




ANNUAL REPORT 2000

novozymes®

Unlocking the magic of nature





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The background of the page is an abstract composition. The upper portion is dominated by a vibrant orange color, which has a soft, painterly texture. This orange area is irregularly shaped, with some darker, almost black, voids or shadows within it. The lower portion of the page is a solid, deep teal or turquoise color. A sharp, diagonal line separates the orange area from the teal area, running from the bottom left towards the middle right. The overall effect is modern and artistic.

Annual Report

2000 was a positive, and also very special year for Novozymes. After our separation from Novo Nordisk A/S we were established as an independent publicly listed company, our sales developed as expected, and we achieved a breakthrough with a significant new product. This annual report describes significant financial and business highlights and presents the Novozymes company. The financial section of the report comprises a financial discussion, the annual accounts, and a presentation of the Board of Directors and Management of Novozymes A/S.

Annual Report

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“ My vision is that industrial enzymes will be used in every line of manufacturing and in every household. This environment-friendly technology has the potential to replace traditional chemicals, reduce pollution and waste, and significantly improve our standard of living.

”

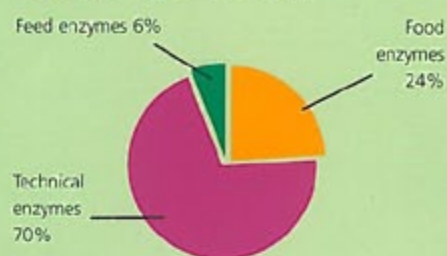
Steen Riisgaard
President and CEO, Novozymes A/S

Financial highlights 2000

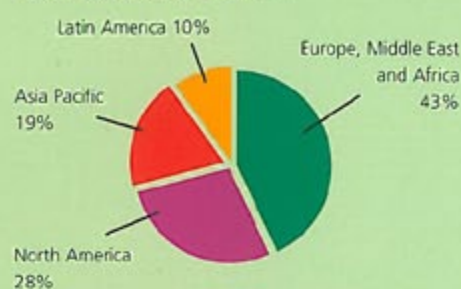
Operating profit (EBIT) and profit before taxation rose by respectively 20% and 17% to respectively DKK 825 million and DKK 705 million. Sales increased by 12%, driven mainly by growth in food enzymes and feed enzymes. Net investments totalled DKK 383 million, while depreciation and amortization amounted to DKK 491 million.

	1997	1998	1999	2000	Change in % 99-00
Profit data (DKK million)					
Technical enzymes	3,366	3,192	3,289	3,548	8
Food enzymes	820	897	983	1,187	21
Feed enzymes	161	175	229	298	30
Total net turnover	4,347	4,264	4,501	5,033	12
Profit before depreciation and amortization (EBITDA)	1,034	1,086	1,166	1,316	13
Operating profit (EBIT)	601	603	687	825	20
Profit before taxation	473	564	602	705	17
Net profit	325	393	410	483	18
Profit margins (%)					
EBITDA	23.8%	25.5%	25.9%	26.1%	-
EBIT	13.8%	14.1%	15.3%	16.4%	-
Net profit	7.5%	9.2%	9.1%	9.6%	-
Balance sheet data (DKK million)					
Shareholders' funds	2,405	2,685	3,350	3,771	13
Total assets	7,805	7,726	8,078	8,218	2
Equity ratio	30.8%	34.8%	41.5%	45.9%	-
Net debt	2,840	2,188	1,919	1,342	(30)
Average invested capital	4,559	5,079	5,094	5,215	2
Returns (%)					
Return on shareholders' funds	14.9%	15.4%	13.6%	13.6%	-
Return on invested capital (ROIC)	7.5%	7.4%	8.4%	10.0%	-
Cash flow data (DKK million)					
Net investments	724	403	566	383	(32)
Free cash flow	(13)	628	230	655	185
Per share of DKK 10					
Net profit	4.33	5.22	5.43	6.41	18
Shareholders' funds	32.05	35.69	44.41	50.08	13

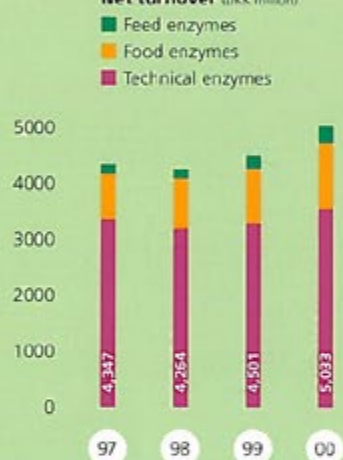
Turnover per segment in 2000 (%)



Turnover per region in 2000 (%)



Net turnover (DKK million)



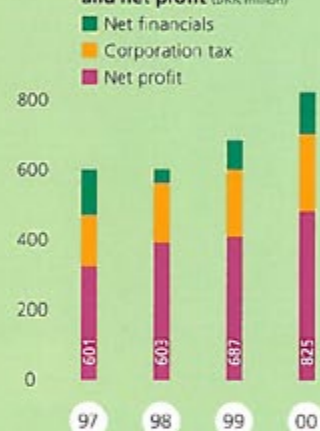
Research and development costs

(in % of turnover)



Operating profit and net profit

(DKK million)



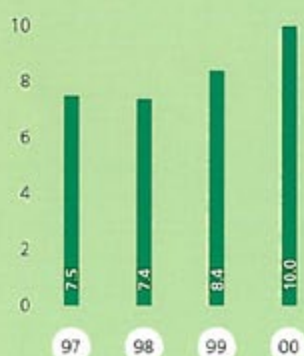
Profit margins (%)

EBIT
EBTDA



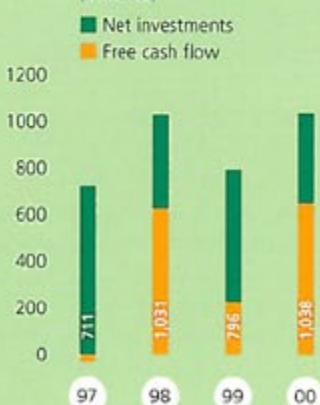
Return on invested capital

(ROIC) (%)



Cash flow from operating activities and free cash flow

(DKK million)





Novozymes demerged from Novo Nordisk

At the beginning of 1999 Novo Nordisk's management decided to work towards the demerger of its two business areas, Health Care and Enzyme Business, into independent legal entities. The final decision was taken at the extraordinary meeting of shareholders of Novo Nordisk held on 13 November 2000 and with retroactive effect from 1 January 2000.

The purpose of the Demerger was to afford the two businesses greater operational freedom and allow each to concentrate on what it does best. In the case of Novozymes this means that we are now able to focus exclusively on maintaining and developing our strong position as the world's largest and leading producer of enzymes. The introduction of the new corporate structure and the listing of Novozymes A/S on the Copenhagen Stock Exchange proved a particularly extensive project for Novozymes and the rest of the Novo Group during 2000.

Listing of Novozymes A/S

Novozymes A/S, the name given to the enzyme business following its Demerger from Novo Nordisk A/S, was listed on the Copenhagen Stock Exchange, on which the company's B shares are now traded. Novozymes remains part of the Novo Group and continues to share the strong values that are the cornerstone and hallmark of the companies in the Novo Group.

All employees of the Novo Group abide by a common set of values, which build on, among other things, the individual's responsibility, readiness for change, openness and ambition to deliver high quality. Our values are reflected in the way we do business, which includes a strong sense of environmental and social responsibility; together with the other companies in the Novo Group we publish annual reports on our environmental and social performance where we assess whether we meet the targets we have set.



Number of employees

■ Outside Denmark
■ Denmark



97 98 99 00

New products in 2000

Novozymes launched seven new products during the year. The key novelty was our new detergent enzyme Mannaway[™], profiled elsewhere in this report. Over the next three years we expect to be able to launch, on average, a similar number of new products per year.

Focus on e-commerce and CRM

Novozymes invested heavily in e-commerce during the year. In the spring we were the first in the business to implement an extensive e-commerce system for all our customers in the detergent industry, and virtually all our enzyme products worldwide will become available online during the course of 2001. E-commerce solutions also mean a considerable reduction of the time spent on administration, thereby making resources available for more direct customer support.

Novozymes' e-commerce system has been integrated with other operational systems, including our customer relations management (CRM) system. The purpose of Novozymes' e-commerce and CRM solutions is not only to give customers an even better service but also to get to know customers and their needs better.

Important alliances

Close cooperation with customers and distributors is an important element in Novozymes' strategy. June 2000 saw us enter into a worldwide strategic alliance with the Roche Group's Vitamins and Fine Chemicals Division. The purpose of the alliance is together to take on the role of pioneer and driving force behind the development of important new areas for the application of feed enzymes.



World leader in enzymes

Novozymes is based on biotechnology and is the world leader in the enzymes market, accommodating more than 40% of the global market for industrial enzymes. With its headquarters in Denmark and companies and offices in more than 20 countries, Novozymes sells enzymes in 120 countries and has more than 3,000 employees.

Novozymes is the world's largest supplier in the three main segments of the industrial enzymes market: technical, food and feed enzymes. Our enzymes are used as ingredients in products such as detergents and animal feed, in the production of starch syrups, wine and fruit juice, and for textiles. Enzymes are biodegradable and enable industry to produce in a more environment-friendly way. Novozymes has been in the industrial enzymes business since 1941 and has since then been the driving force behind the creation of a market now worth around DKK 12 billion (USD 1.4 billion).

Sharp focus on research

Novozymes employs advanced technology in every area from research and development to production. We invest 11-13% of turnover in R&D each year and have around 650 full-time employees working on research and development. Novozymes is the first to market new enzyme products and applications, and has launched 34 new enzyme products in the last five years alone. New products are often developed in conjunction with external partners, in particular our customers. We also protect our market position with a strong portfolio of patent and licence rights, including over 4,000 active issued patents and pending patent applications.

Our objective and vision

Novozymes' long-term objective is to grow its business substantially by expanding the industrial enzyme market and maintaining its leadership in all three industrial segments – technical, food

and feed enzymes – by providing profitable and environmentally sound enzyme solutions to industries around the world.

Our employees make Novozymes

To Novozymes our workforce is more than just our most important asset: our employees *make* Novozymes. It is their input and skills that give the organization meaning and enable it to grow. So we must always be able to attract and retain the very best people and it is vital for us to keep on breaking new ground and to offer exciting employment, training and development opportunities. Novozymes boasts an international culture and an organization distinguished by openness and the devolution of responsibility to the individual. Our corporate culture can be distilled into three words: *innovation, creativity, spark*.

Enzymes and the environment

One of Novozymes' goals is to be a supplier of environment-friendly solutions. Enzymes are used in industry to replace chemicals and minimize the consumption of water, raw materials and energy. The use of enzymes is therefore of benefit to the environment. The enzymes themselves are produced using Nature's own resources and are biodegradable. We use Nature's own technology to develop effective, environment-friendly solutions and better products.

Enzymes at work

Novozymes has been researching into biotechnology since 1941 and with very few exceptions has been behind the launch of virtually all new industrial enzymes: from the lipases used to remove fatty stains from fabrics to the amylases used to manufacture sweeteners. Some of the current uses of our enzymes in various industries are outlined on the opposite page:



Alcohol

Enzymes are used to produce beverage alcohol such as vodka, aquavit and gin by converting the starch in wheat and potatoes into sugars that are then fermented into pure alcohol.

Animal Feed

Livestock are seldom able to digest their feed completely. Adding enzymes makes various components break down more quickly and so enables the animals to utilize a far greater proportion of their feed.

Beer

Enzymes are used to supplement existing enzymes in malt, one of the raw materials used to make beer. This ensures a more reliable and efficient brewing process.

Bread

Enzymes are used to modify the structure of the starch in bread and make it better at retaining moisture. This means that a loaf stays fresh for longer.

Detergents

Enzymes in detergents make it easier to remove difficult stains like those from gravy and fat. Other detergent enzymes maintain the colours of cotton fabrics by 'chopping off' the small pills that form when these fabrics are washed.

Fuel Alcohol

Enzymes are used to turn maize (corn) starch into sugars that are then fermented into alcohol (ethanol), which can be used as a component in ordinary petrol and to regulate octane ratings.

Leather

For a good result, all meat, blood and fat must be removed from skins and hides before they are tanned. Enzymes are used in this process and also help to remove hair from skins and hides more effectively.

Oils & Fats

Enzymes make it easier to make products like olive oil. By breaking down the cell walls, they facilitate the release of oil when the olive is pressed.

Pulp & Paper

Enzymes help to reduce the amount of chlorine needed to bleach paper and can also be used to remove pitch in paper production.

Starch

Enzymes can turn the starch in raw materials like maize into a sweet syrup. The maize is converted by a number of steps into this liquid sugar, which can be used to make foods and drinks, including soft drinks.

Textiles

Before yarns are woven into fabrics, they are fortified with a coating that stops the yarn from breaking during weaving. One use of enzymes in this industry is to remove this coating once the fabric is complete.

Wine & Juice

Enzymes are used to improve yields from fruit in the production of wine and juice. Enzymes are also employed in the production of wine corks, to prevent them from affecting the taste of the wine.





*Steen Riisgaard,
President and CEO, Novozymes*

Can things get better?

The year 2000 was in every respect a very special year for Novozymes: we gained our independence and were successfully listed on the stock exchange; sales developed as expected, the exchange rates were favourable; and we had a real breakthrough with a major new product.

Preparations for the Demerger of Novo Nordisk into two separate companies began back in the spring of 1999. There were many practical issues to be resolved: dividing up land, buildings and equipment; preparing separate accounts; drafting licence agreements; splitting up previously shared functions and transferring them to the new companies; obtaining all the necessary official permits... The list of what needed to be done was enormous and at times almost frightening. On top of this came uncertainty about the stock market's reaction to a company like Novozymes. With no other enzyme companies already on the stock market, where would investors think we belonged? Indeed, would investors be interested in us at all?

One by one the practical issues relating to the Demerger were resolved, sometimes with great difficulty but always with success. And it was clear from a very early stage that there was no shortage of interest on the part of investors.

So it was secure in the knowledge that our preparations had been careful, yet still with a certain anxiety, that the company's senior management team met up at the Copenhagen Stock Exchange on the morning of 17 November to see dealing in Novozymes' shares commence. After just a few minutes we were able to breathe a collective sigh of relief: there was considerable interest in the shares and they have since been among the most frequently traded on the Copenhagen Stock Exchange.

One of the goals we set ourselves when we first embarked on this process in the spring of 1999 was never to lose sight of our

underlying business. This may sound straightforward but is in fact no easy task when undertaking such a vast project on top of an already busy working day. However, our results for the 2000 financial year show that we achieved this goal.

Sales rose by 12%, helped along by favourable exchange rates but still with clear absolute growth in most sales areas and in all geographical regions other than Latin America where there was some decline.

We completed and launched seven new products, of which one, Mannaway, represents a major breakthrough in the application of enzymes in detergents. Read more about this product on page 24 of this annual report.

The year also brought continued improvement in our production processes and thereby only limited cost growth. All in all, we ended the year with a financial result to be satisfied with.

So can things get better?

Yes, they can and they will – this is what we all work towards every single day. Both senior management and the rest of the Novozymes team of more than 3,000 people are striving to generate further growth, extend our leading market position, develop our technology base and so continue to deliver products and results with which our customers, our shareholders and we ourselves can be satisfied.



Steen Rysgaard, President and CEO



Report of the Board of Directors

On 13 November 2000 the Demerger of Enzyme Business from Novo Nordisk A/S took place. The new, independent company – with its new name, Novozymes A/S, and a newly-elected Board of Directors – was listed on the Copenhagen Stock Exchange as a member of the KFX index on 17 November 2000. The stock-exchange listing drew considerable interest, and the share offering was oversubscribed 15 times.

The initial price offering on listing was DKK 150, and the official closing price at the end of 2000 was DKK 159. Almost 40,000 shareholders are registered by name, including 13,000 new shareholders in connection with the stock-exchange listing. Almost half of all B shares are held by international shareholders, in particular investors in the USA and the UK.

2000 was also a very busy and exciting year for Novozymes' business activities:

- In June Novozymes announced a worldwide strategic alliance concerning feed enzymes with Roche Vitamins and Fine

Chemicals. The purpose of the alliance is to expand the market and develop new and improved feed enzymes.

- In October Novozymes issued a worldwide, non-exclusive licence in low-allergen protein technologies to the pharmaceutical company Merck KGaA. This agreement highlights the breadth of Novozymes' patent portfolio in proteins.
- In view of Novozymes' leading position in the market's three segments, its technological know-how and advanced production technology, the Board of Directors considers the Company to be a natural partner not only for enzyme customers, but also for companies wishing to commercialize and exploit ideas in which Novozymes' technologies can play a vital role. During summer 2001 Novozymes expects to present further information on how its technology base can be put to optimum use in this respect.

In spite of the extraordinary workload involved in the establishment of Novozymes A/S, a task which involved virtually all



Novozymes' headquarters in Bagsvaerd, Denmark. Around 1,900 of Novozymes' 3,000 employees work in Denmark

function areas, the Company achieved an operating profit of DKK 825 million, which is an increase of 20% on 1999.

New products and partners

Seven new products were launched during the year. One of the most important was the detergent enzyme Mannaway,[™] developed together with Procter & Gamble. The product is profiled on page 24 of this report.

Financial results in 2000

Our financial performance in 2000 exceeded our own forecasts made at the beginning of the year. This was primarily due to more favourable development in the exchange rates for USD and JPY against DKK than anticipated at that time, while the underlying business performed as planned. Operating profit was DKK 825 million, while the operating profit margin rose to 16.4% from 15.3% in 1999. In 2000 profit before tax rose by 17% to DKK 705 million, and net profit by 18% to DKK 483 million, against 1999. Consolidated sales totalled DKK 5,033 million in 2000, an increase of 12% on 1999. Measured in local currencies the

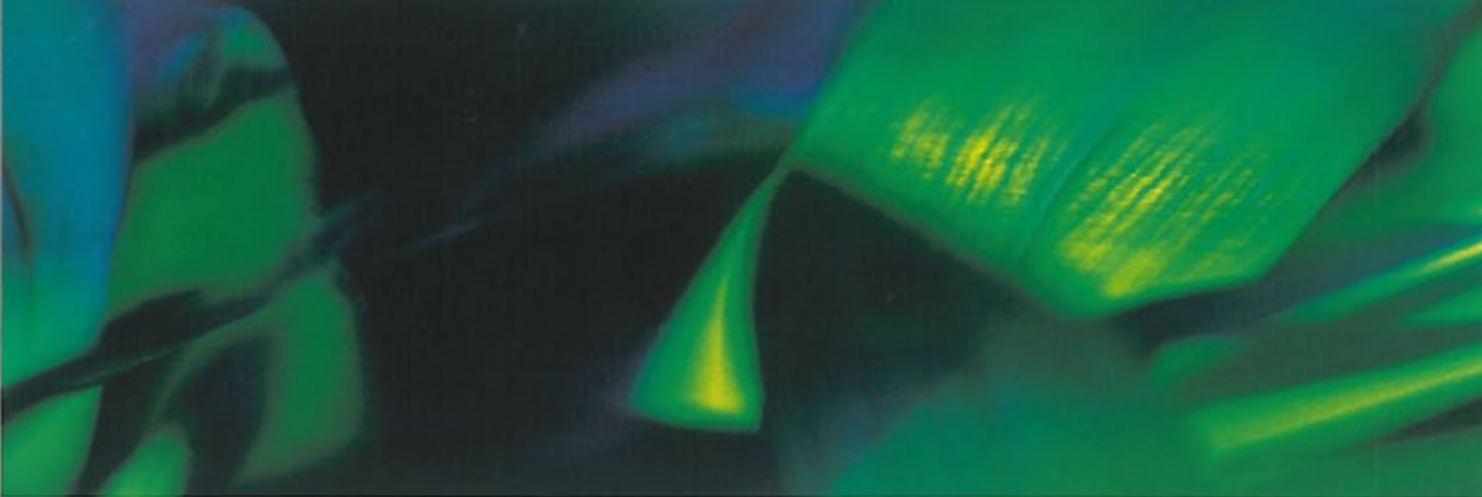
increase was 5%. For a detailed review of Novozymes' results for 2000 see "Financial discussion" on pages 4-5 of the Financial Report.

Holding of own shares

As of 31 December 2000, Novozymes' holding of own shares (Treasury shares) comprised 182,241 B shares, equivalent to 0.2% of the total number of shares in issue. Between 13 December and 31 December 2000 Novozymes invested DKK 8 million in shares buy-back as part of the DKK 250 million programme announced on 12 December 2000.

Dividend

The Board of Directors will propose to the annual meeting of shareholders on 21 March 2001 that the dividend rate for 2000 be set at DKK 1.65 per share of DKK 10. The payout ratio for 2000 will thus be 26%. No dividend will be paid on the Company's holding of own shares.



Pending litigation

In recent years the Dutch company DSM N.V./Gist-Brocades has sought to terminate sale of the feed enzyme Phytase Novo via legal actions in several countries. The actions are based on an alleged infringement of a patent by Novozymes. To date, DSM N.V./Gist-Brocades has only succeeded in obtaining an injunction against the sale of Phytase Novo in Taiwan. Novozymes is convinced that the patent held by DSM N.V./Gist-Brocades is invalid, and that it is not infringed by Novozymes. The only court which so far has ruled on the issue of validity, London's High Court, found in favour of Novozymes in December 2000 and declared the UK version of the patent to be invalid. DSM N.V./Gist-Brocades has appealed the ruling.

On 22 August 2000 a district court in São Paulo, Brazil, ruled on the confiscation of Novozymes' activities in Brazil. After Novozymes appealed the ruling, on 4 September the Court of Appeals in São Paulo postponed the legal entry into force of the ruling. Since Novo Nordisk A/S' statement of accounts for the first nine months of 2000 there has been no ruling in the pending case before the Court of Appeals in São Paulo. It is the opinion of Novozymes' Board of Directors and Management that the ruling by the district court is unfounded, and that the Court of Appeals will find in favour of Novozymes.

Events after the close of the financial year

In January 2001 the American Department of Energy awarded funds of up to USD 14.8 million to Novozymes Biotech Inc., an American subsidiary of Novozymes A/S, for the development of enzymes for production of bioethanol (alcohol as a petrol additive). The funds are disbursed during a period of three years, as the milestones of the development project are reached. The subcontract for the first year is USD 6.9 million.


Outlook for 2001

In 2001 Novozymes will make two significant changes to its sales and distribution as part of the long-term improvement in Novozymes' sales growth. On 1 January 2001 the distribution of feed enzymes in a number of countries was thus transferred to Roche Vitamins and Fine Chemicals, which led to minor stockpiling at the end of 2000. In the long term this alliance will strengthen Novozymes' sales of feed enzymes. Furthermore, distribution changes in Japan as of 1 April 2001 are planned, which is expected to result in the buy-back of stocks. The present distributor, Mitsui, and Novozymes will establish a joint distribution company, leading to greater focus on Novozymes' sales opportunities in Japan.

Despite the aforementioned timing differences for sales between 2000 and 2001 net turnover is expected to increase by 5% on the year 2000. This is subject to the assumption that the exchange rates – especially USD and JPY against DKK – remain at the present level for the rest of the year. Adjusted for the above factors, this corresponds to growth at the level of 6%.

In 2000 seven new products were introduced. Novozymes expects on average to introduce an equivalent number of new products in the years to come.

In view of the expected continued increase in productivity, especially in production, and dampened growth in administrative expenses and sales and marketing costs, the operating profit is expected to increase by around 10%. The growth rate is affected by the aforementioned stock adjustments. Nonetheless, the operating profit margin is expected to exceed the 16.4% achieved in 2000.





In order to minimize market risks relating to exchange rate decreases, especially the net currency exposure to USD and JPY, in November 2000 Novozymes decided to hedge its projected net USD and JPY cash flows 11 months ahead for USD and 12 months ahead for JPY, at the level of exchange rates prevailing at that time. At the current level of exchange rates this entails an exchange rate gain which will significantly improve net financials for 2001 compared to 2000. As a consequence, net financials are expected to be around DKK -40 million in 2001. The exchange rate gains on hedging activities are naturally very sensitive to fluctuations in USD and JPY from the present level.

The effective tax rate is expected to be in the range of 31%.

On this basis the profit after tax is expected to increase by around 25% against 2000, which should be compared to an increase of 18% for the year 2000 compared to 1999.

The Group's investments in fixed assets are expected to correspond to the depreciation for the year.

The free cash flow is expected to be at the same level as in 2000.

The Group's return on capital, measured as ROIC, is expected to develop positively from the level in 2000.

Long-term financial targets

The Board of Directors has set the following long-term financial targets for the Company:

- Annual growth in operating profit of minimum 10%
- An operating profit margin of around 17%
- Return on capital (measured as ROIC) of at least 15% p.a.

In order to achieve these objectives, the average annual investments in the coming years will be at the level of the annual depreciation.

Employee representatives of the Board of Directors

On 7 February 2001 Ulla Morin, Arne Hansen and Thomas Sandal were elected as employee representatives of the Board of Directors with effect from the first meeting of the Board of Directors after the general meeting of shareholders.

Forward-looking statements

The section headed "Outlook for 2001" above, the Novozymes report and "Financial discussion" contain forward-looking statements. Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, including unexpected developments in the international currency exchange and securities markets, market-driven price decreases for Novozymes' products and the introduction of competing products within Novozymes' core areas. Other factors are the economic situation in developing markets, primarily Brazil, Central and Eastern Europe, China, India, Malaysia and Mexico.

Sales to these countries totalled around DKK 1,3 billion in the year 2000, corresponding to 26% of the Group's total sales.





Research and development

Novozymes has launched 34 new enzyme products in the last five years, many of them developed in close cooperation with some of our largest customers.

The story behind a new enzyme product often begins with an idea about how an industrial process or product might be improved by using enzymes.

New enzymes are found in microorganisms throughout the natural world. Novozymes has collected soil samples for many years, building up and classifying a unique library of around 25,000 fungal and bacterial cultures from every climatic region of the world.

We have researchers at laboratories in Denmark, China, Japan and the USA working on the development of new enzyme products and the improvement of existing ones. For many years Novozymes has been the first to apply and master the latest technologies in the world of biotechnology. Our strategy is constantly to expand the platform that Novozymes has built up in research and production technology.

Novozymes has around 650 employees working in R&D and each year invests 11-13% of net turnover in finding and developing effective and environment-friendly new enzyme products. Among the many advanced technologies mastered by Novozymes is the

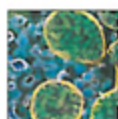
use of screening processes to select the right enzymes. Today's screening systems are automated and so advanced that it is possible to simulate the processes in which the enzymes will be involved. This means that the enzymes with the greatest potential can quickly be picked out from among millions of others.

Many of the ideas behind new products arise from a dialogue with our customers. Novozymes may hear about a problem to which a customer would like a better solution, or a customer might approach us directly with an idea to be tried out.

The early stages of research into the development of a new enzyme product involve working closely with the customer to identify the enzyme most likely to live up to expectations. The next step is to investigate the financial viability of full-scale production of this enzyme.

Once the new enzyme has been selected, development work gets under way. The process is fine-tuned in a pilot plant and the product formulation is finalized. Full-scale production of the new enzyme is then tested in one of our large fermentation tanks.

Once the enzyme product has been launched, both the product and the underlying production process are continuously optimized in order to improve the product's financial performance and quality.



The quest for bright ideas

In recent years Novozymes has experimented with various different processes for "idea generation." Experience from our quest for bright ideas for new enzyme applications and improvements to known enzyme products shows that this work is very effective when carried out in close cooperation with customers.

Idea generation is about bringing the right people together in an environment where they can dedicate themselves to generating

new thoughts and angles on a particular problem. It is often in the melting pot where customers' problems and our scientists' expertise meet that new ideas are born.

Idea generation may, for example, involve bringing together 30-40 specialists with expertise in a particular product area for a few days at a remote conference centre in beautiful surroundings, far from phones and e-mail. Here they can get together via

a local computer network to present their own and comment on others' ideas online.

This type of brainstorming typically results in several hundred new ideas being registered in the network in just a few intense hours. This is then followed up by a process where all these ideas are carefully examined and sorted so that those with the greatest promise and relevance to customer needs are tried out first.

Production

Novozymes has production facilities in Brazil, China, Denmark, Switzerland and the USA. The largest are in Denmark and produce Novozymes' complete range of enzyme products. The US factory also produces virtually the whole range.

The production of an enzyme is a fantastic journey where Nature and technology merge into a single biological process: from the initial fungal or bacterial culture to the finished product, leaving the plant as, say, a 1,000-kg sack of granulate.

Novozymes uses mainly two families of microorganisms in the production of enzymes: *Bacillus* (bacteria) and *Aspergillus* (fungi). Both have advantages to production as they are safe to handle, grow quickly and result in a high yield of enzymes. Gene technology can be used to modify these microorganisms and make them perform even better.

Enzyme production can be divided into three essential phases in which Novozymes has built up core expertise over a period of more than 40 years: fermentation, recovery and formulation.

Fermentation takes place in large tanks where the selected microorganisms are propagated as intensively as possible. The enzymes are separated from these microorganisms. High yields require perfect growing conditions, which means mastering the art of adding nutrients and oxygen. The nutrients used for fermentation are natural materials such as starch and soya.

Recovery involves extracting the enzymes from the microbial culture and consists of several steps. First solid elements are removed by filtration and centrifugation. The resulting enzyme solution is then concentrated through a number of process steps, such as evaporation, ultrafiltration or precipitation. The recovered concentrate is then stabilized with additives to maximize the enzymes' performance and shelf life.

Formulation is the work involved in making the enzyme ready for sale. This can be in a solid form, such as a granulate, or in a liquid form. For example, enzymes for use in washing powders have to be granulated. This means encapsulating the enzymes in a water-soluble wax that ensures that the enzymes do not have any effect until the detergent is in the washing machine.



Back to nature

The residue from Novozymes' production process is a liquid biological slurry in which all the microorganisms used have been inactivated. The residue is called Novogro® and is given away to farmers around Novozymes' factories since it is a valuable biological fertilizer, supplementing or replacing artificial fertilizers.

Novozymes has almost 25 years' experience of returning biomass to Nature as agricultural fertilizer. Novogro consists of water, inactivated microorganisms, lime and substrate residues (such as starch and soya). To avoid overdosage and the incorrect use of Novogro in agriculture, Novozymes itself is responsible for applying the fertilizer.

Novogro can also be concentrated into a more solid and durable form, Novogro 30, which can be stored and delivered to farmers at the best possible time for enriching the soil. This gives Novozymes a channel for the biomass from enzyme production throughout the year.



Enzymes
Enzymes
Enzymes

CITROZYM®

CITROZYM®

Have Nordic enzymes for
improvement of dough
handling and bread quality



Sales and marketing

Novozymes' long-term objective is to grow its business substantially by expanding the industrial enzymes market and maintaining leadership in all three industrial segments – technical, food and feed enzymes. One means of achieving this is to provide innovative, profitable and environmentally sound enzyme solutions where enzymes can help to provide answers to industrial problems and processes.

Most of Novozymes' products are marketed and sold directly to industrial customers, although some products are channelled through agents and distributors. Some customers process Novozymes' products for resale, for instance in the leather and textile markets. In this case, customers are often chemical companies that mix our enzyme products with other components to make combined products for end-customers such as tanners and dyers.

Novozymes' main marketing departments are based in Denmark and Switzerland. These departments manage the product range, develop marketing strategies and plans, and supply product literature and other support to the regional sales organizations.

The regional sales organizations are home to employees with technical expertise who can help customers to use Novozymes' enzymes as effectively as possible and carry out various practical analyses and application trials in the laboratory. This technical service is an important aspect of Novozymes' sales and marketing work.

In this way Novozymes is able to offer its customers a full-service solution for its enzyme products. By visiting the customer, a member of Novozymes' technical service team can gain a good picture of the scope of the problem and coordinate work on the solution, providing advice that draws on the combined expertise of Novozymes' entire organization.

For some of our largest customers we have implemented various Internet-based solutions that allow these companies to seek and obtain technical advice from Novozymes staff directly.

In 2000 Novozymes continued to develop e-commerce solutions for enzyme customers. This service will soon cover all of our products and markets.



Closer to customers

Novozymes has come a long way in the implementation of Internet-based electronic commerce. Online services have already been provided for customers in the detergent industry and a few other enzyme markets for some time, and by summer 2001 almost all industries to which we sell enzymes will have access to product information and to order enzyme products from Novozymes via Internet.

Novozymes is thus setting new standards among enzyme producers.

For Novozymes, e-commerce is about more than just electronic orders. Customers will be able to view prices and delivery times online and obtain all relevant information about each product. They will also have access to all product literature and updates on each enzyme product for their particular

industry. They can even order free samples of products they would like to test.

E-commerce will help staff in the sales departments to work more efficiently. With all relevant information available in updated form on the Internet, Novozymes' global sales team will be free to concentrate on establishing an even closer dialogue with both existing and prospective customers.

Review of **Novozymes'** business operations

TECHNICAL ENZYMES

Industrial applications

Technical enzymes are of great importance for a wide range of products and processes in industry. They often replace chemical processes and thus entail environmental benefits. So technical enzymes are both effective and environment-friendly. The ongoing development and improvement of a wide range of household products is made possible by technical enzymes. For example, modern detergents have become very effective thanks to enzymes – they make clothes cleaner and do this at lower temperatures and in a shorter time. Detergent enzymes therefore benefit the environment by reducing energy and water consumption. Detergents are by far the largest application for enzymes today, but enzymes are also used in many other technical fields, including textiles, starch, fuels, leather, personal care and pulp & paper.

Profile

Novozymes is the world's largest supplier of enzymes for technical applications. The development and approval of a new technical enzyme generally

Net turnover,
technical enzymes (DKK million)



Net turnover,
food enzymes (DKK million)



Net turnover,
feed enzymes (DKK million)



FOOD ENZYMES

Industrial applications

The baking industry is the largest market for food enzymes. For example, bread of better quality, with a longer life, is ensured by enzymes. The food industry also uses enzymes in the production of dairy products, beer, beverage alcohol, wine, fruit juice and oils & fats.

Profile

Novozymes is the world's largest supplier of enzymes to the food industry. The development and approval of food enzymes in general takes a relatively long time: four or five years may elapse between the original idea and the finished product.

FEED ENZYMES

Industrial applications

Not all the ingredients in animal feed are readily digested by livestock. Adding enzymes to feed helps the animals' digestive systems to absorb various feed components. Enzymes are an effective, tried-and-tested tool which enables feed producers to use a wider variety of raw materials in their products. Enzymes also help improve the performance of existing feed mixes. One group of feed enzymes, the phytases, not only make feeds more nutritious but also reduce the amount of phosphorus in the animals' manure, thus benefiting the environment.

take just one to two years. New technical enzymes are often developed in close cooperation with large customers and so new enzyme products can be rapidly put into commercial circulation.

Highlights of the year 2000

Sales of technical enzymes increased by 8%. The most important event in the technical enzyme segment was the successful launch of Mannaway, a mannanase developed exclusively for use in Procter & Gamble's new generation of liquid detergents. Mannaway leads to a significantly better removal of food stains from clothing. Mannaway is profiled on page 24.

Within detergent enzymes, we achieved strong growth in sales to some of the European detergent manufacturers, while there was a drop in sales to the large producers in Latin America.

There was a strong expansion of sales of enzymes for use in the North American fuel alcohol industry.

2000 brought a turnaround in Novozymes' sales to the textile industry after several years of decline, despite stiffer competition and pressure on prices.

Looking ahead – 2001 and beyond

Novozymes expects to continue implementing a series of major development projects within detergent enzymes in close cooperation with key customers. Since liquid formulations is the fastest-growing market for household detergents Novozymes plans to concentrate its efforts on marketing new products for this market. The company will also be marketing new enzyme products for detergents geared specifically to new growth markets.

Novozymes sees good potential for growth in sales of enzymes to the fuel alcohol industry, not only in the USA but also in other parts of the world in the longer term. However, this market is characterized by fierce competition.

Highlights of the year 2000

Sales of food enzymes grew by 21% in 2000, due mainly to the further consolidation of our existing products' market position, new applications and the development of new enzymes in cooperation with major food producers.

Considerable progress was made in the market for enzymes for the baking industry, particularly in the USA and EU. There is a special feature on Novozymes' enzymes for the baking industry on page 26.

A marketing drive targeting breweries in Latin America enjoyed considerable success.

Looking ahead – 2001 and beyond

Novozymes expects the market for food enzymes to continue to expand thanks to further market penetration. The baking and brewing industries will account for most of this growth.

We also expect strong growth in other segments of the food industry, where a number of new products are planned. Novozymes expects this to result in the expansion of the market and improved competitiveness.

Profile

Novozymes is the world's largest supplier of feed enzymes. This is an area where expertise in animal nutrition is vital. The development and approval of new feed enzymes is a relatively protracted process since often four or five years will pass from the start of development work to a licensed product ready for launch.

Highlights of the year 2000

Sales of feed enzymes grew by 30% despite intense competition. In June 2000 Novozymes entered into a worldwide strategic alliance with

Roche Vitamins and Fine Chemicals. The purpose of the alliance is to join forces in the role of pioneer and driving force behind the development of important new areas for the application of feed enzymes.

Looking ahead – 2001 and beyond

Phytases will continue to be the product area fuelling growth in sales of animal feed enzymes. Growth will be more subdued than in recent years, however, due partly to continued competition on prices and partly to the need to consolidate distribution in conjunction with the strategic alliance with Roche Vitamins and Fine Chemicals.





Mannaway™

Ten years ago an enzyme researcher at Novozymes collected a series of soil samples from various areas of climatic interest in India. Six years later, in 1997, it was found that one of these soil samples, collected 3,500 metres above sea level in northern Kashmir, contained microorganisms that produce the enzyme mannanase, which has proved to have some very special properties when it comes to cleaning cotton fibres. Early in the summer of 2000 Procter & Gamble launched a new liquid laundry detergent with new capabilities, including the highly effective removal of stains left on fabrics by e.g. chocolate ice-cream.

This, in a nutshell, is the story behind Novozymes' latest success in detergent enzymes.

The new product from Novozymes is called Mannaway and was developed in close collaboration with Procter & Gamble, which has the exclusive right to use the enzyme. Mannaway forms part

of all liquid detergents from Procter & Gamble worldwide. In North America the detergent is marketed as Tide Deep Clean, in Europe as Ariel Essential, in Japan as Ariel Gelwash and in Latin America as Ariel Liquids.

The partnership formed between Procter & Gamble and Novozymes to develop this effective new class of enzymes, the mannanases (hence the name Mannaway), is in many ways a remarkable story. It all began when Procter & Gamble wanted to try out some new ideas for how fabrics could be washed cleaner – ideas that were then tested by Novozymes as part of a special partnership to research and develop this new enzyme class.

Mannaway is a good example of how researchers can unlock the magic of nature to develop a product with new and improved properties. Advanced screening systems were used to identify microorganisms that produce mannanase and a gene containing



the relevant code was "cut and pasted" into a *Bacillus*, a micro-organism used by Novozymes to produce a number of enzymes. Mannaway is able to better remove various stains that previously clung onto fabrics, especially cotton. The explanation can be found in the world of the mannanases. Enzymes of this class break down a substance called mannan, which forms part of a number of guar gum products used in foods and cosmetics. Mannan essentially glues dirt to cotton fibres and so prevents it from being cleaned off when the fabric is washed. Mannaway has made it possible to develop detergents that can effectively remove stains left on cotton clothing by e.g. ice-cream, sauces and a wide range of skin and hair care products.

Various different enzyme candidates were tested on a large scale during the course of the development programme, with a group of consumers trying out different variants and giving their opinions on their performance. This means that Procter & Gamble's

new liquid detergents have been tested by consumers under many different washing conditions and at many different dosages, and that their opinions have played a key role. It is important to Procter & Gamble that new generations of detergents are based on new technology that can really be noticed by consumers and whose effects can readily be illustrated, for example in TV commercials.

So, as satisfied customers around the world give thanks to Procter & Gamble for finally getting rid of that stubborn old food stain on a favourite T-shirt or pair of jeans with the latest Ariel or Tide, Novozymes can be quietly proud to have laid the foundations for a brand new generation of detergents with Mannaway.



New enzymes in the rising



Novozymes expects strong growth in sales of enzymes for the baking industry in coming years. In the last decade sales to the baking industry have increased by several hundred million Danish kroner.

Fungamyl® and Novamyl® are still the products that dominate the order books but other products are also performing well. Fungamyl improves and stabilizes wheat flour so that a naturally low amylase content does not impair the flour's baking performance. Amylase is vital when baking bread to ensure a good crumb structure and a voluminous loaf. Novamyl extends the life of a loaf by helping the crumb to retain moisture and the crust to stay fresh. Other enzyme products are Pentopan® – a xylanase that improves both volume and crusts – a protease and a glucose oxidase.

Novozymes already markets a broad range of enzymes for the baking industry, but also has a number of new enzymes "in the rising." For example, a new generation of lipases is currently being developed. Lipases can replace the emulsifiers currently added to bread to give it volume and improve its quality. Novozymes expects the new lipases being developed to provide the baking industry with an effective and competitive substitute for these emulsifiers, which are more difficult to handle. For example, lipases can replace ten times their volume in emulsifiers.

The development of lipase enzymes to improve loaf volume and crumb structure is taking the form of a partnership between Novozymes' laboratories in Denmark, the USA and Switzerland. The basic research on baking with enzymes is being conducted in Denmark, while Novozymes' global technical service for the baking industry is based in Switzerland and the USA. Technical service work on testing new enzymes and resolving specific problems for customers wanting to include enzymes in their recipes.

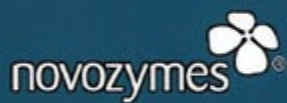
Work on developing new and improved enzymes for the baking industry involves close cooperation between the laboratories and technical service, where the enzyme solutions are tested under conditions similar to those in an industrial bakery. This allows the new enzymes to be compared and tested at full scale.

The development of the new lipases involves testing and measuring the effect of adding lipases to dough so that it rises and retains its volume after baking. The volume and structure of the bread are measured and compared with bread baked without lipase or bread baked with emulsifiers. The structure and colour of the crumb are also assessed and compared.

Experience with the first lipase product, Lipopan™ has been positive. Once the new improved lipase is ready to launch, probably within a few years, Novozymes envisages considerable sales potential in a global market, where the baking industry is in a phase of rapid growth. North America and the EU currently account for more than 70% of the enzymes market to the baking industry. Asia in particular, but also Latin America, are expected to account for substantial growth in the years ahead.

Novozymes has built up a range of enzyme products for the baking industry that stabilize the baking performance of the flour, improve the freshness of the bread and make the loaves more voluminous.

Novozymes is also working on the development of new enzymes for other cereal products, such as biscuits, noodles and pasta, so there is still plenty for the research laboratories to get their teeth into.



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The Novo Group's Environmental and Social Report 2000

The Environmental and Social Report is an important element in our ongoing dialogue with stakeholders. It covers the environmental and social performance of our production facilities worldwide and the Group's overall economic performance. In it we also address social and bioethical issues having a wider societal impact. Issues that are important to the global sustainable development agenda and public perception of the technologies we use. We account for the way values are put into practice in the Novo Group. The Environmental and Social Report will be available in April 2001 on www.novo.dk.



Financial Report

2000 was a positive, and also very special year for Novozymes. After our separation from Novo Nordisk A/S we were established as an independent publicly listed company, our sales developed as expected, and we achieved a breakthrough with a significant new product. This annual report describes significant financial and business highlights and presents the Novozymes company. The financial section of the report comprises a financial discussion, the annual accounts, and a presentation of the Board of Directors and Management of Novozymes A/S.

Financial Report

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“ Our long-term objective is to grow the business substantially by expanding the industrial enzyme market and maintaining our leadership in all three industrial segments – technical, food and feed enzymes – by providing profitable and environmentally sound enzyme solutions to industries around the world.

”

Steen Riisgaard
President and CEO, Novozymes A/S



Novozymes in the year 2000

The operating profit for the year meets the Group's growth target for 2000 as announced in connection with the Novo Nordisk A/S financial statement for the first nine months on 2 November 2000. The growth in operating profit was due partly to favourable movements in exchange rates, in particular the USD and JPY against the DKK, and partly to the underlying business performing as expected.

- Operating profit rose by 20% to DKK 825 million.
- The operating profit margin, defined as operating profit as a percentage of net turnover, increased from 15.3% to 16.4%.
- The Group generated profits of DKK 705 million before and DKK 483 million after tax, corresponding to growth against 1999 of 17% before and 18% after tax.
- Earnings per share increased by 18% from DKK 5.43 to DKK 6.41.
- Net capital expenditure totalled DKK 383 million, which was significantly less than the year's depreciation charges of DKK 491 million.
- Free cash flow climbed strongly from DKK 230 million to DKK 655 million.
- The return on invested capital (ROIC), defined as operating profit (adjusted for exchange gains/losses from the year's hedging activities) after tax as a percentage of average invested capital, rose from 8.4% in 1999 to 10.0% in 2000.

Sales

Sales increased by 12% from DKK 4,501 million to DKK 5,033 million, of which volumes, prices and product mix accounted for 5 percentage points and exchange rate movements for 7 percentage points.

Particularly high rates of growth were seen in North America and Asia, while sales growth in Europe was more subdued and sales to Latin America fell slightly.

Sales of technical enzymes increased by 8%. Sales to the detergent industry continued to bear the hallmark of stiff competition, despite the successful launch of Mannaway™. Sales of other technical enzymes, including those for the textile, starch and fuel alcohol industries, climbed by 17%.

The combination of growing sales to other customers and unchanged sales to Novozymes' two largest customers in 2000 meant that the latter's share of the Group's net turnover fell from 32% in 1999 to 29% in 2000.

Sales of food enzymes put in solid growth of 21% attributable to the baking and beverage segments.

Sales of feed enzymes continued to climb strongly with growth of 30%. Ronozyme™ P was launched successfully in the US market at the end of the year, and fourth-quarter sales were boosted slightly by stockpiling ahead of changes in the distribution set-up on 1 January 2001.

Two new products were launched during the fourth quarter: Savinase® LCC for the detergent industry (a micro-encapsulated enzyme for liquid detergents) and DeniMax® 601 L for the textile industry (an enzyme for stonewashing of denim at low temperatures). A total of seven new products were launched during 2000, which is in line with the plan to introduce 15-25 new products between 2000 and 2002.

Costs

Total costs excluding net financials and tax rose by 11% to DKK 4,231 million in 2000, which was marginally less than the year's sales growth. The appreciation of the USD against the DKK played a major role in the increase in costs.

Production costs rose by 9% to DKK 2,414 million, which compares favourably with the year's growth in net turnover of 12%. The gross profit margin climbed from 51% to 52%, thanks primarily to better production yields and the positive effects of the strengthening of USD against DKK.

Sales and distribution costs rose by 23% to DKK 657 million, due mainly to the weakening of the DKK and the strengthening of the global sales organization.

Research and development costs increased by 6% to DKK 645 million.

Administration costs rose by 8% to DKK 515 million.

Total staff costs increased by 3% to DKK 1,334 million and the workforce was nearly unchanged at an average of 3,204 employees in 2000.

Depreciation charges, which are distributed between the relevant cost items above, rose by 3% to DKK 491 million.

Licence fees and Other operating income

Licence fees and Other operating income climbed 64% to DKK 23 million, boosted by a one-off payment in connection with

the licensing of patent rights to the pharmaceutical company Merck KGaA in October 2000 (cf. Novo Nordisk A/S' financial statement for the first nine months of 2000).

In January 2001 the US Department of Energy awarded the US subsidiary Novozymes Biotech Inc. funding of up to USD 14.8 million to develop enzymes for the production of bioethanol (alcohol for use as a petrol additive). The funding is payable over three years as the various milestones of the development project are reached. The sub-contract for the first year is worth USD 6.9 million.

Net financials

Novozymes recorded net financial expenses of DKK 120 million, up from DKK 85 million in 1999.

The accounts show net foreign exchange losses of DKK 65 million, up from DKK 59 million, attributable primarily to realized and unrealized losses from the hedging of the Group's USD exposure.

Novozymes recorded net interest expenses of DKK 77 million, up from DKK 3 million in 1999, related to the restructuring of loans at the end of 1999 ahead of the Demerger from Novo Nordisk A/S.

The accounts show net income of DKK 22 million for other financial items, following a net loss of DKK 23 million in 1999, due to gains on the sale of securities in 2000.

In a bid to minimize the risks associated with fluctuations in exchange rates, in particular from its net exposure to the USD and JPY, Novozymes decided in November 2000 to hedge this exposure by fixing 11 months of the current year's projected net USD cash flow and 12 months of the current year's net JPY cash flow at the exchange rates prevailing at that time.

Profit before and after tax and movements in shareholders' funds

The Group generated profit of DKK 705 million before and DKK 483 million after tax, corresponding to growth of 17% in the result before tax, and of 18% in the result after tax.

Shareholders' funds ended the year at DKK 3,771 million or 45% of the total balance sheet, up from 42% a year earlier. The increase of DKK 421 million in shareholders' funds comprises the net profit for the year of DKK 483 million, net of dividends of DKK 124 million, DKK 26 million in share buy-backs and DKK 88 million in positive translation effects in respect of the Group's net assets.

Capital expenditure and cash flow

Net capital expenditure fell from DKK 566 million to DKK 383 million, which was significantly below the year's depreciation charges of DKK 491 million. Free cash flow climbed from DKK 230 million to DKK 655 million, thanks primarily to the higher net profit, low capital expenditure and reduction in stocks.

On the strength of this positive cash flow, Novozymes chose to cut the Group's short-term debt at the end of the year by around DKK 750 million.

Outlook for 2001

In 2001 Novozymes will make two significant changes to its sales and distribution as part of the long-term improvement in Novozymes' sales growth. On 1 January 2001 the distribution of feed enzymes in a number of countries was thus transferred to Roche Vitamins and Fine Chemicals, which led to minor stockpiling at the end of 2000. In the long term this alliance will strengthen Novozymes' sales of feed enzymes. Furthermore, distribution changes in Japan as of 1 April 2001 are planned, which is expected to result in the buy-back of stocks. The present distributor, Mitsui, and Novozymes will establish a joint distribution company, leading to greater focus on Novozymes' sales opportunities in Japan.

Despite the aforementioned timing differences for sales between 2000 and 2001 net turnover is expected to increase by 5% on the year 2000. This is subject to the assumption that the exchange rates – especially USD and JPY against DKK – remain at the present level for the rest of the year. Adjusted for the above factors, this corresponds to growth at the level of 6%.

In 2000 seven new products were introduced. Novozymes expects on average to introduce an equivalent number of new products in the years to come.

In view of the expected continued increase in productivity, especially in production, and dampened growth in administrative expenses and sales and marketing costs, the operating profit is expected to increase by around 10%. The growth rate is affected by the aforementioned stock adjustments. Nonetheless, the net profit margin is expected to exceed the 16.4% achieved in 2000.

In order to minimize market risks relating to exchange rate decreases, especially the net currency exposure to USD and JPY, in November 2000 Novozymes decided to hedge its projected net USD and JPY cash flows 11 months ahead for USD and 12 months ahead for JPY, at the level of exchange rates prevailing at that time. At the current level of exchange rates this entails

an exchange rate gain which will significantly improve net financials for 2001 compared to 2000. As a consequence, net financials are expected to be around DKK -40 million in 2001. The exchange rate gains on hedging activities are naturally very sensitive to fluctuations in USD and JPY from the present level.

The effective tax rate is expected to be in the range of 31%. On this basis the profit after tax is expected to increase by around 25% against 2000, which should be compared to an increase of 18% for the year 2000 compared to 1999. The Group's investments in fixed assets are expected to correspond to the depreciation for the year.

The free cash flow is expected to be at the same level as in 2000. The Group's return on capital, measured as ROIC, is expected to develop positively from the level in 2000.

Share options

Since the target for the option scheme for the former Novo Nordisk A/S was met in the year 2000, options will be issued to around 100 managerial staff, entitling them to purchase 56,600 B shares in Novozymes A/S and Novo Nordisk A/S respectively.

Forward-looking statements

The section "Outlook for 2001" contains forward-looking statements. Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, including unexpected developments in the international currency, bond and money markets, market-driven price decreases for Novozymes' products and the introduction of competing products in Novozymes' core areas. There is also the economic situation in developing markets, primarily Brazil, Central and Eastern Europe, China, India, Malaysia and Mexico. Sales to these countries totalled around DKK 1.3 billion in the year 2000, corresponding to 26% of the Group's total sales.

Annual meeting of shareholders

The Company's first annual meeting of shareholders will be held on 21 March 2001.

Financial risk factors

The most important financial risks can be divided into three categories: currency, interest rate and counterparty exposure.

Currency exposure arises partly because there is no balance between income and expenses in the individual currencies, and partly because the Group has net assets in a number of foreign companies.

Novozymes has net expenses in DKK while net income is generated in other currencies than DKK. The exposure is greatest against USD, EUR and JPY.

A 5% movement in USD and JPY respectively would, other things being equal, produce an annual change in operating profit of approximately DKK 20-30 million and DKK 10-15 million. A 2.25% movement in EUR would, other things being equal, result in an annual change in operating profit of around DKK 25 million. Due to Denmark's participation in ERM II, DKK is only allowed to fluctuate within a band of $\pm 2.25\%$ in relation to the central rate.

Novozymes' policy is to hedge assets and liabilities in foreign currencies already accounted for and future anticipated cash flows resulting from business operations. Hedging is carried out, primarily for USD and JPY, a number of months ahead through a combination of loans, forward contracts and options. Other currencies are hedged to a lesser extent. The hedging transactions are based on Novozymes' expectations of future exchange rate fluctuations. Currency exposure relating to the net assets of foreign companies is hedged to a certain extent.

Interest rate exposure arises in relation to interest-bearing assets and liabilities. A change of one percentage point in the average interest rate of the Group's interest-bearing net liabilities would have an effect on profit before tax of DKK 19 million.

The use of financial instruments is regulated by a treasury policy and procedures which among other things define approved instruments and risk limits. Financial instruments may only be contracted with a view to safeguarding existing assets, liabilities or expected future net cash flows.

According to the treasury policy of Novozymes free funds may only be invested in government bonds, extremely liquid domestic mortgage-credit bonds and money-market deposits.

Counterparty exposure is managed by dealing only in financial instruments and by placing deposits with a limited number of banks having a satisfactory long-term credit rating.

The following seven products were introduced in 2000: Savinase® LCC and Mannaway™ (detergents), DeniMax® 601 L (textiles), Lecitase® Novo (oils & fats), AMG (new version) and Sweetzyme® IT (starch/alcohol), Ronozyme™ P (animal feed).



In early 1999, the management of Novo Nordisk A/S decided to work towards a separation of the company into two independent listed companies. The announcement of the Demerger in accordance with the provisions of the Danish Companies Act was made on 16 June 2000 and was approved at an extraordinary meeting of shareholders held on 13 November 2000. The Demerger took place with retroactive effect from 1 January 2000.

The consolidated accounts for Novozymes for the periods up to and including 1999 are derived from the consolidated financial statements of Novo Nordisk A/S and its consolidated subsidiaries (the "Novo Nordisk Group") and are presented as if Novozymes had existed as a separate legal entity in the periods covered. Accordingly, such statements and data may not necessarily reflect Novozymes' results of operations, financial position and cash flows had Novozymes been an independent, stand-alone entity in the period up to 13 November 2000. Therefore, the usefulness of the accounts as a basis of assessment of the future development of Novozymes A/S as an independent, listed limited company with its own management is inherently limited. The consolidated accounts, which have been derived from the consolidated financial statements of the Novo Nordisk Group using the historical operating results, assets and liabilities of the Enzyme Business, reflect the accounting policies adopted by Novo Nordisk A/S in the preparation of its consolidated accounts for 1999.

When reading the consolidated accounts of Novozymes, the following matters should be taken into account:

Shareholders' funds and external debt of Novozymes at 31 December 1999, including a bank loan of DKK 1.85 billion

obtained by Novo Nordisk A/S in late 1999, are assigned to Novozymes A/S.

Prior to obtaining this bank loan, the difference between assets, shareholders' funds and all other liabilities of Novozymes A/S and changes herein during the years up to 1999 are accumulated on an intercompany account with Novo Nordisk A/S. This intercompany account bears interest at estimated market rates. No dividends for the years up to 1999 have been allocated to Novozymes.

These matters are particularly important when reviewing the development in shareholders' funds and the cash flow for Novozymes. It should be mentioned that all costs relating to the Demerger have been expensed in 1999 under "Restructuring costs" in Novo Nordisk A/S. For 2000, service agreements have been made between Novozymes A/S on the one hand and Novo A/S and Novo Nordisk A/S and its subsidiaries on the other hand, on market conditions. The net impact is not considered material as compared to the basis used for allocation of actual costs between Novozymes and Novo Nordisk in the periods up to and including 1999.

As a result of the Demerger the annual accounts of Novozymes A/S (the parent company) comprise the profit and loss account for 2000, the opening balance sheet at 1 January 2000 and the balance sheet at 31 December 2000. On the Demerger, all assets and liabilities associated with Enzyme Business are transferred to Novozymes A/S at net book value with effect from 1 January 2000. The transfer also includes all rights and obligations pertaining to the transferred assets and liabilities.



From Novozymes' enzyme plant in Franklinton, North Carolina. Turnover in the North American region grew from DKK 1,039 million in 1999 to DKK 1,392 million in 2000.



The consolidated accounts and annual accounts of Novozymes A/S have been prepared in accordance with the Danish Company Accounts Act and the accounting regulations (including Danish Accounting Guidelines) for companies listed on the Copenhagen Stock Exchange. The consolidated accounts and the annual accounts have been prepared in accordance with the following description of accompanying accounting policies. The accounting policies are unchanged from the accounting policies adopted by Novo Nordisk A/S for 1999.

Basis of consolidation

The consolidated accounts comprise the accounts of Novozymes A/S (the Company) and all the companies in which the Group owns more than 50% of the voting rights or otherwise has a controlling influence (subsidiaries).

The consolidated accounts are based on accounts for the Company and for the subsidiaries and are prepared by combining items of a uniform nature and eliminating intercompany transactions, shareholdings and balances and unrealized intercompany profits on stocks. All accounts used for consolidation are prepared by applying the accounting policies of the Group.

On acquisition of new companies, the purchase method is applied. The assets and liabilities of the new companies are thus restated at fair value at the time of acquisition. Cost of shares in excess of net assets after revaluation is capitalized as goodwill and amortized over the expected economic life.

Companies which are not subsidiaries, but in which the Group holds 20% or more of the voting rights or in some other way has a significant influence on the operational and financial management, are considered as associated companies.

Newly acquired and divested companies are included in the profit and loss account for the period of ownership. Comparative figures are not adjusted for companies disposed of or newly acquired.

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated into Danish kroner at the rates of exchange ruling on the balance sheet date.

Accounts of foreign subsidiary companies are translated using exchange rates ruling at the balance sheet date for assets and liabilities, and average exchange rates for profit and loss items.

All exchange rate adjustments relating to the Company and the subsidiary companies are recognized in the profit and loss account, with the exception of exchange gains and losses arising from:

- translation of the net assets of foreign subsidiaries and associated companies at 1 January at the closing rates at 31 December of the same year;
- translation of the profit and loss accounts of foreign subsidiaries and associated companies from average exchange rates to exchange rates ruling at the balance sheet date;
- translation of long-term intercompany loans which are considered to be equivalent to shareholders' funds in subsidiaries;
- translation of currency swaps contracted to hedge investments in subsidiary companies,

which are carried directly to "Other comprehensive income" under shareholders' funds.

For subsidiaries in countries with high inflation, non-monetary items and shareholders' funds are translated at historical exchange rates, and all exchange gains and losses are carried to the profit and loss account.

Financial instruments

Forward exchange contracts and currency options hedging receivables and debt in foreign currency are recorded at market value at the balance sheet date and value adjustment is recognized in the profit and loss account under financial income and expenses.

Forward exchange contracts and currency options hedging future income and expenses are not recognized in the balance sheet, but are deferred until the hedged income and expenses are realized.

Currency swaps are used to hedge net investments in subsidiaries. Currency swaps are recorded on the basis of the difference between the swap rate and the exchange rate at the balance sheet date, and the value adjustment is recorded in shareholders' funds.

Forward Rate Agreements (FRA) are used to hedge the interest risk on financial assets and liabilities and are valued at market value. All value adjustments are recorded in the profit and loss account under financial income and expenses.

Corporation tax

The Company has chosen to be assessed jointly with certain of its foreign and domestic subsidiary companies for Danish tax purposes. The Company provides for the aggregate Danish tax payable on the taxable income of Danish subsidiaries, and for deferred tax. The Danish jointly assessed companies are included in the scheme for on account payment of tax.

Tax payable for the year, with addition of the change in deferred tax for the year, is charged to the profit and loss account in the Group. Tax payable for the year comprises the tax on the expected taxable income and corrections to tax payable for previous years.

Deferred tax is provided under the liability method and comprises all temporary differences between the accounting and tax values of the assets and liabilities, except from goodwill in cases where amortization of goodwill for tax purposes is not allowed. Further deferred tax is provided for retaxation of losses realized in foreign companies, when the retaxation is considered to be realized by the Company's departure from the joint taxation. Tax losses carried forward will be set off against deferred tax liabilities to the extent that the tax losses are expected to be utilized in the future.

Deferred tax is provided at the current tax rate. For Novozymes A/S the deferred tax at 31 December 2000 is provided with 30% as a result of the reduced tax rate from 32% to 30%.

Pensions

Costs related to defined contribution plans are carried to the profit and loss account as incurred, and deferred pension costs are carried under other debt. Costs related to various benefit plans are accrued over the expected working life of the employee. The present value of non-financed plans is provided under provisions. The change in the provisions for the year is carried to the profit and loss account.

Leasing and rental agreements

Operational leasing costs and rental costs are carried to the profit and loss account over the term. The total commitment for the non-cancellable lease period is disclosed in the notes.

Share options

It is the Company's intention to consecutively hedge the allocated share options by purchase of own shares. As a consequence, no cost or obligation is incurred at the date of allocation, or on subsequent value adjustment.

Grants

Grants received which relate to research and development are recognized under "Licence fees and Other operating income (net)" in step with completion of the projects. In the case of reimbursements, refunds are charged to the profit and loss account.

Profit and loss account

Net turnover

Net turnover represents amounts invoiced excluding value added tax and after deduction of goods returned, trade discounts and allowances. Sales are recognized at the time of risk transfer related to the goods sold.

Production costs

Production costs are acquisition or cost price for goods sold during the year and comprise both direct and indirect production costs. The cost price comprises materials, energy, wages, salaries and depreciation, etc. Production costs furthermore include write-downs on stocks.



Novozymes' corporate headquarters are situated in Bagsvaerd, Denmark. Around 1,900 of Novozymes' 3,200 employees work in Denmark.

Sales and distribution costs

Sales and distribution costs comprise costs incurred on the distribution, sale and marketing of the products of the Group, including salaries and depreciation, as well as write-downs for losses and realized losses on trade debtors.

Research and development costs

Research and development costs include costs attributable to the research and development activities, the registration and maintenance of patents, depreciation and salaries. All research and development costs are carried to the profit and loss account as incurred.

Administrative expenses

Administrative expenses comprise the costs of the administrative functions, including salaries and depreciation.

Licence fees and Other operating income (net)

Licence fees and Other operating income (net) comprise licence fees, grants from public authorities to research projects and income (net) of a secondary nature in relation to the main activities of the Group. The item also includes one-off income items (net) in respect of out-licensing, etc.

Financial income and expenses

Financial income and expenses comprise interest receivable and interest payable, realized and unrealized gains and losses from foreign exchange, short-term investments and the main part of other financial instruments, and other financial income and expenses. Interest for the period is included in the profit and loss account irrespective of payment terms.

Balance sheet

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization. Amortization is provided by the straight-line method over the expected economic lives of the assets, as follows:

- Purchased patents and licences are amortized over their duration. Booked patents and licences are amortized over periods of up to 10 years.
- Goodwill is amortized over the expected economic life, not exceeding 40 years. Booked goodwill is amortized over 5-15 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Capitalized interest in respect of construction of major investments is included in the cost of the assets. Costs of major

IT projects regarding development of software for internal use are capitalized under "Other equipment."

Depreciation is provided under the straight-line method over the following expected useful lives:

- Buildings, 12-50 years
- Plant and machinery, 5-16 years
- Other equipment, 3-16 years
- Minor fixed assets below DKK 50,000 and fixed assets with a limited expected useful life below three years are charged to the profit and loss account in the year of acquisition.

Fixed asset investments

In the annual accounts participating interests in subsidiaries are recorded under the equity method, i.e. at the respective share of the subsidiaries' net assets. Any cost in excess of net assets in the acquired company is capitalized in the Company as "Goodwill" under "Fixed asset investments". In the consolidated accounts goodwill is recorded as "Goodwill" under "Intangible fixed assets". See "Intangible fixed assets" concerning amortization of goodwill.

In the annual accounts net profit of subsidiaries less unrealized profit on stocks is recorded in the profit and loss account. If shareholders' funds of subsidiaries are negative, receivables from the subsidiaries will be set off against the Company's share of the negative equity.

To the extent that it exceeds dividends received from such companies, net revaluation of participating interests in subsidiaries is transferred to the revaluation reserve for investments under shareholders' funds.

Other securities and participating interests are stated at cost less write-down for permanent reductions in value.

The holding of own shares is perceived as a *de facto* capital write-down and therefore the costs of acquisition are deducted directly from shareholders' funds. The Company's own shares are primarily held as security for approved share options.

Stocks

Raw materials and consumables are stated at cost determined on a first-in first-out basis. Work in progress and finished goods are stated at cost determined on a first-in first-out basis. Cost comprises direct production costs such as raw materials and consumables including energy and labour, and indirect production costs such as depreciation, maintenance, etc. Goods for which the expected sales price less completion costs and costs

to execute the sale (net realizable value) is lower than the cost price, are written down to net realizable value.

Debtors

Debtors are stated at nominal value less provision for losses on doubtful debts. The provision is based on an individual assessment of each debtor, which also includes an evaluation of payment difficulties associated with individual countries.

Current asset investments

Current asset investments are stated at market value at the balance sheet date. Realized and unrealized gains and losses (net) are included in financial income/financial expenses. If the total market value at the balance sheet date exceeds the cost price, the difference is included as a separate component ("Revaluation reserve") under shareholders' funds.

From the time of the Demerger, shares in Novo Nordisk A/S are recognized in the balance sheet as "Current asset investments." The shares are used to hedge the option commitments which Novozymes A/S is liable for. The shares in Novo Nordisk A/S are stated at the option prices.

Consolidated statement of cash flows and financial reserves

The consolidated statement of cash flows and financial reserves is presented in accordance with the indirect method, commencing with net profit. The statement shows cash flow for the year, the financial reserves for the year and the financial reserves at the beginning and end of the year.

Cash flow from operating activities

Cash flow from operating activities comprises net profit adjusted for non-cash operating items, interest received, interest paid, income taxes paid, and changes in working capital.

Working capital consists of current assets less current liabilities, excluding those items which are included in financial reserves.

Cash flow from investing activities

Cash flow from investing activities comprises the acquisition and sale of intangible and tangible fixed assets and fixed asset investments.

On the acquisition or sale of companies and activities, cash flow is adjusted for additions and disposals of assets and liabilities. The purchase price is recorded as the value of the assets acquired including any goodwill and acquisition costs. The sales price is recorded after deduction of trade costs.

Cash flow from financing activities

Cash flow from financing activities comprises the proceeds from and the repayment of principal on mortgage loans, other long-term debt, dividends, the proceeds from share issues and purchase of own shares.

Financial reserves

Financial reserves comprise cash at bank and in hand and short-term current asset investments, less short-term bank loans due on demand. Undrawn committed credit facilities expiring in more than one year are also included in financial reserves.

United States Generally

Accepted Accounting Principles (US GAAP)

The Company prepares a reconciliation of the effect on shareholders' funds and the profit and loss account of the application of US Generally Accepted Accounting Principles in lieu of Danish principles. The US GAAP reconciliations are disclosed in Note 22 to the accounts for the Group. Novozymes A/S is listed only on the Copenhagen Stock Exchange and therefore this note is expected to be omitted next year.



Novozyymes' factory in Tianjin, China.

**Statement of the Board of Directors and the Management**

The Board of Directors and the Management have approved the consolidated accounts and the annual accounts of Novozymes A/S for the year 2000. The accounts have been prepared in accordance with the prevailing accounting provisions. In our opinion the accounting policies applied are appropriate and the accounts for the Group and the parent company give a true and fair view of the Group's and the parent company's assets and liabilities, financial position and profit for the year.

Gladsaxe, 21 February 2001

Management:

Steen Riisgaard	Per Falholt	Per Månsson	Peder Holk Nielsen	Arne W. Schmidt
<i>President and CEO</i>				

Board of Directors:

Henrik Gürtler	Kurt Anker Nielsen	Paul Petter Aas	Jerker Hartwall	Walther Thygesen	Hans Werdelin
<i>Chairman</i>	<i>Vice Chairman</i>				

Auditors' report

We have audited the consolidated accounts and annual accounts of Novozymes A/S for 2000 as presented by the Board of Directors and the Management.

Basis of opinion

We planned and performed our audit in accordance with International Standards on Auditing and Danish auditing provisions to obtain reasonable assurance that the accounts are free from material misstatement. Based on an assessment of materiality and risk, our audit included an examination of the basis and evidence supporting the amounts and other disclosures in the accounts. Furthermore, we have assessed the accounting policies applied and estimates made by the Board of Directors and the Management, as well as evaluated the overall adequacy of the presentation in the accounts.

Our audit did not give rise to any qualifications.

Supplementary opinion

As indicated on page 7 to the consolidated accounts and annual accounts for 2000, Novozymes A/S was established as an independent company at the extraordinary general meeting of Novo Nordisk A/S on 13 November 2000 with retroactive effect as of 1 January 2000.

Consequently, the consolidated accounts and annual accounts may not provide a complete view of the assets and liabilities, financial position and results of Novozymes A/S on a stand-alone basis in the period up to 13 November 2000. Therefore, the usefulness of the consolidated accounts and annual accounts as a basis of assessment of the future development of Novozymes as an independent, listed company with its own management is inherently limited.

Opinion

In our opinion, the consolidated accounts and annual accounts have been prepared in accordance with Danish accounting legislation and give a true and fair view of the assets and liabilities, the financial position and the results for the year of the Group and the parent company.

Gladsaxe, 21 February 2001

PricewaterhouseCoopers

Morten Iversen
*State-Authorized
Public Accountant*

Lars Holtug
*State-Authorized
Public Accountant*

Ernst & Young
Statsautoriseret Revisionsaktieselskab

John Lundin
*State-Authorized
Public Accountant*



	Note	1998 DKK million	1999 DKK million	2000 DKK million
Net turnover	1	4,264	4,501	5,033
Production costs	2, 3	2,142	2,207	2,414
Gross profit		2,122	2,294	2,619
Sales and distribution costs	2, 3	498	535	657
Research and development costs	2, 3	604	607	645
Administrative expenses	2, 3	458	479	515
Licence fees and Other operating income (net)	4	41	14	23
Operating profit		603	687	825
Financial income	5	216	144	120
Financial expenses	6	255	229	240
Profit before taxation		564	602	705
Corporation tax	7	177	192	220
Profit incl. minority interests		387	410	485
Equity minority interests		6	—	(2)
Net profit		393	410	483

**Leather**

For a good result, all meat, blood and fat must be removed from skins and hides before they are tanned. Enzymes are used in this process and also help to remove hair from skins and hides more effectively.

Textiles

Before yarns are woven into fabrics, they are fortified with a coating that stops the yarn from breaking during weaving. One use of enzymes in this industry is to remove this coating once the fabric is complete.

Pulp & Paper

Enzymes help to reduce the amount of chlorine needed to bleach paper and can also be used to remove pitch in paper production.

Detergents

Enzymes in detergents make it easier to remove difficult stains like those from gravy and fat. Other detergent enzymes maintain the colours of cotton fabrics by chopping off the small pills that form when these fabrics are washed.



The Novozymes Group

Balance sheet

Assets	Note	31 Dec 1999 DKK million	31 Dec 2000 DKK million
Patents and licences		66	55
Goodwill		13	–
Intangible fixed assets	8	79	55
Land and buildings		2,016	2,152
Plant and machinery		1,666	1,540
Other equipment		250	374
Payments on account and assets in course of construction		568	465
Tangible fixed assets	9	4,500	4,531
Other securities and participating interests		5	–
Fixed asset investments	10	5	–
Total fixed assets		4,584	4,586
Raw materials and consumables		146	172
Work in progress		325	302
Finished goods		826	766
Stocks		1,297	1,240
Trade debtors		742	802
Amounts owed by related parties		21	26
Tax receivable	7	156	191
Other debtors	11	206	377
Debtors		1,125	1,396
Current asset investments	12	373	460
Cash at bank and in hand		699	536
Total current assets		3,494	3,632
Total assets		8,078	8,218

Liabilities and shareholders' funds

	Note	31 Dec 1999 DKK million	31 Dec 2000 DKK million
Share capital		754	754
Revaluation reserve		139	–
Retained earnings		2,238	2,705
Other comprehensive income		219	312
Total shareholders' funds	13	3,350	3,771
Minority interests		75	83
Provisions for pension commitments and similar obligations		52	59
Provision for deferred tax (net)	7, 14	788	849
Other provisions		14	15
Total provisions		854	923
Credit institutions	15	2,725	902
Amounts owed to related parties		65	25
Total long-term debt		2,790	927
Credit institutions	16	149	1,352
Trade creditors		197	169
Amounts owed to related parties		44	171
Tax payable	7	135	99
Other creditors		484	599
Proposed dividends		–	124
Total current liabilities		1,009	2,514
Total long-term debt and current liabilities		3,799	3,441
Total liabilities and shareholders' funds		8,078	8,218

Notes regarding:

Foreign currencies in the consolidated balance sheet	17
Financial instruments in the Group	18
Contingent liabilities and pending litigation	19
Related party transactions	20
Grants	21
United States Generally Accepted Accounting Principles	22



	Note	1998 DKK million	1999 DKK million	2000 DKK million
Net profit		393	410	483
Reversals with no effect on cash flow	A	741	480	788
Corporation tax paid		(263)	(148)	(229)
Interest received		175	147	88
Interest paid		(187)	(139)	(161)
Cash flow before change in working capital		859	750	969
Change in working capital:				
(Increase)/decrease in trade debtors and other debtors		91	(154)	(212)
(Increase)/decrease in stocks		(47)	127	88
Increase/(decrease) in amounts owed to related parties (net)		52	(32)	121
Increase/(decrease) in trade creditors and other creditors		76	105	72
Cash flow from operating activities		1,031	796	1,038
Investments:				
Purchase of intangible fixed assets		(31)	–	–
Sale of tangible fixed assets		–	1	15
Purchase of tangible fixed assets		(372)	(567)	(398)
Cash flow from investing activities		(403)	(566)	(383)
Free cash flow		628	230	655
Financing:				
Long-term loans/(repaid)		–	1,850	(750)
Loan issued from/(repaid to) Novo Nordisk Group		(565)	(2,398)	(40)
Purchase of shares in Novo Nordisk A/S		–	–	(189)
Purchase of own shares		–	–	(8)
Cash flow from financing activities		(565)	(548)	(987)
Net cash flow		63	(318)	(332)
Unrealized gain/(loss) on deposits in currencies and current asset investments included in financial reserves		5	94	(13)
Net change in financial reserves		68	(224)	(345)
Financial reserves at 1 January		1,079	1,147	923
Financial reserves at 31 December	B	1,147	923	578
Undrawn committed credit facility	C	1,000	1,000	1,000
Financial reserves at 31 December		2,147	1,923	1,578

The figures in the statement of cash flows and financial reserves cannot be derived directly from the consolidated accounts for 1998, 1999 and 2000. The reason is that for each of these years, in order to present the statement of cash flows and financial reserves, the balance sheet at the beginning of the year is converted at the exchange rate at the end of the same year. This eliminates the changes in cash flow due to exchange rate fluctuations.

**Note A – Reversals with no effect on cash flow**

	1998 DKK million	1999 DKK million	2000 DKK million
Loss from sale of tangible fixed assets	8	2	6
Write-down for doubtful debtors	18	16	22
Taxation	177	192	220
Depreciation and amortization	483	479	491
Realized (gain)/loss on shares and bonds (net)	(49)	18	(31)
Unrealized foreign exchange (gain)/loss	43	(142)	(38)
Interest receivable and interest payable	20	3	77
Other	41	(88)	41
Reversals with no effect on cash flow	741	480	788

Note B – Financial reserves

Financial reserves consist of cash at bank and in hand, current asset investments and short-term credit institutions.

	1998 DKK million	1999 DKK million	2000 DKK million
Total current asset investments at 1 January	655	770	373
Receipts from marketable securities	(2,260)	(647)	(666)
Outlays for marketable securities	2,350	235	587
Unrealized gain/(loss) on marketable securities	15	15	–
Currency translation adjustments	10	–	–
Current asset investments at 31 December	770	373	294
Short-term credit institutions at 31 December	(94)	(149)	(252)
Cash at 31 December	471	699	536
Financial reserves at 31 December	1,147	923	578

Current asset investments with remaining term to maturity exceeding three months at 31 December

* 770 373 –

Financial reserves and current asset investments with remaining term to maturity less than three months at 31 December

471 699 830

Note C – Expiration date for undrawn committed credit facilities

The current maturity of the undrawn committed credit facility exceeds one year.

**Note 1 – Net turnover**

	1998 DKK million	1999 DKK million	2000 DKK million
Technical enzymes	3,192	3,289	3,548
Food enzymes	897	983	1,187
Feed enzymes	175	229	298
Total net turnover	4,264	4,501	5,033
By geographical area:			
Europe, Middle East, Africa	2,077	2,091	2,150
North America	999	1,039	1,392
Asia Pacific	669	847	990
Latin America	519	524	501
Total net turnover	4,264	4,501	5,033
of which percentage sale to two principal customers	37%	32%	29%

Note 2 – Employee costs

	1998 DKK million	1999 DKK million	2000 DKK million
Wages and salaries	1,054	1,094	1,115
Pensions	55	65	69
Other contributions to social security	68	69	77
Other employee costs	68	68	73
Total employee costs	1,245	1,296	1,334
Included in the profit and loss account under the following headings:			
Production costs	538	557	572
Sales and distribution costs	187	204	232
Research and development costs	310	312	319
Administrative expenses	200	218	220
	1,235	1,291	1,343
Included in the balance sheet as:			
Change in employee costs included in stocks	10	5	(9)
Total employee costs	1,245	1,296	1,334
Total remuneration to the Management (for the year 2000)			12
Total remuneration to the Board of Directors (from 13 November 2000)			1

The Board of Directors commenced at 13 November 2000, and the total remuneration concerns the period from that date until 31 December 2000. In connection with the stock exchange listing 37,189 own shares for a value of DKK 5 million were allocated to the Management and 14,070 own shares for a value of DKK 2 million to selected employees.

	1998	1999	2000
Average number of employees in the Novozymes Group	3,167	3,199	3,204

Note 2 – Employee costs (continued)

Share options

In 1998 Novo Nordisk A/S established a share option scheme for the Management and other managerial staff. Allocation of the share options to the Management and other managerial staff is tied to results in achieved profits and shareholder value goals. The maturity of the options is eight years, and each option gives the holder of the option the right after three years to purchase one share with a nominal value of DKK 10. For options issued up to and including the consolidated accounts for 1999, the options were issued with an offer price equal to the price for the Company's shares at the time the options were issued. Options regarding year 2000 were issued with an offer price equal to the price for the Company's shares at the time when the option scheme was announced. The allocated options are divided into one Novozymes A/S option and one Novo Nordisk A/S option following the Demerger.

The above mentioned options can be exercised independently of each other, and the distribution of the offer price is 9.3% for Novozymes A/S and 90.7% for Novo Nordisk A/S, which is in agreement with the distribution of the stock exchange rate in the first 20 days of the registration of both the companies on the Copenhagen Stock Exchange.

In connection with the stock exchange listing a separate allocation of options was made to the Management. A condition for the allocation of options was that the holder should purchase shares in Novozymes A/S for an amount equal to approximately one year's salary before tax. For each share purchased, each member of the Management will receive four options. The maturity period for these options is six years, and each option gives the holder after three years the right to purchase one share in Novozymes A/S. The offer price for the options corresponds to Novozymes A/S' proportional share of the amount of DKK 1,093 (the share price on the first day of trading after the annual meeting of shareholders on 23 March 2000).

Furthermore, share options have been allocated to selected managerial staff. The maturity period for these options is eight years, and each option gives the holder after three years the right to purchase one share in Novozymes A/S at an offer price of DKK 150.

The table below covers only the options on the Novozymes A/S share issued to employees in Novozymes.

Share options in Novozyms A/S per share	Management	Other managerial staff	Total	Offer price per option in DKK	Market value per option in DKK*)	Total market value in DKK million*)
Outstanding at 1 January 1998	5,300	–	5,300	97	28	–
Allocated regarding 1998	3,150	19,000	22,150	64	16	–
Outstanding at 31 December 1998	8,450	19,000	27,450			1
Allocated regarding 1999	7,500	40,400	47,900	101	27	1
Outstanding at 31 December 1999	15,950	59,400	75,350			2
Allocated regarding 2000	8,200	51,500	59,700	101	75	4
Stock exchange listing options, the Management	312,200	–	312,200	101	88	27
Stock exchange listing options, other managerial staff	–	326,000	326,000	150	43	14
Transferred to Novo A/S	(3,950)	(4,300)	(8,250)	–	–	–
Adjustment of value						4
Outstanding at 31 December 2000	332,400	432,600	765,000			51

*) The market value is calculated on the basis of the Black-Scholes model for valuation of options. The calculation is based on the conditions of an earnings per share of DKK 1.65, and a volatility of 31%; the risk-free interest is assessed at 5% and the expected maturity is fixed at one year after the expiry of the binding period.

At 31 December 2000 the Group's outstanding Novo Nordisk A/S options amounted to 126,800, with an average offer price of DKK 931 per share of DKK 10 and a market value of DKK 83 million. These options are hedged by the Groups' Novo Nordisk A/S shares valued at average offer price.

The Group is obliged to divest 8,250 shares at DKK 1 million to Novo A/S with regard to options allocated to employees who were transferred to Novo A/S in connection with the Demerger. The shares shall be divested at a time when the options for these employees can be exercised and Novozymes A/S has committed to reimburse Novo A/S for a share of its expenses equivalent to the value of the shares at the time of the transition of employees to Novo A/S.



Note 3 – Depreciation and amortization

	1998	1999	2000
	DKK million	DKK million	DKK million
Included in the profit and loss account under the following headings:			
Production costs	358	351	375
Sales and distribution costs	32	35	36
Research and development costs	49	55	41
Administrative expenses	44	38	39
Total depreciation and amortization	483	479	491

Note 4 – Licence fees and

Other operating income (net)

	1998	1999	2000
	DKK million	DKK million	DKK million
Other operating income (net)	26	10	5
Licence fees	15	4	18
Total licence fees and			
Other operating income (net)	41	14	23

Note 5 – Financial income

	1998	1999	2000
	DKK million	DKK million	DKK million
Interest receivable	167	144	89
Gains on shares and bonds, etc. (net)	49	–	31
Total financial income	216	144	120

Note 6 – Financial expenses

	1998	1999	2000
	DKK million	DKK million	DKK million
Interest payable	87	82	166
Interest payable to Novo Nordisk A/S	100	65	–
Loss on shares and bonds, etc. (net) ¹	–	18	–
Foreign exchange loss (net)	59	59	65
Other financial expenses	9	5	9
Total financial expenses	255	229	240

Interest payable including capitalized financing interest	191	154	181
Capitalized financing interest under tangible fixed assets	4	7	15
Estimated interest rate regarding interest payable to Novo Nordisk A/S	3.7%	3.0%	–

Note 7 – Tax

	Tax in the profit and loss account DKK million	Tax payable/ (tax receivable) DKK million	Deferred tax/(deferred tax receivable) DKK million
At 1 January 2000	–	(21)	788
Currency adjustment	–	6	20
Tax on equity posting	–	(27)	–
Tax on the profit for the year	220	179	41
	220	137	849
Paid on account for 2000	–	(122)	–
Paid relating to previous years	–	(107)	–
Paid for 2000	–	(229)	–
Tax at 31 December 2000	220	(92)	849
Tax receivable	–	(191)	–
Tax payable	–	99	–
	–	(92)	–
Tax for the year:			
Current tax on the profit for the year	206	–	–
Deferred tax adjustment	39	–	–
Adjustment relating to previous year	(25)	–	–
Tax on the profit for the year	220	–	–

Note 7 – Tax (continued)

	1998 DKK million	1999 DKK million	2000 DKK million
Taxes paid	263	148	229
	1998	1999	2000
Computation of effective tax rate:			
Statutory corporation tax rate in Denmark	34.0%	32.0%	32.0%
Non-tax deductible expenses less non-taxable income	3.7%	0.5%	1.5%
Effect of Danish tax relief for foreign income	–	(0.4%)	–
Deviations in foreign subsidiaries' tax rates higher/(lower) than 34/32% – net	(2.9%)	(2.2%)	(1.0%)
Effect of change in tax rate from 34% in 1998 to 32% in 1999	(5.5%)	–	–
Effect of change in tax rate from 32% in 2000 to 30% in 2001	–	–	(2.9%)
Other	1.8%	2.0%	1.7%
Effective tax rate	31.1%	31.9%	31.3%

Note 8 – Intangible fixed assets

	Goodwill DKK million	Patents and licences DKK million	Total DKK million
Cost at 1 January 2000	55	151	206
Currency adjustment	–	2	2
Additions during the year	–	–	–
Disposals during the year	–	(1)	(1)
Cost at 31 December 2000	55	152	207
Amortization at 1 January 2000	42	85	127
Currency adjustment	–	2	2
Amortization for the year	13	10	23
Amortization eliminated on disposals during the year	–	–	–
Amortization at 31 December 2000	55	97	152
Book value at 31 December	–	55	55



Note 9 – Tangible fixed assets

	Land and buildings	Plant and machinery	Other equipment	Payments on account and assets in course of construction	Total
	DKK million	DKK million	DKK million	DKK million	DKK million
Cost at 1 January 2000	2,845	3,712	929	568	8,054
Currency adjustment	73	78	13	7	171
Additions during the year	35	20	95	248	398
Disposals during the year	(12)	(60)	(58)	–	(130)
Transfer (to)/from other items	140	104	114	(358)	–
Cost at 31 December 2000	3,081	3,854	1,093	465	8,493
Depreciation at 1 January 2000	829	2,046	679	–	3,554
Currency adjustment	12	29	8	–	49
Depreciation for the year	97	293	78	–	468
Depreciation eliminated on disposals during the year	(9)	(54)	(46)	–	(109)
Depreciation at 31 December 2000	929	2,314	719	–	3,962
Book value at 31 December 2000	2,152	1,540	374	465	4,531

Geographical distribution:

Denmark	2,420
USA	1,080
China	793
Rest of the world	238
	4,531

Note 10 – Fixed asset investments

	Other securities and participating interests DKK million
Cost at 1 January 2000	5
Additions during the year	–
Disposals during the year	(5)
Cost at 31 December 2000	–
Book value at 31 December 2000	–

Note 11 – Other debtors

	1999 DKK million	2000 DKK million
Interest receivable	11	11
Receivable from public authorities	49	60
Withholding tax receivable	–	162
Deposits	17	19
Prepayments and accrued income	114	54
Other debtors	15	71
Total other debtors at 31 December	206	377

Note 12 – Current asset investments

	1999 DKK million	2000 DKK million
Bonds	88	294
Unit trusts and shares	285	166
Total current asset investments at 31 December	373	460
At original acquisition cost	234	465
Duration of the Group's bond portfolio	6.2 years	0.1 year
Effective rate of interest of the Group's bond portfolio	5.5%	5.7%

Note 13 – Shareholders' funds

	1998 DKK million	1999 DKK million	2000 DKK million
Share capital			
A share capital	107	107	107
B share capital at 1 January	643	647	647
Additions to B share capital during the year	4	–	–
Share capital at 31 December	754	754	754
Revaluation reserve			
Revaluation reserve at 1 January	26	96	139
Change for the year	70	43	(139)
Revaluation reserve at 31 December	96	139	–
Retained earnings			
Retained earnings at 1 January	1,548	1,871	2,238
Net profit for the year	393	410	483
Proposed dividends	–	–	(124)
Transfer (to)/from revaluation reserve	(70)	(43)	139
Purchase of Novo Nordisk A/S shares before the Demerger	–	–	(189)
Transfer of Novo Nordisk A/S shares to "Current asset investments" after the Demerger	–	–	166
Purchase of own shares	–	–	(8)
Retained earnings at 31 December	1,871	2,238	2,705
Other comprehensive income			
Currency adjustment of participating interests in subsidiaries:			
Currency adjustment at 1 January	95	(7)	256
Change for the year	(102)	263	101
Currency adjustment at 31 December	(7)	256	357
Other adjustments			
Other adjustments at 1 January	(14)	(29)	(37)
Change for the year	(15)	(8)	(8)
Other adjustments at 31 December	(29)	(37)	(45)
Other comprehensive income at 31 December	(36)	219	312
Total shareholders' funds at 31 December	2,685	3,350	3,771
Weighted average number of A and B shares outstanding (excluding holding of own B shares):	75,234,022	75,438,872	75,296,239

To hedge the share options issued in connection with the Demerger, Novozymes A/S has purchased 180,000 of Novo Nordisk A/S shares at DKK 10 per share, for a total amount of DKK 189 million where 18 million can be related to Novozymes A/S shares. In connection with the Demerger these shares are divided into Novozymes A/S shares and Novo Nordisk A/S shares. After the Demerger, the Novo Nordisk A/S shares are included in the balance sheet under "Current asset investments" at the rates of exchange for options. Furthermore, 53,500 shares were purchased at a value of DKK 8 million.

At 31 December 2000 the portfolio of own shares was 182,241, which corresponds to 0.2% of the share capital. At 31 December 2000 the total purchase price of the portfolio of own shares amounted to DKK 21 million and a total market value of DKK 29 million. These shares are used to hedge the issued share options.

**Note 14 – Provision for deferred tax**

	1999 DKK million	2000 DKK million
Tangible fixed assets	476	458
Unrealized profit on intercompany stocks	(87)	(82)
Provision for bad debts	(20)	(15)
Indirect production costs	129	118
Other	290	370
Total provision for deferred tax at 31 December	788	849

The provision for deferred tax is based on a tax rate of 30% in 2000 compared with 32% in 1999.

Note 15 – Credit institutions – long-term

	1999 DKK million	2000 DKK million
Mortgage debt with an interest rate of 6%	21	22
Unsecured loans and other long-term loans with terms between 2004-2013 at an interest rate of 5.3–6.4%, excluding the amounts falling due within one year	2,704	880
Total credit institutions at 31 December	2,725	902

The debt is payable within the following periods as from the balance sheet date:

Between 1 and 2 years	1,850	–
Between 2 and 3 years	–	2
Between 3 and 4 years	–	321
Between 4 and 5 years	296	–
After 5 years	579	579
	2,725	902

The debt is denominated in the following currencies:

CHF	21	22
EUR	2,408	557
USD	296	321
Other	–	2
	2,725	902

Revaluation of the above loans to market value at 31 December 2000 would not have entailed a cost.

Note 16 – Credit institutions – short-term

	1999 DKK million	2000 DKK million
Credit institutions	149	252
Loans with amounts falling due within one year	–	1,100
Total credit institutions at 31 December	149	1,352

Note 16 – Credit institutions – short-term (continued)

	1999 DKK million	2000 DKK million
The debt is denominated in the following currencies:		
CNY	148	150
DKK	–	1,195
ESP	–	2
JPY	1	2
Other	–	3
Total	149	1,352

At 31 December 2000 the Group had one undrawn committed credit facility amounting to DKK 1,000 million.

Note 17 – Foreign currencies in the consolidated balance sheet

Hedging of assets and liabilities in foreign currency

Million	Assets in DKK	Liabilities in DKK	Assets less liabilities in DKK	Contracted financial instruments in DKK	Net assets with transaction risk in DKK	Net assets with transaction risk in currency	Exchange rate at 31 December 2000 (for 100 units)
CHF	24	303	(279)	120	(159)	(33)	489.96
EUR	228	14	214	–	214	29	746.31
GBP	40	–	40	(24)	16	1	1,195.82
JPY	61	2	59	(59)	–	–	6.98
USD	520	255	265	(265)	–	–	802.05
Other	118	11	107	(22)	85	–	–
Total	991	585	406	(250)	156		

Transaction risk is the possibility of gains/losses on transactions which are open at the balance sheet date, due to subsequent exchange rate changes. The gains/losses will be included in the profit and loss account.

Hedging of net investments in foreign subsidiaries

Million	Net investment in foreign subsidiaries in DKK	Contracted financial instruments in DKK	Net assets with translation risk in DKK	Net assets with translation risk in currency	Exchange rate at 31 December 2000 (for 100 units)
CHF	617	(490)	127	26	489.96
CNY	759	–	759	780	97.35
EUR	53	–	53	7	746.31
JPY	107	–	107	1,531	6.98
USD	993	(505)	488	61	802.05
Other	288	–	288	–	–
Total	2,817	(995)	1,822		

Translation risk is the possibility of gains/losses arising from translation of net assets in subsidiaries due to subsequent exchange rate changes. The gains/losses will be included directly in "Other comprehensive income" under shareholders' funds.



Note 18 – Financial instruments in the Group

DKK million	Contract amount based on agreed rates	Gain/(loss) on revaluation to market value at 31 December 2000	Gain/(loss) included in 2000 profit and loss account	Gain/(loss) charged directly to unappropriated retained earnings at 31 December 2000	Deferred gain/(loss)	Interest margin p.a.	Maturity periods
Forward exchange contracts, net sales							
AUD/DKK	23	–	–	–	–		Jan 2001
CHF/DKK (net purchase)	123	(4)	(1)	–	(3)		Jan 2001
GBP/DKK	25	1	–	–	1		Jan-Feb 2001
JPY/DKK	358	44	12	–	32		Jan-Dec 2001
USD/DKK	1,027	66	18	–	48		Jan-Dec 2001
	1,556	107	29	–	78		
Currency options							
Purchased put options							
JPY/DKK	62	5	1	–	4		June-Sept 2001
USD/DKK	413	27	8	–	19		July-Nov 2001
Sold call options							
JPY/DKK	72	–	–	–	–		June-Sept 2001
USD/DKK	463	(3)	(1)	–	(2)		July-Nov 2001
	1,010	29	8	–	21		
Currency and interest rate swaps							
CHF/DKK	459	(32)	2	(31)	(3)	1.7%	Sept 2008
	459	(32)	2	(31)	(3)		
Loan for equity hedge							
USD	263	(58)	–	(58)	–		June 2004
USD	184	–	–	–	–		June 2001
	447	(58)	–	(58)	–		
	3,472	46	39	(89)	96		

The Group's expected future cash flows in major currencies are hedged as follows:

Currency	Number of months hedged
JPY	12
USD	11

As the financial instruments are entered with major, creditworthy banks, they are not considered to be subject to significant credit risk.

Note 19 – Contingent liabilities and pending litigation

	1999 DKK million	2000 DKK million
Contingent liabilities		
Rental and lease commitments expiring within the following periods as from the balance sheet date:		
Within 1 year	22	24
Between 1 and 2 years	16	19
Between 2 and 3 years	14	15
Between 3 and 4 years	11	12
Between 4 and 5 years	11	11
After 5 years	98	94
Total contingent liabilities at 31 December	172	175

Note 19 – Contingent liabilities and pending litigation (continued)

of which commitments at 31 December 2000 to related parties amount to DKK 62 million. The above rental and lease commitments are related to non-cancellable operating lease contracts. Financial lease contracts are immaterial.

	1999 DKK million	2000 DKK million
Contractual obligations relating to investments in tangible fixed assets to third party	24	41
Other guarantees and commitments to third party	111	65
Other guarantees and commitments in the Group	245	257
The year's rental and lease expenses	53	45

Pending litigation

Legal actions have been brought against Novozymes in an attempt to prevent Novozymes from marketing certain enzymes. The actions are based on an alleged infringement of a patent held by a third party. In the opinion of Novozymes, the patent is invalid and no infringement is taking place. If the claimant were to ultimately prevail, such an outcome could have a negative effect on the results and financial position of Novozymes.

At 22 August 2000 the district court in São Paulo handed down a ruling which confiscated Novozymes' assets in Brazil. Following an appeal from Novozymes to the Court of Appeals in São Paulo at 4 September 2000 the legal execution of the ruling was deferred. There has been no decision in the current case by the Court of Appeals in São Paulo in Brazil at 31 December 2000. It is the opinion of the Board of Directors and Management that there is no basis for the decision and it assesses that the ruling by the Court of Appeals will be in Novozymes' favour.

In addition, Novozymes is engaged in certain other legal proceedings. In the opinion of the Board of Directors and Management, settlement or continuation of these proceedings will not have a material effect on the financial position of Novozymes.

Liability for the debts and obligations of Novo Nordisk A/S

At the extraordinary meeting of shareholders of Novo Nordisk A/S which was held on 13 November 2000, the Demerger of Novo Nordisk A/S into two companies, respectively Novo Nordisk A/S and Novozymes A/S, was finally approved. In accordance with Section 136, subsection 3 of the Danish Companies Act Novo Nordisk A/S and Novozymes A/S are jointly and severally liable for the obligations existing on the announcement of the Demerger plan on 16 June 2000, but for a maximum amount equivalent to the capital carried over or the balance of the net value of each company at that time.

Debts and obligations pertaining to the period before 1 January 2000 which cannot be clearly attributed to either Novo Nordisk A/S or Novozymes A/S will be distributed proportionally between the two companies.

Note 20 – Related party transactions

Related parties are considered to be the Novo Nordisk Foundation, Novo A/S and the Novo Nordisk Group, and the directors and officers of these entities. Following the Demerger, Novozymes has had access to certain assets and purchased certain services from Novo A/S and the Novo Nordisk Group, and vice versa. All agreements relating to such assets and services have been negotiated at arm's length, and most of these agreements are for one year. During 2000 Novozymes incurred the following expense and generated the following income in respect of its related party transactions:

	(Purchase)/sale DKK million
Novo A/S	
Management and Stakeholder Service	(26)
Novo Nordisk Group	
Purchase of Novo Nordisk A/S shares	(189)
Purchase of materials to production from Novo Nordisk A/S	(66)
Other services provided by Novo Nordisk A/S	(81)
IT services provided by Novo Nordisk IT A/S	(77)
Services provided by Novo Nordisk Servicepartner A/S	(101)
Services provided by Novo Nordisk Engineering A/S	(40)
Services provided to the Novo Nordisk Group	68

There have been no material transactions with the Novo Nordisk Foundation or with any director or officer of Novozymes, Novo A/S, the Novo Nordisk Foundation or the Novo Nordisk Group.

Note 21 – Grants

During the financial year the Novozymes Group has received grants for research and development for DKK 9 million.

Note 22 – United States Generally Accepted Accounting Principles

See pages 8-11 for a description of the Groups' accounting policies. The areas for which the generally accepted accounting principles (GAAP) in the United States differ can be summarized as follows:

- Employee shares – according to Danish GAAP employee share issue at a favourable price is posted to shareholders' funds irrespective of the favourable price. According to US GAAP the difference between market price and the favourable price is employee costs and is taken to the profit and loss account.
- Financial instruments – according to Danish GAAP recording of foreign exchange contracts and options hedging future income and expenses are deferred. Under US GAAP such contracts are valued at market value and value adjustment is recorded in the profit and loss account.
- Dividends – according to Danish GAAP dividends are recorded in the accounting period they relate to. According to US GAAP dividends are recorded in the period in which they are declared.

**Note 22 – United States Generally Accepted Accounting Principles (continued)**

d) Share options and share-based remuneration – according to Danish GAAP no costs are included because these schemes are hedged with own shares. According to US GAAP the intrinsic value of the option for fixed schemes is included as a cost at the time of allocation. For variable schemes the intrinsic value is adjusted in subsequent periods up to the time that the conditions for the scheme can be finally compiled. If no service period has been fixed, the costs are accrued throughout the binding period.

e) In the statement of cash flow and financial reserves financial resources comprise current asset investments, cash and short-term bank loans. According to US GAAP cash and cash equivalents comprise cash and current asset investments with remaining term to maturity of less than three months. Current asset investments with remaining term to maturity exceeding three months are presented as investment activities and short-term bank loans are presented as financing activities.

The application of the described accounting principles generally accepted in the United States would have resulted in an adjustment of net profit calculated on a Danish basis as follows:

	1998 DKK million	1999 DKK million	2000 DKK million
Net profit in accordance with Danish accounting principles	393	410	483
Employee share issue	(101)	(27)	–
Financial instruments	(12)	10	99
Share options	–	–	(38)
Tax on the difference between Danish and US GAAP:			
Employee share issue	–	2	–
Financial instruments	4	(3)	(32)
Share options	–	–	11
Net profit in accordance with the US Generally Accepted Accounting Principles	284	392	523
Net profit per share in accordance with the US generally accepted accounting principles	3.76	5.20	6.95
Net profit per share (diluted) in accordance with the US generally accepted accounting principles	3.76	5.20	6.84
Net profit per share in accordance with Danish accounting principles	5.22	5.43	6.41

The application of the described accounting principles generally accepted in the United States would have resulted in an adjustment of shareholders' funds calculated on a Danish basis as follows:

Shareholders' funds in accordance with Danish accounting principles	2,685	3,350	3,771
Dividends	–	–	124
Financial instruments	(10)	–	99
Share options	–	–	(38)
Tax arising from the difference between Danish and US GAAP:			
Financial instruments	3	–	(32)
Share options	–	–	9
Shareholders' funds in accordance with the US Generally Accepted Accounting Principles	2,678	3,350	3,933

The following is a list of the balance sheet items affected as shown in the consolidated financial statements and adjusted to the accounting principles generally accepted in the United States:**According to Danish accounting principles:**

Debtors	898	1,125	1,396
Current liabilities	(820)	(1,009)	(2,514)
Deferred tax	(786)	(788)	(849)

Adjusted to the US Generally Accepted Accounting Principles:

Debtors	888	1,125	1,495
Current liabilities	(820)	(1,009)	(2,428)
Deferred tax	(783)	(788)	(872)



	Note	2000 DKK million
Net turnover	1	3,127
Production costs	2	1,819
Gross profit		1,308
Sales and distribution costs	2	421
Research and development costs	2	626
Administrative expenses	2, 3	289
Licence fees and Other operating income (net)	4	520
Operating profit		492
Profit before tax in subsidiaries		371
Financial income	5	74
Financial expenses	6	234
Profit before taxation		703
Corporation tax	7	220
Net profit		483
Proposed appropriation of net profit:		
Dividends		124
Transfer to shareholders' funds:		
Net revaluation reserve according to the equity method		63
Retained earnings		296
		483

**Alcohol**

Enzymes are used to produce beverage alcohol such as vodka, aquavit and gin by converting the starch in wheat and potatoes into sugars that are then fermented into pure alcohol.

Beer

Enzymes are used to supplement existing enzymes in malt, one of the raw materials used to make beer. This ensures a more reliable and efficient brewing process.

Bread

Enzymes are used to modify the structure of the starch in bread and make it better at retaining moisture. This means that a loaf stays fresh for longer.

Wine & Juice

Enzymes are used to improve yields from fruit in the production of wine and juice. Enzymes are also employed in the production of wine corks, to prevent them from affecting the taste of the wine.



Assets	Note	1 Jan 2000 DKK million	31 Dec 2000 DKK million
Patents and licences		65	55
Goodwill		13	–
Intangible fixed assets	8	78	55
Land and buildings		1,094	1,195
Plant and machinery		1,095	949
Other equipment		164	291
Payments on account and assets in course of construction		477	372
Tangible fixed assets	9	2,830	2,807
Participating interests in subsidiaries		2,723	2,306
Other securities and participating interests		5	–
Fixed asset investments	10	2,728	2,306
Total fixed assets		5,636	5,168
Raw materials and consumables		96	94
Work in progress		261	257
Finished goods		492	417
Stocks		849	768
Trade debtors		197	174
Amounts owed by related parties		455	709
Tax receivable		151	151
Other debtors	11	108	196
Debtors		911	1,230
Current asset investments	12	–	460
Cash at bank and in hand		643	188
Total current assets		2,403	2,646
Total assets		8,039	7,814

Liabilities and shareholders' funds

	Note	1 Jan 2000 DKK million	31 Dec 2000 DKK million
Share capital		754	754
Net revaluation reserve according to the equity method		663	726
Retained earnings		1,933	2,291
Total shareholders' funds	13	3,350	3,771
Provision for deferred tax (net)		494	485
Other provisions		12	4
Total provisions		506	489
Credit institutions	14	2,703	877
Amounts owed to related parties		–	25
Total long-term debt		2,703	902
Credit institutions		–	1,201
Trade creditors		158	112
Amounts owed to related parties		924	735
Tax payable		–	46
Other creditors		398	434
Proposed dividends		–	124
Total current liabilities		1,480	2,652
Total long-term debt and current liabilities		4,183	3,554
Total liabilities and shareholders' funds		8,039	7,814

Notes regarding:

Contingent liabilities and pending litigation	15
Related party transactions	16

**Note 1 – Net turnover**

	2000 DKK million
By geographical area:	
Europe, Middle East, Africa	2,019
North America	375
Asia Pacific	648
Latin America	85
Total net turnover	3,127

Note 2 – Employee costs

	2000 DKK million
Wages and salaries	745
Pensions	37
Other contributions to social security	13
Other employee costs	30
Total employee costs	825

Included in the profit and loss account under the following headings:

Production costs	394
Sales and distribution costs	80
Research and development costs	241
Administrative expenses	105
	820

Included in the balance sheet as:

Change in employee costs included in stocks	5
Total employee costs	825

For information of total remuneration to the Management and the Board of Directors see Note 2 in the consolidated accounts.

	2000
Average number of employees in Novozymes A/S	1,903

Note 3 – Fees to statutory auditors

	2000 DKK million
Fees from Novozymes A/S to Danish audit firms elected by the annual meeting of shareholders:	
Total fee to PricewaterhouseCoopers, Hellerup	4
Total fee to Ernst & Young, Copenhagen	1
of which statutory audit fee to	
PricewaterhouseCoopers, Hellerup	2
Ernst & Young, Copenhagen	1

Note 4 – Licence fees and Other operating income (net)

	2000 DKK million
Other operating income (net)	5
Licence fees	515
Total licence fees and Other operating income (net)	520

Note 5 – Financial income

	2000 DKK million
Interest receivable	74
Total financial income	74

Note 6 – Financial expenses

	2000 DKK million
Interest payable	193
Loss on shares and bonds, etc (net)	1
Foreign exchange loss (net)	36
Other financial expenses	4
Total financial expenses	234
of which interest relating to subsidiaries	34
Interest payable including capitalized financing interest	204
Capitalized financing interest under tangible fixed assets	11

Note 7 – Tax

	2000 DKK million
Tax for the year:	
Current tax on the profit for the year	206
Deferred tax adjustment	39
Tax on the profit for the year	245
Adjustment relating to previous year	(25)
Tax on the profit for the year	220
Tax paid in the financial year by the Company	27

For specification of tax see Note 7 in the consolidated accounts.

Note 8 – Intangible fixed assets

	Goodwill DKK million	Patents and licences DKK million	Total DKK million
Cost at 1 January 2000	55	133	188
Additions during the year	–	–	–
Disposals during the year	–	–	–
Cost at 31 December 2000	55	133	188
Amortization at 1 January 2000	42	68	110
Amortization for the year	13	10	23
Amortization eliminated on disposals during the year	–	–	–
Amortization at 31 December 2000	55	78	133
Book value at 31 December 2000	–	55	55

Note 9 – Tangible fixed assets

	Land and buildings DKK million	Plant and machinery DKK million	Other equipment DKK million	Payments on account and assets in course of construction DKK million	Total DKK million
Cost at 1 January 2000	1,596	2,727	681	477	5,481
Additions during the year	35	12	75	167	289
Disposals during the year	(2)	(46)	(46)	–	(94)
Transfer (to)/from other items	109	53	110	(272)	–
Cost at 31 December 2000	1,738	2,746	820	372	5,676
Depreciation at 1 January 2000	502	1,632	517	–	2,651
Depreciation for the year	42	210	50	–	302
Depreciation eliminated on disposals during the year	(1)	(45)	(38)	–	(84)
Depreciation at 31 December 2000	543	1,797	529	–	2,869
Book value at 31 December 2000	1,195	949	291	372	2,807

The latest official valuation of properties of the Company for property tax purposes amounts to a total of DKK 932 million.
Cost of property not officially valued amounts to DKK 149 million.



Note 10 – Fixed asset investments

	Participating interests in subsidiaries DKK million	Other securities and participating interests DKK million	Total DKK million
Cost at 1 January	2,108	5	2,113
Additions during the year	–	–	–
Disposals during the year	(619)	(5)	(624)
Cost at 31 December 2000	1,489	–	1,489
Revaluation reserve at 1 January	788	–	788
Profit/(loss) before tax (net)	331	–	331
Corporation tax on profit for the year	(134)	–	(134)
Dividends received	(174)	–	(174)
Currency adjustment	159	–	159
Other adjustments	(7)	–	(7)
Revaluation reserve at 31 December	963	–	963
Non-realized profit at 1 January 2000	(173)	–	(173)
Currency adjustment	(13)	–	(13)
Change for the year	40	–	40
Non-realized profit at 31 December 2000	(146)	–	(146)
Book value at 31 December 2000	2,306	–	2,306

Book value of participating interests in subsidiaries includes net capitalized goodwill of DKK 0 million at 31 December 2000. Amortization of goodwill for the year was DKK 13 million. There were no additions to goodwill during 2000.

Participating interests in subsidiaries are detailed on page 38.

Note 11 – Other debtors

	2000 DKK million
Interest receivable	11
Receivable from public authorities	61
Withholding tax receivable	34
Prepayments and accrued income	43
Other debtors	47
Total other debtors at 31 December	196

Note 12 – Current asset investments

	2000 DKK million
Bonds	294
Shares	166
Total current asset investments at 31 December	460
At original acquisition cost	465
Duration of the Company's bond portfolio	0.1 year
Effective rate of interest on the Company's bond portfolio	5.7%

Note 13 – Shareholders' funds2000
DKK million**Share capital**

A share capital – 10,748,720 shares of DKK 10 each	107
B share capital – 64,690,112 shares of DKK 10 each	647
Share capital at 31 December 2000	754

Total share capital at 31 December
is 75,438,832 shares of DKK 10 each

**Revaluation reserve according
to the equity method**

Revaluation reserve according to the equity method at 1 January	663
Appropriated from net profit	63
Revaluation reserve according to the equity method at 31 December	726

Retained earnings

Retained earnings at 1 January	1,933
Net profit for the year	296
Currency adjustment of investments in subsidiaries	101
Purchase of Novo Nordisk A/S shares before the Demerger	(189)
Transfer of Novo Nordisk A/S shares to "Current asset investments" after the Demerger	166
Purchase of own shares	(8)
Other adjustments	(8)
Retained earnings at 31 December	2,291

Total shareholders' funds at 31 December **3,771**

For specification of own shares and the average number of shares see
Note 13 in the consolidated accounts.

Note 14 – Credit institutions2000
DKK million

Credit institutions	877
Total credit institutions at 31 December	877

Long-term loans in credit institutions
which are falling due after five years, amount to

557

Note 15 – Contingent liabilities and pending litigation2000
DKK million**Contingent liabilities**

Rental and lease commitments expiring within the following
periods as from the balance sheet date:

Within 1 year	10
Between 1 and 2 years	8
Between 2 and 3 years	7
Between 3 and 4 years	6
Between 4 and 5 years	6
After 5 years	35

Total contingent liabilities at 31 December **72**

The above rental and lease commitments are related to non-cancellable
operating lease contracts.

2000
DKK million

Contractual obligations relating to investments in tangible fixed assets to third party	41
Other guarantees and commitments to third party	57
Other guarantees and commitments to related parties	699
The year's rental and lease expenses	17

The Company is jointly and severally liable for all tax on the jointly tax-
able income.

Pending litigation

For information on pending litigation see Note 19 in the consolidated
accounts.

Liability for the debts and obligations of Novo Nordisk A/S

For information on liability for the debts and obligations of Novo Nordisk
A/S see Note 19 in the consolidated accounts.

Note 16 – Related party transactions

For information on transactions with related parties see Note 20 in the
consolidated accounts.



DKK million	1997	1998	1999	2000
Profit and loss account				
Net turnover	4,347	4,264	4,501	5,033
Technical enzymes	3,366	3,192	3,289	3,548
Food enzymes	820	897	983	1,187
Feed enzymes	161	175	229	298
Employee costs	1,173	1,245	1,296	1,334
Research and development costs	570	604	607	645
EBITDA*	1,034	1,086	1,166	1,316
Operating profit	601	603	687	825
Financial items (net)	(128)	(39)	(85)	(120)
Profit before taxation	473	564	602	705
Tax on ordinary profit before tax	148	177	192	220
Net profit	325	393	410	483
Turnover in per cent:				
Technical enzymes	77.4%	74.9%	73.1%	70.5%
Food enzymes	18.9%	21.0%	21.8%	23.6%
Feed enzymes	3.7%	4.1%	5.1%	5.9%
Sales abroad in per cent of net turnover	98.7%	98.5%	98.1%	98.5%
Research and development: costs in per cent of net turnover	13.1%	14.2%	13.5%	12.8%
EBITDA margin*	23.8%	25.5%	25.9%	26.1%
Equity ratio*	30.8%	34.8%	41.5%	45.9%
Operating profit margin*	13.8%	14.1%	15.3%	16.4%
Pre-tax ordinary profit margin	10.9%	13.2%	13.4%	14.0%
Net profit margin	7.5%	9.2%	9.1%	9.6%
Effective tax rate*	31.3%	31.1%	31.9%	31.3%
Balance sheet				
Cash and current asset investments	1,114	1,241	1,072	995
Total assets	7,805	7,726	8,078	8,218
Current liabilities	642	820	1,009	2,514
Long-term debt	918	895	2,790	927
Net debt*	2,840	2,188	1,919	1,342
Shareholders' funds	2,405	2,685	3,350	3,771
Returns				
Return on equity*	14.9%	15.4%	13.6%	13.6%
ROIC*	7.5%	7.4%	8.4%	10.0%
Investments and cash flows				
Investments in tangible fixed assets (net)	721	372	566	383
Investments in intangible fixed assets and fixed asset investments (net)	3	31	–	–
Free cash flow*	(13)	628	230	655

DKK million	1997	1998	1999	2000
Share data				
Earnings (net profit) per share in DKK*	4.33	5.22	5.43	6.41
Cash flow per share in DKK*	9.48	13.70	10.55	13.79
Share capital (nominal) at year-end in DKK million	750	754	754	754
Number of shares at year-end (million)	75.0	75.4	75.4	75.4
Number of shares outstanding at year-end (million)	75.0	75.4	75.4	75.4
Weighted average number of shares outstanding (million)*	75.0	75.2	75.4	75.3
Employees (number end of period)				
Denmark	1,974	1,995	1,936	1,943
Rest of Europe	137	137	150	143
USA	373	394	398	378
Rest of the world	642	682	706	744
Total	3,126	3,208	3,190	3,208
Employees abroad in per cent of total number of employees	37%	38%	39%	39%

As stated in "Consolidated accounts and annual accounts for 2000" on page 7 the comparative figures are derived from the annual accounts of the former Novo Nordisk Group. Novozymes comparative figures are compiled solely for 1997 and subsequent years. As a consequence, the above Summary solely presents comparative figures for 1997 to 2000.

* For definitions, please refer to the inner cover.



Animal Feed

Livestock are seldom able to digest their feed completely. Adding enzymes makes various components break down more quickly and so enables the animals to utilize a far greater proportion of their feed.

Fuel Alcohol

Enzymes are used to turn maize (corn) starch into sugars that are then fermented into alcohol (ethanol), which can be used as a component in ordinary petrol and to regulate octane ratings.

Oils & Fats

Enzymes make it easier to make products like olive oil. By breaking down the cell walls, they facilitate the release of oil when the olive is pressed.

Starch

Enzymes can turn the starch in raw materials like maize into a sweet syrup. The maize is converted by a number of steps into this liquid sugar, which can be used to make foods and drinks, including soft drinks.



	Country	Year of incorporation/ acquisition		Issued share capital/ paid-in capital	Percentage of shares owned
Subsidiaries at 31 December 2000					
Novozymes Australia Pty. Ltd.	Australia	1976	AUD	500,000	100
Novo Nordisk Biotechnologie GmbH	Austria	1997	ATS	500,000	100
Novozymes Belgium BV	Belgium	2000	EUR	18,600	100
Novo Nordisk Bioindustrial do Brasil Ltda.	Brazil	1975	BRL	23,601,906	100
Novo Nordisk (China) Biotechnology Co. Ltd.	China	1994	CNY	859,058,400	90
Novo Nordisk (China) Investment Co. Ltd.	China	1997	CNY	766,382,288	100
Novo Nordisk Shenyang Biochemical Processing Ltd.	China	1994	CNY	9,069,311	100
Suzhou Hongda Enzyme Co. Ltd.	China	1994	CNY	34,769,000	62
Novozymes Bioindustrial A/S	Denmark	1974	DKK	1,000,000	100
Novozymes Bioindustrial China A/S	Denmark	1999	DKK	729,700,000	100
Novo Nordisk Bioindustrie S.A.	France	1976	FRF	300,000	100
Novo Nordisk Biotechnologie GmbH	Germany	1991	DEM	500,000	100
Novozymes South Asia Pvt. Ltd.	India	1998	INR	50,000,020	100
Novo Nordisk Bioindustrial S.r.l.	Italy	1978	ITL	20,137,208	100
Novozymes Japan Ltd.	Japan	1977	JPY	50,000,000	90
Novo Nordisk Property Ltd.	Japan	1982	JPY	2,843,000,000	100
Novozymes Malaysia Sdn. Bhd.	Malaysia	1997	MYR	6,666,414	100
Novo Nordisk, S.A. de C.V.	Mexico	1994	MXN	338,100	100
Novo Nordisk de Mexico S.A. de C.V.	Mexico	1994	MXN	338,100	100
Novozymes Netherlands B.V. (is being established)	Netherlands	2000	EUR	–	100
Novozymes Singapore Pte. Ltd.	Singapore	1994	SGD	2,000,000	100
Enzymes S.A. (Pty) Ltd.	South Africa	1996	ZAR	100	49
Novozymes Korea Limited	South Korea	1991	KRW	3,300,000,000	100
Novo Nordisk Bioindustrial S.A.	Spain	1989	ESP	60,000,000	100
Novozymes Switzerland AG	Switzerland	1998	CHF	5,000,000	100
Novozymes Switzerland Finance AG	Switzerland	1998	CHF	2,500,000	100
Novozymes Switzerland Holding AG	Switzerland	1967	CHF	3,000,000	100
Novozymes Enzim Dis Ticaret Limited Sirketi	Turkey	1998	TRL	T21,000,000	100
Novozymes UK Ltd.	United Kingdom	1977	GBP	1,000,000	100
Novo Nordisk BioChem North America, Inc.	United States	1976	USD	17,500,000	100
Novo Nordisk Biotech Inc.	United States	1992	USD	1,000	100
Novozymes American Holding, Inc.	United States	2000	USD	115,387,497	100
Novo Nordisk Bioindustrial S.A.	Venezuela	1987	VEB	14,500	100



Novozymes' shares in 2000

The share was traded for the first time on 17 November 2000. Novozymes B shares equivalent to a market value of DKK 4 billion were traded on the Copenhagen Stock Exchange during the relevant period of 2000. The share was thus one of the most traded KFX shares in the period. On 29 December the share closed at DKK 159, against an initial price of DKK 150. This represents an increase of 6% since the listing on the stock exchange. At the end of 2000 the number of shareholders registered by name was 40,000. The market value of Novozymes' outstanding share capital at the end of 2000, calculated as the total number of shares (A+B) at year-end multiplied by the closing price, was DKK 12 billion. Novo A/S holds 13% of all B shares, giving a Free Float of 87% calculated on the basis of the number of outstanding B shares. Novozymes is included in several share indices, including the Morgan Stanley Specialty Chemistry index.

Investor relations

Shareholders, financial analysts, representatives of banks, brokerage firms and other investment professionals should address enquiries concerning Novozymes and its business areas to the company's Investor Relations office:

Michael Steen-Knudsen
Novozymes A/S
Krogshøjvej 36
2880 Bagsvaerd
Denmark
Tel. +45 4442 6048
Fax +45 4442 1002

Registration number

The business registration number of Novozymes with the Danish Commerce and Companies Agency is 10 00 71 27.

Payment of dividends

Shareholders resident in foreign countries will receive their dividends denominated in DKK less the statutory 28% deduction of Danish tax. Shareholders resident in certain countries are eligible for a refund of dividend tax deducted in Denmark subject to the double taxation conventions in force between Denmark and the countries concerned.

Financial calendar 2001

Annual meeting of shareholders

Radisson SAS, Falkoner Center, Falkoner Allé 9,
2000 Frederiksberg, Denmark 21 March

Dividend

Ex-dividend	B shares	22 March
Record date	B shares	26 March
Payment	B shares	27 March

Announcement of financial results

First three months	9 May
Half-year	8 August
Nine months	7 November
Full year	February 2002

Shareholder magazine available

First three months	Mid-May
Half-year	End-August
Nine months	Mid-November

Shareholders' enquiries concerning dividend payments, transfer of share certificates, consolidation of shareholder accounts and tracing of lost shares should be addressed to Novozymes' transfer agents:

Unibank A/S
Selskabsservice
Postboks 850
DK-0900 Copenhagen C
Tel. +45 3333 3301
Fax +45 3333 1031

Share information

Novozymes' B shares are quoted on the stock exchange in Copenhagen. The B shares are traded in units of DKK 10. The B shares are issued to the bearer, but upon request may be registered in the holder's name in Novozymes' register of shareholders. Each holding of DKK 10 of the A share capital carries ten votes. Each holding of DKK 10 of the B share capital carries one vote.

Novozymes A shares – 10,748,720 in total
Novozymes B shares – 64,690,112 in total

Acquisition value

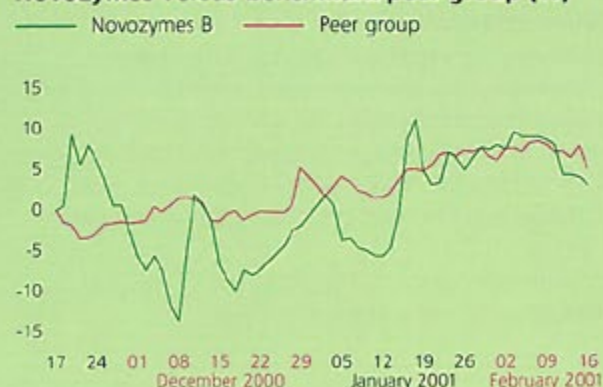
Shareholders will be required to divide their acquisition value of the shares in Novo Nordisk A/S prior to the Demerger as shares in Novo Nordisk A/S and the received shares in Novozymes A/S. The Danish tax authorities have approved a division on the basis of the average listed price of the new shares in Novozymes A/S and of the shares in Novo Nordisk A/S for the first 20 days after the listing of the Novozymes A/S share. The calculated ratio between the shares in Novozymes A/S and in Novo Nordisk A/S after the Demerger, together with the shareholders' acquisition value of the shares in Novo Nordisk A/S, will be the basis for the shareholders' new taxable acquisition value of the shares.

The distribution ratio is calculated at 90.7% attributable to Novo Nordisk A/S and 9.3% attributable to Novozymes A/S.

Novozyymes versus KFX (%)



Novozyymes versus benchmark peer group (%)



Peer group: Genencor, Christian Hansen, Clariant, Ciba, DSM, Rhodia, Lonza and Givaudan.

Share ownership

Novozyymes' A shares – a total of 10,748,720 – are held by Novo A/S (domiciled in Gladsaxe, Denmark), a Danish limited liability company which is wholly owned by the Novo Nordisk Foundation (domiciled in Gentofte, Denmark). In addition, Novo A/S holds 8,194,780 B shares. Holding 25.1% of the total share capital, Novo A/S controls 67% of the total number of votes. Novozymes A/S is included in the consolidated accounts of the Novo Nordisk Foundation. As the B shares are in bearer form, no official record of shareholders exists. Based on the available sources of information on the company's shareholders, it is estimated that Novozymes' B shares at the end of 2000 were distributed as shown in the table below. At that point in time 65% of the total B share capital was included in Novozymes' register of shareholders.

Breakdown of B shareholders

	%
Novo A/S	13
Danish ATP	7
Fidelity Investments	6
Novo Nordisk A/S	1
Other large institutions, companies, foundations and other	62
Private individuals	11
Total	100

Geographical distribution of B shareholders

	%
Denmark	54
North America	18
UK	17
Other	11
Total	100

Environmental and social report

Copies of the Novo Group's Environmental and Social Report 2000 can be obtained at www.novo.dk in April 2001.

Internet

The Novozymes investor site under Investor Zone at www.novozymes.com contains historical and updated information on Novozymes' activities, including share price, press releases, financial results, investor presentations, backgrounders on business areas and the Group's most recent annual reports and accounts and environmental reports.

Employee representatives of the Board of Directors

On 7 February 2001 Ulla Morin, Arne Hansen and Thomas Sandal were elected as employee representatives of the Board of Directors with effect from the first meeting of the Board of Directors after the general meeting of shareholders.



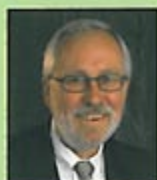
Henrik Gürtler



Paul Petter Aas



Jerker Hartwall



Kurt Anker Nielsen



Walther Thygesen



Hans Werdelin

Henrik Gürtler

Chairman - CEO - Born 11 August 1953.

Henrik Gürtler is co-president of Novo A/S. Mr Gürtler joined Novo Industri A/S in 1977 as R&D chemist. 1981-84 he was project leader/coordinator in Enzymes R&D. In 1984 he was appointed manager in Enzymes R&D, and in 1986 director in Enzymes R&D. 1991-92 he served as corporate vice president, Personnel Services, 1992-93 as corporate vice president, Human Resource Development, and 1993-95 as corporate vice president, Health Care Production. In 1996 he became member of Corporate Management and was appointed corporate executive vice president with special responsibility for Corporate Staffs. As of 1 January 2000 he was also appointed chief executive officer, Novo A/S. Henrik Gürtler holds an MSc in chemical engineering from the Technical University of Denmark (1976). Outside of Novo A/S, Mr Gürtler serves as chairman of the Board of Directors of Dansk Management Forum and as member of the Board of Directors of COWI Consulting Engineers and Planners AS.

Paul Petter Aas

Senior Vice President - Born 15 November 1946.

Today, Paul Petter Aas is responsible for strategy, business and market development, which include work with mergers and acquisitions and biotechnological development in the Hydro Agri business area of Norsk Hydro ASA, Norway. Mr Aas joined Norsk Hydro in 1974 as project engineer in the Technology & Project Division. In 1977-80, he worked as project manager for Norsk Hydro in Qatar, Germany and Norway. In 1980, he was appointed production director of Qatar Fertiliser Company, a joint venture between Norsk Hydro and Qatar General Petroleum Corporation. Returning to Norway in 1982, Mr Aas was appointed technology & production director in Norsk Hydro's Agricultural Division. In 1988, he was promoted vice president of its Industrial Chemicals business with activities in Norway, Denmark, the Netherlands and France. In 1992, Mr Aas was promoted president of Industrial Chemicals Division (later Gas & Chemicals Division), a producer, seller and marketer of chemicals and industrial gases worldwide. During 2000, he led a large project within Norsk Hydro: "Hydro Agri Turnaround 2000 - Overhead Productivity Improvement". Paul Petter Aas holds a Master's degree in Engineering from the Norwegian Institute of Technology from 1970 and a PhD from 1974. Both degrees are in industrial chemistry.

Jerker Hartwall

President & CEO of Karlshamns AB, Sweden - Born 5 November 1952.

Mr Hartwall joined Bofors in 1976 as production manager. In 1979, he was given responsibility for Bofors' Fine Chemicals Division. He joined Perstorp in 1982; first as head of Technical Laminates Division in Brazil, and from 1985 as head of Binding Materials Division. Mr Hartwall was appointed managing director of Perstorp Chemicals in the UK in 1989. Simultaneously, he was given responsibility for the Compounds Business Unit and was appointed member of Perstorp's Group Management. In 1991, he also became responsible for the Chemtec Business Unit with production facilities worldwide. In 1995, he was appointed president of Pernovo, Perstorp's Life Science and Analytical Division. Since 1997 executive vice president and president of Perstorp Chemicals. In 2000, Mr Hartwall became President & CEO of Karlshamns AB. Jerker Hartwall has an Engineering Degree in Chemistry from the University of Lund (1975).

Kurt Anker Nielsen

Vice Chairman - Chief Executive Officer - Born 8 August 1945.

Kurt Anker Nielsen is co-president of Novo A/S. Mr Nielsen started his career with Novo in 1974 as an economist in the financial department. In 1985 he was appointed executive vice president of Corporate Finance. Following the merger between Novo Industri A/S and Nordisk Gentofte A/S in 1989 he became chief financial officer. Prior to joining Novo, Mr Nielsen was a management consultant at Booz, Allen and Hamilton of Scandinavia. Mr Nielsen received his Bachelor of Economics from the Copenhagen Business School and continued there to earn a Masters of Commerce. Outside of Novo Nordisk, Mr Nielsen's activities have included lecturing at the Copenhagen Business School and other educational institutions. Mr Nielsen serves as chairman of the board of Incentive A/S, Denmark, and as member of the board of Novo Nordisk A/S, Coloplast A/S, Denmark, DAKO A/S, Denmark, and of Medicon Valley Capital.

Walther Thygesen

Managing Director and Regional Vice President - Born 18 May 1950.

Since 1996 Mr Thygesen has been managing director of Compaq Denmark and regional vice president of the Nordic and Benelux countries. From 1975 to 1980 Mr Thygesen worked at B. Højlund Rasmussen as a consulting engineer, and later with Handelsbanken as a systems consultant. In 1982-1987, he was with Hewlett-Packard Denmark; first as sales representative, later as sales manager, and, finally, as sales & marketing director. In 1987, Mr Thygesen was appointed managing director of Apple Computer Denmark. In 1992, he transferred to Apple's European headquarters in Paris as vice president of the Consumer Division with overall responsibility for the sales and marketing activities in the private and small company segments. In 1993, Mr Thygesen was promoted vice president of Apple's Northern Region. His responsibility included the Nordic and Benelux countries. In 1995, Mr Thygesen was appointed vice president, Marketing, Apple Europe. He was responsible for overall European marketing activities as well as certain R&D functions. Walther Thygesen holds a MSc in Engineering from the Technical University of Denmark (1975) and an MBA degree from Stanford University (1982).

Hans Werdelin

Director - Born 26 October 1938.

Hans Werdelin received an MSc (engineering) from the Technical University of Denmark in 1963 and became an MTP graduate in 1966 (General Electric Management Programme). Between 1963 and 1967 Hans Werdelin carried out various assignments for General Electric USA. From 1968 to 1975 he was technical vice president and later president of Nyborg Jern A/S and its subsidiary Dansk Svejsemaskine Fabrik A/S. In 1975-1976 he served as executive vice president, Vølund A/S, responsible for the laundry machine, home appliances and foundry divisions. In 1977-1982 he became chief operating officer, Sophus Berendsen A/S. From 1982 to 1999 he served as president and CEO of the Sophus Berendsen Group. Hans Werdelin is chairman of the Board of Directors of Danske Trælast; C W Obel A/S, Lomax A/S and Publicis A/S. He is deputy chairman of Scandinavian Holding A/S (including 100% owned subsidiaries), Skandinavisk Tobakskompagni A/S and Navision Damgaard A/S. Hans Werdelin is a member of the Boards of Novo A/S and Novozymes A/S.



Steen Riisgaard



Per Månsson



Arne W. Schmidt



Per Falholt



Peder Holk Nielsen

Steen Riisgaard

President and CEO, Novozymes A/S · Born 22 March 1951.

Steen Riisgaard joined Novo Industri A/S in 1979 as a microbiologist in Enzymes R&D. In 1982, he went to Tokyo, Japan, to start up an Enzymes R&D unit in Novo's subsidiary, Novo Industri Japan Ltd. He returned to Denmark in 1985 as director of Enzyme Process Research and the following year was appointed vice president of the Detergent Enzyme Division. In 1989 he was promoted to corporate executive Vice President with special responsibility for the Enzyme Business, including Enzyme Research, Enzyme Development and Application, Enzyme Production, Enzyme Operations, and all of Novo Nordisk's activities in China. Prior to joining Novo Mr Riisgaard was a research fellow at the Serum Institute of Denmark (1976-77) and research microbiologist at Foss Electric, Denmark. Mr Riisgaard received his MSc in Biology from the University of Copenhagen. Mr Riisgaard serves on the boards of WWF (World Wide Fund for Nature), Denmark, and of J. Lauritzen Holding A/S.

Per Månsson

Executive Vice President and CFO, Novozymes A/S · Born 16 July 1954.

Per Månsson joined Novo Nordisk in 1993 as director for Business Systems Development in BIG Finance (BioIndustrial Group). During 1994-96 he was director, Economy, Systems & IT in Enzyme Production. In 1996-98 he served as director for Economy, Purchasing & Customer Logistics and a member of Enzyme Business Management, and the following year (1999) he was appointed corporate vice president for Enzyme Economy, Logistics and Quality. Prior to joining Novo Nordisk Per Månsson was an assistant professor of Management Accounting at University of Uppsala, Sweden (1987-1992); senior lecturer at Department of Business Studies at the University of Umeå, Sweden (1977-1987), as well as serving in an advisory capacity both industry and various international organizations. Per Månsson holds a Doctorate in Business Studies (1983), and a BSc in Business Studies (1977) from the University of Umeå.

Arne W. Schmidt

Executive Vice President, Production and Procurement, Novozymes A/S. Born 3 September 1945.

Arne W. Schmidt joined Novo Terapeutisk Laboratorium in 1970 as a chemist in Enzyme Mixing. From 1980 to 1989 he served as head of production, Enzyme Finishing, and was appointed manager, Enzyme Finishing, in 1989. In 1992 he was appointed director, Medical Systems Division, and became director, Diabetes Care Division, in 1993.

In 1995 he was appointed director, Medical Systems, Health Care Business, and in 1996 director, Diabetes Disposable Pens Management, Health Care Business. He was appointed to his present position in January 1997. Arne W. Schmidt holds a BSc (Chemical Engineering) from the

Technical University of Denmark (1968).

Per Falholt

Executive Vice President and CSO, Novozymes A/S.

Born 15 September 1958.

Per Falholt joined Novo Industri A/S in 1984 as a research chemist in Enzyme R&D pilot plant. In 1987, he was appointed manager in the Detergent Enzyme Division. In 1990 he was appointed director responsible for application and development of new products for the detergent industry. In 1995 he joined the newly formed Enzyme Development and Application (EDA) division as director for Application Technology II until he went to Raleigh, USA, to run the EDA unit in 1997. In 1999 he was appointed corporate Vice President with responsibility for EDA. Effective 1 May 2000, he was appointed corporate Vice President of Enzyme Business R&D. Prior to joining Novo Mr Falholt worked at the Technical University of Denmark, where he took his MSc in chemical engineering in 1983.

Peder Holk Nielsen

Executive Vice President, Sales & Marketing, Novozymes A/S.

Born 24 August 1956.

Peder Holk Nielsen joined Novo Industri A/S in 1984 as an assistant product manager in the Enzymes Division. From 1985 to 1986 he served as product manager for new products/markets, Enzymes Division, and from 1986 as product manager, Enzyme Process Division. In 1987 he became manager, New Business Development Group, and was appointed director, New Business Development Group, in 1988. In 1990 he was appointed head of Industrial Biotechnology, and in 1993 head of Research and Development, Enzyme Process Division. December 1994 – December 1998 corporate vice president for Enzyme Development and Application. In 1996 Quality Management in Enzyme Business was added to his responsibilities. In January 1999 he was appointed corporate vice president, Enzyme Business Operations. Peder Holk Nielsen holds an MSc (Chemical Engineering) from the Technical University of Denmark, (1981) and a PhD (1984), Institute of Chemical Engineering, Technical University of Denmark. He also holds a BCom (International Business Management) from the Copenhagen Business School (1985).



Novozymes is represented in the below mentioned countries, with headquarters in Denmark:

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Fax +45 8824 9998
info@novozymes.com
www.novozymes.com

Australia	Mexico
Austria	Netherlands
Belgium	Poland
Brazil	Russia
China	Singapore
Denmark	South Africa
France	South Korea
Greece	Switzerland
India	Turkey
Japan	USA
Malaysia	Venezuela

A list of company addresses can be found on Novozymes' corporate website under 'About us'.



Novozymes A/S
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info@novozymes.com

For more
information or for
international office
addresses please see
www.novozymes.com

Glossary

Amylases

Starch-degrading enzymes.

Cellulases

Cellulose-degrading enzymes.

Emulsifiers

Chemical additives that facilitate the suspension of one compound in another, e.g. oil in water. In food manufacturing emulsifiers are used in e.g. margarine, dressing and bread.

Fermentation process

Cultivation of microorganisms in order to produce substances formed by the microorganisms. Fermentation is applied in e.g. the manufacture of beer, alcohol – and enzymes.

Formulation

Addition of auxiliaries and possibly granulation to achieve a stable end-product in the required physical form.

Granulation

Encapsulation of enzymes in order to reduce the risk of allergy.

Lipases

Fat-splitting enzymes.

Low-allergenic protein techniques

Modification of proteins so as to significantly reduce the risk of allergy.

Mannan

A natural carbohydrate used as a thickener.

Mannanases (Mannaway™)

Enzymes that degrade mannan.

Proteins

Natural biological compounds composed of amino acids. All living organisms contain proteins. Proteins are an important part of our diet. Enzymes are proteins that have a catalytic effect, i.e. help transform one compound into another.

Screening

Method to sort and select microorganisms and enzymes.

Financial definitions

Cash flow per share in DKK

Cash flow from operating activities divided by the weighted average number of shares.

Earnings per share (diluted)

Net profit divided by the sum of the weighted average number of shares and number of share options 'in the money'.

EBITDA

Operating profit before depreciation and amortization.

EBITDA margin

Operating profit before depreciation and amortization as a percentage of net turnover.

Effective tax rate

Income tax on ordinary income as a percentage of ordinary profit before taxation and extraordinary income.

Equity ratio

Shareholders' funds at year-end as a percentage of the sum of total liabilities and shareholders' funds at year-end.

Free cash flow

Cash flow before financing.

Invested capital

Total assets, excluding current asset investments, minus provisions and current liabilities excluding bank loans.

Net debt

The market capitalization of interest-bearing liabilities (long-term debt as well as short-term debt and inclusive of the value of potential pension commitments) less the market capitalization of cash at bank and in hand and other easily convertible current assets.

Net profit margin

Net profit as a percentage of net turnover.

Return on equity

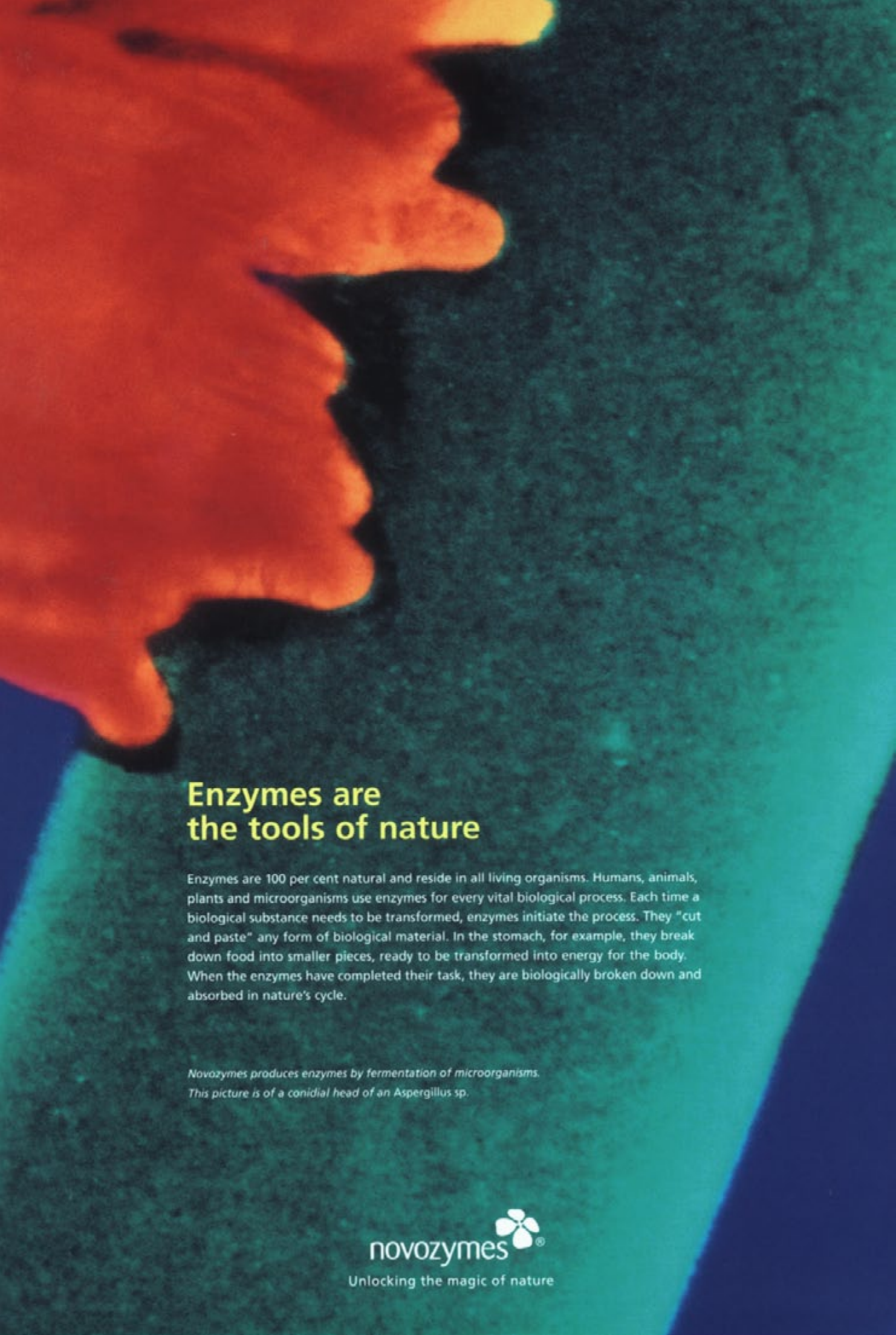
Income before extraordinary income as a percentage of average shareholders' funds (the sum of shareholders' funds at the beginning of the year and at year-end divided by two).

Return On Invested Capital (ROIC)

Operating profit after tax as a percentage of the average invested capital. Operating profit is adjusted for net foreign-exchange gain/loss.

Weighted average number of shares outstanding

Weighted average number of A and B shares outstanding during the year (excluding the holding of own shares).



Enzymes are the tools of nature

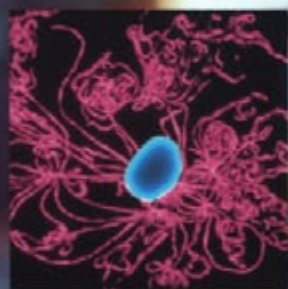
Enzymes are 100 per cent natural and reside in all living organisms. Humans, animals, plants and microorganisms use enzymes for every vital biological process. Each time a biological substance needs to be transformed, enzymes initiate the process. They "cut and paste" any form of biological material. In the stomach, for example, they break down food into smaller pieces, ready to be transformed into energy for the body. When the enzymes have completed their task, they are biologically broken down and absorbed in nature's cycle.

*Novozymes produces enzymes by fermentation of microorganisms.
This picture is of a conidial head of an Aspergillus sp.*

novozymes 

Unlocking the magic of nature





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information or for
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