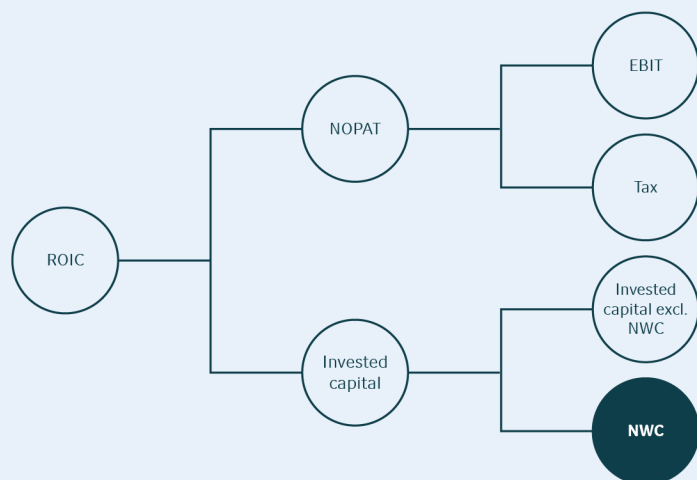


## Net working capital

# Net working capital



DKK million	Note	2017	2016
Other receivables, non-current	4.3	35	57
Inventories	4.1	2,586	2,488
Trade receivables	4.2	2,554	2,680
Other receivables	4.3	214	267
Deferred income	4.4	(542)	(788)
Trade payables		(1,341)	(1,194)
Other liabilities	4.5	(1,483)	(1,422)
<b>Net working capital</b>		<b>2,023</b>	<b>2,088</b>
<b>Average net working capital</b>		<b>2,056</b>	<b>1,898</b>

Average net working capital in DKK million

# 2,056

Net working capital as % of sales

# 13.9%

Deferred income related to The BioAg Alliance released as revenue in 2017 in DKK million

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## 4.1 Inventories

DKK million	2017	2016
Raw materials and consumables	308	327
Work in progress	727	671
Finished goods	1,551	1,490
<b>Inventories at December 31</b>	<b>2,586</b>	<b>2,488</b>
Cost of materials, included under Cost of goods sold	3,451	3,254
Write-downs expensed during the year	111	82
Reversal of write-downs during the year*	45	42

\* Part of the reversal of write-downs can be attributed to written-down inventory being reused in production.



### CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Work in progress and Finished goods are measured at cost including indirect production costs. The indirect production costs capitalized under inventories amounted to DKK 862 million at the end of

2017 (2016: DKK 815 million). The indirect production costs are assessed on an ongoing basis to ensure reliable measurement of employee costs, capacity utilization, cost drivers and other relevant factors. Changes in these parameters may have an impact on the gross margin and the overall valuation of Work in progress and Finished goods.



### ACCOUNTING POLICIES

Inventories are measured at cost determined on a first-in first-out basis or net realizable value where this is lower.

The cost of Work in progress and Finished goods comprises direct production costs such as raw materials and consumables, energy and labor directly attributable to production as well as indirect production costs such as employee costs, maintenance and depreciation of plants, etc.

If the expected sales price less any completion costs and costs to execute sales (net realizable value) of inventories is lower than the carrying amount, the inventories are written down to net realizable value.

Novozymes has entered into a few agreements where Novozymes supplies goods to a customer's premises but retains title to the inventory until the goods are consumed in the customer's production. Such goods are derecognized from inventories in the period that they are consumed in the customer's production.

## Net working capital

# 4.2 Trade receivables

DKK million	2017	2016
Trade receivables	2,735	2,792
Allowances for doubtful trade receivables	(226)	(179)
	<b>2,509</b>	<b>2,613</b>
Amounts owed by related companies	45	67
<b>Trade receivables at December 31</b>	<b>2,554</b>	<b>2,680</b>
Changes in allowances for doubtful trade receivables:		
At January 1	179	179
Allowances during the year	128	66
Write-offs during the year	(13)	(18)
Reversed allowances	(68)	(48)
<b>Allowances at December 31</b>	<b>226</b>	<b>179</b>
Age of trade receivables that are past due but not impaired:		
Up to 30 days	141	131
Between 30 and 90 days	33	36
More than 90 days	21	13
<b>Trade receivables past due but not impaired at December 31</b>	<b>195</b>	<b>180</b>

Novozymes has collateral held as security for trade receivables in selected countries of DKK 64 million (2016: DKK 50 million).



### CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Allowances for doubtful trade receivables are made by Management when a loss has occurred due to expected inability of customers to make required payments. These allowances are estimated by Management based on an individual assessment of each receivable that includes the period overdue, payment history, changes to payment terms and

the likelihood of receiving payments. This analysis is combined with an overall assessment of the total allowance compared with the outstanding trade receivable balance. The allowance for trade receivables is estimated based on the most recent information about the creditworthiness of the customers. If the financial circumstances of or surrounding the customers change in future periods, an additional allowance could be required.



### ACCOUNTING POLICIES

Trade receivables are measured at amortized cost or net realizable value equivalent to

nominal value less allowances for doubtful receivables, whichever is lower. The cost of allowances for doubtful trade receivables is included in Sales and distribution costs.

## Net working capital

### 4.3 Other receivables

<b>DKK million</b>	<b>2017</b>	<b>2016</b>
Deposits	27	21
Prepaid expenses	97	114
Loans	-	5
Other	125	184
<b>Other receivables at December 31</b>	<b>249</b>	<b>324</b>
Recognized in the balance sheet as follows:		
Non-current	B/S 35	57
Current	B/S 214	267
<b>Other receivables at December 31</b>	<b>249</b>	<b>324</b>

## Net working capital

# 4.4 Deferred income

DKK million	Amortization ends (year)	2017	2016
The BioAg Alliance	2023	519	741
Other	Up to 2022	23	47
<b>Deferred income at December 31</b>		<b>542</b>	<b>788</b>
Recognized in the balance sheet as follows:			
Non-current	B/S	337	540
Current	B/S	205	248
<b>Deferred income at December 31</b>		<b>542</b>	<b>788</b>
Expected to be recognized in the income statement:			
Within 1 year		205	248
Between 1 and 5 years		283	430
After 5 years		54	110
<b>Deferred income at December 31</b>		<b>542</b>	<b>788</b>

At December 31, 2017, deferred income amounted to DKK 542 million (2016: DKK 788 million). This relates mainly to payments from Monsanto in connection with the formation

of The BioAg Alliance in 2014. The planned release of deferred income is based on an assessment of the earnings process and the underlying deliverables, which are reassessed

annually. The reassessment in 2017 has not changed the planned release of deferred income.

### ! CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Assessing the earnings process and the underlying deliverables for The BioAg Alliance requires judgment and is based on estimates of the future. These estimates are by nature subject to a high degree of uncertainty, and changes in such estimates may impact the timing of revenue recognition in future periods.

### § ACCOUNTING POLICIES

Deferred income reflects the portion of payments received that relates to future periods and deliverables, and for which the criteria for revenue recognition are not yet met. Deferred income is measured at nominal value.

# 4.5 Other liabilities

DKK million		2017	2016
Employee costs payable		671	712
Stock-based payment settled in cash		29	24
Other payables		783	686
<b>Other liabilities at December 31</b>	B/S	<b>1,483</b>	<b>1,422</b>