



## Solid first nine months with strong growth in Q3

Solid first nine months with 4% organic revenue growth (Q3: +8%): Household Care +2%, Food & Beverages +9%, Bioenergy +10%, Agriculture & Feed -2%, Technical & Pharma -3%. Reported EBIT margin at 27.9%. FCF bef. acq. DKK 2.1 billion.

**October 25, 2017**

Interim report for the first nine months of 2017.

Company announcement No 69

**Peder Holk Nielsen, President & CEO of Novozymes:** *"We grew revenue by 8% organically in the third quarter and by a satisfying 4% in the first nine months. This was better than expected. The EBIT margin was solid, as was free cash flow. And although there is still some uncertainty regarding the fourth quarter, especially within agriculture-related industries, we are adjusting the full-year outlook. With stronger innovation and a well-diversified business showing good, solid momentum, we are positive looking ahead."*

### Highlights:

- Organic revenue growth in first 9M y/y of 4% (Q3: 8%) and 4% in DKK (Q3: 6%)
- 3 out of 5 areas grew; Food & Beverages and Bioenergy continue to perform well
- Agriculture & Feed improved as BioAg sales cycle moves from 1H to 2H
- Emerging markets 4%, developed markets 4% (9M y/y organically)
- 9M EBIT growth of 5% with a reported EBIT margin of 27.9% (9M 2016: 27.7%)
- Q3 EBIT margin at 29.6% (Q3 2016: 28.7%)
- Free cash flow bef. acquisitions solid at DKK 2.1 billion; higher investments as expected
- Named the "World's 2nd best science employer" in *Science Magazine*
- Still some uncertainty regarding agriculture-related markets in Q4
- Full-year outlook adjusted: organic revenue growth 3-5% (2-5%), DKK revenue growth 2-4% (1-4%), EBIT growth 2-4% (1-4%). EBIT margin maintained at ~28%. FCF bef. acq. at DKK 2.1-2.3 billion (DKK 2.0-2.2 billion). Net profit growth 2-5% (2-5%), incl. a DKK 60 million write-down on net financials (DKK 47 million post-tax) in Q3

	Realized		2017 outlook	2017 outlook
	9M 2017	9M 2016	October 25*	August 11
Sales growth, organic	4%	1%	3-5%	2-5%
Sales growth, DKK	4%	-1%	2-4%	1-4%
EBIT growth	5%	-1%	2-4%	1-4%
EBIT margin	27.9%	27.7%	~28%	~28%
Net profit growth	4%	5%	2-5%	2-5%
Free cash flow before acquisitions, DKKm	2,113	2,222	2,100-2,300	2,000-2,200

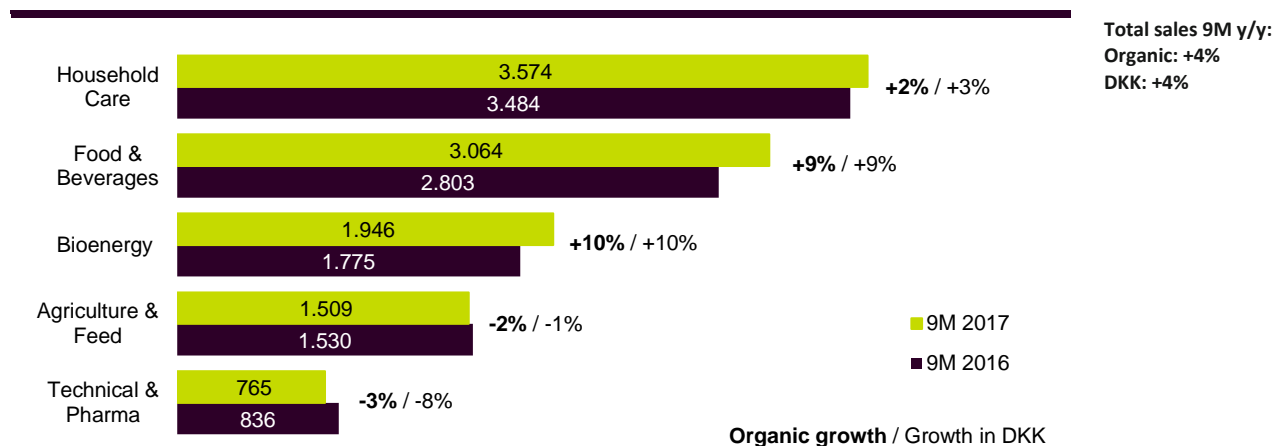
\* Assumes exchange rates for the company's key currencies remain at the closing rates on October 24 for the rest of 2017.

## Selected key data

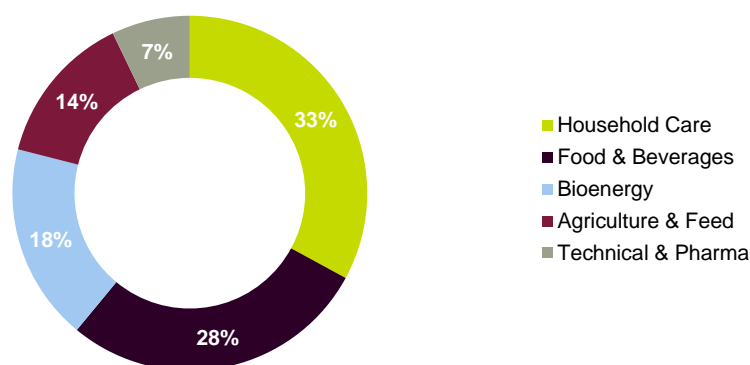
	9M 2017	9M 2016	Q3 2017	Q3 2016
<b>Sales growth, organic</b>	<b>4%</b>	<b>1%</b>	<b>8%</b>	<b>-3%</b>
- Household Care	2%	1%	4%	-5%
- Food & Beverages	9%	1%	11%	-2%
- Bioenergy	10%	-7%	16%	-8%
- Agriculture & Feed	-2%	0%	8%	-3%
- Technical & Pharma	-3%	20%	-1%	16%
 <b>Sales, DKKm</b>	 <b>10,858</b>	 <b>10,428</b>	 <b>3,580</b>	 <b>3,390</b>
Sales growth, DKK	4%	-1%	6%	-4%
Gross margin	58.0%	57.7%	58.0%	57.3%
EBITDA, DKKm	3,771	3,586	1,300	1,211
EBIT, DKKm	3,032	2,884	1,059	973
EBIT growth	5%	-1%	9%	-4%
EBIT margin	27.9%	27.7%	29.6%	28.7%
Net profit, DKKm	2,326	2,245	819	749
Net profit growth	4%	5%	9%	1%
Net investments excl. acquisitions, DKKm	978	746		
Free cash flow before acquisitions, DKKm	2,113	2,222		
Net debt/EBITDA (x)	0.3	0.2		
ROIC (including goodwill)	25.8%	25.3%		
Avg. USD/DKK	669	668	634	667
EPS, DKK	7.85	7.45	2.78	2.50
EPS (diluted), DKK	7.81	7.38	2.76	2.48

## Sales and markets

### Sales in DKK million and organic/DKK growth rates, 9M year-over-year (y/y)



### Distribution of sales, 9M 2017



### Household Care

In the first nine months, sales to the Household Care industry increased by 2% organically and by 3% in DKK. Third-quarter organic growth y/y was up by 4% and by 2% in DKK due to the same trends as in the first half and an easy comparison.

**Household Care 9M y/y:**  
 Organic: +2%  
 DKK: +3%

In North America and EMEA (Europe, the Middle East & Africa), sales growth improved relative to the modest growth seen in the first half. Cost-saving programs by some large customers continue to affect Novozymes in these markets, whereas other customers are increasingly focusing on enzyme-driven performance. Our top-20 customer program continues with numerous discussions on using enzymatic solutions to support customer differentiation in the marketplace.

Sales for automatic and hand dishwash continued to drive good growth, particularly in Europe, as customers increasingly focus on performance.

Sales continued to develop positively in Asia Pacific, where innovation supports the shift from powder to liquid detergents. This move to liquids is particularly strong in the Chinese market. In Latin America, sales regained some ground in the third quarter.

The first new product within the Freshness and Hygiene platform is on track to be launched in the fourth quarter and will start contributing to growth from the second half of 2018.

## Food & Beverages

Food & Beverages sales grew by 9% both organically and in DKK compared with the first nine months of 2016. In Q3 y/y, organic growth was 11% and 8% in DKK.

**Food & Beverages 9M y/y:**  
Organic: +9%  
DKK: +9%

Most industries had good growth in Food & Beverages, with nutrition and starch being the main contributors. Baking also performed well, with good EMEA performance, which more than offset the negative impact from the price reductions in the North American freshkeeping market induced by the upcoming patent expiration.

Sales of enzymes for Nutrition continued to perform well in the first nine months, with demand for both lactose reduction in dairy and enzymes for infant nutrition increasing. Starch enzymes contributed to growth, driven by China and North America. Lastly, sales for Beverages developed well in the first nine months compared with the same period last year.

## Bioenergy

Bioenergy sales grew by 10% both organically and in DKK compared with the first nine months of 2016. In Q3 y/y, organic growth stood at 16% and 10% in DKK.

**Bioenergy 9M y/y:**  
Organic: +10%  
DKK: +10%

Bioenergy sales continued to build on the positive momentum seen in the first half. Sales for US conventional biofuels benefited from growth in the production of ethanol, which is estimated to have increased by around 2% in the first nine months y/y (Q3 y/y flat). Other geographies continue to show good growth but represent a smaller part of overall Bioenergy sales. Novozymes' broad product portfolio combined with a strong focus on tailoring process-specific solutions are the main reasons for the good performance in the first nine months.

Sales of enzymes for biomass conversion continued to contribute to Bioenergy sales growth in the first nine months, but make up a small proportion of Bioenergy sales.

## Agriculture & Feed

In Agriculture & Feed, sales declined by 2% organically and by 1% in DKK compared with the first nine months of 2016. Organic growth in Q3 y/y was 8% and 10% in DKK.

**Agriculture & Feed 9M y/y:**  
Organic: -2%  
DKK: -1%

Revenue for the first nine months improved relative to the performance seen for the first half (-6% y/y), as BioAg sales grew strongly in Q3. This followed the announced change in the sales cycle that has moved sales in BioAg from the first to the second half of the year. Farm economics remain constrained. We focus on development and rollout of new products as well as expanding into new regions to drive long-term growth in BioAg.

Feed enzyme sales were soft in the third quarter mainly explained by volatile inventory levels and somewhat lower end-market demand. Animal probiotics sales continued to develop positively albeit from a low base, as products are rolled out in the marketplace.

In the first nine months of 2017, Novozymes recognized DKK 122 million (Q3: DKK 59 million) of deferred income as revenue, compared with DKK 112 million (Q3: DKK 28 million) in the first nine months of 2016.

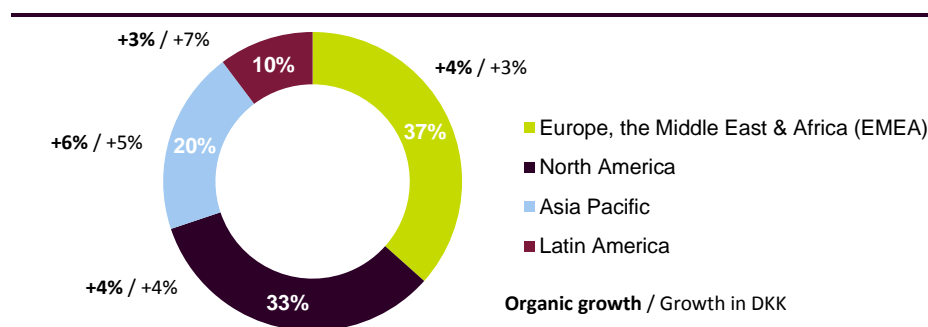
## Technical & Pharma

Sales to the Technical & Pharma industries were down 3% organically and 8% in DKK compared with the first nine months of 2016. In Q3 y/y, sales declined by 1% organically and by 5% in DKK.

**Technical & Pharma 9M y/y:**  
Organic: -3%  
DKK: -8%

Sales were weak in Pharma, whereas the Technical areas posted slight growth compared with the first nine months of 2016.

## Sales by geography, first nine months of 2017



Emerging and developed markets both grew organically by 4% in the first nine months of the year.

### Europe, the Middle East & Africa

Food & Beverages and Bioenergy posted good growth, whereas Household Care posted modest growth in the first nine months. Agriculture & Feed and Technical & Pharma declined compared with the first nine months of 2016. Q3 y/y organic growth of 5% was mainly driven by Food & Beverages but also by Bioenergy and Household Care.

EMEA 9M y/y:  
Organic: +4%  
DKK: +3%

### North America

All business areas contributed to growth except for Technical & Pharma. Bioenergy and Food & Beverages posted particularly good growth. Q3 y/y organic growth of 12% was mainly driven by Bioenergy and Agriculture & Feed, as the sales cycle in Agriculture has moved from the first to the second half of the year.

North America 9M y/y:  
Organic: +4%  
DKK: +4%

### Asia Pacific

In general, there was good traction again in the first nine months, with all the large areas contributing to growth. Technical & Pharma was somewhat lower compared with the first nine months of 2016. Q3 y/y organic growth of 6% was mainly driven by Bioenergy and Food & Beverages, while Agriculture & Feed was slightly down.

Asia Pacific 9M y/y:  
Organic: +6%  
DKK: +5%

### Latin America

Latin American growth rebounded in the third quarter, partly due to easy comps from the same quarter last year. While consumer confidence seems to be improving slowly here, many markets remain challenged. Agriculture & Feed and Bioenergy were the main drivers of growth in the first nine months of the year, whereas Food & Beverages was the weakest-performing area. Q3 y/y organic growth was 10%, mainly driven by Bioenergy and Agriculture & Feed.

Latin America 9M y/y:  
Organic: +3%  
DKK: +7%

## Costs and profit

Total costs excluding net financials, share of losses in associates and tax were DKK 7,860 million, an increase of 3% or DKK 255 million compared with the first nine months of 2016.

**Total costs: +3%**

Gross profit increased by 5%, and the gross margin was 58.0% for the first nine months of 2017, up from 57.7% last year. Productivity improvements had a positive impact on the gross margin, somewhat offset by unfavorable mix and price changes.

**Gross margin: 58.0%**

Operating costs were DKK 3,298 million, an increase of 3% or DKK 102 million, mainly caused by higher sales and distribution costs. Operating costs as a percentage of sales were 30%, roughly on par with the first nine months of 2016.

**Operating costs: +3%**

- Sales and distribution costs increased by 4%, representing 11.5% of sales
- R&D costs increased by 2%, representing 13.1% of sales
- Administrative costs increased by 4%, representing 5.8% of sales

Other operating income totaled DKK 34 million in the first nine months of 2017, compared with DKK 61 million in the same period last year.

Depreciation, write-downs and amortization were DKK 739 million, an increase of 5% from DKK 702 million in the first nine months of 2016. The increase in depreciation was partly attributable to the acquisition of Organobalance last year.

**Depreciation, write-downs and amortization: DKK 739 million**

EBIT increased by 5% to DKK 3,032 million, up from DKK 2,884 million in 9M 2016, and the EBIT margin at 27.9% was slightly higher than the 27.7% reported for the same period last year. Excluding the extraordinary costs relating to lay-offs in the first quarter of 2017 and the cost associated with the change to the Executive Leadership Team in the second quarter, the EBIT margin was closer to 29% (9M 2016: ~28%). The EBIT margin for the third quarter in isolation was 29.6% (Q3 2016: 28.7%), mainly driven by continued good productivity improvements.

**EBIT: DKK 3,032 million**

**EBIT margin: 27.9%**

Net financial costs were DKK 116 million in the first nine months of 2017, compared with a net financial gain of DKK 5 million in the same period last year. Net financial costs were impacted by a write-down of a financial asset of DKK 60 million in the third quarter. The financial asset relates to a guarantee provided by M&G, because 2G projects have not commercialized as expected in Beta Renewables. The write-down is a consequence of M&G experiencing financial difficulties and asking for reconstruction. While these difficulties are not linked to M&G's activities at the 2G Crescentino facility or Beta Renewables, we have decided to write down half of the DKK 120 million recognized financial asset. The impact on net profit (post-tax) is DKK 47 million.

**Net financial costs and share of losses in associates: DKK (124) million**

Novozymes posted a DKK 7 million currency hedging/revaluation loss compared with a gain of DKK 25 million in the first nine months of 2016. Other financial items were impacted negatively by higher costs associated with employee stock appreciation rights (SARs) of DKK 14 million, compared with a gain of DKK 6 million in the first nine months of 2016. Interest expenses were DKK 16 million, compared with DKK 21 million in the first nine months last year. The share of losses in associates was DKK 8 million, compared with a loss of DKK 19 million in the first nine months of 2016.

Profit before tax was DKK 2,908 million, 2% higher than the DKK 2,860 million recognized in the first nine months of 2016.

The effective tax rate was 20%, compared with 21.5% in the first nine months of 2016.

**Effective tax rate: 20%**

Net profit was DKK 2,326 million, an increase of 4% from DKK 2,245 million in the first nine months of 2016. This was driven by higher EBIT and a lower tax rate, but partly offset by the write-down on financial items in the third quarter as well as currency-hedging losses and higher SARs costs.

**Net profit: DKK 2,326 million**

## Cash flow and balance sheet

Cash flow from operating activities was DKK 3,091 million for the first nine months of 2017, compared with DKK 2,968 million for the same period last year. Higher net profit impacted cash flow positively in the first nine months, while higher working capital impacted cash flow negatively by DKK 281 million. This was mainly due to higher inventory levels.

**Operating cash flow:  
DKK 3,091 million**

Net investments excluding acquisitions totaled DKK 978 million, compared with DKK 746 million in the first nine months of 2016. We are progressing with the new facility in India, our expansion in Nebraska, US, and our innovation campus in Denmark.

**Net investments:  
DKK 978 million**

Free cash flow before acquisitions decreased by DKK 109 million, or 5%, to DKK 2,113 million because of higher net investments, offset to some extent by higher operating cash flow compared with the same period last year.

**Free cash flow before  
acquisitions: DKK 2,113 million**

Total shareholders' equity at September 30, 2017, was DKK 10,736 million, compared with DKK 11,745 million at year-end 2016. Shareholders' equity was 59.5% of the balance sheet total, a decrease of around 3 percentage points from year-end 2016.

**Equity ratio: 59.5%**

At September 30, 2017, Novozymes had net interest-bearing debt of DKK 1,651 million, compared with DKK 990 million at year-end 2016. Net interest-bearing debt-to-EBITDA was 0.3, compared with 0.2 at year-end 2016.

**Net interest-bearing debt-to-  
EBITDA: 0.3**

Return on invested capital (ROIC) including goodwill was 25.8%, compared with 25.3% in the first nine months of 2016.

**ROIC: 25.8%**

At September 30, 2017, the holding of treasury stock was 11,452,144 B shares, equivalent to 3.8% of the common stock. In the first nine months of 2017, Novozymes repurchased 5,891,871 B shares with a transaction value of DKK 1,702,574 million under the stock buyback program initiated on January 25, 2017.

**Treasury stock: 3.8%**

## Sustainability

Sustainability performance in the first nine months of 2017 varied. Performance on occupational accidents relative to target improved, and the rate of absence was on target. Water and energy efficiency improvement on 2014 were both below target following a higher utilization rate than expected.

	9M 2017	2017 target
Water efficiency improvement on 2014	0.3%	4%
Energy efficiency improvement on 2014	5.7%	7%
CO <sub>2</sub> intensity reduction on 2014	11.3%	9%
Energy from renewable sources	23%	24%
Occupational accidents with absence per million working hours	1.8	≤ 2.0
Rate of absence	2.0%	≤ 2.0%



## 2017 outlook

	2017 outlook October 25*	2017 outlook August 11	2017 outlook April 26	2017 outlook January 17
Sales growth, organic	3-5%	2-5%	2-5%	2-5%
Sales growth, DKK	2-4%	1-4%	3-6%	3-6%
EBIT growth	2-4%	1-4%	3-6%	3-6%
EBIT margin	~28%	~28%	~28%	~28%
Net profit growth	2-5%	2-5%	2-5%	2-5%
Net investments excl. acquisitions, DKKm	1,600-1,800	1,700-1,900	1,700-1,900	1,700-1,900
Free cash flow before acquisitions, DKKm	2,100-2,300	2,000-2,200	2,000-2,200	2,000-2,200
ROIC (including goodwill)	~25%	24-25%	24-25%	24-25%
Avg. USD/DKK	661	661	687	696

\* Assumes that exchange rates for the company's key currencies remain at the closing rates on October 24 for the rest of 2017.

## Sales outlook

Novozymes is adjusting its full-year organic sales growth outlook to 3-5% (previously 2-5%), as the first nine months came in better than expected. We expect to see organic growth in the fourth quarter too, but also acknowledge the risk of agriculture-related industries changing swiftly.

**Organic sales growth: 3-5%**

The full-year outlook for sales growth in DKK is adjusted to 2-4% (1-4%) based on current spot rates. At current spot rates, the Q4 y/y USD/DKK is estimated to be down roughly 8%.

**DKK sales growth: 2-4%**

**Household Care** (organic: +2% 9M y/y, +4% Q3 y/y) is expected to post modest organic growth for the full year. Customers in the emerging markets are increasingly recognizing the benefits of enzymatic solutions, and the move from powder to liquid formulations offers interesting opportunities. Developed markets are expected to grow, but are currently challenged by some larger customers' cost-saving programs. While these dynamics continue, innovation, performance and differentiation remain in focus.

We continue to focus on innovation in both existing and new enzyme technologies, unlocking higher enzyme penetration and providing support to our market position. The first product launch from the freshness and hygiene platform is expected in the fourth quarter this year.

**Food & Beverages** (organic: +9% 9M y/y, +11% Q3 y/y) organic sales growth is expected to be driven primarily by new products launched in the starch and nutrition industries in 2016 and 2017. Baking is still expected to be negatively impacted by price reductions in the North American freshkeeping market, while sales are expected to perform well in other markets. In general, all industries within Food & Beverages are currently performing well. We are encouraged by the strong performance in the first nine months, but acknowledge that it may be difficult to maintain the high growth level seen in the first nine months for the rest of the year, due to a tougher comparison in the fourth quarter.

**Bioenergy** (organic: +10% 9M y/y, +16% Q3 y/y) organic sales growth is expected to be driven mainly by new product launches and increased penetration from innovation. We expect US ethanol production for 2017 to be up slightly on 2016, but note that US ethanol inventory levels are high. Good sales development is expected to continue, as new technology is increasingly adopted in the marketplace.



**Agriculture & Feed** (organic: -2% 9M y/y, +8% Q3 y/y) organic sales growth, specifically for BioAg, carries some uncertainty relating to the outlook for the North American planting season in the first half of 2018. Novozymes supplies the majority of the microbes for that planting season in 2H 2017. The change in sales cycle from the first to the second half of the year benefited sales in Q3, but uncertainty remains regarding the benefit in Q4, as we are still in the midst of our preparations for the 2018 planting season. Feed sales are also subject to some uncertainty relating to volatility in inventories and end-market dynamics.

Novozymes expects to recognize around DKK 200 million of the deferred BioAg income as sales in 2017. Deferred income does not impact the calculation of organic sales growth rates; it impacts realized sales growth in DKK and has no cash flow impact.

**Technical & Pharma** (organic: -3% 9M y/y, -1% Q3 y/y) organic sales growth is expected to be roughly on par with 2016. Revenue is lumpy in the Pharma part of the business (~1/3 of full-year sales for the area) due to the relatively high value of small batches with limited predictability in the quarterly offtake.

## Profit outlook

EBIT growth outlook is adjusted to 2-4% (1-4%) following the adjusted outlook for sales growth of 2-4% (1-4%) in Danish kroner.

**EBIT growth: 2-4%**

EBIT margin (27.9% reported for the first nine months) guidance is maintained at around 28% for the full year. Excluding reorganization costs, the nine-month EBIT margin was closer to 29%. We expect margins to benefit from sales growth and productivity improvements, and are investing further to increase our presence in emerging markets to support higher sales growth.

**EBIT margin: ~28%**

The effective tax rate for the year is expected to be around 20% (~21%).

**Effective tax rate: ~20%**

Net profit is expected to grow by 2-5% (2-5%). This includes the DKK 60 million write-down on financial items (DKK 47 million post tax) relating to M&G's financial difficulties.

**Net profit growth: 2-5%**

Net investments are expected to be DKK 1,600-1,800 million (DKK 1,700-1,900 million)

Free cash flow before acquisitions is expected to be DKK 2,100-2,300 million (DKK 2,000-2,200 million).

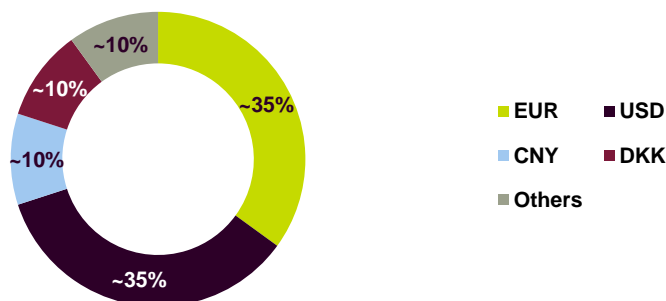
**Free cash flow before acq.: DKK 2,100-2,300 million**

Return on invested capital including goodwill is expected at ~25%.

**ROIC: ~25%**

## Currency exposure

### Sales by currency, 2016



From a currency perspective, we expect 2017 EBIT to be most exposed to fluctuations in the USD and EUR.

Other things being equal, a +5% movement in USD/DKK is expected to have an annual positive impact on EBIT of DKK 100-120 million, and vice versa.

Other things being equal, a +5% movement in EUR/DKK is expected to have an annual positive impact on EBIT of DKK 150-200 million, and vice versa.

### Hedging of net currency exposure

	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USD	~100% hedged; ~90% via forward contracts at 6.66 USD/DKK and ~10% via options at 6.60				100% hedged via forward contracts at 6.18 USD/DKK			
EUR	-	-	-	-	-	-	-	-

The outlook is based on exchange rates for the company's key currencies remaining at the closing rates on October 24 for the full year.

(DKK)	EUR	USD	BRL	CNY
Average exchange rate 2016	745	673	194	101
Average exchange rate, 9M 2016	745	668	189	101
Average exchange rate, 9M 2017	744	669	211	98
Estimated average exchange rate 2017 at 1H announcement	744	661	209	98
Closing rate October 24, 2017	744	634	199	95
Estimated average exchange rate 2017*	744	661	208	98
Estimated exchange rate 2017 compared with estimated average exchange rate at 1H announcement	0%	0%	0%	0%
Estimated average exchange rate 2017 compared with 2016	0%	-2%	7%	-3%

\* Estimated average exchange rate is the average exchange rate year-to-date at September 30 and closing rate on October 24, 2017 for the remainder of the year.

## Accounting policies

The interim report for the first nine months of 2017 has been prepared in accordance with IAS 34 and the additional Danish regulations for the presentation of quarterly interim reports by listed companies. The interim report for the first nine months of 2017 follows the same accounting policies as the annual report for 2016, except for all new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on January 1, 2017. These IFRSs have not had any impact on the Group's interim report. In the event of any inconsistencies between this company announcement in English and the Danish company announcement, the English version shall prevail.

### Impact of new accounting standards in 2018

Novozymes will adopt the following new IFRS standards from January 1, 2018:

- IFRS 15 – Revenue from Contracts with Customers
- IFRS 9 – Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities

We have performed an assessment of the impact of the standards and have concluded that the adoption of the new standards will have no significant impact on recognition and measurement in the consolidated financial statements for 2018. The adoption will lead to further and/or changed disclosures in the notes.

## Forward-looking statements

This company announcement and its related comments contain forward-looking statements, including statements about future events, future financial performance, plans, strategies and expectations. Forward-looking statements are associated with words such as, but not limited to, "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "could," "may," "might" and other words of similar meaning. Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, both positively and negatively. The risks and uncertainties may, among other things, include unexpected developments in i) the ability to develop and market new products; ii) the demand for Novozymes' products, market-driven price decreases, industry consolidation, and launches of competing products or disruptive technologies in Novozymes' core areas; iii) the ability to protect and enforce the company's intellectual property rights; iv) significant litigation or breaches of contract; v) the materialization of the company's market-expanding growth platforms, notably the development of microbial solutions for broad-acre crops; vi) political conditions, such as acceptance of enzymes produced by genetically modified organisms; vii) global economic and capital market conditions, including, but not limited to, currency exchange rates (USD/DKK and EUR/DKK in particular, but not exclusively), interest rates and inflation; viii) significant price decreases for inputs and materials that compete with Novozymes' biological solutions. The company undertakes no obligation to update any forward-looking statements as a result of future developments or new information.

## Contact information

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## Statement of the Board of Directors and Executive Leadership Team

The Board of Directors and the Executive Leadership Team have considered and approved the interim report for Novozymes A/S for the first nine months of 2017. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the first nine months of 2017 has been prepared in accordance with IAS 34 and the additional Danish regulations for the presentation of quarterly interim reports by listed companies.

In our opinion the accounting policies used are appropriate, the Group's internal controls relevant to preparation and presentation of an interim report are adequate, and the interim report gives a true and fair view of the Group's assets, liabilities, net profit and financial position at September 30, 2017, and of the results of the Group's operations and cash flow for the first nine months of 2017.

We further consider that the Management review in the preceding pages gives a true and fair view of the development in the Group's activities and business, the profit for the period and the Group's financial position as a whole, and a description of the most significant risks and uncertainties to which the Group is subject.

Bagsvaerd, October 25, 2017

### EXECUTIVE MANAGEMENT

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Peder Holk Nielsen  
President & CEO

Thomas Videbæk  
COO

### BOARD OF DIRECTORS

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Jørgen Buhl Rasmussen  
Chairman

Agnete Raaschou-Nielsen  
Vice Chairman

Lars Green

Lena Bech Holskov

Anders Hentze Knudsen

Kasim Kutay

Lars Bo Køppler

Kim Stratton

Mathias Uhlén

# Appendices

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## Appendix 1 Main items and key figures

### 1.1 Key figures

(DKK million)	9M 2017	9M 2016	% change	Q3 2017	Q3 2016	% change
Revenue	10,858	10,428	4%	3,580	3,390	6%
Gross profit	6,296	6,019	5%	2,077	1,942	7%
Gross margin	58.0%	57.7%		58.0%	57.3%	
EBITDA	3,771	3,586	5%	1,300	1,211	7%
EBITDA margin	34.7%	34.4%		36.3%	35.7%	
Operating profit / EBIT	3,032	2,884	5%	1,059	973	9%
EBIT margin	27.9%	27.7%		29.6%	28.7%	
Share of losses in associates	(8)	(19)		(2)	(5)	
Net financials	(116)	(5)		(57)	(14)	
<b>Profit before tax</b>	<b>2,908</b>	<b>2,860</b>	<b>2%</b>	<b>1,000</b>	<b>954</b>	<b>5%</b>
Tax	(582)	(615)	(5)%	(181)	(205)	(12)%
<b>Net profit</b>	<b>2,326</b>	<b>2,245</b>	<b>4%</b>	<b>819</b>	<b>749</b>	<b>9%</b>
Earnings per DKK 2 share	7.85	7.45	5%	2.78	2.50	11%
Earnings per DKK 2 share (diluted)	7.81	7.38	6%	2.76	2.48	11%
Net investments	978	746				
Free cash flow before acq. and purchase of financial assets	2,113	2,222				
Return on invested capital (ROIC) incl. goodwill	25.8%	25.3%				
Net interest-bearing debt	1,651	1,138				
Equity ratio	59.5%	61.6%				
Return on equity	27.6%	26.5%				
Debt-to-equity	15.4%	10.4%				
NIBD / EBITDA	0.3	0.2				
Number of employees	6,307	6,450				
				Sep. 30, 2017	Sep. 30, 2016	
Novozymes' stock						
Common stock (million)				305.0	310.0	
Net worth per share (DKK)				35.16	35.35	
Denomination of share (DKK)				2.00	2.00	
Nominal value of common stock (DKK million)				610.0	620.0	
Treasury stock (million)				11.5	11.5	



**1.2 Income statement**

(DKK million)	9M 2017	9M 2016	Q3 2017	Q3 2016
Revenue	10,858	10,428	3,580	3,390
Cost of goods sold	(4,562)	(4,409)	(1,503)	(1,448)
<b>Gross profit</b>	<b>6,296</b>	<b>6,019</b>	<b>2,077</b>	<b>1,942</b>
Sales and distribution costs	(1,244)	(1,196)	(398)	(386)
Research and development costs	(1,420)	(1,390)	(440)	(432)
Administrative costs	(634)	(610)	(190)	(178)
Other operating income, net	34	61	10	27
<b>Operating profit / EBIT</b>	<b>3,032</b>	<b>2,884</b>	<b>1,059</b>	<b>973</b>
Share of losses in associates	(8)	(19)	(2)	(5)
Net financials	(116)	(5)	(57)	(14)
<b>Profit before tax</b>	<b>2,908</b>	<b>2,860</b>	<b>1,000</b>	<b>954</b>
Tax	(582)	(615)	(181)	(205)
<b>Net profit</b>	<b>2,326</b>	<b>2,245</b>	<b>819</b>	<b>749</b>
<b>Attributable to</b>				
Shareholders in Novozymes A/ S	2,325	2,244	818	750
Non-controlling interests	1	1	1	(1)
<b>Specification of net financials</b>				
Foreign exchange gain/ (loss), net	(7)	25	20	(8)
Interest income/ (costs)	(16)	(21)	(5)	(8)
Other financial items	(93)	(9)	(72)	2
<b>Net financials</b>	<b>(116)</b>	<b>(5)</b>	<b>(57)</b>	<b>(14)</b>
<b>Earnings per DKK 2 share</b>	<b>7.85</b>	<b>7.45</b>	<b>2.78</b>	<b>2.50</b>
Average no. of A/ B shares outstanding (million)	296.1	301.4	294.3	299.5
<b>Earnings per DKK 2 share (diluted)</b>	<b>7.81</b>	<b>7.38</b>	<b>2.76</b>	<b>2.48</b>
Average no. of A/ B shares, diluted (million)	297.8	304.3	296.3	302.4

**1.3 Statement of comprehensive income**

(DKK million)	9M 2017	9M 2016	Q3 2017	Q3 2016
<b>Net profit</b>	<b>2,326</b>	<b>2,245</b>	<b>819</b>	<b>749</b>
Currency translation of subsidiaries and non-controlling interests	(876)	(217)	(256)	(63)
Tax on currency translation of subsidiaries	37	3	18	1
<b>Currency translation adjustments</b>	<b>(839)</b>	<b>(214)</b>	<b>(238)</b>	<b>(62)</b>
Fair value adjustments	102	(16)	10	(45)
Tax on fair value adjustments	(23)	3	(3)	10
Fair value adjustments reclassified to Financial income/ costs	11	24	(21)	50
Tax on reclassified fair value adjustments	(2)	(5)	5	(11)
<b>Cash flow hedges</b>	<b>88</b>	<b>6</b>	<b>(9)</b>	<b>4</b>
<b>Other comprehensive income</b>	<b>(751)</b>	<b>(208)</b>	<b>(247)</b>	<b>(58)</b>
<b>Comprehensive income</b>	<b>1,575</b>	<b>2,037</b>	<b>572</b>	<b>691</b>
<b>Attributable to</b>				
Shareholders in Novozymes A/ S	1,575	2,036	572	691
Non-controlling interests	-	1	-	-

## Appendix 2 Distribution of revenue

### 2.1 By industry

(DKK million)	2017 9M	2016 9M	% change	% currency impact	% M&A impact	% organic growth
Household Care	3.574	3.484	3	1	0	2
Food & Beverages	3.064	2.803	9	0	0	9
Bioenergy	1.946	1.775	10	0	0	10
Agriculture & Feed	1.509	1.530	(1)	1	0	(2)
Technical & Pharma	765	836	(8)	0	(5)	(3)
<b>Sales</b>	<b>10.858</b>	<b>10.428</b>	<b>4</b>	<b>0 *</b>	<b>0</b>	<b>4</b>

\* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 0.2%.

(DKK million)	2017 Q3	2016 Q3	% change	% currency impact	% M&A impact	% organic growth
Household Care	1.177	1.154	2	(2)	0	4
Food & Beverages	1.022	947	8	(3)	0	11
Bioenergy	637	579	10	(6)	0	16
Agriculture & Feed	499	452	10	2	0	8
Technical & Pharma	245	258	(5)	(4)	0	(1)
<b>Sales</b>	<b>3.580</b>	<b>3.390</b>	<b>6</b>	<b>(2) *</b>	<b>0</b>	<b>8</b>

\* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -3.1%.

(DKK million)	2017				2016				% change
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q3/ Q3	
Household Care	1,177	1,181	1,216	1,218	1,154	1,154	1,176		2
Food & Beverages	1,022	1,041	1,001	937	947	930	926		8
Bioenergy	637	628	681	663	579	570	626		10
Agriculture & Feed	499	428	582	676	452	496	582		10
Technical & Pharma	245	260	260	220	258	279	299		(5)
<b>Sales</b>	<b>3,580</b>	<b>3,538</b>	<b>3,740</b>	<b>3,714</b>	<b>3,390</b>	<b>3,429</b>	<b>3,609</b>		<b>6</b>

### 2.2 By geography

(DKK million)	2017 9M	2016 9M	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	3,973	3,847	3	0	(1)	4
North America	3,612	3,479	4	0	0	4
Asia Pacific	2,158	2,060	5	(1)	0	6
Latin America	1,115	1,042	7	4	0	3
<b>Sales</b>	<b>10,858</b>	<b>10,428</b>	<b>4</b>	<b>0 *</b>	<b>0</b>	<b>4</b>

\* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 0.2%.

(DKK million)	2017 Q3	2016 Q3	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,322	1,261	5	0	0	5
North America	1,160	1,063	9	(3)	0	12
Asia Pacific	683	673	1	(5)	0	6
Latin America	415	393	6	(4)	0	10
<b>Sales</b>	<b>3,580</b>	<b>3,390</b>	<b>6</b>	<b>(2) *</b>	<b>0</b>	<b>8</b>

\* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -3.1%.

(DKK million)	2017				2016				% change
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q3/ Q3	
Europe, Middle East & Africa	1,322	1,303	1,348	1,260	1,261	1,246	1,340		5
North America	1,160	1,161	1,291	1,276	1,063	1,141	1,275		9
Asia Pacific	683	739	736	731	673	695	692		1
Latin America	415	335	365	447	393	347	302		6
<b>Sales</b>	<b>3,580</b>	<b>3,538</b>	<b>3,740</b>	<b>3,714</b>	<b>3,390</b>	<b>3,429</b>	<b>3,609</b>		<b>6</b>

**Appendix 3 Statement of cash flows****3.1 Statement of cash flows**

(DKK million)	9M 2017	9M 2016
<b>Net profit</b>	<b>2,326</b>	<b>2,245</b>
Reversals of non-cash items	1,422	1,327
Tax paid	(360)	(345)
Interest received	4	3
Interest paid	(20)	(19)
<b>Cash flow before change in working capital</b>	<b>3,372</b>	<b>3,211</b>
<b>Change in working capital</b>		
(Increase)/ decrease in receivables	(83)	175
(Increase)/ decrease in inventories	(214)	(161)
Increase/ (decrease) in trade payables and other liabilities	16	(259)
Increase/ (decrease) in exchange gain/loss	-	2
<b>Cash flow from operating activities</b>	<b>3,091</b>	<b>2,968</b>
<b>Investments</b>		
Purchase of intangible assets	(58)	(89)
Sale of property, plant and equipment	23	17
Purchase of property, plant and equipment	(943)	(674)
<b>Cash flow from investing activities before acquisitions and purchase of financial assets</b>	<b>(978)</b>	<b>(746)</b>
<b>Free cash flow before acquisitions and purchase of financial assets</b>	<b>2,113</b>	<b>2,222</b>
Business acquisitions and purchase of financial assets	(3)	(151)
<b>Free cash flow</b>	<b>2,110</b>	<b>2,071</b>
<b>Financing</b>		
Borrowings	650	1,270
Repayments of borrowings	(331)	(763)
Purchase of treasury stock	(1,703)	(1,708)
Sale of treasury stock	141	54
Dividend paid	(1,192)	(1,061)
<b>Cash flow from financing activities</b>	<b>(2,435)</b>	<b>(2,208)</b>
<b>Net cash flow</b>	<b>(325)</b>	<b>(137)</b>
Unrealized gain/ (loss) on currencies and financial assets, included in cash and cash equivalents	(19)	(2)
<b>Change in cash and cash equivalents, net</b>	<b>(344)</b>	<b>(139)</b>
Cash and cash equivalents, net, at January 1	805	796
<b>Cash and cash equivalents, net, at September 30</b>	<b>461</b>	<b>657</b>

Undrawn committed credit facilities at September 30, 2017, were DKK 3,844 million.

**Appendix 4 Balance sheet and Statement of shareholders' equity****4.1 Balance sheet, Assets**

(DKK million)	Sep. 30, 2017	Sep. 30, 2016	Dec. 31, 2016
Completed IT development projects	106	100	125
Acquired patents, licenses and know-how	1,219	1,499	1,404
Goodwill	1,117	1,140	1,159
IT development projects in progress	77	43	49
<b>Intangible assets</b>	<b>2,519</b>	<b>2,782</b>	<b>2,737</b>
Land and buildings	2,717	2,850	2,931
Plant and machinery	3,945	4,061	4,239
Other equipment	510	555	615
Assets under construction and prepayments	1,392	773	856
<b>Property, plant and equipment</b>	<b>8,564</b>	<b>8,239</b>	<b>8,641</b>
Deferred tax assets	548	463	607
Other financial assets (non-interest-bearing)	77	151	151
Investment in associate	63	72	73
Other receivables	28	31	57
<b>Non-current assets</b>	<b>11,799</b>	<b>11,738</b>	<b>12,266</b>
Raw materials and consumables	333	348	327
Goods in progress	709	635	671
Finished goods	1,593	1,439	1,490
<b>Inventories</b>	<b>2,635</b>	<b>2,422</b>	<b>2,488</b>
Trade receivables	2,540	2,416	2,680
Tax receivables	118	224	142
Other receivables	266	330	267
<b>Receivables</b>	<b>2,924</b>	<b>2,970</b>	<b>3,089</b>
Other financial assets (non-interest-bearing)	38	9	4
<b>Other financial assets</b>	<b>38</b>	<b>9</b>	<b>4</b>
Cash and cash equivalents	661	675	812
<b>Current assets</b>	<b>6,258</b>	<b>6,076</b>	<b>6,393</b>
<b>Assets</b>	<b>18,057</b>	<b>17,814</b>	<b>18,659</b>

**4.2 Balance sheet, Liabilities**

(DKK million)	Sep. 30, 2017	Sep. 30, 2016	Dec. 31, 2016
Common stock	610	620	620
Currency translation adjustments	(168)	324	670
Cash flow hedges	47	26	(41)
Retained earnings	10,234	9,988	10,483
<b>Equity attributable to shareholders in Novozymes A/ S</b>	<b>10,723</b>	<b>10,958</b>	<b>11,732</b>
Non-controlling interests	13	14	13
<b>Shareholders' equity</b>	<b>10,736</b>	<b>10,972</b>	<b>11,745</b>
Deferred tax liabilities	791	845	854
Provisions	186	206	231
Deferred income	430	641	540
Other financial liabilities (interest-bearing)	1,682	1,717	1,713
Other financial liabilities (non-interest-bearing)	9	23	14
<b>Non-current liabilities</b>	<b>3,098</b>	<b>3,432</b>	<b>3,352</b>
Other financial liabilities (interest-bearing)	630	96	89
Other financial liabilities (non-interest-bearing)	18	12	111
Provisions	90	57	61
Trade payables	1,191	1,006	1,194
Deferred income	218	212	248
Tax payables	565	631	437
Other payables	1,511	1,396	1,422
<b>Current liabilities</b>	<b>4,223</b>	<b>3,410</b>	<b>3,562</b>
<b>Liabilities</b>	<b>7,321</b>	<b>6,842</b>	<b>6,914</b>
<b>Liabilities and shareholders' equity</b>	<b>18,057</b>	<b>17,814</b>	<b>18,659</b>

### 4.3 Statement of shareholders' equity

(DKK million)	Attributable to shareholders in Novozymes A/S					Non-controlling interests	Total
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings	Total		
<b>Shareholders' equity at January 1, 2017</b>	<b>620</b>	<b>670</b>	<b>(41)</b>	<b>10,483</b>	<b>11,732</b>	<b>13</b>	<b>11,745</b>
Net profit for the period				2,325	2,325	1	2,326
Other comprehensive income for the period		(838)	88		(750)	(1)	(751)
<b>Total comprehensive income for the period</b>		<b>(838)</b>	<b>88</b>	<b>2,325</b>	<b>1,575</b>	<b>-</b>	<b>1,575</b>
Purchase of treasury stock				(1,703)	(1,703)		(1,703)
Sale of treasury stock				141	141		141
Write-down of common stock	(10)			10	-		-
Dividend				(1,192)	(1,192)	-	(1,192)
Stock-based payment				81	81		81
Tax related to equity items				89	89		89
<b>Changes in shareholders' equity</b>	<b>(10)</b>	<b>(838)</b>	<b>88</b>	<b>(249)</b>	<b>(1,009)</b>	<b>-</b>	<b>(1,009)</b>
<b>Shareholders' equity at September 30, 2017</b>	<b>610</b>	<b>(168)</b>	<b>47</b>	<b>10,234</b>	<b>10,723</b>	<b>13</b>	<b>10,736</b>
<b>Shareholders' equity at January 1, 2016</b>	<b>626</b>	<b>538</b>	<b>20</b>	<b>10,396</b>	<b>11,580</b>	<b>13</b>	<b>11,593</b>
Net profit for the period				2,244	2,244	1	2,245
Other comprehensive income for the period		(214)	6		(208)	-	(208)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(214)</b>	<b>6</b>	<b>2,244</b>	<b>2,036</b>	<b>1</b>	<b>2,037</b>
Purchase of treasury stock				(1,708)	(1,708)		(1,708)
Sale of treasury stock				54	54		54
Write-down of common stock	(6)			6	-		-
Dividend				(1,061)	(1,061)	-	(1,061)
Stock-based payment				109	109		109
Tax related to equity items				(52)	(52)		(52)
<b>Changes in shareholders' equity</b>	<b>(6)</b>	<b>(214)</b>	<b>6</b>	<b>(408)</b>	<b>(622)</b>	<b>1</b>	<b>(621)</b>
<b>Shareholders' equity at September 30, 2016</b>	<b>620</b>	<b>324</b>	<b>26</b>	<b>9,988</b>	<b>10,958</b>	<b>14</b>	<b>10,972</b>



## Appendix 5 Miscellaneous

### 5.1 Product launches in 2017

Q1 2017	Acceleron® B-200 SAT – an enhanced isoflavonoid formulation that enables additional upstream treatment in soybeans. The product stimulates the growth of beneficial microbes in the soil to improve nutritional uptake, leading to improved plant health.
Q1 2017	Spirizyme® T – an advanced suite of glucoamylase enzymes with trehalase, which is an enzyme that converts trehalose, a type of sugar that is normally hard to ferment into ethanol, thus reducing residual starch and sugars and increasing ethanol yield.
Q2 2017	Medley® 2.0 – second generation of our blended enzyme solutions. Medley® is a plug-and-play solution that ensures stability, performance and cost savings across the value chain, targeting small and medium-sized players in emerging markets.
Q2 2017	Progress® Excel – a new premium liquid protease that enables premium wash performance at all temperatures with increased flexibility.
Q2 2017	Palmora® – the first Novozymes offering for the palm oil industry. Palmora® improves yield and process for palm oil producers.
Q2 2017	Frontia® – a new technology for the grain-milling process based on Novozymes' capabilities within complex fiber and biomass structures. It delivers better yields and process improvements, adding to the competitiveness of our customers' operations.

### 5.2 Company announcements for the fiscal year 2017

(Excluding Management's trading in Novozymes' stock, major shareholder announcements and stock buyback status)

January 17, 2017	Group financial statement for 2016
January 24, 2017	Initiation of stock buyback program
January 31, 2017	Election of employee representatives to the Board of Directors
February 22, 2017	Novozymes A/S Annual Shareholders' Meeting 2017
March 24, 2017	Reduction of common stock
April 26, 2017	Interim report for the first three months of 2017
June 8, 2017	Changes to the Board of Directors
June 15, 2017	Changes to the Executive Leadership Team
August 11, 2017	Interim report for the first half of 2017
October 25, 2017	Interim report for the first nine months of 2017

### 5.3 Financial calendar

February 7, 2018	Group financial statement for 2017
March 13, 2018	Annual Shareholders' Meeting 2018
April 25, 2018	Interim report for the first three months of 2018
August 10, 2018	Interim report for the first half of 2018
October 24, 2018	Interim report for the first nine months of 2018
February 6, 2019	Group financial statement for 2018
March 6, 2019	Annual Shareholders' Meeting 2019

#### About Novozymes

Novozymes is the world leader in biological solutions. Together with customers, partners and the global community, we improve industrial performance while preserving the planet's resources and helping build better lives. As the world's largest provider of enzyme and microbial technologies, our bioinnovation enables higher agricultural yields, low-temperature washing, energy-efficient production, renewable fuel and many other benefits that we rely on today and in the future. We call it Rethink Tomorrow. [www.novozymes.com](http://www.novozymes.com)

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