



Full-year earnings outlook maintained after early-April upgrade. Narrowed sales growth guidance following weakness in US bioethanol.

All businesses developed roughly as expected except for a weaker US bioethanol industry. Organic sales growth of -4%: Household Care -3%, Food & Beverages -2%, Bioenergy -8%, Agriculture & Feed -6%, Technical & Pharma +5%. EBIT margin 25.7%. Net profit 14% lower year-on-year (y/y). Free cash flow before acquisitions DKK 0.4 billion.

Peder Holk Nielsen, President & CEO: *“The first-quarter decline in sales was no surprise – we communicated this back in January. We also expected US bioethanol to be down, but the decline was larger than we had foreseen. The floods in the Midwest have made it tougher for our customers. With the problems continuing into April, it will be difficult to reach the top end of the guided organic sales growth range, and we adjust our outlook to 3-5%. We’re confident sales growth will increase during the year as innovations, the freshness platform, BioAg seasonality and Bioenergy all step up, and the Middle East comparison gets easier.”*

Highlights Q1 2019:

- All businesses roughly as expected except for Bioenergy. A declining US bioethanol market has been further impacted by the Midwest flooding since mid-March
- As expected, negative impact from the Middle East, feed enzymes and the planned price reductions in US baking enzymes
- Developed markets flat; 10% organic sales decline in emerging markets, with the Middle East as the main drag
- EBIT margin soft but as expected at 25.7%, mainly due to lower gross margin from lower sales and a planned increase in sales and distribution costs
- Net profit down 14% y/y due to lower EBIT and hedging losses
- Free cash flow before acquisitions DKK 0.4 billion; net investments DKK 0.1 billion

2019 outlook: Organic sales growth 3-5%; an expected 1 %-point added to growth in DKK. US bioethanol production in Q1 was more negative than expected, especially in the wake of flooding in the Midwest in March, continuing into April. The 3-5% range reflects both strong new product performance and geopolitical uncertainty. Stronger growth in 2H vs. 1H y/y for multiple reasons. EBIT margin at 29-30% supported by solid productivity gains and release of full deferred income as communicated on April 4 following the new BioAg setup. Net profit growth of 5-10%. CAPEX at DKK 1.0-1.3 billion. FCF bef. acq. at DKK 2.0-2.4 billion. ROIC expected at ~24% (~25% excl. IFRS 16 Leases). Stock buyback program of up to DKK 2bn to be initiated April 25, 2019.

	Realized		2019 outlook 4 April	2019 outlook* 24 April
	Q1 2018	Q1 2019		
Sales growth, organic	2%	-4%	3-6%	3-5%
EBIT margin	28.9%	25.7%	29-30%	29-30%
Net profit growth	5%	-14%	5-10%	5-10%
Net investments excl. acquisitions (DKKbn)	0.3	0.1	1.0-1.3	1.0-1.3
Free cash flow before acquisitions (DKKbn)	0.4	0.4	2.0-2.4	2.0-2.4
ROIC (including goodwill)	25.2%	18.3%	~24**	~24%**

* Assumes that the exchange rates for the company's key currencies remain at the rates on April 23 for the rest of 2019.

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

April 24, 2019

Interim report for 3M 2019.

Company announcement
no. 7

Novozymes A/S

Krogshoejvej 36
2880 Bagsvaerd
Denmark

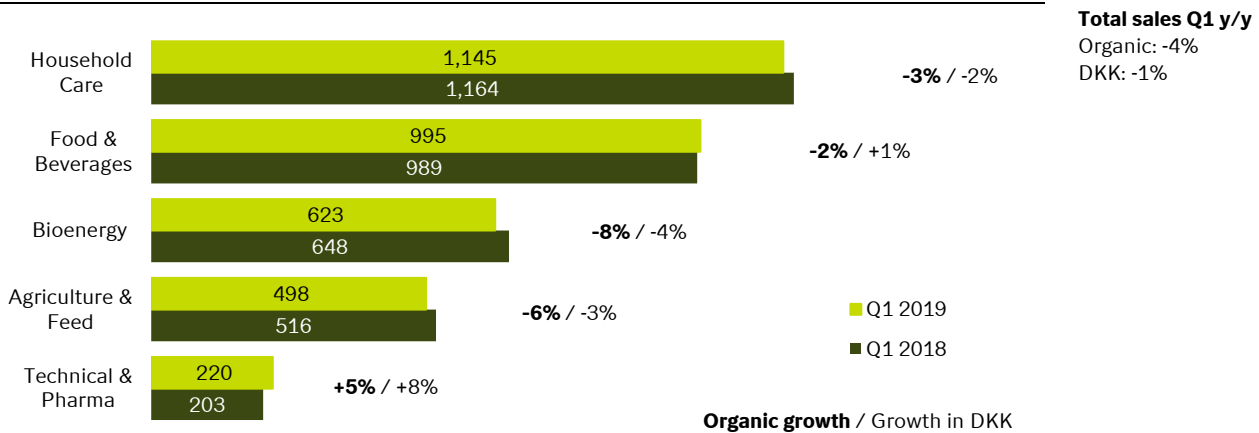
Phone: +45 4446 0000

Selected key data

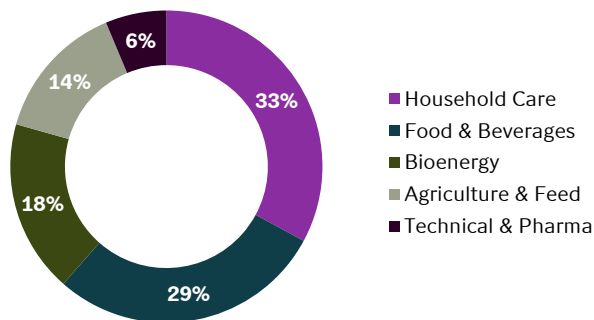
	Q1 2018	Q1 2019
Sales growth, organic	2%	-4%
Household Care	1%	-3%
Food & Beverages	5%	-2%
Bioenergy	9%	-8%
Agriculture & Feed	-5%	-6%
Technical & Pharma	-10%	5%
Sales, DKKm	3,520	3,481
Sales growth, DKK	-6%	-1%
Gross margin	57.8%	55.5%
EBITDA, DKKm	1,270	1,165
EBIT, DKKm	1,016	895
EBIT margin	28.9%	25.7%
Net profit, DKKm	807	697
Net profit growth	5%	-14%
Net investments excl. acquisitions, DKKm	281	143
Free cash flow before acquisitions, DKKm	403	420
Net debt/EBITDA (x)	0.5	0.9
ROIC (incl. goodwill)	25.2%	18.3%
EPS, DKK	2.75	2.42
EPS (diluted), DKK	2.73	2.41
Avg. USD/DKK	606	657

Sales by industry

Sales in DKK million and organic/DKK growth rates, Q1 year-over-year (y/y)



Distribution of sales by industry, Q1 2019



Household Care

Sales to the Household Care industry declined by 3% organically and by 2% in DKK in the first quarter of 2019 compared with the first quarter of 2018. This was as expected. The big challenges in the Middle East, which continued from the second half of 2018, were the main negative factor.

Sales to local customers maintained good momentum, while our sales to global detergent producers continued to decline, although less than before. Growth in sales of enzymes for dishwashing solutions was slower, mainly due to tougher comparisons.

The developed markets were roughly flat, while emerging markets were negatively impacted by the Middle East. Penetration with enzymatic solutions for laundry detergents continues in China with growing demand for liquid detergent formulations. In India, our efforts to innovate and increase regional presence resulted in good performance.

The rollout of the first product from the freshness platform is tracking according to plan, and the technology is being made available in more markets. We expect a higher contribution to sales during the second half of 2019.

Household Care Q1 y/y
Organic: -3%
DKK: -2%

Food & Beverages

Food & Beverages sales declined by 2% organically and grew by 1% in DKK in the first quarter of 2019 compared with the same period last year. This was as expected.

The first quarter presented a mixed picture for Food & Beverages. The most significant growth contributors were food & nutrition together with beverages and oils & fats. Baking and starch declined as expected. The sales decline for starch-processing enzymes was due to adverse moves in commodity prices in Asia. Baking was impacted by the planned price reductions in the US freshkeeping segment, while emerging markets posted solid growth.

There was good development for the grain-milling platform, and Frontia® Jade was launched in January for the Chinese market. The solid growth in food & nutrition was largely driven by our solution for low-lactose dairy products. Beverages and vegetable oil processing also posted solid growth.

The Middle Eastern markets continued to create headwinds in the first quarter of 2019.

Food & Beverages Q1 y/y

Organic: -2%
DKK: +1%

Bioenergy

Sales to Bioenergy declined by 8% organically and by 4% in DKK compared with the first quarter of 2018.

Although Bioenergy was expected to have a soft start to the year, lower-than-anticipated ethanol production volumes in the US, further impacted by floods in the Midwest in the latter part of Q1, had a negative impact on performance.

According to EIA data, US ethanol production is estimated to be down 3-4% in the first quarter of 2019 compared with Q1 2018. In the latter part of the first quarter, sales were further impacted by the Midwestern floods, and we estimate that Novozymes' customers experienced an additional ~4% slowdown in ethanol production in the first quarter. At the same time, ethanol producer margins continue to be under pressure, and while inventories have come down, they are still elevated.

Bioenergy Q1 y/y

Organic: -8%
DKK: -4%

Agriculture & Feed

In Agriculture & Feed, sales declined by 6% organically and by 3% in DKK compared with the first quarter of 2018.

This decline was as expected and due to lower sales of feed enzymes, especially in Latin America, and a tough comparison in Asia Pacific. The BioAg business performed well in the first quarter of 2019 compared with the same period last year.

On April 4, the new structure of Novozymes' BioAg business was announced. Novozymes and Bayer will continue their close innovation and commercial partnership in the stronghold of microbes for corn and for distribution to the main soy markets. In addition, Novozymes is pursuing a multipartner setup, with two new partners – Univar Solutions and UPL – already announced. The new setup is expected to enable Novozymes to capture more value from its continued investments in BioAg.

During the first quarter of 2019, Novozymes recognized DKK 24 million of deferred income, compared with DKK 35 million in the first quarter of 2018.

Agriculture & Feed Q1 y/y

Organic: -6%
DKK: -3%

Technical & Pharma

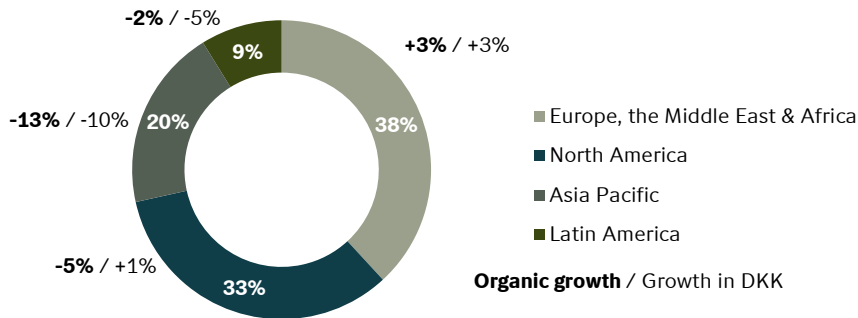
Sales to Technical & Pharma grew by 5% organically and by 8% in DKK in the first quarter of 2019 compared with the same period last year. This was slightly better than expected and mainly driven by timing of sales to the Pharma industry.

Technical & Pharma Q1 y/y

Organic: +5%
DKK: +8%

Sales by geography

Distribution of sales by geography, Q1 2019



Overall, organic sales declined by 4% in the first quarter of 2019 compared with the same quarter last year. This is mainly due to the slowdown in bioethanol in the US, lower starch enzyme sales, a tough Feed comparison, the planned price decline in US baking as well as sanctions and economic constraints in the Middle East.

Sales to the European markets performed well, whereas the Middle East was negative, as expected. Asia Pacific declined mainly due to Iran, which we account for under Asia Pacific, but also due to lower sales to Agriculture & Feed and Food & Beverages.

Europe, the Middle East & Africa

Food & Beverages and Agriculture & Feed posted good growth in the quarter. However, the effects from the Middle Eastern markets dragged on growth.

Europe, the Middle East & Africa Q1 y/y

Organic: +3%
DKK: +3%

North America

Most industries experienced flat-to-slightly-declining sales development in the first quarter. Bioenergy was a big drag on the region, impacted by a negative US ethanol market, a situation further exacerbated by floods in the Midwest since mid-March.

North America Q1 y/y

Organic: -5%
DKK: +1%

Asia Pacific

The main positive in Asia Pacific was Household Care, which benefited from solid growth with regional customers, especially in India and China. A large part of the 13% organic sales decline relates to Iran, which we include in Asia Pacific. Compared with Q1 2018, sales in Iran declined significantly due to trade sanctions. Food & Beverages, on the other hand, declined due to movements in commodity prices impacting the starch industry. Feed enzyme sales also declined due to a tough year-on-year comparison for the first quarter.

Asia Pacific Q1 y/y

Organic: -13%
DKK: -10%

Latin America

Sales in the region declined slightly, mainly because of the Household Care and Agriculture & Feed segments. Food & Beverages had good momentum, as did Bioenergy, almost outweighing the negatives.

Latin America Q1 y/y

Organic: -2%
DKK: -5%

Income statement

Total costs excluding net financials, share of losses in associates and taxes were DKK 2,596 million, an increase of 3% or DKK 85 million compared with the first quarter of 2018.

Total costs
+3%

The gross margin was 55.5% for the first quarter of 2019, which is 2.3 percentage points lower than for the same period in 2018. Productivity gains and price/mix had a neutral impact on gross margin, whereas higher raw material costs and the lack of leverage on the fixed cost base were the main explanations for the falling gross margin.

Gross margin
55.5%

Operating costs were DKK 1,048 million, an increase of 2% or DKK 24 million. This was mainly due to increased staffing to support increased presence in emerging markets affecting sales and distribution costs. Operating costs as a percentage of sales were 30%, roughly 1 percentage point higher than for Q1 2018.

Operating costs
+2%

- Sales and distribution costs increased by 4%, representing 11.5% of sales
- R&D costs increased by 2%, representing 13.2% of sales
- Administrative costs increased by 2%, representing 5.5% of sales

Other operating income was DKK 10 million in Q1 2019, compared with DKK 7 million in Q1 2018.

Depreciation and amortization were DKK 270 million, compared with DKK 254 million in the same period in 2018.

Depreciation and amortization
DKK 270 million

The EBIT margin was 25.7% in Q1 2019, 3.2 percentage points lower than in Q1 2018. This is much as expected and mainly explained by the lower gross margin and increased level of commercial activity. Overall, currencies were beneficial to the EBIT margin.

EBIT
DKK 895 million
EBIT margin
25.7%

In total, net financial costs were DKK 33 million compared with DKK 5 million in Q1 2018. The share of losses in associates was DKK 2 million, on par with Q1 2018. Novozymes realized a DKK 52 million currency hedging/revaluation loss in Q1 2019 compared with a loss of DKK 3 million in Q1 2018. Other financial costs were DKK 10 million, compared with DKK 0 million in Q1 2018. Net interest income was DKK 29 million, compared with a loss of DKK 2 million in Q1 2018. Net interest income was positively impacted by interest on taxes.

Net financial costs and share of losses in associates
DKK -35 million

Profit before tax was DKK 860 million, a decrease of 15% from DKK 1,009 million in Q1 2018.

The effective tax rate was 19.0% in Q1 2019, compared with 20.0% in the same period last year.

Effective tax rate
19.0%

Net profit was DKK 697 million, a decrease of 14% from DKK 807 million in Q1 2018, impacted by lower EBIT and higher financial costs, partly offset by a lower effective tax rate compared with Q1 2018.

Net profit
DKK 697 million

Cash flow and balance sheet

Cash flow from operating activities was DKK 563 million in Q1 2019 compared with DKK 684 million in the same quarter last year. Cash flow in the first quarter of 2019 was impacted by lower net profit and a negative development in net working capital, although by a lower amount than in Q1 2018. Working capital was impacted by an improvement in receivables and inventories, while payables were lower following the relatively high investment level in Q4 2018.

Net investments excluding acquisitions totaled DKK 143 million, roughly half of the amount invested in Q1 2018. The investment in our new innovation campus in Lyngby will be finalized in 2019.

Free cash flow before net acquisitions was DKK 420 million in the first quarter, compared to DKK 403 million in the same period last year.

Total shareholders' equity at March 31, 2019 was DKK 10,928 million, compared with DKK 11,438 million at December 31, 2018. Shareholders' equity was 53.6% of the balance sheet total, compared with 58.1% at year-end 2018. The decline is mainly due to dividend payments.

On March 31, 2019, Novozymes had net interest-bearing debt of DKK 4,245 million, compared with DKK 2,535 million at December 31, 2018. Net interest-bearing debt-to-EBITDA was 0.9x, compared with 0.5x at year-end 2018.

Return on invested capital (ROIC) including goodwill was 18.3%, compared with 24.2% at year-end 2018. The lower ROIC was mainly due to lower net profit and higher net invested capital.

At March 31, 2019, the holding of treasury stock was 3,373,226 B shares, equivalent to 1.2% of the common stock.

Operating cash flow
DKK 563 million

Net investments excl. acq.
DKK 143 million

Free cash flow before acquisitions
DKK 420 million

Equity ratio
53.6%

Net interest-bearing debt-to-EBITDA
0.9x

ROIC
18.3%

Treasury stock
1.2%

Sustainability

Novozymes has introduced annual sustainability targets until new longer-term targets have been established. The goal for 2019 is to grow the absolute consumption of water and energy and absolute CO₂ emissions at a lower rate than the organic sales growth. After Q1, Novozymes expects to be able to deliver on all the 2019 targets announced on January 24.

	Q1 2019	2019 target
Growth in absolute water consumption	-10%	< org. sales growth
Growth in absolute energy consumption	-8%	< org. sales growth
Growth in absolute CO ₂ emissions	-14%	< org. sales growth
Energy from renewable sources	24%	28%
Occupational accidents with absence per million working hours	1.7	≤ 1.5
Employee absence	2.2%	≤ 2.0%
Women in senior management	30%	≥ 29%

2019 outlook

	2019 outlook January 24	2019 outlook April 4	2019 outlook* April 24
Sales growth, organic	3-6%	3-6%	3-5%
EBIT margin	28-29%	29-30%	29-30%
Net profit growth	0-5%	5-10%	5-10%
Net investments excl. acquisitions (DKKbn)	1.0-1.3	1.0-1.3	1.0-1.3
Free cash flow before acquisitions (DKKbn)	2.2-2.6	2.0-2.4	2.0-2.4
ROIC (including goodwill)	~23%**	~24%**	~24%**

* Assumes that the exchange rates for the company's key currencies remain at the rates on April 23 for the rest of 2019.

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

Sales outlook

After a softer-than-expected first-quarter performance in the US bioethanol business, which has continued into April, Novozymes narrows its outlook to 3-5% organic sales growth for 2019. Growth is still supported by strong innovation and increased market penetration, especially in the emerging markets. The 3-5% range also reflects geopolitical uncertainty, for example in the Middle East (affecting Household Care, Food & Beverages and Technical & Pharma), as well as volatile agricultural markets.

The annualization of the Middle Eastern impact from the second half of 2018 where sanctions and economic turmoil started to impact our business negatively, a challenging feed comparison and the enzyme price reductions in US baking coming to an end in Q1 were all as expected. Organic sales growth in the second half of the year is expected to be much stronger than performance in the first half thanks to an easier Middle East comparison, the freshness platform in Household Care, BioAg seasonality, an easing y/y price effect in US baking and Bioenergy volume growth being expected to pick up in the US market.

Using current spot rates as full-year estimates for the major currencies and including lower recognition of deferred income (BioAg), Novozymes expects to see a positive impact of approximately 1 percentage point for growth in DKK. DKK 24 million of deferred income was recognized in Q1 2019, compared with DKK 35 million in Q1 2018.

Household Care (organic: -3% Q1 2019 y/y) organic sales growth is expected to be supported by a broader rollout for the freshness platform and increased penetration in emerging markets, where we tap into consumer trends with our innovative enzymes for both liquid and powder detergents. The development of the freshness platform is tracking according to plan, and we expect to ship to more markets through the year. The dose reductions at some of our large customers are likely to continue, although at a lower level. This puts a dampener on growth. We expect low-single-digit organic sales growth for Household Care, including annualization of the Middle Eastern impact.

Food & Beverages (organic: -2% Q1 2019 y/y) organic sales growth is expected to be driven by continued step-up in commercial presence, especially in the emerging markets, as well as by ramp-up of newly launched innovations, such as Frontia® and Palmora®. There is a modest positive expectation for baking, after planned price decreases in the US came to an end in the first quarter. Food & nutrition is expected to continue its good momentum, supported by the enduring health awareness trends. We expect continued growth across all industries with mid-

Organic sales growth
3-5%

single-digit organic sales growth overall in Food & Beverages, including annualization of the Middle Eastern impact.

Bioenergy (organic: -8% Q1 2019 y/y) organic sales growth is expected to be driven mainly by increased penetration from innovation as well as volume growth outside the US market. We now expect US ethanol production in 2019 to be lower (previously slightly lower) than in 2018, with high ethanol inventories. Given the more negative US ethanol development in Q1 relative to our expectations, additionally impacted by flooding in the US Midwest that has continued into April, we need to see a step-up in US ethanol production to be able to deliver mid-single-digit (previously high-single-digit) organic sales growth in Bioenergy for the full year.

Agriculture & Feed (organic: -6% Q1 2019 y/y) sales to the agriculture-related markets are subject to uncertainty, due primarily to global farm economics and trade-related concerns. We concluded the negotiations with Bayer on April 4 and, besides the uncertainty surrounding agricultural markets in general, we still see uncertainty regarding the timing of revenue recognition for the year. Feed sales are expected to grow modestly for the year and, consequently, we maintain our low-single-digit decrease to mid-single-digit increase guidance for Agriculture & Feed.

Novozymes recognized DKK 24 million of the deferred income in BioAg as revenue in Q1 2019. Deferred income does not impact the calculation of organic sales growth rates; it impacts realized sales growth in DKK but has no cash flow impact.

Technical & Pharma (organic: +5% Q1 2019 y/y). The business was impacted by the challenging markets in the Middle East during the second half of 2018, a situation that is expected to continue through the first half of 2019. We expect low-single-digit organic sales growth for the year, including annualization of the Middle Eastern impact.

Profit outlook

For 2019, we expect an EBIT margin of 29-30%, including a minor positive impact from currencies. Following the conclusion of the negotiations with Bayer regarding the future setup of the BioAg business, announced on April 4, we increased the 2019 EBIT margin outlook from 28-29% to 29-30%. This reflects the full recognition in Q2 of the remainder of the deferred income. Sales growth and productivity improvements are expected to be supportive of margins, mitigating the effects of higher input costs.

Novozymes expects an effective tax rate of 18-20% for 2019.

Net profit growth is expected to be 5-10%. Novozymes increased the 2019 outlook for net profit growth on April 4 to reflect the full recognition of deferred income resulting from the dissolved BioAg Alliance. Novozymes' USD currency exposure has been hedged through forward contracts at an average exchange rate of 6.21 USD/DKK for 2019.

Net investments are expected to be DKK 1.0-1.3 billion (2018: DKK 1.4 billion). The investment level for 2019 reflects general maintenance CAPEX and expansion CAPEX, as well as finalization of the innovation campus in Lyngby, Denmark.

Free cash flow before acquisitions is expected to be in the range of DKK 2.0-2.4 billion (2018: DKK 2.291 billion). The reclassification of lease payments (IFRS 16) is expected to impact free cash flow positively by around DKK 0.1 billion, whereas higher net working capital and accumulated cash taxes related to The BioAg Alliance will impact cash flow negatively.

EBIT margin
29-30%

Effective tax rate
18-20%

Net profit growth
5-10%

Net investments
DKK 1.0-1.3 billion

Free cash flow before acq.
DKK 2.0-2.4 billion

Return on invested capital (ROIC) including goodwill is expected at around 24% (2018: 24.2%). This includes full recognition of the remaining deferred income, as The BioAg Alliance has now been dissolved. The calculation of average invested capital now includes a higher end balance following the major investment programs that we announced early in 2017. The implementation of IFRS 16 Leases has a negative impact on ROIC of approximately 1 percentage point.

ROIC
~24%
(~25% excl. IFRS16)

Sustainability outlook

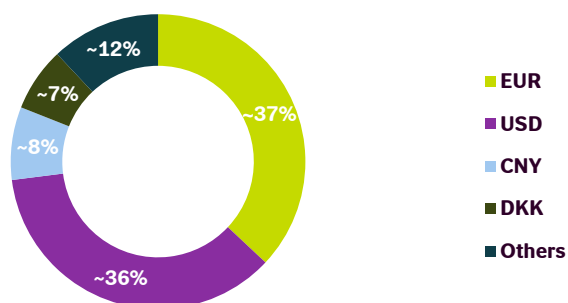
Novozymes remains committed to continuously improving the sustainability performance of our own operations and supply chain. Improving sustainability performance is a long-term undertaking, and we will continue to pursue and prioritize opportunities to make our operations more cost-effective, environmentally friendly and socially responsible. For 2019, we will continue with annual targets to keep our resource consumption and CO₂ emissions lower than our organic sales growth, while working to define better long-term targets in these areas. We will work to improve the share of renewable energy in our energy mix to support us on our journey of decoupling our business growth from the impact it has on the environment. We will also sharpen focus on our safety culture and continue our global initiatives to improve our safety behavior to reduce the number of accidents in 2019.

We are seeing an increasing level of third-party assessment and engagement with our investors on our sustainability performance. In an effort to streamline our reporting on sustainability to various channels, we decided to discontinue our participation in the RobecoSAM corporate sustainability assessment. However, our commitment to improving our sustainability performance and disclosure remains intact.

	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, Q1 2019



From a currency perspective, we expect 2019 EBIT to be most exposed to fluctuations in the USD.

Other things being equal, a 5% movement in USD/DKK is expected to have an annual positive/negative impact on EBIT of 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

	2018				2019			
	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			

Since October 2018, we have hedged our expected USD cash flow using 12-month rolling contracts. 2018 was fully hedged at an average of USD/DKK 6.18. 2019 is fully hedged at an average of USD/DKK 6.21.

The outlook is based on exchange rates for the company's key currencies remaining at the closing rates on April 23 for the full year.

DKK	EUR	USD	BRL	CNY
Average exchange rate Q1 2018	745	606	187	95
Average exchange rate Q1 2019	746	657	175	97
Average exchange rate Q1 2019 compared with Q1 2018	0%	8%	-7%	2%
Rate on April 23, 2019	747	664	169	99
Estimated average exchange rate 2019*	746	660	172	98
Estimated average exchange rate 2019 compared with 2018	0%	5%	-1%	3%

* Estimated average exchange rate on April 23, 2019.

Stock buy-back program

Stock buy-back under the overall stock buy-back program of up to DKK 2 billion in 2019 will be started on April 25, 2019. Novozymes' majority shareholder, Novo Holdings A/S, a holding company fully owned by the Novo Nordisk Foundation, has informed Novozymes that it intends to consider its participation in Novozymes' stock buy-back program on a year-by-year basis and that, for 2019, it plans to participate in the program. Novo Holdings A/S currently has an ownership share of 26.0% of Novozymes' common stock and currently intends to maintain its ownership share at around 25.5%.

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 (ROU) 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. At initial recognition, ROU 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 leases, 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, ROU assets amounted to DKK 764 million, of which DKK 148 million had been transferred from previously capitalized finance leases. The ROU 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 implicit borrowing rate in the contracts or, where this is not available, the marginal borrowing rate in the countries in which Novozymes operates. The weighted average incremental borrowing rate for lease liabilities initially recognized at 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 operational costs.

As of March 31, 2019, the implementation of IFRS 16 has had an insignificant impact on the income statement. ROU assets amounted to DKK 744 million and are included in Land and buildings, Plant and machinery and Other equipment at DKK 459 million, DKK 103 million and DKK 182 million respectively. The lease liability amounted to DKK 691 million. Consequently, ROIC has been impacted negatively by 0.8 percentage point, and Free cash flow has been impacted positively by DKK 24 million, as repayments of lease liabilities are now included under Financing. Depreciation of ROU assets amounted to DKK 30 million in Q1 2019.

Accounting policies

The interim report for the first three 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 three 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 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. The ROU assets are depreciated on a straight-line basis over the shorter of the expected lease term or 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 payments that are based on performance. If the lease contains an extension or purchase option that Novozymes considers reasonably certain to 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 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

Investor Relations:

Tobias Bjorklund	+45 3077 8682	tobb@novozymes.com
Carl Ahlgren	+45 3077 2783	cxal@novozymes.com

Media Relations:

Rene Tronborg (DK)	+45 3077 2274	retr@novozymes.com
Frederik Bjoerndal (US)	+1 646 671 3897	tfbh@novozymes.com

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 three months of 2019. This interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the first three 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 this Group financial statement are adequate, and this Group financial statement gives a true and fair view of the development in the Group's activities and business and of the Group's assets, liabilities, net profit and financial position at March 31, 2019, and of the results of the Group's operations and cash flows for the first three months of 2019. Besides what has been disclosed in the interim report for the first three 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, April 24, 2019

EXECUTIVE MANAGEMENT

Peder Holk Nielsen
President & CEO

Thomas Videbæk
COO

Prisca Havranek-Kosicek
CFO

BOARD OF DIRECTORS

Jørgen Buhl Rasmussen
Chairman

Agnete Raaschou-Nielsen
Vice Chairman

Lars Green

Lena Bech Holskov

Anders Hentze Knudsen

Kasim Kutay

Lars Bo Køppler

Kim Stratton

Mathias Uhlén

Appendices

Appendix 1	Main items and key figures	17
	1.1 Key figures	17
	1.2 Income statement	18
	1.3 Statement of comprehensive income	19
Appendix 2	Distribution of revenue	20
	2.1 Business	20
	2.2 Geography	20
Appendix 3	Statement of cash flows	21
	3.1 Statement of cash flows	21
Appendix 4	Balance sheet and Statement of shareholders' equity	22
	4.1 Balance sheet, Assets	22
	4.2 Balance sheet, Liabilities	23
	4.3 Statement of shareholders' equity	24
Appendix 5	Miscellaneous	25
	5.1 Product launches in 2019	25
	5.2 Company announcements for the fiscal year 2019	25
	5.3 Financial calendar	25

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

DKK million	Q1 2019	Q1 2018	% change
Revenue	3,481	3,520	(1)%
Gross profit	1,933	2,033	(5)%
Gross margin	55.5%	57.8%	
EBITDA	1,165	1,270	(8)%
EBITDA margin	33.5%	36.1%	
Operating profit / EBIT	895	1,016	(12)%
EBIT margin	25.7%	28.9%	
Share of result in associates	(2)	(2)	
Net financials	(33)	(5)	
Profit before tax	860	1,009	(15)%
Tax	(163)	(202)	(19)%
Net profit	697	807	(14)%
Earnings per DKK 2 share	2.42	2.75	(12)%
Earnings per DKK 2 share (diluted)	2.41	2.73	(12)%
Net investments excl. acq.	143	281	
Free cash flow before net acq. and purchase of financial assets	420	403	
Return on invested capital (ROIC) incl. goodwill	18.3%	25.2%	
Net interest-bearing debt	4,245	2,620	
Equity ratio	53.6%	55.2%	
Return on equity	24.9%	30.0%	
Debt-to-equity	38.8%	25.6%	
NIBD / EBITDA	0.9	0.5	
Number of employees	6,463	6,318	
Novozymes' stock	Mar. 31, 2019	Mar. 31, 2018	
Common stock (million)	291.0	305.0	
Net worth per share (DKK)	37.51	33.50	
Denomination of share (DKK)	2.00	2.00	
Nominal value of common stock (DKK million)	582.0	610.0	
Treasury stock (million)	3.4	12.8	

1.2 Income statement

DKK million	Q1 2019	Q1 2018
Revenue	3,481	3,520
Cost of goods sold	(1,548)	(1,487)
Gross profit	1,933	2,033
Sales and distribution costs	(399)	(385)
Research and development costs	(458)	(451)
Administrative costs	(191)	(188)
Other operating income, net	10	7
Operating profit / EBIT	895	1,016
Share of result in associates	(2)	(2)
Net financials	(33)	(5)
Profit before tax	860	1,009
Tax	(163)	(202)
Net profit	697	807
Attributable to		
Shareholders in Novozymes A/S	696	806
Non-controlling interests	1	1
Specification of net financials		
Foreign exchange gain/(loss), net	(52)	(3)
Interest income/(costs)	29	(2)
Other financial items	(10)	-
Net financials	(33)	(5)
Earnings per DKK 2 share	2.42	2.75
Average no. of A/B shares outstanding (million)	287.6	292.9
Earnings per DKK 2 share (diluted)	2.41	2.73
Average no. of A/B shares, diluted (million)	288.8	294.9

1.3 Statement of comprehensive income

DKK million	Q1 2019	Q1 2018
Net profit	697	807
Currency translation of subsidiaries and non-controlling interests	192	(211)
Tax on currency translation of subsidiaries	-	-
Currency translation adjustments	192	(211)
Fair value adjustments	(63)	55
Tax on fair value adjustments	14	(13)
Cash flow hedges reclassified to financial costs	47	(7)
Tax on reclassified fair value adjustments	(11)	2
Cash flow hedges	(13)	37
Other comprehensive income	179	(174)
Comprehensive income	876	633
Attributable to		
Shareholders in Novozymes A/S	875	632
Non-controlling interests	1	1

Appendix 2 Distribution of revenue

2.1 Business

DKK million	2019 Q1	2018 Q1	% change	% currency impact	% M&A impact	% organic growth
Household Care	1,145	1,164	(2)	1	0	(3)
Food & Beverages	995	989	1	3	0	(2)
Bioenergy	623	648	(4)	4	0	(8)
Agriculture & Feed	498	516	(3)	3	0	(6)
Technical & Pharma	220	203	8	3	0	5
Sales	3,481	3,520	(1)	3 *	0	(4)

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 2.8%.

DKK million	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	% change Q1/Q1
Household Care	1,145	1,157	1,186	1,118	1,164	(2)
Food & Beverages	995	1,045	1,045	1,043	989	1
Bioenergy	623	740	723	695	648	(4)
Agriculture & Feed	498	571	517	441	516	(3)
Technical & Pharma	220	201	187	201	203	8
Sales	3,481	3,714	3,658	3,498	3,520	(1)

2.2 Geography

DKK million	2019 Q1	2018 Q1	% change	% currency impact	% M&A impact	% organic growth
Europe, Middle East & Africa	1,328	1,285	3	0	0	3
North America	1,162	1,148	1	6	0	(5)
Asia Pacific	684	764	(10)	3	0	(13)
Latin America	307	323	(5)	(3)	0	(2)
Sales	3,481	3,520	(1)	3 *	0	(4)
Developed markets	2,357	2,278	3	3	0	0
Emerging markets	1,124	1,242	(10)	0	0	(10)
Sales	3,481	3,520	(1)	3	0	(4)

* The effect from changes in deferred income in BioAg is included in the currency impact. Realized currency impact was 2.8%.

DKK million	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	% change Q1/Q1
Europe, Middle East & Africa	1,328	1,280	1,360	1,289	1,285	3
North America	1,162	1,366	1,217	1,162	1,148	1
Asia Pacific	684	736	685	717	764	(10)
Latin America	307	332	396	330	323	(5)
Sales	3,481	3,714	3,658	3,498	3,520	(1)
Developed markets	2,357	2,458	2,404	2,270	2,278	3
Emerging markets	1,124	1,256	1,254	1,228	1,242	(10)
Sales	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	3M 2019	3M 2018
Net profit	697	807
Reversals of non-cash items	405	507
Tax paid	(367)	(240)
Interest received	56	2
Interest paid	(26)	-
Cash flow before change in working capital	765	1,076
Change in working capital		
(Increase)/decrease in receivables and contract assets	57	(221)
(Increase)/decrease in inventories	32	(60)
Increase/(decrease) in payables, deferred income and contract liabilities	(287)	(116)
Currency translation adjustments	(4)	5
Cash flow from operating activities	563	684
Investments		
Purchase of intangible assets	(19)	(13)
Sale of property, plant and equipment	1	2
Purchase of property, plant and equipment	(125)	(270)
Cash flow from investing activities before acquisitions, divestments and purchase of financial assets	(143)	(281)
Free cash flow before acquisitions, divestments and purchase of financial assets	420	403
Business acquisitions, divestments and purchase of financial assets	-	-
Free cash flow	420	403
Financing		
Borrowings	1,046	1,269
Repayments of borrowings	(21)	(207)
Repayments of lease liabilities	(24)	
Purchase of treasury stock	-	(342)
Sale of treasury stock	8	59
Dividend paid	(1,438)	(1,316)
Withheld dividend tax	-	228
Cash flow from financing activities	(429)	(309)
Net cash flow	(9)	94
Unrealized gain/(loss) on currencies and financial assets, included in cash and cash equivalents	13	(10)
Change in cash and cash equivalents, net	4	84
Cash and cash equivalents at January 1	723	632
Cash and cash equivalents at March 31	727	716

Undrawn committed credit facilities at March 31, 2019 were DKK 3,517 million.

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

DKK million	Mar. 31, 2019	Mar. 31, 2018	Dec. 31, 2018
Completed IT development projects	172	122	105
Acquired patents, licenses and know-how	838	1,072	880
Goodwill	1,093	1,089	1,086
IT development projects in progress	1	51	59
Intangible assets	2,104	2,334	2,130
Land and buildings	3,221	2,623	2,779
Plant and machinery	4,602	4,000	4,452
Other equipment	849	559	619
Assets under construction and prepayments	1,704	1,703	1,848
Property, plant and equipment	10,376	8,885	9,698
Deferred tax assets	1,048	680	938
Other financial assets (non-interest-bearing)	21	41	20
Investment in associate	40	56	42
Other receivables	31	29	34
Non-current assets	13,620	12,025	12,862
Raw materials and consumables	398	326	372
Goods in progress	794	722	828
Finished goods	1,616	1,580	1,620
Inventories	2,808	2,628	2,820
Trade receivables	2,547	2,463	2,606
Contract assets	277	190	279
Tax receivables	121	175	174
Other receivables	264	283	219
Receivables	3,209	3,111	3,278
Other financial assets (non-interest-bearing)	27	52	14
Other financial assets	27	52	14
Cash and cash equivalents	727	716	723
Current assets	6,771	6,507	6,835
Assets	20,391	18,532	19,697

4.2 Balance sheet, Liabilities

DKK million	Mar. 31, 2019	Mar. 31, 2018	Dec. 31, 2018
Common stock	582	610	594
Currency translation adjustments	106	(473)	(86)
Cash flow hedges	(39)	82	(26)
Retained earnings	10,265	10,000	10,943
Equity attributable to shareholders in Novozymes A/S	10,914	10,219	11,425
Non-controlling interests	14	14	13
Shareholders' equity	10,928	10,233	11,438
Deferred tax liabilities	830	723	892
Provisions	133	165	132
Contract liabilities	177	327	199
Deferred income	16	0	37
Other financial liabilities (interest-bearing)	2,178	2,042	1,469
Other financial liabilities (non-interest-bearing)	9	6	5
Non-current lease liabilities	560		
Non-current liabilities	3,903	3,263	2,734
Other financial liabilities (interest-bearing)	2,103	1,294	1,789
Other financial liabilities (non-interest-bearing)	124	25	110
Lease liabilities	131		
Provisions	57	79	97
Trade payables	1,111	1,241	1,418
Contract liabilities	187	189	175
Deferred income	37	0	13
Tax payables	496	512	575
Other payables	1,314	1,696	1,348
Current liabilities	5,560	5,036	5,525
Liabilities	9,463	8,299	8,259
Liabilities and shareholders' equity	20,391	18,532	19,697

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		
Shareholders' equity at January 1, 2019	594	(86)	(26)	10,943	11,425	13	11,438
Net profit for the period				696	696	1	697
Other comprehensive income for the period		192	(13)		179	-	179
Total comprehensive income for the period		192	(13)	696	875	1	876
Purchase of treasury stock				-	-		-
Sale of treasury stock				8	8		8
Write-down of common stock	(12)			12	-		-
Dividend				(1,438)	(1,438)	-	(1,438)
Stock-based payment				25	25		25
Tax related to equity items				19	19		19
Changes in shareholders' equity	(12)	192	(13)	(678)	(511)	1	(510)
Shareholders' equity at March 31, 2019	582	106	(39)	10,265	10,914	14	10,928
Shareholders' equity at January 1, 2018	610	(262)	45	10,861	11,254	13	11,267
Net profit for the period				806	806	1	807
Other comprehensive income for the period		(211)	37		(174)	-	(174)
Total comprehensive income for the period		(211)	37	806	632	1	633
Purchase of treasury stock				(342)	(342)		(342)
Sale of treasury stock				59	59		59
Write-down of common stock				-	-		-
Dividend				(1,316)	(1,316)	-	(1,316)
Stock-based payment				24	24		24
Tax related to equity items				(92)	(92)		(92)
Changes in shareholders' equity	-	(211)	37	(861)	(1,035)	1	(1,034)
Shareholders' equity at March 31, 2018	610	(473)	82	10,000	10,219	14	10,233

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 with Bayer for the Brazilian market, bringing together biological inoculants of selected bacteria with high efficiency and nitrogen fixation

5.2 Company announcements for the fiscal 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

5.3 Financial calendar

August 8, 2019	Interim report for the first half of 2019
October 23, 2019	Interim report for the first nine months of 2019
January 23, 2020	Group financial statement for 2019
February 26, 2020	Annual Shareholders' Meeting 2020

About Novozymes

Novozymes is the world leader in biological solutions. Together with customers, partners and the global community, we improve industrial performance while preserving the planet's resources and helping build better lives. As the world's largest provider of enzyme and microbial technologies, our bioinnovation enables higher agricultural yields, low-temperature washing, energy-efficient production, renewable fuel and many other benefits that we rely on today and in the future. We call it Rethink Tomorrow. www.novozymes.com

Novozymes A/S

Krogshøjvej 36
2880 Bagsvaerd
Denmark

Phone: +45 4446 0000