

ANNUAL REPORT 2020/21

Enabling healthier living

Company reg. no. 28318677

CHR HANSEN

Improving food & health

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Grow a better world. Naturally.

With our microbial and fermentation technology platforms we contribute to the transition towards a more sustainable food system and healthier living.

→ [Explore how we turn global challenges into microbial opportunities on p. 15](#)



One year into the 2025 Strategy

During the first year of its 2025 Strategy, Chr. Hansen made good progress in reinvesting in the core, leveraging its lighthouses and extending its technology platforms.

→ [Read more about our strategic progress in 2020/21 on p. 33](#)



Stakeholder spotlights

As a global bioscience company, Chr. Hansen engages with many different stakeholders every day. For this year's annual report we have interviewed a few of them and asked them about their views on current topics such as consumer food trends, microbiome science, the importance of partnerships, new ways of working, antimicrobial resistance and ESG oversight.

[Explore the stakeholder spotlights throughout the report!](#)

About this report

Responding to global reporting trends and increasing needs from investors to integrate environmental, social and governance factors into their investment processes, Chr. Hansen has set out on an integrated reporting journey.

For the financial year 2020/21, we are taking the next step by combining our annual and sustainability reporting in a single publication. We do so with the aim of providing our stakeholders with a holistic view of Chr. Hansen's business model, value drivers, strategy, governance and performance. This report is guided by the International Integrated Reporting <IR> Framework as well as our internal materiality assessment.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and meets the Danish Recommendations on Corporate Governance as adopted by Nasdaq Copenhagen.

This report also constitutes our reporting pursuant to the Danish Financial Statements Act, sections 99a, 99b and 107d, as well as the Communication On Progress to the UN Global Compact. A sustainability data sheet can be found as supplementary information at the end of the report (including our revenue contribution to the UN Sustainable Development Goals which is covered by the limited assurance statement).

For our reporting as per the Danish Financial Statements Act, Section 107b, and the Danish Companies Act, Section 139b, please refer to the 2020/21 Corporate Governance Statement and the 2020/21 Remuneration Report which can be found on our corporate website.

[→ 2020/21 Corporate Governance Statement](#)

[→ 2020/21 Remuneration Report](#)

Readers guide

Non-financial disclosure requirements as per the Danish Financial Statements Act

Topic	Page reference
Section 99A	
Business model	pp. 11-31
Content of policies for sustainability, systems and due diligence processes results and KPIs	Climate and environment pp. 21, 51 Social matters pp. 26-27, 52 Respect for human rights p. 30 Anticorruption and bribery p. 30
Key risks	pp. 54-58
Section 99B and 107D	
Target figures for the supreme management body	pp. 26-27, 61
Policy for promoting underrepresented gender and diversity at management level	pp. 26-27

International Integrated Reporting <IR> Framework

Content elements	Page reference
Organizational overview and external environment	Business overview pp. 12-13 Purpose p. 14
Governance	Corporate governance pp. 59-61
Business model	How we create value pp. 17-31
Risks and opportunities	Risk management pp. 54-58 Turning global challenges into microbial opportunities pp. 15-16
Strategy and resource allocation	2025 Strategy pp. 33-38
Performance	Financial review pp. 42-49 Non-financial review pp. 50-52
Outlook	Long-term ambitions p. 39 Outlook p. 40
Basis of preparation and presentation and general reporting guidance	pp. 3, 18, 78-79, 140

Guiding principles

This report has been prepared based on the following principles:

- Strategic focus
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

[→ More information about the <IR> Framework](#)

01 2020/21 in brief

→ [Chr. Hansen at a glance](#) | [2020/21 highlights](#) | [Key figures overview](#) | [Letter to stakeholders](#)

Enabling healthier living by reducing the overuse of antibiotics

Antimicrobial resistance is one of the greatest threats we face as a global community. If no action is taken, drug-resistant diseases could cause 10 million deaths each year by 2050. Action is required for more prudent use of antimicrobials in humans and animals as well as the urgent phase out of antimicrobials as growth promoters. Probiotics can be part of the solution.

Source: UN Ad hoc Interagency Coordinating Group on Antimicrobial Resistance, 2019



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

40,000
bacterial strains

Every day, more than

1 billion

people around the world consume a product containing a Chr. Hansen ingredient



We develop and produce

cultures, enzymes, probiotics and HMOs for a variety of foods, beverages, dietary supplements, infant formula, animal feed, and plant protection



We are an innovation-driven company with

8.5%

of revenue spent on research and development in 2020/21

We are more than

3,700
employees



82%

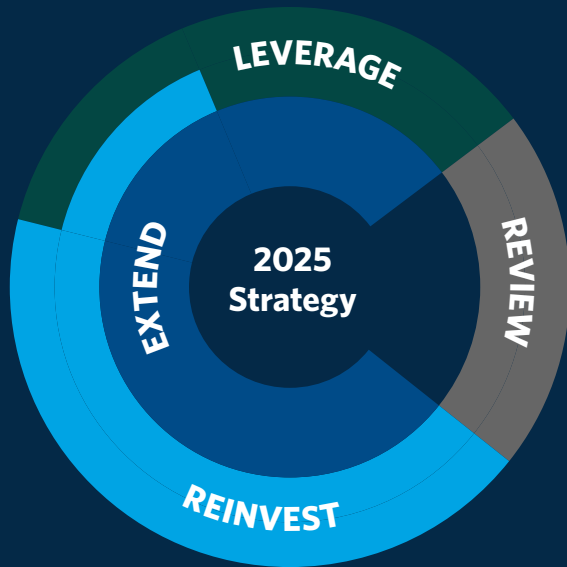
of Chr. Hansen's 2020/21 revenue contributes directly to the **UN Sustainable Development Goals**

Our purpose:

Let's grow a better world. Naturally.

2020/21 highlights

During the first year of its 2025 Strategy, Chr. Hansen made good progress on its strategic initiatives and ambition to create a dedicated bioscience company. Despite the global COVID-19 pandemic and an increased activity level from the portfolio changes, we delivered a solid set of financial results and advanced our sustainability agenda.



[→ Read more about our 2025 Strategy on p. 33](#)

Strategic highlights



Divestment of **Natural Colors** completed



HMO market entered with the acquisition of **Jennewein**



Third generation fermentation-enabled **bioprotection for dairy** products launched



New **VEGA™ brand** for Fermented Plant Bases launched



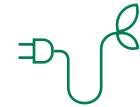
Successful integration of **UAS Labs and HSO Health Care**



Plant Health expanded to South Korea with our new biostimulant **ACCUDO®**



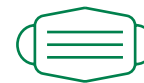
Bacthera received manufacturing licenses for its sites in Basel and Hørsholm



Carbon emission reduction targets submitted to **Science Based Targets** initiative for validation



New cattle probiotic **BOVACILLUS™** launched in Americas



Robust supply chain and delivery performance during COVID-19



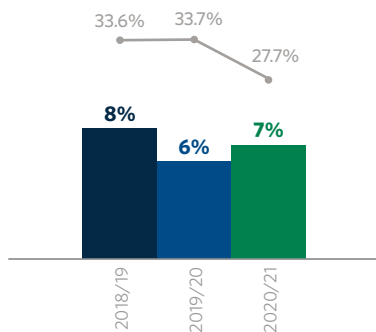
Diversity target of having 30% women in Director+ positions reached ahead of time



First probiotic product range for **pet food** and supplements introduced

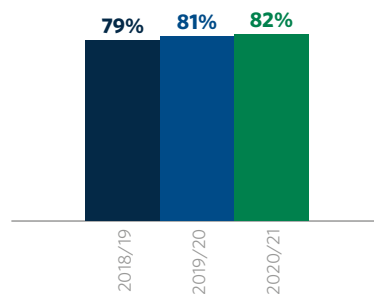
Performance highlights

Organic growth and EBIT margin b.s.i.



■ Organic growth in %
 ↕ EBIT margin b.s.i. in %

Gross revenue that contributes to UN Sustainable Development Goals

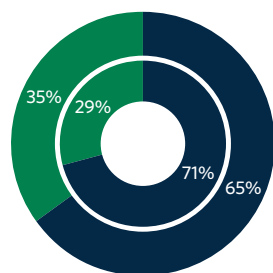


■ Gross revenue in %

EUR 196m

Free cash flow b.a.s.i.d. 2020/21

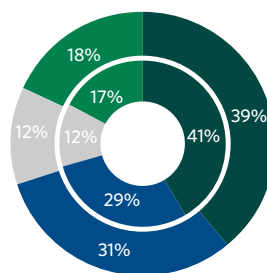
Revenue by segment



■ Food Cultures & Enzymes
 ■ Health & Nutrition

Inner circle 2019/20, outer circle 2020/21

Revenue by region



■ EMEA
 ■ North America
 ■ Latin America
 ■ APAC

Inner circle 2019/20, outer circle 2020/21

2020/21 guidance vs. actual performance

	Oct 2020	Apr 2021	Realized
Organic growth	5-8%	6-8%	7%
EBIT margin before special items	27-28%	27-28%	27.7%
Free cash flow before acquisitions, special items and divestment	EUR 120-160m	EUR 140-160m	EUR 196m

➔ [Further details in the Performance Review chapter on p. 42](#)

Key figures overview

EUR million	2020/21	2019/20	2018/19	2017/18	2016/17
Income statement (cont. operations)					
Revenue	1,077.4	970.0	937.4	1,097.4	1,062.5
Gross profit	613.4	584.0	576.9	600.6	578.1
EBITDA before special items	399.3	400.6	372.3	384.0	368.1
EBIT before special items	298.1	326.9	314.7	320.2	307.1
EBIT	276.2	313.0	312.4	320.2	305.7
Net financial items	(22.5)	(13.5)	(16.1)	(24.1)	(14.8)
Profit from continuing operations	198.7	231.6	229.2	228.2	224.0
Profit from discontinued operations	646.5	13.4	21.0	-	-
Profit for the year	845.2	245.0	250.2	228.2	224.0
Cash flow (Group)					
Cash flow from operating activities	310.8	364.6	298.6	302.4	283.7
Cash flow from investing activities	284.5	(807.5)	(81.6)	(107.0)	(176.5)
Free cash flow	595.3	(442.9)	217.0	195.4	107.2
Free cash flow before acquisitions and special items	183.9	244.5	229.1	195.9	187.8
Free cash flow before acquisitions and special items, cont. operations	196.4	224.9	220.2	-	-
Balance sheet (Group)					
Total assets ¹⁾	3,114.2	2,853.6	2,057.8	1,861.1	1,802.1
Invested capital ¹⁾	2,793.1	2,487.6	1,745.3	1,631.5	1,581.1
Net working capital ¹⁾	190.1	208.1	220.6	189.1	174.8
Equity	1,626.1	893.0	797.2	771.6	768.5
Net interest-bearing debt	898.2	1,345.0	734.4	658.7	628.4

¹⁾ The Natural Colors business was divested as of March 31, 2021. For the financial years 2016/17-2019/20, total assets, invested capital and net working capital include assets and liabilities related to the Natural Colors business.

EUR million	2020/21	2019/20	2018/19	2017/18	2016/17
Key ratios					
Continuing operations					
Organic growth	7%	6%	8%	9%	10%
Gross margin	56.9%	60.2%	61.5%	54.7%	54.4%
EBITDA margin before special items	37.1%	41.3%	39.7%	35.0%	34.6%
EBIT margin before special items	27.7%	33.7%	33.6%	29.2%	28.9%
EBIT margin	25.6%	32.3%	33.3%	29.2%	28.8%
ROIC excl. Goodwill	24.8%	33.6%	39.2%	38.0%	40.1%
ROIC	11.6%	16.5%	20.0%	19.9%	20.3%
R&D	8.5%	8.0%	8.1%	7.3%	7.0%
Capital expenditures	14.5%	12.2%	12.6%	9.8%	10.0%
Earnings per share diluted, EUR	1.51	1.76	1.74	-	-
Average number of employees (FTEs)	3,398	2,932	2,768	3,151	2,940
Group					
Earnings per share diluted, EUR	6.41	1.86	1.90	1.73	1.68
Net debt to EBITDA before special items	2.3x	3.1x	1.8x	1.7x	1.7x

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 the cash flow statement have both been restated in previous periods, while the balance sheet has not been restated in previous periods. The comparative figures for 2016/17 - 2017/18 have not been restated and are not directly comparable.

■ Numbers are not restated and therefore not directly comparable.

IFRS 16 was implemented using the retrospective approach, and comparative figures for 2016/17 - 2018/19 have not been restated.

Letter to stakeholders

We are now one year into delivering on our 2025 Strategy and are cementing our position as a global, differentiated bioscience company focused on microbial and fermentation technology platforms.

2020/21 was a year of transition for Chr. Hansen as we executed on our recent portfolio changes. We have largely completed the integration of UAS Labs and HSO Health Care, our HMO team is addressing some initial challenges, and we have successfully divested the Natural Colors division.

Despite the volatile macro-economic environment and the increased activity generated by the portfolio changes, we generally delivered in line with our Group guidance. Organic growth ended at 7%, we achieved an EBIT margin before special items of 27.7% and free cash flow before special items, acquisitions and divestment came in at EUR 196m.

While our share price performance in 2020/21 was below our peer benchmark, we firmly believe that we are creating a stronger company ready to deliver industry-leading profitable organic growth. We will achieve this through a relentless focus on innovation, efficiencies, strong customer relationships and with passionate employees.

Creating value for all our stakeholders

With the coronavirus pandemic pressuring nations, health care systems and supply chains, common global concerns about health and sustainability have intensified. As a result, stakeholder expectations for corporate citizenship have further increased.

There is no question that companies today must focus on profit, planet and people to remain competitive going forward.

At Chr. Hansen, we are committed to creating value for all our stakeholders and we have adopted a number of actions in the past year to demonstrate this, including by reconfirming our support to the UN Global Compact and combining our annual and sustainability reporting to describe our value creation in a holistic way.

With regards to our diversity targets, we made significant progress in 2020/21 and we are proud to note that we have reached, already this year, our 2025 goal of having 30% women in Director+ positions. We are also pleased to have a 50/50 gender-balanced Board of Directors with six different nationalities represented. As part of our climate program, we have submitted our Science Based Targets, and we have conducted various risk sessions as a first step in getting ready to implement the recommendations of the Task Force for Climate-Related Financial Disclosures. Aiming to strengthen our governance around climate and social issues, our Board of Directors has decided to further enhance its oversight of ESG.

Enabling healthier living

The pandemic has triggered a renewed focus on immunity, healthy living and climate-smart agriculture and food production. Chr. Hansen's microbial and fermentation technology platforms hold vast potential in addressing those challenges. As an innovation-driven company we strive to continuously raise the bar and bring new products with enhanced functionalities and better performance to our customers.

In 2020/21, our Food Cultures & Enzymes business launched an all-time high number of new products including our next generation cultures for fermentation-enabled bioprotection. The launch received very positive feedback from customers aiming



“At Chr. Hansen, we are committed to creating value for all our stakeholders.”

Dominique Reiniche,
Chair of the Board



“We are creating a stronger company ready to deliver industry-leading profitable growth through a relentless focus on innovation, efficiencies, strong customer relationships and with passionate employees.”

Mauricio Graber,
President & CEO



to fight food waste and extend the shelf life of their dairy products in a clean label-friendly way.

We are also pleased that our newly established Fermented Plant Bases lighthouse has gotten off to a promising start. Chr. Hansen’s fermentation and application expertise can play a unique role in enabling the ‘new food world’ by securing the right texture and taste and helping to take the category from niche to mainstream.

Enabling new industries is also what we have set out to do with our HMO business and Bacthera, our joint venture with Swiss pharma manufacturer Lonza.

Through the acquisition of Jennewein in 2020, we added HMOs to our product offering. Short for human milk oligosaccharides, HMOs are essential groups of milk sugars found only in human breast milk and known to provide a number of benefits in the healthy development of infants. By adding HMOs as an ingredient produced via fermentation, we can help bring infant formula closer to mother’s milk. While COVID-19 registration delays initially affected the HMO market, the long-term potential and market attractiveness of this emerging field remains intact.

With Bacthera, we are on a mission to become the preferred contract development and manufacturing partner for the live biotherapeutic industry that aims to bring life-changing treatments to patients, based on good bacteria. Bacthera has already successfully won and executed several projects for customers, and reached a major milestone in May 2021, when it received its manufacturing licenses for clinical trial production.

Following the acquisitions of UAS Labs and HSO Health Care, our Human Health business is uniquely positioned to shape the global probiotics market of the future. With our STRAIN TO SOLUTION™ offering we are now able to support our broadened customer base along the entire value chain from strain selection

to consumer packaging, enabling customers to bring innovative probiotic solutions to consumers at all life stages. We have also demonstrated industry leadership by establishing The Probiotics Institute, a global science-based online platform dedicated to educating and inspiring about probiotics and the human microbiome.

Our Plant Health and Animal Health businesses remain important contributors to more sustainable agricultural production. By offering alternatives to chemical pesticides and antibiotic growth promoters they enable farmers to produce high quality, sustainable and safe foods demanded by consumers all over the world. In 2020/21, Plant Health entered new markets in the US and Canada and expanded its product offering with the launch of a new biostimulant. Animal Health further expanded its global presence outside of North America and launched new products including our first range of probiotics for pets.

Looking across the Group, Chr. Hansen has a unique role to play in enabling healthier living and contributing to a more sustainable food system, supported by our strong innovation expertise. We own one of the industry’s largest culture collections with around 40,000 microbial strains which allows for extensive screening and selection of the best available combinations of good bacteria. We have the know-how to transform these bacteria into safe and high-quality products and solutions that truly make a difference and help us “Grow a better world. Naturally.” A highly meaningful cause that drives us every day.

Dominique Reiniche
Chair of the Board

Mauricio Graber
President & CEO

02 Our business model

→ Business overview | Purpose | Turning global challenges into microbial opportunities | How we create value

Enabling healthier living by supporting immune health

We live in unprecedented times, and consumer demand for safe, natural and clinically proven immune health products is fueling growing interest in the benefits of probiotics. 65% of global consumers are interested in functional products that support immune health.

Source: FMCG Gurus, October 2020

Business overview

Chr. Hansen is a global, differentiated bioscience company headquartered in Hørsholm, Denmark, that develops and produces microbial solutions for the food and beverages, nutritional, pharmaceutical and agricultural industries. The Company sells its products in more than 140 countries and has 3,700 employees.

Chr. Hansen was founded in 1874 by the Danish pharmacist Christian D. A. Hansen who invented an industrial process to extract rennet for cheese making, and has since then developed into a microbial powerhouse.

The Company is listed on the Nasdaq Copenhagen stock exchange via its holding company Chr. Hansen Holding A/S whose sole activity is managing the Chr. Hansen Group.

Organizational structure

Organizationally, Chr. Hansen is split into two segments, Food Cultures & Enzymes and Health & Nutrition. Food Cultures & Enzymes comprises our dairy and food and beverages activities. Health & Nutrition comprises four business units: Human Health, Animal Health, Plant Health and Human Milk Oligosaccharides (HMO).

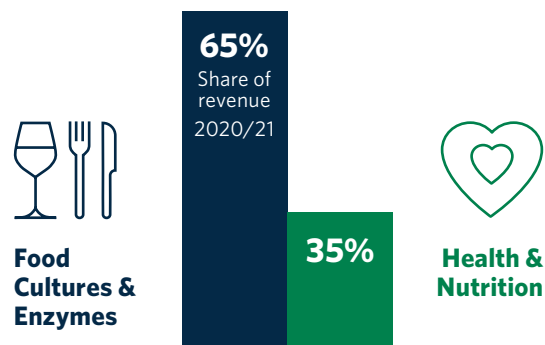
Chr. Hansen's Natural Colors division was divested to the Nordic private equity group EQT in March 2021 and no longer forms part of the Group. The division is reported as discontinued operations in our 2020/21 annual report.

Position within value chain and key markets

As a specialty ingredient supplier, Chr. Hansen exclusively operates as a business-to-business company.

Whilst our microbial solutions usually make up only a small part of a product's cost base, they are strategically important for our customers as they can:

- define and differentiate the end product
- support health and well-being
- increase productivity and yield
- extend shelf life and increase food safety
- contribute to reducing antibiotic usage
- offer an alternative to chemicals.



The risk of substitution in the Food Cultures & Enzymes core business is very low, given that cultures and enzymes are indispensable ingredients in yogurt and for cheesemakers. In Health & Nutrition and our lighthouses, the substitution risk is higher, as our products compete with alternative technologies or non-usage. As such, adoption is more dependent on customers' willingness to innovate and embrace new technologies.

Competitive landscape

Generating EUR 1,077m revenue in 2020/21, Chr. Hansen is the world's largest food cultures and dairy enzymes producer and a leading manufacturer of probiotics and HMOs.

Chr. Hansen operates in several niche markets with different competitive dynamics. Market concentration is the highest in Food Cultures & Enzymes, with the

top three players combined accounting for most of the global market. The competitive landscape is relatively stable, and no meaningful new entrants have emerged over the past decade. In Health & Nutrition, competition is more diverse and dynamic given the relatively larger market opportunity. That said, Chr. Hansen holds leading positions in all its segments except for Plant Health.

Significant features of legal, regulatory and macroeconomic environment

External factors such as economic growth, consumer income or commodity prices impact our businesses to varying degrees. Purchasing power, for example, is an important indicator for discretionary product categories such as probiotics and HMOs or regional markets where dairy is not a food staple. Commodity prices, on the other hand, that drive farmer economics in the agricultural industry such as raw milk, livestock or feed

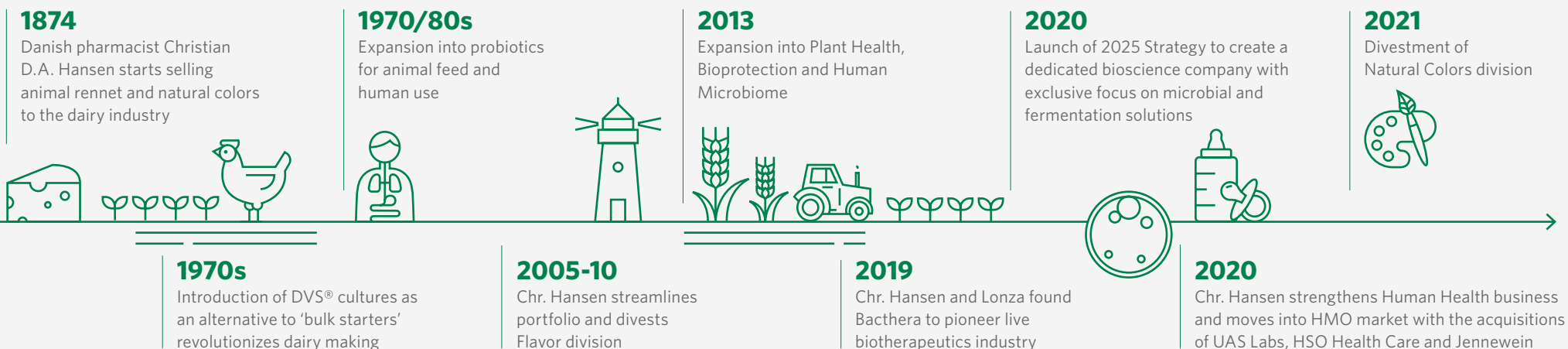
prices can impact purchase decisions for our Animal and Plant Health products.

The regulatory environment depends on the targeted application and country of destination. In most jurisdictions, Chr. Hansen's products are subject to general food law and food safety regulations. Whilst requirements for substantiating the safety and efficacy of ingredients are converging, regulatory approval and product registration timelines for some industries, e.g. agricultural solutions, can be quite a lengthy process despite regulators' efforts to support technologies that contribute to more sustainable development like the EU Green Deal. Complexity and lack of harmonization presents another challenge, particularly for our probiotics business where health claim labelling varies considerably between regions.

History at a glance

[→ Learn more about our history](#)

Chr. Hansen's journey to become a dedicated bioscience company across food, health and agriculture



Purpose

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

Grow a Better World. Naturally.

Addressing some of today’s most pressing challenges such as climate change, transition to a circular economy and restoration of biodiversity will require a tremendous joint effort from regulators, society and businesses and quantum leap innovations across many industries. At Chr. Hansen, we believe that microbial science and fermentation will be a key enabler in driving this change over the coming decades.

By unlocking the POWER OF GOOD BACTERIA™, we contribute to the transition towards a more sustainable food system - a system capable of feeding the growing population while reducing its adverse impact on climate, natural resources, biodiversity and health - all the way from farm to fork.

Our commitment to drive change is reflected in our company purpose “Grow a better world. Naturally.”, which serves as a guiding principle for innovation and decision-making across the Company.

Our support for the United Nation’s Sustainable Development Goals

At Chr. Hansen, we have worked strategically with the UN Sustainable Development Goals (SDGs) since 2016. Our key focus is on goals no. 2, 3 and 12 about sustainable agricultural practices, good health and less food waste, and we have set ambitious targets that guide our work. Each year, we assess the percentage of our revenue that comes from products supporting one or more of the three SDGs. In 2020/21, 82% of our revenue came from products that support one or more of the three SDGs.

[→ How we Grow a better world. Naturally.](#)

[→ Learn more about the methodology behind our SDG mapping](#)



Sustainable agriculture



Natural plant protection



Better quality silage



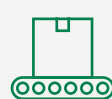
Animal nutrition



Better food production



Quality and safety



Efficient production



Less waste



Improved health



Healthier food



Supporting health



Next generation health

Turning global challenges into microbial opportunities

As a sustainability enabler, Chr. Hansen offers food producers, farmers and the nutritional industry microbial solutions that enable more sustainable agriculture, cleaner labels and healthier living for more people around the world.

Microbial solutions carry great potential and with increasing public awareness, better understanding of the benefits of 'good bacteria' and growing support from regulators and policymakers, we expect adoption rates for microbial solutions to rise over the coming years.

Healthier living

Concerns about health issues are on the rise and consumers are fundamentally changing their views on health and wellness. Particularly immune health has grown into a crucial concern for many consumers, prompting an increase in the consumption of vitamins and supplements.

Chr. Hansen's probiotics strains address this rising consumer demand. Whether enjoyed as part of a yogurt or as a dietary supplement, our well-documented strains such as L. CASEI 431[®], LGG[®] and BB-12[®] have the potential to support the immune response and respiratory health¹⁾.

HMOs also bring unique health benefits for infants from the very start of their life. HMOs provide infants with important milk components when breastfeeding is not an option or choice. Additionally, our cultures enable food producers to make dairy or meat products with reduced levels of sugar, salt or fat, without compromising on taste and texture.

Live biotherapeutics

With an increasing number of therapies related to the human microbiome under development, live biotherapeutic products, or 'bugs as drugs', is a very promising market. With the potential for targeting a broad range of health applications such as infectious diseases, immune diseases and oncology, the potential impact of the industry can be game changing for global health.

Through Bacthera, our joint venture with Lonza, we offer pharma and microbiome players full supply chain support from pre-clinical development to commercial production. As a specialist contract development and manufacturing organization, Bacthera will be a crucial partner and enabler in helping to bring the first live biotherapeutic products to market and we estimate that the addressable market for live biotherapeutics contract manufacturing for clinical and commercial supply has the potential to exceed EUR 1 billion long-term.

During the financial year 2020/21, Bacthera reached a key milestone as the drug production facility in Basel, Switzerland and the drug substance facility in

Hørsholm, Denmark, were granted their manufacturing licenses by the respective health authorities. Bacthera, which has grown into an organization of about 70 employees since being established in 2019, is now ready to offer customers one of the world's most advanced pharma manufacturing supply chains for live biotherapeutic products.

Antibiotic resistance

Antibiotic resistance is one of the biggest threats to global health, food security, and development today²⁾. Antibiotic resistance occurs naturally, but excessive overuse of antibiotics by humans and in animals is accelerating the process. Among the measures to control and prevent the spread of antibiotic resistance are efforts to prevent infections and stop using antibiotics as growth promoters or as a disease prevention method in livestock production.

In Animal Health, our probiotics for Cattle, Swine & Poultry such as BOVAMINE[®] and GALLIPRO[®] FIT have shown, among other things, to support normal gastrointestinal functions, decrease weekly health events, decrease pathogen counts and decrease the use and costs of antibiotics.

More sustainable agriculture

The global agricultural industry is facing ever more challenging conditions due to increasingly harsh weather conditions, pest resistance development and a decline in new chemical technology entering the market³⁾. Against this backdrop, it is vital to find new ways to protect crops against diseases and increase yields in a sustainable way.

¹⁾ Hojsak I, et al. Clin Nutr. 2010;29(3):312-6. (PubMed), Rizzardini G, et al. Br J Nutr. 2012;107(6):876-84. (PubMed), de Vrese M, et al. Eur J Nutr. 2005;44(7):406-13. (PubMed).

²⁾ UN Ad hoc Interagency Coordinating Group on Antimicrobial Resistance, 2019.

³⁾ Phillips, Agrochemical industry development, trends in R&D and the impact of regulation, Pest Management Science, Dec 2019.

Chr. Hansen’s Plant Health business develops targeted microbial solutions for enhanced crop protection such as biopesticides, biofungicides and biostimulants. The microbes live in and on plants, roots and soil and provide them with the benefits of increased root development and better uptake of water and nutrients, as well as disease protection and resilience against drought. Bringing back naturally occurring bacteria not only makes sense from a performance perspective but also in terms of its impact on biodiversity and soil quality.

Today, most of our Plant Health business is selling bionematicides for sugarcane and soybean production in Latin America, but we are also expanding into other markets. In 2020/21, we launched ACCUDO®, a new biostimulant for fruit and vegetables in South Korea which can deliver meaningful yield gains. At the Crop Science Forum and Awards 2020, ACCUDO® received the prestigious award of ‘Best New Biological.’

Climate change

With food production estimated to account for nearly one-third of global greenhouse gas emissions⁴⁾, immediate action is needed to circumvent the negative impact of climate change and get on a trajectory

aligned with the Paris Agreement. Chr. Hansen is uniquely positioned through our Food Cultures & Enzymes and Animal Health portfolios to enable dairy producers, farmers and feed mills to produce more efficiently by increasing yield per input or reducing waste in production e.g. through better protection against contaminants, improved health for animals or more efficient product applications.

The rise of plant-based alternatives

More and more consumers seek dairy and meat alternatives as part of a flexitarian diet in which health and sustainability are core values. With our long-standing experience in fermentation, Chr. Hansen is uniquely positioned to support customers on their fermented plant bases journey and be an enabler for this emerging industry. Today, we estimate that around 1%-2% of the global yogurt category is based on alternative protein sources such as soy, oat and pulses, but this niche segment is expected to grow rapidly.

As part of the 2025 Strategy, Chr. Hansen will invest in its new Fermented Plant Bases lighthouses to develop new, innovative solutions that will help producers overcome some of the key challenges relating to taste, texture and

nutrition. With the launch of the VEGA™ brand and the expansion of our culture range, Chr. Hansen made good progress in 2020/21 and now has a great product offering that covers different raw material bases and product needs. Chr. Hansen aims to be the preferred supplier for fermented products – no matter which protein source.

Food waste

One-third of all food produced globally is wasted. The impact on climate is significant as food waste accounts for 8% of global greenhouse gas emissions. Food waste is a global issue that is high on the consumer agenda – 77% of consumers worldwide try to reduce their own food waste.

Chr. Hansen’s fermentation-enabled bioprotection offering can be part of the solution and help producers and consumers prevent food waste before it occurs. Through the ancient art of fermentation, food cultures help protect dairy, meat and other non-fermented food products against spoilage caused by yeast and mold and against pathogenic bacteria, such as *listeria*. This way, they help enhance food safety and quality, while prolonging shelf-life and reducing food waste.

Global challenge	Healthier living	Live biotherapeutics	Antibiotic resistance	Climate change	Sustainable agriculture	Plant-based alternatives	Food waste
Our microbial opportunity	Support health through nutrition with probiotic offering for food, supplements and infant formula Establish HMOs as a must-have for infant formula Reduce sugar, salt, fat and lactase in dairy products and develop solutions for healthy beverages	Enable the establishment of the live biotherapeutics industry through contract development and manufacturing services	Offer farmers animal feed probiotics to improve the health of their livestock and as an alternative to antibiotic growth promoters	Make dairy farming and livestock production more efficient and lower carbon emissions through animal probiotics and dairy enzymes that enhance productivity	Replace chemical pesticides with biological crop protection	Develop culture solutions for tasty, healthy fermented products from alternative protein bases	Fermentation-enabled bioprotection to extend shelf life, reduce scrap in supply chains and reduce waste
Chr. Hansen businesses	Human Health, HMO, Food Cultures & Enzymes	Bacthera	Animal Health	Animal Health, Food Cultures & Enzymes	Plant Health	Fermented Plant Bases	Bioprotection

⁴⁾ European Commission, 2020.

How we create value

We grow a better world. Naturally.

Inputs

Human capital
Our employees

Intellectual capital
Our R&D capabilities

Natural capital
Our bacteria

Manufacturing capital
Our production sites

Social capital
Our relationships

Financial capital
Our cash flow and funding

Business activities

Research & Development pioneer microbial science to develop new products for customer needs

pp. 19-20



Discovery



Clinical trials and proof of concept



Process innovations



Emerging technologies

Global Operations manufacture our products, while driving efficiencies and reducing our climate impact

pp. 21-22



Fermentation



Blending



Product safety and quality



Packaging and logistics

Sales & Application bring our products and best-in-class technical service to customers worldwide

pp. 24-25



Sales excellence



Application and technical support



Distributors and commercial partners



Marketing and digital services

Outputs

Human capital
Engaged employees

Intellectual capital
Cutting-edge science

Natural capital
Emissions and waste

Manufacturing capital
Products with impact

Social capital
Strong reputation

Financial capital
Interests, dividends and buybacks

Outcomes

A more sustainable food system - from farm to fork



Industry-leading profitable growth



Human Resources invest in talent and diversity

pp. 26-27



Finance ensures efficient capital allocation

pp. 28-29



Across the firm we engage with stakeholders to promote microbials solutions

pp. 30-31

Chr. Hansen's business model is centered around our unique fermentation and microbial technology platforms backed by nearly 150 years of experience, a scalable production set-up as well as long-standing relationships with customers – all of which together puts us in a very strong competitive position.

Inputs

To unlock the full potential as a global leader in fermentation and microbial solutions, Chr. Hansen draws on a variety of resources including:

- Human capital: A highly skilled and diverse workforce
- Intellectual capital: A strong R&D engine and intellectual property
- Natural capital: Access to nature's microbial diversity via our culture collection of about 40,000 strains and natural resources such as energy and water
- Manufacturing capital: Best-in-class fermentation facilities and a global network of application centers
- Social capital: Close collaboration with customers, regulators, industry associations, academia and other stakeholders
- Financial capital: Strong internal cash flows and access to external funding.

Business activities

Chr. Hansen's R&D and production backbone spans across Food Cultures & Enzymes and Health & Nutrition, whilst commercial activities and strategies are tailored to the different customer groups and end markets.

When it comes to generating value from the resources we deploy, we consider the following to be our most critical business activities:

- Research & Development: Pioneer microbial science to develop new products that meet customer needs
- Global Operations: Secure production capacity and drive efficiencies to unlock fuel for growth whilst minimizing our environmental footprint
- Sales & Application: Excel in customer centricity with superior product offering, best-in-class technical support and local presence
- Human Resources: Invest in talent and diversity
- Finance: Ensure efficient capital and resource allocation to support strategic agenda
- Stakeholder Engagement: Engage in partnerships and advocacy to promote the adoption of microbial solutions.

Outputs and outcomes

The outputs of our value chain are microbial products such as cultures, probiotics, enzymes and HMOs that are being used in the food, nutritional and agricultural sectors and that on many occasions enable more sustainable business practices. The positive impact of our products is partly offset by the negative impact our manufacturing processes have on the environment.

As a supplier to the dairy and animal farming industries, we also acknowledge the challenges our customers are facing when it comes to climate impact. At the same time, we strongly believe in dairy as an important source of nutrition and livelihood for a growing world population. As demand for dairy and meat products is expected to grow at a low single-digit rate for the foreseeable future, we want to work side by side with our customers to drive efficiencies in dairy farming and make livestock production more sustainable, whilst investing in solutions for alternative protein bases with lower carbon footprints.

Materiality

Chr. Hansen's ability to create value is dependent on a number of matters of either a financial or non-financial nature. Material matters are defined as matters that substantively affect Chr. Hansen's financial performance (financial materiality) or have a meaningful impact on our stakeholders or the environment (environmental and social materiality). Relevant environmental and social matters have been identified and prioritized using a variety of sources including desktop research, peer benchmarking, sustainability reporting standards, our enterprise risk management framework as well as an internal stakeholder survey.

The outcome has been reviewed by representatives of the corporate leadership team and is reflected in detail in the business model and risk management chapters.

Research & Development

Developing products with impact



Discovery



Clinical trials and proof of concept



Process innovations



Emerging technologies

Chr. Hansen possesses unrivalled capabilities across the entire innovation value chain from discovery to scale-up.

The microbial powerhouse

Our R&D organization is responsible for new product development in Food Cultures & Enzymes and Health & Nutrition as well as process innovations and the continuous improvement of our technology base.

R&D collaborates very closely with our different Application departments that provide crucial product knowledge and customer insights. They are experts when it comes to understanding how our microbes work in the end application – whether it is cow's milk, plant roots, a human or an animal gut – and thus are key contributors to the innovation process.

Chr. Hansen's R&D activities are bundled at the global headquarters in Denmark with satellites in Germany and India, whilst Application operates a network of 28 centers across the world to ensure proximity to customers and local market understanding. Our global innovation campus in Denmark is currently being expanded with inauguration expected in 2023.

In total, more than 650 employees representing over 30 nationalities work in R&D and Application and with 50% women in managerial positions.

Our R&D process

Discovery

The heart of our R&D activities is our culture collection which today has grown to around 40,000 strains. We continually expand our strain library, either by acquiring external collections or by isolating new strains from nature. It's not the sheer size of our library that gives us the competitive edge, but its diversity and our ability to commercialize it.

To identify new commercial opportunities, we screen and characterize our strains with the help of high throughput screening and bioinformatics using specialized and advanced selection protocols, so-called assays, that are developed in-house.

To improve the robustness or performance of individual strains, such as their ability to perform in different climates, we apply classical strain improvement techniques. Furthermore, Chr. Hansen invests in mode of action research to understand why and how our strains behave and interact. This is highly relevant for the protection of our inventions and while we build a

strong base for the development of our next generation products.

Combinatorial microbiology is used in the development process to determine which and how many strains a finished product with certain functionalities must contain. This is done in close collaboration with Product Management and Regulatory.

Before new Health & Nutrition products can be tested in vivo, i.e. in humans and animals, the strains are thoroughly tested for biosafety and analyzed in artificial gut systems which contain live isolated cells. Developing formulations and ensuring microbial stability is another priority, particularly for our Animal Health and Human Health solutions.

New developments in Food Cultures & Enzymes will be tested directly in the respective protein bases. This is done at our own application centers that have small-scale yogurt and cheese production equipment as well as at key customers' sites.

Clinical trials and proof of concept studies

To get proof of concept and to document the effectiveness of our products, we conduct in-vivo studies in collaboration with contract research

organizations. In Animal Health, we work with about 50 external partners globally, while Plant Health uses a combination of own greenhouses and partners to conduct field trials globally and Human Health works with a network of leading investigators and key customers. The science behind our probiotic strains is one of our key differentiators, and we will continue to invest in research and trials to build documentation and scientific evidence. Across our businesses, we conduct clinical trials every year, some of which are financed by Chr. Hansen and others by customers or academia.

Process innovations

After a new strain has been identified for commercialization, the strain needs to be scaled up from lab size to production scale. To do so, R&D develops media recipes, product prototypes and inoculation materials and scales up processes. Furthermore, the team collaborates closely with Global Operations to optimize manufacturing processes to increase productivity.

Emerging technologies

Continuously redefining our existing technology platform is crucial to remain competitive. As such, Chr. Hansen is investing in new technology target areas such as data sciences, modes of action research and genome modeling.

Approximately 25% of our R&D budget each year is dedicated to process innovations and technology development.

Partnerships and collaborations with external centers of expertise are another way in which we accelerate

our knowledge base, speed up projects and de-risk our pipeline. We are proud to partner and today have a broad network of partners globally and are represented in several scientific associations, advisory boards and other committees.

Accelerating new innovations

Bringing new products faster to market is a key priority of our 2025 Strategy which is why we have established a new governance and project management set-up that allows faster decision-making, better prioritization across business units and resourcing of critical projects.

We invest 75% of our R&D budget in new product development across our core platforms and lighthouses. We also invest in digitalization, automation and data analysis to increase the effectiveness of our R&D activities, for example to simplify complex workflows, miniaturize experiments for more rapid prototyping or deliver product performance insights to customers.

Safeguarding our R&D investments

Chr. Hansen has a proactive strategy to protect R&D investments. We continuously strive to strengthen our intellectual property portfolio and patent protect new products of commercial value including their functionalities in specific application areas as well as production and formulation technologies. Overall, Chr. Hansen's patent portfolio encompasses around 3,100 patents and 3,000 trademarks.

→ [Learn more about how Chr. Hansen innovates from idea to culture](#)

→ [Learn more about our 2025 Strategy on p. 33](#)

Value creation in numbers

~170
projects in
R&D pipeline

EUR 91m
spent on
R&D in 2020/21

22
new patents
filed in 2020/21

~75%
of R&D budget spent on
new product development

Stakeholder spotlight

Understanding the gut microbiome

Andreas Munk Petersen,
Doctor for Gastroenterology,
Hvidovre Hospital



How does gut health impact our wellbeing, and what role can probiotics play?

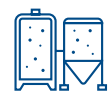
The number of genes in our intestinal microbiome by far exceeds the number of our own genes. The gut microbiome plays a very important role in our health by helping to control digestion, pathogen protection, benefitting our immune system and perhaps even our mood. An imbalance of intestinal microbes may contribute to health problems such as infectious diseases, weight gain, high blood sugar, irritable and inflammatory intestinal disorders etc. We know that a healthy balance of microbes in the intestines is "need" and not just "nice" to have. Here, the use of probiotics with scientifically proven beneficial effects is highly desirable.

Can you elaborate on your ongoing probiotic studies?

We're investigating the effect of probiotics on various conditions such as obesity, irritable bowel syndrome, inflammatory bowel disease and Clostridium difficile infection, thereby attempting to both cure and prevent disease. All studies are accompanied by extensive studies of the effect on the microbiome and the safety of the used probiotics.

Global Operations

Unlocking fuel for growth



Fermentation



Blending

Product safety
and qualityPackaging and
logistics

In production, we secure high quality and best-in-class delivery to customers, while driving efficiencies in our manufacturing processes and minimizing our impact on the environment.

One plant, many locations

To unlock economies of scale, Chr. Hansen operates a consolidated manufacturing footprint with 14 production sites globally. Most volumes are produced at the Company's main facilities in Denmark, Germany, France and the US. With the acquisitions of UAS Labs and Jennewein, three production sites in Germany and the US have been added to the production footprint and a fourth is expected to follow towards the end of the strategy period, when the new HMO facility in Denmark is scheduled to come on stream.

All of our sites, except for UAS Labs and Jennewein, are certified to the ISO 14001 standard on environmental management and our two German production sites have an ISO 50001 certification on energy management. The certifications together with our global GO GREEN initiative ensure appropriate

management and continuous improvements across the environmental parameters.

Whilst Chr. Hansen has implemented a "one plant, many locations" strategy to ensure flexibility in production planning and agility, each site specializes in a certain product segment.

The production footprint is complemented by a network of warehouses, so as to keep stocks available locally and be able to respond to sudden spikes in demand. This has proven to be a very solid strategy during the pandemic. We complete the configuration of our supply chain by partnering with selected contract manufacturers.

Our production processes

Chr. Hansen's dairy enzymes, cultures, HMOs and probiotics are produced via fermentation. Production scale is important for our cost leadership, because the larger the fermentation plant, the lower the unit costs.

We master the handling of complexity with more than 400 strains and over 2,500 finished products manufactured at industrial scale. Our production processes are highly automated and where possible supported by specialized robots.

Fermentation

The key inputs for our production are skim milk powder and nutrients as well as the actual microorganisms. Cost of materials accounts for approximately 20% of revenue.

To start the production process, inoculation material with a high density of bacteria is added to a sterile growth media which provides optimal growth conditions. The microbes stay in the fermentation tanks from four to twenty hours for cultures and seven to nine days for enzymes. After the fermentation has been stopped, the liquid bacteria are separated from the waste stream. Enzyme and HMO production requires additional purification steps, because here the product is not the microbial strain itself but the enzymes or HMOs produced during the fermentation. Between each fermentation process the pipes and tanks are thoroughly cleaned which is a water-heavy and energy-intensive process.

To preserve the fermentation output, the concentrated bacteria is shock-frozen in a liquid nitrogen-based process which allows excellent storage stability at -55 degrees Celsius. To expand logistic reach, frozen bacteria can be transformed into freeze dried pellets. Microbes that are used in our Animal and Plant Health solutions as well as HMOs and enzymes follow a



[Read more about sourcing and how we work with suppliers on p. 30](#)

different process. Cultures and HMOs are mainly spray-dried, while enzymes are standardized and delivered in liquid format.

Blending

Next in the process, our single bacteria strain building blocks are mixed in specific ratios into finished goods to achieve unique and multiple targets, e.g. taste and texture for dairy or different health benefits for our animal probiotics. The number of individual strains per product can vary from one to many. Following the UAS Labs acquisitions, we now also have in-house finished goods production for Human Health customers with a wide range of dosage forms and packaging options.

Product safety and quality

Chr. Hansen's ingredients are consumed on a daily basis as foods, supplements and infant formula, so product quality and safety are of utmost importance. We manufacture a total of five different quality grades from food to dietary supplement, pharma, infant and pre-term infant. All of Chr. Hansen's production sites hold the FSSC 22000 food safety certification. The sites that produce probiotics for animal feed are certified under the FAMI-QS certification covering quality and feed safety management. At product level, we maintain certifications related to, for example, kosher and halal, as well as from the Danish Medical Agency.

Packaging and logistics

Chr. Hansen's key packaging materials are paper and cardboard boxes, plastics and foils, and together they account for 70% of our packaging volumes. Supporting the upcoming EU plastics strategy to make all plastic packaging recyclable by 2030, Chr. Hansen has set targets to ensure and improve recyclability of all key packaging materials by 2025. Currently, only the foils for some of our frozen and freeze-dried cultures are not recyclable and we are working to develop ways to transform the foil design.

In terms of transportation, the majority of our products are shipped by sea and our logistics team is working to further optimize the transition from air to sea or road freight which would also have a positive impact on the carbon emissions of our value chain.

Reducing our environmental footprint

Our Global Operations team actively works to reduce the environmental footprint of our production, by improving water and energy efficiency and optimizing our waste management, packaging and logistics.

In recent years, Chr. Hansen has focused on improving water efficiencies e.g. building water reuse systems for cleaning processes and defining site-specific targets. We are also working to improve our energy efficiency and shifting to renewable sources where possible.

This year, 61% of our global electricity consumption was powered by renewable energy. In terms of waste management, 97% of our total volume is biowaste. As this still contains valuable nutrients, it can be used for biogas production or fertilizers. This was the case for 69% of our biowaste in 2020/21. Recycling biowaste contributes to avoiding carbon emissions, which supports our climate journey.

→ [Go on a virtual site tour](#)

→ [Read more about our efforts to reduce our environmental footprint and planet targets on p. 51](#)

→ [Read our Sustainability Position on how we manage environment and climate](#)



Value creation in numbers

400+

strains produced at industrial scale

69%

of biowaste recycled in 2020/21

EUR 154m

spent on capital expenditures in 2020/21

14,035 tons

CO₂e saved in scope 1+2 in 2020/21

Our global footprint

Chr. Hansen operates 14 production sites, three R&D centers and more than 25 application centers across the globe.

- Production site
- R&D center
- Application center

5 production sites in North America

- Madison, USA
- New Berlin, USA
- New Jersey, USA
- Wausau, USA
- West Allis, USA

1 production site in Latin America

- Valinhos, Brazil

8 production sites in Europe

- Copenhagen, Denmark
- Graasten, Denmark
- Roskilde, Denmark
- Arpajon, France
- Bonn, Germany
- Nienburg, Germany
- Pohlheim, Germany
- Hustopece, Czech Republic

3 R&D centers in Europe

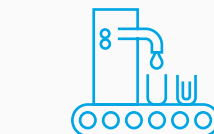
- Hørsholm, Denmark
- Nienburg, Germany
- Bonn, Germany

1 R&D center in Asia-Pacific

- Pune, India

28 application centers in five continents

- 19 in Food Cultures & Enzymes
- 3 in Human Health
- 3 in Plant Health
- 3 in Animal Health



Sales & Application

Excellence along the entire customer journey



We bring superior products, leading science and best-in-class technical support to customers worldwide.

Our customers

Chr. Hansen has a broad customer base with a total of more than 3,500 customers in total. The top 25 customers represent around 30% of Group revenue.

Food Cultures & Enzymes serve a highly fragmented customer base ranging from local, family-owned specialty producers to large, multinational groups. Nine out of ten customers operate in only one country. The majority of our customers are dairies but Chr. Hansen is also expanding to other food and beverage markets. Today, our ingredients are not only found in every second yogurt or cheese but also in meats, salmon, fresh-cut salads, wine, low-alcohol beer and fermented plant bases.

In Health & Nutrition, we serve a more diverse set of customers.

Our Human Health and HMO businesses are working with dietary supplement and infant formula producers. In dietary supplements, we doubled the number of

customers with the acquisition of UAS Labs and today serve different customer groups from pharma over-the-counter to e-commerce specialists. In infant formula, we work with both local and international brands.

Our Animal Health probiotics are sold as feed ingredients for farm animals and pets. Here, we serve the entire value chain from distributors, premixers and feed mills to large integrators and pet food producers. Following the acquisition of NPC in 2016, our Animal Health customer base has been skewed towards the US cattle market.

Plant Health sells its products through commercial partners that have strong global distribution networks. Since 2013, Chr. Hansen has been selling its bionematicides for crops such as sugarcane and soybean via a partnership with US-based FMC. In 2021, a second collaboration with the Indian multinational UPL was announced to develop and commercialize microbial solutions for sustainable agriculture.

Our joint venture Bacthera operates as a contract manufacturer for pharma companies that are active in the live biotherapeutics space.

[Learn more about how we reinvest in our core businesses and leverage our lighthouses on pp. 35-36](#)

Our commercial processes

Key account management and sales excellence

Our commercial activities and sales strategies are tailored to the different end markets we serve, but all business units follow a shared sales excellence model. Overall, our selling approach is insights-based, value-driven and built on close collaboration with customers, which requires a high degree of technical

The Probiotics Institute™
 Chr. Hansen launched a science-based online platform for probiotics to educate and inspire about the world of probiotics and the human microbiome. In 2020/21, the platform was rolled out globally with local versions in the US and China. It targets healthcare professionals, consumers and B2B customers.

[Go to The Probiotics Institute™](#)

and scientific knowledge. That's why many of our sales managers have a technical educational background, such as dairy engineers, veterinarians or health care professionals.

In Food Cultures & Enzymes, we serve very large customers as strategic key accounts in which co-development and customizations play important roles. Beyond that, Chr. Hansen has a standardized range of products that is available to all customers. A small part of our business comes from contract manufacturing and traded products and in some smaller or new emerging markets we use distributors to go to market.

In Human Health, we work directly with all of our key customers. Our offering spans from individual strains to full solutions including strain selection, formulation, dosage format, consumer packaging, regulatory and marketing support. Today, approximately half of our customers choose a full solution and our strategy is to further increase our STRAIN TO SOLUTION™ business.

Application and technical support

Application and technical support play a critical role in commercializing our innovations. The teams support Sales during the launch phase by demonstrating the value of our products through performance trials and data assessment or in case of Human Health by helping customers design the optimal product in terms of cost and functionality. Application also provides valuable after-sales services such as troubleshooting and performance monitoring support.

Together, our high-quality technical service and local presence constitute one of our most essential differentiators which is why we aim to further strengthen our capabilities here, particularly in Food Cultures & Enzymes, Animal and Plant Health.

Distributors and commercial partners

Distributors and commercial partners are the foundation of our route-to-market strategies for our agricultural businesses. In Animal Health, an important part of our sales are achieved by local sales partners and we put a lot of emphasis on continuously expanding and optimizing our business partner network. In Plant Health, our products are currently sold exclusively via commercial partners.

Marketing and digital services

As part of our 2025 Strategy, we are also expanding our marketing and digital capabilities to support the differentiation of our products and promote the value of our scientific documentation. To do so, we have started several initiatives, including the new on-pack branding of our probiotic strains or The Probiotics Institute™.

Furthermore, Chr. Hansen also started developing data-driven services that support our product sales such as PHAGEWATCH™ and COAGUSENS™. In 2020/21, a technical service platform was launched where customers can collaborate with Chr. Hansen's application teams all the way from new product development to troubleshooting.

Value creation in numbers

>5,500

customer projects started in 2020/21

>33,000

customer interactions in 2020/21 of which 70% were virtual

8%-pts.

increase in Net Promotor Score® to 69% compared to two years ago

>3,100

technical service requests handled in 2020/21

Stakeholder spotlight

Bringing functionality to consumers

Klaus Ravnholt,
Co-founder of Cocojune

cocojune



Why is functional food on the rise?

We're experiencing increased awareness of functional foods and the interplay between body, mind and food. This health consciousness seems to have accelerated during the pandemic, and we seem to be more intentional about what we consume and why. The digital age has accelerated the proliferation of science and lifestyle information that provides the necessary basis for awareness about functional foods. There's an ever growing body of hard science available on probiotics just a few clicks away. I think it really excites people to better understand the functioning of their own bodies and how it's affected by their diet.

How is Cocojune responding?

In making our plant-based yogurt alternative, probiotics were important from day one. If you can make a product that includes microorganisms that support your health and wellbeing, why wouldn't you? Lots of customers are writing to tell us how Cocojune is helping them follow their diet in a delicious way, while also strengthening their microbiome.

Human Resources

Investing in our highly skilled, engaged and diverse workforce



Human Resources

A strong culture with learning and inclusion at the core helps drive engagement and results.

Diverse skills and backgrounds characterize our employee composition

Chr. Hansen's ability to deliver on our strategy, pioneer science, develop new products and respond to market needs depends more than anything on our more than 3,700 employees.

Our employee base is broad and diverse; close to half of our employees work in our production facilities, and the other half is split across R&D and Application, Sales & Marketing and staff functions. The average length of employment across all groups is close to eight years, and we employ more than 73 nationalities. We consider this broad composition of professional competencies and cultural backgrounds to be a key ingredient of our success, today and in the future.

Our founder was a true entrepreneur with an international outlook, and that mindset is still strongly reflected in all functions and regions and an integral part of how we approach people.

Critical to our success is a common mindset for how we work. Chr. Hansen's culture model is the backbone of this. It is composed of four cultural drivers: We act with freedom; We rely on each other; We create results; and We work for a better world. These four drivers allow us to establish a common understanding between existing and new employees across geographies and functions. They serve as a guiding principle of how we can move forward while staying true to the core of what got us to where we are today. The Culture model is central in ensuring effective onboarding and performance of new employees.

Building an engaged learning culture

In the light of the COVID-19 pandemic, we have fast-tracked our digital journey across the entire organization. Through increased usage of digital platforms, we are able to launch new and more flexible approaches to employee engagement and learning.

Keeping engagement high can be challenging in times of working from home or under restrictions at the physical workplace; yet it is a prerequisite for the success of our company. This year, we rolled out employee engagement surveys to all employees on a quarterly basis. This frequency allows us to react in real-time to the issues that may turn up as it provides a more timely insight into engagement levels in the organization.

Thus, despite a turbulent year dominated by COVID-19, engagement has been kept high at an 8.5 rating, leaving us in the top 10% percentile among peers.

Another new initiative expected to support employee engagement positively is the launch of our Flexible Workplace scheme, under which a part of the defined working hours may be performed from the employee's own home or other designated place. We wish to consider the diverse needs and priorities of employees and strive to cultivate a flexible and high-performance culture aligned with our business strategy. With a Flexible Workplace Guideline, we provide employees and managers with a framework enabling new ways of working, with the potential for not only stronger engagement, but also increased productivity, efficiency and a better work-life balance.

Continuous learning and development is another key enabler for executing our 2025 Strategy and reaching our ambitious targets. We are currently in the process of rolling out a new digital learning management platform for all employees. The vast curriculum holds predefined learning journeys, videos and models so that employees will be able to find learning opportunities and resources relevant for their specific role, just as it will enable leaders to ascribe specific courses to match the job role and development needs of their

→ [Read our People, Organization and Knowledge Policy](#)

→ [Read our Diversity and Inclusion Policy](#)

Diversity of the Board of Directors

At our 2020 Annual General Meeting, the Board of Directors reached a 50/50 gender representation among its shareholder-elected members. The Board not only has equal gender representation but also has six nationalities represented.



employees. Easily accessible anywhere, anytime, and customized to teams or individuals, this initiative is part of our strategic ambition to provide training and development to all employees across the organization, making this a competitive advantage. From the end of the next financial year, the advanced digital learning platforms will allow us to track global and cross-functional training completed by employees.

Inclusion drives diversity

Building and maintaining a strong employee base means that we have an obligation to ensure that we are unbiased and open in our recruitment, development and retention efforts. We rely on our organization's ability to value and recognize people's differences and uniqueness and cultivate this in an inclusive environment.

In our recruitment processes, we continuously seek to ensure, through specific requirements to recruitment agencies, that we meet a diverse pool of candidates with different educational backgrounds, gender, nationalities etc. Internally, we see that the succession pipeline for top level positions is close to being gender balanced. This is a result of diversity and inclusion being high on the agenda during internal organizational review processes, promotions and organizational changes.

Chr. Hansen's commitment to diversity is also visible in the employee engagement surveys, where the question: "I'm satisfied with Chr. Hansen's efforts to support diversity and inclusion" scores 8.6, 0.6 above benchmark, indicating that awareness on this business-critical topic remains high.

Gender pay is another important element in our Diversity & Inclusion ambition. Fairness and transparency in the remuneration of our employees are key in creating an inclusive workplace. After a few years of maturing the internal data quality and approach, this year we will report on gender pay for the first time. The number we report represents the difference in average earnings between the female and male workforce, in countries with more than 250 employees (DK, US, FR, DE¹⁾). The data constitutes approximately 80% of the total workforce. The methodology applied is inspired by the UK, where gender pay reporting has been a legal requirement for some years, giving us a mature and validated approach.

¹⁾ Germany is included even though the headcount is below 250 employees. Employees from Jennewein are currently not included in the scope.

Value creation in numbers

32%

women at Directors+ level

21%

diverse teams

6.2%

gender pay gap

10th

percentile in employee engagement benchmark

Stakeholder spotlight

Working during the pandemic

Alice Larsen,
Corporate Vice President
of Human Resources,
Chr. Hansen



CHR HANSEN

How have you ensured engagement during the pandemic?

We've focused on nurturing a strong sense of belonging in the teams, leader visibility and the launch of "Hansen Health"; a series of fun and engaging activities including a health and fitness app, inspirational talks and support with tips and tools for remote management, helping employees through the challenges by feeling part of a community.

How will the lessons learned affect our future way of working?

The pandemic has framed our ideas for new approaches and fast-forwarded the digital development and virtual collaboration. We have launched our Global Flexible Workplace to reflect "the new normal", and also introduced quarterly digitally powered engagement surveys to stay close to the atmosphere and well-being of our employees.

Finance

Creating long-term value through effective capital allocation



Finance

To finance its business needs and strategic agenda, Chr. Hansen uses a combination of internal and external funding.

Share information

Share capital	DKK 1,318,524,960
Number of shares	131,852,496 of DKK 10
Outstanding shares	131,669,973 of DKK 10
Treasury shares	182,523 of DKK 10
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	Nasdaq Copenhagen
ISIN code	DK0060227585
Ticker symbol	CHR
Share price at year-end	DKK 581
Market capitalization at year-end	DKK 76.6bn (EUR 10.3bn)
Proposed dividend per share	DKK 6.54

OTC ADR Level 1 program

Sponsor	J.P. Morgan Chase Bank N.A.
DR Symbol	CHYHY
CUSIP	12545M207
DR ISIN	US12545M2070
Ratio	4 DR : 1 ORD

Share and ownership structure

Chr. Hansen has been listed on the Nasdaq Copenhagen stock exchange since June 2010. The Company has issued a total of 131.9 million shares in accordance with the 'one share - one vote' principle. At the end of the financial year 2020/21, Chr. Hansen had a market capitalization of EUR 10.3bn.

The Chr. Hansen share closed the financial year on August 31, 2021 at DKK 581. This represents a decrease of DKK 135 per share or 19% compared to

the previous year's closing price. The Nasdaq OMX C25 index returned +34%, while the predefined peer group returned +23% including dividends.

Two shareholders have reported to Chr. Hansen that they held 5% or more of the shares at August 31, 2021:

- Novo Holdings A/S (Denmark)
- APG Asset Management N.V. (Netherlands)

An analysis of the shareholder structure carried out in August 2021 showed that the United States, Denmark

Share price development in 2020/21



and the United Kingdom represent the largest regional groups of institutional investors. Around 7% of shares were held by retail investors.

For US investors, Chr. Hansen has a sponsored Level 1 American depositary receipt (ADR) program with J.P. Morgan Chase Bank N.A. acting as depositary bank. At the end of August 2021, 1% of the share capital was held through the ADR program.

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

Financing and capital structure management

Due to its strong cash flows, Chr. Hansen mainly uses internal funds to finance its recurring investment needs including capital expenditures. Internal funding is complemented by bank borrowings. At the end of the financial year 2020/21, net interest-bearing debt amounted to EUR 898m and leverage stood at 2.3x EBITDA.

Chr. Hansen's Board of Directors regularly assesses whether the Company's capital structure supports the strategy and the long-term value creation in the interest of the Company and the shareholders. The Board of Directors is committed to maintaining financial leverage consistent with a solid investment-grade credit profile, while returning excess cash to shareholders.

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 is effected 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.

- acquire up to 13,185,249 treasury shares, provided that the Company's holding of treasury shares does not at any time exceed 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.

Capital allocation and dividend policy

In terms of capital allocation, Chr. Hansen has clear priorities. Investing for organic growth is the number one priority followed by bolt-on acquisitions. Thirdly, the Company aims to return excess cash to investors in the form of ordinary dividends, extraordinary dividends or share buybacks.

Distributions to shareholders are subject to the Board of Directors' assessment of factors such as business development, growth strategy, current leverage and financing needs. There can be no assurance that a dividend will be proposed or declared in any given year, but generally the Company aims to pay out an annual ordinary dividend of 40%-60% of net profit.

In 2020/21, the Board of Directors decided not to propose an ordinary dividend for the financial year 2019/20 in order to prudently manage leverage after the acquisitions made during the financial year and until the proceeds from the Natural Colors divestment were received. Instead, the Company paid an extraordinary dividend of DKK 6.54 per share in May, equal to a total of EUR 116 million, which is equivalent to a normalized ordinary dividend for 2019/20. For 2020/21, the Board of Directors proposes an ordinary dividend of DKK 6.54 per share, equal to a total of EUR 116 million. The proposed dividend is equivalent to the dividend paid out in 2021 and represents 58% of the profit for the year.

→ Investor Relations maintains an ongoing dialogue with sell-side equity analysts as well as major institutional shareholders.

Value creation in numbers

EUR 975m

spent on M&A during 2019/20 and 2020/21

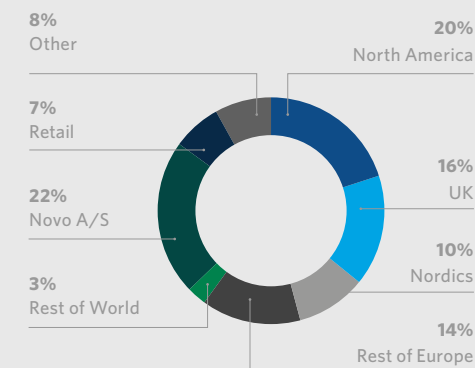
EUR 116m

returned to shareholders in dividends in 2020/21

2.3x

leverage ratio in 2020/21

Shareholders, August 2021



Stakeholder engagement

Advancing market potential through external engagements



Stakeholder engagement

We engage in partnerships and advocacy to promote the adoption of microbial solutions.

Responsible business conduct at the center of stakeholder engagement Upholding business integrity

In our business conduct across all relevant partners we recognize that we have an obligation to contribute to the welfare of society by acting legally, ethically and responsibly. We have a zero tolerance approach to any violation of competition, anticorruption and bribery laws. To ensure compliance, all employees are required to complete bi-annual mandatory e-learning covering different aspects of business integrity.

Before engaging with any third parties acting on behalf of Chr. Hansen such as distributors or agents, a due diligence process is performed to ensure that the third party complies with Chr. Hansen's ethical standards.

Chr. Hansen's whistleblower hotline is available to all employees and external parties to report any illegal or unethical misconduct or serious or sensitive concerns. During the year, 10 cases were reported, 8 through the whistleblower hotline. Five of these were assessed as

unjustified. All justified cases were acted upon and have been resolved or are ongoing.

Sourcing and human rights

Through our vendor approval program, we ensure that clearly-defined requirements regarding social and environmental issues are set out for suppliers to follow if they wish to do business with Chr. Hansen. Supplier performance is monitored closely through the vendor management system and high risk suppliers are audited on food safety, quality and sustainability.

Chr. Hansen is a member of Sedex, one of the world's largest collaborative platforms for sharing data on ethical and responsible data with customers. Third-party social and environmental audits are performed at all Chr. Hansen production sites at least once every three years.

Our Sustainability Position clearly defines our commitments to respect human and labor rights. Each year, we update our human rights due diligence assessment. After the sale of the Natural Colors division, the salient risks to human rights have been updated, showing significantly reduced exposure to labor in the supply chain due to the different nature of the supply chain. Key issues for Chr. Hansen to continue to focus on are health and safety, diversity and supply chain engagement.

→ [Read our policy on Business Integrity](#)

→ [More about our commitment to human rights in our Sustainability Position](#)

Stakeholder spotlight

Creating an impact through partnerships

Jonas Engberg,
Head of Business
Development &
Sustainability,
Care Denmark



How can partnerships scale impact in local communities?

CARE supports the world's poorest and those most vulnerable to climate change, teaming up with the best experts to support us in creating a greener, fairer world. Climate change has made rural farming harder, forcing small local farmers to spend money they don't have on chemical pesticides and fertilizers with negative effects on the environment, because they are totally dependent on their crops on a daily basis. Chr. Hansen contributes excellent natural alternatives and expertise in their application; a great example of the impact partnerships can have where it is most needed.

What criteria are important when selecting a partner?

A shared vision of wanting to contribute to a better world. We don't all need to be alike, but we must share basic values, work in the same direction and bring different competencies to the table. It is very inspiring to work with the industry; we see a profound willingness to change to help create a more sustainable future. That has a huge impact.

Close engagement drives market adaptation and continued license to operate

Stakeholder group	Why we engage	How we engage	Key topics discussed
Customers	Customer centricity is essential to the success of our company. Through co-development and customization, we ensure superior product offerings and tailored solutions.	<ul style="list-style-type: none"> Performance trials and data assessment After-sales service Customer satisfaction Customer innovation days Data-driven services Sustainability workshops and collaborations Sedex platform 	<ul style="list-style-type: none"> Product innovation Product quality and food safety Sustainability-enabling solutions Consumer insights and communication Climate impact
Suppliers	Ensuring security of supply in terms of raw materials is key to our capability to deliver to our customers. We engage to ensure that standards of quality, food safety, people and environment are held high.	<ul style="list-style-type: none"> Supplier self-assessments Site audits Negotiations and planning 	<ul style="list-style-type: none"> Security of supply Quality and food safety Food defence and food fraud Responsible sourcing Digitalization
Policy makers, regulators and industry associations	The policy and regulatory environment is highly crucial for our ability to bring products to market and for enabling the transition to more sustainable agriculture and food policies.	<ul style="list-style-type: none"> Trade associations and industry alliances Public consultations Direct dialogues with policy makers and advisors 	<ul style="list-style-type: none"> Sustainable agriculture and food system transition EU Farm to Fork strategy EU Green Taxonomy Prevention and reduction of food waste Animal feed regulation Probiotics labelling Product registration for biological plant protection Alliance for Bio Solutions
Employees	Our employees are our most important asset, and engagement is central to ensuring commitment, motivation, performance and retention.	<ul style="list-style-type: none"> Culture model and company purpose Quarterly employee engagement surveys Internal channels (Intranet, Yammer, and live streams) Interviews of CLT and senior experts on 2025 Strategy Performance interviews and individual development plans Hansen Health program 	<ul style="list-style-type: none"> Mental and physical health and well-being Engagement, connectivity and motivation Health & safety 2025 Strategy Quarterly and annual results Professional development and goals
Investors	We aim to provide relevant, accurate and timely information and regularly engage in a dialogue with investors to support the fair valuation and pricing of our shares.	<ul style="list-style-type: none"> Investor roadshows and conferences Sell-side briefings Capital Markets Days Annual General Meeting 	<ul style="list-style-type: none"> Chinese dairy market M&A strategy and integration progress COVID-19 impact
Academia and scientific partners	We collaborate with academia and science partners to accelerate our knowledge base, speed up projects and de-risk our innovation pipeline.	<ul style="list-style-type: none"> Private and publicly funded project collaborations Student projects on BSc, MSc & PhD level Consultancy and analytical service Advisory Boards 	<ul style="list-style-type: none"> Progress and results in active projects IPR and license Collaboration within predefined topics Technology foresights sessions

03 Strategy and ambitions

→ 2025 Strategy | Long-term ambitions | Outlook for 2021/22

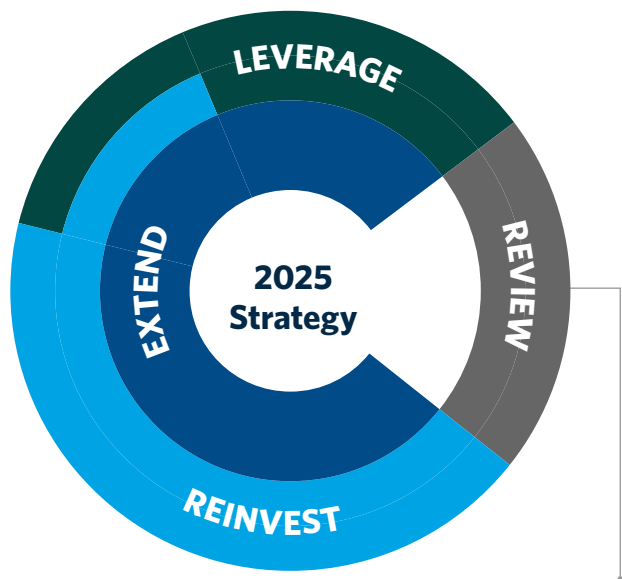
Enabling healthier living by bringing infant formula closer to mother's milk

Human Milk Oligosaccharides are important groups of milk sugars found only in human breast milk. Since the late nineteenth century HMOs have been recognized for their role in infant health. Together with probiotics, HMOs support the development of a healthy immune function and support general health.

At a glance

2025 Strategy

Building on nearly 150 years of experience in microbial science, Chr. Hansen is creating a differentiated bioscience company with the focus on microbial and fermentation technology platforms under its 2025 Strategy.



As part of its 2025 Strategy, Chr. Hansen conducted a strategic review of its non-microbial assets which resulted in the divestment of its Natural Colors divisions to EQT. The transaction was closed on March 31, 2021 for a total consideration of EUR 800m. The divestment covers business operations in more than 30 countries and around 600 employees and the proceeds from the divestment have been applied to reduce the leverage and pay out an extraordinary dividend.



Where to play

Chr. Hansen has set the following priorities for the 2025 Strategy period, which covers the financial years 2020/21 to 2024/25:



REINVEST

in core platforms Food Cultures & Enzymes, Human Health and Animal Health to defend and further strengthen market position



Dairy cultures



Dairy enzymes



Probiotics



Wine and meat cultures



Human Health



Animal Health



LEVERAGE

microbial and fermentation technology platforms to grow strategic lighthouses and build new areas



Bioprotection



Fermented Plant Bases



Live biotherapeutics



Human Milk Oligosaccharides



Plant Health



EXTEND

microbial and fermentation technology platforms via M&A, R&D and commercial partnerships



REVIEW

of non-microbial assets which led to the sale of Natural Colors

How to win

To reach our ambitions, Chr. Hansen aims to:

Customers:

- expand global reach and market access
- invest in application and technical sales
- build marketing excellence and advance digital capabilities

Innovation:

- accelerate new product development with new governance and portfolio management
- increase R&D efficiency through miniaturization, automation and digitalization of core processes and workflows
- expand partner network and advance technology target areas

Global Operations:

- secure production capacity and drive scalability benefits
- realize operational efficiencies via process innovations, robotics and automation
- improve environmental footprint with initiatives across packaging, renewable energy and waste management
- integrate acquisitions into manufacturing footprint and advance plant specialization

People:

- safeguard culture
- invest in talent management
- advance diversity & inclusion agenda
- ensure a safe workplace

Purpose:

- drive sustainability agenda to Grow a Better World. Naturally.

Reinvest

Raising the bar for innovation and customer proximity



We will defend and further strengthen our market position in Food Cultures & Enzymes, Animal Health and Human Health by investing in new product development, scientific differentiation and our go-to-market strategy.

Chr. Hansen has been the supplier of choice for the dairy industry for nearly 150 years and has built an industry-leading probiotic business for animal feed, dietary supplements and infant formula. Over the 2025 Strategy period, the core platforms will continue to deliver most of the Group's absolute growth. Accordingly, reinvesting in Food Cultures & Enzymes, Animal Health and Human Health remains our top priority.

To outpace competition and outgrow the market, new product development and faster commercialization are important drivers. Continuously bringing new innovations in our core cheese and fermented milk portfolio to market is key to drive upselling in Food Cultures & Enzymes. In Animal Health and Human Health, we continue to invest in research and clinical trials for scientific differentiation as well as marketing excellence to bring

the value proposition of our strain portfolio to customers and consumers. To further expand our product offering, we are also investing into new, adjacent spaces such as probiotic innovations for foods and pet health.

To increase our global reach and raise the bar in terms of customer centricity, we invest in local application and technical sales support, particularly in emerging markets that present attractive growth prospects. In Animal Health, we work closely with business partners and distributors to create a more balanced geographical exposure by investing outside of North America, whilst in Human Health, we aim to expand our position in the Asian market. Food Cultures & Enzymes has stepped up its efforts in application excellence whilst further advancing its digital agenda with virtual selling tools, such as remote trial protocols and virtual innovation days.

2020/21 highlights

Fresh Dairy:
YOFLEX® PREMIUM launched for high-textured yogurts with fewer additives and healthier profile
[Read more](#)

Pet Health:
Probiotic offering for pet food and supplements launched
[Read more](#)

Human Health:
Offering for novel indication areas sleep and oral health strengthened
[Read more](#)

Animal Health:
New cattle probiotic BOVACILLUS™ launched in Americas and roll-out of GALLIPRO® FIT completed
[Read more](#)

Stakeholder spotlight

Tackling antimicrobial resistance

Peter Doyle,
Livestock Nutritionist,
Nutriment Health



What's the value of probiotics for animals?

Although we're feeding animals, we're ultimately feeding humans! By reducing food borne pathogens in animals, we can provide healthier food for processing and consumption. Controlling these pathogens through probiotics to establish a healthy gut balance reduces the potential shedding of unwanted bacteria that can contaminate the carcass.

What's your personal experience in this field?

Antimicrobial resistance in humans is one of the most significant health challenges facing mankind today. *Bacillus* bacteria have become a key technology in replacing medically important antibiotics used in animal feed. The life cycle of *bacillus* bacteria provides the most environmentally-friendly feed-additive technology ever developed. After providing pathogenic efficacy by establishing gut microflora balance, the bacteria sporulate passing spores back in the manure that are beneficial to the soil microbiome and plant health. This is of significant interest to farmers.

Leverage

Pioneering new markets for microbial solutions

We will leverage our microbial and fermentation technology platforms to create new markets with promising growth prospects.

At Chr. Hansen, we see many opportunities to expand our business by leveraging our microbial platform to develop solutions for new applications. We define a 'lighthouse' as a new business area of strategic importance with minimum revenue potential of EUR 100m per year and above Group-average growth rates.

Whether it's applying fermentation technology to optimize shelf life and food quality in our Bioprotection lighthouse, using probiotics to protect crops from pests and diseases in our Plant Health business or offering contract development and manufacturing services to pharma companies in our Bacthera joint venture with

Lonza - with all our 'lighthouses' we have embarked on a journey to pioneer emerging markets and build completely new businesses from scratch.

With the launch of our 2025 Strategy, two new lighthouses were added to the portfolio. Encompassing our activities in dairy and meat alternatives as well as fermented beverages, Fermented Plant Bases captures the trend towards alternative protein sources and healthier beverage choices, while Human Milk Oligosaccharides (HMOs) is a new adjacent technology space that we entered with the acquisition of Jennewein and which has expanded our infant formula offering.



→ [Learn more about each of our five lighthouses](#)

2020/21 highlights

Bioprotection:

Third generation FRESHQ® brought to market

→ [Read more](#)

Fermented Plant Bases:

VEGA™ brand and culture kit for 'vegurts' launched

→ [Read more](#)

Plant Health:

New partnership with UPL announced

→ [Read more](#)

Bacthera:

Manufacturing licenses received for sites in Basel and Hørsholm

→ [Read more](#)

HMO:

First scientific study of HMO mix in natural concentrations published

→ [Read more](#)

Stakeholder spotlight

The future of food

David Zilber,
Fermentation and Application Scientist, Chr. Hansen



CHR. HANSEN

What will the future of food look like?

Fermentation will play a pivotal role, repurposing ingredient by-products as a means of working more creatively with food. Fermentation was one of the first means humans developed to preserve foods safely and induce profound changes in flavor.

How can we rely on fermentation to create the food of tomorrow?

I'm excited about the idea that the food of tomorrow is deeply tied to the past. It's a sentiment mirrored in the enthusiasm you see when people ferment their own sourdough bread, kombucha, kimchi or miso ... You see people connect to food they make. To ferment something is to invest not only in a project, but in your own future.

Through the magic of microbiology, you can make vegetables and plant-based foods incredibly satisfying, as our bodies are hardwired to detect and cherish the flavors produced by fermentation. A sustainable food industry will be built on flavor; flavor is king if you want to convince people why eating this way is healthy for them as well as for the planet.

Extend

Strengthening our technology platform via M&A and partners



We will further strengthen our microbial and fermentation technology platforms by pursuing inorganic growth opportunities and engaging with commercial and R&D partners.

Portfolio changes pave the way for a future as a microbial pure play

As a bioscience company, we operate in a highly dynamic and fast-paced environment. Staying on top of technology advancements and continuously refining and further developing our microbial and fermentation technology platforms is key to Chr. Hansen's success.

With the divestment of Natural Colors in March 2021, Chr. Hansen paved the way for a future as a microbial pure play. We intend to further strengthen our competencies in cultures, probiotics, dairy enzymes and value-added fermentation such as HMOs through acquisitions. At the same time, we focus on extending our partnerships with external research centers and where we see benefits, we will engage in commercial partnerships.

2020/21 highlights

HMO:

Expanding technology platform with acquisition of Jennewein

Natural Colors:

Divestment to EQT

Human Health:

Integration of UAS Labs and HSO Health Care completed

MISTA:

Collaborating with start-ups and industry partners to create the future of food

M&A strategy

Whilst organic growth remains our number one priority in terms of capital allocation, inorganic opportunities in the form of bolt-on acquisitions will play an increasingly important role for Chr. Hansen's future as we build scale in Health & Nutrition and our lighthouses and position the Company for the future.

Partnerships

At Chr. Hansen, we believe in open innovation and close collaboration with customers, commercial partners and academia to develop microbial solutions. Our joint venture with Lonza, the partnerships with FMC and UPL in Plant Health and the MISTA alliance in Fermented Plant Bases are good examples of this.



Extend

Diversifying Human Health portfolio and entering the high growth HMO market



As a microbiome leader with an unparalleled probiotics and HMO offering, we enable healthier living and contribute to the global health agenda.

Strengthening our Human Health portfolio with the acquisitions of UAS Labs and HSO Health Care

The global dietary supplements market is expected to grow 4%-6% during the 2025 Strategy period, driven by the general trend for preventative care and health optimization and the increasing understanding of the human microbiome and probiotics amongst health care professionals, consumers and the general public. The global pandemic has further intensified this development.

Building on our industry-leading, documented probiotic strain portfolio and scientific heritage, Chr. Hansen aims to improve health and wellbeing across all life stages and shape the global probiotics market with an unparalleled offering. The acquisitions of UAS Labs and HSO Health Care in 2020 contribute directly to this strategy.

Diversifying customer base and expanding probiotic production capabilities

With the acquisition of UAS Labs in July 2020 for a net transaction value of EUR 538 million, Chr. Hansen has expanded its foothold in the fast-growing multi-species, high-potency market. With UAS Labs, we doubled our customer base and increased our exposure

to e-commerce players, whilst broadening our product and strain portfolio across a variety of indication areas, including weight management and heart health with strains such as DDS-1[®], UABla-12[™], BNR17[™] and Irc[®]. Furthermore, we expanded our fermentation capacity and added internal consumer packaging capabilities in the US.

Small bolt-on to strengthen women's health offering

Women's health is one of the fastest growing indication areas within the probiotic supplements market. Several scientific studies suggest that taking probiotics may support women's health at all life stages including during pregnancy and menopause. To expand our position in this space, Chr. Hansen acquired the Austrian company HSO Health Care including its award-winning ASTARTE[™] combination in April 2020 for a total consideration of EUR 119 million.

Integrations completed

Both UAS Labs and HSO Health Care were fully integrated into the Human Health business during the financial year 2020/21. Revenue synergies are expected to come from cross-selling and bringing a broader product offering to more customers worldwide as well as developing new concepts from the combined strain portfolio, whilst cost synergies will be realized from insourcing the production of HSO HC products and best practice sharing across UAS Labs and Chr. Hansen.

Entering the fast-growing HMO market with a new lighthouse

Human Milk Oligosaccharides are essential groups of milk sugars found only in human breast milk that are essential for the development of infant microbiomes. Only commercially available since 2015, HMOs have become the 'golden standard' for bringing infant formula products closer to mother's milk. Research also indicates that HMOs are synergistic with probiotics and may be beneficial for humans across life stages e.g. for immune support, healthy ageing or during pregnancy.

Chr. Hansen entered this exciting, emerging market with the acquisition of Jennewein which has expanded our offering to infant formula players and offers attractive cross-selling opportunities with our probiotics business.

Registration delays due to COVID-19 and longer customer project timelines slowed the development of the HMO market in 2020/21 but the long-term potential is very promising with an estimated addressable market of more than EUR 1bn long term. HMOs are available in several markets today and are expected to be approved in the world's largest infant formula market, China, within the strategy period, which will be a key catalyst for the business.

HMO operates as a business under Health & Nutrition and we plan to establish a global HMO manufacturing site in Denmark in the coming years.

→ [More about UAS Labs](#)

→ [More about HSO Health Care](#)

→ [More about our HMO business](#)

Long-term ambitions until 2024/25



FINANCIALS¹⁾

The long-term financial ambitions have been updated to reflect the divestment of Natural Colors and the acquisition of Jennewein and refer to the period 2020/21 to 2024/25:

Industry-leading organic growth

Organic growth of mid-to high single-digit, averaged over the period.

Improving profitability

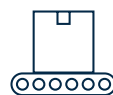
An increase in EBIT margin b.s.i. over the period. The improvement is expected to be based on efficiency gains, scalability benefits and acquisition synergies which will be partly reinvested into the business.

Strong cash flow

Average growth in free cash flow b.s.i.²⁾ to exceed average growth in EBIT b.s.i. The investment into HMO capacity will be phased in line with the development of the business.

¹⁾ The financial ambition is based on constant currencies and does not take future acquisitions or divestments into account. The financial ambition is also based on the current political and economic environment and projections, and any changes may impact the ambitions.

²⁾ 2020/21 free cash flow baseline adjusted for acquisition-related impact on taxes paid of approx. EUR 45 million.



PRODUCTS

>80%

of gross revenue from sustainable products

Chr. Hansen commits to have >80% of our gross revenue come from sustainable products³⁾.

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. 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. Accumulated since base year 2015/16.

³⁾ For more information about the methodology see the accounting principles: <https://www.chr-hansen.com/accountingprinciples>.

⁴⁾ As a result of the process of setting Science Based Targets, we have restated the ambition. Further information on p. 51.



PLANET

SBT⁴⁾

Commitment to Science Based Targets

Chr. Hansen has joined 'Science Based Targets', led by a global coalition of UN agencies and leading organizations. This is a commitment to do our part in limiting the global temperature increase aligned with the ambition of the Paris Agreement.

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.

Financial outlook for 2021/22

Assumptions

The outlook for 2021/22 is based on the following assumptions:

- Constant currencies
- No acquisitions
- The current political and economic environment.

Changes in the political and macroeconomic climate including continued COVID-19 related disruptions, development of raw material and other input costs might impact the outlook.

Organic revenue growth

Considering the high macroeconomic uncertainty and continued COVID-19 related disruptions, we expect organic growth for 2021/22 in the range of 5-8%.

Food Cultures & Enzymes is expected to deliver solid mid-single-digit organic growth throughout the year, despite an insignificant contribution from EUR-based pricing.

Organic growth in Health & Nutrition is expected to be supported by the businesses acquired in 2020. Growth is expected to be volatile across quarters with Human Health impacted by the current challenges incl. limited access to specific raw materials in the first part of the year.

EBIT margin before special items

EBIT margin before special items is expected to be 27-28% as cost synergies from the probiotics acquisitions and production efficiencies will be offset by the continued ramp-up of activities post COVID-19, investments into the HMO business, and inflationary pressure on certain input costs.

Free cash flow before special items

Free cash flow before special items is expected to be around EUR 140-170 million as improved operating profit is expected to be more than offset by a significant increase in taxes paid, as 2020/21 was impacted by acquisition-related activities. The free cash flow outlook assumes a CAPEX level in line with 2020/21.



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 around 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 around EUR 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 2020/21.

04 Performance review

→ Financial review | Non-financial review

Enabling healthier living by pioneering the future of medicine

Our microbiome evolves throughout life, which could prove closely linked to the development of certain chronic diseases. Diseases that we might be able to treat in the future with beneficial good bacteria - live biotherapeutic products - by restoring the human microbiome's "missing microbes".

Financial review

Group performance

Revenue (cont. operations)

Organic growth was 7%, while revenue increased by 11% to EUR 1,077 million. Revenue was impacted positively by 11% from acquisitions and negatively by 7% due to currency effects. The contribution from acquisitions was EUR 105 million.

Organic growth was primarily driven by price increases in local currencies incl. the use of EUR-based pricing in certain countries, while volume/mix growth was below historical levels in part due to COVID-19.

Gross profit (cont. operations)

Gross profit was EUR 613 million, up 5% on 2019/20. The gross margin decreased by 3.3 percentage points to 56.9%, due to a more than 3 percentage point negative impact from acquisitions. Production efficiencies were offset by a negative impact from currency, product mix and higher freight costs.

Operating expenses (% of revenue, cont. operations)

Operating expenses totaled EUR 315 million (29.3%), compared to EUR 257 million (26.5%) in 2019/20.

Total R&D expenditures amounted to EUR 91 million (8.5%), compared to EUR 78 million (8.0%) in 2019/20.

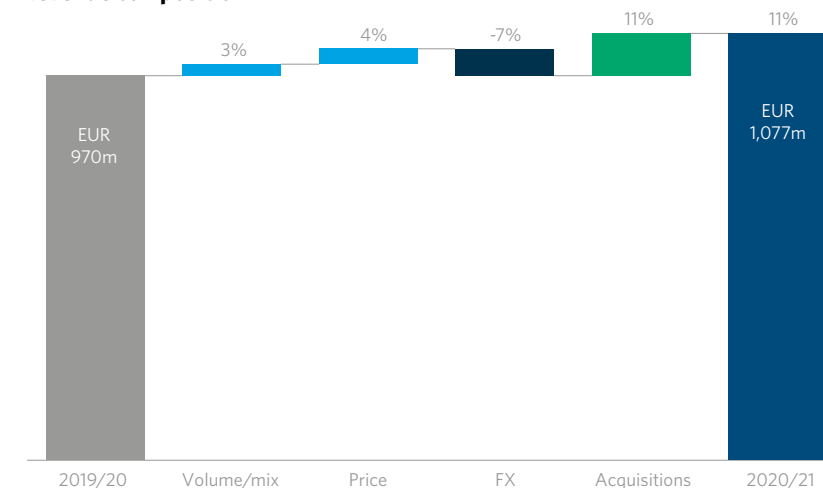
Sales & marketing expenses amounted to EUR 155 million (14.4%), compared to EUR 135 million (13.9%) in 2019/20. The increase in cost level from the acquisitions was partly offset by reduced travel expenses due to COVID-19 travel restrictions.

Administrative expenses amounted to EUR 73 million (6.8%), compared to EUR 53 million (5.5%) in 2019/20. The increase in cost level was primarily driven by acquisitions.

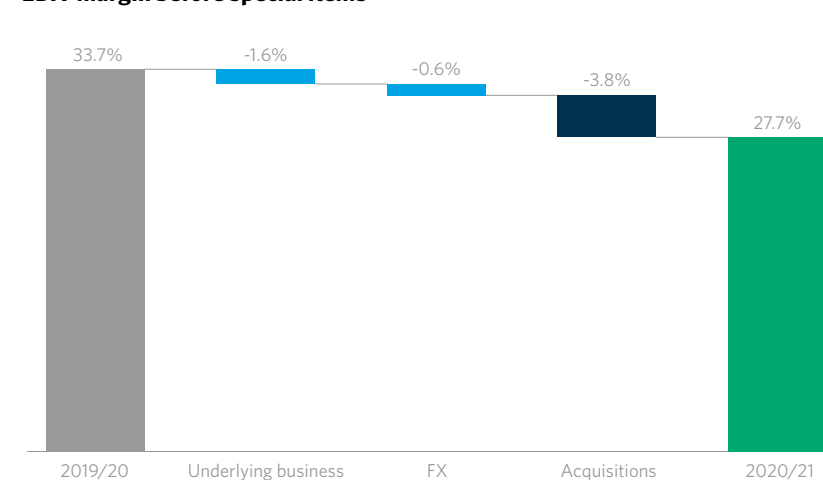
Net other operating income/expenses was an income of EUR 3 million, compared to EUR 8 million last year, as 2019/20 was impacted by the single-line consolidation of UAS Labs and a favorable ruling in a VAT dispute case.

EUR million	YTD 2020/21	YTD 2019/20
R&D expenses (P&L)	90.1	76.2
- Amortization	7.6	6.9
- Impairment	2.0	3.1
+ Capitalization	10.8	11.8
R&D expenditures incurred	91.3	78.0

Revenue composition



EBIT margin before special items



EBITDA before special items (cont. operations)

EBITDA before special items amounted to EUR 399 million, compared to EUR 401 million in 2019/20. The impact from acquisitions was EUR 17 million, compared to EUR 4 million in 2019/20. The EBITDA margin before special items (incl. acquisitions) was 37.1%, down 4.2 percentage point from 2019/20.

The underlying EBITDA margin before special items and excluding acquisitions would have been 39.3%, compared to 41.0% in 2019/20. The decrease was mainly driven by investments into R&D activities and a negative currency impact.

Operating profit (EBIT) before special items (cont. operations)

EBIT before special items amounted to EUR 298 million, compared to EUR 327 million in 2019/20, a decrease of 9%. The EBIT margin before special items was 27.7%, down from 33.7% in 2019/20.

The underlying EBIT margin before special items (excl. acquisitions) would have been 31.4%, compared to 33.6% in 2019/20. The decrease was due to the lower EBITDA margin, and an increase in depreciation and amortization.

Special items (cont. operations)

Special items were an expense of EUR 22 million compared to an expense of EUR 14 million in 2019/20, and the increase in expenses was primarily driven by costs in relation to the carve-out process of Natural Colors and the acquisition of Jennewein.

Operating profit (EBIT, cont. operations)

EBIT amounted to EUR 276 million, compared to EUR 313 million in 2019/20. The EBIT margin was 25.6%, compared to 32.3% in 2019/20. Adjusted for acquisitions, the EBIT margin would have been 29.1%.

Net financials, share of JV and tax (cont. operations)

Net financial items amounted to EUR 23 million, compared to EUR 14 million in 2019/20. Net interest expenses were EUR 22 million (incl. EUR 3 million due to IFRS 16 Leases), up from EUR 13 million in 2019/20.

The net impact from exchange rate adjustments was negative at EUR 1 million, in line with 2019/20.

The Bacthera JV produced a EUR 7 million loss to Chr. Hansen, compared to a loss of EUR 4 million in 2019/20.

Income taxes amounted to EUR 48 million, equivalent to an effective tax rate of 19.6%, compared to EUR 64 million and 21.7%, respectively, in 2019/20. The lower tax rate was due to a non-recurring impact from acquisitions.

Profit for the year from continuing operations

Profit from continuing operations for the year decreased to EUR 199 million from EUR 232 million in 2019/20.

Profit from discontinued operations

Profit from the divested business of Natural Colors amounted to EUR 647 million, compared to EUR 13 million in 2019/20. The increase was due to the EUR 638 million gain on the divestment of Natural Colors.

Profit for the year

Profit for the year amounted to EUR 845 million compared to EUR 245 million in 2019/20.

Assets (Group)

At August 31, 2021, total assets amounted to EUR 3,114 million, compared to EUR 2,854 million a year earlier. The increase was mainly due to the acquisitions of HSO Health Care, UAS Labs and Jennewein, and investments in the microbial production platform, partly offset by the divestment of the Natural Colors business.

Total non-current assets amounted to EUR 2,685 million, compared to EUR 2,247 million at August 31, 2020. Goodwill and intangible assets increased by EUR 299 million, while property, plant and equipment increased by EUR 127 million.

Total current assets amounted to EUR 429 million, compared to EUR 405 million at August 31, 2020. Inventories increased by EUR 12 million, or 9%, and trade receivables increased by EUR 43 million, or 30%. Cash decreased by EUR 41 million to EUR 55 million.

For more information, see note 2.1 in the Annual Report.

Net working capital (Group)

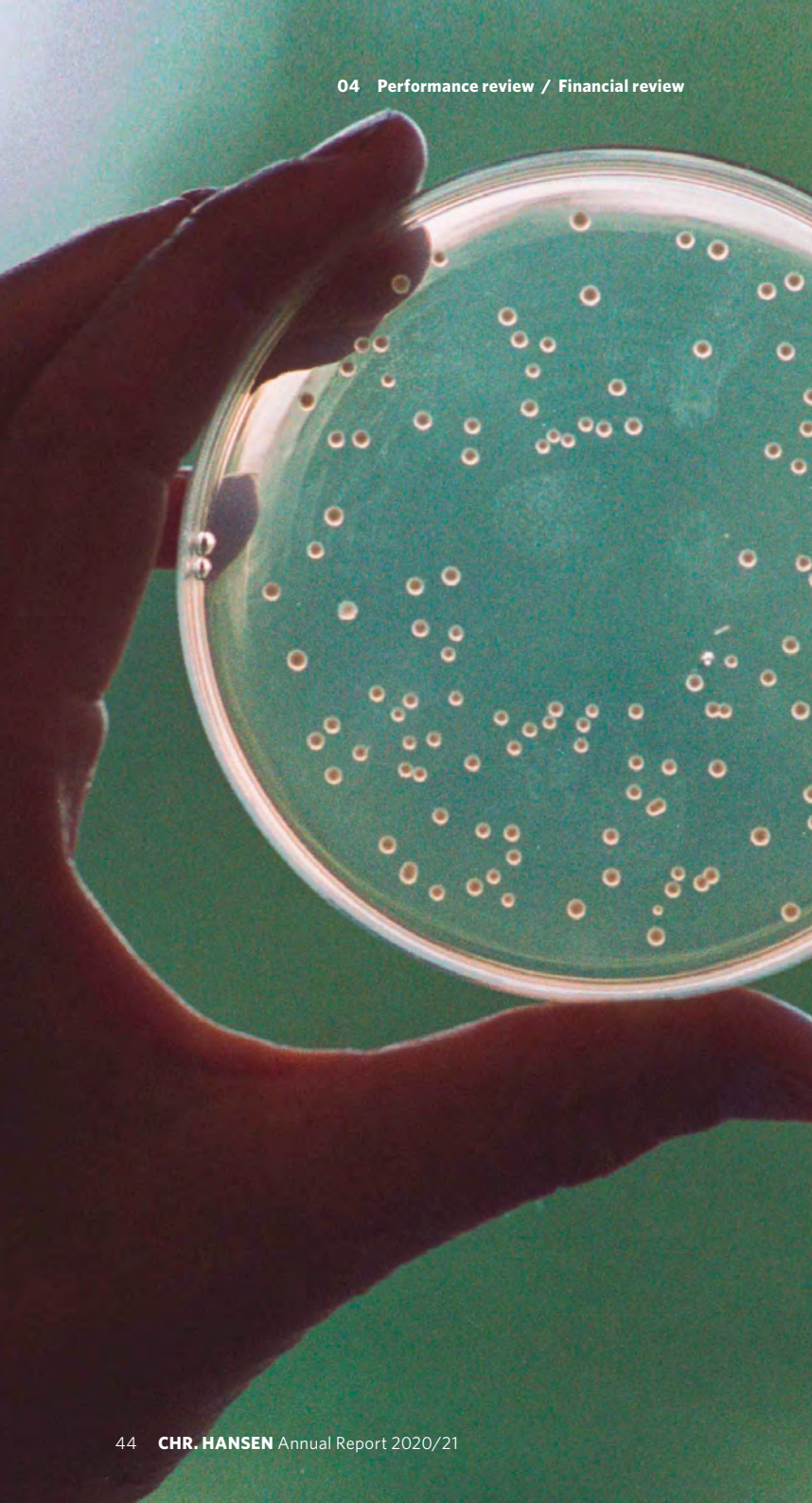
Net working capital was EUR 190 million, compared to EUR 208 million in 2019/20 (of which EUR 166 million was from continuing operations). Net working capital amounted to 17.6% of revenue compared to 17.1% in 2019/20 for continuing operations. The change in net working capital for continuing operations was mainly driven by a EUR 43 million, or 30% increase in trade receivables, part of which was due to the acquisitions of UAS Labs and Jennewein. This was partly offset by higher trade payables, which were up by EUR 31 million, or 31%, while inventories increased by EUR 12 million, or 9%.

Equity (Group)

Total equity amounted to EUR 1,626 million at August 31, 2021, compared to EUR 893 million a year earlier. Following the divestment of Natural Colors, Chr. Hansen paid out an extraordinary dividend of EUR 116 million, equal to a normalized ordinary dividend for 2019/20.

Net debt (Group)

Net interest-bearing debt amounted to EUR 898 million, or 2.3x EBITDA before special items, compared to EUR 1,345 million, or 3.1x EBITDA before special items, at August 31, 2020.



Return on invested capital (ROIC, cont. operations)

The return on invested capital excluding goodwill was 24.8%, compared to 33.6% in 2019/20. The decrease was driven by the acquisitions of UAS Labs and Jennewein. Invested capital excluding goodwill from continuing operations increased to EUR 1,303 million, compared to EUR 1,098 million at August 31, 2020.

The return on invested capital including goodwill was 11.6%, compared to 16.5% in 2019/20. Invested capital including goodwill from continuing operations increased to EUR 2,793 million, compared to EUR 2,347 million at August 31, 2020. For more information, see note 2.1 in the Annual Report.

Cash flow (Group)

Cash flow from operating activities was EUR 311 million compared to EUR 365 million in 2019/20. The operating cash flow from continuing operations was EUR 328 million, which was in line with 2019/20 (EUR 330 million), as a lower contribution from the operating profit adjusted for non-cash items, higher interest paid and a negative impact from working capital was offset by lower taxes paid partly due to a non-recurring impact from acquisitions. Cash flow from discontinued operations was an outflow of EUR 17 million, compared to a positive contribution of EUR 35 million last year.

Cash flow used for operational investing activities was EUR 159 million (of which EUR 154 million, or 14% of revenue, was from continuing operations), compared to EUR 140 million in 2019/20 (of which EUR 119 million, or 12% of revenue, was from continuing operations). The increase in spending was driven by the acquisition of the Kalundborg, Denmark site for HMO production, investments across the microbial platform and insourcing of packaging capacity for Human Health in North America.

Free cash flow before special items, acquisitions and divestments was EUR 184 million (of which EUR 196 million was from continuing operations, while discontinued operations resulted in an outflow of EUR 12 million), compared to EUR 245 million in 2019/20 (of which EUR 225 million was from continuing operations).

The free cash flow before special items, acquisitions and divestments of EUR 196 million from continuing operations was higher than the full-year outlook, mainly driven by the timing of certain payables.

Investments and loans to associates amounted to EUR 15 million compared to EUR 11 million in 2019/20, and represented investments in the Bacthera JV.

Regional performance

In 2020/21, growth was driven by the two largest regions Europe, Middle East and Africa (EMEA) and North America, while our performance in emerging markets was impacted by weaker demand.



Organic growth was 6%, while revenue increased by 5%. Revenue was impacted positively by 2% from acquisitions and negatively by 3% due to currency effects. Organic growth was driven by Food Cultures & Enzymes which delivered solid growth. Health & Nutrition declined due to weak consumer demand in the traditional sales channels of Human Health.



Organic growth was 6%, while revenue increased by 16%. Revenue was impacted positively by 19% from acquisitions and negatively by 8% due to currency effects. Organic growth was driven by Food Cultures & Enzymes and Animal Health, while Human Health declined. This was partly offset by the acquired businesses (not included in organic growth).



Organic growth was negative by 3%, while revenue increased by 19%. Revenue was impacted positively by 22% from acquisitions. The decline was driven by lower production and weaker demand for yogurt in China, while Health & Nutrition delivered solid growth.

Organic growth was 26%, while revenue increased by 8%. Revenue was impacted positively by 1% from acquisitions and negatively by 19% due to currency effects. Organic growth was driven by Food Cultures & Enzymes and Health & Nutrition. EUR-based pricing accounted for approximately half of the organic growth.

Organic growth by region



Segment performance

Food Cultures & Enzymes



We develop and produce cultures, enzymes and probiotics for the dairy, food and beverages industries. Our ingredients determine taste, appearance, nutritional value and health benefits.

Key figures

EUR million	2020/21	2019/20
Revenue	700.5	693.1
Organic growth	8%	5%
EBITDA b.s.i.	277.7	285.2
EBITDA margin b.s.i.	39.6%	41.1%
EBIT b.s.i.	224.0	237.8
EBIT margin b.s.i.	32.0%	34.3%
ROIC excluding goodwill	35.8%	41.1%

Our Food Cultures & Enzymes portfolio



Dairy cultures



Dairy enzymes



Wine and meat cultures



Probiotics



Bioprotection



Fermented Plant Bases



Market developments

According to the Company's own estimates, the end markets for fermented milk declined globally by 2-3% in 2020/21 due to reduced production output and weaker demand in China and Latin America, compared to the same period last year.

The global production of cheese is estimated to have grown by around 1-2% in 2020/21, driven by North America and Europe which both benefited from the re-opening of the food service channel in the second half of the year.

Revenue

Organic growth was 8%, while revenue increased by 1% to EUR 701 million. Revenue was impacted negatively by 7% due to currency effects. Organic growth comprised 3% from volume/mix and 5% from price increases in local currencies.

Organic growth was driven by cultures and enzymes for the cheese segment, which was supported by positive developments in underlying production volumes and market penetration by previous product launches such as CHY-MAX® SUPREME. NOLA® FIT for lactose-free dairy products also supported organic growth.

Cultures for fermented milk incl. probiotics was impacted negatively by the decline in end markets in China and LATAM, and reduced upselling activity due to COVID-19.

Bioprotection and Fermented Plant Bases delivered double-digit growth in 2020/21 and launched new products including the third generation of FRESHQ® for fermented milk and white cheeses and a new range of texturizing cultures for different plant protein bases. The lighthouses accounted for around 8% of Food Cultures & Enzymes revenue in 2020/21.

EBIT

In Food Cultures & Enzymes, EBIT before special items amounted to EUR 224 million, compared to EUR 238 million in 2019/20. The EBIT margin before special items was 32.0%, down 2.3 percentage points from 34.3% last year, primarily due to product mix and a negative currency impact that offset production efficiencies.

“Despite weaker demand and limited customer access we delivered above-market growth and launched a record number of new products.”



Segment performance

Health & Nutrition



We develop and produce probiotic solutions for dietary supplements and infant formula, human milk oligosaccharides, feed ingredients for live stock production and pets as well as biological crop protection. Through Bacthera, our joint venture with Lonza, we offer contract development and manufacturing services to the live biotherapeutics industry.

Key figures

EUR million	2020/21	2019/20
Revenue	376.9	276.9
Organic growth	5%	9%
EBITDA b.s.i.	122.0	115.4
EBITDA margin b.s.i.	32.4%	41.7%
EBIT b.s.i.	74.5	89.1
EBIT margin b.s.i.	19.8%	32.2%
ROIC excluding goodwill	13.0%	22.6%

Our Health & Nutrition businesses



Human Health



Animal Health



Plant Health



Human Milk Oligosaccharides



Live biotherapeutics

Bacthera



Market developments

Management estimates the overall market for Human Health to have grown by 3-5% during 2020/21. While online sales channels showed strong growth, the traditional sales channels continued to be impacted by elevated inventory positions.

The market for microbial-based solutions for animals and plants developed favorably in 2020/21, supported by favorable commodity prices and an increased focus among farmers on reducing antibiotic usage in livestock production and finding alternatives to chemical pesticides.

Revenue

Organic growth was 5%, while revenue increased by 36% to EUR 377 million. Revenue was impacted positively by 37% from acquisitions and negatively by 6% due to currency effects. H&N accounted for around 35% of Group revenue in 2020/21 compared to 29% last year.

Organic growth was driven by Animal Health and Plant Health, whereas Human Health declined.

Human Health experienced a significant drop in demand in the second half of 2020/21 from customers serving the traditional sales channels as end market growth for the segment did not pick up as expected. The decline was partly offset by very strong

momentum in the acquired businesses (not included in organic growth) which benefitted from strong growth in the online markets.

Organic growth in Animal Health was driven by Cattle, Poultry & Swine supported by good uptake of GALLIPRO® FIT and the global roll-out of our silage product offering.

Organic growth in Plant Health was driven by sales of QUARTZO® and PRESENCE® in Latin America.

HMO revenue was lower than originally expected, but with good momentum in securing customer contracts and the HMO business resolved outstanding patent litigation cases with favorable results.

EBIT

In Health & Nutrition, EBIT before special items amounted to EUR 75 million, compared to EUR 89 million in 2019/20. The EBIT margin before special items was 19.8%, down 12.4 percentage points on 2019/20 mainly due to the acquisitions. Excluding the acquisitions, the underlying EBIT margin before special items for Health & Nutrition was 30.0% compared to 31.9%, mainly driven by a negative currency impact.

“Health & Nutrition delivered solid organic growth despite a challenging second half in Human Health.”



Non-financial review

Product performance¹⁾

Revenue contribution

The percentage of revenue generated from products that contribute to SDGs no. 2, 3 or 12 increased from 81% last year to 82% in 2020/21. The percentage is an indication of the type of products we sell. Products that enable our customers, the food industry, health companies and the agricultural sector, to choose more sustainable solutions. In the figure, we do not take into account the negative effect related to for example the production footprint. Chr. Hansen does not sell any products that harm any of the impact categories defined in the methodology²⁾.

Supporting sustainable agriculture

In 2020/21, we increased our coverage of our natural solutions for sustainable agriculture – biological plant protection and silage inoculants – by 4.4 million hectares. The increase is driven by improvements in the market and revenue as described in the financial review section. Since base year 2015/16, we have covered an accumulated area of 18 million hectares with our natural solutions, enabling farmers to enhance crop protection, get a higher yield and higher crop resilience without the use of chemical pesticides.

Improving health

Through our well-documented probiotics, we are able to support global health. This year 149 million people consumed our probiotics either as a dietary supplement or as part of their diet, e.g. in a yogurt. This is a slight decline from last year, when it was 163 million people. The decline is related to challenges in our Human Health business in the second half of the year (for more information, see financial review).

Reducing food waste

Our contribution to preventing food waste within yogurt remained at the same level as last year, as our fermentation technology helped prevent 160,000 tons of yogurt from being wasted. Since base year 2015/16, we have helped prevent an accumulated 870,000 tons of yogurt from being wasted, leaving us on track to reach our 2025 target of reducing global yogurt waste by 2 million tons.



¹⁾ Data from UAS Labs and Jennewein is not included in the revenue contribution or improving health figures this year. As the integration matures over the coming year, we expect to include them as of next year.

²⁾ For more details on the methodology, see p. 140.

Planet performance¹⁾

Science-Based Targets

Chr. Hansen has submitted its climate targets for validation by the Science Based Targets initiative. As part of the preparation, Chr. Hansen has ensured organizational anchoring and outlined specific actions in a climate roadmap that will guide our decarbonizing journey across our operations and across our entire value chain. As a result of the process of setting Science Based Targets we have updated our overall ambitions from a 1.5° C commitment to a more general commitment to Science Based Targets. We expect to communicate our targets and climate program later this year.

Renewable energy and CO₂e

During 2020/21, 61% of global electricity consumption was based on renewable energy, compared to 40% last year. The majority of this was secured by a power purchase agreement with the organization Better Energy, which covers the electricity consumption of all our Danish sites. This year, our site in Nienburg entered into an agreement to purchase green electricity from the local industrial park supplier through renewable energy certificates. To reach our target, we continue our work to get all of our sites covered by a power purchase agreement that creates additionality to the market. As a result, of the increased use of renewable electricity, scope 2 CO₂e emissions (market-based) decreased considerably.

Our energy consumption increased by approximately 5,000MWh. This was due to a mix of factors such as colder winters in Denmark, which increased the use of district heating, production increases at some of our sites and activation of new buildings and freezers.

We experienced an improvement in scope 3 emissions – currently covering up- and downstream transportation. The reduction is a result of targeted efforts to transfer transportation from air to sea, a focus on developing concentrated products as well as continuous improvements to data quality.

Waste management

This year, 69% of our biowaste streams were re- or upcycled as e.g. biogas or fertilizer compared to 68% last year. We are working to identify relevant partners across our global production sites to accelerate our performance on the target. We have also seen a 13 percentage point improvement in recycled solid waste as a result of our continuous ambitions to improve waste recycling across all our sites. Due to water contamination at our headquarter, the amount of wastewater increased over the course of the year. The issue has now been fixed.

Recyclable key packaging solution

Key packaging categories are defined as representing 10% or more of the yearly global packaging spend.

The solutions represent close to 70% of total packaging material in Chr. Hansen. To assess progress, annual spend is assessed yearly to identify the scope. A solution is considered recyclable if it is made from material that is technically or mechanically recyclable. This year, our performance remained stable at 68%. The solutions are split across six categories, out of which four are currently recyclable. The two remaining categories covers foils used for our cultures. Currently, feasibility studies are being carried out to identify alternative compositions that can make it recyclable. The requirements of the material are high as it needs to ensure food quality and safety and low temperatures.

Water

There was a slight increase in water consumption during the year. This is primarily a result of water contamination at our headquarter which required additional water for cleaning and flushing. We also saw an increase across some of our sites due to increased production and increased need for cleaning.

Environmental violation

This year, two environmental violations were recorded. The violations are related to a spill and a potential spill at our sites in Copenhagen and Arpajon respectively. Both violations are categorized as a low severity.

¹⁾ Data from UAS Labs and Jennewein is not included in the Planet figures this year. As the integration matures over the coming year, we expect to include them as of next year.

People performance

Diversity

During the year we exceeded our 2025 target as we now report 32% women at Directors+ level, up from 27% last year. This is a result of a focused effort especially around recruitment processes. 21% of our corporate management teams are diverse, meaning that there is at least 30% of each gender and 30% non-locals. This ambitious threshold is defined to ensure that our teams actually benefit from the diverse composition. This year, we are starting to report on retention of employees under 30 to further support our diverse employee composition, knowledge and skills. During the year, we retained 83% of the employee base in that age group. Through a specific focus on leadership and engagement of this group, the ambition is to reach 90% by 2025.

Employee turnover

This year, we have seen an increase in employee turnover from 10% to 14%. This is a reflection of the current state of the labor market with employee scarcity, making it more difficult to attract and retain highly specialized labor. Another factor affecting this is that the general workload across all functions in Chr. Hansen has been higher than normal during the past year, in the light of our acquisitions and the carve-out of the Natural Colors business.

Employee engagement

Our performance on employee engagement relative to the benchmark increased considerably during the year from the 34th percentile to the 10th. In addition to changing provider of the employee engagement surveys, we have moved from sending out a survey once a year to do so on a quarterly basis. This allows us to react much faster to issues that may arise.

Gender pay equality

The gender pay analysis performed shows we have an average gender pay gap of 6.2%. As gender pay is a new diversity & inclusion target, we believe a focused effort over time can reduce the gap. There are a number of cultural and systemic issues that need to be addressed in order to reduce the gap, and these will take time to work through. Over the next year, we will focus on creating better gender balance across all job levels and roles, use the salary review process to identify gender pay gaps and put more focus on increasing the number of female managers.

Safety

In 2020/21, we continued the good safety performance with a Lost Time Incident Frequency of 0.99 down from 1.3 last year. There was a slight decline in the number of lost time incidents and the severity of these decreased from eight to two days lost. We are particularly proud of being able to maintain the good safety performance in a year characterized by restrictions and different ways of working as a result of COVID-19.

Business integrity

This year, we implemented new targets and measurement methods for e-learning moving away from a fixed annual roll-out to training assigned on an ongoing basis. The new method will enable us to better accommodate optimal timing needs within the business globally and more timely training in accordance with the individual training cycles. Focus for the coming year will be to complete the change, generate comparable data for external reporting and guide actions and priorities.

05 Governance

→ Risk management | Corporate governance | Remuneration | Board of Directors | Executive Board and CLT | Statement of Board of Directors/ Executive Board

Enabling healthier living with solutions for less sugar, salt and fat

Life expectancy is on the rise. During the past 20 years, global life expectancy has increased by more than 6 years to 73.4. Data shows that our health has not kept pace with the additional years of living. As the global population gets older, a simultaneous need arises for us to stay healthy for longer and reduce the risk of disease caused by unhealthy lifestyles.

Source: WHO, 2020



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 key risks and 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 and the strategy development process. The risk management process ensures 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.

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 cross-organizational participation, the Company takes a holistic approach 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 Executive Board 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 risk management.

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

The enterprise risks are assessed in terms of six impact drivers: Safety, Compliance, Financials, Business Interruption, Environment, and Brand & Reputation. The risks are 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 Executive Board, while Tier 3 risks are managed locally by the respective leadership teams.

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.

Our three-tier risk system ensures transparency

Impact	D Very high		Tier 1		
	C High		Tier 2		
	B Medium		Tier 3		
	A Low				
		Remote	Possible	Likely	Almost certain
		Likelihood			

Enterprise risk case study

Ensuring stable delivery during COVID-19

Over the past years, Chr. Hansen has built up a strategic set-up with strong logistics partners around the globe, as part of the Company's business continuity program. When COVID-19 tested the Company's supply chain robustness, this strategic set-up along with the general competence of all colleagues in global customer service and global logistics, proved its worth.

Chr. Hansen maintained business continuity and ensured reliable supply to all global customers in the face of sudden and lasting risks and disruptions caused by COVID-19.

Chr. Hansen doubled down on its climate commitments and made a targeted transition from air freight to sea freight. Significant volumes of avoided emissions can be attributed to this initiative, and the actual emissions reductions are a crucial step forward on the Company's engagement with the Science Based Targets initiative. This also helped mitigate the Company's exposure to transport costs due to increased costs of air freight resulting from capacity shortages.



Overview of selected key enterprise risk areas



Product quality and safety



IT security

Description

As Chr. Hansen develops and manufactures natural solutions and ingredients within the food and healthcare segments, ensuring that its products do not have unintended health effects for the end consumer and that the quality of the products always meets the expectations of the customers constitutes a risk.

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 end consumer, damage to the customers' final products, significant brand and reputational damage and corporate fines/penalties.

The likelihood is considered to be low given the already 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 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 competition.

The likelihood of a breakdown or malicious interference with major impact is considered to be low, due to the protected technology platform.

Risk development and mitigation 2020/21

The risk remains unchanged.

During 2020/21, the Company incorporated the new US food safety legislation (FSMA) and had all sites recertified, ensuring compliance with the newly released ISO 22000 and FSSC 22000 food safety standards.

As part of the recent acquisitions, focus is on aligning the quality management systems to ensure the standards are consistently applied across the Group. A mapping has been completed and execution will begin in 2021/22.

Digitalization and remote working have accelerated the risk of emergence of specific cyber-attack. The risk has been controlled through maintaining the extensive network of technical security controls, policy enforcements mechanisms, monitoring systems and management oversight to address these threats.

The divestment of the Natural Colors Division has introduced separate risks to ensure a safe and structured transfer of business applications and data to the new owners. Several resources have been allocated as risk mitigation, ensuring a smooth and safe transfer.

As part of the recent acquisitions there is a focus to ensure alignment to the same IT infrastructure and business applications that are applied across the Group. This activity will continue.

Risk focus 2021/22

Due to the divestment of the Natural Color Division, the quality risk picture for the sourcing landscape of raw materials has changed in terms of geographic focus and type of raw materials. The change will be used proactively to pursue a more active follow-up with the remaining supplier base of the business.

Implementation of the planned alignment of the quality management systems of the acquisitions will take high priority and requires a coordinated implementation of key IT systems. The Company continuously ensures that the Quality Management System is in compliance with relevant global product safety standards and national legislation.

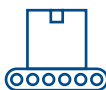
To ensure a high level of product safety, Chr. Hansen maintains an extensive quality assurance and food safety program spanning the entire value chain, from the sourcing of raw materials to delivery of finished products to customers.

The Company will stay focused on the integration of business applications as part of the post-merger integration, through the development of a strong IT architecture set-up.

Furthermore, maintaining a protected technology platform is important for ensuring that the Company's critical and sensitive data, assets and reputation are protected against the increasing global threat of cyberattacks and theft.

Chr. Hansen continues the work to enhance its 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 risk that disruption could affect the delivery to customers, which would lead to disruption of the global dairy supply chain. Disruption may result from property damage, non-accessibility to raw materials, natural catastrophes 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 throughout our more than 145-year history. Hence, protecting this innovative knowledge is essential to maintaining our position as market leader. Copyright pirates, brand impersonators and trade secret thieves pose an increasing risk to the Company.

Risk assessment

Consequences, should the risk materialize, are a potential impact on deliveries to Chr. Hansen's customers, significant brand and reputational damage and a potential loss of customers to competitors.

Consequences, should the risk materialize, are a potentially high financial impact due to loss of customers, legal disputes, and potential damage to the Company's brand and reputation.

The likelihood of property damage, leading to significant disruption in deliveries to our customers, is considered to be low. However, global COVID-19 challenges have shown how quickly even a solid distribution network may become disrupted, impacting deliveries to customers.

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 designed to support and protect the business.

Risk development and mitigation 2020/21

The risk has increased due to the Covid-19 implications.

The risk has increased, as the Company has seen an increasing infringement activity in the probiotics market, with third parties attempting to take advantage of the Chr. Hansen brand equity.

Due to Covid-19, the global logistical supply chain was challenged by the global lockdown. In particular, the lack of air freight capacity, combined with significant increased cost for the limited air freight capacity available, encouraged the Company to accelerate the shift into sea freight, limiting the additional costs that would otherwise have incurred, yet still ensured a steady flow of deliveries to customers.

An online brand enforcement activity has been implemented, enabling digital surveillance of e-platforms for automated actions against infringement of Chr. Hansen and its key brands, supporting the Company's enforcement strategy.

Access to particular production materials, such as dry-ice and liquid nitrogen, was also a challenge. However, given the Company's overview of critical materials and with a robust business continuity set-up, the risk exposure remained low.

In addition, a specific task force with relevant internal stakeholder participation has been established, to proactively manage the complex IP environment in China. The objective has been to act quickly on any infringement occurring in the marketplace.

During the year, the Company successfully defended a number of disputes related to IP rights through legal action.

Risk focus 2021/22

Maintain a constant focus on and evolution of business continuity, where an essential element is the Company's "One plant many locations" philosophy, allowing a swift switchover in production to reduce the impact on business and delivery performance. For value chains not fully duplicated, the Company ensures increased levels of bulk product inventories.

Stay focused on value creation from IP activities by establishing an IP Advisory Board. Further, the Company will implement the "business focus IP strategy" for new business areas.

The Company will focus on moving even more freight from air to sea. As air freight capacity is anticipated to remain disrupted for the coming years, the Company will be optimizing the logistical setup to the new normal, ensuring reliable supplies to customers.

A significant element of the post-merger integration of the acquisitions is to align the level of protection of knowledge and brand across the Group. The Company will continue to be focused on proactive and strict governance of IP/knowledge across the organization.

The Company will continue its partnerships with insurance carriers and risk engineering experts providing valuable knowledge to reduce the risk of property damage. Regular follow-ups are performed with the insurance carriers to ensure progress in eliminating identified shortcomings.

Moreover, the Company enforces an aggressive strategy towards infringers of its intellectual property rights (IPR).

Chr. Hansen supports the Recommendations of the Task Force for Climate-Related Financial Disclosures

In 2020/21, Chr. Hansen took an important step towards further strengthening the climate-related risks and opportunities of our business by committing to start reporting in accordance with the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) from 2021/22.

The purpose of TCFD is to enable better disclosure of the financial impact of climate-related risks and opportunities, in order to enable investors, lenders and insurance underwriters to make informed financial decisions.

During 2020/21, initial steps towards the recommendations were taken, including integrating TCFD into the existing Enterprise Risk Management Framework. As such, any climate-related risks will follow the ERM governance structure to ensure adequate Board and management oversight, and a common approach to identifying, analyzing and managing risk.

Workshops and deep-dives have been conducted to understand the climate-related risks and opportunities the Company is facing as a result of changes to regulation, technology, markets, products and consumer demands. Work is still in progress to further quantify these risks. Similarly, natural catastrophe (NatCat) simulations have been conducted by a third party to identify potential physical climate-related risks at our global sites to ensure the Company's business continuity plans covers potential situations.

At Chr. Hansen, we have been working with physical climate risks for several years, one example being the risk of flooding at our Copenhagen site. However, TCFD brings a broader perspective to climate-related risks, and it is believed that the internal discussions and processes this generates are of value to our further work and climate resilience. In 2021/22, we will dive further into the framework and our risk work to be able to share our first reporting on the recommendations.



Enterprise risk case study

Understanding climate risk

With Chr. Hansen's largest site located at Avedøre Holme, an artificial island created through dredging in the 1960s, on the Bay of Køge, the risk of flooding has had a high-risk rating. If the site is flooded, it could cause significant disruption of the production process.

During the past year, Chr. Hansen has allocated substantial resources to analyze the risk in partnership with its insurance carriers, external advisors and municipal authorities. A dike has been established to protect the dammed and dried-up area against water penetration and lack of drainage from a potential surge. Around the island is a water ditch. Water pumps are installed and continuously tested at the Avedøre Holme industrial island to push back water from the ditch into the bay. Hence, the risk of flooding caused by a surge remains small.

In partnership with an engineering consultancy company, additional NatCat simulations have been conducted. A 750-year-event simulating torrential rain provided valuable mitigation measures and has been included in our capacity expansion program. This will ensure that the risk of a serious disruption to business continuity remains low.

Corporate governance

The Board of Directors of Chr. Hansen remains committed to good governance practices and to following the Danish Recommendations on Corporate Governance¹⁾ ('Recommendations').

Two-tier governance structure



Shareholders

Key responsibilities

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 stipulates other adoption requirements.

Board of Directors

Key responsibilities

The Board of Directors is responsible for the overall management and strategic direction of Chr. Hansen, including:

- The Company's overall strategy, overseeing the implementation of the strategy and the performance of the Company
- Supervision of the Executive Board and the activities of the Company
- The annual budget
- Appointing members of the Executive Board and determining their remuneration
- Regularly reviewing the financial position and capital resources of the Company to ensure that these are adequate

Composition and independence

The Board of Directors has twelve members, eight 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 but one of the eight board members elected by the shareholders are independent²⁾. The employees in Denmark may elect a number of Board members equaling half of the shareholder-elected members, currently four members. Employee-elected members serve for a statutory four-year term and are not considered independent.

Executive Board and Corporate Leadership Team

Key responsibilities

The Executive Board is responsible for the day-to-day management of the Company, including:

- Recommending proposals for the Company's overall strategy, objectives and policies to the Board of Directors and their implementation
- Monitoring the performance of the Company
- The organization of the Company and allocation of resources
- Continuously assessing that the Company has adequate capital resources and liquidity to meet its existing and future obligations
- Establishing procedures for accounting, IT organization, risk management and internal controls

Composition and meetings

As per August 31, 2021, the Executive Board consists of three members and is chaired by the President and Chief Executive Officer. The Executive Board forms part of the Corporate Leadership Team, which currently has five additional members who are responsible for Food Cultures & Enzymes, Health & Nutrition, Global Operations, Compliance & Corporate Affairs and Global Human Resources. The Corporate Leadership Team meets at least once a month apart from the month of July. Only the members of the Executive Board are registered with the Danish Business Authority.

To assist in the day-to-day management of the Company, the Executive Board has established a Corporate Leadership Team.

¹⁾ The Danish Recommendations on Corporate Governance of November 23, 2017. The Danish Recommendations on Corporate Governance of December 2, 2020 are not applicable for the Company until the 2021/22 Annual Report, which will cover the accounting period from September 1, 2021 to August 31, 2022.

²⁾ As defined by the Recommendations.

Overview of Board committees

	Audit	Nomination	Remuneration	Science & Innovation
Key responsibilities	The Audit Committee assists the Board of Directors with meeting its responsibilities with respect to the financial and non-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.	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 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 (CLT). 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 Science & Innovation Committee assists the Board of Directors in meeting its responsibilities with respect to the Company's Research & Development strategy including the commercialization strategies to bring innovations from R&D to the relevant markets. In addition, the committee provides reassurance to the Board of Directors that the R&D, technical, regulatory and food safety resources and innovation plans of the Company are appropriately aligned with the agreed business and customer strategies.
Members and meeting attendance 2020/21¹⁾	Lise Kaae (chair) ²⁾ ●●●● 4/4 Jesper Brandgaard ●●●●● 5/5 Dominique Reiniche ●●●●● 5/5 Mark Wilson ²⁾ ●●●●● 5/5	Dominique Reiniche (chair) ●●● 3/3 Jesper Brandgaard ●●● 3/3 Heidi Kleinbach-Sauter ●●● 3/3 Kevin Lane ●● 2/2	Dominique Reiniche (chair) ●●●● 4/4 Lillie Li Valeur ●● 2/2 Mark Wilson ●●●● 4/4	Luis Cantarell (chair) ●●●●● 5/5 Heidi Kleinbach-Sauter ●●●●● 5/5 Kevin Lane ●●●● 4/4 Lillie Li Valeur ●●●● 4/4
Key matters handled 2020/21³⁾	Assessment of country-by-country reporting in line with the Global Reporting Initiative's Standard (GRI 207: Tax 2019). Review of a new Tax policy, enterprise risk management and capital structure.	Review of CLT development and succession planning, corporate diversity targets and the results and follow-up on employee engagement surveys.	Review of CLT remuneration, especially the design and structure of the short-term incentive program introducing shared non-financial targets, including ESG targets.	Review of the Food Cultures & Enzymes and Health & Nutrition project portfolios and pipelines, the progress of the 2025 R&D strategic initiatives, key technology developments and efficiency initiatives.

¹⁾ Number of meetings attended by each Committee member out of the total number of meetings during the member's term. ²⁾ Lise Kaae was an Audit Committee member until May 31, 2021 and Mark Wilson was Audit Committee chair until May 31, 2021.

³⁾ For a more detailed description of the Board committees and full reports on the key matters handled by the Board committees in 2020/21, please refer to <https://www.chr-hansen.com/en/about-us/management/board-committees>.



Sustainability governance

A Sustainability Board, chaired by President & CEO, Mauricio Graber, and composed of representatives of the business divisions and key internal functions, ensures that sustainability and ESG is effectively anchored in the organization. The Sustainability Board ensures ownership, involvement and commitment from the entire business in defining, prioritizing and executing on the sustainability

and ESG objectives. To ensure Board stewardship, the Board of Directors will enhance oversight on Sustainability & ESG from 2021/22, and key areas will be discussed on the respective relevant committees.

[→ More about Sustainability governance here](#)

Sustainability & ESG Board oversight

Environmental, Social and Governance (ESG) are increasingly recognized as imperative for conducting sustainable business. In this era, companies must seek long-term value creation by taking into account the needs of all their stakeholders, and society at large. Hence, there are increasing expectations for Board stewardship on ESG issues. Chr. Hansen's Board of Directors has therefore adopted an enhanced oversight on ESG, with expanded fiduciary duties of the Board of Directors and at committee level from 2021/22. By implementing this, we will be at the forefront of expected regulation and requirements from proxy advisors.

Board competencies and diversity

The composition of the Board of Directors must be such that the consolidated competencies of its members enable it to inspire, guide and oversee the development of the Company and diligently address and resolve the issues and problems faced by the Company at any time. The Board of Directors has determined a competency profile for the shareholder-elected board members according to which the Board members should possess the personal characteristics matching Chr. Hansen's culture model and leadership essentials. In addition, emphasis is placed on experience and expertise within the food and dairy industry, global sales and marketing of fast-moving consumer goods, preferably food, strategic R&D, leadership and HR development, M&A and alliance management, and finance and accounting. When recommending candidates for nomination to the Board of Directors, the Nomination Committee shall seek to achieve a balance between renewal and continuity and take diversity in relation to age, international experience, gender and diversity of perspectives into consideration.

The Boards' gender diversity target of having at least three women elected by the shareholders by 2022 has been met with four out of the current eight shareholder-elected members being women. The Board has adopted a new gender diversity target of having at least three shareholder-elected members of each gender by 2025. The diversity level of the Board of Directors of

Chr. Hansen A/S also had equal gender representation with two out of the three shareholder-elected members being women.

Corporate governance statement

The Board of Directors regularly reviews Chr. Hansen's corporate governance framework and policies in relation to the activities of Chr. Hansen, business environment, corporate governance recommendations and statutory requirements. Section 107b of the Danish Financial Statements Act requires Chr. Hansen Holding A/S to prepare a statement on corporate governance for the 2020/21 financial year. This statement includes a description of our governance structure and the main elements of the Group's internal control and risk management in connection with its financial reporting, as well as an overview of our position on each of the Recommendations. The statement is available at <https://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.

Board evaluation

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 and the Executive Board. The evaluation addresses the efficiency of the Board, the Board composition and dynamics, the processes supporting its work, the value contributions of the Board committees, the Chair's performance and the collaboration with the Executive Board. Further, the process evaluates topics such as strategy development and implementation, risk awareness, monitoring and reporting, evaluation, succession planning, and potential overboarding of board members. In addition, each member of the Board of Directors is provided with feedback from all other members of the Board and the Executive Board on their individual performance. The evaluation is directed by the Chair and was in 2019/20 conducted internally for the first time in recent years.

In 2020/21 the Board decided to once again conduct an internal board evaluation facilitated by the Corporate Secretary, during which members of the Board and the Executive Board anonymously completed a comprehensive 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 outcome of which was reported to the Board in September 2021.

The results of the evaluation presented to the Board of Directors in September 2021 showed a strong and professional performing board having a very good collaboration with the Executive Board. Overall, all the areas for improvement identified in the 2019/20 evaluation had been addressed. The 2020/21 evaluation resulted in a continued focus on strengthening enterprise risk management reporting and follow-up on the execution on recent acquisitions, incl. implementing learnings. Further, there is also a focus on continuing to look at the balance between presentation and discussion and to revert to physical Board meetings subject to the COVID-19 environment. The Chair of the Board held individual meetings with each of the other board members to review their performance. In addition, the Board without the presence of the Chair conducted a review of the Chair's performance, which was presented to the Chair by a member of the Nomination Committee. In 2021/22, the Board evaluation will be facilitated by an external consultant.

Tax governance

The Board of Directors has decided to publish a country-by-country reporting as per the GRI 207 framework from 2021/22. Please refer to note 2.7 for further details.

→ [2020/21 Corporate Governance Statement](#)

→ [Board Competency Profile](#)

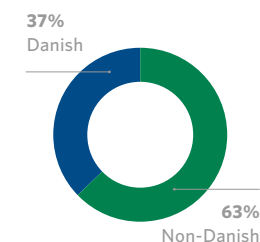
Diversity

Of the shareholder-elected board members

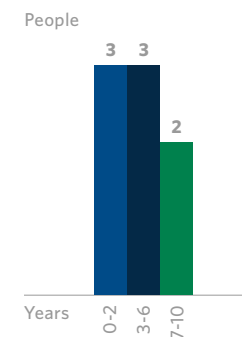


* Of the four employee-elected board members, 50% are female and 50% are male.

Nationality



Tenure



Remuneration

The remuneration of the Board of Directors and the Executive Board of 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 are structured in such a way as to create a suitable alignment of the interests of management and those of the shareholders. In this context, the remuneration 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 approved at the 2019 Annual General Meeting held on November 27, 2019.

Chr. Hansen has prepared a separate Remuneration Report in accordance with section 139b of the Danish Companies Act and the Recommendations. The Remuneration Report describes the remuneration received by each member of the Board of Directors and the Executive Board of Chr. Hansen Holding A/S in the 2020/21 financial year. The Remuneration Report will be submitted to the 2021 Annual General Meeting for an advisory vote.

[→ Remuneration Policy](#)

[→ 2020/21 Remuneration Report](#)

Management compensation schemes

	Fixed compensation	Variable compensation	Other	
Board of Directors	Annual base fee Supplementary fees for committee work	No incentive-based compensation	Travel allowance Social security taxes ³⁾	
Executive Board	Base salary Pension	Short-term incentive Annual bonus paid in cash and minimum 1/3 in restricted stock units KPI weighting: 40% Organic growth 30% EBIT 10% Free cash flow 20% Non-financial KPIs ¹⁾ Range of pay-out: 0-100% of fixed base salary including pension	Long-term incentive Three-year matching shares program ²⁾ Target matching shares: 1.5x Organic growth 1.5x EBIT 1.5x TSR relative to peers 0.5x Retention Range of pay-out: 6-120% of fixed base salary including pension	Non-monetary benefits, termination and sign-on payments

For further details refer to the Remuneration Policy and the 2020/21 Remuneration Report.

¹⁾ Related to customer service, quality, diversity, safety and sustainability.

²⁾ Requires personal investment in Chr. Hansen shares to participate.

³⁾ The Company pays social security duties and similar taxes imposed by foreign authorities in relation to the Board members' fees.

Stakeholder spotlight

Strengthening ESG governance

Dominique Reiniche,
Chair, Board of Directors,
Chr. Hansen Holding A/S



CHR HANSEN

What is the Board of Directors' response to the increased focus on ESG?

Sustainability is an integral part of Chr. Hansen's strategy, purpose, culture and product offering. In recent years, we've seen how ESG has become a vital parameter for commercial success, and hence expectations for Board stewardship on reporting climate, social and governance issues are on the rise. Chr. Hansen's Board of Directors recognizes this, and we have therefore decided to enhance our oversight on ESG from fiscal year 2021/22.

How do you link ESG to executive remuneration?

Chr. Hansen's purpose and strategy centers around a quest to 'Grow a better world. Naturally'. With the launch of the 2025 Strategy in 2020, we introduced shared non-financial KPIs including key ESG elements constituting 20% of the Corporate Leadership team's short-term incentive. We have taken this approach because we believe that a strategic focus on sustainability, diversity, safety and quality is paramount for staying competitive, attracting the brightest minds and delivering strong business results.

Board of Directors



Dominique Reiniche – Chair

- Board member since 2013
- Born July 1955
- Independent
- Chair of the Nomination and Remuneration Committees. Member of the Audit Committee

Professional experience from positions in the food, beverage and hygiene/beauty care industries at, among others, Procter & Gamble and Jacobs-Suchard (now Mondeléz International). Mrs. Reiniche also had 22 years of senior leadership positions at French and European levels, including CEO positions within Coca-Cola Enterprises and the Coca-Cola Company.

Chair: Eurostar ELL, 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. Mondy plc, UK, chair of the sustainability committee and member of the nomination and remuneration committees. Deliveroo plc, UK, member of the audit and risk, nomination and remuneration committees.



Jesper Brandgaard – Vice Chair

- Board member since 2017
- Born October 1963
- Independent
- Member of the Audit and Nomination Committees

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.

Chair: Leo Pharma A/S, DK. Vice Chair: William Demant Invest A/S, DK. Member: William Demant Fonden and the Advisory Board of the private equity company, VækstPartner Kapital, both DK. Director of JBR Counselling ApS and member of the Danish Committee on Corporate Governance, both DK.



Luis Cantarell

- Board member since 2016
- Born August 1952
- Independent
- Chair of the Science & Innovation Committee

Professional global experience within the food and beverage industry, as well as in the consumer health-care industry. Extensive board experience and over 10 years of executive leadership experience within the Nestlé group.

Chair: Angulas Aguinaga S.A. and URIACH S.A., both E. Member: Senda Biosciences Inc., US and Werfen S.A and "Fundation Fero", both E.



Lisbeth Grubov

- Board member since 2017
- Born June 1955
- Non-independent
- Employee representative

Senior Project Manager, Global Engineering, Chr. Hansen A/S

Meeting attendance¹⁾	●●●●●●●● 9/9	●●●●●●●● 9/9	●●●●●●●● 9/9	●●●●●●●● 9/9
Shareholdings end 2020/21	2,462	4,622	2,200	150
Shareholding changes in 2020/21	N/A	N/A	N/A	+30

¹⁾ Number of board meetings attended by each board member out of the total number of meetings during the member's term. Independence as defined by the Recommendations.



Charlotte Hemmingsen

- Board member since 2017
- Born September 1964
- Non-independent
- Employee representative

Senior Specialist, CMC Documentation, QA, Chr. Hansen A/S



Lise Kaae

- Board member since 2020
- Born July 1969
- Independent
- Chair of the Audit Committee

Extensive experience as a finance & accounting professional. Mrs. Kaae has been working as a state-authorized public accountant and partner with PwC, obtained operational CEO and CFO experience from the Bestseller Group, the Danish fashion wear company, and audit committee experience from Handelsbanken. Mrs. Kaae further brings M&A and investment experience.

CEO of Heartland A/S, DK. Member: VKR Holding A/S, Bestseller A/S and Normal A/S, all in DK. Member: Klarna AB (member of the audit, compliance & risk committee), S.



Heidi Kleinback-Sauter

- Board member since 2017
- Born June 1956
- Independent
- Member of the Nomination and Science & Innovation Committees

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.

Member: Royal Unibrew A/S, DK.



Kevin Lane

- Board member since 2020
- Born February 1965
- Independent
- Member of the Nomination and Science & Innovation Committees

Extensive CEO experience within the food sector. This especially covers dairy, from Ornuia Co-operative Ltd., the Irish dairy co-operative, and the food ingredients sector from the Kerry Group, the Irish food ingredients and flavor manufacturer. Mr. Lane brings international experience from being based in London, Mexico, Central America and the US during his time with the Kerry Group. He further has extensive M&S experience and a good mix of both B2B and B2C experience.

Chair: Fiid (eatfiid.com), Ireland. Member: Wheat-sheaf Investments Ltd., chair of the investment committee, UK. Senior advisor: PAI Partners, F

Meeting attendance¹⁾	●●●●●●●● 9/9	●●●●●●●● 7/7	●●●●●●●● 9/9	●●●●●●●● 7/7
Shareholdings end 2020/21	1,137	1,311	750	1,000
Shareholding changes in 2020/21	+45	+564	N/A	+1,000

¹⁾ Number of board meetings attended by each board member out of the total number of meetings during the member's term. Independence as defined by the Recommendations.



Per Poulsen

- Board member since 2013
- Born April 1966
- Non-independent
- Employee representative

Principal Specialist, Chr. Hansen A/S



Kim Ib Sorensen

- Board member since 2017
- Born July 1963
- Non-independent
- Employee representative

Senior Principal Scientist with responsibilities within bacterial strain development and acquisition, Chr. Hansen A/S



Lillie Li Valeur

- Board member since 2020
- Born February 1970
- Non-independent (affiliated with Novo Holdings A/S)
- Member of the Remuneration and Science & Innovation Committees

CEO experience at the helm of Good Food Group A/S and non-executive director experience from AAK AB, the Swedish plant-based oils and fats company and MEDA AB, the Swedish pharmaceutical company. She further has a strong dairy and pharmaceutical background from a range of managerial positions with Arla Foods and Novartis. In addition, Mrs. Valeur brings international experience with focus on Asia and EMEA, as well as a good balance of B2C and B2B experience.

CEO of Good Food Group A/S, DK. Member: Marel HF (chair of nomination committee and member of remuneration committee), IS, the Danish Food and Drink Federation and the Association of Danish General Industries.



Mark Anthony Wilson

- Board member since 2010
- Born July 1952
- Independent
- Member of the Audit and Remuneration Committees

Mark Wilson has served as international CEO/MD for over 40 years in fast-moving consumer goods companies and service/B2B industries in Asian (resident in Asia for over 25 years), South American, UK, Irish and international markets. Financial and accounting experience.

Meeting attendance¹⁾	●●●●●●●● 9/9	●●●●●●●● 9/9	●●●●●●●● 7/7	●●●●●●●● 9/9
Shareholdings end 2020/21	250	100	788	3,000
Shareholding changes in 2020/21	N/A	+80	+788	N/A

¹⁾ Number of board meetings attended by each board member out of the total number of meetings during the member's term. Independence as defined by the Recommendations.

Executive Board and Corporate Leadership Team



Mauricio Graber

President and Chief Executive Officer

Joined Chr. Hansen and the Executive Board in June 2018. Born March 1963.

Other positions:

Member: BacThera AG and Jungbunzlauer Suisse AG, both CH.



Lise Skaarup Mortensen

Executive Vice President & CFO

Joined Chr. Hansen and the Executive Board in October 2020. Born June 1968.

Other positions:

Chair: BacThera Denmark A/S, DK.
Member: BacThera AG, CH.



Thomas Schäfer

Executive Vice President & Chief Scientific Officer

Joined Chr. Hansen and the Executive Board in November 2017. Born January 1963.

Other positions:

Member: BacThera AG, CH, BioInnovation Institute and the advisory board for DTU Bioengineering, all DK.

[→ Full CVs on website](#)



Christian Barker

Executive Vice President, Health & Nutrition

Joined Chr. Hansen in May 2012 and the Corporate Leadership Team in August 2013. Born May 1970.

Other positions:

Member: BacThera AG, CH, and BacThera Denmark A/S, DK.



Winnie Bügel

Corporate Vice President, Compliance & Corporate Affairs

Joined Chr. Hansen in February 2000 and the Corporate Leadership Team in January 2006. Born September 1965.



Torsten Steenholt

Executive Vice President, Global Operations

Joined Chr. Hansen in October 2012 and the Corporate Leadership Team in May 2017. Born April 1969.

Other positions:

Member: Co-Ro Holding A/S, Co-Ro A/S, and Gram Equipment A/S, all DK. Anora Group Plc, FIN.



Jacob Vishof Paulsen

Executive Vice President, Food Cultures & Enzymes

Joined Chr. Hansen in October 2006 and the Corporate Leadership Team in August 2013. Born August 1976.



Alice Larsen

Corporate Vice President, Human Resources

Joined Chr. Hansen and the Corporate Leadership Team in June 2016. Born January 1968.

Statement of the Board of Directors and Executive Board

The Executive Board and the Board of Directors have today considered and approved the Annual Report of Chr. Hansen Holding A/S for the financial year September 1, 2020 – August 31, 2021.

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.

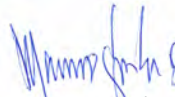
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at August 31, 2021 of the Group and the Parent Company and of the results of the Group's and Parent Company's operations and cash flows for 2020/21. In 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.

In our opinion 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 financial year September 1, 2020 – August 31, 2021 represents a reasonable, fair and balanced representation of the Group's product performance targets in accordance with the stated sustainability accounting principles.

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

Hørsholm, October 14, 2021

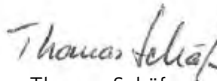
Executive Board



Mauricio Graber
President & CEO



Lise Mortensen
CFO



Thomas Schäfer
CSO

Board of Directors



Dominique Reiniche
Chair



Jesper Brandgaard
Vice Chair



Luis Cantarell



Lisbeth Grubov




Charlotte Hemmingsen



Lise Kaae



Heidi Kleinbach-Sauter



Kevin Lane



Per Poulsen



Kim Ib Sørensen



Lillie Li Valeur



Mark Wilson

06 Financial statements

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Enabling healthier living through healthier beverages

Increasing awareness around a healthy lifestyle is leading to a growing market for non-alcoholic beverages with global annual sales growth forecast at 9 percent by 2023. Non-alcoholic beer and mixed-beer beverages are lower in calories than other alcohol-free beverages and are increasingly viewed as ideal thirst quenchers.

Source: International Wine and Spirit Research, 2019



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 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 September 2020 to 31 August 2021 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 2020 to 31 August 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and 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 11 years including the financial year for the period 1 September 2020 to 31 August 2021. We were reappointed following a tendering procedure at the General Meeting on 25 November 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 2020 to 31 August 2021. 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.

Key audit matter**How our audit addressed the key audit matter****Business combinations**

In October 2020, Chr. Hansen acquired Jennewein Biotechnologie GmbH. Management has prepared a purchase price allocation ('PPA') regarding the acquisition, resulting in assets and liabilities being separately recognised and measured at fair value in the opening balance sheet.

When preparing the PPA, 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 determination of a WACC.

The significant judgements and estimates involved in the PPA mainly relate to assessing the fair value of the identified acquired assets and liabilities at the opening balance sheet date, including the fair value of Customer relationships and Technology.

We focused on this area because the PPA requires significant judgements and estimates by Management.

Refer to note 5.3 in the Consolidated Financial Statements.

We assessed whether the acquisition met the criteria for 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.

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 and judgements used to determine the fair value of the acquired assets and liabilities in the business combination.

We assessed the appropriateness of the related disclosures provided in the Consolidated Financial Statements.

Statement on Management's Review and Supplementary Information

Management is responsible for Management's Review, pages 3 – 67 and Supplementary Information, pages 137 – 142.

Our opinion on the Financial Statements does not cover Management's Review and Supplementary Information, 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 Supplementary Information and, in doing so, consider whether Management's Review and Supplementary Information 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 and Supplementary Information is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and Management's Review 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 or Supplementary Information.

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. Misstate-

ments can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit 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, actions taken to eliminate threats or safeguards applied.

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 14, 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Kim Tromholt

State Authorised
Public Accountant
mne33251

Allan Knudsen

State Authorised
Public Accountant
mne29465

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Income statement

September 1 - August 31

EUR million	Note	2020/21	2019/20
Revenue	2.1	1,077.4	970.0
Cost of sales	2.2 - 2.3 - 3.5	(464.0)	(386.0)
Gross profit		613.4	584.0
Research and development expenses	2.2 - 2.3	(90.1)	(76.2)
Sales and marketing expenses	2.2 - 2.3	(154.8)	(135.1)
Administrative expenses	2.2 - 2.3 - 2.4	(73.1)	(53.3)
Other operating income		3.1	7.7
Other operating expenses		(0.4)	(0.2)
Operating profit before special items		298.1	326.9
Special items	2.5	(21.9)	(13.9)
Operating profit (EBIT)		276.2	313.0
Financial income	2.6	28.5	86.4
Financial expenses	2.6	(51.0)	(99.9)
Share of loss in joint ventures	5.5	(6.6)	(3.9)
Profit before tax		247.1	295.6
Income taxes	2.7	(48.4)	(64.0)
Profit from continuing operations		198.7	231.6
Profit from discontinued operations	5.4	646.5	13.4
Profit for the year		845.2	245.0
Earnings per share, EUR			
Earnings per share	2.8	6.42	1.86
Earnings per share, diluted	2.8	6.41	1.86
Earnings per share from continuing operations	2.8	1.51	1.76
Earnings per share from continuing operations, diluted	2.8	1.51	1.76

Statement of comprehensive income

September 1 - August 31

EUR million	Note	2020/21	2019/20
Profit for the year		845.2	245.0
Items that will not be reclassified subsequently to the income statement			
Remeasurements of defined benefit plans	3.7	0.6	(0.2)
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Exchange rate adjustments of foreign Group companies		2.1	(31.0)
Reclassification of exchange rate adjustment reserve from sale of discontinued operations		1.0	-
Fair value adjustments on cash flow hedges		3.1	(18.0)
Gains/losses on cash flow hedges reclassified to financial expenses		-	(0.7)
Tax related to cash flow hedges		(0.6)	2.7
Other comprehensive income for the year		6.2	(47.2)
Total comprehensive income for the year		851.4	197.8

Cash flow statement

September 1 - August 31

EUR million	Note	2020/21	2019/20
Operating profit from continuing operations		276.2	313.0
Non-cash adjustments	5.2	105.0	74.7
Change in working capital		(5.0)	16.2
Interest received		-	1.6
Interest paid		(20.3)	(15.0)
Taxes paid		(27.9)	(60.7)
Cash flow from operating activities - continuing operations		328.0	329.8
Cash flow from operating activities - discontinued operations		(17.2)	34.8
Cash flow from operating activities		310.8	364.6
Investments in intangible assets		(20.2)	(20.5)
Investments in property, plant and equipment		(135.7)	(98.3)
Sale and lease back proceeds		2.4	-
Cash flow from operational investing activities - continuing operations		(153.5)	(118.8)
Cash flow from operational investing activities - discontinued operations		(5.1)	(20.9)
Cash flow from operational investing activities		(158.6)	(139.7)

EUR million	Note	2020/21	2019/20
Acquisition of entities, net of cash acquired	5.3	(318.2)	(657.2)
Investments in joint ventures	5.5	(7.4)	(5.5)
Loan to joint ventures	5.5	(7.5)	(5.1)
Cash flow from investing activities - continuing operations		(486.6)	(786.6)
Cash flow from investing activities - discontinued operations		771.1	(20.9)
Cash flow from investing activities		284.5	(807.5)
Free cash flow		595.3	(442.9)
Borrowings		680.2	989.4
Repayment of borrowings		(1,212.6)	(394.0)
Purchase of treasury shares		(10.4)	-
Dividends paid		(115.8)	(124.7)
Cash flow from financing activities - continuing operations		(658.6)	470.7
Cash flow from financing activities - discontinued operations		21.4	(13.9)
Cash flow from financing activities		(637.2)	456.8
Net cash flow for the year		(41.9)	13.9
Cash and cash equivalents at September 1		96.2	87.4
Unrealized exchange gains/(losses) included in cash and cash equivalents		0.8	(5.1)
Net cash flow for the year		(41.9)	13.9
Cash and cash equivalents at August 31		55.1	96.2

Balance Sheet

at August 31

EUR million	Note	2021	2020
ASSETS			
Non-current assets			
Goodwill	3.1	1,489.8	1,249.1
Other intangible assets	3.2	379.5	321.7
Property, plant and equipment	3.3 - 3.4	782.1	654.8
Investments in joint ventures	5.5	9.7	8.8
Receivables from joint ventures	5.6	12.9	5.1
Deferred tax	2.7	10.9	7.0
Total non-current assets		2,684.9	2,246.5
Current assets			
Inventories	3.5	133.9	122.3
Trade receivables	3.6	188.3	145.1
Tax receivables		9.1	4.1
Other receivables		29.8	24.6
Prepayments		13.1	12.4
Cash and cash equivalents		55.1	96.2
Total current assets		429.3	404.7
Assets classified as held for sale	5.4	-	202.4
Total assets		3,114.2	2,853.6

EUR million	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	177.3	177.1
Reserves		1,448.8	715.9
Total equity		1,626.1	893.0
Non-current liabilities			
Employee benefit obligations	3.7	7.2	6.6
Deferred tax	2.7	169.6	133.3
Provisions	3.8	4.3	3.5
Borrowings	4.2	790.5	736.7
Tax payables		12.0	12.0
Deferred gain, sale and lease back		46.6	43.4
Other payables		6.1	7.8
Total non-current liabilities		1,036.3	943.3
Current liabilities			
Borrowings	4.2	162.8	685.2
Trade payables		132.1	101.2
Tax payables		49.8	29.0
Deferred gain, sale and lease back		1.8	1.8
Other payables		105.3	99.7
Total current liabilities		451.8	916.9
Total liabilities		1,488.1	1,860.2
Liabilities relating to assets classified as held for sale	5.4	-	100.4
Total equity and liabilities		3,114.2	2,853.6

Statement of changes in equity

September 1 - August 31

EUR million	Note	Share capital	Currency translation	Cash flow hedges	Retained earnings	Total
2020/21						
Equity at September 1		177.1	(76.6)	(7.4)	799.9	893.0
Total comprehensive income for the year, see statement of comprehensive income		0.2	2.9	2.5	845.8	851.4
Transactions with owners						
Purchase of treasury shares		-	-	-	(10.4)	(10.4)
Share-based payment	5.1	-	-	-	6.8	6.8
Tax related to share-based payment		-	-	-	1.1	1.1
Dividend		-	-	-	(115.8)	(115.8)
Equity at August 31		177.3	(73.7)	(4.9)	1,527.4	1,626.1

During the year, an extraordinary dividend of EUR 0.88 (DKK 6.54) per share, corresponding to EUR 115.8 million, was paid for the financial year 2020/21.

An ordinary dividend for 2020/21 of EUR 0.87 (DKK 6.54) per share, or a total of EUR 116 million, is proposed.

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 124.7 million, was paid for the financial year 2018/19.

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

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

New accounting standards, amendments and interpretations

Chr. Hansen adopts new IFRS standards, amendments and interpretations (IFRICs) from the mandatory effective date at the latest. The following amendments were adopted as from September 1, 2020:

- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 3 "Business Combinations"

The adoption of new amendments and interpretation taking effect on September 1, 2020 had no material impact on the recognition, measurement or disclosures in the consolidated financial statements for 2020/21 and is not expected to have any significant impact on the financial reporting in future periods.

New standards and interpretations not yet adopted

The IASB has issued new or amended standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2020/21.

Chr. Hansen expects to adopt the new accounting standards, amendments and interpretations as 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 large numbers of transactions processed and aggregated 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 exchange rates prevailing 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 as financial income or financial expenses in the income statement.

1.1 General accounting policies

(continued)

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 are eliminated on consolidation.

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

Revenue

Chr. Hansen produces a wide range of cultures and enzymes. Revenue includes the sale 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 or enzymes to the customers, and each batch delivered is considered a separate performance obligation, as each batch is distinct.

Products are often sold at a discount. Such an agreement can be set up in various ways, but for all discount agreements, 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 under which 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 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 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
Underlying margins	Underlying EBITDA and EBIT margin are the underlying financial performance of Continuing operations excluding impact from acquisitions. Refer to reconciliation of underlying margins

Reconciliation of underlying margins

EUR million	2020/21	2019/20
Revenue		
Group	1,207.9	1,189.1
Discontinued operations	(130.5)	(219.1)
Acquisitions	(105.0)	(2.8)
Adjusted revenue, continuing operations¹⁾	972.4	967.2
EBITDA before special items		
Group	420.6	439.4
Discontinued operations	(21.3)	(38.8)
Acquisitions	(17.3)	(4.0)
Adjusted EBITDA before special items, continuing operations¹⁾	382.0	396.6
Amortization, depreciation and impairment losses		
Group	(101.2)	(83.9)
Discontinued operations	-	10.2
Acquisitions, amortization	18.8	2.0
Acquisitions, depreciation	5.5	0.3
Adjusted amortization, depreciation and impairment losses, continuing operations¹⁾	(76.9)	(71.4)

1) Excluding impact from acquisitions; HSO Health Care, UAS Labs and Jennewein.

1.1 General accounting policies (continued)

Reconciliation of underlying margins (continued)

EUR million	2020/21	2019/20
Operating profit before special items (EBIT before special items)		
Group	319.4	355.5
Discontinued operations	(21.3)	(28.6)
Acquisitions	7.0	(1.7)
Adjusted EBIT before special items, continuing operations¹⁾	305.1	325.2
Continuing operations		
Underlying EBITDA margin before special items ¹⁾	39.3%	41.0%
Underlying EBIT margin before special items ¹⁾	31.4%	33.6%
Reported EBITDA margin before special items	37.1%	41.3%
Reported EBIT margin before special items	27.7%	33.7%

1) Excluding impact from acquisitions; HSO Health Care, UAS Labs and Jennewein.

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 if 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 judgments used in the preparation of the consolidated financial statements to relate to the following:

Note	Key accounting estimate and judgments	Estimate/judgment
2.7	Income taxes and deferred tax	Uncertain tax positions
3.1	Goodwill	Impairment
3.2	Other intangible assets	Impairment
3.5	Inventories	Indirect production cost
5.3	Acquisition of entities	Recognition/fair value measurement
		Estimate/judgment

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
2020/21				
Income statement				
Revenue	700.5	376.9	-	1,077.4
EUR growth	1%	36%	-	11%
Organic growth	8%	5%	-	7%
EBITDA before special items	277.7	122.0	(0.4)	399.3
EBITDA margin before special items	39.6%	32.4%	-	37.1%
Amortization, depreciation and impairment losses	(53.7)	(47.5)	-	(101.2)
EBIT before special items	224.0	74.5	(0.4)	298.1
EBIT margin before special items	32.0%	19.8%	-	27.7%
Share of loss in joint ventures	-	(6.6)	-	(6.6)
Special items and net financial expenses	-	-	(44.4)	(44.4)
Profit before tax	224.0	67.9	(44.8)	247.1

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Continuing operations
2019/20				
Income statement				
Revenue	693.1	276.9	-	970.0
EUR growth	2%	9%	-	3%
Organic growth	5%	9%	-	6%
EBITDA before special items	285.2	115.4	-	400.6
EBITDA margin before special items	41.1%	41.7%	-	41.3%
Amortization, depreciation and impairment losses	(47.4)	(26.3)	-	(73.7)
EBIT before special items	237.8	89.1	-	326.9
EBIT margin before special items	34.3%	32.2%	-	33.7%
Share of loss in joint ventures	-	(3.9)	-	(3.9)
Special items and net financial expenses	-	-	(27.4)	(27.4)
Profit before tax	237.8	85.2	(27.4)	295.6

2.1 Segment information

(continued)

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Continuing operations	Dis- continued operations	Group
2021						
Assets						
Goodwill	522.9	966.9	-	1,489.8	-	1,489.8
Other intangible assets	92.1	287.4	-	379.5	-	379.5
Property, plant and equipment	470.0	312.1	-	782.1	-	782.1
Other non-current assets	-	-	33.5	33.5	-	33.5
Total non-current assets	1,085.0	1,566.4	33.5	2,684.9	-	2,684.9
Inventories	83.2	50.7	-	133.9	-	133.9
Trade receivables ¹⁾	110.9	72.7	4.7	188.3	-	188.3
Other assets	-	-	107.1	107.1	-	107.1
Total current assets	194.1	123.4	111.8	429.3	-	429.3
Total assets	1,279.1	1,689.8	145.3	3,114.2	-	3,114.2
Liabilities						
Trade payables	75.3	56.8	-	132.1	-	132.1
Deferred gain	27.6	20.8	-	48.4	-	48.4
Other liabilities	-	-	1,307.6	1,307.6	-	1,307.6
Total liabilities	102.9	77.6	1,307.6	1,488.1	-	1,488.1
Net working capital	118.8	66.6	4.7	190.1	-	190.1
Invested capital excluding goodwill	653.3	645.3	4.7	1,303.3	-	1,303.3
ROIC excluding goodwill	35.8%	13.0%	-	24.8%	-	24.8%
Additions to non-current assets excluding joint ventures and deferred tax	85.6	420.0	-	505.6	5.1	510.7

1) Trade receivables disclosed as not allocated are related to the divested Natural Colors business but were not transferred as part of the divestment.

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	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%
Additions to non-current assets excluding joint ventures and deferred tax	75.8	726.1	-	801.9	20.9	822.8

2.1 Segment information

(continued)

Geographic allocation

EUR million	EMEA ¹⁾	North America ²⁾	LATAM	APAC	Continuing operations
2020/21					
Revenue	420.2	332.9	129.3	195.0	1,077.4
EUR growth	5%	16%	8%	19%	11%
Organic growth	6%	6%	26%	(3%)	7%
Non-current assets excluding joint ventures and deferred tax ³⁾	2,322.1	289.9	21.5	17.9	2,651.4

1) Includes Denmark, which accounts for 1% of total revenue, corresponding to EUR 10.8 million.

2) Includes the US, which accounts for 28% of total revenue, corresponding to EUR 301.7 million.

3) Non-current assets in Denmark amount to EUR 1,678.3 million.

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.

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 customer 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 are 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	2020/21	2019/20
Amortization and impairment losses		
Intangible assets		
Cost of sales	(4.8)	(5.2)
Research and development expenses	(9.6)	(10.8)
Sales and marketing expenses	(31.3)	(15.4)
Administrative expenses	(1.6)	(2.1)
Total	(47.3)	(33.5)
Depreciation and impairment losses		
Property, plant and equipment		
Cost of sales	(36.9)	(33.6)
Research and development expenses	(8.0)	(6.6)
Sales and marketing expenses	(4.2)	(4.6)
Administrative expenses	(6.6)	(7.4)
Total	(55.7)	(52.2)
Deferred gain, sale and lease back		
Administrative expenses ¹⁾	1.8	1.8
Total amortization, depreciation and impairment losses	(101.2)	(83.9)
Of which:		
Continuing operations	(101.2)	(73.7)
Discontinued operations	-	(10.2)
Total	(101.2)	(83.9)

1) Deferred gain relates to the sale and lease back of company headquarters 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	2020/21	2019/20
Wages and salaries, etc.	(286.7)	(266.3)
Pension expenses - defined contribution plans	(22.3)	(21.8)
Pension expenses - defined benefit plans	(0.2)	(0.3)
Social security, etc.	(26.0)	(23.8)
Total	(335.2)	(312.2)
Of which:		
Continuing operations	(306.8)	(253.3)
Discontinued operations	(28.4)	(58.9)
Total	(335.2)	(312.2)
Average number of employees (FTE), continuing operations	3,398	2,932
Average number of employees (FTE), discontinued operations	548	668
Average number of employees (FTE)	3,946	3,600

2.3 Staff expenses

(continued)

EUR million	2020/21	2019/20
Executive Board		
Salaries	(1.94)	(1.91)
Bonus ¹⁾	(1.24)	(1.44)
Pension expenses - defined contribution plans	(0.36)	(0.34)
Share-based payment ²⁾	(1.50)	(0.48)
Total	(5.04)	(4.17)
Board of Directors		
Fee	(1.12)	(1.08)
Total fees to key management personnel	(6.16)	(5.25)

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 6.16 million in 2020/21 and EUR 5.25 million in 2019/20.

Executive board

Members of the Executive Board receive a fixed salary, pension, bonus and share-based payment 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 1.12 million in 2020/21 and EUR 1.08 million in 2019/20.

Each director elected by the shareholders in general meeting must, no later than 12 months after being appointed 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.

2.4 Fees to auditors

EUR million	2020/21	2019/20
PricewaterhouseCoopers		
Statutory audit	(0.8)	(0.7)
Audit-related services	(0.1)	(0.1)
Tax advisory services	-	-
Other services	(0.1)	(0.1)
Total	(1.0)	(0.9)

Implementation of the EU Audit Reform has led to restrictions on the non-audit services provided by the auditor elected at the Annual General Meeting. It is Chr. Hansen's policy to comply with 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 0.2 million (EUR 0.1 million in 2019/20), corresponding to 51% of the annual fee for statutory audit services provided (22% in 2019/20). Other services consist mainly of advisory services.

2.5 Special items

EUR million	2020/21	2019/20
Cost related to acquisition of UAS Labs	-	(10.3)
Cost related to acquisition of HSO Health Care	-	(1.2)
Cost related to acquisition of Jennewein	(5.1)	(1.1)
Cost related to divestment of Natural Colors business	(9.8)	(5.7)
Cost related to carve-out of Natural Colors business	(16.3)	-
Strategic projects	-	(2.0)
Adjustment to previous acquisitions	0.2	1.0
Other projects	(0.7)	(0.3)
Total	(31.7)	(19.6)
Of which:		
Continuing operations	(21.9)	(13.9)
Discontinued operations	(9.8)	(5.7)
Total	(31.7)	(19.6)

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	2020/21	2019/20
Financial income		
Interest income	1.4	3.7
Foreign exchange gains	24.1	80.6
Foreign exchange gains on derivatives	3.0	1.4
Gains on derivatives transferred from other comprehensive income	-	0.7
Total	28.5	86.4
Of which:		
Continuing operations	28.5	86.4
Discontinued operations	-	-
Total	28.5	86.4

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	2020/21	2019/20
Financial expenses		
Interest expenses	(17.5)	(10.4)
Interest on lease liabilities	(2.9)	(3.0)
Borrowing costs related to construction of assets	0.5	0.3
Foreign exchange losses	(27.1)	(81.9)
Foreign exchange losses on derivatives	(1.2)	(1.1)
Other financial expenses including amortized costs	(2.9)	(4.4)
Total	(51.1)	(100.5)
Of which:		
Continuing operations	(51.0)	(99.9)
Discontinued operations	(0.1)	(0.6)
Total	(51.1)	(100.5)

Effective interest expenses amounted to EUR 20.4 million (EUR 13.4 million in 2019/20). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 0.6%.

2.7 Income taxes and deferred tax

EUR million	2020/21	2019/20
Income taxes		
Current tax on profit for the year	(45.0)	(22.2)
Change in deferred tax concerning profit for the year	(19.5)	(49.5)
Tax on profit for the year	(64.5)	(71.7)
Adjustments concerning previous years	4.9	(1.2)
Tax in the income statement	(59.6)	(72.9)
Tax on other comprehensive income	(0.6)	2.7
Of which:		
Continuing operations	(48.4)	(64.0)
Discontinued operations	(11.2)	(8.9)
Total	(59.6)	(72.9)

EUR million	2020/21		2019/20	
Reconciliation of tax rate				
Danish tax rate	22.0%	(199.1)	22.0%	(69.9)
Deviation of non-Danish Group companies from Danish tax rate	0.0%	(0.4)	1.3%	(4.1)
Non-taxable income and non-deductible expenses	(0.1)%	1.2	0.2%	(0.7)
Adjustments concerning previous years	(0.5)%	4.9	0.4%	(1.2)
Discontinued operations	(15.7)%	142.4	0.0%	-
Other taxes	0.9%	(8.6)	(1.0)%	3.0
Effective tax rate	6.6%		22.9%	
Tax on profit for the year		(59.6)		(72.9)

EUR million	2020/21	2019/20
Deferred tax		
Deferred tax at September 1	126.3	83.6
Exchange rate adjustments	0.4	0.6
Additions through acquisitions	14.8	-
Change in deferred tax - recognized in the income statement	16.2	47.9
Change in deferred tax - recognized in other comprehensive income	-	1.3
Change in deferred tax - recognized through equity	(0.9)	(2.6)
Transferred to/from assets classified as held for sale	1.9	(4.5)
Deferred tax at August 31	158.7	126.3
Deferred tax assets	(10.9)	(7.0)
Deferred tax liabilities	169.6	133.3
Deferred tax at August 31	158.7	126.3

Specification of deferred tax	2020/21	2019/20
Intangible assets	157.9	139.5
Property, plant and equipment	34.3	26.4
Current assets	(3.6)	(2.8)
Tax loss carryforwards	(22.0)	(26.8)
Liabilities	(7.9)	(5.5)
Transferred to/from assets classified as held for sale	-	(4.5)
Total deferred tax at August 31	158.7	126.3

Amounts due after 12 months, estimated	2020/21	2019/20
Tax loss carryforwards		
Tax loss carryforwards	79.4	121.3
Tax losses expected to be utilized	79.4	120.8
Deferred tax assets from tax losses recognized in the balance sheet	22.0	26.8

2.7 Income taxes and deferred tax (continued)

Tax governance

Chr. Hansen views tax governance as an integrated part of its business operations, and tax impacts are considered to avoid tax risks and ensure compliance with local legislation. The adherence to tax policies and the effectiveness of tax compliance and risk management are overseen by the Audit Committee on a regular basis.

In 2020/21, Chr. Hansen updated its tax policy to include a tax governance structure and details on how the model supports Chr. Hansen's ambitions as a sustainable company.

Chr. Hansen's tax policy highlights the importance of tax transparency. During the year, a review of tax processes in respect of the GRI:207 framework concluded that this framework is well suited for a balanced approach to tax transparency on relevant tax matters, including the country-by-country data points. Hence, Chr. Hansen has decided to publish a GRI:207 report prepared in the context of Chr. Hansen's business operations from 2021/22.

Key accounting estimates and judgments

The recognition of deferred tax assets and uncertain tax positions is assessed by management. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised if management estimates that the tax assets can be utilised within a foreseeable future by offsetting against future positive taxable income. The assessment is made annually on the basis of budgets and business plans for the following years. While conducting business globally, tax and transfer pricing disputes, etc. with tax authorities may occur, and management judgment is applied to assess the possible outcome of such disputes. The most probable outcome is used as the measurement method, and management believes the provision made for uncertain tax positions not yet settled with local tax authorities is adequate.

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	2020/21	2019/20
Profit for the year		
Profit from continuing operations	198.7	231.6
Profit from discontinued operations	646.5	13.4
Profit for the year attributable to shareholders of Chr. Hansen Holding A/S	845.2	245.0
Average number of shares		
Average number of shares	131,852,496	131,852,496
Average number of treasury shares	(140,786)	(118,819)
Average number of shares excluding treasury shares	131,711,710	131,733,677
Average dilutive effect of share programs	143,341	182,574
Average number of shares, diluted	131,855,051	131,916,251
Earnings per share, EUR		
Earnings per share	6.42	1.86
Earnings per share, diluted	6.41	1.86
Earnings per share from continuing operations	1.51	1.76
Earnings per share from continuing operations, diluted	1.51	1.76

3.1 Goodwill

EUR million	2020/21	2019/20
Cost at September 1	1,249.1	772.9
Exchange rate adjustments	2.5	(12.4)
Additions	238.2	488.6
Cost at August 31	1,489.8	1,249.1

The carrying amount of goodwill has been allocated to the identified cash-generating units according to the operating segments as follows:		
Food Cultures & Enzymes	522.9	523.7
Health & Nutrition	966.9	725.4
Total	1,489.8	1,249.1

In 2020/21, Chr. Hansen acquired Jennewein Biotechnologie GmbH. The acquisition has been allocated in full and tested for impairment within the Health & Nutrition business unit, refer to note 5.3. In 2019/20, the addition to goodwill related to the acquisition of HSO Health Care and UAS Labs, both of which were allocated in full to the Health & Nutrition business unit.

At August 31, 2021, Management had performed an annual 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 of the calculations.

At August 31, 2021, the growth rate for Food Cultures & Enzymes business unit was projected to be above the average of 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 are 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 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 to attract new customers and 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 have been applied at the lower end of the long-term financial ambitions set out in Grow A Better World, Naturally. Over the five-year period, an expected improvement in the EBIT margin to more than 30% has been applied for both business units. A pre-tax discount rate of 8.4% (7.8% in 2019/20) 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 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, customer relationships etc.	Develop- ment projects	Software	Intangible assets in progress	Total
2020/21					
Cost at September 1	384.3	78.9	64.6	52.1	579.9
Exchange rate adjustments	0.9	0.1	-	-	1.0
Additions through acquisitions	81.5	-	-	-	81.5
Additions	1.3	0.5	1.8	18.2	21.8
Disposals	-	(3.1)	(2.1)	-	(5.2)
Transferred	-	7.8	4.7	(12.0)	0.5
Transferred to/from assets classified as held for sale	(10.0)	(3.6)	(0.3)	0.6	(13.3)
Cost at August 31	458.0	80.6	68.7	58.9	666.2
Amortization and impairment at September 1	(166.1)	(46.4)	(45.7)	-	(258.2)
Exchange rate adjustments	(0.2)	(0.1)	(0.1)	-	(0.4)
Disposals	-	3.1	2.1	-	5.2
Amortization and impairment ¹⁾	(31.6)	(8.9)	(6.8)	-	(47.3)
Transferred to/from assets classified as held for sale	9.8	3.4	0.8	-	14.0
Amortization and impairment at August 31	(188.1)	(48.9)	(49.7)	-	(286.7)
Carrying amount at August 31	269.9	31.7	19.0	58.9	379.5
Capitalized salary expenses for the year				11.9	
Capitalized borrowing costs for the year				0.4	

1) In 2020/21, impairment losses of development projects amounted to EUR 1.9 million.

EUR million	Patents, trademarks, customer relationships 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 adjustment	(0.9)	0.1	(0.3)	0.1	(1.0)
Additions through 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/from 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 adjustment	(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/from 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) In 2019/20, impairment losses of development projects and software amounted to EUR 3.2 million and EUR 0.3 million respectively.

3.2 Other intangible assets (continued)

Patents, trademarks, customer relationships etc.

In 2020/21, Chr. Hansen acquired intangible assets through acquisitions amounting to EUR 81.5 million (EUR 123.9 million in 2019/20) which primarily related to patents, trademarks, and customer relationships.

The carrying amount of technology arising from the acquisition of Jennewein amounts to EUR 39.2 million and the remaining useful life is nine years.

Development projects

Completed development projects and development projects in progress comprise development and testing of new strains for cultures and enzymes 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 were 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 1.6 million in Food Cultures & Enzymes Division and EUR 0.3 million in Health & Nutrition Division in 2020/21 in respect of capitalized development costs assessed not to be commercially feasible in light of the latest knowledge of the market potential. In 2019/20, impairment losses amounted to EUR 3.2 million (Health & Nutrition 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. No impairment losses were recognized in 2020/21 (EUR 0.3 million in 2019/20).

Transfers to/from assets classified as held for sale

The line item "Transferred to/from assets classified as held for sale" contains the net movement of cost and amortizations from 2019/20 - when assets were classified based on best estimate at the time - until 2020/21, when the actual transfer of assets was realized.

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, customer relationships 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
2020/21					
Cost at September 1	337.7	455.1	70.9	169.1	1,032.8
Exchange rate adjustments	1.6	1.3	1.0	0.1	4.0
Additions through acquisitions	6.1	3.1	0.1	2.0	11.3
Additions	52.5	14.7	8.2	82.4	157.8
Disposals	(4.4)	(6.1)	(4.8)	-	(15.3)
Transferred	6.4	12.9	8.9	(28.7)	(0.5)
Transferred to/from assets classified as held for sale	19.3	(33.4)	(2.3)	0.8	(15.6)
Cost at August 31	419.2	447.6	82.0	225.7	1,174.5
Depreciation and impairment at September 1	(92.7)	(249.0)	(36.3)	-	(378.0)
Exchange rate adjustments	0.2	0.3	(0.2)	-	0.3
Disposals	0.9	3.5	3.4	-	7.8
Transferred	2.0	(2.0)	-	-	-
Depreciation and impairment ¹⁾	(16.9)	(27.8)	(11.0)	-	(55.7)
Transferred to/from assets classified as held for sale	(1.8)	34.0	1.0	-	33.2
Depreciation and impairment at August 31	(108.3)	(241.0)	(43.1)	-	(392.4)
Carrying amount at August 31	310.9	206.6	38.9	225.7	782.1
Capitalized salary expenses for the year				14.7	
Capitalized borrowing costs for the year				0.1	

1) No impairment losses were recognized in either 2020/21 or 2019/20.

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 through 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/from 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/from 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	

2) Assets transferred to joint venture amount to a cost of EUR 10.3 million and depreciation of EUR 1.7 million in 2019/20. Refer to note 5.5.

3.3 Property, plant and equipment (continued)

The value of mortgaged property, plant and equipment amounts to EUR 208.7 million (EUR 195.5 million in 2019/20). Refer to note 3.9 regarding commitments and contingent liabilities.

Transfers to/from assets classified as held for sale

The line item "Transferred to/from assets classified as held for sale" contains the net movement of cost and amortizations from 2019/20 - when assets were classified based on best estimate at the time - until 2020/21, when the actual transfer of assets was realized.

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 as well as 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	2021	2020
Lease assets		
Land and buildings	89.7	94.8
Plant and machinery	0.1	0.4
Other fixtures and equipment	5.6	6.7
Carrying amount at August 31	95.4	101.8
Of which:		
Continuing operations	95.4	82.7
Assets classified as held for sale	-	19.1
Total	95.4	101.8
Additions on lease assets	18.6	11.8

EUR million	2020/21	2019/20
Depreciation of lease assets per asset class		
Land and buildings	(8.0)	(8.6)
Plant and machinery	(0.1)	(0.2)
Other fixtures and equipment	(3.1)	(3.3)
Total	(11.2)	(12.1)
Of which:		
Continuing operations	(11.2)	(9.5)
Assets classified as held for sale	-	(2.6)
Total	(11.2)	(12.1)
Expenses related to low value and short-term leases	0.2	0.1
Amount recognized in the cash flow statement	11.2	14.2

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 company headquarters in Hørsholm is part of the transition to IFRS 16. Management has assessed that the lease term for the current leases is 27 years including a five-year extension option. This is considered a judgment as a change hereto would have an 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 mainly land, buildings, cars and equipment.

3.5 Inventories

EUR million	2021	2020
Raw materials and consumables	24.4	38.1
Work in progress	44.3	64.1
Finished goods and goods for resale	65.2	78.4
Total	133.9	180.6
Of which:		
Continuing operations	133.9	122.3
Assets classified as held for sale	-	58.3
Total	133.9	180.6

EUR million	2020/21	2019/20
Continuing operations		
Cost of materials included in Cost of sales	225.8	190.8
Changes in inventory write-downs		
Write-downs at September 1	1.8	3.0
Write-downs	1.9	2.7
Utilization of write-downs	(1.5)	(2.5)
Transferred to/from assets classified as held for sale	-	(1.4)
Inventory write-down at August 31	2.2	1.8

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	2021	2020
Aging of trade receivables		
Not due	163.7	159.4
0-30 days overdue	13.9	10.2
31-60 days overdue	5.2	2.8
61-120 days overdue	2.9	2.3
> 120 days overdue	2.6	1.8
Total	188.3	176.5
Of which:		
Continuing operations	188.3	145.1
Assets classified as held for sale	-	31.4
Total	188.3	176.5

EUR million	2020/21	2019/20
Changes in allowances for trade receivables		
Allowances at September 1	2.8	3.1
Additions	0.8	1.4
Reversals	(0.8)	(1.1)
Transferred to/from assets classified as held for sale	-	(0.6)
Allowances at August 31	2.8	2.8

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 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	2020/21	2019/20
Movements in the employee benefit obligations recognized		
Obligations at September 1	12.4	13.5
Exchange rate adjustments	0.2	-
Current service expenses	0.4	0.3
Interest expenses	0.1	0.2
Actuarial gains/losses	(0.6)	0.5
Payments made	(0.5)	(0.6)
Transferred to/from liabilities relating to assets classified as held for sale	1.0	(1.5)
Employee benefit obligations recognized at August 31	13.0	12.4
Movements in the fair value of plan assets		
Fair value of plan assets at September 1	5.8	5.7
Exchange rate adjustments	0.1	-
Expected return on plan assets	0.1	0.1
Actuarial gains/losses	-	0.3
Benefits paid	(0.2)	(0.3)
Fair value of plan assets at August 31	5.8	5.8
Net benefit obligations at August 31	7.2	6.6

EUR million	2020/21	2019/20
Net employee benefit obligations		
Net obligations at September 1	6.6	7.8
Costs recognized in the income statement	0.4	0.4
Remeasurements recognized in other comprehensive income	(0.6)	0.2
Employer contributions	(0.3)	(0.3)
Exchange rate adjustments	0.1	-
Transferred to/from liabilities relating to assets classified as held for sale	1.0	(1.5)
Net employee benefit obligations at August 31	7.2	6.6
Weighted average actuarial assumptions applied		
Discount rate	1.1%	1.0%
Future increase in salaries	0.3%	0.3%
Future increase in pensions	1.7%	1.6%
Distribution of plan assets to cover obligations		
Shares	1%	1%
Bonds	89%	88%
Real estate	0%	0%
Cash and cash equivalents	10%	11%
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 are 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 highly 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	2020/21	2019/20
Provisions at September 1	3.5	3.8
Additions	2.3	0.8
Used	(1.5)	(0.4)
Transferred to/from liabilities relating to assets classified as held for sale	-	(0.7)
Provisions at August 31	4.3	3.5

The provisions primarily concern US import tariff costs related to previous years and 2020/21.

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	2021	2020
Individual assets directly pledged		
Land and buildings	102.2	77.9
Plant and machinery	106.5	117.6
Carrying amount of pledged individual assets	208.7	195.5

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

Pending court and arbitration cases

Certain claims have been made against the Chr. Hansen Group. Management believes the outcome of these disputes will not have a significant impact on the Group's financial position.

At August 31, 2021, Chr. Hansen had settled all diacetyl-related lawsuits based on alleged personal injuries as a result of exposure to diacetyl vapors.

Change of control

The loan facilities are subject to change-of-control clauses. For change-of-control clauses in Management contracts, refer to note 2.3.

4.1 Share capital

Number of shares	2020/21	2019/20
Shares in circulation		
Shares at September 1	131,743,745	131,686,267
Purchase of treasury shares	(123,000)	-
Shares utilized to cover share programs	49,228	57,478
Shares in circulation at August 31	131,669,973	131,743,745

The Company's share capital has a nominal value of DKK 1,318,524,960 (equivalent to EUR 177.3 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, 2021, the Company held 182,523 treasury shares, corresponding to less than 1% of the total (108,751 treasury shares at August 31, 2020, 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 risk

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 rate 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. Refer to note 4.3 for further information.

Credit risk

Credit risk mainly relates 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
2021					
Financial assets					
Receivables from joint ventures	-	-	12.9	12.9	12.9
Trade receivables	188.3	-	-	188.3	188.3
Other receivables	29.8	-	-	29.8	29.8
Cash and cash equivalents	55.1	-	-	55.1	55.1
Financial assets at amortized costs	273.2	-	12.9	286.1	286.1
Financial liabilities					
Borrowings ¹⁾	156.4	509.7	206.0	872.1	855.9
Lease liabilities ¹⁾	12.4	28.3	94.5	135.2	97.4
Trade payables	132.1	-	-	132.1	132.1
Other payables	105.3	1.2	-	106.5	106.5
Financial liabilities at amortized cost	406.2	539.2	300.5	1,245.9	1,191.9
Derivative financial instruments	-	4.9	-	4.9	4.9
Fair value through other comprehensive income	-	4.9	-	4.9	4.9
Total financial liabilities	406.2	544.1	300.5	1,250.8	1,196.8

1) Including future interest payments.

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					
Borrowings ¹⁾	683.5	494.8	189.5	1,367.8	1,338.4
Lease liabilities ¹⁾	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.

4.2 Financial assets and liabilities

(continued)

EUR million	2021	2020
Non-current borrowings		
Senior bank borrowings	637.4	596.8
Mortgages	68.5	68.8
Lease liabilities	85.3	88.8
Total before amortization of financing expenses	791.2	754.4
Capitalized financing expenses	(0.7)	(1.0)
Total non-current borrowings	790.5	753.4
Current borrowings		
Mortgages	0.5	0.5
Bank borrowings	150.2	673.3
Lease liabilities	12.1	14.0
Total current borrowings	162.8	687.8
Total	953.3	1,441.2
Of which:		
Continuing operations	953.3	1,421.9
Assets classified as held for sale	-	19.3
Total	953.3	1,441.2

EUR million	2020/21	2019/20
Changes in liabilities arising from financing activities		
Borrowings at September 1	1,421.9	821.8
Recognition of lease liabilities	-	45.6
Restated borrowings at September 1	1,421.9	867.4
Proceeds from borrowings	702.6	989.4
Repayments of borrowings	(1,202.4)	(396.7)
Installments on lease liabilities	(11.2)	(11.2)
Increase in lease liabilities	18.6	11.8
Additions through acquisitions	3.4	-
Exchange rate adjustments	0.6	(18.8)
Other non-cash movements	(2.3)	(0.7)
Transferred to/from liabilities relating to assets classified as held for sale	22.1	(19.3)
Borrowings at August 31	953.3	1,421.9

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 2020/21, 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 2021/22.

4.2 Financial assets and liabilities

(continued)

EUR million	Effective interest rate	Maturity	Carrying amount	Interest rate risk
2021				
Mortgages				
Floating rate ¹⁾	(0.10%)	0-18 years	67.6	Cash flow
Fixed rate ¹⁾	1.18%	0-4 years	1.4	Fair value
Total			69.0	
Senior bank borrowings				
Floating rate		0-5 years	403.1	Cash flow
Fixed rate ²⁾		0-6 years	384.5	Fair value
Total			787.6	
Total mortgages and senior bank borrowings			856.6	

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 0.40%.

The fair value of mortgages is EUR 69.9 million, whereas the fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 2 in the fair value hierarchy based primarily on observable market data.

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 2 in the fair value hierarchy based primarily on observable market data.

4.2 Financial assets and liabilities

(continued)

EUR million	Total mortgages and senior bank borrowings	Floating rate	Fixed rate
2021			
Currency of the principal			
EUR	513.8	51%	49%
USD	105.6	20%	80%
DKK	237.2	78%	22%
Total	856.6	55%	45%

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%

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 be recorded in either 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 installments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

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

Other debts are measured at amortized cost. However, derivative financial instruments recognized under other payables are measured at fair value. 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
2020/21					
EUR 120 million interest rate swaps	Aug. 2027	120.0	(1.5)	-	(1.5)
EUR 130 million interest rate swaps	Aug. 2027	130.0	(1.8)	-	(1.8)
USD 50 million interest rate swaps	Aug. 2023	42.3	1.2	-	1.2
USD 50 million interest rate swaps	Aug. 2025	42.3	0.6	-	0.6
Total		334.6	(1.5)	-	(1.5)

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.

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. In the financial year 2020/21, interest rate floors in loan agreements were renegotiated and the EUR swaps were therefore effective at the end of the financial year. The average fixed rate on USD swaps is 1.60% and EUR 0.04%. Both EUR and USD swaps are designed as bullet notional.

EUR million	2020/21	2019/20
Outstanding debt with fixed interest rate or hedged through interest rate swaps	45%	32%
Total debt, average maturity in years	2.9	2.2
Effect on total debt of a 1 percentage point increase in interest rates	(5.3)	(9.9)
Effect on interest rate swaps of a 1 percentage point increase in interest rates	2.1	3.0
Net effect	(3.2)	(6.9)

An increase of 1 percentage point in the average interest rate on the Group's interest-bearing debt including swaps would reduce the Group's earnings before tax by EUR 3.2 million (EUR 6.9 million for 2019/20) over the next 12-month period and have a positive effect on equity of EUR 14.3 million (positive effect of EUR 7.2 million in 2019/20).

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)
2020/21					
Net outstanding forward exchange contracts					
USD	(27.0)	-	-	(27.0)	1.0
AUD	(6.2)	-	-	(6.2)	1.0
SGD	1.4	-	-	1.4	3.0
GBP	7.6	-	-	7.6	2.0
CHF	(12.7)	-	-	(12.7)	2.0
EUR	14.4	-	-	14.4	3.0
DKK	22.5	-	-	22.5	1.0
Total	-	-	-	-	

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	-	-	-	-	

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 primarily on observable market data, corresponding to level 2 in the fair value hierarchy.

Foreign exchange sensitivity analysis

Net profit effect	2020/21	2019/20
Increase of 5%	0.2	(0.2)
Decrease of 5%	(0.2)	0.2

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

Financial instruments used by the Group are cash instruments, foreign exchange spot trades, foreign exchange forwards, forward exchange swaps, and current and non-current loans.

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 12-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
2020/21				
Outstanding at September 1	64,805	55,801	3,549	124,155
Allocated	24,904	24,688	33	49,625
Forfeited	(28,783)	(22,132)	(1,579)	(52,494)
Exercised	(3,230)	(6,780)	(269)	(10,279)
Outstanding at August 31	57,696	51,577	1,734	111,007

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)	(12,902)	(2,308)	(17,466)
Exercised	(2,266)	(7,835)	(7,748)	(17,849)
Outstanding at August 31	64,805	55,801	3,549	124,155

Key information	Program 6	Program 7
Year allocated	2019/20	2020/21
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 57.7	EUR 77.6
Vesting	Oct. 2022	Oct. 2023
Vesting conditions (KPIs)	Org. growth, EBIT margin, 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, participants are required to acquire a number of existing shares in Chr. Hansen Holding A/S (investment shares) and retain ownership of such shares for a predefined holding period of three years. Upon expiration of the holding period and subject to fulfillment of certain predefined performance targets and continued employment at the vesting date, participants will be entitled to receive up to 7.5 additional shares in Chr. Hansen Holding A/S (matching shares) per investment share at no consideration.

The theoretical market value of the program in 2020/21 was EUR 4.4 million, based on the fulfillment of all predefined performance targets (EUR 3.2 million in 2019/20). The fair value at grant was EUR 3.8 million, taking into consideration the assessed likelihood of meeting the non-market condition (EUR 2.8 million in 2019/20).

EUR 1.5 million was expensed in 2020/21 relating to the matching shares programs, including accelerations and reversals (EUR 0.1 million in 2019/20).

Accounting policies

The share programs are accounted for on an accrual basis over the service period. RSUs 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 RSUs	Executive Board	Key employees	Former employees	Total
2020/21				
Outstanding at September 1	13,646	156,410	5,125	175,181
Adjustment to allocation	7,285	22,494	11	29,790
Allocated	6,850	77,703	-	84,553
Transferred	(2,032)	(21,432)	23,464	-
Exercised	(1,218)	(17,867)	(19,864)	(38,949)
Forfeited	-	-	(3,751)	(3,751)
Outstanding at August 31	24,531	217,308	4,985	246,824

Number of RSUs	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

Key information	Program 11	Program 12
Year allocated	2019/20	2020/21
Vesting period	2 years	2 years
Share price at grant	EUR 86.4	EUR 75.8 ¹⁾
Vesting	Nov. 2022	Nov. 2023
Weighted average share price during exercise period	Not vested	Not granted

1) Estimated value, based on average share price in Q4 2020/21.

Short-term restricted stock unit (RSU) programs

The short-term RSU programs are granted to members of the Executive Board and certain key employees based on the fulfillment of individual key performance indicators. The RSUs are granted as shares and vest after up to three years subject to the person still being employed with Chr. Hansen.

The value of RSUs allocated in 2020/21 (RSU program 12) was estimated at EUR 6.4 million (EUR 6.3 million in 2019/20). The number of RSUs allocated, their value, and underlying assumptions will be finally determined in November 2021.

EUR 5.4 million was expensed in 2020/21 relating to the short-term RSU programs (EUR 3.9 million in 2019/20).

There were no outstanding exercisable RSUs at August 31, 2021.

5.2 Non-cash adjustments

EUR million	2020/21	2019/20
Amortization, depreciation and impairment losses	101.2	83.9
Share-based payment	3.9	(0.5)
Change regarding employee benefits	(0.3)	0.3
Change in provisions	0.2	0.7
Other non-cash adjustments	-	0.6
Total	105.0	85.0
Of which:		
Continuing operations	105.0	74.7
Discontinued operations	-	10.3
Total	105.0	85.0

5.3 Acquisition of entities

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

EUR million	2020/21
Purchase consideration	
Cash paid	320.0
Fair value of total consideration	320.0
Fair value of net assets acquired	
Customer relationships	38.4
Technology	43.1
Property, plant and equipment including lease assets	11.3
Net working capital	7.4
Other receivables and payables, net	(2.7)
Lease liabilities	(3.4)
Deferred tax liabilities, net	(14.8)
Cash and cash equivalents	2.5
Net identifiable assets acquired	81.8
Goodwill from acquisition	238.2
Fair value of total consideration	320.0
Of which cash and cash equivalents	2.5
Paid acquisition cost, net	317.5

5.3 Acquisition of entities (continued)

Acquisitions during 2020/21

The acquired business was recognized in the consolidated financial statements from the time of the acquisition. The purchase price allocation was prepared in accordance with IFRS by fair value assessment of identifiable assets and liabilities at the acquisition date.

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

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

Jennewein Biotechnologie GmbH

On October 9, 2020, Chr. Hansen acquired full ownership and control of the Jennewein Biotechnologie GmbH (subsequently renamed Chr. Hansen HMO GmbH). The acquisition of the German-based B2B company expands Chr. Hansen's microbial and fermentation technology platforms by adding the emerging and exciting high-growth business area of human milk oligosaccharides. 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.

Chr. Hansen obtains access to intangible assets comprising customer relationships, patents and technology. The acquisition was conducted as a share deal. 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 Jennewein.

Transaction costs related to the acquisition of Jennewein amounted to EUR 5.1 million, of which EUR 4.0 million was recognized in the income statement as special items in 2020/21 (EUR 1.1 million in 2019/20).

Earnings impact

Revenue and EBIT comprise EUR 19 million and negative EUR 18 million, respectively, reported by Jennewein since the date of acquisition. On a pro forma basis, if the acquisition had been effective from September 1, 2020, Jennewein would have contributed an estimated EUR 21 million to revenue and negative EUR 18 million to EBIT.

Other

In 2020/21, a settlement of cash consideration of EUR 0.7 million was recognized, which relates to the prior-year acquisition of Hundsichler.

Acquisitions during 2019/20

On April 20, 2020, Chr. Hansen acquired full ownership and control of HSO Health Care GmbH, an Austria-based B2B company specializing in probiotics for women's health.

On July 27, 2020, Chr. Hansen completed the acquisition of the full ownership and control of UAS Laboratories LLC (UAS Labs), a US-based B2B company specializing in clinically documented probiotics.

Both acquisitions were recognized as part of the Health & Nutrition 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	2020/21	2019/20
Revenue	130.5	219.1
Operating profit before special items	21.3	28.6
Special items	(9.8)	(5.7)
Operating profit (EBIT)	11.5	22.9
Financial items, net	(0.1)	(0.6)
Profit before tax	11.4	22.3
Income taxes	(2.6)	(8.9)
Profit after income tax from discontinued operations	8.8	13.4
Gain on sale of discontinued operations after tax	637.7	-
Profit from discontinued operations	646.5	13.4
Earnings per share, EUR		
Earnings per share from discontinued operations	4.91	0.10
Earnings per share from discontinued operations, diluted	4.90	0.10

Discontinued operations

A strategic review exploring strategic options for the future of the Natural Colors business was initiated in July 2020. The requirements for the business to be presented as discontinued operations were met at the end of the financial year 2019/20.

On September 26, 2020, Chr. Hansen signed an agreement to sell the Natural Colors business to the private equity fund, EQT, and the divestment was completed on March 31, 2021. See company announcement no. 5 for details.

The result of the Natural Colors business is recognized under discontinued operations at a profit of EUR 646.5 million (2019/20 EUR 13.4 million). Profit from discontinued operations include gains on the sale of discontinued operations after tax of EUR 637.7 million. See details in the table below. Transaction costs related to the divestment of EUR 9.8 million are recognized in special items.

Cash flow from investing activities from discontinued operations include cash consideration from the divestment of the Natural Colors business of EUR 776 million. The cash consideration does not include deferred payment of the selling price and divested cash and cash equivalents.

5.4 Discontinued operations

(continued)

Details on the sale of discontinued operations

EUR million	2020/21	2019/20
Consideration received	800.1	-
Deferred payment	0.5	-
Selling price of discontinued operations	800.6	-
Carrying amount of net assets sold	(153.3)	-
Reclassification of exchange rate adjustment reserve	(1.0)	-
Income taxes on gain	(8.6)	-
Gain on sale of discontinued operations after tax	637.7	-

Carrying amount of net assets sold

EUR million	Mar 31, 2021
Assets	
Other intangible assets	17.1
Property, plant and equipment	68.5
Deferred tax and tax receivables	0.5
Inventories	52.2
Trade receivables	52.7
Other receivables and prepayments	7.0
Cash and cash equivalents	23.9
Total	221.9
Liabilities	
Provisions	0.6
Deferred tax and tax payables	7.8
Borrowings	23.9
Trade payables	23.2
Other payables	13.1
Total	68.6
Carrying amount of net assets sold	153.3

5.4 Discontinued operations

(continued)

Net assets classified as held for sale

EUR million	Aug 31, 2021	Aug 31, 2020
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	-	20.4
Total	-	100.4
Net assets classified as held for sale¹⁾	-	102.0

1) Net assets classified as held for sale relates to the Natural Colors business divested on March 31, 2021.

Key accounting estimates and judgments

When classifying assets and liabilities as held for sale, Management makes a number of judgments as 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.

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 line 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. 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 positions itself 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 and shared equally between Chr. Hansen and Lonza over a period of three years, after which BacThera is expected to be largely self-funding.

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

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

EUR million	2020/21	2019/20
Share of loss in joint ventures after tax	(6.6)	(3.9)
Investments in joint ventures	9.7	8.8

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

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

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 and balances with related parties:

EUR million	2020/21	2019/20
Novo Holdings A/S Group		
Purchase of goods, materials and services, net	15.5	11.8
Payables	2.5	1.7
BacThera Group		
Sale of goods and services	1.2	5.3
Capital transactions	7.4	5.5
Loans to joint ventures	12.9	5.1
Interest income on loans to joint ventures	0.1	-

At August 31, 2021, 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 is specified in note 2.3. Share-based payment is specified in note 5.1.

The loan granted to BacThera AG is a bullet loan of EUR 12.9 million and is intended to support the business with respect to research and investment in new facilities until they are self-funding. 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

Apart from the events recognized or disclosed in the financial statements, no events have occurred after the reporting date of importance to the financial statements.

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	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 Finland Oy	Finland	100	S
Chr. Hansen France SAS	France	100	P, S
Chr. Hansen GmbH	Germany	100	P, S
Chr. Hansen HMO GmbH	Germany	100	P, S
Halley GmbH	Germany	100	O
Jupiter Beteiligungsgesellschaft mbH	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	S
Chr. Hansen Ireland Ltd.	Ireland	100	S
Chr. Hansen Italia S.p.A.	Italy	100	S

Entity	Country	Consolidated ownership in %	Activity
Chr. Hansen Japan Co., Ltd.	Japan	100	S
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	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
Biofarma US, LLC.	US	100	P
Chr. Hansen Inc.	US	100	P, S
Duraform Lane LLC	US	100	P
Healthy Bellies, Healthy Babies Foundation, Inc	US	100	O
UAS Laboratories LLC	US	100	P, S

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

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Income Statement

September 1 - August 31

EUR million	Note	2020/21	2019/20
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Sales and marketing expenses	2.1 - 2.2	(7.2)	(6.6)
Administrative expenses	2.1 - 2.2 - 2.3	(15.7)	(14.0)
Other operating income		50.6	35.5
Other operating expenses		-	-
Operating profit before special items		27.7	14.9
Special items	2.4	(24.5)	(13.8)
Operating profit (EBIT)		3.2	1.1
Dividends received from Group companies		249.8	211.1
Impairment loss, Group companies	3.2	(123.2)	-
Gain from sale of Group companies		730.8	0.5
Financial income	2.5	13.6	83.5
Financial expenses	2.5	(19.4)	(89.4)
Profit before tax		854.8	206.8
Income taxes	2.6	(6.9)	(5.1)
Profit for the year		847.9	201.7

Statement of comprehensive income

September 1 - August 31

EUR million	Note	2020/21	2019/20
Profit for the year		847.9	201.7
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Currency translation to presentation currency		0.6	0.2
Fair value adjustments on cash flow hedges		3.1	(18.0)
Gains/losses on cash flow hedges reclassified to financial expenses		-	18.2
Tax related to cash flow hedges		(0.6)	(1.3)
Other comprehensive income for the year		3.1	(0.9)
Total comprehensive income for the year		851.0	200.8

Cash flow statement

September 1 - August 31

EUR million	Note	2020/21	2019/20
Operating profit		3.2	1.1
Non-cash adjustments	5.2	3.7	(0.1)
Change in working capital		(9.5)	9.2
Interest received		11.3	12.0
Interest paid		(16.9)	(31.0)
Dividends received		249.8	211.1
Taxes paid		(1.5)	(46.2)
Cash flow from operating activities		240.1	156.0
Investments in intangible assets		(0.4)	(0.2)
Investments in property, plant and equipment		(0.2)	-
Acquisition of subsidiaries, net of cash acquired		(338.6)	(119.4)
Sale of Group companies		747.3	-
Cash flow from investing activities		408.1	(119.6)
Free cash flow		648.2	36.4

EUR million	Note	2020/21	2019/20
Repayment to/from Group companies		(55.5)	(467.6)
Borrowings		235.3	931.8
Repayment of borrowings		(713.6)	(384.6)
Purchase of treasury shares		(10.4)	-
Dividends paid		(115.8)	(124.7)
Cash flow from financing activities		(660.0)	(45.1)
Net cash flow for the year		(11.8)	(8.7)
Cash and cash equivalents at September 1		13.1	21.8
Net cash flow for the year		(11.8)	(8.7)
Cash and cash equivalents at August 31		1.3	13.1

Balance sheet

at August 31

EUR million	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets	3.1	1.2	1.0
Property, plant and equipment	3.1	0.4	0.3
Investments in Group companies	3.2	1,784.5	1,583.9
Receivables from Group companies	3.3	282.8	188.9
Deferred tax	2.6	4.5	3.4
Total non-current assets		2,073.4	1,777.5
Current assets			
Receivables from Group companies		39.8	208.1
Tax receivables		-	54.9
Other receivables		0.2	2.5
Prepayments		0.2	0.2
Cash and cash equivalents		1.3	13.1
Total current assets		41.5	278.8
Total assets		2,114.9	2,056.3

EUR million	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	177.3	177.1
Reserves		1,083.2	350.7
Total equity		1,260.5	527.8
Non-current liabilities			
Borrowings		637.5	576.9
Total non-current liabilities		637.5	576.9
Current liabilities			
Borrowings		145.6	682.8
Trade payables		1.7	4.0
Payables to Group companies		54.9	246.5
Tax payables		5.9	-
Other payables		8.8	18.3
Total current liabilities		216.9	951.6
Total liabilities		854.4	1,528.5
Total equity and liabilities		2,114.9	2,056.3

Statement of changes in equity

September 1 - August 31

EUR million	Note	Share capital	Cash flow hedges	Retained earnings	Total
2020/21					
Equity at September 1		177.1	(7.3)	358.0	527.8
Total comprehensive income for the year, see statement of comprehensive income		0.2	2.5	848.3	851.0
Transactions with owners					
Purchase of treasury shares		-	-	(10.4)	(10.4)
Share-based payment	5.1	-	-	6.8	6.8
Tax related to share-based payment		-	-	1.1	1.1
Dividend		-	-	(115.8)	(115.8)
Equity at August 31		177.3	(4.8)	1,088.0	1,260.5

During the year, an extraordinary dividend of EUR 0.88 (DKK 6.54) per share, corresponding to EUR 115.8 million, was paid for the financial year 2020/21

An ordinary dividend for 2020/21 of EUR 0.87 (DKK 6.54) per share, or a total of EUR 116 million, is proposed.

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 124.7 million, was paid for the financial year 2018/19.

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

1.1 General accounting policies

Basis of preparation

The financial statements of Chr. Hansen Holding A/S as Parent Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and further requirements set out in the Danish Financial Statements Act.

Accounting policies

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

- **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 presentation, recognition and measurement of the Parent Company's assets and liabilities. The most significant accounting estimates and judgments are presented below.

In applying the Company'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 if 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	2020/21	2019/20
Amortization and impairment losses		
Intangible assets		
Sales and marketing expenses	(0.2)	(0.2)
Total	(0.2)	(0.2)
Depreciation and impairment losses		
Property, plant and equipment		
Administrative expenses	(0.1)	(0.2)
Total	(0.1)	(0.2)

2.2 Staff expenses

EUR million	2020/21	2019/20
Wages and salaries, etc.	(17.2)	(12.5)
Pension expenses - defined contribution plans	(1.1)	(1.1)
Social security, etc.	(0.1)	(0.1)
Salaries and other remuneration of the Executive Board and the Board of Directors of Chr. Hansen Holding A/S	(6.2)	(5.3)
Total	(24.6)	(19.0)
Average number of employees (FTE)	71	68
Remuneration of the Executive Board and the Board of Directors		
Executive Board		
Salaries	(1.94)	(1.91)
Bonus ¹⁾	(1.24)	(1.44)
Pension expenses - defined contribution plans	(0.36)	(0.34)
Share-based payment ²⁾	(1.50)	(0.48)
Total	(5.04)	(4.17)
Board of Directors		
Fees	(1.12)	(1.08)
Total fees to key management personnel	(6.16)	(5.25)

1) The amounts express the cash value of the bonus.

2) The amounts are based on the principles set out in note 5.1 to the consolidated financial statements.

2.3 Fees to auditors

EUR million	2020/21	2019/20
PricewaterhouseCoopers		
Statutory audit	(0.3)	(0.2)
Other services	-	(0.1)
Total	(0.3)	(0.3)

2.4 Special items

EUR million	2020/21	2019/20
Cost related to acquisition of UAS Labs	-	(4.3)
Cost related to acquisition of HSO Health Care	-	(0.8)
Cost related to acquisition of Jennewein	(5.1)	(1.0)
Cost related to divestment of Natural Colors business	(9.8)	(5.7)
Cost related to carve-out of Natural Colors business	(9.3)	-
Adjustment to previous acquisitions	0.4	-
Strategic projects	-	(1.8)
Other projects	(0.7)	(0.2)
Total	(24.5)	(13.8)

2.5 Financial income and expenses

EUR million	2020/21	2019/20
Financial income		
Interest income, Group companies	9.3	6.7
Other interest income	2.0	4.3
Foreign exchange gains on derivatives	1.2	0.4
Gains on derivatives transferred from other comprehensive income	-	0.7
Foreign exchange gains	1.1	71.4
Total	13.6	83.5
Financial expenses		
Interest expenses, Group companies	(0.2)	-
Other interest expenses	(16.7)	(8.8)
Other financial expenses including amortized costs	(1.3)	(3.7)
Foreign exchange losses on derivatives	-	(1.3)
Losses on derivatives transferred from other comprehensive income	-	(18.9)
Foreign exchange losses	(1.2)	(56.7)
Total	(19.4)	(89.4)

Effective interest income amounted to EUR 2.0 million (EUR 4.3 million in 2019/20).

Effective interest expenses amounted to EUR 12.4 million (EUR 12.5 million in 2019/20).

2.6 Income taxes and deferred tax

EUR million	2020/21	2019/20
Current tax on profit for the year	(13.9)	(3.8)
Change in deferred tax concerning profit for the year	0.1	0.1
Tax on profit for the year	(13.8)	(3.7)
Adjustments concerning previous years	6.9	(1.4)
Tax in the income statement	(6.9)	(5.1)
Tax on other comprehensive income	(0.6)	(1.3)

EUR million	2020/21	2019/20		
Reconciliation of tax rate				
Danish tax rate	22.0%	(188.0)	22.0%	(45.5)
Non-taxable income and non-deductible expenses	(2.5)%	21.1	(20.4)%	42.1
Adjustments concerning previous years	(0.4)%	3.2	0.7%	(1.4)
Permanent differences, Natural Colors business	(18.8)%	160.7	0.0%	-
Other taxes	0.5%	(3.9)	0.1%	(0.3)
Effective tax rate	0.8%		2.4%	
Tax on profit for the year	(6.9)		(5.1)	

EUR million	2020/21	2019/20
Deferred tax		
Deferred tax at September 1	3.4	2.5
Exchange rate adjustments	0.1	0.8
Change in deferred tax - recognized in the income statement	0.1	0.1
Change in deferred tax - recognized through equity	0.9	-
Deferred tax asset at August 31	4.5	3.4
Specification of deferred tax		
Intangible assets	(0.3)	(0.2)
Liabilities	4.8	3.6
Total deferred tax at August 31	4.5	3.4

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
2020/21					
Cost at September 1	3.2	0.5	3.7	0.5	0.5
Additions	-	0.4	0.4	0.2	0.2
Disposals	(0.1)	-	(0.1)	(0.1)	(0.1)
Transferred	0.1	(0.1)	-	-	-
Cost at August 31	3.2	0.8	4.0	0.6	0.6
Amortization, depreciation and impairment at September 1	(2.7)	-	(2.7)	(0.2)	(0.2)
Disposals	0.1	-	0.1	0.1	0.1
Amortization and depreciation	(0.2)	-	(0.2)	(0.1)	(0.1)
Amortization, depreciation and impairment at August 31	(2.8)	-	(2.8)	(0.2)	(0.2)
Carrying amount at August 31	0.4	0.8	1.2	0.4	0.4

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.

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, depreciation and impairment at September 1	(2.5)	-	(2.5)	-	-
Amortization and depreciation	(0.2)	-	(0.2)	(0.2)	(0.2)
Amortization, depreciation and impairment 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

3.2 Investments in Group companies

EUR million	2020/21	2019/20
Cost at September 1	1,583.9	942.4
Exchange rate adjustments	1.7	1.5
Additions	338.6	640.0
Impairment losses	(123.2)	-
Disposals	(16.5)	-
Cost at August 31	1,784.5	1,583.9

Impairment losses in 2020/21 primarily comprise dividend received from subsidiaries exceeding the total comprehensive income in the period in which the dividend is declared. There were no indications of impairment of the investments in 2019/20.

Disposals during the year relate to the divestment of the Natural Colors business.

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	2021	2020
Due between 1 and 5 years		
Loans to Group companies	282.8	188.9
Total	282.8	188.9

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, 2021 or at August 31, 2020.

Chr. Hansen Holding A/S is jointly taxed with other companies of 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 of 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.

Chr. Hansen Holding A/S has issued guarantees to third parties relating to certain subsidiaries in the amount of EUR 10 million.

Pending court and arbitration cases

Certain claims have been made against Chr. Hansen Holding A/S. Management believes 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. For change-of-control clauses in Management contracts, refer to note 2.3 to the consolidated financial statements.

4.1 Share capital

Number of shares	2020/21	2019/20
Shares in circulation		
Shares at September 1	131,743,745	131,686,267
Purchase of treasury shares	(123,000)	-
Shares utilized to cover share programs	49,228	57,478
Shares in circulation at August 31	131,669,973	131,743,745

The Company's share capital has a nominal value of DKK 1,318,524,960 (equivalent to EUR 177.3 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, 2021, the Company held 182,523 treasury shares, corresponding to less than 1% of the total (108,751 treasury shares at August 31, 2020, 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

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.

Funding and liquidity

See note 4.2 to the consolidated financial statements.

Foreign exchange risk

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

It is company policy not to hedge investments in subsidiaries.

Interest rate 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, 2021, 50% of the outstanding debt was hedged through interest rate swaps or loans at fixed interest rates (32% at August 31, 2020). The total debt had an average maturity of 2.7 years at August 31, 2021 (2.2 years at August 31, 2020). An increase of 1 percentage point in the average interest rate on the Company's interest-bearing debt excluding swaps would reduce the Company's earnings before tax by EUR 4.6 million over the next 12-month period (EUR 9.3 million in the financial year 2019/20). The effect of a 1 percentage point interest rate change on the swaps entered into would be EUR 3.0 million (EUR 3.0 million in 2019/20).

Credit risk

See note 4.2 to the consolidated financial statements.

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2021					
Financial assets					
Receivables from Group companies	39.8	282.8	-	322.6	322.6
Other receivables and prepayments	0.4	-	-	0.4	0.4
Cash and cash equivalents	1.3	-	-	1.3	1.3
Financial assets at amortized costs	41.5	282.8	-	324.3	324.3
Financial liabilities					
Borrowings ¹⁾	150.4	497.6	147.7	795.7	783.1
Trade payables	1.7	-	-	1.7	1.7
Payables to Group companies	54.9	-	-	54.9	54.9
Other payables	14.7	-	-	14.7	14.7
Financial liabilities at amortized cost	221.7	497.6	147.7	867.0	854.4
Average interest rate					0.6%
Borrowings have been reduced by amortization and financing expenses.					
Amortization expenses offset under non-current debt					0.4

1) Including future interest payments.

4.2 Financial assets and liabilities (continued)

EUR million	Maturity < 1 year	Maturity		Contractual cash flows	Carrying amount
		> 1 year < 5 years	> 5 years		
2020					
Financial assets					
Receivables from Group companies	208.1	188.9	-	397.0	397.0
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	188.9	-	467.7	467.7
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.

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
2020/21					
EUR 120 million interest rate swaps	Aug. 2027	120.0	(1.5)	-	(1.5)
EUR 130 million interest rate swaps	Aug. 2027	130.0	(1.8)	-	(1.8)
USD 50 million interest rate swaps	Aug. 2023	42.3	1.2	-	1.2
USD 50 million interest rate swaps	Aug. 2025	42.3	0.6	-	0.6
Total		334.6	(1.5)	-	(1.5)
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.

5.1 Share-based payment

Number of matching shares	Executive Board	Key employees	Former employees	Total
2020/21				
Outstanding at September 1	64,805	37,349	3,549	105,703
Allocated	24,904	15,933	33	40,870
Forfeited	(28,783)	(10,545)	(1,579)	(40,907)
Exercised	(3,230)	(1,797)	(269)	(5,296)
Outstanding at August 31	57,696	40,940	1,734	100,370

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

Key information	Program 6	Program 7
Year allocated	2019/20	2020/21
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 57.7	EUR 77.6
Vesting	Oct. 2022	Oct. 2023
Vesting conditions (KPIs)	Org. growth, EBIT margin, 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, 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, participants will be entitled to receive up to 7.5 additional shares in Chr. Hansen Holding A/S (matching shares) per investment share at no consideration.

The theoretical market value of the program in 2020/21 was EUR 3.6 million, based on the fulfillment of all predefined performance targets (EUR 2.7 million in 2019/20). The fair value at grant was EUR 3.1 million, taking into consideration the assessed likelihood of meeting the non-market condition (EUR 2.4 million in 2019/20).

EUR 1.4 million was expensed in 2020/21 relating to the matching shares programs, including accelerations and reversals (EUR 0.1 million in 2019/20).

5.1 Share-based payment

(continued)

Number of RSUs	Executive Board	Key employees	Former employees	Total
2020/21				
Outstanding at September 1	13,646	27,512	704	41,862
Adjustment to allocation	7,285	17,228	4	24,517
Allocated	6,850	16,792	-	23,642
Transferred	(2,032)	(1,103)	3,135	-
Exercised	(1,218)	(3,271)	(1,296)	(5,785)
Forfeited	-	-	(1,315)	(1,315)
Outstanding at August 31	24,531	57,158	1,232	82,921

Number of RSUs	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

Key information	Program 11	Program 12
Year allocated	2019/20	2020/21
Vesting period	2 years	2 years
Share price at grant	EUR 86.4	EUR 75.8 ¹⁾
Vesting	Nov. 2022	Nov. 2023
Weighted average share price during exercise period	Not vested	Not granted

1) Estimated value, based on average share price in Q4 2020/21.

Short-term restricted stock unit (RSU) programs

The short-term RSU programs are granted to members of the Executive Board and certain key employees based on the fulfillment of individual key performance indicators. The RSUs are granted as shares and vest after up to three years subject to the person still being employed with Chr. Hansen.

The value of RSUs allocated in 2020/21 (RSU program 12) was estimated at EUR 1.8 million (EUR 1.4 million in 2019/20). The number of RSUs allocated, their value, and underlying assumptions will be finally determined in November 2021.

EUR 2.0 million was expensed in 2020/21 relating to the short-term RSU programs (EUR 0.2 million in 2019/20).

There were no outstanding exercisable RSUs at August 31, 2021.

5.2 Non-cash adjustments

EUR million	2020/21	2019/20
Amortization, depreciation and impairment losses	0.3	0.4
Share-based payment	3.4	(0.5)
Total	3.7	(0.1)

5.3 Related parties

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

EUR million	2020/21	2019/20
Sale of services	50.6	35.5
Interest income	9.3	6.7
Interest expenses	(0.2)	-
Total	59.7	42.2
Receivables at August 31	322.6	397.0
Payables at August 31	54.9	246.5

Transactions with other related parties are specified in note 5.6 to the consolidated financial statements.

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.

07 Sustainability data sheet

→ Limited assurance statement on UN Sustainable Development contribution | Sustainability data sheet

Enabling healthier living through natural plant protection

As part of the Green Deal, the EU aims at reducing the use and risk of chemicals and more hazardous pesticides by 50% by 2030. New technologies such as biological plant protection will be central in reaching the target.

Supplementary information



Source: European Commission, 2020

Limited assurance statement

Independent practitioner's limited assurance report on the 2020/21 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 (SDGs no. 2, 3 and 12) for the period 1 September 2020 to 31 August 2021. Chr. Hansen has mapped its product portfolio with respect to SDG impact and concluded that sold products in an amount of 82% of its gross revenue from continued operations and 97% from discontinued operations, respectively, have a positive impact on one or more of the SDGs no. 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 2020/21 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 operations as stated on page 140 in the 2020/21 Annual Report have not been prepared, in all material respects, in accordance with the accounting principles as described in the "Resume of Sustainability Accounting Principles" on page 140 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 SDGs no. 2, 3 and 12 as stated on page 140 of the Annual Report 2020/21. The percentage is consolidated both for the continuing and the discontinued operations.

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 independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers 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.

Understanding reporting and measurement methodologies

The percentage of gross revenue from products with an impact on SDGs no 2, 3 and 12 needs to be read and understood together with accounting principles, 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 SDGs 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 net revenue in the audited Consolidated Financial Statements for 2020/21;
- 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 SDGs 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 principles.

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 SDGs 2, 3 and 12 as stated on page 140 in the Annual Report 2020/21 are free from material misstatement, and are prepared, in all material respects, in accordance with the accounting principles;
- 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 14 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Company Reg. No. 3377 1231

Kim Tromholt

State Authorised Public Accountant
mne 33251

Allan Knudsen

State Authorised Public Accountant
mne 29465

Product performance¹⁾

Continuing operations

	2020/21	2019/20	2018/19
Revenue contribution to the UN SDGs			
Gross revenue contribution, %	\$ 82	81	79
Better farming			
Farmland treated with natural solutions, ha.	4.4m	3.2m	3.7m
Accumulated ha. (base year 2015/16)	18m	13.6m	10.4m
Good health			
People consuming Chr. Hansen probiotics, no.	149m	163m	N/A
Food waste²⁾			
Yogurt waste reduction, tons ³⁾	160,000	160,000	150,000
Accumulated tons (base year 2015/16)	870,000	710,000	560,000
Group total, revenue contribution to the UN SDGs (incl. Natural Colors)⁴⁾			
Gross revenue contribution, %	\$ 83	84	82

¹⁾ Data from UAS Labs and Jennewein is not accounted for in the gross revenue or in the SDG contribution or in the improving health figures for 2020/21. As the integration matures over the coming year, we expect to include them as of next year.

²⁾ To improve the methodology behind the calculation, minor adjustments have been made to assumptions around dosage. As a result, the numbers have been recalculated. This still leaves us on track to meet the 2025 target.

³⁾ Rounded numbers.

⁴⁾ For 2020/21, Natural Colors are included for seven months until the divestment.

\$ Covered by the Limited Assurance Statement

Discontinued operations

	2020/21	2019/20	2018/19
Revenue contribution to the UN SDGs			
Gross revenue contribution, %	\$ 97	96	96

Resume of the Sustainability Accounting Principles

Scope

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

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

UAS Labs and Jennewein are not accounted for in the Planet or Product performance this year. This is due to the progress of the integration process. As this will further mature and data processes be more automated, we expect to include data as of next year. In case of divestments, products and gross revenue are accounted for in group numbers until the divestment is reported in the financial statements as discontinued business.

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, go to www.chr-hansen.com/globalgoals.

People performance

Continuing operations

	2020/21	2019/20	2018/19
People			
Total number of employees	3,702	3,286	2,932
Average number of employees (full-time equivalents)	3,396	2,901	2,766
Employee turnover, %	14	10	11
Diversity and inclusion			
Gender - all employees (male/female) ¹⁾ , %	57/43	56/44	56/44
Gender - managers (male/female) ¹⁾ , %	63/37	62/38	62/38
Gender - ratio between female employees and managers ¹⁾	43:37	44:38	44:38
Gender - key positions (male/female), %	68/32	73/27	72/28
Diverse teams ²⁾ , %	21	N/A	N/A
Board of Directors - (male/female/non-local), %	50/50/63	71/29/57	71/29/57
Retention of employees over the age of 30, %	83	N/A	N/A
Gender pay gap, %	6.2	N/A	N/A
Employee engagement			
Engagement matters ranking, top %	10	34	N/A
New employees introduced to Culture model, %	N/A ³⁾	100	N/A
Occupational health and safety			
Lost Time Incidents (LTIs)	6	7	5
Frequency of LTIs per million working hours (LTIF)	0.99	1.3	1
Severity (days away per LTI)	2	8	18
Fatalities	0	0	0

Discontinued operations

	2020/21	2019/20	2018/19
People			
Total number of employees	N/A	698	675
Average number of employees (full-time equivalents)	N/A	669	652
Employee turnover, %	N/A	N/A	N/A
Diversity and inclusion			
Gender - all employees (male/female), %	N/A	55/45	56/44
Gender - managers (male/female), %	N/A	52/48	57/43
Gender - ratio between female employees and managers	N/A	43/37	43/37
Gender - key positions (male/female), %	N/A	45:48	44:43
Diverse teams, %	N/A	N/A	N/A
Board of Directors - (male/female/non-local), %	N/A	N/A	N/A
Retention of employees >30, %	N/A	N/A	N/A
Gender pay gap, %	N/A	N/A	N/A
Employee engagement			
Engagement matters ranking, top %	N/A	N/A	N/A
New employees introduced to Culture model, %	N/A	N/A	N/A
Occupational health and safety			
Lost Time Incidents (LTIs)	1	9	3
Frequency of LTIs per million working hours (LTIF)	0.97	9.7	3.3
Severity (days away per LTI)	2	10	38
Fatalities	0	0	0

¹⁾ 2019/20 and 2018/19 numbers have been adjusted to more accurately reflect the carve-out of Natural Colors.

²⁾ A team is considered diverse if there is at least 30% of each gender and 30% non-locals.

³⁾ COVID-19 has affected the onboarding process, making it more online based. As a result we are not able to report on this indicator for 2020/21.

Planet performance¹⁾

Continuing operations

	2020/21	2019/20	2018/19
Energy²⁾			
Renewable energy, %	61	40	N/A
Total energy consumption, MWh	179,027	174,388	180,516
CO₂e Footprint²⁾			
Total Scope 1 CO ₂ e emitted, tons	18,599	18,374	19,774
Total Scope 2 CO ₂ e emitted, tons (location-based)	19,647	18,990	23,255
Total Scope 2 CO ₂ e emitted, tons (market-based)	15,604	29,864	N/A
Total Scope 3 CO ₂ e emitted, tons	37,861	42,551	42,153
Water²⁾			
Total water consumption, m ³	1,232,000	1,139,191	1,244,631
Waste²⁾			
Recycled biomass, tons	96,193	99,737	99,152
Circular management of biomass, %	69	68	N/A
Recycled solid waste, %	60	47	50
Solid waste, tons	3,679	3,455	3,660
Hazardous waste, % of solid waste	2	3	2
Wastewater, m ³	954,795	864,516	957,195
Packaging			
Recyclable key packaging material	68	67	N/A
Environmental Violations			
Environmental violations, no.	2	0	1

Discontinued operations

	2020/21	2019/20	2018/19
Energy			
Renewable energy, %	32	14	N/A
Total energy consumption, MWh	23,043	40,100	180,516
CO₂e Footprint			
Total Scope 1 CO ₂ e emitted, tons	3,396	5,798	6,369
Total Scope 2 CO ₂ e emitted, tons (location-based)	1,096	2,104	2,568
Total Scope 2 CO ₂ e emitted, tons (market-based)	1,141	3,035	N/A
Total Scope 3 CO ₂ e emitted, tons	10,517	15,298	15,207
Water			
Total water consumption, m ³	145,329	251,131	275,703
Waste			
Recycled biomass, tons	3,757	4,170	4,567
Circular management of biomass, %	100	100	N/A
Recycled solid waste, %	32	29	29
Solid waste, tons	692	1,724	1,563
Hazardous waste, % of solid waste	2	5	2
Wastewater, m ³	107,432	181,161	212,426
Packaging			
Recyclable key packaging material	N/A	N/A	N/A
Environmental Violations			
Environmental violations, no.	0	1	1

¹⁾ Data from UAS Labs and Jennewein is not included in the Planet figures for this year. As the integration matures over the coming year, we expect to include them as of 2021/22.

²⁾ The scope of the indicators have been updated and now include headquarter and all production facilities with >30 employees. Offices, warehouses, application labs or other activities are included when located adjacent to headquarter or production site.

Financial calendar and contact

Financial calendar

2021

AGM 2021	24 November 2021
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2022

Q1 Results 2021/22	13 January 2022
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Q2 Results 2021/22	6 April 2022
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Q3 Results 2021/22	7 July 2022
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Q4 Results 2021/22	12 October 2022
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AGM 2022	23 November 2022
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→ Further details can be found on the [Investor Relations website](#)

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About Chr. Hansen

Chr. Hansen is a global, differentiated bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. At Chr. Hansen, we are uniquely positioned to drive positive change through microbial solutions. We have worked for over 145 years to enable sustainable agriculture, cleaner labels and healthier living for more people around the world. Our microbial and fermentation technology platforms, including our broad and relevant collection of around 40,000 microbial strains, have game-changing potential. Matching customer needs and global trends, we continue to unlock the power of good bacteria to respond to global challenges such as food waste, global health and the overuse of antibiotics and pesticides. As the world's most sustainable food ingredients company, we touch the lives of more than one billion people every day. Driven by our legacy of innovation and curiosity to pioneer science, our purpose – To grow a better world. Naturally. – is at the heart of everything we do.

Forward-looking statements

This report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Forward-looking statements are statements other than of historical facts. The words "believe," "expect," "anticipate," "intend," "estimate," "outlook," "will," "may," "continue," "should" and similar expressions identify forward-looking statements.

Forward-looking statements include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; developments of the Company's markets; the impact of regulatory initiatives; and the strength of competitors. The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in records and other data available from third parties.

Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and may be beyond our control. Such risks, uncertainties, contingencies and other important factors could cause the actual results of the Company or the industry to differ materially from those results expressed or implied in this report by such forward-looking statements.

The information, opinions and forward-looking statements contained in this report speak only as at the date of this report, and are subject to change without notice. The Company and its respective agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this report to reflect any change in events, conditions or circumstances beyond what is required by applicable law or applicable stock exchange rules and regulations.

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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