

## Interim report for Q1 2022

# Strong 10% organic sales growth; increased full-year outlook

**Ester Baiget, President & CEO:** *"The year started strong, and we delivered very satisfactory organic sales growth of 10% with double-digit growth in three of our five business areas. Our well-diversified portfolio is showing its strength, enabling solid margins and returns, and we are driving our strategy forward while balancing short-term execution with a clear long-term focus. We raise our full-year organic sales growth outlook to 4-8% despite the negative effects of the tragic war in Ukraine, and we maintain our expectations for the other three financial outlook metrics."*



### Sales and financial performance:

- Growth in Danish kroner at 16% (10% organic, 5% currency, 1% M&A).
- Double-digit organic sales growth in three of five business areas:
  - Bioenergy (27% organic growth): Strong growth across geographies driven by innovation and yield focus as well as a strong Q1 year-on-year increase in US ethanol production.
  - Food, Beverages & Human Health (18% organic growth): Strong growth across most subareas, especially in food, and partly due to a positive timing effect.
  - Agriculture, Animal Health & Nutrition (12% organic growth): Very satisfactory growth in Animal Health & Nutrition and positive developments in Agriculture.
  - Grain & Tech Processing (8% organic growth): Solid performance in Grain; decline in Tech.
  - Household Care (-4% organic performance): Much in line with expectations following continued European softness and a demanding comparator; war in Ukraine impacting numbers towards the end of the quarter and expected to impact the full-year performance.
  - Emerging markets grew organically by 8%; developed markets grew 10% organically.
- Good momentum on pricing initiatives with an overall neutral impact in Q1.
- EBIT margin solid and as expected at 26.1% with lower year-on-year gross margin due to higher input and logistics costs, and lower other operating income. Operating leverage, productivity improvements and currencies were all supportive. Provision for uncertain receivables in Russia, Belarus and Ukraine with close to 1pp negative effect on the EBIT margin.
- ROIC incl. goodwill at 18.1%, lower year-on-year and mainly affected by higher invested capital.
- Free cash flow before acquisitions at DKK 0.4 billion including higher CAPEX for the investment in the Advanced Protein Solutions production line at Blair, Nebraska, as well as higher net working capital.
- Solid balance sheet and debt leverage of 1.1x net debt/EBITDA.

### Key events:

- Two product launches in the first quarter including HiPhorious™ - a phytase solution for improved phosphate uptake – in animal nutrition.
- Improving our score on climate leadership in the Carbon Disclosure Project from B to A.
- Construction of production line for Advanced Protein Solutions in Blair, Nebraska, progressing according to plan.
- Integration of Synergia progressing well after closing of the transaction.
- DKK 500 million share buyback program initiated on February 21, 2022.

### 2022 outlook:

- Good momentum and strong start to the year leading to increased organic sales growth outlook from previously 3-7% to now 4-8%, despite the negative impact from the war in Ukraine of slightly more than 1p.p.. Sales reported in Danish kroner are now expected to be around 6 percentage points higher than the organic growth rate.
- Impact from pricing initiatives expected to become increasingly visible as the year progresses.
- Expectations for the other three financial outlook metrics maintained.

		Q1 2022	Q1 2021	2022 outlook April 26	2022 outlook February 1
Sales performance, organic	%	10	3	4-8	3-7
EBIT margin	%	26.1	29.6	25-26	25-26
ROIC, incl. goodwill	%	18.1	18.8	16-17	16-17
Free cash flow before acquisitions	DKKbn	0.4	0.7	1.7-2.1	1.7-2.1

Q1 2022

**10%**

Organic sales growth

**26.1%**

EBIT margin

**18.1%**

ROIC, incl. goodwill

**0.4**

FCF before acq. DKKbn

### Conference call

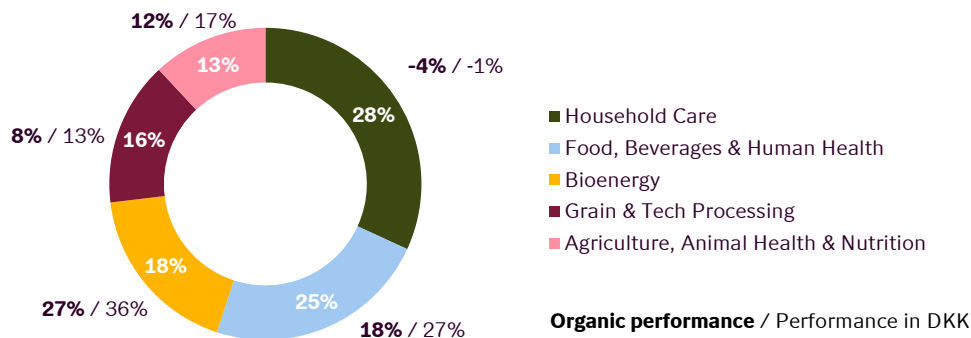
April 27, 2022  
09.00 CEST  
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+44 (0) 33 3300 0804  
+1 631 913 1422  
PIN 68437435#  
[Webcast](#)

## Selected key data

		Q1 2022	Q1 2021
<b>Sales performance, organic</b>			
	%	10	3
Household Care	%	-4	2
Food, Beverages & Human Health	%	18	11
Bioenergy	%	27	-9
Grain & Tech Processing	%	8	16
Agriculture, Animal Health & Nutrition	%	12	0
<b>Sales</b>			
	<b>DKKm</b>	<b>4,371</b>	<b>3,776</b>
Sales performance, DKK	%	16	0
Gross margin	%	55.5	58.2
EBITDA	DKKm	1,503	1,457
EBIT	DKKm	1,142	1,117
EBIT margin	%	26.1	29.6
Net profit	DKKm	839	885
Net profit performance	%	-4	9
<b>Net investments excl. Acquisitions</b>			
	DKKm	389	194
Free cash flow before acquisitions	DKKm	386	704
NIBD/EBITDA	x	1.1	1.1
ROIC, incl. Goodwill	%	18.1	18.8
<b>EPS</b>			
	DKK	3.00	3.17
EPS (diluted)	DKK	2.98	3.15
<b>Avg. USD/DKK</b>			
	DKK	664	617

## Sales by business area

### Distribution of sales by business area, Q1 2022



#### Total sales Q1 y/y

Organic: 10%  
DKK: 16%

### Household Care

Household Care sales declined 4% organically and 1% in reported DKK in the first quarter. This was a soft performance but much in line with expectations, coming on top of a high two-year stack comparison. The development is mainly explained by the expected reduction in European market volumes as well as the war in Ukraine both having a negative impact on the sales performance towards the end of the quarter. Emerging markets grew slightly on top of a tough comparator driven by solid performance in Latin America and despite the negative impact of the war in Ukraine. The Freshness technology performed in line with expectations.

#### Household Care Q1 y/y

Organic: -4%  
DKK: -1%

### Food, Beverages & Human Health

Sales in Food, Beverages & Human Health grew 18% organically and 27% in reported DKK in the first quarter. The performance was strong and above expectations, driven by Food and Beverages, and included a positive timing effect of roughly 5 percentage points of the organic sales growth in the business area. Growth in Food was broad-based across sub-areas such as baking, dairy and plant protein, with solid momentum for ingredient substitution and raw material optimization. Beverages performed well, especially in the low-calorie brewing segment, and the performance was further supported by favourable market conditions. Both Food and Beverages also benefitted from favourable market conditions and from increased consumer demand. Human Health performed in line with expectations and continued to benefit from solid underlying market demand. The quarter also included positive developments in the integration of Synergia Life Sciences.

#### Food, Beverages & Human Health Q1 y/y

Organic: 18%  
DKK: 27%

### Bioenergy

First-quarter sales in Bioenergy grew 27% organically and 36% in reported DKK. U.S. ethanol production in the first quarter of last year was subdued both by lower demand due to COVID-19 restrictions and by the short-term disruption caused by the industry's supply challenges due to the 'Texas freeze'. The U.S. ethanol production in the first quarter of 2022 was further boosted by favourable market conditions with supportive crush margins. In addition, capacity expansion of corn-based ethanol production in Latin America as well as innovations in yeast and fiber also contributed to the good performance. Sales to the biodiesel industry grew strongly, although from a small base, driven by continued market penetration in emerging markets.

#### Bioenergy Q1 y/y

Organic: 27%  
DKK: 36%

### Grain & Tech Processing

First-quarter sales in Grain & Tech Processing grew 8% organically and 13% in reported DKK despite a relatively demanding comparator from the first quarter of last year. The good performance was fuelled by strong growth in Grain, which continued to benefit from favourable market conditions supporting higher demand for solutions that optimize yield and throughput. The primary growth drivers in Grain were market penetration in vegetable oil processing, innovation in starch, particularly

#### Grain & Tech Process. Q1 y/y

Organic: 8%  
DKK: 13%

in grain milling, as well as higher end-market demand for starch-derived products. Sales in Tech declined against a high comparator and due to lower sales of diagnostics enzymes.

## **Agriculture, Animal Health & Nutrition**

Agriculture, Animal Health & Nutrition grew 12% organically and 17% in reported DKK in the first quarter. Growth was led by Animal Health & Nutrition with Agriculture also contributing positively. Innovation and favourable market conditions, especially linked to high soft commodity prices, boosted demand for yield-enhancing solutions across subareas. The strong growth in Animal Health & Nutrition was driven by innovation and end-market-driven volume growth resulting in broad-based growth across major categories in nutrition. The positive development in Agriculture came against a high year-on-year comparator.

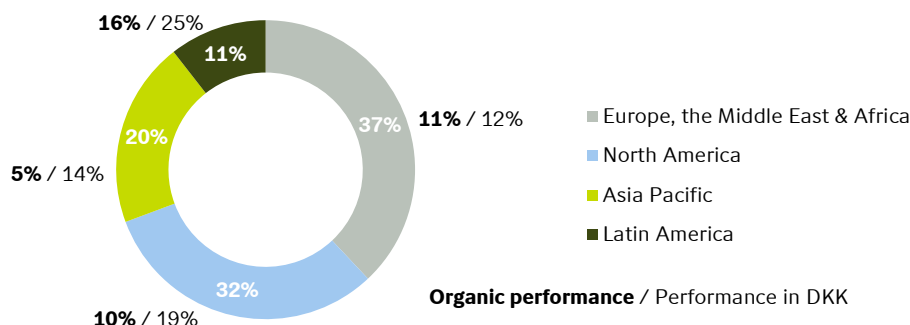
### **Agriculture, Animal Health & Nutrition Q1 y/y**

Organic: 12%

DKK: 17%

## Sales by geography

### Distribution of sales by geography, Q1 2022



Novozymes' sales grew 10% organically year on year in the first quarter of 2022. Both developed and emerging markets did well, growing by 10% and 8%, respectively. The performance in developed markets was led by strong growth in Bioenergy, with sales in North America being particularly strong. In emerging markets, the performance was broad-based, led by Food, Beverages & Human Health, despite a high comparator from last year.

### Europe, the Middle East & Africa

First-quarter sales grew 11% organically, with all business areas contributing apart from Household Care. Growth was led by a strong performance in Food, Beverages & Human Health as well as Agriculture, Animal Health & Nutrition. There was a small negative impact towards the end of the first quarter, due to the war in Ukraine.

**Europe, the Middle East & Africa Q1 y/y**  
Organic: 11%  
DKK: 12%

### North America

North America grew 10% organically in the first quarter. Growth was mainly driven by Bioenergy, whereas performance in Household Care was soft.

**North America Q1 y/y**  
Organic: 10%  
DKK: 19%

### Asia Pacific

Organic sales grew 5% in the first quarter. Growth was broad based, with all business areas contributing apart from Agriculture, Animal Health & Nutrition. Excluding China, which performed very well last year and provided a tough comparator, the region grew double digits.

**Asia Pacific Q1 y/y**  
Organic: 5%  
DKK: 14%

### Latin America

Sales in Latin America grew 16% organically in the first quarter of 2022. The business areas of Food, Beverages & Human Health, Bioenergy and Household Care all performed very well, producing double digit growth.

**Latin America Q1 y/y**  
Organic: 16%  
DKK: 25%

## Income statement

Total costs excluding net other operating income, net financials, share of losses in associates and taxes amounted to DKK 3,241 million in the first quarter of 2022. This was DKK 461 million (+17%) higher than in the first quarter of 2021 and mainly due to higher costs of goods sold, which increased as a function of higher sales as well as higher input and logistics costs.

The gross margin was 55.5% in the first quarter, which was 2.7 percentage points lower than the prior-year first quarter. The decrease between the two periods was mainly a result of higher input and logistics costs. Productivity improvements and operating leverage had a positive effect on the change in gross margin, whereas the net effects of changes in sales prices, product mix and currencies were roughly neutral.

**Gross margin**  
55.5%

Operating costs amounted to DKK 1,297 million in the first quarter, which was DKK 97 million (+8%) higher than in the same period of last year. The increase in operating costs was negatively impacted by currencies and the development was mainly due to higher sales and distribution costs and to a lesser extent higher administrative costs, while research and development costs decreased. Recognition of operating costs and other M&A-related effects from the recent acquisition of Synergia Life Sciences impacted all three operating cost lines slightly. The increase in sales and distribution costs was additionally impacted by higher logistics costs, the continued investments in commercial activities, and a provision related to uncertain receivables mainly relating to customers in Russia.. Research and development costs in the first quarter of last year included a one-off cost following the consolidation of R&D activities. This comparator effect was the main cause of the decrease in research and development costs between the first quarters of this year and last year.

**Operating costs**  
8% higher

The OPEX-to-sales ratio in the first quarter of 2022 was 29.7% compared to 31.8% in the same period last year. For the first quarter of 2022:

- Sales and distribution costs increased by 33% and made up around 13% of sales.
- Research and development costs decreased by 12% and made up around 11% of sales.
- Administrative costs increased by 11% and made up around 5% of sales.

Other operating income totalled DKK 12 million in the first quarter, which was DKK 109 million less than last year. The decrease is explained by higher other operating income in the first quarter of last year that included contingent income from a divested pharma-related royalty, and proceeds from the sale of a non-core administrative building.

Depreciation and amortization amounted to DKK 361 million in the first quarter. This was DKK 21 million (+6%) higher than in the same period of last year. The increase was partly due to M&A-related effects from the acquisition of Synergia Life Sciences.

**Depreciation and amortization**  
DKK 361 million

EBIT was DKK 1,142 million for the first quarter. This was DKK 25 million (+2%) higher than in the prior-year first quarter as higher operating costs were more than offset by higher gross profit. The first-quarter EBIT margin was 26.1%, which was 3.5 percentage points lower than last year. The decrease was mainly the result of a lower gross margin and lower other operating income. The aforementioned provision for uncertain receivables, included in the operating costs, had a negative effect of close to 1 percentage point on the EBIT margin. M&A-related effects had a roughly neutral effect, while currencies had a positive effect. Adjusting for the extraordinary provision, the underlying EBIT margin was ~27% in the first quarter of 2022. This was around 1 percentage point lower than the underlying EBIT margin in the first quarter of last year, when adjusted for the aforementioned two one-offs included in other operating income and the one-off charge under research and development costs. The decrease in the underlying EBIT margin was primarily due to higher input and logistics costs.

**EBIT**  
DKK 1.142 million  
**EBIT margin**  
26.1%

Net financial costs and the share of losses in associates amounted to DKK 66 million in the first quarter. This was an increase of DKK 55 million compared to the prior-year period due to losses on currency hedges on the USD/DKK exchange rate.

**Net financial costs and share of losses in associates**  
DKK 66 million

Profit before tax was DKK 1,076 million in the first quarter, which was DKK 30 million (-3%) less than in the same quarter of last year as the increase in EBIT was more than offset by higher net financial costs.

The effective tax rate for the first quarter was 22.0%, which is on par with the corporate tax rate in Denmark and two percentage points higher than in the prior-year first quarter. The difference is explained by the transfer of intellectual property from Switzerland to Denmark during 2017-2021 which benefitted the effective tax-rate for that period.

**Effective tax rate**  
22.0%

Net profit for the first quarter was DKK 839 million. This was a decrease of DKK 46 million (-5%) compared to the first quarter of last year due to both lower profit before tax and a higher effective tax rate.

**Net profit**  
DKK 839 million

## Cash flows and balance sheet

Cash flow from operating activities amounted to DKK 775 million in the first quarter. This was a decrease of DKK 123 million mainly due to changes in working capital and an increase in corporate tax paid.

**Operating cash flow**  
DKK 775 million

Net investments excluding acquisitions amounted to DKK 389 million, which was DKK 195 million higher than in the same quarter of last year. The increase was mainly due to higher CAPEX investments in the new production line for Advanced Protein Solutions in Blair, Nebraska, U.S.

**Net investments excluding acquisitions**  
DKK 389 million

Free cash flow before acquisitions was DKK 386 million in the first quarter. This was a decrease of DKK 318 million year on year that is mainly explained by higher net investments and a reduced cashflow from operating activities due to the increased working capital.

**Free cash flow before acquisitions**  
DKK 386 million

Total equity including minority interests was DKK 11,683 million on March 31, 2022, corresponding to an equity ratio of 46.2%. This was DKK 901 million higher and 3.5 percentage points lower than the respective figures at March 31, 2021.

**Equity ratio**  
46.2%

Net interest-bearing debt (NIBD) was DKK 6,260 million at March 31, 2022. This was an increase of DKK 879 million compared to the same date last year as the positive cash flow from operating activities was more than offset by cash outflows from dividend payments, stock buybacks, capital expenditures and the acquisition of Synergia Life Sciences. The NIBD-to-EBITDA ratio was 1.1 at March 31, 2022, which was on par with the same period last year.

**NIBD/EBITDA**  
1.1x

Return on invested capital (ROIC) including goodwill was 18.1% in the first quarter. This was 0.7 percentage point lower than for the same period of last year and mainly related to the higher invested capital, including acquisitions.

**ROIC**  
18.1%

As of January 1, 2022, the calculation of ROIC, ROE and NIBD/EBITDA was changed as the former calculation for interim periods was subject to one-offs due to quarterly annualization of earnings and EBITDA. Full-year figures are unaffected by the change. Please refer to appendix 5.3 for further details and historical figures.

The holding of treasury stock at March 31, 2022 was 5,038,269 B shares, which was equivalent to 1.8% of the common stock.

**Treasury stock**  
1.8%

## Sales Outlook

Novozymes has a well-diversified product portfolio and broad industry exposure. Despite a negative impact from the war in Ukraine of slightly more than 1 percentage point, the good momentum combined with supportive market conditions allow for an increase in the full-year organic sales growth outlook from 3-7% previously to 4-8%. Sales in DKK is expected to be around 6% higher than the organic sales growth outlook. Business areas where yield and throughput are more relevant are benefitting relatively more from the current market conditions. While sales prices were roughly neutral in the first quarter, Novozymes is experiencing good traction on the ongoing price initiatives and dialogues in collaboration with customers across business areas. The price initiatives are expected to have stronger impact as the year progresses, leading to a slightly positive impact for the full-year.

Uncertainties associated with volatile market conditions, the pandemic, the war in Ukraine, and global supply chain constraints are the main reasons for the overall still relatively broad sales growth range.

**Household Care** (organic -4% in Q1 2022) As a direct consequence of the war in Ukraine, the full-year organic sales growth indication for Household Care is now adjusted to 0-2% from previously 2-4%. Sales is expected to benefit from enzymatic penetration in emerging markets, and includes flat expectations for developments in European detergent volumes. Areas outside of laundry, such as dishwash and professional & medical cleaning, are expected to grow and the Freshness technology is also expected to contribute positively to the performance.

**Food, Beverages & Human Health** (organic 18% in Q1 2022) organic sales growth is expected to be broad based, with Food and Human Health as the main drivers. Growth in Food is expected to be driven primarily by our health-focused solutions, including strong performance in baking, dairy and plant protein, benefitting from raw material optimization and ingredient substitutions. Beverages is expected to grow, driven by market penetration and supported by commodity price tailwinds. Human Health is expected to grow organically in the solid double-digits, driven by cross-selling in regions and channels. Organic sales in Food, Beverages & Human Health is now indicated to grow in the 'low teens', an increase from previously 'high-single digit'.

**Bioenergy** (organic 27% in Q1 2022) organic sales growth is expected to be driven by the continued recovery of U.S. ethanol production, market penetration enabled by innovation, capacity expansion of corn-based ethanol production in Latin America, and market penetration with enzymatic solutions for biodiesel production. The full-year organic sales growth indication is raised from 'low-to-mid-single-digit growth' to 'high-single-digit growth' due to the good start to the year and more favourable market conditions.

**Grain & Tech Processing** (organic 8% in Q1 2022) organic sales growth is expected to be broad based with growth across most subareas of both Grain and Tech. Performance in Grain is expected to be led by market penetration in vegetable oil processing and innovation in starch. Continued volume recovery in the global textile industry is expected to be the primary growth driver in Tech. As a result of a strong start to the year and more favourable market conditions, the full-year organic sales growth indication for Grain & Tech Processing is raised from 'flat to low-single-digit growth' to 'low-single to mid-single-digit growth'.

**Agriculture, Animal Health & Nutrition** (organic 12% in Q1 2022) organic sales growth will be led by double-digit growth in Agriculture complemented by solid growth in Animal Health & Nutrition. Innovation and a more diversified commercial model will be key enablers for increased market penetration for both bio-yield and bio-control solutions in Agriculture. Growth in Animal Health & Nutrition will primarily be driven by innovation as well as end-market-driven volume growth. The full-year organic sales growth indication for Agriculture, Animal Health & Nutrition is maintained at a rate of 'high-single-digits to low-teens'.



## Financial outlook

For 2022, Novozymes expects a solid EBIT margin of 25-26% (2021: 26.8%). Operating leverage, productivity improvements, slightly positive pricing, and currencies are all expected to have a positive effect on the EBIT margin. This is however expected to be outweighed by the negative effects from higher input and logistics costs, continued investments in the business, and lower other operating income. Input and logistics costs have increased significantly, and the gross margin is expected to be around 2 percentage points lower in 2022 compared to 2021.

**EBIT margin**  
25-26%

Return on invested capital (ROIC), including goodwill, is expected at 16-17% (2021: 19.3%). The decrease compared to 2021 is due to higher invested capital including the acquisition of Synergia Life Sciences in December 2021.

**ROIC, incl. goodwill**  
16-17%

Free cash flow (FCF) before acquisitions is expected in the DKK 1.7-2.1 billion range (2021: DKK 2.9 billion), mainly impacted by higher net investments to support long-term growth ambitions.

**FCF before acquisitions**  
DKK 1.7-2.1 billion

The following is provided for modelling purposes:

The effective tax rate is expected at around 22% for 2022 (2021: 20%).

**Effective tax rate**  
~22%

Net financial costs are now expected to be around DKK 350 million (2021: DKK 83 million) mainly driven by higher hedging costs, primarily related to USD forward contracts, and somewhat higher interest expenses.

**Net financial costs**  
DKK ~350 million

Net investments in 2022 are expected in the DKK 2.6-2.9 billion range (2021: DKK 1.1 billion). This reflects maintenance, optimization and expansion investments, also in new food and health-related customer co-creation centres, as well as roughly DKK 1 billion related to the investment in a new state of the art production line for Advanced Protein Solutions in Blair, Nebraska.

**Net investments**  
DKK 2.6-2.9 billion

A stock buyback program of up to DKK 500 million was initiated effective February 21, 2022.

**Stock buyback program**  
up to DKK 500 million

## Sustainability outlook

With our refreshed strategy, 'Unlocking growth – powered by biotech', we introduced a new set of long-term commitments to creating and maintaining a healthy planet. The commitments will help accelerate the move towards a climate-neutral society, transform food systems, and enable healthier lives. We also recognize the urgent need for action and are raising our commitment on climate change to also include all emissions from our supply chain as well, and we will now strive for a 50% reduction in absolute emissions from operations & supply chain across scopes 1, 2 and 3 by 2030. This is in line with the climate guidance from the Science Based Targets Initiative defined in 2021. We are also committed to continue to ensuring that our employees develop in a thriving, diverse and inclusive community. For the post-2022 period, we will communicate new non-financial targets and milestones to further guide our journey towards our long-term commitments.

In 2022, we will continue to work towards our long-term commitments by investing in the development of solutions that will contribute to a healthy planet and improve our climate, water and waste footprints, whilst also promoting an inclusive and diverse workplace where employees can stay safe, thrive and grow. We will develop our roadmap further towards net zero emissions by 2050 and implement employee programs focused on inclusion. Furthermore, we will continue to work together with partners to drive the global sustainability agenda, such as the U.N. Global Compact, World Wide Fund for Nature, World Economic Forum, The B-team and the Science-Based Targets Initiative.

	Milestones	2022 Targets	Status
<b>Zymers &amp; Society</b>	Nurture diversity <sup>1</sup>	86	On track
	Occupational injury <sup>2</sup>	≤1.5	On track
	Zymer spirit index score <sup>3</sup>	81	On track
	Enable learning <sup>3</sup>	80	On track
	Pledge our time to local outreach activities	1% of time <sup>4</sup>	On track
<b>Operations</b>	Reduce absolute CO <sub>2</sub> emissions from operations <sup>5</sup>	40%	On track
	Develop context-based water management programs	100% of sites <sup>6</sup>	On track
	Manage biomass in circular systems	100%	On track
	Develop circular management plans for key packaging materials	100%	On track
	Develop programs to reach zero waste by 2030	100% of sites <sup>6</sup>	On track
<b>World</b>	Save CO <sub>2</sub> emissions by enabling low-carbon fuels in the transport sector	60 million tonnes of CO <sub>2</sub>	On track
	Reach people by providing laundry solutions that replace chemicals	>4 billion people	On track
	Gain food by improving efficiency from farm to table	500,000 tonnes of food	More to do

<sup>1</sup> Index calculated based on gender and national representation at various professional levels.

<sup>2</sup> Defined as three-year rolling average of lost-time injuries per million working hours.

<sup>3</sup> Measured by score to relevant questions in annual survey.

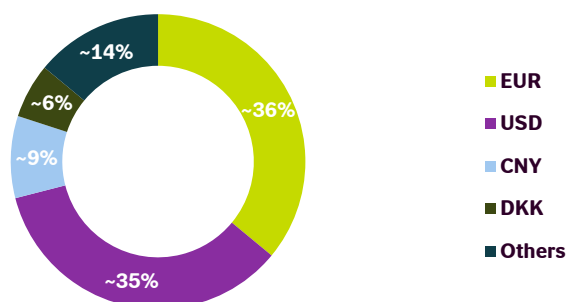
<sup>4</sup> Qualitative reporting only.

<sup>5</sup> From a 2018 baseline.

<sup>6</sup> The targets do not include sites with activities not considered to have a significant environmental impact, e.g. sales offices, R&D labs, etc.

## Currency exposure

### Sales by currency, Q1 2022



A 5% movement in USD/DKK is expected to have an annual positive/negative impact on EBIT of around DKK 130-160 million, and a 5% movement in EUR/DKK is expected to have an annual positive/negative impact on EBIT of DKK ~200 million.

### Hedging of net currency exposure and currency exchange rates

The currency exposure was hedged at 88% at an average of USD/DKK 6.41 in 2021. For 2022, the exposure is 88% hedged at an average of USD/DKK 6.26.

The 2022 outlook is based on exchange rates for the company's key currencies remaining at the closing rates on April 25 for the full year.

DKK	EUR	USD	BRL	CNY
Average exchange rate Q1 2022	744	664	127	105
Average exchange rate Q1 2021	744	617	113	95
Average exchange rate Q1 2022 compared to Q1 2021	0%	7%	13%	10%
Estimated average exchange rate 2022*	744	684	139	105
Estimated average exchange rate 2022 compared to 2021	0%	9%	19%	8%

\*Weighted with spotrate as of April 25, 2022.

## Stock buyback program in 2022

Novozymes targets a 50% dividend payout ratio over the coming years with excess cash to be returned to shareholders via stock buybacks at a NIBD-to-EBITDA ratio of ~1x. Consequently, a stock buyback program of up to DKK 0.5 billion has been decided for 2022. The program was initiated on February 21, 2022, as per announcement no. 2.

The shares acquired in the program will be used to meet obligations arising from employee stock-based incentive programs and/or to reduce the common stock. The cancellation of stock will take place after the program is finished and will be subject to approval at the Annual Shareholders' Meeting.

The maximum number of shares to be purchased by the company per daily market session will be equivalent to a maximum of 25% of the average volume of shares in the company traded on NASDAQ OMX Copenhagen during the preceding 20 business days. The program will run in accordance with commission regulation (EU) 596/2014 of 16 April 2014, also known as the "Market Abuse Regulation", and commission regulation (EU) 1052/2016 of 8 March 2016.

## Accounting policies

The interim report for the first three months of 2022 has been prepared in accordance with IAS 34 and additional Danish regulations for the presentation of quarterly interim reports by listed companies. The interim report for the first three months of 2022 follows the same accounting policies as the annual report for 2021.

## Forward-looking statements

This company announcement and its related comments contain forward-looking statements, including statements about future events, future financial performance, plans, strategies and expectations. Forward-looking statements are associated with words such as, but not limited to, "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "could," "may," "might" and other words of similar meaning. Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, both positively and negatively. The risks and uncertainties may, among other things, include unexpected developments in i) the ability to develop and market new products; ii) the demand for Novozymes' products, market-driven price decreases, industry consolidation, and launches of competing products or disruptive technologies in Novozymes' core business areas; iii) the ability to protect and enforce the company's intellectual property rights; iv) significant litigation or breaches of contract; v) the materialization of the company's market-expanding growth platforms, notably the development of microbial solutions for broad-acre crops; vi) political conditions, such as acceptance of enzymes produced by genetically modified organisms; vii) global economic and capital market conditions, including, but not limited to, currency exchange rates (USD/DKK and EUR/DKK in particular, but not exclusively), interest rates and inflation; viii) significant price decreases for inputs and materials that compete with Novozymes' biological solutions. The company undertakes no obligation to update any forward-looking statements as a result of future developments or new information.

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# Statement of the Board of Directors and the Executive Management

The Board of Directors and the Executive Leadership Team have considered and approved the interim report of Novozymes A/S for the first three months of 2022. This interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the first three months of 2022 has been prepared in accordance with International Financial Reporting Standards and IAS 34 as adopted by the EU, and further requirements of the Danish Financial Statements Act for the presentation of quarterly interim reports by listed companies.

In our opinion, the accounting policies applied are appropriate, the Group's internal controls relevant for the preparation and presentation of this Group financial statement are adequate, and this Group financial statement gives a true and fair view of the development in the Group's activities and business and of the Group's assets, liabilities, net profit and financial position at March 31, 2022, and of the results of the Group's operations and cash flows for the first three months of 2022. Other than as disclosed in the interim report for the first three months of 2022, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the annual report for 2021.

Bagsværd, April 26, 2022

## **EXECUTIVE MANAGEMENT**

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Ester Baiget  
President & CEO

Lars Green  
CFO

## **BOARD OF DIRECTORS**

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Jørgen Buhl Rasmussen  
Chair

Cornelis (Cees) de Jong  
Vice Chair

Anne Breum

Heine Dalsgaard

Sharon James

Anders Hentze Knudsen

Kasim Kutay

Preben Nielsen

Morten Sommer

Kim Stratton

Jens Øbro

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## Appendix 1 Main items and key figures

### 1.1 Key figures

DKK million	Q1 2022	Q1 2021	% change
Revenue	4,371	3,776	16%
Gross profit	2,427	2,196	11%
Gross margin	55.5%	58.2%	
EBITDA	1,503	1,457	3%
EBITDA margin	34.4%	38.6%	
Operating profit / EBIT	1,142	1,117	2%
EBIT margin	26.1%	29.6%	
Share of result in associates	(1)	(1)	
Net financials	(65)	(10)	
<b>Profit before tax</b>	<b>1,076</b>	<b>1,106</b>	<b>(3)%</b>
Tax	(237)	(224)	7%
<b>Net profit</b>	<b>839</b>	<b>885</b>	<b>(5)%</b>
Earnings per DKK 2 share	3.00	3.17	(5)%
Earnings per DKK 2 share (diluted)	2.98	3.15	(6)%
Net investments excl. acq.	389	194	101%
Free cash flow before net acq. and purchase of financial assets	386	704	(45)%
Return on invested capital (ROIC) incl. goodwill	18.1%	18.8%	
Net interest-bearing debt	6,260	5,381	
Equity ratio	46.2%	49.7%	
Return on equity	28.0%	26.9%	
Debt-to-equity	53.6%	49.9%	
NIBD / EBITDA	1.1	1.1	
Number of employees	6,641	6,274	
	<b>Mar. 31, 2022</b>	<b>Mar. 31, 2021</b>	
<b>Novozymes' stock</b>			
Common stock (million)	282.0	285.0	
Net worth per share (DKK)	40.06	37.79	
Denomination of share (DKK)	2.00	2.00	
Nominal value of common stock (DKK million)	564.0	570.0	
Treasury stock (million)	5.0	6.1	

**1.2 Income statement**

<b>DKK million</b>	<b>Q1 2022</b>	<b>Q1 2021</b>
Revenue	4,371	3,776
Cost of goods sold	(1,944)	(1,580)
<b>Gross profit</b>	<b>2,427</b>	<b>2,196</b>
Sales and distribution costs	(585)	(439)
Research and development costs	(493)	(563)
Administrative costs	(219)	(198)
Other operating income, net	12	121
<b>Operating profit / EBIT</b>	<b>1,142</b>	<b>1,117</b>
Share of result in associates	(1)	(1)
Net financials	(65)	(10)
<b>Profit before tax</b>	<b>1,076</b>	<b>1,106</b>
Tax	(237)	(221)
<b>Net profit</b>	<b>839</b>	<b>885</b>
<b>Attributable to</b>		
Shareholders in Novozymes A/S	832	885
Non-controlling interests	7	-
<b>Specification of net financials</b>		
Foreign exchange gain/(loss), net	(46)	27
Interest income/(costs)	(10)	(10)
Other financial items	(9)	(27)
<b>Net financials</b>	<b>(65)</b>	<b>(10)</b>
<b>Earnings per DKK 2 share</b>	<b>3.00</b>	<b>3.17</b>
Average no. of A/B shares outstanding (million)	277.1	279.2
<b>Earnings per DKK 2 share (diluted)</b>	<b>2.98</b>	<b>3.15</b>
Average no. of A/B shares, diluted (million)	279.5	280.9



**1.3 Statement of comprehensive income**

DKK million	Q1 2022	Q1 2021
<b>Net profit</b>	<b>839</b>	<b>885</b>
Currency translation of subsidiaries and non-controlling interests	271	339
<b>Currency translation adjustments</b>	<b>271</b>	<b>339</b>
Fair value adjustments	(23)	(102)
Tax on fair value adjustments	5	22
Cash flow hedges reclassified to financial costs	48	(42)
Tax on reclassified fair value adjustments	(11)	9
<b>Cash flow hedges</b>	<b>19</b>	<b>(113)</b>
<b>Other comprehensive income</b>	<b>290</b>	<b>226</b>
<b>Comprehensive income</b>	<b>1,129</b>	<b>1,111</b>
<b>Attributable to</b>		
Shareholders in Novozymes A/S	1,122	1,110
Non-controlling interests	7	1

## Appendix 2 Distribution of sales

### 2.1 Business areas

DKK million	2022 Q1	2021 Q1	% change	% currency impact	% M&A impact	% organic growth
<b>Consumer Biosolutions</b>						
Household Care	1,230	1,241	(1)	3	0	(4)
Food, Beverages & Human Health	1,099	865	27	4	5	18
<b>Agriculture &amp; Industrial Biosolutions</b>						
Bioenergy	797	588	36	9	0	27
Grain & Tech Processing	668	589	13	5	0	8
Agriculture, Animal Health & Nutrition	577	493	17	5	0	12
<b>Sales</b>	<b>4,371</b>	<b>3,776</b>	<b>16</b>	<b>5</b>	<b>1</b>	<b>10</b>

DKK million	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	% change Q1/Q1
<b>Consumer Biosolutions</b>						
Household Care	1,230	1,150	1,247	1,125	1,241	(1)
Food, Beverages & Human Health	1,099	851	870	878	865	27
<b>Agriculture &amp; Industrial Biosolutions</b>						
Bioenergy	797	788	675	651	588	36
Grain & Tech Processing	668	579	539	529	589	13
Agriculture, Animal Health & Nutrition	577	466	430	397	493	17
<b>Sales</b>	<b>4,371</b>	<b>3,834</b>	<b>3,761</b>	<b>3,580</b>	<b>3,776</b>	<b>16</b>

### 2.2 Geography

DKK million	2022 Q1	2021 Q1	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,633	1,457	12	0	1	11
North America	1,386	1,166	19	7	2	10
Asia Pacific	894	786	14	7	2	5
Latin America	458	367	25	8	1	16
<b>Sales</b>	<b>4,371</b>	<b>3,776</b>	<b>16</b>	<b>5</b>	<b>1</b>	<b>10</b>
Developed markets	2,794	2,417	16	5	1	10
Emerging markets	1,577	1,359	16	7	1	8
<b>Sales</b>	<b>4,371</b>	<b>3,776</b>	<b>16</b>	<b>5</b>	<b>1</b>	<b>10</b>

DKK million	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	% change Q1/Q1
Europe, Middle East & Africa	1,633	1,372	1,443	1,409	1,457	12
North America	1,386	1,310	1,131	1,076	1,166	19
Asia Pacific	894	762	728	733	786	14
Latin America	458	390	459	362	367	25
<b>Sales</b>	<b>4,371</b>	<b>3,834</b>	<b>3,761</b>	<b>3,580</b>	<b>3,776</b>	<b>16</b>
Developed markets	2,794	2,486	2,311	2,289	2,417	16
Emerging markets	1,577	1,348	1,450	1,291	1,359	16
<b>Sales</b>	<b>4,371</b>	<b>3,834</b>	<b>3,761</b>	<b>3,580</b>	<b>3,776</b>	<b>16</b>

## Appendix 3 Statement of cash flows

### 3.1 Statement of cash flows

DKK million	Q1 2022	Q1 2021
<b>Net profit</b>	<b>839</b>	<b>885</b>
Reversals of non-cash items	719	573
Tax paid	(285)	(195)
Interest received	3	1
Interest paid	(15)	(13)
<b>Cash flow before change in working capital</b>	<b>1,261</b>	<b>1,251</b>
<b>Change in working capital</b>		
(Increase)/decrease in receivables and contract assets	(276)	(342)
(Increase)/decrease in inventories	(59)	(41)
Increase/(decrease) in payables, deferred income and contract liabilities	(159)	39
Currency translation adjustments	8	(9)
<b>Cash flow from operating activities</b>	<b>775</b>	<b>898</b>
<b>Investments</b>		
Purchase of intangible assets	(10)	(45)
Sale of property, plant and equipment	1	1
Purchase of property, plant and equipment	(380)	(150)
<b>Cash flow from investing activities before acquisitions, divestments and purchase of financial assets</b>	<b>(389)</b>	<b>(194)</b>
<b>Free cash flow before acquisitions, divestments and purchase of financial assets</b>	<b>386</b>	<b>704</b>
Business acquisitions, divestments and purchase of financial assets	(55)	(753)
<b>Free cash flow</b>	<b>331</b>	<b>(49)</b>
<b>Financing</b>		
Borrowings	1,090	997
Repayment of borrowings	(120)	(66)
Overdraft facilities, net	213	444
Repayment of lease liabilities	(28)	(23)
Shareholders:		
Purchase of treasury stock	(140)	(284)
Sale of treasury stock	50	73
Dividend paid	(1,524)	(1,465)
Withheld dividend tax	267	250
<b>Cash flow from financing activities</b>	<b>(192)</b>	<b>(74)</b>
<b>Net cash flow</b>	<b>139</b>	<b>(123)</b>
Unrealized gain/(loss) on currencies and financial assets, included in cash and cash equivalents	(5)	5
<b>Change in cash and cash equivalents, net</b>	<b>134</b>	<b>(118)</b>
Cash and cash equivalents - Beginning of period	963	1,181
<b>Cash and cash equivalents at March 31</b>	<b>1,097</b>	<b>1,063</b>

Undrawn committed credit facilities at March 31, 2022 were DKK 3,760 million.

## Appendix 4 Balance sheet and Statement of equity

### 4.1 Balance sheet, Assets

DKK million	Mar. 31, 2022	Mar. 31, 2021	Dec. 31, 2021
Completed IT development projects	201	189	200
Acquired patents, licenses and know-how	2,585	1,874	2,654
Goodwill	2,049	1,537	2,020
IT development projects in progress	137	109	150
<b>Intangible assets</b>	<b>4,972</b>	<b>3,709</b>	<b>5,024</b>
Land and buildings	4,008	3,886	3,980
Plant and machinery	4,303	4,148	4,290
Other equipment	1,041	936	1,039
Assets under construction and prepayments	1,084	766	876
<b>Property, plant and equipment</b>	<b>10,436</b>	<b>9,736</b>	<b>10,185</b>
Deferred tax assets	1,459	1,143	1,637
Other financial assets (non-interest-bearing)	32	21	30
Investment in associate	28	32	29
Other receivables	29	31	39
<b>Non-current assets</b>	<b>16,956</b>	<b>14,672</b>	<b>16,944</b>
Raw materials and consumables	491	357	433
Goods in progress	941	773	979
Finished goods	1,650	1,313	1,580
<b>Inventories</b>	<b>3,082</b>	<b>2,443</b>	<b>2,992</b>
Trade receivables	3,365	2,934	2,948
Contract assets	45	14	40
Tax receivables	210	269	286
Other receivables	425	253	519
<b>Receivables</b>	<b>4,045</b>	<b>3,470</b>	<b>3,793</b>
Other financial assets (non-interest-bearing)	97	25	75
Cash and cash equivalents	1,097	1,063	963
Assets held for sale	-	11	-
<b>Current assets</b>	<b>8,321</b>	<b>7,012</b>	<b>7,823</b>
<b>Assets</b>	<b>25,277</b>	<b>21,684</b>	<b>24,767</b>

**4.2 Balance sheet, Liabilities**

DKK million	Mar. 31, 2022	Mar. 31, 2021	Dec. 31, 2021
Common stock	564	570	564
Currency translation adjustments	263	(389)	(8)
Cash flow hedges	(13)	14	(32)
Retained earnings	10,483	10,575	11,303
<b>Equity attributable to shareholders in Novozymes A/S</b>	<b>11,297</b>	<b>10,770</b>	<b>11,827</b>
Non-controlling interests	386	12	379
<b>Total equity</b>	<b>11,683</b>	<b>10,782</b>	<b>12,206</b>
Share purchase liability	750	-	717
Deferred tax liabilities	1,200	889	1,337
Provisions	148	116	153
Contingent consideration	214	560	543
Deferred income	101	-	98
Other financial liabilities (interest-bearing)	3,900	3,901	3,676
Other financial liabilities (non-interest-bearing)	-	14	4
Non-current lease liabilities	344	372	360
<b>Non-current liabilities</b>	<b>6,657</b>	<b>5,852</b>	<b>6,888</b>
Other financial liabilities (interest-bearing)	2,989	2,036	2,030
Other financial liabilities (non-interest-bearing)	131	70	109
Lease liabilities	124	135	122
Provisions	26	23	21
Contingent consideration	346	-	-
Trade payables	1,440	1,163	1,490
Contract liabilities	145	124	129
Deferred income	33	31	34
Tax payables	328	154	486
Other payables	1,375	1,314	1,252
<b>Current liabilities</b>	<b>6,937</b>	<b>5,050</b>	<b>5,673</b>
<b>Liabilities</b>	<b>13,594</b>	<b>10,902</b>	<b>12,561</b>
<b>Liabilities and equity</b>	<b>25,277</b>	<b>21,684</b>	<b>24,767</b>

### 4.3 Statement of equity

DKK million	Attributable to shareholders in Novozymes A/S				Total	Non-controlling interests	Total
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings			
<b>Equity at January 1, 2022</b>	<b>564</b>	<b>(8)</b>	<b>(32)</b>	<b>11,303</b>	<b>11,827</b>	<b>379</b>	<b>12,206</b>
Net profit for the period				832	832	7	839
Other comprehensive income for the period		271	19		290	-	290
<b>Total comprehensive income for the period</b>		<b>271</b>	<b>19</b>	<b>832</b>	<b>1,122</b>	<b>7</b>	<b>1,129</b>
Purchase of treasury stock				(140)	(140)		(140)
Sale of treasury stock				50	50		50
Write-down of common stock	-			-	-		-
Dividend				(1,524)	(1,524)	-	(1,524)
Stock-based payment				26	26		26
Non-controlling interests and share purchase liability				(34)	(34)	-	(34)
Tax related to equity items				(30)	(30)		(30)
<b>Changes in equity</b>	<b>-</b>	<b>271</b>	<b>19</b>	<b>(820)</b>	<b>(530)</b>	<b>7</b>	<b>(523)</b>
<b>Equity at March 31, 2022</b>	<b>564</b>	<b>263</b>	<b>(13)</b>	<b>10,483</b>	<b>11,297</b>	<b>386</b>	<b>11,683</b>
<b>Equity at January 1, 2021</b>	<b>570</b>	<b>(727)</b>	<b>127</b>	<b>11,263</b>	<b>11,233</b>	<b>11</b>	<b>11,244</b>
Net profit for the period				885	885	-	885
Other comprehensive income for the period		338	(113)		225	1	226
<b>Total comprehensive income for the period</b>		<b>338</b>	<b>(113)</b>	<b>885</b>	<b>1,110</b>	<b>1</b>	<b>1,111</b>
Purchase of treasury stock				(284)	(284)		(284)
Sale of treasury stock				73	73		73
Dividend				(1,465)	(1,465)	-	(1,465)
Stock-based payment				18	18		18
Tax related to equity items				85	85		85
<b>Changes in equity</b>	<b>-</b>	<b>338</b>	<b>(113)</b>	<b>(688)</b>	<b>(463)</b>	<b>1</b>	<b>(462)</b>
<b>Equity at March 31, 2021</b>	<b>570</b>	<b>(389)</b>	<b>14</b>	<b>10,575</b>	<b>10,770</b>	<b>12</b>	<b>10,782</b>

## Appendix 5 Miscellaneous

### 5.1 Publicly announced product launches in 2022

In 2022, we have launched the 2 products described below.

Product	Description	Sustainability benefit*
<b>HiPhorius™</b>	HiPhorius™ is a fourth generation phytase resulting from the Feed Alliance with DSM. Phosphorus is essential for animal metabolism but is often inaccessible to swine and poultry in the most common animal feedstocks. Farmers often add inorganic phosphates, but this increases feed costs and leads to environmental pollution through phosphorous emissions.	A phytase is an enzyme that releases natural-bound phosphorus from raw materials in feed. This reduces the need for inorganic phosphorus supplementation. The primary benefit is the saving of rare phosphorus resources and lower phosphorous emissions to water bodies and reduced algae growth.
<b>Valena Pulse G</b>	Valena Pulse G enables better inclusion of pulse ingredients in bread and reduces reliance on emulsifiers. Inclusion of pulses in bread increase the protein and fiber content of breads while reducing carbohydrates and retaining texture and appearance.	Inclusion of pulses in bread addresses the plant-based food segment and may potentially lead consumers to replace animal-based proteins, potentially resulting in a significant reduction of greenhouse gas emissions. Pulses improve the soil's ability to absorb natural CO <sub>2</sub> emissions. Because pulses can fix nitrogen, they also need less fertilizer. Fixing nitrogen makes the soil more fertile, which helps other plants flourish. Furthermore, when pulses are sourced locally, transportation of crops is also reduced.

\* The sustainability benefits are based on quantitative and/or qualitative evaluations. Novozymes does not have quantifiable data or documentation to verify the benefits of all product launches.

### 5.2 Company announcements made in the 2022 financial year

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

February 1, 2022	Group financial statement for 2021
February 21, 2022	Initiation of stock buyback
March 16, 2022	Resolutions from Novozymes A/S' Annual Shareholders' Meeting 2022

### 5.3 Change to quarterly and year-to-date calculation method for ROIC, Return on equity (ROE), and NIBD/EBITDA

Effective from January 1, 2022, Novozymes has changed the calculation of ROIC, ROE, and NIBD/EBITDA as the former calculation method for interim periods was subject to one-offs due to quarterly annualization of earnings. Full-year figures are unaffected by the change.

Going forward, ROIC is calculated as adjusted operating profit after tax (NOPAT) for the last four quarters as a percentage of average invested capital. Similarly, ROE is calculated as net profit attributable to shareholders' of Novozymes A/S for the last four quarters as a percentage of average equity attributable to shareholders' of Novozymes A/S. NIBD/EBITDA is calculated as net interest-bearing debt as a percentage of the last four quarters' accumulated EBITDA.

	2021				2020			
	12M	9M	1H	Q1	12M	9M	1H	Q1
ROIC (new calculation)	19,3%	20,6%	19,7%	18,8%	18,9%	20,4%	19,6%	21,0%
ROIC, YTD (former calculation)	19,3%	22,1%	22,2%	23,4%	18,9%	19,2%	19,3%	21,3%
ROIC, quarter (former calculation)	14,1%	21,4%	20,3%	23,4%	17,6%	18,9%	17,2%	21,3%
ROE (new calculation)	27,3%	28,4%	28,0%	26,9%	24,9%	28,1%	27,7%	30,2%
ROE (former calculation)	27,3%	29,5%	30,3%	32,1%	24,9%	26,0%	26,2%	29,3%
NIBD/EBITDA (new calculation)	1,0	0,9	1,0	1,1	0,8	0,9	0,9	0,9
NIBD/EBITDA, YTD (former calculation)	1,0	0,8	0,9	0,9	0,8	0,9	0,9	0,9
NIBD/EBITDA, quarter (former calculation)	1,1	0,8	1,0	0,9	0,8	1,0	1,0	0,9