



# 12M 2020

## Resilient 2020 performance despite the COVID-19 pandemic. 2021 expected stronger with outlook of 2-6% organic sales growth and solid EBIT margin and FCF generation

Organic sales performance of 0% (Q4: -3%) in 2020: Household Care +5% (Q4: 0%), Food, Beverages & Human Health 1% (Q4: -4%), Bioenergy -9% (Q4: -4%), Grain & Tech Processing -1% (Q4: -4%), Agriculture, Animal Health & Nutrition +1% (Q4: -6%). EBIT margin at 26.1% (Q4: 23.1%). ROIC incl. goodwill at 18.9% (Q4: 17.6%). FCF bef. acq. at DKK 3.4 billion (Q4: DKK 0.7 billion).

**Ester Baiget, President & CEO:** "COVID-19 made 2020 a year like no other in recent memory and I'm extremely proud of the way our 'Zymers' have handled these difficult circumstances. The advances we made during the year are a testament to Novozymes' strong purpose, culture and well-diversified business model. I'm confident that we will return to growth in 2021, supported by a more streamlined organization, stronger commercial presence, innovation, as well as a gradual recovery in those areas adversely affected by the pandemic."

**February 2, 2021**

Group financial statement for 2020.  
Company announcement no. 01

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### The year in summary:

- Organic sales performance ended at 0% (Q4: -3%) and at -3% (Q4: -8%) in reported DKK
- Household Care delivered solid organic sales growth driven by the rollout of the Freshness platform, market penetration especially in emerging markets and COVID-19 induced changes to consumer behavior. Food, Beverages & Human Health organic sales were up slightly as food and human health grew while beverages declined due to COVID-19 effects
- Organic sales declined in Bioenergy and Grain & Tech Processing as COVID-19 impacts severely affected ethanol and textile production. Slight organic sales growth in Agriculture, Animal Health & Nutrition supported by the rollout of Balancius™ and a BioAg one-off
- Emerging market organic sales at +1%; developed market organic sales at -1%
- The Human Health opportunity reached a key milestone with its first internal product launch; BioFresh® 4+, a clinically proven enzymatic solution that eliminates bad breath for up to four hours. Two game-changing acquisitions were also made in the human health area
- 18 products launched during the year, including 11 launches in the fourth quarter alone
- Reported EBIT margin at a solid 26.1% despite currency headwinds. Underlying EBIT margin at ~27% excluding one-offs, currency, and M&A-related effects (2019: underlying ~26%)
- Very strong free cash flow at DKK 3.4bn before acquisitions. Strong balance sheet at 0.8x NIBD/EBITDA
- Proposed dividend at 5.25 DKK/share and 51.9% payout ratio. DKK 1.5bn worth of stock buybacks in 2020

**2021 outlook:** Organic sales growth of 2-6%; wide range reflects continued covid-19 related uncertainty. ~1 percentage point less in reported DKK terms. Q1 y/y organic sales decline expected due to high comparator. EBIT-mgn at 25-26% including negative y/y impacts from currency and M&A-related effects of around 1 percentage point each. Underlying y/y EBIT-mgn improvement driven by operational leverage and diligent cost control. ROIC incl. goodwill at ~19%. FCF bef. acq. at DKK 2.7-3.1bn. Stock buyback program of up to DKK 1.5bn.

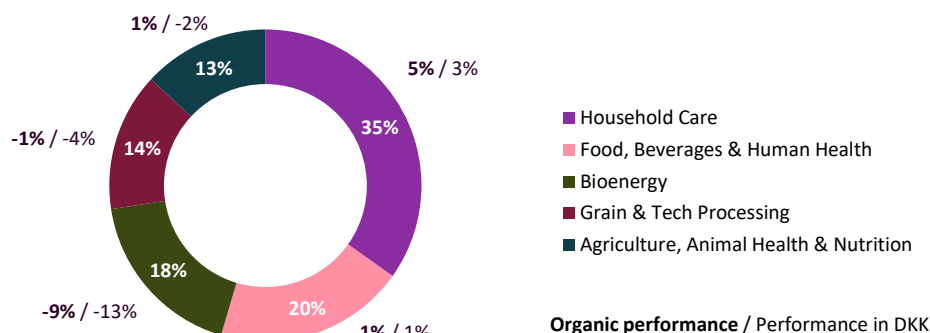
		2020 outlook	12M 2020	2021 outlook
Sales performance, organic	%	~0	0	2 to 6
EBIT margin	%	26 to 27	26.1	25 to 26
ROIC, incl. goodwill	%	18 to 19	18.9	~19
Free cash flow before acquisitions	DKKbn	2.6 to 3.0	3.4	2.7 to 3.1

## Selected key data

		12M 2020	12M 2019	Q4 2020	Q4 2019
<b>Sales performance, organic</b>	%	<b>0</b>	<b>-1</b>	<b>-3</b>	<b>1</b>
Household Care	%	5	1	0	5
Food, Beverages & Human Health	%	1	3	-4	7
Bioenergy	%	-9	0	-4	6
Grain & Tech Processing	%	-1	-9	-4	-10
Agriculture, Animal Health & Nutrition	%	1	-5	-6	-9
<b>Sales</b>	<b>DKKkm</b>	<b>14,012</b>	<b>14,374</b>	<b>3,446</b>	<b>3,731</b>
Sales performance, DKK	%	-3	0	-8	0
Gross margin	%	56.0	55.3	55.5	55.7
EBITDA	DKKkm	4,918	5,292	1,143	1,426
EBIT	DKKkm	3,652	4,039	796	1,103
EBIT margin	%	26.1	28.1	23.1	29.6
Net profit	DKKkm	2,826	3,155	654	922
Net profit performance	%	-10	-2	-29	10
Net investments excl. acquisitions	DKKkm	936	991	343	418
Free cash flow before acquisitions	DKKkm	3,419	2,205	703	154
NIBD/EBITDA (x)		0.8	0.8	0.8	0.7
ROIC, incl. goodwill		18.9	21.1	17.6	24.4
EPS	DKK	10.07	11.06	2.34	3.27
EPS (diluted)	DKK	10.02	11.01	2.33	3.25
Avg. USD/DKK		654	667	625	675

## Sales by business area

### Distribution of sales by business area, 12M 2020



### Total sale 12M y/y

Organic: 0%  
DKK: -3%

### Household Care

Household Care sales grew 5% organically and 3% in reported DKK in 2020. Sales performance was mainly driven by the rollout of the Freshness technology in Europe and broader enzymatic penetration of detergents, especially in emerging markets. Growth from the Freshness platform was additionally fueled by the introduction of a new liquid and pod format. Increased consumer focus on cleanliness and more at-home dish washing induced by the COVID-19 pandemic also contributed to sales growth.

### Household Care 12M y/y

Organic: 5%  
DKK: 3%

Sales in the fourth quarter was flat organically and declined 4% year-on-year in reported DKK. Organic sales ended flat as growth from the rollout of the Freshness platform and more at-home dishwashing was offset by the remaining destocking related to COVID-19 as well as reduced demand from professional laundries due to lower activity at hotels, hospitals, and restaurants.

### Food, Beverages & Human Health

Full-year sales in Food, Beverages & Human Health grew 1% both organically and in reported DKK. Sales benefitted from moderate growth in the food-related business areas which was to a large extent offset by declining sales in beverages. The growth in food was mainly driven by increased market penetration and the success of tailored solutions in baking as well as higher demand for low-lactose solutions, such as Saphera®, in dairy. COVID-19 restrictions resulted in more at-home and less out-of-home consumption of foods and beverages. This had a minor positive effect on the food business but resulted in declining beverage sales as especially the global brewing industry was adversely affected. The human health opportunity progressed well during the year and contributed positively to sales although from a small base.

### Food, Beverages & Human Health 12M y/y

Organic: 1%  
DKK: 1%

Fourth quarter sales declined 4% both organically and in reported DKK compared to the same quarter of 2019. The decline was primarily due to a weak performance in food caused by COVID-19 related destocking in baking.

### Bioenergy

Bioenergy sales declined 9% organically and 13% in reported DKK in 2020. COVID-19 restrictions, first implemented in the spring, severely disrupted U.S. gasoline and ethanol demand and, subsequently, ethanol production and Bioenergy sales. Monthly U.S. ethanol production rates improved gradually from the trough in April/May but still ended the year well below 2019 levels. Bioenergy's performance in North America ended roughly in line with the estimated industry development. Increased market penetration with yeast solutions, for example, and the continued expansion of corn-based ethanol production capacity in Brazil and China contributed positively to full-year sales.

### Bioenergy 12M y/y

Organic: -9%  
DKK: -13%

Sales in the fourth quarter declined 4% organically and 13% year-on-year in reported DKK. Organic sales declined due to the still negative, but easing, year-on-year impact from COVID-19 related effects on U.S. ethanol production, while emerging markets grew.

### Grain & Tech Processing

Sales in Grain & Tech Processing declined 1% organically and 4% in reported DKK in 2020. Solid growth in grain did not fully compensate for a decline in tech. The broad-based growth in grain was driven by strong performance in grain milling and vegetable oil processing. COVID-19 severely affected the global textile industry and subsequently also resulted in a significant downturn in sales of enzymes for textile production, which was the main reason for the decline in tech.

**Grain & Tech Processing 12M y/y**  
Organic: -1%  
DKK: -4%

Fourth quarter sales declined 4% organically and 9% year-on-year in reported DKK due to continued soft demand in textile and expected timing effects in starch processing. Demand in textile improved gradually in the second half of the year but was still negative in the fourth quarter.

### Agriculture, Animal Health & Nutrition

Full-year sales in Agriculture, Animal Health & Nutrition sales grew 1% organically and declined 2% in reported DKK. Organic sales increased slightly as solid growth in agriculture more than offset a weak performance in animal health & nutrition. Growth in agriculture was driven by increased demand across solutions. Agriculture sales also benefitted from a DKK ~60 million one-off in the second quarter related to the former BioAg setup. The continued rollout of Balancius™ contributed to the sales development in animal health & nutrition, but it was not enough to compensate for lower in-market demand and inventory adjustments in animal nutrition.

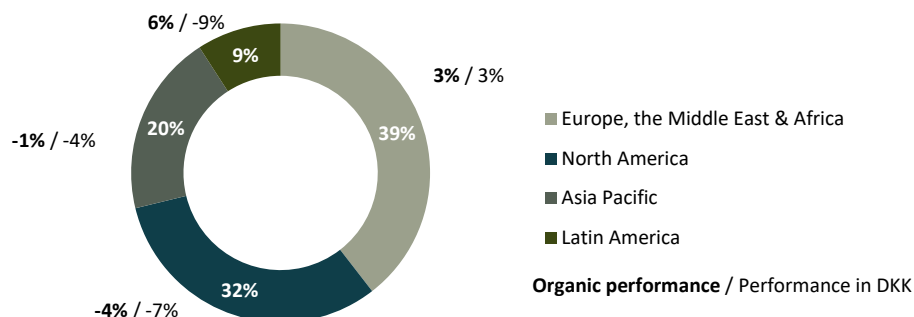
**Agriculture, Animal Health & Nutrition 12M y/y**  
Organic: 1%  
DKK: -2%

Fourth quarter sales declined 6% organically and 12% in reported DKK compared to the same quarter of 2019. Organic sales declined due to weak in-market demand and inventory adjustments in animal nutrition as well as negative timing in agriculture, in line with expectations.

Novozymes did not recognize any deferred income as revenue in 2020 while recognizing DKK 24 million in 2019 (Q4 2019: DKK 0 million). As the BioAg Alliance was terminated in April of 2019, the remaining and related balance of the deferred income of DKK 287 million was recognized as other operating income in the second quarter of 2019.

## Sales by geography

### Distribution of sales by geography, 12M 2020



Novozymes organic sales were flat in 2020 compared to 2019. Organic sales grew 1% in emerging markets and declined 1% in developed markets. Growth in Household Care and Bioenergy were the main drivers of the positive performance in emerging markets. Developed markets declined slightly as growth in Household Care and Agricultural, Animal Health & Nutrition was not enough to compensate for the decline in the North American Bioenergy business.

Fourth quarter organic sales declined 3% year-on-year for the group with sales in emerging markets and developed markets declining 4% and 3% respectively. Sales in emerging markets declined primarily due to weakness in Agricultural, Animal Health & Nutrition, while sales in developed markets declined mainly due to the soft demand in Bioenergy.

#### Europe, the Middle East & Africa

Full-year sales grew 3% organically compared to 2019. Growth in the region was primarily driven by a strong performance in Household Care but with contributions from most of the other business areas as well.

Fourth quarter sales declined 1% organically compared to the same quarter of 2019. The slight decline was due to a lower performance in Food, Beverages & Human Health and Agricultural, Animal Health & Nutrition, whereas Household Care grew.

**Europe, the Middle East & Africa 12M y/y**  
Organic: 3%  
DKK: 3%

#### North America

The severe effects of COVID-19 restrictions on U.S. ethanol production was the primary cause of the 4% organic sales decline in North America for the full year. Also, sales in Grain & Tech Processing declined during the year, whereas the other business areas grew.

Organic sales in the fourth quarter declined 5% year-on-year mainly due to the negative impact of COVID-19 on U.S. ethanol production in Bioenergy.

**North America 12M y/y**  
Organic: -4%  
DKK: -7%

#### Asia Pacific

Organic sales declined 1% in 2020 primarily due to the COVID-19 related effects on the textile industry, which had a negative effect on Grain & Tech Processing. Sales in Agricultural, Animal Health & Nutrition also declined, whereas Bioenergy and Household Care both grew.

Fourth quarter organic sales declined 3% year-on-year in the region, mainly due to weakness in Grain & Tech Processing and Agriculture, Animal Health & Nutrition, while Bioenergy grew.

**Asia Pacific 12M y/y**  
Organic: -1%  
DKK: -4%

**Latin America**

Sales in Latin America grew 6% organically in 2020, driven by increased enzymatic penetration in Household Care, ethanol capacity expansion in Bioenergy and market penetration of solutions for vegetable oil processing in Grain & Tech Processing. Performance in Agriculture, Animal Health & Nutrition was weak due to lower in-market demand and inventory adjustments in animal nutrition.

**Latin America 12M y/y**  
Organic: 6%  
DKK: -9%

Sales in the fourth quarter declined 3% organically compared to the same quarter of 2019. The decline was driven by Agriculture, Animal Health & Nutrition, whereas the other business areas grew.

## Income statement

Total costs excluding net other operating income, net financials, share of losses in associates and taxes amounted to DKK 10,416 million in 2020 and DKK 2,653 million in the fourth quarter alone. This was DKK 439 million (-4%) and DKK 25 million (-1%) less respectively than in the corresponding periods of 2019. The lower total costs in 2020 were both attributable to lower production and operating costs.

**Total costs**  
-4%

The gross margin was 56.0% in 2020 and 55.5% in the fourth quarter. This was an increase of 0.7 percentage point for the full-year and a decrease of 0.2 percentage point in the fourth quarter compared to the same periods of 2019. The gross margin in 2020 benefitted from lower input costs, improved production efficiency and a one-off settlement related to the former BioAg setup, whereas adverse currency developments and severance costs related to the September 1 reorganization affected the margin negatively. Lower input costs and negative currencies affected the gross margins, also in the fourth quarter. The underlying full-year and fourth quarter gross margins adjusted for one-offs and currency effects were somewhat higher than in the corresponding periods of 2019.

**Gross margin**  
56.0%

Operating costs totaled DKK 4,257 million in 2020, of which DKK 1,118 million was incurred in the fourth quarter. This was a decrease of DKK 178 million (-4%) for the full-year and an increase of DKK 94 million (+9%) in the fourth quarter compared to the same periods of 2019. Operating costs in 2020 benefitted from savings on employee and travel costs, while operating costs in both 2020 and 2019 incurred reorganization-related severance costs. Research and development costs included an impairment loss of DKK 32 million in the fourth quarter. Sales and distribution costs included transaction costs of DKK 20 million in the second quarter related to the acquisition of PrecisionBiotics Group, and DKK 29 million in the fourth quarter related to the acquisition of Microbiome Labs. Novozymes' operating costs also included amortization and operational cost related to PrecisionBiotics Group in the second half of the year. Operating costs amounted to 30% of sales in 2020 and 32% of sales in the fourth quarter. This was roughly 1 percentage point less for the full year and 5 percentage points more in the fourth quarter than in the same periods of 2019. For the full year of 2020:

**Operating costs**  
-4%

- Sales and distribution costs decreased by 3% and made up 11.3% of sales
- Research and development costs decreased by 1% and made up 13.8% of sales
- Administrative costs decreased by 12% and made up 5.3% of sales

Other operating income amounted to DKK 56 million in 2020, of which DKK 3 million was recognized in the fourth quarter. The amount for 2020 was DKK 464 million less than in 2019, while the fourth quarter amount was DKK 47 million less than in the fourth quarter of 2019. Other operating income in 2019 included the recognition of DKK 287 million in deferred income related to the termination of the BioAg Alliance and DKK 194 million in proceeds from the divestment of a pharma-related royalty, of which DKK 41 million was recognized in the fourth quarter. Other operating income in 2020 was positively impacted by DKK 42 million from a contingent income related to the same divested pharma-related royalty.

Depreciation and amortization amounted to DKK 1,266 million in 2020 and DKK 347 million in the fourth quarter alone. This was 1% and 7% higher, respectively, than in the corresponding periods of 2019.

**Depreciation and amortization**  
DKK 1,266 million

EBIT was DKK 3,652 million in 2020 and DKK 796 million in the fourth quarter, which corresponded to EBIT margins of 26.1% and 23.1% respectively. This was a decrease of DKK 387 million, or 2.0 percentage points in 2020, and a decrease of DKK 307 million, or 6.5 percentage points in the fourth quarter compared to the EBIT and EBIT margins for the same periods of 2019. The developments in EBIT and the EBIT margin can be explained by the same one-offs as affected the gross margin, operating costs and other operating income. Adjusted for these one-offs, acquisitions and negative currency effects, the underlying EBIT margin was ~27% in 2020 or ~1 percentage point higher than the underlying EBIT margin of ~26% in 2019. The improvement was driven by a higher underlying gross margin and lower operating costs. The underlying EBIT margin excluding currency effects, acquisitions and the one-offs was ~26% in the fourth quarter, which was roughly on par with the underlying margin in the fourth quarter of 2019.

**EBIT**  
DKK 3,652 million  
**EBIT margin**  
26.1%

Net financial costs and the share of losses in associates were DKK 131 million in 2020, while gains on currency hedges resulted in a net financial gain of DKK 10 million in the fourth quarter. The improvement of DKK 109 million and DKK 54 million for the respective periods was mainly due to gains on USD/DKK currency hedging.

**Net financial costs and share of losses in associates**  
DKK 131 million

Profit before tax amounted to DKK 3,521 million for the full year, of which DKK 806 million was earned in the fourth quarter. This was DKK 278 million (-7%) and DKK 253 million (-24%) lower than in the corresponding periods of 2019. The decrease was due to the lower EBIT.

The effective tax rate was 19.7% in 2020. This was 2.7 percentage points higher than last year as the effective tax rate in 2019 was affected positively by reduced uncertainty to tax positions related to bilateral advance pricing agreements (APAs).

**Effective tax rate**  
19.7%

Net profit totaled DKK 2,826 million in 2020, of which DKK 654 million was earned in the fourth quarter. This was DKK 329 million (-10%) and DKK 268 million (-29%) lower than in same periods of 2019, mainly due to the decrease in EBIT and increase in tax resulting from the higher effective tax rate.

**Net profit**  
DKK 2,826 million

## Cash flows and balance sheet

Cash flow from operating activities amounted to DKK 4,355 million in 2020, of which DKK 1,046 million was generated in the fourth quarter. This was an increase of DKK 1,159 million and DKK 474 million respectively compared to the corresponding periods of 2019. The improvement in operating cash flow was mainly due to higher cash conversion from better earnings quality, a settlement related to the former BioAg setup as well as positive changes and timing effects in working capital.

**Operating cash flow**  
DKK 4,355 million

Net investments excluding acquisitions totaled DKK 936 million in 2020, of which DKK 343 million was invested in the fourth quarter. This was DKK 55 million and DKK 75 million lower than in the same periods of 2019.

**Net investments excl. acq.**  
DKK 936 million

Free cash flow before acquisitions was DKK 3,419 million for the full-year and DKK 703 million in the fourth quarter. The respective improvements of DKK 1,214 million and DKK 549 million compared to the same periods of 2019 were mainly driven by a higher cash flow from operating activities.

**Free cash flow before acquisitions**  
DKK 3,419 million

Shareholders' equity was DKK 11,244 million at December 31, 2020, corresponding to an equity ratio of 54.8%. This was DKK 236 million and 1.4 percentage points less respectively than the shareholders' equity of DKK 11,480 million and the 56.2% equity ratio reported at December 31, 2019. The decrease in shareholders' equity reflects Novozymes' capital structure strategy of increased dividend payments and continued stock buybacks.

**Equity ratio**  
54.8%

Net interest-bearing debt (NIBD) and the NIBD-to-EBITDA ratio were DKK 3,871 million and 0.8x respectively at December 31, 2020. This was a decrease of DKK 178 million in NIBD and a flat development in NIBD-to-EBITDA ratio compared to December 31, 2019. NIBD decreased as the strong cash flow from operating activities more than offset the cash outflows related to stock buybacks, dividend payments, and the acquisition of PrecisionBiotics Group.

**NIBD/EBITDA**  
0.8x

Return on invested capital (ROIC) including goodwill was 18.9% for the full-year and 17.6% for the fourth quarter. This was 2.2 and 6.8 percentage points lower respectively than in the same periods of 2019. The decreases in ROIC were both attributable to lower net operating profit after tax and higher average invested capital. The decreases in net operating profit after tax were mainly due to the decline in EBIT between the periods. The increases in average invested capital can be explained by the recognition of deferred income in relation to the termination of the BioAg Alliance in 2019 and the acquisition of PrecisionBiotics Group in 2020 being partly offset by currency effects.

**ROIC**  
18.9%

The holding of treasury stock was 5,674,598 B shares at December 31, 2020, which was equivalent to 2% of the common stock.

**Treasury stock**  
2%



## Sustainability

In 2020, we stayed on course towards our 2030 sustainability commitments and targets for 2022. Despite the challenges brought on by the pandemic we made solid progress and are on track to meet most of our 2022 targets. We improved the share of renewable electricity in our energy mix, reduced CO<sub>2</sub> emissions from our operations substantially and developed plans to be more circular on water, waste and packaging. We improved the reach of our laundry solutions replacing chemicals to nearly 4 billion people, enabled savings of approximately 49 million tons of CO<sub>2</sub> by enabling low-carbon fuels, and helped gain 136,000 tons of food by improving efficiencies from farm to table. We also made satisfactory progress on all our people targets and stepped up on our responsibility to promote collective action on key sustainability issues by joining and lending our voice to coalitions like the RE100 and UNGC's CEO water mandate.

		2020	2022 targets
World	Save CO <sub>2</sub> emissions by enabling low carbon fuels in the transport sector	49	60 million tons of CO <sub>2</sub>
	Reach people by providing laundry solutions that replace chemicals	3.98	>4 billion people
	Gain food by improving efficiency from farm to table	136,000	500,000 tons of food
Operations	Reduce absolute CO <sub>2</sub> emissions from operations <sup>1</sup>	46%	40%
	Develop context-based water management programs	13%	100% of sites <sup>2</sup>
	Develop zero waste programs	20%	100% of sites <sup>2</sup>
	Manage biomass in circular systems	97%	100%
	Develop circular management plans for key packaging materials	Roadmap in place	100%
Employees	Enable learning <sup>3</sup>	78	80
	Nurture diversity <sup>4</sup>	83	86
	Occupational injuries <sup>5</sup>	1.5	≤ 1.5
	Pledge employee time to local outreach <sup>6</sup>	Program launched	~ 1% of time
	Excite employees <sup>3</sup>	81	81

<sup>1</sup> Compared to 2018 baseline.

<sup>2</sup> The target does not include sites with activities considered not to have a significant environmental impact, e.g. sales offices, R&D labs, etc.

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

<sup>4</sup> Index calculated based on gender and national representation at various professional levels.

<sup>5</sup> Defined as the three-year rolling average of lost time injuries per million working hours.

<sup>6</sup> Qualitative reporting only.

## 2021 outlook

		2021 outlook
Sales performance, organic	%	2 to 6
EBIT margin	%	25 to 26
ROIC (including goodwill)	%	~19
Free cash flow before acquisitions	DKKbn	2.7 to 3.1
<i>For modeling purposes:</i>		
Effective tax rate	%	~20
Net financials costs, DKKm	DKKm	~50
Net investments, DKKbn	DKKbn	1.0 to 1.2
Stock buyback program	DKKbn	up to 1.5

\*Assuming the exchange rates for the company's key currencies remain at the rates prevailing on February 1 for the rest of 2021.

## Sales outlook

Novozymes expects to grow sales by 2% to 6% organically in 2021. The outlook is based on a gradual recovery from the pandemic impact in 2020. An incremental pickup or a further slowdown of the expected gradual recovery, especially in the areas most impacted by the pandemic in 2020, would imply a performance in the high- respectively low-end of the outlook range. However, the outlook range would not cover a situation with another extended global lockdown. Sales in reported DKK are expected to be ~1 percentage point less, net of currency and M&A-related effects, compared to the 2-6% organic sales growth outlook. Organic sales in the first quarter is expected to decline by mid-single digits year-on-year following the relatively high comparator of the first quarter of last year, especially in Household Care, Bioenergy and in Food, Beverages & Human Health.

Food, Beverages & Human Health and Grain & Tech Processing are both expected to grow organically by mid-single-digits while Bioenergy is expected to grow by mid-to-high single digits in 2021. The growth outlook for Household Care is in the low-single-digits following the better than expected performance in 2020. Agriculture, Animal Health & Nutrition is expected at flat to low-single-digit growth.

**Household Care** (organic 5% 12M 2020) organic sales growth is expected to be driven by market penetration, focusing on emerging markets and a continued rollout of the freshness technology, with a broad-market launch in the second half of the year. The broad market launch is an important milestone, that is expected to become a significant growth contributor in future years. The 2021 outlook for Household Care builds on improving the underlying performance on top of a better than expected performance in 2020.

**Food, Beverages & Human Health** (organic 1% 12M 2020) 2021 organic sales growth is expected to be broad-based. Innovation and emerging market penetration, supported by increasing consumer dietary-health-awareness, are the main drivers of growth in the food business. Beverages is expected to gradually recover following a 2020 severely affected by COVID-19 implications. The PrecisionBiotics Group and Microbiome Labs acquisitions are both estimated to contribute to growth in reported DKK and to grow organically by solid double-digits.

**Bioenergy** (organic -9% 12M 2020) organic sales growth in 2021 is expected to be driven by a gradual recovery in the U.S. ethanol industry, following the severe disruption caused by the COVID-19 pandemic. The mid-point

of the Bioenergy organic sales range roughly corresponds to mid-single digit growth in the US ethanol production. The growth contribution from regions outside of the U.S. is expected to be positive.

**Grain & Tech Processing** (organic -1% 12M 2020) organic sales growth is expected to be broad-based, with both grain and tech contributing positively. The grain business is expected to outgrow a roughly flat underlying market, driven by innovation and increased local presence across key regions. Tech is expected to gradually recover after the significant disruption of the global textile industry in 2020.

**Agriculture, Animal Health & Nutrition** (organic 1% 12M 2020) organic sales performance in 2021 will be driven by the continued expansion of the BioAg business across crops and regions, resulting in solid underlying double-digit organic sales growth when adjusted for the DKK ~60 million one-off in the second quarter of 2020. The outlook for Animal Health & Nutrition includes some uncertainty as to stocking levels in the value chain, further accentuated by the pandemic. A strong innovative product portfolio and partnership setup coupled with signs of improving farmer economics make us carefully optimistic about the years to come.

## Profit outlook

For 2021, Novozymes expects a solid reported EBIT margin of 25-26% (2020: 26.1%), which includes a negative year-on-year impact from currency and M&A-related effects of around 1 percentage point each. Hence, the implied underlying EBIT margin for 2021 of 27-28% should be compared with the underlying 2020 EBIT margin of ~27%, and the underlying 2019 EBIT margin of ~26%. Supportive margin contributions from sales growth and productivity improvements are expected to be partly offset by slightly higher input costs and continued re-investment in the business.

**EBIT margin**  
25% to 26%

Return on invested capital (ROIC), including goodwill, is expected at around 19% (2020: 18.9%; underlying ~20%) and includes negative currency and M&A-related effects totaling roughly 2 percentage points.

**ROIC, incl. goodwill**  
~19%

Free cash flow (FCF) before acquisitions is expected to be in the DKK 2.7-3.1 billion range (2020: DKK 3.4 billion), supported by higher sales and an improved operational cash flow. Cash flow is expected to be somewhat lower than in 2020 as higher net investments and the timing of working capital will lower the 2021 cash generation following a stronger than expected performance in 2020.

**FCF before acquisitions**  
DKK 2.7 to 3.1 billion

For modeling purposes, the following is provided:

The effective tax rate is expected at around 20% for 2021 (2020: 19.7%).

**Effective tax rate**  
~20%

Net financial costs are expected to be DKK ~50 million (2020: DKK 127 million), with roughly DKK 150 million relating to interest expenses, banking fees, leasing and financial costs related to acquisition earn-outs. This is offset by a positive effect from USD/DKK currency hedging.

**Net finance costs**  
DKK ~50 million

Net investments in 2021 are expected to be DKK 1.0-1.2 billion (2020: DKK 0.9 billion). This reflects maintenance as well as expansion and optimization investments.

**Net investments**  
DKK 1.0 to 1.2 billion

A stock buyback program of up to DKK 1.5 billion has been initiated for 2021.

**Stock buyback program**  
up to DKK 1.5 billion

## Sustainability outlook

In 2021, we will continue to invest in developing solutions that support better lives in a growing world and progress on our 2022 targets on climate, water, production and consumption. We will work to further expand the reach and benefits of our solutions, which we expect to deliver an even greater impact by replacing chemicals and enabling CO<sub>2</sub> reductions. We foresee that a prolonged impact of COVID-19 may limit our contributions towards our target to GAIN 500,000 tons of food by improving efficiencies from farm to table already in 2022, but we will continue to strive to deliver improved gains also in 2021. We will further develop our employee programs focused on learning, well-being and improving their engagement towards our sustainability commitment.

		2022 targets	Status
World	Save CO <sub>2</sub> emissions by enabling low carbon fuels in the transport sector	60 million tons 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 tons of food	More to do
Operations	Reduce absolute CO <sub>2</sub> emissions from operations <sup>1</sup>	40%	On track
	Develop context-based water management programs	100% of sites <sup>2</sup>	On track
	Develop zero waste programs	100% of sites <sup>2</sup>	On track
	Manage biomass in circular systems	100%	On track
	Develop circular management plans for key packaging materials	100%	On track
Employees	Enable learning <sup>3</sup>	80	On track
	Nurture diversity <sup>4</sup>	86	On track
	Occupational injuries <sup>5</sup>	≤ 1.5	On track
	Pledge employee time to local outreach <sup>6</sup>	~ 1% of time	On track
	Excite employees <sup>3</sup>	81	On track

<sup>1</sup> Compared to 2018 baseline.

<sup>2</sup> The target does not include sites with activities considered not to have a significant environmental impact, e.g. sales offices, R&D labs, etc.

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

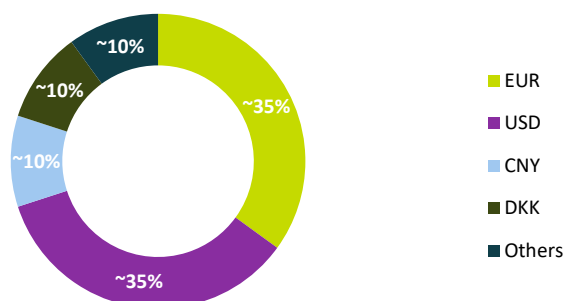
<sup>4</sup> Index calculated based on gender and national representation at various professional levels.

<sup>5</sup> Defined as the three-year rolling average of lost time injuries per million working hours.

<sup>6</sup> Qualitative reporting only.

## Currency exposure

### Sales by currency, 12M 2020



Other things being equal, 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

	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USD	100% hedged via forward contracts at USD/DKK 6.58				88% hedged via forward contracts at average USD/DKK 6.41			

The currency exposure was hedged at an average of USD/DKK 6.58 in 2020. For 2021, the exposure is 88% hedged at an average of USD/DKK 6.41. The 2021 outlook is based on exchange rates for the company's key currencies remaining at the closing rates on February 1 for the full year.

DKK	EUR	USD	BRL	CNY
Average exchange rate 12M 2020	745	654	128	95
Average exchange rate 12M 2019	747	667	169	97
Average exchange rate 12M 2020 compared to 12M 2019	0%	-2%	-24%	-2%
Rate on February 1, 2021	744	615	113	95
Estimated average exchange rate 2021*	744	615	113	95
Estimated average exchange rate 2021 compared to 2020	0%	-6%	-12%	0%

\* Estimated average exchange rate on February 1, 2021.

## Dividend for 2020

At the Annual Shareholders' Meeting to be held on March 11, 2021, the Board of Directors intends to propose a dividend payment of DKK 5.25 per share for the 2020 financial year. This is unchanged from 2019 and translates into a payout ratio of 51.9% of net profit in 2020, up from 47.0% in 2019.

## New stock buyback program in 2021

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 1.5 billion has been decided for 2021. The specific starting date will be communicated once decided.

The shares acquired in the program will be used to reduce the common stock and to meet obligations arising from employee stock-based incentive programs.

The buyback program will run in accordance with Regulation (EU) No 596/2014 of April 16, 2014, also known as the "Market Abuse Regulation," and Commission Delegated Regulation (EU) 1052/2016 of March 8, 2016. Subject to approval at the Annual Shareholders' Meeting, cancellation of stock will take place after the program expires.

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 the company's stock traded on Nasdaq Copenhagen during the preceding 20 business days.

The new stock buyback program will allow Novozymes to maintain its financial flexibility in terms of pursuing investment opportunities. However, the program is contingent on no major strategic initiatives being decided upon that will require a significant amount of capital, such as a major acquisition.

## Incentive programs for the Executive Leadership Team, the Senior Leadership Team and directors, and other employees

### **Incentive program for the Executive Leadership Team**

A new long-term incentive program (LTIP) for the Executive Leadership Team covering the performance period 2021-2023 has been established. The program complies with the Remuneration policy for the Executive Management and the Board of Directors of Novozymes A/S, as approved at Novozymes' Annual Shareholders' Meeting on February 26, 2020.

The LTIP consists of 50% shares and 50% share options. The LTIP reflects a 40% weight on organic sales growth, a 40% weight on economic profit generation, and a 20% weight on sustainability. The annual LTIP cannot exceed 19 months' base salary (value at conditional grant). Further, the program includes a maximum clause and final awards may be scaled back at the discretion of the Board of Directors if the intrinsic value exceeds twice the annual conditional grant. The total cash amount is converted into Novozymes A/S B shares and B share options at market price. The market price for shares and the exercise price for the share options are calculated as the average trading price for Novozymes A/S B shares on Nasdaq OMX Copenhagen during the first five trading days following the release of the financial results for 2020. Potential shares and share options will be awarded at the beginning of 2024 subject to achievements against the performance targets. The value of the 2021 program at a 50/50 split between shares and share options is approximately DKK 40 million, corresponding to approximately 53,000 shares and 285,000 share options.

The LTIP encourages retention through long-term share exposure over the three-year performance period and vesting period for the shares as well as the three-year performance and four-year vesting period for the share options. The share options will have a five-year exercise period starting at the expiry of the vesting period.

**Incentive program for Senior Leadership Team and directors**

A new incentive program for the Senior Leadership Team and directors covering the period 2021-2023 has also been established. The new program is a combined share and share option program and based on the same requirements and targets as for the Executive Leadership Team's LTIP. The value of the program with a 50/50 split between shares and share options is approximately DKK 55 million, corresponding to approximately 73,000 shares and 395,000 share options.

**Incentive program for other employees**

In addition to the new incentive programs for the Executive Leadership Team and the Senior Leadership Team and directors, Novozymes launched in 2020 a share option-based incentive program for other employees. The employee program will be repeated in 2021 and follows the same requirements and targets as the program for the Executive Leadership Team and the Senior Leadership Team. Potential share options will be awarded at the beginning of 2024, subject to performance targets, and has a four-year vesting period starting in 2021 and a subsequent five-year exercise period. The value of the program is approximately DKK 40 million, corresponding to 570,000 share options.

**Incentive program for selected employees**

As in previous years, the Board of Directors has renewed the non-executive annual incentive program, now established for 2021. The aim of the program is for executive management to be able to award shares or share options to employees as a personal bonus for outstanding efforts or for retention purposes. Given the nature of the program, the recipients of the incentives are not known at this point. Members of the Executive Management cannot be awarded incentives under this program. The program has a three-year performance period as well as a four-year vesting and a five-year exercise period for share options. The total cost of the program cannot exceed DKK 3 million, which at current valuation corresponds to about 8,000 shares or 43,000 share options.

## Events after the reporting data

On January 7, 2021, Novozymes acquired all voting shares in Microbiome Labs. For more information about the acquisition, please refer to Appendix 4.5 in this document, company announcement number 65/2020 of December 18, 2020, and the investor news of January 8, 2021.

## Election of employee representatives to the Board of Directors

The four-year term of the current employee representatives will expire in 2021. Novozymes employees have elected new representatives, and the results will be announced prior to the Annual Shareholders' Meeting. The number of employee representatives will be increased to four because of the increase in the number of Board members elected at the 2020 Annual Shareholder's Meeting. The changes will take effect from the Annual Shareholders' Meeting on March 11, 2021.

## Accounting policies

The Group financial statements for 2020 have been prepared in accordance with IAS 34 and additional Danish regulations for the presentation of quarterly interim reports by listed companies. The Group financial statement for 2020 follows the same accounting policies as the Annual Report of 2020. The Annual Report for 2020 has been audited by the company's independent auditor.

## 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.

## Contact information

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## Statement of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have considered and approved the Annual Report of Novozymes A/S for 2020, including the audited consolidated financial statements. The Board of Directors and the Executive Management have also approved this Group financial statement for 2020, containing condensed financial information. This Group financial statement for 2020 has not been audited or reviewed by the company's independent auditor.

The consolidated financial statements in the Annual Report 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

This Group financial statement for 2020 has been prepared in accordance with IAS 34, the accounting policies as applied in the audited consolidated financial statements for 2020 and further requirements in the Danish Financial Statements Act.

In our opinion, the accounting policies used are appropriate, the Group's internal controls relevant to the preparation and presentation of this Group financial statement are adequate, and this Group financial statement gives a true and fair view of the developments in the Group's activities and business and of the Group's assets, liabilities, net profit and financial position at December 31, 2020, and of the results of the Group's operations and cash flows for 2020. Furthermore, this Group financial statement for 2020 gives, together with what is disclosed in the Annual Report 2020, a description of the most significant risks and uncertainties to which the Group is subject.

Bagsværd, February 2, 2021

### EXECUTIVE MANAGEMENT

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Ester Baiget  
President & CEO

Lars Green  
CFO

Thomas Videbæk  
EVP

### BOARD OF DIRECTORS

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Jørgen Buhl Rasmussen  
Chair

Cornelis (Cees) de Jong  
Vice Chair

Heine Dalsgaard

Lena Bech Holskov

Sharon James

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	2020	2019	% change	Q4 2020	Q4 2019	% change
Revenue	14,012	14,374	(3)%	3,446	3,731	(8)%
Gross profit	7,853	7,954	(1)%	1,911	2,077	(8)%
Gross margin	56.0%	55.3%		55.5%	55.7%	
EBITDA	4,918	5,292	(7)%	1,143	1,426	(20)%
EBITDA margin	35.1%	36.8%		33.2%	38.2%	
Operating profit / EBIT	3,652	4,039	(10)%	796	1,103	(28)%
EBIT margin	26.1%	28.1%		23.1%	29.6%	
Share of result in associates	(4)	(5)		(2)	(1)	
Net financials	(127)	(235)		12	(43)	
<b>Profit before tax</b>	<b>3,521</b>	<b>3,799</b>	<b>(7)%</b>	<b>806</b>	<b>1,059</b>	<b>(24)%</b>
Tax	(695)	(644)	8%	(152)	(137)	11%
<b>Net profit</b>	<b>2,826</b>	<b>3,155</b>	<b>(10)%</b>	<b>654</b>	<b>922</b>	<b>(29)%</b>
Earnings per DKK 2 share	10.07	11.06	(9)%	2.34	3.27	(28)%
Earnings per DKK 2 share (diluted)	10.02	11.01	(9)%	2.33	3.25	(28)%
Net investments excl. acq.	936	991				
Free cash flow before net acq. and purchase of financial assets	3,419	2,205				
Return on invested capital (ROIC) incl. goodwill	18.9%	21.1%				
Net interest-bearing debt	3,871	4,049				
Equity ratio	54.8%	56.2%				
Return on equity	24.9%	27.5%				
Debt-to-equity	34.4%	35.3%				
NIBD / EBITDA	0.8	0.8				
Number of employees	6,185	6,125				
				<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>	
<b>Novozymes' stock</b>						
Common stock (million)				285.0	291.0	
Net worth per share (DKK)				39.41	39.41	
Denomination of share (DKK)				2.00	2.00	
Nominal value of common stock (DKK million)				570.0	582.0	
Treasury stock (million)				5.7	9.7	

**1.2 Five-year statement 2016 – 2020**

<b>DKK million</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenue	14,012	14,374	14,390	14,531	14,142
Gross profit	7,853	7,954	8,255	8,413	8,126
Gross margin	56.0%	55.3%	57.4%	57.9%	57.5%
Operating profit / EBIT	3,652	4,039	4,070	4,047	3,946
Operating profit margin	26.1%	28.1%	28.3%	27.9%	27.9%
Share of result in associates	(4)	(5)	(17)	(14)	(31)
Net financials	(127)	(235)	(117)	(157)	(34)
<b>Profit before tax</b>	<b>3,521</b>	<b>3,799</b>	<b>3,936</b>	<b>3,876</b>	<b>3,881</b>
Tax	(695)	(644)	(709)	(756)	(831)
<b>Net profit</b>	<b>2,826</b>	<b>3,155</b>	<b>3,227</b>	<b>3,120</b>	<b>3,050</b>
Non-controlling interests	1	1	1	1	-
Net profit to shareholders in Novozymes A/ S	2,825	3,154	3,226	3,119	3,050
Foreign exchange gain/ (loss), net	(35)	(205)	(89)	27	(2)
Interest income/ (costs)	(53)	4	(3)	(20)	(26)
Other financial items	(39)	(34)	(25)	(164)	(6)
<b>Net financials</b>	<b>(127)</b>	<b>(235)</b>	<b>(117)</b>	<b>(157)</b>	<b>(34)</b>
Earnings per DKK 2 share	10.07	11.06	11.11	10.56	10.15
Average no. of A/ B shares outstanding (million)	280.4	285.1	290.4	295.3	300.5
Earnings per DKK 2 share (diluted)	10.02	11.01	11.03	10.49	10.06
Average no. of A/ B shares diluted (million)	282.0	286.6	292.4	297.2	303.1
Return on invested capital (ROIC) incl. goodwill	18.9%	21.1%	24.2%	25.6%	25.1%
Net interest-bearing debt	3,871	4,049	2,535	1,642	990
Equity ratio	54.8%	56.2%	58.1%	61.3%	62.9%
Return on equity	24.9%	27.5%	28.4%	27.1%	26.1%
NIBD/ EBITDA	0.8	0.8	0.5	0.3	0.2

**1.3 Income statement**

<b>DKK million</b>	<b>2020</b>	<b>2019</b>	<b>Q4 2020</b>	<b>Q4 2019</b>
Revenue	14,012	14,374	3,446	3,731
Cost of goods sold	(6,159)	(6,420)	(1,535)	(1,654)
<b>Gross profit</b>	<b>7,853</b>	<b>7,954</b>	<b>1,911</b>	<b>2,077</b>
Sales and distribution costs	(1,581)	(1,631)	(394)	(389)
Research and development costs	(1,937)	(1,966)	(530)	(443)
Administrative costs	(739)	(838)	(194)	(192)
Other operating income, net	56	520	3	50
<b>Operating profit / EBIT</b>	<b>3,652</b>	<b>4,039</b>	<b>796</b>	<b>1,103</b>
Share of result in associates	(4)	(5)	(2)	(1)
Net financials	(127)	(235)	12	(43)
<b>Profit before tax</b>	<b>3,521</b>	<b>3,799</b>	<b>806</b>	<b>1,059</b>
Tax	(695)	(644)	(152)	(137)
<b>Net profit</b>	<b>2,826</b>	<b>3,155</b>	<b>654</b>	<b>922</b>
<b>Attributable to</b>				
Shareholders in Novozymes A/ S	2,825	3,154	654	922
Non-controlling interests	1	1	-	-
<b>Specification of net financials</b>				
Foreign exchange gain/ (loss), net	(35)	(205)	34	(41)
Interest income/ (costs)	(53)	4	(13)	14
Other financial items	(39)	(34)	(9)	(16)
<b>Net financials</b>	<b>(127)</b>	<b>(235)</b>	<b>12</b>	<b>(43)</b>
<b>Earnings per DKK 2 share</b>	<b>10.07</b>	<b>11.06</b>	<b>2.34</b>	<b>3.27</b>
Average no. of A/ B shares outstanding (million)	280.4	285.1	279.3	282.0
<b>Earnings per DKK 2 share (diluted)</b>	<b>10.02</b>	<b>11.01</b>	<b>2.33</b>	<b>3.25</b>
Average no. of A/ B shares, diluted (million)	282.0	286.6	280.8	283.5

**1.4 Statement of comprehensive income**

DKK million	2020	2019	Q4 2020	Q4 2019
<b>Net profit</b>	<b>2,826</b>	<b>3,155</b>	<b>654</b>	<b>922</b>
Currency translation of subsidiaries and non-controlling interests	(786)	143	(277)	(160)
Tax on currency translation of subsidiaries	1	(1)	1	(1)
<b>Currency translation adjustments</b>	<b>(785)</b>	<b>142</b>	<b>(276)</b>	<b>(161)</b>
Fair value adjustments	154	(107)	96	44
Tax on fair value adjustments	(34)	24	(21)	(9)
Cash flow hedges reclassified to financial costs	(15)	164	(42)	37
Tax on reclassified fair value adjustments	3	(36)	9	(8)
<b>Cash flow hedges</b>	<b>108</b>	<b>45</b>	<b>42</b>	<b>64</b>
<b>Other comprehensive income</b>	<b>(677)</b>	<b>187</b>	<b>(234)</b>	<b>(97)</b>
<b>Comprehensive income</b>	<b>2,149</b>	<b>3,342</b>	<b>420</b>	<b>825</b>
<b>Attributable to</b>				
Shareholders in Novozymes A/S	2,149	3,342	420	825
Non-controlling interests	-	-	-	-

## Appendix 2 Distribution of revenue

### 2.1 Business areas

DKK million	2020 12M	2019 12M	% change	% currency impact	% M&A impact	% organic growth
<b>Consumer Biosolutions</b>						
Household Care	4,882	4,758	3	(2)	0	5
Food, Beverages & Human Health	2,767	2,745	1	(2)	2	1
<b>Agriculture &amp; Industrial Biosolutions</b>						
Bioenergy	2,522	2,901	(13)	(4)	0	(9)
Grain & Tech Processing	2,007	2,089	(4)	(2)	(1)	(1)
Agriculture, Animal Health & Nutrition	1,834	1,881	(2)	(3)	0	1
<b>Sales</b>	<b>14,012</b>	<b>14,374</b>	<b>(3)</b>	<b>(3) *</b>	<b>0</b>	<b>0</b>

\* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -2.7%.

DKK million	2020 Q4	2019 Q4	% change	% currency impact	% M&A impact	% organic growth
<b>Consumer Biosolutions</b>						
Household Care	1,173	1,224	(4)	(4)	0	0
Food, Beverages & Human Health	666	697	(4)	(4)	4	(4)
<b>Agriculture &amp; Industrial Biosolutions</b>						
Bioenergy	693	792	(13)	(9)	0	(4)
Grain & Tech Processing	487	534	(9)	(5)	0	(4)
Agriculture, Animal Health & Nutrition	427	484	(12)	(6)	0	(6)
<b>Sales</b>	<b>3,446</b>	<b>3,731</b>	<b>(8)</b>	<b>(6)</b>	<b>1</b>	<b>(3)</b>

DKK million	Q4	2020 Q3	Q2	Q1	Q4	2019 Q3	Q2	Q1	% change Q4/ Q4
<b>Consumer Biosolutions</b>									
Household Care	1,173	1,211	1,227	1,271	1,224	1,267	1,122	1,145	(4)
Food, Beverages & Human Health	666	684	680	737	697	719	670	659	(4)
<b>Agriculture &amp; Industrial Biosolutions</b>									
Bioenergy	693	647	463	719	792	729	740	640	(13)
Grain & Tech Processing	487	515	467	538	534	494	522	539	(9)
Agriculture, Animal Health & Nutrition	427	374	512	521	484	495	404	498	(12)
<b>Sales</b>	<b>3,446</b>	<b>3,431</b>	<b>3,349</b>	<b>3,786</b>	<b>3,731</b>	<b>3,704</b>	<b>3,458</b>	<b>3,481</b>	<b>(8)</b>

## 2.2 Geography

DKK million	2020 12M	2019 12M	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	5,536	5,359	3	(1)	1	3
North America	4,441	4,750	(7)	(3)	0	(4)
Asia Pacific	2,755	2,858	(4)	(3)	0	(1)
Latin America	1,280	1,407	(9)	(15)	0	6
<b>Sales</b>	<b>14,012</b>	<b>14,374</b>	<b>(3)</b>	<b>(3) *</b>	<b>0</b>	<b>0</b>
Developed markets	9,301	9,436	(1)	0	0	(1)
Emerging markets	4,711	4,938	(5)	(6)	0	1
<b>Sales</b>	<b>14,012</b>	<b>14,374</b>	<b>(3)</b>	<b>(3)</b>	<b>0</b>	<b>0</b>

\* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was -2.7%.

DKK million	2020 Q4	2019 Q4	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,332	1,337	0	(1)	2	(1)
North America	1,106	1,255	(12)	(7)	0	(5)
Asia Pacific	708	761	(7)	(4)	0	(3)
Latin America	300	378	(21)	(18)	0	(3)
<b>Sales</b>	<b>3,446</b>	<b>3,731</b>	<b>(8)</b>	<b>(6)</b>	<b>1</b>	<b>(3)</b>
Developed markets	2,280	2,415	(6)	(4)	1	(3)
Emerging markets	1,166	1,316	(11)	(7)	0	(4)
<b>Sales</b>	<b>3,446</b>	<b>3,731</b>	<b>(8)</b>	<b>(6)</b>	<b>1</b>	<b>(3)</b>

DKK million	2020				2019				% change
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4/ Q4
Europe, Middle East & Africa	1,332	1,403	1,347	1,454	1,337	1,417	1,274	1,331	0
North America	1,106	1,060	1,011	1,264	1,255	1,156	1,177	1,162	(12)
Asia Pacific	708	642	697	708	761	720	696	681	(7)
Latin America	300	326	294	360	378	411	311	307	(21)
<b>Sales</b>	<b>3,446</b>	<b>3,431</b>	<b>3,349</b>	<b>3,786</b>	<b>3,731</b>	<b>3,704</b>	<b>3,458</b>	<b>3,481</b>	<b>(8)</b>
Developed markets	2,280	2,283	2,201	2,537	2,415	2,365	2,299	2,357	(6)
Emerging markets	1,166	1,148	1,148	1,249	1,316	1,339	1,159	1,124	(11)
<b>Sales</b>	<b>3,446</b>	<b>3,431</b>	<b>3,349</b>	<b>3,786</b>	<b>3,731</b>	<b>3,704</b>	<b>3,458</b>	<b>3,481</b>	<b>(8)</b>



## Appendix 3 Statement of cash flows

### 3.1 Statement of cash flows

DKK million	2020	2019
<b>Net profit</b>	<b>2,826</b>	<b>3,155</b>
Reversals of non-cash items	2,220	1,321
Tax paid	(951)	(1,116)
Interest received	10	64
Interest paid	(62)	(88)
<b>Cash flow before change in working capital</b>	<b>4,043</b>	<b>3,336</b>
<b>Change in working capital</b>		
(Increase)/ decrease in receivables and contract assets	395	(238)
(Increase)/ decrease in inventories	181	218
Increase/ (decrease) in payables, deferred income and contract liabilities	(265)	(124)
Currency translation adjustments	1	4
<b>Cash flow from operating activities</b>	<b>4,355</b>	<b>3,196</b>
<b>Investments</b>		
Purchase of intangible assets	(146)	(135)
Sale of property, plant and equipment	4	6
Purchase of property, plant and equipment	(794)	(862)
<b>Cash flow from investing activities before acquisitions, divestments and purchase of financial assets</b>	<b>(936)</b>	<b>(991)</b>
<b>Free cash flow before acquisitions, divestments and purchase of financial assets</b>	<b>3,419</b>	<b>2,205</b>
Business acquisitions, divestments and purchase of financial assets	(588)	430
<b>Free cash flow</b>	<b>2,831</b>	<b>2,635</b>
<b>Financing</b>		
Borrowings	999	1,915
Repayment of borrowings	(434)	(1,028)
Overdraft facilities, net	(293)	(59)
Repayment of lease liabilities	(111)	(108)
Shareholders:		
Purchase of treasury stock	(1,500)	(2,000)
Sale of treasury stock	508	75
Dividend paid	(1,483)	(1,439)
Withheld dividend tax		
<b>Cash flow from financing activities</b>	<b>(2,314)</b>	<b>(2,644)</b>
<b>Net cash flow</b>	<b>517</b>	<b>(9)</b>
Unrealized gain/ (loss) on currencies and financial assets, included in cash and cash equivalents	(47)	(3)
<b>Change in cash and cash equivalents, net</b>	<b>470</b>	<b>(12)</b>
Cash and cash equivalents at January 1	711	723
<b>Cash and cash equivalents at December 31</b>	<b>1,181</b>	<b>711</b>

Undrawn committed credit facilities at December 31, 2020 were DKK 5,344 million.

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

<b>DKK million</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Completed IT development projects	205	189
Acquired patents, licenses and know-how	1,167	743
Goodwill	1,098	965
IT development projects in progress	84	29
<b>Intangible assets</b>	<b>2,554</b>	<b>1,926</b>
Land and buildings	3,853	4,056
Plant and machinery	4,136	4,501
Other equipment	941	993
Assets under construction and prepayments	682	662
<b>Property, plant and equipment</b>	<b>9,612</b>	<b>10,212</b>
Deferred tax assets	1,339	1,161
Other financial assets (non-interest-bearing)	21	22
Investment in associate	33	37
Other receivables	40	29
<b>Non-current assets</b>	<b>13,599</b>	<b>13,387</b>
Raw materials and consumables	353	365
Goods in progress	720	821
Finished goods	1,288	1,427
<b>Inventories</b>	<b>2,361</b>	<b>2,613</b>
Trade receivables	2,549	2,864
Contract assets	6	243
Tax receivables	460	273
Other receivables	212	269
<b>Receivables</b>	<b>3,227</b>	<b>3,649</b>
Other financial assets (non-interest-bearing)	119	15
Cash and cash equivalents	1,181	711
Assets held for sale	23	62
<b>Current assets</b>	<b>6,911</b>	<b>7,050</b>
<b>Assets</b>	<b>20,510</b>	<b>20,437</b>

**4.2 Balance sheet, Liabilities**

<b>DKK million</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Common stock	570	582
Currency translation adjustments	(727)	57
Cash flow hedges	127	19
Retained earnings	11,263	10,810
<b>Equity attributable to shareholders in Novozymes A/ S</b>	<b>11,233</b>	<b>11,468</b>
Non-controlling interests	11	12
<b>Shareholders' equity</b>	<b>11,244</b>	<b>11,480</b>
Deferred tax liabilities	1,204	879
Provisions	115	115
Contingent consideration	146	-
Other financial liabilities (interest-bearing)	3,245	2,764
Other financial liabilities (non-interest-bearing)	9	11
Non-current lease liabilities	386	453
<b>Non-current liabilities</b>	<b>5,105</b>	<b>4,222</b>
Other financial liabilities (interest-bearing)	1,285	1,380
Other financial liabilities (non-interest-bearing)	24	31
Lease liabilities	136	163
Provisions	90	128
Trade payables	1,100	1,117
Contract liabilities	67	74
Deferred income	22	30
Tax payables	336	431
Other payables	1,101	1,381
<b>Current liabilities</b>	<b>4,161</b>	<b>4,735</b>
<b>Liabilities</b>	<b>9,266</b>	<b>8,957</b>
<b>Liabilities and shareholders' equity</b>	<b>20,510</b>	<b>20,437</b>

### 4.3 Statement of shareholders' equity

DKK million	Attributable to shareholders in Novozymes A/S					Non-controlling interests	Total
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings	Total		
<b>Shareholders' equity at January 1, 2020</b>	<b>582</b>	<b>57</b>	<b>19</b>	<b>10,810</b>	<b>11,468</b>	<b>12</b>	<b>11,480</b>
Net profit for the year				2,825	2,825	1	2,826
Other comprehensive income for the period		(784)	108		(676)	(1)	(677)
<b>Total comprehensive income for the period</b>		<b>(784)</b>	<b>108</b>	<b>2,825</b>	<b>2,149</b>	<b>-</b>	<b>2,149</b>
Purchase of treasury stock				(1,500)	(1,500)		(1,500)
Sale of treasury stock				508	508		508
Write-down of common stock	(12)			12	-		-
Dividend				(1,482)	(1,482)	(1)	(1,483)
Stock-based payment				53	53		53
Tax related to equity items				37	37		37
<b>Changes in shareholders' equity</b>	<b>(12)</b>	<b>(784)</b>	<b>108</b>	<b>453</b>	<b>(235)</b>	<b>(1)</b>	<b>(236)</b>
<b>Shareholders' equity at December 31, 2020</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>
<b>Shareholders' equity at January 1, 2019</b>	<b>594</b>	<b>(86)</b>	<b>(26)</b>	<b>10,943</b>	<b>11,425</b>	<b>13</b>	<b>11,438</b>
Net profit for the year				3,154	3,154	1	3,155
Other comprehensive income for the period		143	45		188	(1)	187
<b>Total comprehensive income for the period</b>		<b>143</b>	<b>45</b>	<b>3,154</b>	<b>3,342</b>	<b>-</b>	<b>3,342</b>
Purchase of treasury stock				(2,000)	(2,000)		(2,000)
Sale of treasury stock				75	75		75
Write-down of common stock	(12)			12	-		-
Dividend				(1,438)	(1,438)	(1)	(1,439)
Stock-based payment				45	45		45
Tax related to equity items				19	19		19
<b>Changes in shareholders' equity</b>	<b>(12)</b>	<b>143</b>	<b>45</b>	<b>(133)</b>	<b>43</b>	<b>(1)</b>	<b>42</b>
<b>Shareholders' equity at December 31, 2019</b>	<b>582</b>	<b>57</b>	<b>19</b>	<b>10,810</b>	<b>11,468</b>	<b>12</b>	<b>11,480</b>

#### 4.4 Final opening balance, PrecisionBiotics Group Limited

(DKK million)

**Assumed fair value of aquired assets and liabilities are as follows:**

Intangible assets excluding goodwill	639
Property, plant and equipment	1
Inventories	5
Trade and other receivables	37
Cash	64
Deferred tax liabilities	(80)
Financial and other liabilities	(26)
<b>Acquired net assets</b>	<b>640</b>

**Purchase price:**

Cash	652
Contingent consideration	146
<b>Total purchase price</b>	<b>798</b>

**Goodwill 158**

On June 25, 2020, Novozymes acquired all voting shares in PrecisionBiotics Group Limited.

PrecisionBiotics Group holds a leading position within probiotics for human gut health and is well positioned with several clinically-backed products already on the market.

PrecisionBiotics Group has strong expertise within clinical development, upscaling and commercialization and is well situated in Cork, Ireland, home to a leading academic society within human gut health.

The acquisition of PrecisionBiotics Group will advance Novozymes' activities in the area of biological solutions for human oral and gut health - one of the growth pillars in the strategy; Better business with biology.

Goodwill of DKK 158 million is attributable to expected synergies with Novozymes' existing business operations and technologies within probiotics and enzymes for human health.

The goodwill is not tax-deductible. The purchase agreement includes a contingent consideration of up to DKK 298 million. The consideration is contingent on the achievement of sales and EBITDA targets for 2023, and is recognized at the anticipated fair value at acquisition date. Fair value is assessed by using the earn-out from the most probable sales and EBITDA target in 2023 discounted using a 7% discount rate.

Net revenue and profit contributed from PrecisionBiotics Group Limited to the consolidated income statement are immaterial for the period. This would also have been the case if the acquisition had been completed on January 1, 2020.

The transaction costs amounted to DKK 20 million and are included in sales and distribution costs.

#### 4.5 Preliminary opening balance, Microbiome Labs

(DKK million)

**Assumed fair value of acquired assets and liabilities are as follows:**

Intangible assets excluding goodwill	718
Property, plant and equipment	8
Inventories	19
Trade and other receivables	14
Cash	13
Financial and other liabilities	(46)

**Acquired net assets** **726**

Purchase price:

Cash	757
Contingent consideration	338

**Total purchase price** **1.095**

**Goodwill** **369**

On January 7, 2021, Novozymes acquired all voting shares in Microbiome Labs.

Microbiome Labs offers a comprehensive suite of proprietary probiotic and microbiome solutions targeting gastrointestinal, immune, metabolic, and cognitive health. The solutions are marketed under both the company's own supplement brands and in private label products. The branded products are sold exclusively through the company's access to an extensive network of healthcare practitioners predominately consisting of medical doctors, nutritionists, and naturopaths.

By acquiring Microbiome Labs, Novozymes adds a broad range of proprietary microbiome solutions to its Human Health activities. The acquisition also creates an attractive entry point into the North American probiotics market accessed through the company's network of healthcare practitioners.

Goodwill of DKK 369 million is attributable to expected synergies with Novozymes' existing business operations and technologies within probiotics and enzymes for human health.

The goodwill is tax-deductible. The purchase agreement includes a contingent consideration of up to DKK 825 million. The consideration is contingent on the achievement of sales targets for 2022, and is recognized at the anticipated fair value of DKK 338 million at acquisition date. Fair value is assessed by using the earn-out from the most probable sales target in 2022 discounted with a discount rate of 8 %.

In 2020, revenue and profit contributed from Microbiome Labs were not included in the consolidated income.

On a pro forma basis, if the acquisition had been effective from January 1, 2020 Microbiome Labs would have contributed DKK ~250 million to revenue and an EBIT margin slightly lower than Novozymes' EBIT margin.

Transaction costs incurred in 2020 amounted to DKK 29 million and are included in sales and distribution costs.

The fair value and allocation of the acquired assets and liabilities are preliminary, pending receipt of the final valuations.

## Appendix 5      Miscellaneous

### 5.1 Product launches in 2020

Product	Description	Sustainability benefit*
<b>Saphera® Fiber</b> Q1 2020	Increases fiber content while reducing sugar by converting lactose in dairy into GOS fibers	Increased fiber and reduced sugar, benefits the health of individuals with too low fiber intake and too high sugar intake
<b>Taegro®</b> Q2 2020	Microbial fungicide launched with Syngenta allowing fruit and vegetable growers to protect against diseases such as powdery mildew and botrytis	Reduces the use of chemical pesticides
<b>Quara® Boost</b> Q2 2020	Significantly increases degummed oil yield and reduces triglyceride loss in vegetable oil processing	Saves energy, water, and chemicals compared to conventional degumming solutions
<b>Protana® Prime</b> Q2 2020	Brings out the natural umami flavor from plant proteins, enables food manufacturers to produce tasty meat alternatives with less salt and is more label friendly	Better flavor of plant proteins enables a switch to more plant-based diets, thereby reducing greenhouse gas emissions and other impacts from animal production
<b>Remify® Everis</b> Q2 2020	Our first enzyme solution for cleaning of surgical instruments and devices to help prevent Healthcare Associated Infections	Improves cleanliness of surgical instruments, reducing risk of infections
<b>Microvia™</b> Q3 2020	A bacterial bio-cleaning solution for hard surface cleaners	Saves chemicals by substituting conventional detergents in cleaning
<b>LpHera®</b> Q3 2020	Next generation alpha amylase for starch processing	Saves energy and chemicals
<b>Gluzyme® Fortis</b> Q4 2020	Enhances dough handling and allows for salt reduction. High product stability even at high storage temperatures makes it perfect for warm climates	Reduced salt in bread benefits the health of individuals with too high salt intake
<b>BioFresh® 4+</b> Q4 2020	Clinically proven enzymatic solution that eliminates bad breath for up to four hours	Improves quality of life for individuals suffering from bad breath without the use of biocides
<b>Optiva® LS</b> Q4 2020	Cuts costs on added sugar by >30% for every loaf of bread	Reduced sugar consumption benefits the health of individuals
<b>Fortiva® Hemi</b> Q4 2020	Allows ethanol plants to express >10% more corn oil and accesses more fiber-bound starch for ethanol conversion	Improved ethanol yield gives additional gasoline displacement and thereby greenhouse gas savings
<b>Frontia® GlutenEx</b> Q4 2020	Better wheat separation increases gluten protein recovery by 2% in grain milling	Saves energy in the separation process

\* 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 2020 financial year

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

January 23, 2020	Group financial statement for 2019
January 23, 2020	Updated financial calendar 2020
February 10, 2020	Initiation of stock buyback
February 26, 2020	Novozymes A/S Annual Shareholders' Meeting 2020
February 26, 2020	Novozymes new remuneration policy for the Executive Management, the Senior Leadership, and all employees
March 27, 2020	Reduction of share capital
April 7, 2020	Company announcement
April 29, 2020	Interim report for Q1 2020
June 8, 2020	Novozymes' financial calendar 2021
July 8, 2020	Trading update
August 11, 2020	Interim report for 1H 2020
September 1, 2020	Changes to management
October 21, 2020	Interim report for 9M 2020
November 23, 2020	Change of management
November 26, 2020	Change of management
December 9, 2020	Proposal of candidates to the Board of Directors
December 11, 2020	New sales reporting structure introduced. 2020 organic sales growth outlook now expected at 0%, from previously -2% to +2%
December 18, 2020	Novozymes acquires Microbiome Labs