IMPROVING FOOD & HEALTH

ANNUAL REPORT
2009/10

Cover photo: Frozen cultures

MANAGEMENT'S REVIEW

FINANCIAL STATEMENTS

SUPPLEMENTARY REPORT

ORGANIC REVENUE GROWTH OF

12%

TO

575.5

MILLION EURO

NET WORKING CAPITAL REPRESENTS

16%

OF REVENUE

EBIT BEFORE SPECIAL ITEMS INCREASED BY

26%

TO

143.3

MILLION EURO

CASH FLOW FROM OPERATING ACTIVITIES

101.5

MILLION EURO

EBIT MARGIN BEFORE SPECIAL ITEMS

25%

CASH CONVERSION

71%

UNIQUE PLATFORM FOR GROWTH

Letter to our shareholders

2009/10 was a remarkable year for Chr. Hansen. The company not only continued to improve its financial performance. On 3 June, Chr. Hansen was re-listed on NASDAQ OMX Copenhagen after five years of private ownership. The listing marks the beginning of a new chapter in the company's history. At the same time, the listing is an important step in the future development of the company, providing the right platform for continued growth and supporting Chr. Hansen's vision to improve food and health.

Over the past years, Chr. Hansen has delivered high growth while undertaking a significant transformation from a one-stop ingredient supplier to a focused bioscience company. The organization has been trimmed through the divestiture of non-core businesses and streamlining of all our business processes, and we have created a strong platform for future growth in areas where we possess key competencies.

STRENGTHENING THE BOARD

PAI partners have supported Chr. Hansen during the past five years and continue to be a majority shareholder in the company. In line with the recommendations for corporate governance and to reflect the new ownership and support the future development of the company, three new independent board members were appointed to the Board of Directors in March 2010. Ole Andersen was appointed Chairman of the Board and Henrik Poulsen and Alice Dautry were both appointed Directors.

ANOTHER GOOD YEAR

In 2009/10, for the fifth year in a row, Chr. Hansen, despite global economic uncertainty, delivered a highly satisfactory business performance with profitable growth across all business areas and sales regions. The positive development is clear evidence of the resilience and scalability of the business model.

Sales increased by 13% to EUR 575.5 million (corresponding to 12% organic growth), while operating profit (EBIT) before special items increased by 26% to EUR 143.3 million, which was in line with our expectations mentioned in the Prospectus and our Q3 financial statement. The solid growth was partly driven by persistent efforts to increase our presence in emerging markets, in Asia, Eastern Europe and South America, but also by sustained growth in our traditional markets in North America and Europe. Increased efficiency in the global supply chain also contributed to our improved performance.

DIVISIONAL PERFORMANCE

Cultures & Enzymes have continued their sales growth in all regions. Notably, the establishment of a new Application Center in Singapore allowed us to support growth in Asia. Health & Nutrition continue to show solid growth rates and the increased scientific understanding of "why you become what you eat" has resulted in a number of new product introductions. Colors & Blends have shown spectacular growth both on the top and bottom lines. We are well positioned to benefit from the increased consumer trend towards use of natural colors in food production. Our position has been strengthened by new product launches in all three divisions.

CONVERSION DRIVING MARKET EXPANSION

Chr. Hansen's attractive growth story is supported by the major market trends. The fundamental market growth is being driven by the global rise in the middle income population, combined with an increasing need for better balanced foods with specific health properties. Consumers are demanding more in the way of taste, colors and health properties in the food and beverages they consume. We help our customers meet these demands and sharpen their competitive edge.

A common denominator for Chr. Hansen's divisions is market expansion through conversion. The Cultures & Enzymes Division reports continued conversion from bulk starter cultures to industrially produced DVS® (Direct Vat Set) cultures in the dairy industry. The Health & Nutrition Division leverages our core technology to develop new probiotic concepts and benefits from increased consumer awareness favoring prevention rather than cure. Finally the Colors & Blends Division leads the conversion from synthetic to natural color solutions in the food and beverage industries.

INNOVATION IS A CORNERSTONE

A cornerstone of our business is a strong competence-based bioscience platform for innovative product and process development. Our highly skilled R&D staff performs state-of-the-art innovation and transforms it into the best applications while maintaining long-standing relations and working partnerships with our customers. We believe that these strengths contribute to our leading market positions. In combination with the major global market trends and our presence in growth markets, this enables us to further increase our market share.

A SCALABLE BUSINESS MODEL

Two key strengths characterize Chr. Hansen: sustainable top line growth and an efficient and scalable business model which ensures that we grow costs slower than sales. These are the fundamental strengths in our achievements and will remain the guiding principles in driv-

CONTINUED

ing business forward. In 2009/10, we achieved higher productivity and increased production flexibility, enabling us to optimize unit costs. Simultaneously the scalability in our production also results in considerable environmental benefits, enabling us to produce more with less.

DIVIDEND

For the financial year 2009/10, we propose a dividend per share of DKK 0.64, corresponding to a payout ratio of 35% of adjusted net profit (see page 15). This is in line with the stated dividend policy and the indications we have given previously.

RESPONSIBLE BUSINESS

At Chr. Hansen, we take our responsibilities very seriously, with persistent focus on creating business value while showing consideration for the environment and society at large.

In 2010, we have established a Corporate Social Responsibility (CSR) Board anchored at the top management level of Chr. Hansen. Chaired by the CEO, the board includes members of the Corporate Leadership Team. The establishment of the CSR Board is a visible statement to our stakeholders that we take sustainability very seriously and intend to broaden our scope in this area.

CONTINUED FOCUS ON RESULTS

Chr. Hansen's ambitions depend on strong financials. Over the past five years, we have more than doubled operating profit (EBIT) through profitable growth across all product areas and regions. In addition, we have been able to convert that profitability into cash flows.

Going forward, focus will continue to be on profitable growth. We have established ambitious long-term targets of annual organic revenue growth in the region of 8-10% and a gradually increasing operating profit (EBIT) margin. Through careful management of net working capital and capital expenditure, we will ensure a high level of cash conversion

WE CAN ALWAYS DO BETTER

Ensuring the transition to a public company was one of the major achievements for Chr. Hansen during the past year, but we are determined not to rest on our laurels.

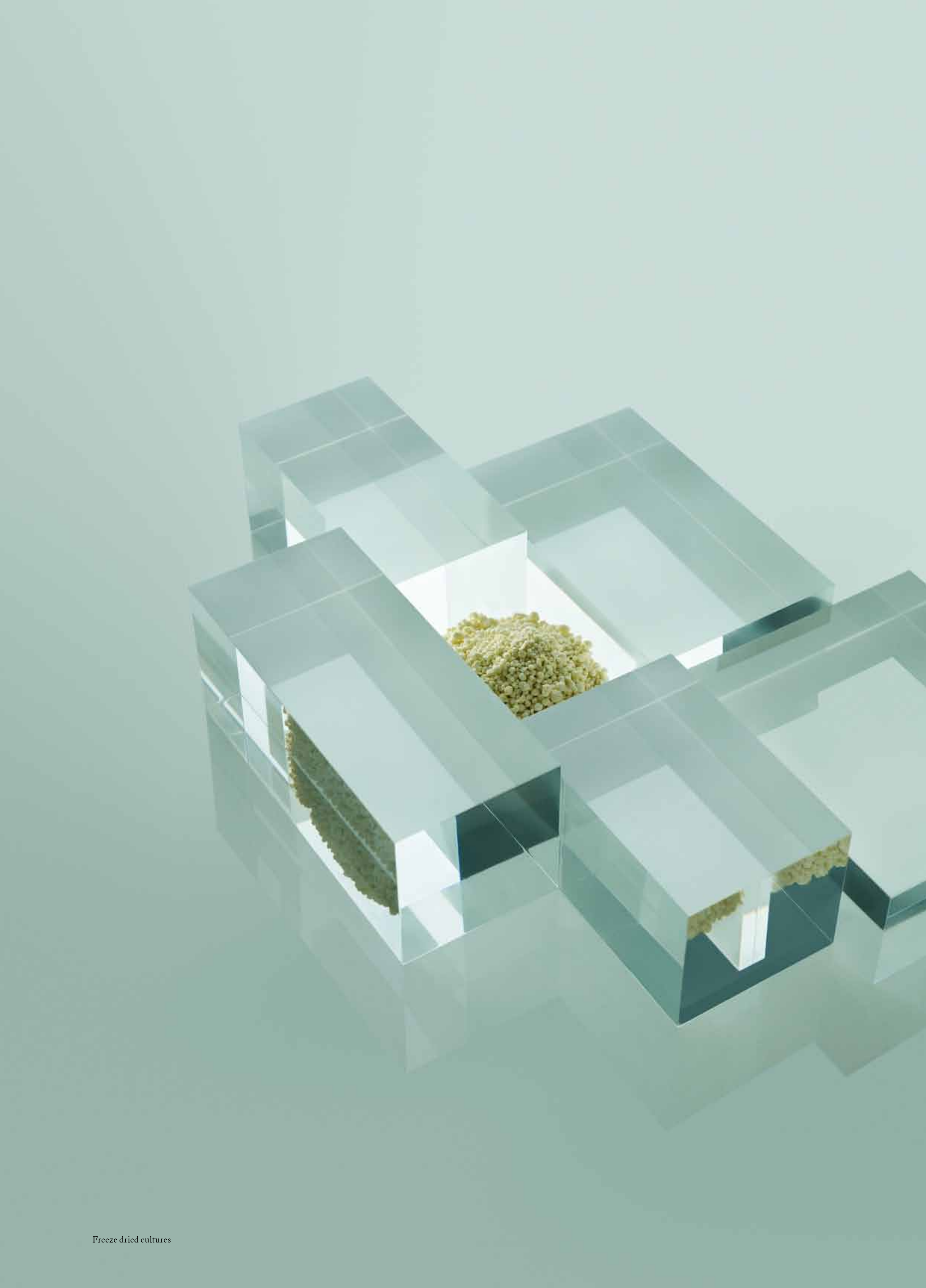
Ambition and performance are part of our company values. Continuously striving for improved performance has helped us create a high performing culture throughout the organization. An important part of this is the commitment and enthusiasm from all employees, and we are very happy that the employee satisfaction survey in 2010 showed the highest score ever and significantly higher than the benchmark. The high employee satisfaction, motivation and loyalty levels combined with solid financial performance show that we have succeeded in providing a strong and ambitious platform for continued growth and value creation.

WELL PREPARED FOR THE FUTURE

2009/10 was indeed a remarkable year for Chr. Hansen. The company's solid growth story is the result of the entire organization's tremendous joint efforts over the past five years which have laid the foundation for future prosperity. We would like to thank each individual employee for their committed contribution to making Chr. Hansen a better company.

OLE ANDERSEN
CHAIRMAN OF THE BOARD

LARS FREDERIKSEN
CEO



Freeze dried cultures

KEY FIGURES

EUR million	**2009/10**	2008/09	2007/08	2006/07*	2005/06*
Income statement					
Revenue	575.5	511.2	476.7	444.7	424.8
Gross profit	285.1	242.1	229.0	203.4	177.8
EBITDA	161.9	150.0	134.1	111.8	88.7
Operating profit (EBIT) before special items	143.3	113.9	103.5	83.2	56.4
Operating profit (EBIT)	119.1	109.4	96.0	75.0	47.7
Net financial items	(67.0)	(106.5)	(71.2)	(82.3)	(73.0)
Net profit, continuing activities	19.7	(16.0)	7.5	(6.1)	(20.2)
Net profit, discontinued activities	(0.5)	(2.4)	36.3	(6.7)	(4.3)
Net profit	19.2	(18.4)	43.8	(12.8)	(24.5)
Average number of employees	2,229	2,157	2,367	2,507	2,495
Financial position at 31 August					
Total assets	1,316.3	1,278.6	1,324.4	1,237.0	1,262.3
Invested capital	1,167.9	1,130.0	1,151.3	1,109.3	1,150.0
Net working capital	93.6	77.9	90.4	79.6	103.6
Equity	545.7	93.8	125.2	81.9	101.1
Net interest-bearing debt	474.5	814.7	864.4	884.6	633.5
Cash flow and investments					
Cash flow from operating activities	101.5	105.0	51.7	66.7	74.4
Cash flow from investing activities	(38.6)	(26.6)	(16.8)	(60.4)	(39.5)
Cash flow from financing activities	(85.5)	(79.7)	14.4	(3.1)	(23.1)
Free cash flow	62.9	78.4	34.9	6.3	34.9
Acquisition and disposal of intangible assets, net	(20.0)	(17.4)	(8.8)	(3.4)	(0.5)
Acquisition and disposal of property, plant and equipment, net	(18.6)	(10.1)	(33.0)	(35.8)	(28.0)
Acquisition and disposal of entities, net	-	0.9	25.0	6.3	7.9
Key ratios					
Organic growth %	12	10	10	10	7
Gross margin %	50	47	48	46	42
EBITDA margin %	28	29	28	25	21
Operating profit (EBIT) margin, before special items %	25	22	22	19	13
Operating profit (EBIT) margin, %	21	21	20	17	11
ROIC %	12	10	9	7	5
ROIC, excluding goodwill %	27	21	19	15	9
NWC %	16	15	19	18	24
R&D %	6	6	6	5	5
Capital expenditure %	7	5	9	9	7

Financial year ends 31 August

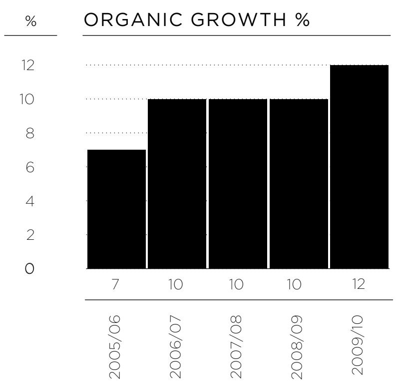
EUR million	**2009/10**	2008/09	2007/08	2006/07*	2005/06*
Financial ratios					
Interest Coverage	4.2	3.2	2.4	2.0	1.9
Cash conversion %	71	90	63	87	174
Debt to EBITDA	2.5	5.3	6.1	7.4	6.5

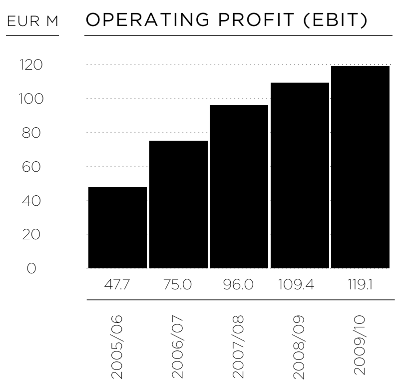
Share data	
Share price, DKK**	100.7
Share price, EUR**	13.5
Market cap, DKK million**	13,900.0
Market cap, EUR million**	1,867.1
Net asset value per share, EUR**	3.9
Average number of outstanding shares, millions	109.2
PE, price/earnings ratio**	82.98
Dividend per share, DKK***	0.64
Pay-out ratio, %***	35
Earnings per share (EPS), DKK	1.19
Earnings per share (EPS), EUR	0.16

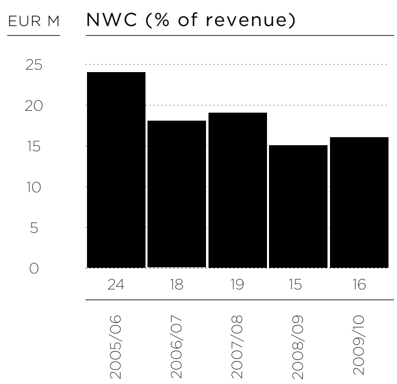
***** For 2005/06 and 2006/07 income statement, cash flow and key figures are restated, according to IFRS 5, excluding discontinued actitivities.

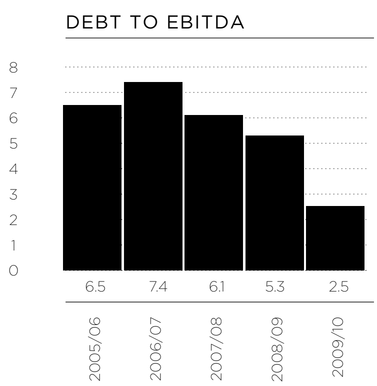
****** On 31 August 2010.

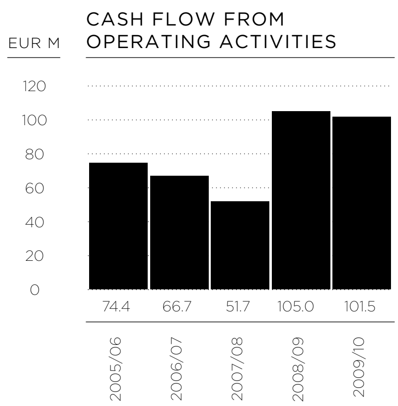
******* Proposed.

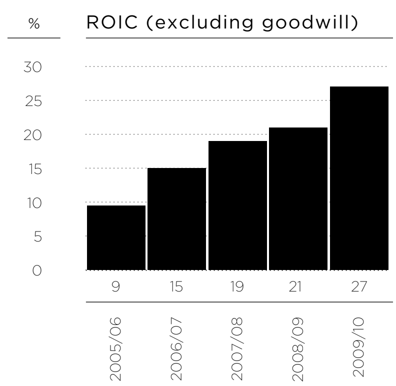






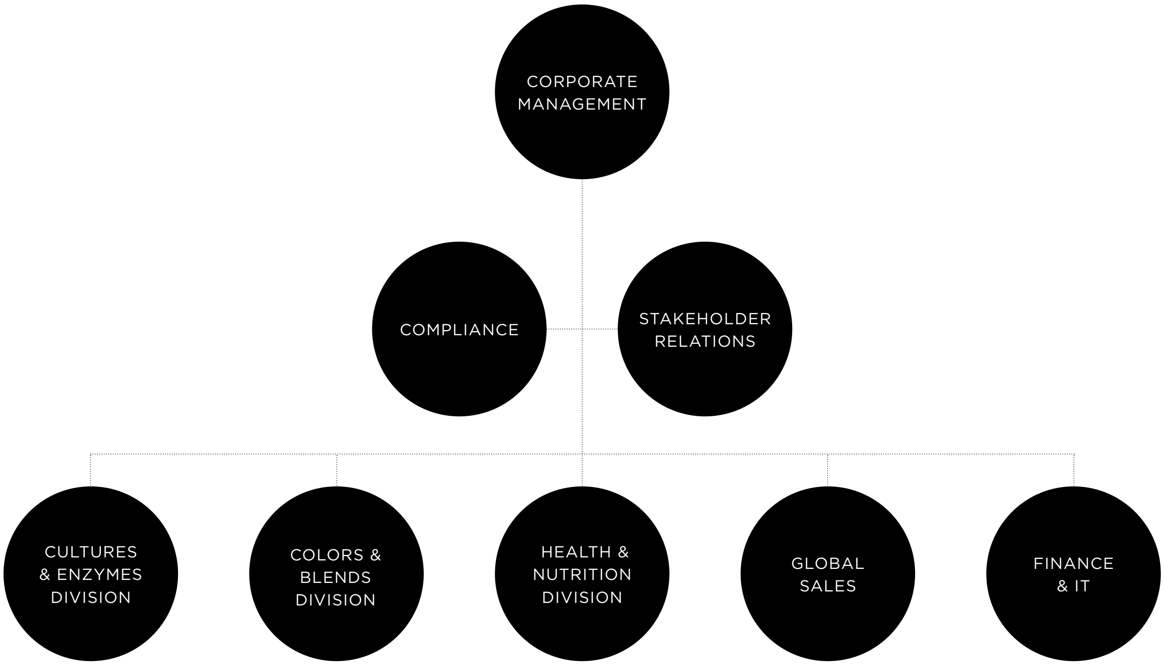






Natural red

ABOUT CHR. HANSEN



CHR. HANSEN ORGANIZATION

Chr. Hansen is a global bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. The products are centered around cultures, enzymes, probiotics and natural colors, and all solutions are based on strong research and development competencies coupled with significant technology investments. Revenue in the 2009/10 financial year was EUR 576 million. The company holds a leading market position in all its divisions: Cultures & Enzymes, Health & Nutrition and Colors & Blends. It has more than 2,300 dedicated employees in over 30 countries. Chr. Hansen was founded in 1874 and is today listed on NASDAQ OMX Copenhagen.

Our knowledge of bioscience and its applications within cultures and enzymes is our core competency and serves as the technical foundation of our products. We have built our market positions on solid expertise, focused innovation, supply chain excellence and long-term customer relationships. Through the coordinated efforts by our sales, marketing and innovation organizations we cooperate closely with customers in order to help them bring their products and processes successfully into the future.

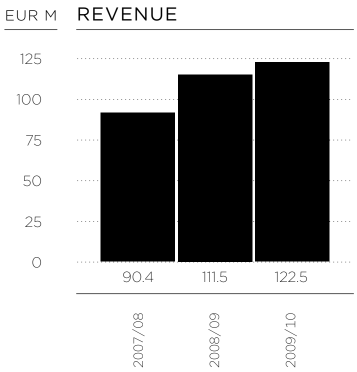
The Cultures & Enzymes Division develops, produces and sells cultures, enzymes and probiotics for the food industry in general and the dairy industry in particular. Our ingredients assist in determining the appearance, taste, nutritional value and health benefits of a variety of food products. We work in partnership with customers to develop new and improved food products, while our innovative solutions help optimize customers' production by increasing yields and ensuring quality.

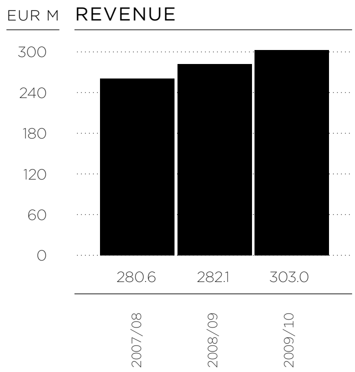
The Health & Nutrition Division develops, produces and sells products for the dietary supplement, over-the-counter pharmaceutical, infant formula and animal feed industries. The key offering is probiotic cultures with a documented health effect, and through own research and collaboration with leading international scientists we generate new knowledge about the impact of probiotics on humans and animals.

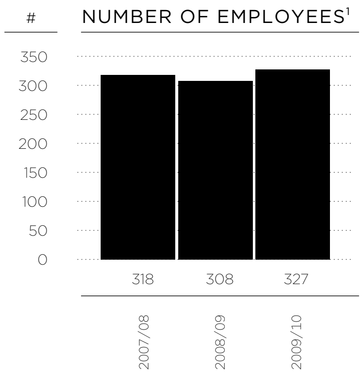
The Colors & Blends Division develops, produces and sells natural color solutions to the food industry, in particular the beverage, dairy, confectionery, fruit preparation and ice cream segments, as well as functional blends that improve the quality and taste of processed meats. Our colors are extracted from a wide range of natural sources such as berries, roots and seeds, and we master a number of encapsulation techniques which help stabilize the appearance of colors in various food applications.

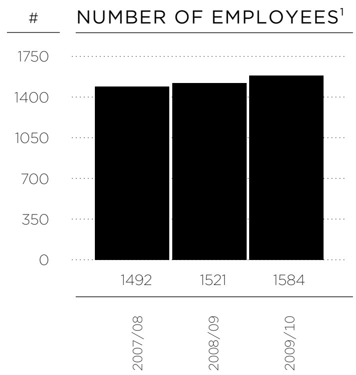
NORTH AMERICA

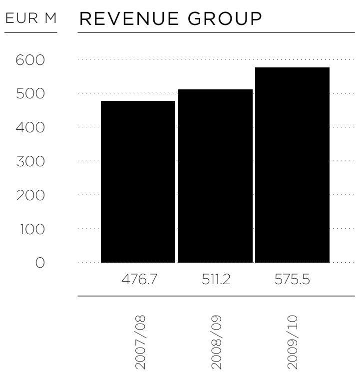
EUROPE

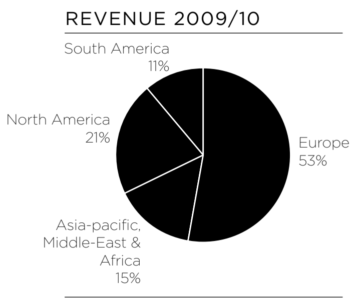








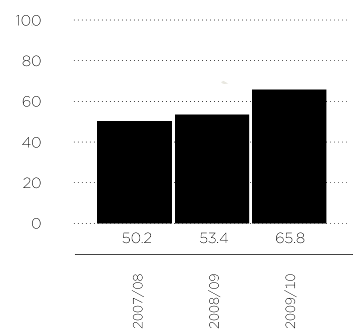




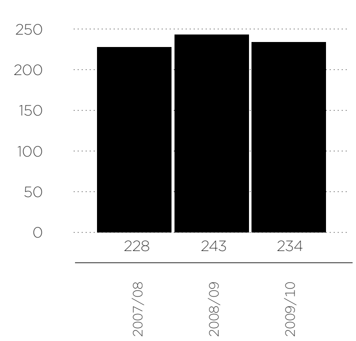
[1] As of 31 August

SOUTH AMERICA

EUR M REVENUE

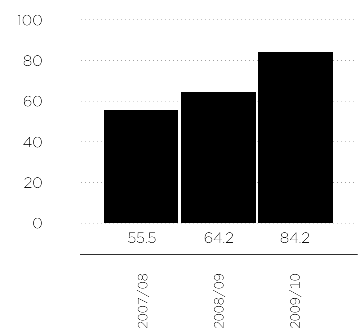


NUMBER OF EMPLOYEES[1]



ASIA-PACIFIC, MIDDLE EAST & AFRICA

EUR M REVENUE



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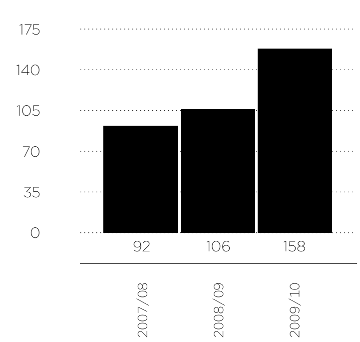
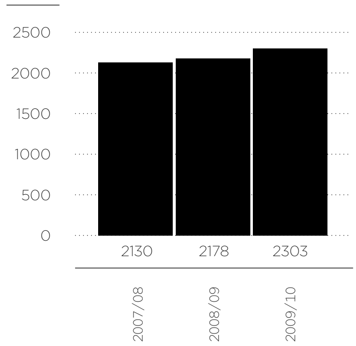
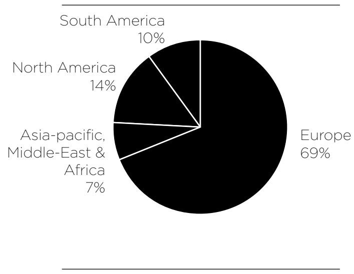


NUMBER OF EMPLOYEES[1] GROUP

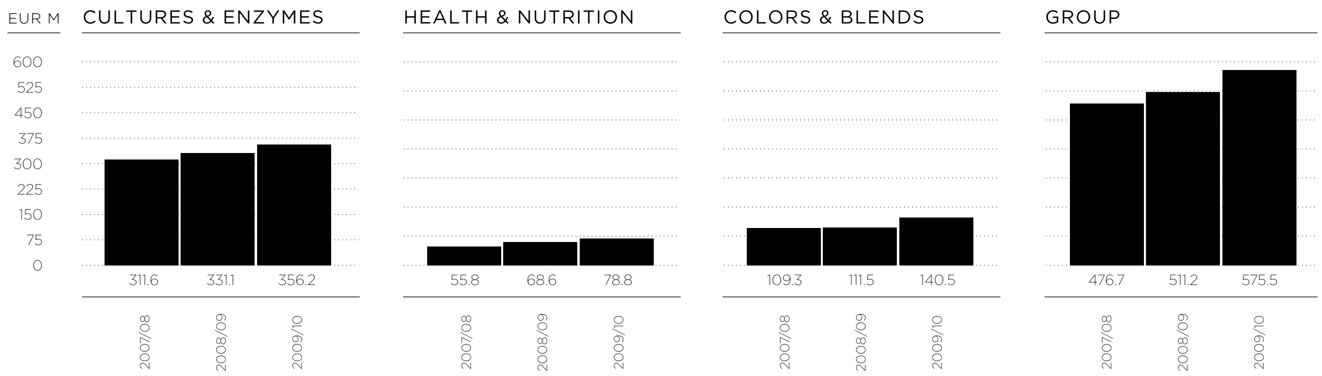


NUMBER OF EMPLOYEES[1] 2009/10

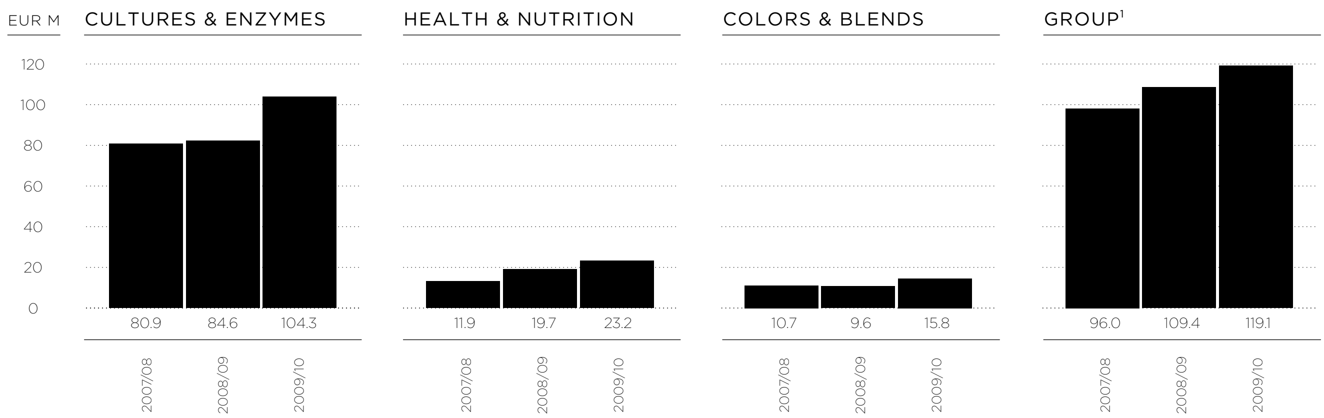


[1] As of 31 August

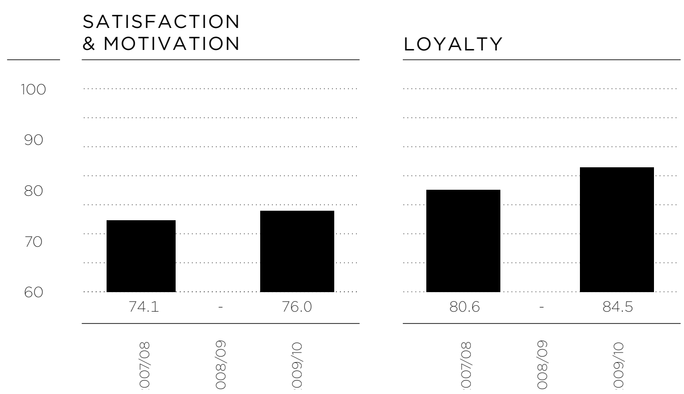
REVENUE



OPERATING PROFIT (EBIT)



EMPLOYEE SATISFACTION SURVEY



[1] Less than the aggregate of divisions due to special items

FINANCIAL REVIEW

In 2009/10 Chr. Hansen experienced yet another year of strong growth in earnings in all three divisions. Main drivers were the increase in revenue, productivity improvements and scalability of the cost structure. The free cash flow demonstrated strong cash conversion and a restructuring of the financing after the listing on NASDAQ OMX Copenhagen resulted in a significant reduction in interest-bearing debt.

INCOME STATEMENT

REVENUE

Revenue amounted to EUR 576 million, up 13% over the previous year, corresponding to organic growth of 12%. All divisions and geographical regions contributed to the strong growth. The growth rate was positively impacted by a significant increase in prices of carmine color raw material, resulting in an increase of sales prices as well. This development enhanced the total revenue growth by approximately 2 percentage points.

The Cultures & Enzymes Division accounted for 62% of the total revenue in 2009/10, a revenue growth of 8%, corresponding to organic growth of 6%. The Health & Nutrition Division experienced organic growth of 14% and revenue growth of 15% and accounted for 14% of the Group revenue. Revenue in the Colors & Blends Division grew by 26%, corresponding to organic growth of 29%, primarily driven by the sale of natural colors. The Colors & Blends Division contributed 24% of the total revenue.

Our Sales operations are divided into four regions, Europe, North America, South America, and Asia-Pacific, Middle East & Africa (APMEA). The European region accounted for 53% of the total revenue in 2009/10, a revenue growth rate of 7%, corresponding to organic growth of 10%. Natural colors, human health products and fermented milk cultures performed strongly, while sales of coagulants to the cheese segment declined slightly. The North American region contributed 21% of the total revenue, a revenue growth rate of 10%, equivalent to organic growth of 10%. The region experienced good growth rates in all product areas except for animal health products, where sales of silage cultures were negatively affected by destocking at certain customers and a generally difficult economic environment in the agricultural industry. Revenue in the South American region grew by 23%, corresponding to 14% organic growth, driven primarily by dairy ingredients and natural color solutions. Revenue in South America accounted for 11% of the total revenue. Revenue growth in the APMEA region was driven by human health products, dairy cultures and natural color solutions. The region contributed 15% of the total revenue, a revenue growth rate of 31%, equal to 24% organic growth.

GROSS PROFIT

The gross profit increased by 18% over last year to EUR 285 million, representing an improvement in the gross profit margin of 3 percentage points, in spite of a less profitable business mix. The positive development was mainly a result of increased production efficiency, primarily driven by the culture plant in Copenhagen.

EXPENSES

Expenses totalled EUR 142 million compared to EUR 128 million last year, an increase of 11%. Beyond inflation, the increase relates mainly to a strengthening of the sales and marketing organization as well as research and development activities. Administration expenses increased primarily due to higher costs resulting from our listed company status.

Capitalized development costs amounted to EUR 11 million, an increase of EUR 1 million over last year. The increase, combined with enhanced efficiency in the Research & Development team, improved our ability to launch new solutions for our customers and introduce better production methods. The total research and development expenses excluding an amortization of EUR 2 million amounted to EUR 33 million, corresponding to 6% of total revenue, which is at the same level as last year. The primary focus of the development activities is support of the Cultures & Enzymes Division and the Health & Nutrition Division, where research and development expenses correspond to 6% and 10% of revenue, respectively. Significant R&D projects undertaken are YoFlex® cultures developed for drinking yogurts, probiotics for weight management, ColorFruit® Orange and a range of new encapsulated colors.

SPECIAL ITEMS

Special items amounted to EUR 24 million, of which EUR 18 million relate to an extraordinary bonus to all employees. The expense net of tax has been reimbursed by the majority shareholder Financière Star 1 through a capital contribution. As a result, the operating profit (EBIT) was negatively impacted by the bonus payment, even though the cash flow effect was neutral for Chr. Hansen.

OPERATING PROFIT (EBIT)

The operating profit (EBIT) amounted to EUR 119 million. Operating profit (EBIT) margin came to 21%, the same level as last year. The EBIT margin before special items was 25%, compared to 22% the previous year. All divisions demonstrated scalability with increasing margins.

NET FINANCIALS AND TAX

Net financial expenses amounted to EUR 67 million of which EUR 60 million was net interest expenses, EUR 8 million was negative net exchange rate adjustments and EUR 16 million was amortized costs related to the previous credit facilities, which were expensed as a consequence of the refinancing of long-term debt in June 2010 in connection with the IPO. The net gain related to derivative financial instruments was EUR 16 million. As a result of the refinancing in June 2010, net interest expenses for the fourth quarter decreased.

Corporation tax amounted to EUR 32 million which comprises EUR 46 million in tax on operating profit net of tax on financial items.

This corresponds to an effective tax rate of 38%. The tax rate was negatively influenced by adjustments related to potential tax liabilities.

PROFIT/LOSS FOR THE YEAR

Net profit for the year amounted to EUR 19 million, compared to last year's loss of EUR 18 million.

ASSETS

At 31 August, 2010, total assets amounted to EUR 1,316 million, which was EUR 38 million higher than last year-end. The increase in non-current assets amounted to EUR 20 million, primarily due to currency translations of assets in foreign group enterprises and capital expenditure.

Total current assets amounted to EUR 240 million, compared to EUR 222 million at 31 August, 2009. Inventories increased by EUR 19 million to EUR 75 million, primarily due to increased raw material prices as well as increased revenue, while cash and cash equivalents decreased by EUR 19 million to EUR 61 million. Trade receivables increased by EUR 12 million to EUR 83 million driven mainly by higher sales activity.

Net working capital at 31 August, 2010 amounted to EUR 94 million corresponding to 16% of revenue and representing an increase of EUR 16 million from EUR 78 million. Improvement of the net working capital position remains a constant focus area for Chr. Hansen.

EQUITY

On 3 June, 2010, Chr. Hansen was successfully listed on the NASDAQ OMX Copenhagen. The net proceeds from the listing amounted to EUR 431 million; new shares issued generated EUR 450 million and the company's share of the IPO costs amounted to EUR 19 million. In order to cover the new share-based incentive programs, treasury shares worth EUR 35 million were purchased. Total equity at year end amounted to EUR 546 million, compared to EUR 94 million at last year-end.

PROPOSED DIVIDEND

At the Annual General Meeting on 30 November, 2010, the Board of Directors will propose a dividend of DKK 0.64 per share of DKK 10, corresponding to a pay-out ratio of 35% adjusted for the capital contribution from Financière Star 1. The total dividend payment is expected to amount to EUR 12 million.

HOLDING OF TREASURY SHARES

As per 31 August, 2010, Chr. Hansen Holding A/S holds 2,894,034 shares corresponding to 2% of the total share capital. The shares were purchased as part of the IPO in order to cover the new share-based incentive programs.

NET DEBT

In June 2010, the company's long-term debt was refinanced. The net proceeds from the sale of new shares at the IPO were used to repay part of the long-term debt and the remaining debt was refinanced. The effect of the refinancing was a deleveraging and longer maturity on the remaining debt. The improved debt structure gives Chr. Hansen the ability to pursue future growth opportunities and mitigates the negative tax impact from the Danish interest ceiling rules. Net interest-bearing debt amounted to EUR 475 million on 31 August, 2010, which represents 2.5 times EBITDA before special items. At 31 August, 2009 the net interest-bearing debt was EUR 815 million. At year end approximately 53% of the debt was secured at fixed interest rates. The total debt has an average maturity of 4.7 years.

CASH FLOW

Cash flow from operating activities amounted to EUR 102 million compared to last year's EUR 105 million. The decrease was mainly due to an increase in working capital partly compensated for by an increase in operating profit. The operating profit for the year was EUR 119 million, an increase of EUR 10 million compared to last year. The operating profit for the year was negatively impacted by the extraordinary bonus of EUR 18 million, reimbursed by the majority shareholder, Financière Star 1, through a capital contribution.

Cash flow from investing activities amounted to EUR 39 million, compared to EUR 27 million last year. Investment in property, plants and equipment amounted to EUR 19 million whereas capitalized development projects amounted to EUR 11 million during the period.

Free cash flow amounted to EUR 63 million, compared to EUR 78 million last year. In 2008/09, the free cash flow was positively impacted by a relatively low investment level with primary focus on the start-up of the new culture plant in Copenhagen.

Cash flow from financing activities amounted to EUR 86 million and was heavily influenced by the IPO and refinancing of long-term debt. Net proceeds from the IPO in June amounted to EUR 431 million. In the refinancing, the repayment of long-term debt amounted to EUR 947 million, including the voluntary repayment in December 2009 of EUR 26 million and repayment of shareholder loan. New loans contributed EUR 450 million.

At year-end, cash and cash equivalents amounted to EUR 61 million.

EVENTS AFTER THE BALANCE SHEET DATE

On 30 September 2010 member of the Executive Board and head of Colors & Blends Division, Executive Vice President Hans Thorkilgaard left Chr. Hansen Holding A/S.

No significant events have occurred since 31 August, 2010 with effect on the Annual Report.

OUTLOOK

OUTLOOK

CHR. HANSEN'S REVENUE GROWTH
IS DRIVEN BY FOUR FUNDAMENTAL FACTORS:

- Growth in the size of global middle income groups leading to increased demand for healthy food products.
- Conversion i.e. from in-house bulk starter to DVS® cultures and from synthetic to natural colors.
- Added functionality in food, i.e. probiotics
- Market share gains

Due to the scalability of our business model, driven by our global commercial footprint and our efficient production platform, operating profit (EBIT) is expected to grow faster than revenue.

LONG TERM AMBITION (3-5 YEARS)

Based on the fundamental growth factors, annual revenue is expected to grow organically in the region of 8-10%. Operating profit (EBIT) margin before special items is expected to increase gradually, assuming an unchanged business mix. Net working capital (NWC) is expected to be 14-17% of revenue and capital expenditure at 6.5-7.5% of revenue.

Research and development expenditure (costs and capitalization) excluding amortization are expected to be around 6% of revenue.

Consequently a high cash conversion is expected and net debt leverage is expected to be between 2-2.5 times EBITDA with excess capital distributed to the shareholders.

2010/11 OUTLOOK

The financial year 2010/11 has started positively and organic revenue growth for the full year is expected to be 8-10%. Operating profit (EBIT) margin is expected to be above 25%. The tax rate is estimated to be around 26%.

As a result of healthy cash conversion, and key ratios in line with the long term targets, the net debt to EBITDA ratio is expected to decrease to approximately 2.0 times from 2.5 at the end of the 2009/10 financial year.

The above outlook is based on the assumption that due to the increased raw material prices for carmine during 2009/10, the organic growth for the Colors & Blends Division will decline in the second half of 2010/11 compared to the first half of the financial year.

The long term targets and 2010/11 outlook are sensitive to major changes in the global economy including the USD exchange rate, which could impact the operational and financial performance of the company. For more information on risk and sensitivities please refer to page 60.

For information on our ambitions on Corporate Social Responsibility measures please refer to page 47.

Lars Frederiksen
CEO

Henning Jakobsen
CFO

MARKET INTERACTION DRIVING BUSINESS FORWARD

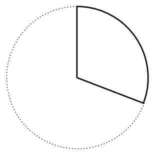
*We strive toward and focus on making customers successful.
We build customer competitiveness and bring value to customers through strategic ingredients, market insight, product innovation and cost-efficient solutions.*

Customers

Top customers	Avg. years with Chr. Hansen	3 year revenue CAGR
Top 5	>20	19%
Top 15	>20	15%
Top 25	>20	13%

Customer concentration

Top 25 customers share of revenue



Our market insight and structured global approach are important competitive factors and key to our success. New ways of combining and optimizing sales, marketing and innovation resources are helping to fuel future growth.

Chr. Hansen's profitable and stable growth is built on a customer and industry-focused strategy and a strong global sales organization, with teams around the world shaping and delivering global product strategies through daily interaction with customers. We foster customer competitiveness by translating their needs, product strategies and innovation into our industry offerings.

Wherever we are in the world, we collaborate closely with customers to provide innovative and customized solutions enabling them to become more successful in their marketplace. Our strategic ingredients have a massive impact on the products, but are typically only a fraction of the total cost. The uniqueness of our ingredients combined with the high value they add to customers' products is the main reason behind the strong sales growth. We provide a more detailed overview of the Sales & Market development in each product area during 2009/10 on pages 20, 26 and 34.

DEEP CUSTOMER INSIGHT

Working partnerships, natural and value-added products as well as long-term customer relations are central factors in Chr. Hansen's go-to-market strategy. One of the most important sales vehicles spanning all three divisions is our extensive International Key Account and Focus Customer Programs, which increases our ability to service key customers effectively and optimize growth among the largest customers in the food industry. The program ensures that sales and support activities are organized according to industry segments; targeted strategies within dairy, food & beverages and meat industries are developed in close collaboration with customers and the divisions.

CUSTOMER LOYALTY

Chr. Hansen's profitable growth depends on our ability to ensure customer loyalty, and we aim to develop long-term, strategic supplier relationships with a diversified customer base. Thus, eight of our top ten customers have been our customers for more than 20 years. At year-end, our top 25 customers accounted for approximately 31% of our revenue.
A valuable tool for ensuring customer loyalty is the newly updated Sales Project Management system. The systems allows us to easily keep track of more than 2,000 ongoing sales projects and facilitates professional interaction and management of our customers. On top it provides important information on customer needs and market trends.

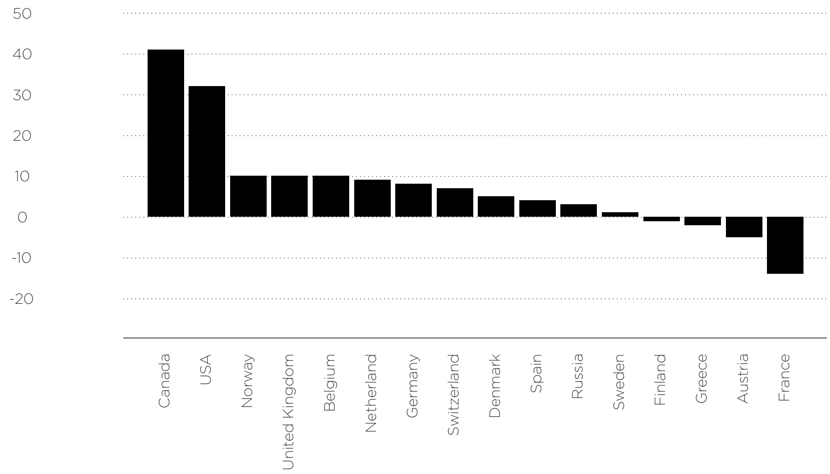
Frozen cultures

CULTURES & ENZYMES DIVISION

THE CULTURES & ENZYMES DIVISION

The Cultures & Enzymes Division develops, produces and sells cultures, enzymes and probiotics for the food industry in general and the dairy industry in particular. Our ingredients assist in determining the appearance, taste, nutritional value and health benefits of a variety of food products. We work in partnership with customers to develop new and improved food products, while our innovative solutions help optimize customers' production by increasing yields and ensuring quality.

Growth in consumption per capita, 2004-2009 YOGURT



MARKET HIGHLIGHTS

OVERALL TRENDS

Increasing expenditure on health and wellbeing is a key driver for global consumption within the food and dairy industries. Consumers are demanding increased functionality in the food and beverages they consume and greater sophistication in features such as color, taste and viscosity. Cultures and probiotics help customers address these demands and increase competitiveness. For example, only 20% of yogurt production includes probiotic cultures – a figure which has grown from 15% in 2004 and which we believe will continue to grow in the future. There is a general trend across the global dairy industry to convert from in-house production of bulk starter to industrialized cultures using DVS® technology. DVS® is an industrialized, highly concentrated and standardized frozen or freeze-dried culture used for direct inoculation into the process tank. DVS® cultures offer a number of advantages over traditional bulk starter procedures, including improved culture quality and process control, increased product yield and reduced contamination risk.

The industrially produced cultures represent a significant and growing proportion of the commercial food cultures market. The potential for conversion to DVS® cultures remains high, considering that only approximately 40% of the world's cheese and approximately 70% of the world's yogurt is made using this production technology. We are well positioned to capitalize on the ongoing transition from bulk starter to DVS® technology in dairy production and from animal rennet to fermented coagulants in the production of cheese.

STRONG GROWTH IN EMERGING MARKETS AND NORTH AMERICA

The emerging markets in Asia and South America represent key areas for growth in the retail packaged yogurt market, which anticipates, according to Euromonitor, average annual growth between 2009 and 2013 of about 6% and 12% respectively. In addition, the retail market for packaged cheese is similarly expected to experience double-digit growth rates in South America, while Eastern Europe demonstrates strong growth potential of approximately 9%. We have established sales and distribution networks in these regions and are well positioned to benefit from this market growth.

The North American market has historically displayed very low yogurt consumption compared to Europe and therefore represents a high growth opportunity as the consumption gap to the European market narrows (see above figure). We believe that this gap will continue to narrow as the consumption per capita of packaged yogurt in the United States was still less than 40 percent of western European countries such as France and Germany. The major American yogurt producers have experienced strong growth rates – a trend we intend to continue supporting with our cultures.

Revenue

EUR **356.2** M

Operating profit (EBIT)

EUR **104.3** M

Organic growth

6 %

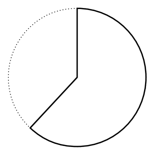
Operating profit (EBIT) margin

29 %

Cultures & Enzymes

	2009/10	2008/09	2007/08
Revenue	356.2	331.1	311.6
EBITDA	137.7	116.7	110.0
Operating profit (EBIT)	104.3	84.6	80.9
Operating profit (EBIT) margin, %	29%	26%	26%
Organic growth, %	6%	9%	10%
ROIC, excluding goodwill %	28%	22%	21%

Chr. Hansen Revenue 2009/10



CULTURES & ENZYMES HIGHLIGHTS

REVENUE DEVELOPMENT

The Cultures & Enzymes Division continued growth in 2009/10 with organic revenue growth of 6%. Revenue increased by 8% to EUR 356 million, accounting for 62% of Group revenue.

This growth was largely driven by increased sales of cultures for fermented milk and probiotic products combined with ongoing efforts to strengthen our sales platform in the emerging markets, particularly in Asia and South America. In addition, we have benefited from growth of yogurt consumption in the North American market. The growth in sales of enzymes was negatively affected by our decision to reduce sales of contract-manufactured animal rennet as well as by price decreases related to lower raw material prices for animal rennet.

PROFIT DEVELOPMENT

Revenue growth combined with a favorable product mix and production efficiencies resulted in a 23% increase in operating profit (EBIT), boosting the operating profit (EBIT) margin to 29%, compared with 26% last year. The product mix improvements were driven by sales of higher-margin products within most Cultures and Enzymes product segments. Additionally, the full ramp-up of the high-volume production plant in Copenhagen combined with general scale benefits from increasing sales volumes has yielded substantial production efficiencies.

R&D

In the Cultures & Enzymes Division, the main focus of product innovation is on developing new or improved food cultures and enzymes to the dairy industry, as well as for meat and wine products. To develop new starter cultures and enzymes, we apply our proven competencies within the products and technology area, extensive insights into process knowledge, world-class strain platform and broad-based experience in the field of analysis. All our core competencies are brought into action in the development of new products and concepts.

R&D HIGHLIGHTS OF THE YEAR

GENOMICS

In recent years technological developments have made it possible to decode the DNA (genes for each specific capability) of bacteria quickly, accurately and at a reasonable cost. Thanks to this technology, referred to as genomics, we have now determined the DNA sequence of more than 125 of our key bacterial strains. This has given us an unprecedented insight into the properties of our strains. Among other things we use this information to ensure that genes considered unacceptable in the food supply, such as antibiotic resistance, are absent from the commercial products. Knowing the DNA sequence of all our probiotic strains will enable us to fully understand and document their superior properties.

NEW YOGURT CULTURES

Based on our ability to screen and select interesting strains from our large culture collection and combine these carefully selected strains into new cultures with unique performance, we have developed a new series of YoFlex® yogurt cultures. A unique sensory and analytical setup ensures that the new cultures have the exact properties demanded by customers. Read more on our YoFlex® concept on page 25.

OPTIMIZING THE VALUE CHAIN FROM IDEA TO MARKET

Dynamic interaction with the markets and close cross-functional collaboration have effectively optimized the creative process from new idea to product launch. The successful launch of 3rd generation cultures for yogurt and other fermented milk products is a prime example of innovation in line with customer requirements.

Listening to market trends and understanding regional market and customer needs and conditions are key factors in developing new and improved culture and enzyme solutions for the global market. A streamlined model ensures the effective development and commercialization of ideas in a process where staff from product innovation, sales and marketing work together closely to bring new products to market quickly and efficiently. Through this process, Chr. Hansen has launched a range of products that are designed to differentiate customers' brands through increased functionality and/or improved process performance.

STRONG PIPELINE

Chr. Hansen has a strong pipeline of strategic and customized projects. Strategic projects aim at developing new commercial products with significantly improved properties and value-adding benefits as well as building competencies. Furthermore, customized projects are conducted in close collaboration with customers involving extensive application activities between the parties. The ongoing transition from traditional bulk starter to DVS® technology accounts for a significant proportion of our customized projects with key customers.

THE INNOVATIVE LOOP

"We have made great efforts to restructure and improve the process flow of taking an idea to successful product launch," says Thomas Skaaning, Marketing Director, Cultures & Enzymes Division. "In particular, we have focused on transforming knowledge of market trends and needs into specific target areas as the basis for developing new ideas. Internally, we have succeeded in breaking down silos and optimized the product development chain through improved cross-functional collaboration. Today, a new idea may quickly find its way to the market through close interaction between customers, innovation teams, local application centers and sales people. A key element of this innovative loop is the emphasis on constantly matching market and customer requirements".

PRELAUNCH: KICKING OFF SALES

According to Thomas Skaaning the introduction of a prelaunch phase is a big step forward in optimizing the process. In this early phase prior to the actual product launch, sales and application staff across business units are mobilized and actively involved in preparing the launch, driven by the marketing department.

"We invite colleagues from the global sales team and regional application centers to join kick-off sessions in the defined target regions in order to fully equip them with relevant material and clarify roles and responsibility in the upcoming launch. The sessions are held at the application centers and allow for local concept adaptations. Local application of innovative new solutions is a crucial element in servicing customers. In this phase, we particularly focus on defining benefits and value propositions, thus adding value for customers. Whether through increased product functionality or improved performance of production processes, we provide customers with the complete package," emphasizes Thomas Skaaning.

Knud Vindfeldt
Executive Vice President,
Cultures & Enzymes Division

Enzyme: CHY-MAX® M

MARKET SUCCESS FOR 3RD GENERATION OF YOFLEX®

Chr. Hansen's new range of value-adding and cost-reducing yogurt cultures got off to a great start.

In the autumn of 2009 Chr. Hansen launched its latest culture solution with the YoFlex® range in a new and updated version that meets global health trends and local requirements for taste, texture and cost effectiveness – the key drivers behind the development of new innovative yogurt cultures. The unique YoFlex® cultures are derived from new strains and combinations of these, providing the desired performance dictated by well-defined market demands. The cultures have interesting properties adapted to local requirements in various markets, and customer involvement has been an integral part of the project.

IMPROVING OUTPUT

Based on the well-known DVS® technology, dairy customers have access to YoFlex® cultures that deliver premium quality and are cost-effective and convenient in the daily manufacturing of fermented products. In close collaboration with Chr. Hansen application technologists, the yogurt producers will be able to reformulate their yogurt recipes to maximize output. This may take place through synergies between the new DVS® YoFlex® cultures, formulation and processing set-up, for example by reducing the amount of expensive milk protein added to low-fat yogurt formulations without compromising on the taste and texture of the product. Applied in this way YoFlex® helps enhance end-product quality while improving overall process economy.

The new range comprises three different culture solutions: YoFlex®Express, YoFlex® Advance and YoFlex®Harmony. Within the first year, YoFlex®Express has proven a great market success, driving sales growth in the Middle East and South East Asia. YoFlex®Express facilitates bulk conversion of set yogurt matching bulk starter speed while delivering the DVS® benefits of consistency and end-product stability.

As a market leader in cultures and enzymes, we are committed to bringing added value to customers' products and processes and helping them find new ways to improve food and health.

NEW CULTURES FOR DRINKING YOGURT

On October 1, 2010, Chr. Hansen introduced new YoFlex® and probiotic nu-trish® cultures specifically developed for drinking yogurts. The cultures are designed to produce smooth, creamy and viscous drinking yogurt. These features make it possible to reduce or eliminate the use of thickeners, which can be translated into production cost optimization at dairies or a more natural profile of the drinking yogurt, thus creating better products for consumers. The new cultures will be launched globally.

HEALTH & NUTRITION DIVISION

THE HEALTH & NUTRITION DIVISION

The Health & Nutrition Division develops, produces and sells products for the dietary supplement, over-the-counter pharmaceutical, infant formula and animal feed industries. Our key offering is probiotic cultures with a documented health effect. Through own research and collaboration with leading international scientists, we are generating new knowledge about the impact of probiotics on humans and animals.

MARKET HIGHLIGHTS

HUMAN

The overall market conditions for human probiotic dietary supplements remain favorable with annual double digit growth[1]. We continuously invest in providing clinical evidence of the health benefits of probiotic strains, which attracts new customers to our business.

Over the last couple of years regulation in the area of probiotics for human health and nutrition has become increasingly stringent with respect to the quality of product documentation of health benefits. As market leader we have some of the best-documented strains in our product portfolio. We welcome stricter regulation, which will not only meet consumers' demand for high-quality products, but in our opinion also provide us with a significant competitive advantage given our well-documented portfolio and strength in the marketplace. (See article on page 28 highlighting the science behind our probiotics).

ANIMAL

The annual market growth for animal probiotics in the livestock industry continues to develop by 6-8%. The strong focus on improving health and reducing mortality in livestock farming combined with pressure to reduce antibiotic use is favoring implementation of more probiotic concepts in animal feed on a global scale. This year the market for silage inoculants was negatively influenced by the difficult economic situation of dairy farmers, but in the mid-long term we still expect the market to grow by 1-2% per year[2].

THE HEALTH CLAIM SITUATION

We welcome the EU Commission's efforts to harmonize health claims handling and to ensure that only claims backed by sufficient clinical documentation are allowed on the market. New information keeps emerging, and there is still a lot of uncertainty and much speculation in relation to this work, which is coordinated by the European Food Safety Authority (EFSA).

However, EFSA has taken action to create more clarity around the process and in June 2010 EFSA held a claim-technical meeting with stakeholders in Parma, Italy. One of the outcomes of this meeting was that EFSA would typically require that claims are substantiated by a minimum of two equal clinical studies to ensure that test results are reproducible. This is in line with Chr. Hansen's clinical studies program and we continue as planned.

We follow developments concerning 13.1 claims closely (see page 31) and we have chosen to retain Chr. Hansen's claims on the list. By doing so, the claims listed are still legally in force and our customers can continue using the claims until the transition period ends. None of our product claims were included in the series of opinions published by EFSA in October 2010. The fourth series is expected to be published in 2011.

Obtaining health claims on our core probiotics has a very high priority. Our goal remains to generate additional data on our core strains, and we aim to submit dossiers for 13.5 claims in due time to enable our customers to maintain health claims on products containing Chr. Hansen core strains.

With respect to preparation of 13.5 dossiers, there are still many open questions and EFSA is now planning a number of stakeholder workshops aimed at clarifying what is needed to obtain claims for specific health conditions. The first workshop will cover gastrointestinal health and immunity and is scheduled for December 2010. We will use relevant information from that meeting when building our dossiers for upcoming submissions.

[1] Management estimates based on Frost & Sullivan (2007) and Euromonitor (2009)
[2] Management estimates based on Frost & Sullivan (2007)

Revenue

EUR **78.8** M

Operating profit (EBIT)

EUR **23.2** M

Organic growth

14 %

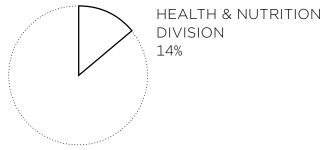
Operating profit (EBIT) margin

29 %

Health & Nutrition

	2009/10	2008/09	2007/08
Revenue	78.8	68.6	55.8
EBITDA	27.8	23.9	16.2
Operating profit (EBIT)	23.2	19.7	11.9
Operating profit (EBIT) margin, %	29%	29%	21%
Organic growth, %	14%	27%	22%
ROIC, excluding goodwill %	27%	26%	18%

Chr. Hansen Revenue 2009/10



HEALTH & NUTRITION HIGHLIGHTS

REVENUE DEVELOPMENT

In 2009/10 the Health & Nutrition Division achieved organic growth of 14% resulting in revenue of EUR 79 million corresponding to 14% of Group revenue. The growth was driven by the human health area, while the animal health area contracted. Increased health consciousness and awareness of the beneficial effect of probiotics contributed to drive the positive development.

The human health area experienced growth in all application areas. The main growth drivers were the general market recovery following the financial crisis, particularly in Eastern Europe, continued market growth in Asia-Pacific, Middle East & Africa and North America, combined with new customers and new projects with existing customers. Exclusive agreements with selected strategic partners added new members to Chr. Hansen's probiotics product range.

The animal health area was negatively impacted by decreased sales of cultures for silage inoculation due to destocking at certain customers and a generally difficult economic situation for the agricultural industry, while sales of probiotic cultures experienced continued growth. In the poultry business in 2010, a new probiotic line was introduced in North America and South America, while a new and broader product portfolio in the swine market supported the growth by providing access to the attractive high-volume feed market for sows and slaughter pigs.

PROFIT DEVELOPMENT

Despite higher costs for research & development and sales & marketing, operating profit (EBIT) increased by 18%, primarily driven by the increased sales volumes. The operating profit (EBIT) margin reached 29%, the same level as last year, supported by a better product mix and efficiency gains in production. The product mix improvements were driven by higher-margin products within both human and animal health product segments, whereas the production efficiency gains were primarily related to scale benefits fuelled by the strong volume growth. During the year, to support future growth, we have increasingly dedicated and optimized our production plant in Roskilde, Denmark, to the human health product requirements.

R&D

New probiotic strains are developed through targeted screening and testing and also through documenting the strains' health promoting properties in clinical trials, often in cooperation with customers. World-class technology platforms have been developed from strain screening to development and product formulation, all of which respond to pharmaceutical standards and aim at documenting the efficacy, safety and marketability of our probiotic products.

R&D HIGHLIGHTS OF THE YEAR

ARTIFICIAL GUT FOR PRODUCT TESTING

In 2009, Chr. Hansen decided to invest in a dynamic laboratory model which accurately simulates the varying conditions of the human stomach and gut during digestion. Simulating the gastro-intestinal environment helps better evaluate the performance of our probiotics under food digestion and nutrient absorption. We set high standards within innovative technologies, and integrating the advanced computer-controlled device in our research stresses the importance Chr. Hansen attaches to constantly expanding its bioscience and knowledge base.

PROBIOTICS FOR WEIGHT MANAGEMENT

In an on-going research project, Chr. Hansen is collaborating with the University of Copenhagen to investigate how carefully selected probiotics can help consumers maintain a healthy weight balance. Our approach is based on scientifically substantiated methods using the most advanced screening technologies and good clinical practices (GCP) for human testing. We also involve customers at an early development stage to match first scientific results with market needs. According to WHO, obesity is one of the biggest threats to public health.

PROBIOTICS THAT WORK – DOCUMENTATION IS KEY

Maintaining Chr. Hansen's leadership position in documented probiotics for human health is a cornerstone in our business strategy. We are continuously building our documentation base and investing in large clinical studies performed according to high-quality standards.

Chr. Hansen has been fermenting lactic acid bacteria for more than 100 years, and for more than 20 years we have been committed to delivering clinically documented probiotics for the food, dietary supplement, over-the-counter pharmaceuticals, infant formula and agricultural industries.

Over the last couple of years, requirements in terms of documentation quality have increased on the part of both customers and the authorities. Indeed, a new EU regulation on health claims has brought about radical changes in documentation requirements. Heading the Health & Nutrition Division's Scientific Affairs Department, Birgit Michelsen welcomes this development since Chr. Hansen's probiotic bacterial strains are among the world's best documented and the company is currently working on cGMP certification for dietary supplements approved by the US Food & Drugs Administration (FDA). In order to meet authorities' requirements as well as the customers' demands and needs, Chr. Hansen has further strengthened the clinical development competencies during the past year.

STRENGTHENING CLINICAL COMPETENCIES

"We have invested heavily in further professionalizing our ability to handle probiotics in a clinical setting to make sure that Chr. Hansen stays at the forefront of this rapid development. Scientific Affairs is Chr. Hansen's competence center for methods, processes and documentation of safety and efficacy studies. During 2009/10 we developed procedures for conducting clinical studies which will ensure that studies initiated by Chr. Hansen are performed according to the high-quality level employed in the pharmaceutical industry and live up to the expectations of the authorities and customers regarding delivery of clinical evidence," states Birgit Michelsen.

AMBITIOUS CLINICAL PROGRAM

In 2009 Chr. Hansen also decided to invest in several clinical studies. Studies within gastrointestinal and immune health were finalized in 2010, and more studies are in preparation to be initiated this year. A comprehensive clinical program on our core and potential new probiotic products has been decided upon and will be fully implemented over the next few years.

"In order to further strengthen our leading position in providing clinical documentation, we have increased our networking activities and established valuable contacts to a number of key opinion leaders within our core indications. These experts assist us in designing studies and evaluating results, focusing on the relevance for targeted consumers. They also help us ensure that, at all times, we conduct our studies according to best practices and most current knowledge within each indication area," explains Birgit Michelsen.

Additionally, Chr. Hansen is currently involved in a number of studies performed in working partnerships with customers and universities, such as a weight management study conducted in collaboration with the University of Copenhagen (see page 27 for more details). In doing so we are continuing to enlarge our documentation and increase our opportunities for launching new innovative products and gaining market share.

HIGH POTENTIAL FOR GROWTH

Not only has the scientific attention paid to the benefits of probiotics in human health increased dramatically over the last ten years. Increased health consciousness and expenditure on health and well-being combined with a greater scientific understanding of the connection between diet and general health also present a significant growth opportunity. According to Lasse Nagell, Global Sales Director, Health & Nutrition Division, Chr. Hansen is strongly positioned to capitalize on global trends.

"The probiotic market has seen double-digit growth rates in recent years. Chr. Hansen holds a leading position in probiotics and we have some of the world's best-researched probiotics in our portfolio. We will maintain a high level of investment in our core strains to continue to deliver superior consumer benefits and customer value," states Lasse Nagell.

Jesper Allentoft
Corporate Vice President, Stakeholder Relations

Henrik Dalboege
Executive Vice President, Health & Nutrition Division

Probiotic capsules

EFSA AND HEALTH CLAIMS

EFSA- HEALTH CLAIMS

With a deadline in January 2008 EU Member States were asked to submit on behalf of producers of food and beverage products documentation on claims that were already on their markets. The European Food Safety Authority (EFSA) was mandated by the European Commission to evaluate the scientific validity of existing product health claims and make opinions. Depending upon EFSA's opinion the European Commission will subsequently approve or reject the health claims in question or demand a change in the wording of the claim on labeling and marketing material.

DIFFERENT CLASSIFICATIONS

According to the European Commission's Regulation on Nutrition and Health Claims, health claims can be made either under Article 13.1, 13.5 or 14. With respect to probiotic products, Article 13.1-claims are generic and cover all claims existing before 2008. Article 13.5 claims, on the other hand, specifically relate to a particular bacterial strain that can be protected by trademarks, based on new scientific evidence and for which protection of proprietary data can be requested by the applicant. Article 14 claims covers reduction of disease risk claims and claims referring to children's development and health. Protection of proprietary data can also be requested for Article 14 claims.

ARTICLE 13.1-CLAIMS

Since October 2009, EFSA has published three series of opinions on Article 13.1-claims with more series expected to be published in 2011. The opinions cover more than 4,000 claims under Article 13.1 Approximately 180 of the opinions published so far relate to probiotic products and nearly all of the submissions for probiotics were evaluated as "insufficiently characterized" meaning that the evidence was insufficient to satisfy a generic claim for the products. Six of Chr. Hansen´s nine Article 13.1 claims for probiotics products have received negative opinions by EFSA. Because of a lack of clear procedural instruction in the application process to the Members States, almost all submitted probiotics were insufficient regarding data that characterize the strains.

ARTICLE 13.5-CLAIMS

As probiotics are unique bacterial strains which require unique supporting documentation for their health claims, they best qualify for claims under article 13.5. In order to build new proprietary and supporting documentation for Article 13.5-claims, we are continually investing in clinical trials to enhance the documented support for our health claims.

HEALTH CLAIMS STILL LEGALLY IN FORCE

The Member States and the European Commission have agreed that they will adopt a single list of permitted health claims for all Article 13.1 health claims after EFSA is expected to finalize its evaluation of the remaining non-botanical claims by end of June 2011. The transmission time and necessary legislative measures for publication of the list will keep all the claims presently under evaluation legal until mid 2012, from where the adopted or modified new claims have to be labeled on the products.

INVESTING FURTHER IN CLINICAL TRIALS

We are closely monitoring the development in this field, timing clinical trials to maximize our customers' use of existing claims and prepare for the filing of Article 13.5-claims. In our continued investments in clinical trials, we will seek to reinforce the documentation to optimize our chances of obtaining positive opinions from EFSA and subsequent European Commission approval of Chr. Hansen's probiotic products under Article 13.5. (See article on page 28 on our clinical competencies).

The increasing focus on documentation and other key aspects of science among customers, authorities, consumers and other central stakeholders favors Chr. Hansen as one of the leading probiotics suppliers with a scientific approach and documented product portfolio.

NEW STUDIES EMPHASIZE THE STRENGTH OF OUR PROBIOTICS

New studies further emphasize the strength of Chr. Hansen's probiotic portfolio. Combining the intake of Bifidobacterium BB-12® and Lactobacillus rhamnosus LGG® with dietary counseling can reduce the risk of diabetes during pregnancy, improve blood glucose control, and may promote child health, according to a Finnish study.

The Finnish research team used a randomized, controlled trial of 256 pregnant women to investigate the effect of dietary counseling and probiotics on pregnant women and their newborns (British Journal of Nutrition, June 2010;103 (12):1792-9. Epub 2010, Feb 4).

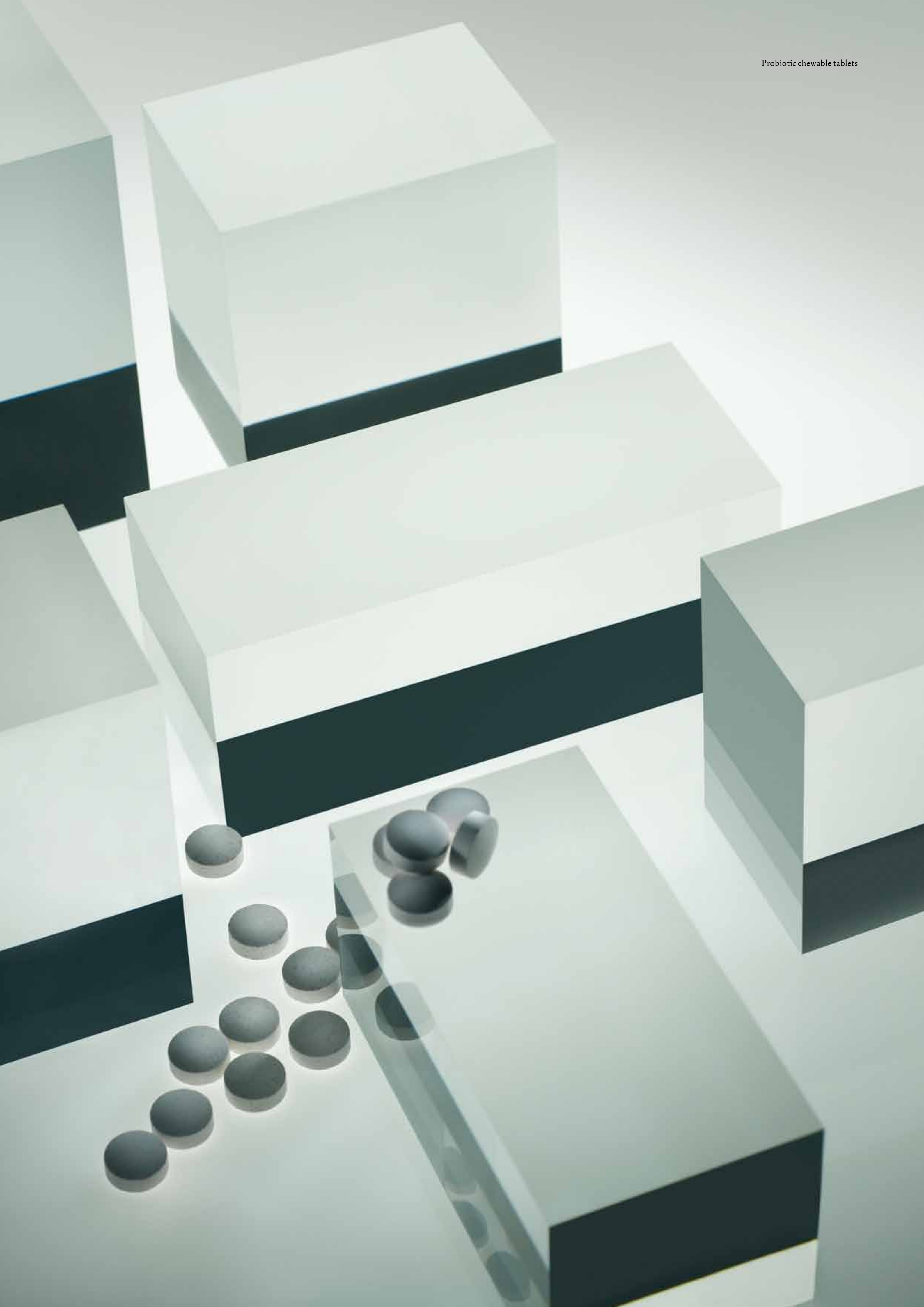
"This study is good news for vendors offering probiotic supplements to pregnant women and their infants," says Sune Schmoelker, Commercial Development Director, Health & Nutrition Division. He continues: "The fact that the high daily dosage of 10 billion CFU (Colony Forming Units) was well tolerated by the test subjects makes BB-12® and LGG® attractive probiotic strains for products targeted at this consumer segment – in terms of efficacy as well as safety."

GLOBAL INTEREST IN PROBIOTIC SOLUTIONS FOR WOMEN'S HEALTH

Since Chr. Hansen's acquisition of Canadian Urex Biotech Inc. in 2009, the market penetration of the clinically documented probiotic concept for women has been rapidly increasing. Today women in more than 30 countries have access to a probiotic capsule that can help restore and maintain a healthy vaginal flora and thereby reduce the risk of infection. "The clinical documentation for this product is second to none and the oral dosage form is perceived as easy and convenient by consumers. We are not surprised to see the concept being launched in more and more markets," says Sune Schmoelker, Commercial Development Director, Health & Nutrition Division. So far 11 clinical studies using the oral formulation have been published, and others are currently underway.

A good example of a successful launch is our partnership with the global healthcare company Merck. Following the solid market success in the French market, the company decided to launch the concept in Germany in July 2009. More markets are expected to launch the Urex concept in the near future.

With the acquisition Chr. Hansen expanded its activities within proven probiotics for dietary supplements. Chr. Hansen offers the best clinically documented probiotic strains for Women's Health. These strains are included in our premium range of probiotics under the Probio-Tec® brand – a quality marker ensuring documented effect, documented stability and proven safety.



COLORS & BLENDS DIVISION

THE COLORS & BLENDS DIVISION

The Colors & Blends Division develops, produces and sells natural color solutions to the food industry, notably the beverage, dairy, confectionery, fruit preparation and ice cream segments, as well as functional blends that improve the quality and taste of processed meats. Our colors are extracted from a wide range of natural sources such as berries, roots and seeds, and we master a number of encapsulation techniques which help stabilize the color appearance in various food applications.

MARKET HIGHLIGHTS

OVERALL TRENDS

Major global trends are expected to continue to drive growth in the natural colors market. Growing food and beverage consumption is driven by the rise in the global middle income population, which in turn increases the demand for natural food and beverage ingredients, including natural colors. At the same time, there is a heightened public awareness of the potentially harmful effect of certain synthetic colors.

The natural and healthy consumer trend was boosted by the so-called Southampton Study published in the renowned medical journal, The Lancet, in 2007, linking a number of synthetic colors with hyperactivity in children. In addition, the regulatory authorities in general are tightening labeling requirements in the European Union where, since July 2010, products containing synthetic colors from the study have been required to clearly state the potential risk on their labels.

This has driven growth of natural colors in Europe; however we are seeing the conversion trend gathering pace not only in Europe but across the world, where, for historical and regulatory reasons, the markets for natural colors are generally less penetrated and therefore provide us with greater growth opportunities.

CONVERSION OPPORTUNITIES

Our aim is to drive the conversion toward the use of natural colors in the food and beverage industry and to strengthen our position as a leading supplier of natural colors. Our natural colors range from standardized products to customized solutions, and we particularly focus on developing high-margin, customer-specific solutions.

We believe that the growth potential for natural colors particularly exists in the beverage, confectionery, ice cream and prepared food industries, which are segments that we strategically focus on. We are currently seeing these markets as driving the conversion trend and therefore estimate higher growth rates for beverages, confectionery, ice cream and prepared foods compared to the dairy, fruit preparation and meat industries. In spite of being larger color markets the conversion trend has historically been less pronounced in these market segments (currently still below 20% conversion in terms of volume).

Revenue

EUR **140.5** M

Operating profit (EBIT)

EUR **15.8** M

Organic growth

29 %

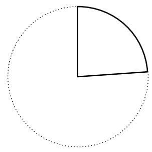
Operating profit (EBIT) margin

11 %

Colors & Blends

	2009/10	2008/09	2007/08
Revenue	140.5	111.5	109.3
EBITDA	20.6	14.3	15.4
Operating profit (EBIT)	15.8	9.6	10.7
Operating profit (EBIT) margin, %	11%	9%	10%
Organic growth, %	29%	6%	5%
ROIC, excluding goodwill %	21%	13%	15%

Chr. Hansen revenue 2009/10



COLORS & BLENDS HIGHLIGHTS

REVENUE DEVELOPMENT

2009/10 was a record year for the Colors & Blends Division resulting in organic growth of 29%. Total revenue increased by 26% to EUR 141 million, accounting for 24% of Group revenue.

The growth was driven by the continued conversion trend of replacing synthetic colors with natural colors, combined with our presence among market leading customers. In addition the growth was positively impacted by more than a threefold increase in raw material prices for carmine, resulting in a corresponding increase in sales prices.

PROFIT DEVELOPMENT

In 2009/10 the Colors & Blends division experienced a 65% increase in operating profit (EBIT), primarily driven by increased sales volume. The operating profit (EBIT) margin increased to 11% from 9% in 2008/09. The return on invested capital additionally rose to 21% from 13% last year. This development was a result of the record revenue growth and limited capital investments.

R&D

Our know-how within research and development is focused on introducing new pigments from fruits, vegetables, roots and seeds that can deliver properties and added value to customers' applications. The focus in innovation is on introducing new products and production processes that can set new standards for naturalness and functionality in the industry.

R&D HIGHLIGHTS OF THE YEAR

COLORFRUIT® ORANGE

Based on our expertise in the chemical composition of anthocyanins and other pigments, we have developed a range of blends with unique shades, stability and functionality. The range has primarily been developed to cover the technical needs and challenges in the beverage and fruit preparation industries. In recent years more than 30 new products have been developed and growth remains high for this range. The latest product launch took place in July 2010, for ColorFruit® Orange. This product represents a new generation of transparent shades based on innovative, state-of-the-art technology.

ENCAPSULATED COLORS

Chr. Hansen has developed a unique patented encapsulation technology which protects the pigments from light exposure and oxidation. This protection stabilizes the vivid color shades requested in the confectionery industry, in particular. In 2010 we have launched a range of new encapsulated pigments which were met with great interest from customers. Alongside the encapsulated shades we have also added natural white based on calcium carbonate and natural red based on carotenes, as well as new improved formulations for natural yellow, black and green.

STRATEGIC PARTNERSHIPS BOOST CONVERSION TO NATURAL COLORS

As a preferred strategic partner, Chr. Hansen is well positioned to serve global brand leaders and add value to their brands by actively supporting their product development. Partnering with customers accelerates the expansion in the global food color market by substituting synthetic with natural solutions.

Doing business with Chr. Hansen is not merely a question of choosing from a range of standardized solutions; what actually makes a difference for customers is our strategic focus on working partnerships to develop customized solutions matching specific needs.

"The prime role of major global manufacturers is to protect and grow their brand value. With our technology-based platform and leading position in the global market for natural colors, we offer customers the opportunity to engage in active working partnerships as a natural part of our International Key Account program. During the past year, we have succeeded in strengthening our position as a preferred strategic partner and supplier to some of the major global brand leaders, which are at the forefront of the conversion to natural colors," states Peter Thorninger, Vice President, Commercial Development, Colors & Blends Division.

ACCELERATING CONVERSION TREND

The market for natural colors saw accelerated growth rates during 2009/10, particularly in the beverage and confectionery industries. One of the main reasons for this is the growing awareness and concern among consumers of the potentially harmful effects of certain synthetic food colors highlighted in research studies. This significant trend may accelerate with the new labeling requirements from the European Commission and the focus on synthetic colors by the American Food and Drug Administration.

"We are encouraged to see the speed at which the conversion trend is accelerating, not only in Europe, where the new labeling requirements are a major driver, but in all regions with particularly strong growth on the American and large Asian markets. We are seeing a significant change, driven by consumers and the major players in food and beverages striving to respond to consumer preferences. This is where Chr. Hansen comes in: To service and support customers in the process of substituting synthetic with natural solutions. And we have only just scratched the surface of the potential."

VALUE-ADDING PACKAGE DEAL

Ideally, partnerships are initiated early in the product development phase, building on an integrated collaboration, be it on the review and evaluation of brands for conversion to natural colors or on long-term partnerships concerning strategic new product development projects. Overall, working partnerships aim at increasing brand value and meeting demands for sustainability.

A strategic partnership represents a package deal of services covering technical know-how and the ability to deliver the requested color shades with properties matching customer needs. In production, we are able to deliver on special packaging needs adapted to customers' production logistics. And in regulatory issues Chr. Hansen can act as petition partner, providing the technical and legal expertise necessary to obtain regulatory approval of new pigments.

GLOBAL SOURCING SECURITY

Sourcing security is crucial to large manufacturers when converting to natural colors. Chr. Hansen is an obvious choice thanks to its strong global sourcing network and supplier partnerships. A powerful and cost-reducing tool in securing the supply chain is our Vendor Management Inventory, integrating data from customers' sales and ordering system with Chr. Hansen's production planning. Being an integrated part of the customers' value chain helps strengthen the strategic collaboration.

NEW OPPORTUNITIES

"During the past year, we have seen breakthroughs in key product areas targeted at the beverage and confectionery industries. The new labeling requirements for the six synthetic colors from the Southampton Study created massive demand for reformulating products, notably beverages and confectionery, with natural color solutions, resulting in strong sales growth in all regions. A key success factor is our strategic partnerships, moving Chr. Hansen's color business into a new league and opening up new opportunities and future perspectives," emphasizes Peter Thorninger.

Winnie Bügel
Corporate Vice President & General Legal Counsel
Compliance

Carsten Hellmann
Executive Vice President
Global Sales and Colors & Blends Division

Natural green

BREAKTHROUGH FOR NATURAL COLORS

Development of a natural transparent yellow shade for soft drinks opens up opportunities for new strategic partnerships.

Due to the increased concern over synthetic colors among consumers during the last few years, the market has witnessed an increasing demand from the beverage industry for new natural yellow shades for carbonated sodas. The solution is named ColorFruit® Yellow, a new member of Chr. Hansen's ColorFruit® family of transparent colors extracted from edible fruit and vegetables.

"High color strength, bright shade, increased stability and cost efficiency were our four targets when developing this new and attractive color for the beverage industry. It gives customers the opportunity to strengthen their product image with "natural and healthy" claims," says Bertrand Martzel, Business Development Manager.

ColorFruit® Yellow has been launched worldwide, with a specific focus on carbonated soft drinks. Chr. Hansen's ColorFruit® range offers transparent colors for a variety of applications. These anthocyanin and natural carotene-based colors provide excellent stability due to a unique technology optimizing heat and light resistance. Offering the beverage industry an attractive natural alternative to the widespread use of synthetic colors opens the door to new, exciting beverage products.

SOUTHAMPTON STUDY ACCELERATES THE TREND

Consumers all over the world are paying increasing attention to product labels and the quality of ingredients. The Southampton Study significantly boosted this trend. The study concluded that certain synthetic colors can cause hyperactivity in children. The six food colorings in question are: Tartrazine (E102), Quinoline Yellow (E 104), Sunset Yellow (E 110), Carmoisine (E122), Ponceau 4R (E 124) and Allura Red (E 129).

As a consequence of this study, the European Parliament requires that foods containing any of the six artificial colors from the study would, as of July 2010, have to bear the following health warning: "May cause hyperactivity in children." The study has accelerated the trend, making many of the world's leading food manufacturers implement a structured process to find natural alternatives to the synthetic colors currently used.

A STRATEGIC INGREDIENT

Colors have a huge impact on consumer preferences, but are only a fraction of the total product cost. This makes natural colors an obvious choice for companies who want to increase – or protect – the value of their well-defined brands.

SOLID R&D PLATFORM FOR INNOVATIVE PRODUCT DEVELOPMENT

As a bioscience-based company, Chr. Hansen's research and development activities in cultures, enzymes, probiotics and natural colors are crucial to the development of our business.

Innovation is a cornerstone in our business growth, and with 6% of revenue spent on Research & Development in 2009/10 and more than 300 employees dedicated to R&D and technical application activities, Chr. Hansen invests heavily in this area.

Each of our divisions has specialized innovation teams, bringing the researchers closer to the sales and marketing teams as well as to customers. The main benefits of this structure are a stronger focus and direction in the innovative process. The overall aim is to ensure customer-focused research, proactively seeking input from the markets. Both researchers and technicians acquire invaluable knowledge from interacting with customers on their homeground where the products are put to use. This gives our experts more hands-on knowledge of the products and the processes in which they are applied.

BIOSCIENCE PLATFORM

Our product innovation comes in large part from our bioscience-based technology platforms, which we believe to be world-class and are based on strong scientific knowledge and competence. Chr. Hansen is the owner of one of the world's largest commercial collections of more than 10,000 bacterial strains. From this collection we screen, select and improve our bacterial cultures in order to meet specific requirements in the final food, dietary supplement or feed products.

INNOVATION

It is our strategy to continually develop new products and concepts that enable customers to become more cost-effective or launch new innovative products. Our R&D projects are based on a deep market insight combined with a strong science input, and many are customized to meet specific customer needs We allocate considerable resources to strategic projects in an effort to develop new commercial products with significantly improved performance. Customer-specific products are developed in close collaboration with customers who wish to improve and differentiate an existing product. In addition, we offer customers an extensive range of technical services.

HELPING CUSTOMERS LOCALLY

We operate 19 application centers around the world, enabling us to service customers' needs locally. These centers offer focused technical service and provide assistance on troubleshooting for customers. They also play an important role in our efforts to develop the right product solutions tailored to meet the specific performance needs of customers as they differ around the world.

Local technical presence is important due to the nature of our business and that of our customers. Milk and other raw materials in customers' products are different around the world, and so are local consumer preferences in terms of taste, texture, viscosity, etc. We therefore need to treat and test our products locally to prove the effect.

In that respect, the application centers are key in creating a close collaborative product development process together with customers, while the close link to our main Research & Development center in Denmark ensures access to the latest technology.

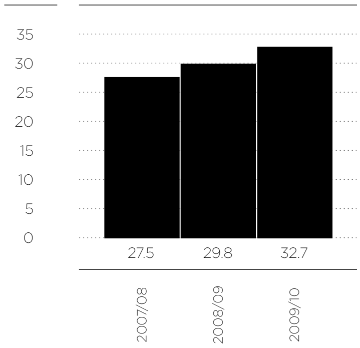
WORKING PARTNERSHIPS

Close collaboration between our researchers and customers is key in the innovation process combining scientific and technical knowledge with a deep understanding of customer needs.

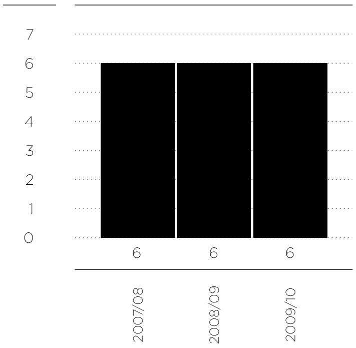
We continue to create working partnerships with customers aiming at developing specific and competitive products. This ensures that customers are provided with optimal product solutions for their particular processes or products. By enabling them to differentiate their products from those of their competitors, we help customers build competitiveness.

Extensive collaboration with scientific partners at universities and food research institutes allows us to further develop our bioscience competencies and actively transform the newest scientific research to the needs of customers. All these strategic projects enable us to take our technology platform to a higher level and expand into new exciting applications.

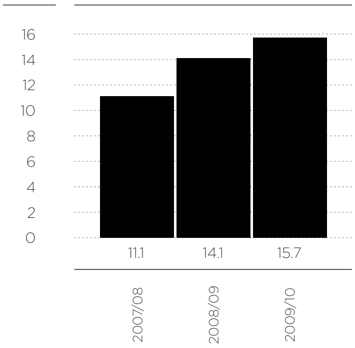
EUR M R&D COSTS



% R&D COSTS % OF REVENUE



% % OF REVENUE FROM PRODUCTS DEVELOPED WITHIN LAST 3 YEARS



ADVANCED BIOSCIENCE HUBS SCATTERED AROUND THE GLOBE

All over the world Chr. Hansen's experts are developing new products and supporting sales activities by providing technical assistance and scientific support at its application centers.

In 2010 we inaugurated a new application center in Singapore for customers and distributors in Asia-Pacific, Middle East & Africa (APMEA). The center serves as an advanced bioscience hub for new product development for the regional dairy and food and beverage industries, providing the framework for collaboration between Chr. Hansen and its customers when it comes to customizing natural ingredient solutions.

Main facilities in the new center include:

- pilot plant for production of yogurt-type dairy products, beverages and other foods
- food application and microbiology laboratories
- conference facilities for hosting innovation sessions with customers and for training events

"The new center will improve our speed and competencies as a development partner with food producers operating in the region. For instance, we expect it to support us in further exploring the opportunities for Chr. Hansen products in traditional Asian, Indian and Arabian products such as Dahi and Laban as well as lactic acid bacteria drinks. Moreover the facility will be a good base for increasing our cooperation with research associations and other regional stakeholders," says Christian Overgaard, Regional Vice President, APMEA.

PROTECTION OF CHR. HANSEN'S INTELLECTUAL RIGHTS

In general, we ensure patenting of all new products of commercial value. The patents protect our investments in R&D and increase the value of our business. Furthermore, we ensure that our production technology and application methods are covered by a broad patent portfolio. Patented and efficient production technologies provide us with a competitive edge. We are continuously striving to strengthen these important platforms. Currently, we have more than 1,100 patents, including pending patent applications. We also ensure registration of our trademarks, of which we hold close to 900.

In the Cultures & Enzymes Division, it is our strategy to seek patent protection, both for our culture products as well as for processes and applications. We typically seek patent protection for bacterial strains in circumstances where a strain is derived or improved from an existing culture, resulting not only in more efficient production, but also in new end-products with improved qualities. We also patent enzymes and their application in the dairy industry, providing more cost-effective processes for cheese production. In the Colors & Blends Division, it is a goal to patent development and application of new natural color solutions as well as novel production technology, such as emulsification and encapsulation techniques. In the Health & Nutrition Division, we seek to protect new therapeutic applications of our important bacterial strains and stabilized formulations, which increase the shelf life and range of application of the bacterial strains.

From time to time, Chr. Hansen encounters disputes over rights and obligations concerning intellectual property. It is our strategy to defend our rights to the utmost extent where commercially appropriate, and over the years we have won a number of patent disputes.

R&D PLATFORMS

Objectives	*Competencies*

STRAIN PLATFORM

Objectives

- **Screening, selection and improving strains to achieve the right properties for culture compounding**
- **Linking genotype to phenotype**
  - Development of active culture collection
- **Improve bacteriophage robustness of dairy cultures**
- **Development of bacteriophage collection**
- **Screen and select bacteriophages active against selected pathogenic bacteria**

Competencies

- **Master screening and selection techniques based on genetic and phenotypic assays**
- **Insights in microbial physiology to improve performance of strains and cultures**
- **Apply classical mutation techniques or GMO techniques to improve strain properties**
- **Understanding of bacteriophages and bacteria interactions**

METRICS PLATFORM

Objectives

- **Develop assays and information systems to evaluate product and process performance of cultures and enzymes**
  - Taxonomy of species and strains
  - Microbial performance
  - Viable cell counts
  - Active ingredients
  - Texture measurements
  - Sensory evaluations

Competencies

- **Molecular techniques for identification of species and strains**
- **Classical methods for species and strain identification**
- **Enumeration of viable cells**
  - Classical methods
  - Flow cytometry
- **Relevant chemical and physical analytical methods**
- **Multi Compound Analysis**

PROCESS PLATFORM

Objectives

- **Develop new production processes for individual strains, species, mixed cultures and enzymes**
- **Improve robustness and stability of cells in different formulations**
  - Frozen
  - Freeze-Dried
  - Liquid
- **Develop new optimized coagulants or new processes for production of coagulants**

Competencies

- **Insights into production templates for important species e.g.:**
  - Lactococcus, Streptococcus
  - Lactobacillus, Bifidobacterium
  - Bacillus
  - Aspergillus
- **Expertise in bioprocess engineering**
  - Fermentation
  - Separation
  - Conditioning
  - Formulation
  - Stability

R&D PLATFORMS

Objectives / *Competencies*

PRODUCT AND APPLICATION PLATFORM

Objectives

- **Develop new cultures for Fermented milk, Cheese and Wine**
- **Application support to sales within cultures and enzymes**
  - Technical sales support
  - Trouble shooting
- **Translate knowledge of strain properties into product specific performance of the culture**
  - pH, Flavor, Texture, Phages
- **Develop novel dairy enzymes**
  - Milky Way alliance

Competencies

- **Compounding of strains to give the right culture performance**
- **Insights into product properties and characteristics**
  - Texture
  - Flavor
- **Insights into production parameters for Fermented milk, Cheese and Wine**

PROBIOTICS SCREENING AND TECHNOLOGY PLATFORM

Objectives

- **Screening for robust probiotics**
- **Benchmarking our probiotic performance on gut properties - e.g. adhesion; permeability**
- **Understanding bacterial-host interaction at the gene level; at the phenotype levels**
- **Discovering new pathways and focusing on specific biomarkers**
- **Understanding the impact of the delivery matrix; food or dietary supplement**
- **Optimizing our product formulation**

Competencies

- **Robustness Screening systems**
  - A pilot laboratory based on microtiter plate
- **Basic Probiotic function screening**
  - Mammalian Cell culture platform
  - High Throughput robot
    - Bile; Acid stability
- **Artificial gut**

PIGMENT PLATFORM

Objectives

- **Develop technologies for extraction of colors from natural origin**
- **Evaluate new raw materials as potential natural colors**
- **Develop new unique functionalities of colors based on natural extracts**
- **Formulate natural colors to meet specific product requirements**

Competencies

- **Extraction techniques**
- **Master methods to evaluate the properties and quality of natural color**
  - Organic pigment chemistry on molecular level
- **Formulation technologies**
- **Insights into production parameters for food, beverage and confectionery products**

ACTING ON OUR VISION WITH RESPONSIBILITY

Over the past year, increasing internal awareness and leveraging Corporate Social Responsibility (CSR) in our stakeholder communication have been driving our efforts to fully embed CSR in the culture of Chr. Hansen's global organization.

In 2009/10, an important step in our strategic process focused on creating business value by engaging internal and external stakeholders. The launch of a new website for CSR is a key element in strengthening our communication platform.

We operate within the framework of our vision and values regarding business integrity and responsible citizenship. This framework translates our vision and values into a number of policies and operational guidelines describing how we act on specific issues and establish our positions on concrete matters.

Five overall policies cover the entire business:

- Business integrity
- Quality & Product Safety
- Knowledge, People & Organization
- Finance & IT
- Communication

Practically all of Chr. Hansen's policies and positions are relevant for sustainability and CSR. They are implemented through our management system that complies with ISO standards such as ISO 9001, ISO 22000, ISO 14001 and OHSAS 18001. Read more about our most updated policies on www.chr-hansen.com/about_us/policies_and_positions.html

DIALOGUE AND TRAINING

We are in constant dialogue with stakeholders who expect us to take a proactive approach to CSR issues. We also intend to broaden the scope of Chr. Hansen's CSR commitment to include other issues in compliance with the principles of the UN Global Compact that we joined in September 2009.

Raising internal awareness of the benefits of CSR through training and educational activities is high on the agenda. All top managers have been trained in general CSR issues, and specific training in product safety, anti-corruption and anti-trust has also been conducted. Two internal assessments of human and labor rights pointed at areas where we need to strengthen procedures but in general showed a very high standard. Our high employee satisfaction and motivation support this result. Training will continue to be an important part of our efforts to embed sustainability practices in the organization. One of the key messages in this respect is that it is incumbent on every single employee to make sure that CSR initiatives are properly implemented and followed up in order to reach our overall objectives.

AMBITIOUS PERFORMANCE GOALS

It is important for us that our business activities are carried out with as limited an impact on the environment as possible. To this end we have set ambitious goals for all production sites relating to resource efficiency and yield. In 2009/10 we significantly improved our performance for energy and water consumption per produced unit. All primary product areas within colors, cultures and enzymes are well above the target improvement of 5% compared to last year, except for water in the cultures product area where we see a decline in performance resulting in a Group performance below target.

Regarding occupational health and safety we have unfortunately registered an increase in the frequency of accidents with absence to 9 versus the 7 which occurred last year. None of the accidents were severe, but we have nonetheless stepped up preventive measures by initiating more training and awareness activities in safety, safe behavior and root cause assessments. Several facilities have already implemented these instruments successfully in 2009/10.

We build our progress on the areas where we traditionally hold a strong position, such as environment, product safety, employee relations and social involvement. The case articles on

It is Chr. Hansen's vision to improve food and health with a balanced approach to creating profit while showing consideration for the planet and the people who live on it.

the following pages illustrate ways in which we strive to balance our approach to creating profit while showing consideration for the planet and the people who live on it.

KNOWLEDGE PILOT

As a knowledge-based company, Chr. Hansen is highly dependent on having committed and motivated employees. This is why we continue to invest strongly in people development to help employees maintain and develop their skills. In the beginning of 2010, the Chr. Hansen Academy pioneered the Knowledge Pilot, a unique development program for our specialists which is described in more detail on page 48.

REDUCING IMPACT IN THE SUPPLY CHAIN

We see ourselves as part of a value chain where all key players need to interact on a path toward sustainability. However, the environmental impact of Chr. Hansen's ingredients is small compared to the value chain as a whole. It is part of our strategy to provide new concepts and solutions which help reduce the impact in other parts of the supply chain. A pilot project with a major global customer has effectively streamlined the supply chain, with significant reductions in transport costs as well as in environmental impact. Chr. Hansen has developed a tool for assessing the water and carbon footprint in the value chain, enabling an informed choice of the most beneficial and sustainable scenarios for products, packaging material and transportation. (See the article on Supply Chain Excellence on page 51).

EDUCATING MICRO-DAIRY MARKET IN INDIA

Chr. Hansen has kicked off a local initiative to modernize the traditional production of Dahi, a special type of fermented milk. The initiative includes the launch of new yogurt cultures, a new training program and a significant expansion of Chr. Hansen's local network of distributors. The Dahi initiative corresponds well with Chr. Hansen's corporate vision of "Improving food and health," its CSR policies and its aim to promote improved food quality and local economic development. (Read the article on page 52).

LOOKING FORWARD

We will continue to strengthen our CSR platform by expanding our view of potential impacts to include the entire life cycle of our products and services. In 2009, we successfully implemented a uniform vendor management system, strengthening collaboration with suppliers. A new performance evaluation system is presently being developed.

Looking ahead, we will work on identifying the non-governmental organizations (NGOs) and other bodies relevant for our business, and establish strategic partnerships in accordance with our ambitions toward 2020. We also intend to identify climate-related risks and establish long-term climate goals in accordance with international standards.

IMPLEMENTING THE CSR STRATEGY

In case stories on the following pages we illustrate ways in which we implement the strategy.

The consolidated non-financial statement is supplementary to this annual report, starting on page 141, where we report on our performance during the financial year.

For further information on CSR policies and activities as well as our UN Global Compact Communication on Progress, please refer to our website at www.chr-hansen.com/about_us/csr.html

"In times of global financial trouble and pessimism, when many companies have cut back on staff and experienced a decrease in People results, Chr. Hansen has managed to maintain a high standard. Overall job satisfaction has increased to a level which makes Chr. Hansen a leader in a global perspective.
Added to the fact that 94% of the employees participated in the survey, this is truly an impressive achievement!"

JESPER BRO MOELLER,
SENIOR PROJECT MANAGER,
ENNOVA

AMBITIONS 2019/20

Area	Ambition	Operational Goal
Product Safety and Quality	Handling all of our products to the highest product safety standard – through the entire value chain	100% of production sites PAS 220/FSSC 22000 certified by 2012/13
		0 recalls
		Pass all audits
		80% of customer complaints processed within 2 weeks by 2012/13
		10% reduction in customer complaints and compensation per year
People development and wellfare	Being an attractive employer through employee and business development	Employee turnover between 10-15%
		Rate of absence less than 2%
		Maintain more than 2 days of training per year per employee
		Employee satisfaction survey rating of managers: Sterling managers >50%
		Result of employee satisfaction survey above benchmark
		Accidents with absence more than 1 day less than 5 per one million working hours by 2012/13
		0 serious accidents
Sustainable sourcing	Assessing, approving and monitoring all high risk vendors	All high risk vendors approved by 2012/13
Community involvement	Contributing to sustainable development through social involvement	Conduct at least 5 community projects per year
Resource efficiency	Producing more with less	Increase in water and energy consumption at maximum half of the production volume increase using 2008/09 as baseline
Pollution prevention	Producing more with less	Keeping the amount of waste at 2008/09 level
		Recycle 50% of our waste
		Reduce waste water discharge by 30% per produced unit using 2008/09 as baseline
Climate change mitigation and adaptation	Reducing our impact on climate change	Reduce the amount of CO_2 by 30% per produced unit using 2008/09 as baseline
		Conduct full Life Cycle Assessment on 3 products
		Establish CO_2 and water footprint for major products, incl. packaging material and transportation

CONVERTING SPECIALIST EXPERTISE INTO BUSINESS VALUE

As a knowledge-based company, Chr. Hansen is deeply dependent on our specialist employees. The Knowledge Pilot program offers high-level training and development designed to professionalize the role of the specialist.

Since 2006, Chr. Hansen has invested heavily in management and employee development. A number of global management programs have been developed in the objective of training management to take a leading role in the process for change and to render leadership potential more visible in the organization. Now the time has come to focus on training and development of the company's specialists and scientists – acknowledging the need to cater to this highly educated group of employees at a time when they become more and more in demand.

"Innovation has taken us where we are today – be it in the form of new product developments or new and better ways of implementing business processes. This is what we wish to stimulate by offering our valuable specialists a professional and personal development that will challenge their current way of thinking. To this end, we have designed a unique program named "Knowledge Pilot – The Professional Specialist," explains Jesper Allentoft, Corporate Vice President, Stakeholder Relations, who has been the driving force behind the development of the program.

Chr. Hansen is well positioned to further improve the HR activities as Jesper Allentoft was named "HR Manager of the Year 2010" by the Association of Danish HR Managers for his continued focus on organizational development and innovative HR programs.

THE SPECIALIST AS VALUE CREATOR

The overall idea behind the Knowledge Pilot program is that knowledge does not represent any value in itself. The value of knowledge depends on how it is used and translated in the day-to-day life of the company. The aim is to train the specialists in communicating and making their knowledge useful to stakeholders. An additional ambition is to strengthen specialists' knowledge about Chr. Hansen's business and value chain and to help them become better at converting their expertise into business value. The participants also get the opportunity to meet and confront top management representatives who are part of the faculty team.

HIGHLY INTENSIVE DEVELOPMENT

By the end of 2010, up to 50 specialists and scientists from the global organization will have completed the program. During the two-day course they are exposed to tools, methods and exercises – all linked to how we as people behave in interpersonal relationships as well as how we react and are perceived by others.

"We all interact, establish relationships, communicate and negotiate every day, often without even noticing it. The Knowledge Pilot program is designed to train our specialists in becoming more aware of how they can translate and use their professional knowledge in order to contribute even more to Chr. Hansen's continued growth and success," emphasizes Jesper Allentoft.

EXCEEDING EXPECTATIONS

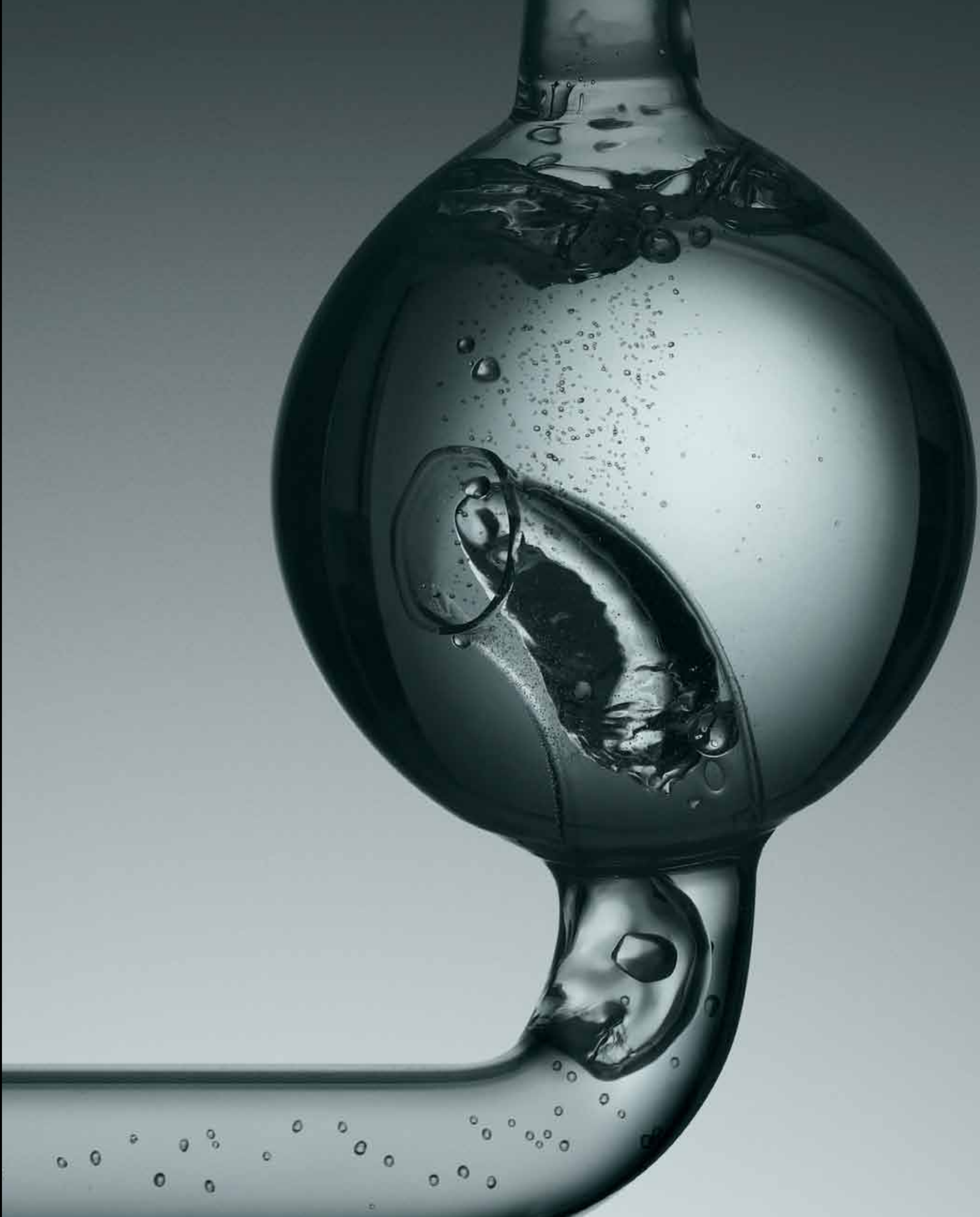
The Knowledge Pilot program has received top ratings, and former participants are impressed with the high level of the training program. A few testimonials reflect a development program that fully meets expectations.

CHRISTIAN GILLELADEN
GLOBAL APPLICATION MANAGER

"I believe in the concept, which has broadened my view of a new career platform. Personally, I am becoming aware of new and clear ways of interaction involving colleagues from other parts of the organization in the strategic projects I work on. It is often a good idea to consider the wider perspective when you are in the role as specialist, interacting with people across the company".

PENNY ZHANG
REGIONAL MARKETING MANAGER, ASIA-PACIFIC, MIDDLE EAST & AFRICA

"The course fully met my expectations, particularly when it comes to learning more process skills such as communication, negotiation and networking. I was impressed with the very smooth planning of the training – not only the training content, but also the pre-work and discussions with stakeholders, the follow-up and action plans. I will definitely recommend my colleagues to sign up"



Chr. Hansen is a first mover with "Knowledge Pilot" – a unique development program aiming at professionalizing the role of being a specialist.

"The Dahi initiative is first and foremost a business activity, but it also goes hand in hand with Chr. Hansen's corporate vision of "Improving food and health," our CSR policies as well as our aim to promote greater food safety".

HENRIETTE OELLGAARD
CSR MANAGER

Looking ahead, we will continue to strengthen the CSR foundation by expanding our view of potential impacts to include the entire value chain of our products and services.

SUPPLY CHAIN EXCELLENCE TO REDUCE CARBON FOOTPRINT

Chr. Hansen's partnership with a major global dairy customer in Brazil has resulted in a streamlined and sustainable supply chain, significantly reducing transport costs and environmental impact.

The project was initiated with a customer as part of a major supplier development program.

The overall objective was to generate cost savings by streamlining the culture supply chain.

"We were invited by our customer to come up with feasible ideas for reducing costs in the supply chain for frozen cultures. We challenged ourselves to optimize the supply chain and identified a range of ideas for improvement, such as transport, packaging size, ordering and delivery frequency. Evaluation and prioritization of the ideas took place in an open process with our customer," explains Sten Estrup, Regional Vice President, South America.

FROM AIR TO SEA TRANSPORT

A main cost reduction in the supply chain was found by replacing expensive air freight with cost-effective sea shipment while maintaining safe, secure and reliable culture supply. During sea transport it is possible to store the cultures in so-called SuperFreezer containers without compromising the required stable -60°C temperature.

SUSTAINABLE WIN-WIN

"The project was initially economically driven and the cost reduction is actually significant. But it turns out that the reduction of the environmental impact is equally tangible," states Sten Estrup. "Not only is sea transport considerably cheaper than air freight; we also effectively reduced our carbon footprint by eliminating energy-consuming air freight. The fact that we actually meet our customer's demand for cost-efficiency while achieving significant environmental benefits makes this project a sustainable win-win."

Preliminary calculations show that just one shipment in a SuperFreezer container consisting of nine tons of frozen cultures reduces CO_2 emissions by as much as 202 tons compared to air freight, equal to the emissions of 20 households per year.

GREAT POTENTIAL

Chr. Hansen works with a range of instruments to continuously improve our own and our customers' resource efficiency and reduce the carbon footprint. According to Stefan Bartling, Director International Key Accounts, there is a great potential in optimizing the transport chain.

"We can create true synergies by combining yet more cost and energy-efficient logistics through the SuperFreezer concept, significantly reducing the carbon footprint and contributing to the sustainability of our operations and customer relations," Stefan Bartling points out.

Applying the SuperFreezer solution as alternative means of transportation for frozen cultures to just 3-4 selected countries could generate a significant reduction of more than 6,000 tons of CO_2 per year, equal to the annual emissions of close to 600 households. Applying the technique more widely will have an even larger potential for reducing our carbon footprint.

NEW TOOL ENABLING A SUSTAINABLE CHOICE

Taking into account the broader lifecycle perspective of our products, Chr. Hansen has developed a tool for assessing the carbon and water footprint in the value chain from raw materials to customers' doorsteps. The tool can be used to identify the most beneficial mix of products, packaging material and transportation – from an economical as well as an environmental perspective. This will make it easier for customers to make an informed and sustainable choice.

CREATING A SUSTAINABLE BRAND

An ambitious initiative to convert Indian micro-dairies to modernized yogurt production opens the door to a world of new business opportunities bringing the company closer to consumers. The initiative is a business case perfectly matching Chr. Hansen's corporate vision of "Improving food and health."

Chr. Hansen India has been providing cultures for the local yogurt, ''Dahi,'' for several years, mainly in cooperation with large industrial dairies. Now the local team has taken the first steps to target family-managed micro-dairies and retailers all over India, starting with a pilot project in the Mumbai region with a potential of more than 9,000 outlets. The initiative includes the launch of a new freeze-dried culture tailor-made for making Dahi while maintaining its authentic taste, supported by expansion of the local distribution network.

COMPLEX MARKET

Micro-dairies and households produce approx. 85-90% of the Dahi consumed in India.

It is a complex market characterized by ignorance of modern technology such as DVS® cultures, combined with poor transportation and energy infrastructure. Only few outlets have the necessary cooling capacity, and regular distribution is a must.

"For centuries, every household and small-scale dairy outlet has made its own Dahi, whereby the milk was inoculated with Dahi from the previous day, which resulted in quality changes from day to day, as well as potential contamination risks. To convince people to try out and migrate to new technology is quite a challenge. We are actually creating a new brand, ensuring improved quality and consistency of the Dahi. A well-woven matrix of people, products and logistics has been created to service the informal market," explains Tansukh Jain, General Manager, Chr. Hansen India.

THE CHR. HANSEN DAHI ACADEMY

The local distributors and retailers have frontline contact with the Dahi end-users, and it is absolutely essential that they are capable of handling the product properly and able to demonstrate the many benefits of using direct-vat cultures. In January 2010, Chr. Hansen India launched the "Chr. Hansen Dahi Academy" – a new training program set up to train and certify distributors and retailers in Dahi production with DVS® cultures, with a special focus on handling, storing and using cultures in the recommended way. The program also throws light on sales and marketing aspects.

TAKING DAHI CULTURES TO THE CONSUMERS

As new regions in India are included, Chr. Hansen will be setting up structure and infrastructure to service the regions.

"We have already taken the first steps with the launch of a Consumer Contact Program in the Mumbai region. Our sales people systematically demonstrate the use of culture and end-product quality to consumers. At consumer level, we strongly feel that this represents an interesting business opportunity for Chr. Hansen," emphasizes Tansukh Jain.

A WIN-WIN BUSINESS CASE

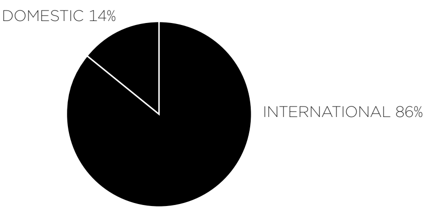
"This initiative is a win-win case," comments Christian Overgaard, Regional Vice President, Asia-Pacific, Middle East & Africa. "While empowering thousands of Indians to modernize and simplify their yogurt production, we are at the same time opening the door to an interesting new business with commercial potential. Additionally, establishing a relationship with hundreds of local distributors and food outlets provides us with the opportunity to expand our offering at a later stage to also include other Chr. Hansen core products, such as probiotic yogurt cultures and natural colors".

INDIA – WORLD'S LARGEST MILK PRODUCER

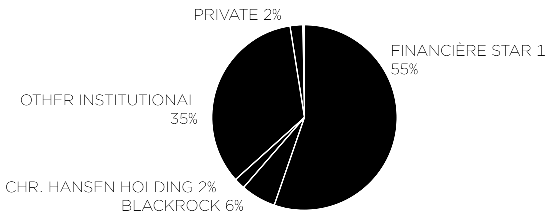
With an annual milk production of more than 100 million tons, India is the world's largest producer of milk and dairy products. However, the market is heavily dominated by small local dairies, typically with less than 20 cows or buffaloes. Dahi is traditional ethnic Indian yogurt. It is made from cow or buffalo milk and is enjoyed in different ways across India. Micro-dairies in the Mumbai region alone produce 400 tons of Dahi per day.

SHAREHOLDER INFORMATION

Investor origin



Investor type



Financière Star 1 is 100% owned by funds managed and advised by PAI partners and, indirectly, by our Executive Board and certain other managerial employees

SHAREHOLDERS AND SHARE CAPITAL

On 3 June Chr. Hansen was listed on NASDAQ OMX Copenhagen. The number of shareholders registered by name at year end is 5,400 shareholders.

Two shareholders hold more than 5% of the share capital. It is the owner before the listing Financière Star 1, Luxembourg, Luxembourg and BlackRock Investment Management (UK), London, UK. Other major shareholders are mainly institutional investors from Denmark, UK and USA. 86% of the share capital is owned by international investors.

The listed company Chr. Hansen Holding A/S' only activity is central administration of shareholdings in companies in the Chr. Hansen Group.

PRICE PERFORMANCE AND TRADING VOLUME

The IPO price was DKK 90 and the share price at the financial year- end (31 August) was DKK 100.7. This represents an increase of 12%.

The average daily turnover was DKK 41 million which corresponds to the 12th most traded share on NASDAQ OMX Copenhagen for the period Chr. Hansen has been listed.

DIVIDEND POLICY AND CAPITAL STRUCTURE

Chr. Hansen endeavors to provide long-term returns to shareholders through increase in the share price and dividends.

The Board proposes the payment and amount of any future dividends at our general meetings based on the Board's assessment of factors such as our business development, growth strategy and financing needs.

Based on such factors, the dividend policy is a pay out ratio of between 30% and 40% of our net profit. However, there can be no assurance that in any given year a dividend will be proposed or declared. The Board of Directors proposes that the Annual Shareholder's meeting approve a dividend of DKK 0.64 per share for the financial year, corresponding to a dividend payment of approximately EUR 12 million and equivalent to a payout ratio of 35%, calculated as dividend as a percentage of net profit for the year to shareholders of Chr. Hansen Holding A/S plus a capital contribution from Financière Star 1 to cover the net impact of an extraordinary bonus to all employees.

In addition, the Board of Directors will, on an ongoing basis, determine whether any surplus capital may be distributed through share buy-back programs in order to optimize our capital structure.

The Board of Directors believes that the current capital and share structure serves the interest of the shareholders. The capital structure will regularly be assessed whether it is still in accordance with our shareholders' best interests.

In connection with the listing the company purchased shares worth EUR 35 million, corresponding to nominally DKK 29 million in order to meet certain obligations to deliver shares under our management incentive programs.

ANALYST COVERAGE

Our company is currently covered by about 10 analysts, including major international investment banks. A list of analysts covering Chr. Hansen can be found on www.chr-hansen.com/investor_relations.html

INVESTOR RELATIONS POSITION

The purpose of Investor Relations is to ensure that relevant, accurate and timely information is made available to the stock market to serve as a basis for regular trading and a fair pricing of Chr. Hansen's shares.

By providing the said information Chr. Hansen is aiming to ensure that it is perceived as a visible, accessible, reliable and professional company by the investor community and that we are regarded among the best concerning these matters compared to similar companies.

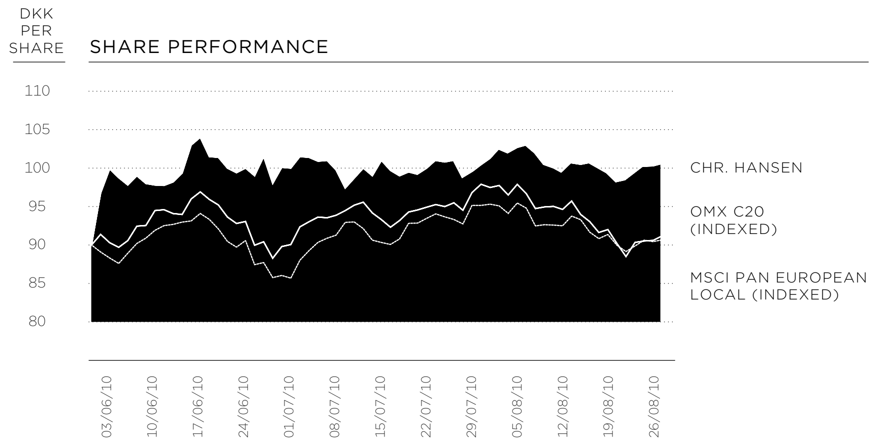
The above shall be achieved while complying with the rules and legislation for listed companies on NASDAQ OMX Copenhagen and by observing Chr. Hansen's position on communication.

The Company will endeavor to maintain a high and uniform level of information to the investor community and seek to procure that adequate information is returned from the investor community to the Executive Board and the Board of Directors.

The Executive Board is responsible for the presence of an Investor Relations department, the head of which is responsible for Chr. Hansen's compliance with our Investor Relations Position. The Investor Relations department is organized as a separate unit and reports directly to the CFO.

Share Data

Share capital	DKK 1.380.342.200
Number of shares	138.034.220 of DKK 10
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	NASDAQ OMX Copenhagen A/S
ISIN code	DK0060227585
Ticker symbol	CHR



CONTACT

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

Head of Investor Relations
Senior Director
Anders Mohr Christensen
Tel: +45 4574 7618
Email: dkamc@chr-hansen.com

HOMEPAGE

Our homepage includes both historical and current information about the company, including company announcements, investor presentations, teleconferences, financial calendar, annual report etc.
www.chr-hansen.com/investor_relations.html

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 30 November, 2010 at Radisson Blu Falconer Hotel & Conference Center, Copenhagen, at 4 PM CET.

FINANCIAL CALENDAR

Annual General Meetings

Annual General Meeting 2009/10	30	Nov	**2010**
Annual General Meeting 2010/11	29	Nov	**2011**

Results announcement

Q1 Results	12	Jan	**2011**
Q2 Results	6	Apr	**2011**
Q3 Results	6	Jul	**2011**
FY 2010/11 Results	3	Nov	**2011**

Dividend dates

Ex-Dividend	1	Dec	**2010**
Record date	3	Dec	**2010**
Payment date	6	Dec	**2010**

LIST OF COMPANY ANNOUNCEMENTS

26	Apr	**2010**	Chr. Hansen contemplates listing on NASDAQ OMX Copenhagen
26	Apr	**2010**	Chr. Hansen continues its strong growth in the first half of 2009/10
19	May	**2010**	Chr. Hansen publishes Offering Memorandum and sets indicative price range for initial public offering
31	May	**2010**	Chr. Hansen closes offering to retail investors in Denmark for amounts up to and including DKK 3 million.
3	Jun	**2010**	Chr. Hansen sets a price of DKK 90 per share for its Initial Public Offering
3	Jun	**2010**	Financial calendar for the financial year 2009/10
3	Jun	**2010**	Reporting of transactions in shares and associated securities of Chr. Hansen Holding A/S by senior employees
7	Jun	**2010**	Major shareholder announcement from BlackRock, Inc.
8	Jun	**2010**	Registration of capital increase completed
8	Jun	**2010**	Major shareholder announcement from Financière Star 1 S.A.
14	Jun	**2010**	Reporting of transactions in shares and associated securities of Chr. Hansen Holding A/S by senior employees
15	Jun	**2010**	Exercise in full of the over-allotment option
30	Jun	**2010**	Implementation of stock option program and reporting of transactions in shares and associated securities of Chr. Hansen Holding A/S by senior employees
30	Jun	**2010**	Total number of voting rights and share capital in Chr. Hansen Holding A/S as of June 30 2010
1	Jul	**2010**	Chr. Hansen continues its revenue and profit growth in Q3 of 2009/10
9	Jul	**2010**	Stabilization period has expired
20	Jul	**2010**	New employee representative in Chr. Hansen's Board of Directors
28	Jul	**2010**	Reporting of transactions in shares and associated securities of Chr. Hansen Holding A/S by senior employees

CORPORATE GOVERNANCE

During the past five years of private ownership Chr. Hansen has strived to follow the principles for good corporate governance for portfolio companies within the framework of the Danish Venture Capital and Private Equity Association (DVCA) guidelines.

In June 2010, Chr. Hansen was relisted on NASDAQ OMX Copenhagen. In connection with the official listing the Board of Directors has adopted a revised set of corporate governance principles which are laid down in our corporate governance position and available in their entirety on our website at www.chr-hansen.com/investor_relations/governance.html. The position includes the overall structure and principles that regulate the interaction between management bodies, the shareholders and other stakeholders. At Chr. Hansen, we aim at ensuring management systems and processes that provide transparency in the governance structure of our company. The overall aim is to facilitate shareholders' and the financial markets' evaluation of our activities, business objectives, strategies and results.

In April 2010, NASDAQ OMX Copenhagen incorporated the Danish Committee for Corporate Governance's revised recommendations for corporate governance. NASDAQ OMX Copenhagen has decided to implement the recommendations in its disclosure requirements.

Chr. Hansen will meet the recommendations in all respects, except for one instance where we have found it relevant to deviate from the recommandations. Certain members of the Board of Directors hold more than three additional directorships. In each instance, Chr. Hansen has assessed the reason for this, and whether the member will be capable to allocate the time necessary for his/her membership of Chr. Hansen's Board of Directors.

INTERACTION WITH SHAREHOLDERS

We are committed to a constructive dialogue with our shareholders and other stakeholders and a high level of transparency in communications with our shareholders.

Investor meetings and telephone conferences are held following the publication of each quarterly statement to ensure participants the opportunity to question our management. Subsequently, web casts are available on our website.

The General Assembly is convened annually in November/December in accordance with the company's articles of association. At general meetings, our shareholders will be able to ask questions to the Board of Directors and Executive Board relating to the items on the agenda.

OPENNESS AND TRANSPARENCY

We intend to comply with the statutory regulations regarding publication of information relevant for the evaluation of our activities, business objectives, strategies and results by shareholders as well as the financial markets. In addition to a communication and investor relations strategy, our Board of Directors has approved a set of internal rules to ensure that the publication of such information complies with valid stock exchange regulations.

BOARD OF DIRECTORS

Our Board of Directors is responsible for the overall management of our company. In accordance with current practice in Denmark, responsibilities are distributed between the Board of Directors and the Executive Board and the two bodies are independent. The Executive Board is in charge of day-to-day management, while the Board of Directors supervises the work of the Executive Board and is responsible for general strategic management.

The Board of Directors has nine members of whom six members are elected by the shareholders and three are employee-elected members. Currently, three of the elected members of the Board of Directors are affiliated with PAI partners, which manage and advise the funds that own our majority shareholder, Financière Star 1 S.A., while the three other board-members, including the chairman, are independent. All shareholder-elected members of the Board of Directors stand for election each year. All employee-elected members stand for election every fourth year according to current legislation. The age limit is 70.

The Board of Directors meets six to eight times a year and on an ad-hoc basis if necessary. The Chairman evaluates the work of the Board of Directors on an ongoing basis. In addition a structured appraisal process will be carried out anually starting in 2010/11. Since the IPO the board has met on three occasions.

The members of Chr. Hansen's Board of Directors, except for members elected by the employees, have undertaken to, no later than 12 months after their appointment, purchase shares corresponding to an amount of at least one year of the fee to an ordinary board member and to maintain ownership of these shares during the entire period of the board membership. Refer to note 5 of the consolidated financial statements for information on the board members' current shareholdings.

BOARD COMMITTEES

The Board of Directors can establish Board Committees with the purpose of preparing decisions and recommendations for evaluation and approval by the Board of Directors. In Chr. Hansen, in compliance with the revised recommendations of the Committee for Corporate Governance, the Board of Directors has established three committees, an Audit Committee, a Remuneration Committee and a Nomination Committee. Reporting to the Board of Directors, the committees have individual charters defining their main tasks and responsibilities. All board committees have a majority of independent members.

EXECUTIVE BOARD

The Board of Directors appoints an Executive Board responsible for the day-to-day management and compliance with the guidelines and recommendations issued by the Board of Directors. The Executive Board shall also present and recommend proposals on our overall strategy and objectives to the Board of Directors. The Executive Board has five members and is chaired by the Chief Executive Officer.

Chr. Hansen agrees with the principles of good governance. To us, corporate governance refers to the way a company is managed and the major principles and frameworks that regulate the interaction between the company's managerial bodies, its owners as well as other stakeholders.

We see it as a dynamic process in which the need for change is constantly assessed.

BOARD COMMITTEES

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee, which consists of at least three members of the Board of Directors. The Committee's role is to assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct, including considering the independence of the external auditor. The Board appoints committee members and the committee chair. The current members of the audit committee are Henrik Poulsen (Chairman, independent and financial expert), Ole Andersen (independent and financial expert) and Gaëlle d'Engremont (financial expert). The Committee meets at least four times a year and since the IPO it has met on five occasions.

REMUNERATION COMMITTEE

The Board of Directors has established a Remuneration Committee, which consists of at least three members of the Board of Directors elected by the Board of Directors. The Committee's role is to assist the Board of Directors in fulfilling its responsibilities in regard to establishing, implementing and executing its remuneration position for the members of the Board of Directors and the Executive Board (Management Bodies). The Current members of the Remuneration Committee are Ole Andersen (Chairman and independent), Alice Dautry (independent) and Frédéric Stévenin. The Committee meets at least twice a year. Since the IPO the Committee has met once. Our latest remuneration position can be found on www.chr-hansen.com/investor_relations/governance/position_on_remuneration.html

NOMINATION COMMITTEE

The Board of Directors has established a Nomination Committee consisting of at least three members of the Board of Directors. The Committee's role is to assist the Board of Directors in fulfilling its responsibilities in regard to (i) nomination and appointments to the Board of Directors and the Executive Board, (ii) ensuring that the Board of Directors and the Executive Board have, at any time, the appropriate size and are composed of individuals having the professional qualifications and experience required and (iii) conducting regular evaluations of the performance of the Board of Directors and the Executive Board. The current members of the nomination committee are Ole Andersen (Chairman and independent), Alice Dautry (independent) and Frédéric Stévenin. The Committee meets at least twice a year. Since the IPO the Committee has met once.

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Information on corporate governance required under section 107b of the Danish Financial Statements Act

The purpose of Chr. Hansen's internal controls and risk management systems in relation to the financial reporting process is to ensure that external financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, and to ensure that the financial statements give a true and fair view free from material misstatement.

Our internal control and risk management system ensures that material errors or inconsistencies in the financial statements as far as possible are identified and corrected.

The internal control and risk management systems comprise the following areas:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

CONTROL ENVIRONMENT

The Board of Directors has set up an Audit Committee that will assist the Board of Directors in supervising the financial reporting process and the efficiency of the company's internal control and risk management systems.

The Executive Management is responsible for maintaining efficient controls and an efficient risk management system. The Executive Management has implemented the controls necessary to address the risks identified in relation to financial reporting.

The composition of the Board of Directors, the Audit Committee and the Executive Management ensures the relevant competencies with respect to internal controls and risk management in relation to the financial reporting process.

Powers and responsibilities are defined in the Board of Directors' instructions to the Executive Management. The Board of Directors approves the policies for Business integrity, Quality & Product Safety, Knowledge, People & Organization, Finance & IT, Communication as well as Chr. Hansen's mission, vision and corporate values. The Executive Management approves all other policies and regularly briefs the Board of Directors of such policies. The relevant functions at Chr. Hansen issue guidelines and monitor the application of all policies and procedures. Chr. Hansen's accounting policies are set out in the Chr. Hansen financial reporting manual, which is available to all employees.

RISK ASSESSMENT

The Board of Directors and the Executive Management regularly assess risks that Chr. Hansen is exposed to, including risks related to financial reporting. The Audit Committee reviews certain high-risk areas at least once a year, including the following:

- Significant accounting estimates
- Material changes to the accounting policies
- Fraud risk assessment

At least once a year, the Executive Management and the Audit Committee consider whether the current internal control environment are effective in relation to the risks identified in the financial reporting process.

CONTROL ACTIVITIES

The Group Accounting skills are reviewed on an ongoing basis in order to ensure an appropriate and satisfactory control environment.

A clearly defined organizational structure has been set up, in which all regional finance and IT functions report to central functions. Central controlling functions are responsible for controlling the financial reporting from the parent company and the subsidiaries.

Chr. Hansen has introduced standards for the internal controls relating to financial reporting. These standards are intended to ensure a certain minimum level of internal controls in Chr. Hansen companies, thus making the control environment more efficient. The internal control standards are focused on separating functions and on detective and preventive controls. Chr. Hansen companies are subject to ongoing controls by a central unit from Group Accounting in order to ensure an appropriate control environment. The Audit Committee has assessed the need for an internal audit function and decided not to establish one at present, as the current internal control and risk management systems and processes are deemed sufficient.

INFORMATION AND COMMUNICATION

Chr. Hansen's financial reporting manual and other reporting instructions, including accounting instructions as well as policies for credit-granting and capital expenditure, are updated on a regular basis and are available at the Chr. Hansen intranet, where they can be accessed by all employees.

Chr. Hansen has a global IT set-up that contains key data in relation to the financial reporting and ensures a high degree of uniformity and transparency in systems and figures. Decisions and analyses are carried out on the basis of up-to-date and relevant data. The IT systems are secured with general IT controls, and the ERP systems furthermore contain automated application controls that are reviewed on an ongoing basis.

MONITORING

Financial reporting is controlled on an ongoing basis and procedures have been established to check and test such reporting. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting companies.

The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by a central Financial Compliance officer. Conclusions from these reviews are submitted to the Executive Management, the Audit Committee and the external auditors.

Chr. Hansen's internal financial reporting ensures an effective process to monitor the company's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective companies is analyzed and monitored by Group Accounting in order to identify any significant weaknesses in the internal controls, failures to comply with procedures and the financial reporting manual, etc.

The Audit Committee follows up on a regular basis to see that any significant weaknesses in the internal controls are eliminated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including that controls or procedures are implemented to prevent such errors or omissions.

For a more detailed description of critical accounting estimates and judgements please refer to note 2 of the consolidated financial statements.

RISK MANAGEMENT

To Chr. Hansen, taking risks is a part of doing business. Successfully identifying and managing risks is the foundation for our success and profitability.

Focusing on risk management, we strive to identify risks as early as possible and adapt our business processes and controls to meet, manage and mitigate these risks. At Chr. Hansen, risk management is a decentralized process and every division and business function is in charge of identifying and managing risks related to their part of the company. Similarly, our subsidiaries identify all significant local risks and manage these based on the extensive experience accumulated by local management regarding their countries or areas.

At group level, the Executive Management collects information regarding major significant risks and decides the measures to be taken in order to limit the occurrence. All these risks are evaluated based on the possible impact on profitability and the likelihood of the risk materializing.

We operate with three overall risk categories: Strategic, Operational and Financial risks. Strategic risks are related to the way we manage and monitor risks that could affect the development of our business model. Operational risks relate to the way Chr. Hansen is doing business on a daily basis and what procedures Chr. Hansen has implemented to handle these risks. We are also exposed to financial risks such as currency fluctuations, interest rates and other macro economical developments that could affect our financial performance.

The most significant risks identified are described below, including the measures taken to limit the risks. The risks are not listed in order of priority.

STRATEGIC RISKS

PRODUCT SAFETY

The majority of Chr. Hansen products are sold to the food and life science industries. Most of our products are components in customers' end products that are consumed as food or beverages. Consequently, impeccable product safety is of the utmost importance. Chr. Hansen's customers demand and expect impeccable high-quality products and it is a major strategic risk for the company if the safety of our products is questioned by our customers, the consumers and the authorities. To ensure the highest product safety, Chr. Hansen has an extensive quality assurance program covering the entire value chain, from sourcing of raw materials until the finished product are delivered to our customers. Additionally, Chr. Hansen is performing risk assessments in the application phase of our products at the customers' sites and for the final consumption. Chr. Hansen's production management program is built on a risk evaluation model and is certified up against international standards such as ISO 9001 and ISO 22000. All of our products are procured in accordance with ISO 22000 and we are now implementing FSSC 22000/PAS220

COMPLIANCE

Doing business internationally means that Chr. Hansen is subject to legislation and guidelines in all countries where we operate. Chr. Hansen has a strong compliance culture ensuring observance of legislation and regulation in all areas of the business. In our subsidiaries, the management teams have strong knowledge of local rules and regulations. To support the subsidiaries and ensure consistent application of company policies and positions we have central departments working with compliance related to products, production, finance, administration and Corporate Social Responsibility.

BUSINESS INTEGRITY

Since 1874, Chr. Hansen has built a strong corporate brand manufacturing and selling products used in the production of food and beverages. During all these years Chr. Hansen has been a trusted and valued partner for our customers. A strong brand does not come easily and is a result of our aim to operate with integrity as a trusted business partner and a responsible citizen in the countries where we operate. In Chr. Hansen, we follow a set of policies and positions – known as C-Way – which outlines our commitment to operate our business with integrity in a sustainable, ethical and responsible way all over the world. In addition, we work actively with CSR and have signed the UN Global Compact emphasizing our commitment to being a trusted and responsible global citizen.

HEALTH CLAIMS

Today consumers are requesting more information and assurance regarding food and health products. Consequently, governments and agencies are now introducing more stringent rules and regulations related to documentation of health claims. In Chr. Hansen we follow this development closely and are working diligently to document all claims of health benefits for our probiotic products. Chr. Hansen has the critical mass to ensure adequate documentation of all our products, and our work to provide this documentation will enable us to retain our leading position and competitive edge within these markets. Our probiotic cultures are presently being tested in more than 20 ongoing clinical studies worldwide. Today, Chr. Hansen is the owner of some of the best-documented bacteriological strains on the market, such as BB-12® and LA-5®.

INNOVATION

Innovation is instrumental for Chr. Hansen in order to retain and develop our competitive edge and market leadership. We cooperate closely with our customers to continuously improve our current products and develop entirely new products meeting customers' needs and expectations. Additionally, Chr. Hansen enters into joint ventures and other strategic partnerships to make sure that our expertise and fields of excellence are used in the best possible way to create value for Chr. Hansen and our stakeholders.

Each year, Chr. Hansen is dedicating approximately 6% of revenue to research and development activities, thus ensuring that our product pipeline is constantly reflecting expected market developments and will continue to be a driving force behind our growth.

OPERATIONAL RISKS

SOURCING/SUPPLY CHAIN

Chr. Hansen customers are relying on Chr. Hansen to deliver quality products according to specifications. The quality and safety of our end products is contingent on the raw materials and semi-finished goods that we source from our suppliers. Therefore, Chr. Hansen cooperates closely with our suppliers to perform and document quality control and quality assessment of all significant raw materials. In order to ensure that suppliers are in line with our C-way policies, we have implemented a global supplier evaluation program addressing suppliers in relation to CSR, compliance, financial situation, delivery performance and documentation of product safety and quality.

FUNDING & LIQUIDITY

During the fiscal year, Chr. Hansen' funding has changed significantly following the IPO. As a result, we have reduced debt significantly and liquidity remains strong. Funding and adequate liquidity are fundamental factors in driving an expanding business and funding and liquidity is an integrated part of our continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, Chr. Hansen has a central treasury department managing and monitoring funding and liquidity for the entire group.

As part of the refinancing in connection with the IPO, Chr. Hansen is deemed to be investment grade. In addition, we have centralized our debt reducing our exposure to currency fluctuations and ensuring that our debt structure is optimized for the current business. A more detailed description of the loan structure can be found in note 25 to the consolidated financial statements.

PRODUCTION

Chr. Hansen has five main production sites located in Denmark (2), France, Germany and USA. These sites represent the core of our business, and each site carefully monitors safety and delivery performance to manage all potential risks. With the main production consolidated on few sites, we ensure that the capacity is optimized in order to reduce production costs. To minimize the risk of production breakdown or failure, Chr. Hansen has implemented a risk prevention program where safety audits are conducted regularly ensuring that maintenance and replacements are performed preventively.

LEGAL PROCEEDINGS

Chr. Hansen is from time to time party to legal proceedings arising in the ordinary course of our business and we were as of August 31, 2010 defendant in four diacetyl-related lawsuits based on alleged personal injuries as a result of exposure to diacetyl vapors.

We do not believe that diacetyl lawsuits will have a material adverse effect on our financial position or results of operation as Chr. Hansen had an insurance policy covering losses from diacetyl claims against the company at the time of our production of products containing diacetyl. We believe that the insurance is adequate to cover any losses arising from the cases against us related to diacetyl exposure, however, we cannot be certain that this insurance will be sufficient to cover actual losses.

HUMAN CAPITAL

Attracting and retaining the best employees and new talents are central to drive Chr. Hansen to the best performance. Knowledge is instrumental to our business and we are continuously building on expanding our knowledge base by actively developing the key competences of our employees. In Chr. Hansen, we employ a large number of field experts and scientists and developing their skills and knowledge is an important part of building competencies globally. It is however equally essential to integrate these highly qualified employees in the day-to-day business and help them become better at converting their expertise into business value. At Chr. Hansen, we not only aim at developing their area of expertise, but are also developing specific programs to integrate our experts and scientists in the business, creating value for our company and our customers.

FINANCIAL RISKS

Being an international company, Chr. Hansen is exposed to fluctuations in currencies and interest rate levels internationally. We operate a central treasury function that monitors and manages risks related to currency exposure and interest rate levels in accordance with our Treasury Procedure approved by the Board of Directors. The Treasury Procedure has been amended subsequent to the refinancing of the debt following the IPO. The procedure reflects how Chr. Hansen manages financial risks and contains rules relating not only to how financial instruments are used to hedge risks, but also to defining the acceptable level of risk exposure and use of counterparties.

FOREIGN EXCHANGE

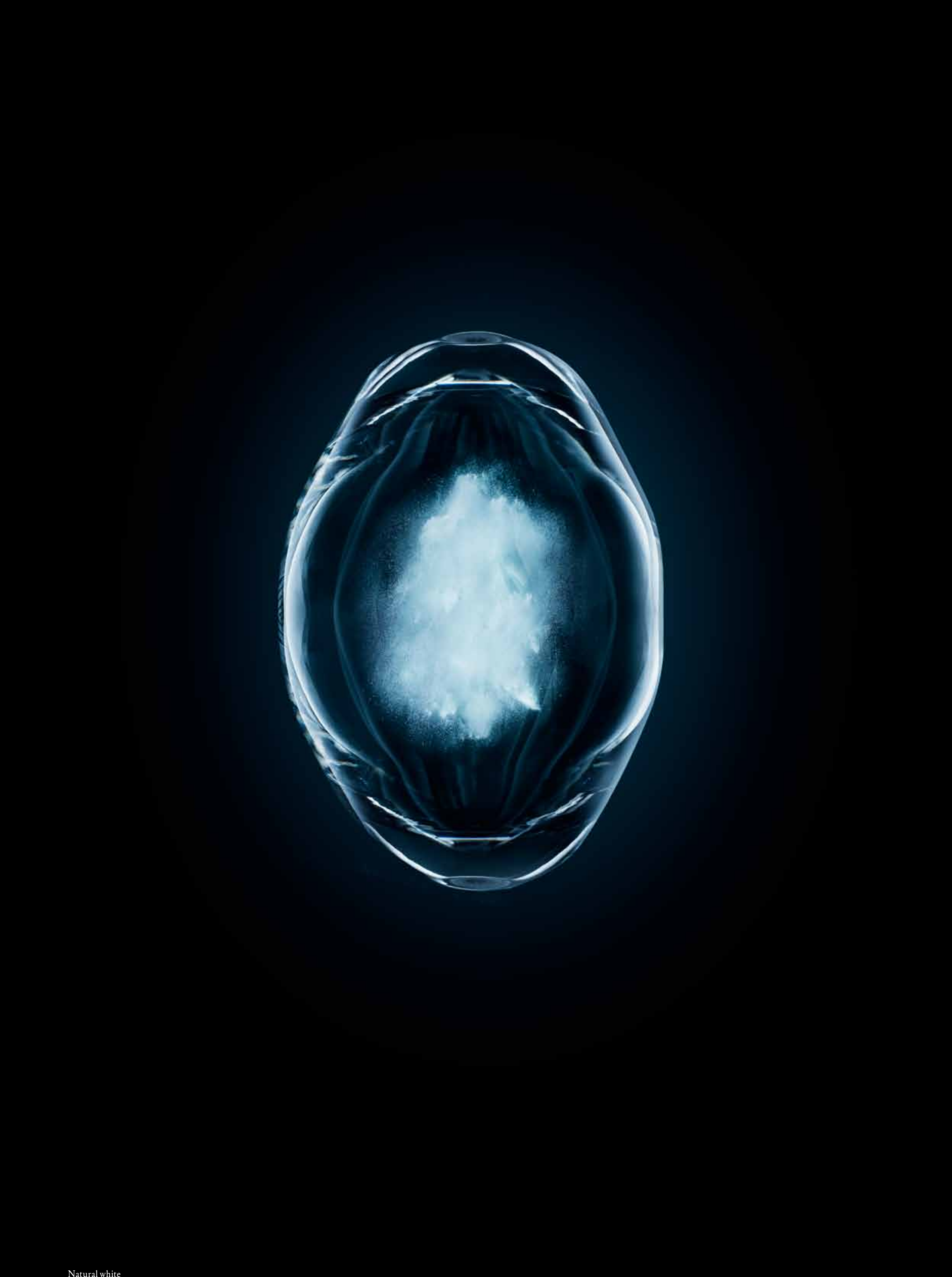
To reduce our exposure to exchange rate changes, Chr. Hansen is primarily trading in EUR or USD. However, trading in other currencies also takes place. Our currency exposure is mainly managed by performing both income and expenses in the same currency. Where this is insufficient to manage the risk, our corporate treasury department performs hedging in accordance with the corporate Treasury Procedure. Please refer to note 33 of the consolidated financial statement for further information.

INTEREST RATE

Interest rate risk mainly relates to interest on our debt. Our debt is financed at market rate plus a margin. The risk is limited by entering into interest hedging agreements in accordance with our Treasury Procedure. Please refer to note 33 of the consolidated financial statement for further information.

CREDIT

Credit risks mainly relate to trade receivables and other receivables. The risk is limited due to Chr. Hansen's diverse customer base representing several industries and businesses on international markets where we are cooperating with many large and medium sized partners. When dealing with small businesses, we are mainly selling through distributors, thus reducing the risk on these customers.



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FINANCIAL STATEMENTS

Consolidated Financial Statements Chr. Hansen Group

Notes

INCOME STATEMENT 1 SEPTEMBER – 31 AUGUST

EUR millions	Note	**2009/2010**	2008/2009
Revenue	3	575.5	511.2
Cost of sales	4,5	(290.4)	(269.1)
Gross profit		**285.1**	**242.1**
Research and development costs	4,5	(25.0)	(22.5)
Sales and marketing expenses	4,5	(73.1)	(66.0)
Administrative expenses	4,5,6	(44.4)	(41.4)
Other operating income		1.6	2.0
Other operating expenses		(0.9)	(0.3)
Operating profit before special items		**143.3**	**113.9**
Special items	7	(24.2)	(4.5)
Operating profit		**119.1**	**109.4**
Financial income	8	38.7	9.5
Financial expenses	9	(105.7)	(116.0)
Profit before tax		**52.1**	**2.9**
Corporation tax	10	(32.4)	(18.9)
Profit/Loss from continuing operations		**19.7**	**(16.0)**
Result from discontinued operations	11	(0.5)	(2.4)
Profit/Loss for the year		**19.2**	**(18.4)**
Distributed to:			
Minority interests		1.4	1.1
Shareholders of Chr. Hansen Holding A/S		**17.8**	**(19.5)**
Earnings per share (EUR)	12	0.16	(0.19)
Earnings per share, diluted (EUR)	12	0.16	(0.19)
Earnings from continuing operations per share (EUR)	12	0.17	(0.17)
Earnings from continuing operations per share, diluted (EUR)	12	0.17	(0.17)
Proposed dividend per share (DKK)		0.64	-

STATEMENT OF COMPREHENSIVE INCOME

EUR millions	Note	**2009/2010**	2008/2009
Profit/loss for the year		**19.2**	**(18.4)**
Currency translation of foreign group entities		21.4	(12.1)
Cash flow hedge		(1.5)	-
Tax related to cash flow hedge		0.3	-
Other comprehensive income for the year		**20.2**	**(12.1)**
Total comprehensive income for the year		**39.4**	**(30.5)**
Distributed to:			
Shareholders of Chr. Hansen Holding A/S		37.8	(31.0)
Minority interests		1.6	0.5
		39.4	**(30.5)**

BALANCE SHEET AT 31 AUGUST

Assets

EUR millions	Note	**2010**	2009
Non-current assets			
Intangible assets			
Goodwill	13	625.6	603.4
Other intangible assets	14	155.1	163.4
Intangible assets in progress	14	35.1	21.4
Total intangible assets		**815.8**	**788.2**
Property, plant and equipment			
Land and buildings	15	136.3	137.4
Plant and machinery	15	100.3	111.5
Other fixtures and equipment	15	6.9	6.0
Property, plant and equipment in progress	15	15.0	8.9
Total property, plant and equipment		**258.5**	**263.8**
Other non-current assets			
Deferred tax	23	2.2	4.8
Total other non-current assets		**2.2**	**4.8**
Total non-current assets		**1.076.5**	**1.056.8**
Current assets			
Inventories			
Raw materials and consumables		12.1	13.6
Work in progress		20.5	13.7
Finished goods and goods for resale		42.7	29.5
Total inventories	16	**75.3**	**56.8**
Receivables			
Trade receivables	17	82.9	70.8
Tax receivable		6.7	2.4
Other receivables	18	8.2	6.7
Prepayments	19	5.7	4.3
Total receivables		**103.5**	**84.2**
Receivables regarding discontinued operations	11	-	**0.5**
Cash and cash equivalents	20	**61.0**	**80.3**
Total current assets		**239.8**	**221.8**
Total assets		**1,316.3**	**1,278.6**

BALANCE SHEET AT 31 AUGUST

Equity and Liabilities

EUR millions	Note	**2010**	2009
Equity			
Share capital	21	185.4	135.5
Reserves		356.6	(44.5)
Minority interests		3.7	2.8
Total equity		**545.7**	**93.8**
Liabilities			
Non-current liabilities			
Employee benefit obligations	22	5.4	5.6
Deferred tax	23	71.3	66.6
Provisions	24	2.8	0.9
Borrowings	25	523.9	856.8
Payable to Parent Company	25	-	87.0
Corporation tax		8.9	14.1
Other non-current debt		2.3	2.6
Total non-current liabilities		**614.6**	**1,033.6**
Current liabilities			
Provisions	24	0.8	1.3
Borrowings	25	11.6	38.2
Prepayments from customers		0.2	0.1
Trade payables		64.6	49.8
Corporation tax		26.3	4.5
Other payables	26	52.5	57.3
Total current liabilities		**156.0**	**151.2**
Total liabilities		**770.6**	**1,184.8**
Total equity and liabilities		**1,316.3**	**1,278.6**

STATEMENT OF CHANGES IN EQUITY

2010

		Shareholders of Chr. Hansen Holding A/S							
EUR millions	Note	**Share capital**	**Treasury shares**	**Currency translation**	**Cash flow hedge**	**Retained earnings**	**Total**	**Minority interests**	**Total**
Balance 1 September, 2009		**135.5**	**-**	**(18.6)**	**-**	**(25.9)**	**91.0**	**2.8**	**93.8**
Capital increase		50.0	-	-	-	400.0	450.0	-	450.0
IPO-related cost		-	-	-	-	(18.6)	(18.6)	-	(18.6)
Capital contribution		-	-	-	-	15.6	15.6	-	15.6
Purchase of treasury shares		-	(35.0)	-	-		(35.0)	-	(35.0)
Total comprehensive income for the year, cf. Statement of comprehensive income		(0.1)	-	21.3	(1.2)	17.8	37.8	1.6	39.4
Share-based payment	27	-	-	-		1.2	1.2	-	1.2
Dividend		-	-	-	-	-	-	(0.7)	(0.7)
Balance 31 August, 2010		**185.4**	**(35.0)**	**2.7**	**(1.2)**	**390.1**	**542.0**	**3.7**	**545.7**

The proposed dividend of EUR 11.6 million for 2009/2010 is included in Retained earnings

2009

		Shareholders of Chr. Hansen Holding A/S							
EUR millions	Note	**Share capital**	**Treasury shares**	**Currency translation**	**Cash flow hedge**	**Retained earnings**	**Total**	**Minority interests**	**Total**
Balance 1 September, 2008		**135.2**	**-**	**(6.8)**	**-**	**(6.6)**	**121.8**	**3.4**	**125.2**
Total comprehensive income for the year, cf. Statement of comprehensive income		0.3	-	(11.8)	-	(19.5)	(31.0)	0.5	(30.5)
Share-based payment	27	-	-	-	-	0.2	0.2	-	0.2
Dividend		-	-	-	-	-	-	(1.1)	(1.1)
Balance 31 August, 2009		**135.5**	**-**	**(18.6)**	**-**	**(25.9)**	**91.0**	**2.8**	**93.8**

CASH FLOW STATEMENT 1 SEPTEMBER – 31 AUGUST

EUR millions	Note	2009/2010	2008/2009
Operating profit		119.1	109.4
Adjustments	28	44.5	42.8
Change in working capital	29	(9.3)	13.9
Interest payments received		5.9	2.9
Interest payments made		(45.7)	(48.5)
Cash flow from discontinued operations	30	(0.5)	(7.4)
Taxes paid		(12.5)	(8.1)
Cash flows from operating activities		**101.5**	**105.0**
Acquisition of entities	31	-	(4.6)
Discontinued and divested activities	32	-	5.5
Investments in intangible assets		(20.0)	(17.4)
Investments in property, plant and equipment		(18.9)	(11.1)
Sale of property, plant and equipment		0.3	1.0
Cash flows from investing activities		**(38.6)**	**(26.6)**
Free cash flows		**62.9**	**78.4**
Capital contribution		447.0	-
Raising of long-term loans		450.0	20.6
Repayment of long-term loans		(853.2)	(99.3)
Treasury shares		(35.0)	-
Repayments of shareholder loan		(93.6)	-
Minority interests, dividend etc.		(0.7)	(1.0)
Cash flows from financing activities		**(85.5)**	**(79.7)**
Net cash flows for the year		**(22.6)**	**(1.3)**
Cash and cash equivalents at 1 September		80.3	82.6
Unrealised exchange gain/loss included in cash and cash equivalents		3.3	(1.0)
Net cash flow for the year		(22.6)	(1.3)
Cash and cash equivalents at 31 August		**61.0**	**80.3**

NOTE I ACCOUNTING POLICIES

BASIS OF PREPARATION

The Annual report for Chr. Hansen Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements applying to enterprises of reporting class D.

GENERAL INFORMATION ON RECOGNITION AND MEASUREMENT

The Annual report has been prepared under the historical cost method except for the measurement of certain financial instruments at fair value.

Non-current assets and disposals groups classified as held for sale are measured at the lower of the carrying amount before the changed classification and the fair value less cost to sell.

The accounting policies set out below have been used consistently in respect of the financial year 2009/2010 and the comparative figures. The Accounting Policies are unchanged except for implemented amendments to IFRS/IAS standards as stated below.

TRANSLATION FROM FUNCTIONAL CURRENCY TO PRESENTATION CURRENCY

Assets, liabilities and equity items are translated from each of the reporting entities functional currency to EUR at the balance sheet date. The income statements are translated from the functional currency into the presentation currency based on average currency rate for the individual months. Translation of the equity at the beginning of the period and translation of the income statement from the average rates to the currency rate at the balance sheet date are recognized in other comprehensive income.

NEW AND AMENDED STANDARDS AS WELL AS INTERPRETATIONS

With effect from 1 September 2009, the Group has implemented the following new and amended Standards:

- IFRS 8 “Operating Segments” according to which information regarding segments is requested on the basis of the management’s review. Implementation of the standard implies that in future segment information must be given for the three operating segments. The implementation of the standard has led to further specifications in the notes, but no changes in recognition and measurement.

- IAS 23 “Borrowing Costs”. The Standard requires that borrowing costs are included in the cost of qualifying assets (intangible assets and property, plant and equipment) that take a substantial period of time to get ready for use or sale. The implementation of the standard has not led to changes in recognition and measurement

- IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”. The Standard will have several implications on future business acquisitions as changes to conditional considerations after a period of up to 12 month and transactions costs are to be recognized directly in the income statement. The implementation has not led to changes as the Group has not performed any acquisitions during the year.

- The Group presents earnings per share in accordance with IAS 33 “Earnings per share”

Further, the Group has implemented IFRS 2 “Share-based payments: Vesting conditions and Cancellations”, amendments to IFRS 7 “Additional disclosure requirements of market value of financial instruments”, amendments to IAS 39 “Financial Instruments, recognition and measurement” and Interpretations IFRIC 15-18. None of these have had any material effect.

The IASB has issued the following new or amended Standards and Interpretations, which have been adopted by the EU but not yet implemented by the Group:

- IFRS 2 “Group cash-settled share-based payment transactions”. The Standard is effective for financial years beginning on or after 1 January 2010.

- Amendment to IAS 24 “Related parties” containing adjustments of the definition among other things. The amendment is effective for financial years beginning on or after 1 January 2010.

- Changes to IAS 32 “Financial instruments: presentation” regarding classification of warrants in foreign currency. The changes are applicable for fiscal years beginning on or after 1 February 2010.

In addition, the following new or amended Standards and Interpretations of relevance to the Group have been issued but not yet adopted by the EU:

- IFRS 9 “Financial assets”. The number of asset classes for financial assets is reduced to two, amortized cost value or fair value. The standard is effective for financial years beginning on or after 1 January 2010.

- IFRIC 19 regarding extinguishing financial liabilities with equity instruments is effective for financial years beginning on or after 1 July 2010.

None of the new and amended Standards and Interpretations are expected to have material effect on the Group’s reporting. The Group expects to adopt the Standards and Interpretations when they become mandatory.

CHANGES IN PRESENTATION OF THE FINANCIAL REPORTING

The Group has changed the presentation of segment results so that special items no longer are allocated to the reportable segments. The comparison figures are adjusted accordingly.

The Group has decided to use hedge accounting for new interest rate swaps and exchange forwards entered into in 2009/2010 when they qualify for cash flow hedge.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise Chr. Hansen Holding A/S (the parent company) and enterprises in which the parent company directly or indirectly holds more than 50% of the votes or otherwise exercises control.

Enterprises which are not subsidiaries but in which the parent company directly or indirectly holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

ACCOUNTING POLICIES

The consolidated financial statements are prepared on the basis of financial statements of the parent company and subsidiaries which are all included in the consolidated financial statements in accordance with the accounting policies of the parent company.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany transactions, accounts and dividends as well as of realized and unrealized profits and losses on transactions between the consolidated enterprises. The tax effect of unrealized eliminations is taken into account. Furthermore, intercompany investments are eliminated.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Minority interests' share of the profit/loss for the year and of the equity of subsidiaries is included in the Group's profit/loss and equity respectively, but is disclosed separately.

BUSINESS COMBINATIONS

Entities acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. Entities which are disposed of or wound up are recognized in the consolidated income statement until the date of disposal or winding-up. The comparative figures are not restated for entities acquired, disposed of or wound up. Discontinued operations are presented separately, cf. below.

For acquisitions of new subsidiaries, joint ventures and associates the purchase method is used. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right, and the fair value can be reliably measured. Deferred tax on revaluations is recognized.

The acquisition date is the date when the Group effectively obtains control of the acquired subsidiary, enters the management of the joint venture or obtains significant influence over the associate.

Excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognized as goodwill under intangible assets. Goodwill is not amortized but is tested annually for impairment. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test.

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the event is probable and the adjustment can be measured reliably.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. Negative differences (negative goodwill) are recognized in the income statement at the acquisition date.

If uncertainties regarding measurement of acquired identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations, except in cases of material error. However, subsequent realization of the acquired entity's deferred tax assets not recognized at the acquisition date will require recognition of the tax benefit in the income statement and simultaneous write-down of the carrying amount of goodwill to the amount which would have been recognized if the deferred tax asset had been recognized as an identifiable asset at the acquisition date.

Gains or losses on the disposal or winding-up of group enterprises, joint ventures and associates are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal or winding-up, foreign exchange adjustments recognized directly in equity plus costs to sell or winding-up expenses.

Gains or losses on disposal or winding-up of subsidiaries are recognized in the income statement under Special items, while gains or losses on disposal or winding-up of associated companies are recognized under financials.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

Financial items for each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in other currencies than the functional currency are transactions in foreign currencies. The functional currency of the Parent company is Danish kroner (DKK); however, due to the Group's international relations, the consolidated accounts are presented in euro (EUR).

TRANSLATION INTO PRESENTATION CURRENCY

The balance sheet is translated into the presentation currency at the EUR rate at the balance sheet date. The income statement is translated to the rate of the the transaction date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. If the average rates cannot be used the actual rates are used if possible.

TRANSLATION OF TRANSACTIONS AND AMOUNTS

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income or

ACCOUNTING POLICIES

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

TRANSLATION OF GROUP ENTERPRISES

On recognition in the consolidated financial statements of foreign enterprises with a functional currency that differs from the presentation currency of the Group, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign enterprises at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognized directly in equity under the separate translation reserve.

Exchange adjustments of balances with foreign enterprises that are treated as part of the total net investment in the enterprise in question are recognized directly in equity in the consolidated accounts.

On disposal of foreign entities, in full or in part, or on repayment of balances treated as part of the net investment, the share of the accumulated exchange adjustments recognized directly in and attributable to equity, is recognized in the income statement at the same time as any profit or loss on the disposal.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The fair values of derivative financial instruments are included in other receivables and other payables respectively, and set-off of positive and negative values is only made when the Group has the right and the intention to settle several 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 either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge),
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge), or
- hedges of a net investment in a foreign operation (net investment hedge).

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.

Changes in the fair value of derivative financial instruments used to hedge expected future transactions (effective) are recognized in the fair value reserve under 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 to hedge net investments in foreign subsidiaries, joint ventures or associates and which effectively hedge currency fluctuations in these entities are recognized in the consolidated financial statements directly in a separate translation reserve in equity.

For derivative financial instruments other than those designated as hedging instruments, changes in fair value are recognized in the income statement as financial income or financial expenses.

SEGMENT INFORMATION

Segment information is given on the three divisions of the Group: Cultures & Enzymes, Health & Nutrition and Colors & Blends. The information is based on the management structure and the internal financial management reporting directed to the upper operative management of the Group. The upper operative management consist of the Executive management. Identifying the segments to report on did not include aggregation of operative segments.

The accounting policies regarding recognition and measurement used in the segment information are identical to the ones used in the financial statements.

Information regarding geographical split of revenue is based on the geographic location of the customers.

GOVERNMENT GRANTS

Government grants comprise grants for investments, research and development projects, etc. Grants are recognized when there is reasonable certainty that they will be received.

Grants for investments and capitalized development projects are set off against the cost of the assets to which the grants relate. Other grants are recognized in development costs in the income statement to offset the expenses for which they compensate.

ACCOUNTING POLICIES

INCOME STATEMENT

The income statement is classified by function.

REVENUE

Revenue is recognized in the income statement if delivery and transfer of risk to the purchaser have been made by the balance sheet date, the income can be measured reliably and expenses incurred or expected to be incurred in connection with the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received excluding VAT and less commission and discounts granted in connection with the sales.

Royalty and license fees are recognized when earned according to the terms of the license agreements.

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. Furthermore, expenses for writing down inventories to net realizable value are recognized.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise salaries, amortization and other expenses directly and indirectly attributable to the Group's research and development activities including amortization of, and impairment losses relating to, capitalized development costs.

Development projects relating to new products and processes that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture or use the project, are recognized as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales and selling expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet as well as costs of research are recognized as expenses in the income statement as incurred. Expenses reimbursed under a contract with a business partner are offset against expenses incurred.

SALES AND MARKETING EXPENSES

Sales and marketing expenses comprise expenses incurred for salaries to sales staff, advertising and exhibition expenses, amortization and depreciation.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and write-downs for bad debt losses.

SHARE-BASED PAYMENT

Share options of the ultimate parent company issued as part of an incentive scheme are measured at fair value at the date of granting. This value is subsequently recognized in the income statement of the Group over the vesting period of the options. The counter item of the expense recognized in the income statement is regarded as a capital contribution from the parent company recognized directly in equity.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and costs comprise items secondary to the principal activities of the entities, including rental income and gains and losses on the disposal of intangible assets and property, plant and equipment. Gains and losses on the disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the disposal date.

SPECIAL ITEMS

Special items comprise material amounts that cannot be attributed to recurring operations, such as income and expenses related to divestments, closure or restructure of subsidiaries and business lines from the time the decision is made. Also classified as special items are, if major, profits and losses on disposal of subsidiaries not qualifying for recognition as discontinued activities in the income statement. Material non-recurring income and expenses that originate from projects related to the strategy for development of the group and optimization of processes are classified as special items.

INCOME FROM INVESTMENTS IN ASSOCIATES

The proportionate share of the results of associates after tax and minority interests is recognized in the consolidated income statement after elimination of the proportionate share of unrealized intra-group profits/losses.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest receivable and interest payable calculated under the effective interest method, commission, the interest component of payments under finance leases and surcharges and refunds under the on-account tax scheme as well as value adjustments of fixed asset investments, derivative financial instruments and items denominated in a foreign currency.

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

TAX ON PROFIT/LOSS FOR THE YEAR

Tax on profit/loss for the year comprises current tax for the year as well as the change in provisions for deferred tax relating to the income statement. Furthermore, tax on profit/loss includes adjustments related to prior years.

DISCONTINUED ACTIVITIES

A discontinued activity is an entity or a component of an entity that either has been divested, or that is classified as held-for-sale. The entity or component represents a separate line of business or geographical area of operations and is part of a single coordinated plan. The result from entities acquired exclusively with a view to resale is also classified as discontinued activities.

ACCOUNTING POLICIES

Discontinued activities are presented in a separate line in the income statement and as assets and liabilities held for sale in the balance sheet, and main items are specified in the notes. Comparative figures are restated.

BALANCE SHEET

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets of the acquired enterprise (see Basis of consolidation). Goodwill is measured at historical cost less accumulated impairment losses. Goodwill is not amortized.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on the management structure and internal financial control.

Goodwill is tested for impairment annually and when there is an indication of impairment.

Impairment charges on goodwill are not reversed.

Profits and losses on the divestment of an entity include the carrying amount of goodwill relating to the entity sold.

OTHER INTANGIBLE ASSETS

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

Costs for development and implementation of substantial IT systems are capitalized and amortized over their estimated useful life.

Trademarks and customer base acquired in connection with business combinations are recognized at cost and amortized over their expected useful life.

Other intangible assets are measured at cost less accumulated amortization and impairment losses.

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

Customer lists: 7 years
Patents, trademarks and rights: 5-20 years
Software: 5-10 years
Development projects: 5-15 years

Useful lives are determined on the basis of Management's experience in the individual business areas.

Impairment tests of other intangible assets are made when there is an indication of impairment. The factors considered material for this purpose and which may result in impairment charges are identical to those described in Goodwill above.

Impairment charges on other intangible assets are reversed if the recoverable amount subsequently increases.

No assets with indefinite useful lives are included in other intangible assets.

Profits or losses on the disposal of intangible assets are recognized in the income statement in Other income or Other expenses.

PROPERTY, PLANT AND EQUIPMENT

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 reestablishment 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 a year to be ready for use.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognized in the balance sheet and recognized as an expense in the income statement. Costs incurred for ordinary repairs and maintenance are recognized in the income statement as incurred.

Property, plant and equipment are broken down into components if the expected useful lives of the individual components vary.

For the financial year, the useful lives of the individual groups of assets are estimated as follows:

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

Land is not depreciated.

Depreciation is commenced when the asset is ready for use.

Depreciation is based on cost reduced by any expected residual value. The depreciation is based on a straight line pattern.

At each balance sheet date, a new estimate of the expected residual value and the depreciation pattern is made. If this estimate differs from previous estimates, the depreciation for the year and for future periods is changed to reflect the new estimate.

Finance lease assets are assets in terms of which the Group practically assumes the risks and rewards of ownership. Other lease assets are classified as operating lease assets. Finance lease assets are recognized in the balance sheet as property, plant and equipment and are measured at the date of acquisition at the lower of fair value and the net present value of the future minimum lease payments. Finance lease assets are depreciated under the same policy as the other property, plant and equipment of the Group.

Operating lease expenses are recognized over the lease term in the income statement.

Impairment tests of property, plant and equipment are made when there is an indication of impairment. The factors considered material for this purpose and which may result in impairment charges are identical to those described in Impairment of assets below.

ACCOUNTING POLICIES

Impairment charges on property, plant and equipment are reversed if the recoverable amount subsequently increases.

Profits or losses on the disposal of property, plant and equipment are in most cases recognized in the income statement in Other operating income or Other operating expenses.

IMPAIRMENT OF ASSETS

Goodwill is subject to an annual impairment test, first time before the end of the acquisition year. Similarly, development projects are tested annually for impairment.

The carrying amount of goodwill is tested for impairment, together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount through the income statement if the carrying amount is higher. The recoverable amount is generally calculated as the present value of expected future net cash flows (value in use) from the entity or activity (cash-generating unit) to which the goodwill is allocated. Impairment of goodwill is recognized under special items in the income statement.

The carrying amount of trademarks is subject to an impairment test and written down to the recoverable amount through the income statement if the carrying amount is higher. The recoverable amount is generally calculated as the present value of expected future net cash flows from the trademark in the form of royalties.

The carrying amount of other non-current assets is subject to an annual impairment test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Minor impairment losses are recognized in the income statement under cost of sales, sales and distribution costs, administrative expenses and other operating costs. Significant impairment losses and impairment losses arising on extensive structuring of processes and fundamental structural adjustments are recognized under special items.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortization had the asset not been impaired.

Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

INVESTMENTS IN ASSOCIATES

Investments in associates are recognized according to the equity method and measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealized intra-group profits and losses and plus the carrying amount of goodwill.

Investments in associates with negative net asset values are measured at euro nil. If the Group has a legal or constructive obligation to cover a deficit in the associate, the deficit is recognized under provisions.

Any amounts owed by associates are written down to the extent that the amount owed is deemed irrecoverable.

On acquisition of investments in associates, the purchase method is used, see the description under Business combinations.

INVENTORIES

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

Cost includes costs incurred to bring the product to the current completion rate and location.

Goods for resale and raw materials and consumables are measured at cost, comprising 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 completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries, and maintenance and depreciation of production machinery, buildings and equipment, and production administration and management.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

RECEIVABLES

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

PREPAYMENTS

Prepayments comprise expenses incurred concerning subsequent financial years. Deferred income is measured at cost.

CASH AND CASH EQUIVALENTS

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

ASSETS HELD FOR SALE

Assets held for sale comprise non-current assets and disposal groups held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction and those liabilities directly associated with the assets that will be transferred in the transaction.

Assets are classified as held for sale if management has decided to sell the asset or

ACCOUNTING POLICIES

disposal group and have taken the necessary steps to carry out the sale, such that the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the lower of carrying amount or fair value less costs to sell. Assets are not depreciated or amortized from the date when they are reclassified as held for sale.

Impairment losses on initial recognition as held for sale and gains and losses on subsequent remeasurement at the lower of carrying amount and fair value less costs to sell are recognized in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and liabilities are recognized separately in the balance sheet and main items are specified in the notes. Comparative figures are not restated.

If a sale is not completed as expected, the asset or disposal group is reclassified to the items in the balance sheet from which the asset or disposal group was originally separated. This reclassification is made at the carrying amount less any depreciation charges that would have been recognized if the asset had not been classified as held for sale.

SHARE CAPITAL

The share capital comprises the nominal value of the Company's share capital.

TRANSLATION RESERVE

The translation reserve in the consolidated accounts comprises exchange adjustments arising on the translation of the financial statements of foreign enterprises from their functional currencies into the presentation currency of the Group (EUR).

Upon full or part realization of the net investment, exchange adjustments are recognized in the income statement.

PROPOSED DIVIDENDS

Proposed dividends are recognized as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The dividend recommended by the Board of Directors and therefore expected to be paid for the year is disclosed in the statement of changes in equity.

MINORITY INTERESTS

On statement of the equity of the Group, minority interests' proportionate shares of the equity of group enterprises are recognized separately.

PENSION OBLIGATIONS

Payments to defined contribution plans are recognized in the income statement in the period to which they relate, and any amounts due are recognized in other payables in the balance sheet.

Under defined benefit plans, the Group is obliged to make a specified payment in connection with retirement. The obligations in that respect are calculated actuarially on the basis of the net present value of the obligations. The net present value comprises the payments to which the employees have earned a right through their employment with the Group and is calculated on the basis of assumptions relating to the future development in e.g. interest rates, inflation, mortality rate and disablement. The actuarially calculated net present value less the fair values of any assets related to each plan is recognized in Employee benefit obligations in the balance sheet. If the net amount for a given plan is an asset, the asset is recognized in Pension assets in the balance sheet if the Group can make use of the asset, directly or indirectly. The discount rate is based on the market rate on corporate bonds of high standing with a term matching that of the pension obligations.

The difference between the expected development in pension assets and pension payments and the actual development will result in actuarial gains or losses. Actuarial gains or losses which do not exceed 10% of the net present value of the pension payments or 10% of the fair value of the pension assets are not recognized in the income statement and balance sheet (corridor method). If the accumulated actuarial gains or losses exceed these limits, the excess amount is recognized in the income statement and the net pension obligation over the expected remaining service period of employees covered by the plan.

PROVISIONS

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

Restructuring costs are recognized under liabilities when a detailed, formal restructuring plan has been announced to the persons affected no later than at the balance sheet date. On acquisition of entities, restructuring provisions in the acquiree are only included in the opening balance sheet when the acquiree has a restructuring liability at the acquisition date.

CORPORATION TAX AND DEFERRED TAX

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

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognized in respect of temporary differences concerning goodwill not deductible for tax purposes, office premises and other items – apart from business acquisitions – where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognized in other non-current assets at the value at which the asset is expected to be realized, either by elimination of tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

ACCOUNTING POLICIES

Adjustments are made to deferred tax to take account of the elimination of unrealized intercompany profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective when the deferred tax is expected to crystallize as current tax based on the legislation at the balance sheet date. Changes to deferred tax due to changes to tax rates are recognized in the income statement except for items recognized directly in equity. The parent company is jointly taxed with the Danish group enterprises Chr. Hansen A/S and Chr. Hansen Properties A/S. Foreign subsidiaries are not subject to the joint taxation.

The parent company provides for and pays the total Danish tax payable on the taxable incomes of these enterprises. The tax effect of the joint taxation with these enterprises is allocated to Danish enterprises showing profits or losses in proportion to their taxable income.

The jointly taxed enterprises have adopted the on-account taxation scheme.

FINANCIAL DEBTS

Financial debts, 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 and 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 debts are derecognized when settled.

The portion of the debt maturing after 1 year is recognized as non-current debt and other debts are recognized as current debt.

Other debts are measured at amortized cost. However, derivative financial instruments recognized in Other debts are measured at fair value, see Derivative financial instruments above.

LEASES

For accounting purposes lease obligations are divided into finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease obligations is described under Property, plant and equipment and Financial liabilities respectively.

Operating lease payments are recognized in the income statement on a straight-line basis over the lease term.

DEFERRED INCOME

Deferred income comprises payments received in respect of income in subsequent years. Deferred income is measured at cost.

CASH FLOW STATEMENT

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flows from operating activities are calculated using the indirect method, i.e. the operating profit after special items adjusted for non-cash operating items, changes in working capital, restructuring costs paid, interest received and paid, and corporation tax paid.

CASH FLOW FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognized as cash and cash equivalents. The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognized in the cash flow statement from the acquisition date. Cash flows from disposals of entities are recognized up until the disposal date.

Acquisitions of assets by means of finance leases are treated as non-cash transactions.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the acquisition and disposal of minority interests, raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash flows from assets held under finance leases are recognized as payment of interest and repayment of debt.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, less bank overdrafts, and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these deviate significantly from the exchange rate at the transaction date.

ACCOUNTING POLICIES

FINANCIAL RATIOS

The key figures and financial ratios stated in the Annual Report have been calculated as follows:

CASH CONVERSION
EBITDA before special items less capital expenditures and changes in net working capital as a proportion of EBITDA before special items.

DEBT TO EBITDA
Net interest-bearing debt against EBITDA before special items.

INTEREST COVERAGE
EBITDA before special items and interest payments received as a proportion of interest payments made.

EBITDA
Operating profit adjusted for depreciation, amortization and impairment.

EBIT
Operating profit.

INVESTED CAPITAL
Intangible assets, property, plant and equipment, trade receivables and inventories less trade payables.

NET WORKING CAPITAL (NWC)
Inventories and trade receivables less trade payables.

ORGANIC GROWTH
Increase in revenue adjusted for sales reductions and acquisitions and divestitures in order to standardize year-on-year comparisons and measured in local currency.

RETURN ON AVERAGE INVESTED CAPITAL EXCLUDING GOODWILL (ROIC)
Operating profit before special items as a percentage of average invested capital.

NET INTEREST-BEARING DEBT
Borrowings from financial institutions exclusive of shareholder loan less cash and cash equivalents.

MARKET CAP
Number of shares including treasury shares times market value per share.

NET ASSETS VALUE PER SHARE
Equity attributable to shareholders of Chr. Hansen Holding A/S divided by number of shares including treasury shares at year-end.

AVERAGE NUMBER OF OUTSTANDING SHARES
Average number of shares outstanding during the year, excluding treasury shares.

PE, PRICE/EARNINGS RATIO
Market price per share divided by EPS.

PAY-OUT RATIO
Total dividends for the year as a percentage of profit for the year distributed to shareholders of Chr. Hansen Holding A/S. In 2009/2010 an adjustment has been made so that a capital contribution from Financière Star 1 to cover the net impact of an extraordinary bonus to all employees has been included.

EARNINGS PER SHARE (EPS)
Profit/Loss for the year distributed to shareholders of Chr. Hansen Holding A/S divided by the average number of shares excluding treasury shares.

OTHER KEY RATIOS
Other key ratios used are measured as a percentage of net revenue.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Group's consolidated financial statements, management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are presented below. The Group's accounting policies are described in detail in note 1 to the consolidated financial statements.

ESTIMATION UNCERTAINTY

Determining the carrying amount of some assets and liabilities requires judgements, estimates and assumptions concerning future events.

The judgements, estimates and assumptions made are based on historical experience and other factors which management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgements, estimates and assumptions for the individual items are described below.

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

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

GOODWILL

In the annual impairment test of goodwill, an estimate is made to determine how parts of the enterprise (cash-generating units) related to the goodwill will be able to generate sufficient future positive net cash flows to support the value of goodwill, trademarks with an indefinite useful life and other net assets of the enterprise in question.

The estimate of the future free net cash flows is based on budgets and business plans for the coming 5 years and on projections for subsequent years. Key parameters are revenue development, profit margin, proposed capital expenditure as well as growth expectations for the following years. Budgets and business plans for the coming 5 years 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 next 5-year period are based on general expectations and risks.

The discount rates used to calculate the recoverable amount are before tax and reflect the risk-free interest rate of the individual geographical segments and related risk.

The carrying value of goodwill at 31 August 2010 is EUR 625.6 million and EUR 603.4 million at 31 August 2009.

DEVELOPMENT PROJECTS

Finished development projects are reviewed on an annual basis to determine whether there is any indication of impairment.

If this is indicated, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of the estimated future earnings as well as interest rate and risks.

The carrying value of development projects in progress and finished development projects at 31 August 2010 are EUR 28.7 million compared to EUR 19.4 million at 31 August 2009.

ASSESSMENT IN APPLIED ACCOUNTING POLICIES

In applying the Group's accounting policies, management makes judgements which may significantly influence the amounts recognized in the annual report.

Such judgements include the timing of the recognition of revenue, the use of special items, measurement of inventories, measurement of trade receivables and deferred tax assets.

REVENUE RECOGNITION

Revenue from the sale of finished goods and goods for resale is recognized when the risk has been transferred to the buyer. Revenue is measured excluding discounts.

Customer discounts are recognized and deducted from revenue in the same period as the sales to which they relate. Customer discounts based on accumulated sales volumes over a period of time are calculated on the basis of expected total sales based on experience from previous sales, sales up to that date and other current information about trading with the customer. These calculations are performed by Management in cooperation with sales managers.

SPECIAL ITEMS

The use of special items entails management judgement in the separation from other items in the income statement, cf. the accounting policies. When using special items, it is crucial that these constitute significant items of income and expenses which cannot be attributed directly to the Group's ordinary operating activities but concern fundamental structural or process-related changes in the Group and any associated gains or losses on disposals not classified as discontinued operations. Management carefully considers such changes in order to ensure the correct distinction between the Group's operating activities and restructuring of the Group made to enhance the Group's future earnings potential.

INVENTORIES

Work in progress and finished goods are stated at the lowest of cost price under the FIFO-method and net realizable value. The cost price includes direct production costs and indirect production costs. Direct productions costs comprise of materials, consumables and labor whereas indirect production costs (IPC) comprise of maintenance, depreciations etc.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The calculations of the IPC are reviewed regularly in order to ensure that relevant assumptions as prices, production yield, measures of utilization are incorporated correctly. Changes in the parameters, assumed production yield and utilization levels etc. could have a significant impact in the cost price and with that the valuation of inventories and production costs.

The carrying value of other direct and indirect production costs included in the value of the inventories at 31 August 2010 amounts to EUR 24.9 million compared to EUR 20.7 million at 31 August 2009.

SEGMENT INFORMATION

When presenting segment information from the income statement and statement of financial position disclosed amounts are split according to internal management information. Some costs, assets and liabilities are not directly attributable to the segments and have to be distributed according to allocation keys. These allocation keys are updated annually based on planned activity in each reportable segment and are subject to Management's judgement.

RECEIVABLES

Receivables are measured at amortized cost less provisions for bad debts based on customers' inability to pay. Management makes analyses based on customers' expected ability to pay, historical data on payment patterns, doubtful debts, customer concentrations, customers' credit standing and security received as well as economic trends in the Group's sales channels. If the ability to pay changes in future, further provisions may be required. It is estimated that the provisions made are sufficient to meet bad debts. The financial uncertainty related to provisions for bad debts is considered limited.

The carrying value of trade receivables at 31 August 2010 was EUR 82.9 million compared to EUR 70.8 million at 31 August 2009.

DEFERRED TAX ASSETS

The Group recognizes deferred tax assets, including the tax value of tax loss carry forwards, where Management assesses that the tax assets may be utilized in the foreseeable future for set-off against future positive taxable income. The assessment is made on an annual basis and is based on budgets and business plans for the future years, including planned business initiatives.

The value of recognized deferred tax assets at 31 August 2010 amounts to EUR 2.2 million compared to EUR 4.8 million at 31 August 2009.

PROVISIONS

Provisions are recognized when the Group has a legal or constructive obligation and it is more probable than not that economic benefits must be given up to settle the obligation. The probability hereof is based on judgement by the management. The obligation is measured on the basis of management's best estimate of the discounted amount at which the obligation is expected to be met.

The value of provisions at 31 August 2010 was EUR 3.6 million compared to EUR 2.2 million at 31 August 2009.

NOTES TO THE INCOME STATEMENT

EUR millions	2009/2010

3 – Segment information

The reportable segments are based on the segmentation in the internal financial reporting received by senior management. The reportable segments are divisions which offer the customer different products and services.

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

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

Colors & Blends Division provides natural color solutions to the food and beverage industries, as well as functional blends that improve the quality and taste in processed meats.

	Cultures & Enzymes	Health & Nutrition	Colors & Blends	Not allocated	Group
Income statement					
External revenue	356.2	78.8	140.5		575.5
EUR growth	8%	15%	26%		13%
Organic growth	6%	14%	29%		12%
EBITDA (b.s.i.)	137.7	27.8	20.6		186.1
EBITDA margin (b.s.i.) (%)	39%	35%	15%		32%
Special items				(24.2)	(24.2)
EBITDA	137.7	27.8	20.6	(24.2)	161.9
EBITDA margin (%)	39%	35%	15%		28%
Depreciation, amortization and impairment losses	(33.4)	(4.6)	(4.8)		(42.8)
EBIT	104.3	23.2	15.8	(24.2)	119.1
EBIT margin (%)	29%	29%	11%		21%

	Cultures & Enzymes	Health & Nutrition	Colors & Blends	Group
Assets				
Goodwill	547.8	77.8	-	625.6
Other intangible assets	134.2	40.9	15.1	190.2
Intangible assets	**682.0**	**118.7**	**15.1**	**815.8**
Tangible assets	187.5	34.5	36.5	258.5
Total non-current assets exclusive deferred tax	**869.5**	**153.2**	**51.6**	**1.074.3**
Inventories	34.5	10.4	30.4	75.3
Trade receivables	51.2	11.5	20.2	82.9
Trade payables	(32.4)	(7.5)	(24.7)	(64.6)
Net working capital	**53.3**	**14.4**	**25.9**	**93.6**
Invested capital exclusive goodwill	**375.0**	**89.8**	**77.5**	**542.3**

NOTES TO THE INCOME STATEMENT

EUR millions 2008/2009

3 – Segment information – continued

	Cultures & Enzymes	Health & Nutrition	Colors & Blends	Not allocated	Group
Income statement					
External revenue	331.1	68.6	111.5		511.2
EUR growth	6%	23%	2%		7%
Organic growth	9%	27%	6%		10%
EBITDA (b.s.i.)	116.7	23.9	14.3		154.9
EBITDA margin (b.s.i.) (%)	35%	35%	13%		30%
Special items				(4.5)	(4.5)
EBITDA	116.7	23.9	14.3	(4.5)	150.4
EBITDA margin (%)	35%	35%	13%		29%
Depreciation, amortization and impairment losses	(32.1)	(4.2)	(4.7)		(41.0)
EBIT	84.6	19.7	9.6	(4.5)	109.4
EBIT margin (%)	26%	29%	9%		21%

	Cultures & Enzymes	Health & Nutrition	Colors & Blends	Group
Assets				
Goodwill	530.1	73.3	-	603.4
Other intangible assets	132.4	37.4	15.1	184.8
Intangible assets	**662.5**	**110.7**	**15.1**	**788.2**
Tangible assets	195.7	32.4	35.7	263.8
Total non-current assets exclusive deferred tax	**858.2**	**143.1**	**50.8**	**1,052.1**
Inventory	28.7	8.6	19.5	56.8
Trade receivables	43.6	10.5	16.7	70.8
Trade payables	(28.7)	(5.7)	(15.4)	(49.8)
Net working capital	**43.6**	**13.4**	**20.8**	**77.8**
Invested capital exclusive goodwill	**371.7**	**83.2**	**71.6**	**526.5**

NOTES TO THE INCOME STATEMENT

EUR millions	**2009/2010**		2008/2009	
3 – Segment information – continued				
Geographical allocation				
Revenue				
Denmark	8.7	2%	5.9	1%
Rest of Europe	294.3	51%	276.2	54%
Asia Pacific, Middle East and Africa	84.2	15%	64.2	13%
North America	122.5	21%	111.5	22%
South America	65.8	11%	53.4	10%
Revenue, total	**575.5**	**100%**	**511.2**	**100%**
Non-current assets, exclusive deferred tax				
Denmark	609.3	57%	610.0	58%
Rest of Europe	278.6	26%	278.6	27%
Asia Pacific, Middle East and Africa	14.8	1%	11.5	1%
North America	132.2	12%	118.4	11%
South America	39.4	4%	33.6	3%
Non-current assets, exclusive deferred tax total	**1,074.3**	**100%**	**1,052.1**	**100%**

NOTES TO THE INCOME STATEMENT

EUR millions	**2009/2010**	2008/2009
4 – Depreciation, amortization and impairment losses		
Depreciation		
Tangible assets		
Cost of sales	22.3	21.4
Research and development expenses	1.4	1.3
Sales and marketing expenses	0.5	0.6
Administrative expenses	2.7	2.8
Total	**26.9**	**26.1**
Amortization		
Intangible assets		
Cost of sales	2.5	1.8
Research and development expenses	1.8	0.9
Sales and marketing expenses	10.0	9.9
Administrative expenses	1.6	1.8
Total	**15.9**	**14.4**
Total depreciation and amortization	**42.8**	**40.5**
Impairment losses		
Tangible assets		
Cost of sales	-	0.1
Total continuing operations	**-**	**0.1**
Discontinued operations	-	0.3
Total impairment losses	**-**	**0.4**

Impairment losses are mainly related to write down of a building no longer in use.

Losses incurred from retirement of assets		
Cost of sales	-	0.3
Research and development expenses	-	0.1
Total	**-**	**0.4**

NOTES TO THE INCOME STATEMENT

EUR millions	2009/2010	2008/2009
5 – Staff expenses		
Wages and salaries, etc	124.4	112.5
Extraordinary bonus to all employees	18.2	-
Severance payments	2.2	2.5
Pension expenses – defined contribution plans	8.6	8.0
Pension expenses – defined benefit plans (note 22)	0.1	0.1
Social security etc	13.9	13.3
Total	**167.4**	**136.4**
Average number of employees	**2,229**	**2,157**

Remuneration of Board of Directors and the Executive Board
Total fee to key management personnel which comprise Board of Directors and Executive board amounted to EUR 5.6 million in 2009/2010. In 2008/2009 total fee to key management personnel amounted to EUR 1.6 million.

Board of Directors
In 2009/2010 the total fees to the Board of Directors were EUR 0.3 million and in 2008/2009 the total fees were EUR 0.0 million.

EUR millions — **2009/2010**

The Executive Board	Salary	Bonus	Pension	Other	Share based payments*	Total
Lars Frederiksen	0.59	0.31	0.05	0.00	0.15	1.10
Henning Jakobsen	0.38	0.20	0.07	0.00	0.08	0.73
Knud Vindfeldt	0.41	0.20	0.03	0.01	0.11	0.76
Henrik Dalbøge	0.28	0.08	0.05	0.00	0.07	0.48
Carsten Hellmann	0.44	0.19	0.04	0.00	0.08	0.75
Hans Thorkilgaard**	0.36	0.05	0.03	0.78	0.22	1.44
Total	**2.46**	**1.03**	**0.27**	**0.79**	**0.71**	**5.26**

EUR millions — 2008/2009

The Executive Board	Salary	Bonus	Pension	Other	Share based payments*	Total
Lars Frederiksen	0.52	0.32	0.09	0.01	0.02	0.96
Henning Jakobsen	0.35	0.19	0.07	0.01	0.02	0.64
Total	**0.87**	**0.51**	**0.16**	**0.02**	**0.04**	**1.60**

* The amounts express the Black & Scholes value of the options vested and charged to the income statement during the financial year.

** On 30 September 2010 member of the Executive Board, Executive Vice President Hans Thorkildgaard left Chr. Hansen Holding A/S.

Members of the Executive Board receive a fixed salary, pension and bonus based on group and individual KPI's, which in size is subject to certain financial and non-financial targets being met. In the event that a member is dismissed the ordinary salary is paid in a 1.5-year notice period. In the event of change of control the members of the Executive Board do not receive any additional compensation.

NOTES TO THE INCOME STATEMENT

EUR millions

5 – Staff expenses – continued

The Board of Directors	2009/2010	2008/2009
Ole Andersen (chairman)	0.11	0.00
Frédéric Stévenin (vice chairman)	0.04	0.00
Henrik Poulsen	0.03	0.00
Alice Dautry	0.03	0.00
Lionel Zinsou	0.02	0.00
Gaëlle d'Engremont	0.03	0.00
Malene L. Hansen	0.02	0.00
Svend Laulund	0.03	0.00
Martin G. Seidel	0.03	0.00
Jørgen O. Nielsen	0.00	0.00
Per Strøman	0.00	0.00
Total	**0.34**	**0.00**

Warrants

The Executive Board's warrants in Financière Star 1: **2009/2010**

Number of warrants	Beginning of the year	Exercised during the year	Awarded during the year	Lost during the year	End of the year
Lars Frederiksen	1,173,115	(280,858)	-	-	892,257
Henning Jakobsen	879,836	(210,643)	-	-	669,193
Knud Vindfeldt	654,238	(165,669)	37,750	-	526,319
Henrik Dalbøge	102,180	(24,462)	-	-	77,718
Carsten Hellmann	654,238	(156,632)	-	-	497,606
Hans Thorkilgaard*	586,558	(140,429)	-	-	446,129
Total	**4,050,165**	**(978,693)**	**37,750**	**-**	**3,109,222**

Share options

The Executive Board's share options in Chr. Hansen Holding A/S:

Number of options	Beginning of the year	Exercised during the year	Awarded during the year	Lost during the year	End of the year
Lars Frederiksen	-	-	465,540	-	465,540
Henning Jakobsen	-	-	337,346	-	337,346
Knud Vindfeldt	-	-	344,408	-	344,408
Henrik Dalbøge	-	-	228,788	-	228,788
Carsten Hellmann	-	-	338,274	-	338,274
Hans Thorkilgaard*	-	-	225,022	(207,051)	17,971
Total	**-**	**-**	**1,939,378**	**(207,051)**	**1,732,327**

* On 30 September 2010 member of the Executive Board, Executive Vice President Hans Thorkildgaard left Chr. Hansen Holding A/S.

See note 27 for details regarding the share-based payment programs.

NOTES TO THE INCOME STATEMENT

2009/2010

5 – Staff expenses – continued

Shares

The Executive Board and Board of Directors' shares in Chr. Hansen Holding A/S:

Number of shares	**Beginning of the year**	**Bought during the year**	**Sold during the year**	**End of the year**
Ole Andersen (chairman)	-	33,333	-	33,333
Frédéric Stévenin (deputy chairman)	-	11,111	-	11,111
Henrik Poulsen	-	4,444	-	4,444
Alice Dautry	-	3,333	-	3,333
Lionel Zinsou	-	3,333	-	3,333
Gaëlle d'Engremont	-	4,444	-	4,444
Svend Laulund	-	1,666	-	1,666
Martin G. Seidel	-	555	-	555
Jørgen O. Nielsen	-	-	-	-
Total	**-**	**62,219**	**-**	**62,219**
Lars Frederiksen	-	-	-	-
Henning Jakobsen	-	-	-	-
Knud Vindfeldt	-	-	-	-
Henrik Dalbøge	-	22,651	-	22,651
Carsten Hellmann	-	-	-	-
Total	**-**	**22,651**	**-**	**22,651**

EUR millions	**2009/2010**	2008/2009
6 – Fees to auditors		
PricewaterhouseCoopers		
Statutory audit	0.7	0.7
Audit related services	0.5	0.3
Tax advisory services	0.6	0.3
Other services	1.1	0.3
Total	**2.9**	**1.6**

In 2009/2010 EUR 1.4 million of the total relates to the IPO-process.

NOTES TO THE INCOME STATEMENT

EUR millions	2009/2010	2008/2009
Note 7 – Special items		
Two months salary as bonus to all employees	18.2	-
Severance payments – restructuring	1.8	-
Costs related to IPO	1.2	-
Proceeds from divestment of the Functional Systems business in Western Europe	0.2	(2.5)
Proceeds from the divestment of the Soup & Sauces business	-	(1.0)
New financial reporting system implemented – adjustment to calculation of internal profit on inventories	-	3.4
Reservation for litigation case in Brazil	0.3	0.5
Special IFRS adjustment to vacation pay obligation	-	1.4
Close down of Medipharm production sites	0.2	0.9
Reorganization of Spanish subsidary after termination of production	0.3	-
Reorganization of Danish companies	0.1	-
Restructure of European sales organisation incl. distributors	1.1	1.0
Other strategic projects	0.8	0.8
Total	**24.2**	**4.5**
Note 8 – Financial income		
Gains from derivative financial instruments	16.7	1.0
Other interest income	0.5	1.3
Exchange gains	21.5	5.6
Other financial income	-	1.6
Total	**38.7**	**9.5**
Note 9 – Financial expenses		
Loss from derivative financial instruments	1.0	29.0
Exchange loss	29.0	15.4
Interest expenses on loans	53.5	58.9
Interest expenses on loan from parent company	6.6	7.9
Other financial expenses including amortized costs	15.6	4.8
Total	**105.7**	**116.0**
Note 10 – Corporation tax		
Current tax	(23.4)	(18.0)
Change in deferred tax	(7.5)	(0.7)
Tax on profit for the year	**(30.9)**	**(18.7)**
Adjustments concerning previous years	(1.5)	(0.2)
Corporation tax	**(32.4)**	**(18.9)**

NOTES TO THE INCOME STATEMENT

EUR millions **2009/2010**

10 – Corporation tax – continued

Reconciliation of tax rate		**Tax on operating profit**		**Tax on financial expenses net**		**Total**
Danish tax rate*	25%	(29.8)	25%	16.8	25%	(13.0)
Deviation in the tax of non-Danish group entities compared with Danish tax rate	2%	(2.1)	3%	1.9	0%	(0.2)
Non-deductible interest due to interest ceiling rules	-	-	-8%	(5.4)	10%	(5.4)
Non-taxable income and non-deductible expenses	2%	(2.6)	-	-	5%	(2.6)
Adjustments concerning previous years	1%	(1.5)	-	-	3%	(1.5)
Other taxes	8%	(9.8)	-	-	20%	(9.8)
Effective tax rate*	**38%**	**(45.8)**	**20%**	**13.3**	**63%**	**(32.5)**
Included in result from discontinued operations		0.1		-		0.1
Tax on profit for the year		**(45.7)**		**13.3**		**(32.4)**

EUR millions 2008/2009

Reconciliation of tax rate		**Tax on operating profit**		**Tax on financial expenses net**		**Total**
Danish tax rate*	25%	(26.5)	25%	26.6	25%	0.1
Deviation in the tax of non-Danish group entities compared with Danish tax rate	2%	(2.1)	1%	1.3	-145%	(0.8)
Non-deductible interest due to interest ceiling rules	-	-	-16%	(16.6)	-3041%	(16.6)
Non-taxable income and non-deductible expenses	-	-	-	-	6%	-
Adjustment of deferred tax concerning changed corporation tax rates	-1%	0.5	-	-	99%	0.5
Adjustments concerning previous years	1%	(0.8)	1%	0.6	-30%	(0.2)
Other taxes	1%	(0.9)	-	-	-170%	(0.9)
Effective tax rate*	**28%**	**(29.8)**	**11%**	**11.9**	**-3256%**	**(17.9)**
Included in result from discontinued operations		(1.0)		-		(1.0)
Tax on profit for the year		**(30.8)**		**11.9**		**(18.9)**

* Calculated on the basis of profit before tax with addition of profit from discontinued operations before tax.

NOTES TO THE INCOME STATEMENT

11 – Results from discontinued operations

None of the divested operations in 2009/2010 have been classified as discontinuing operations in the annual report due to their size and nature. Loss from discontinued operations in the financial year 2009/2010 and 2008/2009 relates entirely to post divestment of Dairy Flavor and Seasoning and Sweet Flavor which were divested by the end of April 2008.

The Group has acted as toll manufacturer for the Symrise Group AG until the end of first half of 2009. The toll manufacture activity is included as discontinued operations.

EUR millions	**2009/2010**	2008/2009
Discontinued operations are recognized in the income statement as follows:		
Net profit from discontinued operations	(0.5)	0.2
Net profit from divestment of business operations after transaction costs	-	(0.3)
Other costs related to the divestments	-	(3.4)
Tax on profit on sale after costs related to divestment	-	1.1
	(0.5)	**(2.4)**
Net profit from discontinued operations:		
Revenue	-	2.9
Production costs	-	(2.1)
Gross profit	**-**	**0.8**
Research and development costs	-	(0.4)
Administrative expenses	-	(0.1)
Operating profit	**(0.5)**	**0.3**
Profit before tax	**(0.5)**	**0.3**
Tax on the result for the year	0.1	(0.1)
Net profit for the period	**(0.4)**	**0.2**

Receivables and payables from discontinued operations comprise of trade receivables and payables related to the toll manufacturing agreement with Symrise Group as mentioned above.

NOTES TO THE INCOME STATEMENT

EUR millions	**2009/2010**	2008/2009
12 – Earnings per share		
Profit/loss from continuing operations	19.7	(16.0)
Minority interests	(1.4)	(1.1)
Profit/loss from continuing operations distributed to shareholders of Chr. Hansen Holding A/S	**18.3**	**(17.1)**
Loss from discontinued operations	(0.5)	(2.4)
Profit/loss for the year distributed to shareholders of Chr. Hansen Holding A/S	**17.8**	**(19.5)**
Average number of shares	109,898,099	100,825,220
Average number of treasury shares	(705,669)	-
Average number of shares exclusive treasury shares	**109,192,430**	**100,825,220**
Average dilution effect of share options	35,497	-
Average number of shares, diluted	**109,227,927**	**100,825,220**
Earnings from continuing operations per share (EUR)	0.17	(0.17)
Earnings from discontinuing operations per share (EUR)	(0.01)	(0.02)
Earnings per share (EUR)	**0.16**	**(0.19)**
Earnings from continuing operations per share, diluted (EUR)	0.17	(0.17)
Earnings from discontinuing operations per share, diluted (EUR)	(0.01)	(0.02)
Earnings per share, diluted (EUR)	**0.16**	**(0.19)**

EUR millions	**2010**	2009
13 – Goodwill		
Cost at 1 September	603.4	611.8
Currency translation	22.2	(8.4)
Cost at 31 August	**625.6**	**603.4**

The carrying amount of goodwill has been allocated to the cash generating units identified according to the operating segments as follows:

Cultures & Enzymes Division	547.8	530.1
Health & Nutrition Division	77.8	73.3

At 31 August 2010, Management performed an impairment test of the carrying amount of goodwill. No basis was found for impairment.

Impairment tests are made to estimate the recoverable amount of the assets. The recoverable amount is the higher of the discounted value of future cash flows and the carrying amount. The future cash flows are based on budgets and Management's estimates of the expected development in the next five years. Revenue, EBIT, working capital, discount rate and growth assumptions constitute the most material parameters of the calculation.

At 31 August 2010 an average annual growth rate of 8% in revenue and an expected improvement of the EBIT rate of approximately 1.5% percentage point have been applied. The working capital is assumed to constitute 15-16% of revenue. A discount rate pre tax of 9% has been applied in the impairment test.

At 31 August 2009 an average annual growth rate of 7% in revenue and an expected improvement of the EBIT rate of approximately 1.5% percentage point have been applied. The working capital is assumed to constitute 14-16% of revenue. A discount rate pre tax of 10% has been applied in the impairment test.

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions **2010**

14 – Other intangible assets

	Trademarks	Patents	Development projects	Software	Development projects in progress	Other intangible assets in progress	Total
Cost at 1 September	158.3	35.6	6.1	15.5	14.4	7.0	236.9
Currency translation	0.7	-	-	0.4	-	-	1.1
Additions for the year	-	0.1	1.0	1.3	9.9	7.7	20.0
Disposals for the year	-	(0.4)	-	(3.5)	-	-	(3.9)
Transferred	(0.1)	0.1	3.2	1.4	(3.0)	(0.9)	0.7
Cost at 31 August	**158.9**	**35.4**	**10.3**	**15.1**	**21.3**	**13.8**	**254.8**
Amortization at 1 September	31.7	10.0	1.1	9.3	-	-	52.1
Currency translation	0.1	-	-	0.1	-	-	0.2
Amortization for the year	9.0	2.8	1.8	2.3	-	-	15.9
Disposals for the year	-	(0.2)	-	(3.4)	-	-	(3.6)
Amortization at 31 August	**40.8**	**12.6**	**2.9**	**8.3**	**-**	**-**	**64.6**
Carrying amount at 31 August	**118.1**	**22.8**	**7.4**	**6.8**	**21.3**	**13.8**	**190.2**
Salary expenses included in assets above					**7.1**	**3.0**	

EUR millions 2009

	Trademarks	Patents	Development projects	Software	Development projects in progress	Other intangible assets in progress	Total
Cost at 1 September	160.1	28.1	2.1	13.3	8.3	-	211.9
Currency translation	(0.2)	0.1	-	-	-	-	(0.1)
Additions for the year	-	7.4	0.4	2.3	9.7	7.4	27.2
Disposals for the year	(1.6)	-	-	(0.1)	-	(0.4)	(2.1)
Transferred	-	-	3.6		(3.6)	-	-
Cost at 31 August	**158.3**	**35.6**	**6.1**	**15.5**	**14.4**	**7.0**	**236.9**
Amortization at 1 September	24.4	7.2	0.8	6.8	-	-	39.2
Currency translation	-	-	-	-	-	-	-
Amortization for the year	8.8	2.8	0.3	2.5	-	-	14.4
Disposals for the year	(1.5)	-	-	-	-	-	(1.5)
Amortization at 31 August	**31.7**	**10.0**	**1.1**	**9.3**	**-**	**-**	**52.1**
Carrying amount at 31 August	**126.6**	**25.6**	**5.0**	**6.2**	**14.4**	**7.0**	**184.8**
Salary expenses included in assets above					**6.9**	**0.6**	

Patents and development projects
Completed development projects and development projects in progress comprise development and testing of new strains for cultures, natural colors as well as production techniques. The values of the development projects recognized have been compared to expected sales or cost savings. No indicators of impairment have been identified.

Software
Software comprises expenses for acquiring software licences and expenses related to group internal development of software. The value of the recognized software has been compared to the expected value in use. No indicators of impairment have been identified.

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions **2010**

15 – Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
Cost at 1 September	156.7	158.7	13.9	8.9	338.2
Currency translation	4.2	4.0	2.2	0.1	10.5
Additions for the year	1.1	3.6	2.5	11.7	18.9
Disposals for the year	(2.3)	(4.9)	(3.6)	(0.4)	(11.2)
Transferred	1.1	3.0	0.5	(5.3)	(0.7)
Cost at 31 August	**160.8**	**164.4**	**15.5**	**15.0**	**355.7**
Depreciation at 1 September	19.3	47.2	7.9	-	74.4
Currency translation	1.5	2.4	1.4	-	5.3
Depreciation for the year	5.8	18.5	2.6	-	26.9
Depreciation, disposed assets	(2.2)	(3.7)	(3.5)	-	(9.4)
Transferred	0.1	(0.3)	0.2	-	-
Depreciation at 31 August	**24.5**	**64.1**	**8.6**	**-**	**97.2**
Carrying amount at 31 August	**136.3**	**100.3**	**6.9**	**15.0**	**258.5**
Salary expenses included in assets above				**0.8**	
Including assets under finance leases	1.8	-	0.1	-	1.9

Land and buildings include buildings on land leased from Scion DTU A/S at Hørsholm. The term of the lease of the land is unlimited.	24.0
Value of mortgaged land and buildings, cf also note 34 concerning other guarantees and commitments.	71.9

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions 2009

15 – Tangible assets – continued

	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
Cost at 1 September	149.0	163.6	15.1	7.8	335.5
Currency translation	(0.9)	(0.1)	(0.7)	-	(1.7)
Additions for the year	2.9	5.6	1.5	6.3	16.3
Disposals for the year	(2.9)	(10.4)	(2.0)	(5.2)	(20.5)
Transferred from assets held for sale	8.6	-	-	-	8.6
Cost at 31 August	**156.7**	**158.7**	**13.9**	**8.9**	**338.2**
Depreciation at 1 September	12.4	39.6	7.3	-	59.3
Currency translation	(0.2)	(0.4)	(0.4)	-	(1.0)
Depreciation for the year	5.7	17.6	2.8	-	26.1
Depreciation, disposed assets	(2.2)	(9.7)	(1.8)	-	(13.7)
Transferred from assets held for sale	3.3	-	-	-	3.3
Impairment losses for the year	0.3	0.1	-	-	0.4
Depreciation and impairment at 31 August	**19.3**	**47.2**	**7.9**	**-**	**74.4**
Carrying amount at 31 August	**137.4**	**111.5**	**6.0**	**8.9**	**263.8**
Salary expenses included in assets above				**3.9**	
Including assets under finance leases	1.8	-	0.1	-	1.9

Land and buildings include buildings on land leased from Scion DTU A/S at Hørsholm. The term of the lease of the land is unlimited.	25.2
Value of mortgaged land and buildings, cf also note 34 concerning other guarantees and commitments.	74.1

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	2010	2009
16 – Inventories		
Direct materials	50.4	36.1
Other direct and indirect production costs	24.9	20.7
Total	**75.3**	**56.8**
Write-down of inventories in the year	**2.7**	**1.5**
17 – Trade receivables		
Aging of receivables:		
Not due	78.8	60.7
Overdue 0 to 30 days	4.5	10.0
Overdue 31 to 60 days	0.4	0.8
Overdue 61 to 120 days	0.2	0.1
Overdue more than 120 days	0.1	0.2
Total trade receivables, gross	**84.0**	**71.8**
Provisions for bad debt	(1.1)	(1.0)
Total trade receivables, net	**82.9**	**70.8**
Provision for bad debts:		
Provision 1 September	1.0	0.9
Additions for the year	0.4	0.6
Reversal for the year	(0.2)	(0.4)
Losses realised in the year	(0.1)	(0.1)
Provision 31 August	**1.1**	**1.0**
18 – Other receivables		
VAT and other dues	1.9	1.9
Other receivables	6.3	4.8
Total	**8.2**	**6.7**
19 – Prepayments		
Prepaid rent	3.0	2.4
Insurance	0.8	0.9
Other prepayments	1.9	1.0
Total	**5.7**	**4.3**

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	2010	2009

20 – Cash and cash equivalents

	2010	2009
Cash and cash equivalents	61.0	80.3
Total	**61.0**	**80.3**

21 – Share capital

The Company's share capital amounts to nominal DKK 1,380,342,200 (equal to EUR 185.4 million) distributed on shares of DKK 10. During the year 37,209,000 new shares have been issued at an offering price of 90 DKK per share. The share capital has been fully paid up.
The Company has acquired 2,894,034 treasury shares, corresponding to 2% of the total share capital, for an amount of EUR 35.0 million during the year. The holding of the treasury shares fully cover the share option programs. No treasury shares have been sold during the year.
The groups policy for managing its capital can be found under "Shareholder information".

Number of shares outstanding:	2010	2009
Outstanding 1 September	10,082,522	10,082,522
Share split	90,742,698	-
New shares issued	37,209,000	-
Purchase of treasury shares	(2,894,034)	-
Outstanding 31 August	**135,140,186**	**10,082,522**

Share premium on new shares issued amounted to EUR 400.0 million.

22 – Employee benefit obligations

	2010	2009
Pension obligations	5.1	5.1
Other employee benefit obligations	0.3	0.5
Total	**5.4**	**5.6**

Other employee benefit obligations consist of obligations regarding payments made in connection with employee service tenure and long service benefits and other social benefits.
The Group has entered into pension agreements with a significant share of the Group's employees. The majority of the plans are defined contribution plans and only a small part constitutes defined benefit plans.

Defined contribution plans
The Group finances the plans through regular premium payments to independent insurance companies that are responsible for the pension obligations. When the pension contributions of the defined contribution plans have been paid, the Group has no further pension obligations towards current employees or resigned employees.

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

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	**2010**	2009
22 – Employee benefit obligations – continued		
Balance sheet		
Net present value of financed obligations	6.3	4.9
Fair value of plan assets	(3.9)	(3.3)
	2.4	**1.6**
Net present value of non-financed obligations	3.4	2.8
Actuarial gains/losses not recognized (reversal)	(0.7)	0.7
Obligation recognized in the balance sheet	**5.1**	**5.1**
Income statement		
Current service expenses	0.2	0.2
Interest expenses	0.4	0.5
Expected return on assets	(0.2)	(0.2)
Payments made	(0.1)	(0.3)
Actuarial gains/losses	(0.2)	(0.1)
Total amount recognized in staff expenses (note 5)	**0.1**	**0.1**
Actual return on assets amounted to	**0.4**	**(0.1)**
Movement in the pension obligation recognized		
Obligation at 1 September	7.8	7.9
Currency translation	0.2	(0.2)
Current service expenses	0.3	0.1
Interest expenses	0.3	0.5
Actuarial gains/losses	1.4	(0.1)
Payments made	(0.3)	(0.4)
Actuarial obligation at 31 August	**9.7**	**7.8**
Movement in the fair value of plan assets		
Fair value of plan assets at 1 September	3.3	3.6
Currency translation	0.2	(0.2)
Expected return on plan assets	0.2	0.2
Actuarial gain/losses	0.2	(0.3)
Employer contribution	0.2	0.2
Benefits paid	(0.2)	(0.2)
Fair value of plan assets at 31 August	**3.9**	**3.3**

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	**2010**	2009
22 – Employee benefit obligations – continued		
Applied actuarial assumptions (%)		
Discount rate	3.55 - 5.00	4.50 - 6.10
Expected return on assets	4.00 - 6.11	4.00 - 6.00
Future increase in salaries	2.50 - 4.60	3.00 - 4.75
Future pension increases	1.50 - 3.00	1.50 - 3.00
Distribution of plan assets to cover obligation (%)		
Shares	47%	46%
Bonds	40%	46%
Properties	7%	1%
Cash and cash equivalents	6%	7%
	100%	**100%**

Five-year overview	**2010**	2009	2008	2007	2006
Actuarial obligation	9.7	7.8	7.9	8.9	8.5
Plan assets	(3.9)	(3.3)	(3.6)	(4.2)	(3.5)
Uncovered obligations	**5.8**	**4.5**	**4.3**	**4.7**	**5.0**

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	**2010**	2009
23 – Deferred tax		
Deferred tax at 1 September	(61.8)	(61.3)
Currency translation	-	0.2
Change in deferred tax – recognized in the income statement	(7.5)	(0.7)
Change in deferred tax – recognized in other comprehensive income	0.2	-
Deferred tax at 31 August	**(69.1)**	**(61.8)**
Deferred tax assets	2.2	4.8
Deferred tax liabilities	(71.3)	(66.6)
Deferred tax at 31 August	**(69.1)**	**(61.8)**
Specification of deferred tax		
Intangible assets	(51.7)	(49.4)
Property, plant and equipment	(7.8)	(16.4)
Inventories	(1.1)	0.1
Loss carry-forward	4.0	3.1
Liabilities	(12.5)	0.8
Total deferred tax at 31 August	**(69.1)**	**(61.8)**
Amounts due after 12 months, estimated	**69.5**	**54.0**
Tax loss carry-forward		
Total tax losses carry-forward	19.5	42.5
Tax losses expected to be utilized	12.7	11.3
Deferred tax assets from tax losses recognized in the balance sheet	**2.4**	**3.1**
Note 24 – Provisions		
Provisions at 1 September	2.2	1.8
Additions for the year	3.1	0.9
Reversed in the year	(1.7)	(0.1)
Used in the year	-	(0.4)
Provisions at 31 August	**3.6**	**2.2**
Current	0.8	1.3
Non-current	2.8	0.9
Total	**3.6**	**2.2**

The provisions primarily relate to lawsuits brought against the Group from customers and former employees.

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	2010	2009
25 – Borrowings		
Long term borrowings:		
Senior Bank borrowings	445.8	465.6
Second Lien bank borrowings	-	49.5
Mezzanine bank borrowings	-	265.4
Mortgages	81.3	89.9
Bank borrowings	1.3	2.0
Total before amortization of financing expenses	**528.4**	**872.4**
Capitalized financing expenses	(4.5)	(15.6)
Total long term borrowings	**523.9**	**856.8**
Short term borrowings:		
Senior bank borrowings	-	28.7
Mortgages	8.4	8.1
Bank borrowings	3.2	1.4
Total	**11.6**	**38.2**

Time to maturity for long term borrowings						2010
EUR million	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**> 5 years**	**Total**
Senior Bank borrowings	20.0	30.0	-	175.0	-	225.0
Rev. Credit Facility	-	-	-	220.8	-	220.8
Mortgages	8.6	8.8	9.0	8.6	46.3	81.3
Bank borrowings	1.3	-	-	-	-	1.3
Total	**29.9**	**38.8**	**9.0**	**404.4**	**46.3**	**528.4**

						2009
	1-2 years	**2-3 years**	**3-4 years**	**4-5 years**	**> 5 years**	**Total**
Senior Bank borrowings	31.2	92.9	189.0	152.5	-	465.6
Second Lien bank borrowings	-	-	-	-	49.5	49.5
Mezzanine bank borrowings	-	-	-	-	265.4	265.4
Mortgages	8.3	8.5	8.7	9.0	55.4	89.9
Bank borrowings	0.7	1.3	-	-	-	2.0
Total	**40.2**	**102.7**	**197.7**	**161.5**	**370.3**	**872.4**

The terms for the bank debt are related to a few covenants focusing on the Group ability to generate sufficient cash flow. The financing of each group entities is monitored and managed at Group level. The estimates for the profit and loss account, balance sheet and cash flow show that the covenants will be respected with comfortable headroom.

Borrowing from the Parent company:	**2010**	2009
Borrowing from the Parent company	87.0	78.4
Capitalized interest	6.6	7.9
Accrued capitalized interest	-	0.7
Repayment	(93.6)	-
Total	**-**	**87.0**

The borrowing from the Parent company has an interest rate of 9.9%, which will be capitalized annually (29 July) on the principal.

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions				2010
25 – Borrowings – continued				
Mortgages	**Effective interest rate**	**Maturity**	**Carrying amount**	**Interest rate risk**
Floating rate*	1.46%	7-17 years	60.0	Cash flow
Fixed rate*	3.25%	4-14 years	29.7	Fair value
Total mortgages			**89.7**	

* The interest rate is excluding margin

Bank borrowings				
Floating rate	-	0-5 years	191.1	Cash flow
Fixed rate [1]	-	0-5 years	259.2	Fair value
Total bank borrowings			**450.3**	

[1] Interest rate swaps have been used to fix the interest rate. The EUR part has an average interest rate at 1.44% and the USD part has an average interest rate at 1.58%.

Currency of the principal	**Interest bearing debt translated to EUR**	**Floating rate**	**Fixed rate**
EUR	329.7	39%	61%
USD	120.2	51%	49%
DKK	89.9	67%	33%
Other	0.2	100%	0%
Total	**540.0**	**47%**	**53%**

				2009
Mortgages	**Effective interest rate**	**Maturity**	**Carrying amount**	**Interest rate risk**
Floating rate*	2.44%	8-18 years	65.1	Cash flow
Fixed rate*	3.25%	5-15 years	32.9	Fair value
Total mortgages			**98.0**	

* The interest rate is excluding margin

Bank borrowings				
Floating rate	-	3-6 years	283.5	Cash flow
Fixed rate [1]	-	0-1 year	529.1	Fair value
Total bank borrowings			**812.6**	

[1] Interest rate swaps have been used to fix the interest rate. The EUR part is fixed at 4,61% and the USD part is fixed at 2,21%.

Currency of the principal	**Interest bearing debt translated to EUR**	**Floating rate**	**Fixed rate**
EUR	650.2	37%	63%
USD	161.7	26%	74%
DKK	98.0	66%	34%
Other	0.7	100%	0%
Total	**910.6**	**38%**	**62%**

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions

26 – Other payables	2010	2009
Wages, salaries and holiday pay, etc	26.7	17.1
VAT and other duties	5.2	8.5
Other	19.1	16.0
Derivative financial instruments	1.5	15.7
Total	**52.5**	**57.3**

27 – Share-based payments

Chr. Hansen has established a share-based compensation program for the Executive Board and managerial employees. The share-based compensation program is related to Financière Star 1, S.A., Luxembourg which is the Parent company of Chr. Hansen Holding A/S. The program includes warrants, where every warrant gives the right to buy one share at the value of EUR 2, EUR 6.1 or EUR 6.45 in Financière Star 1, S.A. If the internal interest rate of return is below 31% the number of warrants allocated will be reduced.

In connection with Chr. Hansen Holding A/S' introduction to the NASDAQ OMX Copenhagen in June 2010 the existing share-based payment programs in Financière Star 1, S.A., Luxembourg were vested.

Warrants (number of warrants)				2009/2010
	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**2,052,951**	**2,756,721**	**669,998**	**5,479,670**
Allocated	37,750	20,000	-	57,750
Transferred	1,410,656	(2,021,757)	611,101	-
Exercised	(838,264)	(529,689)	(763,469)	(2,131,422)
Lost	-	(108,751)	(58,000)	(166,751)
Outstanding 31 August	**2,663,093**	**116,524**	**459,630**	**3,239,247**

Allocated / Exercise price				
2009/2010 / EUR 6.45	37,750	20,000	-	57,750
Total	**37,750**	**20,000**	**-**	**57,750**

Warrants allocated in 2009/2010 amounting to 57,750 have an exercise price of EUR 6.45 per warrant. Warrants exercised during the year have an average exercise price of EUR 2.21 per warrant, and warrants lost have an average exercise price of EUR 2.00 per warrant.

The average value of the allocated warrants is EUR 0.13. The value is calculated based on a risk-free interest rate of 1.92%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 1 year.

Market value of warrants allocated in 2009/2010 amounted to EUR 0.0 million. In the financial year 2009/2010 EUR 0.2 million was expensed relating to this program.

ADDITIONAL NOTES

27 – Share-based payments – continued

Warrants (number of warrants)				2008/2009
	Executive Board	**Managerial employees**	**Former employees**	**Total**
Outstanding 1 September	**2,052,951**	**2,891,264**	**469,998**	**5,414,213**
Allocated	-	90,000	-	90,000
Transferred	-	(200,000)	200,000	-
Lost	-	(24,543)	-	(24,543)
Outstanding 31 August	**2,052,951**	**2,756,721**	**669,998**	**5,479,670**
Allocated / Exercise price				
2008/2009 / EUR 6.45	-	90,000	-	90,000
Total	**-**	**90,000**	**-**	**90,000**

Warrants allocated in 2008/2009 amounting to 90.000 have an exercise price of EUR 6.45 per warrant.
The average value of the allocated warrants is EUR 0.13 amounting to a total value of EUR 0.7 million.
The value is calculated based on a risk-free interest rate of 1.92%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 2 years.

Marketvalue of warrants allocated in 2008/2009 amounted to EUR 0.1 million.
In the financial year 2008/2009 EUR 0.2 million was expensed relating to this program.

Three new share option programs have been set up for members of the Executive Board and certain other managers. The programs give right to buy shares in Chr. Hansen Holding A/S at 1 DKK or 99 DKK. The programs will vest if certain key performance indicators are met.

Share options (number of options) Program 1:				**2009/2010**
	Executive Board	**Managerial employees**	**Former employees**	**Total**
Outstanding 1 September	**-**	**-**	**-**	**-**
Allocated	138,240	-	17,971	156,211
Outstanding 31 August	**138,240**	**-**	**17,971**	**156,211**

Each share option may, subject to the person still being employed with Chr. Hansen, be exercised to purchase one existing share in Chr. Hansen Holding A/S from Financière Star 1 at an exercise price of DKK 1 in the period 31 May 2012 – 31 December 2012.
The average value of the options are EUR 12.62 amounting to a total value of EUR 2.0 million.

The value is calculated based on a risk-free interest rate of 0.62%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 2 years.

In the financial year 2009/2010 EUR 0.4 million was expensed relating to this program.

ADDITIONAL NOTES

27 – Share-based payments – continued

Share options (number of options) Program 2: **2009/2010**

	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**-**	**-**	**-**	**-**
Allocated	1,552,885	207,052	207,051	1,966,988
Lost	-	-	(207,051)	(207,051)
Expired	-	-	-	-
Outstanding 31 August	**1,552,885**	**207,052**	**-**	**1,759,937**

Vesting is subject to fulfillment of certain key performance indicators related to the development in the share price and EBITDA. The stock options will vest at the date of the annual general meeting at which the annual report for the financial year ending 31 August 2013 is approved.
Following vesting, each stock option may be exercised up until 31 August 2016 to purchase one existing share at an exercise price of DKK 99.

The average value of the options are EUR 2.14 amounting to a total value of EUR 4.2 million.
The value is calculated based on a risk-free interest rate of 1.15%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 3 years.
In the financial year 2009/2010 EUR 0.2 million was expensed relating to this program.

Share options (number of options) Program 3: **2009/2010**

	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**-**	**-**	**-**	**-**
Allocated	23,231	68,819	-	92,050
Lost	-	-	-	-
Expired	-	-	-	-
Outstanding 31 August	**23,231**	**68,819**	**-**	**92,050**

Certain managerial employees have had the opportunity to earn a number of share options based on individual key performance indicators. Each share option may, subject to the person still being employed with Chr. Hansen, be exercised to purchase one existing share in Chr. Hansen Holding A/S at an exercise price of DKK 1 in November 2011, November 2012 or November 2013.

The average value of the options are EUR 12.37 amounting to a total value of EUR 1.1 million.
The value is calculated based on a risk-free interest rate of 0.62%, 0.82% and 1.11%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 3-5 years.
In the financial year 2009/2010 EUR 0.4 million was expensed relating to this program.

NOTES TO THE CASH FLOW STATEMENT

EUR millions	**2009/2010**	2008/2009
28 – Adjustments to cash flow		
Depreciation, amortization and impairment losses	42.8	40.6
Proceeds from sale of the product groups Soups & Sauces and Functional Systems	-	(3.5)
New system – adjustments to calculation of internal profit on inventories (reversal)	-	3.4
Writedown of inventories and assets held for sale in connection with the Medipharm restructure	-	1.3
Gains and losses from disposal of assets	0.1	0.2
Share-based payment	1.2	0.2
Change in provisions	0.4	0.6
Total	**44.5**	**42.8**
29 – Change in working capital		
Inventories	(14.7)	1.8
Trade receivables	(7.7)	0.8
Trade payables	13.4	(0.6)
Other receivables and other payables	(0.3)	11.9
Total	**(9.3)**	**13.9**
30 – Cash flow from discontinued operations		
Result from discontinued activities	(0.5)	(2.4)
Tax expense included in result from discontinued operations	-	(1.0)
Depreciation, amortization and impairment losses	-	0.3
Change in trade receivables	-	2.2
Change in trade payables	-	(7.0)
Change in other payables	-	0.5
Total	**(0.5)**	**(7.4)**

NOTES TO THE CASH FLOW STATEMENT

31 – Acquisition of entities and material individual assets

There has been no acquisitions during 2009/2010.

	2008/2009		
	Urex Biotech Inc	**GangaGen**	**Total acquisitions**
Trademarks and patents	7.5	2.0	9.5
Tax liability	(1.8)	-	(1.8)
Earn-out	(2.4)	(0.8)	(3.2)
Total	**3.3**	**1.2**	**4.5**
First year earn-out payment	0.1	-	0.1
Total	**3.4**	**1.2**	**4.6**

The carrying amount of the net assest of the acquired entities is nil.

EUR millions	**2009/2010**	2008/2009
32 – Discontinued and divested activities		
Property, plant and equipment	-	1.0
Inventories	-	1.0
Net assets	-	2.0
Net proceeds recognized as special items	-	3.5
Total sales payment	-	5.5
Total	**-**	**5.5**
Share of sales payment settled in cash and cash equivalents	-	5.5

ADDITIONAL NOTES

EUR millions

33 – Derivative financial instruments

The Group is exposed to market risk, primarily risks relating to currency and interest, and utilizes financial instruments for hedging of recognized and future transactions. The Group only enters into hedging agreements which can be directed to the underlying business.

Interest rate risk
Interest rate swaps are used for cash flow hedge, where the underlying floating rate borrowings are hedged. Approximately 53% of the Group's interest rate exposure is hedged using interest rate swaps. As at 31 August, 2010 the outstanding interest swaps had the following market value.

Market value of open interest rate swaps

2010	Contract amount	Gain/loss at 31 August	Included in income statement	Included in the fair value reserve
EUR 200m interest rate swaps, expiration 15 April, 2015	200.0	(0.1)	-	(0.1)
USD 75m interest rate swaps, expiration 15 April, 2015	59.2	(0.3)	-	(0.3)
	259.2	**(0.4)**	**-**	**(0.4)**

2009	Contract amount	Gain/loss at 31 August	Included in income statement	Included in the fair value reserve
EUR 410m interest rate swaps, expiration 31 August, 2010	410.0	(14.0)	(14.0)	-
USD 170m interest rate swaps, expiration 31 August, 2010	119.1	(1.7)	(1.7)	-
	529.1	**(15.7)**	**(15.7)**	**-**

The market value is based on calculations received from the swap banks. Due to new debt structure new swaps where entered in June 2010 and August 2010 . The swaps expire in August 2011 and April 2015.
The interest on our financing facilities are based on floating interest plus a margin. At 31 August 2010, 53% of the outstanding debts were hedged through interest rate swaps or fixed interest (62% at 31 August 2009). The total debt had an average maturity of 4.7 years at 31 August 2010 (4.2 years at 31 August 2009). An interest increase of 1 percentage point on the average interest rate on the Group's net interest-bearing debt excluding swaps will influence the Group's earnings before tax by EUR 5.1 million during the next 12 month period (EUR 8.7 million for the financial year 2008/2009). The effect on the swaps entered will be EUR 3.0 million based on an interest change of 1 percentage point (EUR 5.3 million for the financial year 2008/2009).

ADDITIONAL NOTES

EUR millions

33 – Derivative financial instruments – continued

Currency hedging of balance sheet position and future cash flows

Net outstanding forward exchange contracts as per 31 August **2010**

	Nominal principal	Gain/loss posted in the P&L	Included in the fair value reserve	Fair value of principal	Maximum maturity (months)
USD	80.4	-	(1.1)	81.5	12
SEK	(0.5)	-	-	(0.5)	1
AUD	0.7	-	-	0.7	1
EUR	(71.0)	-	-	(71.0)	12
DKK	(9.6)	-	-	(9.6)	1
		-	**(1.1)**	**1.1**	

2009

	Nominal principal	Gain/loss posted in the P&L	Included in the fair value reserve	Fair value of principal	Maximum maturity (months)
USD	9.8	0.1	-	9.7	2
SEK	(0.5)	-	-	(0.5)	2
DKK	(9.3)	-	-	(9.3)	2
		0.1	**-**	**(0.1)**	

Positive principal amounts are sales of the currency, and negative amounts are purchases of the currency. All fair value changes are recognized in the income statement, unless the forward is dedicated to hedging a future expected cash flow. If so the changes in fair value is recognized in the fair value reserve until the cash flow is realized.

The overall purpose of managing currency risk is to minimize the effect of short-term currency movements on earnings and cash flow. The Group's main currencies are EUR, USD and USD related currencies. Exposure is limited by assets and debt and expenses to a certain degree matching with the geographic segmentation of the sale. Investments in subsidiaries are not hedged.

Assets and liabilities split by main currencies **2010**

Currency split	TRY	USD	BRL	EUR	RUB	DKK	Other
Receivables	4%	16%	4%	55%	3%	2%	16%
Cash	3%	22%	7%	40%	0%	8%	20%
Payables	0%	18%	4%	43%	0%	30%	5%
Other current liabilities	0%	9%	1%	31%	1%	48%	10%
Loans	0%	22%	0%	61%	0%	17%	0%

2009

Currency split	TRY	USD	BRL	EUR	RUB	DKK	Other
Receivables	7%	14%	4%	52%	3%	2%	18%
Cash	3%	14%	3%	17%	0%	52%	11%
Account payables	0%	15%	2%	52%	0%	25%	6%
Other current liabilities	2%	6%	1%	19%	0%	66%	6%
Loans	0%	18%	0%	71%	0%	11%	0%

ADDITIONAL NOTES

EUR millions	2010	2009
34 – Commitments and contingent liabilities		
Operational leasing commitments		
Due within 1 year	2.7	2.4
Due between 1-5 years	4.4	4.1
Due after 5 years	0.5	0.8
Total	**7.6**	**7.3**

Leasing commitments relate primarily to car and equipment rental.

EUR millions	2010	2009
Expensed payments relating to operational leasing	**3.0**	**3.0**

EUR millions	2010	2009
Present value of recognized leasing debts regarding finance leasing		
Due within 1 year	0.8	0.9
Due between 1-5 years	1.3	2.2
Due after 5 years	-	-
Total	**2.1**	**3.1**

EUR millions	2010	2009
Minimum leasing repayment at the balance sheet day		
Due within 1 year	0.8	0.9
Due between 1-5 years	1.3	2.0
Due after 5 years	-	-
Total	**2.1**	**2.9**

EUR millions	2010	2009
Individual assets directly pledged		
Land	4.6	4.6
Buildings	67.3	69.5
Plant and machinery	46.9	52.9
Booked value of pledged individual assets	**118.8**	**127.0**

The recognized liabilities are based on minimum leasing repayments.
The main part of the financial leasing obligation of EUR 2.1 million in 2010 (EUR 3.1 million in 2009) relates to financial leasing of buildings in Parma, Italy with an amount of EUR 2.1 million (EUR 2.9 million in 2009).

Other guarantees and liabilities
In 2008/2009 Chr. Hansen Holding A/S and several other group companies were jointly and severably liable with all assets for established loan facilities of approximately EUR 896 million.
Chr. Hansen Holding A/S is liable for on account payments received from jointly taxed companies. At 31 August 2010 the jointly taxed companies have an actual tax liability of EUR 23.1 million.

Pending court and arbitration cases
Certain claims have been made against the Chr. Hansen Group. Management is of the opinion that the result of these disputes will not have a significant effect on the Group's financial position.
Chr. Hansen were as of August 31, 2010 defendant in four diacetyl-related lawsuits based on alleged personal injuries as a result of exposure to diacetyl vapors.
Management does not believe that diacetyl lawsuits will have a material adverse effect on our financial position or results of operation.

Change of control
The loan facilities established in 2009/2010 are subject to change of control clauses.

ADDITIONAL NOTES

35 – Related parties

Related parties are defined as parties with control or significant influence, including group entities.
Parties with control are Financière Star 1, S.A., Luxembourg and its respective management and the Group.
Parties with significant influence are the Group and its Executive Board and Board of Directors.

The Yoplait Group, which is one of our customers, is partially controlled by PAI partners, and is therefore considered a related party.
Transactions between us and the Yoplait Group represent less than 1% of our revenue and have been on arm's length conditions.

Transactions with related parties

EUR millions	**2009/2010**
	Group
Interest expenses	6.6
Total	**6.6**

EUR millions	2008/2009
	Group
Interest expenses	7.9
Total	**7.9**
Outstanding amounts at 31 August	87.0

Fees and other considerations to Executive Board and Board of Directors are specified in note 5.
Share options are specified in note 27.

The Group has in 2009/2010 received a capital contribution of EUR 15.6 million from the majority shareholder, Financière Star 1, which will cover the net impact of an extraordinary bonus to the employees of the Group.

36 – Events after the balance sheet date

On 30 September 2010 member of the Executive Board and head of Colors & Blends Division, Executive Vice President Hans Thorkilgaard left Chr. Hansen Holding A/S.

No significant events have occurred since 31 August, 2010 with effect on the Annual Report.

ADDITIONAL NOTES

37 – Group Chart as at 31 August, 2010

Entity	Country	Currency	Nominal Capital (000)	Chr. Hansen share in %	Production	Sale	Other
Chr. Hansen Argentina S.A.I.C.	Argentina	ARS	648	98	■	■	
Paprika S.A.	Argentina	ARS	20	50			■
Chr. Hansen Pty Ltd.	Australia	AUD	1,004	100	■	■	
Hale-Bopp Australia Pty Ltd.	Australia	AUD	30,686	100			■
Chr. Hansen Ind. e Com. Ltda.	Brazil	BRL	17,499	100	■	■	
Chr. Hansen Ltd.	Canada	CAD	24	100		■	
Urex Biotech Inc.	Canada	CAD	0	100			■
Chr. Hansen (Tianjin) Food Ingredients Co. Ltd.	China	CNY	8,000	100	■	■	
Chr. Hansen (Beijing) Trading Co., Ltd.	China	CNY	5,000	100		■	
Chr. Hansen Colombia S.A.	Colombia	COP	3,856,597	99.99		■	
Chr. Hansen Czech Republic s.r.o.	Czech Republic	CZK	470	100	■	■	
Chr. Hansen A/S	Denmark	DKK	194,100	100	■	■	■
Chr. Hansen Properties A/S	Denmark	DKK	500	100			■
Chr. Hansen France SAS	France	EUR	3,200	100	■	■	
Biostar GmbH	Germany	EUR	25	100			■
Chr. Hansen GmbH	Germany	EUR	383	100	■	■	
Halley GmbH	Germany	EUR	25	100			■
Hansen Hellas ABEE	Greece	EUR	1,057	100		■	
Chr. Hansen B.V.	Holland	EUR	18	100		■	
Medipharm Hungary Kft.*	Hungary	HUF	15,940	100		■	
Chr. Hansen India Pvt. Ltd.	India	INR	24,992	99.6		■	
Chr. Hansen Ireland Ltd.	Ireland	EUR	1	100		■	■
Ridge Wind Ltd.	Ireland	EUR	540	99.99			■

ADDITIONAL NOTES

37 – Group Chart as at 31 August, 2010 – continued

Entity	Country	Currency	Nominal Capital (000)	Chr. Hansen share in %	Production	Sale	Other
Chr. Hansen Ireland (Distribution) Ltd.	Ireland	EUR	0	99			■
Chr. Hansen Italia S.p.A.	Italy	EUR	500	100	■	■	
Chr. Hansen Japan Co. Ltd.	Japan	JPY	10,000	100		■	
Financière Star 2, Sàrl*	Luxembourg	EUR	13	100			■
Chr. Hansen Malaysia SDN. BHD.	Malaysia	MYR	500	100		■	
Chr. Hansen de Mexico, S.A. de C.V.	Mexico	MXN	305	100	■	■	
Chr. Hansen Corporativa, S.A. de CV	Mexico	MXN	50	100			■
Chr. Hansen Centroamérica S.A.	Panama	PAB	10	100		■	
Chr. Hansen S.A.	Peru	PEN	3,416	100	■	■	
Chr. Hansen Poland Sp. z o.o.	Poland	PLN	50	100		■	
Chr. Hansen S.R.L. Romania	Romania	RON	4	100		■	
Chr. Hansen LLC	Russia	RUB	10,972	100		■	
Chr. Hansen Singapore Pte Ltd.	Singapore	SGD	1,000	100		■	
Medipharm Slovakia s.r.o.	Slovakia	EUR	33	100		■	
Chr. Hansen, S.L.	Spain	EUR	12,003	100		■	
Chr. Hansen AB	Sweden	SEK	181	100		■	
Ladybird Holding AB	Sweden	SEK	1,000	100			■
Medipharm AB	Sweden	SEK	4,000	100			■
Peyma Chr. Hansen's A.S.	Turkey	TRY	140	50	■	■	
Chr. Hansen Ukraine LLC	Ukraine	UAH	32	100		■	
Chr. Hansen Middle East FZCO	United Arab Emirates	AED	500	100		■	
Chr. Hansen (UK) Ltd.	United Kingdom	GBP	250	99.99		■	
Chr. Hansen, Inc.	USA	USD	0	100	■	■	
Chr. Hansen A/S (branch of Chr. Hansen A/S)	Norway	NOK	branch			■	
Chr. Hansen A/S (branch of Chr. Hansen A/S)	Sweden	SEK	branch			■	

* In liquidation

Financial Statements of the Parent Company Chr. Hansen Holding A/S

Notes

INCOME STATEMENT 1 SEPTEMBER - 31 AUGUST

EUR millions	Note	**2009/2010**	2008/2009
Revenue		**-**	**-**
Cost of sales		-	-
Gross profit		**-**	**-**
Sales and marketing expenses	3.4	(1.3)	(2.2)
Administrative expenses	3.4.5	(7.7)	(6.9)
Other operating income		10.1	9.5
Operating profit before special items		**1.1**	**0.4**
Special items	6	(3.1)	(0.5)
Operating profit		**(2.0)**	**(0.1)**
Dividend received		108.5	122.9
Financial income	7	36.7	8.5
Financial expenses	8	(78.9)	(83.3)
Profit before tax		**64.3**	**48.0**
Corporation tax	9	5.5	0.3
Profit for the year		**69.8**	**48.3**
Proposed dividend per share (DKK)		0.64	-

STATEMENT OF COMPREHENSIVE INCOME

EUR millions	Note	**2009/2010**	2008/2009
Profit for the year		**69.8**	**48.3**
Currency translation to presentation currency		(0.5)	0.5
Cash flow hedge		(0.4)	-
Tax related to cash flow hedge		0.1	-
Other comprehensive income for the year		**(0.8)**	**0.5**
Total comprehensive income for the year		**69.0**	**48.8**

BALANCE SHEET AT 31 AUGUST

Assets

EUR millions	Note	**2010**	2009
Non-current Assets			
Intangible assets			
Other intangible assets	10	1.3	1.7
Intangible assets in progress	10	-	0.3
Total intangible assets		**1.3**	**2.0**
Property, plant and equipment			
Other fixtures and equipment	11	-	0.1
Total property, plant and equipment		**-**	**0.1**
Fixed asset investments			
Investments in group companies	12	722.4	664.9
Receivables from group companies	13	274.8	79.5
Total fixed asset investments		**997.2**	**744.4**
Total non-current assets		**998.5**	**746.5**
Current assets			
Receivables			
Receivables from group companies		2.7	-
Tax receivable		8.4	21.3
Other receivables	14	1.0	0.1
Prepayments	15	0.1	0.1
Total receivables		**12.2**	**21.5**
Cash and cash equivalents	**16**	**1.3**	**0.3**
Total current assets		**13.5**	**21.8**
Total assets		**1,012.0**	**768.3**

BALANCE SHEET AT 31 AUGUST

Equity and liabilities

EUR millions	Note	**2010**	2009
Equity			
Share capital	17	185.4	135.5
Reserves		386.3	(45.6)
Total equity		**571.7**	**89.9**
Liabilities			
Non-current liabilities			
Deferred tax	18	3.4	3.7
Bank and financial loans	19	385.2	579.2
Payables to group companies	19	25.5	62.5
Other payables	19	0.8	-
Total non-current liabilities		**414.9**	**645.4**
Current liabilities			
Bank and financial loans		-	10.3
Trade payables		4.6	0.6
Payables to group companies		15.5	1.0
Corporation tax		-	2.3
Other payables	20	5.3	18.8
Total current liabilities		**25.4**	**33.0**
Total liabilities		**440.3**	**678.4**
Total equity and liabilities		**1,012,0**	**768.3**

STATEMENT OF CHANGES IN EQUITY

2009/2010

EUR millions	Note	Share capital	Treasury shares	Cash flow hedge	Retained earnings	Total
Balance 1 September 2009		**135.5**	**-**	**-**	**(45.6)**	**89.9**
Capital increase		50.0	-	-	400.0	450.0
IPO-related costs		-	-	-	(18.6)	(18.6)
Capital contribution		-	-	-	15.6	15.6
Purchase of treasury shares		-	(35.0)	-	-	(35.0)
Total comprehensive income for the year cf. Statement of comprehensive income		(0.1)	-	(0.3)	69.4	69.0
Share-based payment	21	-	-	-	0.8	0.8
Balance 31 August 2010		**185.4**	**(35.0)**	**(0.3)**	**421.6**	**571.7**

The proposed dividend of EUR 11.6 millions for 2009/2010 is included in Retained earnings.

2008/2009

EUR millions	Note	Share capital	Treasury shares	Cash flow hedge	Retained earnings	Total
Balance 1 September 2008		**135.2**	**-**	**-**	**(94.3)**	**40.9**
Total comprehensive income for the year cf. Statement of comprehensive income		0.3	-	-	48.5	48.8
Share-based payment	21	-	-	-	0.2	0.2
Balance 31 August 2009		**135.5**	**-**	**-**	**(45.6)**	**89.9**

CASH FLOW STATEMENT 1 SEPTEMBER - 31 AUGUST

EUR millions	Note	**2009/2010**	2008/2009
Operating profit		**(2.0)**	**(0.1)**
Adjustments	22	1.1	0.5
Change in working capital	23	(9.8)	3.8
Interest payments received		5.2	3.7
Interest payments made		(36.8)	(32.6)
Dividend received		106.2	122.9
Taxes paid		(3.0)	-
Cash flows from operating activities		**60.9**	**98.2**
Acquisition of entities	12	-	(1.1)
Repayment on loans to group entities		-	1.9
Investments in intangible assets		(0.1)	(0.3)
Capital increase in group entities	12	(57.6)	-
Cash flows from investing activities		**(57.7)**	**0.5**
Free cash flows		**3.2**	**98.7**
Capital contribution		447.0	-
Treasury shares		(35.0)	-
Raising of long-term loans		395.0	4.1
Repayment of group entities		(210.7)	(50.7)
Repayment of long-term loans		(598.5)	(54.8)
Cash flows from financing activities		**(2.2)**	**(101.4)**
Net cash flows for the year		**1.0**	**(2.7)**
Cash and cash equivalents at 1 September		0.3	3.0
Net cash flow for the year		1.0	(2.7)
Cash and cash equivalents at 31 August		**1.3**	**0.3**

NOTE I ACCOUNTING POLICIES

The annual report of Chr. Hansen Holding A/S as parent company has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements applying to enterprises of reporting class D.

The accounting policies for the Company are the same as for the Chr. Hansen Group, cf. note 1 to the consolidated financial statements, with the exception of the items below.

OTHER INCOME AND EXPENSES

Other income and expenses comprise items of a secondary nature to the activities of the Company, including income from management and service agreements.

DIVIDENDS ON INVESTMENTS IN SUBSIDIARIES

Dividends on investments in subsidiaries are recognized as income in the income statement of the parent company in the financial year in which the dividend is declared. If the carrying amount of the investment exceeds the carrying amount in the financial statements of the net assets in the subsidiary or the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared, the carrying value of the subsidiary is tested for impairment.

INVESTMENTS IN SUBSIDIARIES

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

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the annual report for Chr. Hansen Holding A/S, management makes various accounting estimates and assumptions which form the basis of recognition and measurement of the parent company's assets and liabilities. The most significant accounting estimates and judgements for the parent company are presented below.

The most significant accounting estimates and judgements for the Chr. Hansen Group are presented in note 2 to the consolidated financial statements.

The parent company's accounting policies are described in detail in note 1.

ESTIMATION UNCERTAINTY

Determining the carrying amount of some assets and liabilities requires judgements, estimates and assumptions concerning future events.

The judgements, estimates and assumptions made are based on historical experience and other factors which management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

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

INVESTMENTS IN SUBSIDIARIES

Management performs an annual test for indications of impairment of investments in subsidiaries, joint ventures and associates. Impairment tests are conducted in the same way as for goodwill in the Chr. Hansen Group, see note 1 to the consolidated financial statements.

It is management's assessment that no indications of impairment existed at year-end 2009/2010, and impairment tests have therefore not been made of subsidiaries.

ASSESSMENT IN APPLIED ACCOUNTING POLICIES

In applying the Group's accounting policies management makes judgements which may significantly influence the amounts recognized in the annual report.

NOTES TO THE INCOME STATEMENT

EUR millions	**2009/2010**	2008/2009
3 – Depreciation, amortization and impairment losses		
Property, plant and equipment		
Administrative expenses	0.1	0.1
Total depreciation	**0.1**	**0.1**
Intangible assets		
Administrative expenses	0.2	0.2
Total amortization	**0.2**	**0.2**
Total depreciation and amortization	**0.3**	**0.3**

4 – Staff expenses		
Wages and salaries, etc	3.4	4.1
Severance payments	1.0	-
Pension – defined contribution plans	0.3	0.4
Social security etc	0.1	0.1
Salaries and remuneration, etc to the Executive Board and Board of Directors of Chr. Hansen Holding A/S	4.3	1.6
Total	**9.1**	**6.2**
Average number of employees	**35**	**47**

Remuneration to the Executive Board and Board of Directors appears as follows:

The Executive Board		
- salaries etc	4.3	1.4
- pension	0.3	0.2
- share-based payment	0.7	-
Board of Directors		
- Fee	0.3	-

See note 21 for details regarding the share-based payment programs.

5 – Fees to auditors – PricewaterhouseCoopers		
Statutory audit	0.1	0.1
Audit related services	0.3	0.2
Tax advisory services	0.3	0.1
Other services	1.0	0.2
Total	**1.7**	**0.6**

In 2009/2010 EUR 1.4 million of the total relates to the IPO-process.

NOTES TO THE INCOME STATEMENT

EUR millions	2009/2010	2008/2009
6 – Special items		
Two months salary as bonus to all employees	0.5	-
Costs related to IPO	1.2	-
Severance payment – restructuring	1.0	-
Other strategic group projects	0.4	0.5
Total	**3.1**	**0.5**

7 – Financial income		
Interest from subsidiaries	9.0	7.1
Gains from derivative financial instruments	16.1	0.1
Exchange gains	11.6	1.3
Total	**36.7**	**8.5**

8 – Financial expenses		
Interest paid to subsidiaries	4.7	5.2
Exchange loss	16.1	4.0
Loss from derivative financial instruments	1.0	23.2
Interest expenses on loans	44.8	47.4
Other financial expenses, including amortized costs	12.3	3.5
Total	**78.9**	**83.3**

9 – Corporation tax		
Current tax	5.5	3.0
Change in deferred tax	0.3	(2.5)
Tax on profit for the year	**5.8**	**0.5**
Adjustments concerning previous years	(0.3)	(0.2)
Total	5.5	0.3

Reconciliation of tax rate				
Danish tax rate	25%	(16.1)	25%	(12.0)
Non-deductible interests due to interest ceiling rules	7%	(4.8)	33%	(15.7)
Non-taxable income and non-deductible expenses	-41%	26.7	-59%	28.2
Adjustments concerning previous years	-	(0.3)	-	(0.2)
Corporation tax	**-9%**	**5.5**	**-1%**	**0.3**

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions			**2010**
10 – Other intangible assets	**Software**	**Intangible assets in progress**	**Total**
Cost at 1 September	2.1	0.3	2.4
Currency translation	0.1	-	0.1
Additions for the year	0.1	-	0.1
Disposal for the year	(0.4)	(0.3)	(0.7)
Cost at 31 August	**1.9**	**-**	**1.9**
Amortization at 1 September	0.4	-	0.4
Currency translation	0.1	-	0.1
Amortization for the year	0.2	-	0.2
Amortization, disposed assets	(0.1)	-	(0.1)
Amortization at 31 August	**0.6**	**-**	**0.6**
Carrying amount at 31 August	**1.3**	**-**	**1.3**

EUR millions			2009
Cost at 1 September	1.9	0.2	2.1
Additions for the year	0.2	0.1	0.3
Cost at 31 August	**2.1**	**0.3**	**2.4**
Amortization at 1 September	0.2	-	0.2
Amortization for the year	0.2	-	0.2
Amortization at 31 August	**0.4**	**-**	**0.4**
Carrying amount at 31 August	**1.7**	**0.3**	**2.0**

Software

Software comprises expenses for acquiring software licences and expenses related to group internal development of software.

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

EUR millions	**2010**	2009
11 – Other fixtures and equipment		
Cost at 1 September	0.4	0.4
Cost at 31 August	**0.4**	**0.4**
Depreciation at 1 September	0.3	0.2
Depreciation for the year	0.1	0.1
Depreciation at 31 August	**0.4**	**0.3**
Carrying amount at 31 August	**-**	**0.1**

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	**2010**	2009
12 – Investments in group entities		
Cost at 1 September	664.9	662.5
Currency translation	(0.1)	1.3
Additions for the year	57.6	1.1
Cost at 31 August	**722.4**	**664.9**

Please see note 37 of the consolidated financial statements of the group for list of Group enterprises

13 – Long-term receivables from group entities		
Due between 1 and 5 years		
Loans to group entities	274.8	79.5
Total	**274.8**	**79.5**

14 – Other receivables		
Other receiveables	1.0	0.1
Total	**1.0**	**0.1**

15 – Prepayments		
Other prepayments	0.1	0.1
Total	**0.1**	**0.1**

16 – Cash and cash equivalents		
Cash and cash equivalents	1.3	0.3
Total	**1.3**	**0.3**

17 – Share capital

The Company's share capital amounts to nominal DKK 1,380,342,200 (equal to EUR 185.4 million) distributed on shares of DKK 10. During the year 37,209,000 million new shares have been issued at an offering price of 90 DKK per share.
The share capital has been fully paid up.

The Company has acquired 2,894,034 treasury shares, corresponding to 2% of the total share capital, for an amount of EUR 35.0 million during the year. The holding of the treasury shares fully cover the share option programs. No treasury shares have been sold during the year.

Number of shares outstanding:	**2010**	**2009**
Outstanding 1 September	10,082,522	10,082,522
Share split	90,742,698	-
New shares issued	37,209,000	-
Purchase of treasury shares	(2,894,034)	-
Outstanding 31 August	**135,140,186**	**10,082,522**

Share premium on new shares issued amounted to EUR 400.0 million.

NOTES TO THE BALANCE SHEET AT 31 AUGUST

EUR millions	2010	2009
18 – Deferred tax		
Deferred tax at 1 September	(3.7)	(0.4)
Change in deferred tax – recognized in the income statement	0.3	(3.3)
Deferred tax at 31 August	**(3.4)**	**(3.7)**
Specification of deferred tax		
Intangible assets	(0.3)	(0.4)
Liabilities etc.	(3.1)	(3.3)
Total deferred tax at 31 August	**(3.4)**	**(3.7)**
19 – Non-current debt		
Due between 1-5 years		
Bank and financial loans	385.2	299.9
Other payables	0.8	-
	386.0	**299.9**
Due after 5 years		
Bank and financial loans	-	279.3
Payable to group entities	25.5	62.5
	25.5	**341.8**
Total	**411.5**	**641.7**

Amortization of financing costs has been deducted from bank and financial loans.

EUR millions	2010	2009
20 – Other payables		
Wages, salaries and holiday pay, etc	2.2	2.4
VAT and other duties	-	0.3
Derivative financial instruments	0.4	15.1
Other	2.7	1.0
Total	**5.3**	**18.8**

ADDITIONAL NOTES

21 – Share-based payments

Chr. Hansen has established a share-based compensation program for the Executive board and managerial employees. The share-based compensation program is related to Financière Star 1, S.A., Luxembourg which is the parent company of Chr. Hansen Holding A/S. The program includes warrants, where every warrant gives the right to buy one share at the value of EUR 2, EUR 6.1 or EUR 6.45 in Financière Star 1, S.A. If the internal interest rate of return is below 31% the number of warrants allocated will be reduced.
In connection with Chr. Hansen Holding A/S' introduction to the NASDAQ OMX Copenhagen in June 2010 the existing share-based payment programs in Financière Star 1, S.A., Luxembourg were vested.

Warrants (amounts in units) **2009/2010**

	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**2,052,951**	**2,756,721**	**669,998**	**5,479,670**
Allocated	37,750	20,000	-	57,750
Transferred	1,410,656	(2,021,757)	611,101	-
Exercised	(838,264)	(529,689)	(763,469)	(2,131,422)
Lost	-	(108,751)	(58,000)	(166,751)
Outstanding 31 August	**2,663,093**	**116,524**	**459,630**	**3,239,247**

Allocated / Exercise price				
2009/2010 / EUR 6.45	37,750	20,000	-	57,750
Total	**37,750**	**20,000**	**-**	**57,750**

Warrants allocated in 2009/2010 amounting to 57,750 units have an exercise price of EUR 6.45 per warrant. Warrants exercised during the year have an average exercise price of EUR 2.21 per warrant, and warrrants lost have an average exercise price of EUR 2.00 per warrant.
The average value of the allocated warrants is EUR 0.13. The value is calculated based on a risk-free interest rate of 1.92%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 1 year.
Market value of warrents allocated in 2009/2010 amounted to EUR 0.0 million.
In the financial year 2009/2010 EUR 0.2 million was expensed relating to this program.

Warrants (amounts in units) 2008/2009

	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**2,052,951**	**2,891,264**	**469,998**	**5,414,213**
Allocated	-	90,000	-	90,000
Transferred	-	(200,000)	200,000	-
Lost	-	(24,543)	-	(24,543)
Outstanding 31 August	**2,052,951**	**2,756,721**	**669,998**	**5,479,670**

Allocated / Exercise price				
2008/2009 / EUR 6.45	-	90,000	-	90,000
Total	**-**	**90,000**	**-**	**90,000**

Warrants allocated in 2008/2009 amounting to 90.000 units have an exercise price of EUR 6.45 per warrant.
The average value of the allocated warrants is EUR 0.13 amounting to a total value of EUR 0.7 million.
The value is calculated based on a risk-free interest rate of 1.92%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 2 years.
Market value of warrants allocated in 2008/2009 amounted to EUR 0.1 million.
In the financial year 2008/2009 EUR 0.2 million was expensed relating to this program.

ADDITIONAL NOTES

21 – Share-based payments –continued

Three new share option programs have been set up for members of the Executive Board and certain other managers. The programs give right to buy shares in Chr. Hansen Holding A/S at 1 DKK or 99 DKK. The programs will vest if certain key performance indicators are met.

Share options (number of options) Program 1: **2009/2010**

	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**-**	**-**	**-**	**-**
Allocated	138,240	-	17,971	156,211
Outstanding 31 August	**138,240**	**-**	**17,971**	**156,211**

Each share option may, subject to the person still being employed with Chr. Hansen, be exercised to purchase one existing share in Chr. Hansen Holding A/S, from Financière Star 1 at an exercise price of DKK 1 in the period 31 May 2012 – 31 December 2012.
The average value of the options are EUR 12.62 amounting to a total value of EUR 2.0 million.

The value is calculated based on a risk-free interest rate of 0.62%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 2 years.

In the financial year 2009/2010 EUR 0.4 million was expensed relating to this program.

Share options (number of options) Program 2:

	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**-**	**-**	**-**	**-**
Allocated	1,552,885	207,052	207,051	1,966,988
Lost	-	-	(207,051)	(207,051)
Outstanding 31 August	**1,552,885**	**207,052**	**-**	**1,759,937**

Vesting is subject to fulfillment of certain key performance indicators related to the development in the share price and EBITDA. The stock options will vest at the date of the annual general meeting at which the annual report for the financial year ending 31 August 2013 is approved.
Following vesting, each stock option may be exercised up until 31 August 2016 to purchase one existing share at an exercise price of DKK 99.

The average value of the options are EUR 2.14 amounting to a total value of EUR 4.2 million.
The value is calculated based on a risk-free interest rate of 1.15%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 3 years.
In the financial year 2009/2010 EUR 0.2 million was expensed relating to this program.

Share options (number of options) Program 3:

	Executive Board	Managerial employees	Former employees	Total
Outstanding 1 September	**-**	**-**	**-**	**-**
Allocated	23,231	8,347	-	31,578
Outstanding 31 August	**23,231**	**8,347**	**-**	**31,578**

Certain managerial employees have had the opportunity to earn a number of share options based on individual key performance indicators. Each share option may, subject to the person still being employed with Chr. Hansen, be exercised to purchase one existing share in Chr. Hansen Holding A/S at an exercise price of DKK 1 in November 2011, November 2012 or November 2013.

The average value of the options are EUR 12.37 amounting to a total value of EUR 0.4 million.
The value is calculated based on a risk-free interest rate of 0.62%, 0.82% and 1.11%, a volatility of 30% based on a peer group adjusted for market conditions and a period of 3-5 years.
In the financial year 2009/2010 EUR 0.1 million was expensed relating to these programs.

NOTES TO THE CASH FLOW STATEMENT

EUR millions	2009/2010	2008/2009
22 – Adjustments to cash flow		
Depreciation, amortization and impairment losses	0.3	0.3
Share-based payment	0.8	0.2
Total	**1.1**	**0.5**
23 – Change in working capital		
Other receivables and other payables	(9.8)	3.8
Total	(9.8)	**3.8**

24 – Financial instruments

Chr. Hansen Holding A/S is exposed to market risks, primarily risks relating to currency and interest, and utilizes financial instruments for hedging of recognized and future transactions. Chr. Hansen Holding A/S only enters into hedging agreements which can be directed to the underlying business.

Currency risk
Chr. Hansen Holding A/S utilizes currency contracts in order to hedge the income statement and the balance sheet against changes in exchange rates. The currency risk is partly covered as the underlying activity in the group entities has a natural hedging of USD and EUR between future cash flows from operational activities and interests payments.

Interest risk
Interest rate swaps are used for cash flow hedge, where the underlying floating rate are hedged. Approximately 68% of the Company's interest rate exposure is hedged using interest rate swaps. As at 31 August 2010 the outstanding interest swaps had the following market value.

Market value of open interest rate swaps

EUR millions **2010**

	Contract amount	Gain/loss at 31 August	Included in income statement	Included in the fair value reserve
EUR 200m interest rate swaps, expiration 15 April, 2015	200.0	(0.1)	-	(0.1)
USD 75m interest rate swaps, expiration 15 April, 2015	59.2	(0.3)	-	(0.3)
	259.2	**(0.4)**	**-**	**(0.4)**

EUR millions 2009

	Contract amount	Gain/loss at 31 August	Included in income statement	Included in the fair value reserve
EUR 410m interest rate swaps, expiration 31 August, 2010	410.0	(14.0)	(14.0)	-
USD 107m interest rate swaps, expiration 31 August, 2010	75.1	(1.1)	(1.1)	-
	485.1	**(15.1)**	**(15.1)**	**-**

The market value is based on calculations received from the swap banks. Due to new debt structure new swaps where entered in June 2010 and August 2010 . The swaps expire in August 2011 and April 2015.
The interest on our financing facilities are based on floating interest plus a margin.
The total debt has an average maturity of 4.6 years at 31 August 2010. An interest increase of 1 percentage point on the average interest rate on the net interest-bearing debt excluding swaps will influence the earnings before tax by EUR 3.9 million during the next 12 month period (EUR 6.0 million for the financial year 2008/2009). The effect on the swaps entered will be EUR 2.6 million based on the interest change of 1 percentage point (EUR 4.9 million for the financial year 2008/2009).

ADDITIONAL NOTES

24 – Financial instruments – continued

EUR millions	**2010**	2009
Financial assets		
Receivables from group companies	2.7	-
Tax receivable	8.4	21.3
Other receivables and prepayments	1.1	0.2
Cash and cash equivalents	1.3	0.3
Financial assets	**13.5**	**21.8**
Mortgage loans, loans from bank and credit institutions	385.2	589.5
Trade payables	4.6	0.6
Other financial debts	47.1	82.3
Financial debts	**436.9**	**672.4**
Classification of financial assets		
Loans and receivables	13.5	21.8
	13.5	**21.8**
Classification of financial payables		
Financial payables measured at amortised cost	436.9	672.4
	436.9	**672.4**
Maturity analysis for financial payables		
Mortgage loans, loans from bank and credit institutions		
0-1 year	-	10.3
1-5 years	385.2	299.9
+ 5 years	-	279.3
Trade payables		
0-1 year	4.6	0.6
1-5 years	-	-
+ 5 years	-	-
Other financial payables		
0-1 year	20.8	19.8
1-5 years	0.8	-
+ 5 years	25.5	62.5
	436.9	**672.4**
Average interest rate	2.5%	5.4%

Loans in bank and credit institutions have been reduced by amortization and financing expenses. The following amortization amounts have been deducted:

Amortization expenses offset under non-current debt	**3.6**	**12.1**

ADDITIONAL NOTES

25 – Credit, currency, and interest rate risk

Credit risk
Credit risk for cash and cash equivalents and financial instruments are handled by only working with financial institutions which have satisfactory credit rating. In general, we estimate the risk to be limited.

Currency risk
The overall purpose of managing currency risk is to minimize the impact from short-term currency movements on earnings and cash flow. The main exchange rate risk for the company are loans nominated in USD.
It is the policy of the Parent company not to hedge investments in subsidiaries.

Interest risk
The interest on our Senior Credit Facility is based on variable interest plus a margin. Interest rate swaps are utilized to reduce the risk relating to the income statement. At 31 August 2010, 68% of the outstanding debts were hedged through interest rate swaps or fixed interest (81% at 31 August 2009).

Cash flow risk
Chr. Hansen Holding A/S's interest-bearing net debt at 31 August 2010 amounted to EUR 384 million excluding intercompany debt (EUR 602 million at 31 August 2009).

26 – Commitments and contingent liabilities

Operational leasing commitments
Leasing commitments primarily related to car and equipment due within 1 year and between 1-5 years amount to less than EUR 0.1 million (less than EUR 0.1 million in 2008/2009). In the financial year 2009/2010 EUR 0.1 million is expensed (EUR 0.1 million in 2008/2009).

Other guarantees and liabilities
Chr. Hansen Holding A/S is liable for on account payments received from jointly taxed companies. At 31 August 2010 the jointly taxed companies had an actual tax liability of EUR 23.1 million.

In 2008/2009 Chr. Hansen Holding A/S and several other group companies were jointly and severably liable with all assets for established loan facilities of approximately EUR 896 million.

Pending court and arbitration cases
Certain claims have been made against Chr. Hansen Holding A/S. Management is of the opinion that the result of these disputes will not have an significant impact on the Company's financial position.

Change of control
The loan facilities established in 2009/2010 are subject to change of control clauses.

ADDITIONAL NOTES

27 – Related parties

Related parties are defined as parties with control or significant influence, including group entities.

Parties with control are Financière Star 1, S.A., Luxembourg and its respective management and the Group.

Parties with significant influence are the Group and its Executive Board and Board of Directors.

Transactions with related parties

EUR millions		2009/2010
	Subsidiaries	**Executive Board and Board of Directors**
Sale of services	10.1	-
Fee and other consideration	-	5.6
Interest income	9.0	-
Interest expenses	(4.7)	-
	14.4	**5.6**
Receivable amounts at 31 August	277.5	-
Outstanding amounts at 31 August	41.0	-

EUR millions		2008/2009
	Subsidiaries	**Executive Board and Board of Directors**
Sale of services	9.5	-
Fee and other consideration	-	1.6
Interest income	7.1	-
Interest expenses	(5.2)	-
	11.4	**1.6**
Receivable amounts at 31 August	79.5	-
Outstanding amounts at 31 August	63.5	-

The Company has in 2009/2010 received a capital contribution of EUR 15.6 million from the majority shareholder, Financière Star 1, which will cover the net impact an extraordinary bonus to the employees of the Company and its subsidiaries.

28 – Events after the balance sheet date

On 30 September 2010 member of the Executive Board and head of Colors & Blends Division, Executive Vice President Hans Thorkilgaard left Chr. Hansen Holding A/S.

No significant events have occurred since 31 August, 2010 with effect on the Annual Report.

MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Chr. Hansen Holding A/S for 2009/2010.

The Consolidated Financial Statements and the Parent Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU. Further, the Annual Report is prepared in accordance with additional Danish disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate and the Consolidated Financial Statements and the Parent Financial Statements give a true and fair view of the financial position at 31 August 2010 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for the financial year 2009/2010.

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.

Chr. Hansen Group's consolidated Corporate Social Responsibility Report has been prepared in accordance with the accounting principles applied in the CSR report to be appropriate for giving a true and fair view of the Groups environment and social performance, as well as, potential non-financial risks and challenges.

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

HOERSHOLM, 2 NOVEMBER 2010

Executive Board

Lars Frederiksen

Henning Jakobsen

Henrik Dalbøge

Knud Vindfeldt

Carsten Hellmann

Board of Directors

Ole Andersen
Chairman

Frédéric Stévenin
Vice chairman

Alice Dautry

Henrik Poulsen

Gaëlle d'Engremont

Lionel Zinsou

Jørgen O. Nielsen

Martin Seidel

Svend Laulund

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHR. HANSEN HOLDING A/S

We have audited the Consolidated Financial Statements and the Financial Statements of Chr. Hansen Holding A/S for the financial year 1 September 2009 – 31 August 2010 pages 63 – 138, which comprises Management's Statement, Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. Management's Review, which is not comprised by the audit, is also prepared in accordance with Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements and the Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Consolidated Financial Statements and the Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for preparing a Management's Review that includes a true and fair account in accordance with Danish disclosure requirements for listed companies.

AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Financial Statements based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the Consolidated Financial Statements and the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Financial Statements.

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

Our audit has not resulted in any qualification.

OPINION

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 August 2010 of the Group and Parent Company and of the results of the Group and Parent Company operations and cash flows for the financial year 1 September 2009 – 31 August 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

STATEMENT ON MANAGEMENT'S REVIEW

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

COPENHAGEN, 2 NOVEMBER 2010

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Lars Baungaard
State Authorized Public Accountant

SUPPLEMENTARY REPORT

CSR

Non-financial Statements

This non-financial statement is supplementary to the annual report and fulfils our obligation to report on Corporate Social Responsibility

ACCOUNTING POLICIES FOR CONSOLIDATED NON-FINANCIAL STATEMENTS

DISCLOSING NON-FINANCIAL DATA

This is our second corporate social responsibility (CSR) report. Chr. Hansen has embarked on a process where we set strategies, goals and indicators that elucidate not only non-financial risks, impact and challenges but also business opportunities which are in correspondence with our commitments and internationally recognized principles.

The data included in the CSR report reflects issues relevant for our license to operate, i.e. regulatory requirements and potential business risks in relation to environment, labor standards, ethics, quality and product safety. It also reflects areas where the company has a significant impact and where it is our responsibility to act. Furthermore, the information addresses various concerns and interests of major stakeholders, such as society, employees, shareholders, customers and other business partners.

INDEPENDENT REVIEW

As a consequence of Chr. Hansen's choice to be more transparent and because our core value is accountability, we get an independent review of our non-financial data.

WHO SUBMITS DATA

The criteria for collection of data are identical to our financial accounting principles, i.e. subsidiaries in which Chr. Hansen Holding A/S holds, directly or indirectly, 50% of the votes or any controlling interest are included.

CHANGES FROM 2008/2009

There have been no major changes, such as acquisitions or divestments, in our operations that may have a significant impact on the performance.

Data concerning employee satisfaction has been added this year to substantiate employee figures.

ENVIRONMENTAL DATA

The environmental data covers activities, mainly related to production that may have a significant impact on our business. Data is reported by production sites, major warehouses, innovation, pilot plants and administration, while sites considered not having a significant environmental impact, such as pure sales offices, are excluded. Our own toll manufacturing activities are included, while outsourced activities are not.

ENVIRONMENTAL PERFORMANCE INDICATOR (EPI)

We monitor our environmental performance using an environmental performance indicator (EPI). EPI is calculated on the basis of the production volume and/or product activity and the financial year 2004/2005 marks index 100. An increase in EPI is an improvement.

RAW MATERIALS, CHEMICALS AND PACKAGING MATERIAL

Raw materials, chemicals and packaging materials comprise materials for production, cleaning and packaging of products. It does not encompass water used in products. Consumption is calculated as the first time the material enters production. It is recorded by weight in tons. Chemicals and cleaning chemicals are registered based on the purchased amount by weight.

ENERGY

All energy used is registered based on direct meter readings (if meter readings are not available, the information is invoice based) and reported in MWh. If necessary the consumption is converted to energy on the basis on combustion value and weight by volume. Fuel consumption does not include transportation.

WATER

Water comprises all sources and utilizations: product, non-contact cooling water, steam and domestic water. The source of the water can be the municipal water supply, private water supply, groundwater or surface water. Water volumes are reported in cubic meters on the basis of metered intake or invoices.

At some production sites, non-contact cooling water is either re-injected to the groundwater reservoir or reemitted to surface water. As the non-contact cooling water is not contaminated with neither products nor chemicals, and there is no net use, this source is not included in the calculation of our water consumption.

WASTE WATER

Waste water discharge comprises waste water from production and other activities such as domestic waste water. All waste water is emitted to public waste water treatment plants. The water discharge is measured in cubic meters by flow meters at some sites, especially the larger sites, and calculated at most sites, especially smaller sites, based on the incoming water volume (which is measured in cubic meters by metered intake).

Biological oxygen demand (BOD), nitrogen (N) and phosphorous (P) are measured as proportional flow, based on samples taken at the point of discharge at some of our facilities. For the remaining sites where it is not a regulatory requirement to measure, the content is estimated.

BIOMASS

Biomass, i.e. by-product from production, is measured as the weight produced and reported in tons. It is utilized as liquid fertilizer, liquid feed or fuel for energy production.

WASTE

Waste is the registered volume of solid waste broken down by fraction and disposal method. The fractions and disposal methods are defined by Chr. Hansen and include recycled waste (in a number of sub-fractions), hazardous waste, waste for incineration and waste for landfill. Waste is recorded by weight in tons based on weighing at the recipient or invoicing from the authorized handler.

EMISSIONS OF GREENHOUSE GASES

Emissions of CO_2 from the energy consumption of Chr. Hansen are compiled. Emissions are calculated in tons. The conversion factors are based on the principles from the Greenhouse Gas Protocol combined with peer reviewed lifecycle based figures or nationally recognized key figures in the countries where our sites are located. Emissions from transportation are not included.

ACCOUNTING POLICIES FOR CONSOLIDATED NON-FINANCIAL STATEMENTS

INSTANCES OF ENVIRONMENTAL NON-COMPLIANCE

Breaches of regulatory limits and accidental releases are measured as the number of breaches/accidental spills reported to the authorities or the received notices of violation. Environmental complaints are the number of complaints received (be it in person, by phone or in writing) from stakeholders (i.e. authorities, neighbors, employees, NGOs). Compilation is by day.

SOCIAL DATA

Global data concerning people, people development and employee satisfaction is reported by all legal entities and sites. However, occupational health and safety (OHS) data is reported by production sites, major warehouses, innovation, pilot plants and administration, while sites considered having no significant impacts, such as pure sales offices, are excluded. The same reporting scope as for OHS data is in place for data regarding quality and product safety.

EMPLOYEES

NUMBER OF EMPLOYEES

All headcount data is number of employees reported and consolidated in the company's SAP system. The number of employees is the total number of employees at year end, excluding temporary employees.

EMPLOYEE TURNOVER

Employee turnover is calculated as an average percentage at the end of the financial year of the number of dismissals and employees voluntarily leaving the company during the period compared to the average number of employees during the same period. Temporary employees are not included in this number.

DEMOGRAPHICS

Age, seniority and gender are calculated as the number of employees within each category at end of the financial year.

RATE OF ABSENCE

Rate of absence is calculated as an average percentage per region. The basis is the number of days employees have been absent due to own illness compared to the number of possible annual working days (240 working days). Absence due to illness of own children or relatives as well as maternity/paternity leave is not included.

EMPLOYEE DEVELOPMENT

The average hours of training per year per employee and employee category are recorded locally in individual training records. For some small sites or offices, for example in Eastern Europe, the number of training days is estimated for data before 2009/2010. Data concerning performance and career development interviews is available via the employee satisfaction survey for 2005/2006 to 2007/2008 and 2009/2010 for all sites. Data for 2008/2009, where no employee survey was conducted, has been reported by the regional HR coordinators, in Denmark by Stakeholder Relations.

EMPLOYEE SATISFACTION

The employee satisfaction survey is conducted at least bi-annually. All employees that have a seniority of three months or more and are not on leave of absence participate in the survey. Temporary employees are included if they have a contract of more than six months. Overall employee "satisfaction and motivation" and "loyalty" is measured, as are satisfaction on engagement drivers such as "professional and personal development", "daily work" and "immediate manager".

OCCUPATIONAL HEALTH AND SAFETY

The number of accidents resulting in more than one day's absence from work and the incident type is recorded. Occupational illnesses are also recorded the first time they are registered.

Sites report the number of violations of health and safety regulatory requirements. Violations encompass the number of breaches reported to the authorities or notices of violation from the authorities. The number of complaints related to occupational health and safety is also recorded.

Performance for health and safety is measured by accident frequency. The accident frequency is calculated as accidents resulting in more than one day's absence per one million working hours, excluding sickness, maternity/paternity leave and holidays. A decrease in the frequency is an improvement.

The accident frequency for occupational illnesses is calculated as the first time the incident is recorded per one million working hours.

ETHICS

Chr. Hansen Legal Affairs records the number of employees trained in the organization's anti-corruption and anti-trust policies and procedures for business functions that need to be especially aware of legal requirements and our commitments, such as sourcing, sales and finance.

QUALITY AND PRODUCT SAFETY

CUSTOMER AND AUTHORITY AUDITS

Sites are subject to external audits by authorities as well as customers. All audits are included in the global quarterly reporting system to Corporate Quality Management. If the final audit report is not received at the time of quarterly reporting, statements from the closing meetings are applied. The type of audit and product area is recorded per site and whether the audit was passed or not.

PRODUCT RETRIEVALS

An internal procedure is in place for managing incidents that can lead to withdrawal or recall of products. All products sold by Chr. Hansen, are subject to this procedure. The number of instances is recorded in relation to the following causes: quality, legal aspects or product safety. Retrievals are recorded on the day the decision was made to retrieve.

CUSTOMER COMPLAINTS

The number of received (justified or unjustified) customer complaints is recorded by division and cause in the global complaint system. There are eight main complaint causes related to product quality and product safety, product management, order management, shipping/warehousing, and supply chain.

KEY CONSOLIDATED FIGURES

	Note	**2009/2010***	2008/2009*	2007/2008	2006/2007	2005/2006
EPI water (%) [1]	1	**1.4**	9.0	20.6	-3.7	9.5
EPI energy (%) [1]	1	**16.1**	0.8	6.4	12.2	9.1
Raw materials, chemicals and packaging material (t) [2]	2	**90,461**	78,736	108,383	99,980	171,852
Energy, total (MWh)	3	**167,082**	173,936	178,839	187,930	196,113
Water (m^3)	4	**1,148,072**	1,112,855	1,126,149	907,488	1,024,562
Waste water (m^3)	5	**815,898**	809,349	808,454	817,352	852,582
Biomass (t)	6	**52,951**	42,829	33,347	30,924	38,852
Solid waste (ton)	7	**3,352**	3,401	3,857	5,569	6,285
Recycled waste (%) [3]	7	**21**	20	30	25	21
CO_2 (ton) [4]	8	**61,165**	53,527	54,772	57,203	59,873
Environmental non-compliances (number) [5]	9	**34**	15	11	9	33
Rate of absence (%)	10	**1.5**	1.6	-	-	-
Employee turnover (%)	10	**8.6**	13.8	23.2	-	-
Training (days)	11	**5,578**	5,164	-	-	-
Employee satisfaction and motivation	12	**76.0**	-	74.1	74.7	69.6
Sterling managers (%)	12	**45**	-	47	48	38
Incident frequency [6]	13	**9**	7	14	12	12
Trained in anti-corruption (%) [7]	14	**19**	10	-	-	-
Passed audits (%)	15	**100**	100	100	100	-
Product retrievals [8]	16	**4**	6	6	3	-

* Data for 2008/2009 and 2009/2010 has been reviewed by PricewaterhouseCoopers
Data from 2005/2006 to 2007/2008 has not been reviewed by PricewaterhouseCoopers

1) EPI (Environmental Performance Indicator). The EPIs have been amended for 2008/2009 and 2007/2008, please see note 1
2) New consolidation methods for raw materials, please see note 2
3) Recycled waste in percentage of total solid waste
4) Emission factors have been updated in 2009/2010, please see note 8
5) Environmental non-compliances incl. accidental spills
6) Calculated as number of accidents with absence per 1,000,000 working hours
7) Accumulated percentage of business functions with a special exposure trained in anti-corruption
8) Retrieval, i.e. withdrawals as no actual recalls has been required, except in 2006/2007 with one recall

NOTES TO NON-FINANCIAL STATEMENTS

Environmental data

1 – Environmental performance indicator

Chr. Hansen's reduction targets for water and energy of 5% per produced unit, respectively, compared to 2008/2009 are more than met by all the product areas, except for water in the cultures product area where there has been a decline in the EPI of 6.8%. The latter results in an overall performance improvement lower than the 5% target, i.e. of 1.4% for water. For energy on the other hand the performance is 3 times higher than the target, i.e. 16.1%. We will continue our focus on resource efficiency.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
EPI – water, colors	EPI	**171.4**	165.2	165.1	98.7	101.5
EPI – water, cultures	EPI	**103.7**	110.5	95.8	94.6	115.1
EPI – water, enzymes	EPI	**135.1**	130.2	118.1	123.9	111.9
Average EPI – water (% improvement)	%	**1.4**	9.0	20.6	-3.7	9.5
EPI – energy, colors	EPI	**179.5**	148.9	142.8	115.1	106.6
EPI – energy, cultures	EPI	**99.7**	92.5	96.8	113.5	101.8
EPI – energy, enzymes	EPI	**154.4**	144.1	143.3	135.2	118.8
Average EPI – energy (% improvement)	%	**16.1**	0.8	6.4	12.2	9.1

(The EPIs have been amended for 2008/2009 and 2007/2008 due to minor calculation errors, with the exception of enzymes in 2007/2008)

2 – Raw materials, chemicals and packaging

We have improved the consolidation method for raw materials and applied the new method to all data, including the historic numbers. When comparing the trends for the two consolidation methods the changes between the financial years are within the same order of magnitude.

Compared to 2008/2009, the amount of consumed chemicals increased by approximately 36%. Under chemicals, nitrogen accounts for almost 80% of the total consumption. The increase is tied to change in product mix. The total consumption of packaging material rose by 10%, due in particular to growth in the cultures product area. We are focusing on reducing the complexity of our packaging portfolio and minimizing consumption of materials. This effort will be continued in 2010/2011.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Raw materials	ton	**38,150**	38,562	66,476	63,616	139,253
Chemicals/auxilliary	ton	**42,053**	30,850	32,180	26,768	23,374
Packaging materials	ton	**10,258**	9,324	9,727	9,596	9,225

(Raw materials figures for all years have been amended due to an improved consolidation method)

NOTES TO NON-FINANCIAL STATEMENTS

3 – Energy

Energy consumption has been reduced by approximately 4% compared to 2008/2009. The main reason for this improvement is optimization projects on major production sites. Compared to the last fiscal year consumption of electricity and steam increased 0.1% and 4.8%, respectively. Natural gas decreased by 6.2%, oil decreased 9.7% and district heating decreased by approximately 12%. For all the energy sources, except steam, the explanation is a cold winter/hot summer in Denmark/Northern Europe and North America. District heating is used as a cooling system based on absorption at one of our Danish sites. In the case of steam, the increase is due to more activity. We will continue to focus on energy efficiency.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Total energy consumption	MWh	**167,082**	173,936	178,839	187,930	196,113
Electricity	MWh	**62,721**	62,681	66,222	70,428	71,333
District heating	MWh	**10,580**	12,063	12,895	10,489	10,593
Steam (purchased)	MWh	**8,705**	8,309	7,843	8,032	8,228
Propane, butane, flask gas	MWh	**172**	185	4,728	5,596	4,217
Natural gas	MWh	**81,161**	86,553	82,893	77,097	82,485
Fuel oil	MWh	**3,697**	4,102	3,267	2,917	2,669
Gas oil	MWh	**46**	44	990	1,825	3,936
Biomass	MWh	**0**	0	0	11,545	12,652

4 – Water

Water consumption has increased by approximately 3%. The increase in water consumption is a result of increased activity but also of an unusually hot summer in Denmark and North America, where water is consumed in cooling towers. Cooling systems at two of our major production sites have not been running at optimum, which also resulted in a higher than normal consumption. We will continue to focus on water efficiencies.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Total water consumption	m^3	**1,148,072**	1,112,855	1,126,149	907,488	1,024,562
Potable water	m^3	**943,581**	890,875	925,329	731,942	831,975
Groundwater	m^3	**204,491**	221,980	200,820	175,546	192,587

NOTES TO NON-FINANCIAL STATEMENTS

5 – Waste water

Waste water discharge increased by almost 1% in 2009/2010 compared to 2008/2009 thus following the increase in water consumption, albeit at a lower level. This is due to a new set-up in France where we are working on separating the most concentrated waste water stream and utilizing it as a liquid fertilizer in agriculture. The project is still under development, but we expect to see a significant reduction in the next fiscal year 2010/2011. Phosphorous (P) and Biological oxygen demand (BOD) has remained fairly constant over the years, whereas nitrogen (N) have decreased over the years. We are focused on minimizing the discharge of nutrient-enriching substances to waste water, and the project mentioned above will remove an additional part of the nitrogen and BOD. Changes in cleaning processes and production processes, and reduction in product loss will reduce the potential impact further.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Total waste water	m^3	**815,898**	809,349	808,454	817,352	852,582

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
BOD	ton	**2,618**	2,546	2,737	3,175	-
Total-N	ton	**282**	324	373	318	-
Total-P	ton	**83**	76	80	61	-

6 – Biomass

Since last fiscal year the amount of recycled biomass has increased by approximately 24%. The increase relates to a change in our product mix. All biomass is utilized as liquid fertilizer, liquid feed or for biogas production.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Recycled Biomass	ton	**52,951**	42,829	33,347	30,924	38,852

7 – Waste

The reduction in total solid waste was 1.5% between 2008/2009 and 2009/2010. The amount of recycled material went down by approximately 1% from 2008/2009. The ratio of recycled waste to total solid waste has leveled out at approximately 21%. We aim to increase the ratio of recycled waste to total solid waste; this is one of our 2020 goals.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Recycled waste, total	ton	**689**	696	1,166	1,371	1,324
Recycling: Paper/cardboard	ton	**393**	428	481	747	703
Recycling: Plastic	ton	**104**	92	138	130	85
Recycling: Metals	ton	**73**	45	121	87	107
Recycling: Glass	ton	**0.99**	0.98	0.14	0.09	3.81
Recycling: Wood	ton	**97**	111	251	142	171
Recycling: Other	ton	**21**	18	175	265	254
Recycling	**%**	**21**	20	30	25	21
Incineration	ton	**1,017**	967	937	897	927
Landfill	ton	**1,568**	1,645	1,696	3,189	3,875
Hazardous waste	ton	**79**	93	59	112	160
Solid waste	ton	**3,352**	3,401	3,857	5,569	6,285

NOTES TO NON-FINANCIAL STATEMENTS

8 – Emissions of greenhouse gases

In 2009/2010 we have updated our CO_2 emission factors. The factor for electricity has increased significantly, resulting in a larger amount of CO_2 emitted. The increase of approximately 14% in energy-related CO_2 emission is, therefore, not a result of increased energy consumption as the energy figures shown above also indicate. Applying the updated emission factor to 2008/2009 energy sources would actually result in a reduction of at least 5% in 2009/2010. CO_2 will, like energy consumption, continue to be a focus area in the years to come. We have established a concrete reduction target of 30% by 2020.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
CO_2	ton	**61,165**	53,527	54,772	57,203	59,873

9 – Instances of environmental non-compliance

Chr. Hansen had 4 notices of violation of regulatory requirements in 2009/2010 from the authorities. One related to transportation of dangerous goods where not all documentation was in order. Two of the incidents were related to excess loads of nutrients in waste water discharge. One related to odor. All notices have been cleared. There are no outstanding issues with the authorities.

We have recorded an additional 30 non-conformities, including accidental releases, where we have reported the non-compliance to the authorities. 22 of these were nutrient concentrations above the waste water discharge permit limit, including accidental product releases. 5 were emissions to air of odor and cooling agents, respectively. In addition, there was one non-conformity regarding handling of waste, one transportation of dangerous goods and one in the “other” category. No adverse effects have been observed and we have no outstanding claims. The increase in the number of violations is primarily a result of increased focus on enhanced reporting of incidents.

In 2009/2010 we received 2 environmental complaints from stakeholders. One from neighbors concerning odor and one concerning noise.

All complaints have been handled and there are no outstanding claims.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Violations of environmental regulatory requirements including accidental releases	Number	**34**	15	11	9	33
Complaints	Number	**2**	11	1	9	7

NOTES TO NON-FINANCIAL STATEMENTS

Social data

10 – People

During the year the number of employees has increased by 6% on average to 2,303 employed persons at the end of the year, which equals full-time-equivalent (FTE) of 2,268. The average number of employees were 2,229 during 2009/2010. All regions except South America and Europe have increased the number of employees because of increased activities. The greatest percentage increase was in Asia-Pacific, Middle East & Africa by almost 50%. The gender ratio remains 61% men and 39% women.
The employee turnover rate has decreased from 13.8% to 8.6% (Voluntary 5.9%, In-voluntary 2.7%). Attracting and retaining the right talented people are key objectives for Chr. Hansen.

	Unit	**2009/2010**	2008/2009	2007/2008
Total number of employees	Number	**2,303**	2,178	2,130
Asia-Pacific, Middle East & Africa	Number	**158**	106	92
Europe	Number	**1,584**	1,521	1,492
North America	Number	**327**	308	318
South America	Number	**234**	243	228
Number of Fulltime equivalents (FTE)	Number	**2,268**	2,143	
Employee turnover (average)	%	**8.6**	13.8	23.2
Rate of absence (weighted average)	%	**1.5**	1.6	
Gender				
Female	%	**39**	39	
Male	%	**61**	61	

11 – Training and Personal Development Interview

During last year, the number of training days globally has increased by 8% totaling 5,578 days. However, the total number is likely higher, as e.g. the Danish data does not include all external training (open enrolment courses). The total number of training days constitutes approximately 2.4 training days per employee. This is a result of a strong and persistent focus on people development since 2006/2007, when we re-launched the CH Academy. The strong focus from top management and corporate HR on people development is a key factor for this very positive development. For instance, the employee satisfaction survey results in the period 2005/2006 to 2009/2010 show that employees are now generally more satisfied with their personal and professional development.

Training	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Total number of Training Days	Days	**5,578**	5,164	**-**	**-**	**-**
Asia-Pacific, Middle East & Africa	Days	**648**	257	-	-	-
Europe	Days	**2,892**	3,203	2,848	2,302	128
North America	Days	**1,318**	599	-	-	-
South America	Days	**720**	1,105	-	-	-

The PDI conducted globally continues to be at a very high level, which is above industry and other benchmarks. We expect to see the same high percentage in the coming years.

Performance Development Interview	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Total	%	**88**	90	85	79	-
Asia-Pacific, Middle East & Africa	%	**88**	100	93	77	-
Europe	%	**88**	86	88	82	-
North America	%	**89**	100	85	75	-
South America	%	**88**	91	78	76	-

NOTES TO NON-FINANCIAL STATEMENTS

12 – Employee satisfaction

94% of Chr. Hansen employees responded to the employee satisfaction survey in 2009/2010 which indicates a very high support from the organization, i.e. voting rights are used. A score between 65 and 70 is fair, between 70 and 75 is satisfactory and over 75 is very good accoding to Ennova, our partner on the survey. The score is from 1 to 100.
The survey indicates that the loyalty as well as the satisfaction & motivation is very high and the scores have actually increased from 2007/2008 when the survey was last conducted. Compared to a benchmark (European Employee Index) prepared by Ennova, the satisfaction is significantly higher in Chr. Hansen.

Indicators for psychological work conditions ("daily work") and development opportunities ("professional and personal development") have increased as well, indicating that we have succeeded in striking an appropriate work-life balance and that our focus on performance development and training is recognized by our employees.
Rating of executive management has increased, whereas the appraisal of the immediate manager has declined. In the benchmark prepared by our partner Ennova, the share of sterling managers are higher at Chr. Hansen than comparable country averages, including countries such as DK, US and regions like Asia-Pacific.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Satisfaction & motivation	Score	**76.0**	-	74.1	74.7	69.6
Loyalty	Score	**84.5**	-	80.6	81.2	80.4
Daily work	Score	**77.9**	-	76.5	-	-
Professional and personal development	Score	**69.2**	-	66.8	67	61.1
Managers						
Sterling manager	%	**45**	-	47	48	38
Weak manager	%	**8**	-	7	8	11

13 – Occupational health and safety

We have seen an increase in the number of lost time accidents and their frequency in 2009/2010 compared to last year. The frequency increase from 7 to 9 per one million working hours.
We will strengthen our efforts to reduce the number of accidents, notably by disseminating experience from our US operations regarding their behavioral based safety program. Our aim is to reduce the frequency in 2012/2013 to 5 per one million working hours. Chr. Hansen has had no fatal accidents. The lost time accidents fall consistently in the categories of contusions, lacerations, strains and minor chemical burn injuries. Occupational illnesses increased in number in 2009/2010 compared to 2008/2009. The incidents have not resulted in transfer to other jobs either in Chr. Hansen or outside.
There has been one complaint from an employee regarding health and safety, and the concern has been addressed.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Number of occupational accidents (away from work more than one day)	Number	**34**	27	56	52	54
Number of occupational illnesses	Number	**8**	7	7	8	9
Violations of occupational health & safety regulatory requirements	Number	**0**	0	1	0	0
Complaints	Number	**1**	0	0	0	0
Frequency of Accidents with absence more than one day per one million working hours		**9**	7	14	12	12
Frequency of occupational illnesses per one million working hours		**2**	2	2	2	2

NOTES TO NON-FINANCIAL STATEMENTS

14 – Ethics

By 2009/2010 our corporate management and 19% of our sales, finance, IT and sourcing organization (accumulated) have been trained in anti-corruption an even higher percentage have been trained in anti-trust alone. The training was initiated among the top level of managers in the organization, i.e. regional vice presidents, country managers and directors. This group has an obligation to disseminate knowledge within their organizations. The goal is 100% training of all employees. The training will be continued in 2010/2011.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Training in anti-corruption and anti-trust policies and procedures for sourcing,sales and finance organizations.	%	**19**	10	-	-	-

15 – Quality and product safety

Chr. Hansen was approved at all audits in 2009/2010. The approval ratings we received were either “passed” or in the high performance end, if scored. The number of customer complaints increased between 2008/2009 and 2009/2010 by approximately 1%. The 10% reduction goal in number of complaints will be maintained in 2010/2011.

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Customer and authority audits	Number	**95**	67	73	41	-
Customer and authority audits passed	%	**100**	100	100	100	-
Customer complaints	Number	**2,308**	2,275	2,637	2,742	3,165

16 – Product retrievals

There are no specific trends in the number of product retrievals. We continuously improve our processes to prevent quality[1], legal and product safety issues, and we test the robustness of our retrieval system periodically through mock recalls. Chr. Hansen also surveys EU and US food authority alerts. In 2009/2010 we had 4 withdrawals from customers due to quality issues in relation to colors and enzymes. We had no products recalls.

Food safety hazard	**Reason for product withdrawal in 2009/2010**
Quality [1]	1) Too high turbidity in color 2) Loss of strength of enzyme 3) Wrong shade of color 4) Loss of activity of enzyme
Product safety	None
Legal	None

	Unit	**2009/2010**	2008/2009	2007/2008	2006/2007	2005/2006
Product retrievals	Number	**4**	6	6	3*	-

1) Quality related recalls does not implicate risks for the consumers.
* One recall in 2006/2007

INDEPENDENT AUDITOR'S REPORT

We have reviewed the Consolidated Non-Financial Figures for 2009/2010 in the Consolidated Non-Financial Statements of Chr. Hansen Holding A/S for 2009/2010, as expressed on pages 141-151.

CRITERIA FOR PREPARATION OF THE CONSOLIDATED NON-FINANCIAL FIGURES

The criteria for preparation of the Consolidated Non-Financial Figures in the Consolidated Non-Financial Statements are the accounting policies for the figures described on pages 142-143. These contain information concerning which of Chr. Hansen's business areas and activities are included in the reporting, types of data, and Corporate Management's reasons for choosing the data included. The Consolidated Non-Financial Figures are factored in accordance with these accounting policies.

DELEGATION OF RESPONSIBILITY

Corporate Management is responsible for preparing the Consolidated Non-Financial Statements, including establishing registration and internal control systems with a view to ensuring reliable reporting, specifying acceptable reporting criteria as well as choosing data to be collected. Our responsibility is, on the basis of our work, to express an opinion on the Consolidated Non-Financial Figures for 2009/2010 in the Consolidated Non-Financial Statements.

SCOPE OF OUR WORK

We have planned and completed our work in accordance with the International Auditing Standard ISAE 3000 (assurance engagements other than audits or review of historical financial information) to obtain limited assurance that the Consolidated Non-Financial Figures for 2009/2010 on pages 144-151 have been computed in accordance with the stated criteria for preparation of the Consolidated Non-Financial Figures in the Consolidated Non-Financial Statements for 2009/2010. The obtained assurance is limited compared to that of an engagement with reasonable assurance.

Our work has thus – based on assessment of materiality and risk – comprised inquiries regarding applied registration systems and procedures, review of data used in connection with preparation of the Consolidated Non-Financial Figures for 2009/2010, review of underlying documentation, including review of whether the scope of the 2009/2010 Consolidated Non-Financial Statements complies with described accounting policies for the Consolidated Non-Financial Figures for 2009/2010.

CONCLUSION REGARDING THE CONSOLIDATED NON-FINANCIAL FIGURES FOR 2009/2010

Based on our review, nothing has come to our attention that causes us to believe that the Consolidated Non-Financial Figures for 2009/2010 in the Consolidated Non-Financial Statements of Chr. Hansen Holding A/S for 2009/2010 have not been presented in accordance with the stated criteria for the Consolidated Non-Financial Figures.

COPENHAGEN, 2 NOVEMBER 2010

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Birgitte Mogensen
State Authorized Public Accountant

GLOSSARY

Bacterial strains	Subsets of bacterial species differing from other bacteria of the same species by some identifiable difference.
Bacteriophage	Any virus that infects bacteria. Can be used as an alternative to antibiotics. Bacteriophages are a major problem in the dairy industry due to their ability to inhibit starter cultures.
Bioscience	The functions or problems of living organisms.
Bulk starter	A starter culture made by the dairies.
Compounding	The process of combining different bacterial strains to produce a starter culture.
Culture	The growing of microorganisms in a specially prepared nutrient medium and the resultant growth.
Diacetyl	A compound that is a natural byproduct of fermentation that gives butter its characteristic taste and is used in the manufacturing of natural and artificial flavors.
Direct Vat Set (DVS®)	A highly concentrated culture added directly to the cheese vat eliminating the need for dairies to produce their own bulk starter cultures.
EFSA	European Food Safety Authority—the EU risk assessment body for food and feed safety.
Gastrointestinal infections	Illnesses with a spectrum of severity caused by ingestion of harmful bacteria or their over abundance in the gut.
Immune health	The result of the action of cells that protect against disease by distinguishing pathogens and tumor cells from the organism's own healthy cells and tissues and killing the pathogens or tumor cells.
Industrial cultures	Starter cultures for the industry produced by starter culture companies such as Chr. Hansen.
Innovative cultures	New microorganisms or combinations of microorganisms.
Intestinal flora	Microorganisms that live in the digestive tract
Lactic acid bacteria (LAB)	Acid-tolerant, generally non-sporulating, generally non-respiring bacteria that are associated by their common metabolic and physiological characteristics, found in decomposing plants and lactic products which produce lactic acid as the major metabolic end-product of carbohydrate fermentation.

GLOSSARY

Lactobacillus	A genus of bacteria that converts lactose and other sugars to lactic acid and used to restore a particular physiological balance. In humans it is present in the vagina and the gastrointestinal tract, where it is symbiotic and makes up a small portion of the naturally occurring flora; some species are used in the production of dairy products.
Lactose	A disaccharide that consists of galactose and glucose residues bonded through a glycosidic linkage and found in milk.
Microbial flora	The total population of microorganisms inhabiting a particular environment or niche (such as the intestines).
Natural color solutions	Food colorings extracted from natural sources such as roots, seeds and berries.
Physiology	The science of the chemical and physical functioning of living systems, a subcategory of biology.
Probiotics	Cultures with additional health benefits. Probiotic means “for life”. Probiotics ared used in both food products, especially in the dairy industry (served through our Cultures & Enzymes Division), and in dietary supplements and animal feed (served through our Health & Nutrition Division).
Rennet	A natural complex of enzymes produced in any mammalian stomach to digest the mother’s milk, and is often used in the production of cheese.
Silage	Fermented, high-moisture fodder that can be fed to ruminants (cud-chewing animals like cattle and sheep) or used as a biofuel feedstock for anaerobic digesters. It is fermented and stored in a process called ensiling or silaging, and is usually made from grass crops, including corn or sorghum or other cereals.
Starter cultures	Microbiological cultures which are intentionally added to a substrate to initiate fermentation.
Strain selection	The selection of certain groups of microorganisms (or strains) based on specific characteristics.
Texture	The feel of a surface. Texture refers to the properties held and sensations caused by the surface of e.g. yogurt.
Viscosity	A measure of the resistance of a fluid which is being deformed by mechanical treatment such as stirring. Typically refers to the ‘thickness’ of yogurt or color product.

Board of Directors

OLE ANDERSEN
Professional board member
Born 1956. Independent

Chairman of the Board
since March 2010. Term expires 2010

Chairman of the Remuneration and the Nomination Committees
Member of the Audit Committee

Other board positions:
Chairman: ISS Holding A/S, Privathospitalet Hamlet A/S
Member: Kommunekemi A/S, Georg Jensen A/S, Bang & Olufsen A/S, Danske Bank A/S

Competencies: Professional experience in managing large financial and international companies. Financial and economic expertise. Extensive Board experience, including from listed companies.

FRÉDÉRIC STÉVENIN
Partner at PAI partners
Born 1966

Vice Chairman
member of the Board since 2005 (Chairman until March 2010)
Re-elected 2009, term expires 2010

Member of the Remuneration and the Nomination Committees

Other board positions:
Member: PAI partners UK, Yoplait SAS, Yoplait France, Yoplait Marques International, Sodima, Ladybird Inc., Kaufman & Broad and several United Biscuits entities, and Pasteur Cerba group companies

Competencies: Professional experience in investing in large international companies. Financial and accounting expertise. Extensive Board experience, including from listed companies.

ALICE DAUTRY
President and Chief Executive Officer of Institut Pasteur
Born 1950. Independent

Member of the Board
since March 2010, term expires 2010

Member of the Remuneration and Nomination Committees

Other board positions:
Member: Sanofi Pasteur S.A, Bio-rad Pasteur S.A., Institut Pasteur de Lille, Institut Curie, Anrs, Conseil Pasteur-Weizmann, Medicen, Ecole Normale Supérieure de Cachan, Ecole Polytechnique and Leem Recherche

Competencies: Professional experience in managing major research institutions. A strong scientific background within immune health and microbiology.

HENRIK POULSEN
Chief Executive Officer of TDC A/S
Born 1967. Independent

Member of the Board
since March 2010, term expires 2010

Chairman of the Audit Committee

Other board positions:
Chairman: Fullrate Holding ApS, Tele & Teknik Holding ApS, YouSee A/S, Sunrise Communications AG

Member: Denmark-America Foundations, Confederation of Danish Industry (DI), Advisory Council of Danske Bank A/S

Competencies: Executive experience from FMCG, private equity, and telco industries with an emphasis on corporate restructuring, innovation and sales & marketing.

GAËLLE D'ENGREMONT
Principal of PAI partners
Born 1975

Member of the Board
since 2009, re-elected 2009, term expires 2010

Member of the Audit Committee

Other Board positions:
Member: Financière Star 1, United Biscuits Topco Limited, Perstorp AB

Competencies: Professional experience in investing in mid to large size international companies. Financial and accounting expertise.

LIONEL ZINSOU
Chief Executive Officer of PAI partners
Born 1954

Member of the Board
since 2009, re-elected 2009, term expires 2010

Other Board positions:
Chairman: Domaines Barons de Rothschild, Member: Institut Pasteur, Yoplait SAS, Yoplait France, Yoplait Marques International, Sodima, Capucine Investissement, Financière Capucine 3, SPIE SA, Kaufman & Broad S.A, Atos Origin, PAI Europe III General Partners, PAI Europe IV General Partner, PAI Europe V General Partner and Financière Spie

Competencies: Professional experience in management of consumer and financial companies.
Financial and economic expertise
Extensive Board experience.

JØRGEN O. NIELSEN
Director, People Operations, Chr. Hansen
Born 1948

Employee representative
Member of the Board since August 2010
Term expires 2014

SVEND LAULUND
Manager. External Affairs, Chr. Hansen
Born 1954

Employee representative
Member of the Board since 2006
Re-elected 2010. Term expires 2014

MARTIN GERHARD SEIDEL
Business Analyst, Chr. Hansen
Born 1971

Employee Representative
Member of the Board since 2006
Re-elected 2010. Term expires 2014

Executive Board

LARS FREDERIKSEN
Chief Executive Officer
Born 1958

Education
M.Sc. Economics and
Business Administration

Joined Chr. Hansen in 1980

Board positions:
Member: The Central Board of the
Confederation of Danish Industries (DI)
Investment firm affiliations:
Digevej Invest ApS

HENNING JAKOBSEN
Chief Financial Officer
Born 1960

Education
Business Degree in Finance
and Business Administration

Joined Chr. Hansen in 2006

Investment firm affiliations:
P. & H, Jakobsen Holding ApS

HENRIK DALBØGE
Executive Vice President,
Health & Nutrition Division
Born 1956

Education
M.Sc. Molecular Biology,
Lic.Scient., Ph.D. Biotechnology

Joined Chr. Hansen in 2006

KNUD VINDFELDT
Executive Vice President,
Cultures & Enzymes Division
Born 1963

Education
Master of Dairy Science,
Bachelor of International Business

Joined Chr. Hansen in 1991

CARSTEN HELLMANN
Executive Vice President,
Global Sales and Colors & Blends Division
Born 1964

Education
B.Sc. Business Administration,
M.Sc. Information Management

Joined Chr. Hansen in 2006

Board positions:
Chairman: Pro-Meduc Group A/S
Member: The Health Policy Board of the
Confederation of Danish Industries (DI)

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