ANNUAL REPORT 2021/22

Climate action for a sustainable future

Company reg. no. 28318677

CHR HANSEN

Improving food & health

Our purpose

Grow a Better World. Naturally.

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

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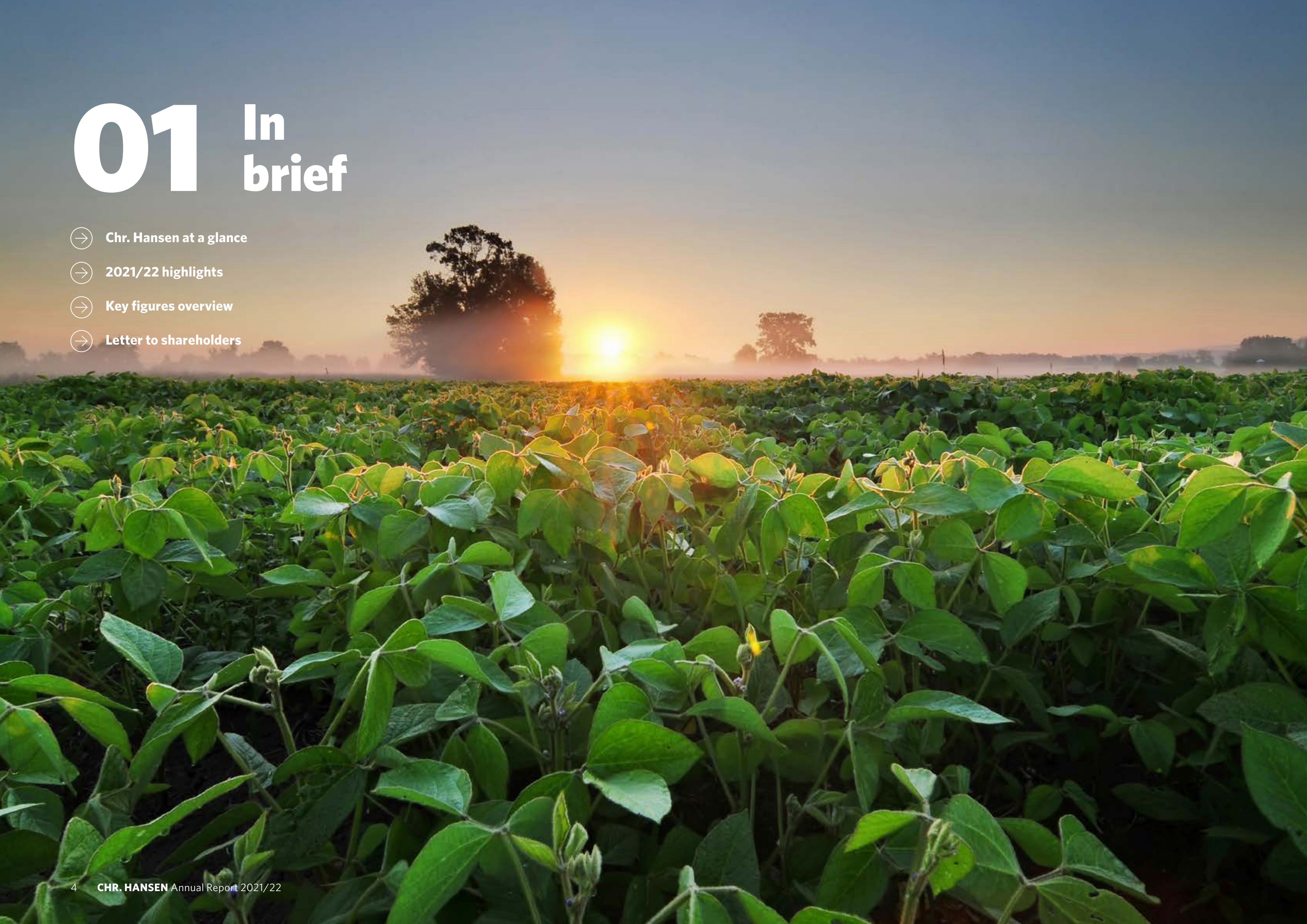
Theme for 2021/22 annual report

Governments, corporates and consumers are joining forces to limit global temperature rise and counteract radical climate change. While at Chr. Hansen we are working determinedly on managing our own emissions throughout the value chain to reduce our 'footprint', it is our 'handprint' that sets us apart as a global bioscience company. That is why we are dedicating this year's annual report to show how our products can contribute to decarbonization in agriculture and in the food and beverage sectors, and which initiatives we are taking with our 'Think Climate. Naturally.' program to meet the science-based carbon reduction targets we set in 2021/22.

Read more on p. 42 about how we support our food, beverage and agricultural customers on their decarbonization journeys

Find out on p. 48 how we address our own environmental footprint with our 'Think Climate. Naturally.' program

Learn more about our stakeholders' perspectives on climate action across the report



01 In brief

Chr. Hansen at a glance

We are more than

3,800

employees

Every day, more than

1 billion

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

We have

40,000

bacterial strains – one of the industry's largest commercial bacteria collections

With

8%

of revenue spent on research and development in 2021/22, we are an innovation-driven company

Of our 2021/22 revenue

80%

contribute directly to the UN Sustainable Development Goals

Our journey in becoming a microbial pureplay

1874
Chr. Hansen founded as a supplier of animal rennet and natural colors

1970/80s
Expansion into probiotics for animal feed and human use

2005-10
Chr. Hansen streamlined its portfolio and divested its Flavor division

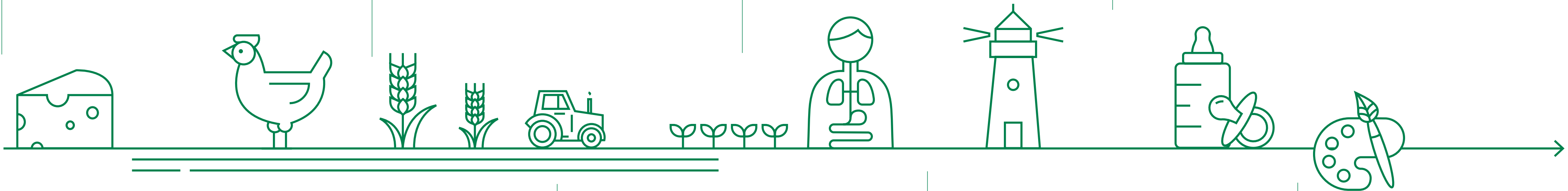
2013
Expansion into Plant Health, Bioprotection and Human Microbiome

2019
Chr. Hansen and Lonza founded Bacthera to pioneer live biotherapeutics industry

2020
Launch of 2025 Strategy

2020
Chr. Hansen acquired UAS Labs, HSO Health Care and Jennewein

2021
Divestment of the Natural Colors division



2021/22 highlights

In a challenging business environment marked by increased geopolitical risk and inflationary pressure, Chr. Hansen delivered solid financial results and made good progress on its 2025 Strategy.

Read more about our 2025 Strategy progress on pp. 29-31

Strategic highlights

Dairy with strong demand for productivity and yield-optimizing solutions, particularly in cheese

Fermented Plant Bases extended VEGA™ range with new products for plant-based cream cheese and meat

Launch of **Science Based Targets** and 'Think Climate. Naturally.' program

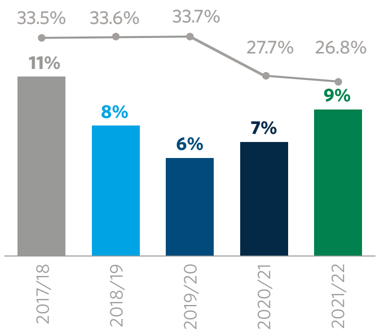
Strong year for **Human Health** supported by acquisitions

Animal & Plant Health organizations combined to leverage global route-to-market

Bacthera signed manufacturing agreement with Seres Therapeutics

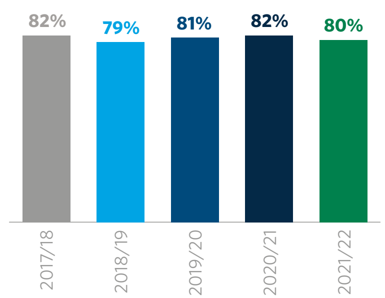
Performance highlights

Organic growth and EBIT margin before special items (b.s.i.)



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

Gross revenue that contributes to UN Sustainable Development Goals[1]

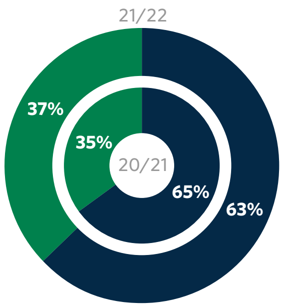


Gross revenue in %

EUR 172m

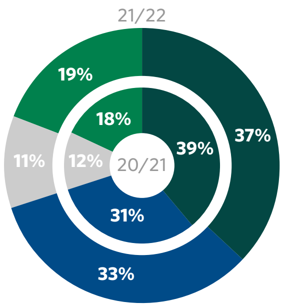
Free cash flow before acquisitions and special items (b.a.s.i.) 2021/22

Revenue by segment



Food Cultures & Enzymes
Health & Nutrition

Revenue by region



EMEA
North America
Latin America
APAC

1 Numbers exclude the divested Natural Colors Division except for 2017/18.

2021/22 guidance vs. actual performance

	Oct 2021	Apr 2022	Jul 2022	Realized
Organic growth	5-8%	7-11%	8-10%	9%
EBIT margin before special items (b.s.i.)	27-28%	26-27%	26-27%	26.8%
Free cash flow before acquisitions and special items (b.a.s.i.)	EUR 140-170m	EUR 140-170m	EUR 140-170m	EUR 172m

Further details in the financial review chapter on pp. 35-40

Key figures overview

EUR million	2021/22	2020/21	2019/20	2018/19	2017/18
Income statement, continuing operations					
Revenue	**1,218.0**	1,077.4	970.0	937.4	1,097.4
Gross profit	**676.5**	613.4	584.0	576.9	600.6
EBITDA before special items	**432.9**	399.3	400.6	372.3	384.0
EBITA before special items	**373.1**	345.4	358.1	339.8	347.4
EBIT before special items	**325.8**	298.1	326.9	314.7	320.2
Special items	**(4.9)**	(21.9)	(13.9)	(2.3)	-
EBIT	**320.9**	276.2	313.0	312.4	320.2
Net financial expenses	**(20.0)**	(22.5)	(13.5)	(16.1)	(24.1)
Profit from continuing operations	**225.1**	198.7	231.6	229.2	228.2
Profit from discontinued operations	**-**	646.5	13.4	21.0	-
Profit for the year	**225.1**	845.2	245.0	250.2	228.2
Cash flow and investments, continuing operations					
Operating cash flow	**308.8**	328.0	329.8	268.4	302.4
Investing cash flow	**(152.4)**	(486.6)	(786.6)	(60.3)	(107.0)
Investments in PPE	**(119.3)**	(135.7)	(98.3)	(97.7)	(88.8)
Free cash flow before acquisitions and special items	**172.1**	196.4	224.9	220.2	-
Balance sheet, Group [1]					
Total assets	**3,316.8**	3,114.2	2,853.6	2,057.8	1,861.1
Invested capital	**2,934.7**	2,793.1	2,487.6	1,745.3	1,631.5
Equity	**1,823.9**	1,626.1	893.0	797.2	771.6
Net interest-bearing debt	**880.6**	898.2	1,345.0	734.4	658.7

	2021/22	2020/21	2019/20	2018/19	2017/18
Key ratios, continuing operations					
Organic growth [2]	**9%**	7%	6%	8%	9%
Gross margin	**55.5%**	56.9%	60.2%	61.5%	54.7%
EBITDA margin before special items	**35.5%**	37.1%	41.3%	39.7%	35.0%
EBITA margin before special items	**30.6%**	32.1%	36.9%	36.2%	31.7%
EBIT margin before special items	**26.8%**	27.7%	33.7%	33.6%	29.2%
EBIT margin	**26.3%**	25.6%	32.3%	33.3%	29.2%
Operational expenses	**28.8%**	29.3%	26.5%	28.0%	25.6%
R&D expenditure	**8.1%**	8.5%	8.0%	8.1%	7.3%
Capital expenditures	**11.6%**	14.5%	12.2%	12.6%	9.8%
EPS diluted, EUR	**1.71**	1.51	1.76	1.74	-
Net working capital	**228.6**	190.1	166.2	171.8	189.1
Cash conversion	**58.4%**	55.0%	71.7%	60.2%	68.2%
ROIC excl. goodwill	**24.0%**	24.8%	33.6%	39.2%	38.0%
ROIC	**11.4%**	11.6%	16.5%	20.0%	19.9%
Average number of employees (FTEs)	**3,693**	3,398	2,932	2,768	3,151
Key ratios, Group					
EPS diluted, EUR	**1.71**	6.41	1.86	1.90	1.73
Net debt to EBITDA before special items	**2.0x**	2.3x	3.1x	1.8x	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 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 2017/18 have not been restated and are not directly comparable.

Numbers are not restated and therefore not directly comparable

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

1 The Natural Colors business was sold on March 31, 2021. In 2017/18, total assets and invested capital included assets and liabilities related to the Natural Colors business.

2 Organic growth: Increase in revenue adjusted for sales reduction, acquisitions and divestments, and measured in local currency.

Letter to shareholders and other stakeholders

Our financial year 2021/22 was a year with good progress on our strategic ambitions and a solid financial performance with organic growth ahead of our initial expectations, but also a year where we had to act and adjust to an increasingly volatile macroeconomic and macropolitical environment.

At the beginning of the year, we faced several external risks such as the impact from continued COVID-19 related disruptions and increasing uncertainty around the macroeconomic environment with inflationary levels starting to climb up. The volatile macroeconomic environment was further fueled by Russia's invasion of Ukraine. The combination of the macropolitical environment and the continued presence of COVID-19 has led to a highly volatile business environment with global supply chains continuously under severe pressure and inflationary levels not seen in decades. Mitigating these external factors has been a high priority in 2021/22. We have, in close collaboration with our customers, managed the supply chain challenges and are gradually implementing adjustments of sales prices to reflect the new cost base.

Taking these conditions into consideration, we are pleased with the progress we have achieved in terms of our strategic priorities and climate ambitions, as well as the solid financial performance.

The progress is thanks to the hard work of our more than 3,800 employees across the globe, as we have continued to navigate these challenges, working together across the value chain with the customer at the center of everything we do. This demonstrates resilience and strength of both our business and our people during these ongoing challenging times.

Solid financial performance

We reported a solid financial performance with a bottom line that is consistent with our expectations for the year.

Organic growth ended at 9% (October 2021 guidance of 5-8%), corresponding to revenue growth of 13% to EUR 1,218 million. With the EBIT margin b.s.i. at 26.8% (October 2021 guidance of 27-28%), the EBIT b.s.i ended at EUR 326 million, up 9% from 2020/21.

Free cash flow before acquisitions and special items came in at EUR 172 million (October 2021 guidance of EUR 140-170 million).

Strategic priorities

During the year, we REINVESTED in our core platforms. This included the expansion of fermentation capacity in Milwaukee, US, for the Dairy segment, as well as progressing on other key investments such as a new R&D pilot plant in Denmark and application centers in Denmark, Germany and China.

The investments in R&D and application capacity enable us to continue to launch new innovative solutions within the Food Cultures & Enzymes segment, such as the SWEETY® Y-3 culture which adds to Chr. Hansen's portfolio of products for sugar reduction, and the FRESHQ® 3rd generation of bioprotective solutions which won the 'Food Tech Innovation Award' at the Food Ingredients Europe conference. Given the current macroeconomic environment, many customers are focused on protecting their profitability rather than launching new products, and we continued to collaborate with customers on achieving cost savings by leveraging our offerings within yield-optimizing solutions and productivity concepts such as CHY-MAX® Supreme and YOFLEX® Premium.

In Human Health, we promoted the depth and breadth of our combined STRAIN TO SOLUTION™ offering following the acquisitions and expanded the customer base in different segments and through different channels. This was supported by a new study showing the favorable impact of *Bifidobacterium BB-12®* on infants with colic symptoms, and the roll-out of The Probiotics Institute™.

We continued to execute on LEVERAGING our technology platform to also develop solutions for new applications and end markets. Within Fermented Plant Bases, we extended the VEGA™ range with new cultures for meat alternatives and cream cheese and introduced SmartBev™ solutions for Lager and Ale beers. Work to develop solutions for plant-based alternatives continues in close collaboration with other leading ingredients companies.

In Plant Health, we announced a long-term collaboration with UPL to develop and commercialize microbial solutions for sustainable agriculture, and together we launched the first product of the collaboration, a biofertilizer for fruit and vegetables, in India. Plant Health also received regulatory approval to launch its first biofungicide for fruit and vegetables.

Turning to our ambition to EXTEND our technology platform through acquisitions and partnerships, it was encouraging to see Bacthera, our joint venture with Lonza AG, enter into an agreement with Seres Therapeutics for a collaboration on the commercial manufacturing of SER-109, a potential treatment against recurrent *C. difficile* infection.

We have also extended our technology platform through the acquisition of the HMO business in 2020/21. While building an entirely new market within HMOs for infant formula has been challenging and the results have not met our initial expectations, it has been encouraging to see the commercial and regulatory progress made during the year with new regulatory approvals received in Australia, New Zealand and Europe. We have also inaugurated a new R&D laboratory for HMOs in Germany, and the business area benefitted from customer launches of the 5HMO mix in North America. Expansion of capacity has remained a challenge in the current inflationary environment, and we intend to phase our investments as the market develops.

Enabling climate action

In January 2022, Chr. Hansen was again ranked as one of the most sustainable companies in the world by Corporate Knights, coming in second on the Top 100 list across industries. We are privileged to be seen as a sustainability enabler by our customers and partners, as our microbial solutions support healthier living for humans, animals and plants – leaving a positive 'handprint' in society and on our planet. But the world is facing widespread and intensifying climate change, which calls for climate action. Our continuous commitment to UN Global Compact underlines our climate ambition as a part of the United Nation's 10 principles on social and environmental aspects of sustainability.

This year we embarked on a focused decarbonization journey towards 2030 by launching two Science Based Targets that will form the basis of our strategy to reduce our carbon footprint. Through the 'Think Climate. Naturally.' program, Chr. Hansen is committed to future-proofing the business for a low-carbon economy by decoupling climate impact from economic growth and making a lasting commitment that sparks climate action here and now. We have already seen how 'thinking climate' is driving positive change within our own organization, and we look forward to engaging further on the climate agenda with customers, suppliers, policy makers and other stakeholders.

Share price performance

The Chr. Hansen share closed the financial year 2021/22 at DKK 432, representing a decrease of 26% compared to last year's closing price of DKK 581. While the decrease was partly driven by unfavorable

macroeconomic developments, the performance was disappointing, and slightly below that of both our peers (-23%) and the OMX C25 index (-16%).

The Board of Directors and the Executive Board are committed to delivering on the Company's long-term ambitions of building a stronger company and delivering industry-leading profitable organic growth, enabled by passionate employees with a relentless focus on innovation, efficiencies, and strong customer relationships.

Organization
During the year we progressed well on our journey to embrace Diversity, Equity & Inclusion even more than in the past and we will continue to invest in developing our employees and in maintaining Chr. Hansen's position as an attractive and inspiring workplace. To do this, we need to rethink how we organize and collaborate in a post-pandemic environment. The new innovation campus in Denmark expected to be inaugurated during the coming year will further facilitate this ambition.

Looking ahead
In an ever-changing world, characterized by soaring raw material prices and inflation, and where global food supply and supply chains are under pressure, Chr. Hansen has a unique role to play. It is evident that our microbial and fermentation technology platforms are more relevant than ever, as they offer sustainable solutions to produce more with less and reduce waste.

Likewise, our purpose to 'Grow a Better World. Naturally.' by pioneering microbial science to improve food, health and productivity for a sustainable future has probably never resonated stronger with our employees. This is the strong foundation that will carry us forward, as we have embarked on another year of delivering on our 2025 Strategy and creating value for our shareholders and all other stakeholders.

Dominique Reiniche
Chair of the Board

Mauricio Graber
President & CEO

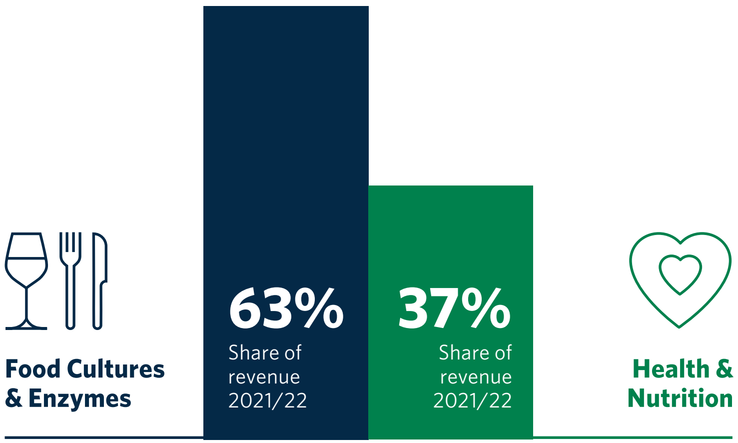
02 Business model

Business overview

Chr. Hansen is a global, differentiated bioscience company headquartered in Hoersholm, 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 more than 3,800 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. Since then, the Company has 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

Chr. Hansen is split into two segments, Food Cultures & Enzymes and Health & Nutrition. Food Cultures & Enzymes comprises our Dairy and Food & Beverages activities, while Health & Nutrition encompasses our activities in Human Health, Human Milk Oligosaccharides (HMO) and Animal & Plant Health.

Position within value chain and key markets

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

While 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 revenue of EUR 1,218 million in 2021/22, 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, while in Health & Nutrition competition is more diverse and dynamic given the relatively larger market opportunity.

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 & Plant Health products. However, supplying both livestock and crop farmers provides a certain hedge.

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. While 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 a more sustainable development like the EU Green Deal. Complexity and lack of harmonization present another challenge, particularly for our probiotics business where health claim labeling varies considerably between regions.

Turning global challenges into microbial opportunities

Microbial solutions carry great potential to address some of society's most pressing challenges across food, agriculture and health. With increasing public awareness, better understanding of the benefits of 'good bacteria' and growing support from regulators and policy makers, we expect adoption of microbial solutions to grow in the coming years, providing very attractive growth prospects for our Food Cultures & Enzymes and Health & Nutrition businesses.

Food

With food production estimated to account for nearly one third of global greenhouse gas emissions[1], immediate action is needed to circumvent the negative impacts of climate change. At the same time, by 2050 the food industry will need to produce 50% more protein compared to 2010 to meet the needs of a growing world population. Closing this 'protein gap' while reducing the carbon footprint of the global food system requires a tremendous effort from the entire food supply chain. With our productivity and yield-optimizing microbial solutions in Food Cultures & Enzymes and our probiotic offering for livestock in Animal Health, we can contribute to our customers' decarbonization journey.

At the same time, with new protein sources emerging, food production is becoming more complex, creating new challenges for food manufacturers. While today, 16% of consumers globally are trying to follow a plant-based diet due to concerns over human and planetary health, overall adoption in the yogurt and cheese

Climate action for a sustainable future

Read more about how Chr. Hansen's products can help enable decarbonization in the agricul-ture, food and beverage sectors on p. 42

1 European Commission, 2020.

segments is still low at less than 1-2%,[1] as products do not yet live up to consumers' expectations in terms of taste, nutritional profile, affordability and ingredient list. With our Fermented Plant Bases offering and backed by more than 145 years of fermentation expertise, we assist our customers in addressing these pain points – no matter which protein base.

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 market. Recent scientific findings provide very concerning evidence of chemical pollution as a driver of biodiversity losses, which calls for a drastic reduction of chemical pesticides, such as is targeted, for example, by the European Union's Farm to Fork strategy, announced in 2020.[2] Regenerative agricultural practices are needed to deliver a sustainable transformation of the agricultural sector. Since 2013, Chr. Hansen has been active in Plant Health to develop targeted microbial solutions that provide farmers with viable alternatives to pesticides. To enable crops to grow naturally, we utilize *Bacillus* bacteria that are a natural part of the plant microbiome and ideal for protecting plants against disease and pests, ensuring robust plants and providing increased crop yields.

Health
Global health issues are on the rise and the COVID-19 pandemic has only further reinforced consumers' focus on health and well-being. As a result of the pandemic, 60% of global consumers are more conscious about their overall health and make greater attempts to eat and drink healthier.[3] At the same time, there is a growing awareness and understanding of the importance of a healthy gut microbiome and probiotics. According to proprietary research conducted by Chr. Hansen in 16 countries in 2021, 75% of consumers are familiar with probiotics today.[4] Chr. Hansen addresses this increasing demand with its offering of HMOs and best-in-class documented probiotics for dietary supplements and infant formula such as LGG® and BB-12®. At the same time, in Food Cultures & Enzymes we provide dairy producers with microbial solutions to reduce sugar, salt and fat and lactase in dairy products.

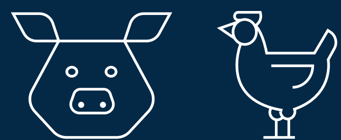
The live biotherapeutics industry is taking human microbiome research one step further by developing bacteria-based therapies. There is an increasing number of therapies under development that target a broad range of health conditions such as infectious diseases or cancer. Through Bacthera, our joint venture with Lonza AG, we leverage our microbiology know-how and process expertise in this space offering development and manufacturing services from pre-clinical development to commercial production to the live biotherapeutic industry.

Read more about our growth opportunities in the 2025 Strategy chapter on pp. 29-31

Fighting antibiotic resistance

Antibiotic resistance is one of the biggest threats to global health and excessive overuse of antibiotics in livestock production is accelerating the process.[5] Probiotic feed additives provide viable, beneficial bacteria to animals, supporting their normal health and well-being. Evidence suggests that animals supplemented with viable probiotic products have less need for antibiotic or other drug treatments. A peer reviewed article published in 2022 by the University of Bologna establishes *Bacillus*-based probiotics as a promising strategy to help tackle the increasing problem of antibiotic resistance, while also reducing the incidence of post-weaning diarrhea in pigs by 30% and mortality in broilers by 6–8%.[6] With our product offering for cattle, swine and poultry, Chr. Hansen's Animal Health business has one of the broadest portfolios in the industry.

Read more here
Go to p. 148 for full link



1 Euromonitor, 2022.
2 European Union, 2020.
3 FMCG Gurus, 2020.
4 Chr. Hansen, 2022.
5 UN Ad hoc Interagency Coordinating Group on Antimicrobial Resistance, 2019.
6 University of Bologna, 2022.

Crises must be tackled together

Interview with Marie-Louise Boisen Lendal, co-founder and managing director of the Frej think tank working to promote sustainable solutions across food and environmental policies. Chr. Hansen is a member of the think tank and is represented on its Advisory Board.

We are seeing global supply chains under pressure. How can a more sustainable agricultural/food sector be part of securing the global food supply?
Crises must be tackled together, and their mutually accumulative effect on each other must be understood. Wise solutions are called for that encompass both higher yield and better biodiversity and climate so that the latter is not achieved by reducing food production. Setting up solar farms on good farmland, for example, to reduce dependence on Russian gas is problematic if it results in less food availability for the poorest people. Modern solutions for the agricultural sector that look to improve yields in a sustainable way carry immense weight in this context.

Which role can bio solutions play in a sustainable transition, and what obstacles are they facing?
Sustainable solutions supporting the green transition have vast potential but are facing massive regulatory barriers at EU level. We must protect nature and human beings, so the precautionary principle is important – but what about applying a proportionality principle? With the climate and biodiversity crises, mankind is facing fatal consequences if we don't act. So it really doesn't make sense that natural, microbial solutions that could help counteract these issues perhaps never make it to the market because of a rigid system – then who are we protecting, and from what?

Why not apply risk management and a 'flexicurity' model: Fast approval and market entry and fast off the market in case of challenges.

That is why bringing the food value chain and legislators together is so important. Companies are going from adjusting existing political framework conditions to working on changing them to promote sustainable solutions for a greener future.

Photo: Nellie Moeberg

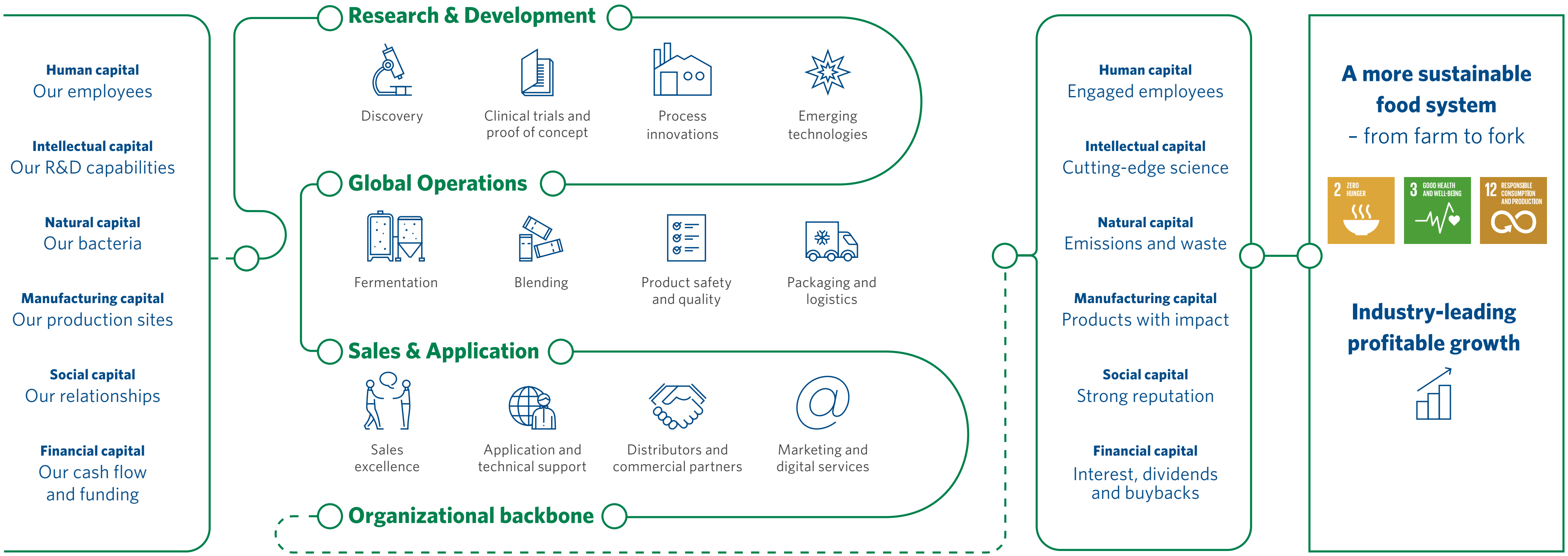
How we create value

Chr. Hansen's business model is centred around our unique fermentation and microbial technology platforms backed by more than 145 years of experience, a scalable production set-up as well as long-standing relationships with customers.

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

Business activities
Chr. Hansen's R&D and production backbone spans across our two segments, while 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:

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 which 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.



Research & Development

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 are thus 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, while Application operates a network of centers across the world to ensure proximity to customers and local market understanding. In 2021/22 we strengthened our local set-up in China, while also expanding our meat application capabilities in Germany. Our global innovation campus in Denmark is currently being expanded in a project that includes the building of a new state-of-the-art application center expected to be inaugurated in 2023.

In total, more than 650 employees representing over 40 nationalities work in R&D and Application, and 51% of managerial positions are held by women.

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 rather 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.

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 also a priority.

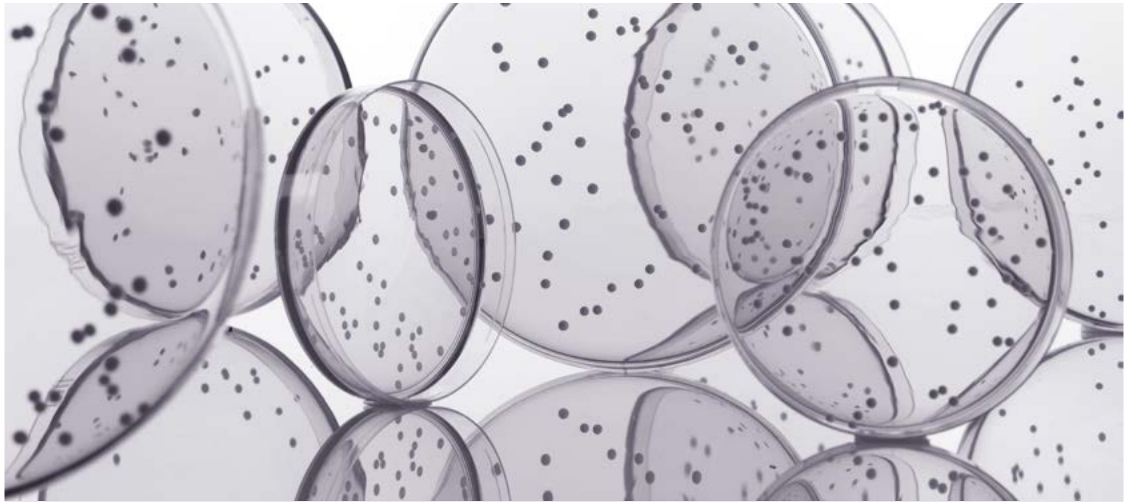
New developments in Food Cultures & Enzymes will be tested directly in the respective protein bases. This is done at our own application centers, which have small-scale yogurt and cheese production equipment, as well as at key customer' sites.

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 & Plant Health, we work with a network of more than 50 external partners globally, while also using our own greenhouses to conduct field trials. Human Health works with more than 20 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 invests in new technology target areas such as data sciences, modes of action research and genome modelling.

Partnerships and collaborations with external centers of expertise are another way in which we expand 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, on advisory boards, and other committees.

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 3,400 patents and 3,100 trademarks.

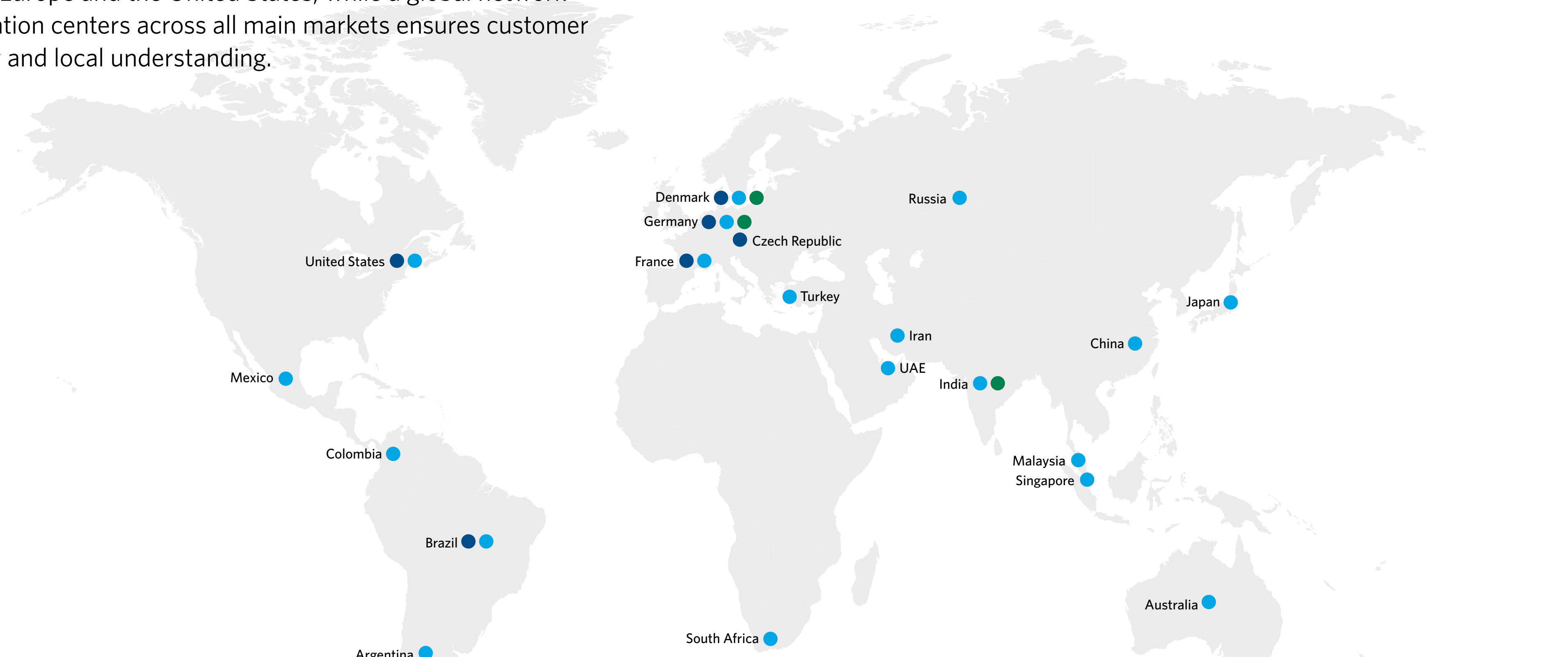
Learn more about how Chr. Hansen innovates from idea to culture
Go to p. 148 for full link

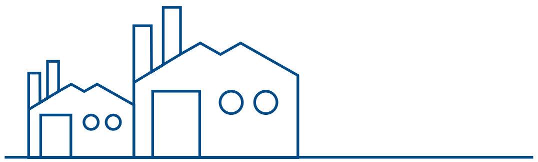
3,400
patents

EUR 99m
R&D expenditure

Our global presence

Chr. Hansen's manufacturing and R&D facilities are centred in Western Europe and the United States, while a global network of application centers across all main markets ensures customer proximity and local understanding.





Production centralized in Europe and US to drive scalability

R&D bundled in Denmark with hubs in Germany and India

Application centers close to customers in all key markets

Global Operations

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 set-up with 15 production sites globally. Most volumes are produced at the Company's main facilities in Denmark, Germany, France and the US.

Most of our sites 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.

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

The production set-up is complemented by a network of warehouses and distribution centres to keep inventory locally and be able to respond to sudden spikes in market demand. During the pandemic this has proven to be a very solid strategy. 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 and standardised processes.

Fermentation
The key inputs for our production are carbohydrates and nutrients as well as the actual microorganisms.

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 typically 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. Between each fermentation process the pipes and tanks need to be thoroughly cleaned.

To preserve the fermentation output, the concentrated bacteria is shock-frozen in a liquid nitrogen-based process which allows excellent storage stability at minus 55 degrees Celsius. Frozen bacteria can be

transformed into freeze-dried pellets to expand logistic reach. Microbes that are used in our Animal & Plant Health solutions as well as HMOs and enzymes follow a different process. Cultures and HMOs are mainly freeze- and spray-dried, while enzymes are standardized and delivered in a 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 properties, 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 acquisition, 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 daily as foods, supplements and infant formula, so product quality and safety are of the utmost importance. We manufacture to several different quality grades from plants, feed and food to dietary supplements, pharma, infant and pre-term infant. All food production sites are FSSC 22000 certified or similar, and central product development functions are certified to ISO 22000 standards. 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 Medicines Agency.

Packaging and logistics

Chr. Hansen's key packaging materials are paper and cardboard boxes, plastics and foils. In terms of transportation, most 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 end-to-end value chain.

Go on a virtual site tour
Go to p. 148 for full link

400+
strains produced at industrial scale

EUR 142m
spent on capital expenditures in 2021/22

How we work with our suppliers

Through our vendor approval program, we ensure that clearly defined requirements regarding social and environmental issues are set out for our suppliers. Supplier performance is monitored through the vendor management system and suppliers are audited on food safety and quality. Chr. Hansen is a member of Sedex and third-party social and environmental audits are performed at all Chr. Hansen production sites at least once every three years.

Read more about our human rights commitment on p. 51

Climate action in Global Operations

Across our manufacturing sites, we explore the potential for working smarter with green energy, recyclable packaging and sustainable refrigerants.

See our 'Think Climate. Naturally.' roadmap on p. 48

Sales & Application

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. The top 25 customers represent around 30% of Group revenue.

Food Cultures & Enzymes serves 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. Most 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 'vegurts'.

In Health & Nutrition, we serve the nutritional and agricultural industries.

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.

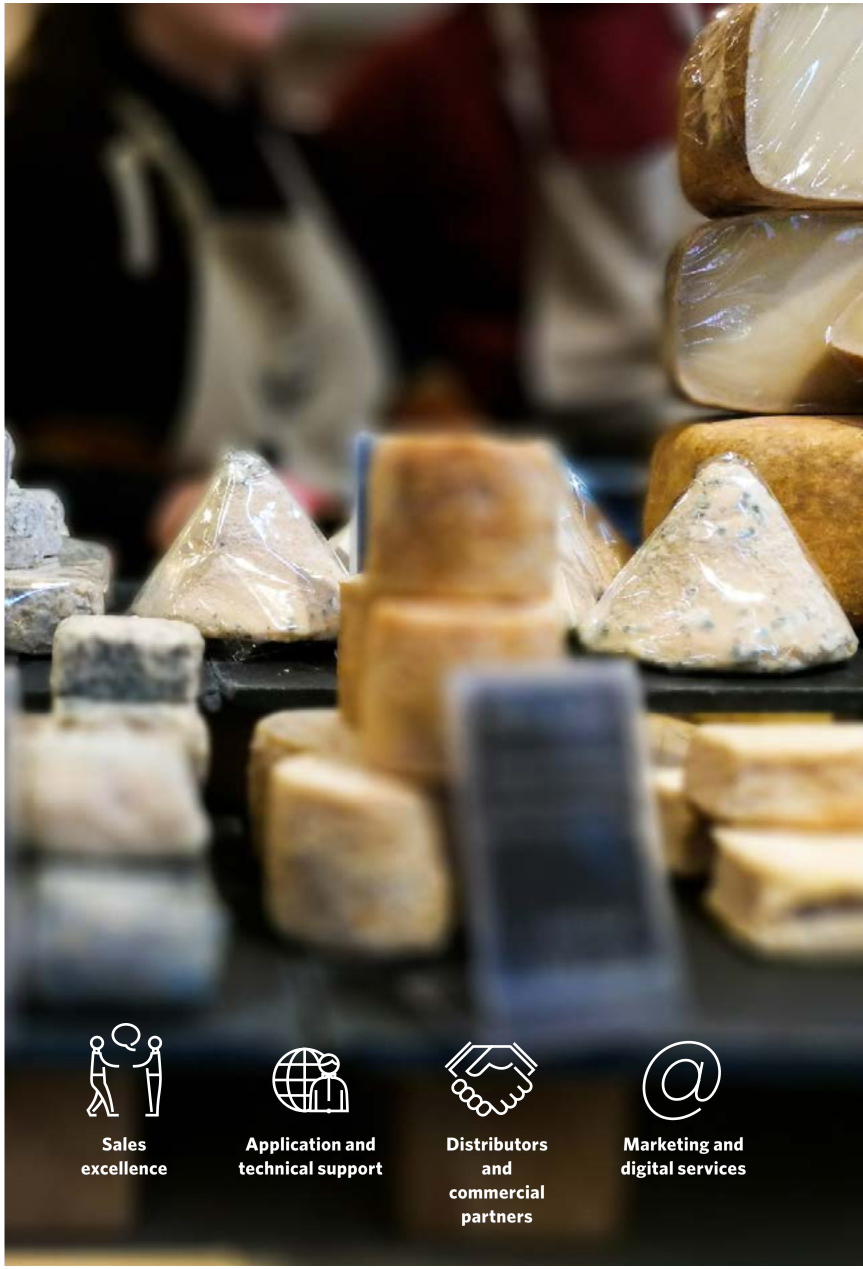
In Animal & Plant Health our probiotics are sold as feed ingredients for farm animals and pets as well as crop protection solutions for sugarcane, soybean and other crops. Our customers range from distributors, premixers, feed mills and large enterprises to smallholder farmers served through our commercial partners FMC and UPL.

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

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 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 & 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 is 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 through our commercial partners FMC and UPL, which both have strong global distribution networks.

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™ which have both been well received by customers.

Furthermore, Chr. Hansen also started developing data-driven services to support our product sales. To do so, in 2021/22, we further developed our Milksafe™, Phagewatch™ and Coagusens™ services launched in previous years and made our technical service platform available to Food Cultures & Enzymes customers globally.

+3,500
customers worldwide

74
Net Promoter Score®
in 2022 customer survey (+6 points compared to 2020)

Stakeholder engagement and materiality

For its ability to create value , Chr. Hansen relies on several factors of either a financial or non-financial nature that can substantively affect our financial performance or have a meaningful impact on our stakeholders or the environment.

Stakeholder engagement
At Chr. Hansen, we are committed to creating value for all our stakeholders. To understand the interests and needs of our key stakeholders, we regularly engage in dialogue using a variety of tools. Amongst our key stakeholder groups are our employees, customers, suppliers, policy makers, regulators and industry associations as well as academia, scientific partners and investors.

Stakeholder group	Employees	Customers	Suppliers	Policy makers, regulators and industry associations	Academia, scientific and commercial partners	Investors
Why we engage	Our employees are critical for the success of our company. Engagement is central for commitment, retention, performance, pride and passion.	Customer centricity is essential to the success of our company. Through co-development and customization, we ensure superior product offerings and tailored solutions.	Ensuring security of supply in terms of raw materials is key to our capability to deliver to our customers. We engage to ensure high quality, food safety, environmental and social standards.	The policy and regulatory environment is important for our ability to bring products to market and for enabling the transition to more sustainable agriculture and food policies.	We collaborate to accelerate our knowledge base, speed up projects and de-risk our innovation pipeline.	We aim to provide relevant, accurate and timely information and regularly engage in dialogue with investors to support the fair valuation and pricing of our shares.
How we engage	• Culture model & purpose • Annual engagement surveys • Performance dialogues • Development plans and training • Hansen Health programs • Diversity, Equity & Inclusion	• Performance trials and data assessment • Technical support • Innovation days • Data-driven services • Sustainability workshops • Sedex platform	• Supplier self-assessments • Site audits • Negotiations and planning	• Trade associations and industry alliances • Direct dialogue with policy makers and regulators • Public consultations	• Private and publicly funded project collaborations • Student projects • Consultancy and analytical service • Advisory Boards	• Investor roadshows and conferences • Sell-side briefings • Capital Markets Days • Annual General Meeting
Key topics discussed	• Employee well-being • Flexible work opportunities • Leadership role and growth	• Productivity and sustainability • Business continuity • Consumer demand	• Security of supply • Cost development • Quality, food safety, food defence and food fraud • Responsible sourcing • Supplier innovation	• EU Additives Regulation • Probiotics labelling • Animal feed ingredients • Biological plant protection • Alliance for Bio Solutions	• Partnering frames, licenses, IPR and terms • Technology trends and disruptions • Technology scenarios and foresights	• Cost inflation • Pricing and volume trends • Integration of acquisitions

Culture model

In today's environment, stakeholder priorities are constantly changing and at times conflicting. For Chr. Hansen, the guiding principle for navigating during times of change is the Company's purpose 'To Grow a Better World. Naturally.' and the corporate culture.

Our corporate culture consists of four cultural drivers, which when balanced in pairs create a dynamic force that guides our employees' ambitions and actions at work. The first two forces, which support our purpose-driven mindset, are 'We work for a better world' and 'We deliver results'. Both provide a clear statement of a need to understand and address issues most material to the business and the stakeholders, while observing high ethical standards. The second pair is *'We rely on each other'* and *'We act with freedom'*, enabling us to keep the pioneering mindset to break barriers, yet without forgetting the structures ensuring accountability.

Materiality assessment

Chr. Hansen executes a structured materiality assessment process that is continuously being refined to feed its stakeholders' priorities and expectations into the corporate strategy-setting process. During 2021/22, Chr. Hansen took the decision to integrate the materiality assessment into the Enterprise Risk Management (ERM) framework, ensuring that the wider ESG issues are incorporated into the risk framework.

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 of the assessment process has been grouped into key themes. Further details can be found in the business model and risk management chapters.

The results have been reviewed and validated by the Corporate Leadership Team. Being integrated into the ERM process, the results have been matched with the corporate risk register to ensure alignment. Hence, the results of the materiality assessment have also provided valuable input to reaffirm the enterprise risk register. The Board of Directors has reviewed and approved the results of the materiality assessment.

Overview of material topics

People and organization

- Diversity, Equity & Inclusion
- Labor & human rights
- Talent management
- Health & well-being

Product supply

- Responsible sourcing
- Climate change & circularity
- Product quality & safety
- Biodiversity

Governance standards

- Business ethics
- Compliance
- Fulfilling basic needs of civilians for food and health products
- Risk management & mitigation
- Cybersecurity

Sustainability

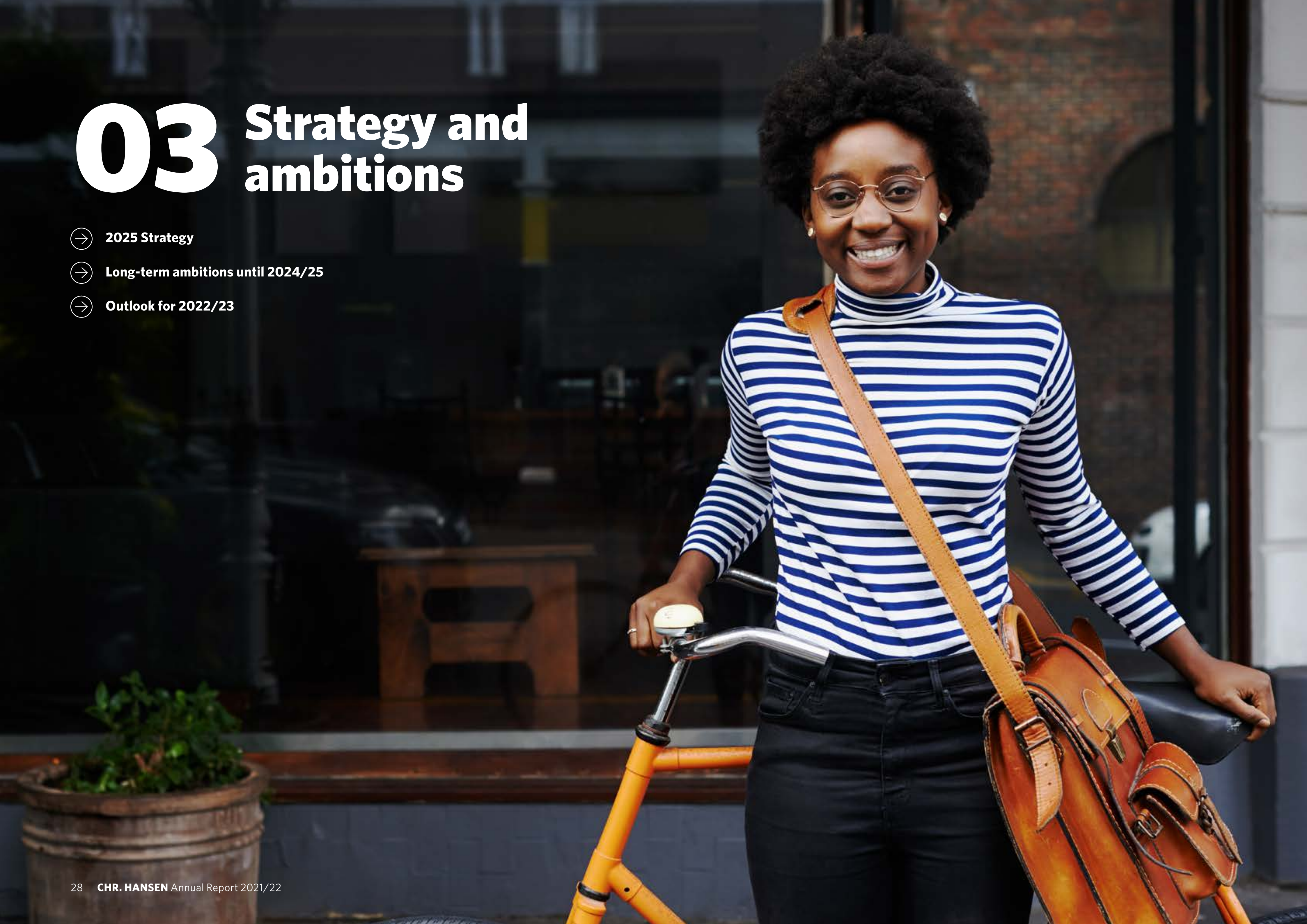
- Improving efficiency & yields
- Global health
- Sustainable agriculture
- Food waste
- Antibiotic resistance
- Alternative proteins

Long-term financial value creation

- Sustainable profitable organic growth
- Scalable business model

Customer centricity

- Sustainable innovation
- Global R&D capabilities
- Scientific evidence



03 Strategy and ambitions

2025 Strategy

Following the divestment of Natural Colors, Chr. Hansen continued on its journey as a microbial pureplay in 2021/22 with focus on its microbial and fermentation technology platforms. During the financial year the Company further executed on its 2025 Strategy which is based on the three pillars REINVEST, LEVERAGE and EXTEND.

REINVEST

Chr. Hansen has been the supplier of choice for the dairy industry for more than 145 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 new product development and market access in Food Cultures & Enzymes, Animal Health and Human Health remains our top priority.

In Food Cultures & Enzymes, continuously bringing new innovations to market is crucial for driving upselling and outpacing competition, while in Animal Health and Human Health, we 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.

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 offer attractive growth prospects. In Animal Health, we work closely with business partners and distributors to create a more balanced geographical exposure outside of North America, while in Human Health, we aim to expand our position in the Asian market.

LEVERAGE

At Chr. Hansen, we see many opportunities to expand our addressable markets by leveraging our microbial and fermentation technology platforms to develop solutions for new end markets.

Therefore, Chr. Hansen has defined five strategic growth opportunities ('lighthouses') that the Company intends to develop and which are expected to grow faster than the core businesses. The lighthouses Bioprotection and Fermented Plant Bases form part of the Food Cultures & Enzymes segment, while Plant Health and HMO belong to Health & Nutrition. The fifth lighthouse, Bacthera, is our joint venture with Lonza in live biotherapeutics that is not fully consolidated.

Read more about our lighthouses
Go to p. 148 for full link

Learn more about Bacthera and the live biotherapeutics industry
Go to p. 148 for full link

EXTEND

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.

While 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 as we position the Company for the future. At Chr. Hansen, we believe in open innovation and close collaboration with customers, commercial partners and academia to develop microbial solutions.

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

Food & Beverages

Human Health

Animal Health

LEVERAGE

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

Bioprotection

Fermented Plant Bases

Plant Health

Human Milk Oligosaccharides

Live biotherapeutics

EXTEND

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

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
- 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 set-up and advance plant specialization

People:
- safeguard culture
- invest in talent management
- advance Diversity, Equity & Inclusion agenda
- ensure a safe workplace

Purpose:
- drive sustainability agenda to 'Grow a Better World. Naturally.'

Our progress in 2021/22

REINVEST

In Food Cultures & Enzymes, inflationary pressure and cost savings drove a lot of dialogues with customers in 2021/22, resulting in new opportunities for bulk conversion and productivity concepts such as CHY-MAX® Supreme or YOFLEX® Premium. Commercial execution was strong enabling the business to significantly outperform its underlying markets.

Following the successful integration of UAS Labs and HSO Health Care and supported by the rebound of the probiotic supplements market, Human Health recorded a very strong year. The combined, broadened product offering and our new STRAIN TO SOLUTION™ approach resonated well with customers leading to cross-selling synergies and new business wins.

In a more challenging selling environment, Animal Health continued to strengthen its market presence, while further expanding its product offering with the roll-out of BOVACILLUS™ and the launch of the new swine probiotic SOLPREME®. Furthermore, during 2021/22 the sales organizations for Animal Health and Plant Health were combined to leverage our go-to-market and gain critical mass in small markets.

The return of in-person sales meetings, trade shows and industry conferences supported commercial execution across all businesses.

LEVERAGE

In 2021/22, Chr. Hansen made good progress across all lighthouses.

Fermented Plant Bases extended its VEGA™ product range with new cultures for meat alternatives and cream cheese applications, and introduced SmartBev™ solutions for Lager and Ale to the market. The development of solutions for plant-based alternatives continued in close collaboration with other leading ingredients companies.

Activities in Bioprotection centered around the launch of the third generation FRESHQ® for fermented milk and the roll-out of our existing bioprotection offering for meat and cheese to customers. Progress on the commercial pipeline was slower than anticipated as customers were focused on cost savings in the inflationary environment.

HMO received several product registrations in 2021/22, allowing the business to expand its commercial reach, including in Europe, Australia and New Zealand. A key milestone for the lighthouse was the launch of its next product generation, the 5HMO mix, in the United States that was accompanied by the publication of a scientific study that was the first to study the concentration of the five most abundant HMOs at natural concentration. Furthermore, the HMO business inaugurated its new R&D laboratory and put into operation the new downstream production line in Germany.

Plant Health entered into a long-term collaboration with UPL to develop and commercialize microbial solutions for crops to fight diseases and increase yield. Together, the partners launched its first product, a biofertilizer for fruit and vegetables in India in 2021/22. In addition, Chr. Hansen continued to roll-out its bionematicides in the Americas together with FMC and also received approval for its first biofungicide in the US.

Bacthera, our joint venture for live biotherapeutics contract development and manufacturing services, reached a milestone in 2021/22 with the signature of a commercial manufacturing agreement with Seres Therapeutics. As part of the collaboration, Bacthera will accelerate investments into commercial production and establish a new site in Visp, Switzerland where it will be able to produce Seres Therapeutic's lead candidate SER-109, which has the potential to become the first-ever live biotherapeutic admitted to market. The manufacturing site is expected to be finalized in 2024. On top of the work with Seres Therapeutics, Bacthera continued to work with customers across different regions, indication areas and stages.

EXTEND

Following the portfolio changes in 2020, Chr. Hansen focused on executing and fully integrating the three acquisitions UAS Labs, HSO Health Care and Jennewein in its day-to-day operations. No acquisitions were made in 2021/22.

In terms of R&D and commercial partnerships, Chr. Hansen continued to work with its network of academic and industry partners.

Good soil health is instrumental in fighting climate change

Interview with Vicente Gongora, chief marketing officer, and Lara Ramaekers, global biocontrol portfolio lead, UPL Ltd. Chr. Hansen entered into a partnership with UPL in 2021/22.

How are climate and biodiversity becoming part of the value proposition to customers?
Microbial solutions allow growers to produce more with less environmental impact and fewer residues on crops, ultimately improving the quality and profitability of the food they produce.

Growers around the world are concerned about climate change since this can impact their production due to drought, flooding, excessive heat, frost, etc., so they are taking a genuine interest in producing sustainably, which is also in line with consumer preferences and pressure from companies in the food value chain.

We're working with Chr. Hansen to bring bio solutions to growers to support them in changing practices towards regenerative agriculture in balance with nature. These solutions improve the quality and health of the soil while preserving the microbial biodiversity that exists there. Not only can this reduce the need for fertilizers, hence reducing potential ground water contamination. A good soil microbiota also makes a plant more resilient, so a healthy, diverse soil microbial flora can even help manage climate change by making the crops more active in capturing CO_2 from the atmosphere.

How can the partnership with Chr. Hansen help unlock the sustainable potential of bio solutions?
We share the same values related to sustainability, and the products and pipeline are addressing growers' pain points related to e.g. plant resilience, water use efficiency, improved soil health and positive carbon footprint.

Using living organisms instead of chemistry requires a change of mindset, but as the products get better, and with emerging decision support system apps helping growers apply microbial solutions timely and correctly, based on monitoring weather conditions, infection pressure, insect pressure, etc., we're paving the way for conversion on a larger scale.

The partnership with Chr. Hansen will also help UPL to achieve the Climate Pledge and Gigaton Carbon Goal, which aims to eliminate 1 gigaton of CO_2 from the atmosphere by 2040. Sustainability is not only a challenge – it's a must, and both companies working together will contribute to the world challenge of reducing carbon emissions.

Long-term ambitions until 2024/25

FINANCIALS[1]	PRODUCTS	PLANET	PEOPLE
	≥80% **of gross revenue from sustainable products** Chr. Hansen commits to have ≥80% of our gross revenue come from sustainable products.[2]	**SBT[4]** Commitment to reduce scopes 1 and 2 greenhouse gas emissions by 42% and scope 3 emissions by 20% until 2029/30. From base year 2019/20.[5]	**1:1** **equal ratio between female employees and female managers** We maintain a focus on ensuring an equal ratio between the percentage of female employees and female managers.
Industry-leading organic growth Mid-to-high single-digit organic revenue growth, averaged over the period.	**25 million** **hectares of land covered with natural solutions** The target is composed by our Plant Health crop protection solutions and our Animal Health silage inoculants for preserving forage for animal feed. Accumulated since base year 2015/16.	**100%** **renewable energy** Renewable electricity across all our global sites.[5]	**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.
Improving profitability An increase of the EBIT margin b.s.i. over the period to more than 30% driven by efficiency gains, scalability benefits and acquisition synergies that will be partly reinvested in the business.	**200 million** **people consuming our probiotics every year** The target is composed by probiotics sold for dietary supplements, and probiotic cultures for fermented milk and other food types. Annual target since 2019/20.	**100%** **circular management of biowaste** A commitment to ensure that 100% of our biowaste streams are recirculated for other purposes.	**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.
Strong cash flow Average growth in free cash flow b.s.i.[3] exceeding the average growth in EBIT b.s.i.	**2 million** **tons of yogurt waste reduced** The target builds on the waste reduction potential of the bioprotective food culture FRESHQ® in fermented milk applications. Accumulated since base year 2015/16.	**100%** **key packaging materials recyclable** A commitment to ensure that all our key packaging material is recyclable.	**<1.5** **Lost Time Incident Frequency** An ambition to keep Lost Time Incident Frequency below 1.5 defined as incidents per million working hours.

1 The long-term financial ambitions are unchanged and refer to the period 2020/21 to 2024/25. The geopolitical and macroeconomic environment has changed significantly in the past year, particularly impacted by accelerating inflationary cost pressure, disruption of global supply chains, and effects related to Russia's invasion of Ukraine. As a consequence, Chr. Hansen's ability to meet the long-term financial ambitions towards 2025 is highly sensitive to the following core assumptions: adjustment of selling prices to offset inflationary pressure over the period, normalization of global supply chains, a stabilization of the geopolitical and macroeconomic environment, constant currencies and no impact from future acquisitions or divestments.
2 For more information on the methodology, see sustainability accounting policies on pp. 74-76.
3 2020/21 free cash flow baseline adjusted for acquisition related impact on taxes paid of approx. EUR 45 million.
4 Science Based Targets.
5 Achieving the target may be impacted by the current geopolitical environment with volatile supply chains for energy.

Outlook for 2022/23

Revenue and organic growth

Following the portfolio changes announced in 2020, Chr. Hansen has in 2020/21 and 2021/22 delivered organic growth in the range of 7-9% vs. a long-term ambition of mid-to-high single-digit organic growth. While the expectation to underlying market growth is modest for 2022/23 given the current uncertain geopolitical and macroeconomic environment, Chr. Hansen expects to deliver organic growth in the range of 7-10%. The expected growth is composed of a positive impact from ongoing price adjustments, growth in lighthouses, and successful execution of the project pipeline in the core businesses including expansion of the market for bacterial solutions which provides customers the opportunity for production improvements.

Based on current exchange rates revenue is expected to be positively impacted by approx. 5%.

EBIT b.s.i. and EBIT margin b.s.i.

Based on the outlook for revenue and organic growth, absolute EBIT b.s.i. is expected to grow faster than revenue, and the EBIT margin b.s.i. is expected to be in the range of 27.0%-28.0%. A positive impact from operational efficiencies, pricing initiatives, and current exchange rate levels, is expected to be partly offset by continued pressure from the inflationary environment and continued actions to protect against supply chain disruptions.

Free cash flow before special items

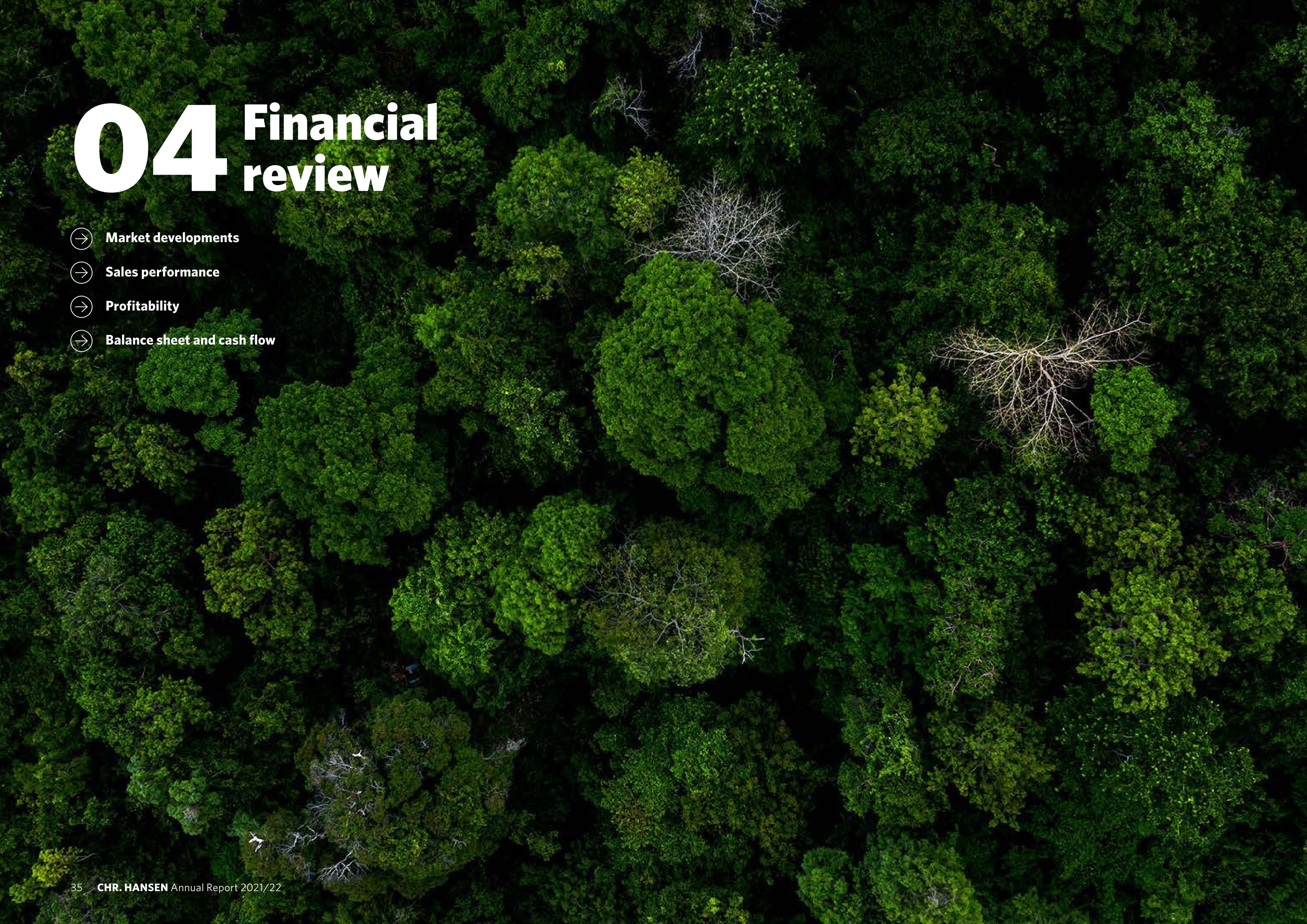
Free cash flow before special items is expected to be in the range of EUR 190-230 million.

Sensitivity to the outlook for 2022/23

Continued changes in the geopolitical and macroeconomic climate including additional sanctions towards Russia or other countries where Chr. Hansen operate, supply disruptions and developments in raw material and other input costs, such as energy, may impact the outlook for 2022/23.

The most significant currency exposure relates to USD, while exposure to other currencies is relatively modest. A 5% increase/decrease in the EUR/USD exchange rate would have a positive/negative annualized impact on revenue measured in EUR of around EUR 25 million, while the impact on EBIT and cash flow is approximately two thirds of the impact on revenue. The outlook for 2022/23 is based on actual rates until October 11, 2022, and for the remainder of the year assuming constant exchange rates at the current level of EUR/USD rate of 0.97.

Organic revenue growth is sensitive to exchange rate fluctuations in currencies for which Chr. Hansen applies an EUR-based pricing model, while protecting the impact on EBIT and cash flow.



04 Financial review

- Market developments
- Sales performance
- Profitability
- Balance sheet and cash flow

Market developments

End markets in 2021/22 were impacted by continued COVID-19 related disruptions, increased volatility, unprecedented levels of inflation and supply challenges.

Food Cultures & Enzymes

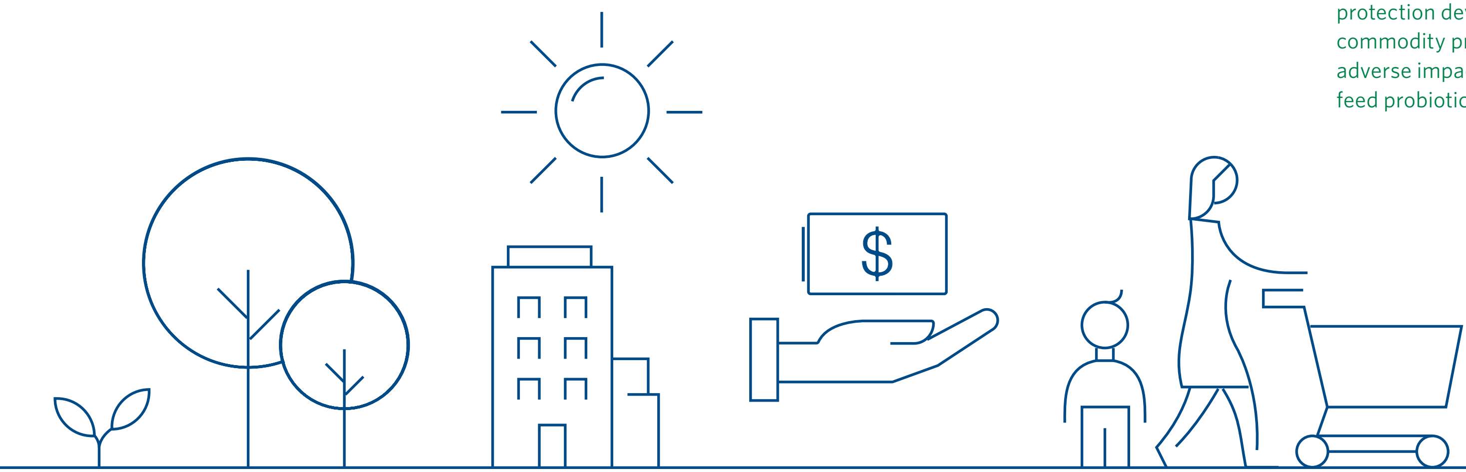
According to the Company's own estimates, the global production of cheese grew slightly in 2021/22, driven by North America, while end markets for fermented milk remained impacted by weakened demand in China and Latin America compared to last year.

Health & Nutrition

According to the Company's own estimates, the probiotic supplements market experienced a slow down in the second half of the year. This followed strong growth in the first six months of the year as traditional retail channels opened up after COVID-19 lock-down and consumer demand for supplements supporting immune and gastrointestinal health increased.

The market for infant formula in 2021/22 was negatively impacted by reduced production volumes and lower birth rates, especially in China, as well as supply disruptions in North America. Customer interest in HMOs remained high throughout the year.

The market for microbial-based solutions for plant protection developed favorably supported by strong commodity prices, while high feed prices had an adverse impact on the selling environment for animal feed probiotics.



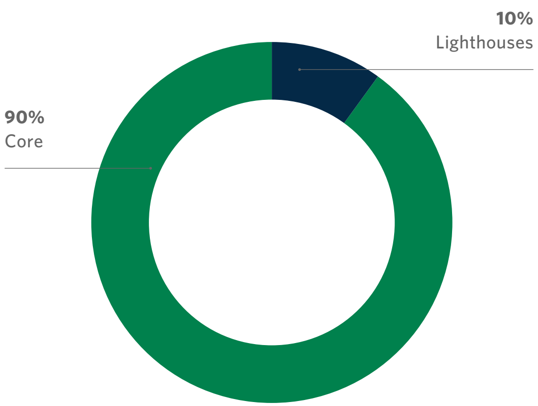
Sales performance

Group
2021/22 revenue amounted to EUR 1,218 million, up 13% from EUR 1,077 million in 2020/21. Revenue was positively impacted by 4% from currency effects.

Organic growth was 9% in 2021/22 mainly driven by volume growth, while the implementation of price adjustments to reflect the current inflationary pressure had a favorable impact in the second half of the year.

The Lighthouses (Bioprotection, Fermented Plant Bases, Plant Health and HMO) accounted for approximately 10% of revenue and delivered 14% organic growth combined, while the remaining core businesses delivered 9% organic growth.

Group revenue split 2021/22



Food Cultures & Enzymes
2021/22 revenue amounted to EUR 762 million, up 9% from EUR 700 million in 2020/21. Revenue was positively impacted by 2% from currency effects. Organic growth was 7% driven by volume, while the impact from pricing was approximately 2%.

Dairy delivered solid growth supported by a solid momentum in cheese, pricing initiatives, and projects supporting production efficiencies, while bioprotective solutions showed modest growth.

Food & Beverages delivered strong growth driven by meat and beverage applications, including a strong momentum in bioprotective solutions.

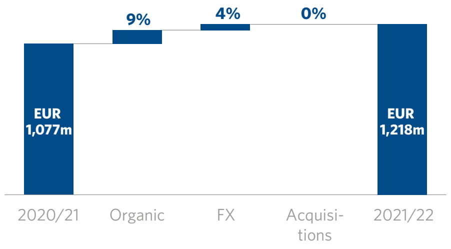
Health & Nutrition
2021/22 revenue amounted to EUR 455 million, up 21% from EUR 377 million in 2020/21. Revenue was positively impacted by 7% from currency effects. Organic growth was 14% driven by volume, while the impact from pricing was flat.

Combined, Human Health and HMO delivered very strong growth in 2021/22 supported by all product areas and regions, as a rebound in the traditional sales channels, high customer launch activities, and customer wins in among other womens health impacted growth positively.

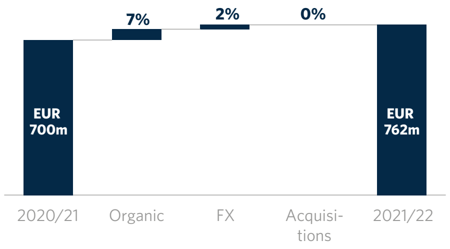
Combined, Animal and Plant Health delivered solid growth despite a more challenging selling environment for feed probiotics. Growth was mainly supported by strong growth in Plant Health.

Sales growth bridges

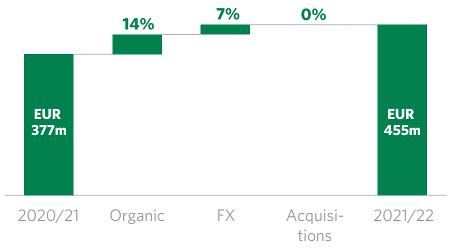
Group



Food Cultures & Enzymes



Health & Nutrition



Sales performance by region

Europe, Middle East and Africa (EMEA)

37%

of revenue in 2021/22

2021/22 organic growth was 10%, while revenue increased by 8%. Revenue was impacted negatively by around 2% from currency effects. Organic growth was supported by all product areas. Growth in Health & Nutrition was mainly driven by volume growth, while growth in Food Cultures & Enzymes was balanced between volume and pricing initiatives including a positive impact from EUR-based pricing. Organic growth was negatively impacted by Russia, as Chr. Hansen reduced its activities in the country to basic food ingredients following the Russian invasion of Ukraine.

North America (NA)

33%

of revenue in 2021/22

2021/22 organic growth was 8%, while revenue increased by 20%. Revenue was impacted positively by 12% from currency effects. Organic growth was driven by solid growth in both Health & Nutrition and Food Cultures & Enzymes. Growth in Health & Nutrition was supported by the introduction of HMOs in the US infant market, among other factors. Growth in Food Cultures & Enzymes was mainly driven by a strong momentum in the cheese and fermented beverage segments and pricing initiatives, while the fresh dairy segments were in line with last year.

Asia-Pacific (APAC)

19%

of revenue in 2021/22

2021/22 organic growth was 12%, while revenue increased by 17%. Revenue was impacted positively by 5% from currency effects. Organic growth was driven by volume growth in Health & Nutrition. Food Cultures & Enzymes delivered good growth driven by a strong momentum in India, while China declined compared to last year.

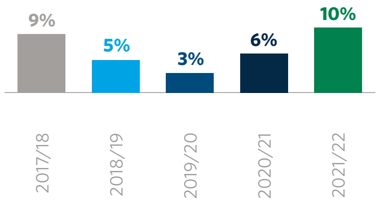
Latin America (LATAM)

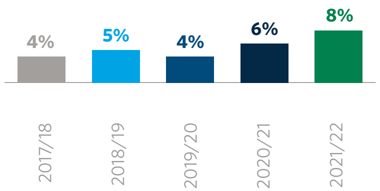
11%

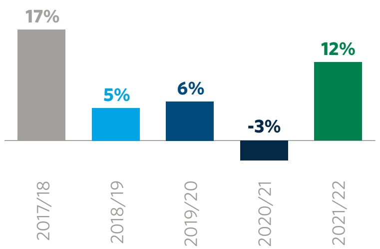
of revenue in 2021/22

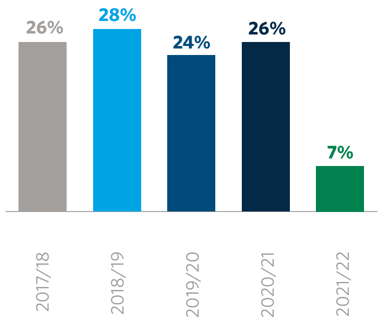
2021/22 organic growth was 7%, while revenue increased by 8%. Revenue was impacted positively by 1% due to currency effects. Organic growth was mainly driven by volume growth in Animal and Plant Health. Volume growth in Food Cultures & Enzymes was modest, while pricing initiatives were partly offset by a negative impact from EUR-based pricing.

Organic growth by region









Profitability

Gross margin
The 2021/22 gross margin declined by 1.4 percentage points to 55.5%, mainly due to increased raw material and freight costs, combined with higher cost levels resulting from efforts to mitigate challenges in the supply chain. This was partly offset by efficiency improvements, pricing initiatives, and a positive impact from currencies.

Operating expenses
2021/22 operating expenses totaled EUR 351 million, up 11% from EUR 315 million in 2020/21. Expenses were impacted by a general ramp-up of activities following the lifting of COVID-19 restrictions and inflationary pressure.

Total amortization including impairment losses on intangible assets amounted to EUR 47 million in 2021/22, of which EUR 19 million was amortization related to the acquisitions of HSO, UAS and Jennewein.

EBIT b.s.i. and EBIT margin b.s.i.
EBIT before special items (b.s.i.) amounted to EUR 326 million, up 9% from EUR 298 million in 2020/21, while the EBIT margin b.s.i. was 26.8%, down from 27.7% in 2020/21. The decrease was mainly due to increased raw material and freight costs, combined with higher cost levels resulting from efforts to mitigate challenges in the supply chain. This was partly offset by scale effects from volume growth, efficiency improvements, pricing initiatives, and a positive impact from currencies.

Food Cultures & Enzymes 2021/22 EBIT b.s.i. amounted to EUR 228 million, up 2% from EUR 224 million in 2020/21. The EBIT margin b.s.i. was 29.9%, a drop from 32.0% last year due to higher raw material and freight costs, increased cost levels to mitigate challenges in the supply chain, and a general ramp-up of activities. This was partly offset by a positive contribution from currencies and pricing initiatives.

Health & Nutrition 2021/22 EBIT b.s.i. amounted to EUR 98 million, up 31% from EUR 75 million in 2020/21. The EBIT margin b.s.i. was 21.4%, compared to 19.8% last year, as scalability effects from the strong sales performance, acquisition synergies, and currencies more than offset higher input costs, a general ramp-up of activities and a continued negative margin impact from investments in the HMO business opportunity.

Special items and EBIT
Special items amounted to an expense of EUR 5 million in 2021/22, compared to an expense of EUR 22 million last year, which was impacted by the divestment of Natural Colors and the acquisition of Jennewein. EBIT amounted to EUR 321 million, up 16% from EUR 276 million in 2020/21. The EBIT margin ended at 26.3%, compared to 25.6% in 2020/21.

Net financials, share of JV and tax
Net financial expenses amounted to EUR 20 million, down from EUR 23 million in 2020/21 due to lower interest expenses resulting from the lower debt level.

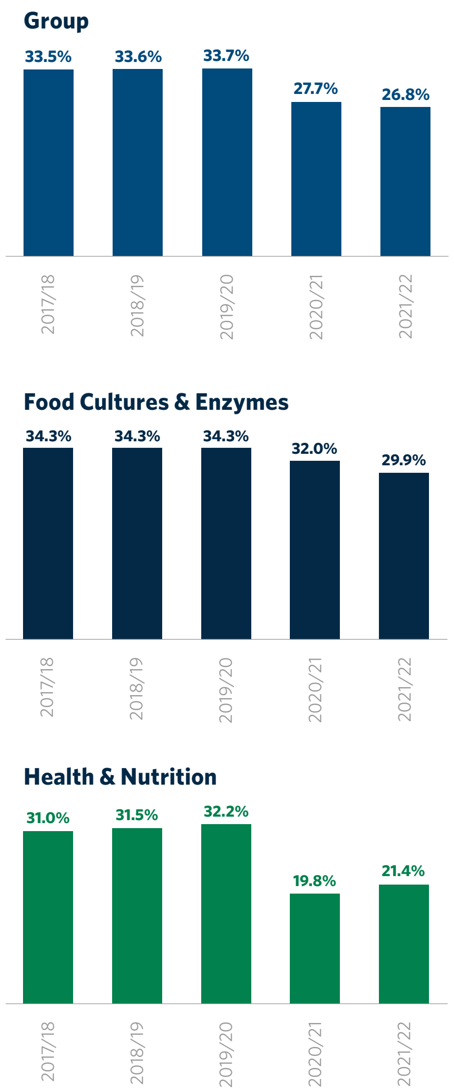
The Bacthera JV produced an EUR 8 million loss to Chr. Hansen, compared to a EUR 7 million loss in 2020/21.

Income taxes amounted to EUR 68 million, up from EUR 48 million in 2020/21. The effective tax rate was 23.2%, up from 19.6% last year. The increased effective tax rate was due to changes to the geographical balance and a non-recurring impact from acquisitions in 2020/21.

Profit for the year
Profit for the year amounted to EUR 225 million, up 13% from EUR 199 million in 2020/21 (EUR 845 million including profit from discontinued operations).

Earnings per share, diluted, amounted to EUR 1.71, an increase of 13% compared to EUR 1.51 in 2020/21 (EUR 6.41 including earnings from discontinued operations).

EBIT b.s.i. development



Balance sheet and cash flow

Cash flows
Cash flow from operating activities b.s.i. was EUR 314 million, down 10% from EUR 350 million last year (EUR 343 million including discontinued operations). The decrease was driven by a significant increase in taxes paid as 2020/21 was impacted by acquisitions. Adjusted for the change in taxes paid, the cash flow from operating activities b.a.s.i. improved over last year.

Cash flow used for operational investing activities was EUR 142 million, down 8% from EUR 154 million last year (EUR 159 million including discontinued operations). The decrease in spending was driven in part by the acquisition of the Kalundborg facility last year.

Free cash flow b.a.s.i. was EUR 172 million, down EUR 24 million from EUR 196 million last year (EUR 184 million including discontinued operations) as the cash flow from operating activities b.a.s.i. was impacted by higher taxes paid.

Equity, Group
Total equity amounted to EUR 1,824 million, compared to EUR 1,626 million at August 31, 2021. The increase was due to retained earnings. An ordinary dividend for the 2020/21 financial year totaling EUR 116 million was paid out on November 29, 2021.

Net debt, Group
Net interest-bearing debt amounted to EUR 881 million, or 2.0x EBITDA, compared to EUR 898 million, or 2.3x EBITDA, at August 31, 2021.

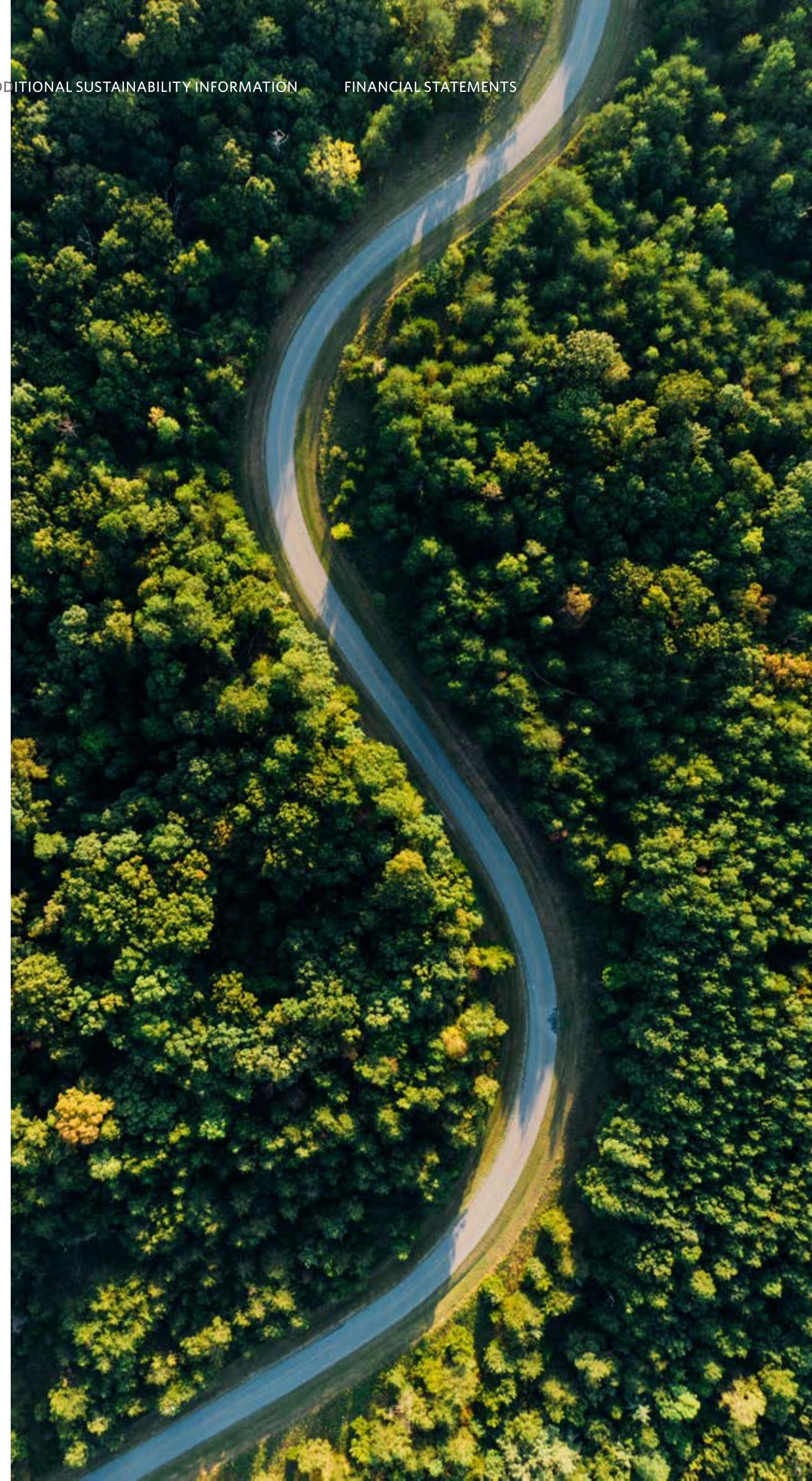
Return on invested capital
Invested capital excluding goodwill amounted to EUR 1,417 million, up 9% from EUR 1,303 million at August 31, 2021. The increase was driven by property, plant and equipment.

Return on invested capital excluding goodwill was 24.0%, compared to 24.8% last year. The decrease was driven by Food Cultures & Enzymes which was down compared to last year due to the negative impact from higher input costs and a general ramp-up of activities.

Goodwill amounted to EUR 1,518 million, compared to EUR 1,490 million at August 31, 2021. Return on invested capital including goodwill was 11.4%, compared to 11.6% last year.

Tax reporting

Chr. Hansen will publish its tax transparency report starting from 2021/22. The report will be released together with the Q1 2022/23 Interim report.



05 Sustainability review

Enabling decarbonization in the agriculture, food and beverage sectors

While Chr. Hansen's microbial and fermentation technology platforms hold a unique potential for addressing a variety of global sustainability challenges, we acknowledge that climate change is one of the most pressing topics for the planet, for our customers and for consumers.

That is why Chr. Hansen is committed to addressing not only our own company carbon footprint, but we are also taking the next step in showcasing how Chr. Hansen's solutions can support the decarbonization journey of our customers. We call this the 'carbon handprint' of our products. For a selected range of products, we are piloting tools guiding our customers to understand how Chr. Hansen's products can deliver a positive climate impact to them - and to the planet.

1 https://www.chr-hansen.com/en/animal-health/poultry/growth-potential

CHY-MAX® SUPREME

Lowering the carbon footprint of cheese

With CHY-MAX® SUPREME cheese makers can achieve up to a 1% higher cheese yield using the same amount of milk. Faster and more precise coagulation enables producers to process more cheese faster, leading to improved productivity and reduced cheese carbon footprint even when factoring in the carbon footprint of producing CHY-MAX® SUPREME.

Learn more about the industry's leading coagulant
Go to p. 148 for full link

1%

more yield with CHY-MAX® SUPREME can make a big difference as milk accounts for nearly 90% of the total cost of producing a cheese

GALLIPRO® FIT

Helping farmers save feed

Probiotics help improve gut health for animals, and with GALLIPRO® FIT farmers can improve the nutrient uptake from feed by chickens. Besides reducing health incidents, farmers can also reduce feed consumption by using GALLIPRO® FIT and thereby save the climate impact related to the avoided feed.

Learn more about the discovery of GALLIPRO® Fit
Go to p. 148 for full link

68%

of the cost of broiler production is feed[1]

SMARTBEV™ NEER®

Yeast for the climate-conscious brewer
The market for non-alcoholic beverages is growing, and with Chr. Hansen's Smartbev™ NEER® non-alcoholic beer brewers can choose a yeast that delivers great taste and offers more efficient and climate-friendly production. With NEER® brewers can avoid de-alcoholization units and shorten fermentation times. The NEER® yeast can also reduce brewers' use of malt significantly when brewing non-alcoholic beer. The two outstanding properties lower the carbon footprint of non-alcoholic beer, making NEER® the ideal choice for the climate-conscious brewer.

See how our customers work with SmartBev™ NEER®
Go to p. 148 for full link

30-65%
reduction in raw malt and shorter fermentation time with SmartBev™ NEER® compared to 'traditional' way of producing an alcohol-free beer

FRESHQ®

Fight climate change by avoiding yogurt waste
One third of all food produced is wasted and the climate impact of food waste accounts for around 8% of global carbon emissions. Reducing food waste therefore holds great potential for increasing productivity and reducing the environmental impact of the global food system. Our fermentation-enabled bioprotection offering FRESHQ® helps delay the growth of unwanted contaminants in yogurt and other fermented milk products. FreshQ® is an additional hurdle against spoilage caused by yeast and mold and contributes to longer shelf-life, reduced food waste and related savings in carbon emissions. In addition, our solution helps optimize production and reduce production waste.

Learn how bacteria helps keep food great
Go to p. 148 for full link

520,000 tons
of CO_2 could be saved if yogurt waste in Europe was reduced by 30% using FRESHQ® which can extend shelf life by seven days[1]

VEGA™

More plant-based diets for a healthier planet
Concerns about planetary health are a key driver for growing consumer demand of plant-based products,[2] and according to a recent United Nations report, shifting diets from meat and other animal products to plant-based diets has a large potential for reducing carbon footprints and mitigating climate change.[3] However, according to a recent survey, 40% of global consumers struggle to give up dairy because available 'vegurts' and plant-based cheeses do not match the quality of traditional yogurts and cheeses yet[4] and clash with consumers' wishes for tasty and healthy foods that are free from artificial ingredients.[5] With our VEGA™ culture range, we offer solutions for plant-based 'vegurts' and cream cheeses that can create texture, mask off-flavors, take out unwanted ingredients and enhance the nutritional profile.

Top 5
raw materials used for vegurts are soybean, almond, coconut, oats and cashew and our VEGA™ range works across all bases[6]

1 Qbis Consulting, 2016. 2 Euromonitor, 2022. 3 IPCC, 2021. 4 FMCG Guru, 2021. 5 Euromonitor, 2022. 6 Mintel, 2022.

Product performance

We enable our customers to address sustainability challenges.

Supporting sustainable agriculture
Regenerative agricultural practices are needed to deliver a sustainable transformation of the agricultural sector. In 2021/22, Chr. Hansen increased the area of agricultural land covered with biological plant protection to 5.2 million hectares due to increased sales and market expansion of Plant Health products. With Chr. Hansen's plant protection solutions, farmers are able to reduce the use of chemical pesticides while maintaining high crop yields and crop resilience. To date, the biological plant protection solutions Chr. Hansen has delivered cover an accumulated area of 23.2 million hectares. Chr. Hansen is well on track to reach its target of 25 million hectares covered by 2024/25.

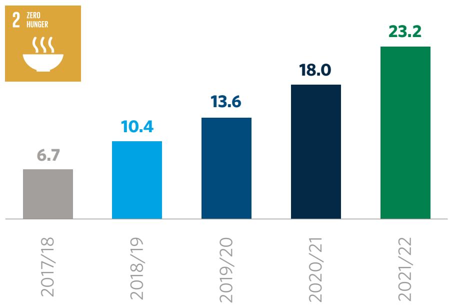
Reducing food waste
Food waste is a global challenge and striving to reduce it holds great potential for increasing productivity and reducing the environmental impact of the global food system. This year, Chr. Hansen's fermentation solutions with bioprotective properties helped avoid 160,000 tons of yoghurt waste. This is the same number as reported last year as bioprotective solutions showed modest growth. Chr. Hansen's target is to reduce global yogurt waste by 2 million tons by 2024/25, and since the base year 2015/16, Chr. Hansen's bioprotective cultures have helped save an accumulated 1,030,000 tons of yogurt from being wasted.

Improving health
Chr. Hansen supports global health through its well-documented probiotics. Chr. Hansen's probiotics can be consumed either as dietary supplements or as part of a consumer's daily diet, e.g. in a yogurt. In 2021/22, 195 million people consumed Chr. Hansen's probiotics. Sales from acquisitions are included in this year's number, contributing to the increase, together with increased consumer demand for supplements supporting immune and gastrointestinal health. This brings Chr. Hansen close to its product target of 200

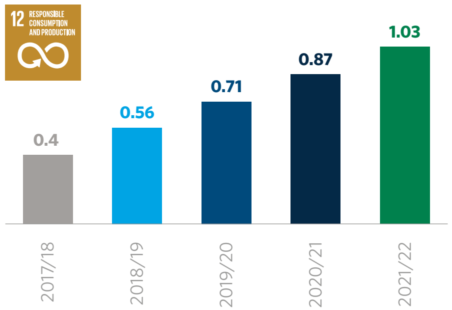
Sustainability governance

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 are effectively anchored in the organization. The Sustainability Board ensures ownership, involvement and commitment from the entire business in defining, prioritizing and executing on sustainability and ESG objectives. To ensure Board stewardship, the Board of Directors has anchored oversight of sustainability and ESG matters in its Board and respective board committees.

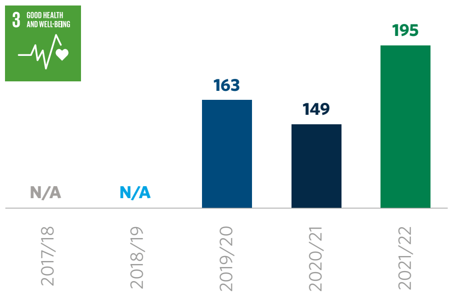
Farmland treated with natural solutions in m ha



Yogurt waste saved in m tons



Probiotics consumed in m people[1]



1 N/A indicates that data is not available for the specific period.

million people consuming probiotics by 2024/25, to enhance the health of a growing and aging population.

Revenue contribution to the United Nations' Sustainable Development Goals
Overall in 2021/22, 80% of the revenue from Chr. Hansen's microbial products enabled a positive sustainable impact in the food, health, and agricultural industries.

This sustainable impact contributes to three of the United Nation's Sustainable Development Goals (SDG): 'Zero Hunger', 'Good Health and Well-being' as well as 'Responsible Consumption and Production'. This year, sales of HMOs and probiotics from recent acquisitions were integrated in the number. The new HMOs and probiotics deliver positive health effects but the mapping against the SDGs is still ongoing causing a slight decline from 82% in 2020/21. Chr. Hansen does not sell products with harmful impacts, but the percentage only includes revenue from products with documented positive effects when applied. Negative effects such as the environmental footprint of production are not accounted for in this percentage. Chr. Hansen's target for 2025 is to sustain an SDG revenue contribution of 80% or higher.

For more details on our historical performance, refer to the Product data table on p. 70

The sustainability accounting policies can be found on pp. 74-76

Reporting on the EU Taxonomy for sustainable activities

The EU Taxonomy is an EU classification system establishing a list of environmentally sustainable economic activities. It aims to help the EU scale up sustainable investments by requiring companies to report the share of their turnover, capital and operational expenditure associated with environmentally sustainable economic activities.

Chr. Hansen's biological solutions, which enable customers to have a positive sustainable impact on the food and agricultural sectors, do not fall within the scope of the activities defined in the first Delegated Act on the EU Taxonomy.

The EU Taxonomy initially focuses on climate intensive industries, such as energy production and transportation. Chr. Hansen has screened the technical annex to the taxonomy on climate change adaptation and mitigation, and no material activities have been identified.

The EU Taxonomy is still under development and technical annexes are still to be published on the four remaining environmental objectives on water, circularity, pollution and ecosystems. Due to the evolving character of the framework, Chr. Hansen expects that its reporting on the EU Taxonomy will develop over time and the Company will reassess the reporting requirements on an annual basis.

Accounting policies

Taxonomy-eligible revenue
Revenue related to activities listed in the EU Taxonomy as eligible divided by Chr. Hansen's annual turnover, as defined in the technical annex of the taxonomy. As the EU Taxonomy does not include activities related to agriculture, food production and nutrition, Chr. Hansen has no eligible revenue activities.

Taxonomy-eligible operational expenditures (OPEX)
Operational expenditures corresponding to eligible revenue generating activities divided by Chr. Hansen's annual operational expenditure, as defined in the technical annex of the taxonomy. Chr. Hansen has screened the activities listed in the technical annexes on climate mitigation and climate adaptation, but has identified no material, related operational expenditures.

Taxonomy-eligible capital expenditures (CAPEX)
Capital expenditures corresponding to eligible revenue-generating activities divided by Chr. Hansen's annual capital expenditure, as defined in the technical annex of the taxonomy. Chr. Hansen has screened the activities listed in the technical annexes on climate mitigation and climate adaptation, but has identified no material, related capital expenditures.

2021/22[1]	Revenue	OPEX	CAPEX
Taxonomy-eligible activities	0%	0%	0%
Taxonomy-non-eligible activities	100%	100%	100%

1 In accordance with Annex II - Templates for the KPIs of non-financial undertakings in Supplementing Regulation (EU) 2020/852.

Planet performance

We are working on our environmental footprint.

Committing to Science Based Targets

Through the 'Think Climate. Naturally.' program, Chr. Hansen is committed to climate action in order to future-proof the business for a low-carbon economy. This financial year, Chr. Hansen's climate targets were approved by the Science Based Targets initiative validating that the targets are in line with the climate ambition of the Paris Agreement[1]. With 2019/20 as the base year, Chr. Hansen has set ambitious, yet realistic, absolute reduction targets:

- Scopes 1+2 target: 42% reduction of carbon emissions from own operations by 2030.
- Scope 3 target: 20% reduction of carbon emissions from our supply chain by 2030.

As part of the 'Think Climate. Naturally.' program, a living decarbonization roadmap is developed providing the Company with initial visibility on how to reach the climate targets. The roadmap includes initiatives like conversion to renewable electricity, resource efficiency projects and a supplier engagement program.

Company carbon footprint (scopes 1, 2 and 3)

In 2021/22, Chr. Hansen's scopes 1+2 emissions increased from last year to around 42,100 tons CO_2e. Despite the increase, we still maintain an 11% reduction from the Science Based Targets base year 2019/20. This reduction is realized through an increased share of renewable electricity. Chr. Hansen applies the market-based approach as per the Greenhouse Gas Protocol to account for scope 2.

1 UNFCCC, 2015. 2 Market-based.

In 2021/22, Chr. Hansen for the first time has estimated its full scope 3 impact including all emissions across the entire value chain in accordance with the Greenhouse Gas Protocol. The scope 3 screening was conducted as part of the Science Based Targets process. The Company is in the process of implementing a professional monitoring system and setting up a supplier engagement program allowing Chr. Hansen to report scope 3 on a yearly basis going forward. Historically, Chr. Hansen has accounted for upstream transportation as per the Greenhouse Gas Protocol. For this scope 3 category, the global supply chain challenges due to the pandemic and geopolitical instability have resulted in an increase of around 4,000 tons CO_2e since last year to a total of 54,600 tons CO_2e. That said, emissions are still lower than emissions in 2019/20, the base year of Chr. Hansen's Science Based Targets.

Renewable electricity and global energy consumption

At the end of 2021/22, Chr. Hansen's share of renewable electricity globally increased to a total of 61% from 60% in the previous financial year. The integration of acquisitions not sourcing renewable electricity challenge this target, however, an increase was secured at two of our production sites, Pohlheim and Valinhos, which have begun sourcing renewable electricity. As a result, all Chr. Hansen sites in Denmark, two in Germany and one in Brazil are now covered by renewable electricity. The work continues to ensure fulfillment of the 2024/25 Planet target of 100% renewable electricity globally.

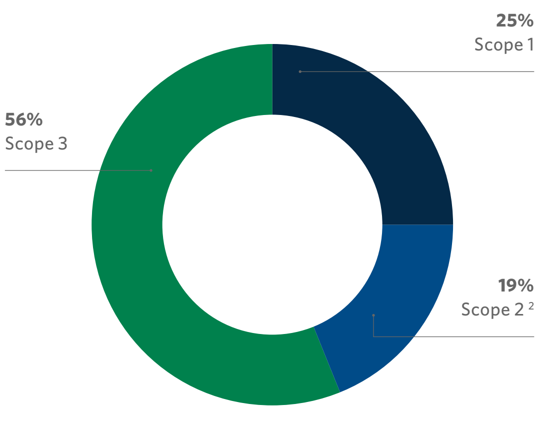
Chr. Hansen's overall energy consumption of fuels, heat, steam and electricity increased by around 43,000MWh to a total of 224,000MWh. The increase reflects the integration of environmental data from the acquisitions of UAS Labs and Jennewein into Chr. Hansen's EHS system.

Waste management

Chr. Hansen's most material waste stream from operations is biowaste. In 2021/22, 91% of the biowaste produced was managed in a circular manner, as it was used as a resource in other applications, e.g. for biogas production or as a fertilizer. This is an increase from 70% last year and it is achieved through an external partner reusing the nutrients in biowaste for the processing of fertilizer. Chr. Hansen continues to identify relevant partners regionally to fulfill the Planet target of 100% circular management of biowaste by 2024/25.

Solid waste accounts for roughly 4,900 tons. This year, the share of recycled solid waste decreased to 54% due to the integration of acquisitions. This year's share

Total annual carbon emissions in CO_2 ton equivalents



For more details on our historical performance, refer to the Planet data table on p. 70

is still an increase compared to 2019/20 and before, and a result of the Company's focused efforts on environmental management and increased circularity at all sites globally.

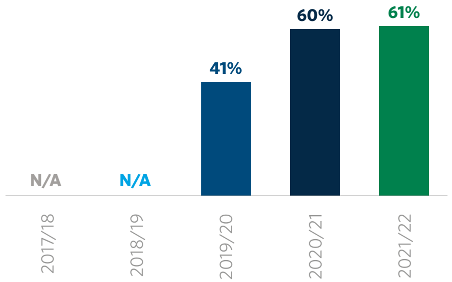
Recyclable key packaging
With the ambition of making the key packaging solutions recyclable at the customer end, Chr. Hansen supports a circular economy for packaging materials. For Chr. Hansen, key packaging solutions are categories that constitute 10% or more of the yearly global packaging spend, including close to 70% of Chr. Hansen's total packaging material within the scope of the target. In 2021/22, 66% of Chr. Hansen's packaging solutions were made from recyclable materials. This is a slight decline of 2 percentage points compared to the previous financial year caused by the inclusion of acquisitions and changes in prices of our packaging solutions. Still, Chr. Hansen progressed well by successfully running tests of recyclable single material foils in production. The single material foils can be used once all technical tests have been passed and will bring Chr. Hansen closer to the target of 100% recyclable key packaging by 2024/25.

Water
Chr. Hansen's water consumption increased slightly this year to around 1,330,000 m³, as the Company included acquisitions and increased production.

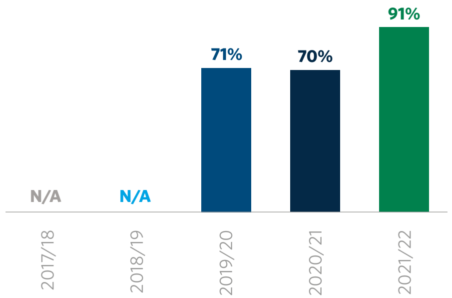
Wastewater decreased slightly to 914,000 m³ in 2021/22. The decrease in the wastewater is due to the fact that some of the wastewater is eluate that is now recycled and therefore reported as circular biowaste.

Environmental violation
As a result of Chr. Hansen's continuous work with improving environmental management globally, we managed to drive down the number of environmental violations to 0 in 2021/22.

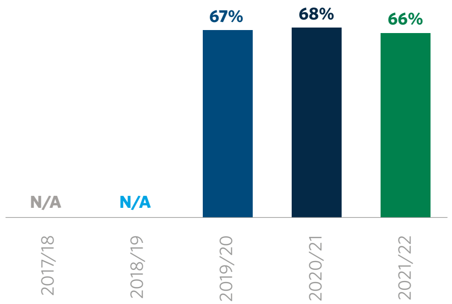
Renewable electricity[1]



Circular management of biomass[1]



Recyclable key packaging[1]



1 N/A indicates that data is not available for the specific period.

Think Climate. Naturally.

At Chr. Hansen, we harness the best of nature to bring natural solutions to our customers. We value nature as the heart of a healthy society. But the climate is changing, with dramatic consequences for our planet. That is why we have set Science Based Targets – embarking on a focused decarbonization journey.

We must act now to limit the global temperature rise.

We need to Think Climate in everything we do.

By 2030, we will reduce our carbon footprint by:

- **42% across our own operations**
- **20% across our entire supply chain**

Operations

In Operations, we will convert all our global sites to run 100% on renewable electricity and explore the potential of working smarter with heat supply, packaging and sustainable refrigerants.

Sourcing

In Sourcing, we will establish supplier engagement programs. We will approach selected suppliers around low carbon practices and encourage a conversion to renewable energy sources.

Logistics

In Logistics, we are minimizing air freight by moving to more sea transport while exploring low-carbon fuels in dialogue with freight forwarders.

Innovation

In Innovation, we are looking at low carbon solutions and we aim to optimize our use of raw materials.

Employee engagement

Across Chr. Hansen, we will enhance climate literacy to enable all of us to address climate challenges. We will crowdsource even more climate smart ideas by engaging the collective brain power of our global workforce.

Realizing our targets will require us and our partners to Think Climate in everything we do.

People performance

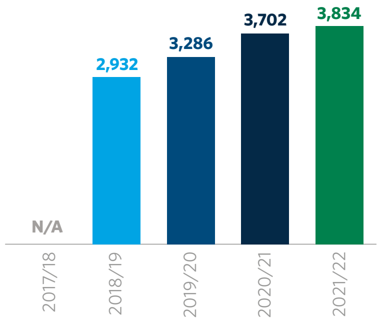
We create and sustain a culture of inclusivity and high engagement.

Our employees
At the end of 2021/22, Chr. Hansen employed more than 3,800 people. Our employee base is broad and diverse; more than 40% of our employees work in our production facilities. The remaining part is spread across R&D and Application, Sales and Marketing and staff functions. The average length of employment across the global workforce is 7.5 years and we employ more than 78 nationalities in 32 countries.

Leveraging our Chr. Hansen culture
The Chr. Hansen culture model, introduced in 2018, serves as our compass and provides guidance in difficult situations. 2021/22 was another year with unforeseen challenges like geopolitical unrest, inflation and the aftermath of COVID-19. Here our culture model proved its worth, providing a common language for employees and leaders across the global organization.

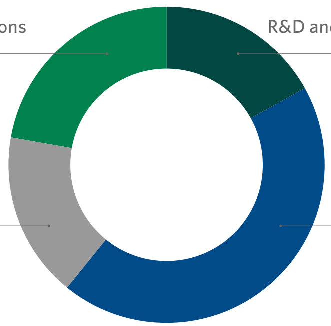
As the world slowly began to reopen, reconnecting became an important theme for Chr. Hansen: reconnecting with customers in a face-to-face setting and connecting in person with old and especially new colleagues who had joined the organization during the past two years. Connectivity is a critical element at Chr. Hansen, and we deliberately use our culture model to leverage the unique Chr. Hansen culture. In 2021/22, 100% of new employees were introduced to our culture model, in line with our target.

Total number of employees[1]



1 N/A indicates that data is not available for the specific period.

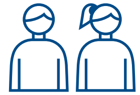
Employees by function 2021/22



Renewed focus on talent acquisition and onboarding
During 2021/22, we worked specifically on optimizing recruitment processes globally. The goal was to streamline our hiring process to help managers have a smooth process and applicants to have a unique candidate experience. We continued to work on an inclusive and non-biased recruitment process, to work with unconscious as well as conscious biases and facilitate a more objective view of the candidates.

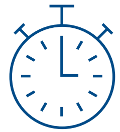
To further enhance the onboarding of the approximately 780 newcomers to Chr. Hansen this year, we implemented a digitally supported onboarding process. New colleagues start their onboarding prior to their first day at Chr. Hansen. A series of training and introduction programs, an assigned 'buddy' and a selected mentor are some of the digital supported tools introduced to improve onboarding with the intent to reduce time to efficiency for new employees.

Flexible work models and employee well-being as drivers of success
Post-COVID-19, flexible work guidelines have been developed globally and implemented locally. In many parts of the world, these guidelines have generated new and different ways of working and have been a lever to address employee well-being. Numerous health initiatives were launched under the name 'Hansen Health'. These included global livestream talks on health-related matters and exercise competitions using an app. In Denmark, an in-depth health analysis was performed, providing insights into how and



780

new Hansenites onboarded



New flexible work guidelines rolled out

For more details on our historical performance, refer to the People data table on p. 71

where further focus on well-being was needed. A key take-away was the need to address both physical and mental well-being. Initiatives are planned and will run over the next few years to fully harvest the benefits of the insights gained.

Engagement continues to have high management attention

After two years with our new and more dynamic engagement tool, we adjusted the frequency to three surveys per year in 2021/22. On a scale from 0 to 10, overall employee engagement remains stable with an average of 8.5 and an average response rate of 90% across the surveys in 2021/22. This is a testament to the engaged workforce at Chr. Hansen. The results place Chr. Hansen in the top 25%, in line with our target to be amongst the top 25% in our provider's global database of more than 160 million unique surveys.

We continue to strive to create an engaging workplace where employees can apply themselves fully at work. This is fundamental to the long-term success of Chr. Hansen, as it improves productivity, produces happier people, reduces employee turnover and ultimately renders better business results.

A heated labor market is putting our employee turnover record under pressure

In 2021/22, we saw above-normal employee turnover across the organization at 16% compared to 14% last year. Turnover was particularly high in Denmark and the US with a direct correlation to specific employee groups. This has posed challenges in backfilling positions and new methods are needed to secure a strong influx of talent. We continue to work on our employee value proposition, in which Chr. Hansen is perceived as offering growth opportunities, flexibility, a great work culture and thus able to attract talents through our strong purpose and strategy.

Leadership and learning culture

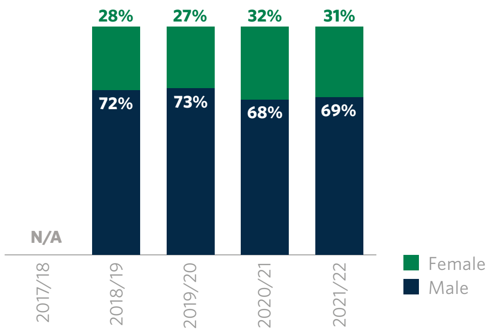
Good leadership is key to driving learning, engagement, well-being and performance as well as retention. We will increase our focus on leadership development through a new leadership development program focusing on leadership skills and leading at the right level, called LEAD, which will complement our existing CONNECT program, focusing on authentic leadership. All 600 people leaders will be trained in FY23 and FY24.

Continuous learning and development are key enablers for executing our 2025 Strategy. We commit to investing in our people and we strive to have highly qualified, resourceful and ambitious employees. We invest in their continued development, making learning a priority. In the past year, we have implemented 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.

Taking Diversity, Equity & Inclusion (DE&I) to the next level

Our ability to attract and retain a diverse pool of talent is critical to our success. Our existing workforce is a broad and diverse group representing different educational backgrounds, nationalities, genders, ages and ethnicities – ensuring that a variety of perspectives are brought to the table, which is particularly important for an innovation-driven company.

Share of women in Directors+ positions[1]



We are reinforcing our focus on supporting an environment where all employees feel safe and accepted. By creating and sustaining an inclusive and equitable environment, where everyone feels they can be themselves, we enable employees to perform at their best and full potential. To further promote this, we established local DE&I Employee Resource Groups who come together to discuss and agree on relevant actions. In addition, we have created a Global DE&I community in HR across all regions to create awareness about the topic and initiatives taken across the globe.

We have made good progress in our DE&I efforts so far and we continue to develop and take more actions in that respect. Chr. Hansen is actively engaged in the LGBTQ+ agenda with various local and regional activities, for example through our partnership, and participation, in the Copenhagen Pride. This will be followed up by establishing local employee-led resource groups and support communities across our internal communication channels. Employee reactions to our DE&I effort are seen in higher scores in our DE&I section of the engagement survey: 8.8, compared to 8.6 last year.

1 N/A indicates that data is not available for the specific period.

The share of women at Directors+ position was 31%, down 1 percentage point compared to last year. After reaching our 30% target last year, we increased our 2025 ambition to 35% and firmly believe we can reach this target. The ratio of female employees and managers was 44% to 38%. Both the ratio of female leaders and female employees increased by 1 percentage point compared to last year.

Gender pay equality

Gender pay is another important element of our Diversity, Equity & Inclusion ambition. Fairness and transparency in employee remuneration are key in an inclusive workplace. This year is the second year that we report on gender pay. 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, DE). 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. In 2021/22, the gender pay analysis showed an average gender pay gap of 4.1%. This is a reduction of 2.1 percentage points compared to last year's gender pay gap of 6.2%. We continue to work on the cultural and systemic issues to further reduce the gap. As part of our 2025 Strategy, 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.

Work safety

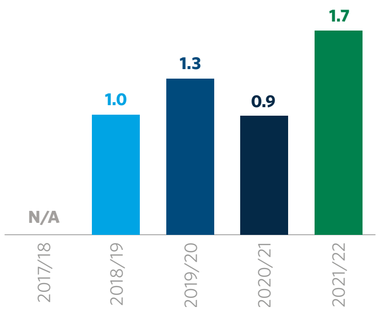
Chr. Hansen is committed to maintaining and continuously improving our employees' health, safety and well-being at work. In 2021/22, we added four new sites in Chr. Hansen and 27% of the Lost Time Injuries came from the new sites. We ended the year with 11 Lost Time Injuries, which is five more than last year, due to the integration of acquisitions, resulting in a Lost Time Incident Frequency (LTIF) of 1.7. The severity of the cases reported was low to medium, with no high severity injuries. This is the third year in a row with no high severity injuries at Chr. Hansen. We are particularly proud of being able to maintain the good safety performance in a year characterized by onboarding new sites and COVID-19 restrictions. We are very confident about our ability to meet the target of 1.5 or below LTIF by 2025.

Human and labor rights

Chr. Hansen is committed to safeguarding human and labor rights, which is clearly reflected in our Sustainability Position. Annually, we update our human rights due diligence assessment evaluating generic sector risks against the mitigating measures that Chr. Hansen has in place. The result of this year's assessment is that health & safety as well as Diversity, Equity & Inclusion continue to be the key focus areas for Chr. Hansen in our operations and supply chain.

To do business with Chr. Hansen, suppliers need to sign and comply with a set of social and environmental requirements, including respect for human rights and zero tolerance policy for bribery and corruption. The requirements are developed based on international guidelines such as UN Guiding Principles on Business and Human Rights and the Ethical Trading Initiative Base Code. The requirements are enforced through Chr. Hansen's vendor approval system. As a result, all Chr. Hansen's direct suppliers are obliged to respect human rights including no use of forced or child labor.

Lost Time Incidents Frequency per million working hours (LTIF)[1]



Third-party audits on social and environmental matters are performed at Chr. Hansen's production sites once every three years. The audits are managed through Sedex, which is one of the world's largest collaborative platforms for sharing social and environmental data with customers. No non-compliances related to human rights were identified within this financial year.

Going forward, Chr. Hansen continues its clear commitment to being a good corporate citizen, following the principles of our Sustainability Position. We respect human rights as defined in the International Bill of Human Rights and we expect our suppliers, business partners and other parties directly linked to our operations and products to do the same. We support the UN Guiding Principles on Business and Human Rights and respect the Ethical Trading Initiative Base Code and the core conventions of the International Labor Organization (ILO), in the countries where we operate. Our work with human rights, anti-corruption and bribery are integral parts of our continuous support to UN Global Compact. We continue the work with human rights due diligence assessment, supplier requirements and internal audits enforcing our commitment to protect human rights.

More information on our business integrity on p. 61

More information about our commitment to human rights in our Sustainability Position Go to p. 148 for full link

1 N/A indicates that data is not available for the specific period.

06 Governance

Risk management

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

Achieving Chr. Hansen's long-term purpose and business strategy requires a shared understanding of uncertainties, key risks, and the overall level of risk exposure throughout the organization. The Company's risk management process ensures a healthy balance of risk and return in the business model. Hence, for Chr. Hansen, enterprise risk management is not about risk avoidance but about ensuring that risk awareness, adequate controls and mitigations are in place.

The Company classifies risks into three categories: Strategic (risks that can impact the ability to execute strategic ambitions), Inherent (risks that are a natural consequence of doing business) and Dynamic (risks that will arise and disappear in a short- to medium-term timeframe and can effectively be mitigated). When analyzing risk, the Company takes a holistic approach to ensure cross-organizational participation.

The Company considers risk management an integral component of the strategy process. By combining internal insights with external foresights, such as the World Economic Forum's Global Risks Report[1], relevant strategic uncertainties have been considered and mitigated where possible.

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

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

The enterprise risks are assessed in terms of a set of impact drivers: Safety, Compliance, Financials, Business Interruption, and Brand & Reputation. For 2021/22, Environment, Social and Governance (ESG) has been added as an impact driver. With ESG being an integral component of the valuation of Chr. Hansen, the attribute is an asset to be protected. The risks are assessed in respect of the likelihood of the impact materializing within a period of five years.

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

Each enterprise risk has an accountability owner among the members of the Corporate Leadership Team, as well as a risk owner who is responsible for overseeing management of the risk, including for developing and executing mitigation action plans.

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, and leveraging appropriate business insights.

To accelerate the maturity of enterprise risk in the organization, project ERM 3.0 has been launched. The core essentials are to ensure stronger transparency and value creation, a stronger inclusion of the Risk Champ community and, the adoption of a learning approach in risk management reporting to management.

1 World Economic Forum, 2022.

Overview of selected key enterprise risk areas

Based on the Company's heat map assessment, the five highest ranked risk areas are elaborated on in the following, including a description of the risk and associated mitigation efforts.

As the Company operates with concrete and specific risks, the descriptions on the following pages represent an aggregated risk view of the five areas. The areas are not listed in a specific order.

Product quality and safety

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.
Risk assessment	Should the risk materialize, the consequences could be potential health effects for end consumers, damage to 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 or similar, and central product development functions are certified to ISO 22000 standards.
Risk development and mitigation 2021/22	The risk remains unchanged. During 2021/22, the Company's US food sites were certified to US food safety legislation (FSMA) standards. All sites maintained their certifications to and compliance with the ISO 22000 and FSSC 22000 food safety standards. An important focus of the post-merger integration of acquisitions have been the alignment and integration of quality management systems to ensure the standards are consistently applied across the Group.
Risk focus 2022/23	Following the recent developments in the geopolitical situation, there is an increased awareness on ensuring effective mitigation of food fraud risks. The continued alignment of the quality management system across the group requires a coordinated implementation of key IT systems. The Company continuously ensures that its quality management system is compliant 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.

	IT security	**Protection of knowledge and brand**
Description	Digital connectivity continues to transform the way Chr. Hansen does business. 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.	Chr. Hansen's products have been perfected throughout its more than 145-year history. Protecting its innovations and brand is essential to maintain the position as market leader. The increased competitive environment, including intellectual property (IP) infringements, poses a continual risk to the Company.
Risk assessment	Should the risk materialize, the consequences could be long-term business disruption with a high impact on deliveries to Chr. Hansen's customers, substantial financial implications, reputational damage, and a potential loss of customers to competitors. The likelihood of a breakdown or malicious interference having a major impact is considered to be stable, due to the protected technology platform.	Should the risk materialize, the consequences could be a high financial impact due to loss of customers, legal disputes, and potential damage to the Company's brand and reputation. Despite the fact that an increased aggressiveness is present in the market, the likelihood of the risk materializing is considered to be medium.
Risk development and mitigation 2021/22	The geopolitical situation, and internal digitalization and hybrid-flexible workplace have accelerated the risk of targeted cyberattacks. The risk has been controlled through an extensive network of technical security controls, policy enforcements mechanisms, monitoring systems and management oversight to address such threats. The divestment of the Natural Colors division produced separate risks related to ensuring a safe and structured transfer of business applications and data to the new owners which has now been finalized. During 2021/22, several resources have been allocated as risk mitigation, ensuring a smooth and safe transfer. As part of the recent acquisitions, there is a focus on ensuring alignment with the IT infrastructure and business applications applied across the Group. This activity will continue. The Audit Committee is actively monitoring the cyberrisk through direct meetings with the IT department.	The risk continues to increase. The Company experienced increasing infringement activities in the probiotics market, with third parties attempting to take advantage of the Chr. Hansen brand equity. The Company maintained an increased focus on IP infringements in the Asia-Pacific region and has, through a dedicated task force, identified and mitigated several IP challenges. An online brand enforcement initiative implemented last year has been successful in identifying and removing trademark infringing activities on e-commerce platforms, especially in Asia-Pacific. During the year, the Company successfully mitigated IP risks globally, through legal actions and dispute resolutions.
Risk focus 2022/23	The Company will stay focused on the integration of business applications as part of the post-merger integrations, 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 growing global threat of cyberattacks and cybertheft. Chr. Hansen continues the work to enhance its IT disaster recovery organization and to develop a structured training program to enable the Company to withstand potential threats. IT security is a strategic focus area within a concrete and ambitious digitalization strategy. Hence, more resources are continuously applied to protect Chr. Hansen against cybercrime.	The Company protects new knowledge and brands, through a proactive IP strategy designed to support and protect the business. This includes ensuring governance and awareness across the organization. Through digital exploration, the Company continues to look for opportunities enabling increased transparency and value creation of IP activities. Moreover, the Company enforces an aggressive strategy towards infringers of its intellectual property rights (IPR).

	Supply disruptions	Global presence
Description	Given Chr. Hansen's supplier base, global production footprint and extensive distribution network, there is a risk that a disruption could affect deliveries to customers, which could also disrupt the global supply chain. Disruption may result from non-accessibility to raw materials, natural catastrophes, property damage or global network disruptions.	The Company's global footprint makes it exposed to various geopolitical and economic risks, such as complex compliance and sanction regimes which, if breached, can have a significant effect on the Company's possibilities of doing business.
Risk assessment	Should the risk materialize, the consequences could be a potential impact on deliveries to Chr. Hansen's customers as well as a financial impact, significant brand and reputational damage and a potential loss of customers to competitors. The likelihood of raw material unavailability is considered medium. The likelihood of a failure within the production footprint is considered low, while the likelihood of a disruption of the logistics network is considered medium. However, global COVID-19 challenges have shown how quickly even a solid supply value chain can become disrupted, impacting deliveries to customers.	Should the risk materialize, for example by way of an inadvertent breach of sanctions, the consequences could be serious financial implications due to limited or restricted access to financial markets and serious damage to our brand and reputation. Despite the global geopolitical tensions, the likelihood of consequences materializing is low, due to a very robust sanction and compliance set-up.
Risk development and mitigation 2021/22	The risk has remained, as the situation has changed from a global crisis to more concrete regional and local uncertainties. In addition, the learnings from COVID-19 have been implemented into the business continuity program, allowing for a strong resilience. With the commodity and supplier market turned more volatile, sourcing directed further attention to market analytics and expanding strategic supplier relations, leading to pre-emptive mitigation of disruptions. With the full integration of the acquired probiotic businesses in 2020, the Company has strengthened the production network by increasing the transfer of production capabilities, hence ensuring stronger business continuity (back-up/resilience). Global supply and logistic chains remained challenged during 2021/22 with port congestions, lockdowns in China and the Russian invasion of Ukraine. For air freight, the continued low activity level in passenger traffic caused a prolonged imbalance between availability and demand and, as a result, rising costs.	As any global organization, the Company has been exposed to rising geopolitical and geo-economic tensions; COVID-19 remained present in society, leading to restrictions and limitations, and Russia's invasion of Ukraine, which led to the most severe sanctions ever imposed on a single country. Through a robust crisis management setup and a comprehensive sanction screening and compliance program, the risk has been mitigated.
Risk focus 2022/23	The Company anticipates a continuing challenge from various geopolitical uncertainties that could impact the Company's ability to deliver as promised to customers. Therefore, The Company will maintain a constant focus on ensuring business continuity, for which the Company's 'One plant, many locations' philosophy will continue to be an essential element. It allows for a relatively 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. The Company's strategy of working in close partnership with strategic suppliers is aimed at strengthening the resilient overall performance in all markets and to all end-customers. 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.	Given the continuation of geopolitical tensions, the Company will continue to enhance its screening and compliance set-up and will continuously monitor developments in order to take any necessary mitigating actions in due course.

Managing climate risks

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Sustainability and climate are integral parts of Chr. Hansen's strategy, purpose, culture and product offering. In recent years, ESG has become a vital parameter for commercial success, and hence expectations are increasing for board stewardship on reporting, climate, social and governance issues. To further strengthen the reporting on climate-related risks and opportunities in its business operations, Chr. Hansen is disclosing this information in accordance with the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD).

Governance

Disclosure of the board's oversight of climate-related risks and opportunities

The Board of Directors has oversight of climate activities, and regular updates are shared about progress on Chr. Hansen's 'Think Climate. Naturally.' program.

Climate-related activities are managed by the Sustainability Board, which is governed by key senior management members and chaired by President & CEO Mauricio Graber. The day-to-day management of the climate program is handled by a dedicated Climate SteerCo.

More about sustainability governance on p. 44

More about how ESG is integrated into management compensation on p. 62

Strategy

Disclosure of the actual and potential impacts of climate-related risk and opportunities on the organization's businesses, strategy, and financial planning where such information is material

Chr. Hansen's climate program is an integral part of the 2025 Strategy. A dedicated research and innovation focus has led to new business opportunities within plant-based solutions, reduction of food waste and more efficient agricultural processes and food production. Through these dedicated efforts, Chr. Hansen enables its customers to achieve their decarbonization strategies and targets.

As for transitional and physical risks, these were an integrated part of the strategy process. For further details, please refer to Chr. Hansen Holding A/S' latest Climate Change response to CDP.

Explore our decarbonization roadmap on p. 48

Read about our 2025 Strategy on pp. 29-31

Learn about our business model on pp. 12-25

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks

Assessing climate-related risks forms an integral part of the existing Enterprise Risk Management (ERM) Framework. As such, any climate-related risks will be addressed in accordance with the ERM governance structure to ensure adequate board and executive 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 facing the Company as a result of changes to regulation, technology, markets, products and consumer demands.

More information on our risk management on pp. 53-56

Metrics and Targets

Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Chr. Hansen has set Science Based Targets to reduce climate related emissions in line with the goals of the Paris Agreement. Some climate-related metrics include:

- 42% reduction in scopes 1 and 2 by 2030
- 20% reduction in scope 3 by 2030
- 100% renewable electricity by 2025

Enabling customers' decarbonization journey is a focus area for Chr. Hansen. To focus the efforts, Chr. Hansen has established 2025 targets to e.g.:

- Ensure that ≥80% of revenue has a positive impact on the UN Sustainable Development Goals
- 2 million tons reduction of yogurt waste
- Covering 25 million hectares with biological plant health products

Read more about our sustainability ambitions on p. 33 and our recent track record in the sustainability review section on pp. 41-51

Governance

Two-tier governance structure

Shareholders

Key responsibilities
The shareholders have the 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 ten members, six 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 shareholder-elected members are independent[1]. 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

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

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

Composition and meeting frequency
At August 31, 2022, the Executive Board consists of two members, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer. The Executive Board forms part of the Corporate Leadership Team, which currently has six additional members who are responsible for Food Cultures & Enzymes, Health & Nutrition, Research and Development, Global Operations, Compliance & Corporate Affairs and 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.

1 As defined in Section 3.2.1 in the Danish Recommendations on Corporate Governance of December 2, 2020.

Overview of Board committees[1]

	Audit[2]	Nomination	Remuneration	Science & Innovation
Key responsibilities Assists the Board of Directors with the:	• Financial and non-financial (ESG) reporting • Internal controls over financial and non-financial (ESG) reporting • External auditors • Business ethics compliance • Complaints through whistleblower hotline • Capital structure • Enterprise risk management • IT/cybersecurity • Tax and insurance coverage • Corporate governance	• Competency profile and composition of the Board • Nomination of Board and Board committee members • Executive Board/CLT succession planning and performance reviews • Annual evaluation of the Board • Diversity, Equity & Inclusion policy • Board and corporate diversity	• Remuneration Policy and Total Rewards Position • Remuneration of the Board, Board committees, and the Corporate Leadership Team • Remuneration Report	• Research and development strategy • Commercialization strategy • Innovation plans • Project portfolio and pipeline • R&D organization
Composition	• Lise Kaae (chair)[3] • Jesper Brandgaard[3] • Dominique Reiniche	• Dominique Reiniche (chair) • Jesper Brandgaard • Heidi Kleinbach-Sauter • Kevin Lane	• Dominique Reiniche (chair) • Luis Cantarell • Lise Kaae	• Luis Cantarell (chair) • Heidi Kleinbach-Sauter • Kevin Lane
Key matters handled 2021/22	Review of climate program and Science Based Targets, IT/cybersecurity, tax transparency report/GRI207, annual report, enterprise risk management and capital structure.	Update of Board Competency Profile, Board evaluation follow-up and planning, CLT development and succession planning and update of the corporate diversity targets, including the Diversity, Equity & Inclusion policy.	Review of CLT remuneration, especially the design and structure of the short-term and long-term incentive programs, Board remuneration, review of the Remuneration Policy, the new Total Rewards Position and the Remuneration Report.	Review of the Food Cultures & Enzymes and Health & Nutrition project portfolios and pipelines, the progress of the 2025 R&D strategic initiatives and key technology developments.

1 For a more detailed description of the Board committees, details on members and full reports on the key matters handled by the Board Committees in 2021/22, please refer to www.chr-hansen.com.
2 Collectively the members have relevant industry expertise as required under part 8 of the Danish Act on Approved Auditors and Audit Firms.
3 Lise Kaae and Jesper Brandgaard possess the qualifications within accounting and auditing required under part 8 of the Danish Act on Approved Auditors and Audit Firms.

Board competencies and diversity

The composition of the Board of Directors must be such that the collective 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 purpose, culture model and leadership essentials, as well as having a genuine environmental, social & governance (ESG) mindset. In addition, the Board of Directors should collectively possess experience and expertise within the following competencies: global business management, strategic operations, and governance. Experience and expertise in either the bioscience, food, beverages, nutritional, pharmaceutical, or agricultural industries. Business development, M&A and alliance management. Science, innovation, and technology. Finance & accounting and Investor Relations. Global manufacturing and logistics of ingredients for either food, beverages, nutritional, agriculture or pharmaceuticals. People leadership and HR development. IT security. Environmental, social & governance (ESG).

More information on the Board Competency Profile here
Go to p. 148 for full link

The Board has a gender diversity target of having at least three shareholder-elected members of each gender by 2025. This target is currently met with three male and three female shareholder-elected members. The diversity level of the Board of Directors of Chr. Hansen A/S also had equal gender representation with three out of the four shareholder-elected members being women.

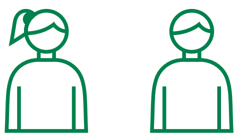
Corporate governance statement

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[1] for the 2021/22 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 review.

Read the 2021/22 Corporate Governance Statement here
Go to p. 148 for full link

Diversity

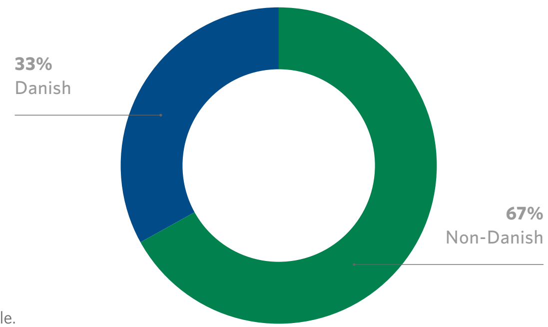
Of the shareholder-elected board members



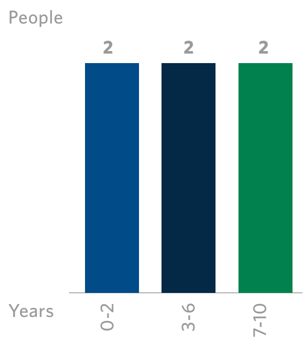
50% Female[2]

50% Male[2]

Nationality



Tenure



1 The Danish Recommendations on Corporate Governance of December 2, 2020.
2 Of the four employee-elected board members, 50% are female and 50% are male.

Board evaluation

The 2021/22 Board evaluation process was led by an external consultant in collaboration with the Chair of the Board of Directors and the Nomination Committee. The evaluation included all members of the Board and the Executive Board. The evaluation addressed topics such as the overall effectiveness of the Board, the individual member's contribution and results, the composition and dynamics of the Board with focus on competencies and diversity, the processes supporting its work, the work and value contributions of the Board committees, the Chair's performance and the cooperation on the Board and between the Board and the Executive Board. Furthermore, the process evaluated topics such as strategy development and execution, enterprise risk management and compliance, Board and management succession planning, and potential overboarding of Board members.

The process consisted of (i) pre-briefing meetings between the external consultant and the Chair of the Board, the Vice Chair of the Board, and the CEO, individually, (ii) briefing and context meetings between the external consultant and members of the Corporate Leadership Team, iii) in-depth interviews conducted by the external consultant with each Board and Executive Board member based on an interview guideline agreed with the Chair of the Board and the Nomination Committee, iv) a presentation by the external consultant to the Board of Directors in September 2022 on the outcome of the evaluation and discussion hereof, and (v) one-on-one meetings between the Chair of the Board and each of the Board members, where feedback on individual performance was discussed. Finally, all Board committees conducted informal self-evaluations, the outcome of which were reported to the Board in September/October 2022.

The overall outcome of the evaluation showed an effectively performing Board, a high level of engagement and a good and open dialogue and collaboration with the Executive Board. Overall, all the areas for improvement identified in the 2020/21 evaluation had been addressed. The 2021/22 evaluation key focus areas for the Board of Directors are agility in the development of the short- and long-term strategy, continued value creation from the recent acquisitions, stakeholder feedback and sentiment, as well as management succession planning.

Business integrity

Conducting business in an ethical way is part of Chr. Hansen's DNA. We promote an ethical business environment in accordance with relevant laws and regulations and we do not tolerate violation of competition, anticorruption or bribery laws. Annual training in business ethics is mandatory for all employees.

Chr. Hansen has robust compliance programs for anti-corruption, competition law and sanctions compliance designed to fulfil the global requirements. Chr. Hansen's Business Integrity policy is available to employees and third parties. A due diligence process including screening to ensure compliance with Chr. Hansen's ethical and compliance standards is performed before onboarding any third parties acting on behalf of Chr. Hansen, such as distributors and agents. There is a steadily growing demand for screening and hence a cross-functional project has been initiated in order to establish common ground for third party screening in Chr. Hansen.

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, 15 cases were reported, 13 through the whistleblower hotline. Six of these were assessed as unjustified. All justified cases were acted upon and have been resolved or are ongoing.

As a further development of the privacy compliance and data protection program at Chr. Hansen, principles on data ethics have been enhanced in 2021. The data ethics principles are implemented in a position on privacy, data protection and data ethics and includes principles on lawfulness, fairness, transparency, data minimization, security, integrity and confidentiality. The guiding principles set the ethical standard for how data is used at Chr. Hansen and support the ethical decision-making when using data. Data Ethics thus supplements Chr. Hansen's privacy compliance program. Policies, procedures and e-learning are regularly reviewed and updated and supportive governance has been implemented.

More information on our Business Integrity Policy here
Go to p. 148 for full link

Read our position on privacy, data protection and data ethics
Go to p. 148 for full link

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 2021 Annual General Meeting held on November 24, 2021.

Chr. Hansen has prepared a separate Remuneration Report in accordance with section 139b of the Danish Companies Act. 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 2021/22 financial year. The Remuneration Report will be submitted to the 2022 Annual General Meeting for an advisory vote.

Further information can be found in the 2021/22 Remuneration Report and Remuneration Policy
Go to p. 148 for full link

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[1]

	Fixed compensation	Variable compensation		Other[4]
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 including ESG[3] **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

1 The Company pays social security duties and similar taxes imposed by foreign authorities in relation to the Board members' fees.
2 Requires personal investment in Chr. Hansen shares to participate.
3 Related to customer service, quality, diversity, safety and sustainability.
4 In the event of a change of control, members of the Executive Board do not receive any additional compensation. Reference is also made to note 2.3.

Shareholder information

Share information

Share capital	DKK 1,318,524,960
Number of shares	131,852,496 of DKK 10
Outstanding shares	131,602,227 of DKK 10
Treasury shares	250,269 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 432
Market capitalization at year-end	DKK 57bn (EUR 7.7bn)
Proposed dividend per share	DKK 7.04

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 131.9 million shares in issue and applies the 'one share – one vote' principle. At the end of the financial year 2021/22, Chr. Hansen had a market capitalization of EUR 7.7 billion.

Chr. Hansen shares closed the financial year on August 31, 2022 at DKK 432. This represents a decrease of DKK 149 per share or 26% compared to the previous year's closing price. The Nasdaq OMX C25 index returned -16%, while the predefined peer group returned -23%.

One shareholder has reported to Chr. Hansen that they held 5% or more of the shares at August 31, 2022:

- Novo Holdings A/S (Denmark)

An analysis of the shareholder structure carried out in August 2022 showed that the United States, Denmark and the United Kingdom represent the largest regional groups of institutional investors. Around 6% 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 2022, 1.42% 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 shares.

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 2021/22, net interest-bearing debt amounted to EUR 881 million and leverage stood at 2.0x EBITDA.

Chr. Hansen's Board of Directors regularly assesses whether the Company's share and 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.

Share price development in 2021/22

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.

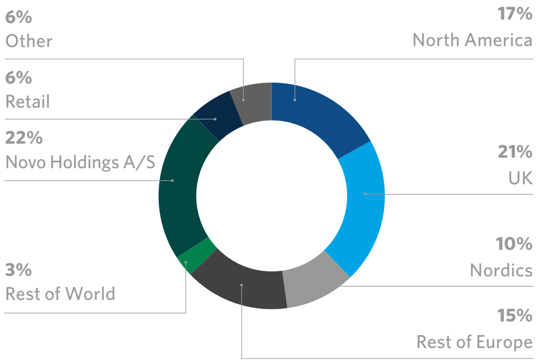
Capital allocation and dividend policy

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.

For 2021/22, the Board of Directors proposes an ordinary dividend of DKK 7.04 per share, equal to a total of EUR 125 million. The proposed dividend represents 55% of the profit for the year.

Shareholders, August 2022



Board of Directors

Full CV of Board of Directors
Go to p. 148 for full link

Dominique Reiniche – Chair

- Board member since 2013.
- Term 2022.
- Born July 1955.
- Independent.

Chair of the Nomination and Remuneration Committees. Member of the Audit Committee.

Positions and management duties
Member: PayPal Luxembourg, LU, chair of the remuneration committee and member of the audit committee. Mondi plc, UK, chair of the sustainability committee and member of the nomination and remuneration committees. Deliveroo plc, UK, member of the audit and risk, nomination and remuneration committees.

Main competences
Global business management, strategic operations, and governance. Global sales and marketing, manufacturing and logistics of fast-moving consumer goods within the food, beverages and homecare industries. People leadership and HR development. Innovation and technology. Environmental, social and governance (ESG). Investor Relations.

Jesper Brandgaard – Vice Chair

- Board member since 2017.
- Term 2022.
- Born October 1963.
- Independent.

Member of the Audit and Nomination Committees.

Positions and management duties
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.

Main competences
Global business management, strategic operations, and governance. Finance & Accounting and Investor Relations. Business development, M&A and alliance management. Global manufacturing and logistics of ingredients for the pharmaceutical industry. IT security.

Luis Cantarell

- Board member since 2016.
- Term 2022.
- Born August 1952.
- Independent.

Chair of the Science & Innovation Committee. Member of the Remuneration Committee.

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

Main competences
Global business management, strategic operations, and governance. Global sales and marketing of fast-moving consumer goods within the food, beverages, nutritional and agricultural industries. Business development, M&A and alliance management. Science, Innovation and Technology. People leadership and HR development.

Casper Lynghoej Giedo

- Board member since 2021.
- Term 2025.
- Born June 1982.
- Non-independent.

Employee representative.

Positions and management duties
Principal specialist production, Production Management Cultures Avedoere, Chr. Hansen A/S.

Main competences
Competences are not mapped

Charlotte Hemmingsen

- Board member since 2017.
- Term 2025.
- Born September 1964.
- Non-independent.

Employee representative.

Positions and management duties
Senior specialist, CMC Documentation, QA, Chr. Hansen A/S.

Main competences
Competences are not mapped

Independence as defined in Section 3.2.1 in the Danish Recommendations on Corporate Governance of December 2, 2020.

Full CV of Board of Directors
Go to p. 148 for full link

Lise Kaae

- Board member since 2020.
- Term 2022.
- Born July 1969.
- Independent.

Chair of the Audit Committee. Member of the Remuneration Committee.

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

Main competences
Global business management, strategic operations, and governance. Finance & Accounting. Global sales and marketing of fast-moving consumer goods primarily within fashion. Business development, M&A and alliance management. People leadership and HR development. Environmental, social and governance (ESG).

Heidi Kleinbach-Sauter

- Board member since 2017.
- Term 2022.
- Born June 1956.
- Independent.

Member of the Nomination and Science & Innovation Committees.

Positions and management duties
Member: Royal Unibrew A/S, DK, and Women's Business Collaborative, US.

Main competences
Global business management, strategic operations, and governance. Science, innovation, and technology. Environmental, social and governance (ESG). Experience and expertise within bioscience, food, beverages and nutritional industries. Global manufacturing and logistics of ingredients for the food, beverages and nutritional industries.

Kevin Lane

- Board member since 2020.
- Term 2022.
- Born February 1965.
- Independent.

Member of the Nomination and Science & Innovation Committees.

Positions and management duties
Member: Grosvenor Food and AgTech Ltd., UK, chair of the investment committee. Senior advisor: PAI Partners and Cinven, UK.

Main competences
Global business management, strategic operations, and governance. Global sales and marketing of fast-moving consumer goods within the food, beverages, nutritional and agricultural industries. Business development, M&A and alliance management. Global manufacturing and logistics of ingredients for the food, beverages, nutritional and agricultural industries. People leadership and HR development.

Karen Lauesen

- Board member since 2021.
- Term 2025.
- Born December 1977.
- Non-independent.

Employee representative.

Positions and management duties
Head of Organizational Communications, Corporate Communications, Chr. Hansen A/S.

Main competences
Competences are not mapped

Kim Ib Soerensen

- Board member since 2017.
- Term 2025.
- Born July 1963.
- Non-independent.

Employee representative.

Positions and management duties
Senior Research Fellow, Strain Development, Chr. Hansen A/S.

Main competences
Competences are not mapped

Independence as defined in Section 3.2.1 in the Danish Recommendations on Corporate Governance of December 2, 2020.

Shareholding and meeting attendance overview

Name	Shareholdings		Meeting attendance 2021/22[1]				
	End 2021/22	Changes in 2021/22	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Science & Innovation Committee
Dominique Reiniche	2,462	0	7/7 ●●●●●●●	7/7 ●●●●●●●	4/4 ●●●●	4/4 ●●●●	
Jesper Brandgaard	4,622	0	7/7 ●●●●●●●	7/7 ●●●●●●●	4/4 ●●●●		
Luis Cantarell	2,200	0	7/7 ●●●●●●●			3/3 ●●●	5/5 ●●●●●
Casper Lynghoej Giedo	20	+20	4/4 ●●●●				
Charlotte Hemmingsen	1,137	0	7/7 ●●●●●●●				
Lise Kaae	1,311	0	7/7 ●●●●●●●	7/7 ●●●●●●●		2/2 ●●	
Heidi Kleinbach-Sauter	850	+100	7/7 ●●●●●●●		4/4 ●●●●		5/5 ●●●●●
Kevin Lane	1,000	0	7/7 ●●●●●●●		4/4 ●●●●		5/5 ●●●●●
Karen Lauesen	53	+53	4/4 ●●●●				
Kim Ib Soerensen	100	0	7/7 ●●●●●●●				
Board members who stepped down during 2021/22							
Lisbeth Grubov[2]			3/3 ●●●				
Per Poulsen[2]			3/3 ●●●				
Mark Wilson[2]			3/3 ●●●	4/4 ●●●●		1/1 ●	
Lillie Li Valeur[3]			6/6 ●●●●●●			2/2 ●●	4/4 ●●●●

● Attended
○ Absent

1 Number of board meetings attended by each board member out of the total number of meetings during the member's term.
2 Stepped down at the Annual General Meeting on November 24, 2021.
3 Stepped down on May 1, 2022.

Executive Board and Corporate Leadership Team

Executive board & corporate leadership team
Go to p. 148 for full link

Mauricio Graber
President and Chief Executive Officer[1]

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 & Chief Financial Officer[1]

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 and Dovista A/S, DK.

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.

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.

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.

Other positions:
Member: GUDP, Green Development and Demonstration Program under the Ministry of Food, Agriculture and Fisheries.

Alice Larsen
Corporate Vice President, Human Resources

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

Henrik Joerck Nielsen
Executive Vice President & Chief Scientific Officer

Joined Chr. Hansen in August 2014 and the Corporate Leadership Team in April 2022. Born April 1978.

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, member of human resources committee.

1 Member of the Executive Board. The Executive Board forms part of the Corporate Leadership Team.

07 Additional sustainability information

Product data table

		2021/22	2020/21	2019/20
Revenue contribution to the UN SDGs				
Gross revenue contribution, %	§	80	82	81
Better farming				
Farmland treated with natural solutions, ha.		5.2m	4.4m	3.2m
Accumulated ha. (base year 2015/16)		23.2m	18m	13.6m
Good health				
People consuming Chr. Hansen probiotics, no.		195m	149m	163m
Food waste[2]				
Yogurt waste reduction, tons[3]		160,000	160,000	160,000
Accumulated tons (base year 2015/16)		1,030,000	870,000	710,000

§ Covered by the Limited Assurance Statement.

Planet data table

	2021/22	2020/21	2019/20
Energy			
Renewable energy (electricity), %[1]	61	60	41
Total energy consumption, MWh[1]	224,319	181,327	176,539
CO_2 footprint			
Total Scope 1 CO_2e emitted, tons[1]	24,231	16,303	17,073
Total Scope 2 CO_2e emitted, tons (location-based)[1]	24,305	20,246	23,224
Total Scope 2 CO_2e emitted, tons (market-based)[1]	17,897	15,963	30,382
Total Scope 3 upstream transportation CO_2e emitted, tons[2]	54,554	50,505	56,168
Water			
Total water consumption, m^3 [1]	1,329,712	1,233,281	1,142,435
Waste			
Recycled biomass, tons[1]	145,603	96,193	99,737
Circular management of biomass, %[1]	91	70	71
Recycled solid waste, %[1]	54	60	49
Solid waste, tons[1]	4,900	3,764	3,694
Hazardous waste, % of solid waste[1]	2	2	3
Wastewater, m^3 [1]	914,058	955,601	865,430
Packaging			
Recyclable key packaging material, %	66	68	67
Environmental Violations			
Environmental violations, no.	0	2	0

1 This number is restated as a new data collection system was implemented during this financial year, improving data quality. Also, acquisitions are included with historical data.

2 With Chr. Hansen's Science Based Targets, the method for scope 3 upstream transportation was updated. The update entails a general improvement in data quality and the use of DEFRA emission factors including radiative forcing for air transport. Historical data for 2019/20 and 2020/21 is updated consequently.

People data table

	2021/22	2020/21	2019/20
People			
Total number of employees	3,834	3,702	3,286
Average number of employees (full-time equivalents)	3,693	3,396	2,901
Employee turnover, %	16	14	10
Diversity and inclusion			
Gender - all employees (male/female)[1], %	56/44	57/43	57/43
Gender - managers (male/female)[1], %	62/38	63/37	63/37
Gender - ratio between female employees and managers[1]	44:38	43:37	43:37
Gender - key positions (male/female), %	69/31	68/32	73/27
Board of Directors - (male/female/non-local), %	50/50/67	50/50/63	71/29/57
Retention of employees over the age of 30, %	81	83	
Gender pay gap, %	4.1	6.2	
Employee engagement			
Engagement matters ranking, top %	25	10	34
New employees introduced to culture model, %	100	N/A[2]	100
Occupational health and safety			
Lost Time Incidents (LTIs)	11	6	7
Frequency of LTIs per million working hours (LTIF)	1.7	1.0	1.3
Severity (days away per LTI)	8	2	8
Fatalities	0	0	0

1 2019/20 numbers have been adjusted to more accurately reflect the carve-out of Natural Colors.

2 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.

Limited assurance statement on revenue contribution to the UN Sustainable Development Goals

Independent practitioner's limited assurance report on the 2021/22 revenue contribution of Chr. Hansen Holding A/S to the UN Sustainable Development Goals.

To the stakeholders of Chr. Hansen Holding A/S
Chr. Hansen Holding A/S ("Chr. Hansen" or "the Company") 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 September 1, 2021 to August 31, 2022. Chr. Hansen has mapped its product portfolio with respect to SDG impact and concluded that products sold that constitute 80% of Chr. Hansen's gross revenue have an 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 to believe that the 2021/22 percentage of gross revenue from products contributing to the UN Sustainable Development Goals (SDGs no. 2, 3 and 12) as stated on page 70 in the 2021/22 Annual Report have not been prepared, in all material respects, in accordance with the sustainability accounting policies, ("the accounting policies"), on pages 74-76.

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 70 of the Annual Report 2021/22.

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 must be read and understood together with accounting policies,

which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed
We are required to plan and perform our work 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 Chr. Hansen's products impact on SDGs whether based on scientific trials, externally reviewed impact studies, customer appraisals or internal R&D test results;
- assessed the consolidation of revenue from sales of products and assessed whether total gross revenue per product group is aligned with net revenue in the audited Consolidated Financial Statements for 2021/22;
- 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 policies for preparing data; and
- consolidating and reporting the gross revenue percentages based on the accounting policies.

Our responsibility
We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the percentages of gross revenue from sold products with an impact on SDGs 2, 3 and 12 as stated on page 70 in the Annual Report 2021/22 are free from material misstatement, and are prepared, in all material respects, in accordance with the accounting policies;
- forming an independent conclusion, based on the procedures we have performed, and the evidence obtained; and
- reporting our conclusion to the Stakeholders of Chr. Hansen Holding A/S.

Hellerup, October 12, 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company Reg. No. 3377 1231

Kim Tromholt
State Authorised
Public Accountant
mne33251

Allan Knudsen
State Authorised
Public Accountant
mne29465

Sustainability accounting policies

Enhanced reporting on sustainability requires transparency. The following accounting policies describe the calculation methods used for Chr. Hansen's Product, Planet and People KPIs.

1. Revenue contribution to the UN Sustainable Development Goals

Scope

The revenue contribution to the UN Sustainable Development Goals (SDG) reflects the results of an annual assessment of Chr. Hansen's entire product portfolio. All products are assessed in terms of their contribution to/impact on UN 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)

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

The assessment builds on the assumption that the customers follow Chr. Hansen's instructions and guidelines on recommended dosage to achieve the documented positive effects.

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, please visit www.chr-hansen.com/globalgoals.

2. Better farming

The target is to expand the reach of our natural Plant Health solutions to an accumulated 25 million hectares of farmland by 2025 to support sustainable agriculture, food and crop cultivation. This accumulated target captures the overall impact of Chr. Hansen's products over the course of the years since the base year.

Included in the scope of the targets are our biological Plant Health solutions for natural crop protection and our silage inoculants for better preservation of forage. The target is based on sales numbers from SAP BI combined with the application rates for Plant Health products and silage inoculants respectively. For Plant Health solutions applied at the time of sowing for crops cultivated for more than one season, the area is multiplied by the average lifecycle of the respective crop due to the protective mechanism that is available in that period.

3. Good health

We have defined a target of reaching 200 million people with our probiotic strains, consisting of our probiotic solutions for dietary supplements, fermented dairy and other food types. The calculation is based on volumes and sales figures for probiotic blends, capsules, dairy cultures and solutions for other food types. The number of people consuming probiotic blends, cultures or other food types was estimated using the CFU count (colony forming units, which indicate the number of viable cells). For capsules, it is assumed that people take one capsule a day.

4. Food waste

The target to reduce global yogurt waste builds on the waste reduction potential of FreshQ®, a food culture with better bioprotective effect in fermented milk applications and other similar products that may be launched in the future. One of the primary shelf life limiting factors for fermented milk products, such as yogurt, is natural spoilage due to yeast and mold. The protective cultures in FreshQ® inhibit the growth of yeast and mold contamination in dairy products and can thereby reduce spoilage and help extend shelf life. For this accounting principle, it is presumed that FreshQ® can extend shelf life by seven days. This is a conservative average estimate for a fermented milk product produced by an average European dairy and sold under average European cold-chain conditions. The average waste from yogurt is estimated to be 15% (FAO, 2011). FreshQ® spoilage inhibition and shelf life extension can reduce this percentage to 6.8%. The base year for the target is 2015/16.

5. Energy footprint
Electricity consumption includes all on-site consumption of electricity at Chr. Hansen sites in production, warehouses, R&D facilities and offices. All electricity reporting is based on meter readings or invoices. Renewable electricity is electricity produced from renewable sources. These may include biomass (including biogas), geothermal, solar, water, and/or wind - either sourced from the market or self-produced.

6. Company carbon footprint
Emissions of greenhouse gases are accounted for in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. Under the Protocol, emissions are reported according to three scopes. The organizational scope covers all manufacturing facilities and, when located adjacent to these, includes offices, warehouses and other activities.

- Scope 1 includes emissions from energy consumption and cooling systems. No transportation is included in scope.
- Scope 2 emissions are calculated in accordance with the location-based method, mainly due to the availability of more reliable emission factors compared to the market-based method.
- Scope 3 emissions include only indirect transportation paid for by Chr. Hansen. This mainly covers the transportation of final products to Chr. Hansen's customers as well as internal transportation between production sites. Scope 3 emissions are rough estimates based on distances and emission factors from DEFRA.

7. Waste and by-products
Biowaste is defined as a by-product of production, a waste stream that is created as part of the product recipe (primarily eluate). Recycling of biowaste is defined as either reuse of waste as secondary raw materials, reprocessing of waste as a new product, or using waste as fuel in energy and heat production.

Waste and by-products comprise wastewater, recycled biomass and solid waste. Wastewater discharge comprises of wastewater from production and other activities, such as domestic wastewater. Water recycled on site is excluded. Wastewater is measured after any on-site wastewater treatment processes.

8. Packaging
Key packaging solutions are defined as packaging solutions representing 10% or more of total global packaging solutions spend that are applied for the same or similar products across Chr. Hansen sites globally. Packaging is recyclable if it can technically be collected, sorted, reprocessed, and ultimately reused in manufacturing or making another item.

9. Water footprint
For this definition, water comprises all sources and uses; products, noncontact cooling water, steam and domestic water. The source of the water may be the municipal water supply, a private water supply, groundwater or surface water. Water volumes are reported in cubic meters based on metered intake or invoices. At some production sites, noncontact cooling water is either reinjected into the groundwater reservoir or released into surface water. As the noncontact water is not contaminated with either products or chemicals, and is therefore not net consumption, this source is excluded from the calculation of water consumption. The organizational scope covers all manufacturing facilities and, when located adjacent to these, includes offices, warehouses and other activities.

10. Environmental violations
Breaches of regulatory terms and conditions as specified in environmental permits, for example spills or excess emissions, are reported only where separate notification to the authorities is required, or where a notice of violation is received from the authorities.

11. People
The total number of employees is the total headcount at end of financial year (August 31, 2022). All employees paid directly by the Group are included in the headcount. The number of employees is also expressed as average number of employees full-time equivalents (FTEs) based on a yearly average based on the average monthly sum of FTEs, by end of each month in the financial year. The FTE for each employee is calculated as their contractual work hours divided by the full-time work hours.

Employee turnover is calculated as an accumulated percentage at the end of the financial year. The calculation is based on the number of employees who were dismissed or voluntary left the Group in each month divided by the total employee headcount per month.

12. Diversity and inclusion
The diversity and inclusion indicators are calculated according to principles of the headcount of employees. Gender diversity for all employees are male and female headcounts, respectively, divided by the total headcount. Undeclared genders are excluded from the results.

The gender diversity for managers is the male and female headcount, respectively, divided by the total headcount of people managers. People managers are defined as having other employees reporting to them.

Key positions cover employees at Director level or above, and diversity is based on gender headcounts.

Retention of employees is defined as the percentage ratio showing retention of employees for minimum of three years, who were 29 or younger at the time of hire. The calculation includes permanent and open-ended employment contracts. Student worker and time limited contracts are excluded.

Gender pay gap is based on compensation per December 31 of the respective financial year. The paygap is based on all employees employed in countries with more than 250 employees. These include Denmark, United

States, Germany and France. The gender pay gap is the percentage difference between the average full-time female fixed compensation divided by the same full-time average fixed compensation for men. The fixed compensation is base salary, fixed allowances and benefits.

13. Employee engagement
Engagement matters ranking is based on the latest employee engagement survey (May 22 of the respective financial year) conducted in Peakon Employee Voice. Overall engagement score (0-10) versus the Peakon customer database consisting of company engagement results from more than 160 million unique surveys.

New employees introduced to culture model is based on confirmation by hiring manager that they have presented the Chr. Hansen culture model to all employees hired in the financial year. The confirmation is captured in the digital on-boarding module which is part of our HRIS C-People.

14. Occupational health & safety
The number of Lost Time Incidents (LTIs) is defined as accidents resulting in more than one day´s absence from work. The LTI frequency is calculated as incidents resulting in more than one day´s absence per million working hours, excluding sickness, maternity/paternity leave and holidays. A decrease in frequency reflects an improvement. The severity of incidents is measured as the number of days away from work per incident and/or the expected number of days away. Only days away recorded within the year in which the incident occurred are included in the severity KPI. Fatalities are work-related accidents or injuries resulting in casualty.

Readers' guides

Chr. Hansen's 2021/22 annual report aims to provide investors and other stakeholders with a holisitic view of the Company's business model, value drivers, strategy, governance and business performance in line with guidelines of the International Integrated Reporting Framework of the Value Reporting Foundation.

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 Sections 99a, 99b, 99d and 107d of the Danish Financial Statements Act, as well as the Communication On Progress to the UN Global Compact and our reporting according to the Recommendations of the Task Force for Climate Related Disclosure (TCFD) which we are publishing for the first time.

For our reporting as per Section 107b of the Danish Financial Statements Act, and Section 139b of the Danish Companies Act please refer to the 2021/22 Corporate Governance Statement and the 2021/22 Remuneration Report.

Corporate Governance Statement 2021/22
Go to p. 148 for full link

Remuneration Report 2021/22
Go to p. 148 for full link

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

Topic	Page reference
Section 99A	
Business model	pp. 12-25
Content of policies for sustainability, systems and due diligence processes results and KPIs	Climate and environment pp. 33, 44-48 Social matters pp. 33, 49-51 Respect for human rights p. 51 Anticorruption and bribery pp. 51, 61
Section 99B and 107D	
Target figures for the supreme management body	p. 60
Policy for promoting underrepresented gender and diversity at management level	pp. 49-51, 60
Section 99D	
Data ethics	p. 61

International Integrated Reporting Framework

Content elements	Page reference
Organizational overview and external environment	Business overview p. 13 Purpose p. 2
Governance	Corporate governance pp. 58-61
Business model	How we create value pp. 17-27
Risks and opportunities	Risk management pp. 53-56 Opportunities pp. 14-15
Strategy and resource allocation	2025 Strategy pp. 29-31
Performance	Financial review pp. 35-40 Sustainability review pp. 41-51

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

Statement of the Board of Directors and the 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, 2021 – August 31, 2022.

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, 2022 of the Group and the Parent Company and of the results of the Group's and Parent Company's operations and cash flows for 2021/22.

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 Annual Report of Chr. Hansen Holding A/S for the financial year September 1, 2021 to August 31, 2022 with the file name 549300MKPW8ZF3E8MW37-2022-08-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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, 2021 – August 31, 2022 represents a reasonable, fair and balanced representation of the Group's product performance targets in accordance with the stated sustainability accounting policies.

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

Hoersholm, October 12, 2022

Executive Board

Mauricio Graber
President & CEO

Lise Mortensen
CFO

Board of Directors

Dominique Reiniche
Chair

Jesper Brandgaard
Vice Chair

Luis Cantarell

Casper Giedo Lynghoej

Charlotte Hemmingsen

Lise Kaae

Heidi Kleinbach-Sauter

Kevin Lane

Karen Lauesen

Kim Ib Soerensen

Independent auditor's reports

To the shareholders of Chr. Hansen Holding A/S

Report on the audit of the Financial Statements

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 August 31, 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year September 1, 2021 to August 31, 2022 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 September 1, 2021 to August 31, 2022 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 on November 30, 2010 for the financial year 2010/2011. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 12 years including the financial year 2021/2022. We were reappointed following a tendering procedure at the General Meeting on November 25, 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 September 1, 2021 to August 31, 2022. 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
Risk of impairment of acquired intangible and tangible assets Chr. Hansen has made significant acquisitions resulting in capitalisation of intangible assets, including acquired technology, product trademarks and customer relationships. Furthermore, a production facility is being established related to the acquired HMO business. Subsequent to the acquisitions, Management has assessed whether the capitalised patents, product trademarks and customer relationships are still in use and assessed the valuation of the intangible and tangible assets related to HMO to determine any need for impairment. We focused on this area because the impairment test of intangible and tangible assets related to HMO business and the continued use of intangible assets requires significant judgements and estimates by Management as assets might be impaired if the business plans regarding the investments are not fulfilled or if significant specific intangible assets are discontinued. Refer to notes 3.2 and 3.3 in the Consolidated Financial Statements.	We evaluated and assessed Management's impairment test of the acquired intangible and tangible assets and the tangible assets under construction related to HMO business. Furthermore, we challenged the significant assumptions and judgements applied by Management. We evaluated Management's assessment of whether the capitalised patents, product trademarks and customer relationships are still in use. We assessed the appropriateness of the related disclosures provided in the Consolidated Financial Statements.

Statement on Management's Review
Management is responsible for Management's Review pages 5-77.

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

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

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

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

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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 gives a true and fair view.

- 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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Chr. Hansen Holding A/S for the financial year September 1, 2021 to August 31, 2022 with the filename 549300MKPW8ZF3E8MW37-2022-08-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Chr. Hansen Holding A/S for the financial year September 1, 2021 to August 31, 2022 with the file name 549300MKPW8ZF3E8MW37-2022-08-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

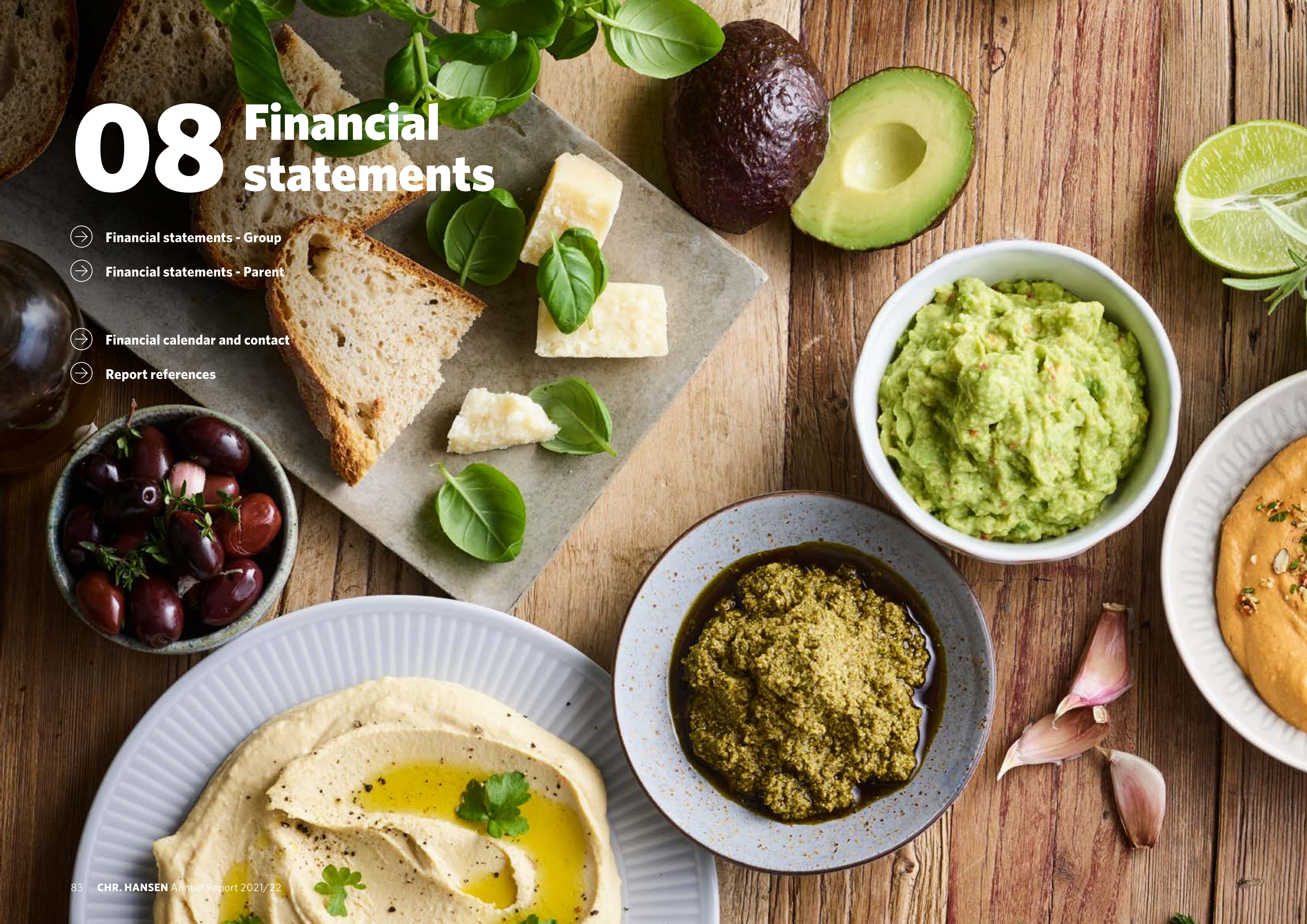
Hellerup, October 12, 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Kim Tromholt
State Authorised
Public Accountant
mne33251

Allan Knudsen
State Authorised
Public Accountant
mne29465

08 Financial statements



Consolidated financial statements – Chr. Hansen Group

Notes

Income statement
September 1 – August 31

EUR million	Note	2021/22	2020/21
Revenue	2.1	1,218.0	1,077.4
Cost of sales	2.2, 2.3, 3.5	(541.5)	(464.0)
Gross profit		**676.5**	**613.4**
Research and development expenses	2.2, 2.3	(96.8)	(90.1)
Sales and marketing expenses	2.2, 2.3	(173.9)	(154.8)
Administrative expenses	2.2, 2.3, 2.4	(82.0)	(73.1)
Other operating income		6.9	3.1
Other operating expenses		(4.9)	(0.4)
Operating profit before special items (EBIT b.s.i.)		**325.8**	**298.1**
Special items	2.5	(4.9)	(21.9)
Operating profit (EBIT)		**320.9**	**276.2**
Financial income	2.6	74.4	28.5
Financial expenses	2.6	(94.4)	(51.0)
Share of loss in joint ventures	5.5	(8.0)	(6.6)
Profit before tax		**292.9**	**247.1**
Income tax	2.7	(67.8)	(48.4)
Profit from continuing operations		**225.1**	**198.7**
Profit from discontinued operations	5.4	-	646.5
Profit for the year		**225.1**	**845.2**
Earnings per share, EUR			
Earnings per share	2.8	1.71	6.42
Earnings per share, diluted	2.8	1.71	6.41
Earnings per share from continuing operations	2.8	1.71	1.51
Earnings per share from continuing operations, diluted	2.8	1.71	1.51

Statement of comprehensive income
September 1 – August 31

EUR million	Note	2021/22	2020/21
Profit for the year		225.1	845.2
Items that will not be reclassified subsequently to the income statement			
Remeasurements of defined benefit plans	3.7	1.8	0.6
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Exchange rate adjustments of foreign Group companies		58.6	2.1
Reclassification of exchange rate adjustment of foreign Group companies		(0.5)	1.0
Fair value adjustments of interest rate hedges		30.8	3.1
Tax related to interest rate hedges		(6.7)	(0.6)
Other comprehensive income for the year		**84.0**	**6.2**
Total comprehensive income for the year		**309.1**	**851.4**

Cash flow statement
September 1 – August 31

EUR million	Note	2021/22	2020/21
Operating profit from continuing operations		320.9	276.2
Non-cash adjustments	5.2	100.7	105.0
Change in working capital		(32.5)	(5.0)
Interest received		1.0	-
Interest paid		(17.3)	(20.3)
Taxes paid		(64.0)	(27.9)
Cash flows from operating activities - continuing operations		308.8	328.0
Cash flows from operating activities - discontinued operations		-	(17.2)
Cash flows from operating activities		**308.8**	**310.8**
Investments in intangible assets	3.2	(22.3)	(20.2)
Investments in property, plant and equipment	3.3	(119.3)	(135.7)
Sale and lease back proceeds		-	2.4
Cash flows from operational investing activities - continuing operations		(141.6)	(153.5)
Cash flows from operational investing activities - discontinued operations		-	(5.1)
Cash flows from operational investing activities		(141.6)	(158.6)

EUR million	Note	2021/22	2020/21
Acquisition of entities, net of cash acquired	5.3	-	(318.2)
Investments in joint ventures	5.5	-	(7.4)
Loans to joint ventures	5.5	(10.8)	(7.5)
Cash flows from investing activities - continuing operations		(152.4)	(486.6)
Cash flows from investing activities - discontinued operations		-	771.1
Cash flows from investing activities		**(152.4)**	**284.5**
Free cash flow		**156.4**	**595.3**
Borrowings	4.2	150.0	680.2
Repayment of borrowings	4.2	(167.1)	(1,212.6)
Purchase of treasury shares		(9.2)	(10.4)
Dividends paid, net		(115.9)	(115.8)
Cash flows from financing activities - continuing operations		(142.2)	(658.6)
Cash flows from financing activities - discontinued operations		-	21.4
Cash flows from financing activities		**(142.2)**	**(637.2)**
Net cash flow for the year		**14.2**	**(41.9)**
Cash and cash equivalents at September 1		55.1	96.2
Unrealized exchange gains/(losses) included in cash and cash equivalents		13.5	0.8
Net cash flow for the year		14.2	(41.9)
Cash and cash equivalents at August 31		**82.8**	**55.1**

Balance Sheet
at August 31

EUR million	Note	2022	2021
ASSETS			
Non-current assets			
Goodwill	3.1	1,517.6	1,489.8
Other intangible assets	3.2	357.6	379.5
Property, plant and equipment	3.3, 3.4	877.4	782.1
Investments in joint ventures	5.5	1.7	9.7
Receivables from joint ventures	5.6	25.8	12.9
Other receivables	4.2, 4.3	25.6	-
Deferred tax	2.7	12.7	10.9
Total non-current assets		**2,818.4**	**2,684.9**
Current assets			
Inventories	3.5	180.6	133.9
Trade receivables	3.6	180.5	188.3
Tax receivables		12.7	9.1
Other receivables		28.9	29.8
Prepayments		12.9	13.1
Cash and cash equivalents		82.8	55.1
Total current assets		**498.4**	**429.3**
Total assets		**3,316.8**	**3,114.2**

EUR million	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	177.3	177.3
Currency translation reserve		(15.6)	(73.7)
Interest rate hedging reserve		19.2	(4.9)
Retained earnings		1,643.0	1,527.4
Total equity		**1,823.9**	**1,626.1**
Non-current liabilities			
Employee benefit obligations	3.7	5.5	7.2
Deferred tax	2.7	197.0	169.6
Provisions	3.8	5.1	4.3
Borrowings	4.2	853.4	790.5
Deferred gain, sale and lease back		44.7	46.6
Other payables		-	6.1
Total non-current liabilities		**1,105.7**	**1,024.3**
Current liabilities			
Borrowings	4.2	110.0	162.8
Trade payables		132.5	132.1
Tax payables		50.4	61.8
Deferred gain, sale and lease back		1.8	1.8
Other payables		92.5	105.3
Total current liabilities		**387.2**	**463.8**
Total liabilities		**1,492.9**	**1,488.1**
Total equity and liabilities		**3,316.8**	**3,114.2**

Statement of changes in equity
September 1 – August 31

EUR million	Note	Share capital	Currency translation reserve	Interest rate hedging reserve	Retained earnings	Total
2021/22						
Equity at September 1		177.3	(73.7)	(4.9)	1,527.4	1,626.1
Total comprehensive income for the year		-	58.1	24.1	226.9	309.1
Transactions with owners						
Purchase of treasury shares		-	-	-	(9.2)	(9.2)
Share-based payments	5.1	-	-	-	12.9	12.9
Tax related to share-based payments		-	-	-	0.9	0.9
Dividends, net		-	-	-	(115.9)	(115.9)
Equity at August 31		**177.3**	**(15.6)**	**19.2**	**1,643.0**	**1,823.9**

An ordinary dividend for 2021/22 of EUR 0.95 (DKK 7.04) per share, or a total of EUR 124.8 million, is proposed.

EUR million	Note	Share capital	Currency translation reserve	Interest rate hedging reserve	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		0.2	2.9	2.5	845.8	851.4
Transactions with owners						
Purchase of treasury shares		-	-	-	(10.4)	(10.4)
Share-based payments	5.1	-	-	-	6.8	6.8
Tax related to share-based payments		-	-	-	1.1	1.1
Dividends, net		-	-	-	(115.8)	(115.8)
Equity at August 31		**177.3**	**(73.7)**	**(4.9)**	**1,527.4**	**1,626.1**

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 was proposed.

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 that are measured 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 adoption of new amendments taking effect on September 1, 2021 had no material impact on the recognition, measurement or disclosures in the consolidated financial statements for 2021/22 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 2021/22.

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 rate adjustments arising due to differences between the rates at the transaction date 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 rate 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 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 a 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 the agreed quality or according to agreed specifications under the standard warranty terms is recognized as a provision.

Refer to note 3.6 *Trade receivables* for accounting policies on expected credit losses.

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 and expenses that are 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 and expenses 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

EBITA before special items Operating profit adjusted for amortization, impairment losses on intangible assets 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 *Earnings per share*

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

Cash conversion EBITDA before special items less capital expenditures and change in net working capital as a percentage of EBITDA before special items

EBIT b.s.i. to EBITDA b.s.i.

EUR million	2021/22	2020/21
EBIT b.s.i.	325.8	298.1
Amortization and impairment losses	47.3	47.3
EBITA b.s.i.	**373.1**	**345.4**
Depreciation and impairment losses	59.8	53.9
EBITDA b.s.i.	**432.9**	**399.3**

1.2 Summary of key accounting estimates and judgments

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 subject to uncertainty and unpredictability. Such 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 tax and deferred tax	Uncertain tax positions	Estimate
3.1 Goodwill	Impairment	Estimate
3.2 Other intangible assets	Impairment	Estimate
3.3 Property, plant and equipment	Recognition	Judgment
3.5 Inventories	Indirect production cost	Estimate

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

2.1 Segment information

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Group
2021/22				
Income statement				
Revenue	762.5	455.5	-	1,218.0
EUR growth	9%	21%	-	13%
Organic growth	7%	14%	-	9%
EBITDA before special items	282.1	150.8	-	432.9
EBITDA margin before special items	37.0%	33.1%	-	35.5%
Amortization, depreciation and impairment losses	(53.8)	(53.3)	-	(107.1)
EBIT before special items	228.3	97.5	-	325.8
EBIT margin before special items	29.9%	21.4%	-	26.8%
Share of loss in joint ventures	-	-	(8.0)	(8.0)
Special items and net financial expenses	-	-	(24.9)	(24.9)
Profit before tax	**228.3**	**97.5**	**(32.9)**	**292.9**

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Group
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**	**74.5**	**(51.4)**	**247.1**

2.1 Segment information (continued)

EUR million	Food Cultures & Enzymes	Health & Nutrition	Not allocated	Group
2022				
Assets				
Goodwill	543.8	973.8	-	1,517.6
Other intangible assets	89.9	267.7	-	357.6
Property, plant and equipment	518.5	358.9	-	877.4
Other non-current assets	-	-	65.8	65.8
Total non-current assets	**1,152.2**	**1,600.4**	**65.8**	**2,818.4**
Inventories	106.3	74.3	-	180.6
Trade receivables	107.9	72.6	-	180.5
Other assets	-	-	137.3	137.3
Total current assets	**214.2**	**146.9**	**137.3**	**498.4**
Total assets	**1,366.4**	**1,747.3**	**203.1**	**3,316.8**
Liabilities				
Trade payables	74.2	58.3	-	132.5
Deferred gain, sale and lease back	32.4	14.1	-	46.5
Other liabilities	-	-	1,313.9	1,313.9
Total liabilities	**106.6**	**72.4**	**1,313.9**	**1,492.9**
Net working capital	**140.0**	**88.6**	**-**	**228.6**
Invested capital excluding goodwill	**716.0**	**701.1**	**-**	**1,417.1**
ROIC excluding goodwill	**33.4%**	**14.5%**	**-**	**24.0%**
Additions to non-current assets excluding joint ventures, other receivables and deferred tax	75.2	66.4	-	141.6

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

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

2.1 Segment information (continued)

Geographic allocation

EUR million	EMEA[1]	North America[2]	APAC	LATAM	Group
2021/22					
Revenue	452.9	398.0	227.6	139.5	1,218.0
EUR growth	8%	20%	17%	8%	13%
Organic growth	10%	8%	12%	7%	9%
Non-current assets excluding joint ventures, other receivables and deferred tax[3]	2,352.3	350.7	21.2	28.4	2,752.6

1) Includes Denmark, which accounts for 1% of total revenue, corresponding to EUR 10.4 million.
2) Includes the US, which accounts for 30% of total revenue, corresponding to EUR 369.4 million.
3) Non-current assets in Denmark amount to EUR 1,694.6 million.

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

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 in accordance with the consolidated financial statements. Special items, financial income and expenses, share of result in joint ventures 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 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 applied in the consolidated financial statements.

The geographic distribution of revenue is based on customer location.

When presenting segment information from the income statement or 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	2021/22	2020/21
Amortization and impairment losses		
Intangible assets		
Cost of sales	(4.4)	(4.8)
Research and development expenses	(14.3)	(9.6)
Sales and marketing expenses	(26.9)	(31.3)
Administrative expenses	(1.7)	(1.6)
Total	**(47.3)**	**(47.3)**
Depreciation and impairment losses		
Property, plant and equipment		
Cost of sales	(40.0)	(36.9)
Research and development expenses	(8.8)	(8.0)
Sales and marketing expenses	(4.4)	(4.2)
Administrative expenses	(8.5)	(6.6)
Total	**(61.7)**	**(55.7)**
Deferred gain, sale and lease back		
Administrative expenses[1)]	1.9	1.8
Total amortization, depreciation and impairment losses	**(107.1)**	**(101.2)**

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 *Goodwill*, 3.2 *Other intangible assets*, 3.3 *Property, plant and equipment* and 3.4 *Leases*.

2.3 Staff expenses

EUR million	2021/22	2020/21
Short-term employee benefits	(288.2)	(279.8)
Pension expenses	(23.0)	(22.5)
Social security, etc.	(28.8)	(26.0)
Share-based payments	(7.9)	(6.9)
Total	**(347.9)**	**(335.2)**
Of which:		
Continuing operations	(347.9)	(306.8)
Discontinued operations	-	(28.4)
Total	**(347.9)**	**(335.2)**
Average number of employees (FTE), continuing operations	3,693	3,398
Average number of employees (FTE), discontinued operations	-	548
Average number of employees (FTE)	**3,693**	**3,946**

2.3 Staff expenses (continued)

EUR million	2021/22	2020/21
Executive Board		
Short-term employee benefits[1)]	(3.80)	(3.18)
Pension expenses	(0.34)	(0.36)
Share-based payments[2)]	(1.55)	(1.50)
Termination benefits	(1.42)	-
Total	**(7.11)**	**(5.04)**
Board of Directors		
Fee	(1.20)	(1.12)
Total remuneration to key management personnel	**(8.31)**	**(6.16)**

1) Short-term employee benefits includes the cash value of bonus.
2) The amounts are based on the principles set out in note 5.1 *Share-based payments*.

Remuneration of the Executive Board and Board of Directors
Total remuneration to the Executive Board and Board of Directors, amounted to EUR 8.31 million in 2021/22 (EUR 6.16 million in 2020/21).

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

Board of Directors
Total remuneration to the Board of Directors amounted to EUR 1.20 million in 2021/22 (EUR 1.12 million in 2020/21).

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	2021/22	2020/21
PricewaterhouseCoopers		
Statutory audit	(0.9)	(0.8)
Audit-related services	-	(0.1)
Tax advisory services	(0.1)	-
Other services	-	(0.1)
Total	**(1.0)**	**(1.0)**

Implementation of the EU Audit Reform has led to restrictions on the non-audit services provided by the auditors 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 0.1 million (EUR 0.2 million in 2020/21), corresponding to 18% of the annual fee for statutory audit services provided (51% in 2020/21). Other services consist mainly of advisory services.

2.5 Special items

EUR million	2021/22	2020/21
Cost related to the acquisition of Jennewein	-	(5.1)
Cost related to the divestment of the Natural Colors business	(0.3)	(9.8)
Cost related to the carve-out of the Natural Colors business	(1.5)	(16.3)
Adjustment to previous acquisitions	(1.5)	0.2
Other	(1.6)	(0.7)
Total	**(4.9)**	**(31.7)**
Of which:		
Continuing operations	(4.9)	(21.9)
Discontinued operations	-	(9.8)
Total	**(4.9)**	**(31.7)**

Accounting policies
Special items comprise material amounts that cannot be attributed to recurring operations, such as income and expenses related to acquisitions and divestments, closure or restructuring of subsidiaries and business lines from the time the decision is made. Also classified as special items are 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	2021/22	2020/21
Financial income		
Interest income	1.8	1.4
Interest income on loan to joint ventures	0.2	-
Foreign exchange gains on derivatives	2.9	3.0
Foreign exchange gains	69.3	24.1
Other financial income	0.2	-
Total	**74.4**	**28.5**
Of which:		
Continuing operations	74.4	28.5
Discontinued operations	-	-
Total	**74.4**	**28.5**

EUR million	2021/22	2020/21
Financial expenses		
Interest expenses	(7.6)	(17.5)
Interest on lease liabilities	(2.9)	(2.9)
Borrowing costs related to construction of assets	0.2	0.5
Foreign exchange losses on derivatives	(9.5)	(1.2)
Foreign exchange losses	(69.1)	(27.1)
Other financial expenses including amortized cost	(5.5)	(2.9)
Total	**(94.4)**	**(51.1)**
Of which:		
Continuing operations	(94.4)	(51.0)
Discontinued operations	-	(0.1)
Total	**(94.4)**	**(51.1)**

Effective interest expenses amounted to EUR 20.0 million (EUR 20.4 million in 2020/21). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 1.4% (0.6% in 2020/21).

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.

2.7 Income tax and deferred tax

EUR million	2021/22	2020/21
Income tax		
Current tax on profit for the year	(50.7)	(45.0)
Change in deferred tax concerning profit for the year	(21.4)	(19.5)
Tax on profit for the year	**(72.1)**	**(64.5)**
Adjustments concerning previous years	4.3	4.9
Tax in the income statement	**(67.8)**	**(59.6)**
Tax on other comprehensive income	**(6.7)**	**(0.6)**
Of which:		
Continuing operations	(67.8)	(48.4)
Discontinued operations	-	(11.2)
Total	**(67.8)**	**(59.6)**

EUR million		2021/22		2020/21
Reconciliation of tax rate				
Danish tax rate	22.0%	(64.4)	22.0%	(199.1)
Deviation of non-Danish Group companies from Danish tax rate	0.9%	(2.6)	0.0%	(0.4)
Non-taxable income and non-deductible expenses	1.3%	(3.8)	(0.1)%	1.2
Adjustments concerning previous years	(1.5)%	4.3	(0.5)%	4.9
Discontinued operations	-	-	(15.7)%	142.4
Other taxes	0.5%	(1.3)	0.9%	(8.6)
Effective tax rate	**23.2%**		**6.6%**	
Tax on profit for the year		**(67.8)**		**(59.6)**

EUR million	2021/22	2020/21
Deferred tax		
Deferred tax at September 1	158.7	126.3
Exchange rate adjustments	1.3	0.4
Additions through acquisitions	-	14.8
Change in deferred tax - recognized in the income statement	24.9	16.2
Change in deferred tax - recognized in equity	(0.6)	(0.9)
Transferred to/from assets classified as held for sale	-	1.9
Deferred tax at August 31	**184.3**	**158.7**
Deferred tax assets	(12.7)	(10.9)
Deferred tax liabilities	197.0	169.6
Deferred tax at August 31	**184.3**	**158.7**
Specification of deferred tax		
Intangible assets	168.4	157.9
Property, plant and equipment	38.4	34.3
Current assets	(1.8)	(3.6)
Tax loss carryforwards	(11.8)	(22.0)
Liabilities	(8.9)	(7.9)
Total deferred tax at August 31	**184.3**	**158.7**
Amounts due after 12 months, estimated	**183.8**	**154.5**
Tax loss carryforwards		
Tax loss carryforwards (tax base)	39.5	79.4
Tax losses expected to be utilized (tax base)	39.5	79.4
Deferred tax assets from tax losses recognized in the balance sheet	11.8	22.0

2.7 Income tax and deferred tax (continued)

Tax governance
Chr. Hansen views tax governance as an integral 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.

Chr. Hansen has decided to publish a tax transparency report ('Global tax report') from 2021/22 and the report will be released together with the Q1 2022/23 interim report. The tax report will include details on risk-mitigating actions such as concluding Advance Pricing Agreements regarding transfer pricing and cooperation with tax authorities. The report will also include tangible details on tax payments across regions and the EU directive (Directive (EU) 2021/2101) compliant country-by-country report.

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 carryforwards, are recognized if management estimates that the tax assets can be utilized 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 estimate 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 receivables and payables 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 the initial recognition of 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	2021/22	2020/21
Profit for the year		
Profit from continuing operations	225.1	198.7
Profit from discontinued operations	-	646.5
Profit for the year attributable to shareholders of Chr. Hansen Holding A/S	**225.1**	**845.2**

Number of shares	2021/22	2020/21
Average number of shares		
Average number of shares	131,852,496	131,852,496
Average number of treasury shares	(139,770)	(140,786)
Average number of shares excluding treasury shares	**131,712,726**	**131,711,710**
Average dilutive effect of share programs	179,118	143,341
Average number of shares, diluted	**131,891,844**	**131,855,051**

EUR	2021/22	2020/21
Earnings per share		
Earnings per share	1.71	6.42
Earnings per share, diluted	1.71	6.41
Earnings per share from continuing operations	1.71	1.51
Earnings per share from continuing operations, diluted	1.71	1.51

3.1 Goodwill

EUR million	2021/22	2020/21
Cost at September 1	1,489.8	1,249.1
Exchange rate adjustments	27.8	2.5
Additions	-	238.2
Cost at August 31	**1,517.6**	**1,489.8**

The carrying amount of goodwill has been allocated to identified cash-generating units in accordance with the operating segments as follows:

Food Cultures & Enzymes	543.8	522.9
Health & Nutrition	973.8	966.9
Total	**1,517.6**	**1,489.8**

At August 31, 2022, Management performed an annual impairment test of the carrying amount of goodwill. No basis for impairment was identified. No basis for impairment was identified in the impairment test performed August 31, 2021.

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. Assumptions for revenue growth, EBIT, working capital and discount rate constitute the most material parameters of the calculations.

At August 31, 2022, the growth rate for the 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 while 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 during 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 by 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 as well as 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 as well as ongoing and potential new projects with existing and potential new customers.

Growth rates for revenue have been applied at the lower end of the range set out in the long-term financial ambitions of 'Grow A Better World, Naturally'. Over the five-year period, an expected improvement in the EBIT margin for the Group to more than 30% has been applied. For the period following the strategy period (2021/22-2024/25) the cash flows of the most recent period have been extrapolated and adjusted for a growth factor of 0.5% for the Food Cultures & Enzymes business unit and 2.0% for the Health & Nutrition business unit (0% for both business units in 2020/21) during the terminal period. A pre-tax discount rate of 8.8% (8.4% in 2020/21) 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
2021/22					
Cost at September 1	458.0	80.6	68.7	58.9	666.2
Exchange rate adjustments	4.3	-	1.2	-	5.5
Additions	1.3	0.8	1.2	19.0	22.3
Disposals	(0.1)	(2.8)	(5.3)	-	(8.2)
Transferred	-	15.3	7.4	(22.0)	0.7
Cost at August 31	**463.5**	**93.9**	**73.2**	**55.9**	**686.5**
Amortization and impairment at September 1	(188.1)	(48.9)	(49.7)	-	(286.7)
Exchange rate adjustments	(1.7)	(0.1)	(0.9)	-	(2.7)
Disposals	0.1	2.8	4.9	-	7.8
Amortization	(30.6)	(7.1)	(7.1)	-	(44.8)
Impairment losses	-	(2.1)	(0.4)	-	(2.5)
Amortization and impairment at August 31	**(220.3)**	**(55.4)**	**(53.2)**	**-**	**(328.9)**
Carrying amount at August 31	**243.2**	**38.5**	**20.0**	**55.9**	**357.6**
Capitalized salary expenses for the year				11.9	
Capitalized borrowing costs for the year				-	

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 adjustment	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 adjustment	(0.2)	(0.1)	(0.1)	-	(0.4)
Disposals	-	3.1	2.1	-	5.2
Amortization	(31.6)	(7.0)	(6.8)	-	(45.4)
Impairment losses	-	(1.9)	-	-	(1.9)
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	

3.2 Other intangible assets (continued)

Patents, trademarks, customer relationships etc.
Carrying amount and remaining useful life of material individual assets:

	EUR million	Remaining useful life (years)
Customer relationships, HMO	32.3	8
Technology (R&D patents, licenses, etc.), HMO	34.8	8
Technology (R&D patents, licenses), UAS Labs	26.6	8
Customer relationships, UAS Labs	22.2	8
Product trademark - Astarte, HSO	12.7	18
Technology (patents and other rights), LGG	10.3	10
Technology (patents and other rights), NPC	20.5	9

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

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 is compared to expected sales or cost savings. In cases where indications of impairment are identified, an impairment test is performed, and if needed, the relevant assets are written down. The impairment tests are prepared similarly to the goodwill impairment test described in note 3.1 *Goodwill*, based on the value in use of the assets.

Chr. Hansen recognized impairment losses of EUR 0.8 million (EUR 1.6 million in 2020/21) in the Food Cultures & Enzymes Division and EUR 1.3 million (EUR 0.3 million in 2020/21) in the Health & Nutrition Division in 2021/22 in respect of capitalized development costs assessed not to be commercially feasible in light of the most recent knowledge of the market potential.

Software
Software comprises costs of acquiring software licenses and costs related to internally developed software. The value of the recognized software is compared to the expected value in use.

Chr. Hansen recognized impairment losses of EUR 0.3 million in the Food Cultures & Enzymes Division and EUR 0.1 million in the Health & Nutrition Division in 2021/22 in respect of capitalized software no longer in use. No impairment losses were recognized in 2020/21.

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 completed.

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 the 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

Gains and losses on the disposal of other intangible assets are recognized in the income statement under other operating income and expenses.

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
2021/22					
Cost at September 1	419.2	447.6	82.0	225.7	1,174.5
Exchange rate adjustments	18.2	15.6	4.3	5.2	43.3
Additions	23.8	9.8	8.6	92.2	134.4
Disposals	(7.7)	(3.7)	(6.2)	(0.1)	(17.7)
Transferred	14.4	38.9	7.0	(61.0)	(0.7)
Cost at August 31	**467.9**	**508.2**	**95.7**	**262.0**	**1,333.8**
Depreciation and impairment at September 1	(108.3)	(241.0)	(43.1)	-	(392.4)
Exchange rate adjustments	(5.8)	(6.8)	(3.2)	-	(15.8)
Disposals	4.8	3.3	5.4	-	13.5
Depreciation	(20.6)	(29.1)	(12.0)	-	(61.7)
Depreciation and impairment at August 31	**(129.9)**	**(273.6)**	**(52.9)**	**-**	**(456.4)**
Carrying amount at August 31	**338.0**	**234.6**	**42.8**	**262.0**	**877.4**
Capitalized salary expenses for the year				15.1	
Capitalized borrowing costs for the year				0.2	

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	(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	

3.3 Property, plant and equipment (continued)

Charged property, plant and equipment have a carrying amount of EUR 219.3 million (EUR 208.7 million in 2020/21). Refer to note 3.9 *Commitments and contingent liabilities* 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 completed.

Key accounting estimates and judgments
Certain complex construction projects entail significant judgment as to which costs are eligible for capitalization. Based on current information, Management has assessed which costs are eligible for capitalization. This is considered a judgment, as new information may change Management's assessment and could have a significant impact on the capitalized costs.

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 *Leases* for accounting policies regarding leases.

3.4 Leases

EUR million	2022	2021
Leased assets		
Land and buildings	88.8	89.7
Plant and machinery	0.2	0.1
Other fixtures and equipment	6.8	5.6
Carrying amount at August 31	**95.8**	**95.4**
Additions of leased assets	15.1	18.6

EUR million	2021/22	2020/21
Depreciation of leased assets per asset class		
Land and buildings	(9.4)	(8.0)
Plant and machinery	(0.2)	(0.1)
Other fixtures and equipment	(3.3)	(3.1)
Total	**(12.9)**	**(11.2)**
Expenses related to low-value and short-term leases	0.1	0.2
Amount recognized in the cash flow statement	11.8	11.2

As of 31 August 2022, the lease liability includes potential lease payments of EUR 8.5 million (discounted) relating to lease term extension rights on properties.

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

Accounting estimates and judgments

The lease relating to company headquarters in Hoersholm is part of the transition to IFRS 16 *Leases*. Management has assessed that the lease term for the current leases including a five-year extension option is 26 years. This is considered a judgment and a change hereto would have an impact on lease liabilities and right-of-use assets.

Accounting policies

Leased 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 leased 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 regarding the extension or purchase options are recognized.

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

Leased assets are classified alongside owned assets of similar type under property, plant and equipment. The leased 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	2022	2021
Raw materials and consumables	36.3	24.4
Work in progress	54.8	44.3
Finished goods and goods for resale	89.5	65.2
Total	**180.6**	**133.9**

EUR million	2021/22	2020/21
Cost of materials included in Cost of sales	274.3	225.8
Changes in inventory write-downs		
Inventory write-downs at September 1	2.2	1.8
Write-downs	2.3	1.9
Utilization of write-downs	(1.7)	(1.5)
Inventory write-downs at August 31	**2.8**	**2.2**

Key accounting estimates and judgments
The calculation of indirect production costs is reviewed regularly 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 costs. Indirect production costs 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	**2022**	**2021**
Trade receivables, gross	183.9	191.1
Allowances for trade receivables	(3.4)	(2.8)
Total	**180.5**	**188.3**

EUR million	**2022**	**2021**
Aging of trade receivables		
Not due	159.6	163.7
0-30 days overdue	11.4	13.9
31-60 days overdue	3.8	5.2
61-120 days overdue	3.6	2.9
> 120 days overdue	2.1	2.6
Total	**180.5**	**188.3**

EUR million	**2021/22**	**2020/21**
Changes in allowances for trade receivables		
Allowances at September 1	2.8	2.8
Exchange rate adjustments	0.3	-
Additions	1.5	0.8
Reversals	(1.1)	(0.8)
Losses realized in the year	(0.1)	-
Allowances at August 31	**3.4**	**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. Allowances 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	2021/22	2020/21
Movements in defined benefit obligations		
Defined benefit obligations at September 1	13.0	12.4
Exchange rate adjustments	(0.3)	0.2
Current service expenses	0.3	0.4
Interest expenses	0.1	0.1
Experience adjustments	0.1	-
Adjustments relating to financial assumptions	(1.9)	(0.6)
Payments made	(0.3)	(0.5)
Discontinuance of plan	(4.9)	-
Transferred to/from liabilities relating to assets classified as held for sale	-	1.0
Defined benefit obligations at August 31	**6.1**	**13.0**
Movements in the fair value of plan assets		
Fair value of plan assets at September 1	5.8	5.8
Exchange rate adjustments	-	0.1
Expected return on plan assets	-	0.1
Benefits paid	-	(0.2)
Discontinuance of plan	(5.2)	-
Fair value of plan assets at August 31	**0.6**	**5.8**
Net defined benefit obligations at August 31	**5.5**	**7.2**

EUR million	2021/22	2020/21
Cost related to defined benefit obligations		
Costs recognized in the income statement	0.4	0.4
Remeasurements recognized in other comprehensive income	(1.8)	(0.6)
Cost related to defined benefit obligations at August 31	**(1.4)**	**(0.2)**
Weighted average actuarial assumptions applied		
Discount rate	3.0%	1.1%
Future increase in salaries	2.5%	0.3%
Future increase in pensions	1.0%	1.7%
Distribution of plan assets to cover obligations		
Shares	9%	1%
Bonds	29%	89%
Real estate	52%	0%
Cash and cash equivalents	10%	10%
Total	**100%**	**100%**
Sensitivity analysis		
Significant actuarial assumptions:		
Discount rate, effect if increased by 0.25%-1.00%[1)]	(0.2)	(0.3)
Discount rate, effect if decreased by 0.25%-1.00%[1)]	0.2	0.4

1) Based on several actuarial reports.

The weighted average duration of the pension obligations is 13 years (10 years in 2020/21).

Expected contribution for 2022/23 for the defined benefit plans is EUR 0.4 million (EUR 0.3 million in 2021/22).

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.

The cost relating to defined contribution plans amounted to EUR 22.6 million in 2021/22 (EUR 22.3 million in 2020/21).

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. The defined benefit 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 recognized in other comprehensive income for 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	2021/22	2020/21
Provisions at September 1	4.3	3.5
Exchange rate adjustments	0.5	-
Provisions recognized	1.3	2.3
Provisions used	(0.2)	(0.9)
Provisions reversed	(0.8)	(0.6)
Provisions at August 31	**5.1**	**4.3**

The provisions primarily concern US import tariff costs related to previous years and 2021/22.

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 settled.

3.9 Commitments and contingent liabilities

EUR million	2022	2021
Charged assets		
Land and buildings	111.1	102.2
Plant and machinery	108.2	106.5
Carrying amount of charged assets	**219.3**	**208.7**

Charged property, plant and equipment have a carrying amount of EUR 219.3 million (EUR 208.7 million in 2020/21). However, the collateral does not exceed the current mortgage debt.

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

One diacetyl-related lawsuit was raised against the company in 2021/22. Chr. Hansen had settled all previous diacetyl-related lawsuits, which were based on alleged personal injuries resulting from exposure to diacetyl vapors.

Guarantees
Chr. Hansen has issued guarantees to third parties relating to certain subsidiaries of the Group in the amount of EUR 12.6 million (EUR 10 million in 2020/21).

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 *Staff expenses*.

4.1 Share capital

	2021/22	2020/21
Total number of shares		
Shares at September 1	131,852,496	131,852,496
Total number of shares at August 31	**131,852,496**	**131,852,496**
Number of treasury shares		
Treasury shares at September 1	182,523	108,751
Purchase of treasury shares	143,000	123,000
Shares utilized to cover share programs	(75,254)	(49,228)
Treasury shares at August 31	**250,269**	**182,523**
Shares in circulation at August 31	**131,602,227**	**131,669,973**

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, 2022, the Company held 250,269 treasury shares, corresponding to less than 1% of total number of shares (182,523 treasury shares at August 31, 2021 corresponding to less than 1% of total number of shares). All treasury shares are 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 and expanding the business, and management of both is an integral part of Chr. Hansen's ongoing 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.

On June 29, 2022, the Group refinanced the syndicated loan facility from August 2016, consisting of two term loans and a revolving credit facility (RCF), with three Nordic and three international banks. Changes include an increased commitment of EUR 900 million, extended maturity to June 29, 2027 for the RCF and to June 29, 2024 for the term loans. Updated financial covenants and Term SOFR interest benchmark link the RCF to sustainability targets. No breaches were encountered during the year.

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 not enough to adequately manage the risk, Chr. Hansen's corporate Treasury department performs hedging in accordance with the Treasury Procedure. Refer to note 4.3 *Financial assets and liabilities* 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 *Financial assets and liabilities* 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 small 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
2022					
Financial assets					
Receivables from joint ventures	-	-	25.8	25.8	25.8
Trade receivables	180.5	-	-	180.5	180.5
Other receivables	28.9	-	-	28.9	28.9
Cash and cash equivalents	82.8	-	-	82.8	82.8
Financial assets at amortized cost	**292.2**	**-**	**25.8**	**318.0**	**318.0**
Derivative financial instruments	-	25.6	-	25.6	25.6
Fair value through other comprehensive income	**-**	**25.6**	**-**	**25.6**	**25.6**
Total financial assets	**292.2**	**25.6**	**25.8**	**343.6**	**343.6**
Financial liabilities					
Borrowings[1)]	109.2	733.9	56.9	900.0	866.9
Lease liabilities[1)]	13.1	31.8	90.0	134.9	98.7
Trade payables	132.5	-	-	132.5	132.5
Other payables	92.5	-	-	92.5	92.5
Financial liabilities at amortized cost	**347.3**	**765.7**	**146.9**	**1,259.9**	**1,190.6**

1) Including future interest payments calculated at spot rates.

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 cost	**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 calculated at spot rates.

4.2 Financial assets and liabilities (continued)

EUR million	2022	2021
Non-current borrowings		
Senior bank borrowings	701.8	637.4
Mortgages	68.1	68.5
Lease liabilities	85.7	85.3
Total before amortization of financing expenses	**855.6**	**791.2**
Capitalized financing expenses	(2.2)	(0.7)
Total non-current borrowings	**853.4**	**790.5**
Current borrowings		
Mortgages	0.3	0.5
Bank borrowings	96.7	150.2
Lease liabilities	13.0	12.1
Total current borrowings	**110.0**	**162.8**
Total	**963.4**	**953.3**

EUR million	2021/22	2020/21
Changes in liabilities arising from financing activities		
Borrowings at September 1	953.3	1,421.9
Exchange rate adjustments	14.4	0.6
Proceeds from borrowings	150.0	702.6
Repayments of borrowings	(155.3)	(1,202.4)
Installments on lease liabilities	(11.8)	(11.2)
Increase in lease liabilities	15.1	18.6
Additions through acquisitions	-	3.4
Other non-cash movements	(2.3)	(2.3)
Transferred to/from liabilities relating to assets classified as held for sale	-	22.1
Borrowings at August 31	**963.4**	**953.3**

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 2021/22, 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 2022/23.

4.2 Financial assets and liabilities (continued)

EUR million	Effective interest rate	Maturity	Carrying amount	Interest rate risk
2022				
Mortgages				
Floating rate[1)]	0.16%	0-17 years	67.4	Cash flow
Fixed rate[1)]	1.18%	0-3 years	1.0	Fair value
Total			**68.4**	
Senior bank borrowings				
Floating rate		0-5 years	281.2	Cash flow
Fixed rate[2)]		0-5 years	517.3	Fair value
Total			**798.5**	
Total mortgages and senior bank borrowings			**866.9**	

1) Interest rate excluding margin.
2) Interest rate swaps have been used to fix the interest rate. These are denominated in DKK, EUR and USD and have an average fixed interest rate of 0.86%.

The fair value of mortgages is EUR 68.6 million. The fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated in accordance with level 2 of the fair value hierarchy and is based primarily on observable market data.

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 swaps are denominated in EUR and USD and have an average rate of 0.40%.

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

4.2 Financial assets and liabilities (continued)

EUR million	Total mortgages, senior-bank and bank borrowings	Floating rate	Fixed rate
2022			
Currency of the principal			
EUR	600.0	42%	58%
USD	100.0	0%	100%
DKK	166.9	59%	41%
Total	**866.9**	**40%**	**60%**

EUR million	Total mortgages, senior-bank and 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%**

Accounting policies

The Group classifies financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either in other comprehensive income 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 recognized either in profit or loss or other comprehensive income.

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 *Derivative financial instruments*.

4.3 Derivative financial instruments

Market values of open interest rate swaps:

EUR million	Expiry	Contract amount	Gain/ (loss)	Recognized in the income statement	Recognized in the interest rate hedging reserve on equity
2021/22					
EUR 120 million interest rate swaps	Aug. 2027	120.0	13.0	-	13.0
EUR 130 million interest rate swaps	Aug. 2027	130.0	7.4	-	7.4
EUR 100 million interest rate swaps	Aug. 2023	100.0	0.2	-	0.2
USD 50 million interest rate swaps	Aug. 2023	50.0	0.5	-	0.5
USD 50 million interest rate swaps	Aug. 2025	50.0	4.6	-	4.6
DKK 250 million interest rate swaps	Jun. 2024	33.6	(0.1)	-	(0.1)
DKK 250 million interest rate swaps	Jun. 2025	33.6	(0.2)	-	(0.2)
Total		**517.2**	**25.4**	**-**	**25.4**

EUR million	Expiry	Contract amount	Gain/ (loss)	Recognized in the income statement	Recognized in the interest rate hedging reserve on equity
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	(2.2)	-	(2.2)
USD 50 million interest rate swaps	Aug. 2025	42.3	0.6	-	0.6
Total		**334.6**	**(4.9)**	**-**	**(4.9)**

EUR million	2021/22	2020/21
Opening, interest rate swaps	(4.9)	(0.6)
Change in fair value of hedging instruments recognised in OCI	30.3	(4.3)
Total, interest rate swaps	**25.4**	**(4.9)**

Interest rate risk
Interest rate swaps are used to hedge the underlying floating interest rates 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 monthly.

The fair value of the interest rate swaps is calculated in accordance with level 2 of the fair value hierarchy and is based primarily on observable market data. There is no currency risk relating to the Group's interest rate swaps.

The interest on the Group's financing facilities is based on a floating interest rate plus a margin. The average fixed rates were 1.6% on USD swaps, 0.4% on EUR swaps and 2.3% on DKK swaps. DKK and USD swaps are designed as bullet swaps, whereas EUR swaps are both bullet and amortizing swaps.

EUR million	2021/22	2020/21
Outstanding debt with fixed interest rate or hedged through interest rate swaps	60%	45%
Total debt, average maturity in years	2.8	2.9
Effect on total debt of a 1 percentage point increase in interest rates	(8.3)	(5.3)
Effect on interest rate swaps of a 1 percentage point increase in interest rates	5.1	2.1
Net effect	**(3.2)**	**(3.2)**

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 3.2 million for 2020/21) over the next 12-month period and have a positive effect on equity of EUR 10.8 million (positive effect of EUR 14.3 million in 2020/21).

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)
2021/22					
Net outstanding forward exchange contracts					
USD	(13.2)	0.1	-	(13.1)	3
AUD	(2.1)	-	-	(2.1)	3
SGD	2.0	0.1	-	2.1	2
GBP	7.0	-	-	7.0	2
CHF	25.6	-	-	25.6	3
DKK	(19.3)	-	-	(19.3)	3
Total	**-**	**0.2**	**-**	**0.2**	

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
AUD	(6.2)	-	-	(6.2)	3
SGD	1.4	-	-	1.4	3
GBP	7.6	-	-	7.6	2
CHF	(12.7)	-	-	(12.7)	2
EUR	14.4	-	-	14.4	3
DKK	22.5	-	-	22.5	1
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 of forward exchange rate contracts is based primarily on observable market data, corresponding to level 2 in the fair value hierarchy.

Foreign exchange sensitivity analysis:

Net profit effect	2021/22	2020/21
Increase of 5%	0.6	0.2
Decrease of 5%	(0.6)	(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.

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 payments

Number of matching shares	Executive Board	Key employees	Former employees	Total
2021/22				
Outstanding at September 1	57,696	51,577	1,734	111,007
Allocated	31,371	26,056	4	57,431
Transferred	(12,438)	12,438	-	-
Forfeited	(12,346)	(11,068)	(1,580)	(24,994)
Exercised	(1,235)	(1,108)	(158)	(2,501)
Outstanding at August 31	**63,048**	**77,895**	**-**	**140,943**

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**

Key information	MS Nov. 21	MS Nov. 20
Year allocated	2021/22	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 61.9	EUR 77.6
Vesting	Oct. 2024	Oct. 2023
Vesting conditions (KPIs)	Org. growth, EBIT margin, TSR	Org. growth, EBIT margin, TSR

Matching share (MS) 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 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 total theoretical market value of the program granted in 2021/22 was EUR 4.0 million, and is based on the fulfillment of all predefined performance targets (EUR 4.4 million in 2020/21). The fair value at grant was EUR 3.5 million, taking into consideration the assessed likelihood of meeting the market condition (EUR 3.8 million in 2020/21).

EUR 1.6 million was expensed in 2021/22 relating to the matching share programs, including accelerations and reversals (EUR 1.5 million in 2020/21).

5.1 Share-based payments (continued)

Number of RSUs	Executive Board	Key employees	Former employees	Total
2021/22				
Outstanding at September 1	24,531	217,308	4,985	246,824
Adjustment to allocation	430	15,344	155	15,929
Allocated	6,752	101,783	-	108,535
Transferred	(4,385)	93	4,292	-
Exercised	(5,891)	(62,803)	(4,059)	(72,753)
Forfeited	-	(3,011)	(94)	(3,105)
Outstanding at August 31	**21,437**	**268,714**	**5,279**	**295,430**

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**

Key information	RSU 2021/22	RSU 2020/21
Year allocated	2021/22	2020/21
Vesting period	2 years	2 years
Share price at grant	EUR 64.3[1)]	EUR 75.8
Vesting	Nov. 2024	Nov. 2023
Weighted average share price during exercise period	Not granted	Not vested

1) Estimated value, based on the average share price in Q4 2021/22.

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 2021/22 (RSU 2021/22) was estimated at EUR 7.0 million (EUR 6.4 million in 2020/21). The number of RSUs allocated, their value, and underlying assumptions will be finally determined in November 2022.

EUR 6.3 million was expensed in 2021/22 relating to the short-term RSU programs (EUR 5.4 million in 2020/21).

There were no outstanding exercisable RSUs at August 31, 2022.

Accounting policies

The share programs are accounted for on an accrual basis over the service period. 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. Restricted stock units (RSUs) issued are measured at fair value at the grant date multiplied by the probability of vesting.

5.2 Non-cash adjustments

EUR million	2021/22	2020/21
Amortization, depreciation and impairment losses	107.1	101.2
Share-based payments	7.9	3.9
Change in employee benefits	0.1	(0.3)
Change in provisions	0.4	0.2
Other non-cash adjustments	(14.8)	-
Total	**100.7**	**105.0**

5.3 Acquisition of entities

Acquisitions during 2021/22
No acquisitions were made during 2021/22.

Acquisitions during 2020/21
On October 9, 2020, Chr. Hansen acquired full ownership and control of 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.

Refer to note 5.3 *Acquisition of entities* in the Annual Report for 2020/21 for further details.

Accounting policicies

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 obtained. 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 the 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 the 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 affected, 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 an acquisition that are contingent on future events are recognized in the income statement.

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

5.4 Discontinued operations

Discontinued operations in 2020/2021
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.

The result of the Natural Colors business is recognized under discontinued operations at a profit of EUR 646.5 million. Profit from discontinued operations include gains on the sale of discontinued operations after tax of EUR 637.7 million.

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.

EUR million	**2020/21**
Revenue	130.5
Operating profit before special items	**21.3**
Special items	(9.8)
Operating profit (EBIT)	**11.5**
Financial items, net	(0.1)
Profit before tax	**11.4**
Income tax	(2.6)
Profit after income tax from discontinued operations	**8.8**
Gain on sale of discontinued operations after tax	637.7
Profit from discontinued operations	**646.5**
Earnings per share, EUR	
Earnings per share from discontinued operations	4.91
Earnings per share from discontinued operations, diluted	4.90

Details on the sale of discontinued operations

EUR million	**2020/21**
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 tax on gain	(8.6)
Gain on sale of discontinued operations after tax	**637.7**

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 a 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 affected on intangible assets and property, plant and equipment from the time of classification as 'held for sale'.

5.5 Investments in joint ventures

In April 2019, Chr. Hansen 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.

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

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

EUR million	2021/22	2020/21
Share of loss in joint ventures after tax	(8.0)	(6.6)
Investments in joint ventures	1.7	9.7

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 the deduction or addition of unrealized intercompany profits or losses and with the 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	2021/22	2020/21
Novo Holdings A/S Group		
Purchase of goods, materials and services, net	15.2	15.5
Payables	2.0	2.5
Bacthera Group		
Sale of goods and services	1.0	1.2
Interest income on loans to joint ventures	0.2	0.1
Capital transactions	-	7.4
Loans to joint ventures	25.8	12.9

At August 31, 2022, Novo Holdings A/S, Denmark, held 21.98% of the share capital in Chr. Hansen Holding A/S (21.98% at 31. August 2021) (significant influence). APG Asset Management N.V., Netherlands held less than 5% (5.01% at August 31, 2021).

Refer to note 5.5 *Investments in joint ventures* for further details on the Bacthera Group.

Other related parties include 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 *Staff expenses*. Share-based payment is specified in note 5.1 *Share-based payments*.

The loan granted to Bacthera AG is a bullet loan of EUR 25.8 million (EUR 12.9 million in 2020/21) 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 Adminstration/safe haven rate.

5.7 Events after the balance sheet date

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

5.8 Group companies

Entity	Country	Consolidated ownership in %	Activity[1)]
Chr. Hansen Argentina S.A.I.C.	Argentina	100	S
Paprika S.A.[2)]	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 (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[3)]	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[2)]	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
Chr. Hansen Japan Co., Ltd.	Japan	100	S

Entity	Country	Consolidated ownership in %	Activity[1)]
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 South Africa (Pty) Ltd.	South Africa	100	S
Chr. Hansen, S.L.	Spain	100	S
Chr. Hansen Sweden AB	Sweden	100	S
Bacthera AG[3)]	Switzerland	50	O
Chr. Hansen Gida Sanayi ve Ticaret A.S.	Turkey	100	S
Chr. Hansen Ukraine LLC	Ukraine	100	S
Chr Hansen Middle East & Africa FZ-LLC	UAE	100	S
Chr. Hansen (UK) Limited	UK	100	S
Chr. Hansen Inc.	US	100	P, S
Duraform Lane LLC	US	100	P
Healthy Bellies, Healthy Babies Foundation, Inc	US	100	O
UAS Laboratories LLC	US	100	P, S

1) P - Production, S - Sales, O - Other
2) 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.
3) Joint venture. Bacthera Denmark A/S is a wholly owned subsidiary of Bacthera AG.

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.
Chr. Hansen South Africa (Pty) Ltd. was established in 2021/22. Chr. Hansen (Tianjian) Food Ingredients Co. Ltd. was liquidated in 2021/22. Biofarma US merged with Chr. Hansen Inc in 2021/22 and was dissolved through the merger.

Chr. Hansen Holding A/S

Notes

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Basis of preparation

Section 2

Results for the year

Section 3

Operating assets and liabilities

Section 4

Capital structure and financing

Section 5

Other disclosures

Income Statement
September 1 – August 31

EUR million	Note	2021/22	2020/21
Revenue		-	-
Cost of sales		-	-
Gross profit		**-**	**-**
Sales and marketing expenses	2.1, 2.2	(12.5)	(7.2)
Administrative expenses	2.1, 2.2, 2.3	(19.5)	(15.7)
Other operating income		34.4	50.6
Other operating expenses		(1.3)	-
Operating profit before special items (EBIT b.s.i.)		**1.1**	**27.7**
Special items	2.4	(1.0)	(24.5)
Operating profit (EBIT)		**0.1**	**3.2**
Dividends received from Group companies		146.1	249.8
Impairment loss, Group companies	3.2	-	(123.2)
Gain from sale and liquidation of Group companies		8.1	730.8
Financial income	2.5	36.6	13.6
Financial expenses	2.5	(38.9)	(19.4)
Profit before tax		**152.0**	**854.8**
Income tax	2.6	(4.5)	(6.9)
Profit for the year		**147.5**	**847.9**

Statement of comprehensive income
September 1 – August 31

EUR million	Note	2021/22	2020/21
Profit for the year		147.5	847.9
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Currency translation to presentation currency		(0.1)	0.6
Fair value adjustments of interest rate hedges		30.8	3.1
Tax related to interest rate hedges		(6.7)	(0.6)
Other comprehensive income for the year		**24.0**	**3.1**
Total comprehensive income for the year		**171.5**	**851.0**

Cash flow statement
September 1 – August 31

EUR million	Note	2021/22	2020/21
Operating profit		0.1	3.2
Non-cash adjustments	5.2	17.5	3.7
Change in working capital		(13.8)	(9.5)
Interest received		13.7	11.3
Interest paid		(9.9)	(16.9)
Dividends received		146.1	249.8
Taxes paid		(14.8)	(1.5)
Cash flows from operating activities		**138.9**	**240.1**
Investments in intangible assets	3.1	(0.1)	(0.4)
Investments in property, plant and equipment	3.1	(0.1)	(0.2)
Acquisition of subsidiaries, net of cash acquired		-	(338.6)
Sale and liquidation of Group companies		8.2	747.3
Cash flows from investing activities		**8.0**	**408.1**
Free cash flow		**146.9**	**648.2**

EUR million	Note	2021/22	2020/21
Repayment to/from Group companies		(4.6)	(55.5)
Borrowings		150.0	235.3
Repayment of borrowings		(149.1)	(713.6)
Purchase of treasury shares		(9.2)	(10.4)
Dividends paid, net		(115.9)	(115.8)
Cash flows from financing activities		**(128.8)**	**(660.0)**
Net cash flow for the year		**18.1**	**(11.8)**
Cash and cash equivalents at September 1		1.3	13.1
Net cash flow for the year		18.1	(11.8)
Cash and cash equivalents at August 31		**19.4**	**1.3**

Balance sheet
at August 31

EUR million	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	3.1	0.9	1.2
Property, plant and equipment	3.1	0.3	0.4
Investments in Group companies	3.2	1,784.1	1,784.5
Receivables from Group companies	3.3, 5.3	247.0	282.8
Other receivables	4.1	25.6	-
Deferred tax	2.6	5.3	4.5
Total non-current assets		**2,063.2**	**2,073.4**
Current assets			
Receivables from Group companies	5.3	167.9	39.8
Tax receivables	2.6	10.0	-
Other receivables		4.5	0.2
Prepayments		0.2	0.2
Cash and cash equivalents		19.4	1.3
Total current assets		**202.0**	**41.5**
Total assets		**2,265.2**	**2,114.9**

EUR million	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Share capital		177.3	177.3
Interest rate hedging reserve		19.3	(4.8)
Retained earnings		1,124.1	1,088.0
Total equity		**1,320.7**	**1,260.5**
Non-current liabilities			
Borrowings	4.1	699.7	637.5
Total non-current liabilities		**699.7**	**637.5**
Current liabilities			
Borrowings	4.1	98.2	145.6
Trade payables		1.8	1.7
Payables to Group companies		142.3	54.9
Tax payables		-	5.9
Other payables		2.5	8.8
Total current liabilities		**244.8**	**216.9**
Total liabilities		**944.5**	**854.4**
Total equity and liabilities		**2,265.2**	**2,114.9**

Statement of changes in equity
September 1 – August 31

EUR million	Note	Share capital	Interest rate hedging reserve	Retained earnings	Total
2021/22					
Equity at September 1		177.3	(4.8)	1,088.0	1,260.5
Total comprehensive income for the year		-	24.1	147.4	171.5
Transactions with owners					
Purchase of treasury shares		-	-	(9.2)	(9.2)
Share-based payments	5.1	-	-	12.9	12.9
Tax related to share-based payments		-	-	0.9	0.9
Dividends, net		-	-	(115.9)	(115.9)
Equity at August 31		**177.3**	**19.3**	**1,124.1**	**1,320.7**

An ordinary dividend for 2021/22 of EUR 0.95 (DKK 7.04) per share, or a total of EUR 124,8 million, is proposed.

For details on the share capital, refer to note 4.1 *Share capital* to the consolidated financial statements.

EUR million	Note	Share capital	Interest rate hedging reserve	Retained earnings	Total
2020/21					
Equity at September 1		177.1	(7.3)	358.0	527.8
Total comprehensive income for the year		0.2	2.5	848.3	851.0
Transactions with owners					
Purchase of treasury shares		-	-	(10.4)	(10.4)
Share-based payments	5.1	-	-	6.8	6.8
Tax related to share-based payments		-	-	1.1	1.1
Dividends, net		-	-	(115.8)	(115.8)
Equity at August 31		**177.3**	**(4.8)**	**1,088.0**	**1,260.5**

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 was proposed.

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 Parent 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 *Investments in Group companies.*

1.2 Summary of key accounting estimates and judgments

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 Parent 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 Parent 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	2021/22	2020/21
Amortization and impairment losses		
Intangible assets		
Sales and marketing expenses	(0.4)	(0.2)
Total	**(0.4)**	**(0.2)**
Depreciation and impairment losses		
Property, plant and equipment		
Administrative expenses	(0.2)	(0.1)
Total	**(0.2)**	**(0.1)**

2.2 Staff expenses

EUR million	2021/22	2020/21
Short-term employee benefits	(18.7)	(19.6)
Pension expenses	(1.3)	(1.5)
Social security, etc.	(0.1)	(0.1)
Shared-based payments	(3.0)	(3.4)
Total	**(23.1)**	**(24.6)**
Average number of employees (FTE)	**78**	**71**

Refer to note 2.3 *Staff expenses* to the consolidated financial statements for details on remuneration of the Executive Board and the Board of Directors.

2.3 Fees to auditors

EUR million	2021/22	2020/21
PricewaterhouseCoopers		
Statutory audit	(0.2)	(0.3)
Total	**(0.2)**	**(0.3)**

2.4 Special items

EUR million	2021/22	2020/21
Cost related to the acquisition of Jennewein	-	(5.1)
Cost related to the divestment of the Natural Colors business	(0.2)	(9.8)
Cost related to the carve-out of the Natural Colors business	(0.3)	(9.3)
Adjustment to previous acquisitions	0.3	0.4
Other	(0.8)	(0.7)
Total	**(1.0)**	**(24.5)**

2.5 Financial income and expenses

EUR million	2021/22	2020/21
Financial income		
Interest income, Group companies	10.9	9.3
Other interest income	0.2	2.0
Foreign exchange gains on derivatives	0.1	1.2
Foreign exchange gains	25.4	1.1
Total	**36.6**	**13.6**
Financial expenses		
Interest expenses, Group companies	(0.2)	(0.2)
Other interest expenses	(6.1)	(16.7)
Foreign exchange losses on derivatives	(1.6)	-
Foreign exchange losses	(27.4)	(1.2)
Other financial expenses including amortized cost	(3.6)	(1.3)
Total	**(38.9)**	**(19.4)**

Effective interest income amounted to EUR 0.3 million (EUR 2.0 million in 2020/21). Effective interest expenses amounted to EUR 7.5 million (EUR 12.4 million in 2020/21).

2.6 Income tax and deferred tax

EUR million	2021/22	2020/21
Income tax		
Current tax on profit for the year	(2.6)	(13.9)
Change in deferred tax concerning profit for the year	0.2	0.1
Tax on profit for the year	**(2.4)**	**(13.8)**
Adjustments concerning previous years	(2.1)	6.9
Tax as per the income statement	**(4.5)**	**(6.9)**
Tax on other comprehensive income	**(6.7)**	**(0.6)**

EUR million		2021/22		2020/21
Reconciliation of tax rate				
Danish tax rate	22.0%	(7.1)	22.0%	(188.0)
Non-taxable income and non-deductible expenses	(20.3)%	6.5	(2.5)%	21.1
Adjustments concerning previous years	6.4%	(2.1)	(0.4)%	3.2
Permanent differences, Natural Colors business	-	-	(18.8)%	160.7
Other taxes	5.8%	(1.8)	0.5%	(3.9)
Effective tax rate	**13.9%**		**0.8%**	
Tax on profit for the year		**(4.5)**		**(6.9)**

EUR million	2021/22	2020/21
Deferred tax		
Deferred tax at September 1	4.5	3.4
Exchange rate adjustments	-	0.1
Change in deferred tax - recognized in the income statement	0.2	0.1
Change in deferred tax - recognized in equity	0.6	0.9
Deferred tax asset at August 31	**5.3**	**4.5**
Specification of deferred tax		
Intangible assets	(0.2)	(0.3)
Liabilities	5.5	4.8
Total deferred tax at August 31	**5.3**	**4.5**

3.1 Intangible assets and property, plant and equipment

EUR million	Software	Intangible assets in progress	Total intangible assets	Other fixtures and equipment	Total property, plant and equipment
2021/22					
Cost at September 1	3.2	0.8	4.0	0.6	0.6
Additions	-	0.1	0.1	0.1	0.1
Disposals	-	-	-	(0.1)	(0.1)
Transferred	0.8	(0.8)	-	-	-
Cost at August 31	**4.0**	**0.1**	**4.1**	**0.6**	**0.6**
Amortization, depreciation and impairment losses at September 1	(2.8)	-	(2.8)	(0.2)	(0.2)
Disposals	-	-	-	0.1	0.1
Amortization and depreciation	(0.4)	-	(0.4)	(0.2)	(0.2)
Amortization, depreciation and impairment losses at August 31	**(3.2)**	**-**	**(3.2)**	**(0.3)**	**(0.3)**
Carrying amount at August 31	**0.8**	**0.1**	**0.9**	**0.3**	**0.3**

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 losses 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 losses 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 in the Group.

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

3.2 Investments in Group companies

EUR million	2021/22	2020/21
Cost at September 1	1,960.3	1,636.5
Exchange rate adjustments	(0.3)	1.7
Additions	-	338.6
Disposals	(0.1)	(16.5)
Cost at August 31	**1,959.9**	**1,960.3**
Impairment losses at September 1	(175.8)	(52.6)
Impairment losses	-	(123.2)
Impairment losses at August 31	**(175.8)**	**(175.8)**
Carring amount at August 31	**1,784.1**	**1,784.5**

There were no indications of impairment of the investments in Group companies in 2021/22. Impairment losses in 2020/21 primarily comprise dividend received from subsidiaries exceeding the total comprehensive income for the period in which the dividend is declared.

Disposals during 2020/21 relate to the divestment of the Natural Colors business.

Refer to note 5.8 *Group companies* 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, refer to note 3.1 *Goodwill* to the consolidated financial statements.

Accounting policies

Dividends from Group companies are recognized 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 for 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, the investment is written down.

3.3 Receivables from Group companies

EUR million	2022	2021
Due between 1 and 5 years		
Receivables from Group companies	247.0	282.8
Total	**247.0**	**282.8**

Accounting policies

Non-current and current receivables from Group companies 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, 2022 or at August 31, 2021.

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 12.6 million (EUR 10 million in 2020/21).

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 *Staff expenses* to the consolidated financial statements.

4.1 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
Refer to note 4.2 *Financial assets and liabilities* 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 related to 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, 2022, 65% of the outstanding debt was hedged through interest rate swaps or loans at fixed interest rates (50% at August 31, 2021). The total debt had an average maturity of 2.8 years at August 31, 2022 (2.7 years at August 31, 2021). 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 7.1 million over the next 12-month period (EUR 4.6 million in the financial year 2020/21). The effect of a 1 percentage point interest rate change on the swaps entered would be EUR 5.1 million (EUR 3.0 million in 2020/21).

Credit risk
Refer to note 4.2 *Financial assets and liabilities* to the consolidated financial statements.

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2022					
Financial assets					
Receivables from Group companies	167.9	247.0	-	414.9	414.9
Other receivables	4.5	25.6	-	30.1	30.1
Cash and cash equivalents	19.4	-	-	19.4	19.4
Financial assets at amortized cost	**191.8**	**272.6**	**-**	**464.4**	**464.4**
Financial liabilities					
Borrowings[1)]	108.4	719.4	-	827.8	797.9
Trade payables	1.8	-	-	1.8	1.8
Payables to Group companies	142.3	-	-	142.3	142.3
Other payables	2.5	-	-	2.5	2.5
Financial liabilities at amortized cost	**255.0**	**719.4**	**-**	**974.4**	**944.5**
Average interest rate					1.5%
Borrowings have been reduced by amortization and financing expenses:					
Amortization expenses offset under non-current debt					0.3

1) Including future interest payments calculated at spot rates.

4.1 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 Group companies	39.8	282.8	-	322.6	322.6
Other receivables	0.2	-	-	0.2	0.2
Cash and cash equivalents	1.3	-	-	1.3	1.3
Financial assets at amortized cost	**41.3**	**282.8**	**-**	**324.1**	**324.1**
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 calculated at spot rates.

4.2 Derivative financial instruments

For details on market value of open interest rate swaps, refer to note 4.3 *Derivative financial instruments* to the consolidated financial statements.

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)
2021/22					
Net outstanding forward exchange contracts					
USD	(8.2)	-	-	(8.2)	3
AUD	(2.1)	-	-	(2.1)	3
Total	**(10.3)**	**-**	**-**	**(10.3)**	

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					
AUD	(4.3)	-	-	(4.3)	3
Total	**(4.3)**	**-**	**-**	**(4.3)**	

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 company´s main currencies are EUR, USD and AUD. The fair value of forward exchange rate contracts is based primarily on observable market data, corresponding to level 2 in the fair value hierarchy.

The company is exposed to market risk, primarily risks relating to loans, and uses financial instruments to hedge recognized risks. The Company only enters into hedging agreements that relate to the underlying business.

4.2 Derivative financial instruments (continued)

Financial instruments used by Chr. Hansen Holding A/S are cash instruments, foreign exchange spot trades, foreign exchange forwards, forward exchange swaps, and current and non-current loans.

Foreign exchange sensitivity analysis:

Net profit effect	2021/22	2020/21
Increase of 5%	1.0	0.2
Decrease of 5%	(1.0)	(0.2)

5.1 Share-based payments

Number of matching shares	Executive Board	Key employees	Former employees	Total
2021/22				
Outstanding at September 1	57,696	40,940	1,734	100,370
Allocated	31,371	20,012	4	51,387
Transferred	(12,438)	12,438	-	-
Forfeited	(12,346)	(8,888)	(1,580)	(22,814)
Exercised	(1,235)	(890)	(158)	(2,283)
Outstanding at August 31	**63,048**	**63,612**	**-**	**126,660**

Number of matching shares	Executive Board	Key employees	Former employees	Total
2021				
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**

Matching share (MS) programs
Refer to note 5.1 *Share-based payments* to the consolidated financial statements for key information on Matching share programs granted in November 2021 and November 2020.

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 total theoretical market value of the program granted in 2021/22 was EUR 3.6 million, and is based on the fulfillment of all predefined performance targets (EUR 3.6 million in 2020/21). The fair value at grant was EUR 3.1 million, taking into consideration the assessed likelihood of meeting the market condition (EUR 3.1 million in 2020/21).

EUR 1.4 million was expensed in 2021/22 relating to the matching share programs, including accelerations and reversals (EUR 1.4 million in 2020/21).

5.1 Share-based payments (continued)

RSUs (number)	Executive Board	Key employees	Former employees	Total
2022				
Outstanding at September 1	24,531	57,158	1,232	82,921
Adjustment to allocation	430	1,515	11	1,956
Allocated	6,752	20,816	-	27,568
Transferred	(4,385)	1,358	3,027	-
Exercised	(5,891)	(13,216)	(1,243)	(20,350)
Outstanding at August 31	**21,437**	**67,631**	**3,027**	**92,095**

RSUs (number)	Executive Board	Key employees	Former employees	Total
2021				
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**

Short-term restricted stock unit (RSU) programs
Refer to note 5.1 *Share-based payments* to the consolidated financial statements for key information on the restricted stock unit program to be granted in November 2022 and the restricted stock unit program granted in November 2021.

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 2021/22 (RSU 2021/22) was estimated at EUR 1.7 million (EUR 1.8 million in 2020/21). The number of RSUs allocated, their value, and underlying assumptions will be finally determined in November 2022.

EUR 1.6 million was expensed in 2021/22 relating to the short-term RSU programs (EUR 2.0 million in 2020/21).

There were no outstanding exercisable RSUs at August 31, 2022.

5.2 Non-cash adjustments

EUR million	2021/22	2020/21
Amortization, depreciation and impairment losses	0.6	0.3
Share-based payments	3.0	3.4
Other non-cash adjustments	13.9	-
Total	**17.5**	**3.7**

5.3 Related parties

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

EUR million	2021/22	2020/21
Sale of services	34.0	50.6
Interest income	10.9	9.3
Interest expenses	(0.2)	(0.2)
Receivables at August 31	414.9	322.6
Payables at August 31	142.3	54.9

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

At August 31, 2022, Novo Holdings A/S, Denmark, held 21.98% of the share capital in Chr. Hansen Holding A/S (21.98% at 31 August)(significant influence). APG Asset Management N.V., Netherlands held less than 5% (5.01% at August 31, 2021).

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 *Events after the balance sheet date* to the consolidated financial statements.

Financial calendar and contact

Financial calendar

AGM 2022	November 23, 2022
Q1 Results 2022/23	January 12, 2023
Q2 Results 2022/23	April 13, 2023
Q3 Results 2022/23	July 6, 2023
Q4 Results 2022/23	October 12, 2023
AGM 2023	November 22, 2023

Further details can be found on the Investor Relations website
Go to p. 148 for full link

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Forward-looking statements

The annual report contains forward-looking statements that reflect management's current views and expectations with respect to Chr. Hansen's future and potential financial performance.

Those forward-looking statements are based upon data and information currently available to the company, and on a variety of assumptions, many of which may be beyond our control and subject to risks and uncertainties that may cause the actual results of the Company or the industry to differ materially from such forward-looking statements.

The information, opinions and forward-looking statements contained in this document speak only as at the date of it and the company is under no obligation to publish any updates thereof except for what is required by applicable law or stock exchange rules and regulations.

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, better food 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 1 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.

Report references

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Fighting antibiotic resistance
https://info.chr-hansen.com/Fighting-antibiotic-resistance

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Go on a virtual site tour
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Read more about our lighthouses
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Learn more about the industry's leading coagulant
https://info.chr-hansen.com/chymax-supreme

Learn more about the discovery of GALLIPRO® Fit
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How our customers work with SmartBev™ NEER®
https://info.chr-hansen.com/to-ol

Learn how bacteria helps keep food great
https://info.chr-hansen.com/Bioprotection

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More information about our commitment to human rights in our Sustainability Position
https://info.chr-hansen.com/Position-on-sustainability

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More information on the Board Competency Profile here
https://info.chr-hansen.com/Board-Competency-Profile

Read the 2021/22 Corporate Governance Statement here
https://info.chr-hansen.com/corporate-governance

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More information on our Business Integrity Policy here
https://info.chr-hansen.com/Business-integrity

Read our position on privacy, data protection and data ethics
https://info.chr-hansen.com/Position-on-privacy

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Further information can be found in the 2021/22 Remuneration Report and Remuneration Policy
https://info.chr-hansen.com/remuneration

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Full CV of Board of Directors
https://info.chr-hansen.com/BoD

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Executive board & corporate leadership team
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