

# INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

## YTD 2019/20 IN BRIEF

APRIL 16, 2020



### GROWTH MOMENTUM AND EBIT MARGIN IMPROVED IN Q2 AS EXPECTED, FULL-YEAR OUTLOOK MAINTAINED

Organic revenue growth of 5% in Q2, corresponding to 4% EUR growth, with an improving momentum in all areas as expected: Food Cultures & Enzymes 5%, Health & Nutrition 8% and Natural Colors 1%, lifting the group organic revenue growth in the first six months of 2019/20 to 3%. In Q2 EBIT before special items increased by 6% to EUR 83 million, and EBIT margin before special items increased to 28.2%. The full-year outlook is unchanged.

EUR million	Q2 2019/20	Q2 2018/19	Growth	YTD 2019/20	YTD 2018/19	Growth
Revenue	294.7	283.7	4%	567.1	553.2	3%
EBIT before special items	83.2	78.8	6%	153.3	149.6	2%
Profit for the period	58.9	58.0	2%	108.8	109.1	0%
Free cash flow before acquisitions and special items	47.4	40.1	18%	41.1	7.6	441%
Organic growth, %	5%	8%		3%	9%	
Gross margin, %	54.9%	54.7%		55.1%	54.8%	
EBIT margin before special items, %	28.2%	27.8%		27.0%	27.0%	
ROIC excl. goodwill, %	31.8%	33.3%		30.2%	32.8%	

CEO Mauricio Graber says: "We are pleased that all three business areas improved the growth momentum in Q2, as expected. Food Cultures & Enzymes delivered solid organic growth as we continue to deliver advanced technology that can help our customers innovate, improve food quality, reduce waste and drive down costs. Especially innovative dairy enzymes, like CHY-MAX<sup>®</sup> Supreme and NOLA<sup>®</sup> Fit are doing very well, and bioprotection grew approximately 15% in Q2. In Health & Nutrition, Animal Health continued to perform strongly driven by BOVAMINE<sup>®</sup> Dairy probiotics; and Human Health also delivered solid growth. Natural Colors showed positive growth, despite continued negative raw material price impacts and challenging market conditions, as growth and profitability of FRUITMAX<sup>®</sup> was strong.

"Our Q2 EBIT margin before special items was up by 0.4%-point, and as we continue to see scalability benefits in production, we have also managed costs carefully while sustaining investments in growth opportunities and innovation across our three business areas. Growth in free cash flow before acquisitions and special items in Q2 was 18%. Our cash position is very strong, and we have more than two year's free cash flow worth of committed, undrawn credit facilities. Our policy of paying out 40-60% of net profits as ordinary dividends is unchanged.

"The second quarter was in line with our expectations. The COVID-19 outbreak in China did not have a material impact on our business in Q2, however, it is clear that we will see both favorable and unfavorable impacts in the second half of the year, as the virus has spread globally. Chr. Hansen is part of the global food supply chain and has strong offerings for the food, health and nutrition industries. Customers are securing safety inventories to ensure supply continuity to consumers that are buying more at grocery retail as they comply with stay at home government directives. The health and safety of our employees and continuity of service to our customers are our primary concerns, but so far we have managed to have all our production sites running at normal operations and have also continued to deliver on customer commitments. Based on the business performance in the first part of the year, we maintain our guidance for the full year, although subject to greater macroeconomic uncertainty due to COVID-19. We also postpone the CMD to focus on business continuity and operations."

### OUTLOOK FOR 2019/20

The full-year outlook is maintained, but assumes no significant supply disruption from COVID-19.

	April 16, 2020	January 15, 2020
Organic revenue growth	4-6%	4-6%
EBIT margin before special items	Around 29.5%	Around 29.5%
Free cash flow before acquisitions, divestments and special items	Around EUR 190 million	Around EUR 190 million

The guidance for EBIT margin before special items and for free cash flow before acquisitions, divestments and special items assumes constant currencies from the time of this announcement and for the remainder of the financial year.

# FINANCIAL HIGHLIGHTS AND KEY FIGURES

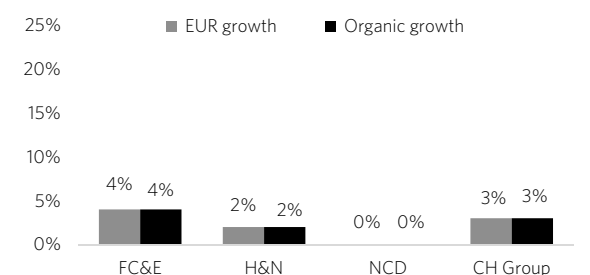
	Q2 2019/20	Q2 2018/19	Growth	YTD 2019/20	YTD 2018/19	Growth
<b>Income statement, EUR million</b>						
Revenue	294.7	283.7	4%	567.1	553.2	3%
Gross profit	161.7	155.1	4%	312.4	303.0	3%
EBIT before special items	83.2	78.8	6%	153.3	149.6	2%
Special items	(1.4)	(0.5)	180%	(2.2)	(1.0)	120%
EBIT	81.8	78.3	4%	151.1	148.6	2%
Profit for the period	58.9	58.0	2%	108.8	109.1	0%
<b>Financial position, EUR million</b>						
Total assets				2,109.8	1,926.1	
Invested capital				1,844.2	1,738.7	
Net working capital				265.0	249.5	
Equity				782.2	772.5	
Net interest-bearing debt				879.2	785.0	
<b>Cash flow and investments, EUR million</b>						
Cash flow from operating activities	72.1	69.7	3%	94.0	66.6	41%
Cash flow used for investing activities	(31.2)	(30.1)	(4)%	(65.7)	(69.3)	5%
Free cash flow	40.9	39.6	3%	28.3	(2.7)	n/a
Free cash flow before acquisitions and special items	47.4	40.1	18%	41.1	7.6	441%
<b>Earnings per share, EUR</b>						
EPS, diluted	0.45	0.44	2%	0.82	0.83	(1)%
<b>Key ratios</b>						
Organic growth, % *	5	8		3	9	
Gross margin, %	54.9	54.7		55.1	54.8	
Operating expenses, %	26.6	26.9		28.1	27.7	
EBITDA margin before special items, %	34.7	33.4		33.7	32.8	
EBIT margin before special items, %	28.2	27.8		27.0	27.0	
EBIT margin, %	27.8	27.6		26.6	26.9	
ROIC excl. goodwill, %	31.8	33.3		30.2	32.8	
ROIC, %	18.4	18.4		17.3	17.9	
NWC, %	22.6	22.0		22.6	22.0	
R&D, %	7.6	7.5		8.0	7.6	
Capital expenditures, %	8.9	10.6		9.7	10.8	
Net debt to EBITDA before special items				2.1x	2.0x	

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

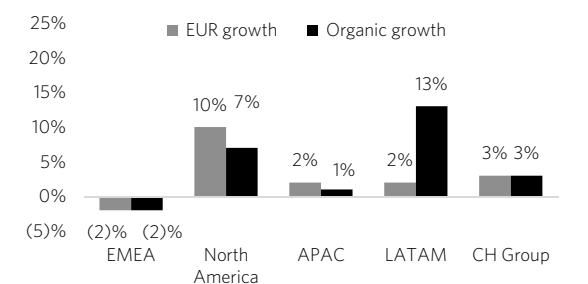
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## YTD 2019/20 RESULTS

### REVENUE GROWTH BY BUSINESS - YTD



### REVENUE GROWTH BY REGION - YTD



### MARKET DEVELOPMENT

The end markets for fermented milk grew by around 1% in the first six months of 2019/20, driven by Europe, while North America, Asia-Pacific and Latin America declined slightly.

The global production of cheese also grew by around 1%, broadly driven by all regions. Globally, pricing structures slightly favor cheese production over available alternatives such as milk powders.

The overall market for probiotics for human health is estimated to have grown by 5-7%, with the strongest growth in infant formula applications and a lower momentum in the market for dietary supplements.

The market for microbial-based solutions for animal health developed favorably overall, supported by an increased focus on reducing the use of antibiotics in livestock production. Milk prices in North America supported the probiotics business for dairy cattle. Increased pork production and higher prices of pork in Europe and North America, driven in part by the reduced supply of pork in Asia due to African Swine Fever, also supported demand for microbial products.

Conversion to natural colors continued across most segments, particularly driven by coloring foodstuffs such as FRUITMAX®. Absent new regulation to influence conversion, consumer demand for cleaner food labels is a key driver for the inclusion of natural colors. Raw material prices for key pigments (carmine and annatto) remained very low, impacting the pricing environment for natural colors negatively.

### REVENUE

Organic growth was 3%, corresponding to a revenue increase of 3% to EUR 567 million. Organic growth was primarily driven by volume/mix effects, with a slight positive impact from price increases in local currencies.

In Q2 organic growth was 5% adjusted for a negative currency impact of 1% corresponded to a revenue increase of 4%, and was primarily driven by volume/mix effects.

REVENUE	Q2	YTD
	2019/20	2019/20
Organic growth (vol/mix)	5%	3%
Organic growth (price)	0%	0%
<b>Organic growth</b>	<b>5%</b>	<b>3%</b>
Currencies	(1)%	0%
<b>EUR growth</b>	<b>4%</b>	<b>3%</b>

### REVENUE BY REGION

#### EMEA (Europe, Middle East and Africa)

Organic growth was negative 2% and corresponded to a revenue decrease of 2%, impacted negatively particularly by the Middle East, whereas Europe was positive. Food Cultures & Enzymes delivered good growth, while Health & Nutrition and Natural Colors declined. Health & Nutrition declined, primarily due to dietary supplements. Natural Colors declined due to lower raw material prices and lower volumes in selected pigments, especially in emerging markets.

In Q2, organic growth was flat and corresponded to a revenue on par with last year. Organic growth was driven by good growth in Food Cultures & Enzymes while Health & Nutrition declined slightly, and Natural Colors was impacted by declining raw material pigment prices and adverse trading conditions in emerging markets.

#### North America

Organic growth was 7% and adjusted for a positive currency impact of 3% corresponded to a revenue increase of 10%. Organic growth was driven by very strong growth in Health & Nutrition primarily due to very strong growth in Animal Health

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## YTD 2019/20 RESULTS

driven by Cattle and BOVAMINE® Dairy, but also by strong growth in Human Health, driven by recent product launches. Natural Colors delivered good growth driven by FRUITMAX®, while Food Cultures & Enzymes was flat, as cheese production remains high but with limited market growth.

In Q2, organic growth was 7% and adjusted for a positive currency impact of 2% corresponded to a revenue increase of 9%. Organic growth was driven by very strong growth in Health & Nutrition, good growth in Natural Colors while Food Cultures & Enzymes was flat.

### APAC (Asia-Pacific)

Organic growth was 1% and adjusted for a positive currency impact of 1% corresponded to a revenue increase of 2%. Food Cultures & Enzymes was flat as strong growth in fermented milk was mostly offset by a decline in probiotics in China. Natural Colors delivered good growth, and Health & Nutrition delivered slight growth.

In Q2, organic growth was 5% and corresponded to a revenue increase of 5%. Food Cultures & Enzymes declined slightly as solid growth in fermented milk in the region was offset by a decline in probiotics in China. Health & Nutrition and Natural Colors delivered strong growth, despite both areas contracting in China. The COVID-19 outbreak in China only had a minor negative impact on revenues in Q2 overall.

### LATAM (Latin America)

Organic growth was 13% and adjusted for a negative currency impact of 11% corresponded to a revenue increase of 2%. EUR-based pricing contributed positively to organic growth. Organic growth was driven by very strong growth in Food Cultures & Enzymes, driven especially by the successful launch of CHY-MAX® Supreme, and solid growth in Natural Colors driven by customer wins. Health & Nutrition declined, as expected, due to timing of orders in Plant Health and less revenue than expected from the soy season.

In Q2, organic growth was 16% and adjusted for a negative currency impact of 12% corresponded to a revenue increase of 4%. EUR-based pricing contributed positively to organic growth. Organic growth was driven by very strong growth in Food Cultures & Enzymes and Natural Colors, while Health & Nutrition declined as the soy season in Latin America resulted in less revenue than expected.

### GROSS PROFIT

Gross profit was EUR 312 million, a 3% increase from EUR 303 million in the first six months of 2018/19. The gross margin

increased by 0.3%-point to 55.1%, driven by Food Cultures & Enzymes and Natural Colors and partly offset by Health & Nutrition. In Food Cultures & Enzymes, scalability benefits drove the margin improvement and in Natural Colors lower raw material prices drove the margin increase.

In Q2, gross profit was EUR 162 million, up 4% on 2018/19. The gross margin increased by 0.2%-point to 54.9%, driven by Food Cultures & Enzymes and Natural Colors, partly offset by Health & Nutrition.

### OPERATING EXPENSES (% OF REVENUE)

Operating expenses increased by 4% and totaled EUR 159 million (28.1% of revenue), compared to EUR 153 million (27.7%) in the first six months of 2018/19.

Research & development (R&D) expenses including amortization and depreciation amounted to EUR 43 million (7.6%), compared to EUR 39 million (7.1%) in the first six months of 2018/19.

Total R&D expenditures incurred amounted to EUR 45 million (8.0%), compared to EUR 42 million (7.6%) in the first six months of 2018/19. The increase in cost relative to sales was primarily driven by increased activities in Food Cultures & Enzymes and Plant Health.

EUR million	Q2 2019/20	Q2 2018/19
R&D expenses (P&L)	42.9	39.3
- Amortization	3.7	3.7
- Impairment	-	0.2
+ Capitalization	6.0	6.6
<b>R&amp;D expenditures incurred</b>	<b>45.2</b>	<b>42.0</b>

Sales & marketing expenses amounted to EUR 83 million (14.5%), compared to EUR 77 million (13.9%) in the first six months of 2018/19. The increase was primarily driven by investments in strategic priorities in Food Cultures & Enzymes and Health & Nutrition.

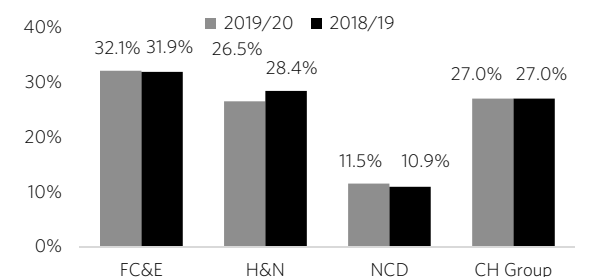
Administrative expenses were EUR 36 million (6.3%), compared to EUR 39 million (7.0%) in the first six months of 2018/19. The lower spend was driven by cost management initiatives.

Net other operating income was EUR 2 million, compared to EUR 1 million in the first six months of 2018/19.

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## YTD 2019/20 RESULTS

### EBIT MARGIN B.S.I. - YTD



In Q2, total operating expenses were EUR 79 million (26.6%), compared to EUR 76 million (26.9%) in 2018/19.

### OPERATING PROFIT (EBIT) BEFORE SPECIAL ITEMS

EBIT before special items amounted to EUR 153 million, compared to EUR 150 million in the first six months of 2018/19, an increase of 2%. The increase was driven by Food Cultures & Enzymes and Natural Colors and partly offset by Health & Nutrition.

The EBIT margin before special items was 27.0%, on par with the first six months of 2018/19. EBIT margins in Food Cultures & Enzymes and Natural Colors increased, and the margin in Health & Nutrition decreased compared to last year. Currencies had an immaterial impact.

In Q2 the EBIT margin before special items was 28.2%, up from 27.8% last year, driven by cost management initiatives, primarily in Health & Nutrition.

### SPECIAL ITEMS

Special items were EUR 2 million, compared to EUR 1 million in the first six months of 2018/19, primarily related to costs associated with Bacthera, the recently launched JV with Lonza AG and other strategic projects.

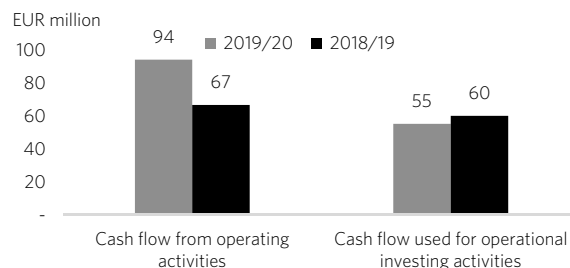
In Q2, special items were EUR 1 million, on par with last year.

### OPERATING PROFIT (EBIT)

EBIT amounted to EUR 151 million, compared to EUR 149 million, and the EBIT margin was 26.6%, compared to 26.9% in the first six months of 2018/19.

In Q2, the EBIT margin was 27.8%, compared to 27.6% last year.

### CASH FLOW - YTD



### NET FINANCIALS, SHARE OF JV AND TAX

Net financial expenses amounted to EUR 8 million, compared to EUR 7 million in the first six months of 2018/19. Net interest expenses were EUR 3 million, down from EUR 4 million last year. The interest expense from the implementation of IFRS 16 leasing was EUR 2 million.

The net impact from exchange rate adjustments was negative at EUR 1 million, mainly due to unrealized losses from DKK depreciating against EUR.

The Bacthera JV produced a EUR 2 million loss to Chr. Hansen. The JV was launched in September 2019, so there is no comparison from last year. The loss was in line with expectations.

Income taxes were EUR 33 million, equivalent to an effective tax rate of 23%, unchanged compared to the first six months of 2018/19.

### PROFIT FOR THE PERIOD

Profit for the period was EUR 109 million, compared to EUR 109 million in the first six months of 2018/19. In Q2, profit was EUR 59 million, compared to EUR 58 million last year.

### ASSETS

At February 29, 2020, total assets amounted to EUR 2,110 million, compared to EUR 1,926 million the year before.

Total non-current assets amounted to EUR 1,653 million, compared to EUR 1,497 million at February 28, 2019. Property, plant and equipment increased by EUR 143 million, while intangible assets decreased by EUR 2 million. The increase was driven by the sale-and-lease-back of the Company's main site in Hørsholm, Denmark, and the implementation of IFRS 16 for leased assets, in total around EUR 100 million, and as well as investments in the microbial platform.

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## YTD 2019/20 RESULTS

Total current assets amounted to EUR 457 million, compared to EUR 429 million at February 28, 2019. Inventories increased by EUR 4 million, or 2%, and receivables were up by EUR 10 million, or 5%. Cash increased by EUR 15 million to EUR 69 million.

### NET WORKING CAPITAL

Net working capital was EUR 265 million, or 22.6% of revenue, compared to EUR 250 million, or 22.0%, in the first six months of 2018/19. The increase in the percentage of revenue was due to higher inventories and receivables, and lower trade payables.

### EQUITY

Total equity amounted to EUR 782 million at February 28, 2019, compared to EUR 773 million a year earlier. An ordinary dividend for the 2018/19 financial year totaling EUR 124 million was paid out on December 2, 2019.

### NET DEBT

Net interest-bearing debt amounted to EUR 879 million, or 2.1x EBITDA, compared to EUR 785 million or 2.0x EBITDA last year.

### RETURN ON INVESTED CAPITAL (ROIC) EXCLUDING GOODWILL

The return on invested capital excluding goodwill was 30.2%, compared to 32.8% in the first six months of 2018/19. More than 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital excluding goodwill increased to EUR 1,073 million (including IFRS 16 leased assets of around EUR 44 million), compared to EUR 968 million last year, mainly due to investments in the microbial production platform.

### CASH FLOW

Cash flow from operating activities was EUR 94 million, compared to EUR 67 million in the first six months of 2018/19. The improvement was primarily driven by a favorable change in net working capital, IFRS 16 adjustments, lower taxes paid and higher operating profit.

Cash flow used for operational investing activities was EUR 55 million, or 9.7% of revenue, compared to EUR 60 million, or 10.8% of revenue, in the first six months of 2018/19.

Free cash flow before acquisitions and special items was EUR 41 million, compared to EUR 8 million from the first six months of 2018/19. The improvement was driven by the positive cash flow from operating activities.

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

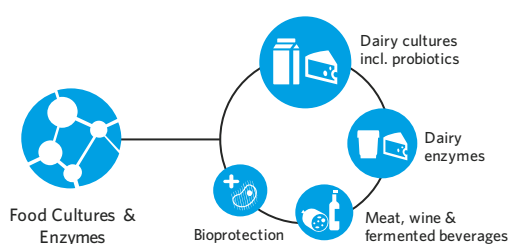
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## SEGMENT INFORMATION

### FOOD CULTURES & ENZYMES

#### 60% OF REVENUE

EUR million	Q2 2019/20	Q2 2018/19	YTD 2019/20	YTD 2018/19
Revenue	172.5	166.0	338.6	327.1
Organic growth	5%	11%	4%	10%
EBIT	55.6	53.3	108.8	104.3
EBIT margin	32.2%	32.1%	32.1%	31.9%
ROIC excluding goodwill			37.1%	39.1%



#### REVENUE

Organic growth for the first six months of 2019/20 was 4% corresponding to a revenue increase of 4%. Organic growth comprised 3% from volume/mix and 1% from price increases in local currencies. The price increases were achieved partly by using EUR-based pricing in certain countries.

The organic growth was primarily driven by continued solid growth in core categories such as fermented milk, cheese, enzymes and meat cultures. In enzymes, growth was driven by the launch of CHY-MAX® Supreme, and by continued growth of the NOLA® Fit lactase enzyme. Probiotics declined, primarily driven by consumers down-trading in China. Normalization of inventory levels in the distribution chain in Q1 impacted growth negatively (by an estimated 1%-point).

Bioprotective cultures delivered double digit organic growth. Growth was driven by the existing segments within fermented milk and meat, and was primarily driven by 2<sup>nd</sup> generation products.

In Q2, organic growth was 5% and adjusted for a negative currency impact of 1% corresponded to a revenue increase of 4%. Organic growth comprised 4% from volume/mix and 1% from price increases. Organic growth was primarily driven by strong growth in meat cultures, and solid growth in fermented milk, cheese and enzymes, while probiotics declined. Several commercial projects were won in the new area of plant-based dairy alternatives. Bioprotection delivered organic growth of approximately 15%.

#### EBIT

EBIT amounted to EUR 109 million, compared to EUR 104 million in the first six months of 2018/19. The EBIT margin was 32.1%, up 0.2%-point compared to last year. The increase was driven primarily by scalability benefits in production.

In Q2, the EBIT margin was 32.2%, up by 0.1% compared to last year, driven primarily by scalability benefits in production.

#### ROIC EXCLUDING GOODWILL

The return on invested capital excluding goodwill was 37.1%, compared to 39.1% in 2018/19. More than 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital excluding goodwill increased by EUR 46 million, or 8%, to EUR 609 million. The increase was mainly due to investments in production capacity.

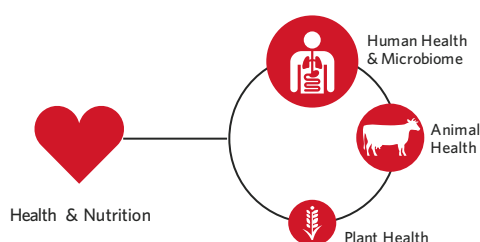
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## SEGMENT INFORMATION

### HEALTH & NUTRITION

#### 21% OF REVENUE

EUR million	Q2 2019/20	Q2 2018/19	YTD 2019/20	YTD 2018/19
Revenue	67.1	62.5	121.0	118.1
Organic growth	8%	6%	2%	11%
EBIT	21.5	19.5	32.1	33.5
EBIT margin	32.1%	31.0%	26.5%	28.4%
ROIC excluding goodwill			21.5%	25.3%



#### REVENUE

Organic growth for the first six months of 2019/20 was 2%, corresponding to a revenue increase of 2%, mainly due to volume/mix. Human Health declined slightly, while Animal Health delivered very strong growth. Plant Health also declined due to the timing of orders.

The slight decline in Human Health consisted of good growth in dietary supplements, offset by a decline in infant formula from timing of order impacts in Q1.

Animal Health delivered strong growth, driven by very strong growth in Cattle, and solid growth in Poultry & Swine. Dairy farmer economics in North America have improved and sales were supported by the roll-out of a new product, BOVAMINE® Dairy Plus probiotic.

In Q2, organic growth was 8%, and adjusted for a negative currency impact of 1% corresponded to a revenue increase of 7%, almost all from volume/mix. Human Health delivered solid growth driven by both dietary supplements and infant formula. Sales of the newly launched probiotic blend to help support the health and development of intestines in pre-term infants generated strong growth in North America but was partly offset by lower sales to infant formula in APAC.

Animal Health delivered strong growth in both Cattle and Poultry & Swine as farmer economics supported higher adoption of animal probiotics, in part driven by higher pork production and prices in North America and Europe driven by the reduced supply of pork in Asia following the African Swine Fever.

Plant Health declined as sales for the soy season in Latin America were impacted by less sales activity than expected, and most of the sales for the year 2019/20 are now expected in Q4. Growth in Plant Health for the full year is expected to be driven by especially Quartzo™ in Latin America.

In the Bacthera JV, the two first customer contracts were signed for early-stage feasibility studies.

#### EBIT

EBIT amounted to EUR 32 million, compared to EUR 34 million in the first six months of 2018/19. The EBIT margin was 26.5%, down 1.9%-points compared to last year. The decrease was primarily driven by the relatively low revenue growth in Q1 and the increased R&D expenses in Plant Health.

In Q2, the EBIT margin was 32.1%, up by 1.1%-point compared to last year, primarily driven by cost management initiatives and partly offset by increased R&D expenses in Plant Health.

#### ROIC EXCLUDING GOODWILL

The return on invested capital excluding goodwill was 21.5%, compared to 25.3% in 2018/19. Around 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital excluding goodwill increased by EUR 29 million, or 11%, to EUR 302 million. The increase was due to investments in production capacity for Human Health.



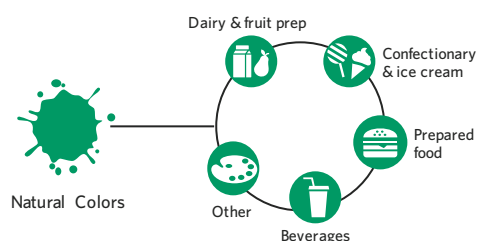
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## SEGMENT INFORMATION

### NATURAL COLORS

#### 19% OF REVENUE

EUR million	Q2 2019/20	Q2 2018/19	YTD 2019/20	YTD 2018/19
Revenue	55.1	55.2	107.5	108.0
Organic growth	1%	5%	0%	5%
EBIT	6.1	6.0	12.4	11.8
EBIT margin	11.0%	11.0%	11.5%	10.9%
ROIC excluding goodwill			17.1%	19.4%



#### REVENUE

Organic growth for the first six months of 2019/20 was flat, and reported revenues were on par with last year. Volumes increased by 2% but were offset by lower prices.

FRUITMAX® continued to grow strongly, particularly in EMEA and North America, but was offset by a decline in traditional natural colors, primarily driven by continued low raw material prices for carmine and annatto, impacting pricing of natural colors negatively.

Organic growth was solid in LATAM and good in North America and APAC while EMEA declined, mainly driven by lower raw material prices and a challenging economic climate in emerging markets impacting demand for natural colors.

In Q2 organic growth was 1%, and adjusted for a negative currency impact of 1% corresponded to revenue on par with last year. Organic growth comprised approximately 3% from volume/mix effects and a negative 2% from pricing. FRUITMAX® delivered very strong growth in most regions, while traditional natural colors declined as low raw material prices for carmine and annatto impacted selling pricing negatively.

#### EBIT

EBIT amounted to EUR 12 million, compared to EUR 12 million in the first six months of 2018/19. The EBIT margin was 11.5%, up 0.6%-point compared to last year. The increase was mainly driven by lower raw material prices.

In Q2 the EBIT margin was 11.0% and unchanged compared to last year. Lower raw material prices were offset, mainly by currencies.

#### ROIC EXCLUDING GOODWILL

The return on invested capital was 17.1%, compared to 19.4% in 2018/19. Around 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital increased by EUR 30 million, or 23%, to EUR 162 million. The increase was primarily driven by the investments in the US footprint and new investments in the application center in France.

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## **OUTLOOK FOR 2019/20**

### **COVID-19**

The rapid developments in the COVID-19 pandemic did not impact the Q2 results in a significant way, and how COVID-19 impacts the rest of the year is very difficult to predict as various effects will impact over varying time horizons. Short-term, a number of customers have been securing or even increasing their safety stock levels following the outbreak, creating extraordinary demand that is expected to normalize over time.

On the consumer demand side, the food and health industries are generally very stable industries, however, the food service industry is experiencing severely reduced demand for all food products for on-premise consumption, but this demand is expected to largely or even fully shift to take-away and home consumption. A global recession, or other negative macroeconomic events, triggered by COVID-19 may affect demand negatively in the mid-term, especially in emerging markets.

The various quarantine measures and travel restrictions already imposed around the world make it more difficult to visit customers to advance projects with new innovative solutions, a very important growth driver for Chr. Hansen, and this will slow the progress of the commercial project pipeline in the mid-term.

In addition to the Other Assumptions listed below, specifically related to COVID-19, the guidance for the year assumes that Chr. Hansen and key customers can maintain production and transport products at current levels, and that the situation does not deteriorate or impose restrictions on the flow of goods and hence our ability to serve customers. The guidance also assumes that there are no major supply disruptions in neither the raw material supply to Chr. Hansen, nor in the raw material supply, such as milk, to our customers. Keeping the food and nutrition industries running is highly important for nations, governments and consumers, and Chr. Hansen is working closely with customers and authorities to secure business continuity. Chr. Hansen is monitoring the situation closely and assessing impacts on a continuous basis, as this is a very dynamic and rapidly changing situation.

### **ORGANIC REVENUE GROWTH**

For 2019/20, expectations to organic growth is maintained at 4-6%. The Microbial Platform, which is the combination of Food Cultures & Enzymes and Health & Nutrition, is expected to grow mid-single digit. Food Cultures & Enzymes is expected to grow significantly above the relatively low end market growth, and with a small positive impact from EUR pricing, but

otherwise the expectations are unchanged. Continued momentum in recently launched innovation, such as CHY-MAX® Supreme and NOLA® Fit, and continued execution on the commercial pipeline will remain the key growth drivers. Expectations for Health & Nutrition are largely unchanged. Natural Colors is now expected to deliver flat to slight organic growth due to continued low raw material prices and COVID-19.

### **EBIT MARGIN BEFORE SPECIAL ITEMS (B.S.I.)**

The EBIT margin b.s.i. is still expected to be around 29.5%. Increased utilization of production capacity in Food Cultures & Enzymes and lower travel activities will have a positive impact on the margin, which is expected to be offset by investments in the lighthouse projects and other strategic priorities, as well as higher freight cost due to COVID-19.

### **FREE CASH FLOW**

Free cash flow before acquisitions and special items is still expected to be around EUR 190 million. Cash flow used for operational investment activities is expected to be slightly higher than the EUR 139 million realized in 2018/19 (excluding the proceeds from the sale-and-lease-back), primarily related to investment phasing from 2018/19 to 2019/20.

### **OTHER ASSUMPTIONS**

The outlook is based on constant currencies and stable raw material prices and assumes no acquisitions. The outlook is also based on the current political and economic environment. Any deterioration in the political and economic climate might impact the outlook negatively. This includes, but is not limited to, the economic climate in several key emerging markets; the risk of a global economic recession; the overall situation in the Middle East, including any potential sanctions; a deepening of the US-China trade tension; an escalation of the US-EU tariff situation; and a disruptive outcome to the EU-UK Brexit negotiations.

### **STRATEGY UPDATE AND CAPITAL MARKETS DAY**

Given Chr. Hansen's strong belief in the opportunities inherent in the current strategy, fundamental changes from our focus on microbial and natural solutions produced via fermentation should not be expected. Due to the extraordinary uncertainty from COVID-19 in the short- and medium-term global macroeconomic environment, the Board of Directors, together with the Executive Board, has decided to postpone the finalization and conclusions of the on-going strategy review. Once the strategy process is finalized, Chr. Hansen intends to host the Capital Market Day which was recently postponed, and until then, the preliminary guidance for organic growth for

# INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

## **OUTLOOK FOR 2019/20**

the group, as announced on January 15, 2020, is mid to high-single digit organic sales growth per year until 2024/25. The long-term ambitions for EBIT before special items and free cash flow until 2021/22, remain in place.

### **SENSITIVITY**

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

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

Organic revenue growth is sensitive to exchange rate fluctuations in currencies for which Chr. Hansen applies a EUR-based pricing model, and to changes in raw material prices for Natural Colors as some contracts are adjusted for movements in raw material prices.

The EBIT margin is also sensitive to exchange rate fluctuations and to changes in raw material prices for Natural Colors. Production in the US and sourcing in USD only partly offset the impact on revenue from changes in the EUR/USD exchange rate. Therefore, the relative EBIT exposure is higher than the revenue exposure. A 5% decrease in the EUR/USD exchange rate would impact EBIT negatively by roughly half of the revenue impact.

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

The use of currency hedging of balance sheet exposures and future cash flows is described in note 4.3 to the Consolidated Financial Statements 2018/19.

# INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

## **ADDITIONAL INFORMATION**

### **CHANGES IN CHR. HANSEN'S EXECUTIVE BOARD**

Regrettably, Søren Westh Lønning, member of the Executive Board and Chief Financial Officer, has decided to pursue his career outside of Chr. Hansen as CFO of a private equity backed, non-competitive company. Søren Westh Lønning has been with Chr. Hansen since 2007, and has been the CFO since 2015. He will leave his position at Chr. Hansen after the full-year report of the 2019/20 financial year. A search for a new CFO will begin immediately, and will consider both internal and external candidates.

Søren Westh Lønning will continue to serve on the Executive Board, together with CEO Mauricio Graber and CSO Thomas Schäfer, for the remainder of his tenure with Chr. Hansen, and his successor will replace him in the Executive Board. The Executive Board is appointed by the Board of Directors and is responsible for the day-to-day management within the guidelines and directions given by the Board of Directors.

# STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Today, the Board of Directors and Executive Board have considered and approved the interim report for Chr. Hansen Holding A/S for the period from September 1, 2019 to February 29, 2020. The interim report has not been audited or reviewed by the Company's independent auditors.

The unaudited interim report has been prepared in accordance with International Financial Reporting Standards and IAS 34 as adopted by the EU, and additional Danish regulations.

In our opinion, the accounting policies used are appropriate and the overall presentation of the interim report is adequate. Furthermore, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at February 29, 2020, and of the results of the Group's operations and cash flow for the period from September 1, 2019 to February 29, 2020.

We further consider that the Management's Review in the preceding pages includes a true and fair account of the development and performance of the Group, the results for the period and the financial position, together with a description of the principal risks and uncertainties that the Group faces, in accordance with Danish disclosure requirements for listed companies. Besides what has been disclosed in this report, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the Annual Report of Chr. Hansen Holding A/S for 2018/19.

Hørsholm, April 16, 2020

## Executive Board

Mauricio Graber  
President and CEO

Søren Westh Lonning  
CFO

Thomas Schäfer  
CSO

## Board of Directors

Dominique Reiniche  
Chair

Jesper Brandgaard  
Vice Chair

Luis Cantarell

Lisbeth Grubov

Charlotte Hemmingsen

Heidi Kleinbach-Sauter

Niels Peder Nielsen

Per Poulsen

Kim Ib Sørensen

Kristian Villumsen

Mark Wilson

# ADDITIONAL INFORMATION

## CONFERENCE CALL

Chr. Hansen will host a conference call on April 16, 2020 at 10:00 am CET. The conference call can be accessed via the Company's website, [www.chr-hansen.com](http://www.chr-hansen.com).

For further information, please contact:

**Martin Riise, Head of IR**

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**Annika Stern, IR Officer**

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## FINANCIAL CALENDAR

July 2, 2020	Interim Report Q3 2019/20
October 8, 2020	Annual Report 2019/20
November 25, 2020	Annual General Meeting 2020

## Company information

**Chr. Hansen Holding A/S**

Bøge Allé 10-12

2970 Hørsholm

Denmark

Tel. +45 45 74 74 74

[www.chr-hansen.com](http://www.chr-hansen.com)

Company reg. no.: 28318677

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of Chr. Hansen Holding A/S, may cause actual developments and results to differ materially from the expectations expressed in this report.

## ABOUT CHR. HANSEN

Chr. Hansen is a leading global bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. We develop and produce cultures, enzymes, probiotics and natural colors for a rich variety of foods, confectionery, beverages, dietary supplements and even animal feed and plant protection. Our product innovation is based on around 40,000 microbial strains - we like to refer to them as "good bacteria." Our solutions enable food manufacturers to produce more with less - while also reducing the use of chemicals and other synthetic additives - which makes our products highly relevant in today's world. Sustainability is an integral part of Chr. Hansen's vision to improve food and health. In 2019 Chr. Hansen was ranked as the world's most sustainable company by Corporate Knights thanks to our strong sustainability efforts and our many collaborative partnerships with our customers. We have been delivering value to our partners - and, ultimately, end consumers worldwide - for over 145 years. We are proud that more than 1 billion people consume products containing our natural ingredients every day.

# INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

## INCOME STATEMENT

EUR million	Q2 2019/20	Q2 2018/19	YTD 2019/20	YTD 2018/19
<b>REVENUE</b>	294.7	283.7	567.1	553.2
Cost of sales	(133.0)	(128.6)	(254.7)	(250.2)
<b>Gross profit</b>	<b>161.7</b>	<b>155.1</b>	<b>312.4</b>	<b>303.0</b>
Research and development expenses	(20.9)	(20.0)	(42.9)	(39.3)
Sales and marketing expenses	(41.3)	(38.1)	(82.5)	(77.0)
Administrative expenses	(17.8)	(19.1)	(35.5)	(38.5)
Other operating income	1.6	3.0	2.1	3.6
Other operating expenses	(0.1)	(2.1)	(0.3)	(2.2)
<b>Operating profit before special items</b>	<b>83.2</b>	<b>78.8</b>	<b>153.3</b>	<b>149.6</b>
Special items	(1.4)	(0.5)	(2.2)	(1.0)
<b>Operating profit (EBIT)</b>	<b>81.8</b>	<b>78.3</b>	<b>151.1</b>	<b>148.6</b>
Net financial expenses	(5.2)	(3.0)	(8.0)	(6.9)
Share of loss of associates/joint ventures	(0.1)	-	(1.8)	-
<b>Profit before tax</b>	<b>76.5</b>	<b>75.3</b>	<b>141.3</b>	<b>141.7</b>
Income taxes	(17.6)	(17.3)	(32.5)	(32.6)
<b>Profit for the period</b>	<b>58.9</b>	<b>58.0</b>	<b>108.8</b>	<b>109.1</b>
Attributable to:				
Shareholders of Chr. Hansen Holding A/S	<b>58.9</b>	<b>58.0</b>	<b>108.8</b>	<b>109.1</b>
Earnings per share (EUR)	0.45	0.44	0.83	0.83
Earnings per share, diluted (EUR)	0.45	0.44	0.82	0.83

# STATEMENT OF COMPREHENSIVE INCOME

EUR million	<b>Q2 2019/20</b>	<b>Q2 2018/19</b>	<b>YTD 2019/20</b>	<b>YTD 2018/19</b>
<b>Profit for the period</b>	<b>58.9</b>	<b>58.0</b>	<b>108.8</b>	<b>109.1</b>
<b>Items that will not be reclassified subsequently to the income statement:</b>				
Remeasurements of defined benefits plans	-	-	-	-
<b>Items that will be reclassified subsequently to the income statement when specific conditions are met:</b>				
Currency translation of foreign Group companies	(3.9)	1.1	(2.6)	7.1
Cash flow hedge	(0.9)	(2.0)	0.5	(2.5)
Tax related to cash flow hedges	0.1	0.4	-	0.5
<b>Other comprehensive income for the period</b>	<b>(4.7)</b>	<b>(0.5)</b>	<b>(2.1)</b>	<b>5.1</b>
<b>Total comprehensive income for the period</b>	<b>54.2</b>	<b>57.5</b>	<b>106.7</b>	<b>114.2</b>
Attributable to:				
Shareholders of Chr. Hansen Holding A/S	54.2	57.5	106.7	114.2



INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

# BALANCE SHEET

EUR million	Feb 29, 2020	Feb 28, 2019	Aug 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	771.5	770.4	772.9
Other intangible assets	167.1	178.4	172.3
Intangible assets in progress	53.9	45.8	53.2
<b>Total intangible assets</b>	<b>992.5</b>	<b>994.6</b>	<b>998.4</b>
<b>Property, plant and equipment</b>			
Land and buildings	243.7	146.5	207.1
Plant and machinery	198.5	189.7	200.7
Other fixtures and equipment	37.0	24.9	31.6
Property, plant and equipment in progress	157.9	133.5	138.4
<b>Total property, plant and equipment</b>	<b>637.1</b>	<b>494.6</b>	<b>577.8</b>
<b>Other non-current assets</b>			
Investment in associates/joint ventures	10.2	-	-
Receivables from associates/joint ventures	5.1	-	-
Deferred tax	8.0	8.2	7.6
<b>Total other non-current assets</b>	<b>23.3</b>	<b>8.2</b>	<b>7.6</b>
<b>Total non-current assets</b>	<b>1,652.9</b>	<b>1,497.4</b>	<b>1,583.8</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables	44.3	36.1	30.0
Work in progress	49.5	60.4	59.8
Finished goods and goods for resale	76.4	69.7	70.2
<b>Total inventories</b>	<b>170.2</b>	<b>166.2</b>	<b>160.0</b>
<b>Receivables</b>			
Trade receivables	182.5	172.5	192.7
Tax receivables	3.4	2.1	3.8
Other receivables	19.4	22.3	19.1
Prepayments	12.4	11.4	11.0
<b>Total receivables</b>	<b>217.7</b>	<b>208.3</b>	<b>226.6</b>
<b>Cash and cash equivalents</b>	<b>69.0</b>	<b>54.2</b>	<b>87.4</b>
<b>Total current assets</b>	<b>456.9</b>	<b>428.7</b>	<b>474.0</b>
<b>Total assets</b>	<b>2,109.8</b>	<b>1,926.1</b>	<b>2,057.8</b>

INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

# BALANCE SHEET

EUR million	Feb 29, 2020	Feb 28, 2019	Aug 31, 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	176.8	176.4	176.8
Reserves	605.4	596.1	620.4
<b>Total equity</b>	<b>782.2</b>	<b>772.5</b>	<b>797.2</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefit obligations	7.8	7.2	7.8
Deferred tax	93.8	84.7	91.2
Provisions	3.9	3.6	3.7
Borrowings	709.5	706.3	668.9
Lease liabilities	85.9	-	54.6
Tax payables	15.6	15.6	15.6
Deferred gain	48.6	-	49.6
Other payables	-	-	8.3
<b>Total non-current liabilities</b>	<b>965.1</b>	<b>817.4</b>	<b>899.7</b>
<b>Current liabilities</b>			
Provisions	-	-	0.1
Borrowings	139.3	132.9	96.2
Lease liabilities	13.5	-	2.1
Prepayments from customers	0.2	0.6	0.2
Trade payables	87.7	89.2	132.1
Tax payables	25.5	27.0	40.7
Deferred gain	1.8	-	1.8
Other payables	94.5	86.5	87.7
<b>Total current liabilities</b>	<b>362.5</b>	<b>336.2</b>	<b>360.9</b>
<b>Total liabilities</b>	<b>1,327.6</b>	<b>1,153.6</b>	<b>1,260.6</b>
<b>Total equity and liabilities</b>	<b>2,109.8</b>	<b>1,926.1</b>	<b>2,057.8</b>

# STATEMENT OF CHANGES IN EQUITY

EUR million	2019/20				
	Share capital	Currency translation	Cash flow hedges	Retained earnings	Total
<b>Equity at September 1, 2019</b>	<b>176.8</b>	<b>(45.3)</b>	<b>(6.2)</b>	<b>671.9</b>	<b>797.2</b>
Total comprehensive income for the year, cf. statement of comprehensive income	-	(2.6)	0.5	108.8	106.7
<b>Transactions with owners:</b>					
Share-based payment	-	-	-	3.0	3.0
Dividend	-	-	-	(124.7)	(124.7)
<b>Equity at February 29, 2020</b>	<b>176.8</b>	<b>(47.9)</b>	<b>(5.7)</b>	<b>659.0</b>	<b>782.2</b>

EUR million	2018/19				
	Share capital	Currency translation	Cash flow hedges	Retained earnings	Total
<b>Equity at September 1, 2018</b>	<b>176.8</b>	<b>(51.0)</b>	<b>(0.7)</b>	<b>646.5</b>	<b>771.6</b>
Total comprehensive income for the year, cf. statement of comprehensive income	(0.4)	7.5	(2.0)	109.1	114.2
<b>Transactions with owners:</b>					
Purchase of treasury shares	-	-	-	(2.2)	(2.2)
Share-based payment	-	-	-	3.1	3.1
Dividend	-	-	-	(114.2)	(114.2)
<b>Equity at February 28, 2019</b>	<b>176.4</b>	<b>(43.5)</b>	<b>(2.7)</b>	<b>642.3</b>	<b>772.5</b>

# CASH FLOW STATEMENT

EUR million	<b>Q2</b> 2019/20	<b>Q2</b> 2018/19	<b>YTD</b> 2019/20	<b>YTD</b> 2018/19
<b>Operating profit</b>	81.8	78.3	151.1	148.6
Non-cash adjustments	20.6	16.3	39.7	32.1
Change in working capital	(21.2)	(17.7)	(45.9)	(57.4)
Interest payments made	(4.1)	(3.0)	(6.3)	(5.2)
Taxes paid	(5.0)	(4.2)	(44.6)	(51.5)
<b>Cash flow from operating activities</b>	<b>72.1</b>	<b>69.7</b>	<b>94.0</b>	<b>66.6</b>
Investments in intangible assets	(4.8)	(5.3)	(9.5)	(9.7)
Investments in property, plant and equipment	(21.3)	(24.8)	(45.6)	(50.3)
<b>Cash flow used for operational investing activities</b>	<b>(26.1)</b>	<b>(30.1)</b>	<b>(55.1)</b>	<b>(60.0)</b>
<b>Free operating cash flow</b>	<b>46.0</b>	<b>39.6</b>	<b>38.9</b>	<b>6.6</b>
Acquisition of entities, net of cash acquired	-	-	-	(9.3)
Investment in associates/joint ventures	-	-	(5.5)	-
Loan to associates/joint ventures	(5.1)	-	(5.1)	-
<b>Cash flow used for investing activities</b>	<b>(31.2)</b>	<b>(30.1)</b>	<b>(65.7)</b>	<b>(69.3)</b>
<b>Free cash flow</b>	<b>40.9</b>	<b>39.6</b>	<b>28.3</b>	<b>(2.7)</b>
Borrowings	211.0	89.1	235.0	117.9
Repayment of borrowings	(140.3)	(9.5)	(156.8)	(16.2)
Purchase of treasury shares, net	-	-	-	(2.1)
Dividends paid	(124.7)	(114.2)	(124.7)	(114.2)
<b>Cash flow used in financing activities</b>	<b>(54.0)</b>	<b>(34.6)</b>	<b>(46.5)</b>	<b>(14.6)</b>
<b>Net cash flow for the period</b>	<b>(13.1)</b>	<b>5.0</b>	<b>(18.2)</b>	<b>(17.3)</b>
Cash and cash equivalents, beginning of period	83.2	48.9	87.4	69.1
Unrealized exchange gains/(losses) included in cash and cash equivalents	(1.1)	0.3	(0.2)	2.4
Net cash flow for the year	(13.1)	5.0	(18.2)	(17.3)
<b>Cash and cash equivalents, end of period</b>	<b>69.0</b>	<b>54.2</b>	<b>69.0</b>	<b>54.2</b>

# INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

## **ACCOUNTING POLICIES**

This unaudited interim report has been prepared in accordance with IAS 34 and additional Danish regulations for the presentation of quarterly interim reports by listed companies. The interim report has been prepared in accordance with the accounting policies set out in the Annual Report for 2018/19, except for all new, amended or revised accounting standards and interpretations (IFRSs) adopted by the European Union effective for financial years beginning on or after January 1, 2019.

Most relevant to the Group is IFRS 16 Leases.

### **Impact of IFRS 16 Leases**

The Group implemented IFRS 16, Leases, effective January 1, 2019. Under IFRS 16, which replaces IAS 17, the lessee must recognize all leases with a term of more than 12 months, unless the leased asset is of low value. Accordingly, the Group's leases were recognized in the balance sheet at September 1, 2019 in the form of lease liabilities and lease assets representing the Groups right to use the underlying assets.

As regards the income statement, IFRS 16 implementation has resulted in lease payments being replaced by depreciation on leased assets and interest on lease liabilities.

The implementation of IFRS 16 resulted in almost all leased assets and liabilities being recognized in the statement of financial position, except for short-term leases and leases of low-value assets. The Group has applied the simplified transition approach and, accordingly, not restated the comparative figures. The impact in 2019/20 on EBIT was positive by EUR 0.3 million, depreciation increased by EUR 5,0 million. At September 1, 2019 net interest-bearing debt increased by EUR 45.6 million.

Any new leases entered in 2019/20 will be recognized as additions of lease assets and liabilities, respectively, which will enhance the effect on the above-mentioned accounting items and ratios in 2019/20.

### **Joint Ventures**

Investments in Joint Ventures are recognized and measured under the equity method. The item "Investments in Joint Ventures" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealized intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises. Joint Ventures with a negative net asset value are recognized at EUR 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognized in provisions.

### **SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

In preparing this interim report Management has made various accounting estimates and assumptions that may significantly influence the amounts recognized in the Consolidated Financial Statement and related information at the reporting date. The accounting estimates and assumptions which Management considers to be material for the preparation and understanding of the interim report are stated in Note 1.2 in the Annual Report 2018/19 and relate to, e.g., income taxes, goodwill, other intangible assets, inventories as well as acquisition of entities.

# INTERIM REPORT SEPTEMBER 1, 2019 - FEBRUARY 29, 2020

## SEGMENT INFORMATION

EUR million	Q2 2019/20			
	Food Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
<b>INCOME STATEMENT</b>				
Revenue	172.5	67.1	55.1	294.7
EUR growth	4%	7%	0%	4%
Organic growth	5%	8%	1%	5%
Depreciation, amortization and impairment losses	(11.5)	(5.2)	(2.5)	(19.2)
EBIT before special items	55.6	21.5	6.1	83.2
EBIT margin before special items	32.2%	32.1%	11.0%	28.2%
Special items and net financial expenses				(6.7)
<b>Profit before tax</b>				<b>76.5</b>

EUR million	YTD 2019/20			
	Food Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
<b>INCOME STATEMENT</b>				
Revenue	338.6	121.0	107.5	567.1
EUR growth	4%	2%	0%	3%
Organic growth	4%	2%	0%	3%
Depreciation, amortization and impairment losses	(22.8)	(10.2)	(4.9)	(37.9)
EBIT before special items	108.8	32.1	12.4	153.3
EBIT margin before special items	32.1%	26.5%	11.5%	27.0%
Special items and net financial expenses				(12.0)
<b>Profit before tax</b>				<b>141.3</b>

# SEGMENT INFORMATION

(CONTINUED)

EUR million				Q2 2018/19
	Food Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
<b>INCOME STATEMENT</b>				
Revenue	166.0	62.5	55.2	283.7
EUR growth	8%	9%	4%	8%
Organic growth	11%	6%	5%	8%
Depreciation, amortization and impairment losses	(9.7)	(4.5)	(1.7)	(15.9)
EBIT before special items	53.3	19.5	6.0	78.8
EBIT margin before special items	32.1%	31.0%	11.0%	27.8%
Special items and net financial expenses				(3.5)
<b>Profit before tax</b>				<b>75.3</b>

EUR million				YTD 2018/19
	Food Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
<b>INCOME STATEMENT</b>				
Revenue	327.1	118.1	108.0	553.2
EUR growth	6%	12%	4%	7%
Organic growth	10%	11%	5%	9%
Depreciation, amortization and impairment losses	(19.1)	(9.1)	(3.4)	(31.6)
EBIT before special items	104.3	33.5	11.8	149.6
EBIT margin before special items	31.9%	28.4%	10.9%	27.0%
Special items and net financial expenses				(7.9)
<b>Profit before tax</b>				<b>141.7</b>

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# SEGMENT INFORMATION

(CONTINUED)

EUR million				Feb 29, 2020
	Food Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
<b>ASSETS</b>				
Goodwill	534.4	237.1	-	771.5
Other intangible assets	101.1	102.2	17.7	221.0
<b>Intangible assets</b>	<b>635.5</b>	<b>339.3</b>	<b>17.7</b>	<b>992.5</b>
Property, plant and equipment	404.4	149.1	83.6	637.1
<b>Total non-current assets excluding deferred tax</b>	<b>1,039.9</b>	<b>488.4</b>	<b>101.3</b>	<b>1,629.6</b>
Inventories	82.8	31.5	55.9	170.2
Trade receivables	97.9	46.5	38.1	182.5
Trade payables	(43.1)	(16.5)	(28.1)	(87.7)
<b>Net working capital</b>	<b>137.6</b>	<b>61.5</b>	<b>65.9</b>	<b>265.0</b>
Assets not allocated				127.5
<b>Group assets</b>				<b>2,109.8</b>
<b>Invested capital excluding goodwill</b>	<b>608.6</b>	<b>302.0</b>	<b>162.1</b>	<b>1,072.7</b>
<b>ROIC excluding goodwill</b>	<b>37.1%</b>	<b>21.5%</b>	<b>17.1%</b>	<b>30.2%</b>
Investment in non-current assets excluding deferred tax	29.2	10.7	15.2	55.1
				Feb 28, 2019
	Food Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
<b>ASSETS</b>				
Goodwill	533.3	237.1	-	770.4
Other intangible assets	103.3	103.1	17.8	224.2
<b>Intangible assets</b>	<b>636.6</b>	<b>340.2</b>	<b>17.8</b>	<b>994.6</b>
Property, plant and equipment	324.5	121.0	49.1	494.6
<b>Total non-current assets excluding deferred tax</b>	<b>961.1</b>	<b>461.2</b>	<b>66.9</b>	<b>1,489.2</b>
Inventories	82.5	28.6	55.1	166.2
Trade receivables	96.3	37.4	38.8	172.5
Trade payables	(43.8)	(16.8)	(28.6)	(89.2)
<b>Net working capital</b>	<b>135.0</b>	<b>49.2</b>	<b>65.3</b>	<b>249.5</b>
Assets not allocated				98.2
<b>Group assets</b>				<b>1,926.1</b>
<b>Invested capital excluding goodwill</b>	<b>562.8</b>	<b>273.3</b>	<b>132.2</b>	<b>968.3</b>
<b>ROIC excluding goodwill</b>	<b>39.1%</b>	<b>25.3%</b>	<b>19.4%</b>	<b>32.8%</b>
Investment in non-current assets excluding deferred tax	38.0	14.8	7.2	60.0



# SEGMENT INFORMATION

(CONTINUED)

EUR million					Q2
	EMEA	North America	APAC	LATAM	2019/20
<b>GEOGRAPHIC ALLOCATION</b>					<b>Group</b>
Revenue	124.1	84.2	48.5	37.9	294.7
EUR growth	0%	9%	5%	4%	4%
Organic growth	0%	7%	5%	16%	5%
					<b>YTD</b>
					<b>2019/20</b>
					<b>Group</b>
Revenue	236.9	160.9	95.6	73.7	567.1
EUR growth	(2)%	10%	2%	2%	3%
Organic growth	(2)%	7%	1%	13%	3%
<b>Non-current assets excluding deferred tax</b>	<b>1,365.8</b>	<b>199.4</b>	<b>18.8</b>	<b>45.6</b>	<b>1,629.6</b>
					<b>Q2</b>
EUR million					<b>2018/19</b>
					<b>Group</b>
Revenue	123.9	77.0	46.4	36.4	283.7
EUR growth	8%	12%	1%	6%	8%
Organic growth	9%	5%	0%	23%	8%
					<b>YTD</b>
					<b>2018/19</b>
					<b>Group</b>
Revenue	240.6	146.2	94.1	72.3	553.2
EUR growth	7%	9%	4%	5%	7%
Organic growth	9%	5%	5%	27%	9%
<b>Non-current assets excluding deferred tax</b>	<b>1,269.6</b>	<b>174.3</b>	<b>13.0</b>	<b>32.3</b>	<b>1,489.2</b>

# APPENDIX TO THE FINANCIAL STATEMENTS

## IMPACT OF ACCOUNTING POLICIES FOLLOWING THE IMPLEMENTATION OF IFRS 16 'LEASES'

There has been no significant financial impact on Chr. Hansen's consolidated financial statements in 2019/20.

On adoption, the Group recognized lease liabilities for leases previously classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's average incremental borrowing rate of 1.1%. The associated right-of-use assets were measured at the amount equal to the lease liability resulting in an increase in property, plant and equipment and in borrowings of EUR 45.6 million, respectively. In the Annual Report 2018/19, the estimated effect of IFRS 16 was an increased value in property, plant and equipment of EUR 30-35 million. The higher value primarily relates to extended estimated lifetime of leaseholds. The right-of-use assets are depreciated over the shorter of the lease term or the useful life of the asset.

Based on the current lease composition, IFRS 16 implementation will mean that annual leasing expenses of EUR 9.7 million are replaced by depreciation of EUR 9.2 million and interest of EUR 0.5 million in 2019/20. Implementation will thus increase operating profit by EUR 0.5 million.

The Group's key figures and financial ratios are also affected by capitalization of leases under IFRS 16. Invested capital and net interest-bearing debt both increased by EUR 45.6 million at September 1, 2019 and based on the current composition of leases, implementation is expected to reduce the return on invested capital (ROIC) by about 1.8 percentage point. The new IFRS 16 rules are not expected to have any significant effect on the profit margin due to the negligible positive effect on operating profit.

A reconciliation between the reported operating leases at August 31, 2019 and the recognized lease liabilities at September 1, 2019 is disclosed in the table below.

### Reconciliation of changes in accounting policy

EUR million

<b>Operating lease commitments disclosed at August 31, 2019</b>	<b>26.4</b>
Discounted using the Group's incremental borrowing interest rate of 1.1%	(1.4)
Adjustments as a result of a different treatment including extension and termination options, indexation and variable payments	20.6
<b>Lease liability recognized at September 1, 2019 related to right-of-use assets</b>	<b>45.6</b>

## JOINT VENTURES

In April 2019 Chr. Hansen announced that it has entered into an agreement to establish a 50/50 joint venture with Lonza. The joint venture, BacThera®, will be operating in the emerging market for live biotherapeutic products and position themselves as the leading contract development and manufacturing partner (CDMO) for biotech and pharma customers. The total investment of EUR 90 million will be financed, shared equally between Chr. Hansen and Lonza, over a period of three years. BacThera® is expected to be largely self-funding after that.

There has been no significant financial impact on Chr. Hansen's consolidated financial statements in 2019/20.