



Good first half and momentum in the business

Good first half with 3% organic revenue growth which was better than expected. Household Care +1%, Food & Beverages +8%, Bioenergy +7%, Agriculture & Feed -6%, Technical & Pharma -4%. Excluding reorganization costs, the EBIT margin was 28.5% (1H 2016: ~28%). Maintained 2017 outlook of 2-5% organic sales growth, around 28% reported EBIT margin, DKK 2.0-2.2bn FCF bef. acq. and net profit growth of 2-5%.

August 11, 2017
Interim report for the first half of 2017. Company announcement No. 56

Peder Holk Nielsen, President & CEO of Novozymes: *“Overall, the first half was good, and better than expected. We had growth in the large segments and delivered 3% organic sales growth with a strong EBIT margin, excluding one-offs. We made important advances in our innovation pipeline within grain milling, vegetable oil and household care opening up new market segments. We should see growth pick up in the second half of the year, but also acknowledge the risk of agriculture-related markets changing swiftly. Consequently, we maintain our full-year expectation for organic growth, while DKK expectations have been adjusted to reflect weaker currencies.”*

Highlights:

- Organic revenue growth in 1H of 3% (Q2: 2%) and 3% in DKK (Q2: 3%)
- 3 out of 5 segments grew, with Food & Beverages and Bioenergy performing very well
- Agriculture & Feed down due to changed BioAg-sales cycle moving sales from 1H to 2H
- 1H EBIT growth of 3% with a reported EBIT margin of 27.1% (1H 2016: 27.2%)
- 1H EBIT margin at 28.5%, excluding reorganization costs (1H 2016: ~28%)
- Q2 EBIT margin at 28.2%, excluding reorganization costs (Q2 2016: 28.0%)
- Solid free cash flow generation with higher investments as expected
- Exciting pipeline development including 4 product launches in Q2 across segments
- Increasing emerging markets presence, including new application centers
- 2-5% organic growth outlook and ~28% EBIT margin for 2017 maintained. Pick-up in 2H growth still expected, although cautiousness applied for agriculture-related markets
- DKK expectations adjusted following weaker currencies, especially the US dollar

	Realized		2017 outlook	2017 outlook
	1H 2017	1H 2016	August 11*	April 26
Sales growth, organic	3%	3%	2-5%	2-5%
Sales growth, DKK	3%	0%	1-4%	3-6%
EBIT growth	3%	0%	1-4%	3-6%
EBIT margin	27.1%	27.2%	~28%	~28%
Net profit growth	1%	8%	2-5%	2-5%
Free cash flow before acquisitions, DKKm	1,325	1,354	2,000-2,200	2,000-2,200

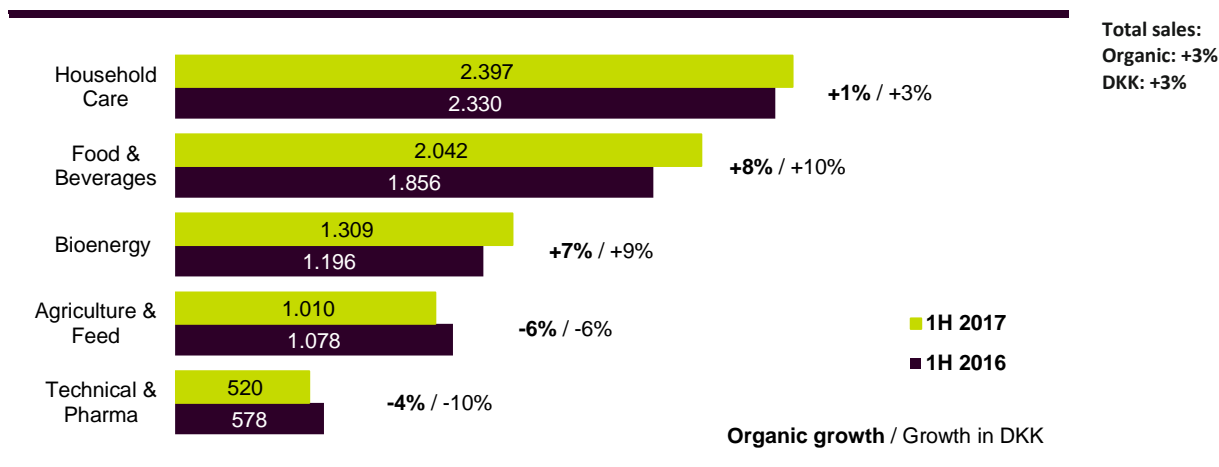
*Assumes exchange rates for the company's key currencies remain at the closing rates on August 10th for the rest of 2017.

Selected key data

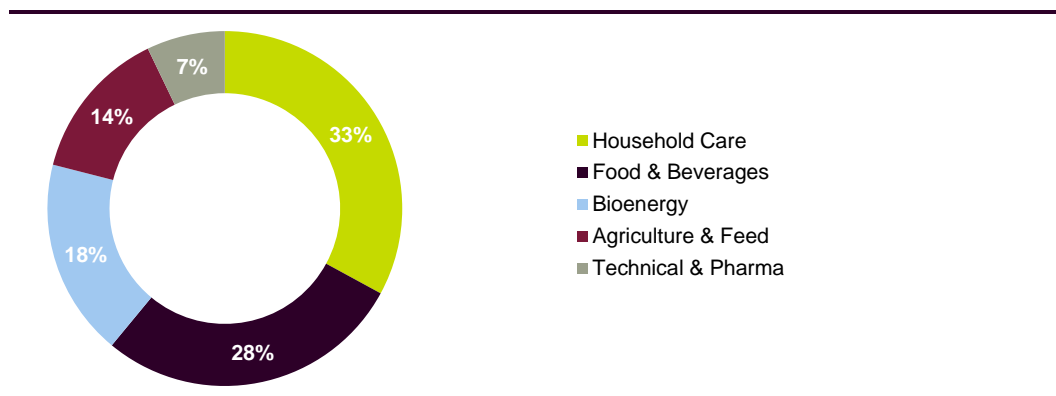
	1H 2017	1H 2016	Q2 2017	Q2 2016
Sales growth, organic	3%	3%	2%	4%
- Household Care	1%	4%	1%	4%
- Food & Beverages	8%	3%	10%	4%
- Bioenergy	7%	-6%	8%	-6%
- Agriculture & Feed	-6%	1%	-16%	13%
- Technical & Pharma	-4%	22%	-7%	9%
Sales, DKKm	7,278	7,038	3,538	3,429
Sales growth, DKK	3%	0%	3%	-1%
Gross margin	58.0%	57.9%	58.2%	58.3%
EBITDA, DKKm	2,471	2,375	1,206	1,194
EBIT, DKKm	1,973	1,911	963	961
EBIT growth	3%	0%	0%	3%
EBIT margin	27.1%	27.2%	27.2%	28.0%
Net profit, DKKm	1,507	1,496	735	751
Net profit growth	1%	8%	-2%	10%
Net investments excl. acquisitions, DKKm	614	542	343	403
Free cash flow before acquisitions, DKKm	1,325	1,354	587	717
Net debt/EBITDA (x)	0.4	0.2		
ROIC (including goodwill)	24.5%	25.4%		
Avg. USD/DKK	687	668	676	659
EPS, DKK	5.07	4.94	2.49	2.49
EPS (diluted), DKK	5.05	4.90	2.47	2.46

Sales and markets

Sales in DKK million and organic/DKK growth rates, 1H year-over-year (y/y) 2017



Distribution of sales, 1H 2017



Household Care

In the first half, sales to the Household Care industry increased by 1% organically and by 3% in DKK. In the second quarter, growth followed the same trends as seen in Q1 and was up 1% organically.

Household Care:
Organic: +1%
DKK: +3%

In the developed markets, modest growth was recorded in both North America and EMEA (Europe, the Middle East & Africa). Some large customers in these markets are going through cost-saving programs that affect Novozymes. Sales developed positively in Asia Pacific, with innovation continuing to support the shift from powder to liquid detergents, particularly in China. In Latin America, sales declined again in Q2, as consumers remain under pressure. Although from a lower base, sales for automatic and hand dishwash in Europe continued to drive good growth as customers increasingly focus on performance.

Our top-20 customer program is moving ahead, and we are discussing various tailored solutions, which will enable customers to improve and differentiate themselves in the marketplace.

In the second quarter, Novozymes launched two Household Care products for both emerging (Medley® 2.0) and developed (Progress® excel) markets. The first new product within the freshness and hygiene platform is on track to be launched toward the end of the year.

Food & Beverages

Food & Beverages sales grew by 8% organically and by 10% in DKK compared with 1H last year. In Q2 y/y, organic growth stood at 10% and 12% in DKK.

Food & Beverages:
Organic: +8%
DKK: +10%

Growth in Food & Beverages came across most categories. Nutrition, starch and beverages contributed the most in the first half. Baking performed very well in the second quarter, with strong EMEA performance more than offsetting the negative impact from the announced price reductions in the North American freshkeeping market.

Nutrition sales continued to perform solidly into Q2, mainly in the developed markets, driven by increased demand for lactose reduction in dairy and a recovery in enzymes for infant nutrition. Starch contributed to growth, driven by China and North America, although growth in the second quarter was more modest than the high rate experienced in the first quarter. Lastly, sales for Beverages in the first half increased over last year, with sales for distilling and juice and wine as the main contributors. Brewing was on par with last year after a soft second quarter.

Bioenergy

Bioenergy sales grew by 7% organically and by 9% in DKK compared with the first half of last year. In Q2 y/y, organic growth stood at 8% and 10% in DKK.

Bioenergy:
Organic: +7%
DKK: +9%

Bioenergy sales continued the positive development of the first quarter. Sales for US conventional biofuels benefited from continued high production of ethanol and are estimated to have increased by around 4% in the second quarter year-on-year, a similar growth level to the first quarter. Other geographies showed good growth, but represent a smaller part of overall Bioenergy sales.

Sales of enzymes for biomass conversion continued to contribute to Bioenergy sales growth in the second quarter, but still make up a small proportion of Bioenergy sales. Novozymes currently supplies five biomass conversion facilities.

Agriculture & Feed

In Agriculture & Feed, sales declined by 6% both organically and in DKK compared with the first half of last year. Organic growth in Q2 y/y ended down 16%, while growth in DKK was down 14%.

Agriculture & Feed:
Organic: -6%
DKK: -6%

In the first quarter, sales to the animal feed industry were positively impacted by inventory building at our distribution partner. As expected, the inventory level was reduced in the second quarter. For the half year, Novozymes realized moderate sales growth in Feed.

Feed enzymes in-market sales grew satisfactorily, driven by stable demand in the underlying feed market. Within animal probiotics, sales developed positively from a small base as products are being rolled out in the marketplace.

In BioAg, sales declined as expected also in the second quarter of 2017 due to the ongoing change in sales cycles for parts of the business. From a market perspective, farm economics have not improved. Despite these headwinds, we expect an increase in revenue in the second half of the year compared with the year before as a result of both the change in sales cycles, which is shifting sales from the first to the second half of the year, and increased demand for our product Acceleron® B-300 SAT.

BioAg in-market sales grew satisfactorily from an Alliance point of view, despite current headwinds in the agricultural markets. Focus on development and rollout of new products and expanding into new regions to drive long-term growth in BioAg is a key priority.

In the first half of 2017, Novozymes recognized DKK 63 million (Q1: DKK 30 million) of deferred income as revenue, compared with DKK 84 million (Q1: DKK 52 million) in the first half of 2016.

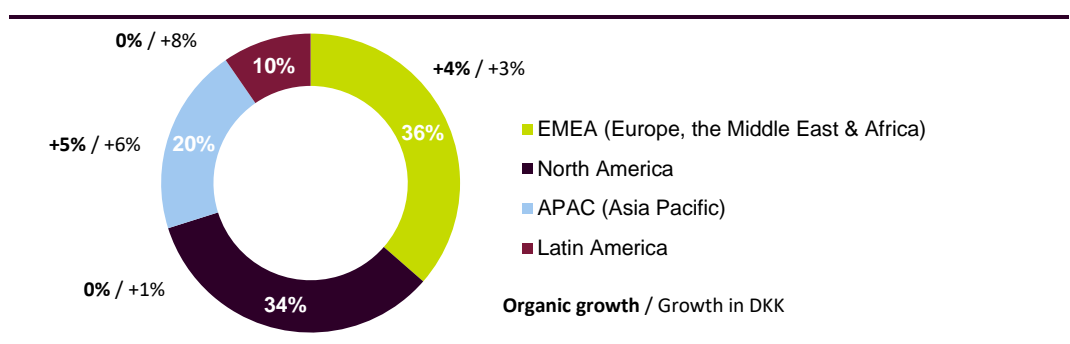
Technical & Pharma

Sales to Technical & Pharma were down 4% organically and 10% in DKK compared with the first half of 2016. In Q2 y/y, sales declined by 7% both organically and in DKK.

Technical & Pharma:
Organic: -4%
DKK: -10%

Sales were generally weak in both Pharma and the technical areas, which was partly related to timing.

Sales by geography, first half 2017



In the first half, Europe/MEA and Asia Pacific posted good mid-single organic growth, whereas North America and Latin America were on par with last year. Emerging markets grew organically by 2% in the first half of the year, whereas the developed markets grew by 3%.

Europe, the Middle East & Africa

Food & Beverages and Bioenergy posted good growth, whereas Household Care posted modest growth in the first half. Agriculture & Feed and Technical & Pharma declined compared with the first half of 2016.

Europe/MEA 1H y/y:
Organic: +4%
DKK: +3%

North America

Bioenergy, Household Care and Food & Beverages all contributed to growth, whereas Agriculture & Feed and Technical & Pharma declined compared with the same period last year. In particular, BioAg within the Agriculture & Feed segment was down double-digit in both the first and second quarters due to a change in sales cycles.

North America 1H y/y:
Organic: 0%
DKK: +1%

Asia Pacific

In general, there was good traction across segments in Asia Pacific in the first half, with all the large segments contributing to growth. Technical & Pharma was lower, mainly due to lower Pharma sales.

Asia Pacific 1H y/y:
Organic: +5%
DKK: +6%

Latin America

While consumer confidence seems to be improving slowly in Latin America, many markets remain challenged. The flat sales performance in the first half was mainly caused by a negative development in Food & Beverages, while Bioenergy contributed most to growth.

Latin America 1H y/y:
Organic: 0%
DKK: +8%

Costs and profit

Total costs excluding net financials, share of losses in associates and tax were DKK 5,305 million, an increase of 3% or DKK 178 million compared with the first half of 2016.

Total costs: +3%

Gross profit increased by 3%, and the gross margin was 58.0% in the first half of 2017, up slightly on 57.9% last year. Productivity improvements had a positive impact on the gross margin, somewhat offset by unfavorable mix and price changes.

Gross margin: 58.0%

Operating costs were DKK 2,270 million, an increase of 3% or DKK 70 million, mainly caused by higher sales and distribution costs as well as reorganizations. Operating costs as a percentage of sales were 31%, on par with the first half of 2016.

Operating costs: +3%

- Sales and distribution costs increased by 4%, representing 11.6% of sales
- R&D costs increased by 2%, representing 13.5% of sales
- Administrative costs increased by 3%, representing 6.1% of sales, and include the impact of the change to the Executive Leadership Team (DKK 34 million negative impact in Q2 2017)

Other operating income totaled DKK 24 million in the first half of 2017, compared with DKK 34 million in the same period last year.

Depreciation, write-downs and amortization were DKK 498 million, an increase of 7% from DKK 464 million in the first half of 2016. The increase in depreciation was partly attributable to the acquisition of Organobalance last year.

Depreciation, write-downs and amortization: DKK 498 million

EBIT increased by 3% to DKK 1,973 million, up from DKK 1,911 million in 1H 2016, and the EBIT margin at 27.1% was roughly on par with 27.2% last year. Excluding the extraordinary costs relating to lay-offs in the first quarter of 2017 as well as the cost associated with the change to the Executive Leadership Team in the second quarter, the EBIT margin would have been 28.5% (1H 2016: ~28%). For the second quarter in isolation, excluding the cost associated with the change to the Executive Leadership Team, the EBIT margin would have been 28.2% (Q2 2016: 28.0%).

EBIT: DKK 1,973 million

EBIT margin: 27.1%

Net financial costs were DKK 59 million in the first half of 2017, compared with net financial income of DKK 9 million in the same period last year. The higher net financial costs were mainly the result of losses of DKK 27 million on currency hedging/revaluation compared with a gain of DKK 33 million in the first half of 2016. The increase in Other financial items was mainly a result of higher costs associated with employee stock appreciation rights (SARs) of DKK 6 million, compared with a gain of DKK 6 million in 1H 2016. The share of losses in associates was DKK 6 million, compared with a loss of DKK 14 million in the first half of 2016.

Net financial costs and share of losses in associates: DKK (65) million

Profit before tax was DKK 1,908 million, on par with DKK 1,906 million in the first half of 2016.

The effective tax rate was 21%, compared with 21.5% in the first half of 2016.

Effective tax rate: 21%

Net profit was DKK 1,507 million, an increase of 1% from DKK 1,496 million in the first half of 2016, driven by higher EBIT and a lower tax rate, but partly offset by higher net financial costs due to higher costs associated with currency hedging.

Net profit: DKK 1,507 million

Cash flow and balance sheet

Cash flow from operating activities was DKK 1,939 million after the first half of 2017, compared with DKK 1,896 million for the same period last year. The higher operating cash flow was mainly the result of a good development in net working capital.

Operating cash flow:
DKK 1,939 million

Net investments excluding acquisitions totaled DKK 614 million, compared with DKK 542 million in the first half of 2016. Progress is being made with the new facility in India, our expansion in Nebraska, US, and our innovation campus in Denmark.

Net investments:
DKK 614 million

Free cash flow before acquisitions decreased by DKK 29 million, or 2%, to DKK 1,325 million, and was driven by higher net investments, partly offset by higher operating cash flow compared with the same period last year.

Free cash flow before acquisitions: DKK 1,325 million

Shareholders' equity at June 30, 2017 stood at DKK 10,676 million, down 9% from year-end 2016 because of Novozymes returning more than DKK 2.25 billion to shareholders in the first half of 2017 through dividends and stock buybacks. Shareholders' equity was 59% of the balance sheet total, a decrease of 4 percentage points from year-end 2016.

Equity ratio: 59%

At June 30, 2017, Novozymes had net interest-bearing debt of DKK 1,842 million, compared with DKK 990 million at year-end 2016. Net interest-bearing debt-to-EBITDA was 0.4, compared with 0.2 at year-end 2016.

Net interest-bearing debt-to-EBITDA: 0.4

Return on invested capital (ROIC) including goodwill was 24.5%, compared with 25.4% in the first half of 2016.

ROIC: 24.5%

At June 30, 2017, the holding of treasury stock was 9,804,685 B shares, equivalent to 3.2% of the common stock. In the first half of 2017, Novozymes repurchased 3,762,914 B shares with a transaction value of DKK 1,061,593 million under the stock buyback program initiated on January 25, 2017.

Treasury stock: 3.2%

Sustainability

Sustainability performance in the first half of 2017 varied. Performance in occupational accidents relative to target was better, whereas absence was slightly elevated. Water efficiency improvement was also below target. Novozymes expects most of the sustainability targets to be met for the full year, although the water efficiency improvement target might be somewhat challenging following higher utilization rates than expected.

	1H 2017	2017 target
Water efficiency improvement on 2014	1%	4%
Energy efficiency improvement on 2014	7%	7%
CO ₂ intensity reduction on 2014	13%	9%
Energy from renewable sources	23%	24%
Occupational accidents with absence per million working hours	1.4	≤ 2.0
Rate of absence	2.1%	≤ 2.0%

2017 outlook

	2017 outlook August 11*	2017 outlook April 26	2017 outlook January 17
Sales growth, organic	2-5%	2-5%	2-5%
Sales growth, DKK	1-4%	3-6%	3-6%
EBIT growth	1-4%	3-6%	3-6%
EBIT margin	~28%	~28%	~28%
Net profit growth	2-5%	2-5%	2-5%
Net investments excl. acquisitions, DKKm	1,700-1,900	1,700-1,900	1,700-1,900
Free cash flow before acquisitions, DKKm	2,000-2,200	2,000-2,200	2,000-2,200
ROIC (including goodwill)	24-25%	24-25%	24-25%
Avg. USD/DKK	661	687	696

* Assumes that exchange rates for the company's key currencies remain at the closing rates on August 10 for the rest of 2017.

Sales outlook

Novozymes maintains its full-year organic sales growth outlook of 2-5%. We continue to expect higher second-half y/y organic growth relative to the 3% delivered in the first half y/y, but we also acknowledge the risk of agriculture-related industries changing swiftly. In Food & Beverages we are encouraged by the strong first-half performance and are optimistic about the year, while still acknowledging that it may be difficult to maintain the high growth level for the rest of the year.

Organic sales growth: 2-5%

The full-year outlook for sales growth in DKK is adjusted due to a weaker currency environment, especially for the USD. Based on current spot rates, DKK growth is now expected at 1-4%.

DKK sales growth: 1-4%

Household Care (organic: +1% 1H y/y, +1% Q2 y/y) is expected to post modest organic growth for the full year. Emerging markets are increasingly seeing the benefits of enzymatic solutions, and the move from powder to liquid formulations offers interesting opportunities. Developed markets are expected to grow but are currently somewhat challenged by some customers' cost-saving programs. While these dynamics continue for the time being, innovation, performance and differentiation remain in focus.

We continue to focus on innovation in both existing and new enzyme technologies, unlocking higher enzyme penetration and providing support to our market position. The first product launch from the freshness and hygiene platform is expected toward the end of 2017.

Food & Beverages (organic: +8% 1H y/y, +10% Q2 y/y) organic sales growth is expected to be driven primarily by new products launched in the grain-processing industry in 2016 and 2017. 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. In general, most of the industries within Food & Beverages are doing well after the first half. We are encouraged by the strong first-half performance and are optimistic about the year, while still acknowledging that it may be difficult to maintain the high growth level for the rest of the year.

Bioenergy (organic: +7% 1H y/y, +8% Q2 y/y) organic sales growth is expected to be driven by new product launches and to some extent by market share gains. After the first half, US ethanol production was up around 4% y/y (Q2 y/y ~4%). We expect US ethanol production for 2017 to be slightly up on 2016. We note relatively high US ethanol inventory levels and expect lower 2H y/y

US ethanol production growth relative to what we have seen in 1H y/y. Global sales to the emerging biomass conversion industry are expected to contribute to sales growth, although still at a low level. For biomass conversion, we started to see increasing capacity utilization in the fourth quarter of 2016.

Agriculture & Feed (organic: -6% 1H y/y, -16% Q2 y/y) organic sales growth is expected to be driven mainly by animal feed. For BioAg, farm economics remain challenged, resulting in modest expectations for BioAg. For the second half, and due to a change in sales cycles from the first to the second half, we should see a rebound in sales after the negative first-half performance. Novozymes expects to recognize around DKK 200 million of the deferred BioAg income as sales in 2017. Deferred income does not impact the calculation of organic sales growth rates; it impacts realized sales growth in DKK and has no cash flow impact.

Technical & Pharma (organic: -4% 1H y/y, -7% Q2 y/y) organic sales growth is expected to be roughly on par with 2016. Revenue is volatile in the Pharma part of the business (~1/3 of full-year segment sales) due to the relatively high value of small batches with limited predictability in the quarterly offtake.

Profit outlook

Underlying EBIT growth outlook for the full year is maintained. EBIT growth in DKK is now expected at 1-4% from previously 3-6%. This adjustment is fully related to a weaker currency environment and is similar to the updated sales growth outlook in DKK of 1-4%. The change to the Executive Leadership Team announced in June has an impact of roughly half a percentage point on the EBIT growth guidance.

EBIT growth: 1-4%

EBIT margin (27.1% reported after the first half) guidance is maintained at around 28% for the full year, which implies an improvement in the reported EBIT margin in the second half of the year. Excluding reorganization costs, the first-half EBIT margin was 28.5%. We expect margins to benefit from sales growth and productivity improvements, while we invest further to increase our presence in emerging markets to support higher sales growth.

EBIT margin: ~28%

The effective tax rate for the year is expected to be around 21%.

Effective tax rate: ~21%

Net profit is expected to grow by 2-5%.

Net profit growth: 2-5%

Net investments are expected to be DKK 1,700-1,900 million. Maintenance investments and manufacturing capacity expansions will drive investments, along with expansions in R&D, notably the new innovation campus in Denmark.

Free cash flow before acquisitions is expected to be DKK 2,000-2,200 million.

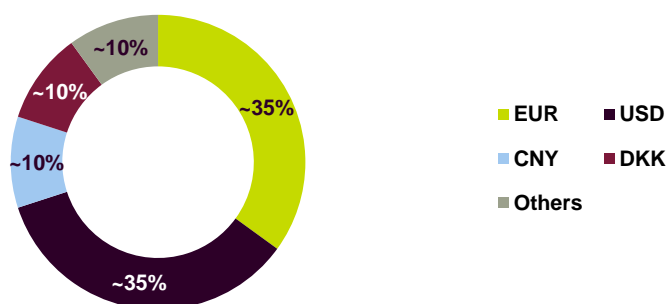
Free cash flow before acq.: DKK 2,000-2,200 million

Return on invested capital including goodwill is expected at 24-25%.

ROIC: 24-25%

Currency exposure

Sales by currency, 2016



From a currency perspective, we expect 2017 EBIT to be most exposed to fluctuations in the USD and EUR.

Other things being equal, a +5% movement in USD/DKK is expected to have an annual positive impact on EBIT of DKK 100-120 million, and vice versa.

Other things being equal, a +5% movement in EUR/DKK is expected to have an annual positive impact on EBIT of DKK 150-200 million, and vice versa.

Hedging of net currency exposure

	2017			
	Q1	Q2	Q3	Q4
USD	~100% hedged; ~90% via forward contracts at 6.66 USD/DKK and ~10% via options at 6.60			
EUR	-	-	-	-

The outlook is based on exchange rates for the company's key currencies remaining at the closing rates on August 10 for the full year.

(DKK)	EUR	USD	BRL	CNY
Average exchange rate 2016	745	673	194	101
Average exchange rate, 1H 2016	745	668	181	102
Average exchange rate, 1H 2017	744	687	216	101
Estimated average exchange rate 2017 at April 25 th	744	687	218	100
Closing rate August 10, 2017	744	634	201	95
Estimated average exchange rate 2017*	744	661	209	98
Change in estimated exchange rate 2017 compared with estimated average exchange rate at April 25 th	0%	-4%	-4%	-2%

* Estimated average exchange rate is the average exchange rate year-to-date June and closing rate on August 10, 2017 for the remainder of the year

Pipeline update

Novozymes’ pipeline contains more than 100 research projects across the business. The chart below shows some of the major innovation areas in which Novozymes is investing. These innovation programs represent significant market-expanding growth opportunities in terms of sales, and have the potential to significantly improve sustainability. Many exciting advancements took place during Q2 2017, with Novozymes’ grain-milling and vegetable oil-processing programs moving from the “Development” to the “Launch” stage.

Developments so far in 2017 in the “major innovation areas:”

In the first quarter:

- 1) The enhanced corn inoculant advanced to “Commercial” stage with the launch of Acceleron® B-300 SAT by The BioAg Alliance.
- 2) The grain-milling program advanced from “Discovery” to “Development.”

In the second quarter:

- 1) Vegetable oil-processing technology for enhancing yields and process improvements in palm oil production moved to “Launch” stage (Palmora®).
- 2) Grain-milling technology moved to “Launch” stage. In particular, the enzymatic technology provides better yield and process improvements (Frontia®).

Area	Innovation	Feasibility	Discovery	Development	Launch	Commercial
Household Care	Hygiene solutions	✓	✓	●		
Household Care	Tailored emerging markets solutions	✓	✓	●		
Food & Beverages	Vegetable oil processing	✓	✓	✓	→ ●	
Food & Beverages	Grain milling	✓	✓	✓	→ ●	
Agriculture & Feed	Natural growth promotion	✓	✓	✓	●	
Agriculture & Feed	Enhanced corn inoculant	✓	✓	✓	✓	●
Agriculture & Feed	New transformative BioAg solutions	✓	●			
Bioenergy	Biomass conversion	✓	✓	✓	●	

In the second quarter, we also launched two products in Household Care:

Medley® 2.0 – a combined enzyme solution for better wash performance targeting small and medium-sized producers in emerging markets.

Progress® excel – a premium protease allowing formulation flexibility with premium wash performance at all temperatures.

Accounting policies

The interim report for the first six months of 2017 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 six months of 2017 follows the same accounting policies as the annual report for 2016, 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, 2017. These IFRSs have not had any impact on the Group's interim report. In the event of any inconsistencies between this stock exchange announcement and the Danish stock exchange announcement, this document shall prevail.

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 for Novozymes A/S for the first six months of 2017. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the first six months of 2017 has been prepared in accordance with IAS 34 and the additional Danish regulations 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 an interim report are adequate, and the interim report gives a true and fair view of the Group's assets, liabilities, net profit and financial position at June 30, 2017, and of the results of the Group's operations and cash flow for the first six months of 2017.

We further consider that the Management review in the preceding pages gives a true and fair view of the development in the Group's activities and business, the profit for the period and the Group's financial position as a whole, and a description of the most significant risks and uncertainties to which the Group is subject.

Bagsvaerd, August 11, 2017

EXECUTIVE MANAGEMENT

Peder Holk Nielsen
President & CEO

Thomas Videbæk
COO

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

Kim Stratton

Mathias Uhlén

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

(DKK million)	1H 2017	1H 2016	% change	Q2 2017	Q2 2016	% change
Revenue	7,278	7,038	3%	3,538	3,429	3%
Gross profit	4,219	4,077	3%	2,058	1,998	3%
Gross margin	58.0%	57.9%		58.2%	58.3%	
EBITDA	2,471	2,375	4%	1,206	1,194	1%
EBITDA margin	34.0%	33.7%		34.1%	34.8%	
Operating profit / EBIT	1,973	1,911	3%	963	961	0%
EBIT margin	27.1%	27.2%		27.2%	28.0%	
Share of losses in associates	(6)	(14)		(3)	(4)	
Net financials	(59)	9		(29)	(6)	
Profit before tax	1,908	1,906	0%	931	951	(2)%
Tax	(401)	(410)	(2)%	(196)	(200)	(2)%
Net profit	1,507	1,496	1%	735	751	(2)%
Earnings per DKK 2 share	5.07	4.94	3%	2.49	2.49	(0)%
Earnings per DKK 2 share (diluted)	5.05	4.90	3%	2.47	2.46	0%
Net investments	614	542				
Free cash flow before acq. and purchase of financial assets	1,325	1,354				
Return on invested capital (ROIC) incl. goodwill	24.5%	25.4%				
Net interest-bearing debt	1,842	1,136				
Equity ratio	59.1%	61.7%				
Return on equity	26.9%	26.5%				
Debt-to-equity	17.3%	10.4%				
NIBD / EBITDA	0.4	0.2				
Number of employees	6,284	6,385				
Novozymes' stock				Jun. 30, 2017	Jun. 30, 2016	
Common stock (million)				305.0	310.0	
Net worth per share (DKK)				34.96	35.32	
Denomination of share (DKK)				2.00	2.00	
Nominal value of common stock (DKK million)				610.0	620.0	
Treasury stock (million)				9.8	9.6	

1.2 Income statement

(DKK million)	1H 2017	1H 2016	Q2 2017	Q2 2016
Revenue	7,278	7,038	3,538	3,429
Cost of goods sold	(3,059)	(2,961)	(1,480)	(1,431)
Gross profit	4,219	4,077	2,058	1,998
Sales and distribution costs	(846)	(810)	(405)	(392)
Research and development costs	(980)	(958)	(477)	(456)
Administrative costs	(444)	(432)	(224)	(214)
Other operating income, net	24	34	11	25
Operating profit / EBIT	1,973	1,911	963	961
Share of losses in associates	(6)	(14)	(3)	(4)
Net financials	(59)	9	(29)	(6)
Profit before tax	1,908	1,906	931	951
Tax	(401)	(410)	(196)	(200)
Net profit	1,507	1,496	735	751
Attributable to				
Shareholders in Novozymes A/S	1,507	1,494	736	750
Non-controlling interests	-	2	(1)	1
Specification of net financials				
Foreign exchange gain/ (loss), net	(27)	33	(15)	17
Interest income/ (costs)	(11)	(13)	(5)	(8)
Other financial items	(21)	(11)	(9)	(15)
Net financials	(59)	9	(29)	(6)
Earnings per DKK 2 share	5.07	4.94	2.49	2.49
Average no. of A/B shares outstanding (million)	297.0	302.3	296.2	301.4
Earnings per DKK 2 share (diluted)	5.05	4.90	2.47	2.46
Average no. of A/B shares, diluted (million)	298.5	305.2	298.0	304.4

1.3 Statement of comprehensive income

(DKK million)	1H 2017	1H 2016	Q2 2017	Q2 2016
Net profit	1,507	1,496	735	751
Currency translation of subsidiaries and non-controlling interests	(620)	(154)	(583)	169
Tax on currency translation of subsidiaries	19	2	15	(8)
Currency translation adjustments	(601)	(152)	(568)	161
Fair value adjustments	92	29	70	(16)
Tax on fair value adjustments	(20)	(7)	(15)	2
Fair value adjustments reclassified to Financial income/ costs	32	(26)	8	(33)
Tax on reclassified fair value adjustments	(7)	6	(2)	8
Cash flow hedges	97	2	61	(39)
Other comprehensive income	(504)	(150)	(507)	122
Comprehensive income	1,003	1,346	228	873
Attributable to				
Shareholders in Novozymes A/ S	1,003	1,345	229	873
Non-controlling interests	-	1	(1)	-

Appendix 2 Distribution of revenue

2.1 By industry

(DKK million)	2017 1H	2016 1H	% change	% currency impact	% M&A impact	% organic growth
Household Care	2,397	2,330	3	2	0	1
Food & Beverages	2,042	1,856	10	2	0	8
Bioenergy	1,309	1,196	9	2	0	7
Agriculture & Feed	1,010	1,078	(6)	0	0	(6)
Technical & Pharma	520	578	(10)	1	(7)	(4)
Sales	7,278	7,038	3	1 *	(1)	3

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 1.7%.

(DKK million)	2017 Q2	2016 Q2	% change	% currency impact	% M&A impact	% organic growth
Household Care	1,181	1,154	2	1	0	1
Food & Beverages	1,041	930	12	2	0	10
Bioenergy	628	570	10	2	0	8
Agriculture & Feed	428	496	(14)	2	0	(16)
Technical & Pharma	260	279	(7)	0	0	(7)
Sales	3,538	3,429	3	1 *	0	2

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 1.4%.

(DKK million)	2017		2016				% change
	Q2	Q1	Q4	Q3	Q2	Q1	Q2/ Q2
Household Care	1,181	1,216	1,218	1,154	1,154	1,176	2
Food & Beverages	1,041	1,001	937	947	930	926	12
Bioenergy	628	681	663	579	570	626	10
Agriculture & Feed	428	582	676	452	496	582	(14)
Technical & Pharma	260	260	220	258	279	299	(7)
Sales	3,538	3,740	3,714	3,390	3,429	3,609	3

2.2 By geography

(DKK million)	2017 1H	2016 1H	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	2,651	2,586	3	1	(2)	4
North America	2,452	2,416	1	1	0	0
Asia Pacific	1,475	1,387	6	1	0	5
Latin America	700	649	8	8	0	0
Sales	7,278	7,038	3	1 *	(1)	3

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 1.7%.

(DKK million)	2017 Q2	2016 Q2	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,303	1,246	5	1	0	4
North America	1,161	1,141	2	1	0	1
Asia Pacific	739	695	6	1	0	5
Latin America	335	347	(3)	9	0	(12)
Sales	3,538	3,429	3	1 *	0	2

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 1.4%.

(DKK million)	2017		2016				% change
	Q2	Q1	Q4	Q3	Q2	Q1	Q2/ Q2
Europe, Middle East & Africa	1,303	1,348	1,260	1,261	1,246	1,340	5
North America	1,161	1,291	1,276	1,063	1,141	1,275	2
Asia Pacific	739	736	731	673	695	692	6
Latin America	335	365	447	393	347	302	(3)
Sales	3,538	3,740	3,714	3,390	3,429	3,609	3

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

(DKK million)	1H 2017	1H 2016
Net profit	1,507	1,496
Reversals of non-cash items	862	937
Tax paid	(284)	(295)
Interest received	3	2
Interest paid	(16)	(15)
Cash flow before change in working capital	2,072	2,125
Change in working capital		
(Increase)/ decrease in receivables	22	103
(Increase)/ decrease in inventories	(122)	(74)
Increase/ (decrease) in trade payables and other liabilities	(39)	(266)
Increase/ (decrease) in exchange gain/ loss	6	8
Cash flow from operating activities	1,939	1,896
Investments		
Purchase of intangible assets	(44)	(59)
Sale of property, plant and equipment	21	17
Purchase of property, plant and equipment	(591)	(500)
Cash flow from investing activities before acquisitions and purchase of financial assets	(614)	(542)
Free cash flow before acquisitions and purchase of financial assets	1,325	1,354
Business acquisitions and purchase of financial assets	(3)	-
Free cash flow	1,322	1,354
Financing		
Borrowings	650	1,196
Repayments of borrowings	(137)	(692)
Purchase of treasury stock	(1,062)	(1,020)
Sale of treasury stock	94	26
Dividend paid	(1,192)	(1,061)
Cash flow from financing activities	(1,647)	(1,551)
Net cash flow	(325)	(197)
Unrealized gain/ (loss) on currencies and financial assets, included in cash and cash equivalents	(15)	(3)
Change in cash and cash equivalents, net	(340)	(200)
Cash and cash equivalents, net, at January 1	805	796
Cash and cash equivalents, net, at June 30	465	596

Undrawn committed credit facilities at June 30, 2017, were DKK 2,910 million.

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

(DKK million)	Jun. 30, 2017	Jun. 30, 2016	Dec. 31, 2016
Completed IT development projects	121	113	125
Acquired patents, licenses and know-how	1,280	1,324	1,404
Goodwill	1,132	1,122	1,159
IT development projects in progress	64	20	49
Intangible assets	2,597	2,579	2,737
Land and buildings	2,775	2,831	2,931
Plant and machinery	3,976	4,096	4,239
Other equipment	527	575	615
Assets under construction and prepayments	1,229	705	856
Property, plant and equipment	8,507	8,207	8,641
Deferred tax assets	578	462	607
Other financial assets (non-interest-bearing)	138	139	151
Investment in associate	66	76	73
Other receivables	28	76	57
Non-current assets	11,914	11,539	12,266
Raw materials and consumables	344	325	327
Goods in progress	666	615	671
Finished goods	1,550	1,401	1,490
Inventories	2,560	2,341	2,488
Trade receivables	2,536	2,471	2,680
Tax receivables	90	372	142
Other receivables	278	311	267
Receivables	2,904	3,154	3,089
Other financial assets (non-interest-bearing)	35	12	4
Other financial assets	35	12	4
Cash and cash equivalents	647	711	812
Current assets	6,146	6,218	6,393
Assets	18,060	17,757	18,659

4.2 Balance sheet, Liabilities

(DKK million)	Jun. 30, 2017	Jun. 30, 2016	Dec. 31, 2016
Common stock	610	620	620
Currency translation adjustments	69	387	670
Cash flow hedges	56	22	(41)
Retained earnings	9,928	9,920	10,483
Equity attributable to shareholders in Novozymes A/S	10,663	10,949	11,732
Non-controlling interests	13	14	13
Shareholders' equity	10,676	10,963	11,745
Deferred tax liabilities	867	733	854
Provisions	198	188	231
Deferred income	484	678	540
Other financial liabilities (interest-bearing)	1,688	1,717	1,713
Other financial liabilities (non-interest-bearing)	9	21	14
Non-current liabilities	3,246	3,337	3,352
Other financial liabilities (interest-bearing)	801	130	89
Other financial liabilities (non-interest-bearing)	5	27	111
Provisions	86	68	61
Trade payables	1,134	1,060	1,194
Deferred income	245	226	248
Tax payables	421	662	437
Other payables	1,446	1,284	1,422
Current liabilities	4,138	3,457	3,562
Liabilities	7,384	6,794	6,914
Liabilities and shareholders' equity	18,060	17,757	18,659

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, 2017	620	670	(41)	10,483	11,732	13	11,745
Net profit for the period				1,507	1,507	-	1,507
Other comprehensive income for the period		(601)	97		(504)	-	(504)
Total comprehensive income for the period		(601)	97	1,507	1,003	-	1,003
Purchase of treasury stock				(1,062)	(1,062)		(1,062)
Sale of treasury stock				94	94		94
Write-down of common stock	(10)			10	-		-
Dividend				(1,192)	(1,192)	-	(1,192)
Stock-based payment				46	46		46
Tax related to equity items				42	42		42
Changes in shareholders' equity	(10)	(601)	97	(555)	(1,069)	-	(1,069)
Shareholders' equity at June 30, 2017	610	69	56	9,928	10,663	13	10,676
Shareholders' equity at January 1, 2016	626	538	20	10,396	11,580	13	11,593
Net profit for the period				1,494	1,494	2	1,496
Other comprehensive income for the period		(151)	2		(149)	(1)	(150)
Total comprehensive income for the period	-	(151)	2	1,494	1,345	1	1,346
Purchase of treasury stock				(1,020)	(1,020)		(1,020)
Sale of treasury stock				26	26		26
Write-down of common stock	(6)			6	-		-
Dividend				(1,061)	(1,061)	-	(1,061)
Stock-based payment				84	84		84
Tax related to equity items				(5)	(5)		(5)
Changes in shareholders' equity	(6)	(151)	2	(476)	(631)	1	(630)
Shareholders' equity at June 30, 2016	620	387	22	9,920	10,949	14	10,963

Appendix 5 Miscellaneous

5.1 Product launches in 2017

Q1 2017	Acceleron® B-200 SAT – an enhanced isoflavonoid formulation that enables additional upstream treatment in soybeans. The product stimulates the growth of beneficial microbes in the soil to improve nutritional uptake, leading to improved plant health.
Q1 2017	Spirizyme® T – an advanced suite of glucoamylase enzymes with trehalase, which is an enzyme that converts trehalose, a type of sugar that is normally hard to ferment into ethanol, thus reducing residual starch and sugars and increasing ethanol yield.
Q2 2017	Medley® 2.0 – second generation of our blended enzyme solutions. Medley® is a plug-and-play solution that ensures stability, performance and cost savings across the value chain, targeting small and medium-sized players in emerging markets.
Q2 2017	Progress® excel – a new premium liquid protease that enables premium wash performance at all temperatures with increased flexibility.
Q2 2017	Palmora® – the first Novozymes offering for the palm oil industry. Palmora® improves yield and process for palm oil producers.
Q2 2017	Frontia® – a new technology for the grain-milling process based on Novozymes' capabilities within complex fiber and biomass structures. It delivers better yields and process improvements, adding to the competitiveness of our customers' operations.

5.2 Company announcements for the fiscal year 2017

(Excluding Management's trading in Novozymes' stock, major shareholder announcements and stock buyback status)

January 17, 2017	Group financial statement for 2016
January 24, 2017	Initiation of stock buyback program
January 31, 2017	Election of employee representatives to the Board of Directors
February 22, 2017	Novozymes A/S Annual Shareholders' Meeting 2017
March 24, 2017	Reduction of common stock
April 26, 2017	Interim report for the first three months of 2017
June 8, 2017	Changes to the Board of Directors
June 15, 2017	Changes to the Executive Leadership Team
August 11, 2017	Interim report for the first half of 2017

5.3 Financial calendar

October 25, 2017	Interim report for the first nine months of 2017
February 7, 2018	Group financial statement for 2017
March 13, 2018	Novozymes A/S Annual Shareholders' Meeting 2018
April 25, 2018	Interim report for the first three months of 2018
August 10, 2018	Interim report for the first half of 2018
October 24, 2018	Interim report for the first nine months of 2018
February 6, 2019	Group financial statement for 2018
March 6, 2019	Annual Shareholders' Meeting 2019

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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