

9M 2019

Difficult US ethanol and agriculture-exposed businesses; 1% organic sales growth in Q3

Organic sales growth of -2% (Q3: +1%) in the first nine months of 2019: Household Care 0% (Q3: +5%), Food & Beverages -1% (Q3: +1%), Bioenergy -4% (Q3: -5%), Agriculture & Feed -3% (Q3: +3%), Technical & Pharma -3% (Q3: -14%). EBIT margin at 27.6% and net profit down 7%. FCF bef. acq. DKK 2.1 billion.

Peder Holk Nielsen, President & CEO: *“As announced on October 9, performance for the first nine months of 2019 was weaker than expected. And while Q3 grew organically, we continued to see a difficult US ethanol market, weak global agricultural markets and a starch business under pressure leading us to adjust the outlook. We are implementing our “Better business with biology” strategy and make good progress to secure we can deliver on the plan for the 2020-2022 period”.*

October 23, 2019

Interim report for the first nine months of 2019.

Company announcement
no. 44

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Highlights 9M 2019:

- Executing on the updated strategy and reallocation program announced on June 16
- Innovation ramping up as expected in second half but difficult and persistent headwinds in US ethanol and global agriculture-exposed businesses, and in starch processing in Food & Beverages
- Products launched in the third quarter; Optimize 500 for soy with an improved performance and on-seed stability; and Achieve Advance for low temperature automatic dishwashing conditions
- Developed markets -1% (Q3 -2%) mainly due to weak US bioethanol; emerging markets -3% (Q3 +6%) mainly due to the Middle East but also to softness in certain emerging markets
- Reported EBIT margin of 27.6% (Q3 23.0%) affected by one-offs from restructuring costs in the third quarter as well as accumulated deferred income relating to BioAg and the divestment of the remaining pharma-related royalty in Q2 (9M excl. one-offs at ~26%, Q3 excl. one-offs at ~30%)
- Net profit down 7% y/y, impacted by one-offs and lower sales
- Free cash flow before acquisitions of DKK 2.1 billion; net investments DKK 0.6 billion
- Shares totaling DKK 1,362 million bought back under the 2019 stock buyback program of up to DKK 2 billion
- As an event occurring on October 15, 2019, Novozymes announced that President & CEO Peder Holk Nielsen will leave his position in early 2020, and a successor will be announced shortly

2019 outlook: Organic sales growth of -2-0%, with an expected 0.5-1 percentage point addition to growth in DKK. EBIT margin at 27-28% including ~2 percentage points from one-offs. Net profit growth of -5-0%. Net investments at DKK 0.8-1.0 billion. Free cash flow before acquisitions maintained at DKK 1.9-2.3 billion. ROIC at ~21% (~22% excl. IFRS 16 – Leases).

	Realized		2019 outlook	2019 outlook*
	9M 2018	9M 2019	Oct. 9	Oct. 23
Sales growth, organic	4%	-2%	-2-0%	-2-0%
EBIT margin	28.2%	27.6%	27-28%	27-28%
Net profit growth	3%	-7%	-5-0%	-5-0%
Net investments excl. acquisitions (DKKbn)	0.9	0.6	0.8-1.0	0.8-1.0
Free cash flow (FCF) before acquisitions (DKKbn)	2.0	2.1	1.9-2.3	1.9-2.3
ROIC (including goodwill)	24%	21%	~21%**	~21%**

* Assumes that the exchange rates for the company's key currencies remain at the rates prevailing on October 22 for the rest of 2019.

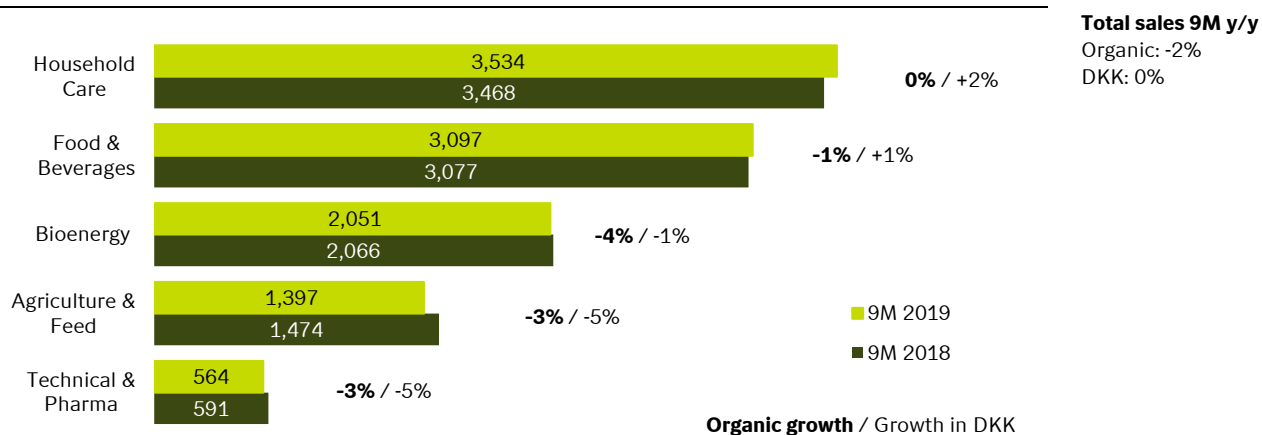
** The implementation of IFRS 16 – Leases has a negative impact on ROIC of approximately 1 percentage point.

Selected key data

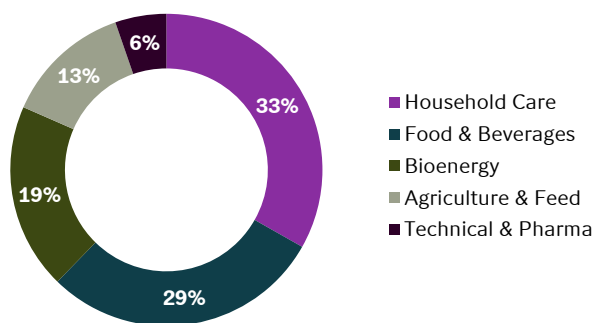
	9M 2019	9M 2018	Q3 2019	Q3 2018
Sales growth, organic	-2%	4%	1%	5%
Household Care	0%	0%	5%	2%
Food & Beverages	-1%	4%	1%	3%
Bioenergy	-4%	14%	-5%	15%
Agriculture & Feed	-3%	5%	3%	10%
Technical & Pharma	-3%	-7%	-14%	-9%
Sales, DKKm	10,643	10,676	3,704	3,658
Sales growth, DKK	0%	-2%	1%	2%
Gross margin	55.2%	57.5%	55.5%	57.8%
EBITDA, DKKm	3,866	3,781	1,150	1,317
EBIT, DKKm	2,936	3,014	852	1,041
EBIT margin	27.6%	28.2%	23.0%	28.5%
Net profit, DKKm	2,233	2,390	638	807
Net profit growth	-7%	3%	-21%	-1%
Net investments excl. acquisitions, DKKm	573	887	177	252
Free cash flow before acquisitions, DKKm	2,051	1,980	833	1,090
Net debt/EBITDA (x)	0.7	0.5	0.8	0.5
ROIC (incl. goodwill)	20.5%	24.4%	17.7%	24.1%
EPS, DKK	7.80	8.20	2.24	2.79
EPS (diluted), DKK	7.76	8.15	2.23	2.76
Avg. USD/DKK	664	624	671	641

Sales by business area

Sales in DKK million and organic/DKK growth rates, 9M year-on-year (y/y)



Distribution of sales by business area, 9M 2019



Household Care

Household Care sales were flat organically and grew by 2% in DKK year-over-year in the first nine months of 2019. In the third quarter, sales grew by 5% organically and by 7% in DKK. This was an expected development and as communicated going into the year. Challenges in the Middle East due to economic distress and sanctions in certain markets impacted the first half of the year negatively, but the effect fell out of the comparison in the third quarter.

Household Care 9M y/y
Organic: 0%
DKK: +2%

The good sales momentum to local customers continued, while the decline in sales to the large global detergent manufacturers was as expected.

Sales to developed markets grew slightly, driven by further penetration with local customers. Sales to emerging markets declined overall due to the situation in the Middle East and softer demand in certain emerging markets. The good momentum in India continued.

The commercial rollout of the Freshness platform is progressing according to plan with further penetration of new formats.

Food & Beverages

Food & Beverages declined by 1% organically and grew by 1% in DKK year-over-year in the first nine months of 2019. In the third quarter of 2019, sales grew by 1% organically and by 3% in DKK.

Food & Beverages 9M y/y
Organic: -1%
DKK: +1%

Sales developments in the Food & Beverages industries were mixed in the first nine months of 2019. Beverages and food & nutrition contributed positively, while starch remained challenged. Baking grew in the third quarter but remained in decline for the first nine months compared to the same period last year.

Food & nutrition was the biggest growth contributor in the first nine months of 2019, driven by strong demand for protein ingredients and plant extraction products. Beverages sales performed well.

Weak sales in the agriculture-exposed starch business were caused by challenges due to commodity prices and wet weather conditions in the US Midwest. Sales in baking were negatively impacted by economic distress in the Middle East during the first half of the year, and by price adjustments for freshkeeping solutions, particularly in the North American market. In the third quarter, the Baking performance improved as the negative impact from the Middle East and the price adjustments stabilized.

Bioenergy

In Bioenergy, sales declined 4% organically and 1% in DKK year-over-year in the first nine months of 2019. Sales in the third quarter declined by 5% organically and by 2% in DKK.

Bioenergy 9M y/y

Organic: -4%
DKK: -1%

The average US ethanol production volumes declined further in the third quarter as pressure on the industry remained strong. Deteriorating conditions in the industry caused by persistently low producer margins and high inventory levels have led to several plant shutdowns and lower capacity utilization. The production volumes of Novozymes' customers are down by more than the industry average, as reported by EIA (Energy Information Administration).

The recently launched yeast products have been well received by customers and have already gained a solid position in the industry. Sales outside the US are growing, mainly driven by capacity expansion in Brazil as the country is moving towards higher mandated ethanol volumes.

Agriculture & Feed

Sales in Agriculture & Feed declined by 3% organically and by 5% in DKK year-over-year in the first nine months of 2019. Sales in the third quarter grew 3% organically and declined 4% in DKK compared to last year. Although the third quarter performance was an improvement compared to the weak first six months of the year, it was still softer than expected.

Agriculture & Feed 9M y/y

Organic: -3%
DKK: -5%

Growth in Feed sales were supported by the roll-out of the recently launched animal health enzyme, Balancius, for improved gut health in poultry.

Challenging conditions in US agriculture caused by very wet weather in the US Midwest during the spring as well as a slow start to the Latin American planting season impacted BioAg sales in the first three quarters of the year. BioRise, the new inoculant for upstream corn launched in a partnership with Bayer, has been well received by the market and contributes positively to growth.

During the first nine months of 2019, Novozymes recognized DKK 24 million of deferred income (Q3: DKK 0 million), compared with DKK 108 million (Q3: 53 million) in the first nine months of 2018. The remaining balance of DKK 287 million was recognized as other operating income in Q2, and there is no longer any deferred income related to The BioAg Alliance on the balance sheet.

Technical & Pharma

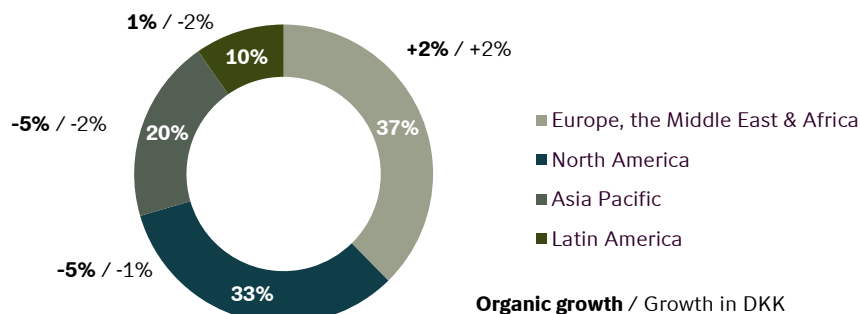
Technical & Pharma declined by 3% organically and by 5% in DKK year-over-year in the first nine months of 2019. In the third quarter, the business declined by 14% organically and by 17% in DKK year-over-year. The main reasons for the third quarter decline were the timing of Pharma-related sales and geographically shifting markets in textile.

Technical & Pharma 9M y/y

Organic: -3%
DKK: -5%

Sales by geography

Distribution of sales by geography, 9M 2019



Overall, organic sales declined by 2% year-over-year in the first nine months of 2019. During the period, sales to developed markets declined 1% organically, while emerging market sales declined by 3%. The performance was mainly due to economic constraints in the Middle East impacting the first half of the year, and lower starch sales in Asia Pacific continuing in the third quarter.

In the third quarter of 2019, organic sales grew by 1% overall compared with the same period last year. Sales to developed markets declined by 2% and emerging markets grew by 6% organically. The weakness in developed markets was mainly due to Bioenergy in North America while the solid growth in emerging markets were driven by Feed and Bioenergy in Latin America.

Europe, the Middle East & Africa

Organic sales grew 2% year-over-year in the first nine months of 2019 driven by Household Care and Animal Feed. In the third quarter, organic sales grew by 4% driven by Household Care and Food & Beverages while Technical & Pharma declined.

Europe, the Middle East & Africa 9M y/y

Organic: +2%
DKK: +2%

North America

High pressure on Bioenergy and BioAg sales in the first nine months of 2019 were the main reasons for the 5% organic sales contraction year-over-year, while sales in Household Care grew. The third-quarter organic sales decline of 7% was driven by Bioenergy and Agriculture & Feed.

North America 9M y/y

Organic: -5%
DKK: -1%

Asia Pacific

Sales in Asia Pacific declined organically by 5% in the first nine months of 2019 compared with the same period of 2018. A large part of the organic sales decline related to the annualization of the negative effects from the sanctions on Iran. Feed sales declined due to a challenging year-on-year comparison, and Food & Beverages sales contracted due to weakness in the starch business, particularly in China. The third-quarter organic sales growth of 4% was mainly driven by Feed and Bioenergy.

Asia Pacific 9M y/y

Organic: -5%
DKK: -2%

Latin America

Sales to the Latin America region grew by 1% organically in the first nine months of the year, mainly driven by Bioenergy and the continued expansion of starch-based ethanol capacity in Brazil. Household Care and Agriculture & Feed both declined. The third-quarter organic growth of 8% was mainly driven by Bioenergy whereas Agriculture & Feed declined.

Latin America 9M y/y

Organic: 1%
DKK: -2%

Income statement

Total costs excluding net financials, share of losses in associates and taxes amounted to DKK 7,707 million for the first nine months of 2019, which was an increase of 1%, or DKK 45 million, compared with the first nine months of 2018.

Total costs
+1%

The gross margin for the first nine months of 2019 was 55.2%, which was 2.3 percentage points lower than for the same period of 2018. Lower leverage on the fixed cost base and restructuring costs in the third quarter were the main reasons for the decrease in gross margin between the two periods.

Gross margin
55.2%

Operating costs were DKK 3,411 million for the first nine months of 2019 which was DKK 265 million or 8% higher than for the comparable period of 2018. Restructuring costs were the main driver of the increase in operating costs in the 9M 2019 period. The gross cost of restructuring in the third quarter impacted all the major cost lines listed below as well as the cost of goods sold. Operating costs as a percentage of sales were 32% in 2019, roughly 3 percentage points higher than for the first nine months of 2018.

Operating costs
+8%

- Sales and distribution costs were up by 7%, corresponding to 11.7% of sales
- R&D costs increased by 8%, corresponding to 14.3% of sales
- Administrative costs increased by 13%, corresponding to 6.1% of sales

Other operating income was DKK 470 million for the first nine months of 2019, up from DKK 25 million for the same period of 2018. Recognition of DKK 287 million in deferred income related to the termination of the BioAg alliance and proceeds from the divestment of the remaining pharma-related royalty were the main reasons for the significant increase in other operating income. Both events occurred in the second quarter.

Depreciation and amortization amounted to DKK 930 million for the first nine months of 2019, which was DKK 163 million higher than the DKK 767 million realized for the same period of 2018. Effects from the termination of the BioAg alliance with Bayer and depreciation of right-of-use assets as per the implementation of IFRS 16 were the main explanations for the increase in depreciation and amortization (please refer to the section on the impact of IFRS 16).

Depreciation and amortization
DKK 930 million

The EBIT margin was 27.6% for the first nine months of 2019, which was 0.6 percentage point less than for the same period of 2018. Multiple one-offs combined with positive currency effects impacted the EBIT margin.

EBIT
DKK 2,936 million
EBIT margin
27.6%

Net financial costs and share of losses in associates amounted to DKK 196 million after the first nine months of 2019 compared to DKK 82 million in the same period of 2018. The increase of DKK 114 million can be attributed to losses on currency hedging, most notably of the US dollar.

Net financial costs and share of losses in associates
DKK -196 million

Profit before tax was DKK 2,740 million for the first nine months of 2019, which was a 7% decrease (DKK 192 million) from DKK 2,932 million for the same period of 2018.

The effective tax rate of 18.5% for the first nine months of 2019 was on par with the same period of 2018.

Effective tax rate
18.5%

Net profit was DKK 2,233 million for the first nine months of 2019 which was a 7% decrease (DKK 157 million) from the DKK 2,390 million reported for the first nine months of 2018.

Net profit
DKK 2,233 million

Cash flows and balance sheet

Cash flow from operating activities was DKK 2,624 million for the first nine months of 2019, compared with DKK 2,867 million in the same period of 2018. The DKK 243 million decrease in cash flow from operations was mainly driven by lower profit. Working capital increased in the third quarter of 2019 relative to the previous quarter as the positive developments in payables were more than offset by higher receivables and inventories.

Operating cash flow
DKK 2,624 million

Net investments excluding acquisitions for the first nine months of 2019 amounted to DKK 573 million which was DKK 314 million less than for the same period of 2018. The investment level has been lower in 2019 as the major investments in the Innovation Campus in Denmark as well as the new production facilities in India and the USA have been finalized.

Net investments excl. acq.
DKK 573 million

Free cash flow before acquisitions increased by DKK 71 million from DKK 1,980 million in 2018 to DKK 2,051 million for the first nine months of 2019.

Free cash flow before acquisitions
DKK 2,051 million

Shareholders' equity at September 30, 2019 was DKK 11,204 million corresponding to an equity ratio of 55.6%. This was DKK 246 million higher than the shareholders' equity of DKK 10,958 million and 2.1 percentage points less than the 57.7% equity ratio recorded at September 30, 2018. The decline in equity ratio was mainly due to dividend payments and stock buybacks.

Equity ratio
55.6%

Net interest-bearing debt totaled DKK 3,549 million as per September 30, 2019, corresponding to a net-interest-bearing-debt-to-EBITDA ratio of 0.7x. This was an increase from September 30, 2018, when net interest-bearing debt amounted to DKK 2,428 million and the net-interest-bearing-debt-to-EBITDA ratio was 0.5x. The increase was in line with expectations.

Net interest-bearing debt-to-EBITDA
0.7x

Return on invested capital (ROIC) including goodwill was 20.5% for the first nine months of 2019, a 3.9 percentage point decrease from 24.4% for the same period of 2018. The decline in ROIC was due to the lower net profit and higher invested capital, part of which can be attributed to the implementation of IFRS 16 (please refer to the section on the impact of IFRS 16).

ROIC
20.5%

At September 30, 2019, the holding of treasury stock was 7,728,960 B shares, equivalent to 2.7% of the common stock.

Treasury stock
2.7%

Sustainability

The goal for 2019 is to grow the absolute consumption of water and energy and absolute CO₂ emissions at a rate lower than the organic sales growth. After the first nine months of 2019, Novozymes expects to be able to deliver on all the 2019 targets announced on January 24.

	9M 2019	2019 target
Growth in absolute water consumption	-4%	< org. sales growth
Growth in absolute energy consumption	-5%	< org. sales growth
Growth in absolute CO ₂ emissions	-23%	< org. sales growth
Energy from renewable sources	29%	28%
Occupational accidents with absence per million working hours	1.1	≤ 1.5
Employee absence	1.9%	≤ 2.0%
Women in senior management	32%	≥ 29%

2019 outlook

	Jan. 24	Apr. 4	Apr. 24	Jun. 6	Aug. 8	Oct. 9	Oct. 23*
Sales growth, organic	3-6%	3-6%	3-5%	1-3%	1-3%	-2-0%	-2-0%
EBIT margin	28-29%	29-30%	29-30%	28-29%	28-29%	27-28%	27-28%
Net profit growth	0-5%	5-10%	5-10%	3-8%	3-8%	-5-0%	-5-0%
Net investments excl. acquisitions (DKKbn)	1.0-1.3	1.0-1.3	1.0-1.3	1.0-1,2	1.0-1.2	0.8-1.0	0.8-1.0
Free cash flow before acquisitions (DKKbn)	2.2-2.6	2.0-2.4	2.0-2.4	1.9-2.3	1.9-2.3	1.9-2.3	1.9-2.3
ROIC (including goodwill)	~23%**	~24%**	~24%**	~23%**	~23%**	~21%**	~21%**

* Assumes that the exchange rates for the company's key currencies remain at the rates prevailing on October 22 for the rest of 2019.

** The implementation of IFRS 16 – Leases has a negative impact on ROIC of approximately 1 percentage point.

Sales outlook

Full year growth will be supported by the continued ramp-up of the Freshness platform, Balancius™ and other innovations. Given current visibility, the -2-0% range for the organic sales development reflects uncertainty in US ethanol and agriculture-exposed industries. **Organic sales growth** -2-0%

Using current spot rates as full-year estimates for the major currencies and including both lower recognition of deferred income in sales (BioAg) and the divestment of the remaining pharma-related royalty, Novozymes expects to see an additional positive impact of approximately 0.5-1 percentage point on the full-year growth in DKK.

During the first nine months of 2019, Novozymes recognized deferred income of DKK 24 million (Q3: DKK 0 million), compared with DKK 108 million in the first nine months of 2018 (Q3: DKK 53 million). The remaining balance of DKK 287 million was recognized as other operating income in Q2, and there is no longer any deferred income related to The BioAg Alliance on the balance sheet.

Household Care (organic: 0% 9M 2019 y/y) organic sales growth is expected to be driven by continued penetration with local customers and the increasing contribution from the rollout of our Freshness platform. As the Middle East headwinds continue to subside in the second half of 2019, we expect growth from local customers together with the ramp-up of the Freshness platform to lead to low-single-digit growth for Household Care for 2019.

Food & Beverages (organic: -1% 9M 2019 y/y) organic sales performance for 2019 is expected to be driven by broad-based commercial penetration and the increased impact of recent product launches. Baking is not expected to recover from the difficult start to the year, although sentiment is anticipated to improve. We expect the positive momentum in food & nutrition as well as beverages to continue, whereas a challenged starch business leads to an overall expectation of flattish organic sales growth for Food & Beverages for the full year.

Bioenergy (organic: -4% 9M 2019 y/y) sales are expected to remain challenged as the difficult conditions in the US ethanol industry overshadows the positive developments in yeast and the strong momentum in Brazil. Organic sales are expected at a mid-single-digit decline for the full year.

Agriculture & Feed (organic: -3% 9M 2019 y/y) organic sales are not expected to recover from the negative effect of the wet spring weather in the US Midwest. There is amongst other things also

uncertainty to the development of the Latin American planting season as it is delayed due to drought. Feed sales are expected to end the year flat. Full-year expectations for Agriculture & Feed organic sales are a mid-to-low-single-digit decline.

Technical & Pharma (organic: -3% 9M 2019 y/y). The business has been impacted by the challenging markets in the Middle East during the second half of 2018, a situation that continued through the first half of 2019. Further, the textile business has suffered from weak demand, particularly in China. Full-year expectations for Technical & Pharma organic sales are a mid-to-low single digit decline.

Profit outlook

The EBIT margin for 2019 is expected to be 27-28%, including a minor positive impact from currencies. The realization of deferred income relating to the termination of the BioAg Alliance in the second quarter is included in the outlook and adds around 2 percentage points to the EBIT margin. Also included in the outlook are the proceeds from the divestment of the remaining pharma-related royalty of around 1 percentage point and the net costs associated with the updated strategy of around 1 percentage point including restructuring costs. Consequently, the underlying EBIT margin outlook for the year is 25-26%.

EBIT margin
27-28%

Novozymes expects an effective tax rate of 17-19% for 2019.

Effective tax rate
17-19%

A change in net profit of -5-0% is expected for the full year 2019. Novozymes has hedged its US dollar exposure through forward contracts at an average exchange rate of 6.21 USD/DKK for 2019.

Net profit growth
-5-0%

Net investments excluding acquisitions are expected to amount to DKK 0.8-1.0 billion (2018: DKK 1.4 billion). The investment level for 2019 reflects general maintenance investments and a certain amount of expansion investments, partly related to the finalization of the Innovation Campus in Lyngby, Denmark.

Net investments
DKK 0.8-1.0 billion

Free cash flow before acquisitions is expected to be in the range of DKK 1.9-2.3 billion (2018: DKK 2.3 billion). The reclassification of lease payments (IFRS 16) is expected to have a positive effect on the free cash flow of around DKK 0.1 billion, whereas higher net working capital and accumulated taxes relating to the BioAg Alliance will have a negative impact on cash flows.

Free cash flow before acq.
DKK 1.9-2.3 billion

Return on invested capital (ROIC) including goodwill is expected at around 21% (2018: 24.2%). This includes full recognition of the remaining deferred income as the BioAg Alliance has been dissolved. The implementation of IFRS 16 has had a negative impact on ROIC of approximately 1 percentage point (please refer to the section on the impact of IFRS 16).

ROIC
~21%
(~22% excl. IFRS 16)

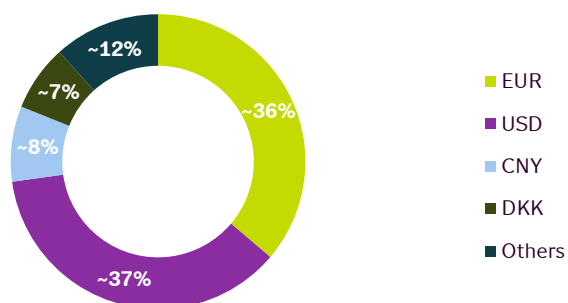
Sustainability outlook

Novozymes remains committed to continuously improving the sustainability performance of its own operations and supply chain. Improving sustainability performance is a long-term undertaking, and opportunities to make operations more cost-effective, environmentally friendly and socially responsible will be pursued and prioritized on an ongoing basis. For 2019, the annual targets are to keep resource consumption and CO₂ emissions lower than organic sales growth. Novozymes will work to increase the share of renewable energy in the energy mix to support the aim of decoupling business growth from the impact it has on the environment. Novozymes will also sharpen its focus on safety culture and continue the global initiatives to improve safe conduct in order to reduce the number of occupational accidents in 2019.

	2019 target
Growth in absolute water consumption	< organic sales growth
Growth in absolute energy consumption	< organic sales growth
Growth in absolute CO ₂ emissions	< organic sales growth
Energy from renewable sources	28%
Occupational accidents with absence per million working hours	≤ 1.5
Employee absence	≤ 2.0%
Women in senior management	≥ 29%

Currency exposure

Sales by currency, 9M 2019



From a currency perspective, Novozymes expects 2019 EBIT to be mostly exposed to fluctuations in the US dollar.

Other things being equal, a 5% change in USD/DKK is expected to have an annual positive/negative impact on EBIT of DKK 130-160 million, and a 5% change in EUR/DKK is expected to have an annual positive/negative impact on EBIT of DKK ~200 million.

Hedging of net currency exposure

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USD	100% hedged via forward contracts at 6.18 USD/DKK				100% hedged via forward contracts at 6.21 USD/DKK				50% hedged via forward contracts at 6.49 USD/DKK			

2018 was fully hedged at an average of 6.18 USD/DKK. 2019 is fully hedged at an average of 6.21 USD/DKK, and 2020 is 50% hedged at an average rate of 6.49 USD/DKK.

The outlook is based on exchange rates for the company's key currencies remaining at the closing rates of October 22, 2019, for the rest of the year.

DKK	EUR	USD	BRL	CNY
Average exchange rate 9M 2018	745	624	174	96
Average exchange rate 9M 2019	746	664	171	97
Average exchange rate 9M 2019 compared with 9M 2018	0%	6%	-2%	1%
Rate on October 22, 2019	747	671	163	95
Estimated average exchange rate 2019*	747	667	169	96
Estimated average exchange rate 2019 compared with 2018	0%	6%	-3%	1%

* Estimated average exchange rate on October 22, 2019.

Stock buyback program

Stock buybacks under the overall 2019 program of up to DKK 2 billion were initiated on April 25. During the first nine months of the year, Novozymes bought back 4,518,138 shares under the program at a total value of approximately DKK 1,362 million. As a result, Novozymes currently owns 2.7% of the total number of outstanding shares.

Major events occurring after the 9M interim period

As announced in the stock exchange announcement on October 15, 2019, the Board of Directors has agreed with CEO Peder Holk Nielsen, that he steps down as CEO of Novozymes. The Board expects to be able to announce a new CEO within a short period of time. The new CEO will be an external from outside the Novo Group. Peder will continue in his role as CEO until a successor is in place, which will most likely be in early 2020. Until then, Peder will lead Novozymes together with the management team.

Impact of IFRS 16

IFRS 16 – Leases introduces a single lessee accounting model, requiring lessees to recognize leases in the balance sheet as a right-of-use asset and a lease liability. In the income statement, the lease cost is replaced by depreciation of the leased asset and an interest expense for the financial liability.

The standard was implemented on January 1, 2019 using the modified retrospective approach, and comparative figures have not been restated. On initial recognition, right-of-use assets are measured at an amount equal to the lease liability, which is measured at the present value of future lease payments. Novozymes will not apply IFRS 16 to short-term, low-value leases or leases expiring before December 31, 2019. Novozymes has applied a single discount rate to portfolios of leases with similar characteristics.

The implementation of IFRS 16 has resulted in an increase in Property, plant and equipment and Lease liabilities of DKK 616 million as of January 1, 2019. At the same date, right-of-use assets amounted to DKK 764 million, of which DKK 148 million was transferred from previously capitalized finance leases. The right-of-use assets related to Land and buildings, Plant and machinery and Other equipment amounted to DKK 468 million, DKK 104 million and DKK 192 million respectively.

The lease liability is measured using the marginal borrowing rate in the countries in which Novozymes operates. The weighted average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 5.2%.

Lease costs are not split into service components and rental costs but accounted for as a single lease component. Variable service components invoiced separately are expensed as operating costs.

As of September 30, 2019, the implementation of IFRS 16 had had an insignificant impact on the income statement. Right-of-use assets amounted to DKK 694 million, and are included in Land and buildings, Plant and machinery and Other equipment at DKK 434 million, DKK 100 million and DKK 160 million respectively. The lease liability amounted to DKK 647 million. Consequently, ROIC was impacted negatively by 0.8 percentage point, and free cash flows were impacted positively by DKK 81 million, as repayments of lease liabilities are now included under Financing activities. Depreciation of right-of-use assets amounted to DKK 92 million at end of the third quarter of 2019.

Accounting policies

The interim report for the first nine months of 2019 has been prepared in accordance with IAS 34 and the additional Danish regulations for the presentation of quarterly interim reports by listed companies. The interim report for the first nine months of 2019 follows the same accounting policies as the annual

report for 2018, except for all new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on January 1, 2019.

Updated accounting policies for leases

If, at inception, it is assessed that a contract contains a lease, a right-of-use (ROU) asset and a lease liability are recognized at commencement of the lease. The ROU asset is initially measured at the present value of future lease payments, plus the cost of obligations to refurbish the asset. ROU assets are depreciated on a straight-line basis over the shorter of the expected lease term and the useful life of the underlying asset. ROU assets are tested for impairment whenever there is an indication that the assets may be impaired.

Lease payments include fixed payments and variable payments that depend on an index such as an inflation index as well as performance-based payments. When the lease contains an extension or purchase option that Novozymes believes with reasonable certainty will be exercised, these are included in the lease payments.

ROU assets are included in the categories under Property, plant and equipment, and the lease liability is presented separately in the balance sheet.

Novozymes' portfolio of leases covers leases of land, buildings and other equipment such as cars and transportation containers. For building leases, lease terms are estimated taking the size of the building and its strategic importance into consideration. Novozymes has entered into several open-ended building leases and building leases with extension options. The estimated lease terms for such contracts do not exceed 12 years.

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 Leadership Team

The Board of Directors and the Executive Leadership Team have considered and approved the interim report of Novozymes A/S for the first nine months of 2019. This interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the first nine months of 2019 has been prepared in accordance with International Financial Reporting Standards and IAS 34 as adopted by the EU, and further requirements in the Danish Financial Statements Act for the presentation of quarterly interim reports by listed companies.

In our opinion, the accounting policies used are appropriate, the Group's internal controls relevant to preparation and presentation of these Group financial statements are adequate, and these Group financial statements give 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 September 30, 2019, and of the results of the Group's operations and cash flows for the first nine months of 2019. Other than as disclosed in the interim report for the first nine months of 2019, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the annual report for 2018.

Bagsvaerd, October 23, 2019

EXECUTIVE MANAGEMENT

Peder Holk Nielsen
President & CEO

Thomas Videbæk
COO

Lars Green
CFO

BOARD OF DIRECTORS

Jørgen Buhl Rasmussen
Chairman

Agnete Raaschou-Nielsen
Vice Chairman

Lena Bech Holskov

Anders Hentze Knudsen

Kasim Kutay

Lars Bo Køppler

Kim Stratton

Mathias Uhlén

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Appendix 1 Main items and key figures

1.1 Key figures

DKK million	9M 2019	9M 2018	% change	Q3 2019	Q3 2018	% change
Revenue	10,643	10,676	(0)%	3,704	3,658	1%
Gross profit	5,877	6,135	(4)%	2,057	2,116	(3)%
Gross margin	55.2%	57.5%		55.5%	57.8%	
EBITDA	3,866	3,781	2%	1,150	1,317	(13)%
EBITDA margin	36.3%	35.4%		31.0%	36.0%	
Operating profit / EBIT	2,936	3,014	(3)%	852	1,041	(18)%
EBIT margin	27.6%	28.2%		23.0%	28.5%	
Share of result in associates	(4)	(8)		(2)	(3)	
Net financials	(192)	(74)		(79)	(60)	
Profit before tax	2,740	2,932	(7)%	771	978	(21)%
Tax	(507)	(542)	(6)%	(133)	(171)	(22)%
Net profit	2,233	2,390	(7)%	638	807	(21)%
Earnings per DKK 2 share	7.80	8.20	(5)%	2.24	2.79	(19)%
Earnings per DKK 2 share (diluted)	7.76	8.15	(5)%	2.23	2.76	(19)%
Net investments excl. acq.	573	887				
Free cash flow before net acq. and purchase of financial assets	2,051	1,980				
Return on invested capital (ROIC) incl. goodwill	20.5%	24.4%				
Net interest-bearing debt	3,549	2,428				
Equity ratio	55.6%	57.7%				
Return on equity	26.3%	28.7%				
Debt-to-equity	31.7%	22.2%				
NIBD / EBITDA	0.7	0.5				
Number of employees	6,212	6,386				
Novozymes' stock				Sep. 30, 2019	Sep. 30, 2018	
Common stock (million)				291.0	297.0	
Net worth per share (DKK)				38.46	36.85	
Denomination of share (DKK)				2.00	2.00	
Nominal value of common stock (DKK million)				582.0	594.0	
Treasury stock (million)				7.7	8.2	

1.2 Income statement

DKK million	9M 2019	9M 2018	Q3 2019	Q3 2018
Revenue	10,643	10,676	3,704	3,658
Cost of goods sold	(4,766)	(4,541)	(1,647)	(1,542)
Gross profit	5,877	6,135	2,057	2,116
Sales and distribution costs	(1,242)	(1,158)	(444)	(404)
Research and development costs	(1,523)	(1,416)	(520)	(500)
Administrative costs	(646)	(572)	(246)	(192)
Other operating income, net	470	25	5	21
Operating profit / EBIT	2,936	3,014	852	1,041
Share of result in associates	(4)	(8)	(2)	(3)
Net financials	(192)	(74)	(79)	(60)
Profit before tax	2,740	2,932	771	978
Tax	(507)	(542)	(133)	(171)
Net profit	2,233	2,390	638	807
Attributable to				
Shareholders in Novozymes A/S	2,232	2,389	638	807
Non-controlling interests	1	1	-	-
Specification of net financials				
Foreign exchange gain/(loss), net	(164)	(55)	(62)	(53)
Interest income/(costs)	(10)	(4)	(15)	(1)
Other financial items	(18)	(15)	(2)	(6)
Net financials	(192)	(74)	(79)	(60)
Earnings per DKK 2 share	7.80	8.20	2.24	2.79
Average no. of A/B shares outstanding (million)	286.1	291.2	284.4	289.6
Earnings per DKK 2 share (diluted)	7.76	8.15	2.23	2.76
Average no. of A/B shares, diluted (million)	287.6	293.2	285.7	291.9

1.3 Statement of comprehensive income

DKK million	9M 2019	9M 2018	Q3 2019	Q3 2018
Net profit	2,233	2,390	638	807
Currency translation of subsidiaries and non-controlling interests	303	41	257	(62)
Currency translation adjustments	303	41	257	(62)
Fair value adjustments	(151)	(90)	(93)	(30)
Tax on fair value adjustments	33	20	20	7
Cash flow hedges reclassified to financial costs	127	17	38	20
Tax on reclassified fair value adjustments	(28)	(4)	(8)	(5)
Cash flow hedges	(19)	(57)	(43)	(8)
Other comprehensive income	284	(16)	214	(70)
Comprehensive income	2,517	2,374	852	737
Attributable to				
Shareholders in Novozymes A/S	2,517	2,373	852	737
Non-controlling interests	-	1	-	-

Appendix 2 Distribution of revenue

2.1 Business areas

DKK million	2019 9M	2018 9M	% change	% currency impact	% M&A impact	% organic growth
Household Care	3,534	3,468	2	2	0	0
Food & Beverages	3,097	3,077	1	2	0	(1)
Bioenergy	2,051	2,066	(1)	3	0	(4)
Agriculture & Feed	1,397	1,474	(5)	(2)	0	(3)
Technical & Pharma	564	591	(5)	2	(4)	(3)
Sales	10,643	10,676	0	2 *	0	(2)

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 2.4%.

DKK million	2019 Q3	2018 Q3	% change	% currency impact	% M&A impact	% organic growth
Household Care	1,267	1,186	7	2	0	5
Food & Beverages	1,074	1,045	3	2	0	1
Bioenergy	712	723	(2)	3	0	(5)
Agriculture & Feed	495	517	(4)	(7)	0	3
Technical & Pharma	156	187	(17)	3	(6)	(14)
Sales	3,704	3,658	1	0 *	0	1

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 2.2%.

DKK million	2019			2018			% change	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q3/Q3
Household Care	1,267	1,122	1,145	1,157	1,186	1,118	1,164	7
Food & Beverages	1,074	1,028	995	1,045	1,045	1,043	989	3
Bioenergy	712	716	623	740	723	695	648	(2)
Agriculture & Feed	495	404	498	571	517	441	516	(4)
Technical & Pharma	156	188	220	201	187	201	203	(17)
Sales	3,704	3,458	3,481	3,714	3,658	3,498	3,520	1

2.2 Geography

DKK million	2019 9M	2018 9M	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	4,006	3,934	2	1	(1)	2
North America	3,495	3,527	(1)	4	0	(5)
Asia Pacific	2,113	2,166	(2)	3	0	(5)
Latin America	1,029	1,049	(2)	(3)	0	1
Sales	10,643	10,676	0	2 *	0	(2)
Developed markets	7,021	6,952	1	2	0	(1)
Emerging markets	3,622	3,724	(3)	0	0	(3)
Sales	10,643	10,676	0	2	0	(2)

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 2.4%.

DKK million	2019 Q3	2018 Q3	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,404	1,360	3	0	(1)	4
North America	1,156	1,217	(5)	2	0	(7)
Asia Pacific	733	685	7	3	0	4
Latin America	411	396	4	(4)	0	8
Sales	3,704	3,658	1	0 *	0	1
Developed markets	2,365	2,404	(2)	0	0	(2)
Emerging markets	1,339	1,254	7	1	0	6
Sales	3,704	3,658	1	0	0	1

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 2.2%.

DKK million	2019			2018			% change	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q3/Q3
Europe, Middle East & Africa	1,404	1,274	1,328	1,280	1,360	1,289	1,285	3
North America	1,156	1,177	1,162	1,366	1,217	1,162	1,148	(5)
Asia Pacific	733	696	684	736	685	717	764	7
Latin America	411	311	307	332	396	330	323	4
Sales	3,704	3,458	3,481	3,714	3,658	3,498	3,520	1
Developed markets	2,365	2,299	2,357	2,458	2,404	2,270	2,278	(2)
Emerging markets	1,339	1,159	1,124	1,256	1,254	1,228	1,242	7
Sales	3,704	3,458	3,481	3,714	3,658	3,498	3,520	1

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

DKK million	9M 2019	9M 2018
Net profit	2,233	2,390
Reversals of non-cash items	860	1,586
Tax paid	(450)	(369)
Interest received	61	7
Interest paid	(71)	(7)
Cash flow before change in working capital	2,633	3,607
Change in working capital		
(Increase)/decrease in receivables and contract assets	(47)	(334)
(Increase)/decrease in inventories	42	(247)
Increase/(decrease) in payables, deferred income and contract liabilities	(3)	(165)
Currency translation adjustments	(1)	6
Cash flow from operating activities	2,624	2,867
Investments		
Purchase of intangible assets	(91)	(21)
Sale of property, plant and equipment	3	3
Purchase of property, plant and equipment	(485)	(869)
Cash flow from investing activities before acquisitions, divestments and purchase of financial assets	(573)	(887)
Free cash flow before acquisitions, divestments and purchase of financial assets	2,051	1,980
Business acquisitions, divestments and purchase of financial assets	430	-
Free cash flow	2,481	1,980
Financing		
Borrowings	1,047	1,470
Repayments of borrowings	(765)	(736)
Repayments of lease liabilities	(81)	
Purchase of treasury stock	(1,362)	(1,560)
Sale of treasury stock	43	138
Dividend paid	(1,439)	(1,317)
Withheld dividend tax	-	-
Cash flow from financing activities	(2,557)	(2,005)
Net cash flow	(76)	(25)
Unrealized gain/(loss) on currencies and financial assets, included in cash and cash equivalents	4	(25)
Change in cash and cash equivalents, net	(72)	(50)
Cash and cash equivalents at January 1	723	632
Cash and cash equivalents at September 30	651	582

Undrawn committed credit facilities at September 30, 2019 were DKK 4,095 million.

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

DKK million	Sep. 30, 2019	Sep. 30, 2018	Dec. 31, 2018
Completed IT development projects	135	111	105
Acquired patents, licenses and know-how	784	941	880
Goodwill	971	1,076	1,086
IT development projects in progress	52	45	59
Intangible assets	1,942	2,173	2,130
Land and buildings	3,854	2,647	2,779
Plant and machinery	4,490	4,198	4,452
Other equipment	1,123	565	619
Assets under construction and prepayments	854	1,892	1,848
Property, plant and equipment	10,321	9,302	9,698
Deferred tax assets	963	749	938
Other financial assets (non-interest-bearing)	21	30	20
Investment in associate	38	51	42
Other receivables	32	34	34
Non-current assets	13,317	12,339	12,862
Raw materials and consumables	405	377	372
Goods in progress	859	739	828
Finished goods	1,537	1,706	1,620
Inventories	2,801	2,822	2,820
Trade receivables	2,736	2,632	2,606
Contract assets	227	211	279
Tax receivables	127	175	174
Other receivables	271	230	219
Receivables	3,361	3,248	3,278
Other financial assets (non-interest-bearing)	22	6	14
Other financial assets	22	6	14
Cash and cash equivalents	651	582	723
Current assets	6,835	6,658	6,835
Assets	20,152	18,997	19,697

4.2 Balance sheet, Liabilities

DKK million	Sep. 30, 2019	Sep. 30, 2018	Dec. 31, 2018
Common stock	582	594	594
Currency translation adjustments	218	(221)	(86)
Cash flow hedges	(45)	(12)	(26)
Retained earnings	10,437	10,584	10,943
Equity attributable to shareholders in Novozymes A/S	11,192	10,945	11,425
Non-controlling interests	12	13	13
Shareholders' equity	11,204	10,958	11,438
Deferred tax liabilities	796	632	892
Provisions	203	142	132
Contract liabilities	-	263	199
Deferred income	-	1	37
Other financial liabilities (interest-bearing)	2,116	1,882	1,469
Other financial liabilities (non-interest-bearing)	15	2	5
Non-current lease liabilities	511		
Non-current liabilities	3,641	2,922	2,734
Other financial liabilities (interest-bearing)	1,437	1,128	1,789
Other financial liabilities (non-interest-bearing)	114	79	110
Lease liabilities	136		
Provisions	60	189	97
Trade payables	1,040	1,259	1,418
Contract liabilities	150	154	175
Deferred income	33	33	13
Tax payables	717	780	575
Other payables	1,620	1,495	1,348
Current liabilities	5,307	5,117	5,525
Liabilities	8,948	8,039	8,259
Liabilities and shareholders' equity	20,152	18,997	19,697

4.3 Statement of shareholders' equity

DKK million	Attributable to shareholders in Novozymes A/S						Total
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings	Total	Non-controlling interests	
Shareholders' equity at January 1, 2019	594	(86)	(26)	10,943	11,425	13	11,438
Net profit for the period				2,232	2,232	1	2,233
Other comprehensive income for the period		304	(19)		285	(1)	284
Total comprehensive income for the period		304	(19)	2,232	2,517	-	2,517
Purchase of treasury stock				(1,362)	(1,362)		(1,362)
Sale of treasury stock				43	43		43
Write-down of common stock	(12)			12	-		-
Dividend				(1,438)	(1,438)	(1)	(1,439)
Stock-based payment				31	31		31
Tax related to equity items				(24)	(24)		(24)
Changes in shareholders' equity	(12)	304	(19)	(506)	(233)	(1)	(234)
Shareholders' equity at September 30, 2019	582	218	(45)	10,437	11,192	12	11,204
Shareholders' equity at January 1, 2018	610	(262)	45	10,861	11,254	13	11,267
Net profit for the period				2,389	2,389	1	2,390
Other comprehensive income for the period		41	(57)		(16)	-	(16)
Total comprehensive income for the period		41	(57)	2,389	2,373	1	2,374
Purchase of treasury stock				(1,560)	(1,560)		(1,560)
Sale of treasury stock				138	138		138
Write-down of common stock	(16)			16	-		-
Dividend				(1,316)	(1,316)	(1)	(1,317)
Stock-based payment				76	76		76
Tax related to equity items				(20)	(20)		(20)
Changes in shareholders' equity	(16)	41	(57)	(277)	(309)	-	(309)
Shareholders' equity at September 30, 2018	594	(221)	(12)	10,584	10,945	13	10,958

Appendix 5 Miscellaneous

5.1 Product launches in 2019

Q1 2019	Frontia® Jade – a new addition to our grain-milling platform for the Chinese market, untapping extra value from corn by releasing more starch, fibers and protein
Q1 2019	CTS500 – a new industrial biological soybean inoculant developed in collaboration with Bayer for the Brazilian market, bringing together biological inoculants of selected bacteria with high efficiency and nitrogen fixation
Q2 2019	Innova® Force – a new yeast for the ethanol industry that, in combination with our enzymes, delivers the most reliable and flexible solution available in the market
Q2 2019	Innova® Fit – a dry version for the ethanol industry of our non-GM yeast that enables penetration of the markets in LATAM and EMA, as well as expands our non-GM market in US
Q2 2019	Fortiva® – a unique new offering in ethanol liquefaction to meet demand for increased yield even in high-temperature conditions
Q3 2019	Optimize 500 – improved performance and on-seed stability for soy
Q3 2019	Achieve Advance – a new enzyme for cold temperature automatic dishwash conditions

5.2 Company announcements for the financial year 2019

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

January 24, 2019	Group financial statement for 2018
January 31, 2019	Change to the Board of Directors
February 27, 2019	Novozymes A/S Annual Shareholders' Meeting 2019
March 29, 2019	Reduction of common stock
March 29, 2019	Summary of capital reduction
April 4, 2019	Novozymes and BioAg: Continuation with Bayer as core partner; new, broader setup allows Novozymes to bring biological solutions to the market together with more partners
April 24	Interim report for the first three months of 2019
April 29	Agreement between Novozymes and Novo Holdings A/S on trading of shares as part of Novozymes' stock buyback program
June 6	Revised full-year outlook
June 16	Strategy update 2020-2022
August 8, 2019	Interim report for the first six months of 2019
August 8, 2019	Change to the Executive Leadership Team
August 9, 2019	Change to the Board of Directors and the Executive Leadership Team
October 9, 2019	Revised full-year outlook
October 15, 2019	Change to the Executive Leadership Team

5.3 Financial calendar

January 23, 2020	Group financial statement for 2019
February 26, 2020	Annual Shareholders' Meeting 2020