



Satisfactory first nine months; 5% organic sales growth in Q3

Organic sales growth of +4% (Q3: +5%) in the first nine months: Bioenergy +14%, Agriculture & Feed +5%, Food & Beverages +4%, Household Care 0%, Technical & Pharma -7%. EBIT margin 28.2%. Net profit growth +3%. FCF before acq. DKK 1,980 million. Full-year 2018 outlook; Net profit growth increased to 1-3%; Organic sales growth more likely to end toward the lower part of the 4-6% range, despite challenging markets in the Middle East.

Peder Holk Nielsen, President & CEO: *"We delivered solid earnings and organic revenue growth of 5% in the third quarter and 4% after the first nine months. This is overall satisfactory, and we increase the outlook for net profit growth. Despite recent challenging markets in the Middle-East, we maintain our 4-6% organic revenue growth guidance, albeit with the likelihood that we will close the year toward the lower part of the range. On our innovation efforts, we further demonstrate our strong pipeline and ability to commercialize game-changing solutions with the third-quarter launch of Balancius™ for animal feed."*

Highlights 9M 2018:

- Organic sales growth of +4% (Q3: +5%) and -2% in DKK. USD/DKK -7% in 9M 2018 y/y
- Growth in Food & Beverages and Agriculture & Feed; Bioenergy particularly strong and Household Care flat
- +5% organic sales growth in emerging markets; developed markets +4%
- Good traction for recent product launches. Freshness & hygiene platform in Household Care well received and developing according to plan. Launch of Balancius™ for improved chicken gut health and Acceleron® B-360 ST for higher corn yield and more sustainable agriculture
- EBIT margin of 28.2% (Q3: 28.5%) including productivity improvements, currency headwind, increasing input costs and lower deferred income. 9M 2017: 27.9% (Q3: 29.6%)
- Net profit growth of +3% (Q3: -1%) from lower net financial cost and lower effective tax rate
- Free cash flow before acquisitions DKK 1,980 million; net investments DKK 887 million

Full-year 2018 outlook: Organic sales growth of 4-6% maintained. Toward lower part of the range more likely, despite challenging markets in the Middle East. Net profit growth outlook increased to 1-3% (~0%).

	2018 outlook*		Realized	
	24 October	10 August	9M 2018	9M 2017
Sales growth, organic	4-6%**	4-6%	4%	4%
EBIT margin	~28%	~28%	28.2%	27.9%
Net profit growth	1-3%	~0%	3%	4%
Net investments excl. acquisitions (DKKm)	1,300-1,500	1,300-1,500	887	978
Free cash flow before acquisitions (DKKm)	2,300-2,600	2,300-2,600	1,980	2,113
ROIC (including goodwill)	24-25%	24-25%	24.4%	25.8%

* Assumes that the exchange rates for the company's key currencies remain at the rates on October 23 for the rest of 2018. ** Likely to be toward the lower part of the range.

October 24, 2018

Interim report for the first nine months of 2018.
Company announcement
No. 60

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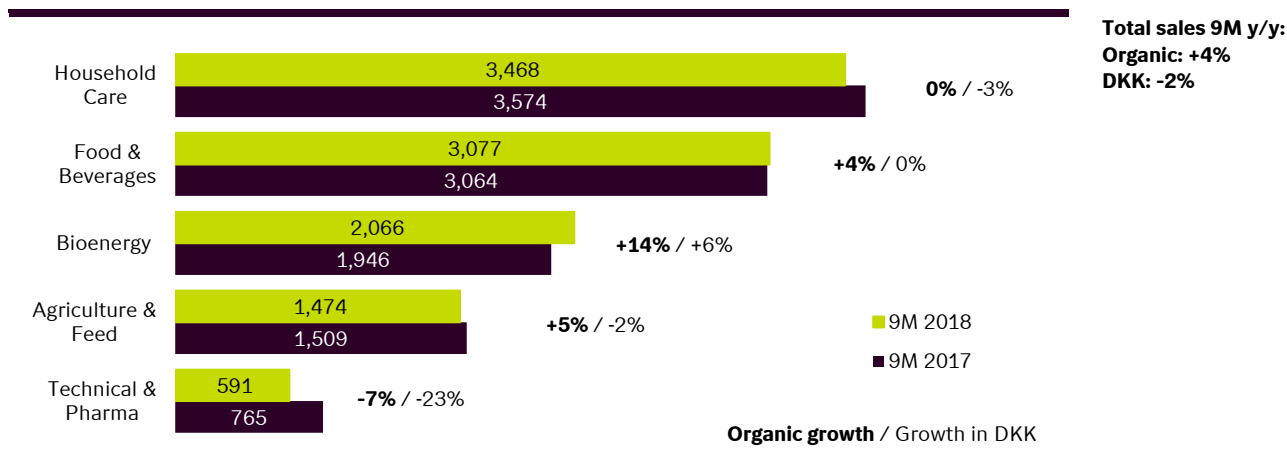
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Selected key data

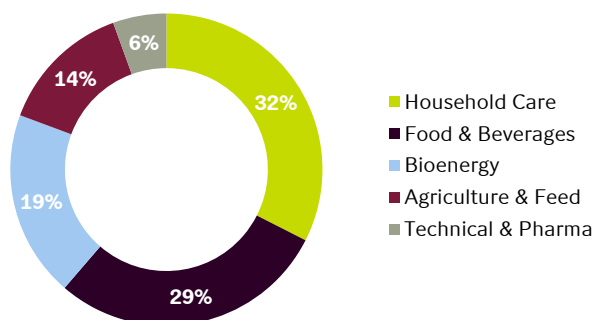
	9M 2018	9M 2017	Q3 2018	Q3 2017
Sales growth, organic	4%	4%	5%	8%
- Household Care	0%	2%	2%	4%
- Food & Beverages	4%	9%	3%	11%
- Bioenergy	14%	10%	15%	16%
- Agriculture & Feed	5%	-2%	10%	8%
- Technical & Pharma	-7%	-3%	-9%	-1%
Sales, DKKm	10,676	10,858	3,658	3,580
Sales growth, DKK	-2%	4%	2%	6%
Gross margin	57.5%	58.0%	57.8%	58.0%
EBITDA, DKKm	3,781	3,771	1,317	1,300
EBIT, DKKm	3,014	3,032	1,041	1,059
EBIT margin	28.2%	27.9%	28.5%	29.6%
Net profit, DKKm	2,390	2,326	807	819
Net profit growth	3%	4%	-1%	9%
Net investments excl. acquisitions, DKKm	887	978	252	364
Free cash flow before acquisitions, DKKm	1,980	2,113	1,090	788
Net debt/EBITDA (x)	0.5	0.3	0.5	0.3
ROIC (incl. goodwill)	24.4%	25.8%	24.1%	28.6%
EPS, DKK	8.20	7.85	2.79	2,78
EPS (diluted), DKK	8.15	7.81	2.76	2,76
Avg. USD/DKK	624	669	641	634

Sales and markets

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



Distribution of sales, 9M 2018



Household Care

In the first nine months of 2018, sales to the Household Care industry were flat organically and down 3% in DKK compared with the same period last year. In the third quarter, sales grew by 2% organically y/y and by 1% in DKK. Sales in the first nine months were a bit softer than expected after a weak second quarter and challenging Middle Eastern markets with sanctions and economic distress impacting the third quarter.

Household Care 9M y/y:
Organic: 0%
DKK: -3%

Sales to local customers maintained their good momentum nine months into the year, and sales of enzymes for dishwash solutions continued to deliver strong performance.

The emerging markets have delivered good performance throughout the year, driven by local customers. In China, penetration with enzymatic solutions for laundry detergent continues, as the demand for liquid detergent formulations continues to grow.

As expected, some of our global customers remain focused on cost optimization, particularly in the developed markets.

The rollout of the first product from the freshness & hygiene platform is tracking according to plan. Sales are expected to continue ramping up during the year and further in the years to come.

Food & Beverages

During the first nine months of 2018, Food & Beverages sales grew by 4% organically and were flat in DKK compared with the same period last year. In the third quarter y/y, organic growth was 3% and 2% in DKK.

Food & nutrition, beverages and starch all posted good growth in the first nine months of 2018 compared with the same period last year. Baking saw a slight decline for the first nine months after a third quarter challenged, in particular, by the Middle East.

Also in the third quarter, enzyme sales to the starch industry were soft, due to volatile commodity pricing in Asia Pacific (China) in particular. Our solutions for low-lactose dairy, trans fat reduction and acrylamide reduction continued their good momentum in the market, supported by increasing health awareness trends among consumers.

Both emerging markets and developed markets posted growth for the first nine months of 2018 compared with the first nine months of 2017.

Food & Beverages 9M y/y:
Organic: +4%
DKK: 0%

Bioenergy

Sales to Bioenergy grew by 14% organically and by 6% in DKK compared with the first nine months of 2017. In the third quarter, sales grew by 15% organically and 14% in DKK y/y.

The strong growth momentum within enzymes for conventional biofuels in the first half continued in the third quarter, driven by our broad technology offerings and closeness to our customers in the market. Our newly launched yeast product, Innova® Drive, posted good growth in the third quarter, and Latin America continued to perform well, supported by new starch-based ethanol production capacity coming online.

US and global ethanol production are estimated to be up ~2% in the first nine months of the year (~2% in the third quarter) compared with the same period last year. Ethanol producer margins remain under pressure with inventory levels still elevated.

Bioenergy 9M y/y:
Organic: +14%
DKK: +6%

Agriculture & Feed

In Agriculture & Feed, sales increased by 5% organically and were down by 2% in DKK compared with the first nine months of last year. Organic growth in the third quarter was 10%, while growth in DKK came in at 4% y/y.

Sales to BioAg continued to post strong growth in the third quarter, mainly driven by sales of the combined Acceleron® B-300 SAT/B-360 ST inoculant for corn to our Alliance partner.

Sales to the animal feed industry declined in the first nine months compared with the same period last year, as challenging feed markets, especially in Latin America, have put pressure on volumes. However, animal feed grew in the third quarter from a relatively easy comparative in Q3 last year. Within animal probiotics, sales developed well across the major geographies.

In the first nine months of 2018, Novozymes recognized DKK 108 million (Q3: DKK 53 million) of deferred income as revenue, compared with DKK 122 million in the first nine months of 2017 (Q3: DKK 59 million).

Agriculture & Feed 9M y/y:
Organic: +5%
DKK: -2%

Technical & Pharma

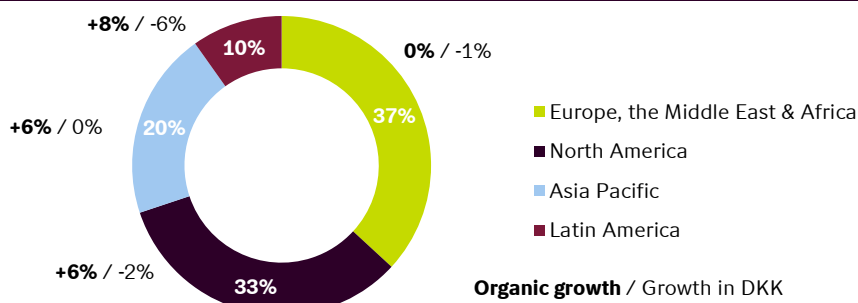
Sales to Technical & Pharma declined by 7% organically and by 23% in DKK in the first nine months of 2018 compared with the same period last year. Organic sales growth in the third quarter declined by 9% and 24% in DKK y/y. The divestment of Albumedix late 2017 impacted revenue negatively by

Technical & Pharma 9M y/y:
Organic: -7%
DKK: -23%

DKK ~110 million in the first nine months and negatively by DKK ~40 million in the third quarter. The divestment has no impact on the organic sales growth.

The performance was somewhat weak across the various technical industries. Sales to the textile industry in particular declined following weak performance in the Middle East. Also, there is still timing uncertainty of sales for the Pharma part of the segment.

Sales by geography, 9M 2018



Overall, organic sales grew by 4% in the first nine months of 2018 compared with the same period last year. Sales to the emerging markets grew organically by 5%, and developed markets were up 4% in the same period. Growth in the emerging markets came from both Asia Pacific and Latin America, where in particular Household Care and Bioenergy performed well. Food & Beverages also posted solid growth in Latin America during the first nine months of 2018 compared with the same period last year. Middle Eastern markets impacted sales growth negatively, especially in the third quarter.

In the developed markets, sales to Household Care were the main negative in the first nine months of the year, whereas Bioenergy and BioAg were the strongest growth contributors.

In the third quarter of 2018, organic sales grew by 5% overall compared with the same period last year. Sales to the emerging markets grew by 1% organically and by 7% in the developed markets. In emerging markets, the soft performance was mainly due to lower sales of enzymes for starch conversion in Asia Pacific and weak Middle Eastern markets in Household Care, Food & Beverages and textiles (Technical & Pharma). Latin America performed well, driven by Bioenergy. Among the developed markets, North America posted solid growth, driven by Bioenergy and Household Care.

Europe, the Middle East & Africa

Organic sales growth in the first nine months of 2018 compared with the same period last year was soft across most industries, particularly Household Care. In the third quarter, organic sales growth was 4% compared with the same period last year, mainly driven by Food & Beverages. Sales to the Middle East declined in the third quarter, with sanctions and economic distress impacting in particular the Household Care, Food & Beverages and Technical & Pharma segments.

Europe, the Middle East & Africa 9M y/y:
Organic: 0%
DKK: -1%

North America

North America was solid overall with 6% organic sales growth for the first nine months and 7% in the third quarter compared with the same periods last year. Bioenergy and Agriculture & Feed were the main drivers during the first nine months of 2018. In the third quarter, Bioenergy, Agriculture & Feed and Household Care all contributed to the solid performance.

North America 9M y/y:
Organic: +6%
DKK: -2%

Asia Pacific

Food & Beverages, Household Care and Agriculture & Feed were the main drivers of the 6% organic sales growth in the first nine months of 2018 compared with the same period last year. In the third quarter of 2018, Asia Pacific grew by 1% organically, with continued good momentum in Household Care mitigated mainly by Food & Beverages.

Asia Pacific 9M y/y:
Organic: +6%
DKK: 0%

Latin America

Organic sales growth in Latin America was 8% in the first nine months of 2018 compared with the same period last year, driven by Bioenergy and Food & Beverages. Comparing the third quarter of 2018 with the same period last year, Latin America grew by 9% organically, driven by Bioenergy and Food & Beverages, whereas Household Care and Agriculture & Feed were soft.

Latin America 9M y/y:
Organic: +8%
DKK: -6%

Income statement

Total costs excluding net financials, share of losses in associates and taxes were DKK 7,687 million, a decrease of 2% or DKK 173 million compared with the first nine months of 2017.

Total costs: -2%

The gross margin was 57.5% for the first nine months of 2018, which is 0.5 percentage point lower than for the same period last year. Productivity gains and mix impacted the gross margin positively, whereas currencies, higher input costs and lower deferred income had a negative effect.

Gross margin: 57.5%

Operating costs were DKK 3,146 million, a decrease of 5% or DKK 152 million and mainly driven by currencies as well as one-off reorganization costs in the first half of 2017. Operating costs as a percentage of sales were 29%, roughly 1 percentage point lower than for the first nine months of 2017.

Operating costs: -5%

- Sales and distribution costs declined by 7%, representing 10.8% of sales
- R&D costs were flat, representing 13.3% of sales
- Administrative costs declined by 10%, representing 5.4% of sales

Other operating income was DKK 25 million in the first nine months of 2018, compared with DKK 34 million in the same period last year.

Depreciation and amortization were DKK 767 million, compared with DKK 739 million in the first nine months of 2017.

Depreciation and amortization:
DKK 767 million

The EBIT margin was 28.2%, 0.3 percentage point higher than for the first nine months of 2017. Excluding the one-time costs relating to organizational changes in the first half of 2017, the EBIT margin was 0.7 percentage point lower. The lower underlying EBIT margin is mainly explained by negative currencies, a lower gross margin as well as lower deferred income.

EBIT: DKK 3,014 million

EBIT margin: 28.2%

In total, net financial costs were DKK 74 million compared with DKK 116 million in the first nine months of 2017. The share of losses in associates was DKK 8 million, the same as for the first nine months of last year. Novozymes realized a DKK 55 million currency hedging/revaluation loss for the first nine months of 2018 compared with a loss of DKK 7 million for the same period last year. Other financial costs were DKK 15 million in the first nine months compared with DKK 93 million for the same period last year. Of the DKK 93 million in 2017, DKK 60 million related to the write-down of a financial guarantee provided by M&G Group. Interest expenses were DKK 4 million compared with DKK 16 million in 2017.

Net financial costs and share of losses in associates:
DKK -82 million

Profit before tax was DKK 2,932 million, an increase of 1% compared with DKK 2,908 million in the first nine months of 2017.

The effective tax rate was 18.5% in the first nine months of 2018, compared with 20.0% in the same period of 2017, mainly explained by the previously announced transfer of intellectual property assets from Switzerland to Denmark.

Effective tax rate: 18.5%

Net profit was DKK 2,390 million, an increase of 3% from DKK 2,326 million in the first nine months of 2017. This was driven by a lower tax rate and lower net financial costs.

Net profit: DKK 2,390 million

Cash flow and balance sheet

Cash flow from operating activities was DKK 2,867 million in the first nine months of 2018, compared with DKK 3,091 million for the same period last year. 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, lower payables and increasing inventories.

**Operating cash flow:
DKK 2,867 million**

Net investments excluding acquisitions totaled DKK 887 million, 9% lower than the DKK 978 million invested in the first nine months of 2017. Novozymes' main investment projects in 2018 are the greenfield facility in Mumbai, India, the capacity expansion in Nebraska, US, and the innovation campus in Lyngby, Denmark. The capacity expansion in Nebraska, US, was completed during the second quarter, the Mumbai production plant is expected to be up and running in Q4 2018, and the investments in our new innovation campus in Lyngby are expected to continue into 2019.

**Net investments:
DKK 887 million**

Free cash flow before net acquisitions decreased by DKK 133 million to DKK 1,980 million due to higher net working capital, offset by lower net investments and to some extent by higher net profit.

**Free cash flow before
acquisitions: DKK 1,980 million**

Total shareholders' equity at September 30, 2018, was DKK 10,958 million, compared with DKK 10,736 million at September 30, 2017. Shareholders' equity was 57.7% of the balance sheet total, compared with 59.5% at September 30, 2017 and 61.3% at year-end 2017. This decline was due to dividend payments and the continued share buybacks.

Equity ratio: 57.7%

On September 30, 2018, Novozymes had net interest-bearing debt of DKK 2,428 million, compared with DKK 1,651 million at the end of the first nine months of 2017. Net interest-bearing debt-to-EBITDA was 0.5x, compared with 0.3x at the end of the first nine months of 2017.

**Net interest-bearing debt-to-
EBITDA: 0.5x**

Return on invested capital (ROIC) including goodwill was 24.4%, compared with 25.8% after the first nine months of 2017. The lower ROIC was mainly due to higher net invested capital.

ROIC: 24.4%

At September 30, 2018, the holding of treasury stock was 8,198,535 B shares, equivalent to 2.8% of the common stock. During the first nine months of the year, Novozymes repurchased 4,812,643 B shares with a transaction value of DKK 1,559,907 million under the stock buyback program initiated on February 14, 2018. The announced full-year 2018 share buyback program has a total value of DKK 2 billion.

Treasury stock: 2.8%

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. 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 takes place (different energy mix) and, as such, more challenging to reach. Occupational accidents with absence per million working hours are above target, as minor injuries have been reported, mainly in production.

	9M 2018	2018 target
Growth in absolute water consumption	4%	< 4-6%
Growth in absolute energy consumption	3%	< 4-6%
Growth in absolute CO ₂ emissions	8%	≤ 4-6%
Energy from renewable sources	23%	23%
Occupational accidents with absence per million working hours	2.8	≤ 1.5
Employee absence	2.1%	≤ 2.0%
Women in Senior Management	29%	≥ 27%

2018 outlook

	2018 outlook October 24*	2018 outlook August 10	2018 outlook April 25	2018 outlook February 7
Sales growth, organic	4-6%**	4-6%	4-6%	4-6%
EBIT margin	~28%	~28%	~28%	~28%
Net profit growth	1-3%	~0%	~0%	~0%
Net investments excl. acquisitions (DKKm)	1,300-1,500	1,300-1,500	1,300-1,500	1,300-1,500
Free cash flow before acquisitions (DKKm)	2,300-2,600	2,300-2,600	2,300-2,600	2,300-2,600
ROIC (including goodwill)	24-25%	24-25%	24-25%	24-25%
Avg. USD/DKK*	6.31	6.30	6.09	6.00

* Assumes that the exchange rates for the company's key currencies remain at the rates on October 23 for the rest of 2018.

** Likely to be toward the lower part of the range.

Sales outlook

Novozymes maintains its outlook of 4-6% organic sales growth for 2018, but believes it is more likely that the year will end toward the lower part of the range. This is despite Middle Eastern markets experiencing economic distress and trade sanctions, making the region more difficult to operate in. The negative impact has accentuated in the third quarter and is expected to continue in the fourth quarter.

Organic sales growth: 4-6%, likely to be toward the lower part of the range

Using current spot rates as full-year estimates for the major currencies, Novozymes expects to see a negative impact of ~3 percentage points, similar to what was expected at previous guidance in August. Additionally, the Almedix divestment late 2017 is expected to impact DKK sales growth negatively by ~1 percentage point. Lower recognition of deferred income (BioAg) by some DKK 30 million in 2018 than in 2017 (DKK 202 million) also reduces reported sales.

Household Care (organic: 0% 9M 2018 y/y) organic sales growth is expected to be supported 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, and the first commercial product containing this technology is now available in stores in the Philippines. The development of this platform is tracking according to plan. The optimization focus of some of our large customers continues, as is expected for the remainder of the year, which puts a dampener on growth. Organic sales in Household Care are not expected to decline for the full year, but the second-quarter impact from customers experiencing issues in Brazil (truck strike) and North America (global customer with distribution issues) is not expected to be recovered, in combination with difficult markets in the Middle East in the second half. While the developed markets remain dynamic, innovation, performance and differentiation are driving growth with both existing and new customers.

Food & Beverages (organic: +4% 9M 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 grow in other markets. Enzymes for low-lactose dairy products and other health concepts are expected to maintain their positive growth rates. In general, we expect continued growth across industries, although the starch business in Asia Pacific and market constraints in the Middle East are expected to act as dampeners.

Bioenergy (organic: +14% 9M 2018 y/y) organic sales growth is expected to be driven mainly by new product launches, increased penetration from innovation and growth outside the US market. We expect US ethanol production for 2018 to be slightly higher than for 2017, although ethanol inventory levels remain high going into the fourth quarter. Yeast was added to the product portfolio early in 2018 and will contribute to growth.

Agriculture & Feed (organic: +5% 9M 2018 y/y) organic sales growth is expected to be driven by good growth in BioAg from new product launches. We continue to monitor the 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 as well as global trade-related concerns.

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: -7% 9M 2018 y/y) reported sales growth for the full year will be impacted by the divestment of Albumedix late 2017. (2017 Albumedix revenue was roughly DKK 150 million: 10% in Q1, and the rest roughly evenly split between the remaining quarters.) The divestment will not impact organic growth. Also, the segment is impacted by the challenging markets in the Middle East in the third quarter; this situation is expected to continue in the fourth quarter.

Profit outlook

The reported EBIT margin in the first nine months of 2018 was 28.2% despite headwind from currencies. For full-year 2018 we still expect an EBIT margin of around 28% including a 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 weakening relative to what has been assumed in the guidance for the full year (USD/DKK at 6.31) 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 of margins, mitigating the effects from higher input costs.

EBIT margin: ~28%

Given the current visibility and interpretation of various country-specific tax rules and levels, including in the US, Novozymes expects an effective tax rate of ~19% for 2018.

Effective tax rate: ~19%

Net profit growth is expected to be 1-3%. The USD currency exposure has been hedged through forward contracts at an average exchange rate of 6.18 USD/DKK for 2018. At this level, the US dollar is roughly 7% lower than the average USD/DKK in 2017.

Net profit growth: 1-3%

Net investments are expected to be DKK 1,300-1,500 million (2017: DKK 1,665 million). The investment level for 2018 reflects continued construction of the innovation campus in Lyngby, Denmark, as well as 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 of invested capital now includes a higher end balance following the major investment programs that we announced early in 2017.

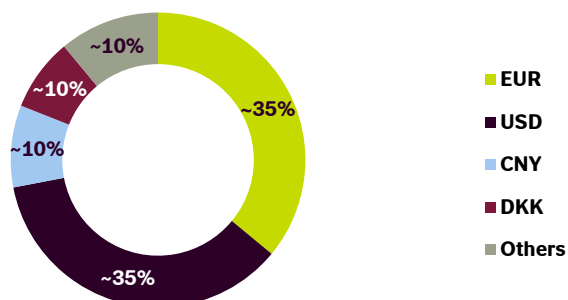
ROIC: 24-25%

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, 9M 2018



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				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USD	100% hedged via forward contracts at 6.18 USD/DKK				100% hedged via forward contracts at 6.11 USD/DKK		50% hedged at 6.18 USD/DKK	

As of October 2018, we are hedging our expected USD cash flow using 12-month rolling contracts. 2018 is fully hedged at 6.18, 1H 2019 is fully hedged at 6.11 and Q3 2019 is 50% hedged at 6.18. In summary, 2019 is 63% hedged at an average rate of 6.12.

The outlook is based on exchange rates for the company's key currencies remaining at the closing rates on October 23 for the full year.

DKK	EUR	USD	BRL	CNY
Average exchange rate 2017	744	660	207	98
Average exchange rate 9M 17	744	669	211	98
Average exchange rate 9M 18	745	624	174	96
Average exchange rate 9M 18 compared with 9M 17	0%	-7%	-17%	-3%
Rate on October 23, 2018	746	650	175	95
Estimated average exchange rate 2018*	745	631	175	95
Estimated average exchange rate 2018 compared with 2017	0.0%	-4.4%	-15.6%	-2.8%

* Estimated average exchange rate on October 23, 2018.

Accounting policies

The interim report for the first nine 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 nine 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 September 30, 2018, DKK 194 million from Trade receivables and DKK 17 million from Other receivables has been recognized as Contract assets. DKK 396 million from Deferred income and DKK 21 million from Other payables has 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 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 Management

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

The interim report for the first nine 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 September 30, 2018, as well as the results of the Group's operations and cash flows for the first nine months of 2018. Besides what has been disclosed in the interim report for the first nine 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, October 24, 2018

EXECUTIVE MANAGEMENT

Peder Holk Nielsen
President & CEO

Thomas Videbæk
COO

Prisca Havranek-Kosicek
CFO

BOARD OF DIRECTORS

Jørgen Buhl Rasmussen
Chairman

Agnete Raaschou-Nielsen
Vice Chairman

Lars Green

Lena Bech Holskov

Anders Hentze Knudsen

Kasim Kutay

Lars Bo Køppler

Patricia Malarkey

Kim Stratton

Mathias Uhlén

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

(DKK million)	9M 2018	9M 2017	% change	Q3 2018	Q3 2017	% change
Revenue	10,676	10,858	(2)%	3,658	3,580	2%
Gross profit	6,135	6,296	(3)%	2,116	2,077	2%
Gross margin	57.5%	58.0%		57.8%	58.0%	
EBITDA	3,781	3,771	0%	1,317	1,300	1%
EBITDA margin	35.4%	34.7%		36.0%	36.3%	
Operating profit / EBIT	3,014	3,032	(1)%	1,041	1,059	(2)%
EBIT margin	28.2%	27.9%		28.5%	29.6%	
Share of result in associates	(8)	(8)		(3)	(2)	
Net financials	(74)	(116)		(60)	(57)	
Profit before tax	2,932	2,908	1%	978	1,000	(2)%
Tax	(542)	(582)	(7)%	(171)	(181)	(6)%
Net profit	2,390	2,326	3%	807	819	(1)%
Earnings per DKK 2 share	8.20	7.85	4%	2.79	2.78	0%
Earnings per DKK 2 share (diluted)	8.15	7.81	4%	2.76	2.76	0%
Net investments excl. acq.	887	978				
Free cash flow before net acq. and purchase of financial assets	1,980	2,113				
Return on invested capital (ROIC) incl. goodwill	24.4%	25.8%				
Net interest-bearing debt	2,428	1,651				
Equity ratio	57.7%	59.5%				
Return on equity	28.7%	27.6%				
Debt-to-equity	22.2%	15.4%				
NIBD / EBITDA	0.5	0.3				
Number of employees	6,386	6,307				
Novozymes' stock				Sep. 30, 2018	Sep. 30, 2017	
Common stock (million)				297.0	305.0	
Net worth per share (DKK)				36.85	35.16	
Denomination of share (DKK)				2.00	2.00	
Nominal value of common stock (DKK million)				594.0	610.0	
Treasury stock (million)				8.2	11.5	

1.2 Income statement

(DKK million)	9M 2018	9M 2017	Q3 2018	Q3 2017
Revenue	10,676	10,858	3,658	3,580
Cost of goods sold	(4,541)	(4,562)	(1,542)	(1,503)
Gross profit	6,135	6,296	2,116	2,077
Sales and distribution costs	(1,158)	(1,244)	(404)	(398)
Research and development costs	(1,416)	(1,420)	(500)	(440)
Administrative costs	(572)	(634)	(192)	(190)
Other operating income, net	25	34	21	10
Operating profit / EBIT	3,014	3,032	1,041	1,059
Share of result in associates	(8)	(8)	(3)	(2)
Net financials	(74)	(116)	(60)	(57)
Profit before tax	2,932	2,908	978	1,000
Tax	(542)	(582)	(171)	(181)
Net profit	2,390	2,326	807	819
Attributable to				
Shareholders in Novozymes A/S	2,389	2,325	807	818
Non-controlling interests	1	1	-	1
Specification of net financials				
Foreign exchange gain/(loss), net	(55)	(7)	(53)	20
Interest income/(costs)	(4)	(16)	(1)	(5)
Other financial items	(15)	(93)	(6)	(72)
Net financials	(74)	(116)	(60)	(57)
Earnings per DKK 2 share	8.20	7.85	2.79	2.78
Average no. of A/B shares outstanding (million)	291.2	296.1	289.6	294.3
Earnings per DKK 2 share (diluted)	8.15	7.81	2.76	2.76
Average no. of A/B shares, diluted (million)	293.2	297.8	291.9	296.3

1.3 Statement of comprehensive income

(DKK million)	9M 2018	9M 2017	Q3 2018	Q3 2017
Net profit	2,390	2,326	807	819
Currency translation of subsidiaries and non-controlling interests	41	(876)	(62)	(256)
Tax on currency translation of subsidiaries	-	37	-	18
Currency translation adjustments	41	(839)	(62)	(238)
Fair value adjustments	(90)	102	(30)	10
Tax on fair value adjustments	20	(23)	7	(3)
Cash flow hedges reclassified to financial costs	17	11	20	(21)
Tax on reclassified fair value adjustments	(4)	(2)	(5)	5
Cash flow hedges	(57)	88	(8)	(9)
Other comprehensive income	(16)	(751)	(70)	(247)
Comprehensive income	2,374	1,575	737	572
Attributable to				
Shareholders in Novozymes A/S	2,373	1,575	737	572
Non-controlling interests	1	-	-	-

Appendix 2 Distribution of revenue

2.1 Segment

(DKK million)	2018 9M	2017 9M	% change	% currency impact	% M&A impact	% organic growth
Household Care	3,468	3,574	(3)	(3)	0	0
Food & Beverages	3,077	3,064	0	(4)	0	4
Bioenergy	2,066	1,946	6	(8)	0	14
Agriculture & Feed	1,474	1,509	(2)	(7)	0	5
Technical & Pharma	591	765	(23)	(2)	(14)	(7)
Sales	10,676	10,858	(2)	(5) *	(1)	4

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -4.5%.

(DKK million)	2018 Q3	2017 Q3	% change	% currency impact	% M&A impact	% organic growth
Household Care	1,186	1,177	1	(1)	0	2
Food & Beverages	1,045	1,022	2	(1)	0	3
Bioenergy	723	637	14	(1)	0	15
Agriculture & Feed	517	499	4	(6)	0	10
Technical & Pharma	187	245	(24)	1	(16)	(9)
Sales	3,658	3,580	2	(2) *	(1)	5

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -1.3%.

(DKK million)	2018			2017			% change	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q3/Q3
Household Care	1,186	1,118	1,164	1,143	1,177	1,181	1,216	1
Food & Beverages	1,045	1,043	989	977	1,022	1,041	1,001	2
Bioenergy	723	695	648	698	637	628	681	14
Agriculture & Feed	517	441	516	599	499	428	582	4
Technical & Pharma	187	201	203	256	245	260	260	(24)
Sales	3,658	3,498	3,520	3,673	3,580	3,538	3,740	2

2.2 Geography

(DKK million)	2018 9M	2017 9M	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	3,934	3,973	(1)	0	(1)	0
North America	3,527	3,612	(2)	(6)	(2)	6
Asia Pacific	2,166	2,158	0	(6)	0	6
Latin America	1,049	1,115	(6)	(14)	0	8
Sales	10,676	10,858	(2)	(5) *	(1)	4
Developed markets	6,952	7,068	(2)	(5)	(1)	4
Emerging markets	3,724	3,790	(2)	(7)	0	5
Sales	10,676	10,858	(2)	(5)	(1)	4

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -4.5%.

(DKK million)	2018 Q3	2017 Q3	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,360	1,322	3	0	(1)	4
North America	1,217	1,160	5	0	(2)	7
Asia Pacific	685	683	0	(1)	0	1
Latin America	396	415	(5)	(14)	0	9
Sales	3,658	3,580	2	(2) *	(1)	5
Developed markets	2,404	2,277	6	1	(2)	7
Emerging markets	1,254	1,303	(4)	(5)	0	1
Sales	3,658	3,580	2	(2)	(1)	5

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -1.3%.

(DKK million)	2018			2017			% change	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q3/Q3
Europe, Middle East & Africa	1,360	1,289	1,285	1,278	1,322	1,303	1,348	3
North America	1,217	1,162	1,148	1,340	1,160	1,161	1,291	5
Asia Pacific	685	717	764	707	683	739	736	0
Latin America	396	330	323	348	415	335	365	(5)
Sales	3,658	3,498	3,520	3,673	3,580	3,538	3,740	2
Developed markets	2,404	2,270	2,278	2,440	2,277	2,315	2,476	6
Emerging markets	1,254	1,228	1,242	1,233	1,303	1,223	1,264	(4)
Sales	3,658	3,498	3,520	3,673	3,580	3,538	3,740	2

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

(DKK million)	9M 2018	9M 2017
Net profit	2,390	2,326
Reversals of non-cash items	1,586	1,422
Tax paid	(369)	(360)
Interest received	7	4
Interest paid	(7)	(20)
Cash flow before change in working capital	3,607	3,372
Change in working capital		
(Increase)/decrease in receivables and contract assets	(334)	(83)
(Increase)/decrease in inventories	(247)	(214)
Increase/(decrease) in payables, deferred income and contract liabilities	(165)	16
Currency translation adjustments	6	-
Cash flow from operating activities	2,867	3,091
Investments		
Purchase of intangible assets	(21)	(58)
Sale of property, plant and equipment	3	23
Purchase of property, plant and equipment	(869)	(943)
Cash flow from investing activities before acquisitions, divestments and purchase of financial assets	(887)	(978)
Free cash flow before acquisitions, divestments and purchase of financial assets	1,980	2,113
Business acquisitions, divestments and purchase of financial assets	-	(3)
Free cash flow	1,980	2,110
Financing		
Borrowings	1,325	650
Repayments of borrowings	(322)	(331)
Purchase of treasury stock	(1,560)	(1,703)
Sale of treasury stock	138	141
Dividend paid	(1,317)	(1,192)
Cash flow from financing activities	(1,736)	(2,435)
Net cash flow	244	(325)
Unrealized gain/(loss) on currencies and financial assets, included in cash and cash equivalents	(25)	(19)
Change in cash and cash equivalents, net	219	(344)
Cash and cash equivalents, net, at January 1	363	805
Cash and cash equivalents, net, at September 30	582	461

Undrawn committed credit facilities at September 30, 2018, were DKK 3,170 million.

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

(DKK million)	Sep. 30, 2018	Sep. 30, 2017	Dec. 31, 2017
Completed IT development projects	111	106	133
Acquired patents, licenses and know-how	941	1,219	1,130
Goodwill	1,076	1,117	1,108
IT development projects in progress	45	77	61
Intangible assets	2,173	2,519	2,432
Land and buildings	2,647	2,717	2,697
Plant and machinery	4,198	3,945	4,019
Other equipment	565	510	562
Assets under construction and prepayments	1,892	1,392	1,648
Property, plant and equipment	9,302	8,564	8,926
Deferred tax assets	749	548	755
Other financial assets (non-interest-bearing)	30	77	29
Investment in associate	51	63	59
Other receivables	34	28	35
Non-current assets	12,339	11,799	12,236
Raw materials and consumables	377	333	308
Goods in progress	739	709	727
Finished goods	1,706	1,593	1,551
Inventories	2,822	2,635	2,586
Trade receivables	2,632	2,540	2,554
Contract assets	211		
Tax receivables	175	118	135
Other receivables	230	266	214
Receivables	3,248	2,924	2,903
Other financial assets (non-interest-bearing)	6	38	16
Other financial assets	6	38	16
Cash and cash equivalents	582	661	632
Current assets	6,658	6,258	6,137
Assets	18,997	18,057	18,373

4.2 Balance sheet, Liabilities

(DKK million)	Sep. 30, 2018	Sep. 30, 2017	Dec. 31, 2017
Common stock	594	610	610
Currency translation adjustments	(221)	(168)	(262)
Cash flow hedges	(12)	47	45
Retained earnings	10,584	10,234	10,861
Equity attributable to shareholders in Novozymes A/S	10,945	10,723	11,254
Non-controlling interests	13	13	13
Shareholders' equity	10,958	10,736	11,267
Deferred tax liabilities	632	791	721
Provisions	142	186	159
Contract liabilities	263		
Deferred income	1	430	337
Other financial liabilities (interest-bearing)	1,882	1,682	1,303
Other financial liabilities (non-interest-bearing)	2	9	9
Non-current liabilities	2,922	3,098	2,529
Other financial liabilities (interest-bearing)	1,128	630	971
Other financial liabilities (non-interest-bearing)	79	18	8
Provisions	189	90	86
Trade payables	1,259	1,191	1,341
Contract liabilities	154		
Deferred income	33	218	205
Tax payables	780	565	483
Other payables	1,495	1,511	1,483
Current liabilities	5,117	4,223	4,577
Liabilities	8,039	7,321	7,106
Liabilities and shareholders' equity	18,997	18,057	18,373

4.3 Statement of shareholders' equity

(DKK million)	Attributable to shareholders in Novozymes A/S						Non-controlling interests	Total
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings	Total			
Shareholders' equity at January 1, 2018	610	(262)	45	10,861	11,254	13	11,267	
Net profit for the period				2,389	2,389	1	2,390	
Other comprehensive income for the period		41	(57)		(16)	-	(16)	
Total comprehensive income for the period		41	(57)	2,389	2,373	1	2,374	
Purchase of treasury stock				(1,560)	(1,560)		(1,560)	
Sale of treasury stock				138	138		138	
Write-down of common stock	(16)			16	-		-	
Dividend				(1,316)	(1,316)	(1)	(1,317)	
Stock-based payment				76	76		76	
Tax related to equity items				(20)	(20)		(20)	
Changes in shareholders' equity	(16)	41	(57)	(277)	(309)	-	(309)	
Shareholders' equity at September 30, 2018	594	(221)	(12)	10,584	10,945	13	10,958	
Shareholders' equity at January 1, 2017	620	670	(41)	10,483	11,732	13	11,745	
Net profit for the period				2,325	2,325	1	2,326	
Other comprehensive income for the period		(838)	88		(750)	(1)	(751)	
Total comprehensive income for the period		(838)	88	2,325	1,575	-	1,575	
Purchase of treasury stock				(1,703)	(1,703)		(1,703)	
Sale of treasury stock				141	141		141	
Write-down of common stock	(10)			10	-		-	
Dividend				(1,192)	(1,192)	-	(1,192)	
Stock-based payment				81	81		81	
Tax related to equity items				89	89		89	
Changes in shareholders' equity	(10)	(838)	88	(249)	(1,009)	-	(1,009)	
Shareholders' equity at September 30, 2017	610	(168)	47	10,234	10,723	13	10,736	

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).
Q3 2018	Acceleron® B-360 ST for higher corn yield and more sustainable farming.
Q3 2018	Balancius™ - Novel enzyme (muramidase) improving digestion and gut health in chickens.
Q3 2018	Lipex® Evity 200 L – New premium liquid lipase for removal of grease stains.

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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