



Novozymes and BioAg: Continuation with Bayer as core partner; new, broader setup allows Novozymes to bring biological solutions to the market together with more partners

Novozymes and Bayer are continuing a 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 multi-partner setup, with two new partners, Univar Solutions and UPL, announced today. Novozymes will also pursue partnerships in biocontrol, similar to its existing partnership with Syngenta. The new setup is expected to enable Novozymes to capture more value from its continued investments in BioAg. The 2019 organic sales growth outlook for Novozymes and for the Ag & Feed business is maintained. The long-term BioAg target of supplying technology to 250-500 million acres is also maintained. The EBIT margin, net profit growth, free cash flow before acquisitions and ROIC guidance for 2019 are updated due to a one-off deferred income release.

In February 2014, Novozymes and Monsanto formed The BioAg Alliance to discover, develop, and commercialize microbial solutions to increase crop yields and enhance sustainability. Since the completion of Bayer's acquisition of Monsanto, Novozymes and Bayer have negotiated the future setup of The BioAg Alliance. With today's announcement, which ends The BioAg Alliance, Novozymes is pleased to present its new, broader setup, which enables wider crop and geographical coverage. Novozymes and Bayer continue a joint commercialization of the BioRise 2 technology for upstream corn application. The Bayer partnership will also continue the co-development of next-generation upstream corn inoculant strains with a co-funded R&D model. Further, Bayer will be Novozymes' distributor for downstream microbial products for soy and pulse crops, except in the Canadian market, with both companies having the possibility to engage with other parties. Due to the change-of-control mechanisms of The BioAg Alliance agreement, Novozymes assumes control of the full product and R&D portfolio outside of corn, resulting in the transfer of related registrations, trademarks, patents, and other intellectual property rights to Novozymes.

Peder Holk Nielsen, President & CEO, Novozymes: *"I'm very pleased with the future setup of our BioAg business and look forward to continuing the successful collaboration with Bayer as our core partner. The BioAg Alliance has been good for Novozymes, particularly when it comes to developing and commercializing products to boost corn yields. However, the exclusive Alliance had limited flexibility and breadth. The new, more flexible setup allows Novozymes to bring biological solutions to market with multiple partners. These partners complement the focus areas we have with Bayer, such as broader crop and geographical coverage, and continues the journey towards the 250-500 million-acre target."*

Liam Condon, President, Bayer Crop Science: *"As science-driven organizations, Bayer and Novozymes want to use microbial solutions to promote efficient and sustainable farming. Building on groundbreaking innovation developed successfully between the two companies, such as the BioRise 2 corn offering and further global upstream corn bioyield solutions, we are really excited to continue to work with Novozymes – and innovate together as core partners to pave the way for the next generation of microbial technology for corn."*

Today, we also announce the following additions to our BioAg business:

- i. A commercial partnership with Univar Solutions in the Canadian market, with distribution rights of our main downstream bioyield products.

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- ii. A commercial and innovation partnership with UPL regarding inoculants beyond soy and pulse crops, as well as the exploration of selected, joint development opportunities in the biocontrol area.
- iii. Imminent launch with Syngenta of Taegro[®], a biofungicide for fruit and vegetables.

Implications for the 2019 financial outlook

The organic sales growth guidance for Novozymes overall, as well as for Ag & Feed specifically, as per the full-year 2018 announcement made on January 24, 2019, is maintained. We see unchanged, timing-related uncertainty about the 2019 BioAg sales recognition as well as continued global farm economics and trade-related concerns.

With The BioAg Alliance being dissolved three months into the year, DKK 24 million of the expected DKK 113 million (as described in the 2018 Annual Report) deferred income recognition for 2019 will be realized as revenue. The remaining DKK 89 million, as well as the outstanding balance of DKK 198 million, will be realized as other operating income in the second quarter of 2019. Consequently, the EBIT margin guidance for 2019 is increased from 28-29% to 29-30%, and net profit growth guidance increased from 0-5% to 5-10%. Going forward, Novozymes expects to capture more value from its continued investments in the BioAg space. The ROIC guidance is increased from ~23% to ~24%. The guidance for free cash flow before acquisitions now stands at DKK 2.0-2.4bn due to the impact from accumulated deferred cash taxes related to The BioAg Alliance deferred income, as well as the transition effects of the new BioAg setup.

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

* Assumes that the exchange rates for the company's key currencies remain at the rates on April 4 for the rest of 2019.

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

Conference call

A conference call about the new setup of the Novozymes BioAg business will be held on April 5, from 8:00 to 8:30 a.m. CEST. For more information about the call, please visit www.investors.novozymes.com

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

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