordinary dividend of EUR 0.84 (DKK 6.24) per share, corresponding to EUR 110 million, were paid for the financial year 2017/18.

1.1 General accounting policies

Accounting policies
The financial statements of Chr. Hansen Holding A/S as Parent Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements set out in the Danish Financial Statements Act.

The accounting policies for the Company are the same as for the Chr. Hansen Group, see notes to the consolidated financial statements, with the exception of the following.

Investments in Group companies
Accounting policies for investments in Group companies and related transactions are presented in note 3.2.

1.2 Summary of key accounting estimates

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

In applying the Group's accounting policies, Management makes judgments that may significantly influence the amounts recognized in the financial statements. The key accounting estimates and judgments for the Chr. Hansen Group are presented in the notes to the consolidated financial statements.

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

- Note 3.2 Investments in Group companies

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

2.1 Amortization, depreciation and impairment losses

EUR million	2019/20	2018/19
Amortization and impairment losses		
Intangible assets		
Administrative expenses	(0.2)	(0.2)
Total	**(0.2)**	**(0.2)**
Depreciation and impairment losses		
Property, plant and equipment		
Administrative expenses	(0.2)	-
Total	**(0.2)**	**-**

2.2 Staff expenses

EUR million	2019/20	2018/19
Wages and salaries, etc.	(12.5)	(13.3)
Pension expenses - defined contribution plans	(1.1)	(1.0)
Social security, etc.	(0.1)	(0.1)
Salaries and other remuneration of the Executive Board and Board of Directors of Chr. Hansen Holding A/S	(5.3)	(5.2)
Total	**(19.0)**	**(19.6)**
Average number of employees	**68**	**67**
Remuneration of the Executive Board and Board of Directors		
Executive Board		
Salaries	(1.91)	(2.16)
Bonus[1)]	(1.44)	(1.40)
Pension expenses - defined contribution plans	(0.34)	(0.40)
Share-based payment[2)]	(0.48)	(0.90)
Total	**(4.17)**	**(4.86)**
Board of Directors		
Fees	(1.08)	(1.09)
Total fees to key management personnel	**(5.25)**	**(5.95)**

1) The amounts express the cash value of the bonus.
2) The amounts are based on the principles set out in note 5.1 in consolidated financial statement.

2.3 Fees to auditors

EUR million	2019/20	2018/19
PricewaterhouseCoopers		
Statutory audit	(0.2)	(0.1)
Other services	(0.1)	(0.1)
Total	**(0.3)**	**(0.2)**

2.4 Special items

EUR million	2019/20	2018/19
Cost related to acquisition of UAS Labs Inc.	(4.3)	-
Cost related to acquisition of HSO Health Care GmbH	(0.8)	-
Cost related to acquisition of Jennewine Biotechnologie GmbH	(1.0)	-
Cost related to strategic review of Natural Colors business	(5.7)	-
Strategic projects	(1.8)	-
Other projects including establishment of microbiome joint venture	(0.2)	-
Total	**(13.8)**	**-**

2.5 Financial income and expenses

EUR million	2019/20	2018/19
Financial income		
Interest from Group companies	6.7	6.6
Other interest income	4.3	-
Foreign exchange gains on derivatives	0.4	0.3
Gain on derivatives transferred from other comprehensive income	0.7	-
Foreign exchange gains	71.4	5.4
Total	**83.5**	**12.3**
Financial expenses		
Interest expenses	(8.8)	(8.8)
Other financial expenses including amortized costs	(3.7)	(1.3)
Foreign exchange losses on derivatives	(1.3)	(2.3)
Losses on derivatives transferred from other comprehensive income	(18.9)	(1.4)
Foreign exchange losses	(56.7)	(7.4)
Total	**(89.4)**	**(21.2)**

Effective interest income amounted to EUR 4.3 million (EUR 0 million in 2018/19).
Effective interest expenses amounted to EUR 12.5 million (EUR 11.6 million in 2018/19).

2.6 Income taxes and deferred tax

EUR million	2019/20	2018/19
Current tax on profit for the year	(3.8)	0.5
Change in deferred tax concerning profit for the year	0.1	(0.1)
Tax on profit for the year	**(3.7)**	**0.4**
Adjustments concerning previous years	(1.4)	(1.1)
Tax in the income statement	**(5.1)**	**(0.7)**
Tax on other comprehensive income	**(1.3)**	**1.4**

EUR million		2019/20		2018/19
Reconciliation of tax rate				
Danish tax rate	22.0%	(45.5)	22.0%	(40.3)
Non-taxable income and non-deductible expenses	(20.4)%	42.1	(22.4)%	41.0
Adjustments concerning previous years	0.7%	(1.4)	0.6%	(1.1)
Other taxes	0.1%	(0.3)	0.2%	(0.3)
Effective tax rate	**2.4%**		**0.4%**	
Tax on profit for the year		**(5.1)**		**(0.7)**

EUR million	2019/20	2018/19
Deferred tax		
Deferred tax at September 1	2.5	2.8
Currency adjustments	0.8	(0.2)
Change in deferred tax - recognized in the income statement	0.1	0.5
Change in deferred tax - recognized through equity	-	(0.6)
Deferred tax asset at August 31	**3.4**	**2.5**
Specification of deferred tax		
Intangible assets	(0.2)	(0.1)
Liabilities	3.6	2.6
Total deferred tax at August 31	**3.4**	**2.5**

3.1 Intangible assets and property, plant and equipment

EUR million	Software	Intangible assets in progress	Total intangible assets	Other fixtures and equipment	Total property, plant and equipment
2019/20					
Cost at September 1	3.2	0.3	3.5	-	-
Lease assets at September 1	-	-	-	0.5	0.5
Additions	-	0.2	0.2	-	-
Transferred	-	-	-	-	-
Cost at August 31	**3.2**	**0.5**	**3.7**	**0.5**	**0.5**
Amortization and depreciation at September 1	(2.5)	-	(2.5)	-	-
Amortization and depreciation	(0.2)	-	(0.2)	(0.2)	(0.2)
Amortization and depreciation at August 31	**(2.7)**	**-**	**(2.7)**	**(0.2)**	**(0.2)**
Carrying amount at August 31	**0.5**	**0.5**	**1.0**	**0.3**	**0.3**

EUR million	Software	Intangible assets in progress	Total intangible assets	Other fixtures and equipment	Total property, plant and equipment
2018/19					
Cost at September 1	3.1	0.1	3.2	-	-
Additions	-	0.2	0.2	-	-
Transferred	0.1	(0.1)	-	-	-
Cost at August 31	**3.2**	**0.2**	**3.4**	**-**	**-**
Amortization and depreciation at September 1	(2.3)	-	(2.3)	-	-
Amortization and depreciation	(0.2)	-	(0.2)	-	-
Amortization and depreciation at August 31	**(2.5)**	**-**	**(2.5)**	**-**	**-**
Carrying amount at August 31	**0.7**	**0.2**	**0.9**	**-**	**-**

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

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

Other fixtures and equipment
The implementation of IFRS 16 as of September 1, 2019, resulted in an increase in Other fixtures and equipment of EUR 0.5 million. The accounting policies on amortization, depreciation and impairment losses are specified in notes 3.1, 3.2, 3.3 and 3.4 to the consolidated financial statements.

3.2 Investments in Group companies

EUR million	2019/20	2018/19
Cost at September 1	942.4	946.6
Currency translation	1.5	-
Additions	640.0	-
Disposals	-	(4.2)
Cost at August 31	**1,583.9**	**942.4**

There were no indications of impairment of the investments in 2019/20 or 2018/19.

See note 5.8 to the consolidated financial statements for a list of Group companies.

Key accounting estimates and judgments

Management performs an annual test to identify any indications of impairment of investments in Group companies. Impairment tests are conducted in the same way as for goodwill in the Chr. Hansen Group, see note 3.1 to the consolidated financial statements.

Accounting policies

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

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

3.3 Receivables from Group companies

EUR million	2020	2019
Due between 1 and 5 years		
Loans to Group companies	188.9	198.0
Total	**188.9**	**198.0**

Accounting policies

Intercompany loans and receivables are reviewed for impairment on the same basis as external receivables. The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of intercompany customers to settle receivables.

3.4 Commitments and contingent liabilities

Other guarantees and liabilities

Chr. Hansen Holding A/S is jointly and severally liable for Chr. Hansen A/S's drawings on the Group's credit facility. Chr. Hansen A/S had not drawn on the facility at August 31, 2020 or at August 31, 2019.

Chr. Hansen Holding A/S is jointly taxed with other companies in the Chr. Hansen Group. Chr. Hansen Holding 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 Holding A/S is part of a VAT group with other companies in the Chr. Hansen Group. Chr. Hansen Holding A/S is jointly and severally liable together with the other companies in the VAT group for any Danish VAT.

Pending court and arbitration cases

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

Change of control

The loan facilities are subject to change-of-control clauses. Regarding change-of-control clauses in Management contracts, please see note 2.3 to the consolidated financial statements.

4.1 Share capital

Number of shares	2019/20	2018/19
Common stock in circulation		
Shares of stock at September 1	131,686,267	131,655,778
Purchase of treasury stock	-	(64,000)
Sale of treasury stock	57,478	94,489
Share of common stock in circulation at August 31	**131,743,745**	**131,686,267**

The Company's share capital has a nominal value of DKK 1,318,524,960 (equivalent to EUR 177.1 million), divided into shares of DKK 10 each. The share capital is fully paid up.

The Company has not conducted a share buy-back program in the last three years. At August 31, 2020, the Company held 108,751 treasury shares, corresponding to less than 1% of the total (166,229 treasury shares at August 31, 2019, less than 1% of total shares). All of the treasury shares were held to cover share programs.

4.2 Financial assets and liabilities

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

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

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

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

Interest risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans with floating interest rates. The risk is managed by entering into interest hedging agreements in accordance with the Treasury Procedure.

The interest on the Company's financing facilities is based on a floating interest rate plus a margin. At August 31, 2020, 32% of the outstanding debt was hedged through interest rate swaps or loans at fixed interest rates (54% at August 31, 2019). The total debt had an average maturity of 2.2 years at August 31, 2020 (3.1 years at August 31, 2019). An increase of 1%-point in the average interest rate on the Company's interest-bearing debt excluding swaps would reduce the Company's earnings before tax by EUR 9.3 million over the next 12-month period (EUR 4.0 million in the financial year 2018/19). The effect of a 1%-point interest rate change on the swaps entered into would be EUR 3.0 million (EUR 0.9 million in 2018/19).

Funding and liquidity
The Group monitors its risk of insufficient liquidity centrally in Group Treasury. Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. The overall objective is to:

- Maintain an appropriate level of short and long-term liquidity reserves (liquid funds and committed credit facilities)
- Maintain a smooth maturity profile in terms of different maturities
- Maintain access to diversified funding sources

4.2 Financial assets and liabilities (continued)

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2020					
Financial assets					
Receivables from Group companies	208.1	-	-	208.1	208.1
Tax receivables	54.9	-	-	54.9	54.9
Other receivables and prepayments	2.7	-	-	2.7	2.7
Cash and cash equivalents	13.1	-	-	13.1	13.1
Financial assets at amortized costs	**278.8**	**-**	**-**	**278.8**	**278.8**
Financial liabilities					
Borrowings[1)]	682.7	487.5	125.1	1,295.3	1,259.7
Trade payables	4.0	-	-	4.0	4.0
Payables to Group companies	246.5	-	-	246.5	246.5
Other payables	264.8	-	-	264.8	264.8
Financial liabilities at amortized cost	**1,198.0**	**487.5**	**125.1**	**1,810.6**	**1,775.0**
Average interest rate					0.7%
Borrowings have been reduced by amortization and financing expenses.					
Amortization expenses offset under non-current debt					1.1

1) Including future interest payments.

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2019					
Financial assets					
Receivables from Group companies	16.0	-	-	16.0	16.0
Tax receivables	57.3	-	-	57.3	57.3
Other receivables and prepayments	2.0	-	-	2.0	2.0
Cash and cash equivalents	21.8	-	-	21.8	21.8
Financial assets at amortized costs	**97.1**	**-**	**-**	**97.1**	**21.8**
Financial liabilities					
Borrowings[1)]	92.5	587.2	13.3	693.0	693.0
Trade payables	0.7	-	-	0.7	0.7
Payables to Group companies	85.6				85.6
Other payables	99.3	-	-	99.3	99.3
Financial liabilities at amortized cost	**278.1**	**587.2**	**13.3**	**793.0**	**878.6**
Average interest rate					1.0%
Borrowings have been reduced by amortization and financing expenses.					
Amortization expenses offset under non-current debt					1.8

1) Including future interest payments.

4.3 Derivative financial instruments

Open interest rate swaps had the following market value:

EUR million	Expiry	Contract amount	Gain/ (loss)	Recognized in income statement	Recognized in fair value reserve
2019/20					
EUR 75 million interest rate swaps[1]	Aug. 2022	75.0	0.3	0.3	-
EUR 50 million interest rate swaps[1]	Aug. 2021	50.0	0.1	0.1	-
EUR 75 million interest rate swaps[1]	Aug. 2023	75.0	0.3	0.3	-
USD 50 million interest rate swaps[1]	Aug. 2025	41.9	-	-	-
USD 25 million interest rate swaps	Aug. 2021	20.9	-	-	-
USD 50 million interest rate swaps	Aug. 2023	41.9	(0.6)	-	(0.6)
Total		**304.7**	**0.1**	**0.7**	**(0.6)**

1) Interest rate swaps with forward start 2020.

EUR million	Expiry	Contract amount	Gain/ (loss)	Recognized in income statement	Recognized in fair value reserve
2018/19					
EUR 75 million interest rate swaps[1]	Aug. 2022	75.0	(1.6)	(0.7)	(0.9)
EUR 50 million interest rate swaps[1]	Aug. 2021	50.0	(0.5)	(0.2)	(0.3)
EUR 75 million interest rate swaps[1]	Aug. 2023	75.0	(2.7)	(1.2)	(1.5)
USD 25 million interest rate swaps	Aug. 2020	22.7	(0.2)	-	(0.2)
USD 25 million interest rate swaps	Aug. 2021	22.7	(0.6)	-	(0.6)
USD 50 million interest rate swaps[2]	Aug. 2023	45.3	(2.7)	-	(2.7)
Total		**290.7**	**(8.3)**	**(2.1)**	**(6.2)**

1) Interest rate swaps with forward start 2020.
2) Interest rate swaps with forward start November 2018.

5.1 Share-based payment

Number of matching shares	Executive Board	Key employees	Former employees	Total
2019/20				
Outstanding at September 1	43,738	25,405	15,426	84,569
Allocated	25,589	15,542	(70)	41,061
Transferred	-	10,386	-	10,386
Forfeited	(2,256)	(6,970)	(5,747)	(14,973)
Exercised	(2,266)	(7,014)	(6,060)	(15,340)
Outstanding at August 31	**64,805**	**37,349**	**3,549**	**105,703**

Number of matching shares	Executive Board	Key employees	Former employees	Total
2018/19				
Outstanding at September 1	37,847	25,958	28,197	92,002
Allocated	21,348	8,905	242	30,495
Transferred	(10,869)	(3,522)	14,391	-
Forfeited	-	-	(7,656)	(7,656)
Exercised	(4,588)	(5,936)	(19,748)	(30,272)
Outstanding at August 31	**43,738**	**25,405**	**15,426**	**84,569**

Key information	Program 5	Program 6
Year allocated	2018/19	2019/20
Expected dividend yield	1.5%	1.5%
Vesting period	3 years	3 years
TSR peer group likelihood	50.0%	50.0%
Average fair market value of matching shares	EUR 72.0	EUR 57.7
Vesting	Nov. 2021	Nov. 2022
Vesting conditions (KPIs)	Org. growth, EBIT, TSR	Org. growth, EBIT margin, TSR

Matching shares programs
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 (investment shares) and retain ownership of such shares for a predefined holding period of three years. Upon expiration of the holding period and subject to 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.

The theoretical market value of the program in 2019/20 was EUR 2.7 million based on the fulfillment of all predefined performance targets (EUR 3.6 million in 2018/19). The fair value at grant was EUR 2.4 million, taking into consideration the assessed likelihood of meeting the no-market condition (EUR 2.9 million in 2018/19).

EUR 0.1 million was expensed in 2019/20 relating to the matching shares programs, including accelerations and reversals (EUR 0.8 million in 2018/19).

5.1 Share-based payment (continued)

RSUs (number)	Executive Board	Key employees	Former employees	Total
2019/20				
Outstanding at September 1	11,062	20,057	2,757	33,876
Adjustment to allocation	346	459	-	805
Allocated	4,629	10,097	-	14,726
Transferred	-	2,170	-	2,170
Exercised	(2,391)	(5,271)	(2,049)	(9,711)
Forfeited	-	-	(4)	(4)
Outstanding at August 31	**13,646**	**27,512**	**704**	**41,862**

RSUs (number)	Executive Board	Key employees	Former employees	Total
2018/19				
Outstanding at September 1	9,104	10,361	6,931	26,396
Adjustment to allocation	503	3,613	(2,241)	1,875
Allocated	5,304	11,864	-	17,168
Transferred	(2,029)	(4,585)	(4,021)	(10,635)
Exercised	(1,820)	(1,196)	3,016	-
Forfeited	-	-	(928)	(928)
Outstanding at August 31	**11,062**	**20,057**	**2,757**	**33,876**

Key information	Program 10	Program 11
Year allocated	2018/19	2019/20
Vesting period	3 years	3 years
Share price at grant	EUR 69.7	EUR 92.2[1)]
Vesting	Nov. 2020 & 2021	Nov. 2021 & 2022
Weighted average share price during exercise period	Not vested	Not granted

1) Estimated value, based on average share price in Q4 2019/20.

Short-term restricted stock unit (RSU) programs
The short-term 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.

The value of RSUs allocated in 2019/20 (RSU program 11) was estimated at EUR 1.4 million (EUR 1.4 million in 2018/19). The number of RSUs allocated, their value and underlying assumptions will be finally determined in November 2020.

EUR 0.2 million was expensed in 2019/20 relating to the short-term RSU programs (EUR 0.9 million in 2018/19).

There were no outstanding exercisable RSUs at August 31, 2020.

5.2 Non-cash adjustments

EUR million	2019/20	2018/19
Amortization, depreciation and impairment losses	0.4	0.2
Share-based payment	(0.5)	0.4
Total	**(0.1)**	**0.6**

5. 3 Related parties

Transactions with Group companies

EUR million	2019/20	2018/19
Sale of services	35.5	22.7
Interest income	6.7	6.6
Total	**42.2**	**29.3**
Receivables at August 31	397.0	214.0
Payables at August 31	246.5	85.6

Transactions with other related parties are specified in note 5.6 to the consolidated financial statements.

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

At August 31, 2020, Novo Holdings A/S, Denmark, held 21.98% of the share capital in Chr. Hansen Holding A/S (significant influence). In addition, APG Asset Management N.V., Netherlands, held 5.01%.

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

5.4 Events after the balance sheet date

Refer to note 5.7 to the consolidated financial statements.

Delivering value for more than 145 years

Chr. Hansen has been fermenting lactic acid bacteria for more than a century, and working with clinically documented probiotics for more than 25 years.

We serve customers worldwide with expertise, new ideas, professional support and customized solutions – all aimed at ensuring superior product portfolios and business success in probiotics.

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