

Financial statements for Novozymes A/S

Financial statements

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Income statement, Novozymes A/S

| DKK million | Note | 2017 | 2016 |
|--|------|--------------|--------------|
| Revenue | 2.1 | 8,273 | 7,648 |
| Cost of goods sold | 2.2 | (4,062) | (3,637) |
| Gross profit | | 4,211 | 4,011 |
| Sales and distribution costs | 2.2 | (960) | (998) |
| Research and development costs | 2.2 | (1,433) | (1,451) |
| Administrative costs | 2.2 | (556) | (574) |
| Other operating income | 2.3 | 1,516 | 1,600 |
| Operating profit / EBIT | | 2,778 | 2,588 |
| Income from investments in subsidiaries | 3.3 | 963 | 969 |
| Share of result in associates | 3.3 | (11) | (31) |
| Financial income | 4.1 | 79 | 96 |
| Financial costs | 4.1 | (191) | (62) |
| Profit before tax | | 3,618 | 3,560 |
| Tax | | (597) | (589) |
| Net profit | | 3,021 | 2,971 |
| Proposed appropriation of net profit | | | |
| Dividend to shareholders | | 1,266 | 1,142 |
| Revaluation reserve according to the equity method | | 952 | 938 |
| Retained earnings | | 803 | 891 |
| | | 3,021 | 2,971 |
| Proposed dividend per share | | DKK 4.50 | DKK 4.00 |

Balance sheet, Novozymes A/S

Assets

| DKK million | Note | Dec. 31, 2017 | Dec. 31, 2016 |
|--------------------------------------|------|---------------|---------------|
| Intangible assets | 3.1 | 1,709 | 1,056 |
| Property, plant and equipment | 3.2 | 3,798 | 3,320 |
| Investments in subsidiaries | 3.3 | 7,321 | 7,924 |
| Investments in associates | 3.3 | 49 | 60 |
| Other long-term receivables | 3.4 | 2 | 4 |
| Other financial assets | | 10 | 130 |
| Receivables from Group enterprises | 3.3 | 1,411 | 1,458 |
| Financial fixed assets | | 8,793 | 9,576 |
| Fixed assets | | 14,300 | 13,952 |
| Raw materials and consumables | | 134 | 149 |
| Work in progress | | 486 | 382 |
| Finished goods | | 830 | 787 |
| Inventories | | 1,450 | 1,318 |
| Trade receivables | | 900 | 941 |
| Receivables from Group enterprises | | 1,222 | 510 |
| Tax receivables | | 25 | 92 |
| Other receivables | 3.4 | 90 | 117 |
| Receivables | | 2,237 | 1,660 |
| Cash at bank and in hand | | 130 | 429 |
| Current assets | | 3,817 | 3,407 |
| Assets | | 18,117 | 17,359 |

Liabilities and shareholders' equity

| DKK million | Note | Dec. 31, 2017 | Dec. 31, 2016 |
|--|------|---------------|---------------|
| Common stock | 5.6 | 610 | 620 |
| Treasury stock | | (4,698) | (4,355) |
| Revaluation reserve according to the equity method | | 92 | 1,073 |
| Reserve for development costs | | 151 | 136 |
| Retained earnings | | 13,250 | 12,534 |
| Proposed dividend | | 1,216 | 1,142 |
| Shareholders' equity | | 10,621 | 11,150 |
| Deferred tax | 3.5 | 235 | 367 |
| Other provisions | | 8 | 29 |
| Provisions | | 243 | 396 |
| Credit institutions | 4.2 | 1,312 | 1,727 |
| Non-current liabilities | | 1,312 | 1,727 |
| Credit institutions | | 968 | 119 |
| Trade payables | | 670 | 546 |
| Payables to Group enterprises | | 3,474 | 2,684 |
| Other payables | | 829 | 737 |
| Current liabilities | | 5,941 | 4,086 |
| Liabilities | | 7,496 | 6,209 |
| Liabilities and shareholders' equity | | 18,117 | 17,359 |

Statement of shareholders' equity, Novozymes A/S

| DKK million | Common stock | Treasury stock | Revaluation reserve according to the equity method | Reserve for development costs | Retained earnings | Proposed dividend | Total |
|---|--------------|----------------|--|-------------------------------|-------------------|-------------------|---------------|
| Shareholders' equity at January 1, 2017 | 620 | (4,355) | 1,787 | 136 | 12,534 | 1,142 | 11,864 |
| Adjustment to opening balance | | | (714) | | | | (714) |
| Restated shareholders' equity at January 1, 2017 | 620 | (4,355) | 1,073 | 136 | 12,534 | 1,142 | 11,150 |
| Net profit for the year | | | 952 | | 2,069 | | 3,021 |
| Capitalized development costs | | | | 15 | (15) | | - |
| Dividend received | | | (1,159) | | 1,159 | | - |
| Dividend paid | | | | | | (1,239) | (1,239) |
| Dividend paid relating to treasury stock | | | | | | 47 | 47 |
| Proposed dividend, gross | | | | | (1,318) | 1,318 | - |
| Proposed dividend relating to treasury stock | | | | | 52 | (52) | - |
| Purchase of treasury stock | | (2,000) | | | | | (2,000) |
| Sale of treasury stock | | 179 | | | | | 179 |
| Write-down of common stock | (10) | 1,478 | | | (1,468) | | - |
| Currency translation adjustments of investments in subsidiaries, etc. | | | (769) | | (163) | | (932) |
| Value adjustment of derivatives | | | - | | 86 | | 86 |
| Other adjustments | | | (5) | | 314 | | 309 |
| Shareholders' equity at December 31, 2017 | 610 | (4,698) | 92 | 151 | 13,250 | 1,216 | 10,621 |

1 Accounting policies

The financial statements of Novozymes A/S have been prepared in accordance with the Danish Financial Statements Act (accounting class D). The accounting policies are unchanged from last year.

The accounting policies are the same as for the consolidated financial statements with the adjustments described below. For a description of the Group's accounting policies, please refer to the consolidated financial statements.

In 2017, an error in the elimination has been identified in the 2016 financial statements, which resulted in the Income from investments in subsidiaries being overstated by DKK 714 million. The error, which has been corrected, did not impact the consolidated statements of income, balance sheet or cash flow.

Recognition and measurement in general

Income is recognized in the income statement as it is earned. Value adjustments of financial assets and liabilities measured at fair value or amortized cost are also recognized in the income statement.

All costs incurred in generating the year's revenue are also recognized in the income statement, including depreciation, amortization and impairment losses.

Assets are recognized in the balance sheet when it is considered probable that future economic benefits will flow to the company and the value of the asset can be measured on a reliable basis. Liabilities are recognized in the balance sheet when they are considered probable and can be measured on a reliable basis. When first recognized, assets and liabilities are measured at cost. Thereafter assets and liabilities are measured as described below for each item.

The recognition and measurement principles take due account of predictable losses and risks occurring prior to the presentation of financial statements that confirm or refute the conditions prevailing on the reporting date.

Intangible assets

The accounting policies for intangible fixed assets follow those of the Group with the exception of goodwill, which is amortized over a period of 10-15 years. Goodwill amortized over more than 10 years is based on an individual assessment of the useful lifetime. An amount equal to the total capitalized development costs after tax is recognized under Shareholders' equity in the Reserve for development costs.

Financial assets

Investments in subsidiaries and investments in associates are recognized initially at cost including transaction costs and measured subsequently using the equity method. The company's share of the equity of subsidiaries, based on the fair value of the identifiable net assets on the acquisition date, minus or plus unrealized intercompany profits or losses, with addition of any residual value of goodwill, is recognized under Investments in subsidiaries and Investments in associates respectively in the balance sheet. If the shareholders' equity of subsidiaries or associates is negative and Novozymes A/S has a legal or constructive obligation to cover the company's negative equity, a provision is recognized.

Net revaluation of investments in subsidiaries and associates is recognized under Shareholders' equity in the Revaluation reserve according to the equity method. The reserve is reduced by payments of dividends to the parent company and adjusted to reflect other changes in the equity of subsidiaries.

The proportionate share of the net profits of subsidiaries less goodwill amortization is recognized under Income from investments in subsidiaries in the income statement. Goodwill is amortized over a period of 10-15 years using the straight-line method.

Dividend

The dividend proposed for the financial year is shown as a separate item under Shareholders' equity.

NOTE SECTION 2

2.1 Revenue

| DKK million | 2017 | 2016 |
|--------------------------------------|--------------|--------------|
| Geographical distribution: | | |
| Denmark | 205 | 196 |
| Rest of Europe, Middle East & Africa | 4,939 | 4,660 |
| North America | 1,265 | 1,080 |
| Asia Pacific | 1,427 | 1,370 |
| Latin America | 437 | 342 |
| Revenue | 8,273 | 7,648 |

2.2 Employee costs

| DKK million | 2017 | 2016 |
|--|--------------|--------------|
| Wages and salaries | 1,593 | 1,639 |
| Pensions - defined contribution plans | 175 | 173 |
| Other social security costs | 21 | 25 |
| Other employee costs | 170 | 187 |
| Employee costs | 1,959 | 2,024 |
| Average number of employees in Novozymes A/S | 2,613 | 2,660 |

2.3 Other operating income

| DKK million | 2017 | 2016 |
|---|--------------|--------------|
| Royalty income relating to subsidiaries | 1,490 | 1,560 |
| Other | 26 | 40 |
| Other operating income | 1,516 | 1,600 |

NOTE SECTION 3

3.1 Intangible assets

| DKK million | 2017 | | | | 2016 | |
|--|--------------|---|-----------------------------------|-------------------------------------|----------------|----------------|
| | Goodwill | Acquired patents, licenses and know-how, etc. | Completed IT development projects | IT development projects in progress | Total | Total |
| Cost at January 1 | 388 | 1,339 | 410 | 49 | 2,186 | 1,842 |
| Additions during the year | 509 | 262 | 10 | 82 | 863 | 364 |
| Disposals during the year | - | (43) | (7) | - | (50) | (20) |
| Transfers to/(from) other items | - | - | 70 | (70) | - | - |
| Cost at December 31 | 897 | 1,558 | 483 | 61 | 2,999 | 2,186 |
| Amortization and impairment losses at January 1 | (93) | (752) | (285) | - | (1,130) | (1,007) |
| Amortization for the year | (31) | (80) | (72) | - | (183) | (143) |
| Impairment losses | - | (27) | - | - | (27) | - |
| Disposals during the year | - | 43 | 7 | - | 50 | 20 |
| Amortization and impairment losses at December 31 | (124) | (816) | (350) | - | (1,290) | (1,130) |
| Carrying amount at December 31 | 773 | 742 | 133 | 61 | 1,709 | 1,056 |

Impairment

In 2017, an impairment loss of DKK 27 million on abandoned patents was recognized and included in Cost of goods sold and Research

and development costs with DKK 15 million and DKK 12 million respectively (2016: no impairment losses on intangible assets).

NOTE SECTION 3

3.2 Property, plant and equipment

| | 2017 | | | | 2016 | |
|--|--------------------|------------------------------------|-----------------|--|----------------|----------------|
| DKK million | Land and buildings | Production equipment and machinery | Other equipment | Property, plant and equipment under construction | Total | Total |
| Cost at January 1 | 2,474 | 4,428 | 862 | 508 | 8,272 | 7,604 |
| Additions during the year | 14 | 87 | 39 | 634 | 774 | 672 |
| Disposals during the year | - | (18) | (27) | - | (45) | (4) |
| Transfers to/(from) other items | 2 | 84 | 14 | (100) | - | - |
| Cost at December 31 | 2,490 | 4,581 | 888 | 1,042 | 9,001 | 8,272 |
| Depreciation and impairment losses at January 1 | (1,217) | (3,098) | (637) | - | (4,952) | (4,720) |
| Depreciation for the year | (91) | (152) | (51) | - | (294) | (234) |
| Disposals during the year | - | 17 | 26 | - | 43 | 2 |
| Depreciation and impairment losses at December 31 | (1,308) | (3,233) | (662) | - | (5,203) | (4,952) |
| Carrying amount at December 31 | 1,182 | 1,348 | 226 | 1,042 | 3,798 | 3,320 |

Capitalized interest

Interest of DKK 6 million (2016: DKK 4 million) has been capitalized under Additions during the year above and under Investing activities in the statement of cash flows. Capitalization rate: 1.62% (2016: 1.78%).

Land and buildings with a carrying amount of DKK 377 million (2016: DKK 397 million) have been pledged as security to credit institutions. The mortgage loan expires in 2029.

NOTE SECTION 3

3.3 Financial fixed assets

| DKK million | Investments in subsidiaries | Investments in associates | Receivables from Group companies | Total |
|--|-----------------------------|---------------------------|----------------------------------|--------------|
| Cost at January 1, 2017 | 6,783 | 128 | 1,458 | 8,369 |
| Additions during the year | 367 | - | 127 | 494 |
| Disposals during the year | - | - | (174) | (174) |
| Cost at December 31, 2017 | 7,150 | 128 | 1,411 | 8,689 |
| Revaluation reserve at January 1, 2017 | 1,855 | (68) | | 1,787 |
| Adjustment to opening balance | (714) | | | (714) |
| Restated revaluation reserve at January 1, 2017 | 1,141 | (68) | | 1,073 |
| Share of net profit/(loss) | 1,719 | (11) | | 1,708 |
| Elimination of profit on internal asset transfers | (756) | - | | (756) |
| Dividends received | (1,159) | - | | (1,159) |
| Currency translation adjustment | (769) | - | | (769) |
| Other adjustments | (5) | - | | (5) |
| Revaluation reserve at December 31, 2017 | 171 | (79) | | 92 |
| Carrying amount at December 31, 2017 | 7,321 | 49 | 1,411 | 8,781 |

Reference is made to Note 6.8 to the consolidated financial statements concerning investments in subsidiaries.

Reference is made to Note 3.4 to the consolidated financial statements concerning joint operations and associates.

NOTE SECTION 3

3.4 Other receivables

| DKK million | 2017 | 2016 |
|---|-------------|-------------|
| Prepaid expenses | 40 | 63 |
| Derivatives | 16 | 5 |
| Other receivables | 36 | 53 |
| Other receivables at December 31 | 92 | 121 |
| Recognized in the balance sheet as follows: | | |
| Non-current | B/S 2 | 4 |
| Current | B/S 90 | 117 |
| Other receivables at December 31 | 92 | 121 |

3.5 Deferred tax

| DKK million | 2017 | 2016 |
|-------------------------------------|-------------|-------------|
| Deferred tax at January 1 | 367 | 207 |
| Adjustment for previous years | (24) | 21 |
| Tax related to the income statement | (9) | 57 |
| Tax on shareholders' equity items | (99) | 82 |
| Deferred tax at December 31 | 235 | 367 |

NOTE SECTION 4

4.1 Financial income and costs

| DKK million | 2017 | 2016 |
|--|-------------|-------------|
| Interest income relating to subsidiaries | 67 | 69 |
| Interest costs relating to subsidiaries | (12) | (11) |

In 2017, the financial asset related to the partnership with Beta Renewables S.p.A. has been fully written down. This relates to a guarantee provided by M&G, because 2G projects have not commercialized as

expected in Beta Renewables S.p.A. The write-down is a consequence of M&G experiencing financial difficulties. The write-down of DKK 120 million is included in Financial costs.

4.2 Credit institutions

| DKK million | 2017 | 2016 |
|---|-------------|-------------|
| Long-term debt to credit institutions falling due after 5 years | 428 | 527 |

4.3 Proposed appropriation of net profit

| DKK million | 2017 | 2016 |
|--|--------------|--------------|
| Proposed appropriation of net profit | | |
| Dividend to shareholders | 1,266 | 1,142 |
| Revaluation reserve according to the equity method | 952 | 938 |
| Retained earnings | 803 | 891 |
| Net profit | 3,021 | 2,971 |

NOTE SECTION 5

5.1 Contingent liabilities and pending litigation

Rental and leasing commitments related to noncancelable operating lease contracts expire within the following periods from the reporting date:

| DKK million | 2017 | 2016 |
|--|-------------|-------------|
| Recognized in the income statement in respect of rentals | 56 | 61 |
| Rental commitments expiring within the following periods from the reporting date: | | |
| Less than 1 year | 59 | 47 |
| Between 1 and 2 years | 19 | 34 |
| Between 2 and 3 years | 13 | 16 |
| Between 3 and 4 years | 5 | 8 |
| Between 4 and 5 years | 4 | 3 |
| More than 5 years | 7 | 9 |
| Contingent liabilities at December 31 | 107 | 117 |
| Other contingent liabilities | | |
| Contractual obligations to third parties relating to property, plant and equipment | 544 | 833 |
| Other guarantees and commitments to related companies | 2,140 | 2,203 |
| Other guarantees and commitments to third parties | 97 | 58 |

Pending litigation and arbitration

Reference is made to Note 6.3 to the consolidated financial statements concerning pending cases.

NOTE SECTION 5

5.2 Related party transactions

Transactions

| DKK million | 2017 | 2016 |
|-------------------------------|-------|-------|
| The Novo Nordisk Group | | |
| Sales | 162 | 149 |
| Purchases | (131) | (152) |
| The NNIT Group | | |
| Purchases | (34) | (41) |
| The Chr. Hansen Group | | |
| Sales | 33 | 22 |

Outstanding balances

| DKK million | 2017 | 2016 |
|-------------------------------|------|------|
| The Novo Nordisk Group | | |
| Receivables | 13 | 23 |
| Payables | (66) | (73) |
| The NNIT Group | | |
| Payables | (4) | (9) |
| The Chr. Group | | |
| Receivables | 4 | 3 |

Reference is made to Note 6.4 to the consolidated financial statements concerning other transactions with related parties.

5.3 Fees to statutory auditor

| DKK million | 2017 | 2016 |
|----------------------------------|----------|----------|
| Statutory audit | 4 | 4 |
| Other assurance engagements | - | - |
| Tax advisory services | 2 | 2 |
| Other services | 1 | - |
| Fees to statutory auditor | 7 | 6 |

Reference is made to Note 6.5 to the consolidated financial statements concerning fees to statutory auditor.

NOTE SECTION 5

5.4 Statement of cash flows

Reference is made to the Consolidated statement of cash flows.

5.5 Segment information

Reference is made to Note 2.1 to the consolidated financial statements concerning segment information.

5.6 Common stock and treasury stock

Reference is made to Note 5.5 to the consolidated financial statements concerning common stock and treasury stock.

5.7 Derivatives

Reference is made to Note 5.4 to the consolidated financial statements concerning derivatives as figures and information in Novozymes A/S are identical.