



The Novozymes
Report 2013

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The Big Picture

THE NOVOZYMES REPORT 2013

Strategy in focus

2013 was an important year for Novozymes: A change in leadership, new long-term corporate targets, organizational changes, acquisitions, partnerships and alliances all put strategy and execution in focus. The year also brought healthy organic sales and earnings growth, illustrating once again the strength of a diversified business with innovation at its core.

New leadership, same strategy, different organization

At the beginning of 2013, Novozymes conducted a planned management succession process resulting in the appointment of Peder Holk Nielsen as the company's second CEO from April 1. The Board emphasized that the task ahead is not about revolutionizing the company. Rather it is about the evolution of the existing strategic foundation to take the company further toward its vision of providing sustainable biological solutions that create the necessary balance between better business, cleaner environment and better lives.

Although Novozymes might look the same today as it did last year, much changed within the company in 2013. The organization adopted a new structure to sharpen focus on the customer, internal processes and procedures were reviewed, and new R&D application units and novel growth platforms were created, all to help achieve Novozymes' long-term targets.

Innovation drove growth in 2013

All sales areas contributed to a 5% increase in sales in DKK, a 6% increase in EBIT and a record-high EBIT margin of



GLOBAL CONNECT

Dialogue is key in managing opportunities and risks, and meeting the needs of a biobased society. It also helps Novozymes and its network of global stakeholders turn high expectations into viable products.

Letter from the Board of Directors

“Novozymes invests 13-14% of sales in R&D. A large portion of this funding is dedicated to new ideas and technology as a source of new business opportunities and growth in the longer term.”

24.7% in 2013, with particular progress in Bioenergy and Household Care. The growth in both of these industries demonstrates the power of innovation.

In Bioenergy, the underlying bioenergy market was flat, yet Novozymes delivered double-digit organic sales growth due to new enzyme technology that gives customers higher yields of ethanol and corn oil, while also saving energy in their production.

In Household Care, customers continued to benefit from higher inclusion of enzyme systems in detergents, as Novozymes has advanced the technology to a point where it enables customers to produce better and more sustainable detergents without additional costs.

Growth platforms with exciting potential

Novozymes invests 13-14% of sales in R&D. A large portion of this funding is dedicated to new ideas and technology as a source of new business opportunities, productivity improvements and growth in the longer term. Novozymes has built two strong platforms with the intention of transforming how farmers grow crops and how waste is utilized. The BioAg and biomass conversion platforms both offer exciting potential for Novozymes and witnessed exciting developments in 2013.

The world's first commercial-scale cellulosic ethanol plant was inaugurated by Beta Renewables, a Novozymes partner, in Crescentino, Italy. The plant is significant, with the initial capacity to convert agricultural residues, waste and energy crops into 50 million liters of ethanol per year. Novozymes also entered into important new collaboration agreements with M&G Chemicals, which is looking to produce bioplastics in China once financing is in place, and with Raízen on the production of cellulosic ethanol in Brazil. These partnerships and the inauguration of the plant in Italy are critical for showing politicians, investors and the world in general that biomass conversion technology is ready for commercialization.

Within BioAg, Novozymes entered into a long-term strategic alliance with Monsanto, one of the world's largest agricultural technology companies. The Board is excited about The BioAg Alliance's potential to develop biological solutions for farmers worldwide. The BioAg Alliance is expected to support our sales growth in both the short and the long term. Furthermore, it will allow Novozymes to strengthen its established microbial technology position

and fermentation competencies, and invest significantly in innovation to develop the agricultural biologicals market. For its part, Monsanto brings to The BioAg Alliance competencies, agricultural know-how and a commercial infrastructure that are second to none.

These platforms could transform Novozymes' future business, and the Board will closely monitor progress in these areas in these crucial early years. In the meantime, Novozymes plans to continue to reap the rewards of its diversified business model, delivering consistent sales and earnings growth through innovation and increased productivity.

January 2014



The Board of Directors

Novozymes A/S

The journey continues

A year of transition, 2013 saw Novozymes reorganize the company, reprioritize its research efforts, secure important partnerships and deliver strong earnings. While poised for further growth, we must also stay on top of industry innovation, competition and ever-evolving customer needs.

Global impact

We made an extra effort to put our customers at the center of everything we do in 2013, challenging ourselves to gain an even better understanding of what they want and need. In spite of many internal changes, Novozymes was able to deliver a number of significant biosolutions in close collaboration with customers worldwide.

The innovation pipeline was refocused to deliver more innovation enabling our customers to produce more with less. The package of yield discovery solutions for biofuels launched in June – Novozymes Avantec®, Spirizyme® Achieve and Olexa® – reached customers at a time when productivity increases made the difference between profit and loss. The package enables customers to increase the ethanol yield from corn by up to 5% and corn oil extraction by up to 13%, while also saving up to 8% energy.

Within Household Care, we delivered innovation to support better laundry detergent performance at low temperatures and reduce costs through the replacement of petrochemicals with highly efficient enzymes.

Fortunately, our customers appreciate the value we bring to their products. For example, Henkel presented us with its Best Innovation Contributor Award, and P&G named us External Business Partner of the Year for the sixth consecutive year. These awards are testament to the standards of innovation, product quality and service we aim to give all our customers.

Overall, it is estimated that customers saved 52 million tons of CO₂ through the application of our products in 2013. We generated sales growth of 5%, EBIT growth of 6% and an EBIT margin of 24.7%, but were unable to realize five of our sustainability targets.

Falling into place

In April 2013, the new Executive Leadership Team restructured the organization, sharpening our focus on the customer. In order to change the world together with our customers and reach our long-term targets, it is absolutely crucial that we understand our customers and their world and make decisions based on what matters to them.

At the onset of these organizational changes, the Executive Leadership Team introduced three strategic focus areas to help Novozymes meet its promise of double-digit growth by 2015: deliver more significant innovation to the market, ensure success in new platforms, and cultivate great leaders and develop employees. We will continue to work on these areas in 2014.

Partnerships for progress

As part of our strategy of expanding opportunity and increasing innovation, partnerships offer us a way of really getting to know and understand customers and using our combined resources to deliver more significant innovation.

In the fall, our biomass conversion business reached major milestones both in its existing partnership with Beta Renewables and in new deals with Raizen and M&G Chemicals. Developments such as these bring the world closer to renewable energy for all. In December, Monsanto and Novozymes formed The BioAg Alliance to revolutionize the research, development and commercialization of biosolutions for agriculture, eventually bringing more choices and changes to farming globally.

“Partnerships offer us a way of really getting to know and understand customers and using our combined resources to deliver more significant innovation.”

Letter from the CEO

The year ahead

Over the past few years, we have seen increased interest in the biotechnology industry from large chemical companies, a reflection of its immense promise. We do not see this interest waning in 2014. Although it may increase competition, it also helps draw more resources and attention to the biotechnology sector, helping the sector gain momentum.

In 2014, we aim to unlock more of our potential in emerging markets, which present valuable opportunities in areas such as Household Care where enzyme penetration is relatively low. We will also work for wider adoption of newly launched biosolutions such as Avantec®, Spirizyme® Achieve and Olexa®. It is equally important for us to understand and meet real customer needs in industries that are not growing as much as we would like, for example Food & Beverages.

At the same time, we cannot lose sight of the sustainability of our own operation – a critical part of our business. We did not reach some of our efficiency and diversity targets for 2013, and action has been taken to address this. Sustainability will remain a priority in the coming year as we seek to overcome these challenges.

Our employees play a vital role in our ability to deliver on our expectations and achieve our long-term targets. Therefore, 2014 will see a continuation of our sharpened focus on leadership and employee development.

Delivering on our promise of double-digit growth

At Novozymes, we believe our biosolutions have the capacity to change the world together with our customers. Only by knowing our customers will we be able to maintain our long-term commitment to innovation and sustainability. And so our journey continues, as we work together to deliver relevant and significant innovation and reach our target of double-digit growth in 2015.



Peder Holk Nielsen
President & CEO

**GROWING TOGETHER**

Novozymes connects with diverse stakeholders in the global community to innovate and invest in tomorrow's biobased, renewable society. The more we learn from each other, the faster we get there.

The year in brief

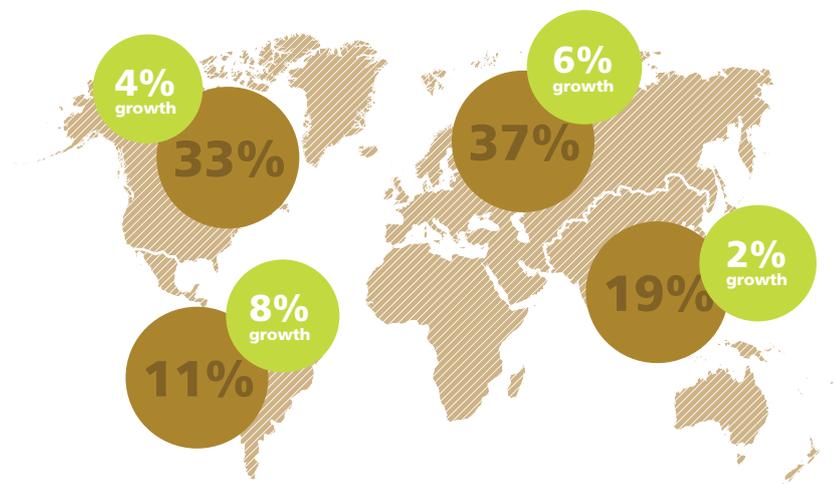
SALES AND EBIT

Sales and EBIT in the past 5 years



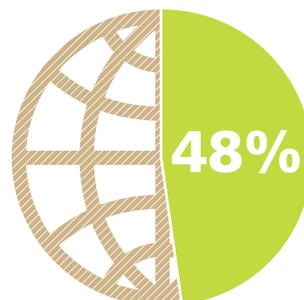
SALES BY GEOGRAPHY & SALES GROWTH

Geographical distribution of sales and sales growth in 2013



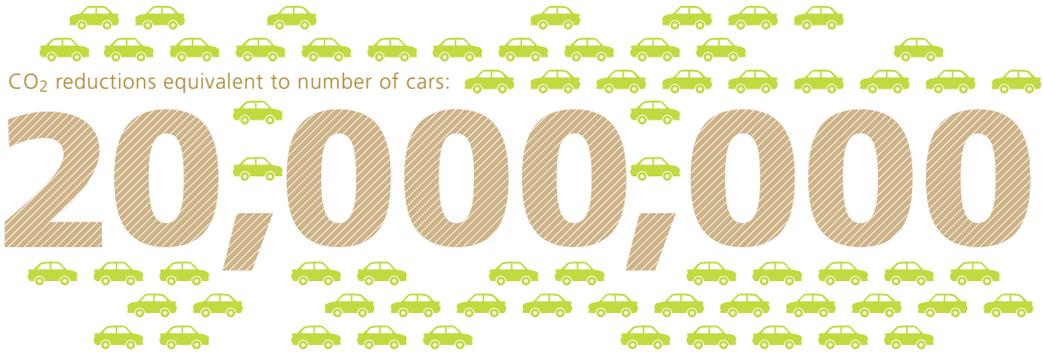
MARKET LEADER IN INDUSTRIAL ENZYMES

With an estimated 48% of the global enzyme market in 2013, Novozymes has strengthened its position as the world's leading producer of industrial enzymes.

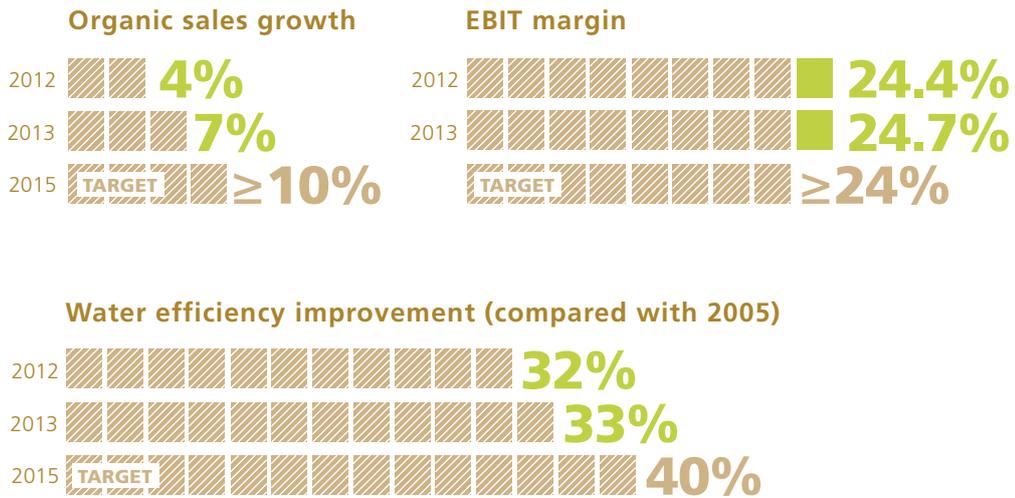


CO₂ EMISSION REDUCTION

In 2013, customers reduced their CO₂ emissions by 52 million tons through the application of Novozymes' products, equivalent to taking 20 million cars off the road.



LONG-TERM TARGETS



ACCIDENTS PER MILLION WORKING HOURS

Novozymes aims to keep the frequency of occupational accidents below 3.0 per million working hours, and in 2013 we reached an all-time low of 2.4.



Key figures

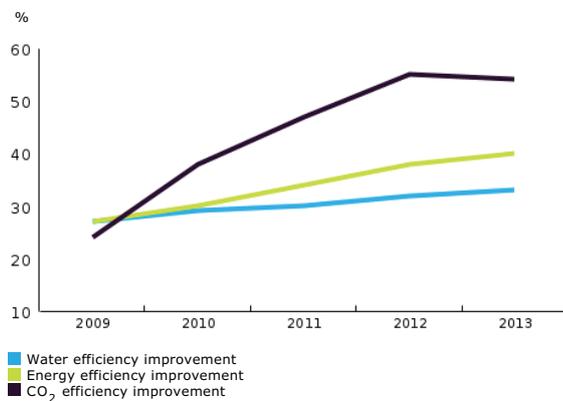
SALES AND EBIT



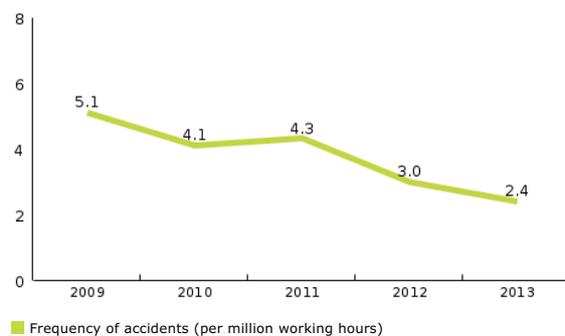
ROIC AND INVESTED CAPITAL



EFFICIENCY IMPROVEMENT COMPARED WITH 2005



FREQUENCY OF ACCIDENTS



Key figures

	2013	2012	2011	2010	2009	
Income statement (DKK million)						
Revenue	11,746	11,234	10,510	9,724	8,448	
Gross profit	6,716	6,423	5,908	5,412	4,700	
Research and development costs	1,528	1,527	1,464	1,360	1,207	
EBITDA	3,639	3,448	3,126	2,796	2,252	
Operating profit / EBIT	2,901	2,745	2,340	2,117	1,688	
Financial items, net	(142)	(161)	75	6	(67)	
Net profit	2,201	2,016	1,828	1,614	1,194	
Balance sheet (DKK million)						
Non-current assets	10,676	10,223	9,053	7,057	5,991	
Total assets	16,506	15,113	13,842	12,593	10,890	
Shareholders' equity	11,066	9,568	8,824	7,836	5,841	
Non-current liabilities	2,841	2,630	2,661	2,249	2,528	
Invested capital	11,871	10,998	9,843	8,182	6,790	
Net interest-bearing debt	805	1,430	1,019	346	949	
Investments and cash flows (DKK million)						
Cash flow from operating activities	2,599	2,758	2,709	2,324	1,817	
Purchase of property, plant and equipment	762	1,128	1,290	1,326	1,009	
Net investments excluding acquisitions	783	1,177	1,316	1,326	978	
Free cash flow before net acquisitions and securities	1,816	1,581	1,393	998	839	
Business acquisitions and purchase of financial assets	640	732	1,530	23	0	
Free cash flow	1,176	849	(33)	975	839	
Key ratios						
Revenue growth, DKK	%	5	7	8	15	4
Revenue growth, LCY	%	8	3	10	10	2
Revenue growth, organic	%	7	4	7	11	2
Research and development costs as a percentage of revenue	%	13.0	13.6	13.9	14.0	14.3
Gross margin	%	57.2	57.2	56.2	55.7	55.6
EBITDA margin	%	31.0	30.7	29.7	28.8	26.7
EBIT margin	%	24.7	24.4	22.3	21.8	20.0
Net profit margin	%	18.7	17.9	17.4	16.6	14.1
Effective tax rate	%	20.2	22.0	24.3	24.0	26.3
Equity ratio	%	67.0	63.3	63.7	62.2	53.6
Return on equity	%	21.3	21.9	21.9	23.6	23.1
Return on invested capital (ROIC), including goodwill	%	20.0	19.9	21.3	22.2	20.3
Return on invested capital (ROIC), excluding goodwill	%	21.8	21.6	23.0	23.7	21.8
WACC after tax	%	4.7	4.7	4.5	5.6	7.0
Earnings per share (EPS), diluted*	DKK	6.93	6.33	5.71	5.05	3.79
Dividend per share (2013 proposed)*	DKK	2.50	2.20	1.90	1.60	1.15
* 2009-2010 restated to reflect 1-to-5 stock split of the company's A and B shares.						
Key figures have been prepared in accordance with the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2010"						
Environmental and social data						
Water efficiency improvement (compared with 2005)	%	33	32	30	29	27
Energy efficiency improvement (compared with 2005)	%	40	38	34	30	27
CO ₂ efficiency improvement (compared with 2005)	%	54	55	47	38	24
Estimated CO ₂ reductions from customers' application of Novozymes' products	Million tons	52	48	45	40	27
Total number of employees	No.	6,236	6,041	5,824	5,432	5,275
Rate of employee turnover	%	7.5	8.1	8.3	7.5	6.7
Frequency of accidents with absence per million working hours		2.4	3.0	4.3	4.1	5.1
Employee satisfaction	Score	77	78	77	76	77
Development opportunities	Score	74	75	74	73	74
New leaders appointed who are women	%	26	37	n.a.	n.a.	n.a.
New leaders appointed of a nationality other than Danish	%	44	51	n.a.	n.a.	n.a.



Business
Review

THE NOVOZYMES REPORT 2013

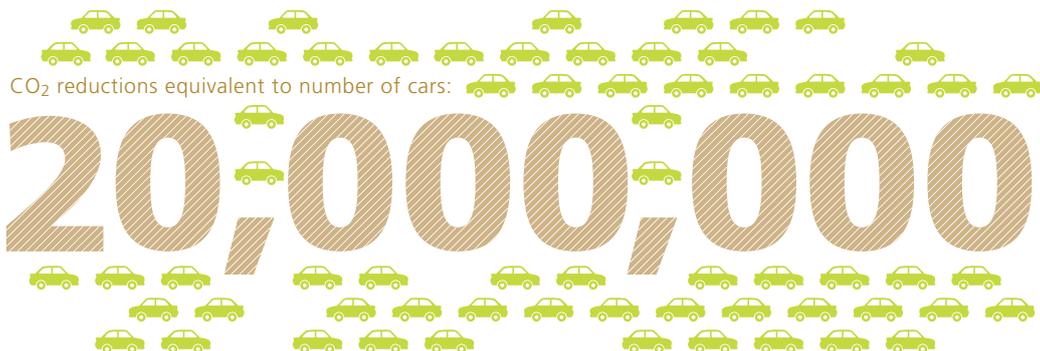


Company profile

Novozymes is the world leader in bioinnovation, producing a wide range of industrial enzymes and microorganisms. Seeking to change the world together with our customers, we offer biological solutions that help customers create more with less and improve performance, while saving energy and generating less waste.

CO₂ EMISSION REDUCTION

In 2013, customers reduced their CO₂ emissions by 52 million tons through the application of Novozymes' products, equivalent to taking 20 million cars off the road.



The world's natural resources are under escalating pressure from growing populations and increased consumption. If we are to meet the world's basic needs, continued innovation is essential. Novozymes' biosolutions are part of the answer. Used in the manufacture of a wide variety of products, our biological solutions improve the efficiency of industrial processes by saving energy and raw materials while reducing waste. The result is higher quality, lower costs and improved environmental performance for our customers.

Rethink Tomorrow

Our innovative solutions are a product of our expertise in biotechnology. Novozymes' unique industrial biotechnology platform and customer partnerships provide a wealth of opportunities for the world's industries. Microbiology, high-throughput screening, protein engineering and fermentation technology are just some of the tools on which we base our business. Combining industrial insight with this technology platform, we partner with customers across a broad range of industries to create tomorrow's industrial biosolutions.

Novozymes has a global presence with over 6,200 employees on six continents. More than 20% of our global workforce is engaged in research and development, and 13-14% of sales are invested in research and development worldwide. To safeguard our biosolutions, we currently hold over 7,000 granted or pending patents, which is testament to the possibilities that emerge when nature and technology join forces.

World leader in industrial enzymes

We constantly strive to grow our business and expand our markets by bringing new innovations to the market and launching new platforms. Novozymes supplies five major global industries: Household Care (36% of sales), Food & Beverages (27%), Bioenergy (16%), Agriculture & Feed (14%) and Technical & Pharma (7%), generating total sales of DKK 11,746 million and EBIT of DKK 2,901 million in 2013.

With an estimated 48% share of the global enzyme market in 2013, we strengthened our position as the world's leading producer of industrial enzymes.

“With an estimated 48% share of the global enzyme market in 2013, we strengthened our position as the world’s leading producer of industrial enzymes.”

More than 700 products and 40 unique end markets globally

Novozymes sells products all over the world for applications as diverse as detergents, biofuels, agriculture, food and beverages, biopharmaceuticals, wastewater, textiles and pulp & paper.

Enzymes are widely used in laundry and dishwashing detergents, and this area accounts for 36% of Novozymes’ sales. Our solutions improve the performance of detergents by enabling improved stain removal, garment care and general wash performance. Enzymes have a positive environmental impact because they can replace larger amounts of petrochemical-derived ingredients, and their unique catalytic action makes enzymes particularly useful ingredients in low-temperature and concentrated detergents.

Enzymes for the bioenergy industry, one of Novozymes’ main focus areas, turn starch (primarily corn), cellulose and

biomass into fermentable sugars used in the production of ethanol and renewable plastics, for example. Biofuels are an important step toward meeting the growing demand for sustainable energy.

Novozymes supplies a range of microorganisms and enzymes for use in agriculture. Our biosolutions help farmers grow healthier, more productive crops, enhance the digestibility and nutritional value of animal feed, and maintain healthy water conditions by combating common problems associated with intensive aquaculture.

Our enzymes are used extensively in the food and beverage industry to enhance the quality of bread, beer, wine and other products. Our solutions enable customers to offer healthier and tastier products, produce them at competitive costs and meet high ethical standards.

Novozymes also supplies a range of microorganisms for industrial use in the cleaning and wastewater markets, while its biopharma business focuses on improving medical



RETHINK TOMORROW

A growing global population with a rising need for food, water, energy and other resources is pushing industries to get smarter and produce more with less. Novozymes supports this transformation by replacing conventional chemicals with enzymes and microorganisms, thereby helping reduce the water, energy and raw materials needed in many industrial processes.

“In 2013, we helped customers prevent an estimated 52 million tons of CO₂ emissions.”

devices as well as drug delivery and formulation using unique recombinant albumin and hyaluronic acid technologies.

Sustainability – an intrinsic part of the business

The nature of our technology makes sustainability an intrinsic part of the business, allowing us to offer our customers solutions that enable them to optimize their use of raw materials and energy. Furthermore, Novozymes is committed to the UN Global Compact principles as a LEAD member and takes an active part in the U.N.-led Sustainable Energy for All (SE4All) initiative. Sustainability is integrated into our business, across all relevant functions, which gives us a competitive advantage as more customers look to use sustainability as a differentiator.

To support our ambition to drive sustainability around the world, we work closely with all players across the business value chain: suppliers, customers and society. Novozymes mitigates risks and taps into supplier strengths by requiring suppliers to balance reliability, quality and efficiency with a focus on sustainability and innovation. We work to increase CO₂ efficiency by improving production processes and helping our customers achieve further CO₂ reductions through the application of our products. In 2013, we helped customers prevent an estimated 52 million tons of CO₂ emissions.

It is important for Novozymes to be a transparent and responsible business. Our cross-functional Sustainability Board, responsible for setting sustainability targets, mirrors our value chain and is built upon multi-stakeholder engagement.



Touch the World

Our vision, company idea, commitment and values form our guide – what we call Touch the World.

Our vision: A future where our biological solutions create the necessary balance between better business, cleaner environment and better lives

Our company idea: Rethink Tomorrow

Our commitment: To continuously improve our financial, environmental and social performance to drive the world toward sustainability

Our values:

- Dare to lead – because the future is created by you
- Trust and earn trust – because nothing beats a circle of trust
- Connect to create – because the world is full of ideas
- Unlock passion – because passion makes dreams come alive

Business model

Novozymes envisions a future where our biological solutions create the necessary balance between better business, cleaner environment and better lives. To deliver on our commitment to continuously improve our financial, environmental and social performance, we center our business on what we do best – deliver innovation.

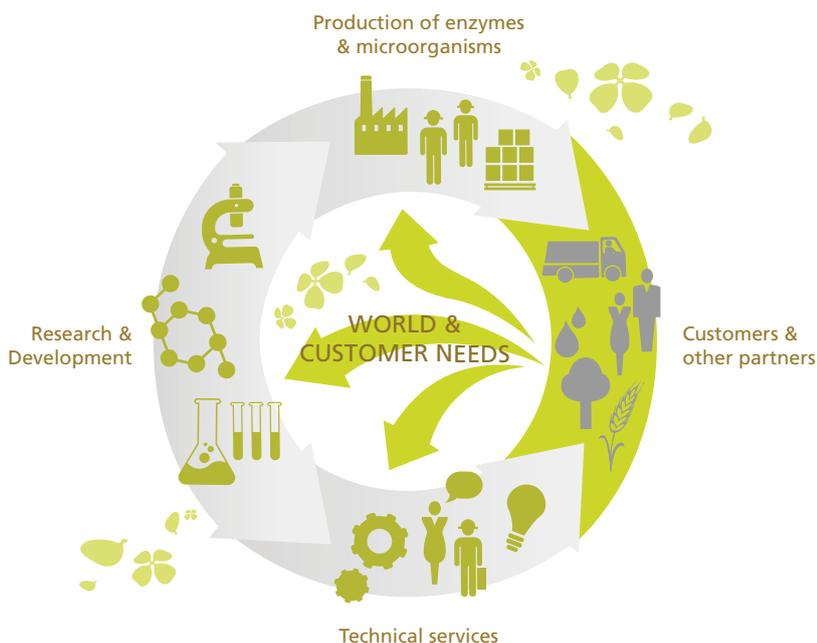
Novozymes is a business-to-business company that provides biological solutions for a wide variety of industries and markets. Together with its customers, Novozymes aims to drive the world toward sustainability by making better use of natural resources to meet the world's needs for food, feed, fuel and other consumables. The company's business model is designed not only to deliver sustainable earnings growth to shareholders, but also to continuously seek improvements that benefit both society and the environment.

Focus on innovation, customers and sustainability

Novozymes operates in numerous markets and employs

various go-to-market strategies for each of its industries, but there are three ever-present themes in its business model: innovation, customers and sustainability. The company's biotechnological platform is founded on its extensive knowledge and expertise within enzymes and microorganisms, and over 20% of the workforce, or around 1,400 employees, work with research and development. The company's ability to improve nature's own technology is the point at which each of its biosolutions starts.

Sustainability is an integrated part of Novozymes' business model and is implemented across the business value chain. An inherent part of our biosolutions, sustainability is also



BUSINESS MODEL

Inspired by Mother Nature and the needs of the planet and customers, Novozymes uses its world-class biotechnology platform, based on enzymes and microorganisms, to deliver bioinnovation that not only creates sustainable earnings growth for shareholders, but also brings the world closer to better business, cleaner environment and better lives.

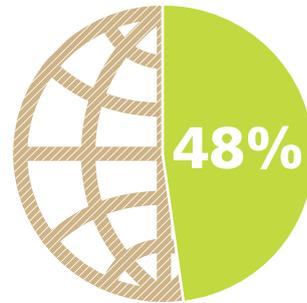
“Our focus on sustainability gives us a competitive advantage as more consumers look for sustainability as a differentiator.”

considered in the context of production and implementation, agreements with suppliers, and customers' application of our products and their impact on society. Our focus on sustainability gives us a competitive advantage as more consumers look for sustainability as a differentiator.

Working to deliver more significant innovation to the market, Novozymes teams up strategically with customers and other partners to pinpoint market needs and create the technology to address these needs. Whether the company acts solely as a supplier or works together in partnerships, its primary focus is to develop and deliver significant innovation to the market.

MARKET LEADER IN INDUSTRIAL ENZYMES

With an estimated 48% of the global enzyme market in 2013, Novozymes has strengthened its position as the world's leading producer of industrial enzymes.



Market trends & outlook

As world consumption continues to increase along with demand for more sustainable business practices, many large, global companies are looking to get a foot in the door of the biotechnology industry. With its ability to replace petrochemicals and improve the performance and environmental impact of everyday products, industrial biotechnology is attracting more and more interest and investment.

The world market for industrial enzymes expanded by 5% in 2013, reaching an estimated DKK 22 billion. Growth drivers for the industrial enzyme market include an increasing global population, a burgeoning middle class in emerging markets such as India, China and Brazil, and an expanding bioenergy market.

Over the past few years, the biotechnology industry has witnessed increasing interest from large multinational companies looking to invest in the field. In 2011, DuPont acquired Novozymes' largest competitor within industrial enzymes, Danisco. In 2012, BASF, Bayer CropScience and

Syngenta acquired companies within the agricultural biologicals market, and in 2013, Novozymes and Monsanto established The BioAg Alliance, also within agricultural biologicals. Whether through acquisitions, partnerships or direct investment in the technology itself, this may spell increased competition, but also confirms the validity and potential of industrial biotechnology.

Depending on the industry in which the enzymes or microorganisms are used, different go-to-market strategies are used. In some industries and regions, biosolutions arriving on the market are so new, and at times

Industry trends, growth drivers & challenges

INDUSTRY	TRENDS	GROWTH DRIVERS & CHALLENGES
Household Care	Higher performance, replacing chemicals, low-temperature washing, compaction	Growth drivers: performance claims, GDP & population, sustainability, replacement of traditional chemicals, emerging market growth Barriers to growth: sustained low oil prices, conservative consumers, lack of claim regulation in emerging markets
Food & Beverages	Food safety, urbanization, input/cost optimization, health and nutrition	Growth drivers: high raw material prices, sustainability, healthy foods, nutritional benefits, emerging market growth Barriers to growth: low raw material prices, conservative industries, lack of regulation
Bioenergy	Yield maximization, refinery optimization, biomass conversion	Growth drivers: energy security, high oil prices, sustainability, CO ₂ reduction, political mandates, rural development Barriers to growth: sustained low oil prices, competing technologies, lack of infrastructure, loss of political support, entrenched competitors, feedstock availability and cost
Agriculture & Feed	Increased productivity & yield of plants and animals, sustainable farming	Growth drivers: high fertilizer and feed prices, increased food demand, regulatory requirements, high raw material prices Barriers to growth: low fertilizer, chemicals, raw material and animal feed prices
Technical & Pharma	Non-animal/non-human-derived raw materials, cost optimization, improving product performance, sustainability	Growth drivers: growing and aging populations, sustainability, drive for innovation, consistent quality Barriers to growth: fragmented industries, long sales cycles, cost constraints on healthcare providers and increasing data requirements, lack of regulation

“Novozymes’ go-to-market strategy is focused on increasing penetration and showing customers how they may benefit from using more biotechnology.”

revolutionary, that they require operational changes and investment for some customers. Therefore, the go-to-market strategies focus more on education, technology de-risking and adoption. In other industries, such as Household Care, customers are well established and looking for new ways to expand the market and make their value chain and products more sustainable. Here, biotechnology has already been adopted, and Novozymes’ go-to-market strategy is focused on increasing penetration and showing customers how they may benefit from using more biotechnology.

Novozymes is the market leader in industrial enzymes with a 48% share of the world market. The diagram presents an overview of trends, growth drivers and challenges in Novozymes’ industries.



INTERVIEW: A NEW DAWN FOR ADVANCED BIOFUELS

After years of planning and battling strong headwinds of skepticism, the advanced biofuel industry is now coming together at speed. In early October, Novozymes' partner Beta Renewables officially opened the world's first commercial-scale cellulosic ethanol facility in Crescentino, Italy. Using Beta Renewables' PROESA™ engineering and production technology and Novozymes' Cellic® enzymes, the \$200 million facility will initially produce up to 50 million liters of cellulosic ethanol a year from agricultural wastes and energy crops once up to full capacity.

The obvious and much-discussed benefit of advanced biofuels is as a more sustainable, less carbon-intensive alternative to fossil fuels in the transport sector. However, derivatives of cellulosic ethanol can also serve as building blocks for many applications in the renewable chemical industry, including bioplastics. Indeed, the biomass conversion industry is key to more sustainable value chains in a variety of industries that currently base their products on fossil fuels.

These factors present both enormous opportunities and challenges – logistical, financial and political – for the players within biomass conversion.

In the following interviews, Thomas Videbæk, Executive Vice President for Business Development at Novozymes, and Guido Ghisolfi, CEO of Beta Renewables, discuss the future of the biomass conversion industry and how to realize its great promise.

Thomas Videbæk, Executive Vice President for Business Development at Novozymes

What does Beta Renewables' new facility mean for Novozymes' partnerships in advanced biofuel plants in 2014 and 2015?

It means a lot because now we're not talking about a fantasy fuel; we're talking about something that is happening for real on a commercial scale. And to be able to demonstrate that to potential customers is invaluable.

How is Novozymes doing on its long-term growth target of selling enzymes to 15 biomass conversion facilities by 2017?

We signed a deal earlier this year with Raízen in Brazil, things are moving at the Beta Renewables plant in Crescentino, Italy, another plant is being built by GranBio in Brazil, and we recently agreed to supply enzymes to M&G Chemicals' planned biorefinery in China. When I look at the

list of prospects, I feel confident that, by 2017, we'll have 15 commercial-scale facilities using our enzymes.

What is the benefit to working with various partners who have different process technologies?

Our partnership with Beta is very important; we work intensively together to learn about how our enzymes and Beta's processes work together and how to optimize that. There are a number of factors that impact the choice of process technology for advanced biofuel projects, including biomass type and availability, funding and local conditions. If some of our partners decide to pursue another technology due to such factors, then we have the flexibility to work with them as well.

What might prevent the market from adopting advanced biofuels?

We can perform our enzyme hydrolysis at a price that's competitive, but demand is a major bottleneck. That's why certainty would mean a lot in this industry. This is a new technology, which means more risk for investors. That risk includes whether there will be a market for advanced biofuels. They need clarity about the frameworks for the kind of market the ethanol is going into. If we could get clarification that we have a mandate in the EU, and if we could feel confident about the Renewable Fuel Standard in the U.S., that would mean a lot for both these regions and for those who export to these regions.

Another factor contributing to this uncertainty is the biomass supply chain, which in some regions is in the process of being established for the first time. Biomass suppliers are still working to supply biomass on a secure, cost-competitive basis. Combined with the uncertainty surrounding market demand for advanced biofuels, this could make it more difficult to secure funding at this early stage of industry commercialization.

What applications are there for biomass conversion other than advanced biofuels?

There are many players considering the use of cellulosic feedstock as raw material for biochemicals. When large bottle manufacturers talk about renewable plastic, a lot of them are talking about plastic from cellulosic material. That could be a very interesting opportunity. Here you already have the market; people are asking for these solutions today.

We could also use the same enzyme technology and activities in other areas, such as animal feed applications, where we would benefit from all we've learned about

Market trends & outlook

cellulosic degradation. Like food, there is a growing need to produce animal feed more sustainably. If we could treat cellulosic material in a way that made it more digestible, we'll have tapped into another emerging opportunity.

Guido Ghisolfi, CEO of Beta Renewables

How is the Crescentino plant performing?

We've been shipping batches to several countries and are now certified and authorized for France, the Netherlands and Italy. With this type of first-of-its-kind plant, complications tend to stem from a mechanical and handling point of view. This is a very large plant; the quality of the biomass is not always consistent, and feeding 25-plus tons biomass into the plant is an engineering challenge in itself. From the biochemical – including enzymatic – point of view, we're very happy: The performance is there. From the mechanical point of view, we're correcting initial glitches, we see the plant is running and we want to ensure it runs 24/7.

Where will you build your next biomass conversion plants?

The outlook is getting steadily brighter. GranBio's cellulosic plant in Alagoas, Brazil, which uses the PROESA™ technology, is starting up in 2014. Alongside M&G Chemicals, we're developing a biorefinery in China's Anhui province to produce bio-MEG (monoethylene glycol) from biomass. We're also hard at work on Project Alpha in North Carolina in the U.S., our first project in North America. Additionally, we're in advanced discussions with a number of potential licensees in various regions to deploy our technology and sign agreements or licenses in 2014. Beyond that, there's a long list of people interested in building plants in Europe, Africa, South America and the U.S.

How can the Mossi Ghisolfi Group use its experience in producing PET (polyethylene terephthalate) plastics, and now commercial-scale cellulosic ethanol, to create a viable market for bioplastics?

We've said publicly that we're pursuing the possibility of producing raw materials for PET, and there's considerable demand from our customers.

Our design and research are developing the same PET from renewable materials, while other companies want to change the polymer itself. We believe we should make indistinguishable molecules that can be fed to existing plants to produce the raw materials to make PET, based on cellulosic sugars, rather than produce different products as substitutes for PET. We believe PET should remain PET, as there are hundreds of billions of dollars invested in facilities

worldwide designed to handle PET – and it's not realistic to expect all this to be thrown away because we invented another polymer.

What are the threats to growing your business in cellulosic ethanol and in biochemicals?

A year ago people would tell you there's no technology, no money, no scale, no biomass. Now they can't say there's no technology, and competitors' technology will also arrive in around the next 12 months. Also, multiple feedstock technologies are now emerging, so it doesn't force the technology toward one type of biomass, and that's easing the supply chain issue, which still remains the most important issue to be solved. But to deploy this technology worldwide, we have to know which biomass to use, at which price, and under which social and sustainability conditions.

Risk factors & opportunities

Novozymes' business model and markets present both opportunities and risks. Opportunities must be pursued in a controlled manner so that the attendant risks are identified and known in advance and are acceptable.

Formal procedures are in place to ensure that risks are identified as early as possible and that mitigating activities are closely monitored. A detailed description of the risk management setup can be found in the Risk management section.

The most critical risks for Novozymes are those related to its overall strategy, as the company's future growth and market position and the achievement of its long-term targets may be affected if these risks are not appropriately addressed.

Innovation

Novozymes puts great effort into maintaining its position as market leader by continually launching new and improved high-quality solutions that meet customers' needs. Our projected sales are not dependent on single large product launches, as we constantly have several new products in the pipeline. However, an inability to deliver innovation could increase the risk of a negative impact on Novozymes' sales growth targets. This places high demands on the Group's R&D and Business Development functions, requiring it to sustain a full and flowing pipeline. Novozymes has increased the focus on how the 13-14% of sales used for R&D are applied in order to optimize the process from idea to launch.

Technology and data protection

Our technology is the basis of our business, and we pursue an active patent strategy by protecting new discoveries as early as possible. This prevents new products, processes, etc. from being copied. With more than 7,000 patents granted or pending, Novozymes has an extensive patent portfolio that it actively safeguards to prevent and stop infringement by competitors. At the same time, competitors' activities are constantly monitored to ensure that Novozymes' innovation does not infringe any existing patents, whereby resources and costs for product development can be saved through early intervention.

In 2013, we worked continuously on securing patent rights in China, as we have seen an increasing risk in enforcing intellectual property rights in the Chinese legal system. In addition to securing valuable patents, Novozymes has increased surveillance of the Chinese market, in collaboration with relevant legal advisors, in order to react quickly and efficiently against patent infringement.

Internally, the process of upgrading our IT security begun in 2012 continued in 2013, and the Protect Knowledge awareness program implemented in R&D in 2013 will be transformed into a corporate program covering all Novozymes employees in 2014.

Success of new products and markets

It is also important that the innovations we launch are useful to our customers and give them a competitive advantage in their markets. Failure to deliver the right products may provide openings for our competitors. As stated above, Novozymes works closely with major customers to mitigate this risk by means of joint development projects, which provide guidance on which new products should be prioritized and ensure that the products launched fit with customers' needs.

Biofuels

Unlike most other industries in which Novozymes operates, the transportation fuel industry is politically regulated, and sales in this industry are linked to regulatory developments. In the U.S., our major market for biofuels, any changes in blend limits and/or the Renewable Fuel Standard can have a significant impact on our sales in the industry.

A major part of the biofuel industry in the U.S. was founded on a political initiative to use domestic agricultural resources to improve energy security, reduce carbon emissions and support rural economic development. The same three drivers apply globally, but political support varies due to its dependence on regional and geopolitical developments. Sales to this industry may also be affected by the ongoing debate on whether the use of agricultural resources for energy production is sustainable. However, Novozymes has tried to address this concern by developing technology that can convert biomass, not primary grain, into fermentable sugars, allowing each region of the world to utilize its own natural endowments to produce cleaner, renewable biofuels and bioplastics.

To promote this technology and inform the debate, Novozymes works with key opinion-makers in academia, NGOs and intergovernmental organizations worldwide to encourage a balanced public debate and ensure that policy is scientifically based. Our engagement in the U.N.-led Sustainable Energy for All initiative is a good example of this. Novozymes also works closely with industry partners such as Beta Renewables to demonstrate the value of the technology.



Strategy &
Performance

THE NOVOZYMES REPORT 2013



Strategy

Novozymes works toward a future where its biosolutions create the necessary balance between better business, cleaner environment and better lives.

Novozymes drives innovation, expands opportunities and improves productivity to achieve sustainable long-term earnings growth. By adhering closely to these three strategic principles, the company works to change the world together with its customers.

Drive innovation

As the world's leading developer and producer of industrial enzymes, Novozymes drives industries forward by rethinking where and how biosolutions can be used. Innovation and sustainability are integral parts of our business model and vital elements in building long-term customer relationships. The company's biosolutions improve industrial processes and products and sustainable value chains in industry, thereby enabling our customers to produce more with less.

Research and development is key to providing these solutions, and the company invests around 13-14% of annual sales and employs over 20% of its global workforce in this area. Additionally, Novozymes is one of the world's most active patent filers in the field of biotechnology with a portfolio of more than 7,000 granted or pending patents. The company's innovations drive its top-line, enabling it to grow in existing markets as well as succeed in new markets.

A number of ongoing activities aim to sharpen Novozymes' ability to act on innovation opportunities and drive growth, ensuring that the organization delivers significant innovation to the market and reaches its long-term growth targets. These activities include:



BUSINESS STRATEGY

By driving innovation, expanding opportunities, and improving our own and our customers' productivity, we aim to establish profitable new business areas while making the best use of our own and nature's resources.

“In 2013, Novozymes focused its efforts on finding new opportunities by seeking closer working relationships with customers and expanding its reach through new partnerships.”

- Innovation pipeline prioritization: targeting the innovation portfolio to ensure more growth by delivering significant innovation to the market faster
- Collaboration: discovering new opportunities by increasingly working with customers and other stakeholders
- New organization structure: operating with a market-oriented structure from April 2013, with increased focus on customers as well as on internal leadership development to cultivate knowledge and drive results through innovation

improves financial margins and returns, as well as its environmental footprint.

The R&D and Supply Operations departments continuously strive to find ways to improve production strains, increase product efficacy and optimize production processes. These improvements allow Novozymes to deliver better and more sustainable innovation to customers faster. At the same time, the company is cost-conscious, enhancing its ability to deliver earnings growth.

Expand opportunities

Novozymes aims to build on its foundation in enzyme technology and explore biological business opportunities in other areas as well. Biological solutions, such as microorganisms and proteins other than enzymes, can also address the need for safe and cost-effective solutions, improving industrial processes and reducing the consumption of raw materials, water and energy.

In 2013, Novozymes focused its efforts on finding new opportunities by seeking closer working relationships with customers and expanding its reach through new partnerships, such as The BioAg Alliance with Monsanto, M&G Chemicals and Raízen. Novozymes has also set a long-term target to champion the inclusion of biofuels as a High Impact Opportunity in the U.N.-led Sustainable Energy for All initiative. The aim is to identify needs and provide biosolutions in new industries and to nurture Novozymes' four key growth platforms: Biomass Conversion, BioAg, Animal Health & Nutrition and Biopharma. The company consistently seeks to turn opportunities into significant business that can sustain growth and returns over time.

Improve productivity

Novozymes aims to achieve its ambitions by constantly improving the use of both its own and nature's resources throughout its business, especially in production processes. The company uses sophisticated technologies to improve the efficiency of its fermentation production processes, its enzyme and microbe production strains, and the performance of the enzymes and microbes themselves. This enables Novozymes to increase output from existing facilities and reduce consumption of raw materials, water and energy, making for a flexible production setup that



INTERVIEW: R&D INNOVATING FOR CUSTOMERS

A robust research and development (R&D) pipeline is the backbone of Novozymes' business. Protein engineering, bioinformatics, assaying and fermentation technology are deployed in close collaboration with customers to come up with innovative solutions that they actually want and need.

In 2013, a project prioritization process was initiated to focus the pipeline and create a leaner, more efficient R&D process in order to bring more significant innovation to the market. At the same time, sustainability measures such as life cycle assessments remain embedded in the pipeline, helping Novozymes identify the solutions that best promote sustainable value chains in industry.

Per Falholt, Executive Vice President for R&D, explains how the company is refocusing to capture growth by reorganizing the pipeline and keeping customers squarely in focus:

What changes have been made to the pipeline?

By using the latest available technology to speed up time to market, we can deliver new molecules more quickly. We've organized R&D in a way that aims to give all of our industries a smoother path toward markets and partnerships. A more targeted approach is being taken to prioritizing the pipeline and determining when a project should move forward or be dismissed. Additionally, we have tried to make it easier for R&D employees to prioritize multiple projects. Hopefully, this will lead to a higher throughput in terms of the number of projects we open and close, which should translate into a higher hit rate. If we fail with our projects, R&D is just an expense, including for our customers. If we succeed, we add value for Novozymes and customers alike.

How are we ensuring that we deliver relevant innovation to the market?

We like to work in partnerships. So we align the pipeline to partners with compelling targets, where there is value for both the customer and Novozymes, and where there are technical possibilities and a chance to meet our common goals for the project within a reasonable timeframe.

Does working with customers guarantee a market for our biosolutions?

There is no guarantee, but it makes it much more likely. That is the eternal dilemma for R&D – you can have the most beautiful technology and fantastic results, but the market can change and suddenly there's no need for this solution. There's also an element of timing and luck involved. But I

would argue that working closely with customers increases the chances of success tremendously.

Big chemical companies such as BASF and DuPont have been moving steadily into the biotech space in recent years. How can Novozymes ensure its solutions do not become irrelevant and it does not lose customers?

It's not so much that there are new players who may have deep pockets. It's more about who has the best technology, the best people and the best connections to bring this technology to the market. The rapid increase in new available technologies will make the biggest difference. If Novozymes has the best available technology, we'll be first. If others develop a better technology than us, then we're under pressure. That's where the competition is going to be. I don't actually mind having two or three very capable competitors out there, as that will keep us on our toes!

What can we do better or differently to ensure our solutions get to the market faster?

From an R&D perspective, the way we generate value is through new molecules. If we can deliver new molecules faster, with more hits on target, we create more value – and LEAN helps us do that. In the past year, we have implemented LEAN in our R&D organization and pipeline. If we get the best LEAN alignment between all the different functions involved in a project, we'll shorten time to market.

What will R&D focus on in 2014?

Success for our growth platforms will be incredibly important, because they hold the potential to transform Novozymes.

Secondly, making sure our existing markets get resources and innovation is important. Striking the right balance between these two things will be critical. For me, it's very important that our existing customers remain very happy with the innovation Novozymes delivers.

If they don't, we're not spending our resources on them in the right way.

Long-term targets

Novozymes' long-term targets reflect its integrated business approach. The company's ambitions include higher sales growth and financial returns, the most efficient use of resources, reducing the environmental footprint of production processes and continuing to lead the way within sustainability.

The long-term targets, launched in January 2013, are integrated into Novozymes' business strategy and business initiatives, and emphasize the company's engagement and collaboration with business partners and other stakeholders.

The targets also serve as a performance benchmark, allowing Novozymes to see which initiatives are working and which should be re-evaluated. As market growth drivers and company performance evolve, Novozymes may reassess these targets and make appropriate adjustments.

Financial target: sales growth

Growth is expected to be well diversified and come from all sales areas during the period 2014-2017, with Household Care and Bioenergy sales among the strongest contributors. For the growth platform Biomass Conversion, sales are expected to materialize slowly in 2014 and contribute more significantly to sales growth from 2015. Furthermore, assuming approvals from the relevant authorities, The BioAg Alliance with Monsanto is expected to drive significant sales growth from 2015 within BioAg.

Novozymes' long-term targets

Financial targets for the period 2013-2017:

- Average organic sales growth of more than 10%
- EBIT margin of more than 24%
- Return on invested capital of more than 22%

The average organic sales growth target is expected to be reached from 2015 and onward.

The targets are based on the following assumptions and are contingent upon no major acquisitions being made:

- The global economy stabilizes
- The biofuel market in the U.S. moves toward E15
- Novozymes sells enzymes to at least 15 biomass conversion plants by 2017, with a ramp-up in 2015-2016

Sustainability targets:

- Ensure 100% supplier adherence to Novozymes' supplier program for commercial, quality and sustainability performance in 2015
- Enable a 75 million ton reduction in CO₂ emissions in 2015 through the application of Novozymes' products
- Improve water efficiency by 40% in 2015 compared with 2005
- Improve energy efficiency by 50% in 2015 compared with 2005
- Improve CO₂ efficiency by 50% in 2015 compared with 2005
- Increase energy supply from renewable and CO₂-neutral sources to 50% of total energy supply in 2020
- Be recognized as a global leader within sustainability
- Be a globally preferred employer, attracting global talent as a diverse and inclusive workplace

Long-term targets

Novozymes' long-term targets assume that the company will supply at least 15 biomass conversion plants by the end of 2017. In 2013, Novozymes signed a number of supply agreements, and Novozymes still expects this assumption to hold. The 15 plants will come via Beta Renewables and through close partnerships with other leading global biomass, ethanol and chemicals companies. By the end of 2013, Novozymes had signed supply agreements for planned facilities taking it around a third of the way toward the 15.

Novozymes also assumes that the U.S. biofuel market will move toward E15. Currently, there are political discussions in the U.S. about the Renewable Fuel Standard and the role of biofuels in the American energy mix. The penetration of E15 or other higher-ethanol blends is therefore slow, but this is not unexpected.

Financial target: EBIT margin

Novozymes has delivered on this target for the last two years. The target allows Novozymes to retain the flexibility to invest in the business and pursue opportunities for long-term growth, while keeping the EBIT margin at an ambitious level.

Financial target: ROIC

As CAPEX is normalizing while sales are growing and productivity improvements continue to be realized, Novozymes expects to achieve the ROIC target of 22% (incl. goodwill) within a couple of years. This outlook includes the impact from The BioAg Alliance agreement with Monsanto.



SOWING THE SEEDS FOR GROWTH IN BIOAGRICULTURE

Global food demand is set to double by 2050, yet global crop yields are struggling to keep pace. However, applying the right blends of microorganisms can improve yields, making it cost-effective for farmers to invest in biological technologies while also contributing to the development of more sustainable agriculture.

Agricultural biological technologies offer natural solutions to improve plant health and combat disease in both broad-acre crops, such as corn and soy, and high-value crops, such as leafy greens, fruit and vegetables. The global market for these solutions is currently worth \$2.3 billion and has shown mid-teens sales growth in each of the last several years. That is just a fraction of the \$180 billion market in agrochemical crop input and signals a growing opportunity. However, farmers sometimes have to be convinced of, and introduced to, the benefits of adopting biological technologies, and that can prove challenging given how widely farming differs by region, crop, soil type and income level, among other factors.

A targeted, partnership-led response is needed if Novozymes is to succeed in this varied customer landscape.

The BioAg Alliance: more choices for farmers globally

In December, Novozymes and Monsanto entered a strategic alliance for the research, development and commercialization of sustainable solutions for agriculture. The BioAg Alliance unites Novozymes' capacity for researching, developing and producing microbial solutions with Monsanto's strengths in microbial discovery, advanced biology, field testing and sales. By doing so, the two companies expect to deliver an entirely new category of more effective microbial solutions for broad-acre crops, fruit and vegetables. The partners will co-manage the alliance and equally co-fund R&D efforts while maintaining independent and complementary internal and external discovery research programs to identify microbial targets that can help farmers.

"BioAg in Novozymes has had impressive growth rates, but rather than growing incrementally, The BioAg Alliance makes it possible to leap ahead," says Thomas Videbæk, Novozymes' Executive Vice President for Business Development. "The alliance takes us to a new frontier of product development and sales. Together with Monsanto, we enhance the possibility for our current portfolio and speed up the potential for finding solutions that can help boost global agriculture."

A million successes, more competition

The BioAg Alliance is a good illustration of how Novozymes is able to develop and transform its market approach in selected industries. This flexibility is especially needed to adapt to the varied customer landscape within agriculture.

For instance, agriculture in Asia is characterized by small holdings, land fragmentation and scarcity, and reduced scope for diversification. Novozymes has nevertheless been able to offer biosolutions to over a million farmers in Asia by working through a network of distributors in the region.

"It has taken years of intensive work to break into these markets where Novozymes was previously unknown," says Trevor Thiessen, Novozymes' Vice President for BioAg. "We've had to customize our products and conduct numerous training programs to achieve a greater impact and expand our base here."

In contrast, competition is growing in developed agricultural markets such as the U.S., Canada and Latin America, as more and more agrochemical companies enter the biological market by acquiring other players. Novozymes has responded by offering excellent innovation alongside top-notch technical support, which has helped build customer loyalty.

"In 2013, Novozymes delivered and brought us a product that we call First Up® ST for soybeans," says Mike Powell from Helena Chemical Company, a Novozymes customer in the seed inoculant business for a number of years. "This product allowed Helena to bring more value to the market and strengthen our relationship with customers."

Outlook

Novozymes is currently a leading player within biofertilizers. Sales in this area have grown historically by around 15% per year and are expected to grow at a similar rate in the future.

"Together with Monsanto, our aim is to further penetrate existing markets and expand into new markets, strengthen the R&D pipeline and deliver more choices for farmers globally," says Thiessen.

Expectations for 2014

SALES AND EBIT

Sales and EBIT in the past 5 years



Expectations for 2014

Financial targets:

- Sales growth of 4-7% in DKK
- Sales growth of 6-9% in local currency (LCY)
- Organic sales growth of 6-9%
- EBIT growth of 6-9%
- EBIT margin of around 25-26%
- Net profit growth of 6-9%
- Investments of around DKK 900-1,100 million
- Free cash flow before acquisitions of around DKK 3,200-3,300 million
- ROIC of around 21%

The 2014 expectations include the impact from the agreement with Monsanto on The BioAg Alliance (see Company announcement No. 29 of December 10, 2013).

Sustainability targets:

- Ensure 97.5% supplier adherence to our supplier program for commercial, quality and sustainability performance
- Improve energy efficiency by 42% compared with 2005
- Maintain CO₂ efficiency above 50% compared with 2005
- Improve water efficiency by 34% compared with 2005
- Score at least 75 for "satisfaction and motivation" in our employee survey
- Score at least 75 for "opportunities for professional and personal development" in our employee survey
- Ensure that at least 30% of new leaders appointed are women
- Ensure that at least 55% of new leaders appointed are of a nationality other than Danish
- Keep the frequency of occupational accidents below 3.0 per million working hours
- Keep employee absence below 3%
- Keep employee turnover between 4% and 9%
- Obtain Medal Class rating by RobecoSAM in the Sustainability Yearbook 2015
- Enable a 56 million ton reduction in CO₂ emissions through our customers' application of our products
- Ensure that biofuels are included as a High Impact Opportunity in the U.N.-led Sustainable Energy for All initiative

Financial expectations

On December 10, 2013, Novozymes announced the formation of The BioAg Alliance with Monsanto. This agreement is expected to close early 2014 and will impact financial performance in 2014. This outlook builds on the assumption that the agreement is approved by the relevant authorities, hence the outlook includes the financial impact as described in Company announcement No. 29, 2013, and further explained below.

2013 was an important year for Novozymes. Sales and earnings grew satisfactorily. Currencies provided headwinds, but in general the business continued on the right track. Looking at 2014, we expect a continuation of trends seen in 2013 with good underlying sales and EBIT growth. The outlook for 2014 is positive and offers scenarios of a stronger performance in 2014 than in 2013.

Sales expectations

On the sales side, Novozymes expects organic and LCY sales growth of 6-9%. Based on exchange rates at January 20, 2014, currencies will also in 2014 provide headwinds, and sales growth in DKK is expected to be 4-7%.

Novozymes expects a positive contribution to sales growth from all five sales areas. Of these, Household Care and

Bioenergy are expected to be the most significant growth contributors.

Household Care sales are expected to be driven by a continued desire by customers to improve wash performance, enable low-temperature washing and replace chemicals. As in 2013, emerging markets are expected to contribute strongly to sales growth.

Food & Beverages sales growth is expected to be driven by further growth in solutions for the production of healthy foods. The large application areas of baking and starch conversion are also expected to contribute to growth.

Bioenergy sales are expected to benefit from increased penetration of Novozymes' novel yield discovery solutions Avantec®, Spirizyme® Achieve and Olexa®. The 2014 sales outlook is based on the expectation that U.S. fuel ethanol production in 2014 will be around 13.5 billion gallons, slightly higher than in 2013.

Sales to the Technical & Pharma industries are expected to grow, primarily due to an expected increase in pharma sales.

The BioAg Alliance

Sales to the Agriculture & Feed industries are expected to be impacted by The BioAg Alliance. The alliance will not have



MORE WITH LESS

Novozymes' biosolutions bridge the gap between dwindling natural resources, rising costs and growing human needs, by enabling our customers to produce more, higher-quality products with less energy and fewer raw materials. A biobased economy is achievable, and our innovations will help the world get there.

Expectations for 2014

any impact on organic sales growth in BioAg, but Agriculture & Feed sales in DKK and LCY are expected to be negatively impacted by up to 7 percentage points (up to 1% of total sales). The positive contribution from TJ Technologies will offset about half of this impact, resulting in a net negative impact from acquisitions and divestments on Agriculture & Feed sales in DKK and LCY of 3-4 percentage points.

In The BioAg Alliance, Novozymes' BioAg sales recognition will change to reflect the equal value share with Monsanto. Agriculture & Feed sales are expected to be negatively impacted by up to 7 percentage points in 2014, as DKK 150-200 million of the total deferred income arising from the up-front payment received from Monsanto is expected to be recognized as sales in 2014. The total deferred income is around DKK 1,500 million and is expected to be allocated to sales over a period of 5-10 years starting in 2014.

The net impact on Novozymes' gross margin in 2014 of Novozymes and Monsanto splitting revenue and of the deferred income is an expected negative impact of around 1 percentage point.

Total sales and distribution costs as a percentage of sales for Novozymes are expected to decrease by around 1 percentage point given the transfer of marketing responsibility to Monsanto. This roughly evens out the negative impact from the lower gross margin.

As part of the BioAg Alliance, Novozymes will increase its spending on R&D, but keeps its target of an EBIT margin of more than 24%.

In 2014, Novozymes expects to realize a one-time gain from the transfer of predominantly intangible assets to Monsanto, as the transaction value of the assets exceeds the book value. The positive contribution to the EBIT margin in 2014 net of transaction costs, transition costs and increased R&D spend in 2014 is 0.5-1 percentage point.

Organically, Agriculture & Feed sales are expected to show a similar pattern to 2013. BioAg sales, now through The BioAg Alliance, are expected to deliver good underlying growth in the Americas and strong growth in new markets. Feed sales are expected to deliver only modest growth due to the competitive situation in phytases.

Earnings expectations

EBIT growth is expected to be 6-9%. Higher sales, continued productivity improvements and the one-time impact from

The BioAg Alliance are expected to have a positive impact on EBIT, whereas currencies are expected to provide yet another year of headwinds.

The EBIT margin is expected to be 25-26%, including the one-time positive impact of 0.5-1 percentage point from The BioAg Alliance.

The effective tax rate is expected at around 23%.

Net profit is expected to grow by 6-9%.

Around 75% of expected USD/DKK exposure for 2014 has been hedged at 5.79 DKK/USD. In 2013, the full USD/DKK exposure was hedged at 5.63.

Investments and cash flow expectations

Net investments are expected to be DKK 900-1,100 million. Besides maintenance CAPEX, most investments target operational efficiency improvements. Novozymes also expects R&D-related CAPEX to support The BioAg Alliance.

Free cash flow before acquisitions is expected at DKK 3,200-3,300 million. The free cash flow includes the positive impact from The BioAg Alliance agreement, which is expected to contribute DKK 1,350-1,400 million, slightly lower than what was communicated in December 2013 due to timing of CAPEX.

Return on invested capital is expected at around 21%, including the positive impact from The BioAg Alliance of around 1.5 percentage points.

Exchange rates at year-end

The outlook is based on exchange rates for the company's key currencies remaining at the closing rates on January 20, 2014, for the full year.

(DKK)	EUR	USD	BRL	CNY
Average exchange rate 2013	746	562	262	91
Closing rate January 20, 2014	746	550	236	91
Estimated average exchange rate 2014	746	550	236	91
Change in estimated exchange rate 2014 compared with average exchange rate 2013	0%	-2%	-10%	0%

Other things being equal, a 5% movement in the USD is expected to have an annual impact on EBIT of DKK 70-90 million.

Expectations for 2014

attraction and retention of employees. We see it as preferable to have a turnover between 4% and 9% in 2014.

Sustainability leadership

Novozymes prioritizes benchmarking its sustainability efforts against peers, as shown in the 2014 target of earning a Medal Class rating from RobecoSAM in the Sustainability Yearbook 2015. Although we have chosen Dow Jones Sustainability Indices and RobecoSAM's rating as benchmarks, we also participate in a number of other ratings that are just as valuable.

Customers

We aim to help our customers make better use of the world's resources and reduce their products' environmental footprint across their life cycle. Therefore, we have set a target of enabling CO₂ emission reductions of 56 million tons through our customers' application of our products in 2014.

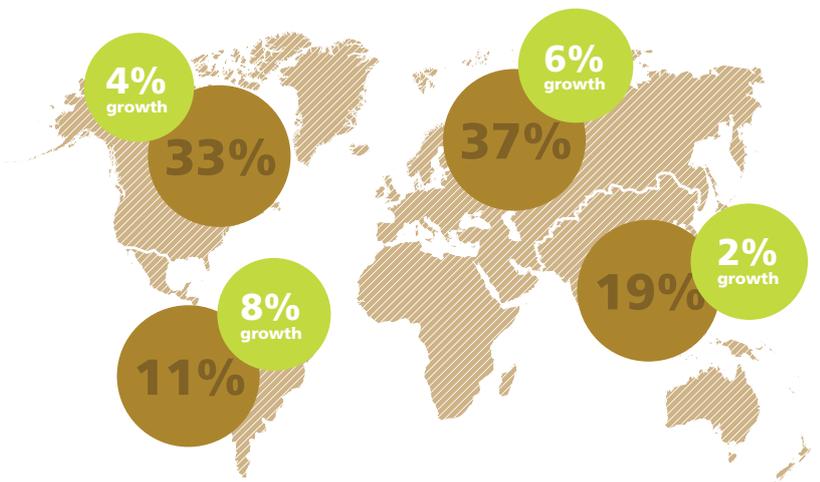
Society

To strengthen the pull of sustainable solutions in society, Novozymes aims to further the success of the U.N.-led Sustainable Energy for All (SE4All) initiative. In 2013, SE4All included Sustainable Bioenergy as a focus area and gave Novozymes the mandate to begin forming a so-called High Impact Opportunity. As substantial progress was made with SE4All in 2013, Novozymes has decided to accelerate its ambitions for the initiative. As a result, the target initially set for 2015 of championing the inclusion of a biofuels initiative as a High Impact Opportunity has been brought forward as one of the corporate targets for 2014. This will require Novozymes to take a leading role in leveraging a multi-stakeholder coalition that currently includes Beta Renewables and Bloomberg New Energy Finance.



Sales and markets

Organic sales growth was 7% in 2013. While all sales areas contributed to growth, Bioenergy and Household Care were the most significant sales contributors, reaching 6% and 9% respectively. Sales in Latin America were up 8%, with Agriculture & Feed and Household Care the strongest sales contributors.



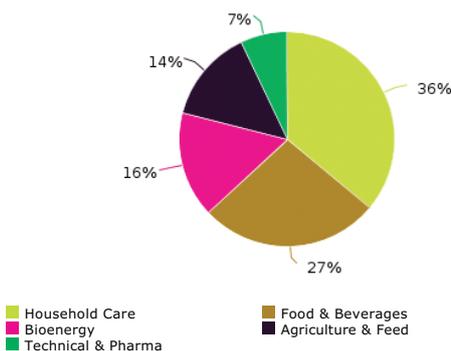
SALES BY GEOGRAPHY & SALES GROWTH

Geographical distribution of sales and sales growth in 2013

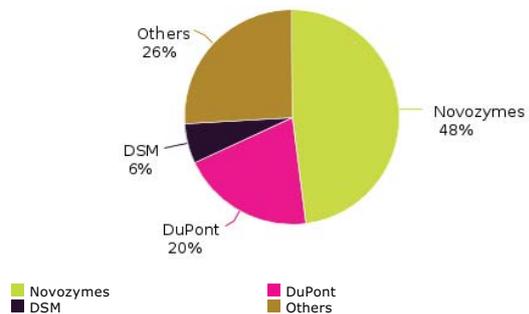
Total sales in 2013 were DKK 11,746 million, an increase of 5% compared with 2012. Exchange rates had a significant negative impact on sales, and sales in LCY were up by 8%. Acquisitions contributed approximately 1 percentage point to sales growth and, organically, sales grew by 7%. All sales

areas contributed to this growth, with sales to the Household Care and Bioenergy industries the most significant contributors.

2013 NOVOZYMES SALES BY INDUSTRY



2013 MARKET SHARE IN ENZYMES FOR INDUSTRIAL USE



Sales by industry

Household Care

Sales to the Household Care industry increased by 6% in DKK and by 9% in LCY compared with 2012. Sales growth was driven by continued strong demand from customers looking to improve wash performance, enable low-temperature washing and replace chemicals. Sales to emerging markets were a significant growth contributor.

Food & Beverages

Sales to the Food & Beverages industries were flat in DKK and increased by 3% in LCY compared with 2012. Sales for the production of healthy foods were the most significant

growth contributor. Sales to the baking industry ended the year on par with 2012. Sales in the important freshkeeping area were slightly lower than last year, but sales growth in other baking application areas counterbalanced this impact. Sales to the starch industry also contributed moderately to growth due to positive developments in a number of markets making up for lower sales in China due to lower production of corn syrups and other corn-derived products.

Bioenergy

Sales to the Bioenergy industry were up by 9% in DKK and by 13% in LCY compared with 2012. Organically, sales grew by 12%. The U.S. Energy Information Administration estimates that U.S. fuel ethanol production in 2013 ended on par with 2012, following a strong fourth quarter with

Product launches in 2013

Q1 2013	Novozymes Viscozyme® Wheat HT: A thermostable xylanase enzyme solution that effectively reduces viscosity, delivering operational flexibility, lower energy usage and higher yields when producing ethanol from wheat and other cereals	Q4 2013	Evity® platform for powder laundry detergents: Evity is a novel formulation technology, offering improved enzyme stability. The launch includes six granulate products for the powder detergent segment
Q2 2013	Novozymes Olexa®: A protease enzyme solution designed to release more corn oil for recovery in ethanol production, while increasing the ethanol yield through improved yeast health during fermentation	Q4 2013	Evity® platform for liquid laundry detergents: Evity is a novel formulation technology, offering improved enzyme stability. The launch includes three products for the liquid detergent segment
Q2 2013	Novozymes Spirizyme® Achieve: A unique saccharification enzyme solution that improves the conversion of dextrans into glucose for ethanol fermentation by unlocking fiber-bound starch that is inaccessible to traditional fermentation solutions	Q4 2013	Novozymes Acrylaway® HighT: A thermostable asparaginase that reduces acrylamide formation in food processing at high temperatures (above 100°C)
Q2 2013	Novozymes Blaze® Evity® 16 L: A liquid protease enzyme solution that enables superior high stability in gels, gelpacs and liquids for automatic dishwashing detergents with a new non-boron stabilization technology (DSAA)	Q4 2013	Novozymes Cellusoft® LT: The first true low-temperature cellulase developed for textile mills and laundries, giving more flexibility in textile processing, improving textile quality and bringing savings in water, energy and process time
Q3 2013	Peltec® X-Zyme by Novozymes and Lanxess: The solution optimizes soaking and liming, and allows leather tanneries to increase the quality of hides, while reducing chemicals used and significantly improving efficiency and sustainability	Q4 2013	Novozymes Sensea®: An amylase for bread and cakes, targeted to cost-effectively replace chemical emulsifiers. Benefits include improved moistness, melting characteristics and overall eating experience
		Q4 2013	Novozymes Attenuzyme® Pro: A new blended product for the brewing industry, allowing cost-effective, consistent attenuation control regardless of raw material variability or process fluctuations

Sales and markets

estimated growth of 10-12% compared with the fourth quarter of 2012. Bioenergy sales increased by 28% organically in the fourth quarter of 2013 compared with the fourth quarter of 2012. Bioenergy sales benefited from continued positive developments in Novozymes' novel yield discovery solutions Avantec®, Spirizyme® Achieve and Olexa®. Penetration of all three solutions continued strongly in Q4 as seen throughout the year.

Agriculture & Feed

Sales to the Agriculture & Feed industries increased by 3% in DKK and by 8% in LCY compared with 2012. Organically, sales grew by 5%. Sales to the BioAg industry grew double digit due to a good performance in the Americas and strong growth in the new markets of Europe and Asia. Double-digit growth is very satisfactory given the high comparables following the Syngenta agreement in Q4 2012.

The integration of TJ Technologies, Inc., acquired in June 2013, is considered complete. The sales impact has so far been limited due to the company's focus on North American markets. Toward the end of 2013, Novozymes entered into an agreement with Monsanto to establish The BioAg Alliance. The alliance is expected to close early 2014 and is subject to approval by the relevant national antitrust authorities. Sales to the animal feed industry were slightly higher compared with last year. RONOZYME® ProAct continued to perform strongly in Europe and Latin America, whereas phytase enzyme sales were challenged in a tough competitive environment.

Technical & Pharma

Sales to the Technical & Pharma industries increased by 7% in DKK and by 10% in LCY compared with 2012. Organically, sales grew by 6%. This sales growth was driven by a strong increase in sales for the manufacture of pharmaceutical products. Sales growth was also supported by positive contributions from the textile and leather businesses.

Sales by geography

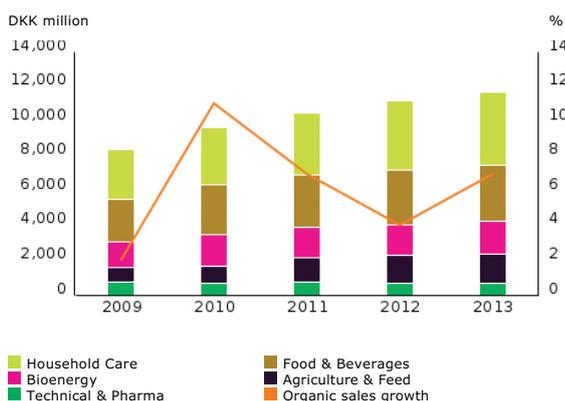
Sales in Europe, the Middle East & Africa (Europe/MEA) grew by 6% in DKK and by 7% in LCY compared with 2012. Sales to the Household Care and Technical & Pharma industries were the most significant growth drivers, whereas sales to the Agriculture & Feed industries were slightly lower due to the significant BioAg sales in Europe in Q4 2012.

Sales in North America increased by 4% in DKK and by 7% in LCY compared with 2012. Sales to the Bioenergy and Agriculture & Feed industries were the strongest growth drivers, whereas sales to the Household Care and Food & Beverages industries came in slightly lower than in 2012.

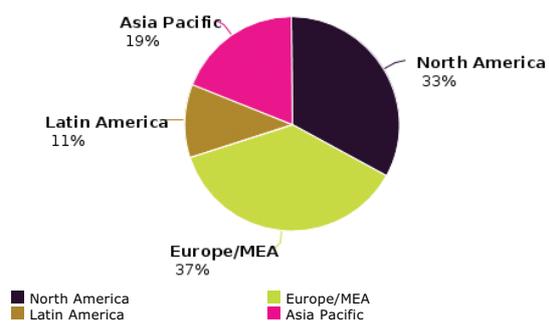
Sales in Asia Pacific were up by 2% in DKK and by 6% in LCY compared with 2012. Sales to the Household Care and Food & Beverages industries were the main contributors to sales growth, whereas sales to the Bioenergy industry were lower.

Sales in Latin America were up by 8% in DKK and by 17% in LCY compared with 2012. All sales areas contributed positively to the sales growth, with sales to the Agriculture & Feed and Household Care industries as the strongest contributors.

FIVE-YEAR SALES DEVELOPMENT AND ORGANIC GROWTH



2013 SALES BY GEOGRAPHY



HELPING CUSTOMERS STAY PROFITABLE IN A FIERCELY COMPETITIVE ETHANOL MARKET

The U.S. Department of Agriculture has called the drought of 2012 the most severe and extensive in 25 years. When Novozymes Avantec® was launched in October of that year, corn yields were in hasty retreat, and corn prices went from around \$6 to above \$8 per bushel. At the time, there was also a chance that political support for the Renewable Fuel Standard could wane in Washington, D.C., creating further uncertainty about future demand for ethanol.

“Customers are looking to improve yield while reducing overall input costs to improve margins,” explains Andrew Fordyce, Executive Vice President of Business Operations. “So we needed to convince them that enzymes are critical, not only for boosting yields, but also for increasing efficiency. If they can get more ethanol and high-value co-products such as corn oil out of their feedstock, they strengthen their business and maintain profitability.”

Triple boost

Novozymes made the strongest possible case for adopting enzymatic solutions by launching a new package of yield discovery solutions in June 2013. The company’s industry-leading liquefaction technology, Avantec®, was joined by Novozymes Olexa®, the first enzyme uniquely designed for corn oil recovery, and Novozymes Spirizyme® Achieve, the industry’s first fiber-degrading glucoamylase. Despite major market challenges, the package succeeded in establishing a new standard of efficiency for customers, while expanding the market for enzymes in the biofuel industry.

Avantec®, Spirizyme® Achieve and Olexa® together can deliver up to a 5% higher yield of ethanol, up to 8% decrease in energy and up to 13% more corn oil.

“By delivering innovations that dramatically increase yield and at the same time inventing a whole new enzyme category with Olexa®, we were able to expand the potential market for enzymes and deliver more value,” Fordyce adds.

Rapid product adoption

These solutions have been quickly adopted by the market, thanks in part to an active drive by the sales and technical service teams. “Back in April 2013, when our lab tests revealed how powerful these solutions could be, we challenged our account teams to reduce the time to trial and set some very ambitious monthly targets,” says Jack Rogers, Global Marketing Manager.

Rogers says that the risk of launching solutions that radically alter the market at a turbulent time was mitigated by strong

customer relationships:

“We were able to minimize risk by working closely with our customers to make sure they had the opportunity to successfully trial the products and experience the benefits. Without a pre-existing bond of trust, we would not have been able to complete so many successful trials so quickly.”

Riding out uncertainty

The 2013 corn harvest was one of the best in U.S. history, and corn prices have dropped to \$4-5 per bushel. However, the price of ethanol is also down due to overcapacity. And even though demand is slowly growing, it is not growing fast enough to make up for the market’s inability to significantly exceed the 10% “blend wall.”

“There will always be a certain level of uncertainty in the biofuels market,” Fordyce says. “Our strategy is to continue the evolution of technology that helps our customers boost yield, increase efficiency and ultimately stay profitable in a fiercely competitive market.”

Financial and sustainability discussion

The following section presents realized financial, environmental and social data for the year. Data and key figures can be found under Accounts & Data, while an overview of reporting in accordance with the Global Reporting Initiative (GRI) guidelines can be found under Supplementary. Our Communication on Progress with respect to the UN Global Compact can also be found under Supplementary.

Sales

Total sales in 2013 were DKK 11,746 million, an increase of 5% compared with 2012. Exchange rates had a significant negative impact on sales, and sales in LCY were up by 8%. Acquisitions contributed approximately 1 percentage point to sales growth and, organically, sales grew by 7%.

Key performance

	Realized 2013	Realized 2012	2014 outlook*
Sales, DKKm	11,746	11,234	–
Sales growth, DKK	5%	7%	4-7%
Sales growth, LCY	8%	3%	6-9%
Sales growth, organic	7%	4%	6-9%
EBIT, DKKm	2,901	2,745	–
EBIT growth	6%	17%	6-9%
EBIT margin	24.7%	24.4%	25-26%
Net profit, DKKm	2,201	2,016	–
Net profit growth	9%	10%	6-9%
Net investments excl. acquisitions, DKKm	783	1,177	900-1,100
Free cash flow before acquisitions, DKKm	1,816	1,581	3,200-3,300
ROIC incl. goodwill	20.0%	19.9%	~21%
Avg. USD/DKK	562	579	550
EPS (diluted), DKK	6.93	6.33	–
SUPPLIERS			
Supplier adherence to supplier program	97%	–	97.5%
NOVOZYMES			
Water efficiency improvement (compared with 2005)	33%	32%	34%
Energy efficiency improvement (compared with 2005)	40%	38%	42%
CO ₂ efficiency improvement (compared with 2005)	54%	55%	50%
"Satisfaction and motivation" score in employee survey	77	78	75
"Opportunities for professional and personal development" score in employee survey	74	75	75
Frequency of occupational accidents (per million working hours)	2.4	3.0	<3.0
New leaders appointed who are women	26%	37%	≥30%
New leaders appointed of a nationality other than Danish	44%	51%	≥55%
Employee absence	1.8%	1.9%	<3%
Employee turnover	7.5%	8.1%	4-9%
RobecoSAM class rating	Gold	Gold	Medal Class
CUSTOMERS			
Estimated reductions in CO ₂ emissions through our customers' application of our products, million tons	52	48	56
SOCIETY			
Advancing Sustainable Energy for All (SE4All)	HII**	–	HIO***

* Assumes exchange rates for the company's key currencies remain at the closing rates on January 20 for the rest of 2014.

** High Impact Initiative of sustainable biofuel.

***High Impact Opportunity – inclusion of biofuels.

Financial and sustainability discussion

Costs, Other operating income and EBIT

Total costs

Total costs excluding net financials and tax were DKK 8,858 million, an increase of 3% on 2012. The increase was due to a higher cost of goods sold, which was up by 5% from 2012 to DKK 5,030 million. Production costs increased as a result of higher sales, a higher cost base from acquisitions and higher costs related to the new enzyme plant in Nebraska, U.S.

Gross profit

Gross profit was up by 5%, and the gross margin was 57.2%, on par with 2012. Continued productivity improvements and favorable product mix changes had a positive impact on the gross margin and offset a negative impact from acquisitions and currencies.

Other operating costs

Other operating costs increased by only 2% to DKK 3,828 million. The ratio of other operating costs to sales was 33%, on par with 2012.

- Sales and distribution costs increased by 4%, representing 13% of sales
- R&D costs were flat, representing 13% of sales
- Administrative costs increased by 2%, representing 7% of sales

Other operating income

Other operating income was DKK 13 million, down from DKK 78 million in 2012 due to lower milestone payments within Technical & Pharma.

Depreciation and amortization

Depreciation and amortization totaled DKK 738 million, compared with DKK 703 million in 2012.

EBIT

EBIT grew by 6% to DKK 2,901 million, up from DKK 2,745 million in 2012.

The EBIT margin was 24.7%, an increase of 0.3 percentage point from 24.4% last year. The EBIT margin increased as a result of continued productivity improvements, favorable product mix changes and the relatively low increase in other operating costs, which more than offset lower other operating income and a negative contribution from currencies and acquisitions.

Net financials and net profit

Net financial costs

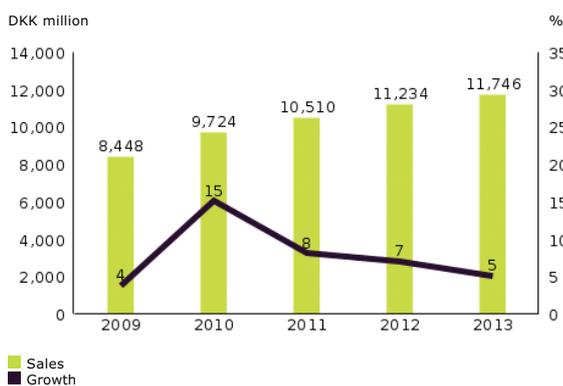
Net financial costs decreased by DKK 19 million to DKK 142 million in 2013, down from DKK 161 million in 2012. The decrease was mainly a result of a lower loss on net currency hedging/revaluation of DKK 61 million, which was partly offset by higher other financial costs. Other financial costs increased by DKK 42 million due to higher costs associated with employee stock appreciation rights (SARs) and revaluation of balance sheet items. Net interest expenses were on par with 2012.

Profit before tax

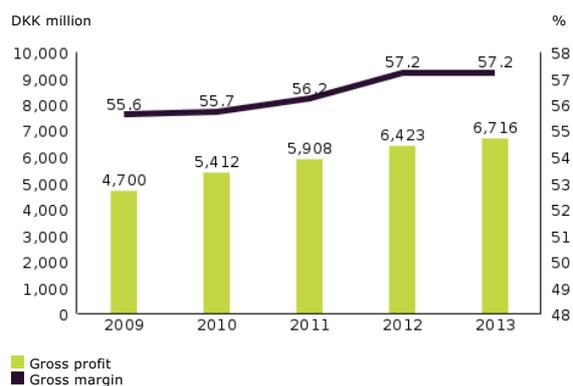
Profit before tax was DKK 2,759 million, an increase of 7% from 2012.

The effective tax rate in 2013 was 20.2%, against 22.0% in 2012. The effective tax rate benefited from utilization of the U.S. Advanced Energy Manufacturing tax credit relating to the new plant in Nebraska and from a deferred tax effect following the enactment of new lower corporate tax rates in Denmark.

SALES AND GROWTH



GROSS PROFIT AND GROSS MARGIN



Financial and sustainability discussion

Net profit

Net profit increased by 9% to DKK 2,201 million, up from DKK 2,016 in 2012, due to the higher EBIT, lower effective tax rate and lower net financial costs.

Cash flow and Balance sheet**Cash flow**

Cash flow from operating activities was DKK 2,599 million in 2013, down 6% from DKK 2,758 million in 2012. The lower operating cash flow was mainly a result of lower trade payables and other liabilities, and higher corporation tax paid.

Net investments excluding acquisitions totaled DKK 783 million, down from DKK 1,177 million in 2012.

Free cash flow before acquisitions was DKK 1,816 million, up by 15% compared with 2012. Lower net investments excluding acquisitions were the main driver of the higher free cash flow, which was partly offset by the lower operating cash flow.

Balance sheet

Shareholders' equity increased by 16% to DKK 11,066 million at December 31, 2013, up from DKK 9,568 million at year-end 2012. Shareholders' equity was increased by comprehensive income and sales of treasury stock, partly offset by dividend payments.

Shareholders' equity represented 67% of the balance sheet total, up from 63% at year-end 2012.

Net interest-bearing debt was DKK 805 million at December 31, 2013, down from DKK 1,430 million at December 31, 2012. Cash flow from operating activities and sales of treasury stock impacted net debt positively, whereas dividend payouts of DKK 692 million, acquisitions totaling DKK 640 million and net investments of DKK 783 million had a negative impact on net interest-bearing debt.

Net debt-to-equity was 7% at year-end 2013, down from 15% at December 31, 2012.

Return on invested capital (ROIC), including goodwill, was 20.0%, up from 19.9% in 2012. The improved ROIC was a result of the higher net profit, which more than offset the increase in invested capital, which was due to higher acquisitions.

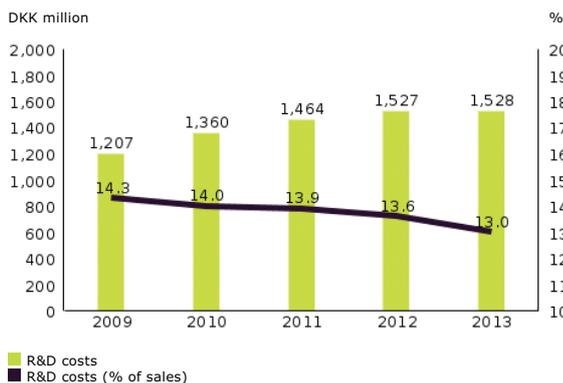
Treasury stock

At December 31, 2013, the holding of treasury stock was 5.5 million B shares, equivalent to 1.7% of the common stock.

Incentive program for Executive Leadership 2011-2013

The incentive program for the period 2011-2013, announced in Company announcement No. 10 of March 2, 2011, has come to an end. The accumulated economic profit for the three years was DKK 3,818 million, thereby exceeding the target of DKK 3,750 million. As a result, on January 21, 2014, the full number of shares associated with the program has been released to the Executive Leadership Team as follows:

Recipient	No. of shares
Peder Holk Nielsen	125,075
Benny D. Loft	111,177
Thomas Videbæk	111,177
Per Falholt	111,177
Thomas Nagy	111,177
Andrew Fordyce	27,794

R&D**EBIT AND EBIT MARGIN**

Financial and sustainability discussion

Total number of shares released to the Executive Leadership Team	597,577
Steen Riisgaard	125,074
Total number of shares granted in the program	722,651

New incentive program for Executive Leadership

A new three-year incentive program for the Executive Leadership Team has been established. This program complies with the remuneration guidelines approved by the 2011 Annual Shareholders' Meeting and replaces the programs that expired at the end of 2013.

The new program is an equal stock and stock option program. Awards will depend on economic profit, based on sales growth, EBIT margin and return on invested capital. In the new program, the Executive Leadership Team will be awarded stock options annually, whereas the allotted number of B shares awarded under the program will be allocated in January 2017, once the aggregated economic profit is known. The awarded stock options have a vesting period of three years, after which there is an exercise period of five years. The stock program has a three-year qualifying period starting on January 1, 2014, after which the stock will be transferred to the recipient.

If the economic profit for the period is DKK 5 billion, 80% of the stock and options will be awarded. The DKK 5 billion target is ambitious and requires the company to deliver on its long-term financial targets in 2015 and 2016 following a ramp-up from 2014. If an economic profit of DKK 5.5 billion or more is generated, 100% of the stock and options will be awarded; if economic profit is DKK 2.5 billion or less, no stock or options will be awarded. Between these three

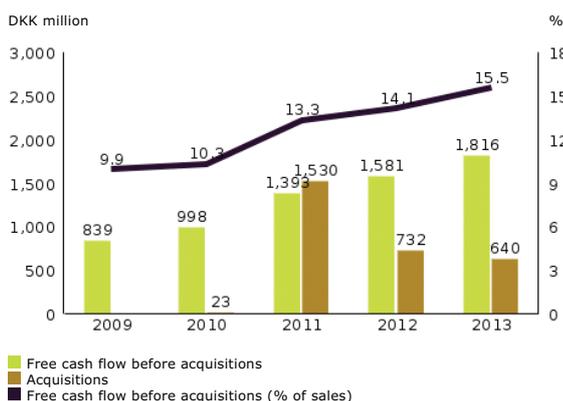
points, a proportional number of stock and options will be granted. The BioAg Alliance agreement with Monsanto is included in the economic profit calculation, whereas other potential acquisitions or extraordinary BioAg investments may result in an adjustment of the economic profit realized.

For the Executive Leadership Team, the value of the three-year program is approximately DKK 134 million as of January 1, 2014. The value of the program corresponds to the aggregated annual remuneration of the Executive Leadership Team in 2014-2016 (basic salary, maximum cash bonus and pension contributions). Like the previous incentive program, the new program contains a maximum-value clause. If the intrinsic value of the program for the Executive Leadership Team rises to more than DKK 268 million on the date on which the Annual Report for 2016 is approved in January 2017, the Board of Directors may choose to limit the award of stocks and options to a value of approximately DKK 268 million.

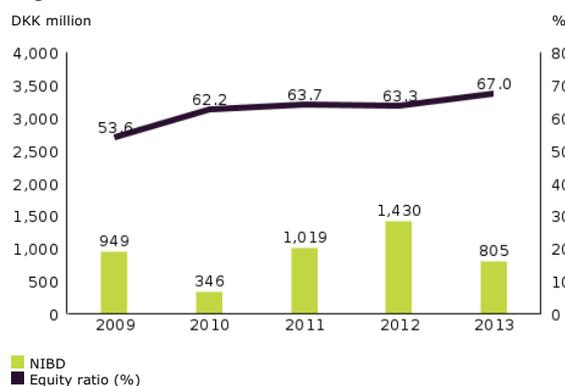
The stock price used in calculating the number of shares in the program is based on the average of the closing rates on Nasdaq OMX Copenhagen for the five trading days following the publication of the 2013 Annual Report. The stock price used to calculate the intrinsic value of the program will be the average of the closing rates on Nasdaq OMX Copenhagen for the five trading days leading up to the approval of the 2016 Annual Report. The WACC used to calculate the economic profit is fixed at 7.0%.

Furthermore, a three-year program has been established for senior leadership below executive level (approximately 180 vice presidents and directors). To a large degree, the program follows the same mechanisms as the program for the Executive Leadership Team. The value of this three-year program is approximately DKK 150 million as of January 1, 2014, and the maximum-value clause is approximately DKK 300 million.

FIVE-YEAR CASH FLOW AND ACQUISITIONS OVERVIEW



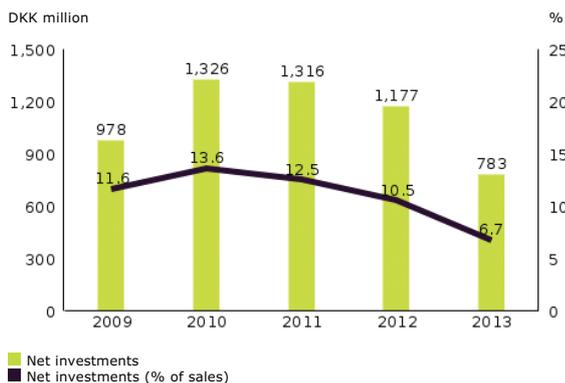
NET INTEREST-BEARING DEBT (NIBD) AND EQUITY RATIO



Update on financial support to M&G Chemicals

In Company announcement No. 27 of November 27, 2013, Novozymes announced that in order to support M&G Chemicals' vision for producing biomass-based plastics, it would provide financial support of USD 35 million by way of a cornerstone investment in M&G Chemicals' initial public offering (IPO). Novozymes has been informed that the IPO will not proceed for the time being, and as a result Novozymes has been released from its cornerstone investment. M&G Chemicals has informed Novozymes that it is still committed to growing its business in China and will continue to do so irrespective of the decision to postpone the IPO. As previously announced, Novozymes remains the exclusive supplier of enzyme technology to the planned M&G Chemicals biorefinery in Anhui province, China. The biorefinery remains contingent upon successful financing. Novozymes remains committed to providing M&G Chemicals with financial support of USD 35 million, the exact form and details of which have yet to be determined.

NET INVESTMENTS*



* Excluding acquisitions



REGIONAL SOLUTIONS FOR STRONG GROWTH IN HOUSEHOLD CARE

The Household Care business, which boasts a broad product portfolio, is Novozymes' largest industry with a 36% share of Novozymes' sales, a global market share of more than 60% and around 300 customers worldwide. Retaining this leadership position and maintaining growth require a continuous increase in enzyme penetration in both existing and new markets. In recent years, Novozymes has deepened focus on regional solutions – for example by developing special products for emerging markets such as India. At the same time, the company aims to have enzymes replace chemical ingredients in detergents by an ever greater factor.

Breakthrough in India

Novozymes sees great potential in emerging markets where penetration of enzymes is currently low. India, for instance, is an ambitious and realistic market for Novozymes given its huge consumer base. Novozymes' strategy of tailoring solutions to this market is starting to pay off; in 2013, the company secured contracts from two leading detergent manufacturers in India.

Getting these important customers on board has required patience and mutual trust, as well as many trials and tests and a constant, open, fact-based dialogue. It is a remarkable development given that, until a few years ago, Novozymes' Household Care sales in India were in decline.

Learning from emerging markets

Emerging markets defy a one-size-fits-all approach. Novozymes seeks to understand consumer requirements in these regions so as to develop suitably targeted enzyme innovations. Novozymes' researchers are constantly learning about the raw materials used in detergent production in different regions, and how to optimize its enzyme solutions to suit these local formulations. At the same time, Novozymes' partners in this segment – local and global manufacturers – are becoming more open to letting Novozymes get closer to their manufacturing process and thereby develop products that meet specific market needs.

Such close collaboration with a multinational manufacturer enabled Novozymes to come up with the first enzymatic laundry soap bar for the Brazilian market in mid-2013, helping consumers save on soap, water and time. Other countries in Latin America, notably Mexico, are in line for similar solutions within this industry.

Meanwhile, Novozymes continues to provide targeted innovation in mature markets. In Japan, for example, where

the market share of liquid detergents is growing due to strong demand for compaction, the company helped a key customer deliver an alternative: a super-compact powder detergent that also uses fewer surfactants. This enabled the manufacturer to save on the raw materials needed in product formulation and packaging, thereby also lowering transportation costs. Consumers received an efficient detergent requiring just one rinse cycle per wash, thereby saving on water and electricity bills. Novozymes continues to work with liquid-detergent manufacturers in Japan to produce more compact and efficient formulations.

Partnerships and innovation for growth

Novozymes' partnership-based approach to global soap manufacturers is enabling the company to maintain a strong position to innovate in line with market needs. For example, the biennial Household Care Sustainability Summit in Copenhagen, Denmark, hosted by Novozymes, is where the industry's top business and sustainability minds – including representatives of global brands such as P&G, Henkel and Unilever – gather to share experience and pragmatic ideas for achieving true, systematic sustainability. Novozymes' efforts to replace chemicals with enzymes in formulations used by detergent manufacturers in both mature and emerging markets also remain a key success factor.

Part of Novozymes' strategy in Household Care is to focus on R&D efforts to deliver more sustainable and regionalized solutions in order to stay competitive. Novozymes believes it can continue its strong performance by investing in innovation, product development and partnerships.

Financial and sustainability discussion

Resource utilization

With the world's natural resources under escalating pressure, Novozymes is dedicated to improving its own resource efficiency year on year.

Energy, water and CO₂ efficiency

Energy efficiency

In 2013, energy efficiency improved by 2 percentage points from 38% in 2012, which corresponds to an additional 130,000 GJ of energy saved and estimated cost savings of approximately DKK 15 million in 2013. The energy efficiency improvement was 40% compared with 2005, which means that we did not meet our target of 42%. Despite the successful implementation of all planned energy-saving projects, we were unable to meet the target, primarily as a result of lower global capacity utilization following the inclusion of the American site in Blair, Nebraska, in global supply operations.

CO₂ efficiency

Although Novozymes' CO₂ efficiency improvement declined slightly from 55% in 2012 to 54% in 2013, Novozymes exceeded the target of 50% compared with 2005. This improvement in efficiency was achieved mainly as a result of the use of wind power in Denmark. The inauguration of the Blair facility is the main reason for the decline in CO₂ efficiency compared with 2012, because the energy utilized in Blair is mainly based on coal-fired power plants.

In 2013, Novozymes and Novo Nordisk joined forces to install a high-performance biogas reactor in Kalundborg, Denmark. The new reactor utilizes wastewater from both Novo Nordisk's and Novozymes' large-scale production plants in Kalundborg for the efficient production of biogas. The biogas reactor enables Novozymes and Novo Nordisk to reduce CO₂ emissions by approximately 10,000 tons annually when operating at full capacity. Furthermore, the reactor is an investment in lower energy costs and thereby an important step in making Novozymes' production in Denmark even more competitive. The biogas plant had some operational start-up problems in its first year of operations and is therefore not yet producing biogas at full



BIG FEET, SMALL FOOTPRINT

Our commitment to sustainability throughout the value chain has seen us minimize the environmental footprint of our operations, as well as that of our customers. By applying Novozymes' biosolutions, customers reduced their CO₂ emissions by an estimated 52 million tons in 2013.

Financial and sustainability discussion

“In 2013, Novozymes and Novo Nordisk joined forces to install a high-performance biogas reactor in Kalundborg, Denmark.”

capacity. The biogas reactor should be operating at two-thirds capacity in 2014.

Water efficiency

Water efficiency improved by 33% compared with 2005, a 1% increase from 32% in 2012. However, we did not meet our target of 35%. Water efficiency was impacted by lower global capacity utilization following the inclusion of the Blair site in global supply operations, leakage from underground pipes at one of our facilities in China and product mix changes. When the leakage was discovered, investigations of the cause were initiated, resulting in the leaking pipes being replaced. In order to improve water efficiency and close the gap on our target of 40% by 2015, we have initiated additional water-saving projects, which can be expected to positively impact water efficiency in 2015 and thereby also reduce production costs. We have also started up task forces to analyze water consumption patterns and propose improvements across our facilities.

Waste

The total volume of waste in 2013 was approximately 18% lower than in 2012. The reduction was mainly a result of a different approach to biomass registration at the new production site in Blair. During the startup of this plant in 2012, the waste biomass from production was registered as industrial waste, but in 2013 it was registered as biomass. The total amount of waste from all other sites was 3% lower than in 2012, and recycled waste increased from 33.6% to 38.6%.

Transportation and distribution

CO₂ emissions from the transport of goods to the first point of delivery to the customer and from transport between sites were estimated at 22,000 tons in 2013, which is an increase from 19,000 tons in 2012.

Animal testing

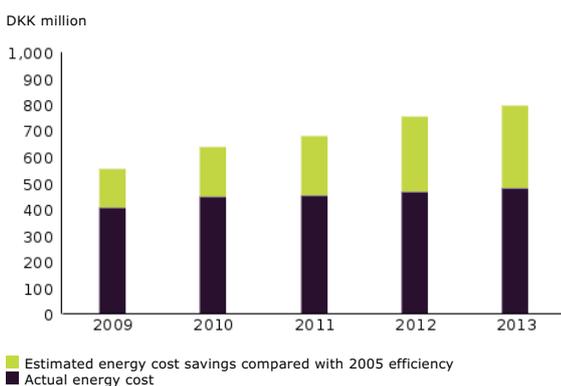
The use of experimental animals more than doubled from 1,240 animals in 2012 to 2,665 in 2013, primarily as a result of increased activities in our Agriculture & Feed business area. The use of experimental animals at Novozymes is continuously supervised by a Scientific Ethics Committee (SEC), and all studies involving experimental animals must be reviewed and approved by the SEC.

Environmental compliance and complaints

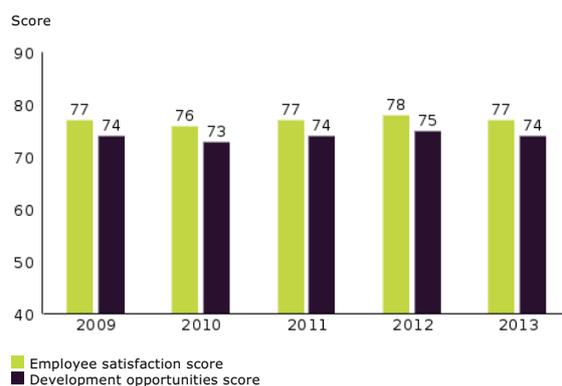
Novozymes aims to comply with all regulations and strives to minimize the number of complaints. In 2013, 36 breaches of regulatory limits were registered worldwide, compared with 15 in 2012. Out of these, 13 breaches were related to compliance issues with wastewater quality at one of our facilities in Denmark. In order to resolve this, a new project has been initiated to ensure that wastewater treatment is improved. We received 11 complaints from neighbors, the same as in 2012. The majority of complaints were made by private residents and related to odor and noise disturbance from nearby factories.

Novozymes has a pending case in the U.S., after elevated nitrate levels were found in the groundwater around the site in Franklinton, North Carolina, a number of years ago.

ESTIMATED ENERGY COST SAVINGS



EMPLOYEE SATISFACTION AND DEVELOPMENT OVERVIEW



Financial and sustainability discussion

“In 2013, we achieved an estimated 52 million tons of CO₂ savings through our customers’ application of our products.”

Subsequent measurements were submitted to the authorities in early 2008, but no conclusion has been reached as the data are still under review by the authorities. There were no significant spills in 2013.

Climate change impact

Novozymes’ enzyme technology is part of the solution to climate change as it offers higher quality, lower costs and improved environmental performance for customers. We provide CO₂ data for products to customers and partners, and advise them on the environmental benefits of changing their product mix and shifting to more concentrated products. In 2013, we achieved an estimated 52 million tons of CO₂ reductions through our customers’ application of our products, or the equivalent of taking approximately 20 million cars off the road. This is an increase of 4 million tons compared with 2012, thereby exceeding our target of 50 million tons in 2013. The improvement was driven primarily by increased sales and performance of Bioenergy and Household Care enzymes.

Novozymes continues to conduct peer-reviewed environmental life cycle assessments (LCAs) in order to document its products’ impact and provide customers with validated claims. In 2013, we published life cycle assessments in the Household Care and textile industries. The LCA for the textile industry documents the environmental benefits of Novozymes’ Cellusoft® Combi enzyme, which combines three steps in the textile industry

into one. The concept has the potential for broad application in the textile industry, with an estimated global annual savings potential of 5 million tons of fabric, 65 million m³ of water and 1.5 million tons of CO₂. The water savings correspond to the freshwater consumption of 1.7 million people, and the CO₂ savings correspond to taking 600,000 cars off the road.

Workplace development

Novozymes’ success is dependent on its employees’ satisfaction and motivation in their daily work. Therefore, we have set several targets related to the well-being, rights and development of our employees.

Employee turnover

In 2013, employee turnover was 7.5%, meeting the target of between 4% and 9%. This target is a key measure of Novozymes’ aim of retaining and attracting skilled employees.

Satisfaction, motivation and Novozymes’ values

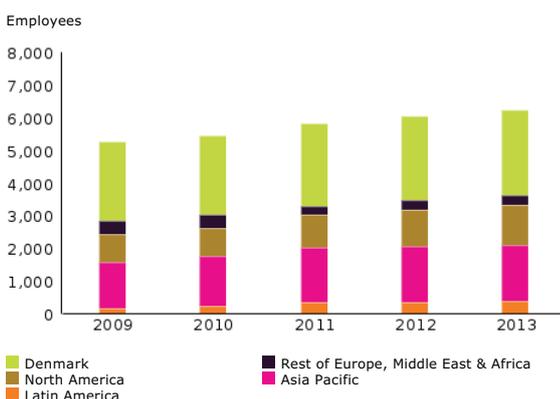
To keep track of Novozymes’ aspiration to remain an attractive workplace, all employees are encouraged to take part in an annual People’s Opinion survey measuring, amongst other indicators, employee satisfaction and motivation.

In 2013, employee satisfaction scored 77 out of 100 in the survey. We are proud that we were able to exceed our target of 75 in a year with substantial organizational changes providing both new opportunities and new challenges.

With a score of 74 in the employee survey on opportunities for professional and personal development, we were slightly off the targeted 75. As an innovation company, we value the importance of continuous learning, which is why one of our strategic focus areas launched in 2013 is to cultivate great leaders and develop people.

In 2014, Novozymes will put extra focus on competency development for all its employees. Novozymes believes that high-impact competency development comes from combining different learning disciplines according to a 70-20-10 model: on-the-job experience (70%), coaching and feedback (20%), and courses and training (10%). In 2014, all employees will be encouraged to reflect on the type of learning from which they can benefit the most, both professionally and personally.

NUMBER OF NOVOZYMES EMPLOYEES BY GEOGRAPHY



“Novozymes encourages all employees to take part in an annual People’s Opinion survey measuring, amongst other indicators, employee satisfaction and motivation.”

Novozymes will additionally introduce a program for senior leadership development to support leaders in living the Novozymes’ value Dare to Lead, developing both the leaders’ own competencies and their ability to support the development of their employees.

Diversity and equal opportunities

Employment and promotions are based on merit without any discrimination, exclusion or preference. In order to encourage a diverse workforce at managerial level, in 2013 Novozymes introduced targets for new leaders in relation to nationality and gender.

With 26% of new leaders being female in 2013, we missed our target of ensuring that at least 30% of new leaders appointed were women. We are not satisfied with this performance and will maintain it as a focus area in 2014.

With 44% of new leaders in 2013 being of a nationality other than Danish, we did not meet our target of at least 55% of new leaders appointed being of a nationality other than Danish. The percentage is lower than last year’s, which is partly the effect of substantial reorganizations within Novozymes in 2013.

Novozymes will maintain both diversity targets in 2014 to ensure continued focus on diversity without compromising our policy of hiring and promoting employees based on merit.

Occupational health and safety

Novozymes is determined to offer a safe working environment. The frequency of occupational accidents was historically low in 2012 at 3.0 per million working hours, and in 2013 we set a new record low of 2.4 accidents per million working hours. This improvement can partly be seen as a result of Novozymes’ safety campaigns “Dare to Care” and “Stop and Think,” which remind employees to be cautious in potentially risky situations.

As Novozymes continuously seeks improvement opportunities within safety, a global safety assessment was carried out by an American consultancy company in 2013. The assessment was designed to review Novozymes’ global

setup and performance regarding occupational health and safety, and to identify potential areas for improvement. The assessment resulted in a report discussing each site in detail and providing recommendations for improvement. Approximately 25% of the recommendations were related to global or managerial practices, and the remainder were site-specific. Novozymes is currently developing action plans for integrating the recommendations in 2014.

Novozymes encourages and helps employees to embrace a healthy lifestyle, because improved well-being and low absence benefit employees not only by reducing the discomfort associated with illness, but also by limiting unnecessary stress and extra work for colleagues. The company also benefits, as low absence improves work flows and saves costs. With an absence rate of 1.8% in 2013, the target of less than 3% was met.

Compliance with human rights and labor standards

In 2013, Novozymes continued the aim of integrating the UN Guiding Principles on Business and Human Rights into its business. Our annual human rights due diligence process is led by the global People & Organization department and has the purpose of creating awareness and assessing compliance with Novozymes’ minimum standards on labor and human rights in all regions.

Socio-economic impact

At Novozymes, our ambition is to change the world together with our customers. Consequently, we measure our socio-economic impact at different levels.

Total tax contribution

In 2013, taxes incurred as corporate income taxes, other taxes and duties came to approximately DKK 1,125 million, equal to 9% returned to the community (see chart *Distribution of generated value*). In addition, Novozymes collected and withheld tax contributions on dividends and wages totaling approximately DKK 1,025 million. Hence, Novozymes’ total tax contribution amounted to approximately DKK 2,150 million, compared with

“Novozymes’ safety campaigns ‘Dare to Care’ and ‘Stop and Think’ remind employees to be cautious in potentially risky situations.”

Financial and sustainability discussion

approximately DKK 1,850 million in 2012. Novozymes' overall tax strategy and transfer pricing policy support a positive tax contribution to society and governments in the countries in which Novozymes operates. See also Novozymes' position on tax at www.novozymes.com.

Suppliers

For the past five years, Novozymes has systematically assessed its suppliers from both a risk and an opportunity perspective. To strengthen the sustainability impact of its supplier engagement, in 2013 Novozymes introduced a target of 100% adherence to the supplier program for commercial, quality and sustainability performance for suppliers in 2015. With 97% supplier adherence in 2013, Novozymes met the 2013 target of 95%. To steer suppliers toward 100% adherence in 2015, Novozymes has set a target of 97.5% for 2014.

In 2013, Novozymes maintained its success in innovating in partnership with suppliers. At the Supplier Innovation Day 2013, the overall theme was packaging, and current and prospective suppliers were invited to discuss how to improve Novozymes' current packaging and filling equipment solutions. Several ideas materialized at the workshop and will continue as collaborative projects in 2014.

Business integrity

In 2013, we conducted business integrity training for employees and achieved a 79% completion rate, compared with 79% in 2012 and 71% in 2011.

A focus area in 2013 was to improve the knowledge and usability of our grievance mechanisms for employees and external stakeholders. This was done by making the filing process in Novozymes' Whistleblower Hotline more informative for the user, and by including questions related

to Novozymes' grievance mechanisms in the internal business integrity training module.

As part of the organizational changes, the Ombudsperson function was relaunched in 2013 in a new global network with a local Ombudsperson in each of the five major regions: China, India, Europe, South America and North America. Having local Ombudspersons who speak the local language ensures that the institution is easily accessible throughout Novozymes.

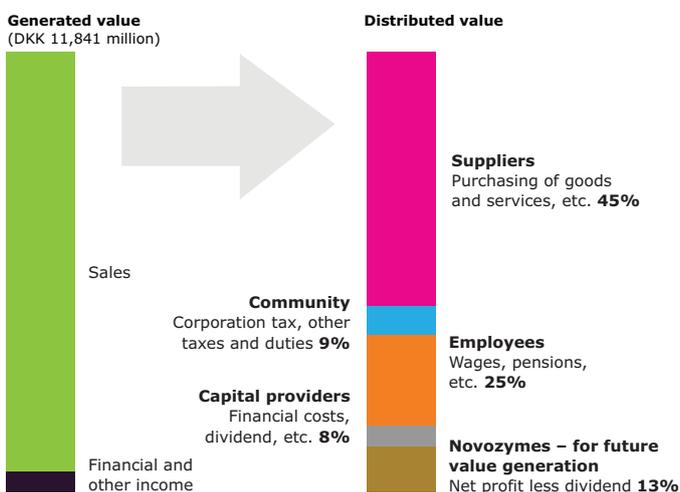
Sustainable energy

In 2013, Novozymes set a new target for its societal impact related to the U.N.-led Sustainable Energy for All (SE4All) initiative. The target for 2013 was to establish a sustainable biofuel initiative within SE4All, championed by Novozymes. The aim of the SE4All initiative is threefold: to provide universal access to sustainable energy, to double the rate of improvement in energy efficiency and to double the share of renewables in the global energy mix by 2030.

In 2013, SE4All included Sustainable Bioenergy as a focus area and gave Novozymes the mandate to begin forming a so-called High Impact Opportunity by engaging with key public and private partners and establishing subordinate High Impact Initiatives. These initiatives will enable the deployment of new and innovative projects, such as advanced biofuels made from agricultural waste. With the formation of one specific High Impact Initiative, Novozymes reached its target in 2013. As substantial progress was made with SE4All in 2013, Novozymes has decided to accelerate its ambitions for the initiative. As a result, the target initially set for 2015 of championing the inclusion of biofuels as a High Impact Opportunity has been brought forward as one of the corporate targets for 2014.

Read more about the initiative and Novozymes' role in the article on SE4All.

DISTRIBUTION OF GENERATED VALUE



Financial and sustainability discussion

Corporate citizenship efforts

Through our corporate citizenship program, we continued to share our knowledge of science and environmental responsibility with local communities in the regions where we operate. We reached approximately 36,000 learners, up from approximately 26,000 in 2012. The increase in learners was primarily a result of our involvement with the Canadian organization Agriculture in the Classroom in Saskatoon, Saskatchewan, teaching about plant growth and food production.

Sustainability leadership

It is Novozymes' ambition to be considered a sustainability leader and be transparent about its practices. Therefore, we participate in third-party rankings and benchmarks and engage with various stakeholders at both local and global level.

Third-party recognitions

Novozymes participates in the most recognized and relevant sustainability ratings to benchmark its performance against peers and competitors. The Dow Jones Sustainability Index, including the underlying evaluation by RobecoSAM, and the Carbon Disclosure Project are a particular priority for Novozymes.

In 2013, Novozymes maintained its position as industry leader in the biotechnology sector in the Dow Jones Sustainability Index. Based on our 2012 performance, Novozymes received Gold Class in the RobecoSAM Sustainability Yearbook 2013 and thereby reached the target of a Gold Class rating.

Novozymes ranked third in the Nordic Carbon Disclosure Leadership Index, moving up two places from 2012, with a score of 99. This improvement is a result of our ability to reduce CO₂ emissions from both our own processes and from our customers'. It also reflects our ability to document

and communicate the importance of sustainability within our value chain.

Global and regional engagements

In 2013, Novozymes engaged in a series of advocacy activities. Some of the highlights included our engagements with the World Business Council on Sustainable Development (WBCSD), the UN Global Compact (UNGC) Leaders Summit 2013 and the U.N.-led Sustainable Energy for All (SE4All) initiative.

Under WBCSD's Vision 2050 project, Novozymes has been working along with other member companies to develop a vision for a world in 2050 with an increased population and limited resources. In 2013, Novozymes worked as part of a core group to further this vision through an initiative called Action 2020, which aims to provide a framework for action, specifically within the areas of food, feed and fuel.

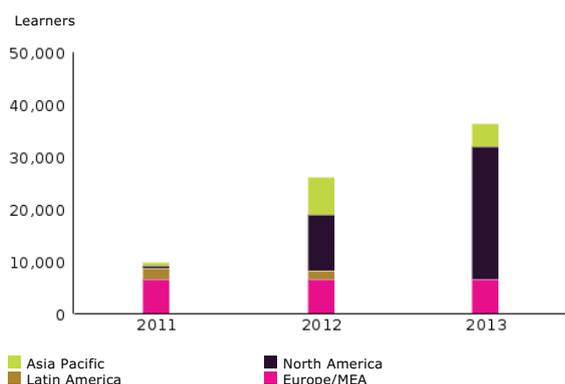
Novozymes also participated in the UNGC Leaders Summit 2013, particularly by sharing insights on stage in areas such as raw material and energy efficiency in the food and sustainable energy industries. We also continued to participate actively in the local UNGC networks in China, Denmark, India and Brazil.

Novozymes continued to work alongside The Sustainability Consortium (TSC) – a Walmart-initiated organization with the aim of promoting sustainable products and supply chains. We shared our insight into the role of enzyme technology in manufacturing processes, provided life cycle assessments for consumer products and supported the efforts of TSC to expand into China.

Fulfilling sustainability reporting requirements

Under section 99a of the Danish Financial Statements Act, it is mandatory for large companies to report on corporate responsibility. As a member of the UN Global Compact, Novozymes prepares a Communication on Progress, which can be found under Supplementary. Together with the integrated financial, environmental and social reporting, the Communication on Progress meets both the requirements for reporting on corporate responsibility and the UN Global Compact's advanced reporting criteria. Furthermore, we report on our sustainability activities and update our sustainability materiality overview annually at www.novozymes.com.

CITIZYMES: LEARNERS REACHED BY GEOGRAPHY



MAKING THE CASE FOR GLOBAL, SUSTAINABLE BIOENERGY

Global businesses and international institutions can make a palpable difference to lives and livelihoods by cooperating to implement sustainability measures on a large scale. In 2014, for instance, Novozymes will champion the inclusion of biofuels as a High Impact Opportunity (HIO) within the Sustainable Energy for All (SE4All) initiative led by the U.N. and the World Bank. SE4All aims to ensure universal access to modern energy services, double the rate of improvement in energy efficiency and double the share of renewables in the global energy mix by 2030. As of 2013, nearly 80 countries have opted into SE4All, and governments, development banks, businesses and investors have committed more than \$50 billion toward its three objectives.

Finding opportunities

By improving access to renewable energy, SE4All hopes to spark economic growth in poor and marginalized regions and communities, and to do so in a socially and environmentally responsible way.

It also seeks to generate opportunities for business development led by the private and public sectors, and is looking to draw investment and relevant policy toward deliverable projects. Efforts are focused around HIOs where the private sector can contribute to, and demonstrate action in, areas such as a global alliance for clean cook stoves and gas-flaring reduction.

Novozymes' expertise within renewable fuels makes it particularly attractive to SE4All, especially in the scale-up and rollout of projects in sustainable bioenergy, where energy and fuels are derived from renewable resources. Therefore, Novozymes is leading the HIO on Sustainable Bioenergy as a priority in 2013-2015 and has gathered a multi-stakeholder coalition committed to developing sustainable bioenergy solutions worldwide. Alongside Novozymes, the coalition currently comprises Beta Renewables, Bloomberg New Energy Finance, the International Union for Conservation of Nature and the New Partnership for Africa's Development.

Securing investment

But if sustainable bioenergy is to succeed, it must be backed by investment and action at regional and national levels. Currently, Novozymes is working to secure agreements, in the form of High Impact Initiatives (HIIIs), with various regional development banks to commit funds for developing SE4All projects and solutions in several regions, including Latin America and the Caribbean, sub-Saharan

Africa and Asia. The aim is to provide the scope to involve national governments, industry, banks and civil society in financing, building and driving sustainable bioenergy projects.

Such agreements are expected to send a clear signal that sustainable bioenergy is a viable, attractive industry, and mark a big step in opening up business opportunities in bioenergy markets. They also show Novozymes' commitment to providing a platform that could benefit a number of bioenergy solution providers on a collaborative basis.

Targeting success

Bioenergy, including liquid biofuels, has shown a viable path to reducing dependence on fossil fuels, cutting greenhouse gas emissions and promoting rural economic growth.

But bioenergy has also raised some concerns that it may have a negative impact on food and water security if pursued in an unsustainable way. Today, however, there is expertise and experience to demonstrate how bioenergy can be harnessed from agricultural and household waste and energy crops. Despite the gradual commercialization of the advanced biofuel industry, the widespread scale-up and rollout of sustainable bioenergy is being held back by inadequate investment and by regulatory and political uncertainty.

Novozymes is hopeful and excited about its engagement with SE4All and expects the initiative to build the consensus and momentum needed to get sustainable bioenergy projects off the ground. In 2014, Novozymes will continue to champion the inclusion of biofuels within a new sustainable bioenergy HIO for SE4All.

The Novozymes stock

The Novozymes stock had a good year in 2013, gaining 44%. In April, 5.3 million B shares were canceled.

The Novozymes stock is listed on Nasdaq OMX Copenhagen and included in the OMX Copenhagen 20 index (OMXC20CAP). The stock is listed under ticker code NZYM B and ISIN DK0060336014. Novozymes is registered with the Danish Business Authority under 10 00 71 27.

Stock performance

Novozyymes' stock (DKK)	2013	2012
Share price, year-end	228.9	159.2
Total market value, year-end (billion)*	73.2	51.7
Earnings per share, diluted	6.93	6.33
Dividend per share	2.50**	2.20

* All A and B shares multiplied by the price of the B share.

** Proposed.

Novozyymes' share price increased by 44% during the year. In comparison, the OMXC20CAP gained 32%, the MSCI Pan Europe Index gained 16%, and the Dow Jones Sustainability World Index was up 20%.

The average daily trading volume of Novozymes' stock in 2013 was 424,988 shares, or DKK 84 million, making it the seventh most actively traded company on Nasdaq OMX Copenhagen, the same rank as in 2012. At year-end, the total market value of Novozymes' B shares was DKK 60.9

billion, and the value of the nontraded A shares was DKK 12.3 billion, assuming the same value per share as for the B shares.

Over the past five years, Novozymes' stock has generated a compound average annual return to shareholders of 22% (23% including dividends). This can be compared with a five-year compound average return without dividends of 20% for the OMXC20, 9% for the MSCI Pan Europe Index and 11% for the Dow Jones Sustainability World Index.

As resolved at the Annual Shareholders' Meeting in February 2013, 5.3 million B shares were canceled in a capital reduction on April 5, 2013.

Dividends

The Board of Directors proposes that the Annual Shareholders' Meeting 2014 approve a dividend of DKK 2.50 per share for the 2013 financial year. This will result in an expected total dividend payment of approximately DKK 786 million, corresponding to a payout ratio of 35.7%.

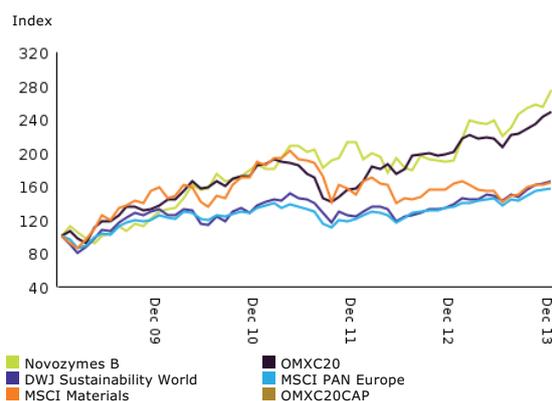
Stock buyback program in 2014

As announced on December 10, 2013, in relation to the formation of The BioAg Alliance with Monsanto, Novozymes

2013 INDEXED SHARE PRICE DEVELOPMENT



FIVE-YEAR INDEXED SHARE PRICE DEVELOPMENT



The Novozymes stock

expects to initiate a new stock buyback program in 2014 worth up to DKK 2 billion.

Distributions	2013	2012	2011	2010	2009
Dividends (DKK million)	786*	687	599	504	358
Stock buybacks (DKK million)	0	832	400	0	0
Total (DKK million)	786*	1,519	999	504	358
Net profit (DKK million)	2,201	2,016	1,828	1,614	1,194
Payout ratio (%)	35.7*	34.0	32.8	31.2	30.0
Number of shares outstanding, year-end (million)	314	312	315	315	311
Dividend per share (DKK)	2.50*	2.20	1.90	1.60	1.15

* Proposed.

Dividend dates 2014

Resolution adopted at the Annual Shareholders' Meeting	February 26
Last day of trading with right to dividend for 2013	February 26
First day of trading without right to dividend for 2013	February 27
Disbursement of dividend	March 4

Equity analysts

The following companies have analysts covering Novozymes' stock:

ABG Sundal Collier	Jefferies & Company
Alm. Brand Markets	J.P. Morgan
Carnegie	Jyske Bank
CA Cheuvreux Nordic	Kempen & Co.
Citi	Nordea Markets
Credit Suisse	Nykredit Markets
Danske Markets	SEB Enskilda Equities
DnB NOR Markets	Standard & Poor's
Goldman Sachs	Sydbank
Handelsbanken Capital Markets	UBS

Sustainability ratings

Providing information on sustainability performance to analysts, rating agencies and asset managers is an important element of Novozymes' interaction with shareholders. We continuously seek to improve our sustainability reporting and processes, and value this interaction highly. In 2013, Novozymes was:

- Reconfirmed as a member of the Dow Jones Sustainability World Index and the Dow Jones Sustainability STOXX Index, named as Biotechnology Industry Leader for the 12th time and awarded a Gold Class rating for 2012 performance in RobecoSAM's Sustainability Yearbook 2013
- Ranked third in the Carbon Disclosure Project's Nordic Carbon Disclosure Leadership Index 2013 with a score of 99 out of 100
- Reconfirmed as having PRIME status by Oekom Research for being among the leaders in the pharmaceuticals & biotechnology industry
- Reconfirmed as one of The Global 100 Most Sustainable Corporations in the World
- Reconfirmed as a member of the ET Global 300 Carbon Index
- Reconfirmed as a member company of the FTSE4Good Index

Shareholders

Novozymes' common stock consists of two types: A shares and B shares, both with a nominal value of DKK 2 per share. All A stock is held by Novo A/S, and an A share carries 10 times as many votes as a B share.

At the end of 2013, Novo A/S held 25.9% of the total common stock and, through its holding of the A stock and a proportion of the B stock (29,131,400 shares), controlled 70.5% of the votes. Novo A/S is wholly owned by the Novo Nordisk Foundation, and Novozymes is therefore included in the consolidated financial statements of the Novo Nordisk Foundation. Novo A/S is domiciled in Hellerup, Denmark.

At year-end, Novozymes had roughly 49,000 shareholders, of whom 99% were private shareholders in Denmark. Twenty institutional investors, including Novo A/S, owned approximately 60% of the B shares. Around 65% of the B shares were held outside Denmark.

Novozymes' common stock

	A stock	B stock	Total
Common stock (DKK)*	107,487,200	531,912,800	639,400,000
Number of shares	53,743,600	265,956,400	319,700,000
Number of votes	1,074,872,000	531,912,800	1,606,784,800
Voting rights (%)	66.9	33.1	100

* Common stock equals 319,700,000 shares with a nominal value of DKK 2 per share

The Novozymes stock

“In 2013, Novozymes was named as Biotechnology Industry Leader for the 12th time and awarded a Gold Class rating for 2012 performance in RobecoSAM's Sustainability Yearbook 2013.”

Novozymes held 2.1% of the B stock, equivalent to 1.7% of the total common stock.

Besides Novo A/S, only one shareholder, Baillie Gifford & Co., held more than 5% of Novozymes' common stock on December 31, 2013.

Financial calendar

Group financial statement for 2013	Jan. 21, 2014
Annual Shareholders' Meeting 2014	Feb. 26, 2014
Interim report for the first 3 months of 2014	April 24, 2014
Interim report for the first half of 2014	Aug. 14, 2014
Interim report for the first 9 months of 2014	Oct. 23, 2014
Group financial statement for 2014	Jan. 20, 2015

Contact Investor Relations

Visit our Investor site at www.novozymes.com for investor relations guidelines, presentations, tools and downloads, Group financial statements and other information for both private and institutional shareholders.

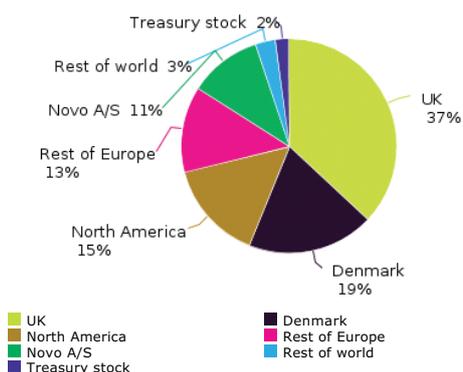
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SHAREHOLDER DISTRIBUTION OF B COMMON STOCK



Governance

THE NOVOZYMES REPORT 2013



BOARD OF DIRECTORS & EXECUTIVE LEADERSHIP TEAM

The Board of Directors and Executive Leadership Team have different competencies to ensure the best possible management of the company. Members possess broad international management experience, thorough biotech expertise and in-depth knowledge of Novozymes' business.

Board of Directors



HENRIK GÜRTLER*

Born 1953. CEO, Novo A/S. Chairman of the Board since 2000. Elected for one year at a time.

Board positions

Chairman:
Copenhagen Airports A/S

Member:
Novo Nordisk A/S

Special competencies:
In-depth knowledge of Novozymes' business, and expertise in managing and working in an international biotechnology company



KURT ANKER NIELSEN*

Born 1945. Vice Chairman of the Board since 2000. Chairman of the Audit Committee. Elected for one year at a time.

Board positions

Chairman:
Dalhoff Larsen & Horneman A/S

Special competencies:
Expertise in financial and accounting matters, and in-depth knowledge of Novozymes' business

* These board members are not regarded as independent in the sense of the definition in the Danish Recommendations on Corporate Governance that apply to Danish listed companies.

Board of Directors & Executive Leadership Team

**LENA BECH HALSKOV**

Born 1967. Safety Adviser. Employee representative. Member of the Board since 2013. Elected for four years at a time.

**ANDERS HENTZE KNUDSEN**

Born 1959. Senior Operator. Employee representative. Member of the Board since 2013. Elected for four years at a time.

**LARS BO KØPPLER**

Born 1962. Technician. Employee representative. Member of the Board since 2010. Elected for four years at a time.

**LENA OLVING**

Born 1956. President & CEO, Mycronic Mydata AB (publ.). Member of the Board since 2011. Member of the Audit Committee. Elected for one year at a time.

Board positions

Member:
SJ AB

Special competencies:

Expertise within sales and marketing, supply chain, process optimization and production. Broad experience in financial and accounting matters

Board of Directors & Executive Leadership Team

**AGNETE RAASCHOU-NIELSEN**

Born 1957. Member of the Board since 2011. Member of the Audit Committee. Elected for one year at a time.

Board positions**Chairman:**

Arkil Holding A/S

Brdr. Hartmann A/S

Pension Fund for Danish Lawyers and Economists

Deputy Chairman:

Danske Invest

Member:

Aktieselskabet Schouw & Co.

Danske Invest Management A/S

Dalhoff Larsen & Horneman A/S

DLH Foundation

Solar A/S

Special competencies:

Expertise in business development and acquisitions, macroeconomics and intellectual property rights

**JØRGEN BUHL RASMUSSEN**

Born 1955. President & CEO, Carlsberg A/S. Member of the Board since 2011. Elected for one year at a time.

Board positions**Chairman:**

JSC Baltika Breweries

Member:

Carlsberg Breweries A/S

DI's Permanent Committee on Business Policies

Special competencies:

International business and management experience, specifically within sales, marketing, branding and acquisitions

**MATHIAS UHLÉN**

Born 1954. Professor at the Royal Institute of Technology (KTH) in Stockholm, Sweden. Member of the Board since 2007. Elected for one year at a time.

Board positions**Chairman:**

Atlas Antibodies AB

Antibodypedia AB

Vice Chairman:

Affibody AB

Member:

Alligator AB

Bure Equity AB

Swetree Technologies AB

Special competencies:

Broad experience in research and biotechnology

Board of Directors & Executive Leadership Team

Executive Leadership Team



PEDER HOLK NIELSEN
Born 1956. President & CEO.

Board positions

Member:
Hempel A/S
LEO Pharma A/S



PER FALHOLT
Born 1958. Executive Vice President, Research & Development.

Board positions

Chairman:
Technical University of Denmark (DTU)

Member:
DHI Group
ARTs Biologics A/S



ANDREW FORDYCE
Born 1963. Executive Vice President, Business Operations.



BENNY D. LOFT
Born 1965. Executive Vice President & CFO.

Board positions

Member:
DONG Energy A/S
The Blue Planet
New Xellia Group A/S

Member of the audit committee:
DONG Energy A/S
New Xellia Group A/S

Board of Directors & Executive Leadership Team



THOMAS NAGY

Born 1963. Executive Vice President, Supply Operations.

Board positions

Member:

American Chamber of Commerce in Denmark
EuropaBIO



THOMAS VIDEBÆK

Born 1960. Executive Vice President, Business Development.

Board positions

Member:

Evolve SA

Corporate governance

Novozymes has developed effective management systems over many years and regularly updates these systems to reflect changes in legal requirements, new business developments and stakeholder expectations. A cornerstone of these management systems is Novozymes' corporate governance structure.

Board of Directors: composition and responsibilities

In accordance with Danish legislation, Novozymes has a two-tier management system comprising the Board of Directors and the Executive Leadership Team, with no individual being a member of both. The division of responsibility between the Board of Directors and the Executive Leadership Team is clearly outlined and described in the Rules of Procedure for the Board of Directors and Rules of Procedure for the Executive Leadership Team, available at www.novozymes.com.

Novozymes' Articles of Association require the Board of Directors to have four to eight members elected at the annual shareholders' meeting. Currently, the Board has six such members. They are elected for one year at a time and cannot be elected or re-elected after reaching the age of 70. Nominations are based on an evaluation of factors such as competencies, diversity, independence and prior performance of current members. The Board of Directors also includes three members elected by employees, who serve four-year terms.

The Board of Directors is accountable to the company's shareholders for the way the company conducts its business. The composition of the Board of Directors must therefore be such that the combined competencies of the Board enable it to inspire, guide and oversee the company's development, and diligently address and resolve the issues and challenges faced by the company at any time.

In order to secure the right competencies and promote diversity, the following targets have been set for the composition of the Board of Directors:

1. At least half of the shareholder-elected board members shall be independent in accordance with the Danish Code on Corporate Governance
2. At least 40% of the shareholder-elected board members shall have substantial international experience from the management of large corporations or institutions headquartered outside Denmark
3. One-third or more of the shareholder-elected board members shall be female, and one-third or more of the shareholder-elected board members shall be male

All targets were met in 2013, and the third bullet fulfills the requirements of section 99b of the Danish Financial Statements Acts.

The required competencies are defined in a competency profile that specifies various personal characteristics, skills and experience. The individual competencies of the members of the Board of Directors are shown in the section Board of Directors & Executive Leadership Team.

The Board's main responsibilities are to:

- Ensure the right management and organizational structure
- Supervise financial, social and environmental performance and the Executive Leadership Team's day-to-day running of the company
- Decide the overall management and strategic development of the company

“The Board of Directors is accountable to the company's shareholders for the way the company conducts its business.”

Corporate governance

For an overview of the tasks performed to fulfill these responsibilities, see the diagram *A year with the Board of Directors*.

A Chairmanship has been established in accordance with the Articles of Association and the Rules of Procedure for the Board of Directors. It has two members – the Chairman, Henrik Gürtler, and the Vice Chairman, Kurt Anker Nielsen – and is responsible for assisting the Board of Directors in matters concerning the Executive Leadership Team's remuneration and nomination, and in overseeing the Executive Leadership Team's day-to-day running of the company and reporting back to the Board of Directors. The Chairmanship is also responsible for planning and preparing meetings of the Board of Directors, preparing material for the nomination of candidates for election to the Board of Directors, and recommending remuneration for the Board of Directors and the Executive Leadership Team.

In addition, the Board of Directors has established an Audit Committee. The Audit Committee assists the Board of Directors in monitoring aspects relating to accounting, auditing, internal control and financial reporting.

As part of the internal control system, all cases of fraud and concerns raised, either through Novozymes' Whistleblower Hotline or directly by internal or external personnel, are reported to the Audit Committee. All allegations of fraud are investigated, appropriately dealt with and then closed. Substantiated fraud will lead to proportionate

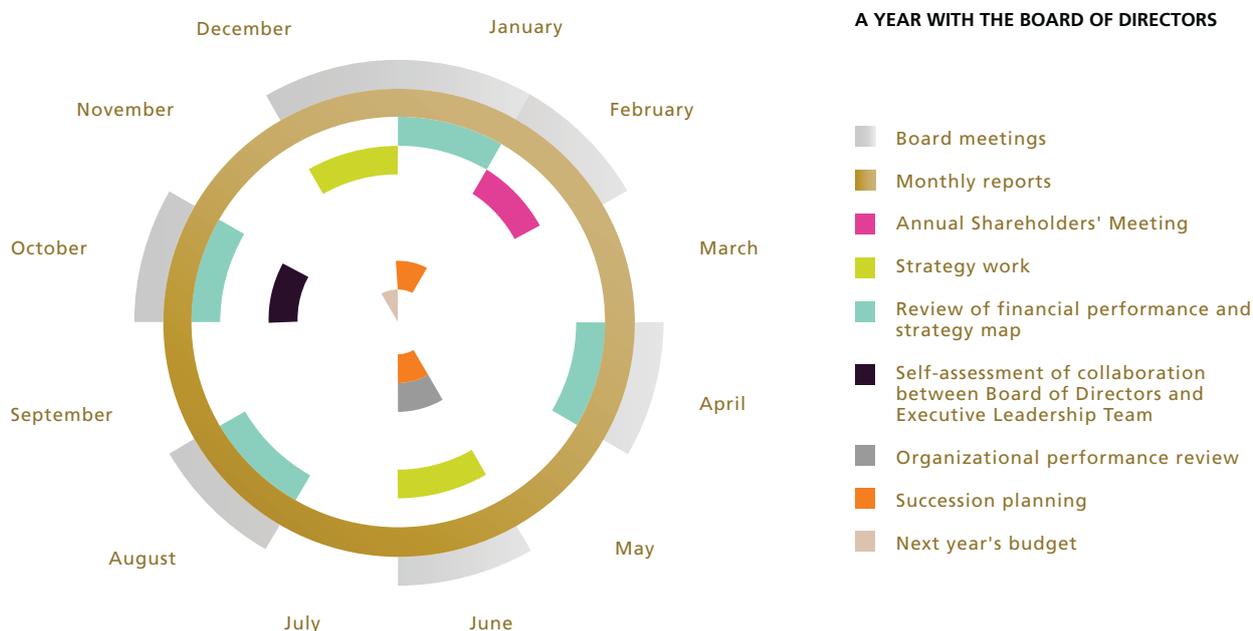
disciplinary sanctions for the parties involved and is likely to result in a police report being filed, although this will be evaluated on a case-by-case basis. Two cases of substantiated fraud were reported in 2013, with both cases leading to the dismissal of employees and one being reported to the police.

Further information about the Audit Committee can be found at www.novozymes.com.

Charters and recommendations

In laying down the management principles for Novozymes, the Board of Directors has followed the Recommendations on Corporate Governance that form part of the disclosure requirements applicable to companies listed on Nasdaq OMX Copenhagen. These recommendations are available at www.corporategovernance.dk. The recommendations were revised in 2013. The revision had only a minor impact on Novozymes, and the changes were adopted during the year. A detailed review of Novozymes' position on all of the recommendations and a description of the internal control and risk management system relating to financial reporting can be found in the statutory report on corporate governance pursuant to section 107b of the Danish Financial Statements Act, under Corporate Governance at www.novozymes.com

(<http://www.novozymes.com/en/investor/corporate-governance/Statutory%20report%20on%20Corporate%20Governance/Documents/Statutory%20report%20on%20Corporate%20governance%20for%20the%20financial%20year%202013.pdf>).



“Novozymes works within the parameters of *Touch the World* and has committed to principles derived from the UN Global Compact and UN Convention on Biological Diversity.”

The recommendations require companies to explain any noncompliance. Novozymes follows 43 of 47 recommendations, the exceptions being:

- Nomination and remuneration committees have not been set up. Instead, these responsibilities are laid down in the Charter for the Chairmanship (Recommendations 3.4.6 and 3.4.7)
- The remuneration policy for the Executive Leadership Team contains no specific clause on the repayment of variable remuneration components paid on the basis of misstated information, as Novozymes considers the rules in Danish law to be sufficient in such cases (Recommendation 4.1.2)
- Due to the limitations imposed by the Novo Nordisk Foundation’s articles of association and Novozymes’ ownership structure, the Board of Directors reserves the right in certain circumstances to reject takeover bids without consulting shareholders (Recommendation 1.3.1)

Novozymes also works within the parameters of *Touch the World* – a document outlining our values and commitments – and has committed to principles derived from the UN Global Compact and UN Convention on Biological Diversity.

Other Board-related information

The Board of Directors held eight meetings in 2013, with an overall attendance rate of 94%.

Changes to the Articles of Association require that shareholders representing at least two-thirds of the total number of votes in the company are represented at the shareholders’ meeting, and that at least two-thirds of the votes cast, as well as two-thirds of the voting capital represented at the meeting, vote in favor of the proposal to change the Articles of Association. The annual shareholders’ meeting has authorized the Board of Directors to allow the company to acquire treasury stock on an ongoing basis to the extent that the nominal value of the company’s total holding of treasury stock at no time exceeds 10% of its common stock, cf. section 198 of the Danish Companies Act. The purchase price must not deviate by more than 10% from the price quoted on Nasdaq OMX Copenhagen on the date of acquisition. The authorization applies until March 1, 2017.

Each year, one of the responsibilities of the Board of Directors is to assess whether the ownership structure with A and B common stock is optimal. The Board of Directors remains of the opinion that this is the best way to safeguard Novozymes’ long-term development to the benefit of the company’s shareholders and other stakeholders.

Novozymes is party to a number of partnership contracts that can be terminated by the other party in the event of significant changes in the ownership or control of Novozymes. A few contracts contain provisions that restrict Novozymes’ licenses to use specific forms of technology in such situations.

Novozymes is party to contracts where managerial staff can claim compensation in case of resignation, dismissal or redundancy due to a takeover bid.

Risk management

Novozymes' management systems are set up to seek growth and development opportunities, while at the same time mitigating risk and ensuring compliance with rules and regulations in the environmental, social and financial areas.

Identification of risks and opportunities

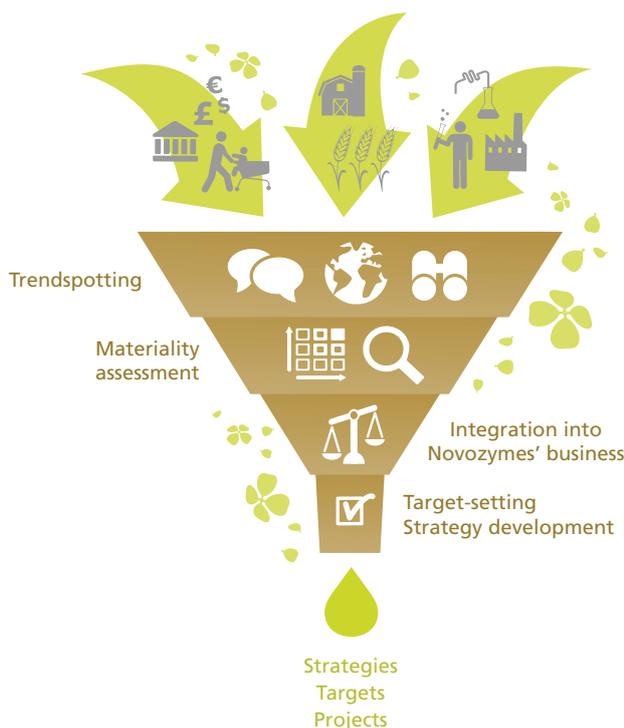
Novozymes defines risks as "events or trends that can prevent the company from achieving its overall targets – including financial and sustainability targets – or negatively affect our image or our future results and activities."

Novozymes strives to identify risks as early as possible. Once the risks are identified, we work to mitigate them to the extent possible and monitor them on an ongoing basis.

Throughout the value chain, Novozymes looks at its business surroundings with the aim of identifying trends and developments that could impact its business, whether positively or negatively. The purpose of this is to ensure that Novozymes can respond to changes in the outside world by exploiting new opportunities or addressing risks in a timely manner.

Stakeholder engagement

One way of identifying risks, opportunities and new trends, while realizing Novozymes' ambition of being open and transparent, is to engage with stakeholders. Therefore, a



SUSTAINABILITY MATERIALITY ASSESSMENT

Together with stakeholders, Novozymes spots trends and assesses the potential impact of those trends on Novozymes' business and its stakeholders. The most material trends contribute to Novozymes' strategy and targets.

“Novozymes looks at its business surroundings with the aim of identifying trends and developments that could impact its business, whether positively or negatively.”

priority for Novozymes is to understand stakeholders and live up to their expectations. To do this, Novozymes engages with stakeholders across the value chain, from customers to suppliers to retailers, policymakers and investors. This enables Novozymes to spot trends that are relevant to its business and stakeholders, and to seek deeper engagement with those stakeholders most material to the business.

Stakeholder engagement is about listening and influencing, which is why we have established ethical principles for relations with our stakeholders. For example, we have a management standard defining good business practice when dealing with authorities, policymakers and political parties.

Our Sustainability Board (SB) is an example of how we make systematic use of input from our stakeholders. Consisting of vice presidents from all key business functions, the SB is responsible for driving the integration of sustainability across Novozymes and developing our sustainability strategy aimed at ensuring that Novozymes is a leader in sustainability. Novozymes analyzes the trends spotted to understand the related risks and opportunities for Novozymes' business. We do so from both a corporate and a regional perspective. In this process, the Corporate Sustainability team selects key trends to present to the SB. The trend analyses are used to inform discussions and decisions related to Novozymes' sustainability strategy, targets and project portfolio. The SB reports directly to the Executive Leadership Team, which evaluates and endorses the sustainability targets and strategy input for the Board of Directors' final approval.

An overview of trends identified and an assessment of their materiality to Novozymes and its stakeholders are included in the Supplementary section and can be found at www.novozymes.com.

Risk assessments

Novozymes frequently performs risk assessments in various parts of the organization, often with external partners such as insurance companies, to maintain an up-to-date, balanced view of business-related risks. People & Organization and Environmental Services also conduct assessments of the company's social and environmental impact at production sites. These are verified against third-party risk surveys and recent trends in sustainability risk assessment.

As part of these processes, we set targets to improve performance within the assessed areas. If risks or noncompliance are discovered, our systems ensure that further action is taken, as these shortfalls are included in management reviews at different levels depending on severity.

Long-term scenarios

The Executive Leadership Team uses long-term scenarios as part of an annual evaluation of opportunities for and barriers to future growth, conducted during the strategy process. The scenarios are used to evaluate the impact of major decisions and to assess the potential impact of major risks. As the scenarios are used as input for strategic decisions, the reports are supplemented with in-depth descriptions, sensitivity analyses, risk descriptions and, for expansion projects and major investment proposals, an estimate of the net present value of the investment.

Part of this scenario work involves identifying potential bottlenecks for future growth, such as the need to expand production capacity and the availability of resources such as water. Some of the scenarios presented to the Executive Leadership Team arise from risks and opportunities identified by the enterprise risk management setup.

Enterprise risk management setup

In addition to the activities mentioned above to identify risks, Novozymes has a formal process to continually map, assess and mitigate risks. All business units and vice presidents systematically report new risks and any changes to previously defined risks. This process, which is headed by the Vice President of Corporate Finance, ensures that top management has a high level of risk awareness, with involvement and ownership throughout the organization.

Reported risks are collated and mapped on the basis of probability and possible consequences. Risks are assessed and classified on the basis of both financial and reputational impact, and the reporting covers both financial and nonfinancial risks.

The aim of risk management at Novozymes is to ensure proactive management of key risks, so that efforts to reduce both probability and unwanted consequences are made where possible.

“This systematic and analytical approach to risk management provides Novozymes with a more transparent overview of risks and a stronger basis for making decisions.”

Every six months, risks are reported to Risk Management & Controls. These are then assessed, and a shortlist of approximately 30 risks judged to be the most significant is reported to the Executive Leadership Team, and any appropriate mitigation actions are decided and implemented. Twice a year, around 10 of the most significant financial and reputational risks are also presented to, and discussed with, the Board of Directors.

This systematic and analytical approach to risk management provides Novozymes with a more transparent overview of risks and a stronger basis for making decisions about investing, resources and the necessary actions in relation to the risk profile.

Mitigation of risks

Once identified, Novozymes mitigates the risks in many different ways and at many different levels. Some risks can be mitigated through behavior and others through processes and procedures, while some risks require specific actions.

Behavior

At the top of Novozymes' management system, Touch the World sets out the company's vision, company idea, commitment and values. It outlines our philosophy and guides us in how we operate and behave as a responsible corporate citizen. By acting in accordance with these principles, we encourage the right behavior and thereby reduce the risk of misconduct. To ensure that the company lives up to the values in Touch the World, an organizational performance review is conducted annually to assess the impact of each business unit's work to support and uphold the principles in Touch the World. Our business integrity principles are an example of how the desired behavior is encouraged in the organization through mandatory training. We also seek to implement these principles outside our organization: For example, our suppliers and agents, among others, are informed of the principles and encouraged to adopt them. Systems to evaluate partners' performance against our principles are also in place, such as our long-term sustainability target of 100% supplier adherence to our supplier program for commerciality, quality and sustainability.

Our business integrity principles can be found at www.novozymes.com.

Procedures

Risks can also be related to internal procedures, such as errors leading to the misstatement of information, malfunctioning of products, etc. Novozymes strives to minimize these procedural risks through the extensive use of quality management systems and ISO certifications. These systems include general policies and standards, as well as detailed control and action requirements covering both global procedures and specific requirements dependent on location, business area and function.

To ensure compliance with the requirements of quality management systems, a large number of internal quality audits are performed. The results of these audits are distributed to relevant management levels.

Specific actions

There will always be risks that cannot be avoided by the usual means, but where mitigating actions should be tailored and planned to achieve the greatest possible impact. These are usually risks that are either very special in their nature or significant in their scope and impact.

Accounts & Data

THE NOVOZYMES REPORT 2013



Consolidated income statement

	Note	2013 DKK million	2012 DKK million
Revenue	2.1, 2.2	11,746	11,234
Cost of goods sold	2.3, 4.1, 4.2	5,030	4,811
Gross profit		6,716	6,423
Sales and distribution costs	2.3, 4.1, 4.2	1,476	1,421
Research and development costs	2.3, 4.1, 4.2	1,528	1,527
Administrative costs	2.3, 4.1, 4.2, 6.5	824	808
Other operating income, net	2.4	13	78
Operating profit / EBIT		2,901	2,745
Financial income	5.1	82	22
Financial costs	5.1	224	183
Profit before tax		2,759	2,584
Tax	4.6	558	568
Net profit		2,201	2,016
Attributable to			
Shareholders in Novozymes A/S		2,200	2,015
Non-controlling interests		1	1
		2,201	2,016
Proposed dividend per share		DKK 2.50	DKK 2.20
Earnings per share	6.7	DKK 7.01	DKK 6.42
Earnings per share, diluted	6.7	DKK 6.93	DKK 6.33

Consolidated statement of comprehensive income

Note	2013 DKK million	2012 DKK million
Net profit	2,201	2,016
Items that may be reclassified subsequently to the income statement:		
Currency translation adjustments		
Subsidiaries and non-controlling interests	(370)	(68)
Tax on currency translation adjustments	16	(2)
Currency translation adjustments	(354)	(70)
Cash flow hedges		
Fair value adjustments	113	(6)
Reclassification to Financial costs	8	51
Tax on value adjustments of hedging instruments	(30)	(8)
Cash flow hedges	91	37
Other comprehensive income	(263)	(33)
Comprehensive income for the year	1,938	1,983
Attributable to		
Shareholders in Novozymes A/S	1,937	1,982
Non-controlling interests	1	1
	1,938	1,983

Consolidated balance sheet

	Note	Dec. 31, 2013 DKK million	Dec. 31, 2012 DKK million
ASSETS			
Intangible assets	2.1, 4.1	2,864	2,672
Property, plant and equipment	2.1, 4.2	7,135	7,084
Deferred tax assets	4.6	456	224
Other financial assets	5.2	14	-
Investment in associate	4.4	45	52
Other receivables	3.3	162	191
Non-current assets		10,676	10,223
Inventories	3.1	1,902	1,808
Trade receivables	3.2	2,242	2,080
Tax receivables	4.6	151	138
Other receivables	3.3	301	284
Other financial assets	5.2, 5.3	87	45
Cash at bank and in hand	6.8	1,003	535
		5,686	4,890
Assets held for sale	4.7	144	-
Current assets		5,830	4,890
Assets		16,506	15,113
LIABILITIES AND SHAREHOLDERS' EQUITY			
Common stock	6.6	639	650
Other reserves		169	432
Retained earnings		10,246	8,473
Equity attributable to shareholders in Novozymes A/S		11,054	9,555
Non-controlling interests		12	13
Shareholders' equity		11,066	9,568
Deferred tax liabilities	4.6	956	741
Provisions	4.3	151	140
Other financial liabilities	5.2	1,734	1,749
Non-current liabilities		2,841	2,630
Provisions	4.3	128	90
Other financial liabilities	5.2, 5.3	105	286
Trade payables		976	1,044
Tax payables	4.6	356	371
Other liabilities	3.4	1,034	1,124
Current liabilities		2,599	2,915
Liabilities		5,440	5,545
Liabilities and shareholders' equity		16,506	15,113

Consolidated statement of shareholders' equity

	Attributable to shareholders in the company					Non-controlling	
	Currency		Cash flow hedges	Retained earnings	Total	interests	Total equity
	Common stock DKK million	translation adjustments DKK million					
Shareholders' equity at January 1, 2013	650	428	4	8,473	9,555	13	9,568
Net profit for the year				2,200	2,200	1	2,201
Other comprehensive income for the year		(354)	91		(263)		(263)
Total comprehensive income for the year	-	(354)	91	2,200	1,937	1	1,938
Sale of treasury stock				167	167		167
Write-down of common stock	(11)			11	-		-
Dividend				(690)	(690)	(2)	(692)
Stock-based payment				55	55		55
Tax related to equity items				30	30		30
Changes in shareholders' equity	(11)	(354)	91	1,773	1,499	(1)	1,498
Shareholders' equity at December 31, 2013	639	74	95	10,246	11,054	12	11,066
Shareholders' equity at January 1, 2012	650	498	(33)	7,694	8,809	15	8,824
Net profit for the year				2,015	2,015	1	2,016
Other comprehensive income for the year		(70)	37		(33)		(33)
Total comprehensive income for the year	-	(70)	37	2,015	1,982	1	1,983
Purchase of treasury stock				(832)	(832)		(832)
Sale of treasury stock				156	156		156
Dividend				(600)	(600)	(3)	(603)
Stock-based payment				69	69		69
Tax related to equity items				(29)	(29)		(29)
Changes in shareholders' equity	-	(70)	37	779	746	(2)	744
Shareholders' equity at December 31, 2012	650	428	4	8,473	9,555	13	9,568

The proposed dividend of DKK 786 million for 2013 is included in Retained earnings.

Reference is made to Note 6.6 concerning treasury stock and average number of shares.

Consolidated statement of cash flows

	Note	2013 DKK million	2012 DKK million
Net profit		2,201	2,016
Reversal of non-cash items	6.8	1,565	1,337
Income tax paid		(599)	(393)
Interest received		3	15
Interest paid		(63)	(77)
Cash flow before change in working capital		3,107	2,898
Change in working capital			
Increase in receivables		(277)	(265)
Increase in inventories		(82)	(85)
Increase/(decrease) in trade payables and other payables		(134)	211
Currency translation adjustments		(15)	(1)
Cash flow from operating activities		2,599	2,758
Investments			
Purchase of intangible assets	4.1	(24)	(54)
Sale of property, plant and equipment		3	5
Purchase of property, plant and equipment	4.2	(762)	(1,122)
Capitalized interest costs re purchase of property, plant and equipment	4.2	-	(6)
Business acquisitions and purchase of financial assets	6.8	(640)	(732)
Cash flow from investing activities		(1,423)	(1,909)
Free cash flow		1,176	849
Financing			
Borrowings		263	797
Repayments of borrowings		(270)	(683)
Purchase of treasury stock		-	(832)
Sale of treasury stock		167	156
Dividend paid		(692)	(603)
Cash flow from financing activities		(532)	(1,165)
Net cash flow		644	(316)
Unrealized gain/(loss) on currencies and financial assets included in cash and cash equivalents		(32)	22
Net change in cash and cash equivalents		612	(294)
Cash and cash equivalents at January 1		330	624
Cash and cash equivalents at December 31	6.8	942	330

Undrawn committed credit facilities were DKK 4,119 million at December 31, 2013 (2012: DKK 3,000 million). DKK 3,000 million expires in 2017 and the rest in 2014.

Environmental and social data

	Note	2013	2012
ENVIRONMENTAL PERFORMANCE			
Resource utilization			
Consumption of resources 7.1			
Water	1,000 m ³	6,807	6,446
Energy	1,000 GJ	4,174	4,078
Raw materials	1,000 tons	492	445
Packaging	1,000 tons	18	17
Efficiency improvement compared with 2005 7.2			
Water	%	33	32
Energy	%	40	38
CO ₂	%	54	55
Wastewater 7.3			
Volume	1,000 m ³	4,653	4,376
Biomass 7.4			
Biomass volume	1,000 m ³	546	553
Waste 7.5			
Waste	Tons	11,670	11,912
Percentage of total waste recycled	%	38.6	33.6
Environmental impact of emissions 7.6, 7.7			
Global warming	1,000 tons CO ₂ eqv.	406	381
Ozone layer depletion	Kg CFC ₁₁ -eqv.	26	48
Environmental compliance, etc. 7.8			
Breaches of regulatory limits	No.	36	15
Significant spills	No.	-	-
Neighbor complaints	No.	11	11
Animals for testing 7.9			
Animals for testing	No.	2,665	1,240
Climate change impact			
Impact of application of Novozymes' products 7.10			
Estimated CO ₂ reductions from customers' application of Novozymes' products in their products or processes	Million tons	52	48

Environmental and social data

	Note	2013	2012
SOCIAL PERFORMANCE			
Workplace development			
Employee statistics 2.3, 8.1			
Employees, total	No.	6,236	6,041
Women	%	36.4	35.4
Men	%	63.6	64.6
Rate of employee turnover	%	7.5	8.1
Average age	Years	40.5	40.5
Average seniority	Years	9.1	9.0
Rate of absence	%	1.8	1.9
Expatriates	No.	75	84
Percentage of new leaders who are women	%	26	37
Percentage of new leaders of a nationality other than Danish	%	44	51
Training costs			
Average spent per employee	DKK	5,004	6,002
Costs as percentage of total employee costs	%	1.0	1.2
Health and safety 8.2			
Fatalities	No.	-	1
Occupational accidents with absence	No.	24	29
Of which life-threatening accidents	No.	-	1
Occupational diseases	No.	8	7
Frequency of occupational accidents	Per million working hours	2.4	3.0
Frequency of occupational diseases	Per million working hours	0.8	0.7
Socio-economic impact			
Processes and technology 8.3			
New products	No.	11	6
Active patent families	No.	1,242	1,165
Training and compliance 8.4			
Supplier performance management	%	97	93
Completion of business integrity training for employees	%	79	79
Fraud cases	No.	2	13
Corporate citizenship 8.5			
Regional flagship projects	No.	9	13
Learners reached	No.	36,320	26,035

Note list

Basis of reporting

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Notes

[Basis of reporting](#) Primary operations Working capital Other assets and liabilities Financial activities Other notes Environmental data Social data

Reading guide

The financial statements have been presented in a manner that attempts to make them less complex and more relevant to stakeholders.

The notes have been structured to provide enhanced understanding of each accounting area, by describing relevant accounting policies and sources of estimation uncertainty in the notes to which they relate. Accounting policies applied to the consolidated financial statements as a whole are described below.

Novozymes focuses on describing the accounting choices that have been made within the framework of the prevailing IFRS policy and has elected not to repeat the actual text of the standard, unless Novozymes considers it

particularly important to the understanding of the note content. The descriptions of accounting policies in the notes form part of the overall description of accounting policies.

Environmental and social data are an integrated part of The Novozymes Report and are covered by the statutory audit performed by the auditor elected by the Annual Shareholders' Meeting. The notes for these data are structured in the same way as described for the financial notes.

The following symbols **I/S**, **B/S** and **CSR** show which amounts in the notes can be found in the income statement, balance sheet or environmental and social data respectively.

NOTE

1 Basis of reporting

The consolidated financial statements of the Novozymes Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish requirements for the presentation of financial statements. Novozymes has prepared its consolidated financial statements in accordance with all the IFRS standards in force at December 31, 2013. The fiscal year for the Group is January 1 – December 31. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, with the exception of derivatives, which are measured at fair value. The accounting policies are unchanged from last year.

The consolidated environmental and social statements are prepared in accordance with principles that adhere to the following internationally recognized voluntary reporting standards and principles:

- AA1000 framework for accountability. The framework states that reporting must provide a complete, accurate, relevant and balanced picture of the organization's approach to and impact on society
- UN Global Compact. Novozymes is a signatory to the UN Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anticorruption
- Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. The Guidelines (G3) include an internationally recognized set of indicators for economic, environmental and social aspects of business performance that enables stakeholders to compare companies' performance

The accounting policies are unchanged from last year.

Novozymes' reporting according to GRI and UN Global Compact (Communication on Progress), including the required disclosures, can be found under Supplementary.

Impact of new accounting standards

In 2013, the following standards and amendments with relevance for Novozymes were brought into effect and implemented:

- Annual Improvements to IFRSs (2009-2011)
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendments to IAS 19 Employee Benefits
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- IFRS 13 Fair Value Measurement
- IFRS 10 Consolidated Financial Statements

- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

None of these have had a significant impact on recognition and measurement, but they have led to further specifications in the Notes and in the Consolidated statement of comprehensive income.

New standards and interpretations not yet adopted

The IASB has issued a number of new or amended standards and interpretations with effective date after December 31, 2013. None of these are expected to have a significant impact on recognition and measurement, but they will lead to further specifications in the Notes.

Defining materiality

Novozymes' annual report is based on the concept of materiality, to ensure that the content is material and relevant to the user. This objective is pursued by providing relevant rather than generic descriptions.

The consolidated financial statements consist of a large number of transactions. These transactions are aggregated into classes according to their nature or function and presented in classes of similar items in the financial statements and in the notes as required by IFRS. If items are individually immaterial, they are aggregated with other items of similar nature in the statements or in the notes. The disclosure requirements throughout IFRS are substantial and Novozymes provides these specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

The consolidated environmental and social statements include data parameters that, based on an assessment of materiality for Novozymes and for our stakeholders, are deemed the most relevant parameters. The materiality assessment can be found in the Supplementary Reporting.

The environmental data cover those activities that, based on an overall annual assessment, could have a significant impact on the environment. Sites with activities considered not to have a significant environmental impact are not included. Such sites comprise sales offices, R&D labs and sites with limited blending and storage of products. However, measures are taken to ensure that at least 97% of the total Novozymes quantity of the measured environmental parameter is included in the reported numbers.

Notes

[Basis of reporting](#) Primary operations Working capital Other assets and liabilities Financial activities Other notes Environmental data Social data

NOTE

1 Basis of reporting

 Accounting policies

The descriptions of accounting policies in the notes form part of the overall description of accounting policies. Description of financial accounting policies are included in the following notes:

Revenue	Note 2.2
Other operating income, net	Note 2.4
Inventories	Note 3.1
Trade receivables	Note 3.2
Other receivables	Note 3.3
Other liabilities	Note 3.4
Intangible assets and impairment test of goodwill	Note 4.1
Property, plant and equipment	Note 4.2
Provisions	Note 4.3
Joint operations and associates	Note 4.4
Business acquisitions	Note 4.5
Tax	Note 4.6
Assets held for sale	Note 4.7
Financial income and costs	Note 5.1
Other financial assets and liabilities	Note 5.2
Derivatives - hedge accounting	Note 5.3
Stock-based payment	Note 6.2
Common stock	Note 6.6
Earnings per share	Note 6.7
Cash flow	Note 6.8

Consolidation

The consolidated financial statements comprise the financial statements of Novozymes A/S (the parent company) and subsidiaries controlled by Novozymes A/S, prepared in accordance with Group accounting policies. The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal stockholdings and balances, and unrealized intercompany profits and losses.

Environmental and social data are similarly based on data for the parent company and for all subsidiaries by combining items of a uniform nature compiled using the same accounting principles. Recognition of newly acquired or divested sites and subsidiaries follows the same principles as for the financial reporting.

Resource consumption from construction work in relation to new production plants is not included, unless the resource consumption (water and energy) is registered by meters that measure resource consumption at Novozymes' premises. Resource consumption from production trials at new facilities is included.

Translation of foreign currencies

The consolidated financial statements are presented in Danish kroner (DKK).

Foreign currency transactions are translated into the functional currency defined for each company using the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date.

Financial statements of foreign subsidiaries are translated into Danish kroner at the exchange rates prevailing at the balance sheet date for assets and liabilities, and at average exchange rates for income statement items.

All exchange rate differences are recognized as Financial income or Financial costs, with the exception of the following, which are recognized in Other comprehensive income, translated at the exchange rates prevailing at the balance sheet date:

- Translation of foreign subsidiaries' net assets at the beginning of the year
- Translation of foreign subsidiaries' income statements from average exchange rates to the exchange rates prevailing at the balance sheet date
- Translation of long-term intercompany balances, which are considered to be an addition to net assets in subsidiaries

Goodwill arising on the acquisition of new companies is treated as an asset belonging to the new foreign subsidiaries and translated into Danish kroner at the exchange rates prevailing at the balance sheet date.

Unrealized gains/losses relating to hedging of future cash flows, and fair value adjustments of financial liabilities that qualify for hedging of net assets in foreign subsidiaries, are recognized in Other comprehensive income.

 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the assessment of carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or more experience. Such changes are recognized in the period in which the estimate is revised.

Key assumptions about the future and key sources of accounting estimates where there is a significant risk of a material adjustment being made to the carrying amounts of assets and liabilities within the next 12 months are described in the notes to which they relate. The table below shows which notes contain descriptions of accounting estimates.

Classification of other income	Note 2.4
Cost of work in progress and finished goods	Note 3.1
Allowance for doubtful trade receivables	Note 3.2
Useful life of intangible assets	Note 4.1
Impairment	Note 4.2
Provisions	Note 4.3
Business acquisitions	Note 4.5
Taxation	Note 4.6
CO ₂ savings	Note 7.10

The application of the Group's accounting policies may require Management to make judgments, which can have a significant effect on the amounts recognized in the consolidated financial statements. Management judgment is required in particular when assessing the substance of transactions that have a complicated structure or legal form. This includes, but is not limited to, the following area:

Investment in Beta Renewables S.p.A.	Note 4.4
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Notes

Basis of reporting [Primary operations](#) Working capital Other assets and liabilities Financial activities Other notes Environmental data Social data

NOTE

2.1 Segments

New organization – no segments

As of April 1, 2013, the new Executive Leadership Team in Novozymes has introduced a new functional organization structure to ensure that the Novozymes Group utilizes the Group's global potential even further. As a consequence of the new organization, a new internal financial reporting framework has been implemented. The reporting framework has changed the reporting on revenue and expenses to the Executive Leadership Team and Board of Directors, in order to reflect the global functional responsibility setup in Novozymes.

The operating segments previously used have been consolidated in the new organization and separate reporting abandoned. As a result, segment reporting is no longer used.

The sales information for 2012 has been restated to reflect the new reporting framework, while the segment information provided in 2012 is not included as it is no longer relevant.

	2013 DKK million	2012 DKK million
Denmark	144	106
Rest of Europe, Middle East & Africa	4,235	4,032
North America	3,863	3,716
Asia Pacific	2,234	2,200
Latin America	1,270	1,180
Revenue	11,746	11,234
Denmark	4,767	4,646
Rest of Europe, Middle East & Africa	76	81
North America	2,904	2,685
Asia Pacific	1,903	1,953
Latin America	349	391
Intangible assets and Property, plant and equipment	9,999	9,756
Denmark	342	378
Rest of Europe, Middle East & Africa	19	20
North America	224	576
Asia Pacific	149	173
Latin America	52	35
Capital expenditure	786	1,182

The Group operates in four geographical regions: Europe/MEA, North America, Asia Pacific and Latin America.

The geographical distribution of revenue is based on the country in which the customer is domiciled. With a number of strategic customers, central deliveries are made to specified locations, and the final recipient is unknown.

The stated geographical distribution of revenue may therefore vary significantly from year to year if the delivery destination for these strategic customers changes.

Notes

Basis of reporting [Primary operations](#) Working capital Other assets and liabilities Financial activities Other notes Environmental data Social data

NOTE

2.2 Revenue

	2013 DKK million	2012 DKK million
Household Care	4,222	3,973
Food & Beverages	3,190	3,186
Bioenergy	1,909	1,748
Agriculture & Feed	1,668	1,617
Technical & Pharma	757	710
Revenue	11,746	11,234
Sales to the five largest customers as a percentage of revenue	29%	28%

Revenue consists of sales of goods and related services less goods returned and volume and cash discounts.

 Accounting policies

Revenue includes sales of goods and related services, commission income and royalties less goods returned and volume and cash discounts. Sales are recognized at the time of risk transfer relating to the goods sold, provided that the revenue can be measured on a reliable basis and is expected to be received. A liability is recognized when it is permitted for goods to be returned and this is likely.

The Group has entered into few agreements where the other contracting party undertakes sales to third parties and the profit is distributed between the Group and the other contracting party on the basis of a predetermined formula.

Sales are recognized using information on the other contracting party's realized sales, and a receivable/liability is recognized for the distribution of the profit, which is calculated and settled with final effect once a year.

The Group has entered into commission agreements where agents undertake sales to third parties in return for commission on realized sales.

NOTE

2.3 Employees

	2013 DKK million	2012 DKK million
Wages and salaries	2,546	2,400
Pensions	237	226
Other social security costs	208	183
Other employee costs	124	137
Stock-based payment	55	99
Employee costs	3,170	3,045
Recognized in the income statement under the following items:		
Cost of goods sold	1,151	1,093
Sales and distribution costs	732	690
Research and development costs	808	798
Administrative costs	482	455
	3,173	3,036
Recognized in assets as:		
Change in employee costs recognized in inventories	(3)	9
Employee costs	3,170	3,045

Notes

Basis of reporting [Primary operations](#) Working capital Other assets and liabilities Financial activities Other notes Environmental data Social data

NOTE

2.3 Employees

	2013		2012	
	No.	DKK million	No.	DKK million
Geographical distribution:				
Denmark	2,628	1,746	2,580	1,710
Rest of Europe, Middle East & Africa	270	186	279	194
North America	1,226	750	1,120	678
Asia Pacific	1,718	345	1,710	333
Latin America	394	143	352	130
Employees	6,236	3,170	6,041	3,045
Average number of employees in the Group	6,162		5,950	
Average number of employees that work with R&D	1,387		1,371	
Number of employees outside Denmark as a percentage of total number of employees	58%		57%	
			2013	2012
			No.	No.
Women			2,270	2,140
Men			3,966	3,901
Employees		CSR	6,236	6,041
Full-time employees			5,896	5,689
Part-time employees			340	352
Employees		CSR	6,236	6,041
Senior management			194	168
Management			1,004	950
Professional			1,877	1,824
Administrative			588	572
Skilled workers, laboratory technicians and other technicians			1,408	1,137
Process operators			1,165	1,390
Employees		CSR	6,236	6,041
Percentage of women by job category			%	%
Senior management			22.2	17.9
Management			28.8	29.7

As there is a particular focus on the percentage of women at management level, the percentage of women is only reported for Senior management and Management, and not for other job categories.

Accounting policies

The number of employees is derived from contractual obligations but does not include employees on unpaid leave, temporary replacements, student interns, agency employees, consultants or PhD students. In calculating the number of full-time employees, employees with a working-time ratio of 95% or over are stated as full-time employees.

The average number of employees is calculated as the average of the number of permanent employees at the end of each quarter.

Job categories are defined as follows:

Senior management comprises the CEO, executive vice presidents, vice presidents and directors. Management comprises middle managers and specialists. Professional comprises employees with academic backgrounds as well as team leaders. Administrative comprises administrative personnel. Process operators comprises operators and unskilled workers.

Notes

Basis of reporting [Primary operations](#) Working capital Other assets and liabilities Financial activities Other notes Environmental data Social data

NOTE

2.4 Other operating income, net

	2013 DKK million	2012 DKK million
Income and grants concerning research projects/collaborations	3	34
Gain on sale of activities	-	17
Other secondary income, net	10	27
Other operating income, net	13	78

Accounting policies

Other operating income comprises income that is not product-related. This includes income from research and collaboration agreements, government grants, and sale of licenses, patents, etc. and other income of a secondary nature in relation to the main activities in the Group. This item also includes non-recurring income items in respect of damages, outlicensing, etc.

Critical accounting estimates and judgments

The Group is party to various outlicensing and research and collaboration agreements, which can involve upfront and milestone payments that may occur over several years and may also involve certain future obligations.

Income is recognized only when, in Management's judgment, the significant risks and rewards of ownership have been transferred and when the Group does not retain managerial involvement in or effective control over the assets sold or when the obligation has been fulfilled. These assessments are essential for timing of income recognition and for classification of income as Revenue or Other operating income according to the revenue definitions.

Notes

Basis of reporting Primary operations [Working capital](#) Other assets and liabilities Financial activities Other notes Environmental data Social data

NOTE

3.1 Inventories

	2013	2012
	DKK million	DKK million
Raw materials and consumables	276	273
Work in progress	467	399
Finished goods	1,159	1,136
Inventories at December 31	1,902	1,808

Cost of materials, included under Cost of goods sold, is DKK 2,873 million (2012: DKK 2,733 million).

Inventory write-downs expensed during 2013 amount to DKK 86 million (2012: DKK 68 million), while reversal of inventory write-downs amounts to DKK 58 million (2012: DKK 49 million).

Some of the reversal of write-downs can be attributed to written-down inventories being reused in production.

Accounting policies

Inventories are measured at cost determined on a first-in first-out basis or net realizable value where this is lower.

The cost of Work in progress and Finished goods comprises direct production costs such as raw materials and consumables, energy and labor directly attributable to production as well as indirect production costs such as employee costs, maintenance and depreciation of plant, etc.

If the expected sales price less any completion costs and costs to execute sales (net realizable value) of inventories is lower than the carrying amount, the inventories are written down to net realizable value.

Critical accounting estimates and judgments

Work in progress and Finished goods are measured at cost including indirect production costs. The indirect production costs capitalized under Inventories amount to DKK 640 million at the end of 2013 (2012: DKK 581 million). The costs are assessed on an ongoing basis to ensure optimal measurement of raw material consumption, payroll costs, capacity utilization, cost drivers and other relevant factors. Changes in these parameters may have an impact on the gross margin and the overall valuation of work in progress and finished goods.

NOTE

3.2 Trade receivables

	2013	2012
	DKK million	DKK million
Trade receivables	2,338	2,181
Allowances for doubtful trade receivables	(152)	(153)
	2,186	2,028
Amounts owed by related companies	56	52
Trade receivables at December 31	2,242	2,080

	2013	2012
	DKK million	DKK million
Changes in allowances for doubtful trade receivables:		
At January 1	153	164
Allowances during the year	59	61
Write-offs during the year	(4)	(8)
Reversed allowances	(56)	(64)
Allowances at December 31	152	153

The cost of allowances for doubtful trade receivables is included in Sales and distribution costs.

Notes

Basis of reporting Primary operations [Working capital](#) Other assets and liabilities Financial activities Other notes Environmental data Social data

NOTE

3.2 Trade receivables

	2013 DKK million	2012 DKK million
Allocation of overdue net receivables (not written off) by maturity period is as follows:		
Up to 30 days	191	238
Between 30 days and 90 days	48	41
Between 91 days and 365 days	2	-
Overdue net receivables at December 31	241	279

 Accounting policies

Trade receivables are measured at amortized cost or net realizable value equivalent to nominal value less allowances for doubtful receivables, whichever is lower.

 Critical accounting estimates and judgments

Allowances for doubtful trade receivables are based on a country-specific credit rating by external rating agencies. However, the allowances also reflect Management's assessment and review of the individual receivables based on individual customer creditworthiness, overdues and current economic trends. If customers' financial situations change in the future, this may give rise to additional indications of impairment in future accounting periods.

NOTE

3.3 Other receivables

	2013 DKK million	2012 DKK million
Deposits	17	18
Prepaid expenses	223	246
Loans	72	63
Other	151	148
Other receivables at December 31	463	475
Non-current	 162	191
Current	 301	284

 Accounting policies

Prepaid expenses comprise expenses paid relating to subsequent financial years such as sales commission, rent, insurance premiums, subscription fees and interest.

Prepaid expenses plus Loans and receivables are measured at amortized cost or net realizable value, whichever is lower.

NOTE

3.4 Other liabilities

	2013 DKK million	2012 DKK million
Employee costs payable	593	558
Deferred income	77	87
Stock-based payment settled in cash	29	27
Other payables	335	452
Other liabilities at December 31	 1,034	1,124

 Accounting policies

Deferred income comprises payments received relating to income in subsequent years, such as revenue and interest.

Other payables and Deferred income are measured at amortized cost.

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.1 Intangible assets and impairment test of goodwill

	Completed IT development projects DKK million	Acquired patents, trademarks, licenses and know-how DKK million	Goodwill DKK million	IT development projects in progress DKK million	Total DKK million
Cost at January 1, 2013	225	2,492	811	62	3,590
Currency translation adjustments	-	(49)	(93)	-	(142)
Additions from business acquisitions	-	282	344	-	626
Additions during the year	4	18	-	2	24
Disposals during the year	-	(11)	-	-	(11)
Transfer to assets held for sale	-	(133)	(40)	-	(173)
Transfer to/(from) other items	62	-	-	(62)	-
Cost at December 31, 2013	291	2,599	1,022	2	3,914
Amortization and impairment losses at January 1, 2013	185	733	-	-	918
Currency translation adjustments	-	(12)	-	-	(12)
Amortization for the year	20	168	-	-	188
Disposals for the year	-	(11)	-	-	(11)
Transfer to assets held for sale	-	(33)	-	-	(33)
Amortization and impairment losses at December 31, 2013	205	845	-	-	1,050
Carrying amount at December 31, 2013	86	1,754	1,022	2	2,864
Cost at January 1, 2012	270	1,896	835	45	3,046
Currency translation adjustments	-	(15)	(31)	-	(46)
Additions from business acquisitions	-	600	7	-	607
Additions during the year	21	11	-	22	54
Disposals during the year	(71)	-	-	-	(71)
Transfer to/(from) other items	5	-	-	(5)	-
Cost at December 31, 2012	225	2,492	811	62	3,590
Amortization and impairment losses at January 1, 2012	247	578	-	-	825
Currency translation adjustments	-	(2)	-	-	(2)
Amortization for the year	9	157	-	-	166
Disposals for the year	(71)	-	-	-	(71)
Amortization and impairment losses at December 31, 2012	185	733	-	-	918
Carrying amount at December 31, 2012	40	1,759	811	62	2,672

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.1 Intangible assets and impairment test of goodwill

Amortization and impairment losses

	2013 DKK million	2012 DKK million
Recognized in the income statement under the following items:		
Cost of goods sold	87	79
Sales and distribution costs	23	16
Research and development costs	76	69
Administrative costs	2	2
Amortization and impairment losses, intangible assets	188	166

Impairment

No impairment losses on intangible assets have been recognized in 2013 (2012: no impairment losses recognized).

Management only monitors goodwill for the Novozymes Group as a whole, which means that the impairment test of goodwill is performed for the Novozymes Group as a whole.

The fair market value of Novozymes is significantly greater than equity and, with reference to our materiality concept, no further key assumptions are used in determining whether impairment of goodwill exists.

Accounting policies

Intangible assets other than goodwill are measured at cost less accumulated amortization and impairment losses. Goodwill is not subject to amortization.

Costs associated with large IT projects for the development of software for internal use are capitalized if they are incurred with a view to developing new and improved systems.

Amortization is based on the straight-line method over the expected useful lives of the finite-lived assets, as follows:

- Completed IT development projects are amortized over the useful life. IT development assets are amortized over 3-5 years
- Acquired patents, trademarks, licenses and know-how are amortized over their useful lives. Patents and trademarks are amortized over their useful lives, normally identical to the patent period, and licenses are amortized over the agreement period. Recognized patents, trademarks, licenses and know-how are amortized over 7-15 years

Some assets are amortized over a shorter period or by using the unit of production method.

Development costs pertaining to development of new products where the development costs meet the criteria for recognition in the balance sheet are capitalized within intangible assets. Research and development costs pertaining to ongoing optimization of production processes for existing products, or to development of new products, where lack of approval by the authorities, acceptance by customers and other uncertainties mean the development costs do not fulfill the criteria for recognition in the balance sheet, are expensed as incurred.

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired.

Critical accounting estimates and judgments

The estimated useful life reflects the period over which the Group expects to derive economic benefits from intangible assets. The most significant intangible assets are patents, trademarks, licenses and know-how, which are amortized over 7-15 years. The economic lives are reviewed on an annual basis, taking into consideration future events that may impact on them, such as changes in scope of patents and in technology. Given the current market situation, there is no significant uncertainty about the carrying amount of patents, trademarks, licenses and know-how at the end of 2013.

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.2 Property, plant and equipment

	Land and buildings DKK million	Plant and machinery DKK million	Other equipment DKK million	Assets under construction and prepayments DKK million	Total DKK million
Cost at January 1, 2013	4,492	7,456	1,218	677	13,843
Currency translation adjustments	(107)	(140)	(29)	(21)	(297)
Additions from business acquisitions	-	35	6	-	41
Additions during the year	17	164	81	500	762
Disposals during the year	-	(38)	(30)	-	(68)
Transfer to assets held for sale	-	-	(5)	-	(5)
Transfer to/(from) other items	67	457	82	(606)	-
Cost at December 31, 2013	4,469	7,934	1,323	550	14,276
Depreciation and impairment losses at January 1, 2013	1,873	4,143	743	-	6,759
Currency translation adjustments	(38)	(59)	(20)	-	(117)
Depreciation for the year	154	298	98	-	550
Disposals during the year	-	(26)	(24)	-	(50)
Transfer to assets held for sale	-	-	(1)	-	(1)
Depreciation and impairment losses at December 31, 2013	1,989	4,356	796	-	7,141
Carrying amount at December 31, 2013	2,480	3,578	527	550	7,135
	B/S				
Cost at January 1, 2012	4,011	6,279	1,103	1,499	12,892
Currency translation adjustments	(33)	(31)	(11)	(20)	(95)
Additions from business acquisitions	-	2	-	-	2
Additions during the year	51	472	89	516	1,128
Disposals during the year	(38)	(6)	(40)	-	(84)
Transfer to/(from) other items	501	740	77	(1,318)	-
Cost at December 31, 2012	4,492	7,456	1,218	677	13,843
Depreciation and impairment losses at January 1, 2012	1,764	3,876	695	-	6,335
Currency translation adjustments	(16)	(19)	(8)	-	(43)
Depreciation for the year	155	290	92	-	537
Disposals during the year	(30)	(4)	(36)	-	(70)
Depreciation and impairment losses at December 31, 2012	1,873	4,143	743	-	6,759
Carrying amount at December 31, 2012	2,619	3,313	475	677	7,084
	B/S				

Interest of DKK 0 million (2012: DKK 6 million) is capitalized under purchases of property, plant and equipment above and under investing activities in the statement of cash flows.

Land and buildings with a carrying amount of DKK 306 million (2012: DKK 317 million) are pledged as security to credit institutions. The mortgage loan expires in 2029.

Depreciation and impairment losses

	2013 DKK million	2012 DKK million
Recognized in the income statement under the following items:		
Cost of goods sold	433	414
Sales and distribution costs	21	24
Research and development costs	73	79
Administrative costs	23	20
Depreciation and impairment losses, property, plant and equipment	550	537

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.2 Property, plant and equipment

Impairment

No impairment losses on property, plant and equipment have been recognized in 2013 (2012: no impairment losses recognized).

Accounting policies

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Borrowing costs in respect of construction of major assets are capitalized.

Depreciation is based on the straight-line method over the expected useful lives of the assets, as follows:

- Buildings: 12-50 years
- Plant: 5-25 years
- Other equipment: 3-18 years

The assets' residual value and useful life are reviewed on an annual basis, and adjusted if necessary at each balance sheet date.

The Group regularly reviews the carrying amounts of its property, plant and equipment and finite-lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

Critical accounting estimates and judgments

If there is any indication that an asset may be impaired, the value in use of the asset is estimated and compared with the current value. The value in use calculation is based on the discounted cash flow method using estimates of future cash flows from the continuing use of the asset. The key parameters are expected utilization of the asset, expected growth in sales of products produced by the asset, expected growth in cash flow in the terminal period etc. All these parameters are based on estimates of the future and may give rise to changes in future accounting periods.

NOTE

4.3 Provisions

	2013			2012		
	Dismantling and restoration DKK million	Legal, contingent consideration and other DKK million	Total DKK million	Dismantling and restoration DKK million	Legal, contingent consideration and other DKK million	Total DKK million
Provisions at January 1	114	116	230	113	137	250
Currency translation adjustments	(3)	-	(3)	-	(3)	(3)
Additions during the year	1	97	98	1	29	30
Reversals during the year	-	(19)	(19)	-	(31)	(31)
Utilization during the year	-	(27)	(27)	-	(16)	(16)
Provisions at December 31, 2013	112	167	279	114	116	230
Non-current	 107	44	151	103	37	140
Current	 5	123	128	11	79	90

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.3 Provisions

Dismantling and restoration

Dismantling and restoration relates to estimated future costs of environmental restoration – Novozymes aims for production sites not to have a negative environmental impact – and restoration of leased premises when terminating the lease and vacating the premises. These liabilities relate to established circumstances, and these costs are expected to be incurred either when concrete measures are implemented or when the sites are vacated. By nature the expected costs and timing are uncertain. With regard to restoration of leased premises, amounts are considered uncertain as the final settlements will depend on thorough inspection of the premises, and negotiations with the lessor at the time of vacating. The costs are expected to be incurred on termination of the leases in a minimum of two years/maximum of 15 years.

Legal, contingent consideration and other

Novozymes is involved in a number of ongoing legal disputes, and provision is made for the estimated costs of these based on the current evaluation of the outcomes. The cases are expected to be finalized in 2014.

In Management's opinion, the outcome of these cases will not give rise to any significant loss beyond the amounts provided at December 31, 2013.

The contingent consideration relates to acquisitions, mainly made in 2013, and the majority is expected to be settled before the end of 2014.

In addition, other provisions covers a number of minor obligations, including liability for returned goods, other long-term employee benefits, etc. These obligations are mainly expected to be incurred over a longer period.

No provisions are discounted as discounting does not have any significant impact on the carrying amounts.

Accounting policies

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events and it is probable it will lead to an outflow of financial resources. Provisions are measured at the present value of the expected expenditure required to settle the obligation.

Critical accounting estimates and judgments

Management assesses the need for provisions on an ongoing basis. This

assessment takes account of the likelihood of Novozymes being obliged to expend financial resources and the amount at which the liabilities are expected to be settled. As these assessments are based on estimates of the future, they are subject to a high level of uncertainty and may give rise to changes in amounts in future accounting periods.

NOTE

4.4 Joint operations and associates

Joint operations

In 2012 Novozymes formed a strategic partnership (jointly controlled operation) with Beta Renewables S.p.A. The objective of the partnership is globally to market, demonstrate and guarantee cellulosic biofuel solutions based on technologies held by Beta Renewables S.p.A. and Novozymes. Both parties have equal controlling interests in the partnership. The partnership had no material impact on revenue and earnings in 2013 (2012: no material impact).

Further, Novozymes A/S has interests in jointly controlled operations with Novo Nordisk. These are homeowners' associations and related utility facilities in connection with the shared production sites in Kalundborg and Bagsvaerd, Denmark. The operations had no impact on revenue and earnings (2012: no impact). Novozymes A/S and Novo Nordisk share control of the arrangements equally.

Associates

Novozymes holds 9.95% of the shares in Beta Renewables S.p.A., with which Novozymes has formed a jointly controlled operation within cellulosic biofuel solutions. Situated in Crescentino, Italy, Beta Renewables S.p.A. has the first plant in the world to produce bioethanol from agricultural residues and energy crops at commercial scale using enzymatic conversion. The plant was officially opened in October 2013 and builds on the PROESA™ engineering and production technology, and the Novozymes Cellic® CTeC enzyme systems.

Accounting policies

Joint operations

The Group's holdings in joint operations are consolidated by including its interest in the joint operations' assets, liabilities, revenue and costs.

Associates

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in associates is initially recognized at cost, and the carrying amount is increased or decreased to recognize Novozymes' share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

Profits and losses resulting from transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investors' interests in the associates. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Critical accounting estimates and judgments

Although Novozymes holds less than 20% of the equity shares in Beta Renewables S.p.A., the Group exercises significant influence by virtue of its contractual right to appoint members of key management boards, and has the power to participate in Beta Renewables' financial and operating policy decisions. Consequently, this investment has been classified as an associate.

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.5 Business acquisitions

	2013 logen Bio-Products DKK million	2013 TJ Technologies Inc. DKK million
The assumed fair value of acquired assets and liabilities is as follows:		
Intangible assets	308	208
Property, plant and equipment	33	8
Inventories	42	25
Trade and other receivables	10	4
Cash and cash equivalents	-	27
Provisions	(3)	(5)
Financial and other liabilities	(7)	(86)
Acquired net assets	383	181
The purchase price is as follows:		
Cash	374	227
Contingent consideration	69	23
Total purchase price	443	250
Goodwill	60	69
Cash flow for acquisition:		
Cash payment	374	239
Less cash and cash equivalents in acquired business	-	(27)
Cash outflow for acquisition	374	212
	2012 Beta Renewables S.p.A. DKK million	2012 Natural Industries Inc. DKK million
The assumed fair value of acquired assets and liabilities is as follows:		
Intangible assets	224	90
Investment in associate	55	-
Trade and other receivables	104	6
Deferred tax asset	71	-
Financial and other liabilities	-	(37)
Acquired net assets	454	59
The purchase price is as follows:		
Cash	669	63
Contingent consideration	-	3
Total purchase price	669	66
Goodwill	215	7
Cash flow for acquisition:		
Cash payment	669	63
Less cash and cash equivalents in acquired business	-	-
Cash outflow for acquisition	669	63

NOTE

4.5 Business acquisitions

logen Bio-Products

On February 22, 2013, Novozymes acquired control of logen Bio-Products, an industrial enzyme business of Ottawa-based logen Corporation, through an asset deal. logen Bio-Products produces and sells enzymes for the pulp & paper, textile, grain-processing and animal feed industries, and the acquisition provides Novozymes with all the commercial rights to logen Bio-Products' existing product portfolio, pipeline, facilities and know-how, complementing the current enzyme business.

Goodwill of DKK 60 million is attributable to acquired customer relations, the distribution network and expected synergies with the existing enzyme business. The goodwill is tax-deductible. The purchase agreement includes a contingent consideration of up to DKK 69 million. The consideration is contingent on achievement of specified technology and market targets in 2013 and 2014. If the targets are not met, no extra consideration will be paid. The transaction cost amounts to DKK 8 million and is included in Administrative costs.

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

TJ Technologies Inc.

On June 28, 2013, Novozymes acquired 100% of the voting shares in TJ Technologies Inc. TJ Technologies Inc. provides North American farmers with biological solutions that enhance plant growth, increase stress tolerance and improve yields. Combining Novozymes' existing BioAg business with TJ Technologies' strong and proven portfolio, brands and regional market coverage will strengthen Novozymes' commercial position in important crop markets.

Goodwill of DKK 69 million is attributable to expected synergies in the existing BioAg business. The goodwill is not tax-deductible. The purchase agreement includes a contingent consideration of up to DKK 34 million. The consideration is contingent on achievement of a number of specific registrations and sales targets, and is recognized at the anticipated fair value at the acquisition date.

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

Beta Renewables S.p.A.

On November 5, 2012, Novozymes acquired 50% of the voting interests in a jointly controlled operation with Beta Renewables S.p.A., including an investment in 9.95% of the shares in Beta Renewables S.p.A. The purpose of the jointly controlled operation is to market, demonstrate and guarantee cellulosic biofuel solutions based on technologies held by Beta Renewables S.p.A. and Novozymes. The valuation of acquired intangible assets was finalized as per September 30, 2013. The final valuation has led to recognition of goodwill of DKK 215 million, intangible assets of DKK 224 million and a deferred tax asset of DKK 71 million (previously reported DKK 0 million, DKK 510 million and DKK 0 million respectively).

Natural Industries Inc.

On November 30, 2012, Novozymes bought 100% of the voting shares in Natural Industries Inc., which manufactures, markets and distributes unique biological control products based on proprietary microorganism technology. The company, which is located in the U.S., has established a nationwide distribution setup in the U.S. and is well positioned for further growth and to accelerate Novozymes BioAg's efforts in high-value markets.

Other transactions

Other minor acquisitions with a total purchase price of DKK 52 million were also made in 2013.

Accounting policies

On acquisition of companies, the identifiable assets acquired and the liabilities and contingent liabilities assumed are recognized at the fair values at the acquisition date. The consideration transferred includes the fair value at the acquisition date of any contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. If uncertainty exists at the acquisition date concerning the measurement of identifiable net assets acquired, initial recognition is based on provisional fair values.

Goodwill may subsequently be adjusted for changes in the fair value of the consideration transferred and/or changes in the fair value of the identifiable net assets acquired until 12 months after the acquisition date, to the extent such changes relate to facts and circumstances present at the acquisition date. Acquired companies are consolidated from the date of acquisition.

Critical accounting estimates and judgments

In business acquisitions for which the final valuations are pending, the acquired assets and liabilities are recognized at provisional fair values. Assumptions are used to determine the provisional fair values, and these values may differ significantly from the final valuation of the assets and liabilities, which are based on more complex and detailed assumptions and projections. Specific uncertainty exists regarding intangible assets including goodwill. Based on provisional fair values, intangible assets including goodwill recognized on December 31, 2013, amount to DKK 609 million.

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.6 Tax

	2013 DKK million	2012 DKK million
Tax payable on net profit	568	538
Change in deferred tax	109	62
Revaluation of deferred tax due to changes in corporation tax rate	(78)	-
Adjustment for previous years	(41)	(32)
Tax in the income statement	558	568

Calculation of effective tax rate:		
Corporation tax rate in Denmark	25.0%	25.0%
Non-deductible expenses, net	(1.3)%	0.5%
Difference in foreign tax rates	0.3%	(0.3)%
Revaluation of deferred tax due to changes in corporation tax rate	(2.8)%	-
Other adjustments	(1.0)%	(3.2)%
Effective tax rate	20.2%	22.0%

Deferred tax

	2013 DKK million	2012 DKK million
Deferred tax at January 1	(517)	(348)
Currency translation adjustments	(6)	(3)
Effect of business acquisitions	(8)	(35)
Tax related to the income statement	32	(65)
Tax on shareholders' equity items	(1)	(66)
Deferred tax at December 31	(500)	(517)
Deferred tax assets	456	224
Deferred tax liabilities	(956)	(741)
Deferred tax at December 31	(500)	(517)

	Deferred tax assets DKK million	Deferred tax liabilities DKK million	Total DKK million
Intangible assets and property, plant and equipment	203	(1,181)	(978)
Inventories	247	(113)	134
Tax-loss carry-forwards	3	-	3
Stock options	106	-	106
Other	286	(51)	235
	845	(1,345)	(500)
Offsetting items	(389)	389	-
Deferred tax at December 31, 2013	456	(956)	(500)

Due after more than 12 months (450)

Unrecognized share of tax-loss carry-forwards, tax credits, etc. (of which DKK 22 million expires in 2032) 47

Notes

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NOTE

4.6 Tax

	Deferred tax assets DKK million	Deferred tax liabilities DKK million	Total DKK million
Intangible assets and property, plant and equipment	88	(1,168)	(1,080)
Inventories	376	(129)	247
Tax-loss carry-forwards	25	-	25
Stock options	68	-	68
Other	223	-	223
	780	(1,297)	(517)
Offsetting items	(556)	556	-
Deferred tax at December 31, 2012	224	(741)	(517)
	B/S		
Due after more than 12 months			(435)
Unrecognized share of tax-loss carry-forwards, tax credits, etc. (of which DKK 52 million expires in 2032)	81		

Tax-loss carry-forwards are recognized in deferred tax assets to the extent that the losses are expected to be offset against future taxable profits.

Tax receivables and payables

	2013 DKK million	2012 DKK million
At January 1	(233)	(152)
Currency translation adjustments	1	2
Tax related to the income statement	(590)	(503)
Tax on shareholders' equity items	18	27
Tax paid for the current year, net	599	393
Tax receivables, net, at December 31	(205)	(233)
Tax receivables	151	138
Tax payables	(356)	(371)
Tax receivables, net, at December 31	(205)	(233)
	B/S	
Of which due after more than 12 months	(164)	(186)

Tax risk

Novozymes operates in many markets via sales companies and distributors, while production takes place in a small number of countries. This leads to transactions between Group companies. Novozymes follows the OECD principles in setting internal transfer prices for these transactions, but this is a complicated area and entails a tax risk, partly because the area is subject to political judgment in each individual country. Novozymes regularly enters into dialogue with the tax authorities to reduce this risk, and we have entered into advance pricing agreements with the tax authorities in the countries where internal transactions are most significant, such as the U.S. and China.

For Novozymes, such agreements create predictability in relation to taxation and reduce the risk of Novozymes becoming part of the ongoing transfer pricing debate around the world. A major part of internal transactions in the Group is covered by advance pricing agreements.

Notes

Basis of reporting Primary operations Working capital [Other assets and liabilities](#) Financial activities Other notes Environmental data Social data

NOTE

4.6 Tax

 Accounting policies

Corporation tax, comprising the current tax liability, change in deferred tax for the year and possible adjustments relating to previous years, is recognized in the income statement, except to the extent that it relates to items recognized either in Other comprehensive income or directly in Shareholders' equity. Deferred tax is measured using the balance-sheet liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities. No deferred tax is recognized for goodwill, unless amortization of goodwill for tax purposes is allowed. Deferred tax is measured and recognized to cover retaxation of losses in jointly taxed foreign subsidiaries if this is expected to be realized on the divestment of stock or when recapture of tax losses becomes applicable. The tax value of tax-loss carry-forwards is included in the calculation of deferred tax to the extent that the tax losses can be expected to be utilized in the future.

Deferred tax is measured according to current tax rules and at the tax rate expected to be in force on elimination of the temporary differences. Changes in deferred tax due to tax rate changes are recognized in the income statement, except to the extent that they relate to items recognized either in Other comprehensive income or directly in Shareholders' equity.

 Critical accounting estimates and judgments

The Group's tax charge is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows. The complexity of the Group's structure following its geographic expansion makes the degree of estimation and judgment more challenging. The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in the consolidated income statement and actual tax payments. The Group regularly enters into dialogue with the tax authorities to reduce this risk and has a major part of its internal transactions covered by advance pricing agreements.

NOTE

4.7 Assets held for sale

In December 2013 Novozymes signed an agreement with Monsanto Company with a view to the two companies combining their strengths within microbial solutions for global broad-acre crops, fruit and vegetables. The commercial responsibility for Novozymes' current product portfolio in agricultural biologicals will be transferred to Monsanto along with much of

the Novozymes commercial organization currently responsible for that work. Non-current assets related to Novozymes' current commercial organization that will be transferred to Monsanto are classified as assets held for sale. The transaction is expected to be completed in February 2014.

	2013 DKK million	2012 DKK million
Carrying amount of non-current assets held for sale:		
Goodwill	40	-
Trademarks and other commercial intangibles	100	-
Other equipment	4	-
Total	144	-

The amount of intangible assets is provisional as this includes assets acquired through business acquisitions in 2013 for which the final purchase price allocation is pending. The amount of goodwill to be disposed

of/transferred is based on preliminary assessments and valuations. The final amount is pending final valuations of the commercial BioAg activities transferred.

 Accounting policies

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable.

They are stated at the lower of carrying amount and fair value less costs to sell.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities [Financial activities](#) Other notes Environmental data Social data

NOTE

5.1 Financial income and Financial costs

		2013 DKK million	2012 DKK million
Interest income		5	13
Gains on derivatives, net		77	-
Fair value adjustments of stock options settled in cash		-	9
Financial income	I/S	82	22
Interest costs		66	80
Other financial costs		30	23
Share of loss in associate		8	3
Other foreign exchange losses, net		99	83
Fair value adjustments of stock options settled in cash		21	-
Capitalized interest costs at an interest rate of 3.8% p.a. in 2012		-	(6)
Financial costs	I/S	224	183
Financial income/costs, net		(142)	(161)

Accounting policies

Financial income and Financial costs comprise interest income and interest costs, realized and unrealized foreign exchange gains and losses, as well as fair value adjustment of cash-settled programs, which are offset against Other liabilities.

Financial income and Financial costs also include fair value adjustments of derivatives used to hedge assets and liabilities, and income and costs relating to cash flow hedges that are transferred from Other comprehensive income on realization of the hedged item.

NOTE

5.2 Other financial assets and liabilities

		2013 DKK million	2012 DKK million
Other financial assets			
Derivatives		87	45
Securities		14	-
Other financial assets at December 31		101	45
Non-current	B/S	14	-
Current	B/S	87	45

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities [Financial activities](#) Other notes Environmental data Social data

NOTE

5.2 Other financial assets and liabilities

		2013 DKK million	2012 DKK million
Other financial liabilities			
Credit institutions		1,788	1,944
Derivatives		31	70
Other		20	21
Other financial liabilities at December 31		1,839	2,035
<hr/>			
Non-current	B/S	1,738	1,749
Current	B/S	101	286
The debt is denominated in the following currencies:			
DKK		61	205
EUR		1,702	1,706
Other		25	33
Credit institutions at December 31		1,788	1,944

Debt to credit institutions runs to 2014-2029. The interest rates are between 1.0% and 5.2% for debt in DKK and EUR.

The interest rates on the variable loans will be adjusted in 2014.



Accounting policies

Unrealized fair value adjustments of derivatives and securities are recognized in Other comprehensive income. Value adjustments are transferred from Other comprehensive income to Financial income or Financial costs when realized.

Write-offs are recognized as Financial costs.

Other financial assets and liabilities are measured at amortized cost.

NOTE

5.3 Derivatives - hedge accounting

Fair value hedges

The table below shows the derivatives that the Group has contracted to hedge currency exposure on financial assets and liabilities that give rise to currency adjustments in the income statement. Gains or losses on fair value adjustments at year-end are entered in the income statement.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities [Financial activities](#) Other notes Environmental data Social data

NOTE

5.3 Derivatives - hedge accounting

DKK million	2013		2012	
	Contract amount based on agreed rates	Fair value Dec. 31	Contract amount based on agreed rates	Fair value Dec. 31
Forward exchange contracts				
AUD	-	-	(78)	(2)
CAD	(241)	(1)	2	-
CHF	(305)	-	(370)	1
EUR	-	-	52	-
GBP	(136)	1	(181)	(1)
JPY	69	1	73	2
MXN	10	-	13	-
SEK	-	-	(25)	1
USD	3,188	(8)	3,266	32
Fair value hedges at December 31	2,585	(7)	2,752	33

The forward exchange contracts fall due in the period April 2014 to December 2014 (2012: January 2013 to April 2013).

The fair value hedges were 100% effective, as the gain on forward exchange contracts was DKK 79 million (2012: DKK 65 million), compared with a gain on the hedged items of DKK 79 million (2012: DKK 65 million).

Cash flow hedges

The table below shows the derivatives that the Group has contracted to hedge currency exposure, interest rate exposure or price exposure in future cash flows. The total fair value adjustment at year-end is entered directly in Other comprehensive income and will be taken to the income statement as the financial contracts are realized.

DKK million	2013		2012	
	Contract amount based on agreed rates	Fair value Dec. 31	Contract amount based on agreed rates	Fair value Dec. 31
Forward exchange contracts (sales)				
EUR	-	-	926	(6)
USD	1,320	84	1,278	(12)
	1,320	84	2,204	(18)
Interest rate swaps				
EUR/EUR - pays fixed rate of 3.06% / earns variable rate of 0.33% (2012: 0.78%)	112	(6)	112	(9)
EUR/EUR - pays fixed rate of 3.58% / earns variable rate of 0.33% (2012: 0.78%)	112	(15)	112	(20)
	224	(21)	224	(29)
No electricity price agreement at year end - average payment of DKK 300/MWh in 2012	-	-	77	(11)
			77	(11)
Cash flow hedges at December 31	1,544	63	2,505	(58)

Forward exchange contracts fall due in the period January 2014 to December 2014 (2012: January 2013 to December 2013), while swaps fall due in the period July 2015 to July 2019 (2012: July 2015 to July 2019), and there are no electricity agreements at year-end (2012: January 2013 to December 2014).

At the end of 2013 the Group had hedged 76% of expected future cash flows in USD for 2014 (2012: 76%) and 0% of future cash flows in EUR for 2014 (2012: 42%).

Other information

The derivatives are not traded on an active market based on quoted prices, but are individual contracts. The fair value of the derivatives is determined using valuation techniques that utilize market-based data such as exchange rates, interest rates and electricity prices (level 2).

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities [Financial activities](#) Other notes Environmental data Social data

NOTE

5.3 Derivatives - hedge accounting

Accounting policies

Hedge accounting consists of positive and negative fair values of derivatives, which are itemized in the balance sheet under Other financial assets and Other financial liabilities respectively.

Derivatives used for fair value hedges are measured at fair value on the balance sheet date, and value adjustments are recognized as Financial income or Financial costs.

Derivatives used for cash flow hedges are measured at fair value on the balance sheet date, and value adjustments are recognized in Other comprehensive income.

Income and costs relating to cash flow hedges are transferred from Other comprehensive income on realization of the hedged item and are recognized as Financial income or Financial costs.

Derivatives are recognized on the settlement date, while other financial instruments are recognized on the transaction date.

NOTE

5.4 Financial risk factors

Novozymes' international operations mean that the income statement and balance sheet are exposed to a number of financial risk factors. Financial risks are managed centrally for the entire Group. The use of financial instruments is governed by the treasury policy approved by Novozymes' Board of Directors. The treasury policy is adjusted continuously to adapt to the market situation. The treasury policy contains rules on which financial instruments can be used for hedging, which counterparties can be used and the risk profile that is to be applied. Financial instruments are used to hedge existing assets, liabilities and future net cash flows.

Currency risk

Currency risk arises due to imbalances between income and costs in each individual currency and because Novozymes has more assets than liabilities in foreign currencies in connection with its many foreign companies.

Operating profit is most exposed to the USD, EUR and JPY. A movement of 5% in the USD would result in a change in operating profit of around DKK 70-90 million (2012: DKK 60-80 million). A 0.5% movement in the EUR would, other things being equal, result in a change in operating profit of around DKK 15-20 million (2012: DKK 15-20 million). A movement of 5% in the JPY would result in a change in operating profit of around DKK 5-10 million (2012: DKK 5-10 million).

Shareholders' equity is most exposed to the CNY, USD and CHF. A 5% movement in the CNY would, other things being equal, result in a change in Shareholders' equity of around DKK 103 million (2012: DKK 99 million), while a movement of 5% in the USD would result in a change in Shareholders' equity of around DKK 35 million (2012: DKK 27 million). A movement of 5% in the CHF would result in a change in Shareholders' equity of around DKK 28 million (2012: DKK 28 million).

Currency risk relating to net investments in foreign subsidiaries is hedged where this is deemed appropriate and is managed primarily by taking out loans and entering into swaps. Currently, there are no loans or currency swaps that are used to hedge equity investments.

Interest rate risk

Interest rate risk arises in relation to interest-bearing assets and liabilities. An increase of 1 percentage point in the average interest rate on Novozymes' net interest-bearing debt would have an effect on profit of DKK 5 million (2012: no effect). In accordance with Novozymes' treasury policy, a minimum of 30% of loans must be at fixed interest rates. At year-end 2013, 78% (2012: 77%) of the loan portfolio was at fixed interest rates, based on financial instruments.

According to Novozymes' treasury policy, free funds may only be invested in government bonds, ultra-liquid mortgage credit bonds and money market deposits.

Credit risk

Credit risk arises especially on cash and cash equivalents, derivatives and trade receivables. The credit risk on trade receivables is countered by thorough, regular analyses based on customer type, country and specific conditions. In general, customers are creditworthy.

The credit risk on cash and cash equivalents and derivatives is countered by Novozymes' treasury policy, which limits the exposure to counterparties based on a credit rating. The credit risk is calculated on the basis of net market values and is governed by the Group's treasury policy. Novozymes has entered into netting agreements (ISDA) with all the banks used for trading in financial instruments, which means that Novozymes' credit risk is limited to net assets. At December 31, 2013, the Group considered its maximum credit risk to be DKK 3,586 million (2012: DKK 2,889 million), which is the total of the Group's financial assets. At December 31, 2013, the maximum credit risk related to one counterparty was DKK 350 million (2012: DKK 211 million).

Liquidity risk

In connection with the Group's ongoing financing of operations, including refinancing risk, efforts are made to ensure adequate and flexible liquidity. This is guaranteed by placing deposits in cash and ultra-liquid negotiable instruments and using binding credit facilities.

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Basis of reporting Primary operations Working capital Other assets and liabilities [Financial activities](#) Other notes Environmental data Social data

NOTE

5.4 Financial risk factors

The table below shows the future net draw on liquidity based on the financial assets and financial liabilities at December 31, 2013. The table is broken down by payment periods, in accordance with the contractual due date.

	Note	2013 DKK million	Less than 1 year DKK million	Between 1 and 5 years DKK million	More than 5 years DKK million
Trade receivables	3.2	2,242	2,242	-	-
Deposits	3.3	17	-	17	-
Loans	3.3	72	72	-	-
Other receivables	3.3	151	121	30	-
Cash at bank and in hand		1,003	1,003	-	-
Loans and receivables		3,485	3,438	47	-
Derivatives	5.2	101	87	-	14
Hedge accounting (asset)		101	87	-	14
Credit institutions	5.2	(1,788)	(92)	(877)	(819)
Other financial liabilities	5.2	(20)	-	(20)	-
Trade payables		(976)	(976)	-	-
Other payables	3.4	(335)	(335)	-	-
Financial liabilities		(3,119)	(1,403)	(897)	(819)
Derivatives	5.2	(31)	(9)	(18)	(4)
Hedge accounting (liability)		(31)	(9)	(18)	(4)
			2,113	(868)	(809)

	Note	2012 DKK million	Less than 1 year DKK million	Between 1 and 5 years DKK million	More than 5 years DKK million
Trade receivables	3.2	2,080	2,080	-	-
Deposits	3.3	18	-	18	-
Loans	3.3	63	-	63	-
Other receivables	3.3	148	143	5	-
Cash at bank and in hand		535	535	-	-
Loans and receivables		2,844	2,758	86	-
Derivatives	5.2	45	45	-	-
Hedge accounting (asset)		45	45	-	-
Credit institutions	5.2	(1,944)	(243)	(504)	(1,197)
Other financial liabilities	5.2	(21)	-	-	(21)
Trade payables		(1,044)	(1,044)	-	-
Other payables	3.4	(452)	(452)	-	-
Financial liabilities		(3,461)	(1,739)	(504)	(1,218)
Derivatives	5.2	(70)	(43)	(21)	(6)
Hedge accounting (liability)		(70)	(43)	(21)	(6)
			1,021	(439)	(1,224)

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities [Other notes](#) Environmental data Social data

NOTE

6.1 Management remuneration

	2013			2012		
	Executive Leadership Team	Board of Directors	Total	Executive Leadership Team	Board of Directors	Total
	DKK million	DKK million	DKK million	DKK million	DKK million	DKK million
Salaries and other short-term benefits	35	6	41	33	6	39
Defined contribution plans	8	-	8	8	-	8
Remuneration excl. expensed stock-based incentive programs	43	6	49	41	6	47
Expensed stock-based incentive programs	35	-	35	44	-	44
Remuneration	78	6	84	85	6	91

Executive Leadership Team

Remuneration paid to individual members of the present Executive Leadership Team:

Remuneration	2013					Total DKK million
	Salary DKK million	Cash bonus DKK million	Contribution-based pension DKK million	Expensed stock-based incentive programs DKK million		
Peder Holk Nielsen*	6.1	2.2	2.2	6.1	16.6	
Benny D. Loft	3.9	1.3	1.2	5.4	11.8	
Per Falholt	3.9	1.1	1.2	5.4	11.6	
Andrew Fordyce**	2.7	0.9	0.9	1.6	6.1	
Thomas Videbæk	3.9	1.4	1.2	5.4	11.9	
Thomas Nagy	3.9	1.3	1.2	5.4	11.8	
Executive Leadership Team	24.4	8.2	7.9	29.3	69.8	

* Peder Holk Nielsen took over as CEO on April 1, 2013.

** Joined on April 1, 2013.

Executive Leadership Team

Remuneration to the Executive Leadership Team comprises a base salary, pension, a bonus scheme and stock-based incentive programs. The variable part of the total remuneration (cash bonus and stock-based programs) is relatively large compared with the base salary and is dependent on achievement of individual targets and the company's targets for financial, social and environmental results. The maximum cash bonus is equivalent to five months' fixed base salary. General guidelines for remuneration of the Executive Leadership Team are approved at the Annual Shareholders' Meeting, and more detailed information is available at www.novozymes.com.

Members of the Executive Leadership Team have contracts of employment containing standard conditions for executive officers of Danish listed companies, including the periods of notice that both parties are required to give and noncompetition clauses. If the executive officer's contract of employment is terminated by the company without there having been misconduct on the part of the executive officer, the executive officer has the right to compensation, which, depending on the circumstances, may amount to a maximum of two years' base salary and pension contributions.

Notes

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NOTE

6.1 Management remuneration

Board of Directors

Remuneration paid to individual members of the Board of Directors:

Remuneration	2013			2012		
	Board of Directors DKK '000	Audit Committee DKK '000	Total DKK '000	Board of Directors DKK '000	Audit Committee DKK '000	Total DKK '000
Henrik Gürtler	1,250	-	1,250	1,250	-	1,250
Kurt Anker Nielsen	833	417	1,250	833	417	1,250
Paul Petter Aas*	-	-	-	69	-	69
Søren Henrik Jepsen**	69	-	69	417	-	417
Lars Bo Køppler	417	-	417	417	-	417
Ulla Morin**	69	-	69	417	-	417
Lena Olving	417	208	625	417	208	625
Agnete Raaschou-Nielsen	417	208	625	417	208	625
Jørgen Buhl Rasmussen	417	-	417	417	-	417
Mathias Uhlén	417	-	417	417	-	417
Lena Bech Holskov***	347	-	347	-	-	-
Anders Hentze Knudsen***	347	-	347	-	-	-
Remuneration	5,000	833	5,833	5,071	833	5,904

* Resigned on February 29, 2012.

** Resigned on February 28, 2013.

*** Joined on February 28, 2013.

Directors' remuneration does not include minor social security contributions paid by Novozymes.

Holdings of equity instruments

The following members of the Board of Directors and Executive Leadership Team hold shares of stock and stock options in Novozymes A/S:

Shares of stock	Shares of stock at Jan. 1, 2013	Purchased during the year	Sold during the year	Shares of stock at Dec. 31, 2013	Market value DKK million
Kurt Anker Nielsen	49,845	-	-	49,845	11.4
Agnete Raaschou-Nielsen	430	-	-	430	0.1
Lena Bech Holskov	270	-	-	270	0.1
Board of Directors	50,545	-	-	50,545	11.6
Benny D. Loft	2,260	-	-	2,260	0.5
Executive Leadership Team	2,260	-	-	2,260	0.5

Notes

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NOTE

6.1 Management remuneration

Stock options including stock awards	Options and awards at Jan. 1, 2013	Additions during the year	Exercised during the year	Options and awards at Dec. 31, 2013	Market value DKK million
Peder Holk Nielsen	121,215	-	-	121,215	16.7
Benny D. Loft	121,215	-	60,000	61,215	8.4
Per Falholt	245,435	-	124,220	121,215	16.7
Andrew Fordyce*	37,542	5,293	-	42,835	6.2
Thomas Videbæk	118,295	-	118,295	-	-
Thomas Nagy	143,565	-	83,565	60,000	8.3
Executive Leadership Team	787,267	5,293	386,080	406,480	56.3

* Joined on April 1, 2013.

Members of the Board of Directors do not hold stock options. However, employee-elected board members hold a limited number of stock options in Novozymes A/S due to Group-wide employee stock option programs.

For further information on stock-based payment, refer to Note 6.2.

NOTE

6.2 Stock-based payment

Novozymes has established stock-based incentive programs for the Executive Leadership Team, key employees and other employees. The purpose of the stock-based incentive programs has been to ensure common goals for Management, employees and shareholders. Allocation of all programs has been, and remains, dependent on profit, value-creation and sustainability targets being achieved. At the time of granting stock options, there is no difference between exercise price and share price.

In 2011 a stock award program comprising a total of 699,300 stock awards was established for the Executive Leadership Team. The program was a three-year stock-based program and covered the period 2011-2013, with shares released in January 2014. The number of total stock awards was based on expected economic profit and dividend. The fair value at grant date was DKK 108 million, which has been expensed over the three-year period. The accumulated economic profit generated in the three year period is DKK 3,818 million, and thereby exceeds the target of DKK 3,750 million. A total number of 722,651 shares will be released in January 2014, as shares purchased from dividends from the 699,300 shares during the three year period are included.

In 2011 Novozymes established a stock-based incentive program for key employees (grades of vice president and director) covering the period 2011-2013, with restricted shares or options expected to be offered each year. In 2013 a total of 1,154,609 stock options (2012: 204,350 stock awards) were granted based on this program. The program was based on fulfillment of specified financial and sustainability targets. The stock options granted in 2013 will be released in January 2017 (2012: January 2016).

For the period 2003-2012 stock option programs were established for all or selected groups of employees conferring the right to purchase one share per stock option. Allocations were made on the basis of the individual employee's base salary and achievement of a series of business targets – both financial and nonfinancial – set by the Board of Directors for each year. The stock options have a vesting period of four years, followed by an exercise period of five years. In order to exercise the options, the employee must still be employed on the exercise date. This does not apply to persons who have retired, taken a voluntary early retirement pension or been given notice.

The number of outstanding options (excl. stock awards) has developed as follows:

	2013		2012	
	Number of options	Avg. exercise price per option in DKK	Number of options	Avg. exercise price per option in DKK
Outstanding at January 1	6,756,311	86	9,290,020	80
Granted	1,258,122	186	32,871	132
Exercised	(2,056,364)	84	(2,435,985)	65
Forfeited	(110,000)	104	(35,045)	92
Expired	(2,930)	92	(95,550)	40
Outstanding at December 31	5,845,139	108	6,756,311	86

Notes

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NOTE

6.2 Stock-based payment

The weighted average share price at the time of exercise was DKK 193 in 2013 (2012: DKK 163). Of the 5,845,139 outstanding options (2012:

6,756,311), 4,540,966 options were exercisable (2012: 4,463,805), and the weighted average price for these options is DKK 86 (2012: DKK 84).

The stock options outstanding have the following characteristics:

	2013			2012		
	Number of options	Avg. exercise price per option	Remaining term to maturity (years)	Number of options	Avg. exercise price per option	Remaining term to maturity (years)
Employees	1,221,314	87	3	1,825,781	87	4
Key employees	4,221,947	116	5	3,470,695	86	4
Executive Leadership Team	401,878	89	4	1,459,835	87	3
Outstanding at December 31	5,845,139	108	4	6,756,311	86	4

For stock options outstanding at December 31, the range of exercise prices is DKK 69-209 per option (2012: DKK 69-165 per option).

Fair value of services received is measured by reference to the fair value of the equity instruments granted. All values are measured on the basis of the Black-Scholes model. The weighted average fair value of options granted during 2013 was DKK 53 per option (2012: DKK 19 per option). The fair

value of stock awards granted during 2013 was DKK 67 million (2012: DKK 31 million), to be expensed over the four-year period.

Fair value at grant date is measured using the average exercise price (which is 0 for stock awards), the option term and the following significant assumptions:

	2013	2012
Expected future dividend per share, DKK	9.3	7.9
Volatility, %	23.2	21.9
Annual risk-free interest rate, %	0.5	0.6
Weighted average share price at grant date, DKK	186	163

Further, the options are expected to be exercised one year after the vesting period or at the option's expiry date if this is within one year. Volatility is estimated using the historical volatility over the last year. The risk-free interest rate is based on Danish government bonds with a maturity equivalent to the option's term to maturity.

Most programs are equity-settled, and no liability is recognized for these. In the case of allocations in countries where ownership of foreign stock is not

permitted, the value of stock options is settled in cash, and a liability of DKK 29 million has been recognized for this in 2013 (2012: DKK 27 million). The intrinsic value of exercisable cash-settled programs in 2013 was DKK 27 million (2012: DKK 16 million).

During 2013, DKK 55 million arising from stock-based payment has been recognized in the income statement (2012: DKK 99 million), of which DKK 55 million arises from equity-settled programs (2012: DKK 69 million).

Accounting policies

The Group has established stock-based incentive programs comprising equity-settled and cash-settled programs.

The fair value of the employee services received in exchange for the grant of stock options and stock awards is calculated using the value of the granted stock options and stock awards.

The fair value of stock-based payment on the grant date is recognized as an employee cost over the period in which the stock options are vested. In measuring the fair value, account is taken of the number of employees

expected to gain entitlement to the options as well as the number of options the employees are expected to gain. This estimate is adjusted at the end of each period such that only the number of options to which employees are entitled, or expected to be entitled, is recognized.

The value of equity-settled programs is recognized in Shareholders' equity. The value of cash-settled programs, which are recognized as Other liabilities, is adjusted to fair value at the end of each period, and the subsequent adjustment in fair value is recognized in the income statement under Financial income or Financial costs.

Notes

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NOTE

6.3 Commitments and contingencies

	2013 DKK million	2012 DKK million
Rental commitments expiring within the following periods from the balance sheet date:		
Less than 1 year	111	74
Between 1 and 2 years	41	43
Between 2 and 3 years	32	37
Between 3 and 4 years	26	31
Between 4 and 5 years	22	23
After 5 years	85	96
Rental commitments at December 31	317	304

Of which commitments to related companies at December 31, 2013, amount to DKK 39 million, compared with DKK 22 million at December 31, 2012.

The above rental commitments relate to noncancelable operating lease contracts, primarily for buildings and offices.

	Dec. 31, 2013 DKK million	Dec. 31, 2012 DKK million
The following amount has been recognized in the consolidated income statement in respect of rentals	83	95
Other commitments		
Contractual obligations to third parties relating to capital expenditure, etc.	88	157
Other guarantees		
Other guarantees and commitments to related companies	68	125
Other guarantees and commitments	640	524

Pending litigation and arbitration

Novozymes is a party to a patent lawsuit in which Novozymes claims that Danisco A/S, Genencor Int'l Wisconsin, Inc., Danisco US Inc. and Danisco USA Inc. (DuPont companies) have infringed Novozymes' U.S. Patent No. 7,713,723. In 2011 a jury in the US District Court for the Western District of Wisconsin found Novozymes' US Patent No. 7,713,723 valid and infringed by Danisco and ordered Danisco to pay damages. On May 5, 2012, the judge in the US District Court for the Western District of Wisconsin overturned the jury's verdict. In 2013 the US Court of Appeals for the Federal Circuit affirmed the ruling of the judge in the US District Court. The case remains under appeal.

In addition, Novozymes is engaged in certain other legal proceedings but, in the opinion of the Board of Directors and Executive Leadership Team, settlement or continuation of these proceedings will not have a material effect on the Group's financial position. A liability has been recognized under Provisions where the risk of a loss on a legal proceeding is considered more likely than not.

Contract conditions

Several of the partnership contracts to which Novozymes is a party could be terminated by the opposite party in the event of significant changes concerning ownership or control of Novozymes. Furthermore, a few contracts contain provisions that restrict Novozymes' licenses to use specific forms of technology in such situations.

Novozymes is committed to increase its production capacity in Latin America if a specific customer meets certain milestones. The amount required to meet this commitment cannot be estimated reliably for the moment.

Joint taxation

Novozymes A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Novo A/S Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

Notes

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NOTE

6.4 Related party transactions

Novozymes A/S is controlled by Novo A/S, which holds 70.1% of the votes in Novozymes A/S. The remaining stock is widely held. The ultimate parent of the Group is the Novo Nordisk Foundation (incorporated in Denmark). Both entities and the directors of these entities are considered related parties. Other related parties are considered to be the Novo Nordisk Foundation's subsidiaries, that is the Novo and Novo Nordisk Groups, associated companies, the Chr. Hansen Group and the Board of Directors and Executive

Leadership Team of Novozymes A/S, together with their immediate families. Related parties also include companies where the above persons have control or joint control.

All agreements relating to these transactions are based on market price (arm's length). The majority of the agreements are renegotiated regularly. The Group has had the following transactions with related parties:

	2013 DKK million	2012 DKK million
The Novo Nordisk Group		
- Sale of goods and materials	32	2
- Sale of services	77	90
- Purchase of goods and materials	(82)	(80)
- Purchase of services	(132)	(175)
The Chr. Hansen Group		
- Sale of goods and materials	14	10

There have not been any material transactions with the Novo Nordisk Foundation or with Management of Novozymes A/S, Novo A/S, the Novo Nordisk Foundation or the Novo Nordisk Group, other than normal

remuneration. The remuneration of the Board of Directors and Executive Leadership Team is presented in Note 6.1.

	2013 DKK million	2012 DKK million
The Novo Nordisk Group		
- Receivables	56	52
- Financial liabilities	(19)	(21)
- Payables	(133)	(133)
The Chr. Hansen Group		
- Receivables	2	3

NOTE

6.5 Fees to statutory auditor

	2013 DKK million	2012 DKK million
Statutory audit	8	8
Other assurance engagements	-	-
Tax advisory services	7	6
Other services	3	3
Fees to statutory auditor	18	17

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities [Other notes](#) Environmental data Social data

NOTE

6.6 Common stock

	2013		2012	
	No.	Nominal value DKK million	No.	Nominal value DKK million
Common stock				
A common stock (shares of DKK 2)	53,743,600	107	53,743,600	107
B common stock (shares of DKK 2)	265,956,400	532	271,256,400	543
Common stock at December 31 <small>B/S</small>	319,700,000	639	325,000,000	650

Each A share gives an entitlement to 20 votes, while each B share gives an entitlement to 2 votes.

Each year the Board of Directors assesses whether the ownership structure

with A and B common stock is optimal. The Board of Directors maintains that this is the best way to safeguard Novozymes' long-term development and thus to benefit the company's shareholders and other stakeholders.

	2013 No.	2012 No.
Shares of common stock in circulation		
Shares of stock at January 1	312,225,366	315,084,570
Purchase of treasury stock	-	(5,247,588)
Sale of treasury stock	1,975,158	2,388,384
Shares of common stock in circulation at December 31	314,200,524	312,225,366

	2013			2012		
	No.	Nominal value DKK million	%	No.	Nominal value DKK million	%
Treasury stock - B stock						
Shares of stock at January 1	12,774,634	26	3.9%	9,915,430	20	3.1%
Additions during the year	-	-	-	5,247,588	10	1.6%
Disposals during the year	(1,975,158)	(4)	(0.6%)	(2,388,384)	(4)	(0.8%)
Write-down of common stock	(5,300,000)	(11)	(1.6%)	-	-	-
Treasury stock at December 31	5,499,476	11	1.7%	12,774,634	26	3.9%

Accounting policies

The cost price and proceeds from the sale of treasury stock are recognized in Retained earnings. Among other things, the company's holding of treasury stock is used to hedge employees' exercise of granted stock awards and stock options.

NOTE

6.7 Earnings per share

	2013 DKK million	2012 DKK million
Profit used to calculate earnings per share <small>I/S</small>	2,200	2,015
Average number of shares		
Average shares of stock	313,757,042	313,981,216
Adjustment for stock options	3,651,444	4,299,368
Average number of diluted shares	317,408,486	318,280,584

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NOTE

6.7 Earnings per share

 Accounting policies

Basic earnings per share is calculated as net profit attributable to shareholders in Novozymes A/S divided by the average number of shares outstanding.

Diluted earnings per share is calculated as net profit attributable to shareholders in Novozymes A/S divided by the average number of shares outstanding, including the dilutive effect of stock options "in the money."

NOTE

6.8 Cash flow

	Note	2013 DKK million	2012 DKK million
Non-cash items			
Accrued interest income and interest costs		62	61
(Gain)/loss on financial assets, etc., net		21	(9)
Depreciation, amortization and impairment losses		738	703
Allowances for doubtful trade receivables		16	2
Financial gain/loss on sale of assets		(2)	4
Unrealized foreign exchange gain		160	(49)
Tax		558	568
Stock-based payment		55	74
Change in provisions		(49)	(17)
Other items		6	-
Non-cash items		1,565	1,337
Cash flow from acquisitions			
Acquisition of Natural Industries Inc.	4.5	-	63
Investment in Beta Renewables S.p.A. and jointly controlled operation	4.5	-	669
Acquisition of Iogen Bio-Products	4.5	374	-
Acquisition of TJ Technologies Inc.	4.5	212	-
Other acquisitions and purchase of financial assets		54	-
Cash flow from acquisitions		640	732
Cash and cash equivalents			
Cash at bank and in hand	B/S	1,003	535
Credit institutions - on demand		(61)	(205)
Cash and cash equivalents at December 31		942	330

 Accounting policies

The Consolidated statement of cash flows, which is compiled using the indirect method, shows cash flows from operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities comprises net profit adjusted for non-cash items, paid financial items, corporate income tax paid and change in working capital. Cash flow from investing activities comprises payments relating to the acquisition and sale of companies and non-controlling interests, intangible assets, and property, plant and equipment.

Cash flow from financing activities comprises proceeds from borrowings, repayment of principal on interest-bearing debt, payment of dividends, proceeds from stock issues, and the purchase and sale of treasury stock and other securities.

Cash and cash equivalents comprises cash at bank and in hand less current bank loans due on demand.

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NOTE

6.9 Group companies

	Country	Activity		Issued common stock/paid-up stock	Percentage of shares owned
Parent company					
Novozymes A/S	Denmark			DKK 639,400,000	
Subsidiaries					
Novozymes Biologicals Argentina S.A.	Argentina	●		ARS 12,000	100
Novozymes BioAg S.A.	Argentina	□ ● ▲		ARS 700,000	100
Novozymes Australia Pty. Ltd.	Australia	●		AUD 500,000	100
Novozymes Belgium BVBA	Belgium	●		EUR 18,600	100
Novozymes Latin America Ltda.	Brazil	■ □ ●		BRL 23,601,908	100
Novozymes BioAg Productos Para Agricultura Ltda.	Brazil	□ ●		BRL 7,454,860	100
Novozymes Biologicals Brasil Participações Ltda.	Brazil		○	BRL 8,640,000	100
Novozymes BioAg Limited	Canada	□ ● ▲		CAD 4,079,799	100
Novozymes Canada Limited	Canada	□ ● ▲		CAD 100	100
Novozymes (China) Biotechnology Co. Ltd.	China	■ □ ●		CNY 859,058,400	100
Novozymes (China) Investment Co. Ltd.	China	● ▲		CNY 816,449,373	100
Novozymes (Shenyang) Biologicals Co. Ltd.	China	□ ●		CNY 31,793,578	100
Suzhou Hongda Enzyme Co. Ltd.	China	■ □ ●		CNY 356,744,150	96
Novozymes (China) Biopharma Co. Ltd.	China	□ ●		CNY 327,242,564	100
Novozymes Adenium Biotech A/S	Denmark		○	DKK 600,000	100
Novozymes Bioindustrial A/S	Denmark		○	DKK 1,100,000	100
Novozymes Bioindustrial China A/S	Denmark		○	DKK 729,700,000	100
Novozymes Biopharma DK A/S	Denmark	● ▲	○	DKK 612,000	100
Novozymes BioAg A/S	Denmark		○	DKK 600,000	100
Novozymes Bioindustrial Holding A/S	Denmark		○	DKK 500,000	100
Novozymes Biologicals France S.A.S.	France	●		EUR 650,000	100
Novozymes France S.A.S.	France	●		EUR 45,735	100
Novozymes Deutschland GmbH	Germany	●		EUR 255,646	100
Novozymes Hong Kong Ltd.	Hong Kong		○	HKD 768,285,140	100
Novozymes Biopharma Hong Kong Co. Ltd.	Hong Kong		○	HKD 551,386,045	100
Novozymes South Asia Pvt. Ltd.	India	□ ● ▲		INR 1,550,000,020	100
Novozymes Italia S.r.l.	Italy	●		EUR 10,400	100
Novozymes Japan Ltd.	Japan	● ▲		JPY 300,000,000	100
Novozymes Malaysia Sdn. Bhd.	Malaysia	●		MYR 6,666,414	100
Novozymes Mexicana, S.A. de C.V.	Mexico	●		MXN 338,100	100
Novozymes Mexico, S.A. de C.V.	Mexico	●		MXN 35,224,200	100
Novozymes Netherlands BVBA	Netherlands	●		EUR 18,000	100
Novozymes RUS LLC	Russia	●		RUB 10,000	100
Novozymes Singapore Pte. Ltd.	Singapore		○	SGD 59,071,000	100
Novozymes South Africa (Pty) Ltd.	South Africa	●		ZAR 100	100
Novozymes Korea Limited	South Korea	●		KRW 300,000,000	100
Novozymes Spain S.A.	Spain	●		EUR 360,607	100
Novozymes Biopharma Sweden AB	Sweden		○	SEK 28,001,000	100

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NOTE

6.9 Group companies

	Country	Activity				Issued common stock/paid-up stock	Percentage of shares owned
Novozymes Switzerland AG	Switzerland		●			CHF 5,000,000	100
Novozymes Switzerland Holding AG	Switzerland				○	CHF 3,000,000	100
Novozymes Enzim Dis Ticaret Ltd. Sirketi	Turkey		●			TRY 21,000	100
Novozymes Biopharma UK Ltd.	UK	□	●	▲		GBP 22,535,113	100
Novozymes UK Ltd.	UK		●			GBP 1,000,000	100
Novozymes BioAg, Inc.	USA	□	●	▲		USD 1	100
Novozymes Biologicals, Inc.	USA	□	●	▲		USD 3,000,000	100
Novozymes Biologicals, Ltd.	USA		●			USD 10,000	100
Novozymes Biopharma US, Inc.	USA		●			USD 1	100
Novozymes Blair, Inc.	USA	□				USD 1	100
Novozymes, Inc.	USA			▲		USD 1,000	100
Novozymes North America, Inc.	USA	■	□	●	▲	USD 17,500,000	100
Novozymes US, Inc.	USA				○	USD 115,387,497	100
Joint operations/associates							
Houseowners' Association Smørmosen	Denmark						
Houseowners' Association Hallas Park	Denmark						
Beta Renewables S.p.A.	Italy					EUR	9.95

■ ISO 14001-certified sites. All major companies are also ISO 9001-certified.

□ Production

● Sales & Marketing

▲ Research & Development

○ Holding companies, etc.

Notes

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NOTE

7.1 Consumption of resources

The large-scale production of our products requires raw materials, utilities and packaging materials. Acquisition and subsequent disposal of such resources can impact the environment and is therefore important for Novozymes to monitor.

Efficient use and disposal of resources are key to Novozymes in order to both reduce costs and improve its environmental footprint. Measures used to track developments in this area are illustrated in Notes 7.3-7.5.

	2013	2012
	1,000 m ³	1,000 m ³
Water by primary source		
Drinking water	4,464	3,949
Industrial water	2,037	2,182
Steam	306	315
Water, total	6,807	6,446

CSR

	2013	2012
	1,000 GJ	1,000 GJ
Energy by primary source		
Town gas	151	66
Diesel oil	-	1
Gas oil	-	21
Heavy fuel oil	-	78
Natural gas	588	557
Internally generated energy, total	739	723
District heat	175	171
Electricity	2,421	2,363
Steam	861	821
Energy from waste	(22)	-
Externally purchased energy, total	3,435	3,355
Energy consumption, total	4,174	4,078

CSR

Accounting policies

Water includes drinking water, industrial water and externally supplied steam.

Drinking water is water of drinking water quality.

Industrial water is water that is not of drinking water quality, but which is suitable for certain industrial processes, for example for use in cooling towers. Industrial water can come from lakes or from own wells.

The reported quantities are stated on the basis of the metered intake of water to Novozymes and include quantities consumed both in the production process and in other areas. The reported quantities of steam are converted to volume of running water and are therefore subject to calculation.

The energy consumption includes quantities consumed both in the production process and in other areas.

Internally generated energy is measured as fuel consumption converted to energy on the basis of the lower combustion value and weight by volume, except in the U.S., where legal requirements for reporting of CO₂ state that the higher combustion value is to be applied.

Fuel consumption comprises all types of fuels used to produce electricity, heat and steam on site. Fuel consumption does not include fuel for transportation.

Externally generated energy is the input to Novozymes of externally generated electricity, heat and steam, less energy production from Novozymes' waste. Energy produced from waste or wastewater is the total amount of energy (heat, electricity or steam) produced by an internal or external utility provider. Energy produced from waste or wastewater is renewable. Examples are energy produced from biomass waste or biogas. Reported quantities are based on meter readings, with the exception of steam, which may be subject to calculation.

Raw materials comprises materials used directly or indirectly in the production process. Packaging comprises all products made of any material of any nature to be used for the containment, protection, handling, delivery and preservation of goods from the producer to the user or consumer.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities Other notes [Environmental data](#) Social data

NOTE

7.2 Efficiency improvement compared with 2005

A key factor for Novozymes' success is its ability to continuously optimize its production processes. The resulting savings in water and energy consumption and CO₂ emissions not only benefit the environment but also have a significant effect on production costs.

Accounting policies

The three efficiency improvement indicators (for water, energy and CO₂) measure the weighted sum of the efficiency improvement for Novozymes' production plants. The efficiency improvement is calculated as the relative improvement in efficiency compared with the efficiency calculated for the base year (2005).

The water, energy and CO₂ quantities used in the calculation correspond to those reported as water consumption, energy consumption and CO₂ emissions, less energy produced from Novozymes' biomass waste by a utility provider.

For sites acquired in 2005 or later, the baseline index is calculated based on the data reported in the first full year of operating as a Novozymes site. Divested sites are removed from the index for the full period. Newly constructed sites are included the first quarter after qualification. Transport-related CO₂ emissions are not included in the index.

NOTE

7.3 Wastewater volume by treatment method

Wastewater from Novozymes' production is treated internally or externally in biological wastewater treatment systems before it is discharged to the recipient, or used as water for irrigation in agriculture.

	2013 1,000 m ³	2012 1,000 m ³
Wastewater used for irrigation	430	541
Wastewater discharged	4,223	3,835
Wastewater volume, total	4,653	4,376

Accounting policies

Wastewater is measured as the volume discharged by Novozymes or calculated on the basis of water consumption.

NOTE

7.4 Biomass volume by product

Biomass is liquid waste from Novozymes' production that is rich in nitrogen and phosphorus and can therefore be used as fertilizer. Instead of disposing of this biomass as waste, a major part of it is turned into a product, NovoGro®, and distributed to farmers, who use it as organic agricultural fertilizer in the fields, thus reducing their need for commercial fertilizers.

When part of the by-products from production is reused by farmers, the quantity of by-products that needs to be handled as waste is accordingly reduced. This reduces not only the costs associated with waste treatment, but also the negative impact on the environment.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities Other notes [Environmental data](#) Social data

NOTE

7.4 Biomass volume by product

	2013 1,000 m ³	2012 1,000 m ³
Volume, NovoGro®	321	333
Volume, NovoGro® 30	140	145
Volume, compost	77	73
Volume to landfill	8	2
Biomass, total	546	553

Accounting policies

Biomass is measured or calculated on the basis of volume or weight produced and transported from Novozymes as liquid fertilizer (NovoGro®), converted to a fertilizer product with a higher dry matter content (NovoGro® 30 or compost) or dried and used as fuel for energy production. Biomass from a newly built plant is sent to landfill with energy production (biogas) as a temporary disposal method.

NOTE

7.5 Waste volume by type and disposal method

	2013 Tons	2012 Tons
Nonhazardous waste		
Incineration	1,017	1,577
Landfill	4,454	4,188
Recycling	3,638	3,788
Other	228	161
Nonhazardous waste, total	9,337	9,714
Hazardous waste		
Incineration	1,174	864
Landfill	120	211
Recycling	863	1,004
Other	176	119
Hazardous waste, total	2,333	2,198
Waste, total	11,670	11,912

Biomass sent for landfill was previously reported as waste. In 2013 this quantity was reported as biomass, and comparative data for 2012 have therefore been adjusted accordingly.

Accounting policies

Waste is the registered volume of waste broken down into hazardous and nonhazardous waste and by disposal method. The amount recycled is the quantity recycled internally or sent to an external service provider for recycling. Biomass is not included in the reported amounts of waste.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities Other notes [Environmental data](#) Social data

NOTE

7.6 CO₂-equivalent emissions by scope and source

The reported CO₂ emissions are broken down by scope and source. In accordance with the definition used in the Greenhouse Gas (GHG) Protocol, emissions are defined by scope:

Scope 1: All direct GHG emissions.

Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam.

Scope 3: Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, etc.

The reported scope 3 emissions comprise emissions from transport of goods from the primary production site to the customer and from transport between sites. The emission of other greenhouse gases, such as HCFCs, is converted into a CO₂-equivalent quantity.

	2013 1,000 tons	2012 1,000 tons
Town gas	9	4
Gas oil	-	2
Heavy fuel oil	-	6
Natural gas	31	29
CO₂ - scope 1	40	41
District heat	9	9
Electricity	269	239
Steam	68	71
Energy from waste	(3)	-
CO₂ - scope 2	343	319
Ship	4	5
Truck	11	9
Air freight	7	5
CO₂ - scope 3	22	19
CO₂ emissions, total	405	379
CO ₂ -equivalent emissions:		
HCFCs	1	2
CO₂-equivalents, total	406	381

Accounting policies

Reported CO₂ emissions are calculated on the basis of internally and externally generated energy, and outbound transport of products.

CO₂ from internally generated energy (scope 1) is calculated on the basis of the amount of fuel consumed, using local emission factors.

CO₂ from externally generated energy (scope 2) is calculated using annually determined local emission factors from power plants or their organizations.

If emission factors are not available, annually determined emission factors from Danish authorities and suppliers are used.

Transport-related CO₂ emissions (scope 3) are calculated on the basis of

principles described in the GHG Protocol. Reported quantities comprise CO₂ emissions related to transport from all primary enzyme production sites to the customer where Novozymes pays for the freight. Transport between production sites is also included. Transport of raw materials to a production site is not included. CO₂ emissions generated at external warehouses are not included.

Emission data are calculated on the basis of distance and emission factors from the GHG Protocol.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities Other notes [Environmental data](#) Social data

NOTE

7.7 Emissions of ozone layer-depleting substances

This note specifies the volume in kilograms of the emitted substances before conversion to CFC₁₁-equivalent emissions.

	2013 Kg	2012 Kg
CFCs	-	-
HCFCs	475	880
Total	475	880

Accounting policies

Emissions to air of ozone layer-depleting substances comprise consumption of CFCs, HCFCs and halons.

The environmental impact potentials for global warming and ozone layer depletion are calculated on the basis of data published by the U.S. Environmental Protection Agency (EPA) and the Montreal Protocol published by the United Nations Environment Programme (UNEP).

NOTE

7.8 Environmental compliance, etc.

It is important for Novozymes to act as a good corporate citizen. These three measures cover both legal requirements and moral obligations, and together they are key to ensuring that Novozymes maintains its license to operate.

Accounting policies

Breaches of environmental regulatory limits is measured as the number of incidents in the reporting year considered not to be in conformity to environmental permits or requirements under environmental law.

Breaches related to annual control measurements of spills reported in previous years are not included, as they are not indicative of performance during the reporting year.

Significant spills is measured as the number of spills of chemicals, oil, etc. into water, air or soil and includes both on-site and transport-related spills.

Significance is assessed both on the basis of extent of the spill and impact on the environment.

Minor spills not considered to have an impact on the environment are not included in this figure.

Neighbor complaints is the number of registered environmental complaints, primarily odor- and noise-related.

NOTE

7.9 Animals for testing

Novozyymes' objective is to stop using animals for experimental purposes. However, we realize that at present not all tests can be replaced by acceptable alternatives.

Novozyymes uses laboratory animals for safety testing, antibody production and research where no acceptable alternative methods exist.

Ethical considerations and animal welfare are given a high priority at Novozymes and severe suffering is never accepted. As an integral part of our approach to animal testing, we are constantly looking for new ways to replace, reduce and refine the use of animals for testing.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities Other notes [Environmental data](#) Social data

NOTE

7.9 Animals for testing

	2013	2012
	No.	No.
Mice	842	87
Rats	973	949
Guinea pigs	30	-
Rabbits	107	32
Minipigs	8	-
Goats	4	4
Fish	151	-
Monkeys	8	-
Broilers	542	168
Total	2,665	1,240

 Accounting policies

Animals for testing covers the number of animals used for all commenced internal and external testing undertaken for Novozymes. The figures include animals for testing used both by Novozymes and by external test companies during tests ordered by Novozymes.

NOTE

7.10 Climate change impact

With its products, Novozymes has a unique ability to facilitate CO₂ savings for its customers, whether as a consequence of improved production processes or performance of the customer's product. An example of this is detergents optimized for washing at low temperatures that help save energy. The total annual reduction of CO₂ emissions through the application of Novozymes' products is comparable to those of a small country.

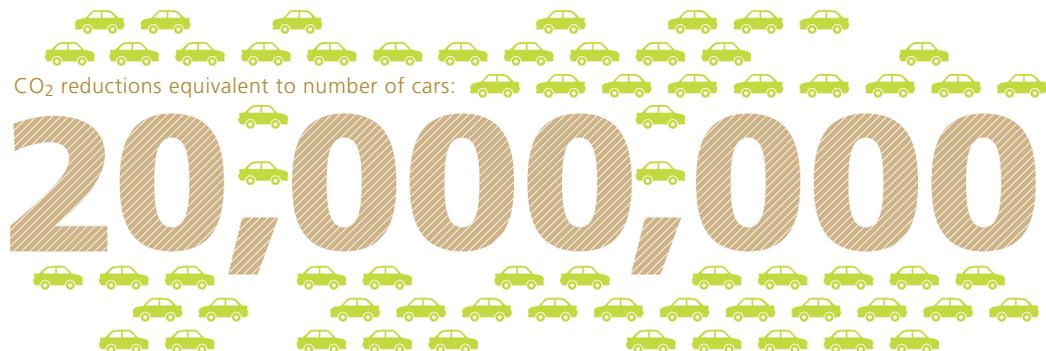
Accounting policies

The estimated reduction in CO₂ emissions as a consequence of customers' application of Novozymes' products is based on annually updated life cycle assessments (LCAs) of Novozymes' products. The LCAs are prepared and updated by Novozymes and subject to assumptions and estimates.

Critical accounting estimates and judgments

Novozymes uses LCAs to estimate the CO₂ emissions that customers avoid when they use Novozymes products in their processes or products. A calculation methodology to consolidate the LCAs has been defined and consistently applied, but the individual LCAs depend on assumptions and estimates, which means that the result of the calculation will be an approximation.

In 2013, customers reduced their CO₂ emissions by 52 million tons through the application of Novozymes' products, equivalent to taking 20 million cars off the road.



Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities Other notes Environmental data [Social data](#)

NOTE

8.1 Development of the workforce

Novozymes' success is dependent on its employees' satisfaction and motivation in their daily work. Therefore, we monitor several parameters to ensure the well-being and development of our employees.

Changes in number of employees	2013 No.	2012 No.
Net growth in number of employees, organic	112	217
Terminations - retirement	40	44
Terminations - dismissal	134	166
Terminations - voluntary	266	252
Terminations, total	440	462

Rate of absence	2013 %	2012 %
Senior management, management, professional and administrative	1.1	1.1
Skilled workers, laboratory technicians, other technicians and process operators	2.8	2.9

Rate of absence has been broken down by grouped job categories based on whether the work carried out is primarily office-based and is therefore not stated per job category.

Accounting policies

Absence is stated as time lost due to the employee's illness, including pregnancy-related sick leave and occupational accidents and diseases. The rate of absence is calculated as the number of registered days of absence as a percentage of the total number of normal working days in one year, less vacation and public holidays.

The rate of employee turnover is calculated as employee turnover divided by the average number of permanent employees.

Employee turnover is measured as the number of permanent employees who left the Group during the last four quarters (excluding employees at divested entities transferred to the acquiring company).

Average age and seniority are calculated as the sum of employees' total seniority in whole years at the reporting date, divided by the number of employees.

Expatriation refers to Novozymes employees temporarily reassigned within Novozymes from the country of original employment for a period that extends beyond six months.

A leader is defined as a person who has line management responsibility for at least three employees, not including students and trainees. New leaders are defined as leaders who have been promoted or hired to a position within the reporting period, and must not have been leaders within the last 12 months prior to promotion. New employees joining through acquisitions do not qualify as new leaders.

Training costs is the costs of external training courses and seminars, translated into Danish kroner at average exchange rates. Training costs is also shown as a percentage of total employee costs.

NOTE

8.2 Occupational accidents and occupational diseases

Novozymes has the ambition to maintain a safe and healthy workplace and thereby save both human suffering and production costs. In order to ensure this, Management continuously monitors developments in accidents and

illnesses with the aim of optimizing equipment, processes and the Group's safety culture.

Notes

Basis of reporting Primary operations Working capital Other assets and liabilities Financial activities Other notes Environmental data [Social data](#)

NOTE

8.2 Occupational accidents and occupational diseases

Consequences of occupational accidents	2013 No.	2012 No.
Return to original job	23	28
Out of work or early retirement	-	1
Case pending	1	-
Occupational accidents, total	24	29
Total days of absence related to accidents registered in the same year	192	491

For comparison purposes, cases that were pending at the end of 2012 have been updated in line with information available at the end of 2013. The derived figure for total days of absence has also been updated.

Consequences of occupational diseases	2013 No.	2012 No.
Return to original job	2	1
Return to a different job in the same department	3	3
Transfer to a different job in another department	1	2
Transfer to a different job outside Novozymes	1	-
Out of work or early retirement	-	1
Case pending	1	-
Occupational diseases, total	8	7
Total days of absence related to diseases registered in the same year	-	215

For comparison purposes, cases that were pending at the end of 2012 have been updated in line with information available at the end of 2013. The derived figure for total days of absence has also been updated.

Types of occupational diseases	2013 No.	2012 No.
Musculoskeletal disorder	-	1
Skin disease	2	1
Cancer	-	1
Enzyme allergy	6	4
Occupational diseases, total	8	7

Accounting policies

Occupational accidents is defined as the reported number of occurrences arising out of or in the course of work that result in fatal or nonfatal injury with at least one day's absence from work apart from the day of injury.

Occupational diseases is defined as the number of diseases contracted as a result of an exposure to risk factors arising from work activity and notified as work-related in accordance with national legislation.

The consequences of occupational accidents with absence and occupational diseases are measured by recording the work situation once the outcome of the incident has stabilized, for example whether the employee has returned to his original job, and the total number of calendar days of absence.

The frequencies of occupational accidents with absence and occupational diseases are stated per million working hours.

NOTE

8.3 Processes and technology

In 2013, 11 new products were launched compared with 6 in 2012. A description of the new products can be found in Sales and markets.

Accounting policies

New products comprises the number of new products with new or improved characteristics launched during the year.

Active patent families comprises the number of inventions for which there are one or more active patent applications or active patents at year-end.

NOTE

8.4 Training and compliance

Fraud cases	2013 No.	2012 No.
Dismissal of employee	1	8
Dismissal of employee and reported to the police	1	5
Fraud cases, total	2	13

Accounting policies

The supplier performance management indicator measures the ratio of suppliers with an annual spend above DKK 1 million that are covered by the supplier evaluation system.

The completion of business integrity training refers to the number of employees who have undergone business integrity training in the last training period.

All allegations of fraud are investigated until it can be determined whether or not they can be substantiated. The number of fraud cases represents substantiated matters reported to the Audit Committee in the reporting year.

NOTE

8.5 Corporate citizenship

Through our corporate citizenship program we give back to communities around the world by presenting our competencies in science understanding and environmental responsibility to benefit and inspire the next generation

of scientist and innovators. We measure our efforts by tracking the number of learners reached through the program and the number of corporate citizen projects (flagship projects).

Accounting policies

Regional flagship projects is the number of corporate citizenship/community engagement projects currently in progress where Novozymes engages with a community by providing competencies in the areas of scientific understanding and environmental awareness, for example through transfer of knowledge to help meet the community's needs.

Learners reached comprises the total number of indirect and direct learners that Novozymes reaches via its corporate citizenship activities in the areas of scientific understanding and environmental awareness.

Statement of the Board of Directors and Executive Leadership Team

The Board of Directors and Executive Leadership Team have today considered and approved the Annual Report of Novozymes A/S for the financial year January 1 – December 31, 2013.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with additional Danish disclosure requirements for listed companies. Management's Review is also prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the Group's internal controls relevant to preparation and presentation of the Annual Report are adequate. The Consolidated Financial Statements and

the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at December 31, 2013, and of the results of the Group and the Parent Company operations, and of consolidated cash flows for the financial year 2013.

In our opinion, Management's Review includes a true and fair account of the developments in the operations and financial circumstances of the Group and the Parent Company, of the result for the year, and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, Novozymes A/S adheres to the AA1000 AccountAbility principles, and environmental and social data are stated in accordance with the accounting policies.

We recommend that the Annual Report be adopted by the Annual Shareholders' Meeting.

Bagsvaerd, January 21, 2014

Executive Leadership Team

Peder Holk Nielsen
President & CEO

Per Falholt

Andrew Fordyce

Benny D. Loft

Thomas Nagy

Thomas Videbæk

Board of Directors

Henrik Gürtler
Chairman

Kurt Anker Nielsen
Vice Chairman

Lars Bo Køppler

Mathias Uhlén

Lena Olving

Anders Hentze Knudsen

Agnete Raaschou-Nielsen

Lena Bech Holskov

Jørgen Buhl Rasmussen

Independent Auditor's Report

To the Shareholders of Novozymes A/S

Report on Financial Statements and Environmental and Social Data

We have audited the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data of Novozymes A/S for the financial year January 1 to December 31, 2013. The Consolidated Financial Statements and the Parent Company Financial Statements comprise income statement, balance sheet, statement of changes in equity and financial notes, including summary of significant accounting policies for both the Group and the Parent Company, as well as statement of cash flows and financial resources and statement of comprehensive income for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies. The Environmental and Social Data are prepared in accordance with the accounting policies stated in the accounting policies for the Environmental and Social Data.

Management's Responsibility for Financial Statements and Environmental and Social Data

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for preparing Environmental and Social Data in accordance with the accounting policies stated in

accounting policies for Environmental and Social Data.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, data and disclosures in the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view, and considers internal control relevant to the Company's preparation of Environmental and Social Data that are prepared in accordance with the accounting policies for Environmental and Social Data in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at December 31, 2013, and of the results of the Group's

operations and cash flows for the financial year January 1 to December 31, 2013, in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at December 31, 2013, and of the results of the Parent Company's operations for the financial year January 1 to December 31, 2013, in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

In our opinion, the Environmental and Social Data for the financial year January 1 to December 31, 2013, are prepared in accordance with the accounting policies stated in the accounting policies for the Environmental and Social Data.

Statement on Management's Review

We have in accordance with the Danish Financial Statements Act read Management's Review, which comprises the sections The Big Picture, Business Review, Strategy & Performance and Governance. We have not performed any procedures additional to the audit of the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental and Social Data.

Bagsvaerd, January 21, 2014

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Torben Jensen
State Authorized Public Accountant

Independent assurance statement on Novozymes' 2013 sustainability reporting and adherence to the AA1000 AccountAbility Principles

To the stakeholders of Novozymes

We have been engaged by Novozymes A/S' Management to obtain moderate assurance (review) as to whether Novozymes adheres to the AA1000 AccountAbility Principles.

Regarding the audit of environmental and social data, we refer to the Independent Auditor's Report.

Management's responsibility

Adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness is the responsibility of Management.

Assurance provider's responsibility

As assurance provider, it is our responsibility, on the basis of our work, to make observations and recommendations with respect to the nature and extent of Novozymes' adherence to the AA1000 AccountAbility Principles.

Our team of experts has competencies with regard to assessing sustainability management systems. We have not performed any tasks or services for Novozymes or other clients in 2013 that would have conflicted with our independence, nor have we been responsible for the preparation of any part of the Annual Report. Thus, we are independent as defined in the AA1000 Assurance Standard (AA1000AS (2008)), and we consider our team qualified to carry out this independent assurance engagement.

Scope, standards and criteria used

We have planned and performed our work based on AA1000AS, using the criteria in the standard to perform a Type 1 engagement.

We have worked to obtain a moderate assurance (review) as to Novozymes' adherence to the AA1000 AccountAbility Principles.

Methodology, approach, limitation and scope of work

Our methodology has included procedures to obtain evidence of Management's commitment to the AA1000 AccountAbility Principles and of the implementation of systems and procedures in support of the principles.

Based on an assessment of materiality and risk, our work has included enquiries and interviews with the chairman of the Board of Directors, members of the Executive Leadership Team, senior management and staff from Corporate Strategy & Business Creation, Corporate Finance, Global Strategic Accounts, Communications & Public Affairs and Corporate Sustainability, as well as the Chinese affiliate, regarding Novozymes' adherence and commitment to the AA1000 AccountAbility Principles, the existence of systems and procedures to support adherence to the principles, and embeddedness of the principles in the organization.

Conclusion

Based on our review, nothing has come to our attention causing us to believe that Novozymes does not adhere to the AA1000 AccountAbility Principles.

Observation and recommendations

According to AA1000AS (2008), we are required to include observations and recommendations for improvements in relation to Novozymes' adherence to the AA1000 AccountAbility Principles.

Regarding inclusivity

2013 has been a year of transition for Novozymes with a reorganization taking place, as a result of the new leadership and new direction taken by Novozymes. We noted a more customer-centric and value chain-based approach, which includes further integration of sustainability into Novozymes' business strategy, customer relationships and product and service innovation. These new developments will further enhance Novozymes' ability to

reflect stakeholders' sustainability priorities within the business.

We have no significant recommendations regarding inclusivity.

Regarding materiality

Novozymes continues to discuss, evaluate and determine the materiality of sustainability issues on an ongoing basis through the Sustainability Board and other governance processes involving senior management across the organization. By involving the regional presidents as associate members of the Sustainability Board, inclusion of regional sustainability issues across Novozymes' countries of operation has been enhanced.

We have no significant recommendations regarding materiality.

Regarding responsiveness

Novozymes has initiated new development initiatives that have enhanced responsiveness to stakeholders' needs and concerns. One example is the development and communication of Novozymes' position on biofuels, where a new booklet is being introduced in 2014 to contribute to an informed discussion. Another example is the ambition developed for Novozymes' future corporate reporting, and the continued efforts to develop a more integrated approach to reporting and the demonstration of value creation for stakeholders.

While Novozymes continues to demonstrate sustainability leadership, we have recommended that Novozymes strengthen this leadership position by developing a framework for measuring and valuing positive and negative sustainability impacts associated with its business activities.

Bagsvaerd, January 21, 2014

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Torben Jensen
State Authorized Public Accountant

Financial statements for Novozymes A/S

Financial statements

- Income statement
- Balance sheet
- Statement of shareholders' equity

Basis of reporting

- 1 Accounting policies

Primary operations

- 2.1 Revenue
- 2.2 Employee costs
- 2.3 Other operating income

Other assets and liabilities

- 3.1 Intangible assets
- 3.2 Property, plant and equipment
- 3.3 Financial fixed assets
- 3.4 Other receivables

Financial activities

- 4.1 Financial income and costs
- 4.2 Credit institutions

Other notes

- 5.1 Contingent liabilities and pending litigation
- 5.2 Related party transactions
- 5.3 Common stock
- 5.4 Segment information
- 5.5 Joint operations and associates
- 5.6 Statement of cash flows

Income statement - Novozymes A/S

	Note	2013 DKK million	2012 DKK million
Revenue	2.1	6,484	6,249
Cost of goods sold	2.2	3,018	3,184
Gross profit		3,466	3,065
Sales and distribution costs	2.2	778	696
Research and development costs	2.2	1,144	1,095
Administrative costs	2.2	600	509
Other operating income	2.3	1,076	1,261
Operating profit / EBIT		2,020	2,026
Income from investments in subsidiaries	3.3	573	443
Financial income	4.1	156	219
Financial costs	4.1	90	233
Profit before tax		2,659	2,455
Tax		514	482
Net profit		2,145	1,973
Proposed appropriation of net profit			
Dividend to shareholders		786	688
Revaluation reserve according to the equity method		-	-
Retained earnings		1,359	1,285
		2,145	1,973
Proposed dividend per share		DKK 2.50	DKK 2.20

Balance sheet - Novozymes A/S

	Note	Dec. 31, 2013 DKK million	Dec. 31, 2012 DKK million
ASSETS			
Completed IT development projects		86	40
Acquired patents, licenses and know-how		578	257
Goodwill		48	2
IT development projects in progress		2	62
Intangible assets	3.1	714	361
Land and buildings		1,070	1,088
Production equipment and machinery		1,078	932
Other equipment		266	235
Property, plant and equipment under construction		268	286
Property, plant and equipment	3.2	2,682	2,541
Investments in subsidiaries		4,651	4,283
Receivables from Group enterprises		2,423	2,329
Financial fixed assets	3.3	7,074	6,612
Fixed assets		10,470	9,514
Raw materials and consumables		106	114
Work in progress		307	253
Finished goods		599	565
Inventories		1,012	932
Trade receivables		865	776
Amounts owed by Group enterprises		2,403	2,936
Tax receivables		-	131
Other receivables	3.4	201	212
Receivables		3,469	4,055
Securities		-	45
Cash at bank and in hand		921	225
Current assets		5,402	5,257
Assets		15,872	14,771

Balance sheet - Novozymes A/S

	Note	Dec. 31, 2013 DKK million	Dec. 31, 2012 DKK million
LIABILITIES AND SHAREHOLDERS' EQUITY			
Common stock	5.3	639	650
Revaluation reserve according to the equity method		-	-
Treasury stock		(1,306)	(2,543)
Retained earnings		10,689	10,568
Proposed dividend		783	687
Shareholders' equity		10,805	9,362
Deferred tax		340	244
Other provisions		150	71
Provisions		490	315
Credit institutions	4.2	1,714	1,727
Non-current liabilities		1,714	1,727
Credit institutions		21	105
Trade payables		579	520
Amounts owed to Group enterprises		1,701	1,809
Tax payable		69	324
Other payables		493	609
Current liabilities		2,863	3,367
Liabilities		4,577	5,094
Liabilities and shareholders' equity		15,872	14,771
Notes regarding:			
Segment information	5.4		
Contingent liabilities and pending litigation	5.1		
Joint operations and associates	5.5		
Related party transactions	5.2		
Statement of cash flows	5.6		

Statement of shareholders' equity - Novozymes A/S

	Common stock DKK million	Revaluation reserve according to the equity method DKK million	Treasury stock DKK million	Retained earnings DKK million	Proposed dividend DKK million	Total DKK million
Shareholders' equity at January 1, 2013	650	-	(2,543)	10,568	687	9,362
Net profit for the year		237		1,908		2,145
Dividend:						
Dividend paid					(702)	(702)
Dividend paid relating to treasury stock					12	12
Proposed dividend, gross				(800)	800	-
Proposed dividend relating to treasury stock				14	(14)	-
Treasury stock:						
Sale of treasury stock			167			167
Depreciation of treasury stock	(11)		1,070	(1,059)		-
Currency translation adjustments of investments in subsidiaries, etc.				(342)		(342)
Value adjustment of derivatives				121		121
Other adjustments		(237)		279		42
Shareholders' equity at December 31, 2013	639	-	(1,306)	10,689	783	10,805
Shareholders' equity at January 1, 2012	650	-	(1,867)	9,274	599	8,656
Net profit for the year		265		1,708		1,973
Dividend:						
Dividend paid					(624)	(624)
Dividend paid relating to treasury stock					24	24
Proposed dividend, gross				(714)	714	-
Proposed dividend relating to treasury stock				26	(26)	-
Treasury stock:						
Purchase of treasury stock			(832)			(832)
Sale of treasury stock			156			156
Currency translation adjustments of investments in subsidiaries, etc.				(73)		(73)
Value adjustment of derivatives				45		45
Other adjustments		(265)		302		37
Shareholders' equity at December 31, 2012	650	-	(2,543)	10,568	687	9,362

Reference is made to Note 6.6 to the consolidated financial statements concerning treasury stock and average number of shares.

Notes - Novozymes A/S

[Basis of reporting](#) Primary operations Other assets and liabilities Financial activities Other notes

NOTE

1 Accounting policies

The financial statements of Novozymes A/S have been prepared in accordance with the Danish Financial Statements Act (accounting class D) and the regulations of Nasdaq OMX Copenhagen on the presentation of financial statements by listed companies. The accounting policies are unchanged from last year.

As the accounting policies for Novozymes A/S only differ from those of the Group, which follow IFRS, with respect to a few items, only the accounting policies that differ from the Group's are detailed below. Reference is made to the accounting policies for the Novozymes Group for the other items.

Recognition and measurement in general

Income is recognized in the income statement as it is earned. Value adjustments of financial assets and liabilities measured at fair value or amortized cost are also recognized in the income statement. All costs incurred in generating the year's revenue are also recognized in the income statement, including depreciation, amortization and impairment losses.

Assets are recognized in the balance sheet when it is considered probable that future economic benefits will flow to the company and the value of the asset can be measured on a reliable basis. Liabilities are recognized in the balance sheet when they are considered probable and can be measured on a reliable basis. When first recognized, assets and liabilities are measured at cost. Thereafter assets and liabilities are measured as described below for each item.

The recognition and measurement principles take due account of predictable losses and risks occurring prior to the presentation of financial statements that confirm or refute the conditions prevailing on the balance sheet date.

Intangible assets

The accounting policies for intangible fixed assets follow those of the Group with the exception of goodwill, which is amortized over its useful life, not exceeding 20 years.

Financial assets

Investments in subsidiaries are recognized initially at cost including transaction costs and measured subsequently using the equity method. The company's share of the equity of subsidiaries, based on the fair value of the identifiable net assets on the acquisition date, minus or plus unrealized intercompany profits or losses, with addition of any residual value of goodwill, is recognized under Investments in subsidiaries in the balance sheet. If the shareholders' equity of subsidiaries is negative and Novozymes A/S has a legal or constructive obligation to cover the company's negative equity, a provision is recognized.

Net revaluation of investments in subsidiaries is recognized under Shareholders' equity in the Revaluation reserve according to the equity method. The reserve is reduced by payments of dividends to the parent company and adjusted to reflect other changes in the equity of subsidiaries.

The proportionate share of the net profits of subsidiaries less goodwill amortization is recognized under Income from investments in subsidiaries in the income statement. Goodwill is amortized over 15 years using the straight-line method.

Dividend

The dividend proposed for the financial year is shown as a separate item under Shareholders' equity.

Notes - Novozymes A/S

Basis of reporting [Primary operations](#) Other assets and liabilities Financial activities Other notes

NOTE

2.1 Revenue

	2013 DKK million	2012 DKK million
Geographical distribution:		
Denmark	141	96
Rest of Europe, Middle East & Africa	4,023	3,860
North America	1,129	1,110
Asia Pacific	822	768
Latin America	369	415
Revenue	6,484	6,249

NOTE

2.2 Employee costs

	2013 DKK million	2012 DKK million
Wages and salaries	1,496	1,438
Pensions - defined contribution plans	146	136
Other social security costs	25	26
Other employee costs	93	115
Employee costs	1,760	1,715

Average number of employees in Novozymes A/S	2,605	2,556
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Reference is made to Note 6.1 to the consolidated financial statements concerning remuneration of the Board of Directors and Executive Leadership Team.

NOTE

2.3 Other operating income

	2013 DKK million	2012 DKK million
Royalty income relating to subsidiaries	1,061	1,210
Other	15	51
Other operating income	1,076	1,261

Notes - Novozymes A/S

Basis of reporting Primary operations [Other assets and liabilities](#) Financial activities Other notes

NOTE

3.1 Intangible assets

	Completed IT development projects DKK million	Acquired patents, licenses and know-how DKK million	Goodwill DKK million	IT development projects in progress DKK million	Total DKK million
Cost at January 1, 2013	226	555	2	62	845
Additions from business acquisitions	-	359	50	-	409
Additions during the year	4	18	-	2	24
Transfer to/(from) other items	62	-	-	(62)	-
Cost at December 31, 2013	292	932	52	2	1,278
Amortization and impairment losses at January 1, 2013	186	298	-	-	484
Amortization for the year	20	56	4	-	80
Amortization and impairment losses at December 31, 2013	206	354	4	-	564
Carrying amount at December 31, 2013	86	578	48	2	714

NOTE

3.2 Property, plant and equipment

	Land and buildings DKK million	Production equipment and machinery DKK million	Other equipment DKK million	Property, plant and equipment under construction DKK million	Total DKK million
Cost at January 1, 2013	2,127	3,625	738	286	6,776
Additions during the year	1	58	40	240	339
Disposals during the year	-	(8)	(10)	-	(18)
Transfer to/(from) other items	24	195	39	(258)	-
Cost at December 31, 2013	2,152	3,870	807	268	7,097
Depreciation and impairment losses at January 1, 2013	1,039	2,693	503	-	4,235
Depreciation for the year	43	106	44	-	193
Disposals during the year	-	(7)	(6)	-	(13)
Depreciation and impairment losses at December 31, 2013	1,082	2,792	541	-	4,415
Carrying amount at December 31, 2013	1,070	1,078	266	268	2,682

Notes - Novozymes A/S

Basis of reporting Primary operations [Other assets and liabilities](#) Financial activities Other notes

NOTE

3.3 Financial fixed assets

	Investments in subsidiaries DKK million	Receivables from Group enterprises DKK million	Total DKK million
Cost at January 1, 2013	4,432	2,329	6,761
Additions during the year	600	198	798
Disposals during the year	(85)	(104)	(189)
Cost at December 31, 2013	4,947	2,423	7,370
Revaluation reserve at January 1, 2013	(149)		(149)
Share of net profit	573		573
Dividends received	(403)		(403)
Currency translation adjustment	(305)		(305)
Disposals during the year	82		82
Other adjustments	(94)		(94)
Revaluation reserve at December 31, 2013	(296)		(296)
Carrying amount at December 31, 2013	4,651	2,423	7,074

Reference is made to Note 6.9 to the consolidated financial statements concerning investments in subsidiaries.

NOTE

3.4 Other receivables

	2013 DKK million	2012 DKK million
Prepaid expenses	44	65
Derivatives	87	45
Other receivables	70	102
Other receivables at December 31	201	212

Notes - Novozymes A/S

Basis of reporting Primary operations Other assets and liabilities [Financial activities](#) Other notes

NOTE

4.1 Financial income and costs

	2013	2012
	DKK million	DKK million
Interest income relating to subsidiaries	155	137
Interest costs relating to subsidiaries	24	23

NOTE

4.2 Credit institutions

	2013	2012
	DKK million	DKK million
Long-term debt to credit institutions falling due after five years	819	1,197

Notes - Novozymes A/S

Basis of reporting Primary operations Other assets and liabilities Financial activities [Other notes](#)

NOTE

5.1 Contingent liabilities and pending litigation

Rental and leasing commitments expire within the following periods from the balance sheet date:

	2013 DKK million	2012 DKK million
Contingent liabilities		
Less than 1 year	44	22
Between 1 and 2 years	15	17
Between 2 and 3 years	11	4
Between 3 and 4 years	5	2
Between 4 and 5 years	3	-
More than 5 years	19	16
Contingent liabilities at December 31	98	61

The above rental and leasing commitments are related to noncancelable operating lease contracts.

The following amounts have been recognized in the income statement for Novozymes A/S in respect of operating leases and rentals

52	56
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	2013 DKK million	2012 DKK million
Other contingent liabilities		
Contractual obligations to third parties relating to capital expenditure, etc.	63	106
Other guarantees and commitments to related companies	200	338
Other guarantees and commitments to third parties	338	358

Pending litigation and arbitration

Reference is made to Note 6.3 to the consolidated financial statements concerning pending cases.

NOTE

5.2 Related party transactions

In 2013 Novozymes A/S had sales to the Novo Nordisk Group of DKK 109 million (2012: DKK 77 million), sales to the Chr. Hansen Group of DKK 10 million (2012: DKK 9 million) and purchases from the Novo Nordisk Group of DKK 197 million (2012: DKK 196 million). As of December 31, 2013, Novozymes A/S had receivables from the Novo Nordisk Group of DKK 16

million (2012: DKK 9 million), receivables from the Chr. Hansen Group of DKK 1 million (2012: DKK 2 million) and payables to the Novo Nordisk Group of DKK 84 million (2012: DKK 99 million).

Reference is made to Note 6.4 to the consolidated financial statements concerning other transactions with related parties.

NOTE

5.3 Common stock

Reference is made to Note 6.6 to the consolidated financial statements concerning common stock and treasury stock.

Notes - Novozymes A/S

Basis of reporting Primary operations Other assets and liabilities Financial activities [Other notes](#)

NOTE

5.4 Segment information

Reference is made to Note 2.1 to the consolidated financial statements concerning segment information.

NOTE

5.5 Joint operations and associates

Reference is made to Note 4.4 to the consolidated financial statements concerning joint operations and associates.

NOTE

5.6 Statement of cash flows

Reference is made to the Consolidated statement of cash flows.

THE NOVOZYMES REPORT 2013

The Novozymes Report 2013 is available in English in a full online version at www.report2013.novozymes.com and can be accessed via computer, tablet and smartphone. The written online report is complemented by a number of graphics and videos for a full multimedia experience. Additionally, an integrated feature titled *My Report* enables the reader to compile a full or customized PDF download of the report. We hope that you will find this feature useful, whether printing the report or just saving it on your own computer. The website is fully dedicated to The Novozymes Report 2013 and other information relevant to our shareholders and financial stakeholders, but is also a rich source of information for anyone with an interest in Novozymes.

All photos in the report feature Novozymes employees from around the world, illustrating both our global presence and our human touch. It is our employees who make Novozymes the world leader in bioinnovation.

Reporting and audits

The website contains The Novozymes Report (which, pursuant to section 149 of the Danish Financial Statements Act, is an extract of the company's annual report) and the financial statements of the parent company Novozymes A/S. Together these form the company's annual report, which will be filed with the Danish Business Authority.

PwC has audited the consolidated financial statements, the parent company financial statements, and environmental and social data. PwC has also been the sustainability assurance provider and has based the assurance on the AA1000 Assurance Standard (2008).

The audit covers financial, environmental and social data. These are marked "Audited by PwC." See also the statements in the report.

PwC has not audited the sections of the report found under the headings The Big Picture, Business Review, Strategy & Performance, Governance and Supplementary. Supplementary includes our Communication on Progress with respect to the UN Global Compact principles, our report index based on the Global Reporting Initiative (GRI) and detailed sustainability data from our activities in Argentina, Brazil, Canada, China, Denmark, India, the U.K. and the U.S.

The report has been produced in accordance with International Financial Reporting Standards (IFRS), the Danish Financial Statements Act and the additional requirements of Nasdaq OMX Copenhagen A/S for the presentation of financial statements by listed companies. It has also been prepared as an element of Novozymes' reporting according to the GRI's G3 Sustainability Reporting Guidelines.

Forward-looking statements

The Novozymes Report 2013 contains forward-looking statements, including Novozymes' financial outlook for 2014, which, by their very nature, are associated with risks and uncertainties that may cause actual results to differ materially from expectations. The uncertainties may include unexpected developments in the international currency exchange and securities markets, market-driven price decreases for Novozymes' products, changes in regulations and the introduction of competing products in Novozymes' core areas. See Risk factors & opportunities and Risk management.

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