CHR HANSEN

Improving food & health

ANNUAL REPORT 2013/14

Index

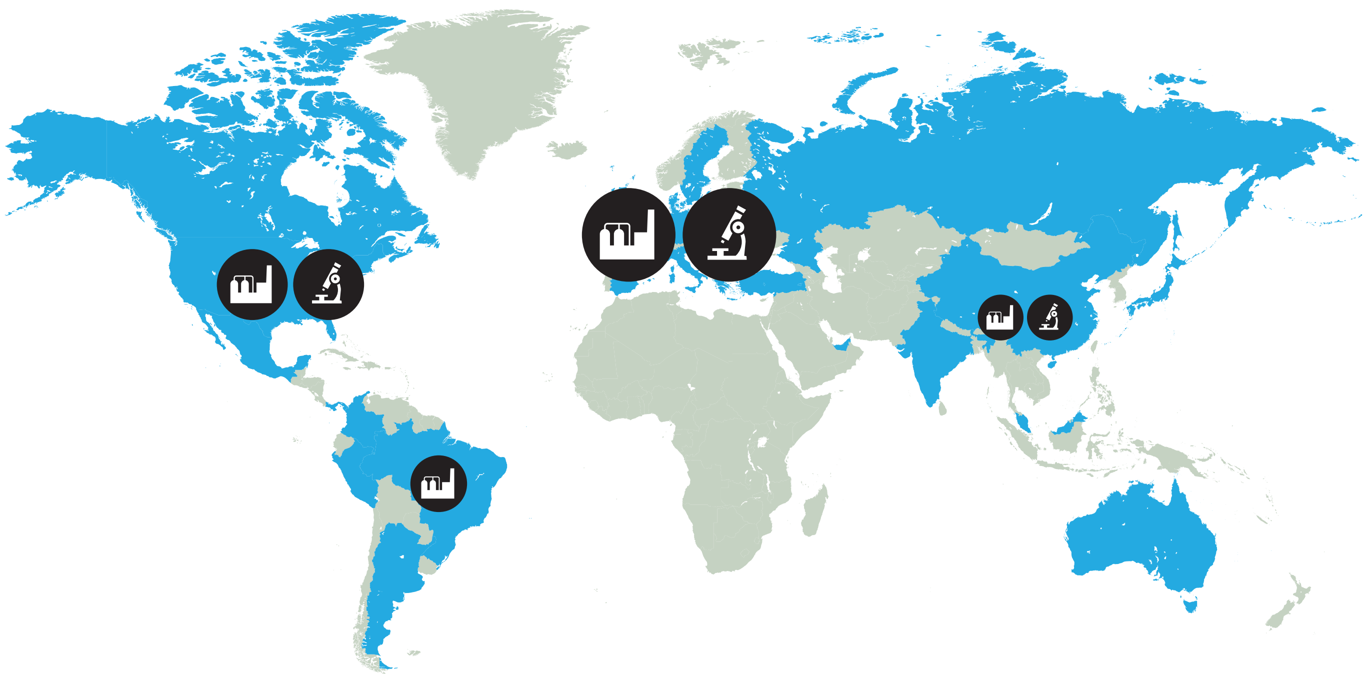
2013/14 IN BRIEF

FREEZE-DRIED CULTURES

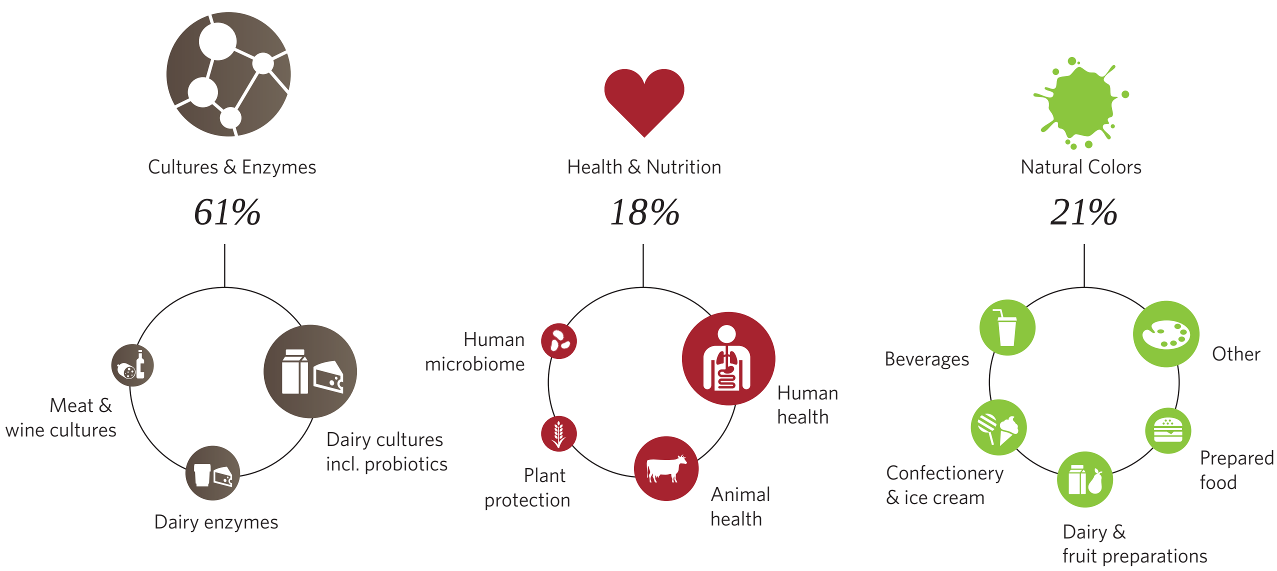
About Chr. Hansen

Chr. Hansen is a global bioscience company that develops natural solutions for the food, nutritional, pharmaceutical and agricultural industries. Chr. Hansen develops and produces cultures, enzymes, probiotics and natural colors. All solutions are based on strong research and development competencies coupled with significant technology investments.

2,500 employees in 30 countries



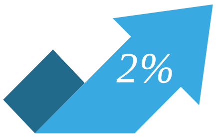
Three divisions – multiple product areas



Highlights

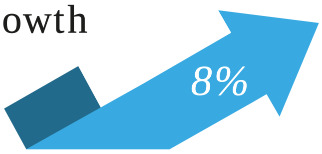
Revenue

756 EURm



Revenue amounted to EUR 756 million, up EUR 18 million or 2% on 2012/13.

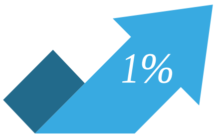
Organic growth



Organic growth came to 8%, compared to 7% in 2012/13.

Operating profit

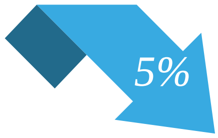
195 EURm



Operating profit amounted to EUR 195 million, compared to EUR 193 million in 2012/13.

Profit for the year

132 EURm



Profit for the year decreased to EUR 132 million from EUR 140 million in 2012/13.

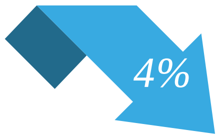
R&D expenditures incurred

47 EURm

Total research & development expenditures incurred amounted to EUR 47 million, or 6.1% of revenue, unchanged from 2012/13.

Free cash flow

115 EURm



Free cash flow came to EUR 115 million, down from EUR 120 million in 2012/13.

Strategic and operational highlights

Nature's No. 1 strategy launched in September 2013 with the ambition to pursue growth opportunities in the current core businesses and within new microbial solutions.

Expansion of fermentation capacity for cultures in Copenhagen completed, with commercial production commencing in July 2014.

As part of the strategic initiative to develop opportunities in plant protection, a strategic alliance with FMC Corporation covering development and commercialization of biological products was entered into in October 2013.

The natural colors platform in China was reinforced through a new application expertise center in China and a strengthened organization to support stronger and more direct relationships with key customers.

Strengthening of innovation organization to ensure a strong product pipeline across the divisions and prepare for the next generation of microbial solutions in plant protection and human health.

Changed go-to-market strategy in China and Southeast Asia by serving key customers directly rather than through distributors.

Optimization of business processes, organization and production footprint, including decision to close down small production facilities in a number of countries.

Key figures

EUR million	2013/14	2012/13	2011/12	2010/11	2009/10*
Income statement					
Revenue	756.2	738.4	698.7	635.6	551.8
Gross profit	391.3	384.8	359.6	308.7	279.3
EBITDA before special items	256.6	249.0	235.5	201.7	181.9
EBIT before special items	204.8	192.5	185.0	159.2	139.8
EBIT	195.1	192.5	185.0	159.2	115.6
Net financial items	(13.8)	(15.8)	(12.7)	(10.9)	(67.0)
Profit from continuing operations	132.2	139.8	131.3	114.2	16.8
Profit from discontinued operations	-	-	-	4.4	2.4
Profit for the year	132.2	139.8	131.3	118.6	19.2
Average number of employees	2,510	2,510	2,425	2,411	2,229
Financial position at 31 August					
Total assets	1,374.9	1,366.8	1,342.9	1,352.7	1,316.3
Invested capital*	1,213.8	1,180.1	1,174.3	1,145.5	1,153.7
Net working capital*	129.8	107.8	98.8	97.5	89.9
Equity**	656.8	680.7	655.1	644.3	545.7
Net interest-bearing debt	403.5	351.5	363.9	347.5	474.5
Cash flow and investments					
Cash flow from operating activities	176.4	190.3	176.4	150.4	98.5
Cash flow used for investing activities	(61.8)	(70.3)	(63.1)	(25.8)	(38.4)
Free cash flow	114.6	120.0	113.3	124.6	60.1
Acquisition and disposal of property, plant and equipment, net	(49.6)	(52.0)	(40.0)	(21.9)	(18.4)
Earnings per share					
EPS, continuing operations, diluted	1.00	1.04	0.95	0.83	0.16
Key ratios					
Organic growth, %***	8	7	8	14	13
Organic growth excl. carmine price effect, %	8	9	11	10	11
Gross margin, %	51.7	52.1	51.5	48.6	50.6
EBITDA margin before special items, %	33.9	33.7	33.7	31.7	33.0
EBIT margin before special items, %	27.1	26.1	26.5	25.0	25.3
EBIT margin, %	25.8	26.1	26.5	25.0	20.9
ROIC, %	17.1	16.4	15.9	13.8	12.2
ROIC excl. goodwill, %	34.9	34.3	34.1	30.0	26.5
NWC, %	17.2	14.6	14.1	15.3	16.3
R&D, %	6.1	6.1	6.7	6.3	5.9
Capital expenditure, %	8.3	9.6	9.1	7.1	7.0
Cash conversion, %	67.0	67.9	72.4	73.7	72.1
Net debt to EBITDA before special items	1.6x	1.4x	1.5x	1.7x	2.6x

* For 2009/10 the income statement, cash flow statement and key figures have been restated to exclude discontinued operations in accordance with IFRS 5. Likewise, balance sheet figures have been restated to produce comparable key ratios.

** Equity for 2012/13 has been restated to reflect changed accounting policy for employee benefit obligations.

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

Letter to shareholders

A STRONG BUSINESS MODEL
With its unique position as market leader in niche markets for specialty ingredients for the food and life science industries, Chr. Hansen continues to deliver solid growth and strong margins. In 2013/14, organic growth reached 8%, while the EBIT margin before special items ended at 27.1%.

The Cultures & Enzymes Division and the Health & Nutrition Division delivered solid organic growth of 8% and 15% respectively, well in line with our long-term ambitions for the two divisions.

The markets for strategic dairy ingredients for cheese and fermented milk remained strong despite continued headwinds for probiotics. Growth was driven by fundamental market growth, conversion, innovation and price increases. Cultures for meat and wine also showed strong growth.

Human and animal health in the Health & Nutrition Division both delivered strong growth, driven by continued penetration of bacterial solutions for both humans and animals. The division also saw the first sales of bacterial plant protection as part of our collaboration with FMC Corporation.

The Natural Colors Division delivered organic growth of 2% excluding the negative effect from changes in carmine prices, which is below our ambition. The division was negatively impacted by the loss of a significant customer in South America (6%-points), a slower conversion rate to natural colors in the US than expected, and a loss of momentum in China.

To strengthen the commercial focus for capturing the growth opportunities in natural colors, we are establishing a dedicated sales and application organization in the Natural Colors Division.

The EBIT margin before special items was 27.1%, in line with 2012/13, once adjusted for impairments in 2012/13. A strong focus on cost discipline and efficiency gains across the organization were offset by a negative impact of 0.9 percentage point from a lower level of capitalization of development expenditures.

Free cash flow came to EUR 115 million, slightly down from EUR 120 million in 2012/13. This was due to special items of EUR 10 million related to optimization of processes and production footprint. These changes will help generate the future fuel for growth and ensure a successful implementation of the Nature's No. 1 strategy.

NATURE'S NO. 1
With our strategy, Nature's No. 1, which was launched in September 2013, we have set ambitious goals for the future of Chr. Hansen.

Our aim is to continue the solid organic growth from our existing business through a step-up in our innovation efforts, reinforcing our presence in emerging markets and commercial excellence, yet at the same time pursue new long-term growth opportunities in biological plant protection and related to the human microbiome, where we can utilize our strong technology platform in the field of microbial solutions.

During the year we strengthened the balance between strategic research initiatives and development projects, and established a new application center for natural colors in China and dedicated facilities for plant protection and the human microbiome initiative, both located in Copenhagen.

We are determined to deliver profitable growth by improving the EBIT margin before special items over the next four years. To achieve this, the recently installed large-scale fermentation capacity will be pivotal. The new capacity, in Copenhagen, was inaugurated in July 2014 and is now in commercial production. Over the coming years we will optimize production processes, and full use of the new capacity will bring unit cost reductions supporting our other initiatives for improving the EBIT margin before special items for the Group.

HUMAN CAPITAL
Creating a safe, stimulating and motivating working environment for our employees remains a key focus area to ensure the future success of Chr. Hansen. Our biennial employee satisfaction survey was conducted this year with a very good overall result, although slightly below that from 2011/12. The findings from the survey are used across the organization to increase motivation and satisfaction among our employees.

Health and safety is at the core of Chr. Hansen's business. We believe that each and every accident should be avoided, and it is encouraging that the lost-time incident frequency fell from 8 per million working hours in 2012/13 to 4 in 2013/14. However, the increase in absence per incident from 15 to 20 days underlines the importance of continued efforts to ensure a safe working environment. We will in the coming years focus on how to further improve the health and safety of our employees.

IMPROVING FOOD & HEALTH
Through innovation, we contribute to the availability of safe, healthy and nutritious dairy products globally. At every step of the value chain we provide solutions that aim at protecting the consumer and nature's scarce resources while promoting sustainable business.

This is also true for our own operations. There was, however, a decrease in water, energy and CO_2 efficiency in 2013/14, mainly related to the expansion of fermentation capacity in Copenhagen and temporary suboptimal production processes ahead of the expansion.

Our commitment to the UN Global Compact principles is unchanged as is our commitment to secure a sustainable business model for both ourselves and our customers. Information on how we address both risk and opportunities related to sustainability can be found throughout this Annual Report, but for a full report on corporate social responsibility as required by sections 99a and 99b of the Danish Financial Statements Act, please refer to Chr. Hansen's Communication on Progress to the UN Global Compact, available at http://www.chr-hansen.com/about-us/csr/reporting-downloads.html.

CAPITAL STRUCTURE AND DIVIDEND
We remain committed to maintaining a healthy capital structure with leverage consistent with a solid investment-grade credit profile while returning excess cash to shareholders. In line with this, a EUR 80 million share buy-back program was executed during the year, and in addition to this we propose a dividend payout of EUR 0.51 (DKK 3.77) per share, or a total of EUR 66 million. Leverage will be 1.9x net debt/EBITDA following the dividend payment in December 2014.

LOOKING AHEAD
Chr. Hansen celebrated its 140th anniversary in 2014 with another satisfying set of results, but the Company continuously strives for further improvements. During the coming year and as part of our Nature's No. 1 strategy, work on the new initiatives within plant protection and the human microbiome will accelerate with more investments in research & development and the strategic alliance with FMC Corporation. Equally important will be to ensure successful further use of our new fermentation capacity in Copenhagen and the implementation of the new integrated Natural Colors organization.

Together with our 2,500 dedicated employees, we will continue our efforts to bring Chr. Hansen forward in 2014/15.

Ole Andersen
Chairman of the Board

Cees de Jong
President & CEO

STRATEGY AND AMBITIONS

Strategy update

CHR. HANSEN – NATURE'S NO. 1

GROW THE BUSINESS OF TODAY – CREATE THE SOLUTIONS OF TOMORROW

Chr. Hansen is well positioned as market leader in a number of attractive niche markets for cultures, enzymes, probiotics for human and animal health, and natural color solutions for the food & beverage industry.

Chr. Hansen's solutions offer an attractive cost-to-value ratio for customers. Solutions are based on the Company's strong research & development platform, core capabilities in large-scale fermentation of cultures and strong application know-how, ensuring successful integration with customers' products and processes.

To be Nature's No. 1 and to pursue growth opportunities in the current core businesses and within new microbial solutions, Chr. Hansen announced a new strategy in September 2013 with six main strategic themes.

Grow the business of today

Chr. Hansen will grow the business of today through increased focus on new innovation for yield and functionality in the Cultures & Enzymes Division, expanding the reach of the existing business in the Health & Nutrition Division, and new solutions for driving conversion in the Natural Colors Division. Reinforcing Chr. Hansen's position in emerging markets will also be a key focus area to grow the business of today.

Create the solutions of tomorrow

"Good bacteria" are becoming an increasingly relevant way to address key challenges for human health and nutrition and agricultural productivity. Chr. Hansen has an opportunity to leverage its strong technology platform in the field of microbial solutions to develop the natural solutions of tomorrow that help customers and consumers meet these challenges.

1 Fully leveraging the potential of the Cultures & Enzymes Division

		Progress 2013/14
Focus areas	Focus on new innovation	• New innovations for better customer yield and improved product range • Stronger focus on developing new strategic product platforms
	Securing undisputed leadership in selected emerging markets	• Establishing stronger relationships with key Chinese customers, serving them directly rather than through distributors
	Developing customer-driven commercial excellence	• Continued global implementation of improved sales tools
	Reaping further improvements in scalability	• Implementation of new fermentation capacity for cultures in Copenhagen with commercial production commencing in July 2014
Long-term financial ambitions	Average annual organic growth of 7-8%	• 8% organic growth supported by growth in dairy cultures and enzymes as well as meat and wine cultures
	Increased EBIT margin over the period	• EBIT margin before impairments 30.2% compared to 30.4% in 2012/13 • Negative R&D impact of 0.6 percentage point from reassessed of capitalization of development costs

For more information on the progress of the Cultures & Enzymes Division, please refer to page 16.

2 Developing the microbial solutions platform in the Health & Nutrition Division

		Progress 2013/14
Focus areas	Expand existing business in human health through differentiation	• Launch of new probiotic product formats • Health claim approval for Urex™ in South Korea
	Deepen market penetration in animal health through increased investments	• Expanding the market for animal probiotics in the livestock industry and for silage inoculants by strengthening capabilities and sales platform
	Develop medium-term opportunities in plant protection	• Strategic alliance with FMC Corporation • Launch of Nemix C™, a biostimulant for sugarcane production • Development of new solutions with several field trials and screening of new bacteria ongoing
	Explore long-term opportunities for developing second-generation human health solutions	• Commenced establishing a dedicated organization and innovation facility supported by an external scientific advisory board • Building relations with key research institutions and industrial players
Long-term financial ambitions	Average annual organic growth above 10% from core business. Plant protection expected to add additional growth toward 2017/18	• 15% organic growth from core business in human and animal health • Initial contribution from plant protection
	Due to increased investments in future growth opportunities, the EBIT margin is expected to be around 30% during the period	• EBIT margin before impairments 33.2%, compared to 34.6% in 2012/13 • Negative R&D impact of 2.7 percentage points from reassessed of capitalization of development costs

For more information on the progress of the Health & Nutrition Division, please refer to page 18.

3 Creating further value in the Natural Colors Division

		Progress 2013/14
Focus areas	Improved cost-in-use solutions	• Established strategic partnerships with suppliers to ensure lower cost-in-use and less fluctuation in raw material prices • Launch of new concept for beverages with significant cost-in-use reductions
	Address the significant potential in emerging markets	• New application expertise center inaugurated in China for a stronger and direct relationship with key customers and to support the development of a dedicated Asian product range
	Develop an enhanced product offering	• Expanding the FruitMax® platform for coloring foodstuffs and ensuring full compliance with new EFSA guidance • Development of a dedicated Asian product range initiated
	Transformational technology	• Patent application filed for fermented carmine • Introduction of WhiteWhey™ for optimization of coloring cheese and whey production
Long-term financial ambitions	Targeting annual organic growth around 10%	• 2% organic growth excluding the negative effect from changes in carmine prices. Growth negatively impacted by loss of a large customer in Q4 2012/13 • China slowly improved while conversion in the US was low
	Increased EBIT margin over the period	• EBIT margin 13.0%, unchanged from 2012/13

For more information on the progress of the Natural Colors Division, please refer to page 20.

4 Driving a step change in innovation

Innovation is a strong driver of growth across Chr. Hansen's divisions, and continued improvements in innovation efforts are essential to drive above-market organic growth.

Chr. Hansen will continue to increase absolute investments in research & development and selectively strengthen competencies to ensure a strong product pipeline across the divisions and prepare for the next generation of microbial solutions in plant protection and human health.

Progress 2013/14

The governance structure of the innovation organization for existing markets was strengthened in order to ensure a better balance between specific product development projects and strategic research into new solution platforms. This included the establishment of a new innovation committee with the participation of senior management and the strengthening of key regional laboratories.

Products developed within the last three years accounted for 12% of revenue, compared to 13% in 2012/13, while research & development expenditures amounted to EUR 47 million or 6.1% of revenue, compared to EUR 45 million or 6.1% in 2012/13.

5 Reinforcing Chr. Hansen's position in emerging markets

Emerging markets, in particular Asia, are expected to deliver the majority of the absolute market growth in key food categories in the next 5-10 years.

In order to fully capture the market potential in emerging markets, it is becoming increasingly important to adapt the product offering to regional and local needs. To meet these requirements, Chr. Hansen will focus on establishing a stronger presence in key markets. This includes a stronger and direct relationship with customers in specific countries, in Asia and Turkey. This will be enabled by strengthening local organizations through improved application support and product development capabilities.

Progress 2013/14

In 2013/14, it was decided to establish stronger relationships with key Chinese customers, serving these directly rather than through distributors. It is expected that a similar customer strategy will be applied to other key customers in emerging markets, which are currently served through distributors.

The Asia-Pacific region, which accounts for 14% of revenue, showed organic growth of 14%. Key emerging markets in South America saw solid growth in cultures and enzymes, while performance in natural colors was impacted by the loss of a customer in Q4 2012/13. The acquisition of the remaining 50% of Peyma Chr-Hansen's A.S in 2013 has strengthened the Company's activities in the strategically important Turkish market, and Turkey delivered very strong growth in 2013/14.

6 Generating the fuel for growth

To achieve its strategic ambitions for organic growth in the next five years and pave the way for capturing longer-term growth opportunities, Chr. Hansen will invest in innovation, in emerging markets and in animal health, plant protection and second-generation human health solutions.

To fuel this growth and at the same time deliver improved profitability, a continued strong focus on cost discipline as well as productivity and efficiency gains across the organization will be maintained.

Progress 2013/14

Chr. Hansen optimized its business processes, organization and production footprint in order to generate the fuel for growth and ensure a successful implementation of the strategy. Costs of EUR 10 million associated with this have been classified as special items.

Business model

The Chr. Hansen business model is based on the company's strong innovation platform, a centralized production setup and strong customer relationships.

INNOVATION

The majority of Chr. Hansen's product innovation derives from its strong bioscience technology platforms based on in-depth scientific knowledge and competencies. Chr. Hansen is the owner of one of the world's largest commercial collections of bacteria, numbering more than 16,000 strains. Bacterial cultures from this collection are screened, selected and improved to meet specific requirements in food, dietary supplement or feed products.

More than 350 full-time employees are dedicated to research & development and technical application activities. In addition to this, Chr. Hansen actively partners with researchers and companies on innovative projects in its specialist fields. Partnerships can start at any stage of a project, from joint research in the early discovery phases to inlicensing of fully developed products. In 2013/14, 6.1% of revenue was spent on research & development.

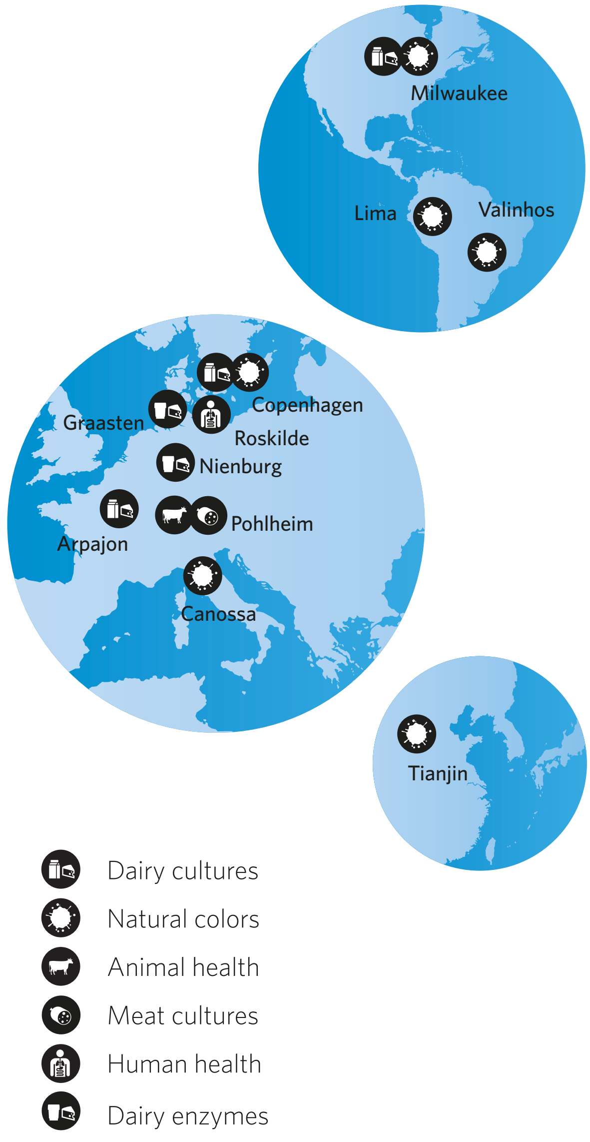
PRODUCTION

Production is managed centrally to ensure optimization of production facilities by serving the world from a consolidated production setup. During 2013/14, it was decided to close down small production facilities in a number of countries.

CUSTOMERS

Chr. Hansen aims to develop and maintain long-term relationships with customers as a supplier of strategic and value-adding ingredients. Through a global network of application and development centers, Chr. Hansen works closely with customers around the world to develop new products and service their needs with a superior customer experience, building on strong customer insight and local technical competencies. Chr. Hansen has a diverse customer base, serving large multinationals, regional and local customers. The top 25 customers accounted for approximately 31% of revenue in 2013/14, compared to 32% in 2012/13.

MAIN PRODUCTION LOCATIONS



Three-year revenue growth	CAGR
Top 5 customers	3%
Top 15 customers	5%
Top 25 customers	5%
Total Chr. Hansen	8%

Long-term ambitions

FINANCIAL AMBITIONS THROUGH 2017/18

Organic revenue growth

The Cultures & Enzymes Division is expected to deliver average annual organic growth of 7-8%, while the Health & Nutrition Division is expected to deliver average annual organic growth above 10% over the period.

Due to recent performance and the low conversion rate from synthetic to natural colors in the US, the ambition for the Natural Colors Division has been adjusted from 'average annual organic growth above 10%' to 'targeting annual organic growth around 10%'.

Revenue for the Chr. Hansen Group is still expected to grow organically by 7-10% per annum.

Research & Development

Research & development expenditures incurred as a percentage of revenue are expected to be around 7%.

EBIT margin before special items

The EBIT margin before special items is expected to improve over the period compared to 2012/13. The improvement will be driven by continued focus on strong cost discipline as well as productivity and efficiency gains across the organization, while at the same time investing in innovation, emerging markets and exploration of new growth opportunities.

The EBIT margin in the Cultures & Enzymes Division and the Natural Colors Division is expected to increase. The EBIT margin in the Health & Nutrition Division is expected to be around 30% during the period as a consequence of increased investment in future growth opportunities.

Free cash flow

Free cash flow is expected to increase over the period.

SUSTAINABILITY AMBITIONS FOR 2019/20

Chr. Hansen focuses on strategic corporate social responsibility (CSR) projects which support the execution of the Nature's No. 1 strategy. To achieve this, the Company has set new ambitions and operational goals for 2019/20:

Protecting consumers

- FSSC 22000 certification of all production sites by 2015/16

Improving resource efficiencies

- Increase in water and energy consumption must not exceed 50% of growth in production volume by 2019/20 (compared to 2012/13)
- Recycle at least 50% of waste by 2019/20

Reducing impact on climate change

- Increase in CO_2 emissions must not exceed 50% of growth in production volume by 2019/20 (compared to 2012/13)

Developing employees

- Employee satisfaction and motivation above industry benchmark in every survey
- Lost-time incidents below 3 per million working hours by 2015/16

Promoting diversity and inclusion

- 80% of corporate management teams meeting diversity criteria

Outlook for 2014/15

OUTLOOK FOR 2014/15
Organic revenue growth for 2014/15 is expected to be 7-9%.

- In both the Cultures & Enzymes Division and the Health & Nutrition Division, organic growth is expected to be in line with the long-term ambitions for each division
- In the Natural Colors Division, organic growth is expected to be 5-10%, with conversion from synthetic to natural solutions in the US expected to be slow

Research & development expenditures incurred are expected to be 7-8% of revenue, due mainly to higher activity in strategic initiatives.

The EBIT margin before special items is expected to be above 26.5%.

- In the Cultures & Enzymes Division, the EBIT margin is expected to be at the same level as in 2013/14, with a positive impact from implementation of new fermentation capacity toward the end of the year
- In the Health & Nutrition Division, the EBIT margin is expected to be below that of 2013/14 as increased activity for strategic initiatives, primarily within biological plant protection, will impact margins negatively
- In the Natural Colors Division, the EBIT margin is expected to be at or below that of 2013/14, as the creation of a dedicated sales and application organization integrated in the Natural Colors Division is expected to impact margins negatively

Free cash flow before acquisitions, divestments and special items is expected to be above EUR 130 million.

BUSINESS PERFORMANCE

NATURAL COLOR POWDER

Regions

Chr. Hansen is a global company with offices in 30 countries and sales to more than 140 countries. The Company's global sales operations are grouped into three regions: EMEA (Europe, Middle East and Africa), Americas (North and South America) and APAC (Asia-Pacific).

EMEA

The EMEA region accounted for 50% of revenue, compared to 49% in 2012/13. Around 1,750 full-time employees work in the region within sales, administration, research & development and production.

During 2013/14, the structure of the region was simplified by reducing the number of management levels. In addition, business processes were optimized to better support the business.

Revenue increased by 5%, with organic growth of 8%. The organic growth was driven by strong growth in cultures for fermented milk, cheese and meat as well as dietary supplements. Natural colors, enzymes and animal health products delivered good growth, while revenue from probiotic cultures for fermented milk was lower than in 2012/13.

Americas

The Americas region accounted for 36% of revenue, compared to 38% in 2012/13. Around 600 full-time employees work in the region within sales, research & development, production and administration.

Revenue decreased by 2%, with organic growth of 4%. The loss of a natural color customer in South America in Q4 2012/13 affected growth negatively by approximately 4 percentage points. Cultures for fermented milk and meat, products for animal and human health, and enzymes showed strong growth. Cultures for cheese realized modest growth, while revenue from probiotic cultures for fermented milk was lower than in 2012/13. Natural colors in the US also experienced a decline in revenue.

APAC

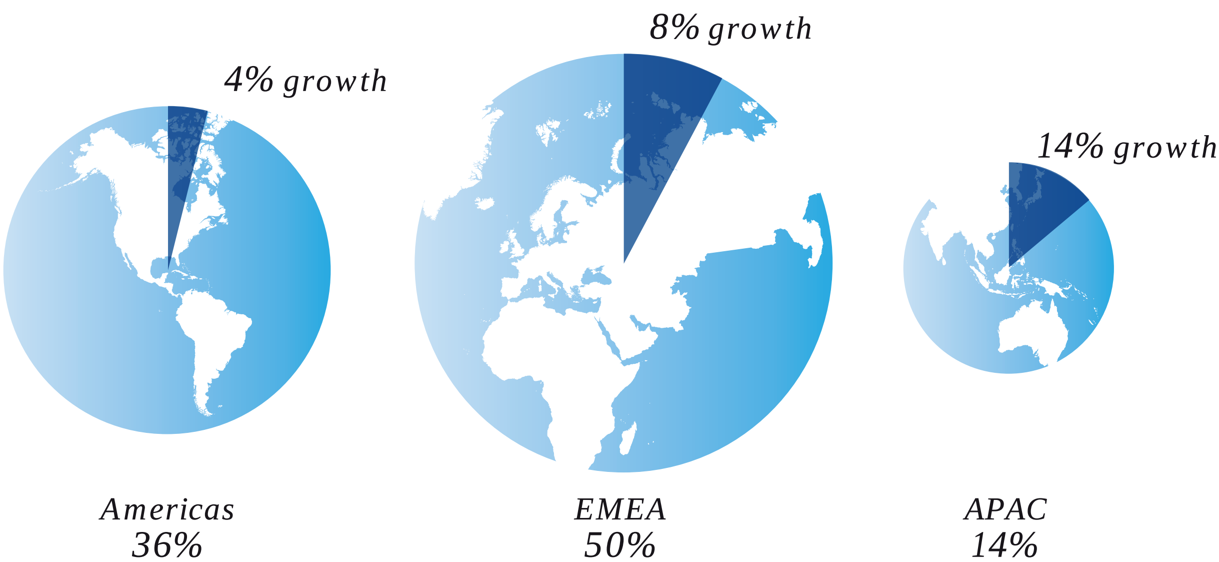
The APAC region accounted for 14% of revenue, compared to 13% in 2012/13. Around 160 full-time employees work in the region, mainly within sales and administration.

During 2013/14, the organization in the APAC region was strengthened, partly through additional resources for the Chinese operation, including a stronger natural colors sales and application team with a dedicated innovation facility in Shanghai. In order to fully capture the market potential in China, it has been decided to establish stronger relationships with key Chinese customers, serving them directly rather than through distributors.

Revenue increased by 6%, with organic growth of 14%. The organic growth was driven primarily by very strong growth in human health products. Cultures for fermented milk, including probiotics, delivered solid growth, while cultures for cheese and natural colors realized good growth.

REGIONAL SPLIT

Revenue and organic growth



Cultures & Enzymes Division

EUR million	2013/14	2012/13
Revenue	464.4	450.9
Organic growth	8%	9%
EBITDA	178.0	172.8
EBIT	140.1	132.9
EBIT margin	30.2%	29.5%
EBIT margin before impairment	30.2%	30.4%
ROIC excluding goodwill	34.6%	34.5%

The Cultures & Enzymes Division supplies cultures, enzymes and probiotics for the food industry in general and the dairy industry in particular. Chr. Hansen's ingredients help determine the taste, nutritional value, health benefits and shelf life of a wide variety of end products. Chr. Hansen also assists customers in optimizing production processes, increasing yields and improving quality.

Chr. Hansen is the market leader in cultures and enzymes for the dairy market and has consistently outperformed market growth. The dairy market continues to hold attractive growth opportunities driven by fundamental category growth, especially in emerging markets, continued conversion, and unmet consumer and customer needs for better functionality and yield.

FUNDAMENTAL GROWTH

According to Euromonitor and the Company's own estimates, the global market for fermented milk grew by an annual average of 5% from 2011 to 2013 and the market for cheese by an annual average of 2%. This growth was driven primarily by the Americas and APAC regions, while growth in EMEA, especially in the EU, was modest.

Conversion

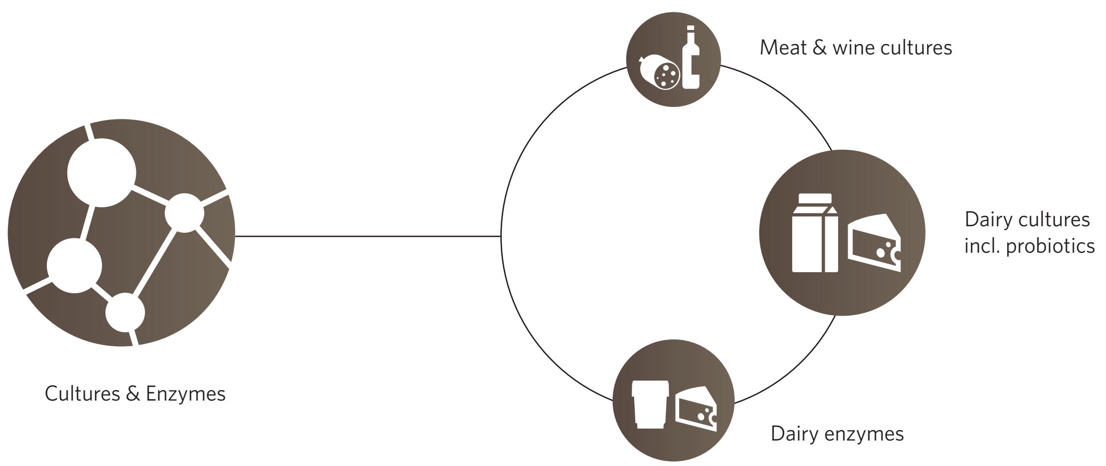
Chr. Hansen estimates that, based on volume, 75-80% of the fermented milk market (excluding India) and 45-50% of the cheese market have converted from bulk starter to DVS® or similar technologies. While the conversion rate for cheese increased, the market for fermented milk experienced a small decline due to the continued success of a number of Greek yogurt producers which have not converted to DVS® cultures.

Innovation

Through innovation, Chr. Hansen creates value for its customers, primarily dairies, with solutions addressing end consumer needs or customers' needs for value maximization in production.

Chr. Hansen works on developing solutions to help customers meet consumer demands for low sugar, lactose, salt or fat; distinctive texture and flavors; "clean label" products; and adapting solutions to local taste preferences. Value maximization is addressed through innovative solutions that improve yield or efficiency in the customers' production process. Chr. Hansen also works on solutions that can optimize its own production processes.

PRODUCT AREAS IN CULTURES & ENZYMES DIVISION



A number of new products were introduced in 2013/14, helping customers improve yield, launch innovative new products and convert to DVS® cultures, including:

- YO-FLEX® SoGreek™ and NU-TRISH® SoGreek™ cultures for high-protein Greek yogurt
- New DVS® CR full flavor ripening culture for improved flavor in cheese without extra ripening time
- Viniflora® NoVA™ for managing the malolactic fermentation in grape juice before alcoholic fermentation
- DVS® culture TCC-50 for Kashkaval and Provolone type cheeses

PRODUCTION

A significant expansion of fermentation capacity for cultures at the Copenhagen facility was completed during the year, and commercial production commenced in Q4 2013/14. With the expansion of capacity for one of the key production processes, Chr. Hansen has solved a significant bottleneck for accommodating future growth in cultures for the dairy industry. In addition, it will further optimize production and reduce unit costs. Investments were also made in, among others, a new warehousing facility in Denmark and packaging capacity for frozen cultures in the US.

REVENUE

Revenue increased by 3% to EUR 464 million, corresponding to organic growth of 8%. The organic growth was mainly driven by strong growth in cultures for fermented milk and meat. There was also good growth in cultures for cheese and enzyme sales, while revenue from probiotic cultures was lower than in 2012/13.

Growth in cultures for fermented milk and cheese was driven by fundamental market growth, product innovation, conversion to DVS® solutions and pricing. The decline in revenue from probiotic cultures in EMEA and the Americas was partly offset by good growth in APAC. Conversion to CHY-MAX® M was the main contributor to the good growth in enzymes.

Growth in meat cultures was driven by bioprotective cultures for enhanced quality and safety of meat products. Cultures for wine realized solid growth, partly due to an early wine season in Europe in 2014.

EBIT

EBIT amounted to EUR 140 million, up EUR 7 million, or 5%, on 2012/13, the prior year being negatively affected by impairments of EUR 4 million.

The EBIT margin was 30.2%, down 0.2 percentage point on the EBIT margin before impairments in 2012/13, due to a negative impact of 0.6 percentage point from reassessed capitalization of development expenditures.

ROIC EXCLUDING GOODWILL

The return on invested capital excluding goodwill was 34.6%, compared to 34.5% in 2012/13. Invested capital excluding goodwill increased by EUR 27 million, or 7%, to EUR 419 million, due mainly to the expansion of fermentation and warehousing capacity for cultures in Copenhagen and packaging capacity for frozen cultures in the US.

Health & Nutrition Division

EUR million	**2013/14**	2012/13
Revenue	133.5	120.6
Organic growth	15%	14%
EBITDA	52.6	49.4
EBIT	44.1	37.9
EBIT margin	33.0%	31.5%
EBIT margin before impairment	33.2%	34.6%
ROIC excluding goodwill	42.7%	36.7%

Chr. Hansen is the leading producer of probiotics for human and animal health. The Health & Nutrition Division supplies products and solutions for the dietary supplement, over-the-counter pharmaceutical, infant formula and animal feed industries. The key offering is probiotic cultures with a documented health effect. In addition to its existing business, Chr. Hansen is looking to develop microbial solutions to address attractive new growth opportunities within plant protection (medium term) and second-generation human health solutions (longer term).

Human health

General market conditions for human probiotic dietary supplements remained favorable in 2013/14 with increased penetration of probiotic solutions in the overall dietary supplements market, primarily in North America and key markets in Asia.

Chr. Hansen continuously invests in providing clinical evidence of the health benefits of probiotic strains to retain and attract customers, and as a market leader Chr. Hansen has some of the best-documented strains in its product portfolio. During 2013/14, Chr. Hansen obtained approval for a health claim from the South Korean Ministry of Food & Drug Safety for Urex™, a dietary supplement that can help maintain a normal vaginal microbiota.

Animal health

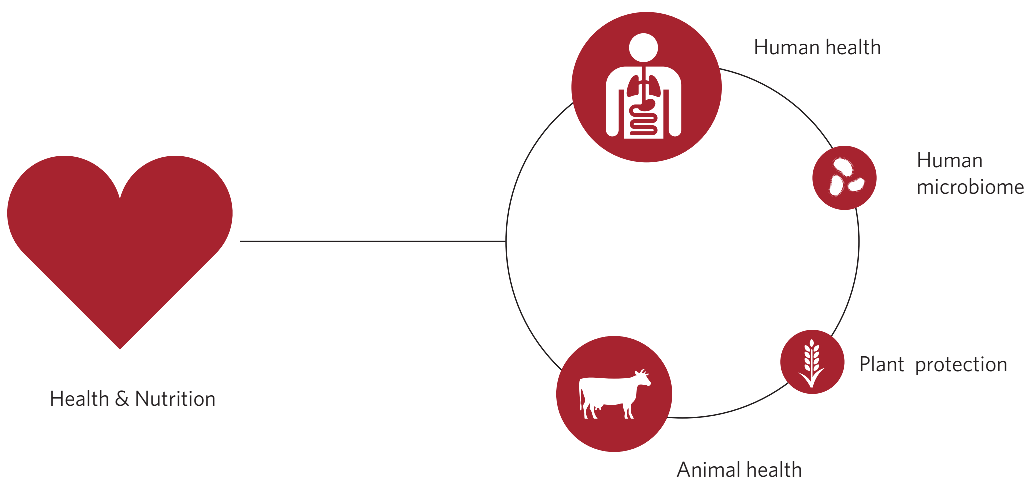
With a growing world population, there is an ever greater need to increase productivity in the agricultural industry. Chr. Hansen's probiotic concepts for animal feed help farmers address this challenge. The market for animal probiotics in the livestock industry expanded in 2013/14, primarily through increased market penetration in swine and cattle. The market for silage inoculants also expanded as farmers are looking for efficiency gains from their forage.

Plant protection (FMC alliance)

The global agriculture sector is facing a massive productivity challenge in the years ahead, and biological solutions are becoming an ever more important way to address this challenge, although still a very small part of the total market for biologicals and chemicals. In collaboration with FMC Corporation, a new product, Nemix C™, was launched in late 2013 targeting the Brazilian sugarcane market. Nemix C increases growth and yield through enhanced root development and protection and is a purely biological product.

In October 2013 Chr. Hansen further developed the collaboration with FMC by entering into a strategic alliance covering development and commercialization of biological products as part of the strategic initiative to develop opportunities in plant protection.

PRODUCT AREAS IN HEALTH & NUTRITION DIVISION



During 2013/14, the alliance conducted a significant number of trials aiming at new crops, new geographies and new products, all within plant protection.

Human microbiome

Understanding of the human microbiome and its impact on well-being has increased rapidly in recent years, and as part of the Nature's No. 1 strategy Chr. Hansen has started to explore the opportunities within next-generation probiotics and is seeking to increase collaboration with international research institutions and major pharmaceutical and consumer health companies.

In 2013/14, an Australian study of 1,100 premature infants showed that the risk of developing necrotizing enterocolitis (tissue death in the intestine, which affects mainly premature infants and may cause fatal complications) could be reduced by more than 50% by feeding the infants with a probiotic mixture consisting of Chr. Hansen's probiotic strains BB-12®, TH-4® and BB-02™.

To support further exploration of opportunities such as these, an external scientific advisory board has been established, and a dedicated state-of-the art innovation center is currently under construction.

REVENUE

Revenue increased by 11% to EUR 134 million, corresponding to organic growth of 15%. Human health products realized strong growth across all regions. Animal health products also showed strong growth, driven primarily by increased penetration in the Americas region within the silage, swine and cattle segments.

EBIT

EBIT amounted to EUR 44 million, up EUR 6 million, or 16%, on 2012/13, the prior year being negatively affected by impairments of EUR 4 million. EBIT was negatively impacted by reassessed capitalization of development costs and by exchange rate effects. The timing of initiatives, especially new strategic initiatives in biological plant protection and the human microbiome, kept research & development expenditures compared to revenue at the same level as in 2012/13.

The EBIT margin before impairments was 33.2%, down 1.4 percentage points on 2012/13, due to a negative impact of 2.7 percentage points from reassessed capitalization of development expenditures and a changed product mix in human health as a result of strong growth in consumer unit products.

ROIC EXCLUDING GOODWILL

The return on invested capital excluding goodwill was 42.7%, compared to 36.7% in 2012/13. Invested capital excluding goodwill decreased by EUR 4 million, or 4%, to EUR 101 million, due mainly to a reduction in intangible assets.

Natural Colors Division

EUR million	**2013/14**	2012/13
Revenue	158.3	166.9
Organic growth	1%	0%
Organic growth excluding carmine price effect	2%	8%
EBITDA	26.1	26.7
EBIT	20.6	21.7
EBIT margin	13.0%	13.0%
ROIC	26.2%	29.5%

The Natural Colors Division supplies natural color solutions for the food industry, in particular the beverage, confectionery, ice cream, dairy, fruit preparation and prepared food segments. The colors are extracted from a wide range of natural sources, such as berries, roots and seeds, and Chr. Hansen masters a number of encapsulation techniques that help stabilize the appearance of colors in various food applications.

In recent years, consumer demand for more natural products has increased. Chr. Hansen is well positioned to capture these opportunities by providing improved cost-in-use solutions, addressing the significant potential in emerging markets and developing an enhanced product offering. In addition, work continues on new transformational technology, such as a fermented carmine solution.

Conversion

The increased consumer demand for natural and "clean label" products, combined with stricter regulation on the use of synthetic solutions in food and beverages, especially in the EU, has led to a conversion from synthetic to natural colors and coloring foodstuff products.

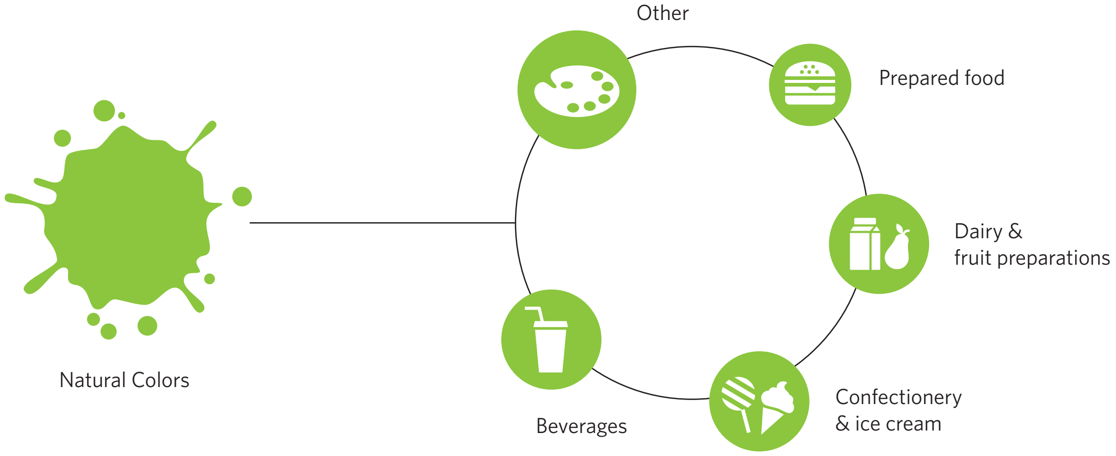
While the demand for natural colors remained strong in the EMEA and APAC regions, conversion in the US market was very slow during 2013/14, affecting growth in the market for natural colors and coloring foodstuffs in the Americas region negatively.

Sourcing

Chr. Hansen established a number of strategic partnerships with suppliers in 2013/14 to ensure lower cost-in-use solutions for natural colors and less fluctuation in raw material prices.

Minimizing price volatility, reducing the cost difference versus synthetic colors and ensuring sustainable sourcing are key focus areas to drive further conversion to natural colors in the food & beverage industry.

PRODUCT AREAS IN NATURAL COLORS DIVISION



Innovation

Chr. Hansen created value for its customers in 2013/14 through innovative solutions to increase the stability and cost-in-use effectiveness of natural colors, including:

- WhiteWhey™ for reduced color transfer from cheesemaking into whey products, allowing manufacturers of Cheddar and Gouda cheese to enhance the value of whey products
- DairyMax™ Red 144 WSS for fruit-on-the-bottom yogurts
- New generation of encapsulation technology for beverages with significant cost-in-use reduction
- Expanding the FruitMax® platform for coloring foodstuffs and ensuring full compliance with new EFSA guidance

ORGANIZATIONAL CHANGE

To strengthen the commercial focus on capturing the growth opportunities in natural colors, a dedicated sales and application organization has been established by integrating resources previously shared with the Cultures & Enzymes Division into the Natural Colors Division. The new organization will ensure a stronger focus on execution in the color segments, a more agile decision-making process and a fully integrated value chain, supporting our ambition to create further value and ensure a return to strong growth in the Natural Colors Division.

REVENUE

Revenue decreased by 5% to EUR 158 million, corresponding to organic growth of 1% (2% excluding the negative effect from changes in carmine prices). The loss of a customer in South America in Q4 2012/13 affected organic growth negatively by 6 percentage points.

EMEA delivered solid growth, while APAC showed good growth despite sales in China still being below ambition, although improving. Revenue in the Americas declined due to the impact from the lost customer and slow conversion in the US.

EBIT

EBIT amounted to EUR 21 million, down EUR 1 million, or 5%, on 2012/13. The EBIT margin was unchanged from 2012/13 at 13.0%. Higher activity levels in research & development impacted the margin negatively by 0.4 percentage point.

ROIC

The return on invested capital was 26.2%, compared to 29.5% in 2012/13. Invested capital increased by EUR 10 million, or 14%, to EUR 84 million.

Financial review

REVENUE

Revenue amounted to EUR 756 million, up EUR 18 million, or 2%, on 2012/13. Organic growth came to 8%. Revenue was negatively affected by exchange rate effects, primarily related to BRL, USD and AUD.

The Cultures & Enzymes Division accounted for 61% of revenue (61% in 2012/13), the Health & Nutrition Division 18% (16% in 2012/13) and the Natural Colors Division 21% (23% in 2012/13).

GROSS PROFIT

Gross profit was EUR 391 million, up 2% on 2012/13. The gross margin decreased by 0.4 percentage point to 51.7%, primarily due to a negative effect from bottlenecks in production processes in connection with the expansion of fermentation capacity for cultures and a changed product mix in the Health & Nutrition Division as a result of strong growth in consumer unit products.

OPERATING EXPENSES

Operating expenses totaled EUR 187 million, compared to EUR 192 million in 2012/13, the prior year being impacted by impairment charges of EUR 8 million. Adjusted for impairments, operating expenses increased by 1%. A lower level of capitalization of development costs was offset by strong cost focus and scalability effects.

Research & development expenses including amortization but before impairments increased by 24% to EUR 43 million, compared to EUR 35 million in 2012/13.

Capitalized development costs were EUR 9 million, down EUR 6 million on 2012/13, primarily as a result of reassessed capitalization of development expenditures.

EUR million	**2013/14**	2012/13
R&D expenses	43.2	42.9
- Amortization	5.4	4.5
- Impairment	0.2	8.1
+ Capitalization	8.9	14.8
R&D expenditures incurred	46.5	45.1

Total research & development expenditures incurred amounted to EUR 47 million, or 6.1% of revenue, compared to EUR 45 million or 6.1% in 2012/13. A later than expected timing of initiatives, especially within biological plant protection, kept research & development expenditures unchanged from 2012/13.

Sales & marketing expenses amounted to EUR 93 million, or 12.2% of revenue, compared to EUR 96 million or 13.0% in 2012/13.

Administrative expenses and other operating income/expenses amounted to EUR 51 million, or 6.7% of revenue, compared to EUR 53 million or 7.2% in 2012/13.

SPECIAL ITEMS

Special items were a negative EUR 10 million in 2013/14, related mainly to optimization of business processes, organization and production footprint, including the decision to close down small production facilities in a number of countries. There were no special items in 2012/13. The optimization is expected to generate a positive margin contribution in the coming years with a pay-back period of less than three years.

OPERATING PROFIT (EBIT)

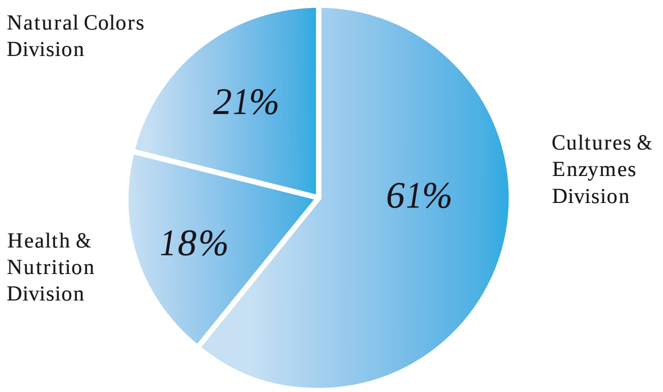
EBIT before special items and impairments was EUR 205 million, compared to EUR 201 million in 2012/13.

The EBIT margin before special items and impairments was 27.1%, compared to 27.2% in 2012/13. A strong focus on cost and efficiency gains across the organization were offset by a negative impact of 0.9 percentage point from the lower level of capitalization of development expenditures.

EBIT amounted to EUR 195 million, compared to EUR 193 million in 2012/13. The EBIT margin was 25.8%, compared to 26.1% in 2012/13, due to a negative impact of 0.9 percentage point from the lower level of capitalization.

DIVISIONAL SPLIT

Revenue



NET FINANCIALS AND TAX

Net financial expenses amounted to EUR 14 million, compared to EUR 16 million in 2012/13. Net interest expenses were EUR 12 million, unchanged from 2012/13.

The net impact from exchange rate adjustments and other financial items was a negative EUR 2 million, compared to a negative EUR 5 million in 2012/13.

Income taxes amounted to EUR 49 million, equivalent to an effective tax rate of 27%, compared to 21% in 2012/13. The income tax rate in 2012/13 was lowered by 4 percentage points by positive one-off adjustments of EUR 8 million to deferred taxes as a consequence of a change in the Danish corporate income tax rate.

PROFIT FOR THE YEAR

Profit for the year decreased to EUR 132 million from EUR 140 million in 2012/13, due mainly to special items of a negative EUR 10 million in 2013/14.

ASSETS

At 31 August 2014, total assets amounted to EUR 1,375 million, compared to EUR 1,367 million at 31 August 2013.

Total non-current assets increased by EUR 9 million to EUR 1,090 million. Intangible assets declined by EUR 8 million, due mainly to exchange rate revaluations. Property, plant and equipment increased by EUR 20 million, driven by the expansion of fermentation capacity for cultures in Copenhagen and freeze-drying capacity in Roskilde in the Health & Nutrition Division.

Total current assets amounted to EUR 285 million, unchanged from the end of 2012/13. Inventories increased by EUR 12 million, or 14%, while receivables increased by EUR 7 million, or 6%. Cash and cash equivalents decreased by EUR 20 million to EUR 58 million.

Net working capital was EUR 130 million, or 17.2% of revenue, compared to EUR 108 million or 14.6% in 2012/13, due mainly to inventory increases in the Cultures & Enzymes Division in connection with the capacity expansion in Copenhagen, and in the Health & Nutrition Division.

EQUITY

Total equity amounted to EUR 657 million at 31 August 2014, compared to EUR 681 million a year earlier. Dividends for the financial year 2012/13 totaling EUR 112 million were paid out in Q2 2013/14.

NET DEBT

Net interest-bearing debt was EUR 404 million, or 1.6x EBITDA, up from EUR 352 million or 1.4x EBITDA at 31 August 2013.

RETURN ON INVESTED CAPITAL (ROIC) EXCLUDING GOODWILL

The return on invested capital excluding goodwill was 34.9%, compared to 34.3% in 2012/13. Invested capital excluding goodwill increased to EUR 604 million from EUR 571 million in 2012/13.

CASH FLOW

Cash flow from operating activities was EUR 176 million, down from EUR 190 million in 2012/13. The decrease was mainly due to special items of EUR 10 million and higher inventory build-up in connection with the expansion of fermentation capacity for cultures.

Cash flow used for investing activities was EUR 62 million, compared to EUR 70 million in 2012/13. Major investments in 2013/14 included fermentation and warehousing capacity in Denmark, packaging capacity for frozen cultures in the US and freeze-drying capacity for human health products.

Capital expenditures corresponded to 8.3% of revenue, compared to 9.6% in 2012/13. Development expenditures of EUR 9 million, or 1.2% of revenue, were capitalized during the year, compared to EUR 15 million or 2.0% in 2012/13.

Free cash flow came to EUR 115 million, down from EUR 120 million in 2012/13. The decrease was due to special items of EUR 10 million related to optimization of processes and production footprint.

Quarterly key figures

EUR million	2013/14				2012/13			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Group								
Income statement								
Revenue	205	198	182	171	194	192	174	179
Gross profit	106	100	95	90	106	97	89	93
EBITDA before special items	75	68	58	56	72	65	53	59
Depreciation, amortization and impairment	(14)	(13)	(13)	(13)	(13)	(12)	(20)	(11)
EBIT before special items	62	55	45	43	60	53	33	48
EBIT	57	54	42	43	60	53	33	48
Net financial expenses	(4)	(3)	(5)	(3)	(4)	(4)	(4)	(4)
Profit before tax	53	51	37	40	56	49	29	44
Income taxes	(15)	(14)	(10)	(11)	(4)	(13)	(8)	(12)
Profit for the period	38	37	27	29	52	36	21	32
Cash flow								
Cash flow from operating activities	94	55	45	(18)	92	62	49	(13)
Cash flow used for investing activities	(21)	(14)	(13)	(14)	(23)	(17)	(16)	(14)
Free cash flow	73	41	32	(31)	68	46	33	(27)
Key ratios								
EPS, diluted	0.30	0.28	0.20	0.22	0.39	0.26	0.15	0.24
Organic growth, %	8	10	10	1	10	7	8	5
Gross margin, %	51.7	50.5	52.4	52.4	54.5	50.7	51.0	52.2
EBITDA margin before special items, %	36.6	34.2	31.9	32.5	37.1	34.0	30.2	33.1
EBIT margin before special items, %	30.0	27.8	24.8	25.2	30.7	27.6	18.7	26.7
EBIT margin, %	27.6	27.4	22.9	24.9	30.7	27.6	18.7	26.7
ROIC excl. goodwill, %	40.4	35.8	30.4	29.5	40.9	35.8	22.1	33.3
R&D, %	4.9	5.9	7.2	6.7	5.2	6.2	6.5	6.7
Capital expenditure, %	10.9	7.2	7.1	7.9	12.4	8.7	9.4	7.8
NWC, %	17.2	20.7	20.3	18.8	14.6	18.9	19.3	19.3
Net debt to EBITDA	1.6x	1.7x	1.8x	1.4x	1.4x	1.7x	1.8x	1.7x

Quarterly key figures by division

EUR million	2013/14				2012/13			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Cultures & Enzymes Division								
Income statement								
Revenue	125	118	111	111	118	115	105	112
EBITDA	52	44	40	43	50	44	36	43
Depreciation, amortization and impairment	(10)	(9)	(10)	(9)	(9)	(9)	(13)	(9)
EBIT	42	35	30	34	41	35	23	34
Key ratios								
EUR growth, %	5	3	5	(2)	5	6	8	12
Organic growth, %	8	10	12	4	10	7	9	10
EBITDA margin, %	41.7	37.0	35.7	38.7	42.0	38.2	34.6	37.9
EBIT margin, %	33.9	29.1	27.0	30.4	34.3	30.3	22.1	30.4
Invested capital excluding goodwill	419	425	410	408	392	401	396	403
ROIC excl. goodwill, %	40.0	32.9	29.8	33.6	40.9	35.0	23.4	35.0
Health & Nutrition Division								
Income statement								
Revenue	40	36	36	24	34	32	29	26
EBITDA	17	16	13	6	14	14	11	10
Depreciation, amortization and impairment	(2)	(2)	(2)	(2)	(2)	(2)	(6)	(2)
EBIT	15	14	11	4	12	12	5	9
Key ratios								
EUR growth, %	17	13	16	(6)	11	9	15	15
Organic growth, %	18	19	20	(1)	18	11	17	9
EBITDA margin, %	43.1	44.4	39.1	26.0	41.6	43.7	37.6	40.4
EBIT margin, %	37.4	38.6	33.0	17.5	35.8	37.5	17.9	33.6
Invested capital excluding goodwill	101	102	110	105	105	108	106	103
ROIC excl. goodwill, %	58.5	53.0	41.3	16.0	45.3	44.8	19.9	33.7
Natural Colors Division								
Income statement								
Revenue	41	44	37	37	42	44	40	41
EBITDA	6	8	5	7	8	7	5	6
Depreciation, amortization and impairment	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	5	7	4,0	5	7	6	4	5
Key ratios								
EUR growth, %	(2)	(2)	(8)	(10)	1	2	(4)	(9)
Organic growth, %	1	6	(2)	(4)	7	4	-	(10)
EBITDA margin, %	14.9	18.4	14.2	18.2	19.5	16.1	13.2	15.0
EBIT margin, %	11.2	15.2	10.8	14.6	16.3	13.4	10.2	12.1
Invested capital excluding goodwill	84	90	91	87	74	82	86	86
ROIC excl. goodwill, %	21.1	26.1	22.8	26.7	29.5	25.6	22.6	24.7

RISK MANAGEMENT

Risk management

Risk management is an integrated part of doing business at Chr. Hansen. Risks are identified, monitored and reported to the Executive Board and the Board of Directors through an Enterprise Risk Management process following an annual cycle. The purpose of this process is to identify risks as early as possible and enable Management to proactively adapt business processes and controls to meet, manage or mitigate these risks.

Significant risks are evaluated based on their possible safety, business or financial impact and the likelihood of the risk materializing. Clear roles and responsibilities are assigned for major risks, and mitigation initiatives are identified, prioritized and launched. The most significant risks identified and reported to the Board of Directors are described below, including measures taken to mitigate these. The risks are not listed in order of priority.

Chr. Hansen continues to work on identifying and evaluating relevant risks, and the list does not include all risks that could ultimately affect the Company.

Product safety

The majority of Chr. Hansen's products are sold to the food and life science industries. Most products are components in customers' end products that are consumed as food, beverages or dietary supplements. Consequently, product safety is of the utmost importance. Chr. Hansen's customers as well as consumers and authorities demand high-quality products, and it is a major strategic risk for the Company if the safety of its products does not meet these expectations.

To ensure the highest product safety, Chr. Hansen has an extensive quality assurance and food safety program covering the entire value chain, from the sourcing of raw materials until the finished products are delivered to customers. The risk assessment performed in the food safety program includes an evaluation of the use of our products in customers' end products.

Chr. Hansen's food safety program is certified according to internationally recognized food safety standards. All production sites are either ISO 22000 or FSSC 22000 certified, and central product development functions are certified according to ISO 22000.

Developments in 2013/14
By the end of August 2014, 13 production sites had achieved FSSC 22000 certification. One remaining site in China is expected to follow in 2014/15.

There were four product retrievals in 2013/14, compared to six in 2012/13. None of the retrievals related to food safety; all related to product performance, for example wrong color or density.

Through various mitigating activities, the risk of product safety incidents is considered to have been reduced.

Intellectual property rights

A strong and protected technology platform is important for Chr. Hansen. Focus on protecting intellectual property has increased significantly in the industries in which Chr. Hansen operates. In order to support the current business as well as to secure further growth, the Company's knowledge and technology platforms are safeguarded by patents, etc. New products and existing business are also protected through strategic filing of trademark applications.

Developments in 2013/14
Chr. Hansen filed 29 patent applications, compared to 21 in 2012/13. The applications were in areas such as fermentation of carmine, process technology, probiotics and new enzyme variants. With these filings, the risk related to intellectual property rights is considered to be unchanged.

Health claims and documentation

Chr. Hansen has some of the best-documented probiotic strains on the market. However, governments and agencies, especially the European Food Safety Authority (EFSA), have introduced more stringent rules and regulations for the documentation of health claims for food-related products.

Developments in 2013/14
Chr. Hansen has continued to improve the documentation of health claims for its probiotic products through clinical trials. In August 2014, approval for a health claim was obtained from the South Korean Ministry of Food & Drug Safety for Urex™, a dietary supplement that can help maintain a normal vaginal microbiota.

Despite efforts to generate additional documentation, the sale of probiotics for fermented milk products in the EU has declined as a consequence of a lack of EU-approved probiotic health claims. The risk of a continued decline in the EU markets is considered to be high.

Production

Chr. Hansen has five main production sites: two in Denmark and one each in France, Germany and the US. These sites represent the core of Chr. Hansen's business, and each site carefully monitors product safety and delivery performance to manage all potential risks. This consolidation of production allows capacity to be optimized in order to reduce production costs. To minimize the risk of production breakdowns or failures, Chr. Hansen has implemented a risk prevention program where regular safety audits are conducted, which ensures preventive maintenance and replacements. The Company also maintains idle capacity for key processes.

As production processes are optimized and automated, dependence on robust IT systems and infrastructure increases. Chr. Hansen has initiated a process to reduce complexity in IT systems and conduct regular restore tests.

Developments in 2013/14

The expansion of fermentation capacity for cultures at the Copenhagen facility was completed during the year, and commercial production commenced in July 2014. With this expansion of capacity for one of the key production processes, Chr. Hansen has resolved a significant bottleneck for accommodating future growth in cultures for the dairy industry and will be able to optimize production and reduce unit costs further. In addition to this, investments in a new warehousing facility in Denmark and packaging capacity for frozen cultures in the US have removed other bottlenecks for key production processes. Chr. Hansen will continue to invest in optimizing production processes and removing bottlenecks.

Energy, water and CO_2 emission efficiency per unit produced decreased by 5%, 3% and 13% respectively, compared to 2012/13. The decrease was mainly related to production bottlenecks in connection with the expansion of fermentation capacity for cultures.

With the investments in new capacity and other mitigation activities, including improved back-up solutions for critical IT-related processes, the risk of production disruptions is considered to have been reduced.

Legal proceedings

Chr. Hansen is from time to time party to legal proceedings arising in the ordinary course of its business. In recent years Chr. Hansen has been defendant in several diacetyl-related lawsuits.

Developments in 2013/14

Chr. Hansen is still defendant in a few diacetyl-related lawsuits. Chr. Hansen has insurance cover for losses from current diacetyl claims brought against the Company in respect of the period during which products containing diacetyl were produced.

The risk related to diacetyl-related lawsuits and other legal proceedings is considered to be unchanged. Please refer to note 3.8 to the Consolidated Financial Statements for further information on legal proceedings.

Human capital

Attracting and retaining the best employees and new talents remain crucial if Chr. Hansen is to continue to excel. Human knowledge is critical to Chr. Hansen's business, and there is a strong focus on continuously building and expanding the knowledge base by actively developing employees' key skills.

The Company employs a large number of scientists and other experts in their fields. Developing their skills and knowledge is an important part of building competencies globally. It is, however, equally essential to integrate these highly qualified employees into the day-to-day business and help them become better at converting their expertise into business value.

Developments in 2013/14

The average number of training days per employee was 3.1 in 2013/14, a small increase compared to 2012/13.

The biennial employee satisfaction survey was conducted in 2013/14. The overall satisfaction and motivation score decreased slightly from 75 in 2011/12 to 74, but is still above the industry benchmark of 65. Employee turnover was 11%, of which 6 percentage points were voluntarily, and this is considered to be an acceptable level.

The risk related to attracting and retaining the best employees and new talents is considered to be unchanged.

Health & safety

Chr. Hansen is committed to continuously improving both the physical and psychological workplace so that employees experience a safe working environment. The Company has implemented several initiatives to underline the importance of a safe working environment. Monitoring and follow-up of incidents have been strengthened from departmental level to the Executive Board.

All major production sites have implemented or are in the process of implementing measures to increase awareness of safe behavior and of the importance of assuming responsibility for both one's own safety and the safety of others.

Developments in 2013/14
The lost-time incident frequency decreased from 8 per million working hours in 2012/13 to 4 in 2013/14. The decrease is a direct effect of the behavior-based safety program, under which more than 60% of Chr. Hansen's employees have now been trained. Absence per incident increased from 15 to 20 days, driven by a few specific incidents.

With these continued efforts to train employees in behavior-based safety, the risk of health & safety incidents is considered to have been reduced.

Geopolitics

Chr. Hansen is a global company with a vision to improve food and health around the world. With offices in 30 countries and sales to more than 140 countries, Chr. Hansen is from time to time affected by geopolitical uncertainties and unrest. As a supplier of ingredients mainly to the food industry, Chr. Hansen is rarely directly affected by trade restrictions. In those instances where the Company's products are or will be affected by sanctions, Chr. Hansen acts in full compliance with these sanctions.

Developments in 2013/14
Geopolitical tensions have increased in 2014, and trade restrictions have affected trade, especially between the EU and Russia. While Chr. Hansen has not yet been directly impacted by these restrictions, such barriers to international trade may have a negative effect on the Company's opportunities for further organic growth.

Taxes and transfer pricing

Chr. Hansen is a global business that operates in multiple jurisdictions with different tax rules and regulations. It is the Company's intention always to fulfill the tax requirements in all countries where business is conducted. Chr. Hansen constantly works on creating tax awareness in the organization and has defined clear roles and responsibilities between line management, local finance and the Group Tax function. However, tax and transfer pricing disputes do arise from time to time as cross-border transactions receive increasing attention from local tax authorities.

Group Tax ensures compliance with the Group's tax position. In cooperation with tax advisors, requests from local tax authorities are met, and a positive dialogue with local tax authorities is pursued in order to prevent disputes.

Developments in 2013/14
An advance pricing agreement between the Danish and US tax authorities was concluded during the year covering inter-company transactions related to goods and services for a five-year period. At this point the Company does not actively promote negotiations to reach similar agreements with the tax authorities in other countries.

The risk related to taxes and transfer pricing is considered to have been reduced during the year. Please refer to note 2.8 to the Consolidated Financial Statements for further information on taxes.

Financial risk

As an international business, Chr. Hansen is exposed to a number of financial risks relating to currency and interest rate fluctuations, funding, liquidity, credit and counterparty risks. Please refer to note 4.2 to the Consolidated Financial Statements for further information on these risks.

GOVERNANCE

Corporate governance

Corporate governance refers to the way a company is managed and the major principles and frameworks which regulate the interaction between a company's management, its owners and other stakeholders. It is a dynamic process in which the management bodies regularly assess the need for changes.

The Board of Directors of Chr. Hansen Holding A/S remains committed to following the Danish Recommendations on Corporate Governance as adopted on 1 June 2013 by NASDAQ OMX Copenhagen in its Rules for Issuers of Shares, and complied with the recommendations in all respects in 2013/14.

Chr. Hansen is committed to being accountable to all relevant stakeholders. The Company has developed a set of policies and positions aligned with international conventions, treaties and standards. As part of this, Chr. Hansen's continues to support the United Nations Global Compact's 10 principles in the areas of human rights, labor, the environment and anticorruption.

Key developments in 2013/14

Diversity

Chr. Hansen ensured alignment of standards and procedures, as well as global guidelines on diversity and inclusion, which are now being adapted to local needs and legislative requirements.

The Company's diversity goal for the Board of Directors of at least one woman and one non-local by the end of 2016 was met in 2013/14. The Board now includes three non-locals (50%) and one woman (17%). The Board of Directors has decided to raise the goal for the number of women from 1 to 2 by 2016.

The proportion of non-locals in key positions was 41%, while the proportion of female managers increased by 1 percentage point to 19%. 69% of corporate management teams now include at least one non-local and one woman, up from 63% in 2012/13.

Business ethics

Chr. Hansen was ranked as the fourth best in the NASDAQ OMX Copenhagen C20 index by Transparency International. The companies were rated based on their anticorruption program, organizational transparency and reporting of key financial figures on a country-by-country basis.

All employees with commercial responsibilities, corresponding to 40% of total staff, have been trained in anticorruption and competition laws and procedures, with retraining planned for every fifth year. Distributors and agents will be integrated into this program in 2014/15.

In October 2013, Chr. Hansen implemented a whistleblower system, which gives all employees (and external stakeholders) a means of reporting possible violations of laws and/or Group policies. The system is available via www.chr-hansen.com or can be reached by a telephone hotline in seven main languages.

Annual Board of Directors review

The Chairman of the Board of Directors is responsible for conducting an annual review of the Board' performance, addressing the effectiveness of the Board, the processes supporting its work, individual board members' contributions and the Chairman's performance.

In 2013/14, the evaluation was conducted by the individual directors and executives anonymously completing a comprehensive online questionnaire which was then summarized by an external consultant. It is the intention that the Board evaluation will be externally facilitated every second year.

The results of the assessment process were presented to the Board of Directors in September 2014 by the external consultant. The report describes a number of areas in which the Board is both effective and very well-functioning and gives an overall impression of a high-performing Board of Directors. Almost all areas for improvement which were identified in last year's assessment have been complied with. This year, too, the assessment identified some minor areas in which improvements will be considered.

The Chairman will hold individual meetings with each Director to review their performance.

Similar evaluations of their effectiveness have been undertaken by the Audit Committee, the Nomination Committee and the Remuneration Committee.

Further information

Section 107b of the Danish Financial Statements Act requires the Board of Directors of Chr. Hansen Holding A/S to prepare a statement on corporate governance for the 2013/14 financial year. This statement forms part of Management's Review and can be viewed at http://investor.chr-hansen.com/governancestatement.cfm

For a full report on corporate social responsibility as required by sections 99a and 99b of the Danish Financial Statements Act, please refer to Chr. Hansen's Communication on Progress to the UN Global Compact, available at http://www.chr-hansen.com/about-us/csr/reporting-downloads.html.

Management

BOARD OF DIRECTORS

OLE ANDERSEN
Professional board member
Born 1956. Independent
Chairman of the Board since 2010. Re-elected 2013, term expires 2014
Chairman of the Remuneration and Nomination Committees
Member of the Audit Committee

Other board positions:
Chairman: Danske Bank A/S, Bang & Olufsen A/S and one group company, and Zebra A/S
Member: Nomination Committee of NASDAQ OMX Nordic Ltd.
Senior Advisor: EQT Partners

Skills:
Professional experience in managing and developing large international companies. Extensive board experience, including from listed companies. Financial and accounting expertise.

HENRIK POULSEN
Chief Executive Officer of DONG Energy A/S
Born 1967. Independent
Vice chairman
Member of the Board since 2010. Re-elected 2013, term expires 2014
Member of the Remuneration and Nomination Committees

Other board positions:
Vice chairman: Danfoss A/S
Member: ISS A/S and one group company, Chairman of the Audit Committee, Advisory Council of Danske Bank A/S, Danmark-Amerika Fondet
Advisor: EQT Partners

Skills:
Executive experience from fast-moving consumer goods companies and the energy and telecommunications sectors with an emphasis on corporate restructuring, innovation, process improvement and sales & marketing.

FRÉDÉRIC STÉVENIN
Partner at PAI Partners
Born 1966. Independent
Member of the Board since 2005. Re-elected 2013, term expires 2014
Member of the Audit Committee

Other board positions:
Chairman of the Supervisory Board of Cerba European Lab and member of the Board of Directors/Manager of two group companies
Member of the Board of Directors of Kaufman & Broad SA and Chairman of the Board of Directors and Managing Director of one group company
Chairman/Member of the Board of Directors of Domus Vi and two group companies
Member of the Supervisory Board of Labeyrie and chairman/member of the Board of Director of two group companies
Member: Marcolin SpA and two group companies, two United Biscuits group companies, two R&R Ice Cream group companies, PAI Partners SAS and PAI Partners UK Ltd., Saint-Pey Holding
Manager: Alta Rocca Investissements and G.A.V.U. Gestion Sprl.

Skills:
Professional experience in investing in large international companies. Financial and accounting expertise. Extensive board experience, including from listed companies.

MARK A. WILSON
Executive Director of China Huishan Dairy Holdings Company Limited

Born 1952. Independent
Member of the Board since 2010. Re-elected 2013, term expires 2014
Chairman of the Audit Committee
Member of the Nomination Committee

Skills:
International CEO/MD with over 40 years in fast-moving consumer goods companies and service/B2B industries in Asian, South American, UK, Irish and international markets. Financial and accounting experience.

SØREN CARLSEN
Managing Partner of Novo Ventures and Novo Seeds and member of the management of Novo A/S
Born 1952. Independent
Member of the Board since November 2012. Re-elected 2013, term expires 2014
Chairman of the Scientific Committee

Other board positions:
Chairman: Novo Ventures (US) Inc.
Member: Santaris Pharma A/S, Pre-Seed Innovation (previously DTU Symbion Innovation)

Skills:
Extensive international experience, knowledge and skills within research & development and investments in biotechnology.

DOMINIQUE REINICHE
Born 1955. Independent
Member of the Board since 2013, term expires 2014
Member of the Remuneration Committee

Other board positions:
Board member: PayPal Luxembourg (eBay Group), member of the Governance and Remuneration Committee.

AXA Global Insurance Group, member of the Compensation & Governance Committee of AXA Group.

Peugeot S.A. (PSA Peugeot Citroën): Member of the Supervisory Board, member of the Audit, Finance and Appointments, Governance & Remuneration Committees.

Skills:
Professional experience from positions in the food, beverage and hygiene/beauty care industries at Procter & Gamble and Jacobs-Suchard, among others. 22 years of senior leadership positions within The Coca-Cola Company.

SVEND LAULUND
Manager. External Affairs, Chr. Hansen A/S
Born 1954
Employee representative
Member of the Board since 2006. Re-elected 2013, term expires 2017

Other board positions:
Member: Scandinavian Property Investment 11

MADS BENNEDSEN
Senior Research Scientist, Chr. Hansen A/S
Born 1964
Employee representative
Member of the Board since November 2013, term expires 2017

PER POULSEN
Global Freeze Drying Technology Coordinator, Chr. Hansen A/S
Born 1966
Employee representative
Member of the Board since November 2013, term expires 2017

EXECUTIVE BOARD
CEES DE JONG
President & Chief Executive Officer, Chr. Hansen Holding A/S
Born 1961

Education:
Master of Business Administration from Rotterdam School of Management, Erasmus University, Netherlands
Doctor of Medicine, Erasmus University, Netherlands
Joined Chr. Hansen in 2013

Board positions:
Member: Protein Sciences Corporation (USA)

KLAUS PEDERSEN
Chief Financial Officer, Chr. Hansen Holding A/S
Born 1967

Education:
M.Sc. Finance and Business Administration, Aarhus School of Business, 1992
Joined Chr. Hansen in 2011

Board positions:
Chairman: Faroese Telecom

KNUD VINDFELDT
Executive Vice President, Cultures & Enzymes Division, Chr. Hansen Holding A/S
Born 1963

Education:
Master of Dairy Science
Bachelor of International Business
Joined Chr. Hansen in 1991

Shareholder information

Chr. Hansen Holding A/S is listed on NASDAQ OMX Copenhagen and aims to provide long-term returns to shareholders through increases in share price and dividends.

The Company's share price developed positively in 2013/14. At the beginning of the financial year, the share traded at DKK 187, while the share price at the end of August 2014 was DKK 231, an increase of 23% (27% including dividend). The average daily turnover was DKK 66 million. Chr. Hansen is included in a number of share indexes, including the OMXC20CAP index, which consists of the 20 most-traded large-cap shares on the exchange. The OMXC20CAP index gained 32% during Chr. Hansen's financial year 2013/14.

American Depositary Receipt Program

In January 2014, Chr. Hansen established a sponsored Level 1 American Depositary Receipt (ADR) program with Bank of New York Mellon acting as depositary bank.

An ADR is a USD-denominated negotiable certificate that represents ownership of shares in a non-US company, facilitating the purchase, holding and sale of non-US securities by US investors. At the end of 2013/14, approximately 1% of the share capital was held through the ADR program.

TOTAL SHAREHOLDER RETURN AND CAPITAL STRUCTURE

The Board of Directors regularly assesses whether the capital structure of Chr. Hansen is in shareholders' best interests. The Board of Directors is committed to maintaining leverage consistent with a solid investment-grade credit profile while returning excess cash to shareholders either through ordinary and extraordinary dividends or through share buy-back programs.

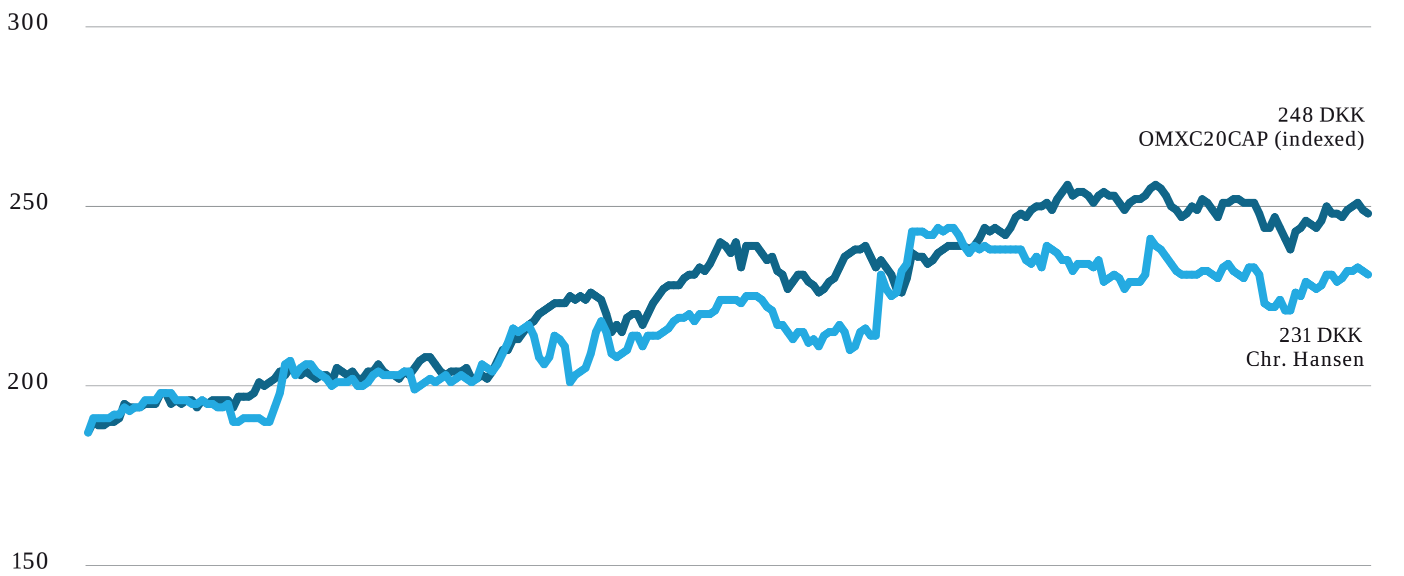
The Company's dividend policy is a payout ratio of 30-50% of net profit. The dividend proposed depends on the Board of Directors' assessment of factors such as business development, growth strategy and financing needs, and there can be no assurance that in any given year a dividend will be proposed or declared.

Share buy-back program

In 2013/14, Chr. Hansen concluded a share buy-back program initiated on 15 January 2014. Between 15 January and 22 August 2014, a total of 2,647,480 shares were acquired under the program at a transaction value of EUR 80 million. The shares acquired under the program are expected to be canceled in January 2015. Following the expected reduction, the Company's share capital will have a nominal value of DKK 1,318,524,960.

SHARE PERFORMANCE

1 September 2013 – 31 August 2014



Dividends

The Board of Directors proposes that the Annual General Meeting approves an ordinary dividend for 2013/14 of EUR 0.51 (DKK 3.77) per share, or a total of EUR 66 million. This dividend is equivalent to 50% of the profit for the year.

The Board of Directors believes that the proposed dividend best serves the interests of shareholders. The capital and share structure will be assessed regularly to determine whether it remains in shareholders' best interests.

SHAREHOLDERS

At the end of August 2014, Chr. Hansen had around 20,500 institutional and private shareholders. Novo A/S held 26% of the share capital, while the Capital Group Companies Inc. held 8%.

Other institutional investors, primarily from the UK and the US, held around 55%, while retail investors held around 7%.

Chr. Hansen held 2.9%, partly representing shares acquired under the share buy-back program concluded on 22 August 2014 and partly in order to meet certain obligations to deliver shares under management incentive programs.

The sole activity of the listed company Chr. Hansen Holding A/S is the general management and central administration of shareholdings in companies in the Chr. Hansen Group.

ANALYST COVERAGE

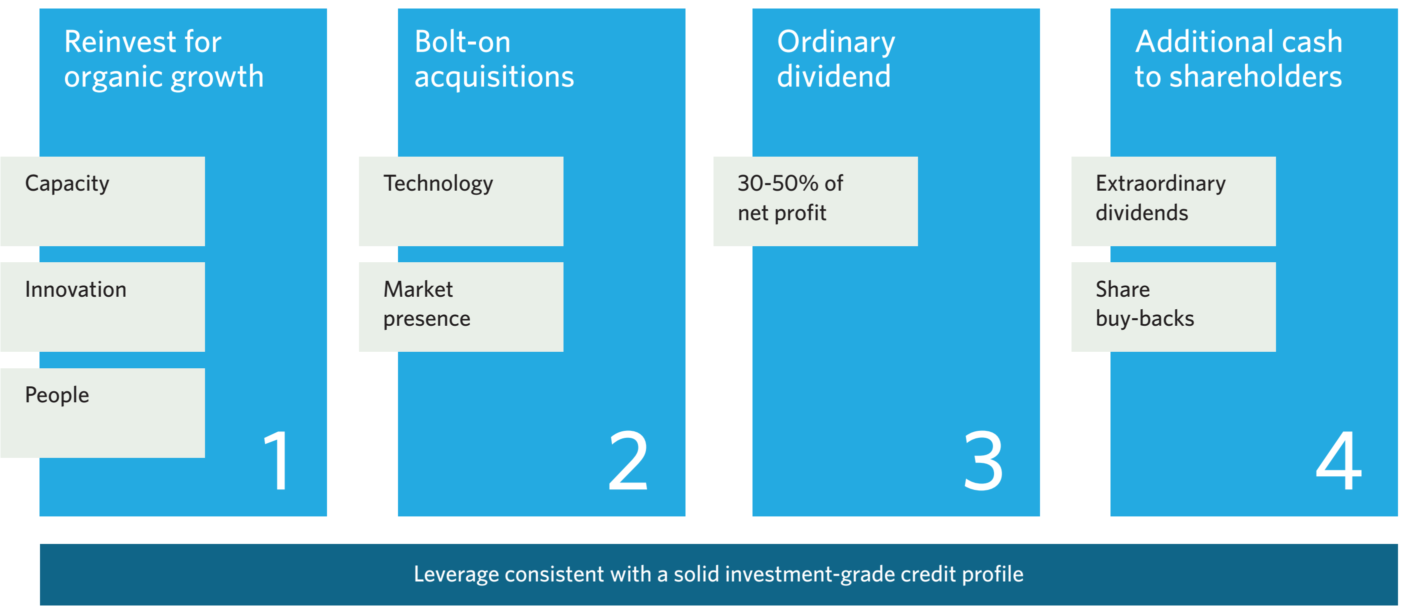
The Company is currently covered by more than 15 analysts, including major international investment banks. A list of analysts covering Chr. Hansen can be found at http://investor.chr-hansen.com/analysts.cfm.

INVESTOR RELATIONS ACTIVITIES

Chr. Hansen seeks to ensure that relevant, accurate and timely information is made available to the capital markets to serve as a basis for regular trading and fair pricing of the Company's shares. In providing this information, Chr. Hansen aims to ensure that it is perceived as a visible, accessible, reliable and professional company by the investor community, and that the Company is regarded one of the best among its peers in this area. This is to be achieved while complying with the rules and legislation for listed companies on NASDAQ OMX Copenhagen and Chr. Hansen's communication policy.

In 2013/14, Chr. Hansen held more than 250 meetings with investors and analysts, including road shows to Copenhagen, London, New York, Boston, Chicago, San Francisco, Los Angeles, Kansas City, Denver, Toronto, Montreal, Paris, Frankfurt, Munich, Geneva, Zürich, Amsterdam, Brussels, Milan, Vienna, Stockholm and Helsinki, and participated in a number of conferences held by various brokers. In September 2013, a Capital Markets Day was held in Copenhagen to present the new Nature's No. 1 strategy.

CAPITAL ALLOCATION PRIORITY



INVESTOR RELATIONS WEBSITE

The Company's investor relations site contains both historical and current information about the Company, including company announcements, investor presentations, teleconferences, a financial calendar and annual reports. See: http://investor.chr-hansen.com.

CONTACT

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

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 27 November 2014 in Chr. Hansen's headquarters at Bøge Allé 10-12, 2970 Hørsholm, Denmark, at 4 p.m. CET.

SHARE DATA

Share capital, DKK	1,344,999,760
Number of shares	134,499,976 of DKK 10
Outstanding shares	130,550,576 of DKK 10
Classes of shares	1
Voting and ownership restrictions	None
Stock exchange	NASDAQ OMX Copenhagen A/S
ISIN code	DK0060227585
Ticker symbol	CHR
Share price at year-end	DKK 231
Proposed dividend per share	DKK 3.77

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

FINANCIAL CALENDAR

Annual General Meetings

27 November 2014	Annual General Meeting 2013/14
26 November 2015	Annual General meeting 2014/15

Statements of Results 2014/15

21 January 2015	Interim Report Q1
9 April 2015	Interim Report Q2
1 July 2015	Interim Report Q3
21 October 2015	Annual Report 2014/15

MAIN COMPANY ANNOUNCEMENTS 2013/14

2 September 2013	Management change - HND Management
3 September 2013	Nature's No. 1 - Strategy update
7 October 2013	Chr. Hansen & FMC Corporation announce global strategic alliance
15 November 2013	Management change - reduction of Executive Vice Presidents registered with the Danish Business Authority
15 January 2014	Initiation of share buy-back program
25 August 2014	Conclusion of share buy-back program

Management's statement on the Annual Report

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Chr. Hansen Holding A/S for the financial year 1 September 2013 - 31 August 2014.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 August 2014 of the Group and the Parent Company and of the results of the Group's and Parent Company's operations and cash flows for 2013/14.

In our opinion, Management's Review includes a true and fair account of developments in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.
We recommend that the Annual Report be adopted at the Annual General Meeting.

Hørsholm, 22 October 2014

Executive Board

Cees De Jong President and CEO	Klaus Pedersen CFO	Knud Vindfeldt Executive Vice President

Board of Directors

Ole Andersen Chairman	Henrik Poulsen Vice Chairman	Frédéric Stévenin
Mark A. Wilson	Søren Carlsen	Dominiqe Reiniche
Svend Laulund	Mads Bennedsen	Per Poulsen

Independent auditor's report

To the Shareholders of Chr. Hansen Holding A/S
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS
We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Chr. Hansen Holding A/S for the financial year 1 September 2013 to 31 August 2014, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company.

The Consolidated Financial Statements and the Parent Company Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 August 2014 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 September 2013 – 31 August 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on Management's review
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 22 October 2014

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Kim Füchsel	**Rasmus Friis Jørgensen**
State Authorized	State Authorized
Public Accountant	Public Accountant

FINANCIAL STATEMENTS GROUP

NATURAL COLOR POWDER

Financial Statements - Group

Income statement 1 September - 31 August

EUR million	Note	2013/14	2012/13
Revenue	2.1	756.2	738.4
Cost of sales	2.2, 2.3	(364.9)	(353.6)
Gross profit		**391.3**	**384.8**
Research and development expenses	2.2, 2.3	(43.2)	(42.9)
Sales and marketing expenses	2.2, 2.3	(92.7)	(96.1)
Administrative expenses	2.2, 2.3, 2.4	(53.9)	(55.8)
Other operating income		3.6	2.5
Other operating expenses		(0.3)	-
Operating profit before special items		**204.8**	**192.5**
Special items	2.5	(9.7)	-
Operating profit (EBIT)		**195.1**	**192.5**
Financial income	2.6	20.8	18.3
Financial expenses	2.7	(34.6)	(34.1)
Profit before tax		**181.3**	**176.7**
Income taxes	2.8	(49.1)	(36.9)
Profit for the year		**132.2**	**139.8**
Attributable to:			
Shareholders of Chr. Hansen Holding A/S		132.2	137.8
Non-controlling interests		-	2.0
		132.2	**139.8**
Earnings per share (EUR)	2.9	1.00	1.05
Earnings per share, diluted (EUR)	2.9	1.00	1.04

Statement of comprehensive income

EUR million	Note	2013/14	2012/13
Profit for the year		**132.2**	**139.8**
Items that will not be reclassified subsequently to the income statement:			
Remeasurements of defined benefit plans		(0.5)	0.1
Items that will be reclassified subsequently to the income statement when specific conditions are met:			
Currency translation of foreign Group companies		(1.5)	(18.5)
Deferred gains/(losses) on cash flow hedges arising during the year		(3.1)	0.3
Gains/(losses) on cash flow hedges expiring during the year		3.1	3.1
Tax related to cash flow hedges		-	(0.8)
Other comprehensive income for the year		**(2.0)**	**(15.8)**
Total comprehensive income for the year		**130.2**	**124.0**
Attributable to:			
Shareholders of Chr. Hansen Holding A/S		130.2	123.0
Non-controlling interests		-	1.0
		130.2	**124.0**

Balance sheet at 31 August

EUR million

ASSETS	Note	2014	2013
Non-current assets			
Intangible assets			
Goodwill	3.1	609.8	609.4
Other intangible assets	3.2	137.1	150.0
Intangible assets in progress	3.2	37.2	32.8
Total intangible assets		**784.1**	**792.2**
Property, plant and equipment			
Land and buildings	3.3	125.4	125.2
Plant and machinery	3.3	83.5	89.6
Other fixtures and equipment	3.3	14.0	9.9
Property, plant and equipment in progress	3.3	77.0	55.4
Total property, plant and equipment		**299.9**	**280.1**
Other non-current assets			
Deferred tax	2.8	6.3	9.1
Total other non-current assets		**6.3**	**9.1**
Total non-current assets		**1,090.3**	**1,081.4**
Current assets			
Inventories			
Raw materials and consumables		19.2	17.6
Work in progress		35.5	32.3
Finished goods and goods for resale		45.0	37.7
Total inventories	3.4	**99.7**	**87.6**
Receivables			
Trade receivables	3.5	111.5	98.4
Tax receivables		1.9	4.9
Other receivables		8.2	10.2
Prepayments		5.7	6.8
Total receivables		**127.3**	**120.3**
Cash and cash equivalents		**57.6**	**77.5**
Total current assets		**284.6**	**285.4**
Total assets		**1,374.9**	**1,366.8**

Balance sheet at 31 August

EUR million

EQUITY AND LIABILITIES	Note	2014	2013
Equity			
Share capital	4.1	180.5	180.3
Reserves		476.3	500.4
Total equity		**656.8**	**680.7**
Liabilities			
Non-current liabilities			
Employee benefit obligations	3.6	6.0	5.4
Deferred tax	2.8	52.7	61.5
Provisions	3.7	2.5	2.0
Borrowings	4.2	449.2	416.2
Tax payables		19.5	19.5
Other non-current debt		1.4	1.4
Total non-current liabilities		**531.3**	**506.0**
Current liabilities			
Provisions	3.7	-	0.3
Borrowings	4.2	11.9	12.8
Prepayments from customers		1.0	1.9
Trade payables		81.4	78.2
Tax payables		29.8	32.8
Other payables		62.7	54.1
Total current liabilities		**186.8**	**180.1**
Total liabilities		**718.1**	**686.1**
Total equity and liabilities		**1,374.9**	**1,366.8**

Commitments and contingent liabilities	3.8
Derivative financial instruments	4.3
Related parties	5.3
Events after the balance sheet date	5.4
List of Group companies at 31 August 2014	5.5

Statement of changes in equity

EUR million	Note	Share capital	Currency translation	Cash flow hedges	Retained earnings	Non-controlling interests	Total
		Shareholders of Chr. Hansen Holding A/S					
Equity at 1 September 2013		**180.3**	**(19.6)**	**(3.0)**	**523.0**	**-**	**680.7**
Total comprehensive income for the year, cf. statement of comprehensive income		0.2	(1.7)	-	131.7	-	130.2
Transactions with owners:							
Purchase of treasury shares*		-	-	-	(80.0)	-	(80.0)
Exercised share options		-	-	-	27.7	-	27.7
Share-based payment	5.1	-	-	-	3.6	-	3.6
Tax related to share-based payment		-	-	-	6.2	-	6.2
Dividend		-	-	-	(111.6)	-	(111.6)
Equity at 31 August 2014		**180.5**	**(21.3)**	**(3.0)**	**500.6**	**-**	**656.8**

* EUR 80.0 million relates to the share buy-back program.

A dividend of EUR 0.51 (DKK 3.77) per share, corresponding to EUR 66.1 million in total, is proposed for 2013/14.

EUR million	Note	Share capital	Currency translation	Cash flow hedges	Retained earnings	Non-controlling interests	Total
		Shareholders of Chr. Hansen Holding A/S					
Equity at 1 September 2012		**185.3**	**(2.5)**	**(5.6)**	**477.9**	**5.5**	**660.6**
Change in accounting policies		-	-	-	(0.4)	-	(0.4)
Total comprehensive income for the year, cf. statement of comprehensive income		(0.3)	(17.1)	2.6	137.8	1.0	124.0
Transactions with owners:							
Reduction of share capital		(4.7)	-	-	4.7	-	-
Purchase of treasury shares*		-	-	-	(41.2)	-	(41.2)
Share-based payment	5.1	-	-	-	5.5	-	5.5
Dividend		-	-	-	(51.2)	(0.4)	(51.6)
Non-controlling interests		-	-	-	(10.1)	(6.1)	(16.2)
Equity at 31 August 2013		**180.3**	**(19.6)**	**(3.0)**	**523.0**	**-**	**680.7**

* EUR 28.0 million relates to the share buy-back program.

Cash flow statement
1 September - 31 August

EUR million	Note	**2013/14**	2012/13
Operating profit		**195.1**	**192.5**
Non-cash adjustments	5.2	53.9	61.8
Change in working capital		(11.8)	(8.2)
Interest payments received		0.9	0.5
Interest payments made		(12.5)	(11.7)
Taxes paid		(49.2)	(44.6)
Cash flow from operating activities		**176.4**	**190.3**
Investments in intangible assets		(12.2)	(18.3)
Investments in property, plant and equipment		(50.6)	(52.7)
Sale of property, plant and equipment		1.0	0.7
Cash flow used for investing activities		**(61.8)**	**(70.3)**
Free cash flow		**114.6**	**120.0**
Borrowings		405.2	181.4
Repayment of long-term loans		(375.0)	(171.5)
Exercise of options		27.7	-
Purchase of treasury shares, net		(80.0)	(43.6)
Dividends paid		(111.6)	(51.2)
Non-controlling interests, dividends, etc.		(0.3)	(13.5)
Cash flow used for financing activities		**(134.0)**	**(98.4)**
Net cash flow for the year		**(19.4)**	**21.6**
Cash and cash equivalents at 1 September		77.5	60.5
Unrealized exchange gains/(losses) included in cash and cash equivalents		(0.5)	(4.6)
Net cash flow for the year		(19.4)	21.6
Cash and cash equivalents at 31 August		**57.6**	**77.5**

1.1 General accounting policies

ACCOUNTING POLICIES

BASIS OF PREPARATION

The Consolidated Financial Statements for the Chr. Hansen Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to enterprises of reporting class D.

GENERAL INFORMATION ON RECOGNITION AND MEASUREMENT

The Consolidated Financial Statements have been prepared under the historical cost method, except for the measurement of certain financial instruments at fair value.

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

The accounting policies set out below have been applied consistently in respect of the financial year 2013/14 and the comparative figures. The accounting policies are unchanged from 2012/13 except for the implementation of new and amended IFRS/IAS standards as stated below.

NEW AND AMENDED STANDARDS

Chr. Hansen has adopted all new or amended accounting standards and interpretations (IFRSs) issued by the IASB and endorsed by the European Union effective for the accounting year 2013/14.

IAS 19R “Employee Benefits” removes the "corridor method" in the measurement of defined benefit plans. Application of this standard has only an immaterial impact on the Consolidated Financial Statements for 2013/14, the comparative figures for 2012/13 and the opening balance as at 1 September 2012. The change was effective for financial years beginning on or after 1 January 2013.

The changes to IAS 36 “Impairment of Assets” changing the disclosure requirements for recoverable amounts and fair value have been adopted early.

The application of other new IFRSs did not have any material impact on the Consolidated Financial Statements for 2013/14, and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

The IASB has issued the following new or amended standards and interpretations that have been adopted by the European Union but not yet implemented by the Group:

- Changes to IFRS 10, IFRS 12 and IAS 27 regarding investment entities’ consolidation of controlled investments. The changes are effective for financial years beginning on or after 1 January 2014.
- Changes to IAS 32 “Financial Instruments: Presentation” clarifying offsetting requirements for amounts presented in the statement of financial position.
- Changes to IAS 39 “Financial Instruments: Recognition and Measurement” regarding novation of derivatives and continuation of hedge accounting. The changes are effective for financial years beginning on or after 1 January 2014.

In addition, the following new standards of relevance to the Group have been issued but not yet adopted by the European Union:

- IFRS 9 "Financial Instruments" reducing the number of asset classes for financial assets to two: amortized cost and fair value. The standard incorporates new requirements for accounting for financial liabilities. It has not yet been decided when the standard will be effective.
- IFRS 15 “Revenue Recognition” clarifying the principles for recognizing revenue from contracts with customers. The standard is effective for financial years beginning on or after 1 January 2017.

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

PRESENTATION OF ACCOUNTING POLICIES

Where possible the accounting policies for an accounting area are presented in the individual notes for that area. Accounting policies not directly related to an area covered by a note are presented below.

1.1 General accounting policies

DEFINING MATERIALITY

The Consolidated Financial Statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the Consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the Consolidated Financial Statements or in the notes. There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

TRANSLATION FROM FUNCTIONAL CURRENCY TO PRESENTATION CURRENCY

Financial items for each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

Assets, liabilities and equity items are translated from each reporting company's functional currency to EUR at the balance sheet date. The income statements are translated from the functional currency into the presentation currency based on the average exchange rate for the individual months. Differences arising on the translation of the equity at the beginning of the period and translation of the income statement from the average rates to the exchange rate at the balance sheet date are recognized in other comprehensive income and presented as a separate reserve in equity.

The functional currency of the Parent Company is the Danish krone (DKK). However, due to the Group's international relations, the Consolidated Financial Statements are presented in euros (EUR).

BASIS OF CONSOLIDATION

The Consolidated Financial Statements cover Chr. Hansen Holding A/S (the Parent Company) and enterprises in which the Parent Company directly or indirectly holds more than 50% of the votes or otherwise exercises control.

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

Gains or losses on disposal or winding up of subsidiaries are recognized in the income statement under special items, while gains or losses on disposal or winding up of associates are recognized under financial income and expenses.

TRANSLATION OF TRANSACTIONS AND AMOUNTS

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the transaction date.

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

Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognized in financial income or financial expenses in the income statement.

REVENUE

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

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

COST OF SALES

Cost of sales comprises the cost of products sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labor costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of factories.

OTHER OPERATING INCOME AND EXPENSES

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

1.1 General accounting policies

INVESTMENTS IN ASSOCIATES

The proportionate share of the results of associated companies after tax and non-controlling interests is recognized in the income statement after elimination of the proportionate share of unrealized intra-Group profits/losses.
Investments in associates are recognized using the equity method and measured at the proportionate share of the company's net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealized intra-Group profits and losses and plus the carrying amount of goodwill.

Investments in associates with negative net asset values are measured at EUR 0. If the Group has a legal or constructive obligation to cover a deficit in the associate, the deficit is recognized.

1.2 Summary of key accounting estimates

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Consolidated Financial Statements, Management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgments are presented below.

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

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

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

Assumptions about the future and estimation uncertainty on the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amounts of assets or liabilities within the next financial year.
Management regards the following as the key accounting estimates and assumptions used in the preparation of the Consolidated Financial Statements:

- Segment information (note 2.1)
- Tax assets and liabilities (note 2.8)
- Goodwill (note 3.1)
- Development projects (note 3.2)
- Inventories (note 3.4)

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.
In applying the Group's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Consolidated Financial Statements.

2.1 Segment information

ACCOUNTING POLICIES

Segment information is given on the three divisions of the Group: Cultures & Enzymes, Health & Nutrition and Natural Colors. The information is based on the management structure and the internal management reporting directed to the Senior Management of the Group. The Senior Management consists of the Executive Board. The identification of the segments on which to report did not include aggregation of operating segments.

The accounting policies regarding recognition and measurement used in the segment information are identical to the ones used in the Consolidated Financial Statements.

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

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Segment information

The reportable segments are based on the segmentation in the internal financial reporting received by Senior Management. The reportable segments are divisions offering customers different products and services.

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

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

The Natural Colors Division supplies natural color solutions to the food and beverage industries.

2.1 Segment information

EUR million				2013/14
	Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
Income statement				
External revenue	464.4	133.5	158.3	756.2
EUR growth	*3%*	*11%*	*(5)%*	*2%*
Organic growth	*8%*	*15%*	*1%*	*8%*
EBITDA	178.0	52.6	26.1	256.6
EBITDA margin	*38.3%*	*39.4%*	*16.5%*	*33.9%*
Depreciation, amortization and impairment losses	(37.9)	(8.5)	(5.5)	(51.9)
EBIT before special items	140.1	44.1	20.6	204.8
EBIT margin before special items	*30.2%*	*33.0%*	*13.0%*	*27.1%*
Assets				
Goodwill	533.4	76.4	-	609.8
Other intangible assets	119.6	39.1	15.6	174.3
Intangible assets	**653.0**	**115.5**	**15.6**	**784.1**
Property, plant and equipment	225.2	36.5	38.2	299.9
Total non-current assets excluding deferred tax	**878.2**	**152.0**	**53.8**	**1,084.0**
Inventories	51.1	16.1	32.5	99.7
Trade receivables	65.6	23.2	22.7	111.5
Trade payables	(42.5)	(13.8)	(25.1)	(81.4)
Net working capital	**74.2**	**25.5**	**30.1**	**129.8**
Assets not allocated				79.7
Group assets				**1,374.9**
Invested capital excluding goodwill	**419.0**	**101.1**	**83.9**	**604.0**
ROIC excluding goodwill	34.6%	42.7%	26.2%	34.9%
Investments in non-current assets excluding deferred tax	47.4	8.9	6.5	62.8

2.1 Segment information

EUR million 2012/13

	Cultures & Enzymes	Health & Nutrition	Natural Colors	Group
Income statement				
External revenue	450.9	120.6	166.9	738.4
EUR growth	*7%*	*12%*	*(3)%*	*6%*
Organic growth	*9%*	*14%*	*0%*	*7%*
EBITDA	172.8	49.4	26.7	248.9
EBITDA margin	*38.3%*	*41.0%*	*16.0%*	*33.7%*
Depreciation, amortization and impairment losses	(40.0)	(11.4)	(5.1)	(56.5)
EBIT before special items	132.9	37.9	21.7	192.5
EBIT margin before special items	*29.5%*	*31.5%*	*13.0%*	*26.1%*
Assets				
Goodwill	533.3	76.1	-	609.4
Other intangible assets	124.1	43.2	15.5	182.8
Intangible assets	**657.4**	**119.3**	**15.5**	**792.2**
Property, plant and equipment	202.8	42.3	35.0	280.1
Total non-current assets excluding deferred tax	**860.2**	**161.6**	**50.5**	**1,072.3**
Inventories	45.5	13.3	28.8	87.6
Trade receivables	60.4	18.5	19.5	98.4
Trade payables	(41.0)	(11.9)	(25.3)	(78.2)
Net working capital	**64.9**	**19.9**	**23.0**	**107.8**
Assets not allocated				108.5
Group assets				**1,366.8**
Invested capital excluding goodwill	**391.8**	**105.4**	**73.5**	**570.7**
ROIC excluding goodwill	34.5%	36.7%	29.5%	34.3%
Investments in non-current assets excluding deferred tax	44.8	19.6	6.6	71.0

2.1 Segment information

EUR million	2013/14		2012/13	
Geographic allocation				
Revenue				
EMEA*	382.3	50%	364.1	49%
Americas**	269.8	36%	276.2	38%
APAC	104.1	14%	98.1	13%
Total revenue	**756.2**	**100%**	**738.4**	**100%**
Non-current assets excluding deferred tax				
EMEA	907.2	84%	897.5	84%
Americas	162.4	15%	161.4	15%
APAC	14.4	1%	13.4	1%
Total non-current assets excl. deferred tax	**1,084.0**	**100%**	**1,072.3**	**100%**

* Includes Denmark, which accounts for 1% of total revenue (1% in 2012/13).

** Includes USA, which accounts for 22% of total revenue (22% in 2012/13).

2.2 Depreciation, amortization and impairment losses

ACCOUNTING POLICIES

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

The carrying amount of goodwill is tested for impairment, together with the other non-current assets in the cash-generating units (operating segments) to which the goodwill is allocated. It is written down to the recoverable amount through the income statement if the carrying amount is higher.

Other non-current assets are tested for impairment when there are indications that the carrying amount may not be recoverable.

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

2.2 Depreciation, amortization and impairment losses

EUR million	**2013/14**	2012/13
Depreciation		
Property, plant and equipment		
Cost of sales	(24.9)	(22.8)
Research and development expenses	(2.4)	(2.1)
Sales and marketing expenses	(0.7)	(0.6)
Administrative expenses	(3.0)	(2.9)
Total	**(31.0)**	**(28.4)**
Amortization and impairment losses		
Intangible assets		
Cost of sales	(3.7)	(4.3)
Research and development expenses	(5.6)	(12.6)
Sales and marketing expenses	(10.2)	(10.0)
Administrative expenses	(1.4)	(1.2)
Total	**(20.9)**	**(28.1)**
Total depreciation, amortization and impairment losses	**(51.9)**	**(56.5)**

2.3 Staff expenses

EUR million	**2013/14**	2012/13
Wages and salaries, etc.	(152.6)	(153.6)
Pension expenses - defined contribution plans	(11.7)	(11.5)
Pension expenses - defined benefit plans (note 3.6)	(0.4)	(0.3)
Social security, etc.	(18.2)	(18.2)
Total	**(182.9)**	**(183.6)**
Average number of employees	**2,510**	**2,510**

Remuneration of the Board of Directors and Executive Board

Total fees to key management personnel, who comprise the Board of Directors and Executive Board, amounted to EUR 4.3 million in 2013/14 and EUR 9.9 million in 2012/13.

Board of Directors

Total fees to the Board of Directors amounted to EUR 0.7 million in 2013/14 and EUR 0.7 million in 2012/13.

2.3 Staff expenses

EUR million **2013/14**

Executive Board		**Salary**	**Bonus 1)**	**Pension**	**Other**	**Share-based payment 2)**	**Total**
Cees de Jong	3)	0.78	0.11	-	-	0.35	1.24
Klaus Pedersen		0.44	0.16	0.08	0.01	0.42	1.11
Knud Vindfeldt		0.46	0.16	0.09	-	0.57	1.28
Total		**1.68**	**0.43**	**0.17**	**0.01**	**1.34**	**3.63**

EUR million 2012/13

Executive Board		**Salary**	**Bonus 1)**	**Pension**	**Other**	**Share-based payment 2)**	**Total**
Cees de Jong	3)	0.25	-	-	-	0.05	0.30
Klaus Pedersen		0.41	0.15	0.08	0.02	0.17	0.83
Knud Vindfeldt		0.42	0.15	0.08	-	0.66	1.31
Carsten Bennike		0.33	0.15	0.06	-	0.20	0.74
Jesper Allentoft		0.28	0.11	0.06	-	0.35	0.80
Henrik Dalbøge	4)	0.82	0.30	0.11	0.08	0.91	2.22
Carsten Hellmann	5)	0.45	0.17	0.09	0.02	0.54	1.27
Lars Frederiksen	6)	0.54	0.34	0.11	0.03	0.72	1.74
Total		**3.50**	**1.37**	**0.59**	**0.15**	**3.60**	**9.21**

1) The amounts express the actual bonus payments during the year.

2) The amounts express the Black-Scholes value of the options charged to the income statement during the financial year.

3) Member of the Executive Board since 1 April 2013.

4) Executive Vice President Henrik Dalbøge left Chr. Hansen Holding A/S on 30 September 2013. Severance payments amounted to EUR 0.58 million.

5) Executive Vice President Carsten Hellmann left Chr. Hansen Holding A/S on 31 August 2013.

6) Chief Executive Officer Lars Frederiksen left Chr. Hansen Holding A/S on 31 March 2013.

Members of the Executive Board receive a fixed salary, pension and bonus based on corporate and individual KPIs, the size of which is subject to certain financial and non-financial targets being met. In the event that a member is dismissed, the ordinary salary is paid for an 18-month notice period. In the event of change of control, the members of the Executive Board do not receive any additional compensation.

2.3 Staff expenses

Fees to the Board of Directors	Joined the Board	Left the Board	2013/14	2012/13
Ole Andersen (chairman)	February 2010		0.18	0.18
Henrik Poulsen (vice chairman)	March 2010		0.09	0.07
Søren Carlsen	November 2012		0.07	0.06
Dominique Reiniche	November 2013		0.05	
Frédéric Stévenin	November 2006		0.07	0.09
Mark Anthony Wilson	October 2010		0.10	0.07
Mads Bennedsen	November 2013		0.04	-
Svend Laulund	January 2006		0.05	0.05
Per Poulsen	November 2013		0.04	-
Didier Fernand Debrosse	November 2011	November 2013	0.02	0.06
Gaëlle d'Engremont	August 2009	November 2012	-	0.01
Jørgen O. Nielsen	July 2010	August 2013	-	0.05
Martin G. Seidel	January 2006	July 2013	-	0.04
Jannik Vindeløv	August 2013	November 2013	0.02	-
Total			**0.73**	**0.68**

Shares

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

Number of shares	Beginning of the year	Bought during the year	Sold during the year	End of the year
Ole Andersen (chairman)	**16,666**	-	-	**16,666**
Henrik Poulsen (vice chairman)	**4,444**	-	-	**4,444**
Søren Carlsen	**1,904**	-	-	**1,904**
Dominique Reiniche	**-**	-	-	**-**
Frédéric Stévenin	**11,111**	-	-	**11,111**
Mark A. Wilson	**3,000**	-	-	**3,000**
Mads Bennedsen	**-**	-	-	**-**
Svend Laulund	**1,666**	-	-	**1,666**
Per Poulsen	**150**	-	-	**150**
Total	**38,941**	**-**	**-**	**38,941**
Cees de Jong	**6,000**	-	-	**6,000**
Klaus Pedersen	**12,100**	1,098	(1,098)	**12,100**
Knud Vindfeldt	**26,020**	394,450	(394,450)	**26,020**
Total	**44,120**	**395,548**	**(395,548)**	**44,120**

Each director elected by the General Meeting must, no later than 12 months after appointment to the Board of Directors, purchase shares in the Company corresponding to an amount of at least one year's base fee. The director must maintain a shareholding corresponding to at least one year's base fee for as long as the director is a member of the Company's Board of Directors.

The Executive Board has undertaken to maintain ownership of shares in Chr. Hansen, either directly or indirectly as specified in note 5.1, with a minimum value corresponding to a range of six months of the executive's gross base salary.

2.4 Fees to auditors

EUR million	**2013/14**	2012/13
PricewaterhouseCoopers		
Statutory audit	(0.6)	(0.7)
Audit-related services	(0.3)	(0.2)
Tax advisory services	(0.3)	(0.3)
Other services	(0.1)	(0.1)
Total	**(1.3)**	**(1.3)**

2.5 Special items

ACCOUNTING POLICIES

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

EUR million	**2013/14**	2012/13
Increasing scalability in production through consolidation of enzyme and color plants	(5.0)	-
Optimization of organizational structure	(4.1)	-
Optimized tax and legal setup	(0.6)	-
Total	**(9.7)**	**-**

The special items for 2013/14 comprise 58% staff expenses, 39% other external costs and 3% write-downs.

2.6 Financial income

ACCOUNTING POLICIES

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

2.6 Financial income

EUR million	**2013/14**	2012/13
Interest income	0.9	0.5
Foreign exchange gains	16.1	14.8
Foreign exchange gains on derivatives	3.8	3.0
Total	**20.8**	**18.3**

2.7 Financial expenses

EUR million	**2013/14**	2012/13
Interest expenses	(9.1)	(8.3)
Borrowing costs related to construction of assets	0.7	1.0
Foreign exchange losses	(16.9)	(19.8)
Foreign exchange losses on derivatives	(4.2)	(1.5)
Losses on derivatives transferred from other comprehensive income	(3.1)	(3.1)
Other financial expenses including amortized costs	(2.0)	(2.4)
Total	**(34.6)**	**(34.1)**

Effective interest expenses amounted to EUR 12.2 million (EUR 11.3 million in 2012/13).
The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 2.25%.

2.8 Income taxes and deferred tax

ACCOUNTING POLICIES

Current tax liabilities and receivables are recognized in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.
Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Apart from assets acquired as part of business combinations, deferred tax is not recognized in respect of temporary differences concerning goodwill, office premises and other items where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset or settlement of the liability.

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

Tax and transfer pricing disputes arise from time to time as cross-border transactions receive increasing attention from local tax authorities. The Group recognizes tax assets and liabilities in order to always fulfill tax requirements in all the countries where business is conducted. Management assesses tax assets and liabilities at least annually based on dialogue with local tax authorities, tax advisors, business plans and knowledge of the business.

2.8 Income taxes and deferred tax

EUR million	**2013/14**	2012/13
Income taxes		
Current tax on operating profit	(50.0)	(38.3)
Change in deferred tax concerning operating profit	6.6	2.4
Tax on profit for the year	**(43.4)**	**(35.9)**
Adjustments concerning previous years	(5.7)	(1.0)
Total	**(49.1)**	**(36.9)**

		2013/14		2012/13
Reconciliation of tax rate				
Danish tax rate	25%	(44.3)	25%	(44.1)
Deviation of non-Danish Group companies compared to Danish tax rate	1%	(2.4)	1%	(1.4)
Impact of change in the Danish tax rate	0%	-	(4)%	7.7
Non-taxable income and non-deductible expenses	(1)%	2.0	(1)%	2.2
Adjustments concerning previous years	1%	(3.1)	0%	(1.0)
Other taxes	1%	(1.3)	0%	(0.3)
Effective tax rate	**27%**		**21%**	
Tax on profit for the year		**(49.1)**		**(36.9)**

2.8 Income taxes and deferred tax

EUR million	**2014**	2013
Deferred tax		
Deferred tax at 1 September	52.4	61.8
Currency translation	0.4	-
Change in deferred tax - recognized in the income statement	(6.6)	(2.4)
Change in deferred tax - recognized in other comprehensive income	-	0.7
Change in deferred tax - recognized through equity	0.2	-
Impact of change in the Danish tax rate	-	(7.7)
Deferred tax at 31 August	**46.4**	**52.4**
Deferred tax assets	(6.3)	(9.1)
Deferred tax liabilities	52.7	61.5
Deferred tax at 31 August	**46.4**	**52.4**
Specification of deferred tax		
Intangible assets	39.2	44.4
Property, plant and equipment	11.5	13.4
Non-current assets	1.8	1.8
Loss carryforwards	(2.3)	(5.0)
Liabilities	(3.8)	(2.2)
Total deferred tax at 31 August	**46.4**	**52.4**
Amounts due after 12 months, estimated	**46.4**	**52.4**
Tax loss carryforwards		
Total tax loss carryforwards	14.5	18.4
Tax losses expected to be utilized	7.6	18.4
Deferred tax assets from tax losses recognized in the balance sheet	**2.3**	**5.0**

2.9 Earnings per share

EUR million	**2013/14**	2012/13
Profit from continuing operations	132.2	139.8
Non-controlling interests	-	(2.0)
Profit for the year attributable to shareholders of Chr. Hansen Holding A/S	**132.2**	**137.8**
Average number of shares	134,499,976	135,700,651
Average number of treasury shares	(2,426,980)	(4,254,144)
Average number of shares excluding treasury shares	**132,072,996**	**131,446,507**
Average dilution effect of share options	447,109	1,120,667
Average number of shares, diluted	**132,520,105**	**132,567,174**
Earnings per share (EUR)	**1.00**	**1.05**
Earnings per share, diluted (EUR)	**1.00**	**1.04**

3.1 Goodwill

ACCOUNTING POLICIES

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired company.

The carrying amount of goodwill is allocated to the Group's cash-generating units, which are the operating segments as of the acquisition date.

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimate of the future free net cash flows is based on budgets and business plans for the coming five years and on projections for subsequent years. Key parameters are revenue development, profit margins, proposed capital expenditure and growth expectations for the following years. Budgets and business plans for the coming five years are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognized in estimated future free cash flows.

Projections for years following the next five-year period are based on general expectations and risks.

The discount rate used to calculate recoverable amounts is the weighted average cost of capital before tax.

EUR million	**2014**	2013
Cost at 1 September	609.4	622.4
Currency translation	0.4	(13.0)
Cost at 31 August	**609.8**	**609.4**

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

Cultures & Enzymes Division	533.4	533.3
Health & Nutrition Division	76.4	76.1

At 31 August 2014, Management performed an impairment test of the carrying amount of goodwill. No basis for impairment was found. In the impairment tests, the carrying amount of the assets is compared to the discounted value of future cash flows. The future cash flows are based on budgets and Management's estimates of the expected development in the next five years. Revenue, EBIT, working capital, discount rate and growth assumptions constitute the most material parameters in the calculations.

At 31 August 2014, an average growth rate of 8% in the five-year period for revenue in the Cultures & Enzymes Division, an average growth rate of 10% in the five-year period for revenue in the Health & Nutrition Division and an expected overall improvement in the EBIT margin in the five-year period of more than 1 percentage point for both divisions have been applied. Working capital is assumed to constitute 15-16% of revenue for both divisions. A pre-tax discount rate of 9% has been applied in the impairment test for both divisions. Long-term market growth rates of 2-5% are expected for the two divisions in the terminal period.

At 31 August 2013, an average growth rate of 8% in the five-year period for revenue and an expected overall improvement in the EBIT margin in the five-year period of approximately 1 percentage point have been applied. Working capital is assumed to constitute 14-16% of revenue. A pre-tax discount rate of 10% has been applied in the impairment test. A long-term growth rate of 2-5%, corresponding to estimated market growth, has been applied in the terminal period.

3.2 Other intangible assets

ACCOUNTING POLICIES

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

Costs for development and implementation of substantial software and IT systems are capitalized and amortized over their expected useful lives.

Trademarks, patents and customer lists acquired are recognized at cost and amortized over their expected useful lives.

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

Borrowing costs in respect of construction of assets are capitalized when it takes more than a year for them to be ready for use.

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

- Customer lists: 7 years
- Patents, trademarks and rights: 5-20 years
- Software: 5-10 years
- Development projects: 3-15 years

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria.

3.2 Other intangible assets

EUR million	Trademarks	Patents	Development projects	Software	Development projects in progress	Other intangible assets in progress	Total
2014							
Cost at 1 September	157.9	35.5	46.1	37.9	31.3	2.5	311.2
Currency translation	(0.1)	0.4	-	-	(1.0)	0.1	(0.6)
Additions for the year	-	0.1	1.0	1.1	7.6	2.4	12.2
Disposals for the year	(0.1)	(0.1)	(0.2)	(0.3)	-	-	(0.7)
Transferred	(0.1)	0.1	4.1	1.6	(4.1)	(1.6)	-
Cost at 31 August	**157.6**	**36.0**	**51.0**	**40.3**	**33.8**	**3.4**	**322.1**
Amortization at 1 September	(67.3)	(21.3)	(23.0)	(15.8)	(1.0)	-	(128.4)
Currency translation	(0.2)	(0.1)	0.1	-	1.0	-	0.8
Amortization for the year	(1.4)	(10.0)	(5.3)	(4.0)	-	-	(20.7)
Disposals for the year	0.1	0.1	0.2	0.2	-	-	0.6
Impairment	-	-	(0.2)	-	-	-	(0.2)
Transferred	0.1	(0.1)	-	0.1	-	-	0.1
Amortization at 31 August	**(68.7)**	**(31.4)**	**(28.2)**	**(19.5)**	**-**	**-**	**(147.8)**
Carrying amount at 31 August	**88.9**	**4.6**	**22.8**	**20.8**	**33.8**	**3.4**	**174.3**
Salary expenses included in assets above					5.8	0.3	
Interest included in assets above					0.7	-	

2013	Trademarks	Patents	Development projects	Software	Development projects in progress	Other intangible assets in progress	Total
Cost at 1 September	158.1	35.2	24.5	20.6	38.6	17.2	294.2
Currency translation	(0.2)	-	-	(0.3)	-	-	(0.5)
Additions for the year	-	0.3	1.8	1.1	13.0	2.1	18.3
Disposals for the year	-	-	(0.6)	(0.6)	-	-	(1.2)
Transferred	-	-	20.4	17.1	(20.3)	(16.8)	0.4
Cost at 31 August	**157.9**	**35.5**	**46.1**	**37.9**	**31.3**	**2.5**	**311.2**
Amortization at 1 September	(58.3)	(18.4)	(7.4)	(12.5)	(4.8)	-	(101.4)
Currency translation	(0.1)	-	-	0.2	-	-	0.1
Amortization for the year	(8.9)	(2.9)	(4.3)	(3.9)	-	-	(20.0)
Disposals for the year	-	-	0.6	0.4	-	-	1.0
Impairment	-	-	(8.1)	-	-	-	(8.1)
Transferred	-	-	(3.8)	-	3.8	-	-
Amortization at 31 August	**(67.3)**	**(21.3)**	**(23.0)**	**(15.8)**	**(1.0)**	**-**	**(128.4)**
Carrying amount at 31 August	**90.6**	**14.2**	**23.1**	**22.1**	**30.3**	**2.5**	**182.8**
Salary expenses included in assets above					9.0	0.6	
Interest included in assets above					0.7	-	

3.2 Other intangible assets

Trademarks

Of the trademarks, the carrying amount of the Chr. Hansen trademark alone at 31 August 2014 is EUR 26.1 million, and the remaining amortization period is 11 years.

Patents and development projects

Completed development projects and development projects in progress comprise development and testing of new strains for cultures and natural colors as well as production techniques. The value of the development projects recognized has been compared to expected sales or cost savings. In cases where indicators of impairment have been identified, the relevant assets have been written down. The impairment tests have been prepared similarly to the goodwill impairment test described in note 3.1 based on the value in use of the assets.

Chr. Hansen has recognized impairment losses of EUR 0.2 million in respect of capitalized development costs for clinical studies relating to immune health (Health & Nutrition Division). In 2012/13 impairment losses amounted to EUR 8.1 million (EUR 4.3 million in the Cultures & Enzymes Division and EUR 3.8 million in the Health & Nutrition Division).

Software

Software comprises expenses for acquiring software licenses and expenses related to internally developed software. The value of the recognized software has been compared to the expected value in use. No indicators of impairment have been identified.

3.3 Property, plant and equipment

ACCOUNTING POLICIES

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use, and re-establishment expenses, provided that a corresponding provision is made at the same time. Borrowing costs in respect of construction of assets are capitalized when it takes more than a year for them to be ready for use.

The useful lives of the individual groups of assets are estimated as follows:

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

Land is not depreciated.

Depreciation is based on a straight-line pattern.

Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

3.3 Property, plant and equipment

EUR million					2014
	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
Cost at 1 September	165.0	203.5	21.9	55.4	445.8
Currency translation	0.5	0.2	-	0.1	0.8
Additions for the year	2.7	5.6	3.0	39.3	50.6
Disposals for the year	(0.5)	(0.8)	(1.0)	-	(2.3)
Transferred	3.6	9.4	4.8	(17.8)	-
Cost at 31 August	**171.3**	**217.9**	**28.7**	**77.0**	**494.9**
Depreciation at 1 September	(39.8)	(113.9)	(12.0)	-	(165.7)
Currency translation	(0.2)	0.9	(0.3)	-	0.4
Depreciation for the year	(6.2)	(21.7)	(3.1)	-	(31.0)
Disposals for the year	0.3	0.3	0.7	-	1.3
Depreciation and impairment at 31 August	**(45.9)**	**(134.4)**	**(14.7)**	**-**	**(195.0)**
Carrying amount at 31 August	**125.4**	**83.5**	**14.0**	**77.0**	**299.9**
Salary expenses included in assets above				4.3	
Interest included in assets above				0.5	

Land and buildings include buildings on land leased from Scion DTU A/S at Hørsholm, Denmark, for an unlimited term	19.5
Value of mortgaged land and buildings, cf. also note 3.8 concerning other guarantees and commitments	73.7

3.3 Property, plant and equipment

EUR million					2013
	Land and buildings	**Plant and machinery**	**Other fixtures and equipment**	**Property, plant and equipment in progress**	**Total**
Cost at 1 September	158.4	182.2	19.8	41.9	402.3
Currency translation	(2.6)	(3.0)	(1.7)	(0.8)	(8.1)
Additions for the year	3.6	5.6	2.3	41.2	52.7
Disposals for the year	(0.2)	(0.2)	(0.3)	-	(0.7)
Transferred	5.8	18.9	1.8	(26.9)	(0.4)
Cost at 31 August	**165.0**	**203.5**	**21.9**	**55.4**	**445.8**
Depreciation at 1 September	(35.1)	(96.4)	(10.5)	-	(142.0)
Currency translation	1.3	2.1	1.1	-	4.5
Depreciation for the year	(6.0)	(19.7)	(2.7)	-	(28.4)
Disposals for the year	-	0.1	0.1	-	0.2
Depreciation and impairment at 31 August	**(39.8)**	**(113.9)**	**(12.0)**	**-**	**(165.7)**
Carrying amount at 31 August	**125.2**	**89.6**	**9.9**	**55.4**	**280.1**
Salary expenses included in assets above				3.6	
Interest included in assets above				0.5	

Land and buildings include buildings on land leased from Scion DTU A/S at Hørsholm, Denmark, for an unlimited term	20.5
Value of mortgaged land and buildings, cf. also note 3.8 concerning other guarantees and commitments	74.7

3.4 Inventories

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to the current completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery, buildings and equipment, and production administration and management.

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The calculation of indirect production costs is reviewed regularly in order to ensure that relevant assumptions such as prices, production yield and measures of utilization are incorporated correctly. Changes in the parameters, assumed production yield and utilization levels, etc. could have a significant impact on cost and, in turn, on the valuation of inventories and production costs.

EUR million	**2014**	2013
Direct materials	60.5	51.1
Other direct and indirect production costs	39.2	36.5
Total	**99.7**	**87.6**
Inventory write-downs at year-end	**2.9**	**3.0**

3.5 Trade receivables

ACCOUNTING POLICIES

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable taking the period overdue or the expected likelihood of receiving payment into consideration.

EUR million	**2014**	2013
Aging of receivables:		
Not due	101.4	88.0
0-30 days overdue	7.5	5.1
31-60 days overdue	2.3	3.0
61-120 days overdue	0.3	1.6
> 120 days overdue	-	0.7
Total trade receivables	**111.5**	**98.4**
Allowances for bad debts:		
Allowances at 1 September	1.4	1.0
Additions for the year	2.6	0.6
Reversals for the year	(3.1)	(0.1)
Losses realized in the year	(0.3)	(0.1)
Allowances at 31 August	**0.6**	**1.4**

3.6 Employee benefit obligations

ACCOUNTING POLICIES

Contributions to defined contribution plans are charged to the income statement in the year to which they relate. In a few countries, the Group still operates defined benefit plans. The costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees to the valuation dates and is based on actuarial assumptions primarily regarding discount rates used in determining the present value of benefits and projected rates of remuneration growth. Discount rates are based on the market yields of high-rated corporate bonds in the country concerned.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement. Pension assets are only recognized to the extent that it is possible to derive future economic benefits such as refunds from the plan or reductions of future contributions. The Group's defined benefit plans are usually funded by payments from Group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement

3.6 Employee benefit obligations

Employee benefit plans in the Group

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

Defined contribution plans

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

Defined benefit plans

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

EUR million	**2014**	2013
Movement in the employee benefit obligations recognized		
Obligations 1 September	9.7	9.3
Transferred	-	0.1
Currency translation	0.3	(0.2)
Current service expenses	0.2	0.2
Interest expenses	0.4	0.3
Actuarial gains/losses	0.7	0.4
Payments made	(0.4)	(0.4)
Employee benefit obligations recognized at 31 August	**10.9**	**9.7**
Movement in the fair value of plan assets		
Fair value of plan assets 1 September	4.3	4.1
Currency translation	0.3	(0.2)
Expected return on plan assets	0.2	0.2
Actuarial gains/losses	0.2	0.2
Employer contributions	0.1	0.2
Benefits paid	(0.2)	(0.2)
Fair value of plan assets 31 August	**4.9**	**4.3**
Net benefit obligations 31 August	**6.0**	**5.4**
Net employee benefit obligations		
Net obligations 1 September	5.4	5.2
Costs recognized in the income statement	0.4	0.3
Remeasurements recognized in other comprehensive income	0.5	0.2
Employer contributions	(0.3)	(0.3)
Net employee benefit obligations 31 August	**6.0**	**5.4**

3.6 Employee benefit obligations

Weighted average actuarial assumptions applied		
Discount rate	3.2%	4.0%
Future increase in salaries	4.5%	4.5%
Future increase in pensions	2.4%	2.4%

Distribution of plan assets to cover obligation		
Shares	40%	38%
Bonds	49%	50%
Real estate	9%	7%
Cash and cash equivalents	2%	5%

3.7 Provisions

ACCOUNTING POLICIES

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

EUR million	**2014**	2013
Provisions at 1 September	2.3	2.4
Additions for the year	0.4	1.0
Reversed in the year	-	(0.4)
Used in the year	(0.2)	(0.7)
Provisions at 31 August	**2.5**	**2.3**

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

3.8 Commitments and contingent liabilities

EUR million	**2014**	2013
Operating lease commitments		
Due within 1 year	3.1	2.3
Due between 1 and 5 years	2.6	3.1
Total	**5.7**	**5.4**
Lease commitments relate primarily to car and equipment rental.		
Expensed payments relating to operating leases	**4.0**	**3.8**
Individual assets directly pledged		
Land and buildings	73.7	74.7
Plant and machinery	50.8	55.1
Book value of pledged individual assets	**124.5**	**129.8**

The recognized liabilities are based on minimum lease payments.

Pending court and arbitration cases
Certain claims have been made against the Chr. Hansen Group. Management is of the opinion that the result of these disputes will not have a significant effect on the Group's financial position.

At 31 August 2014, Chr. Hansen was defendant in five diacetyl-related lawsuits based on alleged personal injuries as a result of exposure to diacetyl vapors. Management does not believe that diacetyl lawsuits will have a material adverse effect on the Company's financial position or results.

Change of control
The loan facilities are subject to change-of-control clauses. Regarding change-of-control clauses in employment contracts, please refer to note 2.3.

4.1 Share capital

The Company's share capital has a nominal value of DKK 1,344,999,760 (equivalent to EUR 180.5 million), divided into shares of DKK 10.

The share capital has been fully paid up.

The Company has conducted a share buy-back program under which it acquired 2,647,480 shares for an amount of EUR 80.0 million in 2013/14 (1,185,455 shares for an amount of EUR 28.0 million in 2012/13). At 31 August 2014, the company held 3,949,400 treasury shares (3,374,799 treasury shares at 31 August 2013). 1,301,920 of the treasury shares were held to cover the share option programs.

In 2012/13, the share capital was reduced by canceling 3,534,244 treasury shares.

Further information about the Group's policy for managing its capital can be found under "Shareholder information."

EUR million	**2014**	2013
Number of shares outstanding		
Outstanding at 1 September	131,125,177	132,751,457
Purchased during the year	(2,647,480)	(1,684,455)
Sold during the year	2,072,879	58,175
Outstanding at 31 August	**130,550,576**	**131,125,177**

The Company had share capital of DKK 1,008,252,200 at 1 September 2008. It was increased by DKK 372,090,000 in 2009/10 and reduced by DKK 35,342,440 in 2012/13.

4.2 Financial assets and liabilities

ACCOUNTING POLICIES

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

Financial liabilities, including mortgage loans and loans from credit institutions, are initially measured at fair value less transaction costs incurred. Subsequently, the loans are measured at amortized cost. Amortized cost is calculated as original cost less installments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

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

Other debts are measured at amortized cost. However, derivative financial instruments recognized under other payables are measured at fair value. See “Derivative financial instruments” below.

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

4.2 Financial assets and liabilities

EUR million

Assets	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2014 Total
Trade receivables	111.5	-	-	111.5
Other receivables	8.2	-	-	8.2
Cash and cash equivalents	57.6	-	-	57.6
Total	**177.3**	**-**	**-**	**177.3**

	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2013 Total
Trade receivables	98.4	-	-	98.4
Other receivables	10.2	-	-	10.2
Cash and cash equivalents	77.5	-	-	77.5
Total	**186.1**	**-**	**-**	**186.1**

Liabilities	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2014 Total
Long-term borrowings*	-	442.4	29.7	472.1
Short-term borrowings*	17.1	-	-	17.1
Trade payables	81.4	-	-	81.4
Other payables	58.7	-	-	58.7
	157.2	**442.4**	**29.7**	**629.3**
Derivative financial instruments	0.5	3.5	-	4.0
Total	**157.7**	**445.9**	**29.7**	**633.3**

* Including future interest payments.

	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	2013 Total
Long-term borrowings*	-	365.1	60.4	425.5
Short-term borrowings*	19.4	-	-	19.4
Trade payables	78.2	-	-	78.2
Other payables	50.1	-	-	50.1
	147.7	**365.1**	**60.4**	**573.2**
Derivative financial instruments	4.0	-	-	4.0
Total	**151.7**	**365.1**	**60.4**	**577.2**

* Including future interest payments.

4.2 Financial assets and liabilities

EUR million	**2014**	2013
Long-term borrowings		
Senior bank borrowings	406.8	363.7
Mortgages	45.6	54.3
Total before amortization of financing expenses	**452.4**	**418.0**
Capitalized financing expenses	(3.2)	(1.8)
Total long-term borrowings	**449.2**	**416.2**
Short-term borrowings		
Mortgages	8.7	9.2
Bank borrowings	3.2	3.6
Total	**11.9**	**12.8**

The Group's borrowings are denominated in EUR, USD and DKK. The borrowings in USD are subject to a currency risk at Group level, which is hedged with FX forward contracts.
The terms for the bank debt include a few covenants focusing on the Group's ability to generate sufficient cash flow. The financing of each Group company is monitored and managed at Group level. Estimates for the income statement, balance sheet and cash flow statement indicate that the covenants will be met by a comfortable margin.

4.2 Financial assets and liabilities

EUR million				2014
Mortgages	**Effective interest rate**	**Maturity**	**Carrying amount**	**Interest rate risk**
Floating rate*	0.37%	3-13 years	38.1	Cash flow
Fixed rate*	3.28%	0-10 years	16.2	Fair value
Total mortgages			**54.3**	

* Interest rate excluding margin.

Bank borrowings				
Floating rate	-	0-6 years	78.1	Cash flow
Fixed rate**	-	0-4 years	331.9	Fair value
Total bank borrowings			**410.0**	

The fair value of mortgages is EUR 56.1 million, whereas the fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 1 in the fair value hierarchy using direct quotes.

** Interest rate swaps have been used to fix the interest rate. The EUR part has an average interest rate of 1.28%, and the USD part has an average interest rate of 1.77%.

Currency of the principal	**Interest-bearing debt translated to EUR**	**Floating rate**	**Fixed rate**
EUR	307.4	11%	89%
USD	59.5	3%	97%
DKK	97.3	83%	17%
Total	**464.2**	**25%**	**75%**

				2013
Mortgages	**Effective interest rate**	**Maturity**	**Carrying amount**	**Interest rate risk**
Floating rate*	0.34%	4-14 years	43.8	Cash flow
Fixed rate*	3.26%	1-11 years	19.7	Fair value
Total mortgages			**63.5**	

* Interest rate excluding margin.

Bank borrowings				
Floating rate	-	0-3 years	85.6	Cash flow
Fixed rate**	-	0-3 years	281.7	Fair value
Total bank borrowings			**367.3**	

The fair value of mortgages is EUR 65.5 million, whereas the fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 1 in the fair value hierarchy using direct quotes.

** Interest rate swaps have been used to fix the interest rate. The EUR part has an average interest rate of 1.28%, and the USD part has an average interest rate of 1.77%.

Currency of the principal	**Interest-bearing debt translated to EUR**	**Floating rate**	**Fixed rate**
EUR	307.5	27%	73%
USD	59.7	4%	96%
DKK	63.5	69%	31%
Other	0.1	100%	0%
Total	**430.8**	**30%**	**70%**

4.2 Financial assets and liabilities

FINANCIAL RISKS

Being an international company, Chr. Hansen is exposed to currency and interest rate fluctuations.

Chr. Hansen's corporate Treasury department monitors and manages risks related to currency exposure and interest rate levels in accordance with the corporate Treasury Procedure approved by the Board of Directors. The procedure reflects how Chr. Hansen manages financial risks and contains rules defining not only how financial instruments are used to hedge risks, but also an acceptable level of risk exposure and use of counterparties.

Funding and liquidity

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of Chr. Hansen's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, Chr. Hansen's corporate Treasury department manages and monitors funding and liquidity for the entire Group and ensures the availability of required liquidity through cash management and uncommitted as well as committed facilities.

Foreign exchange

To reduce exposure to exchange rate changes, Chr. Hansen trades primarily in EUR and USD. However, trading also takes place in other currencies. Currency exposure is mainly managed by having revenue and expenses in the same currency. Where this is insufficient to manage the risk, Chr. Hansen's corporate Treasury department performs hedging in accordance with the Treasury Procedure. Please refer to note 4.3 for further information.

Interest rates

Interest rate risk mainly relates to interest on debt. Debt is financed at the market rate plus a margin. The risk is limited by entering into interest-hedging agreements in accordance with the Treasury Procedure (note 4.3).

Credit

Credit risks mainly relate to trade receivables and other receivables. The risk is limited due to Chr. Hansen’s diverse customer base representing multiple industries and businesses on international markets where the Company cooperates with many large and medium-sized partners. When dealing with smaller businesses, the Company sells mainly through distributors, thus reducing the credit risk regarding these customers.

4.3 Derivative financial instruments

ACCOUNTING POLICIES

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. The fair values of derivative financial instruments are included in other receivables and other payables respectively, and positive and negative values are offset only when the Group has the right and the intention to settle financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Certain derivative financial instruments are designated as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges),
- hedges associated with highly probable forecasted transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognized assets and liabilities are recognized in the income statement together with changes in the value of the hedged asset or liability with respect to the hedged portion.

The effective part of changes in the fair value of derivative financial instruments used for cash flow hedges is recognized in other comprehensive income and presented as a separate reserve in equity. The reserve is transferred to the income statement on realization of the hedged transactions. If a derivative financial instrument used to hedge expected future transactions expires, is sold or no longer qualifies for hedge accounting, any accumulated fair value reserve remains in equity until the hedged transaction is concluded. If the transaction is no longer expected to be concluded, any fair value reserve accumulated under equity is transferred to the income statement.

Changes in the fair value of derivative financial instruments used for net investment hedges that effectively hedge currency fluctuations in these entities are recognized in the Consolidated Financial Statements directly in a separate translation reserve in equity.

Realized gains and losses on derivative financial instruments are recognized in the income statement as financial income or financial expenses.

Derivative financial instruments in the Group

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

Interest rate risk

Interest rate swaps are used for cash flow hedging, where the underlying floating interest rates are hedged. At 31 August 2014, the outstanding interest swaps had the following market value:

4.3 Derivative financial instruments

Market value of open interest rate swaps

				2014
	Contract amount	**Gain/loss at 31 August**	**Recognized in income statement**	**Recognized in fair value reserve**
USD 75 million interest rate swaps, expiry April 2015	56.7	(0.5)	-	(0.5)
EUR 75 million interest rate swaps, expiry February 2016	75.0	(0.4)	-	(0.4)
EUR 200 million interest rate swaps, expiry August 2018	200.0	(3.1)	-	(3.1)
Total	**331.7**	**(4.0)**	**-**	**(4.0)**

				2013
	Contract amount	**Gain/loss at 31 August**	**Recognized in income statement**	**Recognized in fair value reserve**
EUR 75 million interest rate swaps, expiry February 2016	75.0	0.2	-	0.2
EUR 150 million interest rate swaps, expiry April 2015	150.0	(3.0)	-	(3.0)
USD 75 million interest rate swaps, expiry April 2015	56.7	(1.2)	-	(1.2)
Total	**281.7**	**(4.0)**	**-**	**(4.0)**

The fair value is calculated using a validation model, based primarily on observable market data, corresponding to level 2 in the fair value hierarchy. There is no currency risk related to the swaps for the Group.

The interest on the Group's financing facilities is based on floating interest plus a margin. At 31 August 2014, 75% of outstanding debt was hedged through interest rate swaps or loans with a fixed interest rate. The total debt had an average maturity of 4.4 years at 31 August 2014.

	2014	2013
Debt with fixed interest rate	75%	70%
Average maturity in years	4.4	2.6
Effect on total debt of a 1 percentage point increase in interest rates	(4.5)	(4.1)
Effect on interest rate swaps of a 1 percentage point increase in interest rates	3.4	2.8
Net effect	**(1.1)**	**(1.3)**

An increase of 1 percentage point in the average interest rate on the Group's interest-bearing debt including swaps would reduce the Group's earnings before tax by EUR 1.1 million during the next 12-month period and have a positive effect on equity of EUR 8.7 million (EUR 4.7 million in 2012/13).

4.3 Derivative financial instruments

EUR million

Currency hedging of balance sheet position and future cash flows

Net outstanding forward exchange contracts at 31 August

2014	Nominal principal	Gain/loss in income statement	Recognized in fair value reserve	Fair value of principal	Maximum maturity (months)
USD	56.9	-	-	56.9	3
GBP	1.0	-	-	1.0	1
AUD	6.7	-	-	6.7	3
DKK	(64.6)	-	-	(64.6)	
Total		**-**	**-**	**-**	

2013	Nominal principal	Gain/loss in income statement	Recognized in fair value reserve	Fair value of principal	Maximum maturity (months)
USD	60.5	(0.6)	-	61.1	3
GBP	0.9	-	-	0.9	1
AUD	1.0	-	-	1.0	1
DKK	(62.4)	-	-	(62.4)	
Total		**(0.6)**	**-**	**0.6**	

The fair value is calculated using a validation model, based primarily on observable market data, corresponding to level 2 in the fair value hierarchy. All contracts are used for fair value hedges.

The overall purpose of managing currency risk is to minimize the effect of short-term currency movements on earnings and cash flow. The Group's main currencies are EUR, USD and USD-related currencies. Exposure is limited by assets, debt and expenses to a certain degree matching the geographic segmentation of sales. Investments in subsidiaries are not hedged. The fair value is calculated using direct quotes corresponding to level 1 in the fair value hierarchy.

Foreign exchange sensitivity analysis

Effect on the income statement	**2013/14**	2012/13
Increase of 5%	0.4	2.1
Decrease of 5%	(0.4)	(2.1)

Financial instruments are defined as cash, trade receivables, trade payables, current and non-current loans and foreign exchange forwards.

5.1 Share-based payment

ACCOUNTING POLICIES

Share options issued as part of an incentive scheme are measured at fair value at the date of granting. This value is subsequently recognized in the income statement of the Group over the service period.

Share option programs

Long-term share option programs are granted to the Executive Board and certain managerial employees. Vesting is subject to fulfillment of certain key performance indicators. Each option gives the right to purchase one existing share in Chr. Hansen Holding A/S.

The value of share option programs granted in 2013/14 was EUR 2.9 million (2012/13: EUR 3.6 million).

EUR 2.0 million was expensed in 2013/14 relating to the long-term share option programs including accelerations and reversals (2012/13: EUR 3.6 million).

There are 24,342 outstanding exercisable share options at 31 August 2014. The average exercise price of outstanding share options is DKK 193.72.

	Option program 1	Option program 2	Option program 3	Option program 4	Option program 5	Option program 6
Year allocated	2009/10	2010/11	2011/12	2012/13	2012/13	2013/14
Vesting conditions (KPIs)	EBITDA and share price	EBIT and EPS	EBIT and EPS	EBIT and EPS	EBIT and EPS	EBIT and EPS
Exercise price	DKK 94.85	DKK 118.96	DKK 126.60	DKK 196.01	DKK 227.80	DKK 219.35
Vesting	Nov. 2013	Nov. 2013	Nov. 2014	Nov. 2015	Apr. 2016	Nov. 2016
Weighted average share price during exercise period	DKK 204.87	DKK 206.21	Not vested	Not vested	Not vested	Not vested
Average Black-Scholes value of options	EUR 2.1	EUR 3.2	EUR 3.4	EUR 3.5	EUR 3.8	EUR 2.9
Assumptions:						
Risk-free interest rate	1.15%	1.74%	0.99%	0.04%	0.23%	0.23%
Volatility	30.0%	30.0%	31.1%	25.7%	23.0%	19.9%
Dividend	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Period	3-5 years	3-5 years	3-5 years	3-5 years	3-5 years	3-5 years

5.1 Share-based payment

Number of share options

	Executive Board	Managerial employees	Former employees	Total
Outstanding at 1 September 2012	**2,519,127**	**172,544**	**-**	**2,691,671**
Allocated	825,020	99,660	-	924,680
Transferred	(1,386,445)	-	1,386,445	-
Forfeited	(498,880)	-	-	(498,880)
Outstanding at 31 August 2013	**1,458,822**	**272,204**	**1,386,445**	**3,117,471**
Allocated	493,905	535,300	-	1,029,205
Transferred	(484,597)	484,597	-	-
Forfeited	(389,761)	(345,088)	(1,242,308)	(1,977,157)
Outstanding at 31 August 2014	**1,078,369**	**947,013**	**144,137**	**2,169,519**

Short-term restricted stock unit (RSU) programs

The short-term RSU programs are granted to the Executive Board and other managerial employees based on fulfillment of individual key performance indicators. The RSUs are granted as share options with an exercise price of DKK 1. Each share option may, subject to the person still being employed with Chr. Hansen, be exercised to purchase one existing share in Chr. Hansen Holding A/S.

The value of RSUs granted in 2013/14 is estimated to be EUR 2.2 million (2012/13: EUR 1.9 million). The number of options allocated and their value will be determined in November 2014.

EUR 1.6 million was expensed in 2013/14 relating to the short-term RSU programs (2012/13: EUR 1.8 million).

There are no outstanding exercisable RSUs at 31 August 2014.

5.1 Share-based payment

	RSU program 1	RSU program 2	RSU program 3	RSU program 4	RSU program 5
Year allocated	2009/10	2010/11	2011/12	2012/13	2013/14
Vesting	Nov. 2011, 2012 and 2013	Nov. 2012, 2013 and 2014	Nov. 2013, 2014 and 2015	Nov. 2014, 2015 and 2016	Nov. 2014, 2015 and 2016
Weighted average share price during exercise period	EUR 27.0	EUR 27.0	EUR 27.0	Not vested	Not vested
Average Black-Scholes value of options	EUR 12.4	EUR 15.9	EUR 24.2	EUR 25.9	EUR 25.9
Assumptions:					
Risk-free interest rate	0.52-1.11%	2.42%	(0.09) - (0.32)%	(0.22)%	(0.22)%
Volatility	30.0%	30.0%	21.5%	23.0%	23.0%
Dividend	1.5%	1.5%	1.5%	1.5%	1.5%
Period	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years

RSUs (number)

	Executive Board	Managerial employees	Former employees	Total
Outstanding at 1 September 2012	**69,339**	**178,515**	**3,743**	**251,597**
Adjustment to allocation	2,677	7,935	-	10,612
Allocated	13,458	59,162	-	72,620
Transferred	(19,592)	(5,312)	24,904	-
Exercised	(19,070)	(37,550)	(1,555)	(58,175)
Forfeited	(11,603)	(1,329)	-	(12,932)
Outstanding at 31 August 2013	**35,209**	**201,421**	**27,092**	**263,722**
Adjustment to allocation	(1,646)	(9,788)		(11,434)
Allocated	10,554	61,730		72,284
Transferred	(13,741)	3,171	10,570	-
Exercised	(5,787)	(62,299)	(27,636)	(95,722)
Forfeited		(6,574)		(6,574)
Outstanding at 31 August 2014	**24,589**	**187,661**	**10,026**	**222,276**

5.2 Non-cash adjustments

EUR million	**2013/14**	2012/13
Depreciation, amortization and impairment losses	51.9	56.5
Gains and losses from disposal of assets	(1.0)	(0.5)
Share-based payment	3.0	5.5
Change regarding employee benefit	(0.9)	-
Change in provisions	0.9	0.3
Total	**53.9**	**61.8**

5.3 Related parties

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

At 31 August 2014, Novo A/S, Denmark, held 26% of the share capital in Chr. Hansen Holding A/S (significant influence).

Other related parties include the Group's Executive Board and Board of Directors together with their immediate families.

Transactions with related parties in 2013/14

	Purchases of goods, materials and services	**Financial liabilities**
Novo A/S Group	2.7	0.1
Total	**2.7**	**0.1**

Fees and other considerations to the Executive Board and Board of Directors are specified in note 2.3.
Share-based payment is specified in note 5.1.

5.4 Events after the balance sheet date

No events have occurred after the balance sheet date of importance to the Annual Report.

5.5 List of Group companies at 31 August 2014

Entity	Country	Currency	Nominal capital ('000)	Chr. Hansen's holding (%)	Production	Sales	Other
Chr. Hansen Argentina S.A.I.C.	Argentina	ARS	648	100	x	x	
Paprika S.A.	Argentina	ARS	1,300	70			x
Batch S.A.*	Argentina	ARS	1	99			x
Chr. Hansen Pty Ltd	Australia	AUD	1,004	100	x	x	
Hale-Bopp Australia Pty Ltd	Australia	AUD	30,686	100			x
Chr. Hansen Ind. e Com. Ltda.	Brazil	BRL	17,499	100	x	x	
Chr. Hansen Limited	Canada	CAD	24	100		x	
Urex Biotech Inc.	Canada	CAD	-	100			x
Chr. Hansen Chile SpA	Chile	CLP	4,680	100		x	
Chr. Hansen (Tianjin) Food Ingredients Co. Ltd.	China	CNY	7,995	100	x	x	
Chr. Hansen (Beijing) Trading Co., Ltd.	China	CNY	5,000	100		x	
Chr. Hansen Colombia S.A.	Colombia	COP	3,856,597	99.99		x	
Chr. Hansen Czech Republic s.r.o.	Czech Republic	CZK	470	100	x	x	
Chr. Hansen A/S	Denmark	DKK	194,101	100	x	x	x
Chr. Hansen Properties A/S	Denmark	DKK	500	100			x
Chr. Hansen France SAS	France	EUR	11,100	100	x	x	
Biostar GmbH	Germany	EUR	25	100			x
Chr. Hansen GmbH	Germany	EUR	383	100	x	x	
Halley GmbH	Germany	EUR	25	100			x
Hansen Hellas ABEE	Greece	EUR	1,057	100		x	
Chr. Hansen India Pvt. Ltd	India	INR	24,992	99.6		x	
Chr. Hansen Ireland Limited	Ireland	EUR	1	100		x	
Chr. Hansen Italia S.p.A.	Italy	EUR	500	100	x	x	
Chr. Hansen Japan Co. Ltd.	Japan	JPY	10,000	100		x	
Chr. Hansen Malaysia SDN. BHD.	Malaysia	MYR	1,000	100		x	
Chr. Hansen de Mexico S.A. de C.V.	Mexico	MXN	25,878	100	x	x	
Chr. Hansen Centroamérica S.A.	Panama	PAB	-	100		x	
Chr. Hansen S.A.	Peru	PEN	1,842	100	x	x	
Chr. Hansen Poland Sp. z o.o.	Poland	PLN	8,950	100		x	
Chr. Hansen SRL	Romania	RON	4	100		x	
Chr. Hansen LLC	Russia	RUB	10,972	100		x	
Chr. Hansen Singapore Pte Ltd.	Singapore	SGD	1,000	100			x
Chr. Hansen, S.L.	Spain	EUR	8,926	100		x	
Chr. Hansen AB	Sweden	SEK	181	100		x	
Chr. Hansen Sweden AB	Sweden	SEK	1,000	100			x
Peyma Chr. Hansen's A.S.	Turkey	TRY	988	100	x	x	
Chr. Hansen Ukraine LLC	Ukraine	UAH	32	100		x	
Chr. Hansen Middle East FZCO	UAE	AED	500	100		x	
Chr. Hansen Ltd	UK	GBP	250	99.99		x	
Chr. Hansen Inc.	USA	USD	-	100	x	x	

* Under liquidation.

FINANCIAL STATEMENTS PARENT COMPANY

Financial Statements - Parent Company

Income statement 1 September - 31 August

EUR million	Note	2013/14	2012/13
Revenue		**-**	**-**
Cost of sales		-	-
Gross profit		**-**	**-**
Sales and marketing expenses	2.1	(2.4)	(4.6)
Administrative expenses	2.1, 2.2, 2.3	(12.7)	(16.9)
Other operating income		17.1	22.3
Operating profit before special items		**2.0**	**0.8**
Special items	2.4	(1.3)	-
Operating profit		**0.7**	**0.8**
Dividends received from Group companies		130.9	108.8
Financial income	2.5	18.5	15.0
Financial expenses	2.6	(20.1)	(17.9)
Profit before tax		**130.0**	**106.7**
Income taxes	2.7	(2.0)	1.6
Profit for the year		**128.0**	**108.3**

Statement of comprehensive income

EUR million	Note	2013/14	2012/13
Profit for the year		**128.0**	**108.3**
Items that will be reclassified subsequently to the income statement when specific conditions are met:			
Currency translation to presentation currency		0.7	(0.1)
Deferred gains/(losses) on cash flow hedges arising during the year		(3.1)	0.3
Gains/(losses) on cash flow hedges expiring during the year		3.1	3.1
Tax related to cash flow hedges		-	(0.8)
Other comprehensive income for the year		**0.7**	**2.5**
Total comprehensive income for the year		**128.7**	**110.8**

Balance sheet at 31 August

EUR million

ASSETS	Note	2014	2013
Non-current assets			
Intangible assets			
Software	3.1	0.7	0.7
Intangible assets in progress	3.1	0.1	0.1
Total intangible assets		**0.8**	**0.8**
Fixed asset investments			
Investments in Group companies	3.2	830.1	751.0
Receivables from Group companies	3.3	181.6	189.7
Total fixed asset investments		**1,011.7**	**940.7**
Other non-current assets			
Deferred tax	2.6	2.0	2.3
Total other non-current assets		**2.0**	**2.3**
Total non-current assets		**1,014.5**	**943.8**
Current assets			
Receivables			
Receivables from Group companies		-	6.7
Tax receivables		43.7	33.7
Other receivables		0.1	-
Prepayments		0.1	0.2
Total receivables		**43.9**	**40.6**
Cash and cash equivalents		**1.6**	**2.9**
Total current assets		**45.5**	**43.5**
Total assets		**1,060.0**	**987.3**

Balance sheet at 31 August

EUR million

EQUITY AND LIABILITIES	Note	2014	2013
Equity			
Share capital	4.1	180.5	180.3
Reserves		454.0	479.6
Total equity		**634.5**	**659.9**
Liabilities			
Non-current liabilities			
Borrowings	4.2	403.8	305.3
Payables to Group companies	4.2	7.6	9.8
Other payables	4.2	0.8	0.8
Total non-current liabilities		**412.2**	**315.9**
Current liabilities			
Trade payables		0.8	3.9
Payables to Group companies		4.8	0.1
Other payables	3.4	7.7	7.5
Total current liabilities		**13.3**	**11.5**
Total liabilities		**425.5**	**327.4**
Total equity and liabilities		**1,060.0**	**987.3**

Commitments and contingent liabilities	3.5
Financial instruments	4.2
Credit, currency and interest rate risk	4.3
Related parties	5.3
Events after the balance sheet date	5.4

Statement of changes in equity

EUR million	Note	Share capital	Cash flow hedges	Retained earnings	Total
Equity at 1 September 2013		**180.3**	**(3.0)**	**482.6**	**659.9**
Total comprehensive income for the year, cf. statement of comprehensive income		0.2	-	128.5	128.7
Transactions with owners:					
Purchase of treasury shares*		-	**-**	**(80.0)**	(80.0)
Exercised share options		-	**-**	**27.7**	27.7
Share-based payment	5.1	-	-	3.6	3.6
Tax related to share-based payment				6.2	6.2
Dividend		-	-	(111.6)	(111.6)
Equity at 31 August 2014		**180.5**	**(3.0)**	**457.0**	**634.5**

* EUR 80.0 million relates to the share buy-back program.
A dividend of EUR 0.51 (DKK 3.77), corresponding to EUR 66.1 million in total, is proposed for 2013/14.

EUR million	Note	Share capital	Cash flow hedges	Retained earnings	Total
Equity at 1 September 2012		**185.3**	**(5.6)**	**456.3**	**636.0**
Total comprehensive income for the year, cf. statement of comprehensive income		(0.3)	2.6	108.5	110.8
Transactions with owners:					
Purchase of treasury shares*		-	**-**	**(41.2)**	(41.2)
Reduction of share capital		(4.7)	-	4.7	-
Share-based payment	5.1	-	-	5.5	5.5
Dividend		-	-	(51.2)	(51.2)
Equity at 31 August 2013		**180.3**	**(3.0)**	**482.6**	**659.9**

* EUR 28.0 million relates to the share buy-back program.

Cash flow statement
1 September - 31 August

EUR million	Note	2013/14	2012/13
Operating profit		**0.7**	**0.8**
Non-cash adjustments	5.2	3.2	5.7
Change in working capital		(2.8)	2.1
Interest payments received		14.0	12.3
Interest payments made		(3.7)	(9.4)
Dividends received		130.9	108.8
Taxes paid		(5.5)	(7.5)
Cash flow from operating activities		**136.8**	**112.8**
Investments in intangible assets		(0.2)	-
Investments in subsidiaries		(78.4)	-
Acquisition of interest in subsidiary		-	(13.1)
Cash flow used for investing activities		**(78.6)**	**(13.1)**
Free cash flow		**58.2**	**99.7**
Dividends paid		(111.6)	(51.2)
Exercise of options		27.7	-
Purchase of treasury shares, net		(80.0)	(43.6)
Repayment to/from Group companies		17.6	(16.9)
Repayment of long-term loans		86.8	14.7
Cash flow used for financing activities		**(59.5)**	**(97.0)**
Net cash flow for the year		**(1.3)**	**2.7**
Cash and cash equivalents at 1 September		2.9	0.2
Net cash flow for the year		(1.3)	2.7
Cash and cash equivalents at 31 August		**1.6**	**2.9**

1.1 Accounting policies

ACCOUNTING POLICIES

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

The accounting policies for the Company are the same as for the Chr. Hansen Group, cf. notes to the Consolidated Financial Statements, with the exception of the items below.

Other income and expenses

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

1.2 Summary of key accounting estimates

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Financial Statements for Chr. Hansen Holding A/S, Management makes various accounting estimates and assumptions which form the basis of recognition and measurement of the Parent Company's assets and liabilities. The most significant accounting estimates and judgments for the Parent Company are presented below.

The most significant accounting estimates and judgments for the Chr. Hansen Group are presented in notes to the Consolidated Financial Statements.

Estimation uncertainty

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

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

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

Judgments in applying accounting policies

In applying the Group's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Financial Statements.

2.1 Depreciation, amortization and impairment losses

EUR million	**2013/14**	2012/13
Intangible assets		
Administrative expenses	(0.2)	(0.2)
Total amortization	**(0.2)**	**(0.2)**
Total depreciation, amortization and impairment losses	**(0.2)**	**(0.2)**

2.2 Staff expenses

EUR million	**2013/14**	2012/13
Wages and salaries, etc.	(6.7)	(4.5)
Pension expenses - defined contribution plans	(0.5)	(0.4)
Salaries and other remuneration for the Executive Board and Board of Directors of Chr. Hansen Holding A/S	(4.3)	(9.9)
Total	**(11.5)**	**(14.8)**
Average number of employees	**48**	**46**

The remuneration of the Executive Board and Board of Directors breaks down as follows:

Executive Board		
Salaries, etc.	(2.1)	(5.0)
Pensions - defined contribution plans	(0.2)	(0.6)
Share-based payment	(1.3)	(3.6)
Board of Directors		
Fee	(0.7)	(0.7)

2.3 Fees to auditors

EUR million	**2013/14**	2012/13
Statutory audit	(0.2)	(0.2)
Tax advisory services	(0.1)	(0.1)
Total	**(0.3)**	**(0.3)**

2.4 Special items

EUR million	**2013/14**	2012/13
Increasing scalability in production through consolidation of enzyme and color plants	(0.7)	-
Optimized tax and legal setup	(0.6)	-
Total	**(1.3)**	**-**

2.5 Financial income

EUR million	**2013/14**	2012/13
Interest from Group companies	10.0	9.9
Gains on derivative financial instruments	3.1	1.2
Other interest income	0.1	-
Foreign exchange gains	5.3	3.9
Total	**18.5**	**15.0**

2.6 Financial expenses

EUR million	**2013/14**	2012/13
Interest paid to Group companies	(0.4)	(0.4)
Losses on derivative financial instruments	(3.3)	(0.6)
Interest expenses on loans and swaps	(6.1)	(5.9)
Foreign exchange losses	(4.9)	(7.1)
Losses on derivatives transferred from other comprehensive income	(3.1)	(3.1)
Other financial expenses, including amortized costs	(2.3)	(0.8)
Total	**(20.1)**	**(17.9)**

2.7 Income taxes and deferred tax

EUR million	**2013/14**	2012/13
Current tax on operating profit	(0.2)	(0.2)
Change in deferred tax concerning operating profit	(0.1)	2.1
Tax on profit for the year	**(0.3)**	**1.9**
Adjustments concerning previous years	(1.7)	(0.3)
Total	**(2.0)**	**1.6**

	2013/14		2012/13	
Reconciliation of tax rate				
Danish tax rate	25%	(31.8)	25%	(26.7)
Non-taxable income and non-deductible expenses	(25)%	32.2	(27)%	28.9
Adjustments concerning previous years	1%	(1.7)	-	(0.3)
Other taxes	1%	(0.7)	-	(0.2)
Impact of change in the Danish tax rate	-	-	-	(0.1)
Income taxes	**2%**	**(2.0)**	**(2)%**	**1.6**

EUR million	**2014**	2013
Deferred tax		
Deferred tax at 1 September	2.3	1.3
Change in deferred tax - recognized in the income statement	(0.1)	2.1
Change in deferred tax - recognized in other comprehensive income	-	(0.7)
Change in deferred tax - recognized through equity	(0.2)	-
Adjustment concerning previous year	-	(0.3)
Impact of change in the Danish tax rate	-	(0.1)
Deferred tax at 31 August	**2.0**	**2.3**
Specification of deferred tax		
Intangible assets	(0.1)	(0.2)
Current assets	-	1.0
Liabilities	2.1	1.5
Total deferred tax at 31 August	**2.0**	**2.3**

3.1 Intangible assets

EUR million			2014
	Software	Intangible assets in progress	Total
Cost at 1 September	1.9	0.1	2.0
Addition for the year	0.1	0.1	0.2
Transferred	0.1	(0.1)	-
Cost at 31 August	**2.1**	**0.1**	**2.2**
Amortization at 1 September	(1.2)	-	(1.2)
Amortization for the year	(0.2)	-	(0.2)
Amortization at 31 August	**(1.4)**	**-**	**(1.4)**
Carrying amount at 31 August	**0.7**	**0.1**	**0.8**

			2013
Cost at 1 September	1.9	0.1	2.0
Cost at 31 August	**1.9**	**0.1**	**2.0**
Amortization at 1 September	(1.0)	-	(1.0)
Amortization for the year	(0.2)	-	(0.2)
Amortization at 31 August	**(1.2)**	**-**	**(1.2)**
Carrying amount at 31 August	**0.7**	**0.1**	**0.8**

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

3.2 Investments in Group companies

ACCOUNTING POLICIES

Dividends from subsidiaries
Dividends from subsidiaries are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared. If the carrying amount of an investment in a subsidiary exceeds the carrying amount of the net assets in the subsidiary's Financial Statements or the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared, the carrying amount of the subsidiary is tested for impairment.

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

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

It is Management's assessment that no indications of impairment existed at year-end 2013/14, and impairment tests have therefore not been performed for investments in subsidiaries.

3.2 Investments in Group companies

EUR million	**2014**	2013
Cost at 1 September	751.0	736.4
Currency translation	0.8	(0.8)
Additions for the year	81.5	15.4
Disposals for the year	(3.2)	-
Cost at 31 August	**830.1**	**751.0**

See note 5.5 to the Consolidated Financial Statements for a list of Group companies.

3.3 Receivables from Group companies

EUR million	**2014**	2013
Due between 1 and 5 years		
Loans to Group companies	181.6	189.7
Total	**181.6**	**189.7**

3.4 Other payables

EUR million	**2014**	2013
Wages, salaries and holiday pay, etc.	1.3	1.9
VAT and other duties	-	0.2
Derivative financial instruments	4.1	4.0
Other	2.3	1.4
Total	**7.7**	**7.5**

3.5 Commitments and contingent liabilities

Operating leases

Lease commitments, primarily related to car and equipment rental and due within 1 year and between 1 and 5 years, amounted to EUR 0.2 million (EUR 0.2 million in 2012/13). Payments of EUR 0.2 million were expensed in 2013/14 (EUR 0.2 million in 2012/13).

Other guarantees and liabilities

Chr. Hansen Holding A/S is jointly and severally liable for the subsidiary Chr. Hansen A/S's drawing on the Group's credit facility. There was no drawing at 31 August 2014 (EUR 57.3 million at 31 August 2013 for the subsidiary Chr. Hansen France SAS).

Pending court and arbitration cases

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

Change of control

The loan facilities established in 2013 are subject to change-of-control clauses. Regarding change-of-control clauses in employment contracts, please refer to note 2.3 in the Consolidated Financial Statements.

4.1 Share capital

The Company's share capital has a nominal value of DKK 1,344,999,760 (equivalent to EUR 180.5 million), divided into shares of DKK 10.

The share capital has been fully paid up.

The Company has conducted a share buy-back program under which it acquired 2,647,480 shares for an amount of EUR 80.0 million in 2013/14 (1,185,455 shares for an amount of EUR 28.0 million in 2012/13). At 31 August 2014, the company held 3,949,400 treasury shares (3,374,799 treasury shares at 31 August 2013). 1,301,920 of the treasury shares were held to cover the share option programs.

In 2012/13, the share capital was reduced by canceling 3,534,244 treasury shares.

Further information about the Group's policy for managing its capital can be found under "Shareholder information."

	2013/14	2012/13
Number of shares outstanding:		
Outstanding at 1 September	131,125,177	132,751,457
Purchase of treasury shares	(2,647,480)	(1,684,455)
Sold during the year	2,072,879	58,175
Outstanding at 31 August	**130,550,576**	**131,125,177**

The Company had share capital of DKK 1,008,252,200 at 1 September 2008. It was increased by DKK 372,090,000 in 2009/10 and reduced by DKK 35,342,440 in 2012/13.

4.2 Financial instruments

Chr. Hansen Holding A/S is exposed to market risk, primarily risks relating to currency and interest, and uses financial instruments to hedge recognized and future transactions. Chr. Hansen Holding A/S only enters into hedging agreements that relate to the underlying business.

Interest rate risk

Interest rate swaps are used for cash flow hedging by hedging the underlying floating interest rates. At 31 August 2014, the outstanding interest swaps had the following market value:

Market value of open interest rate swaps				2014
	Contract amount	Gain/loss at 31 August	Recognized in income statement	Recognized in fair value reserve
USD 75 million interest rate swaps, expiry April 2015	56.7	(0.5)	-	(0.5)
EUR 75 million interest rate swaps, expiry February 2016	75.0	(0.4)	-	(0.4)
EUR 200 million interest rate swaps, expiry August 2018	200.0	(3.1)	-	(3.1)
	331.7	**(4.0)**	**-**	**(4.0)**

				2013
	Contract amount	Gain/loss at 31 August	Recognized in income statement	Recognized in fair value reserve
EUR 75 million interest rate swaps, expiry February 2016	75.0	0.2	-	0.2
EUR 150 million interest rate swaps, expiry April 2015	150.0	(3.0)	-	(3.0)
USD 75 million interest rate swaps, expiry April 2015	56.7	(1.2)	-	(1.2)
	281.7	**(4.0)**	**-**	**(4.0)**

The fair value is calculated using a valuation model, based primarily on observable market data. There is no currency risk related to the swaps for the Group.

The interest on the Company's financing facilities is based on floating interest plus a margin. At 31 August 2014, 82% of outstanding debt was hedged through interest rate swaps or loans with fixed interest rate (92% at 31 August 2013). The total debt had an average maturity of 4.3 years at 31 August 2014 (2.3 years at 31 August 2013). An increase of 1 percentage point in the average interest rate on the Group's interest-bearing debt excluding swaps would reduce the Group's earnings before tax by EUR 4.1 million during the next 12-month period (EUR 3.1 million in 2012/13). The effect on the swaps entered into of an interest rate change of 1 percentage point would be EUR 3.3 million (EUR 2.8 million in 2012/13).

4.2 Financial instruments

EUR million	**2014**	2013
Financial assets		
Receivables from Group companies	-	6.7
Tax receivables	43.7	33.7
Other receivables and prepayments	0.2	0.2
Cash and cash equivalents	1.6	2.9
Total financial assets	**45.5**	**43.5**
Financial liabilities		
Borrowings	403.8	305.3
Trade payables	0.8	3.9
Other financial liabilities	20.9	18.2
Total financial liabilities	**425.5**	**327.4**
Classification of financial assets		
Loans and receivables	45.5	43.5
	45.5	**43.5**
Classification of financial liabilities		
Financial liabilities measured at amortized cost	425.5	327.4
	425.5	**327.4**
Maturity analysis for financial liabilities		
Borrowings		
1-5 years	403.8	272.0
> 5 years	-	33.3
Trade payables		
0-1 year	0.8	3.9
Other financial liabilities		
0-1 year	7.7	7.6
1-5 years	8.4	10.6
	420.7	**327.4**
Average interest rate	1.4%	1.5%

Borrowings have been reduced by amortization and financing expenses.

Amortization expenses offset under non-current debt	**3.0**	**1.4**

4.3 Credit, currency and interest rate risk

Credit risk
Credit risk for cash and cash equivalents and financial instruments is managed by only working with financial institutions that have a satisfactory credit rating. In general, the risk is considered to be limited.

Currency risk
The overall purpose of managing currency risk is to minimize the impact of short-term currency movements on earnings and cash flow. The main exchange rate risk for the company is loans denominated in USD.

It is the policy of the Company not to hedge investments in subsidiaries.

Interest risk
The interest on the Company's multicurrency loan facility is based on variable interest plus a margin. Interest rate swaps are utilized to reduce the risk to the income statement. At 31 August 2014, 82% of the outstanding debt was hedged through interest rate swaps (92% at 31 August 2013).

Cash flow risk
Chr. Hansen Holding A/S's net interest-bearing debt amounted to EUR 405.2 million at 31 August 2014 (EUR 303.8 million at 31 August 2013).

5.1 Share-based payment

Share option programs

Long-term share option programs are granted to the Executive Board and certain managerial employees. Vesting is subject to fulfillment of certain key performance indicators. Each option gives the right to purchase one existing share in Chr. Hansen Holding A/S.

The value of share option programs granted in 2013/14 was EUR 2.9 million (2012/13: EUR 3.6 million). EUR 2.0 million was expensed in 2013/14 relating to the long-term share option programs including accelerations and reversals (2012/13: EUR 3.6 million).

There are 24,342 outstanding exercisable share options at 31 August 2014. The average exercise price of outstanding share options is DKK 193.72.

	Option program 1	Option program 2	Option program 3	Option program 4	Option program 5	Option program 6
Year allocated	2009/10	2010/11	2011/12	2012/13	2012/13	2013/14
Vesting conditions (KPIs)	EBITDA and share price	EBIT and EPS	EBIT and EPS	EBIT and EPS	EBIT and EPS	EBIT and EPS
Exercise price	DKK 94.85	DKK 118.96	DKK 126.60	DKK 196.01	DKK 227.80	DKK 219.35
Vesting	Nov. 2013	Nov. 2013	Nov. 2014	Nov. 2015	Apr. 2016	Nov. 2016
Weighted average share price during exercise period	DKK 204.87	DKK 206.21	Not vested	Not vested	Not vested	Not vested
Average Black-Scholes value of options	EUR 2.1	EUR 3.2	EUR 3.4	EUR 3.5	EUR 3.8	EUR 2.9
Assumptions:						
Risk-free interest rate	1.15%	1.74%	0.99%	0.04%	0.23%	0.23%
Volatility	30.0%	30.0%	31.1%	25.7%	23.0%	19.9%
Dividend	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Period	3-5 years	3-5 years	3-5 years	3-5 years	3-5 years	3-5 years

Number of share options

	Executive Board	Managerial employees	Former employees	Total
Outstanding at 1 September 2012	**2,519,127**	**172,544**	**-**	**2,691,671**
Allocated	825,020	99,660	-	924,680
Transferred	(1,386,445)	-	1,386,445	-
Forfeited	(498,880)	-	-	(498,880)
Outstanding at 31 August 2013	**1,458,822**	**272,204**	**1,386,445**	**3,117,471**
Allocated	493,905	329,255	-	823,160
Transferred	(484,597)	484,597	-	-
Forfeited	(389,761)	(345,088)	(1,242,308)	(1,977,157)
Outstanding at 31 August 2014	**1,078,369**	**740,968**	**144,137**	**1,963,474**

5.1 Share-based payment

Short-term restricted stock unit (RSU) programs

The short-term RSU programs are granted to the Executive Board and other managerial employees based on fulfillment of individual key performance indicators. The RSUs are granted as share options with an exercise price of DKK 1. Each share option may, subject to the person still being employed with Chr. Hansen, be exercised to purchase one existing share in Chr. Hansen Holding A/S.

The value of RSUs granted in 2013/14 is estimated to be EUR 0.6 million (2012/13: EUR 1.9 million). The number of options allocated and their value will be determined in November 2014. EUR 0.6 million was expensed in 2013/14 relating to the short-term RSU programs (2012/13: EUR 0.8 million).

There are no outstanding exercisable RSUs at 31 August 2014.

	RSU program 1	RSU program 2	RSU program 3	RSU program 4	RSU program 5
Year allocated	2009/10	2010/11	2011/12	2012/13	2013/14
Vesting	Nov. 2011, 2012 and 2013	Nov. 2012, 2013 and 2014	Nov. 2013, 2014 and 2015	Nov. 2014, 2015 and 2016	Nov. 2015, 2016 and 2017
Weighted average share price during exercise period	EUR 27.0	EUR 27.0	EUR 27.0	Not vested	Not vested
Average Black-Scholes value of options	EUR 12.4	EUR 15.9	EUR 24.2	EUR 25.9	EUR 25.9
Assumptions:					
Risk-free interest rate	0.52-1.11%	2.42%	(0.09)-(0.32)%	(0.22)%	(0.22)%
Dividend	1.5%	1.5%	1.5%	1.5%	1.5%
Period	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years

RSUs (number)

	Executive Board	Managerial employees	Former employees	Total
Outstanding at 1 September 2012	**69,339**	**42,200**	**2,097**	**113,636**
Adjustment to allocation	2,677	1,302	-	3,979
Allocated	13,458	7,638	-	21,096
Transferred	(19,592)	(2,321)	21,913	-
Exercised	(19,070)	(4,749)	(876)	(24,695)
Forfeited	(11,603)	(906)	-	(12,509)
Outstanding at 31 August 2013	**35,209**	**43,164**	**23,134**	**101,507**
Adjustment to allocation	(1,646)	(1,396)	-	(3,042)
Allocated	10,554	9,634	66	20,254
Transferred	(13,741)	14,054	-	313
Exercised	(5,787)	(16,182)	(18,885)	(40,854)
Outstanding at 31 August 2014	**24,589**	**49,274**	**4,315**	**78,178**

5.2 Non-cash adjustments

EUR million	**2013/14**	2012/13
Depreciation, amortization and impairment losses	0.2	0.2
Share-based payment	3.0	5.5
Total	**3.2**	**5.7**

5.3 Related parties

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

At 31 August 2014, Novo A/S, Denmark, held 26% of the share capital in Chr. Hansen Holding A/S (significant influence).

Other related parties include the Group's Executive Board and Board of Directors together with their immediate families.

Transactions with related parties

	2013/14	
	Subsidiaries	Executive Board and Board of Directors
Sale of services	17.1	-
Interest income	10.0	-
Interest expenses	(0.4)	-
	26.7	**-**
Amounts receivable at 31 August	181.6	-
Amounts payable at 31 August	12.4	-

Fees and other considerations to the Executive Board and Board of Directors are specified in note 2.2.

	2012/13	
	Subsidiaries	Executive Board and Board of Directors
Sale of services	22.3	-
Interest income	9.9	-
Interest expenses	(0.4)	-
	31.8	**-**
Amounts receivable at 31 August	196.4	-
Amounts payable at 31 August	9.9	-

5.4 Events after the balance sheet date

No events have occurred after the balance sheet date of importance to the Annual Report.