



The Novozymes Report 2015

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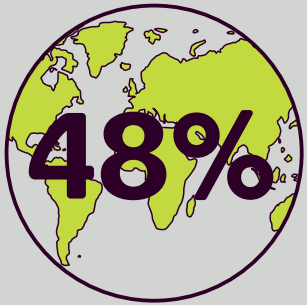
“Contents” written in Bioscript,
a custom font exclusively owned by Novozymes
and originating in our logo.

The big picture



2015 in brief

Financial performance



Market leader in industrial enzymes

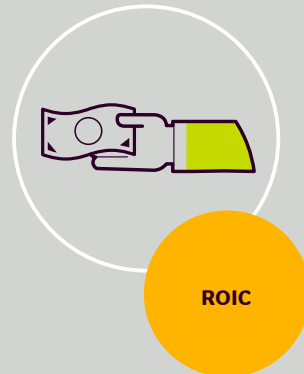
In 2015, the world market for industrial enzymes expanded by 10% to an estimated DKK 25 billion, driven mainly by currencies. Novozymes remained the market leader with a 48% share of the market.



4%



27.7%



25.9%

Distribution of generated value

In 2015, Novozymes' generated value amounted to DKK 14,104 million. 86% of this amount was returned to society through the purchase of goods and services from suppliers, wages and pensions to our 6,485 employees, various types of taxes and duties to the community, and dividend and financial costs to our capital providers. The remaining 14% was reinvested in Novozymes to develop the company, and ensure competitiveness and future value generation for distribution among key stakeholders.

In addition to the 8% returned to capital providers, Novozymes bought back shares worth DKK 2 billion in 2015.



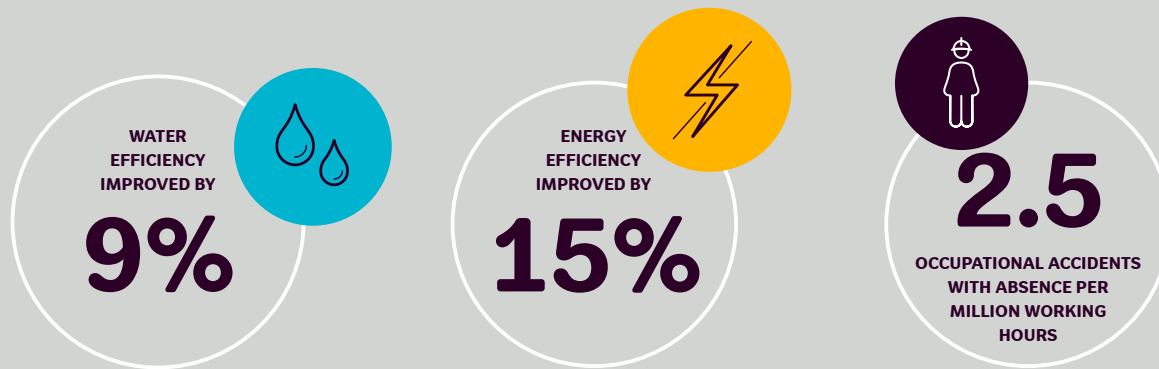
2015 in brief

Social and environmental performance

25,000,000 

CO₂ emissions saved

In 2015, our customers avoided an estimated 60 million tons of CO₂ emissions by applying Novozymes' products. The savings achieved are equivalent to taking approximately 25 million cars off the road.



Water efficiency

Water efficiency improved by 9% compared with 2014. This improvement was less than our target of 10%. A new system for water reuse at a major production site could not be implemented to its full capacity, but is now ramping up.

Energy efficiency

Energy efficiency improved by 15% compared with the 2014 baseline, as a result of continuous process optimizations and the implementation of many energy-saving projects. This performance exceeded our target of 10%.

Occupational accidents

Despite a strong focus on employee safety, the frequency of occupational accidents increased to 2.5 per million working hours in 2015, which was above our target of 1.7.

Key performance

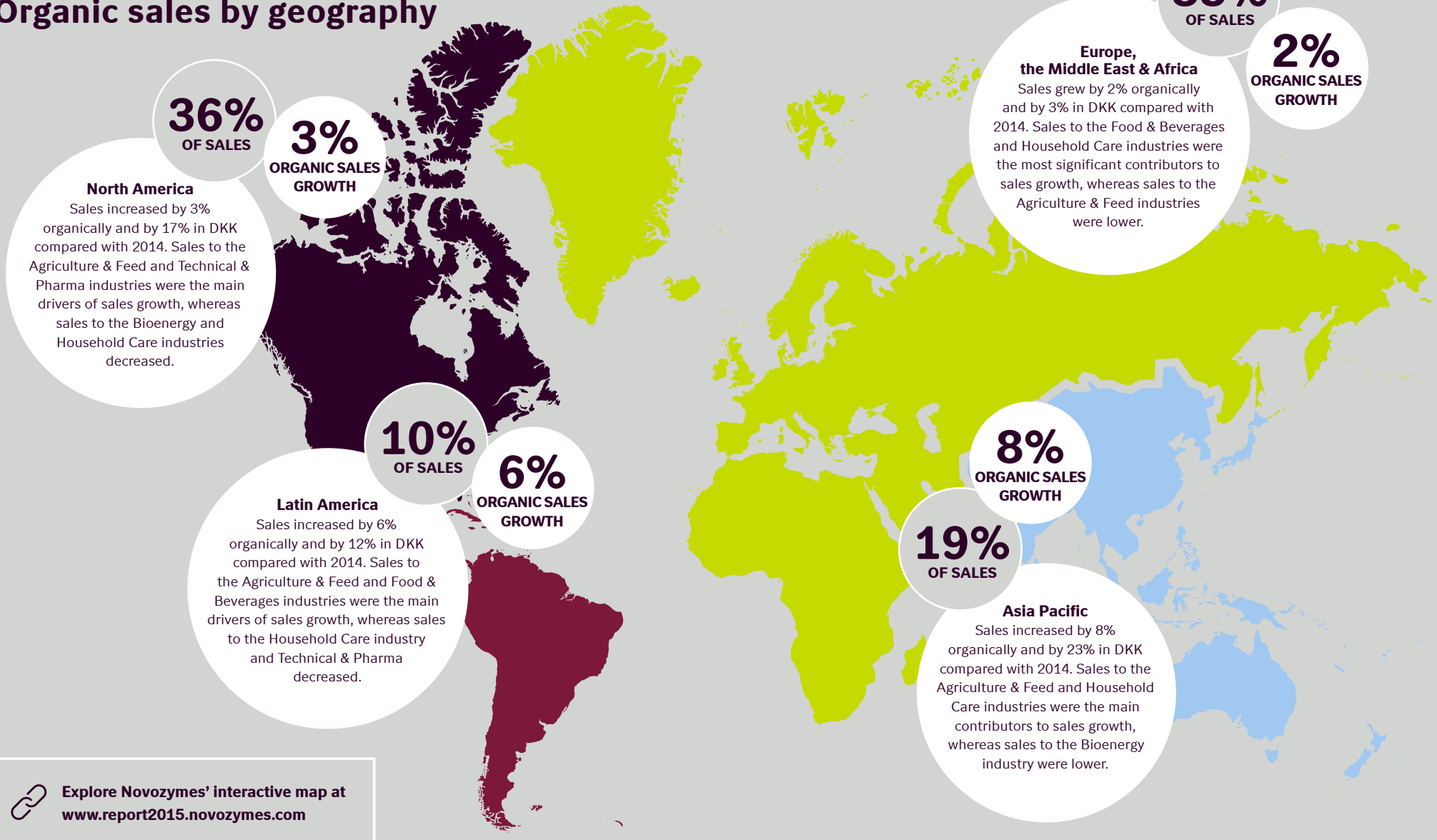
	2015	2015 target
SOCIETY		
Estimated reduction in CO ₂ emissions through our customers' application of our products, in million tons	60	50
NOVOZYMES		
Water efficiency*	9%	10%
Energy efficiency*	15%	10%
CO ₂ intensity*	17%	4%
Renewable energy	24%	24%
Number of employees on Dec. 31	6,485	-
"Satisfaction and motivation" score in employee survey	77	≥ 75
"Opportunities for professional and personal development" score in employee survey	80	≥ 75
Frequency of occupational accidents (per million working hours)	2.5	< 1.7
Employees promoted are women	41%	≥ 35%
Employee absence	2.0%	≤ 2.0%
RobecoSAM class rating	Medal**	Medal
CDP (Carbon Disclosure Project) score	A-	A List
SUPPLIERS		
Adherence to the supplier program for responsible sourcing	100%	96.5%


* Compared with the 2014 baseline.

** The distribution of medals will be announced in RobecoSAM's Sustainability Yearbook, published January 20, 2016.

2015 in brief

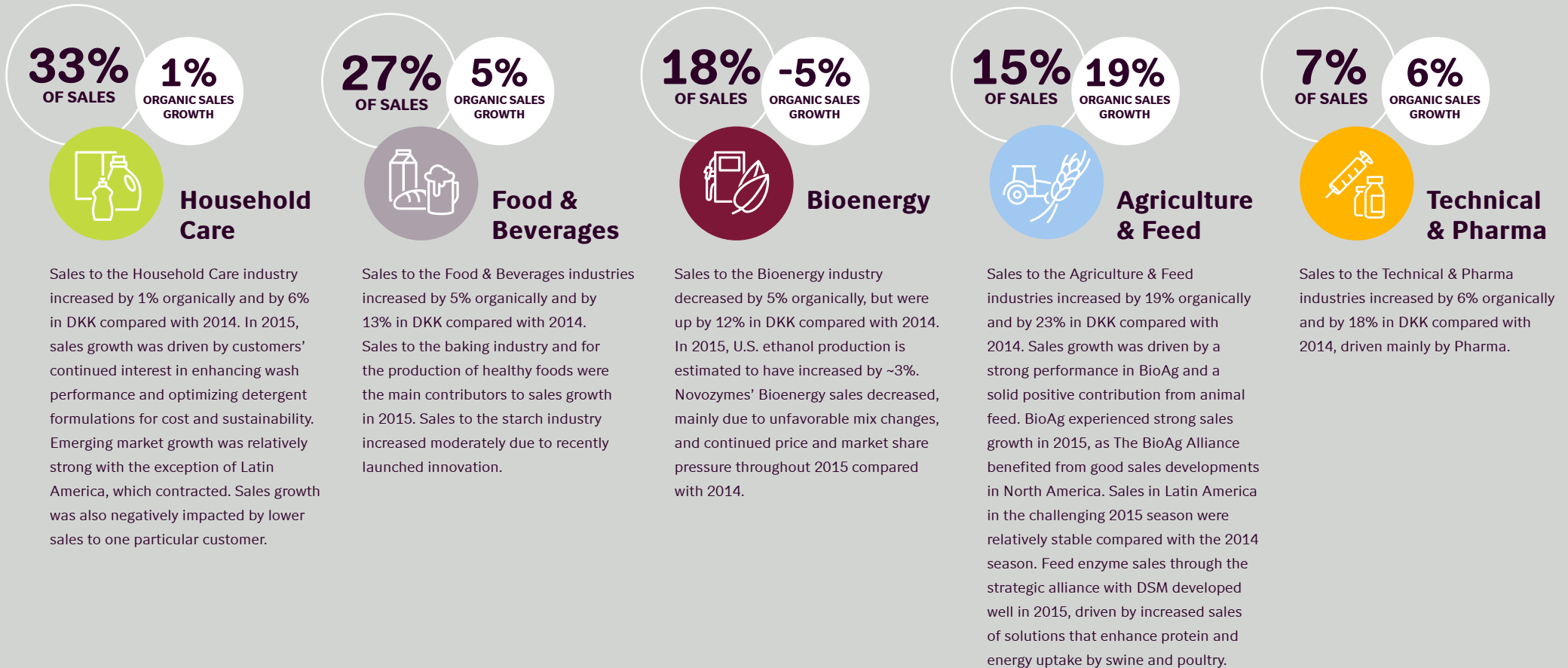
Organic sales by geography



 Explore Novozymes' interactive map at www.report2015.novozymes.com

2015 in brief

Sales by industry



2015 in brief

Key events

Adisseo and Novozymes announce partnership to develop probiotics for animals

● **May 28**



Novozymes wins innovation award from Tereos for outstanding performance in implementing the liquefaction solution Novozymes LpHera®

● **June 3**



Novozymes announces plans to establish a new innovation campus in Lyngby, Denmark

● **June 4**



MEMBER OF
Dow Jones Sustainability Indices

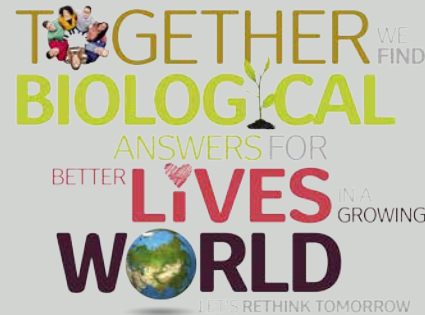
In Collaboration with RobecoSAM

Novozymes scores 90 out of 100 in the Chemical Industry sector of the Dow Jones Sustainability Index, placing the company among the top 3% of sustainability leaders in the sector



● **January 7**

The BioAg Alliance delivers first full-year trials showing increases in corn and soybean yields



● **March**

Launch of Novozymes Secura®

● **February**

Launch of pulp and paper xylanase

Bioenergy University



● **September 10**

● **August**

Launch of protease for automatic dishwashing

● **August 31**

Novozymes launches Bioenergy University – an online training platform for ethanol producers

● **January 20**

Novozymes launches new purpose, strategy and long-term targets

With businesses such as Novozymes playing a key role, world leaders meet to adopt the UN Sustainable Development Goals

● **September 25**



September
Launch of
Novozymes
Liquozyme® LpH

September
Launch of
Novozymes
Extenda®

● **October 5**
Novozymes acquires Pacific Vet Group-USA, Inc. to strengthen position in probiotics for animals



**Food ingredients
EUROPE
INNOVATION
AWARDS 2015**

Novozymes LactoMonitor™, a new device that lets dairy producers know the level of lactose in their products in seconds, wins Food Ingredients Europe's Innovation in Technology award

● **December 3**

Monsanto and Novozymes, the two partners in The BioAg Alliance, announce a new acreage target for their microbial solutions of 250-500 million acres globally by 2025

● **December 12**

At the 2015 UN Climate Change Conference (COP21) in Paris, Novozymes calls on global leaders to reach a strong agreement to limit global warming to 2°C



COP21- CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE



● **November 17**

Monsanto and Novozymes, the two partners in The BioAg Alliance, announce a new acreage target for their microbial solutions of 250-500 million acres globally by 2025

International journal *Science* ranks Novozymes the best science employer in the world

● **October 30**



October
Launch of
Novozymes
Avantec® Amp



● **October 22**

Novozymes announces restructuring of its Biopharma business and cessation of hyaluronic acid production

Five-year summary

DKK million	2015	2014	2013	2012	2011
Income statement					
Revenue	14,002	12,459	11,746	11,234	10,510
Gross profit	8,129	7,149	6,716	6,423	5,908
EBITDA	5,011	4,400	3,639	3,448	3,126
Operating profit / EBIT	3,884	3,384	2,901	2,745	2,340
Financial items, net	(257)	(84)	(134)	(158)	75
Net profit	2,825	2,525	2,201	2,016	1,828
Balance sheet					
Total assets	17,791	18,426	16,506	15,113	13,842
Shareholders' equity	11,593	11,280	11,066	9,568	8,824
Invested capital	11,891	10,535	11,871	10,998	9,843
Net interest-bearing debt	437	(716)	805	1,430	1,019
Investments and cash flows					
Cash flow from operating activities	3,339	4,525	2,599	2,758	2,709
Purchases of property, plant and equipment	968	703	762	1,128	1,290
Net investments excluding acquisitions and The BioAg Alliance impact	1,015	715	783	1,177	1,316
Free cash flow before net acquisitions and securities	2,324	4,229	1,816	1,581	1,393
Business acquisitions and purchase of financial assets	242	14	640	732	1,530
Free cash flow	2,082	4,215	1,176	849	(33)

		2015	2014	2013	2012	2011
Key ratios						
Revenue growth, DKK	%	12	6	5	7	8
Revenue growth, organic	%	4	7	7	4	7
R&D costs (% of revenue)	%	13.5	14.8	13.0	13.6	13.9
Gross margin	%	58.1	57.4	57.2	57.2	56.2
EBITDA margin	%	35.8	35.3	31.0	30.7	29.7
EBIT margin	%	27.7	27.2	24.7	24.4	22.3
Effective tax rate	%	22.0	23.0	20.2	22.0	24.3
Equity ratio	%	65.1	61.2	67.0	63.3	63.7
NIBD/EBITDA		0.1	(0.2)	0.2	0.4	0.3
Return on equity	%	24.7	22.6	21.3	21.9	21.9
ROIC including goodwill	%	25.9	23.1	20.0	19.9	21.3
WACC after tax	%	5.3	3.7	4.7	4.7	4.5
Earnings per share (EPS), diluted	DKK	9.12	8.02	6.93	6.33	5.71
Dividend per share (2015 proposed)	DKK	3.50	3.00	2.50	2.20	1.90

Key ratios have been prepared in accordance with The Danish Finance Society's "Recommendations & Financial Ratios 2015 Nordic Edition" as well as certain key figures of the Novozymes Group as described in the Glossary.

Environmental and social data

Total number of employees	No.	6,485	6,454	6,236	6,041	5,824
Rate of employee turnover	%	9.1	8.1	7.5	8.1	8.3
Frequency of accidents with absence per million working hours		2.5	1.7	2.4	3.0	4.3
Employee satisfaction	Score	77	77	77	78	77
Development opportunities	Score	80	75	74	75	74
Employees promoted who are women	%	41	34	26	37	n.a.
Estimated CO ₂ reductions from customers' application of Novozymes' products *	Million tons	60	60	52	48	45

* Data for 2011-2013 are calculated based on LCA data from 2008

Letter from the Board of Directors

Creating value in volatile times



Letter from the Board of Directors

Novozymes put in a healthy financial performance in 2015. With its well-diversified business and solid earnings capacity, the company was able to deliver significant earnings growth, although sales growth proved harder to come by than originally anticipated. The important sales areas of Household Care and Bioenergy had a challenging year, but healthy growth in Food & Beverages and especially Agriculture & Feed enabled Novozymes to realize organic sales growth of 4%.

A changing external environment

2015 was in many ways a significant year for Novozymes and for the world economy. We saw changes no one would have considered likely just a year ago. Volatility and unforeseen events are not new phenomena, but it seems that 2015 brought an unexpected number of events that we as a Board had to address and that will influence years to come. Who would have foreseen that Europe would see the largest influx of refugees since the Second World War, that the U.S. dollar would appreciate more than 10% against the Danish krone from the end of 2014 to the end of 2015, or that the oil price would fall further to as low as USD 35 per barrel and is now expected to remain low for some time? And the list goes on.

The Board of Directors has discussed all these events and their potential impact on Novozymes. One of the Board's most important tasks is to ensure continuous evaluation of our strategic foundation in order to strengthen Novozymes' position for the future. Although these are extraordinary events, there is nothing extraordinary about the procedure of looking into the company's context and its strategy. We do that every year.

Delivering world-leading innovations faster

Novozymes stands on a strong foundation. This is underlined by the 2015 results. Yes, there were challenges in 2015, but they would have been greater had we not had such a strong foundation. Both the Executive Leadership Team and the Board of Directors undoubtedly learned a lot in 2015. We have incorporated our

learnings into the continuous efforts to strengthen the company's strategic foundation, and we will continue to do so going forward. 2015 only reinforced the importance of vigilance, flexibility and diversity. Vigilance – for responsiveness and speed in gathering information and insights from the market, internalizing them and using them to identify future opportunities – enables us to make the right decisions faster. Flexibility is important: to embrace changes in market dynamics and customer demands, set priorities and reprioritize as conditions change. Last but not least, diversity in our product, customer and market mix is essential for Novozymes. It always has been, and this was also evident in the 2015 results.

The challenges we saw in Bioenergy and Household Care were significant. Combined, these two industries make up approximately half of Novozymes' sales, and they did not grow in 2015. Without the strong growth in the other half of the business – Agriculture & Feed and Food & Beverages – we would not have been able to deliver the results we did. Novozymes will keep a strong focus on further expanding and diversifying its growth pillars on the basis of world-leading innovation. Wider use of biological solutions generates value for customers and the environment, as well as long-term sustainable earnings growth to the benefit of customers, employees and shareholders alike.

In November 2015, Novozymes celebrated its 15th birthday. It has been an incredible growth journey based on a strong set of values and a culture built on trust and passion. Our purpose of

finding biological answers for better lives in a growing world is a strong guide in our continued journey to create strong value based on a triple bottom line approach. It is regrettable that Novozymes has had to revise its organic sales growth target toward 2020, but in light of the events of 2015, the Board remains very optimistic about the future for both the company and its technology base. The Board believes that Novozymes has the right strategy, innovation capabilities and business model, and our focus right now is therefore to make sure we strengthen these while increasing our agility in this volatile period.

Novozymes will always face fluctuations. Markets go up and down. But despite these fluctuations, the Board still expects the triple bottom line, trust and passion to remain our guiding stars for the next 15 years. The Board is excited to be part of this journey and to contribute our own passion. We look forward to another year where we can help strengthen the company's strategic foundation and platform for long-term sustainable top- and bottom-line growth.



January 2016
The Board of Directors
Novozymes A/S



Letter from the CEO

Strong business, growth a challenge

“The financial results are more than satisfactory, but organic sales growth was harder to achieve in 2015.”

Letter from the CEO

Novozymes posted strong earnings but only moderate sales growth in 2015. The long-term organic sales growth target has been revised to reflect the negative impact on sales growth of the uncertainties stemming from lower commodity prices and slower economic growth in emerging markets. All other long-term targets are intact.

Our financial results for 2015 show double-digit growth in earnings and a substantial improvement in the EBIT margin. The financial results are more than satisfactory, but organic sales growth was harder to achieve in 2015. Due to a good performance in Agriculture & Feed and Food & Beverages, we were able to deliver organic sales growth of 4%. However, we also saw how quickly markets and customers can change their preferences following sharp changes in commodity prices and exchange rates, and sales growth in Household Care and particularly in Bioenergy disappointed.

“On top of commercial activities, we invested DKK 1.9 billion in R&D, paving the way for more sustainable solutions for our customers to secure long-term sustainable growth.”

Investing in innovation

Our focus in 2015 was on addressing this slower sales growth, improving our agility and getting growth back on track. On top of commercial activities, we invested DKK 1.9 billion in R&D, paving the way for more sustainable solutions for our customers to secure long-term sustainable growth. This investment will

support both our current and future technology platforms, help build a strong innovation pipeline across markets and make it possible for us to improve our efficiency and earnings.

The year's R&D highlights include our achievements together with Monsanto, our partner in The BioAg Alliance. Results from our 2015 field trial program were announced in early January 2016. We tested more than 2,000 microbial strains across 500,000 field trial plots, and the best new strains delivered an average yield increase of 4-5 bushels per acre in corn and 1.5 in soy. The tests also included an enhanced corn inoculant product that increased yields by an average of 4 bushels per acre and is scheduled for launch in 2017.

Another highlight in R&D was the number of new production strains we were able to develop and introduce in our manufacturing plants during the year, enabling us to reduce fermentation costs in enzyme production. We also saw how radically technology is advancing and strengthening our ability to learn about nature, microorganisms and enzymes, which is encouraging in terms of our ability to innovate for future impact. The new ground we are breaking in R&D makes Novozymes an attractive employer, not least to scientists, as confirmed in October by the international journal *Science*, which ranked Novozymes the best science employer in the world within biotech, pharma and related industries.

Novozymes strengthened existing partnerships and adjusted its portfolio of growth platforms during the year. We acquired Pacific Vet Group-USA, Inc. to strengthen our knowledge and innovation capabilities in probiotics for animals. We also

decided to close down our hyaluronic acid activities within the Biopharma area, as the outlook no longer warranted continued investment in building the business.

Biological answers for better lives in a growing world

In autumn 2015, world leaders met in New York to adopt the new UN Sustainable Development Goals, which will guide global efforts to improve lives and sustainability over the next 15 years. Novozymes represented the private sector at the assembly and reiterated our position that carbon emissions need to carry a cost that alters behaviors and incentivizes investment in sustainable solutions. In December, cross-sector participants from business, government, finance, the UN and civil society reached a historic agreement at the UN Climate Change Conference (COP21) in Paris. Novozymes showed strong leadership in the run-up to COP21. We called for an agreement to limit global temperature rise and for the adoption of stable carbon-pricing mechanisms.

Our sustainability efforts once again won recognition during the year. Novozymes scored 90 out of 100 in the Chemical Industry sector of the Dow Jones Sustainability World Index, placing us among the top 3% of sustainability leaders in the sector worldwide. This confirms the validity of our long-term ambition of making a real and lasting impact on the world.

Long-term organic sales growth target revised

In light of developments in 2015 and the sales outlook for 2016, the Leadership Team has reviewed the assumptions for sales growth for the remainder of the decade. We continue to have an ambition to accelerate sales growth to 8-10% organically.

Letter from the CEO

However, as a result of the current depressed commodity prices and the uncertainties these entail for Bioenergy and growth in emerging markets, Novozymes expects annual sales growth from 2017 through to the end of the decade to be in line with the historical performance of 6-7%. The long-term targets for EBIT margin, ROIC and sustainability are unchanged.

Innovation and technological leadership lie at the heart of Novozymes' competitiveness and long-term value creation. Consequently, we will continue to invest to retain our leadership position within industrial biotechnology and to advance the field, improving the long-term opportunities to create a sustainable impact on the world and grow our business.

Our strategy builds on our past successes, has taken us through a challenging year and gives us an even sharper focus going forward. I look forward to taking on new challenges in 2016 together with Novozymes' dedicated employees and all of our customers and partners.



Peder Holk Nielsen
President & CEO

“The Partnering for Impact strategy has enabled us to rethink relationships and business models and think more in terms of partnerships.”

Guided by “Partnering for Impact”

In January 2015, we updated Novozymes' purpose statement and launched our strategy Partnering for Impact. These have been great instruments in guiding the business, including at a time when we have been challenged by lower sales growth. Our purpose in particular has spurred motivation internally and been embraced wholeheartedly by our employees. Externally, it has been a good tool for closer dialogue with authorities, customers and other stakeholders on what Novozymes aims to achieve, and how our customers can make an impact by using our solutions. The Partnering for Impact strategy has enabled us to rethink relationships and business models and think more in terms of partnerships.

Outlook for 2016

	2015 realized	2016 outlook
Sales growth, organic	4%	3-5%
Sales growth, DKK	12%	3-5%
EBIT growth	15%	3-5%
EBIT margin	27.7%	~28%
Net profit growth	12%	8-10%
Net investments excl. acquisitions, DKKm	1,015	1,100-1,200
Free cash flow before acquisitions, DKKm	2,324	2,400-2,600
ROIC (including goodwill)	25.9%	25-26%
Avg. USD/DKK	673	685



WE SUPPORT

Novozymes is committed to the UN Global Compact principles as a LEAD member. As we celebrate 15 years of the UN Global Compact, Novozymes' dedication to advancing sustainability is stronger than ever. Read the UNGC Communication on Progress under Supplementary.

Novozymes at a glance

Novozymes is the world leader in biological solutions, producing a wide range of industrial enzymes and microorganisms. We believe that we have innovative answers to some of the world's most pressing challenges.

The planet's population is growing, and consuming more – placing a strain on natural resources and calling for more sustainable ways to meet its needs. Novozymes is helping the world address these challenges. Used in the manufacture of a wide variety of products, our innovative biological solutions improve the efficiency of processes both in industry and in everyday life by saving energy, water and other raw materials, while reducing waste.

Sustainability is intrinsic to our business

The nature of our technology makes sustainability an intrinsic part of our business, allowing us to offer our customers solutions that optimize their use of raw materials and energy.

48% market share

In 2015, the world market for industrial enzymes expanded by 10% to an estimated DKK 25 billion, driven mainly by currencies. Novozymes remained the market leader with a 48% share of the market.

Through The BioAg Alliance, we have a market leading position within the market for seed inoculants.

Good things come in small packages

For Novozymes, everything begins with enzymes and microorganisms.



Enzymes

Enzymes are proteins that act as catalysts. When one substance needs to be transformed into another, nature uses enzymes to speed up the process. Enzymes in the stomach, for instance, ensure that food is broken down into tiny particles that can be converted into energy in the body. Our customers use enzymes as catalysts in the manufacture of a wide variety of products, including ethanol, sugar, beer and bread, where the enzymes are not part of the end product. Enzymes are also used directly in products such as laundry detergents, where they help remove stains and enable low-temperature washing.



Microorganisms

Like enzymes, many microorganisms have natural properties that can be put to use in a variety of processes. In our strategic BioAg Alliance, Novozymes is working on microorganisms that will give the world's farmers a new biological toolkit for increasing yields and protecting crops.

Product launches in 2015

- **Pulp and paper xylanase**
February
A bleach booster for paper pulp that can reduce chlorine dioxide dosing, translating into a financial saving for the mill as well as environmental benefits.
- **Novozymes Secura®**
March
A thermostable, low-pH beta-amylase enzyme for maltose syrup production that provides a higher product activity level and still remains stable during storage.
- **Protease for automatic dishwashing**
August
An improved protease that meets the new market requirements and conditions, offering main benefits in phosphorus-containing formulas.
- **Novozymes Liquozyme® LpH**
September
A highly efficient alpha-amylase enzyme that reduces mash viscosity and breaks down starch into shorter dextrin chains, even at low pH.
- **Novozymes Extenda®**
September
A glucoamylase enzyme that produces more DP1 and less DP2 in the starch saccharification process for the production of conventional sweeteners.
- **Novozymes Avantec® Amp**
October
An alpha-amylase enzyme and advanced liquefaction solution that improves yield and throughput with added benefits in terms of chemical cost reductions, oil yield and simplified plant operation.

Novozymes' five sales areas



Household Care 33% of sales

Novozymes' enzymes and microorganisms enable manufacturers to supply consumers with laundry and cleaning products that offer better performance with reduced environmental impact. Their unique catalytic action makes enzymes particularly useful ingredients in low-temperature and concentrated detergents.



Food & Beverages 27% of sales

Novozymes' enzymes are used extensively to reduce costs, optimize production processes and enhance the quality of bread, beer, wine and other products.



Bioenergy 18% of sales

Novozymes is helping drive the transition to greener fuels and renewable energy. Our enzymes for the Bioenergy industry break down crops, such as corn, and waste materials to create ethanol for use as liquid fuels.



Agriculture & Feed 15% of sales

Novozymes supplies a range of microorganisms and enzymes for use in agriculture. Through The BioAg Alliance with Monsanto, we are developing microbial solutions for farmers that improve yields more sustainably and enable them to fight off pests and diseases. Novozymes' animal health and nutrition solutions enhance the digestibility and nutritional value of animal feed and maintain better water conditions in aquaculture. Together with our partner DSM Nutritional Products, we are the world leader in feed enzymes.



Technical & Pharma 7% of sales

Novozymes offers enzymatic solutions for processing textiles and leather, as well as a range of microorganisms for industrial use in wastewater treatment. Our Biopharma business focuses on sustainable drug delivery and formulation.

Key figures

Total sales in DKK million

 **14,002**

EBIT in DKK million

 **3,884**

Employees on six continents

 **6,485**

Granted or pending patents, more than

 **7,000**

 **14%**

of our revenue is reinvested in R&D

Explore www.novozymes.com

- Read more about the **sustainability profile** of our products and the benefits of biological solutions for our customers and the world in general
- Check out the **700+ products** we market in 140 countries
- Read more about our proud **heritage dating back to 1921**

Focus

The BioAg Alliance

Novozymes entered into The BioAg Alliance with Monsanto in February 2014 to research, develop and commercialize sustainable biological solutions that use natural, non-GMO-derived microbial technology to significantly increase the productivity of the world's crops. Our current product portfolio includes inoculants, which help plants take up nutrients, and biocontrol products, which protect plants against pests and disease. The BioAg Alliance combines Novozymes' expertise in discovering, developing and producing microorganisms with Monsanto's discovery capabilities, field testing and market reach. The BioAg Alliance is now open for business and looking to incense and outlicense strains.

The BioAg Alliance targets 250-500 million acres by 2025
 In November 2015, Monsanto and Novozymes announced a new 2025 acreage target. The two partners in The BioAg Alliance are dedicated to catalyzing the development of new microbial solutions to transform global agriculture and envision that their products will be used on 250-500 million acres globally by 2025, equivalent to 25-50% of all U.S. farmland. Today, the Alliance's products are used on around 65 million acres.

Microbial discovery

The BioAg Alliance runs a microbial discovery process as illustrated here. When this process is complete, the selected microorganisms go through further testing and then fermentation scale-up before commercialization.



- 1 Collect**
 Soil samples are collected from targeted fields by agronomists. A tablespoon of soil can contain up to 50 billion microorganisms.
- 2 Grow**
 From these samples, thousands of microorganisms are grown in special media and under special conditions.
- 3 Identify**
 Pure colonies of the isolated microorganisms are DNA-sequenced, identified, characterized and classified.
- 4 Assess**
 Novel laboratory tests are developed to screen the identified microorganisms for their potential benefits.
- 5 Produce**
 Beneficial microorganisms are then fermented and formulated.
- 6 Test**
 In 2015, more than 2,000 microbial strains were tested across 500,000 field trial plots in more than 50 locations in the U.S.
- 7 Measure**
 The top new microorganisms in the 2015 research program increased corn and soy yields by 4-5 and 1.5 bushels per acre respectively.
- 8 Commercialize**
 Global commercial reach across crops, brands and geographies.

Our business



Market trends

As global consumption and demand for more sustainable business practices continue to grow, industrial biotechnology is positioned to be part of the solution to many of the world's challenges. The market for biotechnology is expanding, and attracting interest and investment from large, established players in adjacent industries. Uncertain and challenging market environments and growing competition among customers are impacting industry dynamics. These market trends emphasize the need for innovation and strong positioning of Novozymes' solutions.

In 2015, the world market for industrial enzymes expanded by 10% to an estimated DKK 25 billion, driven mainly by currencies. Novozymes remained the market leader with a 48% share of the market, followed by DuPont with an estimated 20%.

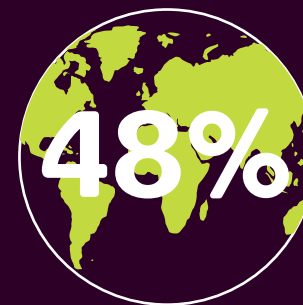
In the growing market for microorganisms, which is especially influenced by trends in the agricultural industry, improving yields and complementing chemical fertilizers and pesticides remain priorities. This industry is also attracting increased attention from established agricultural suppliers such as Bayer CropScience, Syngenta/DSM, FMC/Chr. Hansen and BASF.

Sustainability in focus

2015 brought a continued focus on sustainable technology that enables manufacturers to produce more from less. This was clear from broad support among participants at global venues such as the UN Sustainable Development Summit and the UN Climate Change Conference (COP21). With its ability to replace harsh chemicals and improve the performance and environmental impact of many everyday products, industrial biotechnology meets the need for sustainable technology, which is a growing trend across many industries and markets.

Other growth drivers include a rising global population and an expanding middle class in emerging markets. Other things being equal, high input costs will fuel interest in moving to sustainable solutions.

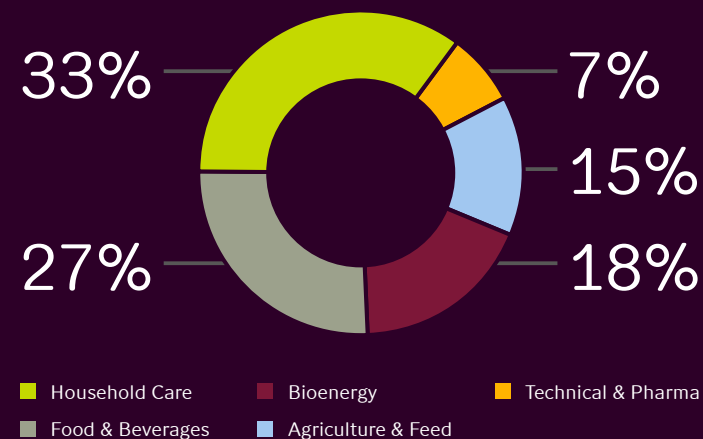
“Industrial biotechnology meets the need for sustainable technology, which is a growing trend across many industries and markets.”



Market leader in industrial enzymes

With an estimated 48% of the global enzyme market in 2015, Novozymes remains the world's leading producer of industrial enzymes.

Sales by industry



Current trends, growth drivers and growth barriers in Novozymes' industries

Industry



Household Care

Current trends

- Better-performing laundry detergents – also at low temperatures, reducing water and energy usage
- Optimization of detergent formulations to decrease cost and cost volatility
- More sustainable operations and products
- Changing consumer preferences in favor of liquid and compacted products
- Customer consolidation
- Sustained low surfactant prices

Growth drivers for Novozymes

- Higher enzyme inclusion and innovation to improve wash performance at low temperatures, improve sustainability and optimize formulations
- Demand for better-performing products in emerging markets
- GDP and population growth in emerging markets

Growth barriers for Novozymes

- Traditional consumer habits, e.g. washing at high temperatures
- Regulations favoring surfactants over enzymes in emerging market product standards
- Technology development needed to boost enzyme performance in liquid detergents
- Sustained low petrochemical input costs reducing the adoption rate of high-performance enzymes
- Pressure on detergent prices in some regions



Food & Beverages

- Sustainability in production processes, packaging, etc.
- Food safety and informed food consumption
- Consumer interest in health and wellness properties of food
- More convenience in food preparation
- Food producer focus on cost optimization, processing aids and brand building
- Consolidation of food & beverage producers
- Growth in processed foods in emerging markets

- High raw material prices leading to demand for production process optimizations
- Enzymes for safer and healthier foods
- Growth in grain and vegetable oil processing
- GDP and population growth as well as industrialization in emerging markets

- Consumer preferences for traditional foods
- Consumer skepticism about technology in food & beverage production
- Conservative industries
- Fragmented and local markets and dietary habits



Bioenergy

- U.S. corn ethanol industry affected by overcapacity and low margins
- Advanced second-generation biofuels not fully commercialized
- Low oil prices putting pressure on ethanol prices

- Stable and coherent political mandate to drive adoption of biofuels
- Innovation for yield enhancement and chemical cost reduction
- Demand for CO₂ reductions in transportation sector
- Focus on domestic economy, agricultural productivity and job creation

- Lack of political commitment to set and enforce blending mandates
- An energy industry with a vested interest in traditional fuels
- Competition with other transportation technologies for “best way” to reduce CO₂ emissions
- Customers focusing on costs in a low-margin environment
- Low oil prices

Current trends, growth drivers and growth barriers in Novozymes' industries

Industry



Agriculture & Feed

Current trends

- Rising demand for food and feed as populations grow
- Pressure on available land to farm and sustainability in farming
- Focus on yield maximization
- Global growth in protein consumption due to change in dietary habits
- Increasing consumer awareness of food supply origins and integrity
- Growing calls for reduced use of antibiotics in farm animals

Growth drivers for Novozymes

- GDP and population growth in emerging markets
- Increased demand for food and protein
- Regulatory requirements for more sustainable farming practices
- High input costs for farmers
- Consumers demanding better and more sustainable foods
- Focus on animal welfare

Growth barriers for Novozymes

- Biotechnology solutions at relatively early stage of development
- Technology robustness
- Incomplete scientific understanding of plant and animal microbiome
- Low pricing for traditional fertilizers, pesticides and crops



Technical & Pharma

- Better and more sustainable drug delivery and formulation
- Cost-cutting in technical industries
- Consumer demand in emerging markets for improved textile quality and longevity

- Sustainability in technical industries such as textiles
- Non-animal, recombinant input sources in pharma
- Better drug-delivery dosing regimes

- Fragmented and chemically driven technical industries
- Conservatism in pharma production
- Long and resource-intensive development cycles in pharma

Materiality

In addition to industry-specific market trends, Novozymes identifies and assesses issues in the external environment that are relevant for key stakeholders and important for the long-term sustainability of the business.

This is a systematic process in which we engage with our stakeholders and compile diverse inside-out and outside-in perspectives. These insights guide our long-term strategy and sharpen our sustainability reporting.

Novozymes' materiality matrix

This illustration is a snapshot of the upper-right quadrant of our materiality matrix and depicts the issues most material to our business.

The issues identified here pose significant risks and/or opportunities for Novozymes and are considered the most important by our stakeholders. Each issue has been defined and mapped to relevant UN Sustainable Development Goals and GRI categories.

To ensure transparency, we also disclose information on certain issues that are less material (secondary material issues) that are not depicted here. Learn more in our GRI Supplementary section.

Key insights sharpen focus

Novozymes' materiality assessment has reinforced our focus on innovation and partnering for impact.

As the world sees growing constraints on natural resources and pushes for stronger environmental protection, our products can help our customers produce more with less. Our biological solutions can help address some significant global challenges, such as climate change, and improve agricultural productivity.

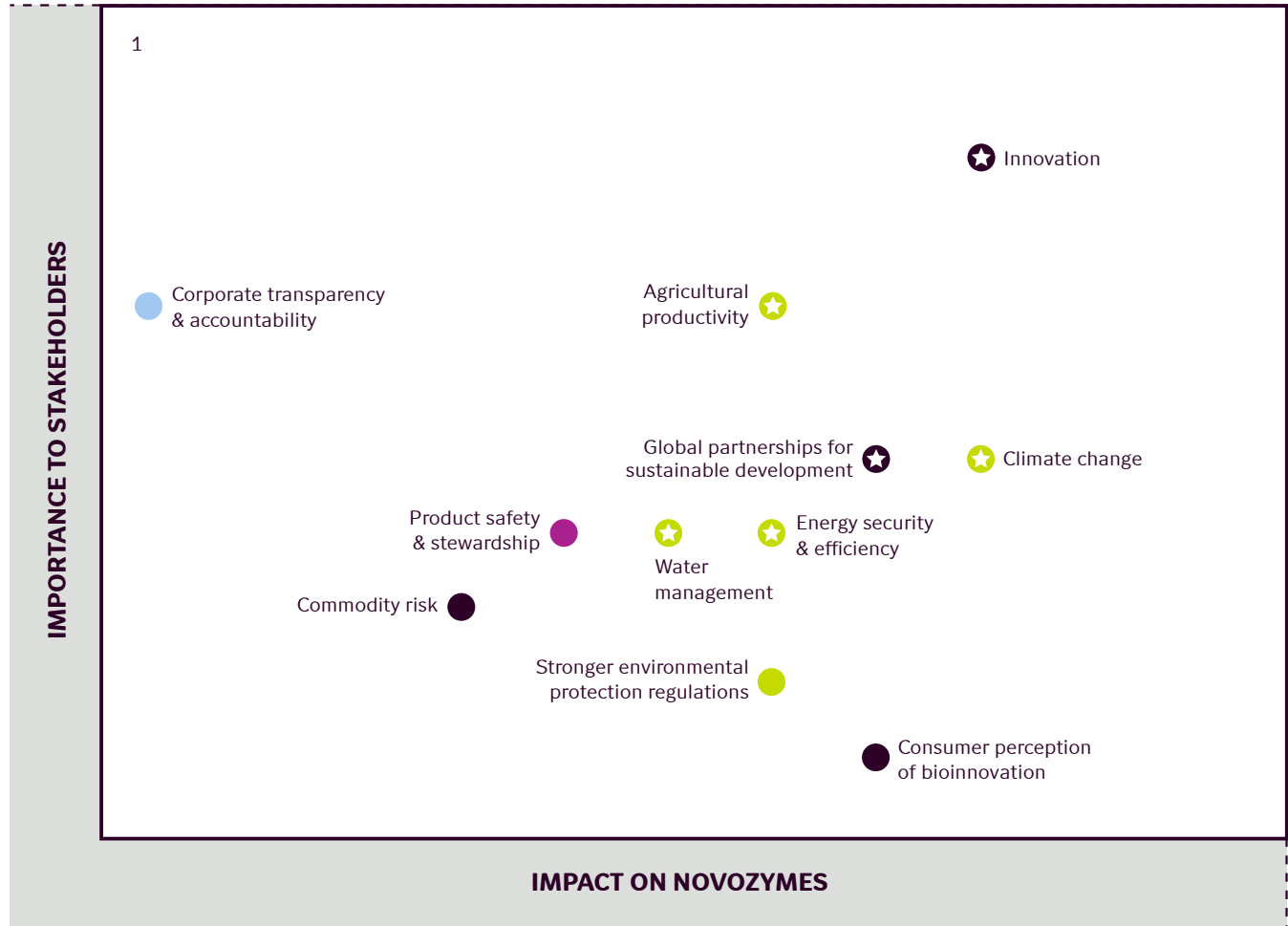
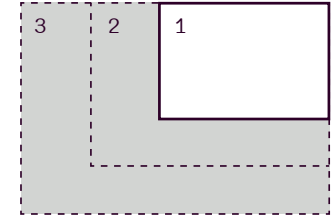
However, to leverage these opportunities, we need to remain transparent and accountable, and ensure that society understands the true potential of bioinnovation. Learn more in our UNGC COP Supplementary section.

Issue category

- Economic
- Governance
- Environmental
- Social

Corporate focus areas

- Targets/flagship initiatives



Focus

Keeping it clean: Innovating to meet diverse customer needs in Household Care



Novozymes' customers continue to demand new enzymatic innovations that drive product performance and sustainability, and deliver what consumers need in both developed and emerging markets.

In 2015, Novozymes' sales to the Household Care industry increased by 1% organically and by 6% in DKK compared with 2014. Sales growth was driven by customers' continued interest in enhancing wash performance and optimizing detergent formulations for cost

and sustainability. Emerging market growth was relatively strong with the exception of Latin America, which contracted.

"Household Care is a strong and diverse business built on technology, relationships

and years of experience, and we continue to see the Household Care business as a cornerstone of our growth ambitions," says Andrew Fordyce, Executive Vice President for Business Operations. "Our competitive advantage lies in mastering the innovation value chain and working with partners to deliver the right solutions for both developed and emerging markets."

Novozymes believes there are significant growth opportunities in developed markets, where the company focuses on performance at low temperatures, formulation optimization and new brand claims. At the same time, emerging markets represent a great opportunity for the company. "Here we focus on showcasing what we've demonstrated in the more developed markets, such as the power of enzymes when it comes to stain removal, fabric care and strong brand building for detergent producers," Fordyce explains.

Diverse demands in emerging markets

Some customers in emerging markets are primarily interested in robust enzyme stability in liquid detergents, while some seek effective solutions for low-temperature washing, and others want low-cost solutions. In South Asia and East Africa, for example, consumers want detergents that treat specific food stains and perform in demanding conditions, such as cold-water washing by hand, and at the right price point.

"Customers have different demands, depending on where and how they operate," Fordyce says. "Creating value for each of them is about bridging our scientific advancements with their specific needs."

To meet diverse end-consumer needs and drive penetration of enzymes to the next level in emerging markets, Novozymes has stepped up local innovation efforts. For instance, the company has invested in a unique hand-wash laboratory in Bangalore to develop enzymatic solutions that help customers produce more efficient detergents for hand washing with less water and effort. Hand washing is still largely uncharted territory for enzymes, and more than half the world's population still wash their clothes by hand.

Three focus areas

Novozymes spends around 14% of its revenue every year on R&D. Household Care claims a large share of this, with scientists in various locations such as Copenhagen, Beijing and Bangalore engaging in both basic research and application development with focus on:

- **Building and strengthening partnerships:** Maintaining Novozymes' long-standing collaborations with the world's largest detergent producers and being their preferred partner
- **Enabling broader penetration in emerging markets:** Helping existing and future partners adopt enzyme technology in emerging markets by developing dedicated innovations
- **Exploring novel biological solutions and new wash categories:** Continuously developing the Household Care market by delivering novel biological technology, for example for cold-water washing, thereby enabling better performance and brand positioning

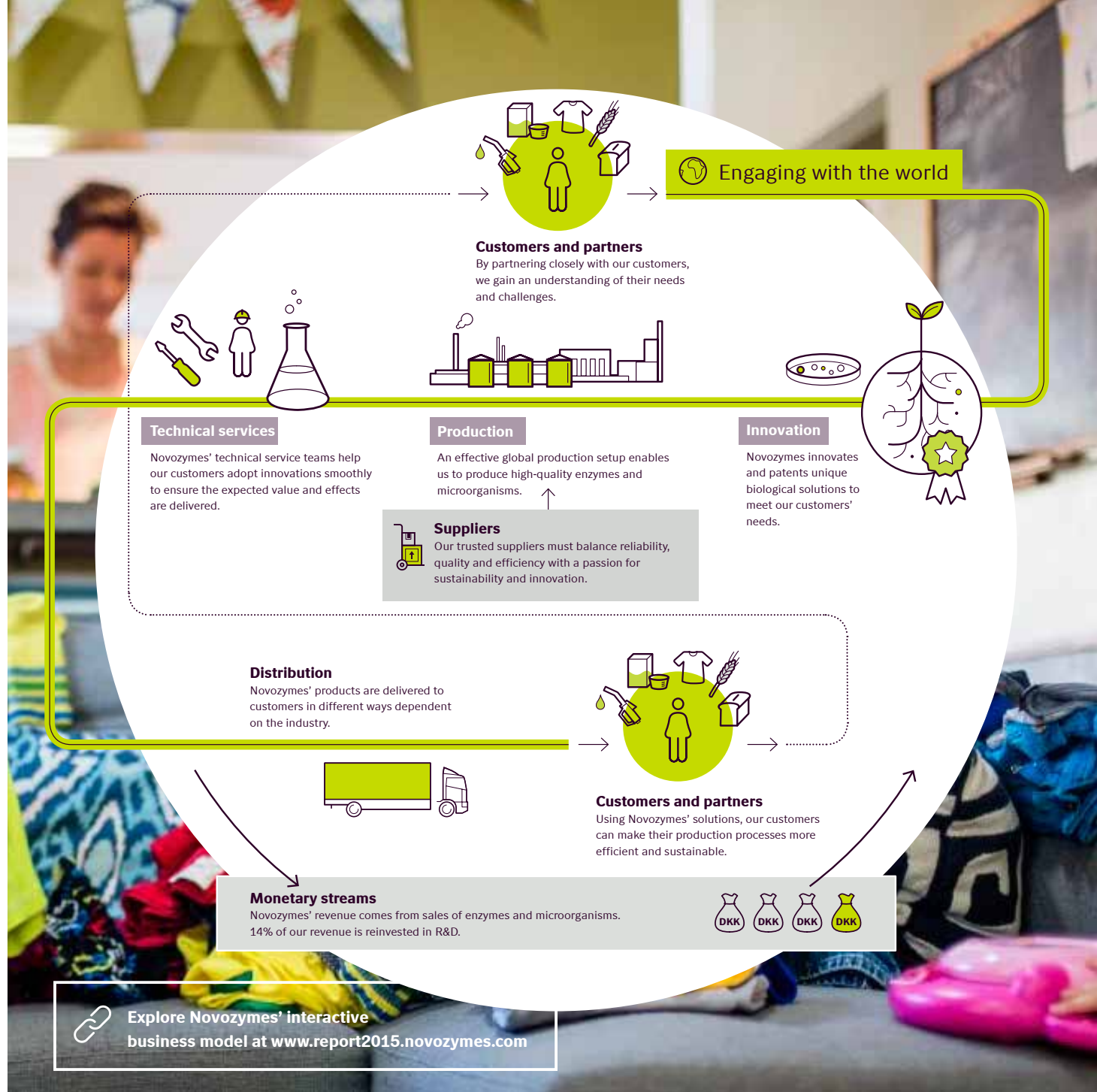
Business model

Novozymes produces a wide range of industrial enzymes and microorganisms. We are a market-leading biotech company delivering value and growth based on innovation. We develop solutions for the world's pressing problems, profit from doing so, and then reinvest in finding biological answers for better lives in a growing world.

By searching for new enzymes and microbial technologies, or improving existing ones, we deliver and apply innovation that has an impact and creates value for customers, improving performance and reducing costs. As a result, our business model fits well with current and future market trends. Together with our strategy, it sets out the framework for our operations and will ultimately enable us to reach our long-term targets. There are also risks associated with Novozymes' operations, which are presented in the Risk management section.

Sustainability and good business go hand in hand

As a key part of Novozymes' value proposition and business model, sustainability is an innate part of all Novozymes' products, which offer manufacturers more sustainable alternatives to traditional industrial processes. Sustainability is evident in our agreements with suppliers, our production, and our partners' and customers' application of our products. Our focus on sustainability also gives us a competitive advantage as customers increasingly look for sustainability as a differentiator.





Engaging with the world

Novozymes' purpose is to find biological answers for better lives in a growing world together with customers, consumers, governments, academia and many others. To do this, we are dependent on working together with external partners and opening up our business model to take in ideas from outside. Therefore, Novozymes engages in a variety of fora and "conversations" on stages throughout the world. For instance, we partner with the UN and other governmental institutions on sustainability, and with academia on improving fundamental research. We also engage in active debate with politicians and other drivers of the sustainability agenda worldwide to create better conditions for industries that thrive with our biological solutions. In essence, we take part in dialogue on the world's pressing challenges, develop solutions for some of those challenges, profit from doing so, and then further invest in finding biological answers.



Customers and partners

Using Novozymes' enzymatic or microbial solutions, our customers save costs and lower the environmental impact of their production by reducing raw material requirements, substituting other inputs and improving product quality. By partnering closely with our customers, we gain a better understanding of their needs and challenges. In turn, we help them improve their businesses today by providing new insights and innovations that help them achieve their goals.

Novozymes also partners closely with other companies, such as Monsanto in The BioAg Alliance and DSM in animal feed. These partnerships benefit from Novozymes' strong innovation skills and manufacturing expertise, combined with partners' key skills in areas such as screening, testing and commercialization, and make it possible to meet customer needs more effectively.

Partnering with other companies gives Novozymes the opportunity to explore and enter into new business areas faster and more efficiently.



Suppliers

Through an efficient supplier management system, Novozymes ensures that its suppliers – mainly of agricultural-based raw materials – contribute to sustainable solutions for our customers. Our trusted suppliers must balance reliability, quality and efficiency with a passion for sustainability and innovation. We partner closely with them in efforts to innovate and implement responsible solutions that have an impact on the world. Read more about our supplier management efforts.



Innovation

Novozymes' biotechnological platform is founded on extensive knowledge and expertise within enzymes and microorganisms. Working closely together with our partners and customers, we are able to innovate and develop technologies that can be applied effectively in our customers' production, increasing their operational efficiency and improving the performance of their products. Novozymes develops unique solutions that would be difficult and expensive for our customers' R&D teams to develop themselves. Often, our innovation teams work as an extension of their teams.

Products generally take between two and five years to go through Novozymes' innovation pipeline from idea to market, but can also take less than one or up to 10. For some industries, there is a lengthy regulatory process before a product can be sold commercially. Novozymes' innovation pipeline has a very high completion rate, so most products make it through, but not all are successful in the market. Improving the commercial hit

rate is an important focus area. Novozymes also continuously reinnovates its product portfolio to maintain product value and generate new patentable innovations.



Technical services

When our solutions are ready for application in our customers' value chains, Novozymes' technical service teams help them adopt each innovation smoothly to ensure the expected value and effect are delivered. These teams are Novozymes' implementation taskforce, innovating for customers at all times as their technical expert, problem-solver and advisor. For instance, technical service teams help customers replace other inputs with an enzyme solution, or perform troubleshooting at the customer's production facilities. They also adjust enzyme combinations to suit local recipes, for instance in the brewing and baking industries.

Our technical service teams set us apart from competitors because we are able to optimize the use of our products and make the necessary adjustments to maximum effect for the customer. Working closely together with customers, they combine Novozymes' global R&D capacity with deep industry experience to bring customers new value. The knowledge gained in the interaction with customers also feeds back to our R&D pipeline and helps future innovations, so together we can evaluate our progress and rethink tomorrow.



Production

Novozymes uses fermentation to produce enzymes and microorganisms. Our global production setup enables us to do this where the necessary technology and skills are available to suit local needs and conditions. We produce our enzymes at five core plants worldwide and three satellite plants,

whereas microorganisms are produced at eight facilities worldwide. At Novozymes, our focus on sustainability in our own operations matches the importance we place on the performance and sustainability effects our products provide to our customers and the world. We aim at sustainability leadership in everything we do.



Distribution

The distribution of Novozymes' products to customers depends on industry dynamics. Within Agriculture & Feed, distribution is conducted by Monsanto and DSM respectively, as they are responsible for the commercial aspects of our partnerships. In Bioenergy and Household Care, most distribution is direct from Novozymes to customers. In Food & Beverages and Technical & Pharma, we have a more mixed distribution setup, with more distributors being used globally as well as regionally.



Monetary streams

Novozymes' revenue comes from sales of products – enzymes and microorganisms. Technical services are included in the price of the product. Around 14% of revenue is reinvested in R&D, benefiting both product innovation and production economy. Novozymes' most significant cost drivers are direct production costs, R&D and technical services.

In terms of shareholder remuneration, Novozymes has a target of a ~40% dividend payout ratio and conducts regular share buyback programs to provide a return to investors.

Partnerships and co-creation are the backbone of Novozymes' business model

Jørgen Buhl Rasmussen, member of Novozymes' Board of Directors, shares his view of the company's business model.

What are the major strengths of Novozymes' business model?

Novozymes' solutions are a great strength for the company. Novozymes delivers and supplies innovations that improve the performance, lower the cost and reduce the environmental impact of numerous products and processes. This benefits consumers, customers, society and the world in general.

Novozymes has built a business model where partnerships and co-creation with customers play an important role, and that helps the company get a better understanding of market and consumer needs. Combined with Novozymes' extensive knowledge, research and development within enzymes and microorganisms, this business model becomes an incredible strength. It's about working closely together with, and in many cases becoming an integral part of, customers' project and innovation teams. It's also about joining forces with other companies

like Monsanto or DSM to make an even bigger impact together.

Novozymes' technical service teams are another strength. They're on the ground at customer sites to make Novozymes' biosolutions a success in the environment where they are used.

Are there any elements of the business model that the Board has sought to strengthen in recent years?

Together with the Executive Leadership Team, we've ensured that the business model is visionary, while structuring the organization and its processes in a way that's focused on the business and on customers. We've also worked on strengthening and exploring new openings for partnerships. Whenever we see an opportunity for Novozymes, we assess whether the best way forward for long-term value creation is a path where Novozymes takes full ownership, or one where the company engages in a partnership.

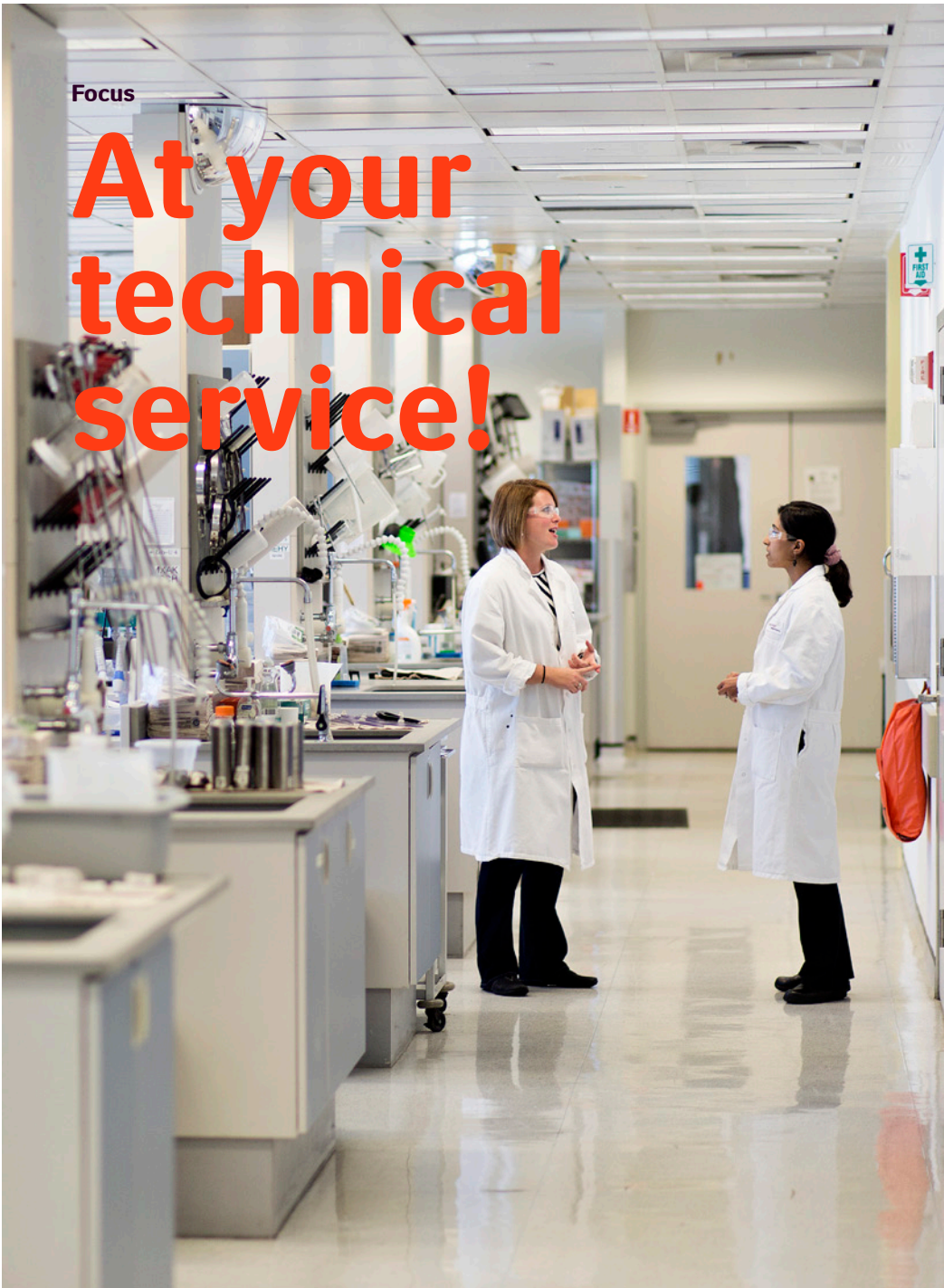
Did the Board make any changes to its priorities in 2015 that affect Novozymes' business model?

If anything, we focused even more on how best to adapt to changing circumstances in a marketplace or category from a sales and commercial perspective, in both the short and the long term.



Focus

At your technical service!



Novozymes’ technical service teams deliver expert knowledge and technical support to customers in many industries across the globe. From analyzing data, conducting trials at customer plants and troubleshooting problems, to educating customers about the potential of biological solutions, the company’s technical service experts go the extra mile.

Treating a world of stains

“The typical washing cycle in Japan is short and at lower temperatures, yet almost all laundry detergent solutions today contain only single enzymes. This makes it difficult to remove stains on cuffs and collars or everything from curry to spaghetti stains – and do it quickly. So consumers want better-performing detergents. I approach the R&D part of the customer’s organization and conduct lab trials that demonstrate the benefit of using multienzyme solutions. It’s all about providing evidence and showing them how much better the detergent will perform using our solutions under specific washing conditions. The science really speaks for itself.”

Naoto Uyama, Technical Service Household Care

The ethanol plant “doctor”

“I do troubleshooting for our U.S. customers in their ethanol plants. Generally, our customers run very good operations, but once in a while, I come in with extra support to optimize their processes. Each plant is unique with its own issues. If our customers notice something in their production – like if the fermentation levels drop – I’ll go through the data and even go to the plant and have a look. Through trials and data analysis, we seek to find the problem and

fix it. Some customers have multiple plants, so problems do occur, and it’s important that they know how to troubleshoot their own processes, so I also teach them how biotechnology performs differently under different conditions. But whenever there’s a need, we’ll be there to help them. We’re kind of like plant doctors. We consult, help and do checkups too.”

Becky Michael, Technical Service Biofuels

Following the breadcrumbs

“I travel across Eastern Europe, the Middle East and Africa to help baking customers. This might mean troubleshooting their plants, optimizing baking processes, enhancing the quality of baked products, or helping to keep bread fresh longer. It all depends on their market and end consumers. In Eastern Europe, customers produce toast, buns and rye-wheat bread, whereas it’s flat bread in the Middle East, baguettes in West Africa, and pan and toast bread in East Africa. What they all have in common is flour. From there on in, everything is different: flour quality, recipes, consumer preferences. Another common denominator is the enzymes. It’s worth traveling the globe to show customers what enzymes can do.”

Irina Matveeva, Technical Service Baking

Strategy

A growing global population with a rising need for food, water, energy and other necessities is pushing industries to get smarter and produce more with less. It is around these trends that Novozymes has defined its purpose and strategy.

At Novozymes, we believe that there are a vast number of opportunities for building a better tomorrow. To seize these opportunities, we have defined a purpose and strategy for our company that will steer our priorities and direction.

Let's rethink tomorrow

Our purpose is “Together we find biological answers for better lives in a growing world – Let's rethink tomorrow.” This purpose is deeply rooted in our heritage and all we have accomplished so far. It also looks ahead to what we can achieve together with customers, consumers, governments, academia and others around us in finding the sustainable answers that our world needs. Success will be determined by our ability to pool our insight and expertise in order to reach common milestones. We invite the world to rethink tomorrow together with us.

Partnering for impact

Our strategy sets out four focus areas that will enable us to live up to our purpose. The backbone of this strategy is our belief that we make the biggest impact through partnerships.

For Novozymes, partnerships mean deep-rooted collaborations with mutual benefits and obligations. The best example is the partnership we have with our customers. By working closely with customers and others around us, we can gain the necessary insights into how we can help them succeed. Only by being alert and truly understanding the social, political and economic

realities of our partners can we create real and sustained impact. We can do that by optimizing our partners' processes while reducing their environmental footprint, improving their profitability and creating breakthrough products. We are already doing this today, but we can do much more to increase our impact by benefiting our partners, building a better world and growing our company at the same time.

“Together we find biological answers for better lives in a growing world – Let's rethink tomorrow.”

Novozymes' four strategic focus areas



Rally for change

We will form partnerships and networks with customers, consumers, governments, suppliers, academia and others around us to make a sustainable difference. Rally for change is about Novozymes actively engaging in global discussions and being a driving force in bringing together like-minded partners with shared goals and ambitions to create more sustainable growth for the world.



Lead innovation

We will inspire and excite our customers by delivering more significant innovation, tailored to their local markets. This will accelerate the translation of customer needs into significant biological solutions that address local conditions. The technology race is speeding up, so our innovation must go beyond the lab, extending into every interaction we have with customers and consumers.



Focus on opportunities

We will prioritize the customers, markets and activities that hold the biggest opportunities for creating impact. Given Novozymes' broad portfolio of markets and activities, it is critical that we hone our ability to focus on key priorities and maximize value.



Grow people

We want to be better at enabling our employees to develop their professional and leadership skills. This will include more effective development programs, customized to the needs of specific parts of the organization. At the same time, we believe that we can contribute knowledge to people around us: everything from working with technicians at customers' plants to help them optimize production, to delivering teaching materials to classrooms.

Rally for change

Form partnerships and networks with customers, consumers, organizations and governments to make a sustainable difference.

Lead innovation

Excite our customers by delivering more significant innovation, tailored to their local markets.

Focus on opportunities

Prioritize the customers, markets and activities that hold the biggest opportunities for creating impact.

Grow people

Support our employees and people around us in unfolding their full potential.



2015 highlights

In autumn 2015, Novozymes took the stage when world leaders met in New York to adopt the new UN Sustainable Development Goals that will guide global efforts to improve lives and sustainability over the next 15 years. And in December, we engaged in discussions with cross-sector participants from business, government, finance, the UN and civil society in Paris at the COP21 climate conference. Throughout the year, Novozymes was also present at customer- and industry-specific events where we seized the opportunity to engage with important stakeholders. We do so because it is important to let the world know just what our technology can achieve.

2015 highlights

In 2015, Novozymes launched a number of new products aimed at addressing customer needs, most notably in Food & Beverages and Bioenergy. Novozymes Extenda® cuts the cost of converting starch into sweeteners by reducing the consumption of raw materials, energy and water, while Novozymes Liquozyme® LpH and Novozymes Avantec® Amp bring a range of efficiency benefits to the production of ethanol from corn. We also launched Novozymes Secura®, which cuts the cost of producing maltose syrups from grain, and a pulp and paper xylanase, which reduces chlorine dioxide dosing in paper pulp production.

2015 highlights

In 2015, Novozymes strengthened existing partnerships and adjusted its portfolio of growth platforms. We entered a partnership with France-based Adisseo to develop a probiotic product that improves the health of poultry and potentially reduces the use of antibiotic growth promoters. We also acquired Pacific Vet Group-USA, Inc., a developer of probiotic technologies to improve the health and growth of poultry. Furthermore, the hyaluronic acid activities within our Biopharma area were closed down. Emphasis in this area will instead be on capturing value for albumin formulations and the development of half-life extension technology for the pharmaceutical and medical device industries.

2015 highlights

In January 2015, we updated and rolled out Novozymes' purpose and strategy "Partnering for Impact" to engage and provide direction for employees. In September, we scored 80 out of 100 in our employee survey for personal and professional development, achieving our target of 75 or above. We also rolled out initiatives to strengthen people development capabilities and regional leadership pipelines. To build external knowledge, we launched the Bioenergy University, an interactive educational platform that aims to help our customers use the latest knowledge about ethanol production to optimize, expand and build the ethanol industry.

Focus

From antibiotic growth promoters to probiotics



In 2015, Novozymes stepped up its work on probiotics to improve animal health and reduce the need for antibiotic growth promoters in poultry, pigs and other animals.

Antibiotic growth promoters have long been widely used in farming to prevent disease and promote growth in livestock. In recent years, there has been growing pressure from consumers, governments and corporations alike to reduce the use of antibiotic growth promoters.

One promising alternative is probiotics – naturally-occurring live microorganisms that help improve the balance between good and bad bacteria in the gut.

Partnerships to strengthen offering and position

Novozymes entered the market for animal probiotics in 2015. In May, Novozymes and Adisseo, one of the world's leading experts in feed additives, announced a partnership to develop and market a probiotic for poultry. Novozymes is responsible for in-vitro screening, development and production, while Adisseo will handle in-vivo testing, marketing and sales. In October, Novozymes went on to acquire Pacific Vet Group-USA, Inc. (PVG), a small U.S. company with significant know-how in application development in probiotics for poultry, expertise in technology development, and an existing commercial portfolio and pipeline.

“The world needs new solutions to feed a growing global population in a sustainable way. We’re developing probiotics that can help farmers meet that need,” says Helle Warrer Poulsen, Vice President of Animal

Health & Nutrition at Novozymes. “We’re excited to partner with Adisseo, who share our vision of bringing innovation and science to the field of probiotics and offer considerable expertise and capabilities in feed additives. It’s a promising new area for Novozymes where we can leverage our extensive know-how in microbiology, fermentation and animal feed.”

PVG is a great fit with Novozymes as we continue to build our position as the leading innovation partner in probiotics for animals. “They develop innovative microbial technology for poultry and have strong ties to academia and industry knowledge that will benefit Novozymes. On top of that, they have a promising pipeline that Novozymes can help mature and commercialize,” explains Warrer Poulsen.

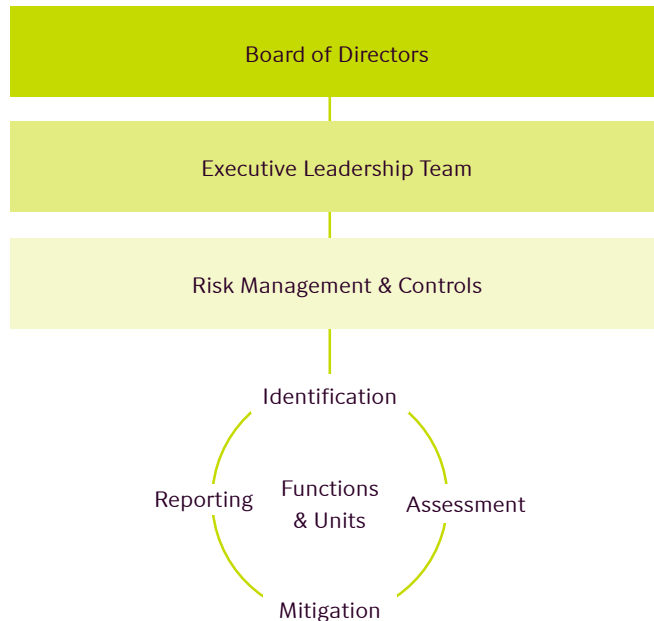
What are probiotics?

Probiotics, or direct fed microbials, are naturally occurring live microorganisms that stabilize the gut flora of poultry, pigs and other animals when ingested. They improve health, animal growth and feed utilization, thereby saving resources and improving the sustainability of the industry.

Risk management

Novozymes is exposed to a range of risks. Identifying and mitigating those risks as early as possible is integral to the success of our business, as it reduces uncertainty and keeps us on track to achieve our ambitions and deliver value as promised to our stakeholders.

Enterprise risk management process



Risk management framework

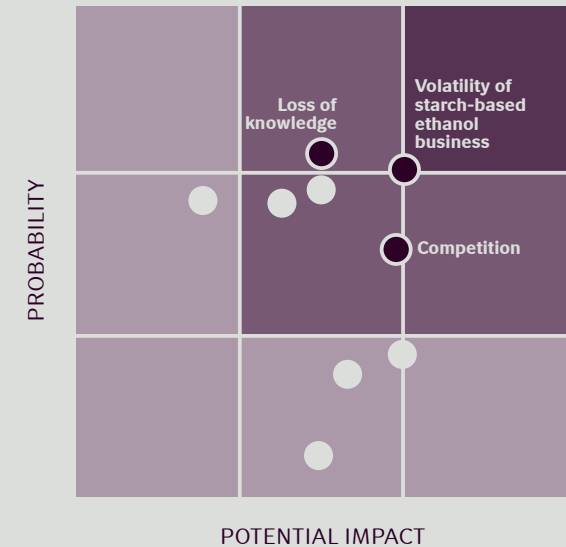
Novozymes periodically runs an Enterprise Risk Management (ERM) process during which the key risks to the company are identified, assessed, mitigated and reported at different levels in the organization. The most significant risks are reviewed and assessed by the Executive Leadership Team and the Board of Directors.

The process is anchored in Corporate Finance and ensures that top management has a high level of risk awareness, with involvement and ownership throughout the organization. Novozymes' risk reporting covers both financial and nonfinancial risks, which are collated and mapped on the basis of probability and impact. All relevant risks are shared with vice presidents of functions and regions, who then act to mitigate risks.

Novozymes' key risks

On the basis of risk analyses, Novozymes' Board of Directors wants to highlight three key risks, illustrated in the heat map below, that may impact the company and that have evolved in 2015. These risks are described in more detail on the following pages along with information on their potential impact and mitigation efforts.

Risk assessment heat map



Competition

Description

As the market for industrial enzymes grows and attracts increased attention from players from adjacent industries and other geographies, Novozymes' leading position is exposed to competition from existing and potential new competitors.

Competitive threats could come from two areas in particular, namely the detergent industry and Chinese competitors supplying enzymes to various industries.

Potential impact

In detergents, increased competition could come from established enzyme manufacturers offering new competitive solutions or from the entry of new players with a broader technology platform, for example offering nonenzyme-based products in combination with enzymes.

Fierce competition, especially among detergent producers in the mid- and low-tier segments, could entice detergent producers to look for options to lower their production costs. This could include removing enzymes from detergents or opting for less effective enzymes at the expense of wash performance.

Continued customer focus on cost cutting could impact Novozymes negatively if we are not able to respond quickly enough with suitable solutions catering to this demand. This also increases the importance of positioning Novozymes' sustainable solutions as a competitive first choice for customers.

The entry of new players into the enzyme market from other industries such as chemicals could result in a shift in the

“Fierce competition, especially among detergent producers in the mid- and low-tier segments, could entice detergent producers to look for options to lower their production costs.”

competitive landscape and reduce sales and challenge market share, hence narrowing the gap to market leaders such as Novozymes and DuPont. Also, consolidation among competitors in the industry could impact the competitive landscape, depending on the nature of the consolidating parties and their combined potential. In case of the recently announced merger of Dow Chemicals and DuPont, it is still too early to say whether this will have any impact on Novozymes.

In China, competition is driven by a growing enzyme market in general, especially in the feed and technical industries. The competition is further intensified by Chinese enzyme manufacturers exploring overseas markets. This could challenge Novozymes' ability to grow in the strategically important Chinese market where future growth potential remains high.

Mitigation

Novozymes has a unique competitive advantage through its approach to innovation and production globally. By accelerating local innovation, Novozymes constantly seeks to optimize production strains and production capacity tailored to local market needs in various tiers of the market in order to maintain its leading position and competitiveness in the industrial enzyme market.

More than 20% of Novozymes' global workforce works in R&D, and we spend around 14% of revenue on R&D. Household Care claims a large share of this investment, with dedicated researchers primarily working out of Copenhagen, Beijing and Bangalore.

Their focus is to ensure continuous development of our existing product portfolio while expanding the use of our technology by developing new concepts for new applications. Furthermore, we devote a significant part of our resources to long-term radical innovation in order to ensure our long-term growth.

To defend against competition from established and potential new entrants into the industrial enzyme market,

“To address lower margins in starch-based ethanol, Novozymes is crafting an even broader product portfolio.”

Novozymes focuses on delivering a strong innovation pipeline and novel solutions.

Starch-based ethanol

Description

Novozymes has long offered enzymatic solutions that optimize the conversion of grains such as corn, barley, wheat and rye into starch-based ethanol used as an alternative to traditional fossil fuels.

In 2015, the U.S. corn ethanol industry was affected by low margins. On top of this, the industry is beginning to see the emergence of new and potentially game-changing technologies that could impact the demand for enzymes in the long run.

These challenging market conditions are likely to continue in 2016 and could intensify.

Potential impact

Ethanol producers' margins decreased in 2015. Ethanol prices decreased, and this spurred producers to sharpen their focus on lowering costs. It challenged the value proposition of maximizing ethanol yield with Novozymes' yield-enhancing solutions. More attractive pricing of animal feed, a by-product of the ethanol production process, is also tempting producers to shift focus away from Novozymes' yield-enhancing solutions.

If oil prices remain at their current level in 2016, the pressure on ethanol prices will be sustained. And if the current low-margin environment persists, this could result in increasing and accelerated pressure to lower costs further and so challenge Novozymes' overall sales to the industry.

Mitigation

To address lower margins in starch-based ethanol, Novozymes is crafting an even broader product portfolio that still delivers premium yield and value, while also becoming more competitive in mid- and lower-tier segments where customers are asking for enzymes that provide basic performance benefits. In terms of broadening our product portfolio, Novozymes Avantec® Amp, launched in October 2015, improves yield in corn ethanol production, reduces the consumption of chemicals and improves the ethanol producer's earnings.

Novozymes continuously invests in R&D to develop more enzyme solutions for improving yield and profitability to ensure that the industry is a commercial alternative to traditional fossil fuels. We also monitor developments in new technologies.

“With more than 7,000 patents granted or pending, Novozymes has an extensive patent portfolio that we actively defend to prevent and stop infringement by competitors.”

Protection of knowledge

Description

Novozymes' business is driven by innovation in the form of pioneering biotechnology. Safeguarding sensitive business information and intellectual property is key to successfully protecting and maintaining Novozymes' competitive edge.

Potential impact

Novozymes is a knowledge company, and any infringement of our unique technologies or theft of production strains or plans for unique innovation projects under development could lead to loss of business opportunities with new or existing customers.

Cybercrime is a growing problem and could impact Novozymes in several ways. The most significant impact could be on intellectual property, which could be compromised.

Mitigation

Novozymes pursues an active patent strategy by protecting new discoveries, production strains, formulations and relevant know-how and processes as early as possible. With more than 7,000 patents granted or pending, Novozymes has an extensive patent portfolio that we actively defend to prevent and stop infringement by competitors. At the same time, competitors' activities are constantly monitored to ensure that Novozymes' innovation does not infringe any existing patents, enabling resources and costs for product development to be saved through early intervention. As part of a separate risk assessment, we also constantly analyze and evaluate how we handle and safeguard our production strains.

“To mitigate the risk of cyberattacks, Novozymes' IT Security continually monitors and implements key security procedures and behaviors to prevent data theft.”

To mitigate the risk of cyberattacks, Novozymes' IT Security continually monitors and implements key security procedures and behaviors to prevent data theft.

The risk is mitigated through a global information security strategy, IT governance, perimeter protection and access control. We are also educating our employees about secure storage of sensitive information at all our sites; this includes prohibiting the use of storage devices and taking immediate action on data violations.



Focus

New ways forward in a tough bioenergy market

Novozymes helps bioenergy customers get more ethanol out of the corn they use. In 2015, however, Novozymes' sales to the industry declined as customers faced lower ethanol prices and saw less value in increasing their ethanol yield. Andrew Fordyce, Executive Vice President for Business Operations at Novozymes, explains how the company will respond to these market trends in order to stay ahead in a competitive market and return to positive growth.

Why did bioenergy sales decline through 2015, especially in the U.S. market?

We saw a pretty dramatic shift in the market when global oil prices fell. Ethanol producer margins went down by 30-50% from what they were in 2014, with many producers going from being nicely profitable to barely breaking even. That changed their thinking about whether they should focus on maximizing yield with Novozymes' solutions or reducing costs. They became more cost-conscious, and some of our premium offerings became less desirable. This impacted our revenue and competitive positioning in the marketplace.

How will Novozymes regain market share in biofuels in the U.S.?

The shift in U.S. biofuels puts us in a tough position, and we lost some market share in 2015. To recover, we have to understand and anticipate change better, we have to engage with our customers around this new market reality, and we have to adjust our product offering.

Ethanol yield is still very important, but you have to be able to deliver it at a lower overall input cost. Novozymes is working on a broader product portfolio that still offers premium yield and the value that brings, but is also more competitive in the mid- and lower-tier segments where customers only want to pay for enzymes that provide basic performance benefits. We launched products that broaden our offering across these segments in 2015, and this broad-based approach will remain important to our success in 2016.

What bioenergy innovations does Novozymes expect to introduce in 2016?

Going forward, we're targeting improvements in throughput, reductions in chemical inputs, higher yield, and using our service offering

to create more value. For instance, our new innovation, Novozymes Avante[®] Amp, enables producers to save costs by not having to add yeast nutrition and by reducing foam in fermentation, which means less use of antifoam control. We're also looking to boost yields of coproducts such as corn oil and higher-value distillers' grain, which is used in animal feed, as well as exploring how to break down the fiber component of the corn kernel into fuel.

At the same time, our innovations help customers better understand and use the data from their plants and thereby optimize their operations. Building on our track record of strong service offerings, our online Bioenergy University provides market and technology insights for biofuel customers, as well as operator training across the biofuel production process.

Commercialization of cellulosic ethanol appears some way off. What will it take to kick-start growth in the mid-term?

Novozymes is committed to cellulosic ethanol. With our partners in the industry, we continue to work hard to demonstrate that cellulosic ethanol is technically viable and to prove this is a feasible industry. Together with Beta Renewables, Raízen, GranBio and POET, we have already initiated the first commercial-scale cellulosic ethanol plants. We will now support our partners in getting these plants to operate reliably and pass the litmus test of showing the world that cellulosic biofuels are achievable. The low oil price and uncertainty around the political support for advanced biofuels create uncertainties as to the timing of commercialization, but we remain convinced that we'll see a day where the world uses residues and waste for biofuel production.

Targets

We measure the success of our purpose and strategic focus areas using a number of financial and nonfinancial long-term targets. These ambitious targets reflect the belief that the use of our biological solutions will have a real and positive impact on the world.

Our long-term targets have been set to measure whether we are moving in the right direction. The targets are guided by the UN Sustainable Development Goals, which were adopted by more than 190 UN member states in September 2015. The targets will tell us if we are succeeding in helping the world become more sustainable, while ensuring Novozymes' continued growth.

Financial targets

Novozyymes' long-term financial targets reflect an ambition to deliver economic value through high organic sales growth at an attractive earnings level, while investing prudently to drive long-term profitable sales growth.

From a financial perspective, the results for 2015 were good, but from a sales growth perspective, 2015 was challenging with 4% organic sales growth for the year. Given the outlook for 2016 and the uncertainty beyond 2016 related to depressed commodity prices and the potential impact of these – particularly on Bioenergy and growth in emerging markets – Novozymes no longer expects to reach its organic sales growth target of 8-10% on average in the six-year period from 2015 through 2020.

Organic sales growth remains the top priority for Novozymes, and the company maintains its ambition to accelerate organic sales growth to a level of 8-10%. However, with the current visibility, annual organic sales growth from 2017 and through to the end of this decade is expected to be in line with the historical performance of 6-7%.

From the perspective of profitability and return on capital, Novozymes maintains its long-term targets of an EBIT margin of 26% or above and ROIC including goodwill of 25% or above. If investment opportunities are identified to strengthen the company's sales growth outlook further, management will retain the option to make such investments, provided the EBIT margin remains at 26% or above and ROIC including goodwill at 25% or above.

Long-term sustainability targets

All our long-term sustainability targets remain intact. Across markets, Novozymes' solutions help make industrial processes and the production of a variety of consumer goods and agricultural products more efficient. Other things being equal, the higher the cost of raw materials, waste and energy, or the more our innovations can contribute to the marketing of the end product, the greater the value for our customers and Novozymes.

Novozyymes is experiencing growing interest from customers in being more efficient and using biotechnology to create competitive advantages. Innovation and cost/performance lie at the heart of why customers choose Novozymes. However, sustainability is increasingly a competitive parameter for Novozymes and on the minds of our customers as they build brands and competitive advantages.

On the following pages, we elaborate on our long-term sustainability targets after their first year in place.

Novozyymes' long-term growth ambition

8-10%

Organic sales growth

Novozyymes' long-term targets

≥ 26%

EBIT margin

≥ 25%

ROIC incl. goodwill

REACH

6 billion people with our biological solutions
by 2020

EDUCATE

1 million people about the potential of biology
from 2015 to 2020

CATALYZE

5 global partnerships for change
from 2015 to 2020

DELIVER

10 transformative innovations
from 2015 to 2020

SAVE

100 million tons of CO₂
by 2020

ENABLE

Novozyymes' employees to develop
by 2020

REACH 6 billion people with our biological solutions

The challenge

Every time a consumer uses a product that has been made or treated with Novozymes' technology, or contains one or more products made by Novozymes, the world becomes a little more sustainable. By 2020, we want 6 billion people worldwide to use products made with our solutions at least once a week.

This target is closely connected to our sales performance. Increasing our reach therefore depends on successful execution of our strategy within each of our industries, and on expanding our sales in emerging and developing markets, which have the greatest untapped potential.

Achievements in 2015

We estimate that our solutions reached approximately 4.9 billion people in 2015.

What's next?

Planned and ongoing projects to help us reach this target include:

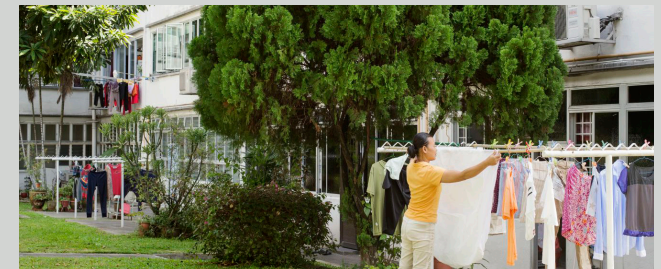
- Launch of enzyme technology to increase sustainability and efficiency in palm oil production
- Developing Household Care products for broader emerging markets penetration

Case

Billions of people use Novozymes' detergent enzymes

Novozymes' enzymes boost the performance of laundry detergents by improving stain removal, garment care and wash performance, and replace ingredients such as surfactants and builders for a more environmentally friendly product.

In 2015, we estimate that 2.9 billion people's clothes were washed with a detergent containing our enzymes more than once a week. With the total global population now close to 7.4 billion, this means that our reach within laundry detergents is around 40%. Hence there is scope for an even greater reach in this category. This growth is expected to come mainly from emerging and developing markets, where the baseline is lower than in developed markets.



EDUCATE 1 million people about the potential of biology

The challenge

Education is crucial for global sustainable development. Novozymes' employees have a wealth of knowledge about science and sustainability to share, and regularly engage with schools, universities and communities through various outreach programs. The more people we educate about biotechnology, the more will get involved in creating sustainable biological solutions in the future.

Note that the educational activities included under this target exclude those related directly to sales and marketing of our technologies.

Achievements in 2015

- The EDUCATE target builds on our experiences with our corporate citizenship program Citizymes. 2015 was the first year of transitioning from Citizymes to the new EDUCATE program
- The Citizymes program reached 87,000 people in 2015, up from 51,000 in 2014
- Regional flagship activities such as Voice for Biotechnology, a public speaking contest in India, and Biotech for Sustainability, an innovation competition in China, were expanded further

What's next?

Building on existing activities such as Citizymes, we aim to:

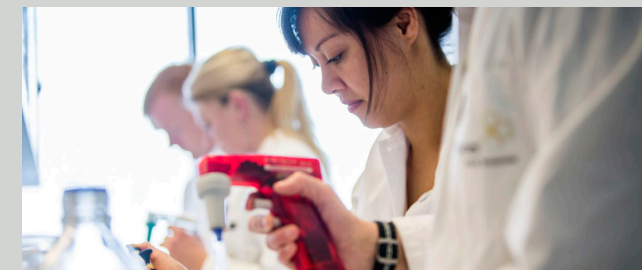
- Step up our programs for primary and high schools
- Refine our approach to engage in dialogue with new target groups
- Find relevant and reputable partners to increase scale and impact both locally and globally

Case

Inspiring the next generation of scientists

The “Biotechnology for Sustainability Goes to School” project aims to integrate the teaching of biotechnology and sustainability into normal class work in both the sciences and the humanities. The external partner for the project is SESI, a chain of private high schools in Brazil.

Novozymes is involved in developing content for “teaching the teacher,” organizing science fairs and inviting students to visit Novozymes' R&D laboratories. The project was piloted at one school in 2015 and is expected to be rolled out across the remaining 52 SESI schools in 2016, potentially followed by more schools in subsequent years.



CATALYZE 5 global partnerships for change

The challenge

To make the necessary impact on the world, we need strong partners dedicated to solving its key issues together with us. By 2020, we aim to form five high-impact partnerships with public and private organizations that share our agenda and can support Novozymes' commercial activities.

Achievements in 2015

2015 did not bring any major new global partnerships, but we continued to strengthen and prioritize our current commercial and noncommercial partnerships.

What's next?

We aim to make an impact through partnerships in several different ways. We will explore opportunities for both commercial and noncommercial partnerships, including new types of partnerships that we have not yet engaged in.

We will also look for more input from external stakeholders to help change our mindset around how we act in the competitive environment, so that we think of ourselves not only as a supplier to our customers, but as a company that can have impact across the value chain.

DELIVER 10 transformative innovations

The challenge

Every piece of innovation Novozymes delivers has an impact. Some of our innovations transform markets and ultimately impact people's lives. By 2020, we aim to deliver 10 such transformative innovations, creating significant impact for our customers and making the world more sustainable.

Achievements in 2015

Novozymes has identified "natural growth promoters for animal farming" as the first "transformative innovation." Natural growth promoters (e.g. probiotics) are feed additives that promote growth and health of poultry and other production animals. They can be used as tools to reduce the use of antibiotic growth promoters in animal farming, which is considered a risk factor for the development of resistance to antibiotics used in human medicine. In May, we announced a partnership with Adisseo to develop a specific probiotic product for poultry within this category.

What's next?

The probiotic product is on track to be launched before May 2016. In addition, we have a number of other promising transformational innovations in our pipeline that are expected to launch within the timeframe of this target. We will also explore new concepts and services. When evaluating our innovation efforts and pipeline, we will consider both financial and transformative potential, and measure their impact against the UN Sustainable Development Goals.

SAVE 100 million tons of CO₂

The challenge

Our products help customers improve their environmental performance by reducing their consumption of energy, raw materials and chemicals, and lowering their emissions of CO₂. To help address climate change, we have set a target of saving 100 million tons of CO₂ a year through the application of our solutions*.

Achievements in 2015

- Based on life cycle assessments – from raw material extraction, through production and use, to final disposal – we estimate that our solutions saved customers a total of 60 million tons of CO₂ in 2015
- We have also kept our operational carbon footprint at a steady level since 2007 despite significant growth in our business over the years, through production strain optimization, renewable energy sourcing, operational eco-efficiency and product optimization

What's next?

Reaching this target is closely connected to growing sales of our current portfolio of solutions, but we also need to explore new activities to increase CO₂ savings toward 2020.

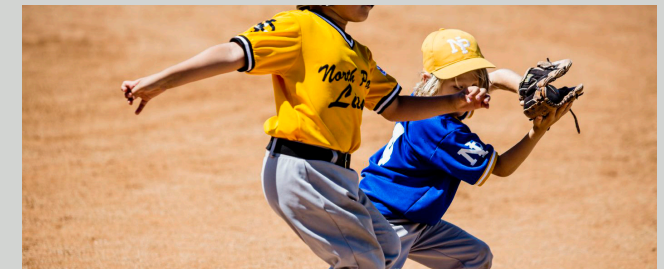
* The target is based on an updated methodology with 2014 as the baseline.

Case

More sustainable cotton production

The production of cotton fabrics involves numerous different treatments, such as scouring, bleaching, polishing and dyeing. These processes consume large amounts of energy, water and chemicals, making the textile industry a major source of pollution and CO₂ emissions.

Novozymes offers a wide range of solutions to make cotton processing cleaner and more efficient. For example, using our enzymes to remove hydrogen peroxide residues from the fabric after the bleaching process saves large amounts of energy, water and, in some cases, chemicals. The biological bleach clean-up process can also be combined with biopolishing and dyeing processes to save even more water and energy.



ENABLE Novozymes' employees to develop

The challenge

Great employees make a great Novozymes. Our ability to grow and contribute to a better world is dependent on our ability to enable our employees to develop both personally and professionally.

This target will ensure that Novozymes builds the skills needed to deliver on its strategy and ensure that all employees worldwide realize their full potential.

Achievements in 2015

- We scored 80 for personal and professional development in our employee survey, exceeding our target of 75
- The People Development Powerhouse program to strengthen people development capabilities was rolled out across more of the organization
- Regional and senior leadership pipelines were strengthened through targeted talent development initiatives
- 41% of employees promoted in 2015 were female, surpassing our target of 35%
- In October 2015, the international journal *Science* ranked Novozymes the best science employer in the world

What's next?

Upcoming activities include an annual development week, which aims to strengthen all employees' ability to proactively set the direction for their own development. In addition, competencies will be mapped to improve dialogue on performance expectations and development needs.

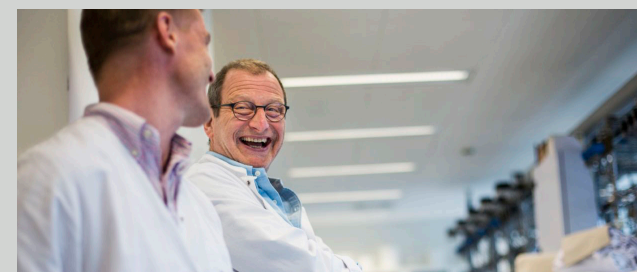
Case

Global program to develop employees

Novozymes extended its People Development Powerhouse program in 2015 to cover most of the organization. The purpose is to strengthen leaders' ability to develop their people on a daily basis, and employees' ability to proactively drive their own development.

Besides enhancing leaders' feedback and coaching capabilities, the program aims to promote a learning culture and strengthen use of Novozymes' performance management system and individual development plans for employees.

By enhancing both competencies and well-being, the program has an important role to play in helping Novozymes grow and achieve its other long-term targets.





Focus

Catalyzing sustainable growth

The UN’s member states agreed in 2015 on a global agenda to tackle some of humanity’s biggest challenges, from climate change to food security. Together with partners, Novozymes will play an active role in catalyzing sustainable solutions to some of these problems.

The UN Sustainable Development Goals (SDGs) aim to unite governments, NGOs, businesses and communities in driving the sustainability agenda for the greatest impact. Over the next 15 years, countries are expected to use these goals to frame policies, allocate financing and bring about changes that will help build a fairer and more sustainable world. Businesses have a key role to play here.

“We know these factors will impact Novozymes’ business environment in the future, and by considering those aspects in how we prioritize our innovation pipeline, we will make it stronger,” says Pedersen. “Our targets will tell us whether we’re succeeding in helping the world become more sustainable, while also ensuring our company’s continued growth.”

“Novozymes’ groundbreaking technology in bioenergy, detergents, agriculture, food and feed makes us well placed to help achieve the goals relating to food security, sustainable consumption and sustainable agriculture and energy,” says Claus Stig Pedersen, Head of Corporate Sustainability at Novozymes. “By working with the SDGs, we can convert large global challenges into something that is actionable for businesses like ours.”

The SDGs have guided Novozymes’ own long-term targets for fulfilling the company’s stated purpose of finding biological answers for better lives in a growing world. Novozymes is among the forerunners in connecting business targets with the SDGs, which will put us in a better position to deal with future issues such as tougher environmental regulations, a price on carbon emissions, and the rising cost of natural resources like water.

Why sustainability is good for business as well as the planet

The role of business in supporting the global sustainability agenda has grown more urgent and mainstream since the UN Sustainable Development Goals (SDGs) were adopted in September. Harold (Terry) McGraw III, Chairman of the International Chamber of Commerce (ICC), explains why sustainability is good for business, and how companies will play a key role in achieving the SDGs.



Read more at
www.report2015.novozymes.com

Outlook for 2016

Sales outlook

2015 was a year when diversity in Novozymes' end markets helped to deliver revenue growth in spite of a difficult year in the Bioenergy business. Strong performance in Agriculture & Feed and good traction within Food & Beverages made up for unexpected weakness in Bioenergy and low growth in Household Care. For 2016, low commodity prices, including for oil, are expected to continue to put pressure on sales growth, particularly impacting the Bioenergy business. From a Group perspective, Novozymes expects sales growth across markets – with the exception of Bioenergy, where sales are expected to decline. This leads to 2016 expectations of moderate organic sales growth of 3-5% for the Group. Sales growth in DKK is also expected to be 3-5%, assuming that exchange rates for the company's key currencies remain at the closing rates on January 18 for the rest of 2016.

High comparatives for Bioenergy and Agriculture & Feed in Q1 2016 make for expectations of uneven growth over the course of 2016. Low organic sales growth is expected in Q1, whereas organic sales growth in the remaining nine months

"From a Group perspective, Novozymes expects sales growth across markets – with the exception of Bioenergy, where sales are expected to decline."

is expected to increase, bringing annual organic sales growth into the guided range.

Household Care sales growth is expected to improve, compared with the 1% organic sales growth realized in 2015. Sales growth is expected to be driven by higher enzyme inclusion in detergents across tiers and markets to enhance wash performance and sustainability. However, sales growth is expected to be tempered by continued slower growth in emerging markets and lower sales to one particular customer at the beginning of 2016 compared with 2015.

Food & Beverages sales growth is expected to be driven by a continuation of the positive trends seen in baking in 2015, supported by growth in the starch business driven by increased penetration of recently launched innovation. Healthy concepts are also expected to contribute to sales growth.

Bioenergy sales are expected to contract organically in 2016, as the challenging market environment in the U.S. is expected to continue. Novozymes' sales growth is expected to be supported by innovation launched in the fall of 2015, as well as novel solutions to be launched in 2016. However, innovation is not expected to fully counter the negative annualization effect from a lower market share and an unfavorable product and price mix.

Agriculture & Feed sales are expected to deliver solid sales growth driven by a continuation of the trends seen in 2015, leading to positive sales developments within both BioAg and animal feed. In 2016, Novozymes expects to recognize DKK ~210 million of the deferred BioAg income as sales. Deferred income does not impact the calculation of organic

Outlook for 2016

	2015 realized	2016 outlook
Sales growth, organic	4%	3-5%
Sales growth, DKK	12%	3-5%
EBIT growth	15%	3-5%
EBIT margin	27.7%	~28%
Net profit growth	12%	8-10%
Net investments excl. acquisitions, DKKm	1,015	1,100-1,200
Free cash flow before acquisitions, DKKm	2,324	2,400-2,600
ROIC (including goodwill)	25.9%	25-26%
Avg. USD/DKK	673	685

sales growth rates; it impacts realized sales growth in DKK and has no cash flow impact.

Technical & Pharma sales are expected to grow, driven by an expected increase in sales to the technical industries.

Profit outlook

EBIT growth is expected to be 3-5% – on par with the sales growth in DKK – as Novozymes expects to maintain the high level of profitability from 2015 and an EBIT margin of ~28%.

The effective tax rate is expected to be ~22%.

The expectation for net profit growth is 8-10%, driven by growth in EBIT and an expectation of lower net financial costs compared with 2015.

Net investments are expected to be DKK 1,100-1,200 million. Besides maintenance, most CAPEX targets manufacturing capacity expansions and expansions in R&D, notably the new innovation campus in Lyngby, Denmark.

Free cash flow before acquisitions is expected to be DKK 2,400-2,600 million.

Return on invested capital including goodwill is expected at 25-26%.

Currency exposure

From a currency perspective, 2016 EBIT is most exposed to fluctuations in the USD and EUR.

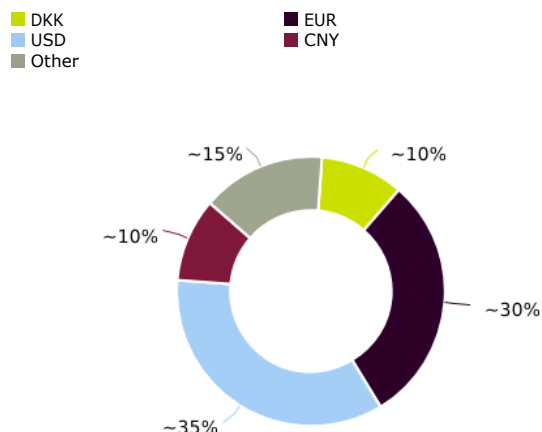
Other things being equal, a 5% movement in USD/DKK is expected to have an annual impact on EBIT of DKK 90-110 million.

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

Sustainability outlook

The sustainability expectations for 2016 reflect our ambition to continuously improve our business operations across our value chain – making our operations more cost-effective, environmentally friendly and socially responsible. We have categorized our sustainability outlook into Environment and People.

Sales by currency 2015



Sustainability outlook

Environment	2015 realized	2016 outlook	2020 target
Improvement in energy efficiency on 2014	15%	18%	30%
Improvement in water efficiency on 2014	9%	12%	25%
Reduction in CO ₂ intensity on 2014	17%	20%	25%
Energy to come from renewable sources	24%	24%	30%
Save million tons of CO ₂	60	63	100
Medal class rating from RobecoSAM	Medal*	Medal	Gold
People	2015 realized	2016 outlook	2020 target
Occupational accidents per million working hours	2.5	≤ 1.7	≤ 1.0
Employee absence	2.0%	≤ 2.0%	≤ 2.0%
“Satisfaction and motivation” score in employee survey	77	≥ 75	≥ 75
“Opportunities for professional and personal development” score in employee survey	80	≥ 75	≥ 75
Employees promoted who are women	41%	≥ 40%	
Senior management to be women			≥ 30%

* The distribution of medals will be announced in RobecoSAM's Sustainability Yearbook, published January 20, 2016.



Focus

Baking gets on the road to grow

The Middle East, Africa, Latin America, China and India are home to booming middle classes that are driving demand for higher-value, longer-lasting packaged bread. But most bakeries there do not use enzymes, so Novozymes has hit the road to bring expert knowledge about enzyme technology to bakers in these growth markets.

Novozymes' baking roadshows enable customers to literally get their hands on the dough and see the benefits of Novozymes' enzymes in various baked goods. Customers learn about Novozymes' products and services for the baking industry, and about market trends and consumer preferences. The roadshows also serve as listening posts for customer needs, helping Novozymes to narrow in on the most relevant solutions for each market.

"Roadshows make Novozymes more responsive to needs in the market and promote the use of near-market innovation, which helps us address specific trends quickly and effectively," says Khadija Schwach-Abdellaoui, Head of Business Development – Food. "We get insights into the behavior of artisanal bakers, large industrial bakeries and flour mills, and that enables Novozymes to review how best to bring its solutions to customers."

Baking is a global industry with distinct differences between mature and emerging markets, where consumers display a wide variety of preferences. In China, where steamed bread and buns are popular, baking customers are particularly interested in food safety and fewer chemicals, and want to learn about enzymatic solutions that keep baked goods fresher for longer and so help reduce bread wastage.

In South Africa, where there is a preference for white sandwich bread, customers want to learn how to work with different grades of flour and improve them with enzymes. "Bakers here were most interested in

flour milling, the components of the flour, how to work with lower-quality flour, and how to add enzymes to improve it," says Silvia Strachan, Lab Manager Baking, who led Novozymes' first baking roadshow in Johannesburg in 2012.

The roadshows bring Novozymes' solutions directly to existing and potential baking customers, helping to expand their horizons and build the company's presence in growth markets. As a strong innovation partner offering high levels of quality, and technical and marketing support, Novozymes can significantly boost baking customers' success in their markets.

What customers say

"The baking course and seminar provided knowledge and ideas for my business and solutions to existing problems."

Rahul S. Aggarwal, Managing Director of Coast Millers, Tanzania

"The market and consumer insights were impressive and strengthened the belief that there is great potential for the bakery industry in India."

Praveen Garg, CEO, Bonn Industries Pvt. Ltd., India

"Novozymes' enzymes are helping us to fine-tune our wheat blends as well as enhance the quality of our flour to ensure good volume, dough stability, dough handling and bread freshness."

Mark Healing, Chief Technical Officer at Serendib Flour Mills, Sri Lanka



Governance

Chairman's introduction

Proactive and transparent corporate governance is a cornerstone for the efficient management of Novozymes. Good corporate governance promotes sustainable business conduct and long-term value creation. In 2015, Novozymes' Board of Directors focused especially on the company's short- and long-term strategies and competitive advantages.

Ongoing strategic review process

As in previous years, the Board conducted reviews of Novozymes' business concept and the short- and long-term strategies for its main business areas. We held a number of deep-dive sessions on strategic challenges and opportunities, to identify exactly how we can help Novozymes reach its targets. We also looked at Novozymes' competitive advantages and how we as a Board can help fortify and utilize what sets the company apart from its competitors. One area of focus was how Novozymes can best engage with customers in the key markets of Household Care and Food & Beverages.

Tough decisions also had to be made on reprioritizing the company's efforts – for instance, the Board supported the Executive Leadership Team in closing down the hyaluronic acid venture. Other areas, such as BioAg, continued to be given high priority. The BioAg Alliance with world leader Monsanto is the most important of the company's recent ventures, and the Board looked at how to get the most out of the partnership to keep it moving forward. Results so far have been impressive, and the Alliance's potential just continues to grow. Novozymes also entered into new partnerships and made a minor acquisition during the year, and several Board members were instrumental in those processes.

An effective and competent Board

An effective and highly competent Board is vital in order to achieve Novozymes' purpose of finding biological answers for better lives in a growing world. The annual assessment of the efficiency and collaboration of the company's governing bodies once again revealed considerable satisfaction with both dialogue and meetings. As one area for improvement, the Board and Executive Leadership Team have decided to focus on further strengthening the strategic process by obtaining more input on customers' and competitors' financial and strategic situations. We also discussed long-term succession planning, and we are well prepared for the future.

The members of the Board continued to challenge each other constructively, and I value their very different contributions. It is the individual members' considerable business acumen in diverse yet related areas, combined with ongoing scrutiny of the Executive Leadership Team's ideas and actions, that enables us to inspire and guide the Executive Leadership Team, and ultimately influence Novozymes' development over the year.

We closely monitor new corporate governance trends, guidelines and regulations, and we regularly update our management systems to ensure openness and transparency and to provide stakeholders with relevant insight into the business and the way it is managed. One potential change we discussed during



Henrik Gürtler, Chairman of the Board of Directors.

the year was whether responsibility for the nomination and remuneration of members of the Executive Leadership Team and the Board of Directors should be moved from the Chairmanship to dedicated remuneration and nomination committees. Our discussions are ongoing, and we will inform stakeholders if we decide to make any changes in this area.

Transparency and values

We also took a fresh look at our reporting narrative. The "Our business" section of the annual report aims to provide a clear and concise overview of our business model, strategy, risks and targets. We have updated several of these sections this year to provide clearer information on how we are organized and how we work with various stakeholders to deliver value.

2015 was the first year with Novozymes' new purpose and strategy. The company's values were also refreshed during the year to better reflect the new purpose and strategy, and guide employees in their work. When we lead, trust, connect and show passion, we touch the world. The Board is committed to ensuring that these values are part of daily working practice both among ourselves and throughout the organization, so helping Novozymes reach its goals.

Henrik Gürtler
Chairman of the Board of Directors
Novozymes A/S

Board of Directors: Composition and responsibilities

In accordance with Danish legislation, Novozymes has a two-tier management system comprising the Board of Directors and the Executive Leadership Team, with no individual being a member of both. The division of responsibility between the Board of Directors and the Executive Leadership Team is clearly outlined and described in the Rules of Procedure for the Board of Directors and Rules of Procedure for the Executive Leadership Team, available at www.novozymes.com.

Novozyymes' Articles of Association require the Board of Directors to have four to eight members elected at the Annual Shareholders' Meeting. Currently, the Board has seven members. They are elected for one year at a time and cannot be elected or re-elected after reaching the age of 70. Nominations are based on an evaluation of factors such as competencies, diversity, independence and prior performance. The Board of Directors also includes three members elected by employees, who serve four-year terms.

The Board of Directors is accountable to the company's shareholders for the way the company conducts its business. The composition of the Board of Directors must therefore be such that the combined competencies of the Board enable it to inspire, guide and oversee the company's development, and diligently address and resolve the issues and challenges faced by the company at any time.

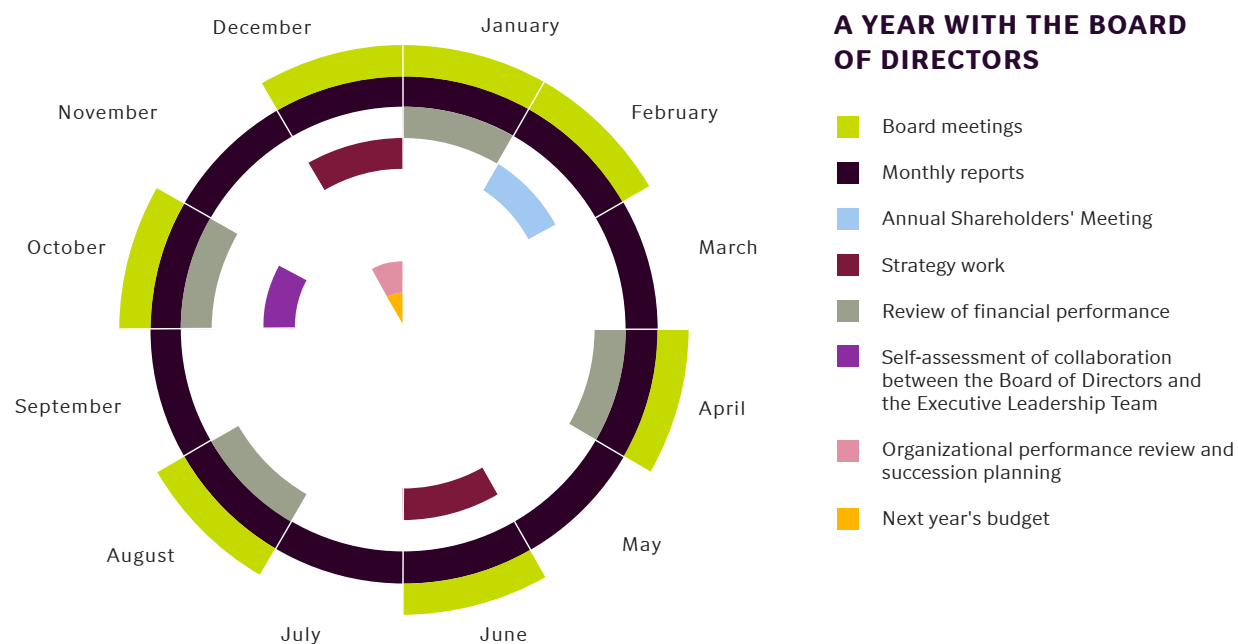
In order to secure the right competencies and promote diversity, the following targets have been set for the composition of the Board of Directors:

1. At least half of the shareholder-elected board members shall be independent as defined in the Danish Recommendations on Corporate Governance.
2. At least 40% of the shareholder-elected board members shall have substantial international experience from the management of large corporations or institutions headquartered outside Denmark.

3. One-third or more of the shareholder-elected board members shall be female, and one-third or more of the shareholder-elected board members shall be male.

All targets were met in 2015, and the third bullet fulfills the requirements of section 99b of the Danish Financial Statements Act, based on the Danish Business Authority's interpretation of section 139a of the Danish Companies Act that the target number of individuals should be rounded to the nearest integer.

“Novozyymes has a two-tier management system comprising the Board of Directors and the Executive Leadership Team, with no individual being a member of both.”



The required competencies are defined in a competency profile that specifies various personal characteristics, skills and experience. The individual competencies of the members of the Board of Directors are shown in the presentation of the Board of Directors and Executive Leadership Team.

The Board's main responsibilities are to:

- Ensure the right management and organizational structure
- Supervise financial, social and environmental performance and the Executive Leadership Team's day-to-day running of the company
- Decide the overall management and strategic development of the company

For an overview of the tasks performed to fulfill these responsibilities, see the diagram “A year with the Board of Directors.”

A Chairmanship has been established in accordance with the Articles of Association and the Rules of Procedure for the Board of Directors. It has two members – the Chairman and the Vice Chairman – and is responsible for assisting the Board of Directors in matters concerning the Executive Leadership Team’s remuneration and nomination, and for overseeing the Executive Leadership Team’s day-to-day running of the company and reporting back to the Board of Directors. The Chairmanship is also responsible for planning and preparing meetings of the Board of Directors, preparing material for the nomination of candidates for election to the Board of Directors, and recommending remuneration for the Board of Directors and the Executive Leadership Team.

“The Board of Directors held seven meetings in 2015, with an overall attendance rate of 94%”

In addition, the Board of Directors has an Audit Committee that assists the Board of Directors in monitoring aspects relating to accounting, auditing, internal control and financial reporting. Further information about the Audit Committee can be found at www.novozymes.com.

As part of the internal control system, all identified fraud cases and concerns raised are investigated and reported to the Audit Committee. 12 cases of substantiated fraud were reported in 2015. Sanctions included dismissal of employees, reporting to the police and other disciplinary sanctions.

Charters and recommendations

In laying down the management principles for Novozymes, the Board of Directors has followed the Recommendations on Corporate Governance that form part of the disclosure requirements applicable to companies listed on Nasdaq Copenhagen. These recommendations are available at www.corporategovernance.dk. A detailed review of Novozymes’ position on all of the recommendations and a description of the

internal control and risk management system relating to financial reporting can be found in the statutory report on corporate governance pursuant to section 107b of the Danish Financial Statements Act, under Corporate Governance at www.report2015.novozymes.com/governance/governancereport.

The recommendations require companies to explain any noncompliance. Novozymes follows 43 of 47 recommendations, the exceptions being:

- Nomination and remuneration committees have not been set up. Instead, these responsibilities are laid down in the Charter for the Chairmanship (Recommendations 3.4.6 and 3.4.7)
- The remuneration policy for the Executive Leadership Team contains no specific clause that pertains to the repayment of variable remuneration components paid on the basis of misstated information, as Novozymes considers the rules in Danish law to be sufficient in such cases (Recommendation 4.1.2)
- Due to the limitations imposed by the Novo Nordisk Foundation’s Articles of Association and Novozymes’ ownership structure, the Board of Directors reserves the right in certain circumstances to reject takeover bids without consulting shareholders (Recommendation 1.3.1)

Furthermore, under the Danish Financial Statements Act (section 99a and section 99b) it is mandatory for large companies to report on corporate responsibility and equal opportunities. As a member of the UN Global Compact, Novozymes prepares a Communication on Progress, which is available under Supplementary. Together with the integrated financial, environmental and social reporting, the Communication on Progress meets both the requirements for reporting on corporate responsibility and equal opportunities, and the UN Global Compact’s advanced reporting criteria.

Novozymes also works within the parameters of *Touch the World*, a document outlining the company’s values and commitments, and has committed to principles derived from the UN Global Compact and the UN Convention on Biological Diversity.

Tax strategy

Novozymes’ overall tax strategy and transfer-pricing policy support a positive tax contribution to society and governments in the countries in which Novozymes operates. Novozymes continuously works to fulfill our tax obligations in the countries where we operate. We seek to obtain a competitive tax level in a fair and responsible way, and with full regard to national and international laws and regulations. Besides taxes, our economic contributions consist of duties, VAT, employee taxes, employee pension and benefit programs, procurement from local vendors and job creation, among others.

In 2015, Novozymes incurred taxes as corporate income taxes, and other taxes and duties came to approximately DKK 1,425 million. In addition, Novozymes collected and withheld tax contributions on dividends and wages totaling approximately DKK 1,275 million. Novozymes’ total tax contribution therefore amounted to approximately DKK 2,700 million, compared with approximately DKK 2,425 million in 2014.



Communication on Progress:
[www.report2015.novozymes.com/
supplementary/progress-on-labour-rights](http://www.report2015.novozymes.com/supplementary/progress-on-labour-rights)

Other Board-related information

The Board of Directors held seven meetings in 2015, with an overall attendance rate of 94%.

Any changes to the Articles of Association require that shareholders representing at least two-thirds of the total number of votes in the company are represented at the Shareholders' Meeting, and that at least two-thirds of the votes cast, as well as two-thirds of the voting capital represented at the meeting, are in favor of the proposal to change the Articles of Association. The Annual Shareholders' Meeting has authorized the Board of Directors to allow the company to acquire treasury stock on an ongoing basis to the extent that the nominal value of the company's total holding of treasury stock at no time exceeds 10% of its share capital, cf. section 198 of the Danish Companies Act. The purchase price must not deviate by more than 10% from the price quoted on Nasdaq Copenhagen on the date of acquisition. The authorization applies until March 1, 2017. In addition, the Board of Directors has been authorized to increase the share capital. The authorization applies until March 2, 2018.

Each year, one of the responsibilities of the Board of Directors is to assess whether the capital and share structure in Novozymes is optimal. The Board of Directors remains of the opinion that the share structure with A and B common stock is the best way to safeguard Novozymes' long-term strategy and development to the benefit of the company's shareholders and other stakeholders. Regarding capital structure, Novozymes will continue to favor a conservative balance sheet, reflected by a target for net interest-bearing debt of 0-1x EBITDA. This target was met in 2015.

Novozymes is party to a number of partnership contracts that can be terminated by the other party in the event of significant changes in the ownership or control of Novozymes. A few contracts contain provisions that restrict Novozymes' licenses to use specific forms of technology in such situations.

Changes to the Board of Directors

At the forthcoming Annual Shareholders' Meeting, the Board of Directors will propose the re-election of Mr. Henrik Gürtler as Chairman and the election of Mr. Jørgen Buhl Rasmussen as the new Vice Chairman. The Board of Directors is recommending Mr. Rasmussen as Vice Chairman to further benefit from his experience of running global businesses with significant positions in emerging markets. Mr. Rasmussen has been a member of Novozymes' Board of Directors since 2011.

To allow for Mr. Rasmussen to take up the position as Vice Chairman, Ms. Agnete Raaschou-Nielsen will step down as Vice Chairman. The Board of Directors proposes the election of Ms. Raaschou-Nielsen as a member of the Board.

The Board of Directors will further propose the re-election of Dr. Heinz-Jürgen Bertram, Mr. Lars Green and Professor Mathias Uhlén, and the election of Mr. Eivind Kolding as a new member. Ms. Lena Olving is not seeking re-election to the Board of Directors.

Mr. Eivind Kolding, born in 1959, currently serves as CEO of Novo A/S and as a member of the board of directors of Novo Nordisk A/S, NNIT A/S and the Sonion Group. Mr. Kolding has completed the AMP at Wharton Business School in the U.S. and holds a Master of Law degree from the University of Copenhagen, Denmark. The Board of Directors recommends the election of Mr. Kolding based on his extensive leadership experience in large international companies headquartered in Denmark, significant economic insight, and experience of foundation-owned companies and board work.

Board member	Nationality	Board meetings attended	Board tenure	Election period
Henrik Gürtler ^{1, 5}	Danish		2000	1 year
Agnete Raaschou-Nielsen ^{1, 2, 4, 6}	Danish		2011	1 year
Heinz-Jürgen Bertram* ^{1, 2}	German		2015	1 year
Lars Green ^{1, 4}	Danish		2014	1 year
Lena Olving ^{1, 2, 4}	Swedish		2011	1 year
Jørgen Buhl Rasmussen ^{1, 2}	Danish		2011	1 year
Mathias Uhlén ^{1, 2}	Swedish		2007	1 year
Lena Bech Holskov ³	Danish		2013	4 years
Anders Hentze Knudsen ³	Danish		2013	4 years
Lars Bo Kjøppler ³	Danish		2010	4 years

¹ Elected at the Shareholders' Meeting

⁴ Member of the Audit Committee

* Elected at the Annual Shareholders' Meeting in February 2015.

² Independent

⁵ Chairman of the Board of Directors

³ Employee representative

⁶ Vice Chairman of the Board of Directors

The Board of Directors

Lars Green

Heinz-Jürgen Bertram

Jørgen Buhl Rasmussen

Mathias Uhlén

Lars Bo Kjøppler



Anders Hentze Knudsen

Lena Bech Holskov

Agnete Raaschou-Nielsen

Henrik Gørtler

Lena Olving

Board of Directors & Executive Leadership Team

Our nine-member Board of Directors and six-member Executive Leadership Team boast broad global management experience, comprehensive biotech expertise and in-depth knowledge of Novozymes' business. The members' various competencies combine to ensure the best possible management of the company.

Henrik Gürtler*

Born 1953. Chairman of the Board since 2000. Elected for one year at a time.

Board positions

Member:

Ejendomsrådgiver
Kim Svane A/S

Special competencies

In-depth knowledge of Novozymes' business, and expertise in managing and working in an international biotechnology company.

Agnete Raaschou-Nielsen

Born 1957. Vice Chairman of the Board since 2014. Member of the Board since 2011. Member of the Audit Committee. Elected for one year at a time.

Board positions

Chairman:

Arkil Holding A/S
Brdr. Hartmann A/S

Deputy Chairman:

Dalhoff Larsen & Horneman A/S
Danske Invest
Solar A/S

Member:

Aktieselskabet Schouw & Co.
Danske Invest Management A/S
Icopal Holding A/S

Member of the Audit Committee:

Aktieselskabet Schouw & Co.
Solar A/S

Special competencies

Expertise within business development and acquisitions, macroeconomics and intellectual property rights.

Heinz-Jürgen Bertram

Born 1958. President & CEO, Symrise AG (Germany). Member of the Board since 2015. Elected for one year at a time.

Board positions

Member:

Rockwool A/S
Nord/LB Holzminden and
Deutsche Bank Hannover

Special competencies

International business and management experience, and experience in converting research and biotechnology into commercial products and solutions.

Lars Green*

Born 1967. Senior Vice President, Finance & Operations, Novo Nordisk Inc. (U.S.). Member of the Board since 2014. Chairman of the Audit Committee. Elected for one year at a time.

Special competencies

In-depth knowledge of the Novo Group's business, international experience from managing global biotech and biopharma companies, and financial and accounting expertise.

Lena Olving

Born 1956. President & CEO, Mycronic AB (publ), Sweden. Member of the Board since 2011. Member of the Audit Committee. Elected for one year at a time.

Board positions

Elected fellow of the Royal Swedish Academy of Engineering Sciences (IVA)

Special competencies

Expertise within sales and marketing, supply chain, process optimization and production, and broad experience in finance and accounting matters.

* This board member is not regarded as independent in the sense of the definition in the Danish Recommendations on Corporate Governance that apply to Danish listed companies.

Board of Directors & Executive Leadership Team

Jørgen Buhl Rasmussen

Born 1955. Adjunct Professor at Copenhagen Business School. Member of the Board since 2011. Elected for one year at a time.

Board positions

Member:

IFC Europe A/S

Advisory Board:

Axcel

Special competencies

International business and management experience, specifically within sales, marketing, branding and acquisitions.

Mathias Uhlén

Born 1954. Professor at the Royal Institute of Technology (KTH) in Sweden and the Technical University of Denmark (DTU). Member of the Board since 2007. Elected for one year at a time.

Board positions

Chairman:

Atlas Antibodies AB

Antibodypedia AB

Vice chairman:

Affibody AB

Member:

Alligator AB

Bure Equity AB

Swetree Technologies AB

Special competencies

Broad experience in research and biotechnology.

Lena Bech Holskov

Born 1967. Safety Adviser. Employee representative. Member of the Board since 2013. Elected for four years at a time.

Anders Hentze Knudsen

Born 1959. Senior Operator. Employee representative. Member of the Board since 2013. Elected for four years at a time.

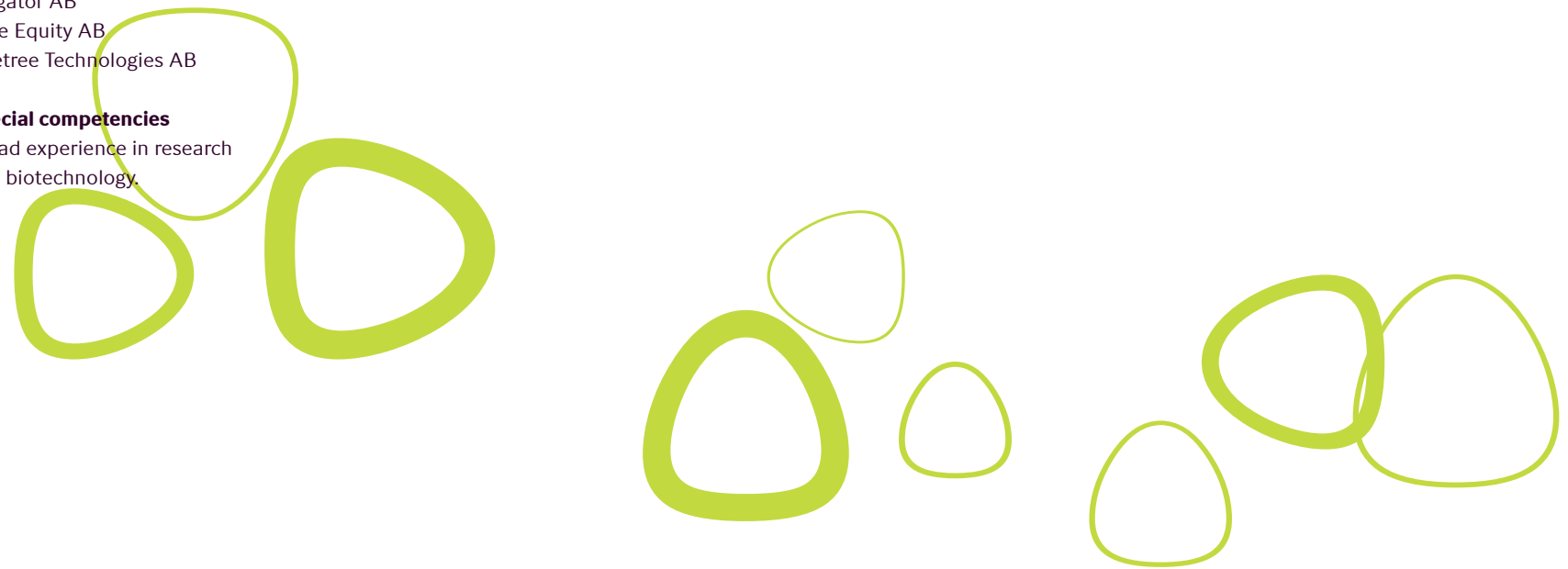
Lars Bo Køppler

Born 1962. Technician. Employee representative. Member of the Board since 2010. Elected for four years at a time.

Board positions

Member:

Novo Nordisk Foundation



Executive Leadership Team

Thomas Videbæk

Executive Vice President,
Business Development

Per Falholt

Executive Vice President,
Research & Development

Thomas Nagy

Executive Vice President,
Supply Operations



Benny D. Loft

Executive Vice President
& CFO

Peder Holk Nielsen

President & CEO

Andrew Fordyce

Executive Vice President,
Business Operations

Board of Directors & Executive Leadership Team

Peder Holk Nielsen

Born 1956. President & CEO.

Board positions

Member:

Hempel A/S
LEO Pharma A/S

Education

Holds a Ph.D. and an M.Sc. in Chemical Engineering from the Technical University of Denmark (DTU) and a B.Com. in International Business Management from Copenhagen Business School.

Special competencies

Novozymes' CEO since 2013. Peder focuses on developing our organization and processes to effectively turn customer insights into product ideas and solutions that excite Novozymes' customers. With his background in engineering and business management, Peder drives an agenda and leadership style that couple market insights and research capabilities in order to deliver innovation that contributes to Novozymes' growth strategy.

Per Falholt

Born 1958. Executive Vice President, Research & Development.

Board positions

Chairman:

Technical University of Denmark (DTU)

Member:

DHI Group
Emerald Technology Ventures

Education

Holds an M.Sc. in Chemical Engineering from the Technical University of Denmark (DTU).

Special competencies

Per leads Novozymes' R&D organization, which serves numerous industries from sites worldwide. Per has a passion and vision for chemistry and biotechnology, and an in-depth knowledge of product development within the enzyme industry and application know-how. He has helped Novozymes develop a unique industrial biotechnology platform that delivers solutions to meet customer needs and support growth.

Andrew Fordyce

Born 1963. Executive Vice President, Business Operations.

Education

Holds a Ph.D. in Chemical Engineering from the University of Texas at Austin.

Special competencies

Responsible for global sales, marketing and technical service as well as strategic communication with customers, employees and stakeholders worldwide, Andrew's role is to grow established industries by using Novozymes' technological capabilities to best meet customers' business needs. Andrew's career has moved from pure engineering to a strong focus on value generation for customers. Previous responsibilities include global sales, strategic account management and technical service strategy.

Benny D. Loft

Born 1965. Executive Vice President & CFO.

Board positions

Member:

DONG Energy A/S
New Xellia Group A/S

Chairman of the Audit Committee:

DONG Energy A/S
New Xellia Group A/S

Education

State-authorized Public Accountant.

Special competencies

Benny leads Corporate Functions, which covers finance, investor relations, legal, IT, human resources and facility management. Benny combines a wealth of financial experience and acumen with extensive operational knowledge of the company's core business areas. He played a central role in the demerger of Novozymes from Novo Nordisk in 2000, and was also responsible for building Novozymes' finance department in the same period.

Thomas Nagy

Born 1963. Executive Vice President, Supply Operations.

Board positions

Member:

American Chamber of Commerce in Denmark
Bio-based Industries Joint Undertaking (BBI JU)

Education

Holds a B.Sc. in Chemical Engineering from the Technical University of Denmark (DTU) and is a graduate of the Wharton School of Business AMP program.

Special competencies

Thomas is responsible for sourcing, production, supply chain, process optimization, engineering and quality, and aims to deliver consistent, high-value solutions to customers. Thomas has extensive and international experience in leading and facilitating business and technology strategy development, and corporate operational improvement programs focusing on capacity improvement and cost optimization. Previous responsibilities include stakeholder relations, including global communications, human resources and public affairs. He also has a particular insight into the vital U.S. market.

Thomas Videbæk

Born 1960. Executive Vice President, Business Development.

Board positions

Member:

Evolva SA
Beta Renewables S.p.A

Chairman of the Audit Committee:

Beta Renewables S.p.A

Education

Holds a Ph.D. and an M.Sc. in Chemical Engineering from the Technical University of Denmark (DTU) and a B.Com. in International Business from Copenhagen Business School.

Special competencies

Thomas is responsible for business development and nurturing and realizing the potential of Novozymes' new platforms. With an eye for the next big idea and business solution, Thomas has been a central figure in business ventures outside Novozymes' established areas. He also has a broad knowledge of sales & customer solutions and supply chain operations.

Remuneration report

At Novozymes, our executives share and promote the long-term interests of our shareholders, and the remuneration of the Board of Directors and Executive Leadership Team supports this.

Novozyymes' remuneration policy is designed to encourage high performance and support value creation. It applies both to managers and to nonmanagerial employees. Remuneration consists of base salary, pension, bonus and incentive programs. These components are linked to the employee's individual performance and to the achievement of Novozymes' financial, social and environmental targets.

The remuneration policy aims to provide employees with a competitive package, which is ensured through reviews against external benchmarks.

Board of Directors

The remuneration of the Board of Directors comprises a fixed fee and is not incentive based. This ensures that the Board pursues the company's long-term interests without taking into consideration what this may mean in terms of the value of incentive-based remuneration.

Board members receive a fixed base fee, while the Chairman and the Vice Chairman receive a fee that is three times and two times the base fee respectively. The chairman and other members of the Audit Committee receive additionally one base fee and half a base fee respectively.

The Board of Directors assesses the fees paid to the Board annually, based on recommendations from the Chairmanship. In making its recommendations, the Chairmanship is guided by relevant benchmarks, including Novozymes' peers in Denmark and the rest of Europe.

The Board of Directors' remuneration for the year is approved at the Annual Shareholders' Meeting each year.

Management remuneration

DKK million	2015			2014		
	Executive Leadership Team	Board of Directors	Total	Executive Leadership Team	Board of Directors	Total
Salaries and other short-term benefits	40	7	47	39	6	45
Defined contribution plans	9	-	9	10	-	10
Remuneration excl. expensed stock-based incentive programs	49	7	56	49	6	55
Expensed stock-based incentive programs	34	-	34	28	-	28
Remuneration	83	7	90	77	6	83

Remuneration paid to individual members of the Board of Directors:

DKK '000	2015			2014		
	Board of Directors	Audit Committee	Total	Board of Directors	Audit Committee	Total
Henrik Gürtler	1,500	-	1,500	1,250	-	1,250
Agnete Raaschou-Nielsen	1,000	250	1,250	763	208	971
Mathias Uhlén	500	-	500	417	-	417
Anders Hentze Knudsen	500	-	500	417	-	417
Lars Bo Køppler	500	-	500	417	-	417
Lena Bech Holskov	500	-	500	417	-	417
Lena Olving	500	250	750	417	208	625
Lars Green*	500	500	1,000	347	347	694
Jørgen Buhl Rasmussen	500	-	500	417	-	417
Heinz-Jürgen Bertram**	417	-	417	-	-	-
Kurt Anker Nielsen***	-	-	-	138	70	208
Remuneration	6,417	1,000	7,417	5,000	833	5,833

* Joined on February 26, 2014.

** Joined on February 25, 2015.

*** Resigned on February 26, 2014.

The Directors' remuneration does not include minor social security contributions paid by Novozymes.

The following members of the present Board of Directors hold shares of stock in Novozymes A/S:

Shares of stock	Shares of stock at Jan. 1, 2015	Purchased during the year	Sold during the year	Shares of stock at Dec. 31, 2015	Market value DKK million
Agnete Raaschou-Nielsen	430	-	-	430	0.1
Mathias Uhlén	650	-	-	650	0.2
Anders Hentze Knudsen	356	-	-	356	0.1
Lena Bech Holskov	270	-	-	270	0.1
Lena Olving	1,000	-	-	1,000	0.4
Jørgen Buhl Rasmussen	2,000	-	-	2,000	0.7
Board of Directors	4,706	-	-	4,706	1.6

Members of the Board of Directors are not granted stock options or stock awards. However, employee-elected members hold a limited number of stock options in Novozymes A/S due to Group-wide employee stock option programs.

Executive Leadership Team

The Board of Directors wishes to incentivize the Executive Leadership Team to ensure continued positive development of Novozymes and, as a result, good value creation for Novozymes' shareholders. The Board finds that the best results are achieved when a relatively high proportion of an executive's total remuneration is dependent on achievement of the executive's individual targets and Novozymes' financial, social and environmental targets.

The Executive Leadership Team's remuneration comprises a base salary, pension, a cash bonus scheme, stock-based incentive programs and other benefits (car, telephone, etc.). Compared with Novozymes' peers, the variable part of the total remuneration (cash bonus and stock-based programs) is relatively large in relation to the base salary.

The Board of Directors has set the fixed base salary for members of the Executive Leadership Team at a level slightly below the average for a sample of comparable Danish companies. In 2015, the ratio between the CEO's compensation and the median employee's compensation was 48, which is below the average ratio of 55 for the 800+ companies assessed by RobecoSAM in 2015.

The Executive Leadership Team has a defined contribution pension scheme, with the pension contribution representing between 25% and 30% of base salary and cash bonus.

The maximum annual cash bonus is equivalent to five months' fixed base salary plus pension and is dependent on achievement of individual targets and the company's operational targets for financial, social and environmental performance.

An incentive program covering the period 2014-2016 has been established for the Executive Leadership Team. The program is a combination of stock and stock options, with half of the

incentive program allocated in stock and half in stock options. The stock options will be granted annually, while the stock will be allocated in January 2017. Achievement of a cumulative economic profit of DKK 5.0 billion over the three-year period will result in 80% of the program being awarded, while cumulative economic profit of DKK 5.5 billion or more over the three-year period is required for the full program to be awarded. If the economic profit for the period is below DKK 2.5 billion, no stock or stock options will be granted. Between these three points, stock and stock options will be granted proportionally.

The general purpose of the program is to ensure that the members of the Executive Leadership Team are incentivized in such a way that there is a focus on long-term growth and earnings at Novozymes, in order to ensure that shareholders' interests are met as best possible.

As a result of this program, 641,735 stock options were granted to the Executive Leadership Team in 2014, and 463,749 in 2015. Stock options will also be awarded in 2016. Furthermore, 282,152 shares may be released in January 2017, and dividends from these shares during the three-year period will be used to buy additional shares. Combined, these shares will give the maximum number of shares that can be released in January 2017.

As the incentive program is based on achievement of cumulative targets for economic profit in the three-year period, the final number of stock options and shares granted will not be known until the end of the program in January 2017. The fair value of the program on the grant date was DKK 134 million, which will be expensed over a six-year period assuming that the target is met and the maximum-value clause does not come into effect. These assumptions were unchanged at year-end, and DKK 34 million was expensed in 2015.

Remuneration paid to individual members of the present Executive Leadership Team:

DKK million	Peder Holk Nielsen	Benny D. Loft	Per Falholt	Andrew Fordyce	Thomas Videbæk	Thomas Nagy	Total
Salary	7.9	4.6	4.7	4.4	5.1	4.6	31.3
Cash bonus	2.1	1.4	1.1	0.8	1.5	1.2	8.1
Contribution-based pension	2.6	1.4	1.3	1.3	1.5	1.3	9.4
Expensed incentive programs	7.8	5.2	5.2	5.3	5.2	5.2	33.9
Total remuneration 2015	20.4	12.6	12.3	11.8	13.3	12.3	82.7
Salary	7.0	4.3	4.4	3.9	4.7	4.3	28.6
Cash bonus	2.7	1.6	1.6	1.5	1.7	1.6	10.7
Contribution-based pension	2.6	1.4	1.4	1.4	1.5	1.4	9.7
Expensed incentive programs	6.4	4.2	4.2	4.4	4.2	4.2	27.6
Total remuneration 2014	18.7	11.5	11.6	11.2	12.1	11.5	76.6

The following members of the Executive Leadership Team hold shares of stock in Novozymes A/S:

Shares of stock	Shares of stock at Jan. 1, 2015	Purchased during the year	Sold during the year	Shares of stock at Dec. 31, 2015	Market value DKK million
Peder Holk Nielsen	82,188	-	-	82,188	27.2
Benny D. Loft	2,260	-	-	2,260	0.8
Per Falholt	-	121,215	101,225	19,990	6.6
Andrew Fordyce	-	-	-	-	-
Thomas Videbæk	-	-	-	-	-
Thomas Nagy	20,000	60,000	75,000	5,000	1.6
Executive Leadership Team	104,448	181,215	176,225	109,438	36.2

The following members of the Executive Leadership Team hold stock options and stock awards in Novozymes A/S:

Stock options	Options at Jan. 1, 2015	Additions during the year	Exercised during the year	Options at Dec. 31, 2015	Market value DKK million
Peder Holk Nielsen	269,262	107,019	-	376,281	49.8
Benny D. Loft	159,913	71,346	61,215	170,044	14.3
Per Falholt	219,913	71,346	121,215	170,044	14.3
Andrew Fordyce	104,189	71,346	-	175,535	14.9
Thomas Videbæk	98,698	71,346	-	170,044	14.3
Thomas Nagy	158,698	71,346	60,000	170,044	14.3
Executive Leadership Team	1,010,673	463,749	242,430	1,231,992	121.9

Stock awards	Awards at Jan. 1, 2015	Additions during the year	Released during the year	Awards at Dec. 31, 2015	Market value DKK million
Andrew Fordyce	4,602	-	2,191	2,411	0.8
Executive Leadership Team	4,602	-	2,191	2,411	0.8

Members of the Executive Leadership Team have contracts of employment containing standard conditions for executive officers of Danish listed companies, including the periods of notice that both parties are required to give and noncompetition clauses. If an executive officer's contract of employment is terminated by the company without there having been misconduct on the part of the executive officer, the executive officer has the right to compensation, which, depending on the circumstances, may amount to a maximum of three years' base salary and pension contributions.

Senior leadership

The remuneration of Novozymes' senior leadership (207 vice presidents and directors) follows the general remuneration policy. A three-year incentive program has been established for senior leadership below executive level and largely follows the same mechanisms as the program for the Executive Leadership Team described above.

Further information on the incentive program for this employee group can be found in note 6.2 to the consolidated financial statements, which also includes an overview of outstanding stock options.

The Novozymes stock

The Novozymes stock performed well in 2015, gaining 27%. DKK 2.9 billion was returned to shareholders via a DKK 2.0 billion stock buyback program and DKK 925 million in annual dividend. A new stock buyback program worth up to DKK 2 billion is planned for 2016.

The Novozymes stock is listed on Nasdaq Copenhagen and included in the OMX Copenhagen 20 CAP index.

Shareholders

Novozyymes' common stock consists of two types: A shares and B shares, both with a nominal value of DKK 2 per share. All A stock is held by Novo A/S, and an A share carries 10 times as many votes as a B share. At the end of 2015, Novo A/S held 25.5% of the total common stock and, through its holding of the A stock and a proportion of the B stock

(26,071,400 shares), controlled 70.7% of the votes. Novo A/S, domiciled in Hellerup, Denmark, is wholly owned by the Novo Nordisk Foundation, and Novozymes is therefore included in the consolidated financial statements of the Novo Nordisk Foundation.

At year-end, Novozymes had more than 63,000 shareholders, of whom 99% were private shareholders in Denmark. Twenty institutional investors, including Novo A/S, owned approximately 50% of the B shares. Around 66% of the B

shares were held outside Denmark. Novozymes held 3.7% of the B stock, equivalent to 3.1% of the total common stock.

Besides Novo A/S, only Bailie Gifford & Co. held more than 5% of Novozymes' common stock on December 31, 2015.

Stock performance

Novozyymes' share price increased by 27% during the year. In comparison, the OMXC20CAP gained 29%.

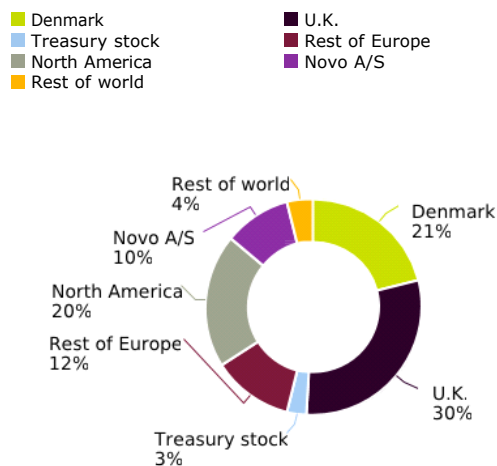
The average daily trading volume of Novozymes' stock in 2015 was 640,756 shares, or DKK 200 million, making it the ninth most actively traded company on Nasdaq Copenhagen, compared with eighth in 2014. At year-end, the total market value of Novozymes' B shares was DKK 85.7 billion, and the value of the nontraded A shares was DKK 17.8 billion, assuming the same value per share as for the B shares.

Over the past five years, Novozymes' stock has generated an average annual return (compounded) to shareholders of 16%. Total shareholder return in 2015 was 28% including dividends.

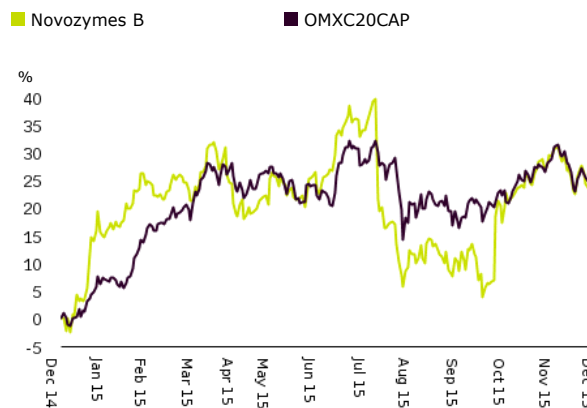
Dividends

The Board of Directors proposes that the Annual Shareholders' Meeting approve a dividend of DKK 3.50 per share for the 2015 financial year. This will result in an

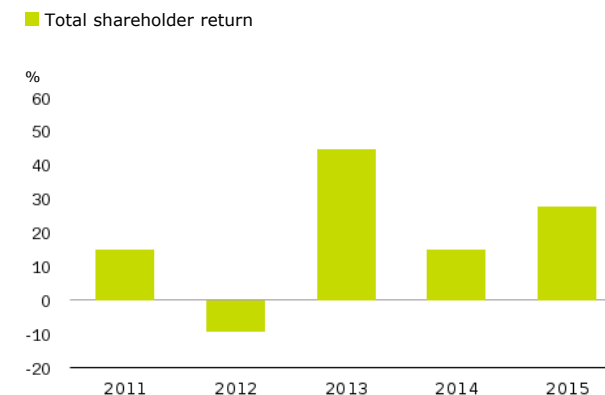
Ownership by geography



One-year indexed share price development



Total shareholder return



expected total dividend payment of approximately DKK 1,062 million, corresponding to a payout ratio of 37.6%.

The dividend for 2015 will be disbursed on February 29, 2016, and the last trading day with right to dividend for 2015 is February 24, 2016.

Novozymes plans to increase the payout ratio to 40% over the next few years.

Stock buyback program in 2015

A DKK 2 billion buyback program was implemented from January 29 to November 23. Under the program, 6,389,173 shares were purchased and added to treasury stock.

New stock buyback program in 2016

Novozymes has decided to initiate a new stock buyback program worth up to DKK 2 billion in total or a maximum of 20 million shares. The program is expected to begin early in 2016 and run for the remainder of the year. The shares acquired within the program will be used to reduce the common stock and to meet obligations arising from employee share incentive programs.

	A stock	B stock	Total
Share capital (DKK)	107,487,200	518,512,800	626,000,000
Number of shares	53,743,600	259,256,400	313,000,000
Held by Novo A/S (%)	100	10.1	25.5
Number of votes	1,074,872,000	518,512,800	1,593,384,800
Voting rights (%)	67.5	32.5	100
Held by Novo A/S (%)	67.5	3.3	70.7

Financial calendar

Feb. 24, 2016

Annual Shareholders' Meeting 2016

Apr. 20, 2016

Interim report for the first 3 months of 2016

Aug. 10, 2016

Interim report for the first half of 2016

Oct. 26, 2016

Interim report for the first 9 months of 2016

Jan. 18, 2017

Group financial statement for 2016

Investor Relations

Novozymes' Investor Relations aims to ensure that relevant, timely and accurate information is made available to the capital markets, and to create awareness of and confidence in Novozymes' purpose, strategy, policies and decisions.

Novozymes' Investor Relations maintains an ongoing dialogue with sell-side equity analysts, as well as major institutional and retail shareholders. A list of the current analysts covering Novozymes can be found at www.novozymes.com/investor.

Visit our website for financial reports, current presentations, factsheets, tools and other downloads, and information for both private and institutional shareholders.



Download the Novozymes Investor Relations app from the App Store.



Accounts & performance

Sales and earnings

Sales

Total sales in 2015 were DKK 14,002 million, up 12% compared with 2014. Exchange rates had a positive impact on sales, and sales were up by 4% organically. Sales to the Agriculture & Feed and Food & Beverages industries were the most significant contributors to organic sales growth.

Gross profit and margin

Gross profit increased by 14% to DKK 8,129 million, and the gross margin was 58.1%, an increase of 0.7 percentage point from 57.4% in 2014. The higher gross margin came as a result of continued productivity improvements and slightly lower raw material costs.

Operating costs

Operating costs increased by 6% to DKK 4,343 million. The ratio of operating costs to sales was 31%.

- Sales and distribution costs increased by 12%, representing 11% of sales
- R&D costs increased by 3%, representing 14% of sales
- Administrative costs increased by 2%, representing 6% of sales

Other operating income

Other operating income was DKK 98 million. In 2014, other operating income was DKK 339 million, largely driven by the one-time realized gain from the transfer of assets to Monsanto on completion of The BioAg Alliance agreement in February 2014.

Depreciation and amortization

Depreciation and amortization increased to DKK 1,127 million in 2015, up 11% from DKK 1,016 million in 2014. This was mainly due to a DKK 174 million write-down of intangible assets associated with Beta Renewables partnership, recognized in Cost of goods sold. The write-down was partly offset by a compensation of DKK 120 million in accordance with the Beta Renewables agreement.

EBIT

EBIT grew by 15% to DKK 3,884 million, up from DKK 3,384 million in 2014. The EBIT growth can be attributed to a positive impact from currencies, higher organic sales and operational efficiencies.

EBIT margin

The EBIT margin was 27.7%, an increase of 0.5 percentage points from 27.2% in 2014. This was driven by a higher gross margin and lower operating costs relative to sales, due to currency developments and a stable development in operating costs.

Net profit

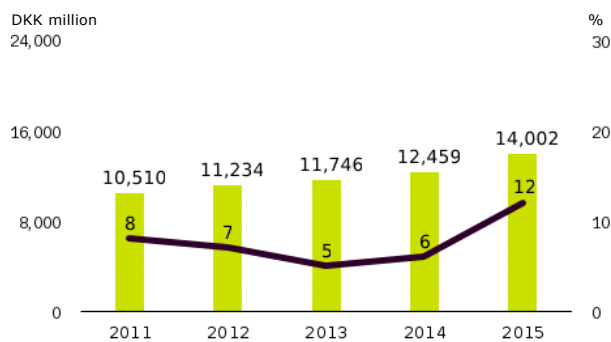
Net profit grew by 12% to DKK 2,825 million in 2015, up from DKK 2,525 million in 2014, as the higher EBIT was somewhat offset by higher net financial costs.

Earnings per share

Earnings per share increased by 14% to DKK 9.23, compared with DKK 8.10 in 2014, due to higher net profit.

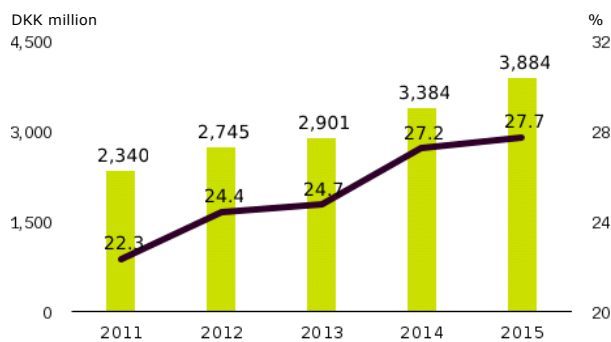
Sales and sales growth

■ Sales
■ Sales growth, DKK (%)



EBIT and EBIT margin

■ EBIT
■ EBIT margin



Consolidated statements of income

INCOME STATEMENT

DKK million	Note	2015	2014
Revenue	2.1, 2.2	14,002	12,459
Cost of goods sold	2.3, 3.1, 3.2, 4.4	(5,873)	(5,310)
Gross profit		8,129	7,149
Sales and distribution costs	2.3, 3.1, 3.2	(1,571)	(1,406)
Research and development costs	2.3, 3.1, 3.2	(1,896)	(1,841)
Administrative costs	2.3, 3.1, 3.2	(876)	(857)
Other operating income, net	2.4	98	339
Operating profit / EBIT		3,884	3,384
Share of losses in associates	3.4	(6)	(21)
Financial income	5.2	4	35
Financial costs	5.2	(261)	(119)
Profit before tax		3,621	3,279
Tax	2.5	(796)	(754)
Net profit		2,825	2,525
Attributable to			
Shareholders in Novozymes A/S		2,823	2,526
Non-controlling interests		2	(1)
		2,825	2,525
Proposed dividend per share		DKK 3.50	DKK 3.00
Earnings per share	2.6	DKK 9.23	DKK 8.10
Earnings per share, diluted	2.6	DKK 9.12	DKK 8.02

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Note	2015	2014
Net profit		2,825	2,525
Items that may be reclassified subsequently to the income statement:			
Currency translation adjustments			
Subsidiaries and non-controlling interests		399	365
Hedges of net investments in foreign subsidiaries		(315)	-
Tax on currency translation adjustments		23	(7)
Currency translation adjustments		107	358
Cash flow hedges			
Fair value adjustments		(113)	(104)
Tax on fair value adjustments		24	22
Fair value adjustments reclassified to financial costs		152	(31)
Tax on reclassified fair value adjustments		(33)	8
Cash flow hedges		30	(105)
Other comprehensive income		137	253
Comprehensive income for the year		2,962	2,778
Attributable to			
Shareholders in Novozymes A/S		2,960	2,778
Non-controlling interests		2	-
		2,962	2,778

Balance sheet and financial position

Total assets

Total assets decreased from DKK 18,426 million at year-end 2014 to DKK 17,791 million at December 31, 2015, mainly driven by a decrease in cash and cash equivalents.

Cash and cash equivalents at December 31, 2015, amounted to DKK 839 million, down from DKK 2,535 million at year-end 2014. The main reasons for the decrease are the completion of a stock buyback program in which Novozymes bought back B shares with a transaction value of DKK 2,000 million and dividend payments of DKK 925 million.

Invested capital

Invested capital increased from DKK 10,535 million in 2014 to DKK 11,891 million in 2015, while invested capital increased from DKK 11,203 million to DKK 11,213 million.

ROIC

Return on invested capital (ROIC), including goodwill, was 25.9%, up 2.8 percentage points from 23.1% in 2014. The increase in ROIC was a result of higher net profit and only a minor increase in average invested capital.

Net working capital

Novozymes' net working capital increased to DKK 1,708 million, up from DKK 1,059 million in 2014, mainly due to a growing business and currency developments.

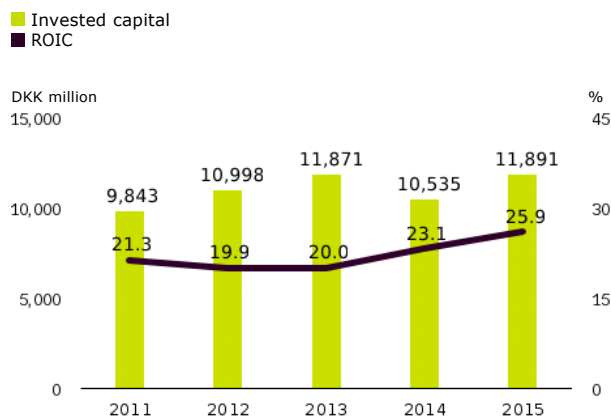
Net interest-bearing debt

Novozymes had net interest-bearing debt of DKK 437 million at year-end 2015, compared with net positive cash holdings of DKK 716 million at December 31, 2014. This was driven by cash flows from dividend payouts of DKK 925 million, stock buybacks of DKK 2,000 million, net investments of DKK 1,015 million and repayments of borrowings of DKK 484 million, which more than offset cash flows from operating activities.

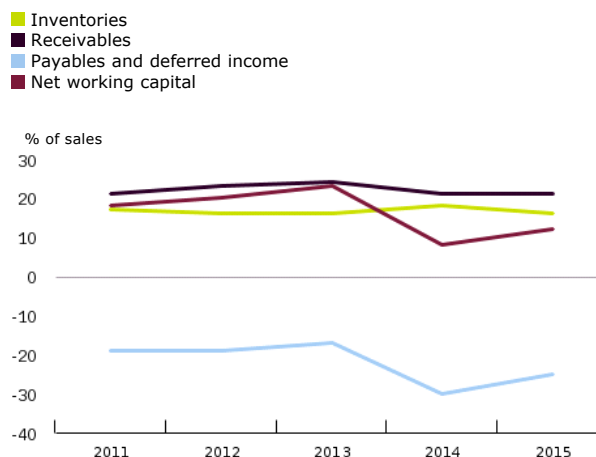
Net interest-bearing debt-to-EBITDA

Net interest-bearing debt-to-EBITDA was 0.1 at year-end 2015, compared with -0.2 at December 31, 2014.

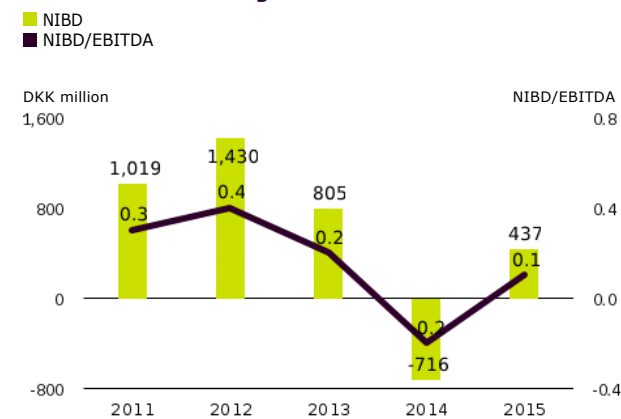
ROIC and invested capital



Net working capital



Net interest-bearing debt (NIBD) and net interest-bearing debt-to-EBITDA



Consolidated balance sheet

ASSETS

DKK million	Note	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	2.1, 3.1	2,676	2,954
Land and buildings	2.1, 3.2	2,665	2,537
Plant and machinery	2.1, 3.2	4,237	3,884
Other equipment	2.1, 3.2	611	553
Assets under construction and prepayments	2.1, 3.2	649	524
Deferred tax assets	2.5	459	485
Other financial assets		139	29
Investments in associates	3.4	91	24
Other receivables	4.3	116	125
Non-current assets		11,643	11,115
Inventories	4.1	2,281	2,184
Trade receivables	4.2	2,558	2,244
Tax receivables	2.5	156	103
Other receivables	4.3	294	228
Other financial assets		20	17
Cash and cash equivalents	6.6	839	2,535
Current assets		6,148	7,311
Assets		17,791	18,426

LIABILITIES AND SHAREHOLDERS' EQUITY

DKK million	Note	Dec. 31, 2015	Dec. 31, 2014
Common stock	5.5	626	639
Currency translation adjustments		538	431
Cash flow hedges		20	(10)
Retained earnings		10,396	10,209
Equity attributable to shareholders in Novozymes A/S		11,580	11,269
Non-controlling interests		13	11
Shareholders' equity		11,593	11,280
Deferred tax liabilities	2.5	715	784
Provisions	3.3	186	212
Deferred income	4.4	769	950
Other liabilities		12	17
Other financial liabilities	5.3	1,216	1,242
Non-current liabilities		2,898	3,205
Provisions	3.3	55	67
Other financial liabilities	5.3, 5.4	116	730
Trade payables		1,189	1,122
Deferred income	4.4	223	258
Tax payables	2.5	369	389
Other liabilities	4.5	1,348	1,375
Current liabilities		3,300	3,941
Liabilities		6,198	7,146
Liabilities and shareholders' equity		17,791	18,426

Equity and shareholder return

Shareholders' equity

At December 31, 2015, shareholders' equity was DKK 11,593 million, up 3% from DKK 11,280 million at year-end 2014, as comprehensive income more than offset dividend payments and stock buyback in 2015.

Equity ratio

Shareholders' equity represented 65% of the balance sheet total, up from 61% at year-end 2014.

Return on equity

Return on equity was 24.7%, up 2.1 percentage points from 22.6% in 2014. The increase was a result of higher net profit and only a minor increase in equity.

Dividend

The Board of Directors proposes that the Annual Shareholders' Meeting approve a dividend of DKK 3.50 per share for the 2015 financial year, an increase of 17% compared with 2014. This will result in an expected total dividend payment of approximately DKK 1,062 million, corresponding to a payout ratio of 37.6%.

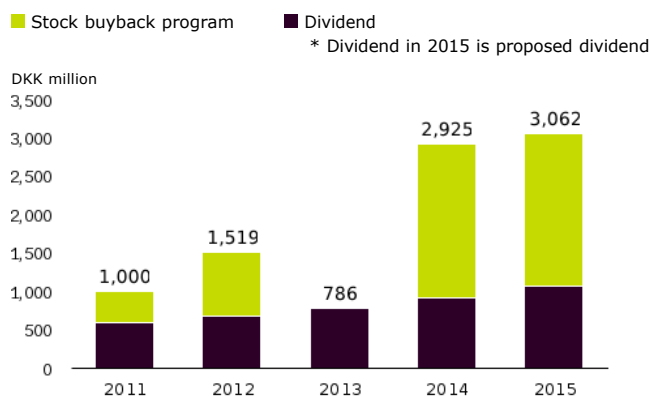
Treasury stock

At December 31, 2015, the holding of treasury stock was 9.6 million B shares, equivalent to 3.1% of the common stock.

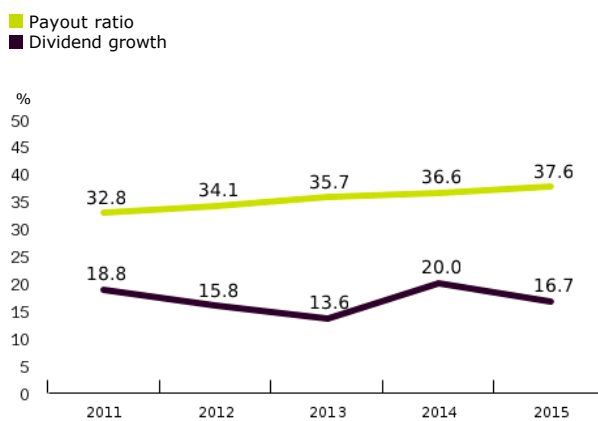
Stock buyback program

In 2015, Novozymes bought back 6.4 million B shares with a transaction value of DKK 2,000 million under the stock buyback program initiated on February 2, 2015, and completed on November 23, 2015. The shares acquired within the program will be used to reduce the common stock and to meet obligations arising from employee share-based incentive programs.

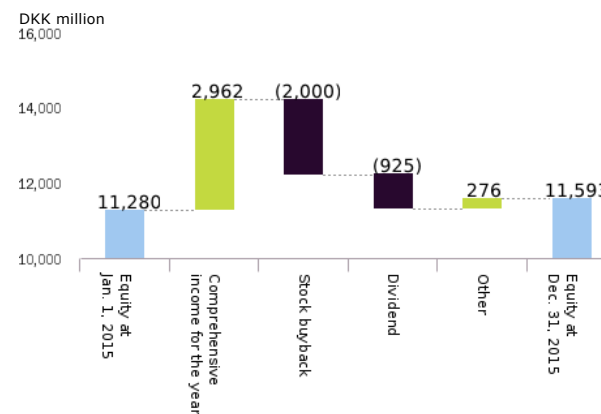
Shareholder return



Payout ratio and dividend growth



Movements in equity 2015



Consolidated statement of shareholders' equity

DKK million	Attributable to shareholders in the company				Total	Non-controlling interests	Total equity
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings			
Shareholders' equity at January 1, 2015	639	431	(10)	10,209	11,269	11	11,280
Net profit for the year				2,823	2,823	2	2,825
Other comprehensive income for the year		107	30	-	137	-	137
Total comprehensive income for the year	-	107	30	2,823	2,960	2	2,962
Purchase of treasury stock				(2,000)	(2,000)		(2,000)
Sale of treasury stock				126	126		126
Write-down of common stock	(13)			13	-		-
Dividend				(925)	(925)	-	(925)
Stock-based payment				101	101		101
Tax related to equity items				49	49		49
Changes in shareholders' equity	(13)	107	30	187	311	2	313
Shareholders' equity at December 31, 2015	B/S 626	538	20	10,396	11,580	13	11,593
Shareholders' equity at January 1, 2014	639	74	95	10,246	11,054	12	11,066
Net profit for the year				2,526	2,526	(1)	2,525
Other comprehensive income for the year		357	(105)	-	252	1	253
Total comprehensive income for the year	-	357	(105)	2,526	2,778	-	2,778
Purchase of treasury stock				(2,000)	(2,000)		(2,000)
Sale of treasury stock				85	85		85
Dividend				(787)	(787)	(1)	(788)
Stock-based payment				91	91		91
Tax related to equity items				48	48		48
Changes in shareholders' equity	-	357	(105)	(37)	215	(1)	214
Shareholders' equity at December 31, 2014	B/S 639	431	(10)	10,209	11,269	11	11,280

The proposed dividend of DKK 1,062 million for 2015 is included in Retained earnings.

Cash flow

Cash flow from operating activities

Cash flow from operating activities was DKK 3,339 million, down from DKK 4,525 million in 2014. Despite higher net profit, operating cash flow was lower. This was mainly a result of the positive impact of The BioAg Alliance agreement in 2014, which contributed to a positive change in net working capital in 2014.

Net investments

Net investments excluding acquisitions and The BioAg Alliance agreement were DKK 1,015 million, up from DKK 715 million in 2014.

Net investments in property, plant and equipment amounted to DKK 952 million, compared with DKK 695 million in 2014.

Free cash flow before acquisitions

Free cash flow before acquisitions was DKK 2,324 million, compared with DKK 4,229 million in 2014. Free cash flow was lower than in 2014, mainly as a result of the positive impact of The BioAg Alliance agreement in 2014 and higher net investments. All in all, the net impact of The BioAg Alliance agreement in 2014 was DKK ~1,700 million.

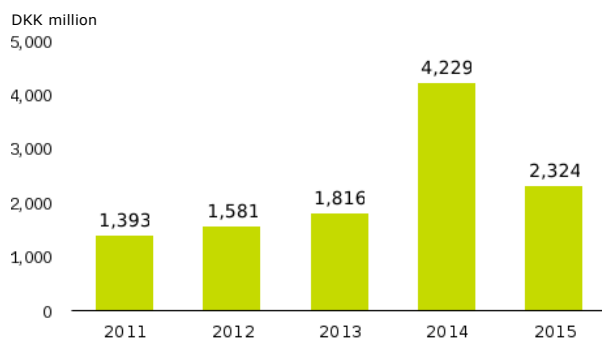
Financing and cash position

Cash flow from financing activities was negative at DKK 3,681 million, compared with a negative cash flow of DKK 2,703 million in 2014. The negative cash flow from financing activities was mainly due to the completion of the stock buyback program, dividend payments, repayments of borrowings and hedging of net investments.

Cash and cash equivalents at December 31, 2015, amounted to DKK 839 million, down from DKK 2,535 million at year-end 2014.

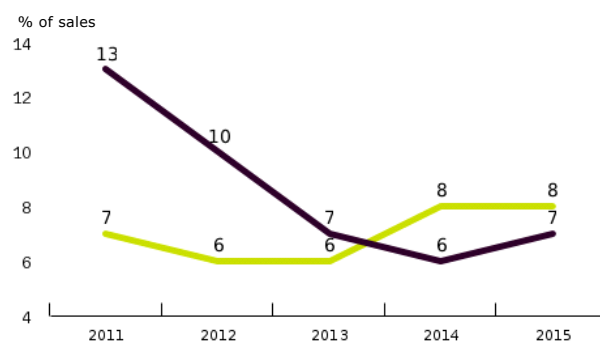
Free cash flow before acquisitions

■ Free cash flow before acquisitions



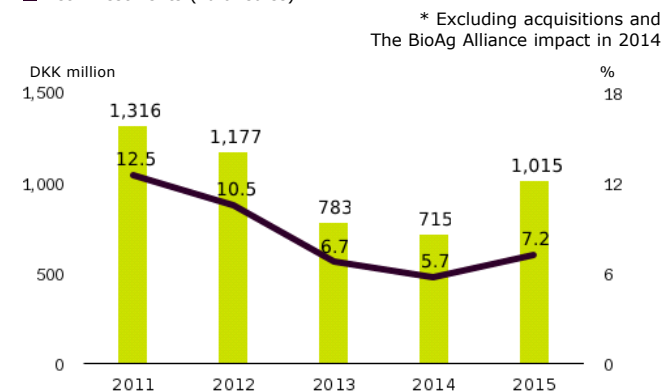
CAPEX and depreciation & amortization

■ Depreciation & amortization
■ CAPEX



Net investments*

■ Net investments
■ Net investments (% of sales)



Consolidated statement of cash flows

DKK million	Note	2015	2014	DKK million	Note	2015	2014
Net profit		2,825	2,525	Financing			
Reversal of non-cash items	6.6	1,992	1,123	Borrowings		122	-
Income tax paid	2.5	(893)	(777)	Repayments of borrowings		(606)	-
Interest received		3	10	Hedging of net investments		(398)	-
Interest paid		(42)	(61)	Purchase of treasury stock		(2,000)	(2,000)
Cash flow before change in working capital		3,885	2,820	Sale of treasury stock		126	85
Change in working capital				Dividend paid		(925)	(788)
(Increase)/decrease in receivables		(311)	231	Cash flow from financing activities		(3,681)	(2,703)
(Increase)/decrease in inventories		(60)	(186)	Net cash flow		(1,599)	1,512
Increase/(decrease) in payables and deferred income		(161)	1,659	Unrealized gain/(loss) on currencies and financial assets included in cash and cash equivalents		(58)	(1)
Currency translation adjustments		(14)	1	Net change in cash and cash equivalents		(1,657)	1,511
Cash flow from operating activities		3,339	4,525	Cash and cash equivalents, net, at January 1		2,453	942
Investments				Cash and cash equivalents, net, at December 31	6.6	796	2,453
Purchase of intangible assets	3.1	(63)	(20)				
Sale of intangible assets*		-	409				
Purchase of property, plant and equipment	3.2	(968)	(703)				
Sale of property, plant and equipment*		16	18				
Business acquisitions and purchase of financial assets	6.6	(242)	(14)				
Cash flow from investing activities		(1,257)	(310)				
Free cash flow		2,082	4,215				

* The formation of The BioAg Alliance in 2014 included the sale of intangible assets and property, plant and equipment of DKK 419 million.

Environmental performance

Impact of application of Novozymes' products

In 2015, our customers avoided an estimated 60 million tons of CO₂ emissions by applying Novozymes' products. The savings achieved are equivalent to taking approximately 25 million cars off the road.

Efficiency improvements

In 2015, energy efficiency improved by 15% as a result of continuous process optimizations and the implementation of many energy-saving projects. The reduced energy consumption corresponds to cost savings of approximately DKK 14 million. CO₂ intensity, measured as emissions divided by gross profit, was reduced by 17% compared with 2014.

Novozymes obtained 24% of its energy from renewable sources in 2015, the majority of which came from wind farms in Denmark.

Water efficiency improved by 9% compared with 2014. This improvement was less than expected, as a new system for water reuse at a major production site could not be implemented to its full capacity in time. It is now ramping up.

The improvements in operational efficiency have helped to decouple environmental impact from growth in sales and gross profit. This effect is reflected in our efficiency and intensity measures.

Waste and by-products

Waste from production increased in line with sales, climbing by 12% from 11,909 tons in 2014 to 13,397 tons in 2015.

50% of solid waste was recycled, up from 45% in 2014, due to an increased focus on recycling across Novozymes' global production sites.

Most of Novozymes' production sites convert and sell biomass to farmers as NovoGro®, an organic agricultural fertilizer. The biomass is generated as a by-product from the production process, and the volume is significant. The rate of biomass recovery was 98% in 2015, same as in 2014.

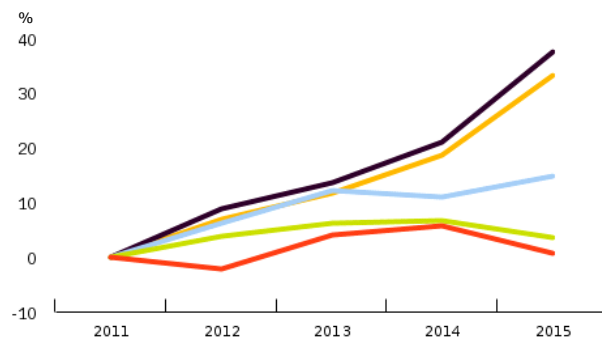
Environmental compliance

In 2015, 27 breaches of regulatory limits were registered worldwide, compared with 25 in 2014. The majority of the breaches are minor breaches related to wastewater treatment and process air purification. Action plans have been agreed on with relevant environmental authorities to address all pending issues.

We received 11 complaints from neighbors, the same as in 2014. The majority of complaints were made by private residents and related to odors and noise.

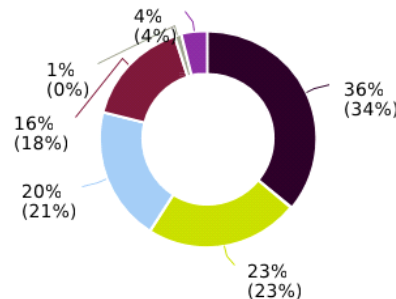
Developments in sales, gross profit and environmental impact

- Sales
- Gross profit
- Water consumption
- Energy consumption
- CO₂ emissions



Energy by source 2015 (2014)

- Electricity — conventional
- Electricity — renewable sources
- Steam
- Fuels — conventional
- Fuels — renewable sources
- Heat



Environmental data

	Note		2015	2014
Impact of application of Novozymes' products				
Estimated CO ₂ reductions from customers' application of Novozymes' products in their products or processes	7.1	Million tons	60	60
Efficiency improvement compared with 2014				
Energy efficiency	7.2	%	15	n.a
CO ₂ intensity	7.3	%	17	n.a
Water efficiency	7.4	%	9	n.a
Net consumption of resources				
Renewable energy	7.2	%	24	23
Energy	7.2	1,000 GJ	4,071	4,188
Water	7.4	1,000 m ³	6,965	6,742
Raw materials	7.6	1,000 tons	535	527
Packaging	7.6	1,000 tons	18	20
Wastewater				
Volume	7.5	1,000 m ³	4,917	4,786
Waste and by-products				
Biomass volume	7.7	1,000 tons	517	543
Waste	7.7	1,000 tons	13	12
Percentage of total waste recycled	7.7	%	50	45
Environmental impact of emissions				
Global warming	7.3	1,000 tons CO ₂ -eqv.	408	424
Environmental compliance, etc.				
Breaches of regulatory limits	7.8	No.	27	25
Neighbor complaints	7.8	No.	11	11

Social and governance performance

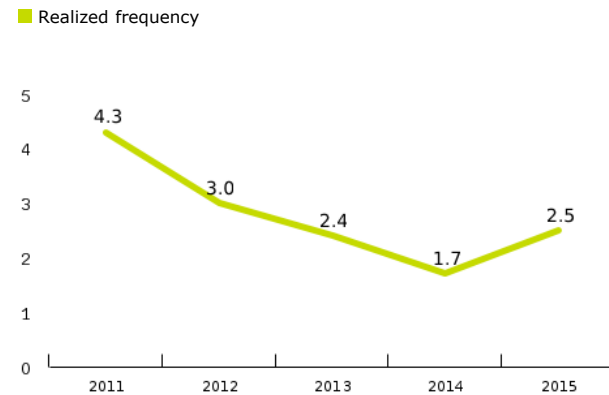
Employees

Novozymes had 6,485 employees at the end of 2015, up 31 on a year earlier. The low increase was due mainly to the closing down of the hyaluronic acid activities and a general hold back on cost.

Diversity

Novozymes is committed to strengthening diversity while upholding the principles of merit-based employment and promotion. With 41% of employees promoted in 2015 being female, the annual share of employees promoted who are women has increased by 7 percentage points since 2014.

Frequency of accidents (per million working hours)



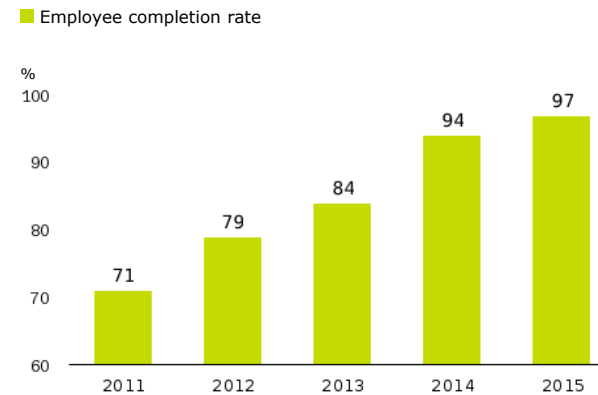
Rate of absence

Novozymes' employee absence rate was 2.0% in 2015, compared with 1.8% in 2014. A strong focus on health initiatives for employees that are tailored to local needs is considered to have contributed to the low absence rate.

Occupational accidents

Despite a strong focus on employee safety, the frequency of occupational accidents increased to 2.5 per million working hours in 2015, compared with the record low of 1.7 in 2014. Enhanced safety awareness programs were introduced in 2015 to address the increasing number of accidents at the beginning of the year.

Business integrity training for employees



Business integrity training

97% of Novozymes' employees completed business integrity training, compared with 94% in 2014. The high completion rates in 2014 and 2015 confirm Novozymes' commitment to an organizational culture based on sound business ethics.

Responsible sourcing

In 2015, overall adherence to Novozymes' supplier program for responsible sourcing was 100%. The program includes an evaluation of suppliers based on commercial, quality and sustainability performance. Novozymes increased its responsible sourcing efforts during the year to include specific measures to combat net deforestation in the supply chain.

Learners reached

Novozymes' Citizymes program focuses on educating people outside Novozymes about the potential of biological solutions. It is estimated that Novozymes reached approximately 87,000 people through the program in 2015, compared with approximately 51,000 in 2014.

Social and governance data

	Note		2015	2014
Employee statistics				
Employees, total	2.3	No.	6,485	6,454
Women	2.3	%	37.5	37.7
Men	2.3	%	62.5	62.3
Rate of employee turnover	8.1	%	9.1	8.1
Rate of absence	8.1	%	2.0	1.8
Employees promoted who are women	8.1	%	41	34
Training costs				
Average spent per employee		DKK	4,814	5,399
Costs as percentage of total employee costs		%	0.8	1.1
Health and safety				
Fatalities		No.	-	-
Occupational accidents with absence	8.2	No.	26	17
Of which life-threatening accidents		No.	-	-
Occupational diseases	8.2	No.	12	4
Frequency of occupational accidents		Per million working hours	2.5	1.7
Frequency of occupational diseases		Per million working hours	1.2	0.4
Processes and technology				
New products		No.	6	8
Active patent families		No.	1,164	1,191
Training and compliance				
Supplier program for responsible sourcing	8.3	%	100	99
Completion of business integrity training for employees	8.3	%	97	94
Breaches of competition law	8.3	No.	-	-
Fraud cases	8.3	No.	12	2
Corporate citizenship				
Regional flagship projects	8.4	No.	13	13
Learners reached	8.4	No.	87,000	51,000

Notes

Basis of reporting

Reading guide

1 Basis of reporting

Net operating profit after tax

2.1 Segments

2.2 Revenue

2.3 Employees

2.4 Other operating income, net

2.5 Tax

2.6 Earnings per share

Invested capital

3.1 Intangible assets and impairment test of goodwill

3.2 Property, plant and equipment

3.3 Provisions

3.4 Joint operations and associates

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4.2 Trade receivables

4.3 Other receivables

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4.5 Other liabilities

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5.2 Financial income and Financial costs

5.3 Other financial liabilities

5.4 Derivatives - hedge accounting

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5.6 Financial assets and liabilities by category

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6.5 Fees to statutory auditor

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6.7 Events after the reporting date

6.8 Group companies

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7.1 Climate change impact

7.2 Energy

7.3 Greenhouse gas emissions

7.4 Water

7.5 Wastewater

7.6 Production inputs

7.7 Waste and by-products

7.8 Environmental compliance, etc.

Social and governance data

8.1 Developments in the work force

8.2 Occupational accidents and occupational diseases

8.3 Training and compliance

8.4 Corporate citizenship

Reading guide

The financial statements are presented in a manner that attempts to make them less complex and more relevant to readers. This includes providing relevant rather than generic information.

The notes have been structured to provide enhanced understanding of each accounting area, by describing relevant accounting policies and sources of estimation uncertainty in the notes to which they relate. Accounting policies applied to the consolidated financial statements as a whole are described below.

The notes have been divided into eight sections: Basis of

reporting, Net operating profit after tax, Invested capital, Net working capital, Capital structure and financing, Other notes, Environmental data and Social and governance data. The purpose is to provide a clearer understanding of what drives performance.

Novozymes explains the accounting choices that have been made within the framework of the prevailing IFRS policy and has elected not to repeat the actual text of the standard, unless Novozymes considers it particularly important for an understanding of the note content. The descriptions of accounting policies in the notes form part of the overall

description of accounting policies.

Environmental and social data are an integrated part of The Novozymes Report and are covered by the statutory audit performed by the auditor elected at the Annual Shareholders' Meeting. The notes for these data are structured in the same way as described for the financial notes.

The symbols **I/S**, **B/S** and **CSR** show which amounts in the notes can be found in the income statement, balance sheet and environmental and social data respectively.

1

Basis of reporting

The consolidated financial statements of the Novozymes Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish requirements for the presentation of financial statements. Novozymes has prepared its consolidated financial statements in accordance with all the IFRS standards in force at December 31, 2015. The fiscal year for the Group is January 1 – December 31. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, with the exception of derivatives and securities, which are measured at fair value. The accounting policies are unchanged from last year.

The consolidated environmental and social statements have been prepared in accordance with principles that adhere to the following internationally recognized voluntary reporting standards and principles:

- AA1000 framework for accountability. The framework states that reporting must provide a complete, accurate, relevant and balanced picture of the organization's approach to and impact on society
- UN Global Compact. Novozymes is a signatory to the UN Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anticorruption

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. The Guidelines (G4) include an internationally recognized set of indicators for economic, environmental and social aspects of business performance that enables stakeholders to compare companies' performance

The accounting policies are unchanged from last year.

Novozymes' reporting according to GRI and the UN Global Compact (Communication on Progress), including the required disclosures, can be found under Supplementary Reporting.

1

Basis of reporting (continued)

Impact of new accounting standards

Novozymes has adopted the following new or amended standards and interpretations from January 1, 2015.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions was published in November 2013 and clarifies the accounting treatment for contributions from employees or third parties to a defined benefit plan
- Annual Improvements to IFRSs (2010-2012) was published in December 2013 and contains minor changes to seven standards
- Annual Improvements to IFRSs (2011-2013) was published in December 2013 and contains minor changes to four standards

The adoption of the amended standards and interpretations has not had an impact on recognition or measurement in the consolidated financial statements for 2015.

New standards and interpretations not yet adopted

The IASB has issued a number of new or amended standards and interpretations that are not mandatory for the consolidated financial statements for 2015, some of which have not yet been endorsed by the EU. Novozymes expects to adopt the standards and interpretations when they become mandatory. None of these are expected to have a significant impact on recognition and measurement, but may lead to further disclosures in the notes.

- IFRS 15 – Revenue from Contracts with Customers was published in May 2014 and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard requires extensive disclosures. The standard is effective for annual periods beginning on or after January 1, 2018. The standard is not expected to have a significant effect on recognition and measurement, but is expected to increase disclosures due to the extensive disclosure requirements in this respect

Defining materiality

Novozymes' annual report is based on the concept of materiality, to ensure that the content is material and relevant to the reader.

The consolidated financial statements consist of a large number of transactions. These transactions are aggregated into classes according to their nature or function, and presented in classes of similar items in the financial statements and in the notes as required by IFRS. If items are individually immaterial, they are aggregated with other items of similar nature in the statements or in the notes. The disclosure requirements throughout IFRS are substantial, and Novozymes provides the specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the readers of these financial statements.

The consolidated environmental and social statements include the data parameters that, based on an assessment of materiality for Novozymes and its stakeholders, are deemed the most relevant.

The environmental data cover those activities that, based on an overall annual assessment, could have a significant impact on the environment. Sites with activities considered not to have a significant environmental impact are not included. Such sites comprise sales offices, R&D labs, and sites with limited blending and storage of products. However, measures are taken to ensure that at least 97% of the total Novozymes quantity of the measured environmental parameter is included in the reported numbers.



The descriptions of accounting policies in the notes form part of the overall description of accounting policies. Descriptions of financial accounting policies are included in the following notes:

Net operating profit after tax

Revenue	Note 2.2
Other operating income, net	Note 2.4
Tax	Note 2.5
Earnings per share	Note 2.6

Invested capital

Intangible assets and impairment test of goodwill	Note 3.1
Property, plant and equipment	Note 3.2
Provisions	Note 3.3
Joint operations and associates	Note 3.4

Net working capital

Inventories	Note 4.1
Trade receivables	Note 4.2
Other receivables	Note 4.3
Deferred income	Note 4.4
Other liabilities	Note 4.5

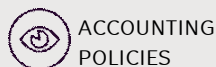
Capital structure and financing

Financial income and Financial costs	Note 5.2
Other financial liabilities	Note 5.3
Derivatives – hedge accounting	Note 5.4
Common stock and treasury stock	Note 5.5

Other notes

Stock-based payment	Note 6.2
Cash flow	Note 6.6

1 Basis of reporting (continued)



ACCOUNTING POLICIES

Consolidation

The consolidated financial statements comprise the financial statements of Novozymes A/S (the parent company) and subsidiaries controlled by Novozymes A/S, prepared in accordance with Group accounting policies. The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal stockholdings and balances, and unrealized intercompany profits and losses.

Environmental and social data are similarly based on data for the parent company and all subsidiaries by combining items of a uniform nature compiled using the same accounting principles. Recognition of newly acquired or divested sites and subsidiaries follows the same principles as for the financial reporting.

Translation of foreign currencies

The consolidated financial statements are presented in Danish kroner (DKK).

Foreign currency transactions are translated into the functional currency defined for each company using the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date.

Financial statements of foreign subsidiaries are translated into Danish kroner at the exchange rates prevailing at the reporting date for assets and liabilities, and at average exchange rates for income statement items.

All exchange rate differences are recognized as Financial income or Financial costs, with the exception of the following,

which are recognized in Other comprehensive income, translated at the exchange rates prevailing at the reporting date:

- Translation of foreign subsidiaries' net assets at the beginning of the year
- Translation of foreign subsidiaries' income statements from average exchange rates to the exchange rates prevailing at the reporting date
- Translation of long-term intercompany balances, which are considered to be an addition to net assets in subsidiaries

Goodwill arising on the acquisition of new companies is treated as an asset belonging to the new foreign subsidiaries and translated into Danish kroner at the exchange rates prevailing at the reporting date.

Unrealized gains/losses relating to hedging of future cash flows and hedging of net investments in foreign subsidiaries are recognized in Other comprehensive income.



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are used to assess the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be

necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or more experience. Such changes are recognized in the period in which the estimate is revised.

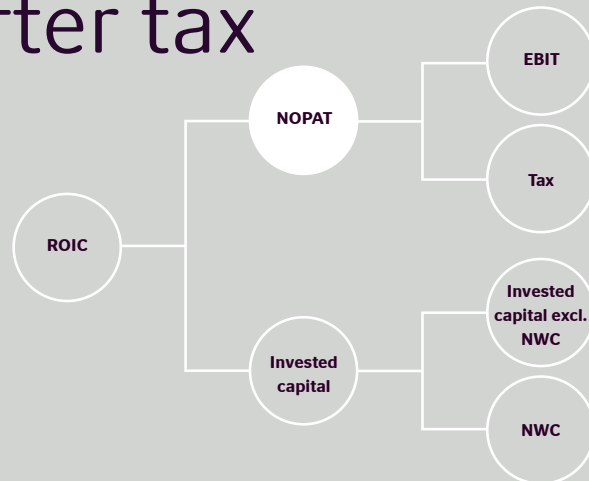
Descriptions of accounting estimates are included in the following notes:

Other operating income	Note 2.4
Group tax charge	Note 2.5
Useful life of intangible assets	Note 3.1
Impairment of intangible assets and goodwill	Note 3.1
Impairment of property, plant and equipment	Note 3.2
Provisions	Note 3.3
Cost of work in progress and finished goods	Note 4.1
Allowance for doubtful trade receivables	Note 4.2
Deferred income	Note 4.4
CO ₂ emissions	Note 7.1
Learners reached	Note 8.4

The application of the Group's accounting policies may require management to make judgments that can have a significant effect on the amounts recognized in the consolidated financial statements. Management judgment is required in particular when assessing the substance of transactions that have a complicated structure or legal form. This includes, but is not limited to, the following:

Investment in Beta Renewables S.p.A.	Note 3.4
--------------------------------------	----------

Net operating profit after tax



Organic sales growth

4%

EBIT grew by DKK 500 million to DKK million

3,884

The EBIT margin grew by 0.5 percentage point to

27.7%

DKK million	Note	2015	2014
Revenue	2.2	14,002	12,459
Cost of goods sold		(5,873)	(5,310)
Gross profit		8,129	7,149
Sales and distribution costs		(1,571)	(1,406)
Research and development costs		(1,896)	(1,841)
Administrative costs		(876)	(857)
Other operating income, net	2.4	98	339
Operating profit (EBIT)		3,884	3,384
Exchange gains/(losses)		(158)	6
Tax on adjusted operating profit		(820)	(780)
Share of losses in associates	3.4	(6)	(21)
Adjusted operating profit (NOPAT)		2,900	2,589
Average invested capital		11,213	11,203
ROIC		25.9%	23.1%

2.1 Segments

No segment reporting

The internal reporting framework used for reporting on revenue and expenses to the Executive Leadership Team and the Board of Directors has been set up to reflect and report on the global functional responsibility setup at Novozymes. This setup consolidates functions by type, and management reviews the results of the Group as a whole to assess performance, thus there is only one operating segment.

Worldwide operations

The Group operates in four geographical regions: Europe/Middle East & Africa (including Denmark), North America, Asia Pacific and Latin America.

The geographical distribution of revenue is based on the country in which the customer is domiciled. With a number of strategic customers, central deliveries are made to specified locations, and the final recipient is unknown.

The stated geographical distribution of revenue may therefore vary from year to year if the delivery destination for these strategic customers changes.

Revenue 2015 (2014)



DKK million

Intangible assets and property, plant and equipment 2015 (2014)



DKK million

Capital expenditure 2015 (2014)



DKK million

2.2 Revenue

DKK million		2015	2014
Household Care		4,632	4,353
Food & Beverages		3,715	3,278
Bioenergy		2,543	2,270
Agriculture & Feed		2,130	1,728
Technical & Pharma		982	830
Revenue	I/S	14,002	12,459
Sales to the five largest customers as a percentage of revenue		32%	31%



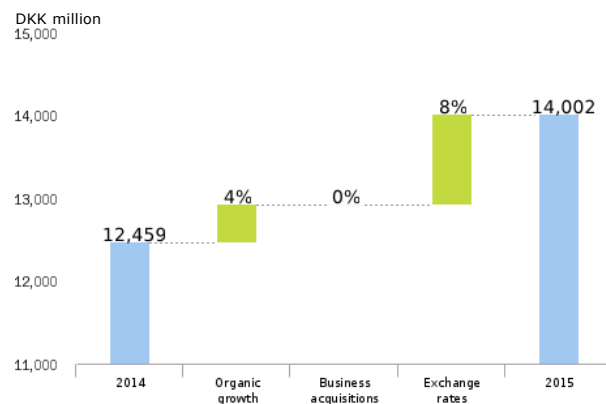
Revenue includes sales of goods and related services, commission income and royalties, less goods returned and volume and cash discounts. Sales are recognized at the time of risk transfer relating to the goods sold, provided that the revenue can be measured on a reliable basis and is expected to be received. A liability is recognized when it is permitted for goods to be returned and this is likely.

The Group has entered into agreements where the other contracting party undertakes sales to third parties and the profit is distributed between the Group and the other contracting party on the basis of a predetermined formula.

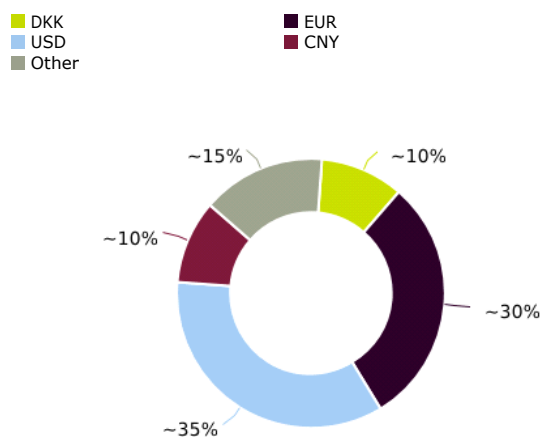
Sales from these arrangements are recognized using information on the other contracting party's realized sales. Distribution of the profit is calculated and distributed periodically, and a receivable/liability is recognized for any unsettled profit at the reporting date.

The Group has entered into commission agreements where agents undertake sales to third parties in return for commission on realized sales.

Sales growth 2015



Sales by currency 2015



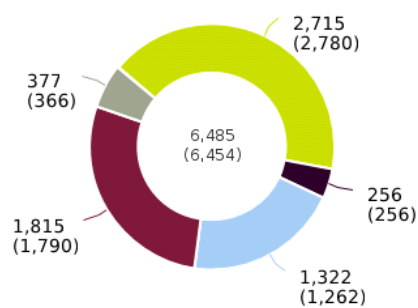
2.3 Employees

DKK million	2015	2014
Wages and salaries	2,998	2,613
Pensions - defined contribution plans	292	252
Other social security costs	267	210
Other employee costs	147	146
Stock-based payment	108	94
Employee costs	3,812	3,315
Recognized in the income statement under the following items:		
Cost of goods sold	1,352	1,212
Sales and distribution costs	831	697
Research and development costs	1,058	887
Administrative costs	538	501
	3,779	3,297
Change in employee costs recognized in Inventories	33	18
Employee costs	3,812	3,315

Number of employees 2015 (2014)

■ Denmark
■ North America
■ Latin America
■ Rest of Europe, Middle East & Africa
■ Asia Pacific

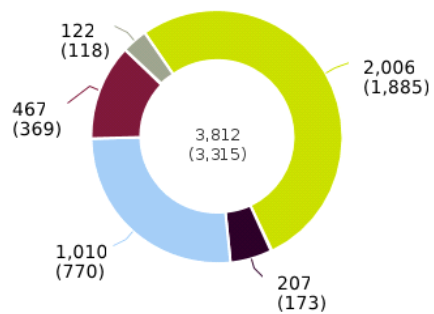
Headcount



Employee costs 2015 (2014)

■ Denmark
■ North America
■ Latin America
■ Rest of Europe, Middle East & Africa
■ Asia Pacific

DKK million



2.3 Employees (continued)

	2015	2014
Average number of employees in the Group	6,515	6,260
Average number of employees who work with R&D	1,566	1,463
Number of employees outside Denmark as a percentage of total number of employees	58%	57%
Part-time employees	301	375
Full-time employees	6,184	6,079
Employees	6,485	6,454
Senior management	213	201
Management	1,150	1,096
Professional	1,884	1,844
Administrative	575	634
Skilled workers, laboratory technicians and other technicians	1,440	1,467
Process operators	1,223	1,212
Employees by category	6,485	6,454

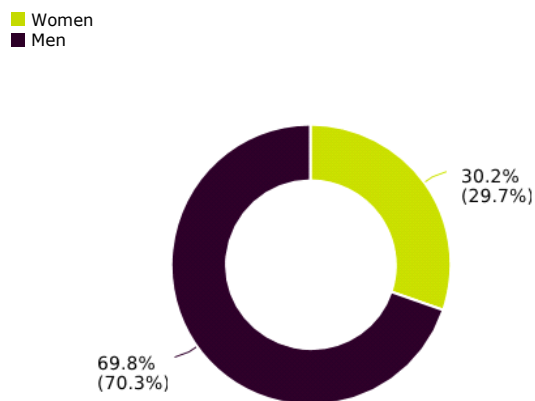


The number of employees is derived from contractual obligations but does not include employees on unpaid leave, temporary replacements, student interns, agency employees, consultants or PhD students. In calculating the number of full-time employees, employees with a working-time ratio of 95% or over are stated as full-time employees.

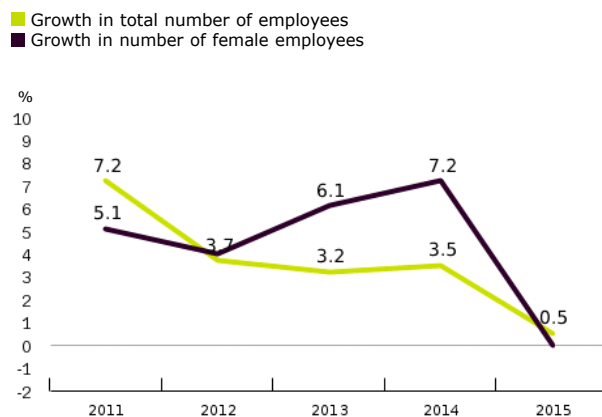
The average number of employees is calculated as the average of the number of permanent employees at the end of each quarter.

Job categories are defined as follows: Senior management comprises the CEO, executive vice presidents, vice presidents and directors. Management comprises middle managers and specialists. Professional comprises employees with academic backgrounds as well as team leaders. Process operators comprises operators and unskilled workers.

Women in management 2015 (2014)



Employee growth



2.4 Other operating income, net

DKK million		2015	2014
Income and grants concerning research projects/collaborations		17	44
The BioAg Alliance one-time gain		-	237
Other secondary income, net		81	58
Other operating income, net	I/S	98	339

In 2014, other operating income was significantly impacted by the one-time realized gain from the transfer of intangible assets and property, plant and equipment to Monsanto on completion

of The BioAg Alliance agreement, as the transaction value of the assets exceeded the book value.



ACCOUNTING
POLICIES

Other operating income comprises income that is not product-related. This includes income from research and collaboration agreements, government grants, sale of licenses, patents, etc., and other income of a secondary nature in relation to the main activities in the Group. This item also includes non-recurring income items in respect of damages, outlicensing, etc.



CRITICAL ACCOUNTING
ESTIMATES AND JUDGMENTS

The Group is party to various outlicensing and research and collaboration agreements, which can involve upfront and milestone payments that may occur over several years and may also involve certain future obligations.

Income is recognized only when, in management's judgment, the significant risks and rewards of ownership have been transferred and the Group does not retain managerial involvement in or effective control over the assets sold, or when the obligation has been fulfilled. These assessments are essential for timing of income recognition and for classification of income as Revenue or Other operating income according to the revenue definitions.

2.5 Tax

TAX IN THE INCOME STATEMENT

DKK million		2015	2014
Tax payable on net profit		806	914
Change in deferred tax		11	(140)
Adjustment for previous years		(21)	(20)
Tax in the income statement	I/S	796	754
Calculation of effective tax rate:			
Corporate tax rate in Denmark		23.5%	24.5%
Non-taxable income less non-deductible expenses		0.2%	0.1%
Difference in foreign tax rates		(0.9)%	(0.8)%
Other adjustments		(0.8)%	(0.8)%
Effective tax rate		22.0%	23.0%



Corporation tax, comprising the current tax liability, change in deferred tax for the year and possible adjustments relating to previous years, is recognized in the income statement, except to the extent that it relates to items recognized either in Other comprehensive income or directly in Shareholders' equity. Uncertain tax positions are recognized if it is probable that an amount is to be paid or received. Deferred tax is measured using the balance sheet liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities. No deferred tax is recognized for goodwill, unless amortization of goodwill for tax purposes is allowed. The tax value of tax loss carry-forwards is included in the calculation of deferred tax to the extent that the tax losses can be expected to be utilized in the future.

Deferred tax is measured according to current tax rules and at the tax rate expected to be in force on elimination of the temporary differences. Changes in deferred tax due to tax rate changes are recognized in the income statement, except to the extent that they relate to items recognized either in Other comprehensive income or directly in Shareholders' equity.

2.5 Tax (continued)

DEFERRED TAX

DKK million	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Intangible assets and property, plant and equipment	410	465	(1,347)	(1,363)
Inventories	494	498	(161)	(136)
Tax loss carry-forwards	17	2	-	-
Stock options	176	128	-	-
Other	266	243	(111)	(136)
	1,363	1,336	(1,619)	(1,635)
Offsetting items	(904)	(851)	904	851
Deferred tax at December 31	459	485	(715)	(784)

The tax value of the unrecognized share of tax loss carry-forwards, tax credits, etc. that do not expire amounted to DKK 31 million (2014: DKK 20 million).

DKK million	2015	2014
Deferred tax at January 1	(299)	(500)
Currency translation adjustments	(8)	2
Effect of business acquisitions	(23)	25
Tax related to the income statement	53	154
Tax on shareholders' equity items	21	20
Deferred tax at December 31	(256)	(299)
Deferred tax assets	B/S 459	485
Deferred tax liabilities	B/S (715)	(784)
Deferred tax at December 31	(256)	(299)



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's tax charge is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items, the tax treatment of which cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material gains, losses and/or cash flows. The complexity of the Group's structure following its geographic expansion makes the degree of estimation and judgment more challenging. The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in the consolidated income statement and actual tax payments. The Group regularly enters into dialogue with the tax authorities to reduce this risk and has a major part of its internal transactions covered by advance pricing agreements.

2.5 Tax (continued)

TAX RECEIVABLES AND PAYABLES

DKK million	2015	2014
Tax payable at January 1	(286)	(205)
Currency translation adjustments	(13)	(1)
Tax related to the income statement	(849)	(908)
Tax on shareholders' equity items	42	51
Tax paid for the current year, net	893	777
Tax payables, net, at December 31	(213)	(286)
Tax receivables	B/S 156	103
Tax payables	B/S (369)	(389)
Tax payables, net, at December 31	(213)	(286)
Of which due within 12 months	(43)	(58)
Of which due after more than 12 months	(170)	(228)
Tax payables, net, at December 31	(213)	(286)
Corporate income taxes paid are specified as follows:		
Income taxes paid in Denmark	586	525
Income taxes paid outside Denmark	307	252
Total income taxes paid	893	777

Tax risk

Novozymes operates in many markets via sales companies and distributors, while production takes place in a small number of countries. This leads to transactions between Group companies. Novozymes follows the OECD principles in setting internal transfer prices for these transactions, but this is a complicated area and entails a tax risk, partly because the area is subject to political judgment in each individual country. Novozymes regularly enters into dialogue with the tax authorities to reduce this risk, and has entered into advance pricing agreements with the tax authorities in the countries where internal transactions are most significant.

For Novozymes, such agreements create predictability in relation to taxation and reduce the risk of Novozymes becoming part of the ongoing transfer-pricing debate around the world. A major part of internal transactions in the Group is covered by advance pricing agreements. See also Novozymes' position on tax at www.novozymes.com.

Joint taxation

Novozymes A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Novo A/S Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation liability. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

2.6 Earnings per share

DKK million		2015	2014
Profit used to calculate earnings per share	I/S	2,823	2,526
Average number of shares			
Weighted average number of shares in circulation		306,004,982	311,897,872
Average dilutive effect of outstanding stock options and stock awards		3,369,639	3,180,742
Average number of diluted shares		309,374,621	315,078,614
Earnings per share		DKK 9.23	DKK 8.10
Earnings per share, diluted		DKK 9.12	DKK 8.02

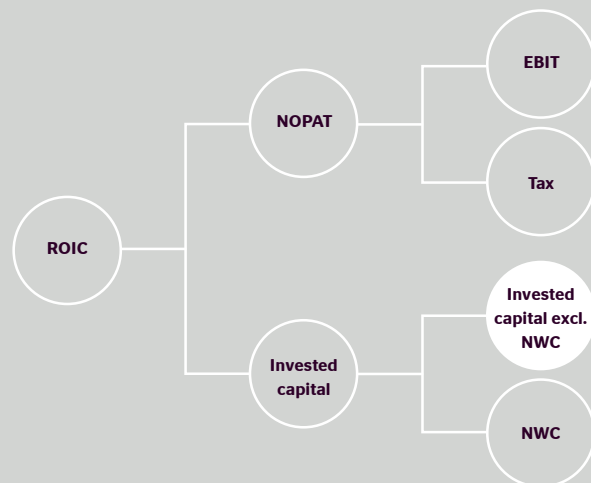


ACCOUNTING POLICIES

Basic earnings per share is calculated as net profit attributable to shareholders in Novozymes A/S divided by the average number of shares in circulation.

Diluted earnings per share is calculated as net profit attributable to shareholders in Novozymes A/S divided by the average number of shares in circulation, including the dilutive effect of stock options "in the money."

Invested capital



ROIC up from 23.1% in 2014 to

25.9%

Increase in invested capital in DKK million

1,356

Net investments of DKK 1,015 million compared with DKK 715 million in 2014, excl. The BioAg Alliance

1,015

DKK million	Note	2015	2014
Intangible assets	3.1	2,676	2,954
Property, plant and equipment	3.2	8,162	7,498
Investments in associates	3.4	91	24
Net working capital (see Net working capital section)		1,708	1,059
Financial assets, non-interest-bearing		20	17
Provisions	3.3	(241)	(279)
Other non-current financial liabilities, non-interest-bearing		(14)	(17)
Other financial liabilities, non-interest-bearing		(42)	(136)
Tax, net	2.5	(469)	(585)
Invested capital		11,891	10,535
Average invested capital		11,213	11,203

3.1 Intangible assets and impairment test of goodwill

DKK million	Goodwill	Acquired patents, trademarks, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total
Cost at January 1, 2015	1,113	2,836	314	-	4,263
Currency translation adjustments	(3)	13	1	-	11
Additions from business acquisitions	30	68	-	-	98
Additions during the year	-	4	21	38	63
Disposals during the year	-	(9)	(1)	-	(10)
Transfers to/(from) other items	-	-	14	(14)	-
Cost at December 31, 2015	1,140	2,912	349	24	4,425
Amortization and impairment losses at January 1, 2015		1,077	232		1,309
Currency translation adjustments		-	1		1
Amortization during the year		245	30		275
Impairment losses		174	-		174
Disposals during the year		(9)	(1)		(10)
Amortization and impairment losses at December 31, 2015		1,487	262		1,749
Carrying amount at December 31, 2015	1,140	1,425	87	24	2,676

Impairment

The intangible asset related to the partnership with Beta Renewables S.p.A has been fully written down by recognizing an impairment loss of DKK 174 million in 2015. This was partly offset by a compensation of DKK 120 million in accordance with the Beta Renewables agreement. The net impairment loss of DKK 54 million has been recognized in Cost of goods sold. (2014: no impairment losses recognized).

The impairment loss was the result of an impairment test performed on the specific asset as the expectations for the cash flows related to the asset had been reduced. The impairment test compared the discounted cash flow related to the future use of the asset with the carrying amount of the asset. The cash flow

used was based on business plans for the period 2016-2022. A WACC of 13% was used to calculate the discounted cash flows.

Impairment test of goodwill

Management monitors goodwill for the Novozymes Group as a whole, which means that the impairment test of goodwill is performed for the Novozymes Group as a whole.

The market value of Novozymes is significantly greater than equity and, with reference to our materiality concept, no further key assumptions are used in determining whether impairment of goodwill exists.



Intangible assets other than goodwill are measured at cost less accumulated amortization and impairment losses. Goodwill and IT development projects in progress are not subject to amortization.

Costs associated with large IT projects for the development of software for internal use are capitalized if they are incurred with a view to developing new and improved systems.

Amortization is based on the straight-line method over the expected useful lives of the finite-lived assets, as follows:

- Completed IT development projects are amortized over the useful life. IT development assets are amortized over 3-5 years
- Acquired patents, trademarks, licenses and know-how are amortized over their useful lives. The useful lives of patents and trademarks are normally identical to the patent period. Licenses are amortized over the agreement period. Recognized patents, trademarks, licenses and know-how are amortized over 7-15 years

Development costs pertaining to development of new products where the development costs meet the criteria for recognition in the balance sheet are capitalized within intangible assets. Research costs and development costs pertaining to ongoing optimization of production processes for existing products, or to development of new products where lack of approval by the authorities, acceptance by customers and other uncertainties mean the development costs do not fulfill the criteria for recognition in the balance sheet, are expensed as incurred.

The Group regularly reviews the carrying amounts of its finite-lived intangible assets to determine whether there is an indication of an impairment loss. An impairment loss is recognized to the extent that the asset's carrying amount exceeds its estimated recoverable amount. Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired.

3.1 Intangible assets and impairment test of goodwill (continued)

DKK million	Goodwill	Acquired patents, trademarks, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total
Cost at January 1, 2014	1,022	2,599	291	2	3,914
Currency translation adjustments	6	17	1	-	24
Additions from business acquisitions	88	(94)	-	-	(6)
Additions during the year	-	329	20	-	349
Disposals during the year	(3)	(15)	-	-	(18)
Transfers to/(from) other items	-	-	2	(2)	-
Cost at December 31, 2014	1,113	2,836	314	-	4,263
Amortization and impairment losses at January 1, 2014		845	205		1,050
Currency translation adjustments		5	-		5
Amortization during the year		229	27		256
Disposals during the year		(2)	-		(2)
Amortization and impairment losses at December 31, 2014		1,077	232		1,309
Carrying amount at December 31, 2014	B/S	1,113	1,759	82	2,954



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

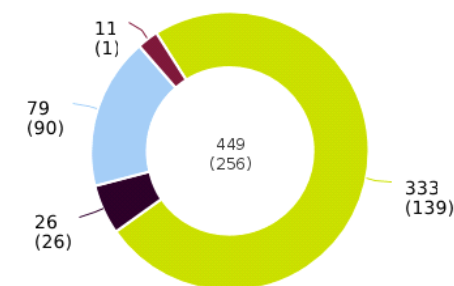
The estimated useful life reflects the period over which the Group expects to derive economic benefits from intangible assets. The most significant intangible assets are patents, trademarks, licenses and know-how, which are amortized over 7-15 years. The useful lives are reviewed on an annual basis, taking into consideration future events that may impact them, such as changes in the scope of patents and in technology.

If there is any indication that an asset may be impaired, the asset's value in use is estimated and compared with the carrying amount. The calculation of value in use is based on the discounted cash flow method using estimates of future cash flows from the continuing use of the asset. The key parameter is the expected revenue streams. This parameter is based on estimates of the future, and the value in use calculated therefore aggregates the natural uncertainty of these estimates. More information related to the estimates made may become available in future periods, which may give rise to changes in the estimated value in use.

Recognition of amortization by function 2015 (2014)

■ Cost of goods sold ■ Sales and distribution
■ Research and development ■ Administration

DKK million



3.2 Property, plant and equipment

DKK million	Land and buildings	Plant and machinery	Other equipment	Assets under construction and prepayments	Total
Cost at January 1, 2015	4,838	8,779	1,431	524	15,572
Currency translation adjustments	186	376	53	18	633
Additions from business acquisitions	2	-	-	-	2
Additions during the year	92	328	108	440	968
Disposals during the year	(14)	(114)	(53)	-	(181)
Transfers to/(from) other items	79	195	59	(333)	-
Cost at December 31, 2015	5,183	9,564	1,598	649	16,994
Depreciation and impairment losses at January 1, 2015	2,301	4,895	878	-	8,074
Currency translation adjustments	58	146	30	-	234
Depreciation for the year	169	389	120	-	678
Disposals during the year	(10)	(103)	(41)	-	(154)
Depreciation and impairment losses at December 31, 2015	2,518	5,327	987	-	8,832
Carrying amount at December 31, 2015	2,665	4,237	611	649	8,162

Capitalized interest and pledges

No interest has been capitalized in 2015 or 2014.

Land and buildings with a carrying amount of DKK 412 million (2014: DKK 422 million) have been pledged as security to credit institutions. The mortgage loan expires in 2029.

Impairment

No impairment losses on Property, plant and equipment have been recognized in 2015 (2014: an impairment loss of DKK 150 million was recognized, of which DKK 75 million was included in Cost of goods sold and Research and development costs respectively).



Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Borrowing costs in respect of construction of major assets are capitalized.

Depreciation is based on the straight-line method over the expected useful lives of the assets, as follows:

- Buildings: 12-50 years
- Plant and machinery: 5-25 years
- Other equipment: 3-18 years

The assets' residual value and useful life are reviewed on an annual basis, and adjusted if necessary at each reporting date.

The Group regularly reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

3.2 Property, plant and equipment (continued)

DKK million	Land and buildings	Plant and machinery	Other equipment	Assets under construction and prepayments	Total
Cost at January 1, 2014	4,469	7,934	1,323	550	14,276
Currency translation adjustments	234	461	58	29	782
Additions during the year	33	195	94	381	703
Disposals during the year	(7)	(86)	(96)	-	(189)
Transfers to/(from) other items	109	275	52	(436)	-
Cost at December 31, 2014	4,838	8,779	1,431	524	15,572
Depreciation and impairment losses at January 1, 2014	1,989	4,356	796	-	7,141
Currency translation adjustments	92	190	35	-	317
Depreciation for the year	175	331	104	-	610
Impairment losses	50	100	-	-	150
Disposals during the year	(5)	(82)	(57)	-	(144)
Depreciation and impairment losses at December 31, 2014	2,301	4,895	878	-	8,074
Carrying amount at December 31, 2014	2,537	3,884	553	524	7,498



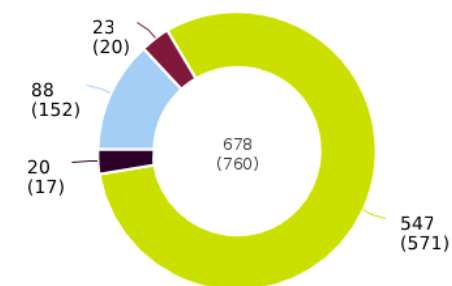
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

If there is any indication that an asset may be impaired, the asset's value in use is estimated and compared with the carrying amount. The calculation of value in use is based on the discounted cash flow method, using estimates of future cash flows from the continuing use of the asset. The key parameters are expected utilization of the asset, expected growth in sales of products produced by the asset, expected growth in cash flow in the terminal period, etc. All these parameters are based on estimates of the future, and the value in use calculated therefore aggregates the natural uncertainty of these estimates. More information related to the estimates made may become available in future periods, which may give rise to changes in the estimated value in use.

Recognition of depreciation and impairment losses by function 2015 (2014)

■ Cost of goods sold ■ Sales and distribution
■ Research and development ■ Administration

DKK million



3.3 Provisions

DKK million	2015			2014		
	Dismantling and restoration	Legal, contingent consideration and other	Total	Dismantling and restoration	Legal, contingent consideration and other	Total
Provisions at January 1	129	150	279	112	167	279
Currency translation adjustments	6	-	6	6	3	9
Additions during the year	1	22	23	11	75	86
Reversals during the year	(35)	(29)	(64)	-	(45)	(45)
Utilization during the year	-	(3)	(3)	-	(50)	(50)
Provisions at December 31	101	140	241	129	150	279
Recognized in the balance sheet as follows:						
Non-current	B/S 96	90	186	124	88	212
Current	B/S 5	50	55	5	62	67
Provisions at December 31	101	140	241	129	150	279

Dismantling and restoration

Dismantling and restoration relates to estimated future costs of environmental restoration – Novozymes aims for production sites not to have a negative environmental impact – and restoration of leased premises when terminating the lease and vacating the premises. These liabilities relate to established circumstances, and these costs are expected to be incurred either when concrete measures are implemented or when the sites are vacated. The expected costs and timing are by nature uncertain. With regard to restoration of leased premises, amounts are considered uncertain as the final settlements will depend on thorough inspection of the premises and negotiations with the lessor at the time of vacating. The costs are expected to be incurred in a minimum of two years/maximum of 15 years from termination of the leases.

Legal, contingent consideration and other

Novozymes is involved in a number of ongoing legal disputes, and provision is made for the estimated costs of these based on the current evaluation of the outcomes. The cases are expected to be finalized in 2016-2017. In management's opinion, the outcome of these cases will not give rise to any significant loss beyond the amounts provided at December 31, 2015.

Contingent consideration and other provisions covers a number of minor obligations, including liability for returned goods, other long-term employee benefits, contingent consideration, etc. These obligations are mainly expected to be incurred over a longer period.

No provisions are discounted as discounting does not have any significant impact on the carrying amounts.



ACCOUNTING POLICIES

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events and it is probable it will lead to an outflow of financial resources. Provisions are measured at the present value of the expected expenditure required to settle the obligation.



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management assesses the need for provisions on an ongoing basis. This assessment takes account of the likelihood of Novozymes being obliged to expend financial resources and the amount at which the liabilities are expected to be settled. As these assessments are based on estimates of the future, they are subject to a high level of uncertainty and may give rise to changes in amounts in future accounting periods.

3.4 Joint operations and associates

Joint operations

In 2012, Novozymes formed a strategic partnership with Beta Renewables S.p.A. The objective of the partnership is to market, demonstrate and guarantee cellulosic biofuel solutions based on technologies held by Beta Renewables S.p.A. and Novozymes on a global basis. The parties have joint control of the partnership. The partnership had no material impact on revenue and earnings in 2015 (2014: no material impact).

Novozymes has interests in joint operations with Novo Nordisk. These are homeowners' associations and related utility facilities in connection with the shared production sites in Kalundborg and Bagsvaerd, Denmark. The operations had no impact on revenue and earnings in 2015 (2014: no impact). Novozymes and Novo Nordisk share control of the arrangements equally.

Associates

Novozymes holds 9.95% of the shares in Beta Renewables S.p.A., with which Novozymes has formed a jointly controlled operation within cellulosic biofuel solutions.

Novozymes holds 23.1% of the shares in Microbiogen Pty Ltd., with which Novozymes collaborates exclusively on the exploration and development of yeast for the ethanol industry.

Neither of the associates are individually material to the group.

DKK million		2015	2014
Associates			
Share of losses	I/S	(6)	(21)
Other comprehensive income		-	-
Comprehensive income for the year		(6)	(21)
Investments in associates	B/S	91	24



Joint operations

The Group's holdings in joint operations are consolidated by including its interest in the joint operations' assets, liabilities, revenue and costs.

Associates

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognized at cost, and the carrying amount is increased or decreased to recognize Novozymes' share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes the fair value of the net assets and goodwill identified on acquisition.

Gains and losses resulting from transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investors' investments in the associates. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

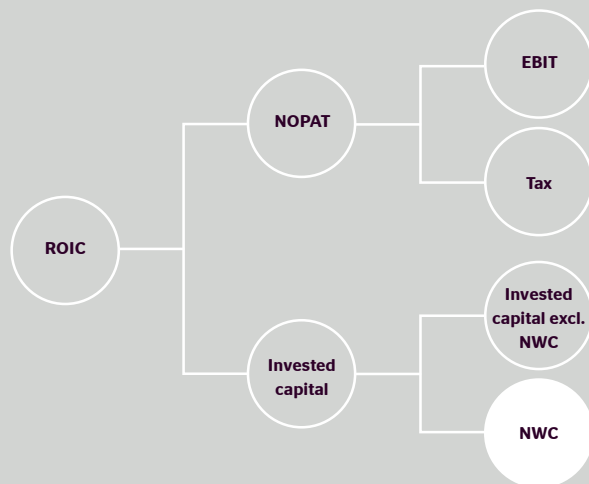
In a step acquisition, the previously held equity interest in the acquiree is remeasured at its fair value on the acquisition date, and the resulting gain or loss is recognized in profit and loss. The estimated total fair value of the equity interest held immediately after the step acquisition is recognized as the cost of the equity interest.



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Although Novozymes holds less than 20% of the equity shares in Beta Renewables S.p.A., the Group exercises significant influence by virtue of its contractual right to appoint members of key management boards, and has the power to participate in Beta Renewables' financial and operating policy decisions. Consequently, this investment has been classified as an associate.

Net working capital



Net working capital in DKK million

1,708

Net working capital as % of sales

12 %

DKK million	Note	2015	2014
Other receivables, non-current	4.3	116	125
Inventories	4.1	2,281	2,184
Trade receivables	4.2	2,558	2,244
Other receivables	4.3	294	228
Other liabilities, non-current		(12)	(17)
Deferred income	4.4	(992)	(1,208)
Trade payables		(1,189)	(1,122)
Other liabilities	4.5	(1,348)	(1,375)
Net working capital		1,708	1,059
Average net working capital		1,384	1,900

Deferred income released in 2015 related to The BioAg Alliance in DKK million

224

4.1 Inventories

DKK million		2015	2014
Raw materials and consumables		339	318
Work in progress		578	431
Finished goods		1,364	1,435
Inventories at December 31	B/S	2,281	2,184
Cost of materials, included under Cost of goods sold		3,225	2,792
Write-downs expensed during the year		85	104
Reversal of write-downs during the year*		61	52

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

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 plant, 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.

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 774 million at the end of 2015 (2014: DKK 736 million). The indirect production costs are assessed on an ongoing basis to ensure optimal measurement of payroll 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.

4.2 Trade receivables

DKK million	2015	2014
Trade receivables	2,694	2,345
Allowances for doubtful trade receivables	(179)	(168)
	2,515	2,177
Amounts owed by related companies	43	67
Trade receivables at December 31	2,558	2,244
Changes in allowances for doubtful trade receivables:		
At January 1	168	152
Allowances during the year	108	76
Write-offs during the year	(7)	(7)
Reversed allowances	(90)	(53)
Allowances at December 31	179	168
Age of trade receivables that are past due but not impaired:		
Up to 30 days	154	126
Between 30 and 90 days	52	8
More than 90 days	3	-
Trade receivables past due but not impaired at December 31	209	134

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The credit risk on trade receivables is countered by thorough, regular analyses based on customer type, country and specific terms and conditions.

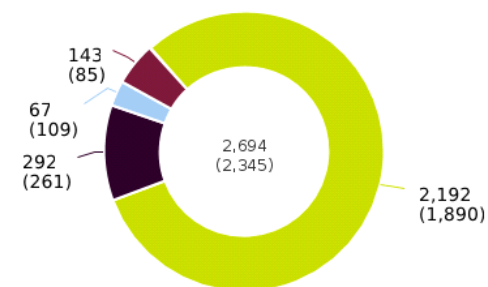
Allowances for doubtful trade receivables are based on a country-specific credit rating by external rating agencies. However, the allowances also reflect management's assessment and review of the individual receivables based on individual customer creditworthiness, overdues and current economic trends.

Trade receivables - country risk* 2015 (2014)

- Lowest to slight risk
- Moderate risk
- High risk
- Very high or highest risk

* Country risk categories are based on definitions used by external rating agencies

DKK million



4.3 Other receivables

DKK million		2015	2014
Deposits		29	21
Prepaid expenses		165	124
Loans		-	25
Other		216	183
Other receivables at December 31		410	353
Recognized in the balance sheet as follows:			
Non-current	B/S	116	125
Current	B/S	294	228
Other receivables at December 31		410	353

4.4 Deferred income

At December 31, 2015, deferred income amounted to DKK 992 million. This relates mainly to payments from Monsanto in connection with 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 re-assessed annually. The re-assessment in 2015 has not changed the planned release of deferred income.

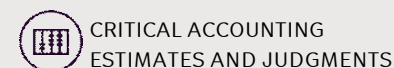


Prepaid expenses comprise expenses paid relating to subsequent financial years such as sales commission, rent, insurance premiums, subscription fees and interest.

Prepaid expenses and Loans and receivables are measured at amortized cost or net realizable value, whichever is lower.



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.



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.

4.4 Deferred income (continued)

DKK million	Amortization ends (year)	2015	2014
The BioAg Alliance	2023	950	1,174
Other	2022	42	34
Deferred income at December 31		992	1,208
Recognized in the balance sheet as follows:			
Non-current	B/S	769	950
Current	B/S	223	258
Deferred income at December 31		992	1,208
Expected to be recognized in the income statement:			
Within 1 year		223	258
Between 1 and 5 years		602	735
After 5 years		167	215
Deferred income at December 31		992	1,208

4.5 Other liabilities

DKK million		2015	2014
Employee costs payable		753	673
Stock-based payment settled in cash		45	34
Other payables		550	668
Other liabilities at December 31	B/S	1,348	1,375

Capital structure and financing



A company's capital structure shows how it funds its operations using equity and debt. Novozymes has decided to use net interest-bearing debt to EBITDA (NIBD/EBITDA) as the key measure of capital structure.

NIBD/EBITDA at December 31, 2015

0.1

Proposed dividend payout of DKK 1,062 million equaling a payout ratio of

37.6%

Novozymes bought back 6.4 million B shares under the stock buyback program with a transaction value of DKK million

2,000

5.1 Financial risk factors and risk management

Novozymes' international operations mean that its earnings and financial position are exposed to a number of financial risk factors. Financial risks are managed centrally for the entire Group. The treasury policy is approved by Novozymes' Board of Directors, and sets the limits for the various financial risks and the derivatives used to hedge the risks. The treasury policy is adjusted on an ongoing basis to adapt to the market situation, and contains rules on which derivatives can be used for hedging, which counterparties can be used and the risk profile that is to be applied.

Currency risk

Currency risk arises due to imbalances between income and costs in each individual currency and because Novozymes has more assets than liabilities in foreign currencies in connection with its global operations. Hedging of currency risk is carried out in the currencies where Novozymes has the largest exposure. The hedging is managed by entering into derivatives such as forward contracts, currency options and swaps. Loans and

deposits in foreign currencies are also utilized as hedging. Hedge effectiveness is assessed on a regular basis.

Currency risk related to net investments in foreign subsidiaries is hedged where this is deemed appropriate. In 2015, forward exchange contracts were used to hedge the large currency exposure in net investments in U.S. subsidiaries. The hedge was 100% effective. Currently, there are no derivatives used to hedge equity investments.

Foreign exchange sensitivity

Operating profit/EBIT is exposed to currency changes, as the effect of hedges is included in financial income/costs. Operating profit/EBIT is mainly exposed to the USD and EUR. A movement of 5% in the USD would result in a change in the expected operating profit/EBIT for 2016 of around DKK 90-110 million (2014: DKK 80-100 million). A 5% movement in the EUR would result in a change in expected operating profit/EBIT for 2016 of around DKK 150-200 million (2014: DKK 150-200 million).

Of the expected USD cash flows for 2016, approx. 100% has been hedged by forward contracts and currency options at an average rate of DKK 6.73. As a result, the impact on net profit from changes in the USD has been reduced significantly compared with the impact on operating profit/EBIT.

The sensitivity analysis below shows the impact on net profit and other comprehensive income of a 5% change in the DKK versus the key currencies to which Novozymes was exposed on December 31, 2015. For other comprehensive income, the analysis shows the impact on currency translation of net investments and does not include the impact of cash flow hedges, as these relate to future commercial transactions.

The sensitivity analysis reflects the transaction and translation risk, and assumes that the exchange rates are changed on December 31, 2015, and that all other variables remain constant. A similar negative change in exchange rates would have a similar opposite effect on net profit and other comprehensive income.

DKK million	Increase in exchange rates	2015		2014	
		Change in net profit	Change in other comprehensive income	Change in net profit	Change in other comprehensive income
CHF	5.0%	1	66	(3)	44
CNY	5.0%	3	133	4	116
USD	5.0%	1	212	7	42
Other	5.0%	-	85	(2)	77
Total		5	496	6	279

Interest rate risk

Interest rate risk arises in relation to interest-bearing assets and liabilities. In accordance with Novozymes' treasury policy, a minimum of 30% of loans must be at fixed interest rates.

Hedging of the interest risk is managed by entering into fixed-rate loans and interest rate swaps.

An increase of 1 percentage point in the average interest rate on

Novozymes' net interest-bearing debt would have a positive effect on profit of DKK 4 million (2014: DKK 20 million). At year-end 2015, 75% (2014: 76%) of the loan portfolio was at fixed interest rates.

5.1 Financial risk factors and risk management (continued)

Credit risk

Credit risk arises especially on cash and cash equivalents, derivatives and trade receivables. Details of credit risk on trade receivables are included in note 4.2. The credit risk on cash and cash equivalents as well as derivatives is countered by the treasury policy, which limits exposure to counterparties that have an investment-grade credit rating. The credit risk is calculated on the basis of net market values and is governed by the treasury policy. Novozymes has entered into netting agreements (ISDA) with all the banks used for trading in financial instruments, which means that Novozymes' credit risk is limited to net assets.

At December 31, 2015, the Group considered its maximum credit risk to be DKK 3,801 million (2014: DKK 5,054 million), which is the total of the Group's financial assets. At December 31, 2015, the maximum credit risk related to one counterparty was DKK 232 million (2014: DKK 453 million).

Liquidity risk

In connection with the Group's ongoing financing of operations, including refinancing, efforts are made to ensure adequate and flexible liquidity. This is guaranteed by using committed credit facilities and placing free funds in deposits, government bonds

or ultra-liquid mortgage bonds in accordance with the treasury policy. At December 31, 2015, Novozymes' financial resources amounted to DKK 2,796 million (2014: DKK 4,453 million), consisting of net cash and cash equivalents and undrawn committed credit facilities of DKK 2,000 million, which expire in 2017.

With the exception of credit institutions, the maturity dates are primarily within one year.

5.2 Financial income and Financial costs

DKK million		2015	2014
Interest income		4	9
Gains on cash flow hedges		-	26
Financial income	I/S	4	35
Interest costs		(31)	(58)
Losses on cash flow hedges		(152)	-
Other financial costs		(57)	(27)
Losses on fair value hedges, net		-	(8)
Other foreign exchange losses, net		(6)	(13)
Fair value adjustments of cash-settled stock options		(15)	(13)
Financial costs	I/S	(261)	(119)
Financial income/costs, net		(257)	(84)



ACCOUNTING POLICIES

Financial income and Financial costs comprise interest income and interest costs, realized and unrealized foreign exchange gains and losses, as well as fair value adjustments of cash-settled stock-based incentive programs, which are offset against Other liabilities.

Financial income and Financial costs also include fair value adjustments of derivatives used to hedge assets and liabilities, and income and costs relating to cash flow hedges that are transferred from Other comprehensive income on realization of the hedged item.

5.3 Other financial liabilities

DKK million	2015	2014
Credit institutions	1,276	1,798
Derivatives	56	153
Other	-	21
Other financial liabilities at December 31	1,332	1,972
Recognized in the balance sheet as follows:		
Non-current	B/S 1,216	1,242
Current	B/S 116	730
Other financial liabilities at December 31	1,332	1,972



ACCOUNTING
POLICIES

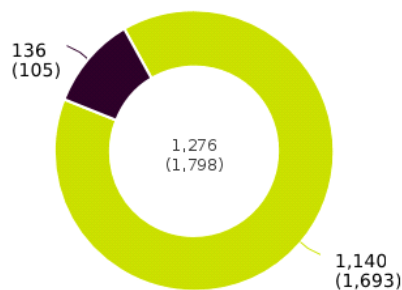
Credit institutions are measured at amortized cost.

Derivatives are measured at fair value.

Credit institutions - currency 2015 (2014)

■ EUR
■ Other

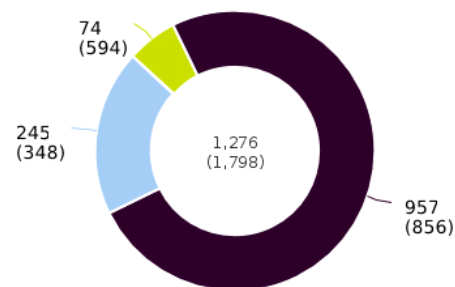
DKK million



Credit institutions - time to maturity 2015 (2014)

■ Less than 1 year
■ More than 5 years
■ Between 1 and 5 years

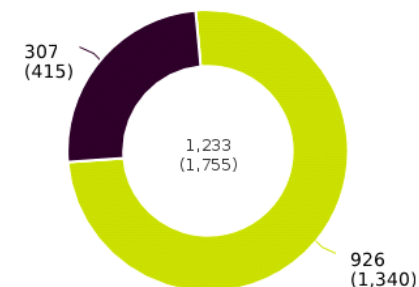
DKK million



Loan portfolio - fixed or floating interest rate 2015 (2014)

■ Fixed interest rate
■ Floating interest rate

DKK million



5.4 Derivatives – hedge accounting

Fair value hedges

The table below shows the derivatives the Group has contracted to hedge currency exposure on financial assets and liabilities that give rise to currency adjustments in the income statement.

DKK million	2015		2014	
	Contract amount based on agreed rates*	Fair value Dec. 31	Contract amount based on agreed rates*	Fair value Dec. 31
Forward exchange contracts				
CAD	(290)	3	(269)	9
CHF	(429)	1	(279)	-
USD	326	(9)	3,127	(76)
Other	(234)	(1)	(140)	1
Fair value hedges at December 31	(627)	(6)	2,439	(66)

* Positive contract amounts represent a sale of the respective currency, and negative amounts represent a purchase.

The forward exchange contracts fall due in the period January 2016 to June 2016 (2014: February 2015 to May 2015).

The fair value hedges were 100% effective, as the loss on forward exchange contracts was DKK 48 million (2014: loss of

DKK 368 million), compared with a gain on the hedged items of DKK 48 million (2014: gain of DKK 368 million).



Hedge accounting consists of positive and negative fair values of derivatives, which are recognized in the balance sheet under Other financial assets and Other financial liabilities respectively.

Derivatives used for fair value hedges are measured at fair value on the reporting date, and value adjustments are recognized as Financial income or Financial costs.

Derivatives used for cash flow hedges and hedges of net investments in subsidiaries are measured at fair value on the reporting date, and value adjustments are recognized in Other comprehensive income.

Income and costs relating to cash flow hedges and hedges of net investments in subsidiaries are transferred from Other comprehensive income on realization of the hedged item and are recognized as Financial income or Financial costs.

Derivatives are recognized on the transaction date.

5.4 Derivatives – hedge accounting (continued)

Cash flow hedges

The table below shows the derivatives that the Group has contracted to hedge currency and interest rate exposure in future cash flows.

DKK million	2015		2014	
	Contract amount based on agreed rates*	Fair value Dec. 31	Contract amount based on agreed rates*	Fair value Dec. 31
Forward exchange contracts				
EUR	369	(4)	-	-
USD	1,823	(13)	757	(51)
	2,192	(17)	757	(51)
Currency options				
USD	197	3	746	2
	197	3	746	2
Interest rate swaps				
EUR/EUR - paid fixed rate of 3.06% / earned variable rate of 0.305% (2014: 0.305%)	-	-	112	(3)
EUR/EUR - pays fixed rate of 3.58% / earns variable rate of 0.049% (2014: 0.305%)	112	(16)	112	(18)
	112	(16)	224	(21)
Cash flow hedges at December 31	2,501	(30)	1,727	(70)

* Positive contract amounts represent a sale of the respective currency, and negative amounts represent a purchase.

The forward exchange contracts fall due in the period January 2016 to December 2016 (2014: January 2015 to December 2015), while the option contracts fall due in the period July 2016 to September 2016 (2014: January 2015 to December 2015), and

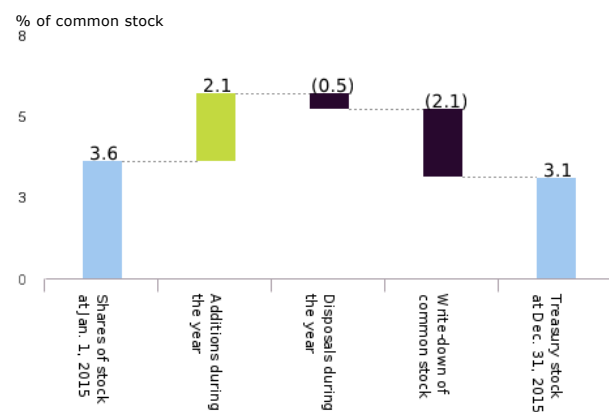
the swap falls due in July 2019 (2014: July 2015 and July 2019).

At the end of 2015, the Group had hedged 100% of expected future cash flows in USD for 2016 at an average rate of DKK 6.73 (2014: 85%).

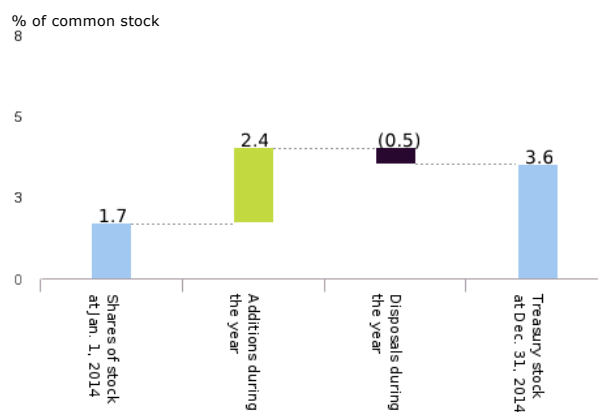
5.5 Common stock and treasury stock

	2015		2014	
	No.	Nominal value DKK million	No.	Nominal value DKK million
Common stock				
A common stock (shares of DKK 2)	53,743,600	107	53,743,600	107
B common stock (shares of DKK 2)	259,256,400	519	265,956,400	532
Common stock at December 31	313,000,000	626	319,700,000	639
	B/S			
Treasury stock - B stock				
Shares of stock at January 1	11,489,888	23	5,499,476	11
Additions during the year	6,389,173	12	7,734,631	15
Disposals during the year	(1,560,368)	(3)	(1,744,219)	(3)
Cancellation of common stock	(6,700,000)	(13)	-	-
Treasury stock at December 31	9,618,693	19	11,489,888	23

Treasury stock 2015



Treasury stock 2014



The cost price and proceeds from the sale of treasury stock are recognized in Retained earnings.

Each A share gives an entitlement to 20 votes, while each B share gives an entitlement to 2 votes.

Each year the Board of Directors assesses whether the ownership structure with A and B common stock is optimal. The Board of Directors maintains that this is the best way to safeguard Novozymes' long-term development to the benefit of the company's shareholders and other stakeholders.

The treasury stock is used to reduce the common stock, and to hedge employees' exercise of granted stock awards and stock options.

In 2015, Novozymes canceled 6.7 million treasury shares, reducing the common stock to 313 million shares.

From 2011 to 2014, the common stock was unchanged, except for a DKK 11 million cancellation in 2013.

No.	2015	2014
Shares of common stock in circulation		
Shares of stock at January 1	308,210,112	314,200,524
Purchase of treasury stock	(6,389,173)	(7,734,631)
Sale of treasury stock	1,560,368	1,744,219
Shares of common stock in circulation at December 31	303,381,307	308,210,112

5.6 Financial assets and liabilities by category

The table below shows the Group's financial assets and financial liabilities at December 31 by category.

DKK million	Note	2015	2014
Trade receivables and other receivables, excl. prepaid expenses	4.2, 4.3	2,803	2,473
Cash and cash equivalents	6.6	839	2,535
Loans and receivables		3,642	5,008
Securities and other financial assets		139	29
Available-for-sale financial assets		139	29
Derivatives		20	17
Hedge accounting (asset)		20	17
Financial assets		3,801	5,054
Credit institutions	5.3	(1,276)	(1,798)
Trade payables		(1,189)	(1,122)
Other payables	4.5, 5.3	(550)	(689)
Financial liabilities at amortized cost		(3,015)	(3,609)
Derivatives	5.3	(56)	(153)
Hedge accounting (liability)		(56)	(153)
Financial liabilities		(3,071)	(3,762)

Measurement and fair value hierarchy

All financial assets and liabilities, except for derivatives and other financial assets, are measured at cost and amortized cost. The carrying amounts for these approximate fair value.

Derivatives and other financial assets are measured at fair value on observable data (level 2 input) according to the fair value hierarchy. The derivatives and other financial assets are not traded on an active market based on quoted prices, but are

individual contracts. The fair value of these assets is determined using valuation techniques that utilize market-based data such as exchange rates, interest rates, credit risk and volatilities.

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).

Other financial notes



This section contains other statutory disclosures not related to the previous sections.

Grant date fair value of options granted in 2015 in DKK million

96

No. of material pending litigations

0

No. of Danish and foreign subsidiaries in the Group

46

6.1 Management remuneration

DKK million	2015			2014		
	Executive Leadership Team	Board of Directors	Total	Executive Leadership Team	Board of Directors	Total
Salaries and other short-term benefits	40	7	47	39	6	45
Defined contribution plans	9	-	9	10	-	10
Remuneration excl. expensed stock-based incentive programs	49	7	56	49	6	55
Expensed stock-based incentive programs	34	-	34	28	-	28
Remuneration	83	7	90	77	6	83

Executive Leadership Team

Remuneration of the Executive Leadership Team comprises a base salary, pension, a cash bonus scheme, stock-based incentive programs and other benefits (car, telephone, etc.). The variable part of the total remuneration (cash bonus and stock-based incentive programs) is relatively large compared with the base salary, and is dependent on achievement of individual targets and the company's targets for financial, social and environmental performance. The maximum annual cash bonus is

equivalent to five months' fixed base salary plus pension. General guidelines for remuneration of the Executive Leadership Team are approved at the Annual Shareholders' Meeting, and more detailed information is available in the Remuneration Report.

Members of the Executive Leadership Team have contracts of employment containing standard conditions for executive

officers of Danish listed companies, including the periods of notice that both parties are required to give and noncompetition clauses. If the executive officer's contract of employment is terminated by the company without misconduct on the part of the executive officer, the executive officer has the right to compensation, which, depending on the circumstances, may amount to a maximum of two years' base salary and pension contributions.

6.2 Stock-based payment

Novozymes has established stock-based incentive programs for the Executive Leadership Team, vice presidents and directors, and other employees. The purpose of the stock-based incentive programs is to ensure common goals for management, employees and shareholders. Allocation of programs has been, and remains, dependent on profit, value-creation and, in most cases, sustainability targets being achieved. At the time of granting stock options, there is no difference between exercise price and share price.

In 2014, a three-year incentive program for the Executive Leadership Team was established, covering the period 2014-2016. The program is a combination of stock options and stock, with half of the incentive program allocated in stock and half in stock options. Stock options will be awarded annually in 2014, 2015 and 2016, while the stock will be allocated in 2017. When the 2016 results are published in 2017, the awarded number of stock options and shares of stock will be finally granted, based on the cumulative level of achievement of economic profit for 2014-2016. Achievement of a cumulative economic profit of DKK 5.0 billion over the three-year period will result in 80% of the program being awarded, while cumulative economic profit of DKK 5.5 billion or more over the three-year period is required for the full program to be awarded. If the economic profit for the period is below DKK 2.5 billion, no stock or stock options will be granted. Between these three points, stock and stock options will be granted proportionally.

The total fair value at grant date was DKK 134 million, which will be expensed over a six-year period. The value of the stock will be expensed over the qualifying period of three years (2014-2016). The stock options have a vesting period of four years, followed by an exercise period of five years. The fair value of the stock options will be expensed over a four-year period for each of the qualifying years (2014-2016).

The program contains a maximum-value clause, allowing the Board of Directors to choose to limit the total allocation of stock and stock options if the intrinsic value of the program

exceeds DKK 268 million at the end of the program.

Furthermore, a three-year program was established for vice presidents and directors in 2014. To a large degree the program uses the same mechanisms as the program for the Executive Leadership Team. The fair value of this three-year program is DKK 150 million, and the maximum-value clause is approximately DKK 300 million. The maximum number of shares of stock that can be allocated under this program in 2017 is 324,013, and dividends from these shares during the three-year period will be used to buy additional shares.

For other employees, a three-year incentive program was established in 2014 with annual awards in 2014, 2015 and 2016. When the 2016 results are published in 2017, the awarded number of stock options will be granted to the employees based on the cumulative level of achievement of economic profit, EBIT and sustainability targets for 2014-2016. The Executive Leadership Team, vice presidents and directors, who are already included in an existing incentive program, are excluded from this program.

The awarded stock options have a vesting period of four years, after which there is an exercise period of five years. The fair value of the three-year program is approximately DKK 120 million, which will be expensed over a four-year period for each of the qualifying years.

In previous years, stock option programs were established for all or selected groups of employees, conferring the right to purchase one share per stock option. Allocations were made on the basis of the individual employee's base salary and achievement of a series of business targets – both financial and nonfinancial – set by the Board of Directors for each year. The stock options have a vesting period of four years, followed by an exercise period of five years. In order to exercise the options, the employee must still be employed on the exercise date. This does not apply to persons who have retired, taken a voluntary early retirement pension or been given notice.



The Group has established stock-based incentive programs comprising equity-settled and cash-settled programs.

The fair value of the employee services received in exchange for the grant of stock options and stock awards is calculated using the value of the granted stock options and stock awards.

The fair value of stock-based payment on the grant date is recognized as an employee cost over the period in which the stock options vest. In measuring the fair value, account is taken of the number of employees expected to gain entitlement to the options as well as the number of options the employees are expected to gain. This estimate is adjusted at the end of each period such that only the number of options to which employees are entitled, or expected to be entitled to, is recognized.

The value of equity-settled programs is recognized in Shareholders' equity. The value of cash-settled programs, which are recognized as Other liabilities, is adjusted to fair value at the end of each period, and the subsequent adjustment in fair value is recognized in the income statement under Financial income or Financial costs.

6.2 Stock-based payment (continued)

The number of outstanding options (excl. stock awards) has developed as follows:

	Executive Leadership Team Number of options	Vice presidents and directors Number of options	Other employees Number of options	Total Number of options	Avg. exercise price per option DKK	Grant date fair value per option DKK	Grant date fair value total DKK million
Outstanding at January 1, 2015	1,010,673	4,297,788	1,840,122	7,148,583	152		
Granted*	463,749	564,325	845,172	1,873,246	301	51	96
Exercised	(242,430)	(877,159)	(315,771)	(1,435,360)	309		
Forfeited	-	(180,910)	(52,390)	(233,300)	151		
Expired	-	(1,470)	-	(1,470)	69		
Outstanding at December 31, 2015	1,231,992	3,802,574	2,317,133	7,351,699	200		
Outstanding at January 1, 2014	401,878	4,221,947	1,221,314	5,845,139	108		
Granted*	641,735	969,299	821,712	2,432,746	228	41	99
Exercised	(32,940)	(818,236)	(200,764)	(1,051,940)	256		
Forfeited	-	(52,542)	(820)	(53,362)	181		
Expired	-	(22,680)	(1,320)	(24,000)	167		
Outstanding at December 31, 2014	1,010,673	4,297,788	1,840,122	7,148,583	152		
Number of exercisable options at December 31, 2015				2,089,597	86		
Number of exercisable options at December 31, 2014				3,509,296	87		

* The allocation of stock options for 2014-2016 will be adjusted in January 2017, based on the cumulative level of target achievement in the period.

For stock options outstanding at December 31, 2015, the range of exercise prices is DKK 78-317 per option (2014: DKK 69-280 per option), and the weighted average remaining term to maturity is six years (2014: five years). The weighted average share price for stock options exercised during 2015 was DKK 309 (2014: DKK 256).

The number of stock options outstanding with a remaining term to maturity of up to five years, amounts to 2,089,597 (2014: 3,509,296) with a range of exercise prices of DKK 78-165 (2014:

DKK 69-164) and an average exercise price of DKK 86 (2014: DKK 88). The remaining outstanding stock options have a weighted average remaining term to maturity of 7 years (2014: 8 years), a range of exercise prices of DKK 178-317 (2014: DKK 160-280) and an average exercise price of DKK 246 (2014: DKK 214).

Most programs are equity-settled, and no liability is recognized for these. In the case of allocations in countries where ownership of foreign stock is not permitted, the value of stock

options is settled in cash, and a liability of DKK 45 million has been recognized for this in 2015 (2014: DKK 34 million). The intrinsic value of exercisable cash-settled programs in 2015 was DKK 49 million (2014: DKK 26 million).

During 2015, DKK 106 million arising from stock-based payment has been recognized in the income statement (2014: DKK 94 million), of which DKK 101 million is from equity-settled programs (2014: DKK 91 million).

6.2 Stock-based payment (continued)

The fair value of services received is measured with reference to the fair value of the equity instruments granted. Fair value at grant date is measured using the Black-Scholes model, using the

average exercise price (which is 0 for stock awards), the option term and the following significant assumptions:

	2015	2014
Expected future dividends per share, DKK	26.3	10.6
Volatility, %	22.9	19.0
Annual risk-free interest rate, %	0.0	0.6
Weighted average share price at grant date, DKK	301	228

The fair value of stock options granted during 2015 is to be expensed over the four-year vesting period.

The fair value of stock awards outstanding at December 31, 2015, is DKK 257 million (2014: DKK 252 million). The fair value of stock awards granted during 2015 was DKK 0 million (2014: DKK 157 million, to be expensed over the three-year qualifying period). The number of non-vested stock awards at December 31, 2015 is 777,076 (2014: 968,786).

Furthermore, the options are expected to be exercised two years after the vesting period, on average, or at the option's expiry date if this is within one year. Volatility is estimated using the historical volatility over the last three years. The risk-free interest rate is based on Danish government bonds with a maturity equivalent to the option's term to maturity.

6.3 Commitments and contingencies

DKK million	2015	2014
Recognized in the income statement in respect of rentals	112	98
Rental commitments expiring within the following periods from the reporting date:		
Less than 1 year	100	89
Between 1 and 2 years	77	51
Between 2 and 3 years	52	37
Between 3 and 4 years	43	29
Between 4 and 5 years	31	24
After 5 years	71	72
Rental commitments at December 31	374	302

Of this, commitments to related parties at December 31, 2015, amount to DKK 34 million, compared with DKK 32 million at December 31, 2014. The above rental commitments relate to

noncancelable operating leases, primarily for buildings and offices.

DKK million	2015	2014
Other commitments		
Contractual obligations to third parties relating to property, plant and equipment	452	177
Other guarantees		
Other guarantees and commitments to related companies	80	48
Other guarantees and commitments	359	386

Contractual obligations to third parties relating to capital expenditure were significantly impacted in 2015 by the decision to establish a new innovation campus in Denmark.

Pending litigation and arbitration

Novozymes is engaged in certain legal proceedings. In the opinion of the Board of Directors and Executive Leadership Team, settlement or continuation of these proceedings will not have a material effect on the Group's financial position. A liability has been recognized under provisions where the risk of a loss on a legal proceeding is considered more likely than not.

Contract conditions

Several of the partnership contracts to which Novozymes is a party could be terminated by the opposite party in the event of significant changes concerning ownership or control of Novozymes. Furthermore, a few contracts contain provisions that restrict Novozymes' licenses to use specific forms of technology in such situations.

Novozymes is committed to increasing its production capacity in Latin America if a specific customer reaches certain milestones. The amount required to meet this commitment cannot be estimated reliably for the moment.

6.4 Related party transactions

Novozymes A/S is controlled by Novo A/S, which holds 70.7% of the votes in Novozymes A/S. The remaining stock is widely held. The ultimate parent of the Group is the Novo Nordisk Foundation (incorporated in Denmark).

Related parties are considered to be Novo A/S and the Novo Nordisk Foundation, and the Board of Directors and the Executive Management of these entities together with their immediate families. Other related parties are considered to be the Novo Nordisk Foundation's subsidiaries and associates, such as the Novo Nordisk Group, the NNIT Group and the Chr. Hansen

Group, associates of Novozymes A/S, as well as the Board of Directors and the Executive Leadership Team of Novozymes A/S together with their immediate families. Related parties also include companies where the above persons have control or joint control.

All agreements relating to these transactions are based on market price (arm's length). The majority of the agreements are renegotiated regularly. The Group has had the following transactions with related parties:

TRANSACTIONS

DKK million	2015	2014
The Novo Nordisk Group		
Sale of goods and materials	57	60
Sale of services	108	82
Purchase of goods and materials	(92)	(75)
Purchase of services	(93)	(77)
The NNIT Group		
Sale of services	-	-
Purchase of services	(48)	(37)
The Chr. Hansen Group		
Sale of goods and materials	20	21

There have not been any material transactions with related parties other than the transactions described above, and normal

remuneration of the Board of Directors and Executive Leadership Team, which is presented in Note 6.1.

6.4 Related party transactions (continued)

OUTSTANDING BALANCES

DKK million	2015	2014
The Novo Nordisk Group		
Receivables	42	61
Financial liabilities	-	(21)
Payables	(102)	(103)
The NNIT Group		
Receivables	-	-
Payables	(12)	(8)
The Chr. Hansen Group		
Receivables	1	6

6.5 Fees to statutory auditor

DKK million	2015	2014
Statutory audit	9	8
Other assurance engagements	-	-
Tax advisory services	6	6
Other services	5	5
Fees to statutory auditor	20	19

It is Novozymes' policy that the annual fee for nonaudit services provided by the auditor elected by the Annual Shareholders' Meeting must not exceed the annual fee for audit services measured at Group level. This ratio can only be exceeded with the approval of the Audit Committee.

In 2015, approval was given for a nonrecurring advisory service of DKK 3.5 million related to the potential spinoff or closing down of the hyaluronic acid activities.

The upcoming rules arising from the EU audit reform will most likely result in restrictions on the size and type of nonaudit services that the auditor may perform while performing the audit. Novozymes does not receive any nonaudit services that are expected to be prohibited.

6.6 Cash flow

DKK million	Note	2015	2014
Non-cash items			
Accrued interest income and interest costs		27	49
(Gain)/loss on financial assets, etc., net		43	13
Depreciation, amortization and impairment losses	3.1, 3.2	1,127	1,016
Allowances for doubtful trade receivables	4.2	11	18
Financial (gain)/loss on sale of assets		11	32
Unrealized foreign exchange (gain)/loss		(97)	(277)
Tax	2.5	796	754
Stock-based payment	6.2	106	94
Change in provisions	3.3	(38)	-
Monsanto - reversal of non-cash items		-	(582)
Other items		6	6
Non-cash items		1,992	1,123
Business acquisitions and purchase of financial assets			
Acquisitions and purchase of financial assets		(242)	14
Cash flow from acquisitions		(242)	14
Cash and cash equivalents, net			
Cash and cash equivalents		839	2,535
Credit institutions - on demand		(43)	(82)
Cash and cash equivalents, net, at December 31		796	2,453

Undrawn committed credit facilities were DKK 2,000 million at December 31, 2015 (2014: DKK 2,000 million). DKK 2,000 million expires in 2017.

On February 10, 2014, Novozymes formed The BioAg Alliance together with Monsanto. The formation of the alliance included an upfront payment that relates partly to the transfer of certain intangible assets and items of property, plant and equipment, and partly to future product deliverables and other obligations for Novozymes in the coming years.

The total upfront payment amounted to DKK 1,971 million, of which DKK 1,642 million was settled in cash and DKK 329

million by transfer of intangible assets to Novozymes. A cash receipt of DKK 1,222 million was included in deferred income under Operating activities, and a cash receipt of DKK 419 million was included in Sale of intangible assets and Sale of property, plant and equipment under Investing activities in the Consolidated statement of cash flows in 2014.



The Consolidated statement of cash flows, which is compiled using the indirect method, shows cash flows from operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities comprises net profit adjusted for non-cash items, paid financial items, corporate income tax paid and change in working capital. Cash flow from investing activities comprises payments relating to the acquisition and sale of companies and non-controlling interests, intangible assets, and property, plant and equipment.

Cash flow from financing activities comprises proceeds from borrowings, repayment of principal on interest-bearing debt, payment of dividends, proceeds from stock issues, and the purchase and sale of treasury stock and other securities.

Cash and cash equivalents comprises cash at bank and in hand less current bank loans due on demand.

6.7 Events after the reporting date

No events have occurred after the balance sheet date of importance to the consolidated financial statements.

6.8 Group companies

	Country	Activity						Issued common stock/paid-up stock	Percentage of shares owned
Parent company									
Novozymes A/S	Denmark	■	□	●	▲	○	DKK	626,000,000	
Subsidiaries									
Novozymes BioAg S.A.	Argentina		□	●	▲		ARS	700,000	100
Novozymes Australia Pty. Ltd.	Australia			●			AUD	500,000	100
Novozymes Belgium BVBA	Belgium			●			EUR	18,600	100
Novozymes Latin America Ltda.	Brazil	■	□	●	▲		BRL	23,601,908	100
Novozymes BioAg Productos Para Agricultura Ltda.	Brazil		□	●			BRL	7,454,860	100
Novozymes BioAg Limited	Canada		□	●	▲		CAD	4,079,799	100
Novozymes Canada Limited	Canada		□	●			CAD	100	100
Novozymes (China) Biotechnology Co. Ltd.	China	■	□	●			CNY	859,058,400	100
Novozymes (China) Investment Co. Ltd.	China			●	▲		CNY	816,449,373	100
Novozymes (Shenyang) Biologicals Co. Ltd.	China		□	●			CNY	31,793,578	100
Suzhou Hongda Enzyme Co. Ltd.	China	■	□	●			CNY	356,744,150	96
Novozymes (China) Biopharma Co. Ltd.	China		□	●			CNY	327,242,564	100
Novozymes Bioindustrial A/S	Denmark					○	DKK	1,100,000	100
Novozymes Bioindustrial China A/S	Denmark					○	DKK	729,700,000	100
Novozymes Biopharma DK A/S	Denmark			●	▲	○	DKK	612,000	100
Novozymes BioAg A/S	Denmark					○	DKK	600,000	100
Novozymes France S.A.S.	France			●			EUR	2,490,453	100

6.8 Group companies (continued)

	Country	Activity			Issued common stock/paid-up stock	Percentage of shares owned	
Novozymes Deutschland GmbH	Germany		●		EUR 255,646	100	
Novozymes Hong Kong Ltd.	Hong Kong			○	HKD 768,285,140	100	
Novozymes Biopharma Hong Kong Co. Ltd.	Hong Kong			○	HKD 551,386,045	100	
Novozymes South Asia Pvt. Ltd.	India	□	●	▲	INR 1,550,000,020	100	
Novozymes Italia S.r.l.	Italy		●		EUR 10,400	100	
Novozymes Japan Ltd.	Japan		●	▲	JPY 300,000,000	100	
Novozymes Malaysia Sdn. Bhd.	Malaysia		●	▲	MYR 6,666,414	100	
Novozymes Mexicana, S.A. de C.V.	Mexico		●		MXN 338,100	100	
Novozymes Mexico, S.A. de C.V.	Mexico		●		MXN 35,224,200	100	
Novozymes Netherlands BVBA	Netherlands		●		EUR 18,000	100	
Novozymes RUS LLC	Russia		●		RUB 5,010,000	100	
Novozymes Singapore Pte. Ltd.	Singapore			○	SGD 59,071,000	100	
Novozymes South Africa (Pty) Ltd.	South Africa		●		ZAR 100	100	
Novozymes Korea Limited	South Korea		●		KRW 300,000,000	100	
Novozymes Spain S.A.	Spain		●		EUR 360,607	100	
Novozymes Sweden AB	Sweden		●		SEK 500,000	100	
Novozymes Switzerland AG	Switzerland		●		CHF 5,000,000	100	
Novozymes Switzerland Holding AG	Switzerland			○	CHF 3,000,000	100	
Novozymes Enzim Dis Ticaret Ltd. Sirketi	Turkey		●		TRY 21,000	100	
Novozymes Biopharma UK Ltd.	UK	□	●	▲	GBP 22,535,113	100	
Novozymes UK Ltd.	UK		●		GBP 1,000,000	100	
Novozymes BioAg, Inc.	USA	□	●		USD 1	100	
Novozymes Biologicals, Inc.	USA	□	●	▲	USD 3,000,000	100	
Novozymes Biopharma US, Inc.	USA		●		USD 1	100	
Novozymes Blair, Inc.	USA	□			USD 1	100	
Novozymes, Inc.	USA			▲	USD 1,000	100	
Novozymes North America, Inc.	USA	■	□	●	▲	USD 17,500,000	100
Novozymes US, Inc.	USA			○	USD 115,387,497	100	
Pacific Vet Group-USA, Inc.	USA	□	●	▲	USD 11,237	100	

6.8 Group companies (continued)

	Country	Activity	Issued common stock/paid-up stock	Percentage of shares owned
Joint operations/associates				
Houseowners' Association Smørmosen	Denmark		DKK	
Houseowners' Association Hallas Park	Denmark		DKK	
Microbiogen PTY Ltd.	Australia		AUD	23.1
Beta Renewables S.p.A.	Italy		EUR	9.95

■ ISO 14001-certified sites. All major companies are also ISO 9001-certified.

□ Production

● Sales & Marketing

▲ Research & Development

○ Holding companies, etc.

Environmental data



We measure our environmental performance in areas that have an impact on the environment. One of the most important measures is our estimate of the change in CO₂ emissions saved as a result of customers' application of Novozymes' products in their products or processes. But we also focus on our own CO₂ emissions and use of resources, and the resulting impact on the environment.

Estimated CO₂ savings from customers' application of Novozymes' products

60 million tons

CO₂ intensity reduction

17 %

Renewable energy consumption

24 %

7.1 Climate change impact

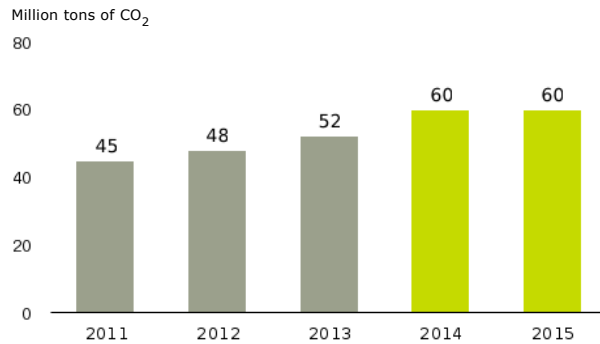
Climate change issues are of high importance to us and to our stakeholders. Many of our biological solutions mitigate the causes of climate change compared with conventional technologies. They have a unique ability to facilitate CO₂ savings for our customers through improved production processes that require less energy, water and raw material use. In some cases, customers' products drive improved performance during end use. An example of this is detergents optimized for washing at low temperatures, which help save energy.

In 2015, Novozymes updated the LCA data used to estimate its customers' CO₂ savings when applying Novozymes' products in their products or processes. Whereas the previous analysis used data from 2008, the new calculation is based on 2015 data, in order to better reflect the current impact of Novozymes' products.

In 2015, our customers avoided an estimated 60 million tons of CO₂ emissions by applying Novozymes' products. Lower sales growth than expected in key industries impacted the CO₂ savings. The savings achieved are equivalent to taking approximately 25 million cars off the road. We continue to improve the performance of our products through ongoing optimization of manufacturing processes and new product innovations. With the generation and supply of energy and raw materials becoming increasingly CO₂-efficient, we expect that CO₂ emission savings from using bioinnovation will become less pronounced in the future. The change in our calculation methodology means that the figures for 2014 and 2015 are not directly comparable with those for previous years.

Estimated annual CO₂ savings*

* Data for 2011-2013 are calculated based on LCA data from 2008



ACCOUNTING POLICIES

The estimated reduction in CO₂ emissions as a consequence of customers' application of Novozymes' products is based on annually updated life cycle assessments (LCAs) of Novozymes' products. The LCAs are prepared and updated by Novozymes and subject to assumptions and estimates.



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Novozymes uses LCAs to estimate the CO₂ emissions that customers avoid by using Novozymes' products in their processes or products. A calculation methodology to consolidate the LCAs has been defined and consistently applied, but the individual LCAs depend on assumptions and estimates, which means that the result of the calculation will be an approximation.

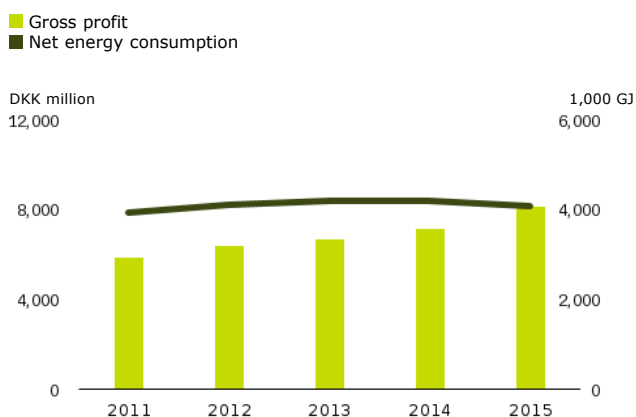
7.2 Energy

Net energy consumption by primary source

1,000 GJ	2015	2014
Town gas (conventional)	118	143
Town gas (renewable)	24	-
Gas oil, light fuel oil and diesel oil	11	22
Natural gas	543	575
Internally generated energy, total	696	740
Electricity from renewable sources	949	962
Electricity (conventional)	1,525	1,497
District heat	171	155
Steam	807	886
Externally purchased energy, total	3,452	3,500
Energy consumption, total	4,148	4,240
Energy produced from waste	(77)	(52)
Net energy consumption, total	4,071	4,188

In 2015, we improved our energy efficiency by 15% compared with 2014, surpassing our target of 10%. This was driven by continuous process optimization and implementation of many energy efficiency projects, including a heat pump project at our Tianjin facility in China, which converts waste heat from the fermentation process into hot water. The biogas plant at our Franklinton site, which turns wastewater into steam, became operational earlier than planned, which has helped us achieve our goals. We also optimized our biogas reactor in Kalundborg, Denmark, and the amount of heat recovered there has improved significantly. Renewable energy sourced reached 24% in 2015, meeting our target of 24%. The majority of the renewable energy comes from the Horns Rev II wind farm in Denmark.

Gross profit vs net energy consumption



Net energy consumption includes quantities consumed both in the production process and in other areas, less energy production from Novozymes' waste.

Internally generated energy is measured as fuel consumption converted to energy on the basis of the lower combustion value and weight by volume, except in the U.S., where legal requirements for reporting of CO₂ state that the higher combustion value is to be applied. Fuel consumption comprises all types of fuels used to produce electricity, heat and steam on site and is converted to energy using factors supplied by utility providers or local authorities. Fuel for transportation is not included.

Externally generated energy is the input to Novozymes of externally generated electricity, heat and steam.

Energy produced from waste or wastewater is renewable and amounts to the total energy (heat, electricity or steam) produced by an internal or external utility provider. An example is energy produced from biomass waste or biogas.

Reported quantities are based on meter readings, with the exception of steam, which may be subject to calculation.

Energy efficiency is measured by dividing net energy consumption by gross profit. The efficiency improvement is calculated as the relative improvement in efficiency compared with the base year (2014).

The quantities used in the calculation correspond to those reported as net energy consumption, i.e. purchased energy less energy produced from Novozymes' biomass waste.

For sites acquired in 2015 or later, the baseline index is calculated based on the data reported in the first full year of operating as a Novozymes site. Divested sites are removed from the index for the full period. Newly constructed sites are included from the first quarter after qualification.

The renewable energy percentage is calculated by dividing purchased renewable energy by net energy consumption.

7.3 Greenhouse gas emissions

CO₂ intensity decreased by 17% compared with 2014. Similar to the improvement in energy efficiency, the CO₂ intensity decrease is the result of continuous process optimizations and the implementation of numerous energy-saving projects.

CO₂-equivalent emissions

1,000 tons	2015	2014
Town gas	8	9
Gas oil	1	1
Natural gas	28	30
CO₂ - scope 1	37	40
District heat	9	8
Electricity	259	271
Steam	66	70
CO₂ - scope 2 (market-based)	334	349
Ship	6	7
Truck	14	15
Air freight	15	11
CO₂ - scope 3	35	33
CO₂ emissions, total	406	422
HCFCs	2	2
CO₂-equivalents, total	408	424



ACCOUNTING POLICIES

Reported CO₂ emissions comprise scope 1, scope 2 and emissions from outbound transport of products.

CO₂ from internally generated energy (scope 1) is calculated on the basis of the amount of fuel consumed, using local emission factors.

CO₂ from externally generated energy (scope 2) is reported in accordance with both the market-based and the location-based method, as defined by the Greenhouse Gas (GHG) Protocol. The location-based method uses annually determined local emission factors from power plants or their organizations. If emission factors are not available, annually determined emission factors from Danish authorities and suppliers are used.

Transport-related CO₂ emissions (scope 3) are calculated on the basis of principles described in the GHG Protocol. Reported quantities comprise CO₂ emissions related to transport from all primary enzyme production sites to the customer where Novozymes pays for the freight. Transport between production sites is also included. Transport of raw materials to a production site is not included. CO₂ emissions generated at external warehouses are not included. Emission data are calculated on the basis of distance and emission factors from the GHG Protocol.

The environmental impact potentials for global warming and ozone layer depletion are calculated on the basis of data published by the U.S. Environmental Protection Agency (EPA) and the Montreal Protocol published by the United Nations Environment Programme (UNEP).

CO₂ intensity is measured as CO₂ emissions (scope 1+2) less emissions from energy offset by green energy produced from Novozymes' waste (i.e. net emissions added by Novozymes' processes), divided by gross profit. The intensity reduction is calculated as the relative improvement in intensity compared with the base year (2014).

For definitions of quantities used and sites included in the calculation, see the accounting policies for energy in Note 7.2.

7.3 Greenhouse gas emissions (continued)

Difference between market-based and location-based scope 2 emissions

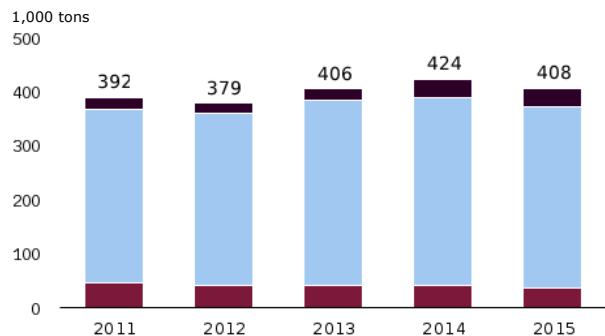
1,000 tons	2015	2014
Scope 2 CO ₂ emissions (market-based)	334	349
Scope 2 CO ₂ emissions (location-based)	414	430

In accordance with the recently updated Scope 2 Guidance from the GHG Protocol, scope 2 CO₂ emissions must be reported in two ways, referred to as a location-based and a market-based method. At Novozymes, market-based reported CO₂ emissions

differ from location-based emissions for emissions from electricity purchased at all Danish sites. This electricity comes from wind farms and makes up approximately 23% of total energy consumed.

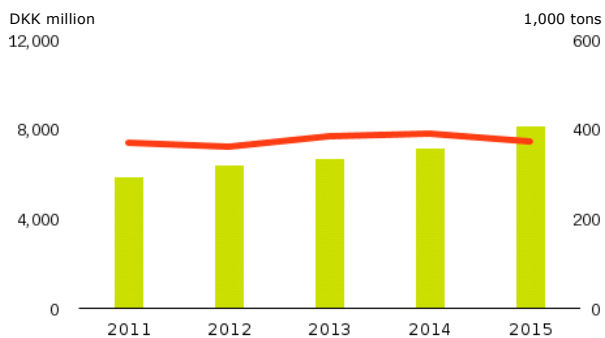
5-year GHG emissions by scope (CO₂-eqv.)

- Emissions of HCFCs
- Scope 3 CO₂ emissions
- Scope 2 CO₂ emissions
- Scope 1 CO₂ emissions



Gross profit vs CO₂ emissions (scope 1+2)

- Gross profit
- CO₂ emissions



7.4 Water

Water efficiency improved by 9% compared with 2014. This improvement was less than expected, as a new system for water reuse at a major production site could not be implemented to its

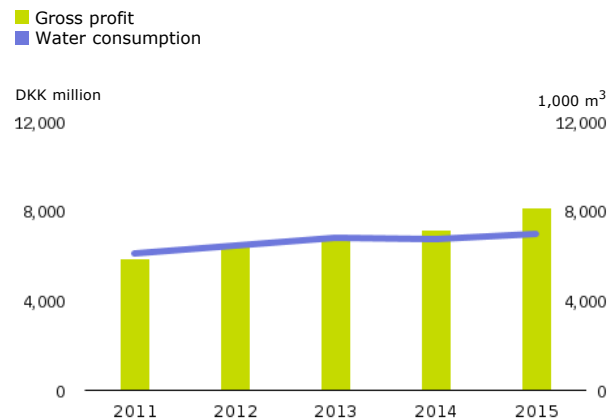
full capacity in time. It is now ramping up. We expect it to contribute to water savings in 2016.

Water by primary source

1,000 m ³	2015	2014
Drinking water	4,733	4,539
Industrial water	1,943	1,885
Steam	289	318
Water, total	6,965	6,742

CSR

Gross profit vs water consumption



ACCOUNTING
POLICIES

Water includes drinking water, industrial water and externally supplied steam.

Drinking water is water of drinking water quality.

Industrial water is water that is not of drinking water quality, but is suitable for certain industrial processes, for example for use in cooling towers. Industrial water can come from lakes or from wells.

The reported quantities are stated on the basis of the metered intake of water to Novozymes and include quantities consumed both in the production process and in other areas. The reported quantities of steam are converted to volume of running water and are therefore subject to calculation.

Water efficiency is measured by dividing water consumption by gross profit. The efficiency improvement is calculated as the relative improvement in efficiency compared with the base year (2014).

The quantities used in the calculation correspond to those reported as water consumption.

For sites acquired in 2015 or later, the baseline index is calculated based on the data reported in the first full year of operating as a Novozymes site. Divested sites are removed from the index for the full period. Newly constructed sites are included from the first quarter after qualification.

7.5 Wastewater

Wastewater from Novozymes' production is treated internally or externally in biological wastewater treatment systems before it is discharged to the recipient, or used as water for irrigation in agriculture.

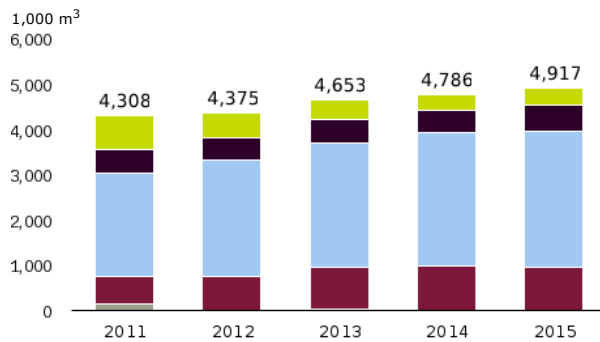


Wastewater is measured as the volume discharged by Novozymes or calculated on the basis of water consumption.

1,000 m ³		2015	2014
Wastewater used for irrigation		358	355
Wastewater discharged		4,559	4,431
Wastewater volume, total	CSR	4,917	4,786

Wastewater by treatment method

- Novozymes-treated to irrigation
- Novozymes-treated to external water recipient
- Novozymes-treated to external treatment
- Untreated to external treatment
- Untreated to external water recipient



7.6 Production inputs

The large-scale production of our products requires raw materials, utilities and packaging materials. The purchase and subsequent disposal of such resources can impact the environment and are therefore important for Novozymes to monitor. Efficient use and disposal of resources are key to Novozymes in order both to reduce costs and to improve its environmental footprint.

In 2015, we achieved cost savings of over DKK 5 million by shifting toward large packaging sizes, reducing the packaging material used per unit and collaborating with our key customers to develop optimal solutions.

7.7 Waste and by-products

The waste and by-products from Novozymes' production consist of nonhazardous waste, hazardous waste and biomass.

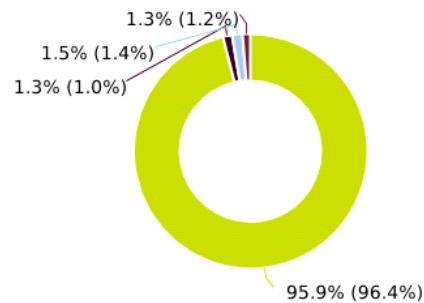
Biomass is liquid waste, a by-product from Novozymes' production that is rich in nitrogen and phosphorus and can therefore be used as fertilizer. Instead of disposing of this biomass as waste, a major part of it is turned into a product, NovoGro®, and distributed to farmers, who use it as an organic fertilizer on their fields, thus reducing their need for commercial fertilizers.

When part of the by-products from production is reused by farmers, the quantity of by-products that needs to be handled as waste is reduced accordingly. This reduces not only the costs associated with waste treatment, but also the negative impact on the environment.

The rate of waste recovery was 50% in 2015, compared with 45% in 2014. We have made significant progress by focusing on recycling at our production sites.

Waste and by-products recovered 2015 (2014)

■ Recovered biomass ■ Recovered (recycled) solid waste
■ Biomass sent for landfill ■ Solid waste sent for landfill/incineration



Raw materials comprises materials used directly or indirectly in the production process. Packaging comprises all products made of any material of any nature to be used for the containment, protection, handling, delivery and preservation of goods from the producer to the user or consumer.



Biomass is measured or calculated on the basis of volume or weight produced and transported from Novozymes as liquid fertilizer (NovoGro®), converted to a fertilizer product with a higher dry matter content (NovoGro® 30 or compost) or dried and used as fuel for energy production. Biomass from a newly built plant is sent for landfill with energy production (biogas) as a temporary disposal method.

Waste is the registered volume of waste broken down into hazardous and nonhazardous waste, and by disposal method. The amount recycled is the quantity recycled internally or sent to an external service provider for recycling. Biomass is not included in the reported amounts of waste.

7.7 Waste and by-products (continued)

1,000 tons

Biomass	2015	2014
NovoGro®	309	310
NovoGro® 30	153	153
Compost	47	72
Landfill	8	8
Biomass, total	517	543

1,000 tons

Nonhazardous waste	2015	2014
Incineration	1.2	1.0
Landfill	3.8	4.0
Recycling (external)	4.4	3.8
Recycling (internal)	-	-
Other	0.2	0.1
Nonhazardous waste, total	9.6	8.9
Hazardous waste		
Incineration	1.4	1.2
Landfill	0.1	-
Recycling (external)	0.1	-
Recycling (internal)	2.1	1.6
Other	0.1	0.2
Hazardous waste, total	3.8	3.0
Waste, total	13.4	11.9

7.8 Environmental compliance, etc.

Novozymes aims to comply with all environmental regulations and strives to minimize the number of complaints from its customers and neighbors. In 2015, 27 breaches of regulatory limits were registered worldwide, compared with 25 in 2014. The majority of the breaches are minor breaches related to wastewater treatment and process air purification. Action plans have been agreed on with relevant environmental authorities to address all pending issues.

We received 11 complaints from neighbors, the same level as in 2014. Most of these complaints were made by private residents living close to our facilities and were related to odors and noise.

Novozymes has a pending case in the U.S. after elevated nitrate levels were found in the ground water around the site in Franklinton, North Carolina, a number of years ago. A comprehensive site assessment submitted by Novozymes was accepted by the North Carolina Department of Environment and Natural Resources in 2014, and as a result Novozymes developed and submitted an action plan in 2015 for final resolution. The action plan is currently awaiting approval from the authorities.



Breaches of environmental regulatory limits is measured as the number of incidents in the reporting year considered not to be in conformity to environmental permits or requirements under environmental law.

Breaches related to annual control measurements of spills reported in previous years are not included, as they are not indicative of performance during the reporting year.

Neighbor complaints refers to the number of registered environmental complaints, primarily odor- and noise-related.

Social and governance data



We measure our social performance using a number of indicators in the areas of workplace development, occupational health & safety, societal outreach and governance. These indicators provide an overview of progress made and enable us to understand the trends, so we can respond to risks and opportunities related to talent attraction and retention as well as business development.

Female promotions

41%

No. of accidents per million working hours

2.5

Employee absence

2.0%

8.1 Developments in the work force

We evaluate both employee development and turnover rate as key indicators of Novozymes' ability to attract and retain top talent.

In 2015, the employee turnover rate increased from 8.1% to 9.1%, due mainly to the closing down of the hyaluronic acid activities.

Novozymes has introduced a range of health initiatives to improve employees' overall well-being. Healthy employees are a prerequisite for a productive and sustainable organization, as low absence improves work flows, saves costs, and limits stress and extra work for colleagues.

		2015	2014
Rate of employee turnover - retirement	%	1.0	0.7
Rate of employee turnover - dismissal	%	2.7	1.6
Rate of employee turnover - voluntary	%	5.4	5.8
Rate of employee turnover, total	CSR %	9.1	8.1
Rate of absence			
Senior management, management, professional and administrative	%	1.3	1.3
Skilled workers, laboratory technicians, other technicians and process operators	%	2.8	2.5
All employees	CSR %	2.0	1.8
Other employee statistics			
Average age	Years	40.9	40.5
Average seniority	Years	9.3	9.0
Number of expatriates	No.	53	65
Employees promoted who are women	%	41	34

Rate of absence has been broken down by grouped job categories, based on whether the work carried out is primarily office-based, and is therefore not stated per job category.



Absence is stated as time lost due to the employee's illness, including pregnancy-related sick leave, and occupational accidents and diseases. The rate of absence is calculated as the number of registered days of absence as a percentage of the total number of normal working days in one year, less vacation and public holidays.

The rate of employee turnover is calculated as employee turnover divided by the average number of permanent employees.

Employee turnover is measured as the number of permanent employees who left the Group during the last four quarters (excluding employees at divested entities transferred to the acquiring company).

Average age and seniority are calculated as the sum of employees' total seniority in whole years at the reporting date, divided by the number of employees.

Expatriation refers to Novozymes employees temporarily reassigned within Novozymes from the country of original employment for a period that extends beyond six months.

Training costs is the costs of external training courses and seminars, translated into Danish kroner at average exchange rates. Training costs are also shown as a percentage of total employee costs.

Employees promoted who are women measures the percentage of women among those promoted to manager, senior manager, director, senior director or VP from a level below, or hired externally at these levels.

8.2 Occupational accidents and occupational diseases

Safety for our employees is of key importance and we will continue to strive for an injury- and incident-free working environment. As the majority of the accidents that occurred in 2015 could have been avoided with a higher degree of safety awareness, a “Let’s talk about safety” campaign was rolled out

to increase awareness and strengthen a culture where safety is embedded in everything we do. The campaign was initially rolled out in our production organization, where most of the accidents occurred. One of the key elements in the campaign is to enable team leaders to run daily safety talks with their team.

Consequences of occupational accidents

No.	2015	2014
Return to original job	22	14
Return to a different job in the same department	2	-
Transfer to a different job outside Novozymes	1	2
Out of work or early retirement	-	1
Case pending	1	-
Occupational accidents with absence, total	26	17
Total days of absence related to accidents registered in the same year	765	319
Injury severity rate	29	19

For comparison purposes, cases that were pending at the end of 2014 have been updated in line with information available at the

end of 2015. The derived figures for total days of absence and injury severity rate have also been updated.



Occupational accidents is defined as the reported number of occurrences arising out of or in the course of work that result in fatal or nonfatal injury with at least one day’s absence from work apart from the day of injury.

Occupational diseases is defined as the number of diseases contracted as a result of exposure to risk factors arising from work activity and notified as work-related in accordance with national legislation.

The consequences of occupational accidents with absence and occupational diseases are measured by recording the work situation once the outcome of the incidents has stabilized, for example whether the employees have returned to their original jobs, and the total number of calendar days of absence.

The frequencies of occupational accidents with absence and occupational diseases are stated per million working hours.

The injury severity rate is calculated by dividing total days of absence related to accidents registered in the same year by the number of occupational accidents.

8.2 Occupational accidents and occupational diseases (continued)

Consequences of occupational diseases

No.	2015	2014
Return to original job	5	2
Return to a different job in the same department	2	1
Transfer to a different job in another department	2	-
Transfer to a different job outside Novozymes	-	1
Case pending	3	-
Occupational diseases, total	12	4
Total days of absence related to diseases registered in the same year	69	27

Types of occupational diseases

No.	2015	2014
Musculoskeletal disorder	3	1
Skin disease	2	2
Enzyme allergy	5	1
Respiratory disease	2	-
Occupational diseases, total	12	4

8.3 Training and compliance

Supplier program for responsible sourcing

Since 2009, Novozymes has systematically assessed its suppliers from both a risk and opportunity perspective through the supplier program for responsible sourcing. The program evaluates suppliers based on their commercial, quality and sustainability performance, and focuses on high-risk suppliers. In 2015, overall adherence to the supplier program was 100%, which is above our target of 96.5%.

In 2015, we increased responsible sourcing efforts to include specific measures to combat net deforestation in the supply chain. All of our suppliers of directly sourced agricultural raw materials either shared their policy against deforestation or signed a commitment letter stating that the materials they supply to us do not contribute to further net deforestation.

Completion of business integrity training for employees

To ensure that our employees are well equipped to uphold our business integrity principles and to handle ethical dilemmas that they may encounter in their everyday work, Novozymes conducts annual training in business integrity. The global e-learning program, overseen and coordinated by Novozymes' Committee on Business Integrity, is based on a series of case studies and tailored to specific business functions. In 2015, we achieved a completion rate of 97%, compared with 94% in 2014. The high completion rates in 2014 and 2015 confirm Novozymes' commitment to upholding an organizational culture based on compliance with the principles of business ethics.

Breaches of competition law

There were no violations of competition law in 2015.

In 2015, relevant employee groups participated in the recurring antitrust e-learning, launched in 2014. The 2015 compliance training consisted of two programs with different purpose and scope. One of the programs had global reach and provided general guidance on mitigating the risk of misusing a strong

market position in an anticompetitive manner. The other program, specially targeted at sales representatives in Europe, provided specific guidance on business practices that could be used as potential substitutes for unlawful exclusive purchase obligations. New employees were also required to complete the antitrust training conducted in 2014.



Adherence to the supplier program is measured as the percentage of high-spend suppliers (spend exceeding DKK 1 million in 12 months).

The completion of business integrity training refers to the number of relevant employees who have undergone business integrity training in the last training period.

The reporting criteria for competition law violations are whether it has been established by an authority member of the International Competition Network or by a competent court anywhere in the world that a company in the Novozymes Group has violated applicable antitrust regulations.

All allegations of fraud are investigated until it can be determined whether or not they can be substantiated. The number of fraud cases represents substantiated matters reported to the Audit Committee in the reporting year.

8.3 Training and compliance (continued)

Fraud cases		2015 No.	2014 No.
Dismissal / reported to the police		5	2
Other disciplinary sanctions		7	0
Fraud cases, total	CSR	12	2

Fraud cases

Novozymes works proactively to prevent, detect and respond to fraud. Novozymes has increased its internal awareness of risks of fraud and conducts vigilant monitoring. As part of the internal control system, all identified fraud cases and concerns raised, either through Novozymes' Whistleblower Hotline or directly by internal or external personnel, are reported to the Audit Committee. All allegations of fraud are appropriately investigated and concluded on in accordance with internal

policies and procedures. Substantiated fraud will lead to proportionate disciplinary sanctions for the parties involved. Reporting to the police is assessed on a case-by-case basis.

None of the fraud cases reported in 2015 had a material financial impact.

8.4 Corporate citizenship

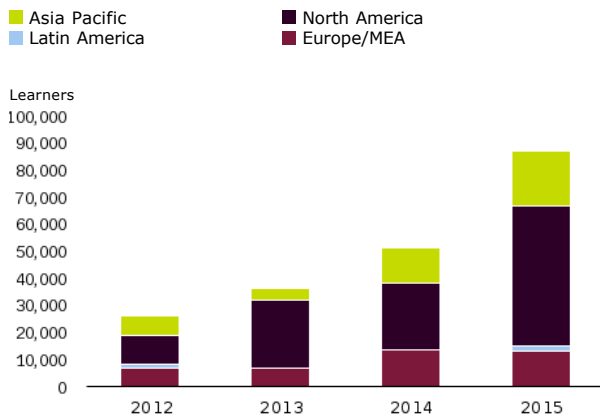
In 2015, Novozymes launched a long-term target of educating one million people about the potential of biology. This ambition builds on the legacy and best practices of our corporate citizenship program, Citizymes.

2015 was a year of strategic transitioning from Citizymes to a new EDUCATE program. We scaled up and broadened the scope of our most successful regional flagships, including Voice for Biotechnology, a public-speaking contest in India, and Biotech for Sustainability, an innovation competition in China. We continued to partner with local schools and science centers in

North America to deliver educational events for primary and high-school students.

Novozymes in Denmark opens its doors to high-school students for a day-long visit every year, offering a mix of lectures and visits to our R&D laboratories. In 2015, we also commenced a new pilot program in Brazil, Biotechnology for Sustainability Goes to School. We reached approximately 87,000 learners in 2015, compared with 51,000 learners in 2014.

Citizymes: Learners reached by geography



ACCOUNTING POLICIES

Regional flagship projects is the number of corporate citizenship/community engagement projects currently in progress where Novozymes engages with a community by providing competencies in the areas of scientific understanding and environmental awareness, for example through transfer of knowledge to help meet the community's needs. Regional flagship projects have a time horizon of at least one year and are supplemented by relevant smaller activities and sponsorships.

Learners reached comprises the total number of learners who Novozymes reaches directly or indirectly via its corporate citizenship activities in the areas of scientific understanding and environmental awareness.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Methodologies to count and consolidate learners reached have been defined and are applied, but the reported numbers are still subject to assumptions and estimates, for example when recording the number of participants at a conference, which means that the result of the calculation will be an approximation.

Statement of the Board of Directors and Executive Leadership Team

The Board of Directors and Executive Leadership Team have today considered and approved the Annual Report of Novozymes A/S for the financial year January 1 – December 31, 2015.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements have been prepared in accordance with

the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements have been prepared in accordance with additional Danish disclosure requirements for listed companies. Management's Review has also been prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the Group's internal controls relevant to preparation and

presentation of the Annual Report are adequate. The Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at December 31, 2015, and of the results of the Group and the Parent Company operations, and of consolidated cash flows for the financial year 2015.

In our opinion, Management's Review includes a true and fair account of the developments in the operations and financial circumstances of the Group and the Parent Company, of the result for the year, and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, Novozymes A/S adheres to the AA1000 AccountAbility principles, and environmental and social data are stated in accordance with the accounting policies.

We recommend that the Annual Report be adopted by the Annual Shareholders' Meeting.

Bagsvaerd, January 19, 2016

Executive Leadership Team

Peder Holk Nielsen
President & CEO

Per Falholt

Andrew Fordyce

Benny D. Loft

Thomas Nagy

Thomas Videbæk

Board of Directors

Henrik Gürtler
Chairman

Heinz-Jürgen Bertram

Anders Hentze Knudsen

Jørgen Buhl Rasmussen

Agnete Raaschou-Nielsen
Vice Chairman

Lars Green

Lars Bo Køppler

Mathias Uhlén

Lena Bech Holskov

Lena Olving

Independent Auditor's Report

To the Shareholders of Novozymes A/S

Report on Financial Statements and Environmental, Social and Governance Data

We have audited the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data of Novozymes A/S for the financial year January 1 to December 31, 2015. The Consolidated Financial Statements and the Parent Company Financial Statements comprise income statement, balance sheet, statement of changes in equity and financial notes, including summary of significant accounting policies for both the Group and the Parent Company, as well as statement of cash flows and financial resources and statement of comprehensive income for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies. The Environmental, Social and Governance Data are prepared in accordance with the accounting policies stated in the accounting policies for the Environmental, Social and Governance Data.

Management's Responsibility for Financial Statements and Environmental, Social and Governance Data

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for preparing Environmental, Social and Governance Data in accordance with the accounting policies stated in accounting policies for Environmental, Social and Governance Data.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, data and disclosures in the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view, and considers internal control relevant to the Company's preparation of Environmental, Social and Governance Data that are prepared in accordance with the accounting policies for Environmental, Social and Governance Data in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at December 31, 2015, and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2015, in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at December 31, 2015, and of the results of the Parent Company's operations for the financial year January 1 to December 31, 2015, in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

In our opinion, the Environmental, Social and Governance Data for the financial year January 1 to December 31, 2015, are prepared in accordance with the accounting policies stated in the accounting policies for the Environmental, Social and Governance Data.

Bagsvaerd, January 19, 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No.: 33771231

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Rasmus Friis Jørgensen
State Authorized Public Accountant

Statement on Management's Review

We have in accordance with the Danish Financial Statements Act read Management's Review, which comprises the sections The big picture, Our business and Governance. We have not performed any procedures additional to the audit of the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data.

Independent assurance statement on Novozymes' 2015 sustainability reporting and adherence to the AA1000 accountability principles

TO THE STAKEHOLDERS OF NOVOZYMES

We have been engaged by Novozymes A/S' Management to provide moderate assurance (review) as to whether Novozymes adheres to the AA1000 AccountAbility Principles. A multidisciplinary team including assurance practitioners and other experts conducted this engagement.

Regarding the audit of environmental, social and governance data, we refer to the Independent Auditor's Report.

MANAGEMENT'S RESPONSIBILITY

Adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness is the responsibility of Management.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of

integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PwC applies International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

As assurance provider, it is our responsibility, based on our work, to make observations and recommendations with respect to the nature and extent of Novozymes' adherence to the AA1000 AccountAbility Principles. We have planned and performed our work based on AA1000AS, using the criteria in the standard to perform a Type 1 engagement. Furthermore, we conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial

Information" (limited assurance), issued by the International Auditing and Assurance Standards Board. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries and interviews with the members of the Board of Directors, members of the Executive Leadership Team, and heads of regions, Corporate Development and Performance Management on Novozymes' commitment and adherence to the AA1000 AccountAbility Principles, and the existence of systems and procedures to support adoption of the principles in the organisation.

In performing the procedures listed above we:

- reviewed processes related to how Novozymes identify its stakeholders and engage them in relevant business decisions to develop and implement responses to sustainability;
- reviewed the process that Novozymes used to identify and determine relevant and significant (material) issues to the organization and its stakeholders and whether these issues are included in the sustainability reporting; and
- interviewed a selection of Novozymes executives and senior management who have operational responsibility for sustainability issues to understand the governance and performance management structures used for managing sustainability, engagement with stakeholders on sustainability issues, development of appropriate responses to material issues and communication with its stakeholders.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that indicates that Novozymes does not adhere to the AA1000 AccountAbility Principles.

Bagsvaerd, January 19, 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No.: 33771231

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Rasmus Friis Jørgensen
State Authorized Public Accountant

OBSERVATIONS AND RECOMMENDATIONS

According to AA1000AS (2008), we are required to include observations and recommendations for improvements in relation to Novozymes' adherence to the AA1000 AccountAbility Principles.

REGARDING INCLUSIVITY

Extensive work has been completed in 2015 to prepare and launch the new strategy and long-term targets, including sustainability related targets, and to embed these into the business. This has involved reviewing performance on sustainability reporting, stakeholder engagement and materiality assessment to promote a consistent approach to sustainability and support delivery of the new strategy and long-term targets. We have noted an ongoing work to embed the long-term targets and to achieve greater connection between sustainability related and other business targets. We also noted an ongoing focus to increase collaboration, both externally through strategic partnerships and internally with the positioning of sustainability in close proximity to Public Affairs and Corporate Portfolio Management.

As Novozymes anchors the long-term targets at each level of the Company, we recommend that Novozymes continues to develop governance and business processes to ensure a consistent approach to sustainability and support the

realization of the new strategy and long-term targets. These efforts are to be supported by a strategic stakeholder engagement and communication plan to ensure regular communication on Novozymes' progress in delivering its new strategy and long-term targets and increase stakeholder engagement and buy-in.

REGARDING MATERIALITY

Novozymes continues to discuss, evaluate and determine the materiality of sustainability issues on an ongoing basis through governance processes involving Senior Management across the organisation. Work is also ongoing to assess the relevance and contribution of Novozymes' activities to delivery of the UN Sustainable Development Goals.

We have no significant recommendations regarding materiality.

REGARDING RESPONSIVENESS

Novozymes is increasingly placing emphasis on realising regional market opportunities to facilitate growth. This has enhanced responsiveness to stakeholders' needs and concerns. One example is the long-term target 'Educate', which provides the opportunity to engage and enable regional (future) customers and employees in active discussions on sustainability practices and innovation.

While Novozymes has taken significant steps in 2015 to further embed sustainability into the business activities at all levels, we have recommended that Novozymes continues to work on developing decision-making tools that include sustainability considerations in all key business decision-making processes both centrally and in the regions. Furthermore, we recommend that Novozymes develops a framework for measuring and valuing sustainability impacts associated with its business activities that will support reporting to key stakeholder groups.

Financial statements for Novozymes A/S

Financial statements

Income statement

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Statement of shareholders' equity

Basis of reporting

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2.3 Other operating income

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Income statement, Novozymes A/S

DKK million	Note	2015	2014
Revenue	2.1	7,647	6,991
Cost of goods sold	2.2	(3,696)	(3,460)
Gross profit		3,951	3,531
Sales and distribution costs	2.2	(978)	(919)
Research and development costs	2.2	(1,431)	(1,233)
Administrative costs	2.2	(544)	(514)
Other operating income	2.3	1,517	1,599
Operating profit / EBIT		2,515	2,464
Income from investments in subsidiaries	3.3	747	407
Share of losses in associates	3.3	(6)	(21)
Financial income	4.1	220	328
Financial costs	4.1	(209)	(188)
Profit before tax		3,267	2,990
Tax		(628)	(539)
Net profit		2,639	2,451
Proposed appropriation of net profit			
Dividend to shareholders		1,062	925
Revaluation reserve according to the equity method		854	407
Retained earnings		723	1,119
		2,639	2,451
Proposed dividend per share		DKK 3.50	DKK 3.00

Balance sheet, Novozymes A/S

ASSETS				LIABILITIES AND SHAREHOLDERS' EQUITY			
DKK million	Note	Dec. 31, 2015	Dec. 31, 2014	DKK million	Note	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	3.1	835	991	Common stock	5.6	626	639
Property, plant and equipment	3.2	2,884	2,787	Revaluation reserve according to the equity method		1,654	831
Investments in subsidiaries	3.3	8,195	5,311	Treasury stock		(3,363)	(3,221)
Investments in associates	3.3	91	24	Retained earnings		11,092	11,773
Other long-term receivables	3.4	89	104	Proposed dividend		1,062	922
Other financial assets		121	20	Shareholders' equity		11,071	10,944
Receivables from Group enterprises	3.3	1,421	2,695	Deferred tax		207	246
Financial fixed assets		9,917	8,154	Other provisions		98	102
Fixed assets		13,636	11,932	Provisions		305	348
Raw materials and consumables		131	136	Credit institutions	4.2	1,215	1,221
Work in progress		325	239	Payables to Group enterprises		861	495
Finished goods		719	795	Non-current liabilities		2,076	1,716
Inventories		1,175	1,170	Credit institutions		48	626
Trade receivables		990	845	Trade payables		602	502
Receivables from Group enterprises		1,291	1,289	Payables to Group enterprises		2,819	2,872
Tax receivables		-	19	Tax payable		21	-
Other receivables	3.4	181	98	Other payables		713	679
Receivables		2,462	2,251	Current liabilities		4,203	4,679
Cash at bank and in hand		382	2,334	Liabilities		6,279	6,395
Current assets		4,019	5,755	Liabilities and shareholders' equity		17,655	17,687
Assets		17,655	17,687				

Statement of shareholders' equity, Novozymes A/S

DKK million	Common stock	Revaluation reserve according to the equity method	Treasury stock	Retained earnings	Proposed dividend	Total
Shareholders' equity at January 1, 2015	639	831	(3,221)	11,773	922	10,944
Net profit for the year		854		1,785		2,639
Dividend paid					(958)	(958)
Dividend paid relating to treasury stock					36	36
Proposed dividend, gross				(1,096)	1,096	-
Proposed dividend relating to treasury stock				34	(34)	-
Purchase of treasury stock			(2,000)			(2,000)
Sale of treasury stock			126			126
Write-down of common stock	(13)		1,732	(1,719)		-
Currency translation adjustments of investments in subsidiaries, etc.				122		122
Value adjustment of derivatives				30		30
Other adjustments		(31)		163		132
Shareholders' equity at December 31, 2015	B/S 626	1,654	(3,363)	11,092	1,062	11,071
Shareholders' equity at January 1, 2014	639	-	(1,306)	10,689	783	10,805
Adjustment to opening balance		424		(424)		-
Net profit for the year		407		2,044		2,451
Dividend paid					(814)	(814)
Dividend paid relating to treasury stock					28	28
Proposed dividend, gross				(958)	958	-
Proposed dividend relating to treasury stock				33	(33)	-
Purchase of treasury stock			(2,000)			(2,000)
Sale of treasury stock			85			85
Currency translation adjustments of investments in subsidiaries, etc.				344		344
Value adjustment of derivatives				(105)		(105)
Other adjustments				150		150
Shareholders' equity at December 31, 2014	B/S 639	831	(3,221)	11,773	922	10,944

1 Accounting policies

The financial statements of Novozymes A/S have been prepared in accordance with the Danish Financial Statements Act (accounting class D) and the regulations of Nasdaq OMX Copenhagen on the presentation of financial statements by listed companies. The accounting policies are unchanged from last year.

As the accounting policies for Novozymes A/S only differ from those of the Group, which follow IFRS, with respect to a few items, only those that differ from the Group's are detailed below. Reference is made to the accounting policies for the Novozymes Group for the other items.

As of January 1, 2014, Novozymes A/S has merged with the wholly owned affiliate Novozymes Bioindustrial Holding A/S. The figures for Novozymes Bioindustrial Holding A/S have been incorporated in the figures for Novozymes A/S as of the merger date.

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 its useful life.

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 15 years using the straight-line method.

Dividend

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

2.1 Revenue

DKK million	2015	2014
Geographical distribution:		
Denmark	177	188
Rest of Europe, Middle East & Africa	4,505	4,443
North America	1,267	1,056
Asia Pacific	1,281	929
Latin America	417	375
Revenue	7,647	6,991

2.2 Employee costs

DKK million	2015	2014
Wages and salaries	1,663	1,566
Pensions - defined contribution plans	170	154
Other social security costs	26	26
Other employee costs	141	139
Employee costs	2,000	1,885
Average number of employees in Novozymes A/S	2,767	2,712

Reference is made to Note 6.1 to the consolidated financial statements concerning remuneration of the Board of Directors and Executive Leadership Team.

2.3 Other operating income

DKK million		2015	2014
Royalty income relating to subsidiaries		1,494	1,591
Other		23	8
Other operating income	I/S	1,517	1,599

3.1 Intangible assets

DKK million	2015				2014	
	Goodwill	Acquired patents, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total	Total
Cost at January 1	336	1,044	314	-	1,694	1,278
Additions from business acquisitions	30	68	-	-	98	(43)
Additions from merger	-	-	-	-	-	439
Additions during the year	-	-	13	38	51	20
Disposals during the year	-	-	(1)	-	(1)	
Transfers to/(from) other items	-	-	14	(14)	-	-
Cost at December 31	366	1,112	340	24	1,842	1,694
Amortization and impairment losses at January 1	45	429	229		703	564
Additions from merger	-	-	-		-	16
Amortization for the year	24	81	26		131	123
Write-down	-	174	-		174	
Disposals during the year	-	-	(1)		(1)	
Amortization and impairment losses at December 31	69	684	254		1,007	703
Carrying amount at December 31	297	428	86	24	835	991

3.2 Property, plant and equipment

DKK million	2015				2014	
	Land and buildings	Production equipment and machinery	Other equipment	Property, plant and equipment under construction	Total	Total
Cost at January 1	2,179	4,120	807	270	7,376	7,097
Additions during the year	21	149	21	137	328	323
Disposals during the year	(1)	(79)	(20)	-	(100)	(44)
Transfers to/(from) other items	17	103	14	(134)	-	-
Cost at December 31	2,216	4,293	822	273	7,604	7,376
Depreciation and impairment losses at January 1	1,126	2,906	557		4,589	4,415
Depreciation for the year	46	128	47		221	216
Disposals during the year	(1)	(75)	(14)		(90)	(42)
Depreciation and impairment losses at December 31	1,171	2,959	590		4,720	4,589
Carrying amount at December 31	1,045	1,334	232	273	2,884	2,787

3.3 Financial fixed assets

DKK million	Investments in subsidiaries	Investments in associates	Receivables from Group enterprises	Total
Cost at January 1, 2015	4,480	55	2,695	7,230
Additions during the year	2,024	73	1,124	3,221
Disposals during the year	-	-	(2,398)	(2,398)
Cost at December 31, 2015	6,504	128	1,421	8,053
Revaluation reserve at January 1, 2015	831	(31)		800
Share of net profit/(loss)	747	(6)		741
Dividends received	(93)	-		(93)
Currency translation adjustment	194	-		194
Other adjustments	12	-		12
Revaluation reserve at December 31, 2015	1,691	(37)		1,654
Carrying amount at December 31, 2015	8,195	91	1,421	9,707

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.

3.4 Other receivables

DKK million		2015	2014
Prepaid expenses		117	147
Derivatives		20	17
Other receivables		133	38
Other receivables at December 31		270	202
Recognized in the balance sheet as follows:			
Non-current	B/S	89	104
Current	B/S	181	98
Other receivables at December 31		270	202

4.1 Financial income and costs

DKK million	2015	2014
Interest income relating to subsidiaries	97	138
Interest costs relating to subsidiaries	(12)	(18)

4.2 Credit institutions

DKK million	2015	2014
Long-term debt to credit institutions falling due after 5 years	245	319

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	2015	2014
Recognized in the income statement in respect of rentals	56	52
Rental commitments expiring within the following periods from the reporting date:		
Less than 1 year	46	45
Between 1 and 2 years	25	15
Between 2 and 3 years	8	9
Between 3 and 4 years	4	5
Between 4 and 5 years	3	3
More than 5 years	12	16
Contingent liabilities at December 31	98	93
Other contingent liabilities		
Contractual obligations to third parties relating to property, plant and equipment	364	124
Other guarantees and commitments to related companies	2,210	1,967
Other guarantees and commitments to third parties	114	151

Pending litigation and arbitration

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

5.2 Related party transactions

TRANSACTIONS

DKK million	2015	2014
The Novo Nordisk Group		
Sales	148	142
Purchases	(172)	(147)
The NNIT Group		
Purchases	(48)	(37)
The Chr. Hansen Group		
Sales	14	18

OUTSTANDING BALANCES

DKK million	2015	2014
The Novo Nordisk Group		
Receivables	22	14
Payables	(68)	(73)
The NNIT Group		
Payables	(12)	(8)
The Chr. Hansen Group		
Receivables	-	4

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	2015	2014
Statutory audit	4	5
Other assurance engagements	-	-
Tax advisory services	2	2
Other services	3	2
Fees to statutory auditor	9	9

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

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.

Glossary

A Advance pricing agreement (APA)
Agreement with the tax authorities in one or more countries on the split of taxable income between countries.

Amortization

Amortization is an accounting term that refers to the process of allocating the cost of an intangible asset over a period of time.

B Biocontrol
Biocontrol products are microbial-based solutions, alternative or complimentary to traditional herbicides, fungicides and insecticides.

Bioenergy

Bioenergy comes in the form of liquid fuels, electricity, heat and steam and is produced from primary crops or biomass such as sugarcane, grains, agricultural residues, algae and household waste. In liquid forms it is typically used to replace gasoline and diesel in transportation.

Biofuel

Biofuels are liquid fuels produced from primary crops or biomass such as sugarcane, grains, agricultural residues, algae and household waste. They are typically used to replace gasoline and diesel in transportation. One of the advantages of biofuels is that they are the only existing liquid alternative to fossil fuels.

Biomass

Organic material, predominantly plants or plant residues.

Biomass conversion

A biological method for turning agricultural residues and waste into high-quality fuels, electricity or renewable chemicals.

Bushel

A unit of measure for fruits and grains equivalent to eight U.S. gallons or about 35 liters. A bushel of corn (shelled) weighs approx. 25.4 kilos.

C CAPEX
Funds utilized by a company to acquire or upgrade tangible assets such as property, buildings or equipment. Business acquisitions are excluded.

CDP

Formerly known as the Carbon Disclosure Project, CDP is an independent not-for-profit organization working to drive greenhouse gas emission reductions. The CDP acts on behalf of 822 investors with assets of USD 95 trillion and evaluates companies on their performance in relation to climate change and water scarcity.

Cash flow

The difference between the available cash at the beginning and the end of an accounting period.

Cellulosic ethanol

Biofuel made from cellulosic materials, which include agricultural residues such as corn cobs, stover and straw; forestry wastes such as saw dust, trimmings and chips; and municipal solid waste.

D Development satisfaction
“Opportunities for professional and personal development” score in employee survey.

Diluted number of shares

Average number of shares outstanding, including in-the-money stock options.

Dow Jones Sustainability Index

Launched in 1999, DJSI are a family of indices evaluating the sustainability performance of the 2,500 largest companies listed on the Dow Jones Global Total Stock

Market Index. They are the longest-running global sustainability benchmarks worldwide and are now managed cooperatively by S&P Dow Jones Indices and RobecoSAM.

E Earnings per share (diluted)
Net profit (attributable to shareholders in Novozymes A/S) divided by the weighted average number of shares outstanding (diluted).

EBIT

Earnings before interest and tax.

EBIT margin

Earnings before interest and tax as a percentage of revenue.

EBITDA

Earnings before interest, tax, depreciation and amortization.

EBITDA margin

Earnings before interest, tax, depreciation and amortization as a percentage of revenue.

Effective tax rate

Income tax expense as a percentage of profit before tax.

Employee satisfaction

“Satisfaction and motivation” score in employee survey.

Enzymes

Proteins that act as catalysts, helping to convert one substance into another.

Equity ratio

Total shareholders' equity as a percentage of total assets at year-end.

F Free cash flow
Cash flow from operating activities minus cash flow from investing activities.

Glossary

Free cash flow before net acquisitions and securities

Free cash flow before net acquisitions and securities.

Frequency of occupational accidents and occupational diseases

$$\frac{\text{No. of occupational accidents} \times 1,000,000}{\text{No. of employees} \times 1,600}$$

$$\frac{\text{No. of occupational diseases} \times 1,000,000}{\text{No. of employees} \times 1,600}$$

G Global Reporting Initiative (GRI)

An international, multistakeholder body working on a standardized framework for reporting environmental, social and economic information.

See www.globalreporting.org.

Gross margin

A company's total revenue minus the cost of goods sold as a percentage of revenue. Expresses the percentage of sales available to cover operating expenses and profit.

I Inoculants

Beneficial microorganisms that promote plant health.

Invested capital, incl. goodwill

Total net assets excluding non-current financial assets and cash and cash equivalents, less financial liabilities (interest-bearing).

L LCY

Local currency.

Life cycle assessment

An environmental assessment tool that addresses

environmental impacts from all processes in the production of products, from raw material extraction through production and product use to final disposal.

M Materiality

Materiality involves assessing trends that pose both risks and opportunities for Novozymes' business strategy. A material issue is one that has the potential to impact the long-term sustainability of Novozymes' business, based on internal and external stakeholders' perspectives. This is different from, but related to, financial materiality, which is a threshold for influencing the economic decisions of investors.

Microbes

Microscopic, living, single-celled organisms such as bacteria.

Microbial

Relating to or caused by microorganisms.

Microbiome

The genetic make-up of the microorganisms in a community or environment.

Microorganisms

Microscopic, living, single-celled organisms such as bacteria.

N Net interest-bearing debt

The market value of interest-bearing liabilities (financial liabilities) less the market value of cash at bank and in hand and other easily convertible interest-bearing current assets.

Net working capital

All current assets less current liabilities used in, or necessary for, the company's operations. The main components are inventories, accounts receivable and accounts payable.

O Operating profit margin (EBIT margin)

Operating profit as a percentage of net sales.

Organic sales growth

Sales growth from existing business, excluding sales from acquiring new businesses and measured in local currency.

R Return on equity

Net profit as a percentage of average shareholders' equity.

Return on invested capital (ROIC), incl. goodwill

EBIT after tax as a percentage of average invested capital. EBIT is adjusted for net foreign exchange gains/losses and share of loss in associates.

Revenue

The amount of money a company earns through the sale of goods and services.

S Starch

Long chains of sugar molecules. Starch is the main component of cereal grains such as corn, wheat and rice. Enzymes are used as a catalyst in the production of starch, speeding up the production process and boosting yields.

Sustainable Development Goals

The UN Sustainable Development Goals (SDGs), officially known as "Transforming our world: the 2030 Agenda for Sustainable Development," are an intergovernmental set of 17 aspirational goals with 169 targets. The goals were officially implemented on September 25, 2015, at the United Nations Headquarters in New York.

U UN Global Compact

The Global Compact is an international UN initiative with the intention of bringing companies together with UN agencies, labor and civil society to support 10 principles in the areas of human rights, labor standards, the environment and anticorruption. See www.unglobalcompact.org.

W WACC

Weighted average cost of capital.

About the report

At Novozymes, our reporting ambition is to provide a report that connects the company's business model, strategy, targets and performance through integrated financial and sustainability data. We have been working with integrated reporting for many years as it reflects the way we operate our business.

The Novozymes Report 2015 is available in a full online version at www.report2015.novozymes.com. The online report features interactive graphics and videos for a full multimedia experience. Additionally, the reader can compile a full or customized PDF download of the report.

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Novozymes' reporting according to the GRI's G4 Sustainability Reporting Guidelines.

Forward-looking statements

This annual report contains 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 growth platforms, notably the opportunity for marketing biomass conversion technologies or 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 duty to update any forward-looking statements as a result of future developments or new information.

Reporting and audits

The website contains The Novozymes Report 2015 (which, pursuant to section 149 of the Danish Financial Statements Act, is an extract of the company's annual report) and the financial statements of the parent company Novozymes A/S. Together these form the company's annual report, which will be filed with the Danish Business Authority.

PwC has audited the consolidated financial statements, the parent company financial statements, and environmental and social data. PwC has also been the sustainability assurance provider and has based the assurance on the AA1000 Assurance Standard (2008).

The audit covers financial, environmental and social data. These are marked "Audited by PwC." See also the statements in the report.

PwC has not audited the sections of the report found under the headings The big picture, Our business, Governance and Supplementary reporting. The Supplementary reporting includes our Communication on Progress with respect to the UN Global Compact principles, our report index based on the Global Reporting Initiative (GRI), as well as detailed sustainability data from our activities in Argentina, Brazil, Canada, China, Denmark, India, the U.K. and the U.S.

The report has been produced in accordance with International Financial Reporting Standards (IFRS), the Danish Financial Statements Act and the additional requirements of Nasdaq Copenhagen A/S for the presentation of financial statements by listed companies. It has also been prepared as an element of