



Sales in line with expectations; strong margins

Q1 organic sales growth of 2% in line with our expectations: Household Care +1%, Food & Beverages +5%, Bioenergy +9%, Agriculture & Feed -5%, Technical & Pharma -10%. EBIT margin at 28.9%. FCF before acquisitions DKK 403 million. 2018 outlook maintained on all parameters.

Peder Holk Nielsen, President & CEO of Novozymes: *“We’re well in line to deliver on our full-year sales growth outlook of 4-6%, and margins are strong despite a significant currency headwind. We continue to see good progress on our key priorities, including increasing presence with new and existing customers to cater for their individual needs. There is still some uncertainty in the agriculture-related business, including from recent geopolitical tensions. However, with current insight, we remain firm about accelerating sales growth throughout 2018 and beyond.”*

April 25, 2018

Interim report for the first three months of 2018.
Company announcement No. 16

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Highlights Q1:

- Organic sales growth of 2% and -6% in DKK. USD/DKK decline of 13% in Q1 y/y
- Growth in Household Care, Food & Beverages and Bioenergy
- Agriculture & Feed and Technical & Pharma lower, mainly due to continued pressure from certain agriculture markets, as well as timing in Pharma
- 6% organic growth in emerging markets; developed markets on par with last year
- Strong product development: launch of first yeast solution – Innova® Drive – for conventional biofuels, EU approval of probiotic solution Alterion® for poultry, approval of microbial corn bioyield product Acceleron® B-360 ST for the US and the EU, and launch of a new enzyme class for automatic dishwash enabling easy removal of dried-in cereals
- Strong EBIT margin of 28.9%, up due to timing of emerging markets’ ramp-up costs and despite currency headwind. Q1 2017 at 27.0% (~29% excluding reorganization costs)
- Free cash flow before acquisitions at DKK 403 million
- Dividend payout of DKK 4.50/share. 42% payout ratio
- **Full-year 2018 outlook maintained:** Organic sales growth 4-6% (growth relatively stronger in 2H y/y as referenced in the full-year 2017 announcement), EBIT margin ~28%, FCF before acquisitions DKK 2.3-2.6 billion, ROIC 24-25%

	Realized		
	2018 outlook*	Q1 2018	Q1 2017
Sales growth, organic	4-6%	2%	3%
EBIT margin	~28%	28.9%	27.0%
Net profit growth	~0%	5%	4%
Net investments excl. acquisitions (DKKm)	1,300-1,500	281	271
Free cash flow before acquisitions (DKKm)	2,300-2,600	403	738
ROIC (including goodwill)	24-25%	25.2%	24.9%

* Assumes that the exchange rates for the company’s key currencies remain at the rates on April 24 for the rest of 2018.

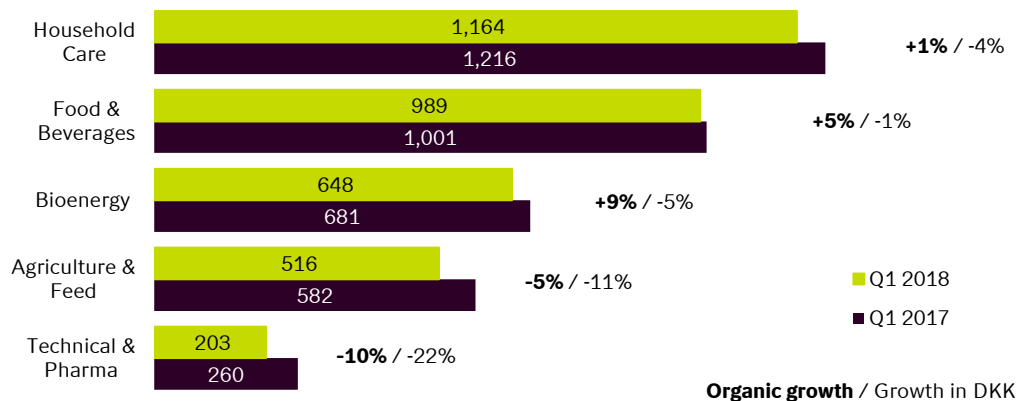
Selected key data

	Q1 2018	Q1 2017
Sales growth, organic	2%	3%
- Household Care	1%	1%
- Food & Beverages	5%	6%
- Bioenergy	9%	6%
- Agriculture & Feed	-5%	2%
- Technical & Pharma	-10%	0%
Sales, DKKm	3,520	3,740
Sales growth, DKK	-6%	4%
Gross margin	57.8%	57.8%
EBITDA, DKKm	1,270	1,265
EBIT, DKKm	1,016	1,010
EBIT margin	28.9%	27.0%
Net profit, DKKm	807	772
Net profit growth	5%	4%
Net investments excl. acquisitions, DKKm	281	271
Free cash flow before acquisitions, DKKm	403	738
Net debt/EBITDA (x)	0.5	0.4
ROIC (including goodwill)	25.2%	24.9%
EPS, DKK	2.75	2.59
EPS (diluted), DKK	2.73	2.58
Avg. USD/DKK	606	698

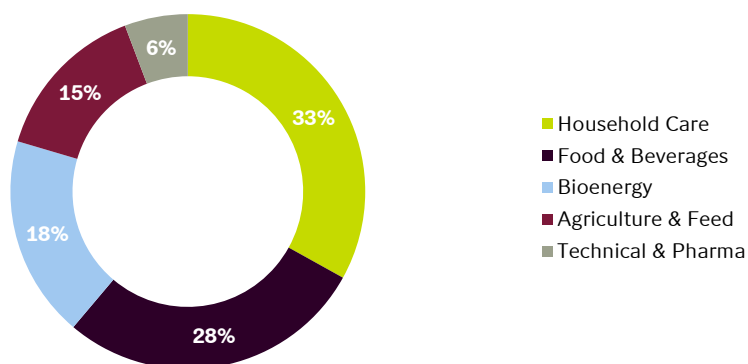
Sales and markets

Sales in DKK million and organic/DKK growth rates, Q1 year-over-year (y/y)

Total sales Q1 y/y:
Organic: +2%
DKK: -6%



Distribution of sales, Q1 2018



Household Care

Sales to the Household Care industry increased by 1% organically and were down 4% in DKK in the first quarter of 2018. This was slightly better than expected.

Household Care Q1 y/y:
Organic: +1%
DKK: -4%

Sales growth was the result of positive developments from our top 20 customer initiative in laundry and strong growth within our dishwasher segment. In the laundry business, our sales development was mixed from a geographical point of view. There was good development in emerging markets, while some of our global customers continued their cost and optimization programs, leading to a softer start in the developed markets.

Sales in both China and India grew strongly in the first quarter. This positive development has been enabled by the launch of new enzyme innovation in emerging markets. In Latin America, sales were soft.

The first product from our freshness & hygiene platform is being rolled out as planned. Sales of the new product are expected to ramp up over the year and be more material in the second half of 2018.

Food & Beverages

In Food & Beverages, sales grew by 5% organically, while declining by 1% in DKK in the first quarter of 2018.

Food & Beverages Q1 y/y:
Organic: +5%
DKK: -1%

Sales were driven by all areas except for brewing, with baking and starch the most significant contributors. Sales of enzymes for the baking industry performed very well despite continued, planned price reductions in the US freshkeeping enzyme segment due to a patent expiration in March 2018. We have secured long-term distribution and development agreements with key customers in the US baking business, leaving us well positioned for the coming years. Sales of enzymes for the baking industry in Asia Pacific and Latin America were strong, as our solutions are increasingly being adopted for bread in these regions.

Sales of enzymes to the starch industry were solid following continued good traction from recent innovation and progress with our Frontia[®] launch for the grain-milling segment. All regions contributed to growth.

Sales of enzymes to the nutrition segment delivered solid growth in Q1, with our Saphera[®] product for low-lactose dairy maintaining good traction in the market.

Sales of enzymes to the beverage industry were roughly flat compared with Q1 last year.

Bioenergy

Sales to Bioenergy grew by 9% organically and were down 5% in DKK compared with the first quarter of 2017.

Bioenergy Q1 y/y:
Organic: +9%
DKK: -5%

The good performance from 2017 continued into Q1 2018, driven by good momentum from Novozymes' broader product portfolio. Geographies outside the US also posted good growth but still represent a smaller proportion of total Bioenergy sales.

US and global ethanol production are estimated to have been flat in Q1 2018, compared with the same period last year, and ethanol producer margins are estimated to have improved slightly.

In the first quarter, Novozymes launched its first yeast product – Innova[®] Drive – for conventional biofuels, which has been well received by the market. Novozymes will continue its strong focus on tailoring process-specific solutions to individual customer needs and expects to deliver more innovation during 2018.

Sales of enzymes for biomass conversion make up a smaller part of overall Bioenergy sales and declined as expected in the first quarter of 2018 compared with the same quarter last year.

Agriculture & Feed

In Agriculture & Feed, sales declined by 5% organically and by 11% in DKK compared with the first quarter of 2017. Sales to both BioAg and animal feed were down, mainly due to a tough year-on-year comparison in animal feed and continued poor farm economics.

Agriculture & Feed Q1 y/y:
Organic: -5%
DKK: -11%

Higher Indian import tariffs on peas and other pulses, led to a reduced acreage in Canada which had a slightly bigger impact on BioAg sales than expected. The BioAg Alliance continues to focus on the development and rollout of new products. On this note, The BioAg Alliance recently obtained approval for the upgraded version of its corn inoculant, which will be branded in the market as Acceleron[®] B-360 ST. Production and shipment of Acceleron[®] B-360 ST will commence as planned during Q3 and Q4 for the 2019 planting season.

Sales to the animal feed industry were mainly impacted by a tough comparison, as our alliance partner built inventory in the first quarter of 2017. Within animal probiotics, sales developed positively, albeit from a low base. Registrations have now been obtained for our first probiotic solution for poultry, Alterion®, in all relevant regions.

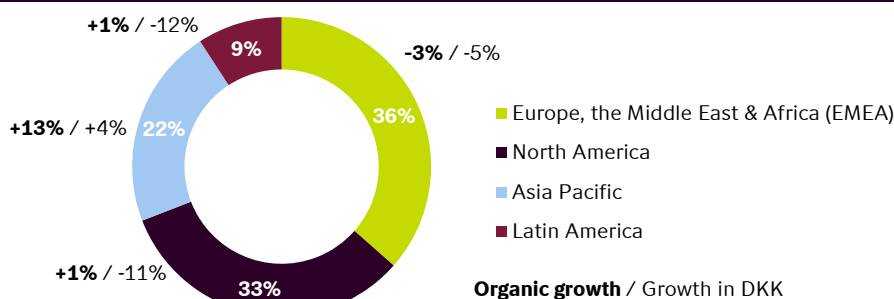
In Q1 2018, Novozymes recognized DKK 35 million of deferred income as revenue, compared with DKK 30 million in Q1 2017.

Technical & Pharma

Sales to the Technical & Pharma industries were down 10% organically in the first quarter and 22% in DKK. Lower sale to pharmaceutical applications was the main factor in this decline, which was as expected and mainly due to timing.

Technical & Pharma Q1 y/y:
Organic: -10%
DKK: -22%

Sales by geography, Q1 2018



Sales in the emerging and developed markets grew organically by 6% and 0% respectively in the first quarter of 2018 compared with the same quarter last year. Emerging markets were driven primarily by Asia Pacific, where most industries posted growth, and to a lesser degree by Latin America. In the developed markets, sales to Agriculture & Feed and Technical & Pharma were the main negatives, whereas sales to Household Care were flat compared with Q1 2017.

Europe, the Middle East & Africa

Organic sales in Food & Beverages, Bioenergy and Household Care were all more or less flat in Q1 2018 y/y. Agriculture & Feed and Technical & Pharma declined compared with 2017.

Europe, the Middle East & Africa Q1 y/y:
Organic: -3%
DKK: -5%

North America

Bioenergy posted good organic sales growth in Q1 2018 y/y, mainly offset by a negative performance in Agriculture & Feed.

North America Q1 y/y:
Organic: +1%
DKK: -11%

Asia Pacific

All segments performed well on organic sales growth in Q1 2018 y/y, with close to double-digit growth, except for Technical & Pharma, which was slightly down.

Asia Pacific Q1 y/y:
Organic: +13%
DKK: +4%

Latin America

Latin American organic sales growth was driven by Food & Beverages and Bioenergy in Q1 2018 y/y. Agriculture & Feed was the main negative.

Latin America Q1 y/y:
Organic: +1%
DKK: -12%

Income statement

Total costs excluding net financials, share of losses in associates and tax were DKK 2,511 million, a decrease of 8% or DKK 232 million compared with the first three months of 2017.

Total costs: -8%

The gross margin was 57.8% in the first quarter of 2018, similar to that for the same period last year. Productivity gains and mix impacted the gross margin positively, whereas currencies and higher input costs had a slightly negative effect.

Gross margin: 57.8%

Operating costs were DKK 1,024 million, a decrease of 12% or DKK 140 million, mainly driven by currencies and costs associated with the reorganization in Q1 2017. Operating costs as a percentage of sales were 29%, down 2% from last year.

Operating costs: -12%

- Sales and distribution costs declined by 13%, representing 10.9% of sales
- R&D costs declined by 10%, representing 12.8% of sales
- Administrative costs declined by 15%, representing 5.3% of sales

Other operating income was DKK 7 million in the first three months of 2018, compared with DKK 13 million in the same period last year.

Depreciation and amortization were DKK 254 million, compared with DKK 255 million in Q1 2017.

**Depreciation and amortization:
DKK 254 million**

EBIT increased by 1% to DKK 1,016 million, up from DKK 1,010 million in Q1 2017. The EBIT margin was 28.9%, 1.9 percentage points higher than in Q1 2017. Excluding the one-time costs relating to organizational changes in Q1 2017, the EBIT margin was similar for both quarters, despite a significant currency headwind in Q1 2018. The underlying improvement is mainly explained by timing, as the impact from ramp-up of costs relating to footprint expansion in emerging markets is expected to increase during the year.

EBIT: DKK 1,016 million

EBIT margin: 28.9%

Novozymes posted a DKK 3 million currency hedging/revaluation loss for Q1 2018 compared with a loss of DKK 12 million for the same period last year. This was more than counterbalanced by a gain of DKK 7 million associated with employee stock appreciation rights. Interest expenses were DKK 2 million, compared with DKK 6 million in 2017. The share of losses in associates was DKK 2 million, compared with a loss of DKK 3 million in Q1 2017.

**Net financial costs and share
of losses in associates:
DKK -7 million**

Profit before tax was DKK 1,009 million, an increase of 3% compared with DKK 977 million in Q1 2017.

The effective tax rate was 20.0% in Q1 2018, compared with 21.0% in Q1 2017, mainly explained by the transfer of intellectual property assets to Denmark.

Effective tax rate: 20.0%

Net profit was DKK 807 million, an increase of 5% from DKK 772 million in Q1 2017. This was driven by higher EBIT, a lower tax rate and lower net financial costs.

Net profit: DKK 807 million

Cash flow and balance sheet

Cash flow from operating activities was DKK 684 million in the first three months of 2018, compared with DKK 1,009 million in Q1 2017. Higher net profit impacted cash flow positively, while higher net working capital had a negative impact. The development in working capital was caused by higher receivables and inventories, as well as lower payables, and was mainly due to timing.

**Operating cash flow:
DKK 684 million**

Net investments excluding acquisitions totaled DKK 281 million, roughly on par with DKK 271 million in Q1 2017. Novozymes continued to invest in its new greenfield facility in Mumbai, India, in the capacity expansion in Nebraska, US, and the innovation campus in Lyngby, Denmark.

**Net investments:
DKK 281 million**

Free cash flow before net acquisitions decreased by DKK 335 million to DKK 403 million, due to higher net working capital, offset to some extent by higher net profit.

Dividends paid increased by 10% to DKK 1,316 million from DKK 1,192 million in Q1 2017.

Total shareholders' equity at March 31, 2018, was DKK 10,233 million, compared with DKK 10,954 million at the end of Q1 2017. Shareholders' equity was 55.2% of the balance sheet total, compared with 58.1% at the end of Q1 2017.

Equity ratio: 55.2%

On March 31, 2018, Novozymes had net interest-bearing debt of DKK 2,620 million, compared with DKK 1,864 million at the end of Q1 2017. Net interest-bearing debt-to-EBITDA was 0.5, compared with 0.4 at the end of Q1 2017.

Net interest-bearing debt-to-EBITDA: 0.5

Return on invested capital (ROIC) including goodwill was 25.2%, compared with 24.9% in Q1 2017. The increase was mainly a result of higher EBIT and a lower tax rate, partly offset by higher net invested capital.

ROIC: 25.2%

At March 31, 2018, the holding of treasury stock was 12,828,322 B shares, equivalent to 4.2% of the common stock. During the first three months of the year, Novozymes repurchased 1,086,000 B shares with a transaction value of DKK 342 million under the stock buyback program initiated on February 14, 2018.

Treasury stock: 4.2%

Sustainability

Novozymes has introduced annual sustainability targets until new longer-term targets have been established. The goal for 2018 is to grow the absolute consumption of water and energy and absolute CO₂ emissions at a lower rate than the organic sales growth expectation of 4-6%. Novozymes is currently on track to reach most of the sustainability targets set for 2018, although the CO₂ emissions target is relatively more dependent on where in the world production is taking place.

	Q1 2018	2018 target
Growth in absolute water consumption	2.0%	< 4-6%
Growth in absolute energy consumption	1.8%	< 4-6%
Growth in absolute CO ₂ emissions	3.1%	≤ 4-6%
Energy from renewable sources	24%	23%
Occupational accidents with absence per million working hours	2.9	≤ 1.5
Employee absence	2.5%	≤ 2.0%
Women in Senior Management	26.3%	≥ 27%

2018 outlook

	2018 outlook April 25*	2018 outlook February 7
Sales growth, organic	4-6%	4-6%
EBIT margin	~28%	~28%
Net profit growth	~0%	~0%
Net investments excl. acquisitions (DKKm)	1,300-1,500	1,300-1,500
Free cash flow before acquisitions (DKKm)	2,300-2,600	2,300-2,600
ROIC (including goodwill)	24-25%	24-25%
Avg. USD/DKK*	6.09	6.00

* Assumes that the exchange rates for the company's key currencies remain at the rates on April 24 for the rest of 2018.

Sales outlook

Novozymes maintains its expectation of 4-6% organic sales growth for 2018. Using current spot rates as full-year estimates for the major currencies, Novozymes expects to see a negative impact of ~5 percentage points on sales growth in DKK in 2018. Additionally, the Alumedix divestment late 2017 is expected to impact DKK sales growth negatively by ~1 percentage point. Lower recognition of deferred income (BioAg) in 2018 than 2017 (DKK 202 million) of some DKK 30 million also reduces reported sales. We expect a pick-up in organic sales growth throughout the year, mainly due to Agriculture & Feed seasonality and the Household Care contribution from the freshness & hygiene platform expected to impact the second half of the year.

Organic sales growth: 4-6%

Agriculture-related markets remain uncertain, also seen in the light of the recent increase in geopolitical tensions. However, based on current 2018 insight, we believe the uncertainty is covered within the guided range. As we move through 2018, we keep an eye especially on high US ethanol inventories and low prices, as well as selected crop prices, in particular corn and soybeans.

Household Care (organic: +1% Q1 2018 y/y) organic sales growth is expected to be driven by increased penetration in emerging markets, where we tap into consumer trends with our innovative enzymes for both liquid and powder detergents. The first sales from the freshness & hygiene platform are expected to contribute increasingly to growth from the second half of 2018. We expect the optimization focus from some of our large customers to be present throughout the year, which puts a dampener on growth. While the developed markets remain dynamic, innovation, performance and differentiation are driving growth with both existing and new customers.

Food & Beverages (organic: +5% Q1 2018 y/y) organic sales growth is expected to be driven by continued step-up in commercial presence, especially in the emerging markets, as well as by new products. Baking is still expected to be impacted by price reductions in the North American freshkeeping market, while sales are expected to perform well in other markets. Enzymes for low-lactose dairy products are expected to maintain their positive growth rate. In general, we expect continued solid growth across industries.

Bioenergy (organic: +9% Q1 2018 y/y) organic sales growth is expected to be driven mainly by new product launches and increased penetration from innovation. We expect US ethanol production for 2018 to be roughly on par with 2017, although US ethanol inventory levels remain high. Good sales development is expected to continue, as technology is being adopted in the marketplace. Yeast was added to the product portfolio early in 2018 and will contribute to growth. Sales of enzymes for biomass-based ethanol are expected to increase, but make up a small proportion of overall Bioenergy sales.

Agriculture & Feed (organic: -5% Q1 2018 y/y) organic sales growth is expected to be driven primarily by good growth in BioAg, but animal health & nutrition (Feed) are also expected to deliver growth. New product launches will benefit sales, especially in the second half of the year. The changed sales pattern and shift of revenue from the first to the second half of the year that has been ongoing in recent years should now largely be completed. We will continue to monitor the potential acquisition of Monsanto by Bayer, but currently do not expect this to have implications for our BioAg business in 2018. Sales to the agriculture-related markets are subject to some uncertainty, due primarily to global farm economics and now also global geopolitical tensions.

Novozymes expects to recognize around DKK 170 million of the deferred income in BioAg as revenue in 2018. Deferred income does not impact the calculation of organic sales growth rates; it impacts realized sales growth in DKK but has no cash flow impact.

Technical & Pharma (organic: -10% Q1 2018 y/y) is impacted by the divestment of Albumedix late 2017. (Albumedix 2017 revenue was roughly DKK 150 million: 10% in Q1 and ~30% in each of Q2, Q3 and Q4.) The divestment will not impact organic growth.

Profit outlook

The reported EBIT margin in Q1 2018 was 28.9% despite a significant headwind from currencies. For 2018, we expect a strong negative impact from currencies, as well as a higher activity level on the commercial side to support growth opportunities, particularly in emerging markets. As currencies are experiencing high volatility, in particular the US dollar, a further weakening relative to what has been assumed in the guidance (USD/DKK at 6.09) could impact the EBIT margin negatively. The DKK ~30 million lower deferred income expected in 2018 relative to 2017 also reduces the reported EBIT by an identical amount. Sales growth and productivity improvements are expected to be supportive to margins.

EBIT margin: ~28%

Given the current visibility and interpretation of various country-specific tax legislation and levels, including in the US, Novozymes expects an effective tax rate of 19-21% over the next 3-4 years.

Effective tax rate: 19-21%

Net profit growth is expected to be ~0%. The USD currency exposure has been hedged through forward contracts at an average exchange rate of 6.18 USD/DKK. At this level, the US dollar is 6% lower than the average USD/DKK in 2017.

Net profit growth: ~0%

Net investments are expected to be DKK 1,300-1,500 million (2017: DKK 1,665 million). The relatively high investment level for 2018 reflects continued construction of the innovation campus in Lyngby, Denmark, as well as the completion of the enzyme production facility in Mumbai, India, and capacity expansion in Nebraska, US.

Net investments: DKK 1,300-1,500 million

Free cash flow before acquisitions is expected to be DKK 2,300-2,600 million (2017: DKK 2,398 million).

Free cash flow before acq.: DKK 2,300-2,600 million

Return on invested capital including goodwill is expected at 24-25% (2017: 25.6%). The average calculation for invested capital now includes a higher end balance following the major investment programs that we announced early in 2017.

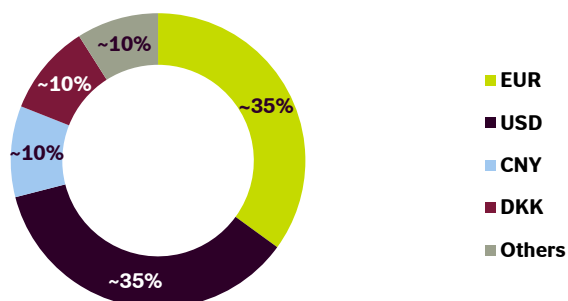
ROIC: 24-25%

Sustainability outlook

While exploring better long-term sustainability measurements, we will use annual targets for water, energy and CO₂ emissions relative to organic sales growth. In general, we aim to keep growth in resource consumption lower than organic sales growth. We remain committed to continuing our tradition of taking a lead on sustainability disclosure and providing detailed information on resource consumption data and types of resources in our annual reports.

Currency exposure

Sales by currency, 2017



From a currency perspective, we expect 2018 EBIT to be most exposed to fluctuations in the USD.

Other things being equal, a 5% movement in USD/DKK is expected to have an annual positive/negative impact on EBIT of DKK 110-130 million, and a 5% movement in EUR/DKK is expected to have an annual positive/negative impact on EBIT of DKK ~200 million.

Hedging of net currency exposure

	2018			
	Q1	Q2	Q3	Q4
USD	100% hedged via forward contracts at 6.18 USD/DKK			
	-	-	-	-

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

DKK	EUR	USD	BRL	CNY
Average exchange rate 2017	744	660	207	98
Average exchange rate Q1'17	744	698	222	101
Average exchange rate Q1'18	745	606	187	95
Average exchange rate Q1'18 compared with Q1'17	0%	-13%	-16%	-6%
Rate at April 24, 2018	745	610	177	97
Estimated average exchange rate 2018*	745	609	179	96
Estimated average exchange rate 2018 compared with 2017	0%	-8%	-13%	-1%

* Estimated average exchange rate at April 24, 2018.

Accounting policies

The interim report for the first three months of 2018 has been prepared in accordance with IAS 34 and the additional Danish regulations for the presentation of quarterly interim reports by listed companies. The interim report for the first three months of 2018 follows the same accounting policies as the annual report for 2017, except for all new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on January 1, 2018.

Of these, IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities and IFRS 15 Revenue from Contracts with Customers are considered most relevant to present.

Impact of IFRS 9

IFRS 9 contains requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting.

The implementation of IFRS 9 has not changed the existing accounting policies nor had an impact on the consolidated financial statements, but has changed the basis for calculating the allowance for doubtful receivables from incurred losses to expected losses. However, this has not had a significant impact on the allowances and thereby the consolidated financial statements.

The standard has been implemented using January 1, 2018 as the date of initial application.

Impact of IFRS 15

IFRS 15 establishes a single comprehensive framework for revenue recognition. The standard has been implemented using the modified retrospective method.

The implementation of IFRS 15 has not had a significant impact on the income statement or the related key ratios in the consolidated financial statements. However, items previously recognized in the balance sheet are now presented separately as Contract assets and Contract liabilities.

All conditional receivables have been recognized as Contract assets, and all obligations to transfer goods or services to customers have been recognized as Contract liabilities.

As of March 31, 2018, DKK 184 million from Trade receivables and DKK 6 million from Other receivables have been recognized as Contract assets. DKK 501 million from Deferred income and DKK 15 million from Other payables have been recognized as Contract liabilities.

Updated accounting policy for revenue

Novozymes produces a wide range of industrial enzymes and microorganisms. Revenue includes sales of goods and related services and royalties, less goods returned and volume rebates and cash discounts. Revenue is recognized when the performance obligations have been satisfied. This happens when the products have been transferred to the customer and the customer obtains control, which depends on the agreed Incoterms. The average payment terms are approximately 60 days.

The performance obligations in the contracts are to deliver enzymes and microorganisms to the customers, and each batch delivered is considered a separate performance obligation, as each batch is distinct.

Enzymes and microorganisms are sometimes sold with a rebate. A rebate agreement can be set up in various ways, but what is common to all agreements is that revenue is recognized based on the price specified in the contract, net of the estimated rebate. The rebates are estimated based on experience, as well as information related to expected orders 3-12 months in advance. The estimated rebates are reassessed at the end of each reporting period.

A few of the Group's partnerships and collaborations are by default granted a right of return. An estimate of the expected level of returns is based on an analysis of historical returns and knowledge of those particular markets. The estimate is updated at the end of each reporting period. A refund liability is recognized for the goods expected to be returned. As the goods returned are usually scrapped, no inventory asset is recognized.

Measurement and fair value hierarchy

All financial assets and liabilities, except for derivatives, are measured at cost and amortized cost. The carrying amounts for these approximate fair value. Derivatives are measured at fair value based on observable data (level 2 input) according to the fair value hierarchy, as described in the annual report for 2017. There are no financial instruments measured at fair value on the basis of quoted prices (level 1 input) or non-observable data (level 3 input). There have been no significant new items and no transfers between levels compared with 2017.

Forward-looking statements

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

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Statement of the Board of Directors and Executive Leadership Team

The Board of Directors and the Executive Leadership Team have considered and approved the interim report of Novozymes A/S for the first three months of 2018. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the first three months of 2018 has been prepared in accordance with International Financial Reporting Standards and IAS 34 as adopted by the EU, and further requirements in the Danish Financial Statements Act for the presentation of quarterly interim reports by listed companies.

In our opinion, the accounting policies used are appropriate, the Group's internal controls relevant to preparation and presentation of this Group financial statement are adequate, and the Group financial statement gives a true and fair view of the development in the Group's activities and business and of the Group's assets, liabilities, net profit and financial position at March 31, 2018, as well as the results of the Group's operations and cash flows for the first three months of 2018. Besides what has been disclosed in the interim report for the first three months of 2018, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the annual report for 2017.

Bagsvaerd, April 25, 2018

EXECUTIVE LEADERSHIP TEAM

Peder Holk Nielsen
President & CEO

Thomas Videbæk
COO

Prisca Havranek-Kosicek
CFO

BOARD OF DIRECTORS

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Appendix 1 Main items and key figures**1.1 Key figures**

(DKK million)	Q1 2018	Q1 2017	% change
Revenue	3,520	3,740	(6)%
Gross profit	2,033	2,161	(6)%
Gross margin	57.8%	57.8%	
EBITDA	1,270	1,265	0%
EBITDA margin	36.1%	33.8%	
Operating profit / EBIT	1,016	1,010	1%
EBIT margin	28.9%	27.0%	
Share of result in associates	(2)	(3)	
Net financials	(5)	(30)	
Profit before tax	1,009	977	3%
Tax	(202)	(205)	(1)%
Net profit	807	772	5%
Earnings per DKK 2 share	2.75	2.59	6%
Earnings per DKK 2 share (diluted)	2.73	2.58	6%
Net investments excl. acq.	281	271	
Free cash flow before net acq. and purchase of financial assets	403	738	
Return on invested capital (ROIC) incl. goodwill	25.2%	24.9%	
Net interest-bearing debt	2,620	1,864	
Equity ratio	55.2%	58.1%	
Return on equity	30.0%	27.2%	
Debt-to-equity	25.6%	17.0%	
NIBD / EBITDA	0.5	0.4	
Number of employees	6,318	6,294	
Novozymes' stock		Mar. 31, 2018	Mar. 31, 2017
Common stock (million)		305.0	305.0
Net worth per share (DKK)		33.50	35.87
Denomination of share (DKK)		2.00	2.00
Nominal value of common stock (DKK million)		610.0	610.0
Treasury stock (million)		12.8	8.0

1.2 Income statement

(DKK million)	Q1 2018	Q1 2017
Revenue	3,520	3,740
Cost of goods sold	(1,487)	(1,579)
Gross profit	2,033	2,161
Sales and distribution costs	(385)	(441)
Research and development costs	(451)	(503)
Administrative costs	(188)	(220)
Other operating income, net	7	13
Operating profit / EBIT	1,016	1,010
Share of result in associates	(2)	(3)
Net financials	(5)	(30)
Profit before tax	1,009	977
Tax	(202)	(205)
Net profit	807	772
Attributable to		
Shareholders in Novozymes A/S	806	771
Non-controlling interests	1	1
Specification of net financials		
Foreign exchange gain/(loss), net	(3)	(12)
Interest income/(costs)	(2)	(6)
Other financial items	-	(12)
Net financials	(5)	(30)
Earnings per DKK 2 share	2.75	2.59
Average no. of A/B shares outstanding (million)	292.9	297.9
Earnings per DKK 2 share (diluted)	2.73	2.58
Average no. of A/B shares, diluted (million)	294.9	299.1

1.3 Statement of comprehensive income

(DKK million)	Q1 2018	Q1 2017
Net profit	807	772
Currency translation of subsidiaries and non-controlling interests	(211)	(37)
Tax on currency translation of subsidiaries	-	4
Currency translation adjustments	(211)	(33)
Fair value adjustments	55	22
Tax on fair value adjustments	(13)	(5)
Cash flow hedges reclassified to financial costs	(7)	24
Tax on reclassified fair value adjustments	2	(5)
Cash flow hedges	37	36
Other comprehensive income	(174)	3
Comprehensive income	633	775
Attributable to		
Shareholders in Novozymes A/S	632	774
Non-controlling interests	1	1

Appendix 2 Distribution of revenue

2.1 By industry

(DKK million)	2018 Q1	2017 Q1	% change	% currency impact	% M&A impact	% organic growth
Household Care	1,164	1,216	(4)	(5)	0	1
Food & Beverages	989	1,001	(1)	(6)	0	5
Bioenergy	648	681	(5)	(14)	0	9
Agriculture & Feed	516	582	(11)	(6)	0	(5)
Technical & Pharma	203	260	(22)	(5)	(7)	(10)
Sales	3,520	3,740	(6)	(8) *	0	2

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -7.4%.

(DKK million)	2018		2017			% change
	Q1	Q4	Q3	Q2	Q1	Q1/Q1
Household Care	1,164	1,143	1,177	1,181	1,216	(4)
Food & Beverages	989	977	1,022	1,041	1,001	(1)
Bioenergy	648	698	637	628	681	(5)
Agriculture & Feed	516	599	499	428	582	(11)
Technical & Pharma	203	256	245	260	260	(22)
Sales	3,520	3,673	3,580	3,538	3,740	(6)

2.2 By geography

(DKK million)	2018 Q1	2017 Q1	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,285	1,348	(5)	(1)	(1)	(3)
North America	1,148	1,291	(11)	(12)	0	1
Asia Pacific	764	736	4	(9)	0	13
Latin America	323	365	(12)	(13)	0	1
Sales	3,520	3,740	(6)	(8) *	0	2
Developed markets	2,278	2,476	(8)	(7)	(1)	0
Emerging markets	1,242	1,264	(2)	(8)	0	6
Sales	3,520	3,740	(6)	(8)	0	2

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -7.4%.

(DKK million)	2018		2017			% change
	Q1	Q4	Q3	Q2	Q1	Q1/Q1
Europe, Middle East & Africa	1,285	1,278	1,322	1,303	1,348	(5)
North America	1,148	1,340	1,160	1,161	1,291	(11)
Asia Pacific	764	707	683	739	736	4
Latin America	323	348	415	335	365	(12)
Sales	3,520	3,673	3,580	3,538	3,740	(6)
Developed markets	2,278	2,440	2,277	2,317	2,474	(8)
Emerging markets	1,242	1,233	1,303	1,221	1,266	(2)
Sales	3,520	3,673	3,580	3,538	3,740	(6)

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

(DKK million)	3M 2018	3M 2017
Net profit	807	772
Reversals of non-cash items	507	476
Tax paid	(240)	(223)
Interest received	2	2
Interest paid	-	(5)
Cash flow before change in working capital	1,076	1,022
Change in working capital		
(Increase)/decrease in receivables and contract assets	(221)	(48)
(Increase)/decrease in inventories	(60)	(26)
Increase/(decrease) in payables, deferred income and contract liabilities	(116)	52
Currency translation adjustments	5	9
Cash flow from operating activities	684	1,009
Investments		
Purchase of intangible assets	(13)	(33)
Sale of property, plant and equipment	2	14
Purchase of property, plant and equipment	(270)	(252)
Cash flow from investing activities before acquisitions, divestments and purchase of financial assets	(281)	(271)
Free cash flow before acquisitions, divestments and purchase of financial assets	403	738
Business acquisitions, divestments and purchase of financial assets	-	(3)
Free cash flow	403	735
Financing		
Borrowings	1,125	650
Repayments of borrowings	(207)	(80)
Purchase of treasury stock	(342)	(479)
Sale of treasury stock	59	61
Dividend paid	(1,316)	(1,192)
Withheld dividend tax	228	-
Cash flow from financing activities	(453)	(1,040)
Net cash flow	(50)	(305)
Unrealized gain/(loss) on currencies and financial assets, included in cash and cash equivalents	(10)	5
Change in cash and cash equivalents, net	(60)	(300)
Cash and cash equivalents, net, at January 1	363	805
Cash and cash equivalents, net, at March 31	303	505

Undrawn committed credit facilities at March 31, 2018, were DKK 3,020 million.

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

(DKK million)	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2017
Completed IT development projects	122	135	133
Acquired patents, licenses and know-how	1,072	1,342	1,130
Goodwill	1,089	1,163	1,108
IT development projects in progress	51	56	61
Intangible assets	2,334	2,696	2,432
Land and buildings	2,623	2,883	2,697
Plant and machinery	4,000	4,173	4,019
Other equipment	559	577	562
Assets under construction and prepayments	1,703	1,030	1,648
Property, plant and equipment	8,885	8,663	8,926
Deferred tax assets	680	606	755
Other financial assets (non-interest-bearing)	41	140	29
Investment in associate	56	70	59
Other receivables	29	37	35
Non-current assets	12,025	12,212	12,236
Raw materials and consumables	326	353	308
Goods in progress	722	638	727
Finished goods	1,580	1,520	1,551
Inventories	2,628	2,511	2,586
Trade receivables	2,463	2,694	2,554
Contract assets	190		
Tax receivables	175	379	135
Other receivables	283	304	214
Receivables	3,111	3,377	2,903
Other financial assets (non-interest-bearing)	52	11	16
Other financial assets	52	11	16
Cash and cash equivalents	716	754	632
Current assets	6,507	6,653	6,137
Assets	18,532	18,865	18,373

4.2 Balance sheet, Liabilities

(DKK million)	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2017
Common stock	610	610	610
Currency translation adjustments	(473)	637	(262)
Cash flow hedges	82	(5)	45
Retained earnings	10,000	9,698	10,861
Equity attributable to shareholders in Novozymes A/S	10,219	10,940	11,254
Non-controlling interests	14	14	13
Shareholders' equity	10,233	10,954	11,267
Deferred tax liabilities	723	948	721
Provisions	165	223	159
Contract liabilities	327		
Deferred income	0	513	337
Other financial liabilities (interest-bearing)	2,042	1,713	1,303
Other financial liabilities (non-interest-bearing)	6	10	9
Non-current liabilities	3,263	3,407	2,529
Other financial liabilities (interest-bearing)	1,294	905	971
Other financial liabilities (non-interest-bearing)	25	59	8
Provisions	79	73	86
Trade payables	1,241	1,167	1,341
Contract liabilities	189		
Deferred income	0	262	205
Tax payables	512	523	483
Other payables	1,696	1,515	1,483
Current liabilities	5,036	4,504	4,577
Liabilities	8,299	7,911	7,106
Liabilities and shareholders' equity	18,532	18,865	18,373

4.3 Statement of shareholders' equity

(DKK million)	Attributable to shareholders in Novozymes A/S						Total
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings	Total	Non-controlling interests	
Shareholders' equity at January 1, 2018	610	(262)	45	10,861	11,254	13	11,267
Net profit for the period				806	806	1	807
Other comprehensive income for the period		(211)	37		(174)	-	(174)
Total comprehensive income for the period		(211)	37	806	632	1	633
Purchase of treasury stock				(342)	(342)		(342)
Sale of treasury stock				59	59		59
Write-down of common stock	-			-	-		-
Dividend				(1,316)	(1,316)	-	(1,316)
Stock-based payment				24	24		24
Tax related to equity items				(92)	(92)		(92)
Changes in shareholders' equity	-	(211)	37	(861)	(1,035)	1	(1,034)
Shareholders' equity at March 31, 2018	610	(473)	82	10,000	10,219	14	10,233
Shareholders' equity at January 1, 2017	620	670	(41)	10,483	11,732	13	11,745
Net profit for the period				771	771	1	772
Other comprehensive income for the period		(33)	36		3	-	3
Total comprehensive income for the period	-	(33)	36	771	774	1	775
Purchase of treasury stock				(479)	(479)		(479)
Sale of treasury stock				61	61		61
Write-down of common stock	(10)			10	-		-
Dividend				(1,192)	(1,192)	-	(1,192)
Stock-based payment				21	21		21
Tax related to equity items				23	23		23
Changes in shareholders' equity	(10)	(33)	36	(785)	(792)	1	(791)
Shareholders' equity at March 31, 2017	610	637	(5)	9,698	10,940	14	10,954

Appendix 5 Miscellaneous

5.1 Product launches in 2018

Q1 2018	Innova® Drive – Our first launch within yeast for conventional biofuels.
Q1 2018	Licheninase – New enzyme class launched for automatic dishwasher targeting oat fibers, such as dried-in cereals (exclusive launch).

About Novozymes

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

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