INTERIM REPORT SEPTEMBER 1, 2019 - MAY 31, 2020

# YTD 2019/20 IN BRIEF

JULY 2, 2020

CHR HANSEN

Improving food & health

**GROWTH MOMENTUM AND EBIT MARGIN IMPROVED IN Q3; EXPLORING STRATEGIC OPTIONS FOR NATURAL COLORS**

Organic revenue growth of 7% in Q3, corresponding to 4% EUR growth, with an improved momentum compared to 1H as expected: Food Cultures & Enzymes 8%, Health & Nutrition 12% and Natural Colors 1%, increasing the Group organic revenue growth in the first nine months of 2019/20 to 5%. COVID-19 impacts on revenues in Q3 were a net positive. In Q3, EBIT before special items increased by 5% to EUR 97 million, and EBIT margin before special items increased by 0.4 %-point to 30.8%. The full-year outlook on organic growth and EBIT margin b.s.i. is unchanged, while FCF b.a.s.i is increased to above EUR 200 million.

| EUR million | Q3 2019/20 | Q3 2018/19 | Growth | YTD 2019/20 | YTD 2018/19 | Growth |
|---|---|---|---|---|---|---|
| Revenue | 313.8 | 302.0 | 4% | 880.9 | 855.2 | 3% |
| EBIT before special items | 96.5 | 91.7 | 5% | 249.8 | 241.3 | 4% |
| Profit for the period | 70.0 | 66.5 | 5% | 178.8 | 175.6 | 2% |
| Free cash flow before acquisitions and special items | 106.3 | 48.9 | 117% | 147.4 | 56.5 | 161% |
| Organic growth, % | 7% | 8% | | 5% | 9% | |
| Gross margin, % | 54.9% | 56.6% | | 55.0% | 55.4% | |
| EBIT margin before special items, % | 30.8% | 30.4% | | 28.4% | 28.2% | |
| ROIC excl. goodwill, % | 35.0% | 37.1% | | 31.8% | 34.3% | |

CEO Mauricio Graber says: *"We are pleased with our Q3 performance, as our business demonstrated resilience during the first volatile months since the outbreak of COVID-19 thanks to our essential natural ingredient solutions for the food, nutritional and agricultural industries. Customers increased safety stocks of essential ingredients in March and early April, to carry them through potential supply chain disruptions and then inventories began to normalize late April and in May. Our innovative solutions have proved their value, and we were able to continue the strong momentum from recent product launches such as the dairy enzymes CHY-MAX® Supreme and NOLA® Fit, and bioprotection posted another strong quarter. Animal Health continued to perform strongly driven by BOVAMINE® Dairy probiotics; and Human Health also delivered strong growth, supported by consumers' interest in probiotics with indications for immune benefits. Natural Colors also delivered positive growth driven by FRUITMAX®, despite challenging conditions from COVID-19 and low raw material prices.*

*"Our Q3 EBIT margin before special items was up by 0.4%-point driven by scalability benefits in production and lower travel expenses due to COVID-19 travel restrictions – however, these positives were partly offset by higher freight costs that were also driven by COVID-19. Our strong business model and financial position allows us to sustain investments in growth opportunities and innovation. Free cash flow before acquisitions and special items grew by 117% in Q3 and is up 161% after nine months, primarily due to good management of working capital. The Q3 performance was in line with our expectations, and based on the business performance after nine months, we maintain our organic growth and EBIT margin guidance for the full year and increase the free cash flow before acquisitions and special items, although macroeconomic and end-market uncertainty persist due to COVID-19.*

*"We also completed an acquisition in Q3, and signed another early in Q4. HSO Health Care and UAS Laboratories represent important investments in our microbial platform, and we expect to continue to extend our platform through a disciplined acquisition strategy.*

*"As part of the strategic review, the Board of Directors and the Executive Board have considered the portfolio of Chr. Hansen, and given that Natural Colors does not share the microbial and fermentation technology platforms, strategic options for the future of Natural Colors will be explored, including a potential sale of the business. We also announce August 25 as the new date for our virtual Capital Markets Day, where we will present all the results of the on-going strategy review."*

**OUTLOOK FOR 2019/20**

| | July 2, 2020 | April 16, 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 | Above EUR 200 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

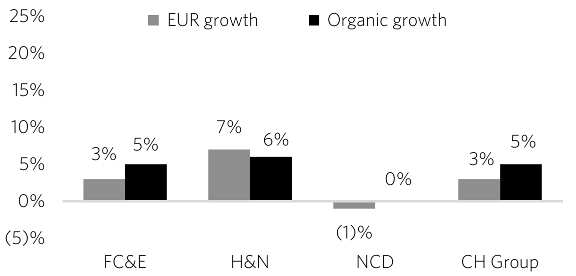
| | Q3 2019/20 | Q3 2018/19 | Growth | YTD 2019/20 | YTD 2018/19 | Growth |
|---|---|---|---|---|---|---|
| **Income statement, EUR million** | | | | | | |
| Revenue | 313.8 | 302.0 | 4% | 880.9 | 855.2 | 3% |
| Gross profit | 172.3 | 170.8 | 1% | 484.7 | 473.8 | 2% |
| EBIT before special items | 96.5 | 91.7 | 5% | 249.8 | 241.3 | 4% |
| Special items | (2.9) | (0.4) | 625% | (5.1) | (1.4) | 264% |
| EBIT | 93.6 | 91.3 | 3% | 244.7 | 239.9 | 2% |
| Profit for the period | 70.0 | 66.5 | 5% | 178.8 | 175.6 | 2% |
| **Financial position, EUR million** | | | | | | |
| Total assets | | | | 2,267.2 | 1,974.9 | |
| Invested capital | | | | 1,971.6 | 1,778.0 | |
| Net working capital | | | | 252.9 | 266.7 | |
| Equity | | | | 840.7 | 837.0 | |
| Net interest-bearing debt | | | | 902.2 | 740.0 | |
| **Cash flow and investments, EUR million** | | | | | | |
| Cash flow from operating activities | 128.5 | 85.2 | 51% | 222.5 | 151.8 | 47% |
| Cash flow used for investing activities | (144.5) | (37.2) | (288)% | (210.2) | (106.5) | (97)% |
| Free cash flow | (16.0) | 48.0 | (133)% | 12.3 | 45.3 | (73)% |
| Free cash flow before acquisitions and special items | 106.3 | 48.9 | 117% | 147.4 | 56.5 | 161% |
| **Earnings per share, EUR** | | | | | | |
| EPS, diluted | 0.53 | 0.50 | 6% | 1.35 | 1.33 | 2% |
| **Key ratios** | | | | | | |
| Organic growth, % * | 7 | 8 | | 5 | 9 | |
| Gross margin, % | 54.9 | 56.6 | | 55.0 | 55.4 | |
| Operating expenses, % | 24.2 | 26.2 | | 26.7 | 27.2 | |
| EBITDA margin before special items, % | 37.1 | 35.7 | | 34.9 | 33.8 | |
| EBIT margin before special items, % | 30.8 | 30.4 | | 28.4 | 28.2 | |
| EBIT margin, % | 29.8 | 30.2 | | 27.8 | 28.1 | |
| ROIC excl. goodwill, % | 35.0 | 37.1 | | 31.8 | 34.3 | |
| ROIC, % | 20.1 | 20.9 | | 17.9 | 18.9 | |
| NWC, % | 21.3 | 23.2 | | 21.3 | 23.2 | |
| R&D, % | 7.2 | 7.4 | | 7.7 | 7.5 | |
| Capital expenditures, % | 8.0 | 12.2 | | 9.1 | 11.3 | |
| Net debt to EBITDA before special items | | | | 2.1x | 1.8x | |

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

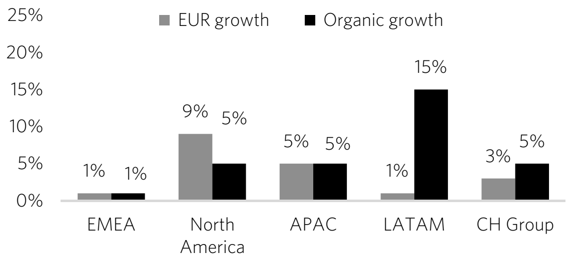
# INTERIM REPORT SEPTEMBER 1, 2019 - MAY 31, 2020

# YTD 2019/20 RESULTS

**REVENUE GROWTH BY BUSINESS** - YTD




**REVENUE GROWTH BY REGION** – YTD




**MARKET DEVELOPMENTS**

The end markets for fermented milk were roughly flat in the first nine months of 2019/20, as the impacts of COVID-19 led to reductions in output in China, the largest yogurt market in the world, in the months of February through May. Among the remaining markets Europe is estimated to have grown slightly, while the other regions declined slightly.

The global production of cheese grew by around 1% in the first nine months of 2019/20, broadly driven by all regions. Globally, pricing structures remained in place through Q3, slightly favoring 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 COVID-19 creating extraordinary demand in all regions during the recent quarter, especially in dietary supplements. After a long period of below-average market growth, the North American dietary supplements market is showing signs of improvement, however it is unclear to what extent this is driven by temporary COVID-19 demand. The global market for probiotics for infant formula has continued at a higher pace than dietary supplements, primarily driven by premiumization of the infant formula category.

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 were volatile in Q3 due to concerns over supply chains and reduced demand driven by COVID-19, as public schools and restaurants were shut down. In both the US and Europe, shut-downs in meat processing plants impacted meat prices and caused uncertainty in the meat processing industry. 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. COVID-19 has impacted the market for natural colors negatively as steep declines in food services and on-the-go consumption reduced demand, the effect of which was not fully offset by higher in-home consumption. Raw material prices for key pigments (carmine and annatto) remained very low, impacting pricing for natural colors negatively.

**REVENUE**

Organic growth was 5% and adjusted for a negative currency impact of 2% corresponded to a revenue increase of 3%, to EUR 881 million. Organic growth was primarily driven by volume/mix effects, with a positive impact from price increases in local currencies.

In Q3, organic growth was 7% and adjusted for a negative currency impact of 3% corresponded to a revenue increase of 4%. The organic growth of 7% was primarily driven by volume/mix effects.

COVID-19 impacts in Q3 were a net positive for both Food Cultures & Enzymes and Health & Nutrition, as customer inventory building in the start of Q3 was only partially reversed towards the end of Q3.

| **REVENUE** | **Q3 2019/20** | **YTD 2019/20** |
|---|---|---|
| Organic growth (vol/mix) | 6% | 4% |
| Organic growth (price) | 1% | 1% |
| **Organic growth** | **7%** | **5%** |
| Currencies | (3)% | (2)% |
| **EUR growth** | **4%** | **3%** |

# YTD 2019/20 RESULTS

## REVENUE BY REGION

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

Organic growth was 1% and corresponded to a revenue increase of 1%, impacted negatively by the Middle East in particular, 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, and also due to lower demand from food service and tourism.

In Q3, organic growth was 6% and adjusted for a negative currency impact of 3% corresponded to a revenue increase of 3%. Both Europe and the Middle East improved momentum from Q2, although the Middle East was still declining. Organic growth was driven by solid growth in Food Cultures & Enzymes, while Health & Nutrition delivered strong growth driven by both Human Health and Animal Health. COVID-19 impacts in Q3 were a net positive for both Food Cultures & Enzymes and Health & Nutrition, as customer inventory building in the start of Q3 was only partially reversed towards the end of Q3. Natural Colors declined, as COVID-19 related impacts were negative.

### North America

Organic growth was 5% and adjusted for a positive currency impact of 4% corresponded to a revenue increase of 9%. Organic growth was driven by strong growth in Health & Nutrition, primarily due to very strong growth in Animal Health driven by Cattle and BOVAMINE® Dairy, but also by solid growth in Human Health, driven by recent product launches and customer inventory building. Natural Colors delivered good growth driven by FRUITMAX®, while Food Cultures & Enzymes was flat.

In Q3, organic growth was 1% and adjusted for a positive currency impact of 4% corresponded to a revenue increase of 5%. Organic growth was driven by good growth in Health & Nutrition, slight growth in Food Cultures & Enzymes, while Natural Colors declined slightly. COVID-19 impacts in Q3 were balanced, as customer inventory building and consumer pantry loading in part were offset by disruptions is both meat processing and much lower activity in food service.

### APAC (Asia-Pacific)

Organic growth was 5% and corresponded to a revenue increase of 5%. Food Cultures & Enzymes was flat as solid growth in fermented milk was offset by a decline in probiotics in China. Health & Nutrition delivered strong growth, primarily driven by Human Health, and Natural Colors delivered solid growth.

In Q3, organic growth was 13% and adjusted for a negative currency impact of 3% corresponded to a revenue increase of 10%. Food Cultures & Enzymes was flat as solid growth in fermented milk in the region was offset by a decline in probiotics in China. COVID-19 impacts in Q3 were neutral for Food Cultures & Enzymes, with customer inventory building being partly offset by lower yogurt volumes produced, as some producers idled a part of their yogurt production capacity in China in Q3. Health & Nutrition and Natural Colors delivered very strong growth, both driven by COVID-19 related inventory building and high consumer demand for Human Health products, but also by customer wins.

### LATAM (Latin America)

Organic growth was 15% and adjusted for a negative currency impact of 14% corresponded to a revenue increase of 1%. 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 strong 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 Q3, organic growth was 20% and adjusted for a negative currency impact of 23% corresponded to a revenue decrease of 3%. 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 expected due to timing of orders in Plant Health. COVID-19 impacts in Q3 were a net positive for all business areas, as customer inventory building in the start of Q3 was only partially reversed towards the end of Q3.

## GROSS PROFIT

Gross profit was EUR 485 million, a 2% increase from EUR 474 million in the first nine months of 2018/19. The gross margin decreased by 0.4%-point to 55.0%, due to Food Cultures & Enzymes and Natural Colors but partly offset by Health & Nutrition. In Food Cultures & Enzymes, scalability benefits contributed positively while increased freight costs from COVID-19 more than offset the improvement. In Natural Colors lower raw material prices contributed positively, but was more than offset by increased freight costs.

In Q3, gross profit was EUR 172 million, up 1% on 2018/19. The gross margin decreased by 1.7%-point to 54.9%, due to

# YTD 2019/20 RESULTS

the aforementioned drivers in Food Cultures & Enzymes and Natural Colors, while the margin in Health & Nutrition was on par with last year.

**OPERATING EXPENSES (% OF REVENUE)**

Operating expenses increased by 1% and totaled EUR 235 million (26.7% of revenue), compared to EUR 233 million (27.2%) in the first nine months of 2018/19.

Total R&D expenditures incurred amounted to EUR 68 million (7.7%), compared to EUR 64 million (7.5%) in the first nine 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 | YTD 2019/20 | YTD 2018/19 |
|---|---|---|
| R&D expenses (P&L) | 64.8 | 59.4 |
| - Amortization | 5.8 | 5.4 |
| - Impairment | - | 0.2 |
| + Capitalization | 8.8 | 10.6 |
| **R&D expenditures incurred** | **67.8** | **64.4** |

Sales & marketing expenses amounted to EUR 120 million (13.7%), compared to EUR 117 million (13.7%) in the first nine months of 2018/19. Increased investments in strategic priorities in Food Cultures & Enzymes and Health & Nutrition were offset by lower travel expenses due to COVID-19 travel restrictions.

Administrative expenses were EUR 52 million (5.9%), compared to EUR 58 million (6.7%) in the first nine months of 2018/19. The lower spend was driven by cost management initiatives and lower travel expenses due to COVID-19 travel restrictions.

Net other operating income was EUR 2 million, on a par with the first nine months of 2018/19.

In Q3, total operating expenses were EUR 76 million (24.2%), compared to EUR 79 million (26.2%) in 2018/19. The decrease was primarily due to lower travel expenses due to COVID-19 travel restrictions.

**OPERATING PROFIT (EBIT) BEFORE SPECIAL ITEMS**

EBIT before special items amounted to EUR 250 million, compared to EUR 241 million in the first nine months of 2018/19, an increase of 4%. The increase was driven by Food Cultures & Enzymes and Health & Nutrition and partly offset by Natural Colors.

The EBIT margin before special items was 28.4%, an increase of 0.2%-point compared to the first nine months of 2018/19. EBIT margins in Food Cultures & Enzymes and Natural Colors were on a par with last year, and the margin in Health & Nutrition increased compared to last year. Currencies had an immaterial impact.

In Q3, the EBIT margin before special items was 30.8%, up from 30.4% last year, driven by lower travel expenses due to COVID-19 travel restrictions and partly offset by higher freight costs. Currencies had a minor negative impact.

**SPECIAL ITEMS**

Special items were EUR 5 million, compared to EUR 1 million in the first nine months of 2018/19, primarily related to costs associated with the acquisitions of HSO Health Care and UAS Laboratories, and the establishment of the Bacthera JV.

In Q3, special items were EUR 3 million, compared to EUR 0 million in 2018/19.

**OPERATING PROFIT (EBIT)**

EBIT amounted to EUR 245 million, compared to EUR 240 million, and the EBIT margin was 27.8%, compared to 28.1% in the first nine months of 2018/19.

In Q3, the EBIT margin was 29.8%, compared to 30.2% last year.

**NET FINANCIALS, SHARE OF JV AND TAX**

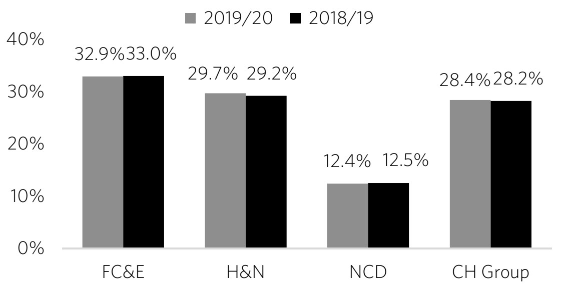
Net financial expenses amounted to EUR 9 million, compared to EUR 12 million in the first nine months of 2018/19. Net interest expenses were EUR 10 million, up from EUR 8 million last year. The interest expense from the implementation of IFRS 16 leasing was EUR 2 million.

The net impact from exchange rate adjustments was positive at EUR 1 million, compared to a negative EUR 2 million last year, mainly due to unrealized gains from DKK appreciating against EUR.

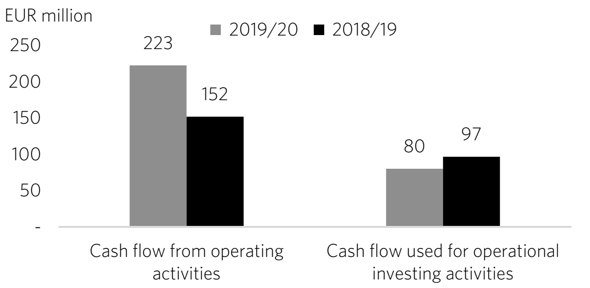
The Bacthera JV produced a EUR 3 million loss to Chr. Hansen. The JV was launched in September 2019, so there is no comparison from last year. Several customer contracts have been signed for early-stage feasibility studies during Q2 and Q3.

# YTD 2019/20 RESULTS

**EBIT MARGIN B.S.I.** – YTD




**CASH FLOW** - YTD




Income taxes were EUR 53 million, equivalent to an effective tax rate of 23%, unchanged compared to the first nine months of 2018/19.

**PROFIT FOR THE PERIOD**

Profit for the period was EUR 179 million, compared to EUR 176 million in the first nine months of 2018/19. In Q3, profit was EUR 70 million, compared to EUR 67 million last year.

**ASSETS**

At May 31, 2020, total assets amounted to EUR 2,267 million, compared to EUR 1,975 million the year before.

Total non-current assets amounted to EUR 1,792 million, compared to EUR 1,520 million at May 31, 2019. Property, plant and equipment increased by EUR 136 million, while intangible assets increased by EUR 122 million. The increases were driven by the acquisition of HSO Health Care, the sale-and-lease-back of the Company's main site in Hørsholm, Denmark, and the implementation of IFRS 16 for leased assets, as well as investments in the microbial platform.

Total current assets amounted to EUR 476 million, compared to EUR 455 million at May 31, 2019. Inventories increased by EUR 8 million, or 4%, and receivables were down by EUR 1 million. Cash increased by EUR 14 million to EUR 82 million.

**NET WORKING CAPITAL**

Net working capital was EUR 253 million, or 21.3% of revenue, compared to EUR 267 million, or 23.2%, in the same period last year. The decrease in the percentage of revenue was due to higher payables and lower receivables.

**EQUITY**

Total equity amounted to EUR 841 million at May 31, 2020, compared to EUR 837 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 902 million, or 2.1x EBITDA, compared to EUR 740 million or 1.8x EBITDA last year. The increase was mainly driven by the acquisition of HSO Health Care.

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

The return on invested capital excluding goodwill was 31.8%, compared to 34.3% in the first nine 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 1,111 million, compared to EUR 1,006 million last year, mainly due to investments in the microbial production platform and the acquisition of HSO Health Care.

**CASH FLOW**

Cash flow from operating activities was EUR 223 million, compared to EUR 152 million in the first nine 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 80 million, or 9.1% of revenue, compared to EUR 97 million, or 11.3% of revenue, in the first nine months of 2018/19.

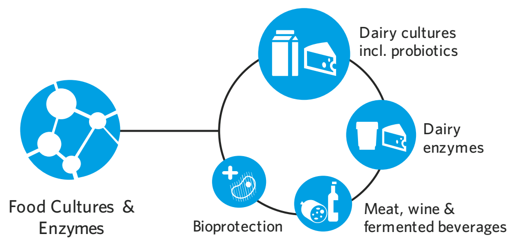
Free cash flow before acquisitions and special items was EUR 147 million, compared to EUR 57 million from the first nine months of 2018/19. The improvement was driven by the positive cash flow from operating activities.
Investments in associates was EUR 6 million and represented the investment in the Bacthera JV.

# SEGMENT INFORMATION

## FOOD CULTURES & ENZYMES

**59% OF REVENUE**

| EUR million | Q3 2019/20 | Q3 2018/19 | YTD 2019/20 | YTD 2018/19 |
|---|---|---|---|---|
| Revenue | 181.2 | 176.7 | 519.8 | 503.8 |
| Organic growth | 8% | 8% | 5% | 9% |
| EBIT | 62.3 | 62.1 | 171.1 | 166.4 |
| EBIT margin | 34.4% | 35.1% | 32.9% | 33.0% |
| ROIC excluding goodwill | | | 38.9% | 41.1% |




### REVENUE

Organic growth for the first nine months of 2019/20 was 5% and adjusted for a negative currency impact of slightly more than 1% corresponded to a revenue increase of 3%. Organic growth comprised 4% 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.

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

In Q3, organic growth was 8% and adjusted for a negative currency impact of 5% corresponded to a revenue increase of 3%. Organic growth comprised 4% from volume/mix and 4% from price increases. Organic growth was primarily driven by very strong growth in enzymes and solid growth in fermented milk, cheese and meat, while probiotics declined modestly. Bioprotection delivered organic growth of approximately 10%. COVID-19 impacts were a net positive in the quarter, as customer inventory build-up in the beginning of Q3 was only partly reversed towards the end of Q3. In China, yogurt production by customers was below normal due to temporary shut-downs of capacity, but this was offset by customers increasing inventories of cultures.

### EBIT

EBIT amounted to EUR 171 million, compared to EUR 166 million in the first nine months of 2018/19. The EBIT margin was 32.9%, down by 0.1%-point compared to last year. Scalability benefits and lower travel expenses contributed positively while increased freight costs from COVID-19 more than offset the improvement.

In Q3, the EBIT margin was 34.4%, down by 0.7% compared to last year, driven primarily by increased freight costs from COVID-19 and a minor impact from currencies.

### ROIC EXCLUDING GOODWILL

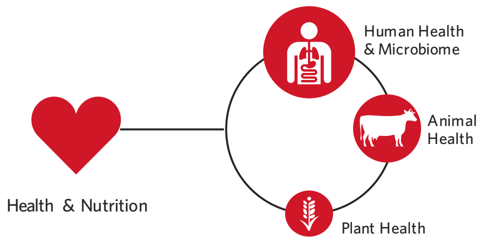
The return on invested capital excluding goodwill was 38.9%, compared to 41.1% in 2018/19. More than 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital excluding goodwill increased by EUR 35 million, or 6%, to EUR 611 million. The increase was mainly due to investments in production capacity.

# SEGMENT INFORMATION

## HEALTH & NUTRITION

**22% OF REVENUE**

| EUR million | Q3 2019/20 | Q3 2018/19 | YTD 2019/20 | YTD 2018/19 |
|---|---|---|---|---|
| Revenue | 74.9 | 66.5 | 195.9 | 184.6 |
| Organic growth | 12% | 11% | 6% | 11% |
| EBIT | 26.0 | 20.5 | 58.1 | 54.0 |
| EBIT margin | 34.7% | 30.8% | 29.7% | 29.2% |
| ROIC excluding goodwill | | | 24.3% | 26.7% |




### REVENUE

Organic growth for the first nine months of 2019/20 was 6%, corresponding to a revenue increase of 7%, mainly due to volume/mix. The acquisition of HSO Health Care contributed positively to the reported growth. Human Health delivered solid growth, while Animal Health delivered very strong growth. Plant Health declined due to timing of orders and lower-than-expected sales for soy crops in Latin America.

The solid growth in Human Health consisted of solid growth in dietary supplements, supported by a recently launched probiotic for pre-term infants, and a flat development in infant formula, primarily due to a very strong development last year.

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

In Q3, organic growth was 12%, and adjusted for a negative currency impact of 2% and a positive acquisition effect from HSO Health Care, corresponded to a revenue increase of 12%, almost entirely from volume/mix. Human Health delivered very strong growth driven by both dietary supplements and infant formula. Extraordinary demand for probiotics, driven by COVID-19 inventory building and consumers' pantry loading, and sales of the recently launched probiotic for pre-term infants in North America, combined with customer wins in infant formula, generated the very strong sales growth.

Animal Health delivered strong growth in Cattle and very strong growth in 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. COVID-19 impacts were limited in Q3.

Plant Health declined as 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 especially by Quartzo™ in Latin America.

### EBIT

EBIT amounted to EUR 58 million, compared to EUR 54 million in the first nine months of 2018/19. The EBIT margin was 29.7%, up by 0.5%-points compared to last year.

In Q3, the EBIT margin was 34.7%, up by 3.9%-points compared to last year, driven by cost management initiatives and savings from COVID-19 related travel restrictions.

### ROIC EXCLUDING GOODWILL

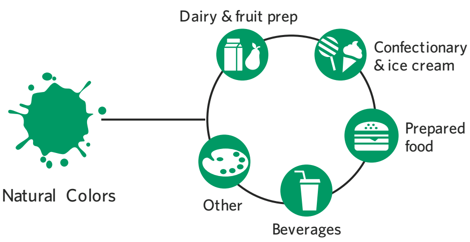
The return on invested capital excluding goodwill was 24.3%, compared to 26.7% in 2018/19. Around 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital excluding goodwill increased by EUR 57 million, or 20%, to EUR 341 million. The increase was due to investments in Human Health and the acquisition of HSO Health Care.

# SEGMENT INFORMATION

## NATURAL COLORS

**19% OF REVENUE**

| EUR million | Q3 2019/20 | Q3 2018/19 | YTD 2019/20 | YTD 2018/19 |
|---|---|---|---|---|
| Revenue | 57.7 | 58.8 | 165.2 | 166.8 |
| Organic growth | 1% | 3% | 0% | 4% |
| EBIT | 8.2 | 9.1 | 20.6 | 20.9 |
| EBIT margin | 14.3% | 15.5% | 12.4% | 12.5% |
| ROIC excluding goodwill | | | 19.2% | 21.7% |




**REVENUE**

Organic growth for the first nine months of 2019/20 was flat, and reported revenues were largely 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 negatively impacting pricing of natural colors.

Organic growth was strong in LATAM, solid in APAC and good in North America, while EMEA declined, mainly driven by COVID-19 impacts, and lower raw material prices and a challenging economic climate in emerging markets, impacting demand for natural colors.

In Q3, organic growth was 1%, and adjusted for a negative currency impact of 3% corresponded to revenue decrease of 2%. Organic growth comprised approximately 2% from volume/mix effects and a negative 1% 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 prices negatively. COVID-19 has impacted Natural Colors negatively since customers' inventory building and increasing in-home consumption was more than offset by steep declines in food services and on-the-go consumption, resulting in overall reduced demand.

**EBIT**

EBIT amounted to EUR 21 million, on a par with the first nine months of 2018/19. The EBIT margin was 12.4%, down 0.1%-point compared to last year.

In Q3, the EBIT margin was 14.3%, down by 1.2%-points compared to last year. Increased freight costs and negative currency impacts were only partly offset by lower raw material prices and cost savings from COVID-19 travel restrictions.

**ROIC EXCLUDING GOODWILL**

The return on invested capital was 19.2%, compared to 21.7% in 2018/19. Around 1%-point of the decline in ROIC was due to the implementation of IFRS 16. Invested capital increased by EUR 13 million, or 9%, to EUR 159 million. The increase was primarily driven by investments in the application center in France.

# OUTLOOK FOR 2019/20

**COVID-19**

The net impact from COVID-19 in Q3 was not material, as positive effects from customers building safety inventories in the beginning of Q3, were partly offset by a reduction of the same inventories towards the end of Q3. Supply chains proved to be resilient, but uncertainty around customer demand remains high, especially in the medium term. A global recession, or other negative macroeconomic events, triggered by COVID-19 may affect demand negatively in the medium-term, especially in emerging markets, and a combination of quarantine measures and recession may change consumption patterns between eating out, on-the-go and in-home. The various quarantine measures and travel restrictions already imposed around the world make it more difficult to visit customers to advance projects with new innovative solutions, a very important growth driver for Chr. Hansen, and this will slow the progress of the commercial project pipeline in the medium-term. The impacts of COVID-19 are continuously being monitored and evaluated for their short- and medium-term effects.

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.

**ORGANIC REVENUE GROWTH**

For 2019/20, expectations for organic growth are 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 positive impact from EUR pricing. 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. Organic growth in Health & Nutrition will primarily be driven by Animal Health and Human Health. Natural Colors is still 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, as well as higher freight cost due to COVID-19. Acquisitions are expected to have a minor negative on Group EBIT margins before special items.

**FREE CASH FLOW**

Free cash flow before acquisitions and special items is now expected to be above EUR 200 million, as COVID-19 has delayed CAPEX projects. As a result, cash flow used for operational investment activities is now expected to be lower and around the EUR 139 million realized in 2018/19 (excluding the proceeds from the sale-and-lease-back).

**OTHER ASSUMPTIONS**

The outlook is based on constant currencies and stable raw material prices and assumes no further 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 tensions; an escalation of the US-EU tariff situation; and a disruptive outcome of the EU-UK Brexit negotiations.

**STRATEGY UPDATE**

As communicated on January 15, 2020, Chr. Hansen intended to announce the results of its strategic review in April 2020. However, as communicated on April 16, 2020, due to the extraordinary uncertainty in the global macroeconomic environment resulting from COVID-19 for the short- and medium-term, the Board of Directors and the Executive Board at that time decided to postpone the finalization and conclusions of the ongoing strategy review.

The strategic review, including an assessment of the near- and medium-term impacts of COVID-19, has continued in Q3, and the full results are expected to be communicated upon finalization on August 24, 2020, and presented in-depth at a virtual Capital Markets Day on August 25, 2020. Given Chr. Hansen's strong belief in the opportunities inherent in the current strategy, significant changes from the focus on microbial and fermentation technology platforms should not be expected. Likewise, significant changes to the capital allocation principles employed by Chr. Hansen since 2013, which has prioritized organic growth followed by bolt-on

# OUTLOOK FOR 2019/20

acquisitions to strengthen and extend the microbial platform, should not be expected. The recent acquisition of HSO Health Care and the recently announced agreement to acquire UAS Laboratories are strong examples of extensions of the microbial platform. Finally, according to the capital allocation principles, the third priority is paying out ordinary dividends, and the fourth priority is distributing any excess cash to shareholders in the form of extraordinary dividends or share buy-backs, as appropriate.

As part of the strategic review, the Board of Directors and the Executive Board have considered the portfolio of Chr. Hansen, and given that Natural Colors does not share the microbial and fermentation technology platforms, strategic options for the future of Natural Colors will be explored, including a potential sale of the business.

**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 developments also applies to the free cash flow.

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

# 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 May 31, 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 May 31, 2020, and of the results of the Group's operations and cash flow for the period from September 1, 2019 to May 31, 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, July 2, 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 July 2, 2020 at 10:00 am CEST. The conference call can be accessed via the Company's website, www.chr-hansen.com.

For further information, please contact:

Martin Riise, Head of IR
+45 53 39 22 50

Annika Stern, IR Officer
+45 23 99 23 82

**FINANCIAL CALENDAR**

| | |
|---|---|
| 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

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.

# INCOME STATEMENT

| EUR million | Q3 2019/20 | Q3 2018/19 | YTD 2019/20 | YTD 2018/19 |
|---|---|---|---|---|
| **REVENUE** | 313.8 | 302.0 | 880.9 | 855.2 |
| Cost of sales | (141.5) | (131.2) | (396.2) | (381.4) |
| **Gross profit** | **172.3** | **170.8** | **484.7** | **473.8** |
| Research and development expenses | (21.9) | (20.1) | (64.8) | (59.4) |
| Sales and marketing expenses | (37.9) | (40.4) | (120.4) | (117.4) |
| Administrative expenses | (16.4) | (19.0) | (51.9) | (57.5) |
| Other operating income | 0.3 | 0.5 | 2.4 | 4.1 |
| Other operating expenses | 0.1 | (0.1) | (0.2) | (2.3) |
| **Operating profit before special items** | **96.5** | **91.7** | **249.8** | **241.3** |
| Special items | (2.9) | (0.4) | (5.1) | (1.4) |
| **Operating profit (EBIT)** | **93.6** | **91.3** | **244.7** | **239.9** |
| Net financial expenses | (1.3) | (4.9) | (9.3) | (11.8) |
| Share of loss of associates/joint ventures | (1.4) | - | (3.2) | - |
| **Profit before tax** | **90.9** | **86.4** | **232.2** | **228.1** |
| Income taxes | (20.9) | (19.9) | (53.4) | (52.5) |
| **Profit for the period** | **70.0** | **66.5** | **178.8** | **175.6** |
| Attributable to: | | | | |
| Shareholders of Chr. Hansen Holding A/S | **70.0** | **66.5** | **178.8** | **175.6** |
| Earnings per share (EUR) | 0.53 | 0.50 | 1.35 | 1.33 |
| Earnings per share, diluted (EUR) | 0.53 | 0.50 | 1.35 | 1.33 |

# STATEMENT OF COMPREHENSIVE INCOME

| EUR million | Q3 2019/20 | Q3 2018/19 | YTD 2019/20 | YTD 2018/19 |
|---|---|---|---|---|
| **Profit for the period** | **70.0** | **66.5** | **178.8** | **175.6** |
| **Items that will not be reclassified subsequently to the income statement:** | | | | |
| Remeasurements of defined benefits plans | - | - | - | - |
| **Items that will be reclassified subsequently to the income statement when specific conditions are met:** | | | | |
| Currency translation of foreign Group companies | (11.9) | (0.6) | (14.5) | 6.5 |
| Cash flow hedge | (1.0) | (2.7) | (0.5) | (5.2) |
| Tax related to cash flow hedges | 0.3 | 0.6 | 0.3 | 1.1 |
| **Other comprehensive income for the period** | **(12.6)** | **(2.7)** | **(14.7)** | **2.4** |
| **Total comprehensive income for the period** | **57.4** | **63.8** | **164.1** | **178.0** |
| Attributable to: | | | | |
| Shareholders of Chr. Hansen Holding A/S | 57.4 | 63.8 | 164.1 | 178.0 |

# BALANCE SHEET

| EUR million | May 31, 2020 | May 31, 2019 | Aug 31, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Goodwill | 861.0 | 771.9 | 772.9 |
| Other intangible assets | 202.4 | 173.0 | 172.3 |
| Intangible assets in progress | 55.4 | 52.3 | 53.2 |
| **Total intangible assets** | **1,118.8** | **997.2** | **998.4** |
| **Property, plant and equipment** | | | |
| Land and buildings | 252.1 | 160.0 | 207.1 |
| Plant and machinery | 201.3 | 200.8 | 200.7 |
| Other fixtures and equipment | 36.4 | 27.4 | 31.6 |
| Property, plant and equipment in progress | 160.2 | 125.9 | 138.4 |
| **Total property, plant and equipment** | **650.0** | **514.1** | **577.8** |
| **Other non-current assets** | | | |
| Investment in joint ventures | 9.6 | - | - |
| Receivables from joint ventures | 5.1 | - | - |
| Deferred tax | 8.0 | 8.3 | 7.6 |
| **Total other non-current assets** | **22.7** | **8.3** | **7.6** |
| **Total non-current assets** | **1,791.5** | **1,519.6** | **1,583.8** |
| **Current assets** | | | |
| **Inventories** | | | |
| Raw materials and consumables | 46.0 | 33.4 | 30.0 |
| Work in progress | 63.2 | 63.7 | 59.8 |
| Finished goods and goods for resale | 69.6 | 74.3 | 70.2 |
| **Total inventories** | **178.8** | **171.4** | **160.0** |
| **Receivables** | | | |
| Trade receivables | 176.0 | 182.8 | 192.7 |
| Tax receivables | 1.7 | 2.5 | 3.8 |
| Other receivables | 25.2 | 18.5 | 19.1 |
| Prepayments | 12.1 | 11.8 | 11.0 |
| **Total receivables** | **215.0** | **215.6** | **226.6** |
| **Cash and cash equivalents** | **81.9** | **68.3** | **87.4** |
| **Total current assets** | **475.7** | **455.3** | **474.0** |
| **Total assets** | **2,267.2** | **1,974.9** | **2,057.8** |

# BALANCE SHEET

| EUR million | May 31, 2020 | May 31, 2019 | Aug 31, 2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 176.8 | 176.5 | 176.8 |
| Reserves | 663.9 | 660.5 | 620.4 |
| **Total equity** | **840.7** | **837.0** | **797.2** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Employee benefit obligations | 8.0 | 7.3 | 7.8 |
| Deferred tax | 104.3 | 89.5 | 91.2 |
| Provisions | 3.8 | 2.9 | 3.7 |
| Borrowings | 676.3 | 670.5 | 668.9 |
| Lease liabilities | 91.8 | - | 54.6 |
| Tax payables | 15.6 | 15.6 | 15.6 |
| Deferred gain | 48.3 | - | 49.6 |
| Other payables | - | - | 8.3 |
| **Total non-current liabilities** | **948.1** | **785.8** | **899.7** |
| **Current liabilities** | | | |
| Provisions | - | - | 0.1 |
| Borrowings | 203.2 | 137.8 | 96.2 |
| Lease liabilities | 12.8 | - | 2.1 |
| Prepayments from customers | 0.4 | 0.4 | 0.2 |
| Trade payables | 101.9 | 87.5 | 132.1 |
| Tax payables | 29.8 | 27.2 | 40.7 |
| Deferred gain | 1.8 | - | 1.8 |
| Other payables | 128.5 | 99.2 | 87.7 |
| **Total current liabilities** | **478.4** | **352.1** | **360.9** |
| **Total liabilities** | **1,426.5** | **1,137.9** | **1,260.6** |
| **Total equity and liabilities** | **2,267.2** | **1,974.9** | **2,057.8** |

# STATEMENT OF CHANGES IN EQUITY

| EUR million | Share capital | Currency translation | Cash flow hedges | Retained earnings | 2019/20 Total |
|---|---|---|---|---|---|
| **Equity at September 1, 2019** | **176.8** | **(45.3)** | **(6.2)** | **671.9** | **797.2** |
| Total comprehensive income for the year, cf. statement of comprehensive income | - | (14.5) | (0.2) | 178.8 | 164.1 |
| **Transactions with owners:** | | | | | |
| Share-based payment | - | - | - | 4.1 | 4.1 |
| Dividend | - | - | - | (124.7) | (124.7) |
| **Equity at May 31, 2020** | **176.8** | **(59.8)** | **(6.4)** | **730.1** | **840.7** |

| EUR million | Share capital | Currency translation | Cash flow hedges | Retained earnings | 2018/19 Total |
|---|---|---|---|---|---|
| **Equity at September 1, 2018** | **176.8** | **(51.0)** | **(0.7)** | **646.5** | **771.6** |
| Total comprehensive income for the year, cf. statement of comprehensive income | (0.3) | 6.8 | (4.1) | 175.6 | 178.0 |
| **Transactions with owners:** | | | | | |
| Purchase of treasury shares | - | - | - | (2.2) | (2.2) |
| Share-based payment | - | - | - | 3.8 | 3.8 |
| Dividend | - | - | - | (114.2) | (114.2) |
| **Equity at May 31, 2019** | **176.5** | **(44.2)** | **(4.8)** | **709.5** | **837.0** |

# CASH FLOW STATEMENT

| EUR million | Q3 2019/20 | Q3 2018/19 | YTD 2019/20 | YTD 2018/19 |
|---|---|---|---|---|
| **Operating profit** | 93.6 | 91.3 | 244.7 | 239.9 |
| Non-cash adjustments | 20.7 | 15.3 | 60.4 | 47.4 |
| Change in working capital | 31.4 | (4.8) | (14.5) | (62.2) |
| Interest payments made | (3.1) | (2.4) | (9.4) | (7.6) |
| Taxes paid | (14.1) | (14.2) | (58.7) | (65.7) |
| **Cash flow from operating activities** | **128.5** | **85.2** | **222.5** | **151.8** |
| Investments in intangible assets | (5.3) | (6.9) | (14.8) | (16.6) |
| Investments in property, plant and equipment | (19.8) | (29.8) | (65.4) | (80.1) |
| **Cash flow used for operational investing activities** | **(25.1)** | **(36.7)** | **(80.2)** | **(96.7)** |
| **Free operating cash flow** | **103.4** | **48.5** | **142.3** | **55.1** |
| Acquisition of entities, net of cash acquired | (119.4) | (0.5) | (119.4) | (9.8) |
| Investment in joint ventures | - | - | (5.5) | - |
| Loan to joint ventures | - | - | (5.1) | - |
| **Cash flow used for investing activities** | **(144.5)** | **(37.2)** | **(210.2)** | **(106.5)** |
| **Free cash flow** | **(16.0)** | **48.0** | **12.3** | **45.3** |
| Borrowings | 89.5 | 94.6 | 324.5 | 212.5 |
| Repayment of borrowings | (58.2) | (128.1) | (215.0) | (144.3) |
| Purchase of treasury shares, net | - | - | - | (2.1) |
| Dividends paid | - | - | (124.7) | (114.2) |
| **Cash flow used in financing activities** | **31.3** | **(33.5)** | **(15.2)** | **(48.1)** |
| **Net cash flow for the period** | **15.3** | **14.5** | **(2.9)** | **(2.8)** |
| Cash and cash equivalents, beginning of period | 69.0 | 54.2 | 87.4 | 69.1 |
| Unrealized exchange gains/(losses) included in cash and cash equivalents | (2.4) | (0.4) | (2.6) | 2.0 |
| Net cash flow for the year | 15.3 | 14.5 | (2.9) | (2.8) |
| **Cash and cash equivalents, end of period** | **81.9** | **68.3** | **81.9** | **68.3** |

# 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 5,7 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.

# SEGMENT INFORMATION

| EUR million | Food Cultures & Enzymes | Health & Nutrition | Natural Colors | Q3 2019/20 Group |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Revenue | 181.2 | 74.9 | 57.7 | 313.8 |
| EUR growth | 3% | 12% | (2)% | 4% |
| Organic growth | 8% | 12% | 1% | 7% |
| Depreciation, amortization and impairment losses | (12.2) | (5.2) | (2.6) | (20.0) |
| EBIT before special items | 62.3 | 26.0 | 8.2 | 96.5 |
| EBIT margin before special items | 34.4% | 34.7% | 14.3% | 30.8% |
| Special items and net financial expenses | | | | (5.6) |
| **Profit before tax** | | | | **90.9** |

| EUR million | Food Cultures & Enzymes | Health & Nutrition | Natural Colors | YTD 2019/20 Group |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Revenue | 519.8 | 195.9 | 165.2 | 880.9 |
| EUR growth | 3% | 7% | (1)% | 3% |
| Organic growth | 5% | 6% | 0% | 5% |
| Depreciation, amortization and impairment losses | (35.0) | (15.4) | (7.5) | (57.9) |
| EBIT before special items | 171.1 | 58.1 | 20.6 | 249.8 |
| EBIT margin before special items | 32.9% | 29.7% | 12.4% | 28.4% |
| Special items and net financial expenses | | | | (17.6) |
| **Profit before tax** | | | | **232.2** |

# SEGMENT INFORMATION
(CONTINUED)

| EUR million | Food Cultures & Enzymes | Health & Nutrition | Natural Colors | Q3 2018/19 Group |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Revenue | 176.7 | 66.5 | 58.8 | 302.0 |
| EUR growth | 7% | 13% | 2% | 7% |
| Organic growth | 8% | 11% | 3% | 8% |
| Depreciation, amortization and impairment losses | (9.9) | (4.6) | (1.7) | (16.2) |
| EBIT before special items | 62.1 | 20.5 | 9.1 | 91.7 |
| EBIT margin before special items | 35.1% | 30.8% | 15.5% | 30.4% |
| Special items and net financial expenses | | | | (5.3) |
| **Profit before tax** | | | | **86.4** |

| EUR million | Food Cultures & Enzymes | Health & Nutrition | Natural Colors | YTD 2018/19 Group |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Revenue | 503.8 | 184.6 | 166.8 | 855.2 |
| EUR growth | 6% | 12% | 3% | 7% |
| Organic growth | 9% | 11% | 4% | 9% |
| Depreciation, amortization and impairment losses | (28.9) | (13.7) | (5.1) | (47.7) |
| EBIT before special items | 166.4 | 54.0 | 20.9 | 241.3 |
| EBIT margin before special items | 33.0% | 29.2% | 12.5% | 28.2% |
| Special items and net financial expenses | | | | (13.2) |
| **Profit before tax** | | | | **228.1** |

# SEGMENT INFORMATION

(CONTINUED)

EUR million

| ASSETS | Food Cultures & Enzymes | Health & Nutrition | Natural Colors | May 31, 2020 Group |
|---|---|---|---|---|
| Goodwill | 530.8 | 330.2 | - | 861.0 |
| Other intangible assets | 100.6 | 139.5 | 17.7 | 257.8 |
| **Intangible assets** | **631.4** | **469.7** | **17.7** | **1,118.8** |
| Property, plant and equipment | 412.6 | 154.1 | 83.3 | 650.0 |
| **Total non-current assets excluding deferred tax** | **1,044.0** | **623.8** | **101.0** | **1,768.8** |
| Inventories | 85.5 | 35.1 | 58.2 | 178.8 |
| Trade receivables | 96.2 | 42.0 | 37.8 | 176.0 |
| Trade payables | (50.0) | (19.2) | (32.7) | (101.9) |
| **Net working capital** | **131.7** | **57.9** | **63.3** | **252.9** |
| Assets not allocated | | | | 143.6 |
| **Group assets** | | | | **2,267.2** |
| **Invested capital excluding goodwill** | **610.6** | **340.7** | **159.3** | **1,110.6** |
| **ROIC excluding goodwill** | **38.9%** | **24.3%** | **19.2%** | **31.8%** |
| Investment in non-current assets excluding deferred tax | 44.4 | 23.1 | 12.7 | 80.2 |

| ASSETS | Food Cultures & Enzymes | Health & Nutrition | Natural Colors | May 31, 2019 Group |
|---|---|---|---|---|
| Goodwill | 534.7 | 237.2 | - | 771.9 |
| Other intangible assets | 103.4 | 103.9 | 18.0 | 225.3 |
| **Intangible assets** | **638.1** | **341.1** | **18.0** | **997.2** |
| Property, plant and equipment | 332.7 | 125.3 | 56.1 | 514.1 |
| **Total non-current assets excluding deferred tax** | **970.8** | **466.4** | **74.1** | **1,511.3** |
| Inventories | 81.7 | 30.1 | 59.6 | 171.4 |
| Trade receivables | 101.1 | 41.1 | 40.6 | 182.8 |
| Trade payables | (43.0) | (16.4) | (28.1) | (87.5) |
| **Net working capital** | **139.8** | **54.8** | **72.1** | **266.7** |
| Assets not allocated | | | | **109.4** |
| **Group assets** | | | | **1,974.9** |
| **Invested capital excluding goodwill** | **575.9** | **284.0** | **146.2** | **1,006.1** |
| **ROIC excluding goodwill** | **41.1%** | **26.7%** | **21.7%** | **34.3%** |
| Investment in non-current assets excluding deferred tax | 56.1 | 24.5 | 16.1 | 96.7 |

# SEGMENT INFORMATION

(CONTINUED)

EUR million

| GEOGRAPHIC ALLOCATION | EMEA | North America | APAC | LATAM | Q3 2019/20 Group |
|---|---|---|---|---|---|
| Revenue | 139.6 | 85.2 | 53.4 | 35.6 | 313.8 |
| EUR growth | 3% | 5% | 10% | (3)% | 4% |
| Organic growth | 6% | 1% | 13% | 20% | 7% |

| | EMEA | North America | APAC | LATAM | YTD 2019/20 Group |
|---|---|---|---|---|---|
| Revenue | 376.6 | 246.1 | 148.9 | 109.3 | 880.9 |
| EUR growth | 1% | 9% | 5% | 1% | 3% |
| Organic growth | 1% | 5% | 5% | 15% | 5% |
| **Non-current assets excluding deferred tax** | **1,512.4** | **197.5** | **18.0** | **40.9** | **1,768.8** |

EUR million

| | EMEA | North America | APAC | LATAM | Q3 2018/19 Group |
|---|---|---|---|---|---|
| Revenue | 135.4 | 81.0 | 48.6 | 37.0 | 302.0 |
| EUR growth | 2% | 17% | 3% | 10% | 7% |
| Organic growth | 4% | 9% | 3% | 27% | 8% |

| | EMEA | North America | APAC | LATAM | YTD 2018/19 Group |
|---|---|---|---|---|---|
| Revenue | 376.0 | 227.2 | 142.7 | 109.3 | 855.2 |
| EUR growth | 5% | 12% | 4% | 7% | 7% |
| Organic growth | 7% | 6% | 4% | 27% | 9% |
| **Non-current assets excluding deferred tax** | **1,281.1** | **185.5** | **12.9** | **31.8** | **1,511.3** |

# ACQUISITIONS

On April 20, 2020, Chr. Hansen acquired full ownership of the HSO Health Care GmbH. The acquisition of the Austria-based B2B company expands Chr. Hansen's business within microbial solutions for women's health by strengthen and expand Chr. Hansen's global microbial platform. Chr. Hansen obtains access to intangible assets comprising product trademarks, patents and technology. The acquisition was conducted as a share deal.

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

| EUR million | 2019/20 |
|---|---|
| **PURCHASE CONSIDERATION:** | |
| Cash paid | 119 |
| Net assets acquired | (26) |
| Adjustment for fair value of cash | - |
| **Goodwill from acquisition** | **93** |

Goodwill represents competencies and synergies from innovation, optimization of sales and supply chain.

According to IFRS 3, the acquired assets are recognized at fair value in the opening balance based on market participants' use of assets, even if the acquirer does not intend to use them or does not intend to use them in a way that is similar to what would be expected.

A preliminary purchase price allocation based on estimates of the fair value of identified assets, liabilities and contingent liabilities has been included. The finalization of the purchase price allocation is still ongoing and might differ from the below.

| EUR million | 2019/20 |
|---|---|
| **FAIR VALUE OF NET ASSETS ACQUIRED:** | |
| Intangible assets | 38 |
| Other receivables and payables, net | (2) |
| Deferred tax | (10) |
| **Net assets acquired** | **26** |
| Fair value of total consideration | 119 |
| **Goodwill from acquisition** | **93** |

The costs totaling EUR 1.2 million relating to the acquisition of HSO Health Care are being expensed as special items.

# 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 | |
|---|---|
| **Operating lease commitments disclosed at August 31, 2019** | 26.4 |
| 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 |
| **Lease liability recognized at September 1, 2019 related to right-of-use assets** | **45.6** |

**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.