

A man in a white lab coat is smiling and using a pipette to transfer liquid from a small container into a larger one. He is outdoors, surrounded by green plants and a body of water. In the background, another person in a white lab coat is visible. The image has a green overlay with the text 'THE NOVOZYMES REPORT 2012' and a stylized orange 'N' logo.

THE NOVOZYMES REPORT 2012

novozymes
Feeding Tomorrow



CONTENTS

1 Letter from the Board of Directors

REPORT

- 4 Letter from the CEO
- 6 Key figures
- 8 Sales and markets
- 14 Financial and sustainability discussion
- 24 Novozymes' stock
- 27 Company profile

OUTLOOK

- 31 Expectations for 2013
- 35 Long-term targets and strategy

GOVERNANCE

- 41 Board of Directors & Executive Management
- 46 New leadership
- 47 Corporate governance
- 50 Risk management
- 54 Risk factors

ACCOUNTS & DATA

- 57 Consolidated income statement
- 58 Consolidated statement of comprehensive income
- 59 Consolidated balance sheet
- 60 Consolidated statement of shareholders' equity
- 61 Consolidated statement of cash flows
- 62 Environmental and social data
- 64 Notes
- 96 Companies in the Novozymes Group



UNITED IN OPPORTUNITY

Novozymes' business model proved its worth in 2012, as setbacks in some areas were overcome through a diversified business mix and operational excellence. We also founded new and promising partnerships, demonstrating the versatility of our strategic opportunities as we continue our quest to provide sustainable biological solutions addressing some of the world's most pressing challenges.

Global population growth and economic development continue to pile pressure on an industrialized world built on finite resources. While talk of climate change and clean technology has subsided in the face of recessionary concerns and budgetary constraints, there is still an urgent need to rethink tomorrow.

TOGETHER WE ARE STRONGER

2012 was a strategically important year for Novozymes, as the company entered into a record number of partnerships with leading global companies, including Syngenta, Beta Renewables and BASF.

Partnerships are not new to Novozymes. An ability to foster close customer relationships has long been regarded as a competitive advantage, enabling us to reduce business complexity, share knowledge and align interests. As our technological capabilities have grown, so have the social and financial benefits of our biological solutions, opening new markets and bringing a greater need for partners.

Chemical substitution, advanced biofuels, biopesticides, etc. all offer compelling opportunities to rethink tomorrow. By joining forces with partners across the value chain, all working toward a common goal, Novozymes can push the boundaries of each market and potentially offer customers better biological solutions faster.

CHANGE IN LEADERSHIP

Internal partnerships are just as important, promoting trust, collaboration, innovation and leadership. The partnership between senior management, headed by the CEO, and the Board of Directors is a crucial internal partnership. 2013 will be a year of change for Novozymes, as Steen Riisgaard steps down on March 31 after heading the company since its establishment as an independent company in 2000.

Steen has been instrumental in Novozymes' success over the past 12 years and leaves an important legacy. As the spearhead of the company and in close collaboration with the rest of the organization, Steen has skillfully doubled Novozymes' revenue and workforce, tripled earnings and increased market value five-fold. These numbers speak for themselves, but they do not tell the whole story. Under Steen's stewardship, the Novozymes culture has flourished, and leadership has been clear and consistent. The company today is as strong as ever and competitively positioned for further growth.

With the appointment of Peder Holk Nielsen, formerly Head of Enzyme Business, as the new CEO, the Board of Directors believes it has chosen the best candidate to lead Novozymes' continued development, further strengthen the partnership with the Board and take the company to the next level. The

long-term growth drivers of the business remain intact, and the existing strategic platform will allow Peder Holk Nielsen, Executive Management and the Board of Directors to continue to explore and develop long-term value for the company and its stakeholders.

UPDATED LONG-TERM TARGETS

Executive Management and the Board of Directors have updated Novozymes' long-term targets for the next five years. The company continues to aim at strong organic sales growth with high profitability and efficient use of capital, but the time is right for an update now that visibility in parts of the business has improved, most notably in BioAgriculture (BioAg), Biopharma and enzymes for biomass conversion. It is also time to raise the bar for the EBIT margin given the continued outperformance over the last couple of years and a strong outlook.

Novozymes is targeting long-term average organic sales growth of more than 10%, a target we expect to reach in 2015 and onward. The target is based on the assumption that the global economy stabilizes and the potential of the above mentioned businesses materializes. We are also targeting an EBIT margin of more than 24% and a return on invested capital of more than 22%. The sustainability targets have also been updated to reflect our sustainability ambitions and activities across the value chain, and to ensure the long-term development of Novozymes as an international, inclusive and successful company.

2013 AND BEYOND

With Peder Holk Nielsen at the helm and updated long-term targets in place, Novozymes' focus in 2013 will be on ensuring effective execution in a fluctuating macroeconomic environment, while the company continues its long-term commitment to innovation, partnerships and sustainability.

January 2013

H. Gülden

The Board of Directors
Novozymes A/S



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.



REPORT

THE NOVOZYMES REPORT 2012

NOVOZYMES: JUST ANOTHER COMPANY?

We fell short of achieving our long-term sales growth target in 2012, but even in a challenging global economy there were many indicators of success: strong EBIT margin growth, a series of promising partnerships and continued focus on innovation.

2012 was a mixed year for Novozymes, challenging in some respects and promising in others. By proactively pursuing new business models and further tapping into the changing needs of our customers, we successfully introduced innovative solutions to the market and formed solid partnerships. Meanwhile, our agility was tested: We delivered strong earnings and continued to raise productivity, but we were unable to realize our long-term target for sales growth, reaching only 4% organic growth. But does this mean that Novozymes is “just another company”?

DELIVERING EARNINGS IN A TRICKY MARKET

Two primary factors contributed to the resistance we met in 2012: the slowdown in global GDP growth and a turbulent U.S. bioenergy market. Compared with 2011, U.S. ethanol

production decreased by approximately 5%, in part because of the drought that hurt the industry as a whole. At the same time, we saw a lower enzyme content per gallon of ethanol produced. Favorably, the industry defended the Renewable Fuel Standard from efforts to overturn it.

On the other hand, Novozymes delivered strong sales growth in the household care and animal feed industries, testament to the company’s ability to grow the business through innovation.

Overall, we recorded EBIT growth of 17% and an EBIT margin of more than 24%, exceeding our expectations at the beginning of the year, and customers saved an estimated 48 million tons of CO₂ through the application of our products. However, organic sales growth came to 4%, well below our target of 10%, and we must do better in 2013.

SUCCESS THROUGH CONTINUED PARTNERSHIPS

Just as innovation, sustainability and a diversified portfolio are key elements of our business model, partnerships have always played a vital role in building future growth. Two good examples of this in 2012 were Household Care and BioAgriculture (BioAq).



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.

Sales to the household care industry continue to perform exceptionally well, growing by 14% in 2012. Over the past five years, Novozymes has achieved average annual growth of more than 10% in this segment, much of it rooted in the strong alliances we have formed with leading companies around the world.

Interest in the BioAg field is increasing and has given rise to a number of notable acquisitions within the industry over the past year. In August, Bayer CropScience acquired U.S. AgraQuest for \$425 million, and in November, BASF acquired Becker Underwood for approximately \$1 billion, both indicating the sizable potential of the BioAg industry. Our partnership with Syngenta on the development of JumpStart® and the microbial-based fungicide Taegro® has added significant weight to our BioAg business, which is now the largest of our BioBusiness ventures.

PARTNERSHIPS FOR FUTURE GROWTH

For an expanding global business, strategic partnerships are an important element in reaching and servicing new customers. Prime examples are the bioenergy and biochemical industries, where we have utilized the flexibility of our business models to create more opportunities for the future and build a solid foundation for growth.

Our partnership with Beta Renewables is a significant step forward in the commercialization of advanced biofuels. The combination of our enzymes and Beta Renewables' bioenergy production technology enables us to offer customers a superior turnkey solution with reduced financial and technological risk that could boost our annual sales by up to DKK 1 billion in the latter part of the decade.

In August, we concluded an agreement with BASF and Cargill to develop an industrial biotech-based production process for acrylic acid from renewable raw materials. Acrylic acid is used to make a wide range of products, including diapers, and the idea is to give consumers worldwide a biobased alternative at a similar cost.

TARGETING 10% ORGANIC SALES GROWTH

We built a strong foundation of partnerships in 2012, and I am confident in Novozymes' ability to accelerate into double-digit growth in 2015 and onward, in collaboration with current and future strategic partners.

During my 12 years as CEO, the average organic growth rate has been around 7-8%. We have had our ups and downs, yet we continue to grow because of our ability to translate our know-how and technology into profitable, market-expanding products and solutions. This ability is clearly illustrated by the increase in return on invested capital (ROIC) from 10% in 2000 to 20% in 2012, and in the EBIT margin from 16% in 2000 to 24% in 2012.

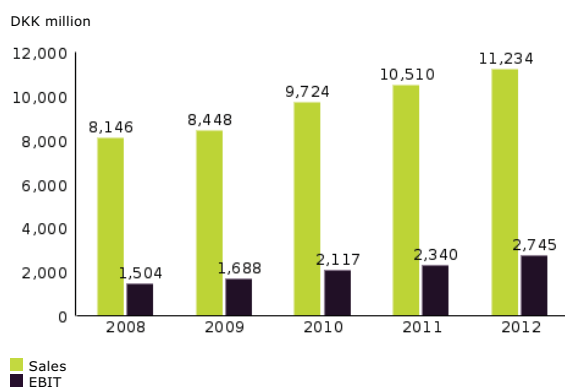
Novozymes has always been innovation driven – it is in our DNA. Others may try to follow our lead, but with more than 6,000 employees worldwide collectively fueling our innovative spirit, and with a portfolio of solutions that can successfully solve global problems, **we will never be just another company.**



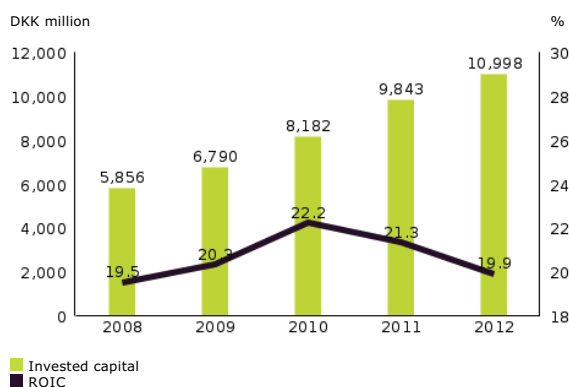
Steen Riisgaard
President & CEO

KEY FIGURES

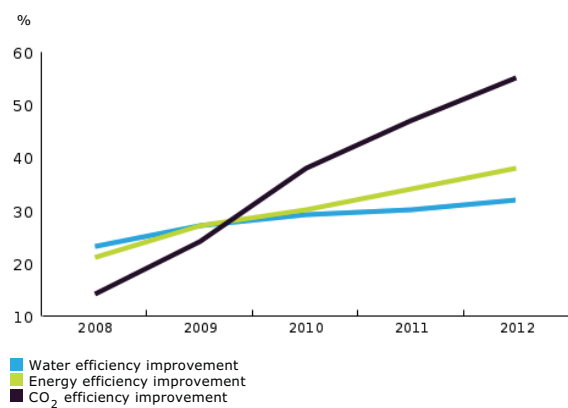
SALES AND EBIT



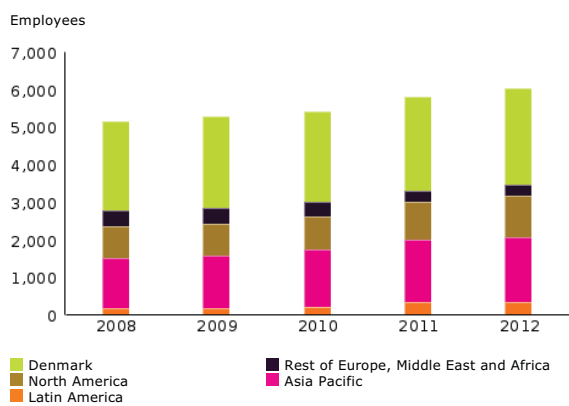
ROIC AND INVESTED CAPITAL



EFFICIENCY IMPROVEMENT COMPARED WITH 2005



NUMBER OF NOVOZYMES EMPLOYEES BY REGION



		2012	2011	2010	2009	2008
Income statement (DKK million)						
Revenue		11,234	10,510	9,724	8,448	8,146
Gross profit		6,423	5,908	5,412	4,700	4,359
Research and development costs		1,527	1,464	1,360	1,207	1,096
EBITDA		3,448	3,126	2,796	2,252	2,060
Operating profit / EBIT		2,745	2,340	2,117	1,688	1,504
Financial items, net		(161)	75	6	(67)	(85)
Net profit		2,016	1,828	1,614	1,194	1,062
Balance sheet (DKK million)						
Non-current assets		10,223	9,053	7,057	5,991	5,641
Total assets		15,113	13,842	12,593	10,890	9,925
Shareholders' equity		9,568	8,824	7,836	5,841	4,476
Non-current liabilities		2,925	2,661	2,249	2,528	2,563
Invested capital		10,998	9,843	8,182	6,790	5,856
Net interest-bearing debt		1,430	1,019	346	949	1,380
Investments and cash flows (DKK million)						
Cash flow from operating activities		2,758	2,709	2,324	1,817	1,697
Purchase of property, plant and equipment		1,128	1,290	1,326	1,009	902
Net investments excluding acquisitions		1,177	1,316	1,326	978	942
Free cash flow before net acquisitions		1,581	1,393	998	839	755
Acquisition of activities and companies		732	1,530	23	-	-
Free cash flow		849	(33)	975	839	755
Key ratios						
Revenue growth, DKK	%	7	8	15	4	10
Revenue growth, LCY	%	3	10	10	2	13
Revenue growth, organic	%	4	7	11	2	13
Research and development costs as a percentage of revenue	%	13.6	13.9	14.0	14.3	13.5
Gross margin	%	57.2	56.2	55.7	55.6	53.5
EBITDA margin	%	30.7	29.7	28.8	26.7	25.3
EBIT margin	%	24.4	22.3	21.8	20.0	18.5
Net profit margin	%	17.9	17.4	16.6	14.1	13.0
Effective tax rate	%	22.0	24.3	24.0	26.3	25.2
Equity ratio	%	63.3	63.7	62.2	53.6	45.1
Return on equity	%	21.9	21.9	23.6	23.1	26.1
Return on invested capital (ROIC), including goodwill	%	19.9	21.3	22.2	20.3	19.5
Return on invested capital (ROIC), excluding goodwill	%	21.6	23.0	23.7	21.8	21.2
WACC after tax	%	4.7	4.5	5.6	7.0	7.4
Earnings per share (EPS), diluted*	DKK	6.33	5.71	5.05	3.79	3.37
Dividend per share (2012 proposed)*	DKK	2.20	1.90	1.60	1.15	1.05
* 2008-2010 restated to reflect 1-to-5 stock split of the company's A and B shares.						
Environmental and social data						
Water efficiency improvement (compared with 2005)	%	32	30	29	27	23
Energy efficiency improvement (compared with 2005)	%	38	34	30	27	21
CO ₂ efficiency improvement (compared with 2005)	%	55	47	38	24	14
Estimated CO ₂ reductions from customers' application of Novozymes' products	Million tons	48	45	40	27	28
Total number of employees	No.	6,041	5,824	5,432	5,275	5,146
Rate of employee turnover	%	8.1	8.3	7.5	6.7	11.3
Frequency of accidents with absence per million working hours		3.0	4.3	4.1	5.1	4.9
Employee satisfaction	Score	78	77	76	77	70
Development opportunities	Score	75	74	73	74	68
Touch the World	Score	83	n.a.	n.a.	n.a.	n.a.

SALES AND MARKETS

Organic sales growth was 4% in 2012. Household Care and Microorganisms were the largest growth contributors, posting sales growth of 14% and 23% respectively. The Latin America region increased sales by 13%, where Household Care and Feed & Other Technical Enzymes were major contributors.

Total sales in 2012 were DKK 11,234 million, an increase of 7% compared with 2011. Exchange rates impacted sales positively, and sales in LCY were up by 3%. Acquisitions and divestments had a minor negative net impact on sales growth, and sales grew by 4% organically.

ENZYME BUSINESS

Enzyme Business sales were DKK 10,163 million, up by 7% compared with 2011. In LCY, sales were up by 3%. Sales of Household Care and Feed Enzymes were the strongest growth contributors in 2012. The global market for industrial enzymes grew by an estimated 7% to DKK 21 billion in 2012. Novozymes retained its market share at 47%.

HOUSEHOLD CARE ENZYMES

Household Care Enzymes sales increased by 14% in DKK and by 12% in LCY compared with 2011. The strong sales growth was driven by a continued increase in penetration of enzymes across detergent tiers to enhance wash performance, enable low-temperature washing and replace traditional chemicals in detergent formulations. Sales of Household Care Enzymes to emerging markets were a strong contributor to global sales growth.

FOOD & BEVERAGES ENZYMES

Food & Beverages Enzymes sales increased by 5% in DKK and by 1% in LCY compared with 2011. Sales of enzymes for the production of healthy foods were the strongest contributor to sales growth in 2012. Sales to the starch and baking industries were roughly flat, while sales to the beverage alcohol industry were lower than in 2011.

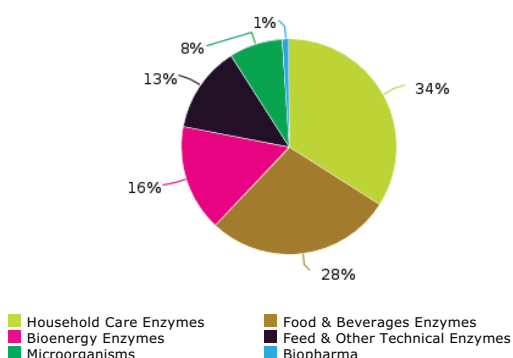
BIOENERGY ENZYMES

Bioenergy Enzymes sales were down by 2% in DKK and by 9% in LCY compared with 2011. The U.S. Energy Information Administration estimates U.S. ethanol production to have declined by ~5% during 2012 compared with 2011. Bioenergy Enzymes sales were lower for the period as a result of lower U.S. ethanol production, a decrease in enzyme content per gallon of ethanol produced and price and product mix changes. In October 2012, Novozymes launched a new product for the bioenergy industry, Novozymes Avantec®, which enables producers of corn-based ethanol to increase the ethanol yield by up to 2.5% with the same amount of corn. Adoption of the new product is progressing well and had a minor positive impact on sales growth in Q4.

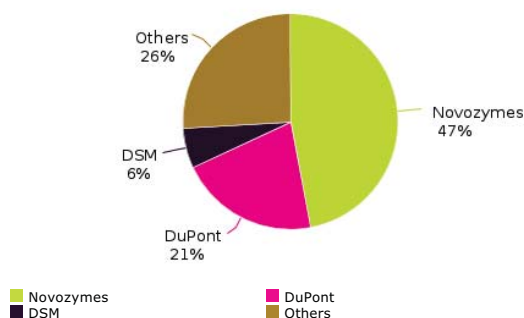
FEED & OTHER TECHNICAL ENZYMES

Feed & Other Technical Enzymes sales were up by 7% in DKK and by 3% in LCY compared with 2011. Enzyme sales to the animal feed industry were the main growth driver as a result of a continued increase in sales of RONOZYME® ProAct on the Latin American, Asian and European markets as well as improved phytase enzyme sales. Enzyme sales to the other technical industries, including the textile industries, were lower than in 2011.

2012 ENZYME BUSINESS & BIOBUSINESS SALES BY INDUSTRY



2012 MARKET SHARE IN ENZYMES FOR INDUSTRIAL USE



HOUSEHOLD CARE – ACHIEVING GROWTH IN A MATURE MARKET

In 2012, Novozymes achieved strong sales growth of 14% in Household Care Enzymes through a combination of increased market penetration globally and market growth in emerging regions, such as Asia Pacific, the Middle East and Latin America.

Our increased market penetration is being driven by two factors: the desire of detergent manufacturers to utilize innovative enzyme solutions to improve the performance of their products and to reduce the volatility of their input costs.

Innovation boosts market share

Performance innovation can mean one of two things: a new enzyme class or the optimization of an existing solution. Examples of recent discoveries of new enzyme classes include Novozymes Mannaway®, which targets food stains containing guar gum, an ingredient found in foods such as ice cream, and Novozymes XPect®, which targets fruit stains. However, most innovation revolves around optimizing existing technology to improve its core performance and move detergent technology to the next level, where highly compacted liquid and powder detergents wash clothes in cold water. If all Europeans washed their clothes using cold water, it would be possible to close three large coal-fired power stations, reducing the continent's CO₂ emissions by 12 million tons a year. Through the application of our products, including household care, we aim to save customers 75 million tons of CO₂ emissions by 2015.

Our sales growth in household care is also linked to the increasingly volatile cost of builders and oil-based surfactants, key ingredients in detergent formulations, and to greater demand for sustainable detergents. Enzyme prices have remained relatively stable over time, a trend we expect to continue in the future.

Consequently, our customers are exploring the option of increased enzyme levels to stabilize input costs, a move that will also reduce the chemical load in detergents and environmental impact. Through our enzyme innovation, we are already able to provide solutions that successfully enable reduced use of surfactants and builders, and we expect to be able to do this to an even greater degree with future innovation.

Middle class driving growth

Economic growth in emerging markets is bringing new opportunities for the use of enzymes in household care products, as more and more people can afford washing machines and higher-quality detergents. Additionally, the improved performance of detergent formulations reduces laundry and dishwashing times, a luxury sought by a burgeoning middle class.

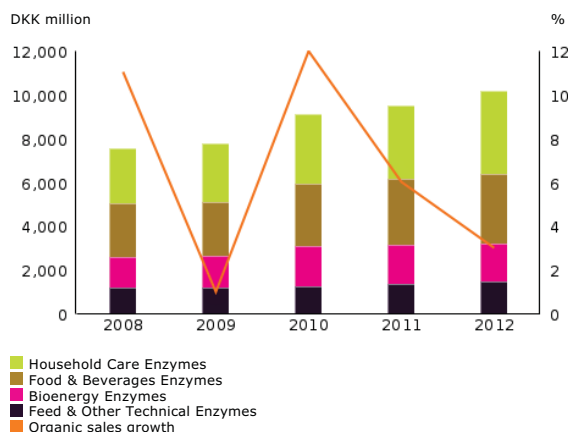
Novozymes has benefited from strong partnerships with global detergent manufacturers as they expand in emerging markets, as well as from close relationships with regional and local producers. These relationships have allowed us to develop a good understanding of the unique needs of each market and tailor our enzyme development accordingly to everything from basic entry-level products to highly advanced detergent formulations.

A bright future

We are confident that our innovative technology, product development and strong customer partnerships will enable us to sustain strong growth in Household Care. We offer detergent producers highly competitive and unique solutions. However, we acknowledge that growth is not automatic and that we must ensure our solutions are a step ahead of our competition. When we take market share away from chemical-based companies, we must expect them to reciprocate with stiff competition. Novozymes will continue to develop innovative technology and target all market tiers, enhancing washing performance and discouraging consumers from buying lower-quality detergents containing fewer enzymes.

In many areas of the world, consumers are facing economic hardship, but innovative and high-quality detergents can actually support consumers in their quest to save money and buy sustainable products by prolonging the lives of their clothes and washing in cold water. Novozymes is committed to making high-quality, sustainable washing easier, better and cheaper for consumers worldwide.

FIVE-YEAR SALES DEVELOPMENT IN ENZYME BUSINESS AND ORGANIC GROWTH



BIOBUSINESS

BioBusiness sales were DKK 1,071 million, up by 5% compared with 2011. Sales in LCY were flat compared with 2011. BioBusiness sales grew by 10% organically, adjusting for the divestment impact of Novozymes' Biopharma operations in Sweden in 2011 and the acquisition impact of EMD/Merck Crop BioScience.

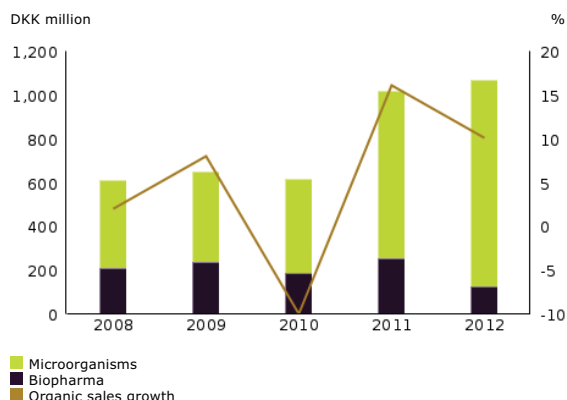
MICROORGANISMS

Microorganisms sales were up by 23% in DKK and by 18% in LCY compared with 2011. Organically, sales grew by 17%, adjusting for the acquisition of EMD/Merck Crop BioScience in 2011. Microorganisms sales to the BioAg industry were the strongest growth driver in 2012 as a result of positive sales developments in Latin America, Europe and Asia. The majority of the sales growth in Microorganisms came from an exclusive sales and marketing agreement entered into during Q4. Microorganisms sales to the wastewater industry and for cleaning solutions were roughly flat in LCY compared with 2011.

BIOPHARMA

Biopharma sales were down by 50% in DKK and by 53% in LCY compared with 2011. The divestment of Novozymes' Biopharma operations in Sweden late 2011 had a considerable negative impact on sales in 2012. Organically, sales were down by 23% compared with 2011, as one large order from a customer in 2011 was not placed again in 2012.

FIVE-YEAR SALES DEVELOPMENT IN BIOBUSINESS AND ORGANIC GROWTH



BIOBUSINESS PAVES THE WAY FOR GROWTH

BioBusiness was created in 2007 to develop promising new applications of biotechnology outside of enzymes, drawing on Novozymes' strong knowledge base and culture of innovation. A number of key developments in 2012 further strengthened the foundation for commercial success in microorganisms and biopharmaceuticals.

In May, our new facility in China commenced commercial production of Novozymes Hyasis®, a pharmaceutical-grade hyaluronic acid for the treatment of arthritis and cataracts. The factory meets the highest pharmaceutical production standards – ICH Q7 GMP – and represents an investment of more than DKK 350 million in a market with estimated sales of DKK 1 billion a year. Developed in close collaboration with customers, Novozymes' Bacillus-derived, non-animal product offers unparalleled consumer safety, avoiding the risks associated with other commercial sources of hyaluronic acid.

Connecting to create in 2012

In August, Novozymes partnered with BASF and Cargill, two global leaders in their segments, to develop an industrial biotech-based production process for acrylic acid from renewable raw materials. This high-volume chemical is used in a wide range of products, from diapers to coatings and adhesives. Novozymes' microorganisms will convert renewable raw materials into 3-hydroxypropionic acid (3-HP), a chemical precursor to acrylic acid, helping to reduce dependence on finite resources such as oil.

In October, Novozymes BioAg's partnership with Syngenta was expanded beyond JumpStart® to include the microbial-based fungicide Taegro®, a sustainable biological solution that helps farmers combat fungal crop diseases. Syngenta will be responsible for sales, marketing and distribution, and Novozymes for production and registration. BioAg is now the largest business area of BioBusiness in terms of sales.

Fit for growth

BioBusiness has built a solid business platform during its first five years. We have expanded our competencies, implemented new business models and refocused our resources on opportunities with a better strategic fit. As a result, we are convinced that BioBusiness has laid the foundation for double-digit annual organic growth.

Big risk, big payoff

It is in BioBusiness' DNA to carefully weigh sizeable risks against prospective rewards in the search for market-changing innovations. We have moved into areas with considerable potential and considerable failure risks, exploring how to develop solutions for global

challenges such as improved health care, food availability, water scarcity and renewable alternatives to oil. In many instances, we are pioneering the industry. The key has been to leverage our abilities, form useful partnerships, learn new industries and minimize the inherent risks in building new business. We are also dependent on our partners, approval processes and market adoption.

We are still navigating the best way forward. There is a pipeline for new activities that fit strategically with Novozymes' overall objectives and can balance the portfolio in terms of risk, future value creation and resource utilization. The BioBusiness Portfolio Board actively manages new opportunities and will continue to acquire, divest and terminate activities as required to ensure a balanced portfolio.

SALES BY REGION

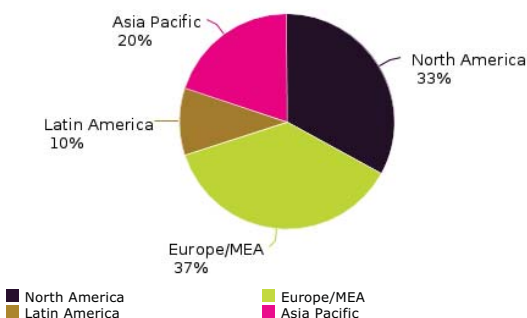
Sales in Europe, the Middle East and Africa (Europe/MEA) increased by 8% in both DKK and LCY compared with 2011. The strongest growth drivers were sales of Household Care Enzymes and Microorganisms. The divestment of Novozymes' Biopharma operations in Sweden had a negative impact in 2012.

Sales in North America were up by 1% in DKK and down by 6% in LCY compared with 2011. Household Care Enzymes were the main positive contributor to the development, whereas Bioenergy Enzymes and Biopharma had lower sales in 2012 compared with 2011.

Sales in Asia Pacific were up by 12% in DKK and by 5% in LCY compared with 2011. Household Care Enzymes and Microorganisms were the main contributors to growth, whereas Feed & Other Technical Enzymes were the main negative contributor.

Sales in Latin America were up by 13% in both DKK and LCY compared with 2011. Household Care Enzymes and Feed &

2012 SALES BY REGION



Other Technical Enzymes were the main growth drivers, whereas sales of Food & Beverages Enzymes fell in 2012.

FOOD STANDARDS SET THE AGENDA

Food safety has become a major public concern in recent years, resulting in more exacting quality standards from regulatory authorities worldwide to protect consumers. This is impacting the entire value chain from ingredient producer to branded manufacturer. Novozymes is actively helping customers meet these increased regulatory requirements, thus positioning the company as the quality leader in the enzyme industry.

Enzymes for food and beverages are Novozymes' second-largest product area, accounting for 28% of sales in 2012, and the second-largest enzyme market globally with a value of more than \$1 billion a year. Although enzymes are used widely across product categories, producers and countries, they remain a niche technology, making the development of processed foods one of Novozymes' key long-term growth drivers.

Food and beverage manufacturers are increasingly demanding innovative products that address efficiency and health and are produced to high regulatory standards. Novozymes' enzyme solutions meet these needs. Novozymes Acrylaway®, for example, has been proven to substantially reduce the formation of acrylamide, a potential carcinogen, in a broad range of foods, including coffee, biscuits, cereals and potato-based snacks. Our juice industry solutions, meanwhile, allow manufacturers to supply more appealing and nutritious products and optimize yields, thereby producing more with less.

Quality and regulatory leader

Two recent cases illustrate how Novozymes' capabilities in quality and regulatory affairs can be used to mitigate risks to consumers and customers' brands, address the expectations of authorities and customers, and improve the company's competitive positioning:

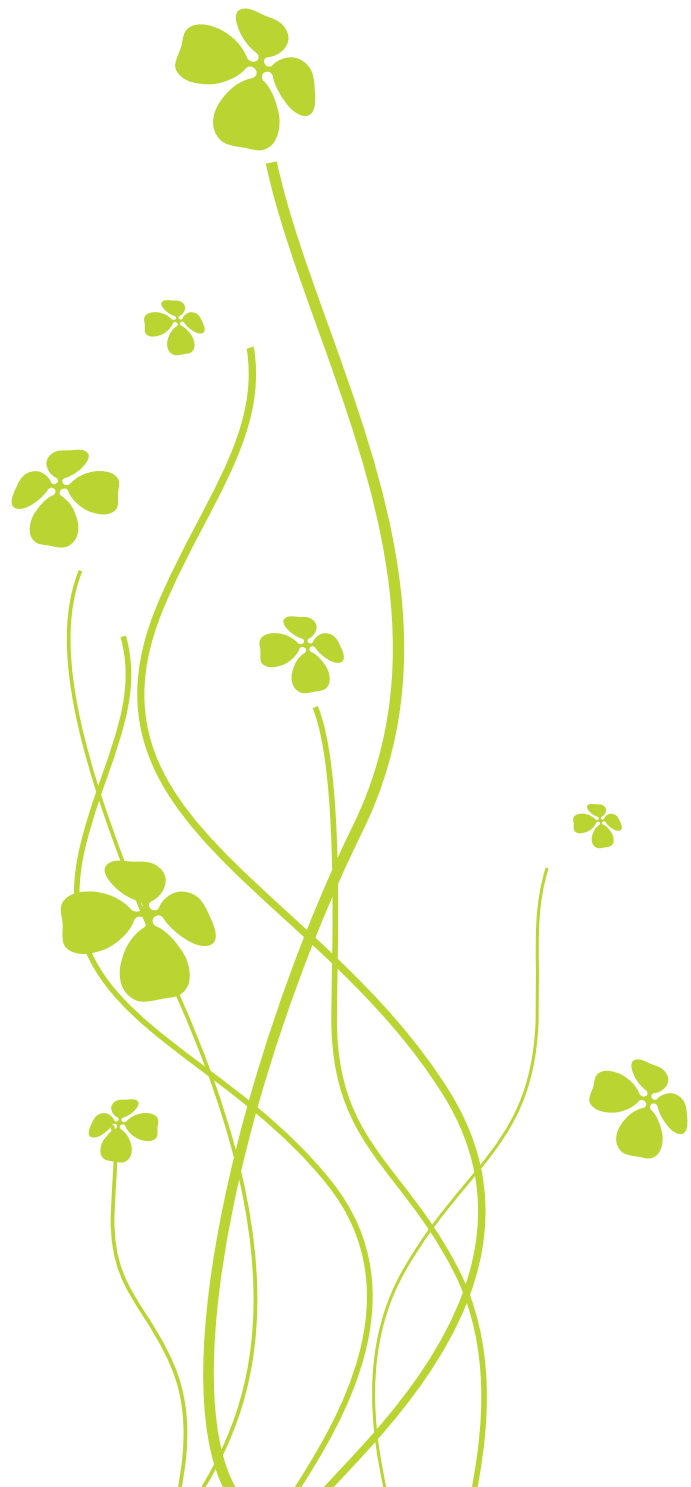
The EU introduced the Food Improvement Agents Package (FIAP) in 2009 to harmonize legislation for food ingredients across Europe. FIAP is complex and requires extensive new documentation. Drawing on its know-how, networks and experience in managing complicated cross-functional collaborations with customers, Novozymes became the first enzyme producer in Europe to deliver dossiers for approval in May 2012, nearly three years before the March 2015 deadline. As the first mover, Novozymes was able to play an important part in setting expectations for the documentation to be supplied to the EU in the coming years, and so further position the company as the quality leader in the enzyme industry.

A growing number of food manufacturers require their suppliers to achieve third-party certification to a

recognized food safety standard. This provides independent confirmation of compliance with generally accepted requirements and can save the manufacturers from conducting audits themselves. Novozymes moved early to obtain FSSC 22000 certification for a number of food enzymes in 2010, and is now seeing several customers adopting this standard themselves and requiring other important suppliers to have this certification.

Going forward

We expect authorities and customers to become increasingly demanding. Tougher requirements can naturally be regarded as a risk from a cost and process perspective, but we regard these regulatory changes as fundamental market developments where a limited upfront investment can produce a healthy return. We will continue to leverage our expertise, global reach and many years of experience as an international supplier of food enzymes to retain and develop our leading position in compliance and food safety.



PRODUCT LAUNCHES IN 2012

- Q1 2012** Novozymes Cellic® CTec3: A state-of-the-art cellulase and hemicellulase complex that allows the most cost-efficient conversion of pretreated lignocellulosic materials to fermentable sugars.
- Q1 2012** Novozymes Sanferm® Yield: An improved glucoamylase enzyme that allows distillers to achieve higher alcohol yields and increased fermentation efficiency, with a shorter fermentation time.
- Q1 2012** Taegro®: Biofungicide for control of soilborne pathogens such as Rhizoctonia and Fusarium on a variety of high-value crops (e.g., tomatoes, strawberries and lettuce).
- Q2 2012** Novozymes Panzea®: A xylanase enzyme for conditioning baking dough. Key benefits include superior bread appearance, texture and volume of baked goods, and dry, stable dough.
- Q3 2012** Novozymes Saczyme® Plus 2X: An improved glucoamylase enzyme mix that enables higher yields in beverage alcohol production.
- Q4 2012** Novozymes Avantec®: An alpha-amylase enzyme with glucoamylase and protease enzyme side activities that increases ethanol yields in corn-based ethanol production by up to 2.5%.



FINANCIAL AND SUSTAINABILITY DISCUSSION

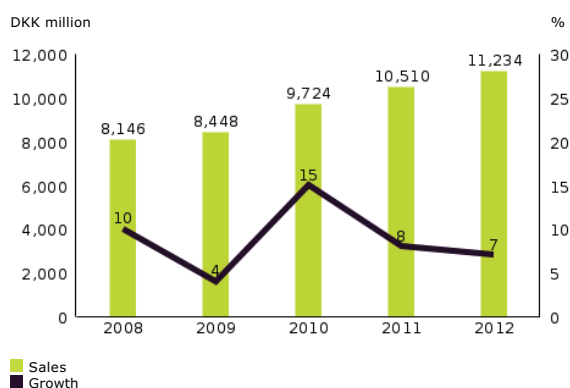
KEY PERFORMANCE (DKK)

	REALIZED 2012	REALIZED 2011	2013 OUTLOOK*
Sales, DKKm	11,234	10,510	–
Sales growth, DKK	7%	8%	4-7%
Sales growth, LCY	3%	10%	5-8%
Sales growth, organic	4%	7%	5-8%
EBIT, DKKm	2,745	2,340	–
EBIT growth	17%	11%	4-7%
EBIT margin	24.4%	22.3%	~ 24%
Net profit, DKKm	2,016	1,828	–
Net profit growth	10%	13%	6-9%
Net investments excl. acquisitions, DKKm	1,177	1,316	~ 1,100
Free cash flow before acquisitions, DKKm	1,581	1,393	~ 1,650
ROIC incl. goodwill	19.9%	21.3%	~ 20%
Avg. USD/DKK	579	536	560
EPS (diluted), DKK	6.33	5.71	–
Water efficiency improvement (compared with 2005)	32%	30%	35%
Energy efficiency improvement (compared with 2005)	38%	34%	42%
CO ₂ efficiency improvement (compared with 2005)	55%	47%	50%
Estimated reductions in CO ₂ emissions through our customers' application of our products, million tons	48	45	50

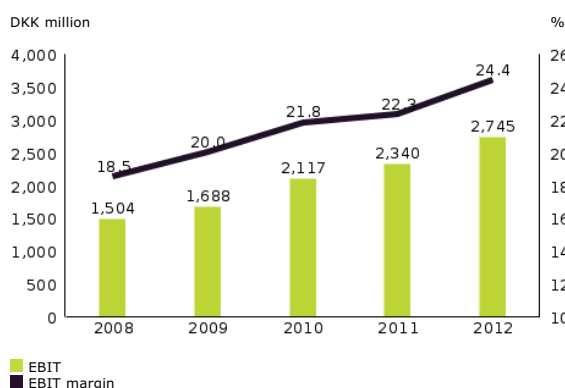
* Assumes exchange rates for the company's key currencies remain at the closing rates on January 18 for the rest of 2013.

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 AND GROWTH



EBIT AND EBIT MARGIN



SALES

Total sales in 2012 were DKK 11,234 million, an increase of 7% compared with 2011. Exchange rates impacted sales positively, and sales in LCY were up by 3%. Acquisitions and divestments had a minor negative net impact on sales growth, and sales grew by 4% organically.

COSTS, OTHER OPERATING INCOME AND EBIT

TOTAL COSTS

Total costs excluding net financials and tax were DKK 8,567 million, an increase of 4% compared with 2011.

GROSS PROFIT

Gross profit increased by 9% compared with 2011, and the gross margin was 57.2%, up 1 percentage point on the gross margin in 2011 and up 0.4 percentage point when adjusted for the acquisition impact in 2011. Continued productivity improvements, favorable product mix changes and the absence of the IFRS adjustment of acquired inventories at EMD/Merck Crop BioScience more than offset the higher cost of raw materials and costs related to the new hyaluronic acid facility in China and the new enzyme plant in Nebraska, USA.

The gross margin for Enzyme Business was 58.2%, down 0.5 percentage point compared with 2011. Higher raw material prices and costs related to the new enzyme plant in Nebraska, USA, were the main reasons for the lower gross margin, whereas continued productivity improvements and favorable product mix changes partly offset the higher cost of goods sold.

The gross margin for BioBusiness was 47.7%, up from 33.3% in 2011 and up from ~44% when adjusted for the IFRS adjustment relating to the acquisition of EMD/Merck Crop BioScience in 2011.

OTHER OPERATING COSTS

Other operating costs increased by 4% compared with 2011 to DKK 3,756 million. The ratio of other operating costs to sales was 33%, a decrease of 1 percentage point compared with 2011. A cost-conscious approach continued to benefit operations.

- Sales and distribution costs, including business development, increased by 3%, representing 13% of sales
- R&D costs increased by 4%, representing 14% of sales
- Administrative costs increased by 4%, representing 7% of sales

OTHER OPERATING INCOME

Other operating income increased to DKK 78 million in 2012, compared with DKK 50 million in 2011. Milestone payments in BioBusiness were the main reason for the increase.

DEPRECIATION AND AMORTIZATION

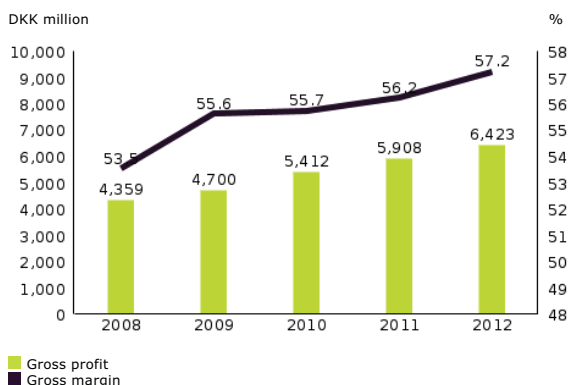
Depreciation and amortization totaled DKK 703 million in 2012, compared with DKK 786 million in 2011. The decrease in depreciation and amortization is mainly due to lower depreciation in Biopharma, caused by the absence of depreciation and write-downs related to the divestment in 2011. Excluding these factors, depreciation and amortization increased slightly.

EBIT

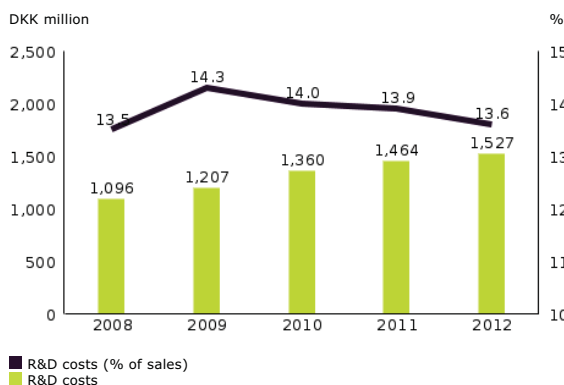
EBIT grew by 17% to DKK 2,745 million, up from DKK 2,340 million in 2011.

The EBIT margin was 24.4% in 2012, an increase of 2.1 percentage points compared with 2011 and an increase of ~1.8 percentage points adjusted for the acquisition impact in 2011. The EBIT margin was positively affected by higher sales and a favorable development in operating costs and currency exchange rates.

GROSS PROFIT AND GROSS MARGIN



R&D



NET FINANCIALS AND NET PROFIT

NET FINANCIAL COSTS

Net financial costs totaled DKK 161 million in 2012, an increase of DKK 236 million compared with net financial income of DKK 75 million in 2011. The increase was primarily caused by net currency hedging/revaluation losses of DKK 83 million in 2012, compared with a gain of DKK 190 million in 2011. Compared with 2011, net interest expenses were DKK 15 million lower at DKK 61 million.

PROFIT BEFORE TAX

Profit before tax increased by 7% to DKK 2,584 million, up from DKK 2,415 million in 2011.

The effective tax rate in 2012 was 22.0%, against 24.3% in 2011. The effective tax rate for 2012 benefited from utilization of the U.S. Advanced Energy Manufacturing tax credit, obtained in 2010, relating to the new plant in Nebraska.

NET PROFIT

Net profit was DKK 2,016 million, an increase of 10% compared with 2011. The higher EBIT and lower tax rate had a positive impact on net profit, whereas the increased net financial costs impacted net profit negatively.

CASH FLOW AND BALANCE SHEET

CASH FLOW

Cash flow from operating activities came in at DKK 2,758 million for 2012, compared with DKK 2,709 million in 2011. The higher operating cash flow was primarily the result of higher net profit.

Net investments excluding acquisitions totaled DKK 1,177 million, against DKK 1,316 million in 2011.

Free cash flow before acquisitions for the period was DKK 1,581 million, up from DKK 1,393 million in 2011. The increase was the result of the higher operating cash flow.

BALANCE SHEET

Shareholders' equity was DKK 9,568 million at December 31, 2012, up 8% from DKK 8,824 million at year-end 2011. Shareholders' equity was increased by net profit, but this was partly offset, mainly by dividend payments and purchase of stock under the share buyback program. Shareholders' equity represented 63% of the balance sheet total, down from 64% at year-end 2011.

Net interest-bearing debt was DKK 1,430 million at December 31, 2012, compared with DKK 1,019 million at December 31, 2011. The increase was mainly a result of the dividend payout of DKK 600 million to Novozymes' shareholders in March 2012, the DKK 832 million share buyback carried out during 2012 and the strategic partnership with and acquisition of an equity position in Beta Renewables.

Net debt-to-equity was 15% at December 31, 2012, up from 12% at December 31, 2011.

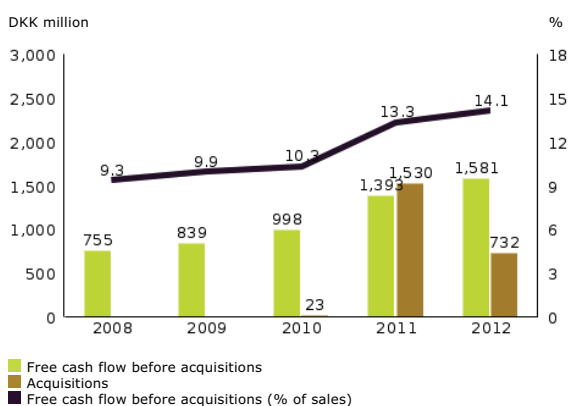
Return on invested capital (ROIC), including goodwill, was 19.9%, compared with 21.3% in 2011. The lower ROIC was mainly due to the higher level of invested capital, primarily as a result of the acquisition of EMD/Merck Crop BioScience in 2011 and the strategic partnership with and acquisition of an equity position in Beta Renewables in 2012.

TREASURY STOCK

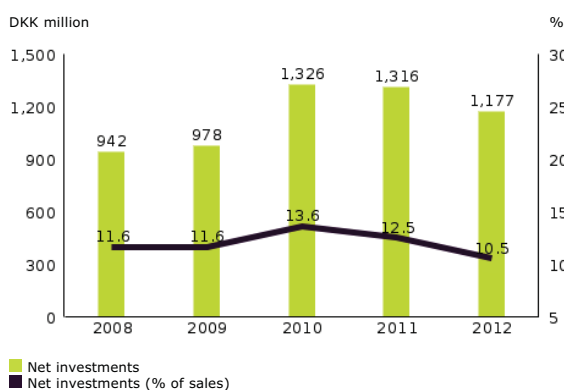
On December 31, 2012, the holding of treasury stock was 12.77 million B shares, equivalent to 3.9% of the share capital.

Between January 20 and October 29, 2012, Novozymes repurchased 5,247,588 shares worth approximately DKK 832 million within the DKK 2 billion two-year share buyback program that was initiated on January 20, 2012. The buyback program was terminated on October 29, 2012, in connection with the announcement of the strategic partnership with and acquisition of an equity position in Beta Renewables.

FIVE-YEAR CASH FLOW AND ACQUISITIONS OVERVIEW



NET INVESTMENTS*



* Excluding acquisitions

The B common stock is expected to be reduced by DKK 10,600,000 from DKK 542,512,800 to DKK 531,912,800 by canceling part of the holding of treasury B stock. The cancellation of shares is subject to approval at the Annual Shareholders' Meeting on February 28, 2013.

SUPPLY CHAIN MANAGEMENT – GETTING CLOSER TO CUSTOMERS

Novozymes puts the customer at the heart of supply chain management, which includes activities such as sourcing, transport and logistics, and coordination with customers. To help maximize operational efficiency and sustainability, we are stepping up dialogue with customers to assess their needs better and bring production closer to them, leading to cost savings and a smaller carbon footprint.

Our global supply chain operates on the proximity principle: We manufacture products as geographically close to our customers as possible. This typically allows for cheaper goods transport and makes it possible to tailor finished goods to customer needs at a late stage.

Lower transport volumes

We have expanded supply chain operations in locations such as Suzhou, near Shanghai, China, and Blair, Nebraska, USA, to increase delivery flexibility while minimizing transport costs. In turn, this helps us save on CO₂ emissions, as we reduce distances traveled by products.

Novozymes expects to reduce internal transport between Suzhou and Blair by 37% in 2012-2013, corresponding to approximately 300 tons of CO₂. In 2013, we expect a reduction in transport volume between our plants of up to 8%.

We are also working on more efficient transport of globally sourced raw materials, with a trial project in Denmark seeing us switch transport from trucks to

ships. Ships carrying raw materials for Novozymes' production now sail directly to Kalundborg, rather than docking in Copenhagen and transferring the goods to trucks. This initiative will help Novozymes reduce the number of trucks on the road between Copenhagen and Kalundborg by 800, thereby cutting CO₂ emissions by an estimated 148 tons a year.

Reducing complexity through dialogue

Another key objective is reducing complexity in service offerings, which means better assessing customer needs through increased dialogue. In May 2012, we launched a new three-year plan to highlight customer relationships and complexity management, which will help us meet global market requirements and address business challenges.

Specifically, we developed 12 initiatives to engage with customers and improve operational efficiency through programs such as late customization, make-to-order lines, smaller inventories, and planning the location of potential production facilities.

One practical outcome is how we review order patterns with established customers, where we discuss how best to plan long-term and repeat orders. Based on patterns found, we aim to reduce the number of partially filled pallets, which lower the overall volume transported in a single delivery. Instead, we seek to merge smaller orders and move more goods with the same energy utilization, thereby achieving cost efficiencies and lower CO₂ emissions. At the same time, we retain the flexibility to provide just-in-time and small deliveries to customers who need them.

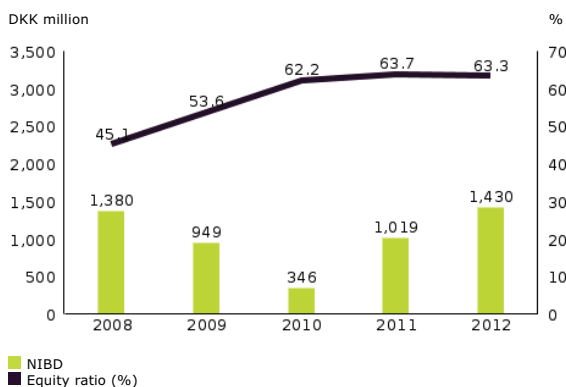
Going forward

In a 2012 survey of our customers, respondents' top priority was reliable deliveries, followed by quality products and documentation. Overall, 75% saw the benefit of a partnership-oriented approach to supply chain management. Novozymes therefore remains committed to mitigating delivery risk and increasing reliability, optimizing the supply chain together with customers and thereby building customer loyalty.

Better engagement with suppliers also delivers higher operational efficiency. Over the past three years, we have implemented a supplier performance management system where performance is evaluated on the basis of commerciality, quality and sustainability, aiming to identify and mitigate risks in the global supply base. Our target for 2015 is 100% supplier adherence to the supplier program for commercial, quality and sustainability performance for all our suppliers with 12 months rolling spend above 1 million DKK.

We will also continue to optimize production and administration systems, including a smoother order-to-invoice flow, while supporting the company's strategy and growth targets.

NET INTEREST-BEARING DEBT (NIBD) AND EQUITY RATIO



RESOURCE UTILIZATION

In the following, we report on our efficiency targets for energy, water and CO₂ as well as other performance related to resource utilization:

ENERGY, WATER AND CO₂ EFFICIENCY

Energy efficiency

The realized improvement in energy efficiency in 2012 was 38% compared with 2005 and thereby met the target of 38%. The improvement can be credited to implementation of numerous energy-saving projects with a focus on replacing equipment and optimizing energy use. Energy efficiency improved by 4 percentage points from 34% in 2011, which corresponds to an additional 250,000 GJ of energy saved and estimated cost savings of approx. DKK 30 million in 2012.

Water efficiency

Water efficiency improved by 32% in 2012 compared with 2005, falling just short of the target of 33%. We were unable to reduce water consumption further due to a shift toward products requiring more process water and a delay in some water-saving projects. Water efficiency nevertheless increased by 2 percentage points from 30% in 2011, leading to water savings of approximately 200,000 m³ (reducing total consumption to 6,446,000 m³) and estimated cost savings of DKK 2 million.

With a view to notably improving water efficiency and progressing toward our 2015 target of 40%, we have initiated more water-saving projects with a longer payback period.

CO₂ efficiency

Novozymes improved its CO₂ efficiency by 55% in 2012 compared with 2005 and thereby exceeded the long-term target of 50% in 2015. This achievement was largely made possible by the strategic decision in 2011 to significantly increase purchases of CO₂-neutral electricity from wind

power. In Denmark, we now source all electricity from wind turbines, which accounts for approximately one-third of our CO₂ efficiency gains. We have also identified and implemented energy-saving projects throughout the organization, and the cost savings have all been earmarked for purchases of CO₂-neutral energy.

WASTE

The registered volume of waste rose to 14,241 tons in 2012, up from 11,704 tons in 2011. The increase resulted from biomass generated at our new factory in Blair, Nebraska, which could not be distributed as fertilizer products, such as NovoGro®. This also resulted in a decline in the percentage of waste recycled to approx. 34% in 2012, down from approx. 41% in 2011.

TRANSPORTATION AND DISTRIBUTION

In 2012, CO₂ emissions from the transport of goods to the first point of delivery at the customer and from transport between sites were estimated at 19,000 tons, a reduction of approx. 14% from 22,000 tons in 2011.

ANIMAL TESTING

The use of experimental animals grew by approx. 10% from 1,119 animals in 2011 to 1,240 in 2012. This was mainly a result of increased toxicology testing in Enzyme Business.

ENVIRONMENTAL COMPLIANCE AND COMPLAINTS

Novozymes aims to comply with all regulations and strives to minimize the number of complaints. In 2012, 15 breaches of regulatory limits were registered worldwide, compared with 21 in 2011.

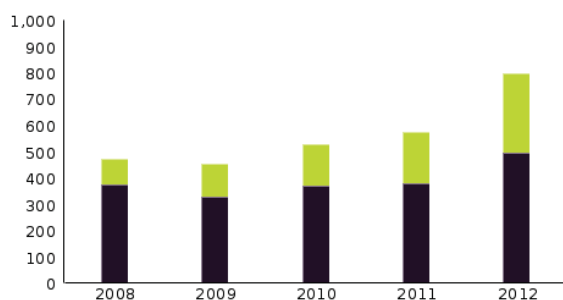
We received 11 complaints from neighbors, down from 18 in 2011. The majority of complaints were made by private residents and related to odor and noise disturbance from nearby factories.

We always seek to avoid spills, such as the release of chemicals into watercourses or soil, and there were no significant spills in 2012.

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

ESTIMATED ENERGY COST SAVINGS

DKK million



■ Saved energy cost compared to 2005 efficiency
■ Actual energy cost

CLIMATE CHANGE IMPACT

It is a priority for Novozymes to position enzyme technology as part of the solution to climate change. Through customers' application of our products, we achieved an estimated reduction in CO₂ emissions of 48 million tons in 2012, or roughly three-quarters of Denmark's annual CO₂ emissions. This was an increase of 3 million tons compared with 2011 and surpassed our target of 47 million tons. The improvement can partly be accredited to the increase in sales of household care enzymes.

To measure our impact and provide our customers with validated claims, Novozymes works continuously on developing peer-reviewed environmental life cycle assessments. In 2012, we completed assessments in the textile and aquaculture industries and authored an article reviewing environmental assessments of enzyme use in industry over the last 15 years. Additionally, we provided CO₂ data on selected enzymes to customers and partners, and we advised them on changing their product mix and on the benefits of shifting to more concentrated products with lower environmental impact.

WORKPLACE DEVELOPMENT

Here we report on targets and performance related to employees and the workplace.

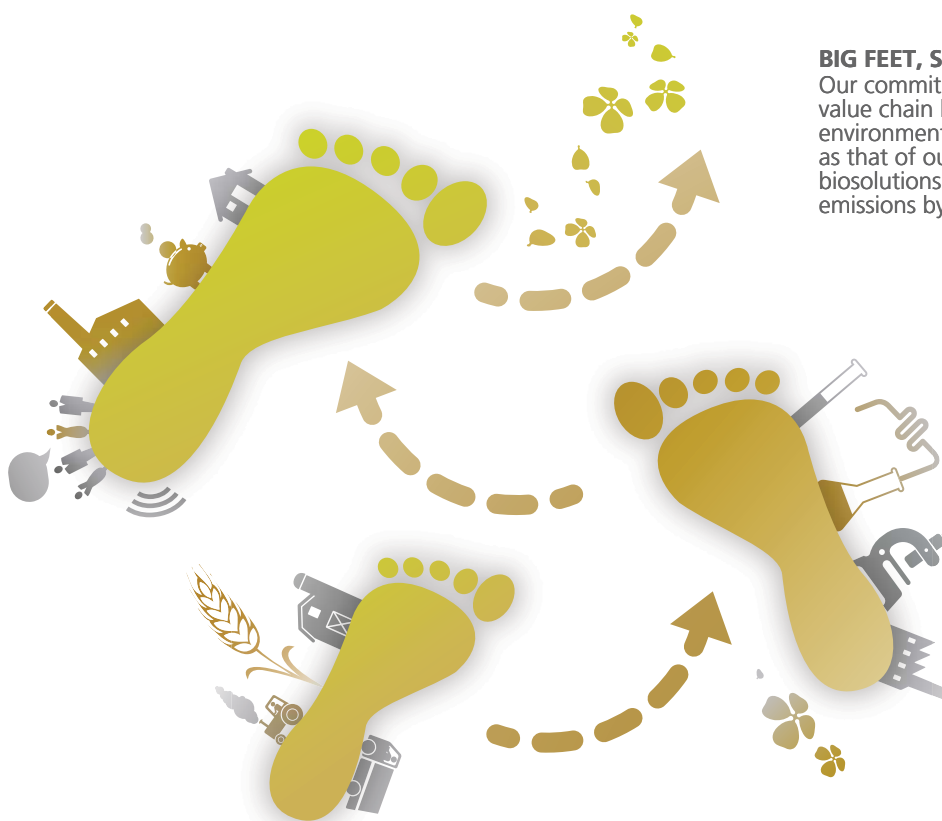
EMPLOYEE TURNOVER

The 2012 target for employee turnover was a rate between 4% and 9%, reflecting the present job market and Novozymes' aim to attract and retain employees. With a realized employee turnover rate of 8.1%, this target was met.

SATISFACTION, MOTIVATION AND NOVOZYMES' VALUES

Employee satisfaction and motivation, employees' assessment of development opportunities, and our ability to live our values are important indicators of both employee well-being and our ability to retain and attract talent. Every year, Novozymes' employees worldwide are invited to express their opinions in the annual People's Opinion survey. Employee satisfaction and motivation, as measured by the survey, scored an all-time high of 78 in 2012, exceeding our target of 75. For Nordic-based companies with at least 2,000 employees, and with employees based in at least two countries outside the Nordic region, an employee satisfaction score of 75 and above is considered Top in Class in a benchmark developed by Ennova, our service provider.

When it came to opportunities for professional and personal development, our score was 75 in 2012, exceeding



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 48 million tons in 2012.

our target of 74. To further support employee development, Novozymes initiated new leadership and talent development programs in 2012 with further implementation to come in 2013. With regard to our corporate values, the survey showed that employees strongly trust their colleagues and managers to live Novozymes' values, surpassing our target of 80 with a score of 83.

DIVERSITY AND EQUAL OPPORTUNITIES

Employment at Novozymes is based on merit and is offered without any distinction, exclusion or preference. We are committed to developing a diverse workforce, fostering innovation and an inclusive working culture.

In 2012, we continued our efforts to ensure that we utilize the full potential of our global talent pool in our succession planning. In order to further increase diversity among managers to better reflect the composition of our recruitment base, we have also set specific targets for gender and nationality distribution for new managers recruited in 2013. Read more about this in the Outlook section.

FOCUS ON SAFETY

Novozyymes aims to offer a safe working environment. The frequency of occupational accidents was historically low in 2012 at 3.0 per million working hours, well within the target of 4.0. However, the year was sadly marked by a fatal accident at one of our production sites in Denmark. Following the accident, we immediately initiated an investigation into the cause and provided grief counseling for relatives and co-workers.

Such a tragic accident calls for extra attention to safety. As a result, all departments have identified processes and equipment that can potentially cause personal injury so that the risk of future tragic accidents is as low as possible. Furthermore, Novozymes launched a new campaign, "Stop and Think," reminding employees to think twice in potentially risky work situations. Finally, Novozymes has hired external consultants to review its global setup and

performance regarding occupational health and safety and identify potential areas for improvement.

HEALTH, WELL-BEING AND ABSENCE RATE

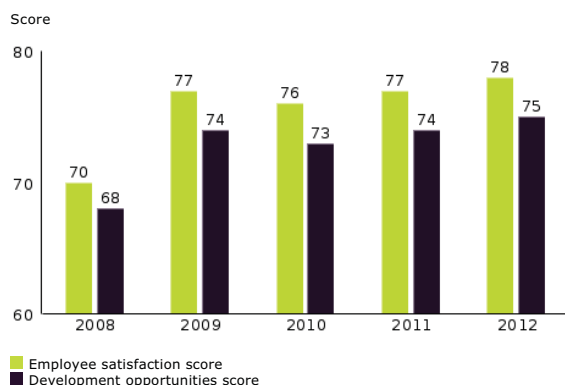
Novozyymes aims to help employees make healthy choices by providing conditions, information and facilities in the workplace that promote healthy lifestyle habits and wellness opportunities. Improved well-being and low absence benefit our employees not only by reducing the discomfort associated with illness 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 1.9% in 2012, the target of under 3% for the year was met.

COMPLIANCE WITH HUMAN RIGHTS AND LABOR STANDARDS

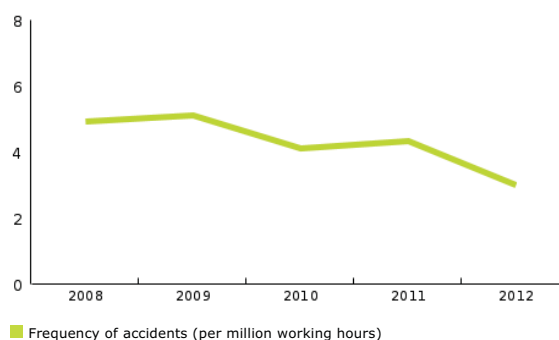
In 2012, Novozymes conducted a human rights impact assessment as part of a project using the U.N.'s Guiding Principles on Business and Human Rights as a benchmark. The outcome of this project has been improvements in our practices, such as a clearer anchoring of responsibility across the organization for Novozymes' Minimum Standards on Labor and Human Rights and a better understanding of regional differences in human rights topics.

Furthermore, we have updated our commitment to human rights and incorporated this into business activities, such as merger and acquisition processes. These improvements should enable us to more systematically detect and prevent human rights risks across all sites. In 2013, we will conduct internal training in how to use our Ethics Hotline, thus ensuring that all employees know how to report any breaches of human rights.

EMPLOYEE SATISFACTION AND DEVELOPMENT OVERVIEW



FREQUENCY OF ACCIDENTS



SOCIO-ECONOMIC IMPACT

Here we report on performance related to value distribution, including tax contributions and interaction with suppliers. The status of our business integrity program, our food-energy venture in Mozambique and our corporate citizenship program is also covered.

In 2012, 88% of Novozymes' generated value was returned to society through the purchase of goods and services from suppliers, wages and pensions to our 6,041 employees, different types of taxes and duties to the community, and dividends and financial costs to our capital providers. The remaining 12% was retained by Novozymes to develop the company and ensure competitiveness and future value generation for distribution among key stakeholders.

TOTAL TAX CONTRIBUTION

In 2012, taxes incurred as corporate income taxes, other taxes and duties came to approx. DKK 875 million, equal to the 8% returned to the community (see chart *Distribution of generated value*). In addition to the incurred taxes, Novozymes collected and withheld tax contributions on dividends and wages for an amount of approx. DKK 975 million. Hence, Novozymes' total tax contribution amounted to approx. DKK 1,850 million, compared with approx. DKK 1,900 million in 2011. Novozymes' overall tax strategy and transfer pricing policy support a positive tax contribution to society and governments in the countries in which it operates. See also Novozymes' position on tax at www.novozymes.com.

SUPPLIERS

Novozyymes continuously assesses risks and identifies opportunities through the responsible purchasing program implemented in 2009. In 2012, our coverage of total spend

was 93%. We finalized 11 action plans for noncompliant suppliers involving either dialogue or discontinuation.

Novozyymes has set a new target of 100% adherence to the supplier program for commercial, quality and sustainability performance for suppliers where our annual spend is above DKK 1 million. See also the Outlook section. Large suppliers with which we have regular transactions are more readily influenced. However, we continue assessing smaller suppliers and mitigating the associated risks.

In 2012, Novozymes included an extended version of its Supplier Requirements in supplier contracts worldwide. Through collaboration with suppliers, we managed to redesign packaging, contributing to safer handling of selected products. More environmentally friendly alternatives to raw materials such as titanium in our enzyme production were identified. Finally, Novozymes hosted a supplier innovation day with the aim of creating closer partnerships with strategic suppliers. See also our 2012 Communication on Progress with respect to the UN Global Compact in the Supplementary section of the report.

BUSINESS INTEGRITY

We have continued our dedicated communication and training efforts to ensure business integrity always remains high on the radar for employees and business partners. On a global scale, workforce training in business integrity through e-learning reached 79%, compared with 71% in 2011. We also conducted local seminars in our major facilities in cooperation with regional finance departments.

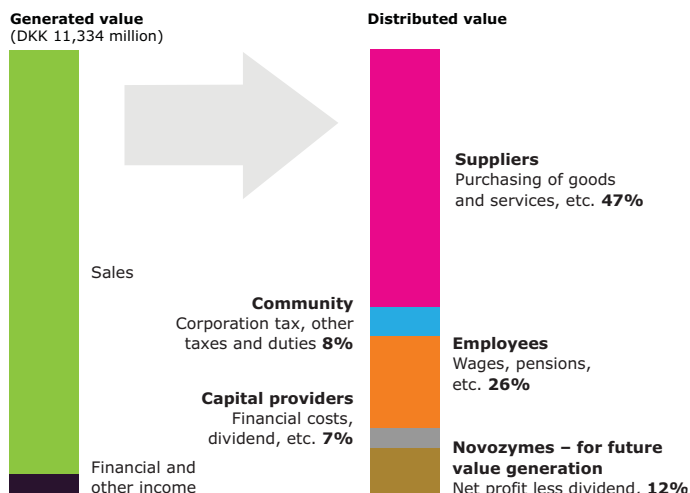
Following our acquisition of EMD/Merck Crop BioScience in 2011, part of the post-merger integration process in 2012 was to develop a Spanish version of our booklet on business integrity, *Bribery – No thanks!*, to ensure our new colleagues from EMD/Merck Crop BioScience in Argentina and business partners also understand and comply with our six principles. The booklet is also available externally in Chinese, Danish, English and Portuguese.

FOOD-ENERGY VENTURE IN AFRICA

Novozyymes has invested in a project in Mozambique via a joint venture, CleanStar Mozambique (CSM). The purpose is to develop sustainable agriculture to increase food production and provide raw materials for the production of ethanol to replace charcoal as a cooking fuel in urban households. CSM is helping smallholder farmers in the Sofala province implement an environmentally restorative agroforestry system to provide a diverse mix of agricultural produce. In 2012, CSM opened its first cooking fuel facility in Sofala, where some of the agricultural produce is processed into an ethanol-based cooking fuel and then sold locally.

Toward the end of 2012, CSM had more than 1,200 smallholder farmers involved in the venture, employed more than 150 employees, had commenced domestic production of ethanol-based cooking fuel and had sold more than 3,000 stoves to urban households. The venture also

DISTRIBUTION OF GENERATED VALUE



contributes broadly to the U.N. Millennium Development Goals (MDGs). For example, it helps:

- Eradicate extreme poverty by moving 1,200 farmers and 150 employees and their families from subsistence to commercial incomes (MDG#1)
- Improve maternal health (MDG#5) and reduce child mortality (MDG#4) in about 3,000 homes through reduced indoor pollution
- Ensure environmental sustainability (MDG#7) by shifting away from deforestation-based charcoal

CORPORATE CITIZENSHIP EFFORTS

We continued in 2012 to share our knowledge of science and environmental responsibility with local communities through our corporate citizenship program, Citizymes. With these efforts, we contribute to the improvement of education in our local communities (MDG#2) and the improvement of environmental sustainability (MDG#7). We reached approx. 26,000 learners in 2012, up from approx. 9,800 in 2011 when the project was launched. The increase was primarily a result of our involvement in Saskatoon, Saskatchewan, with the Canadian organization Agriculture in the Classroom, reaching out to approx. 10,000 children in its teaching of plant growth and food production.

In total, around one-third of all learners reached were from Latin America and Asia Pacific, where companies are increasingly expected to contribute to educational activity, for example by showing how theory works in practice. An example of a new project is Novozymes' partnering with the Bangladesh University of Textiles to introduce the concepts of biotechnology and sustainability to future textile mill managers as part of the university's MBA program. Read more about the program and other examples of our citizenship projects at www.novozymes.com.

SOCIO-ECONOMIC IMPACT ASSESSMENT

In 2012, Novozymes published its first socio-economic impact assessment estimating the socio-economic impact in

the U.S. of introducing Meat Protein Extracts (MPE) as an alternative to sodium in processed meat. The results showed that the benefits for consumers and society are substantial and that MPE could be part of the solution to the problem of excessive sodium intake in the U.S. With this study, Novozymes developed a new methodology for assessing socio-economic impacts and documenting customer claims as a supplement to its existing expertise in environmental life cycle assessments.

SUSTAINABILITY LEADERSHIP

Here we report on the benchmarking of our sustainability performance and our performance in relation to our global and regional engagements.

Analysts and rating agencies continuously assess companies' overall sustainability performance, and we use the most relevant ratings to benchmark ourselves against sustainability leaders. In particular, the rating from Dow Jones Sustainability Indexes and the underlying evaluation completed by Sustainability Asset Management (SAM) are the yardsticks for our target of obtaining a Gold Class rating from SAM in its Sustainability Yearbook. Based on our 2011 performance, Novozymes obtained a Gold Class rating in the 2012 Sustainability Yearbook and thereby achieved its target.

Moreover, we reconfirmed our position as a biotechnology sector leader in the Dow Jones Sustainability Indexes based on the rating of our 2012 performance.

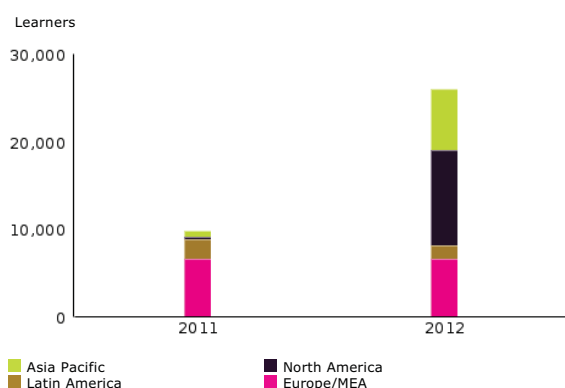
Novozymes also improved its position in the Nordic Carbon Disclosure Leadership Index, jumping from #10 in 2011 to #5 in 2012 with a score of 94. The improvement was due partly to substantial investments in reducing the carbon footprint/energy consumption of our own production facilities and partly to our offerings helping customers further reduce their CO₂ emissions.

GLOBAL AND REGIONAL ENGAGEMENTS

In 2012, Novozymes engaged in a series of advocacy activities, most notably the U.N. Conference on Sustainable Development (Rio+20). With a strong emphasis on providing practical business input and solutions, and engaging in dialogue with interested stakeholders, Novozymes was able to:

- Actively participate in the Business Action for Sustainable Development (BASD) and the Rio+20 Business Day
- Provide inputs to policy documentation such as the ICC's Green Economy Roadmap and the WBCSD's Vision 2050 and Changing Pace report
- Support the UN Global Compact Task Force on Sustainable Energy for All, including the SEFA (Sustainable Energy for All) initiative
- Increase information and knowledge about our vision of a biobased economy

CITIZYMES: LEARNERS REACHED BY REGION



The SEFA initiative, launched by the U.N. Secretary-General, is of particular interest to Novozymes. It aims to make sustainable energy for all a reality by 2030 and has encouraged private, public and non-governmental actors to join. This initiative is a major opportunity for Novozymes to position bioenergy technologies as part of the solution, and has led Novozymes to set a target for the inclusion of biofuels as a "high-impact opportunity" in the SEFA initiative in 2015. See also the Outlook section.

We also stepped up our involvement in the local Global Compact networks in the U.S., Brazil, China and India. Together with A.P. Møller - Mærsk, Novo Nordisk, Business for Social Responsibility (BSR) and the UN Global Compact, we contributed to the report *New Geographies of Corporate Sustainability*, focusing on the local sustainability agendas in China, Brazil and India. The project enhanced our knowledge of sustainability differences within the regions that need to be taken into account in future activities.

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 reporting. 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.

THE BIOBASED ECONOMY AND THE GLOBAL STAGE

We may be a relatively small company but we have big plans – we want to change the world together with our customers. Our technology holds the key to an economy based on renewable resources. Novozymes is dedicated to building a biobased economy, not only through the products and solutions the company develops, but also by participating in the political processes that will shape the world of tomorrow.

The successful development of the global economy hinges on the ability of government bodies and private companies to work together to drive innovation and growth. As a result, knowledge- and innovation-rich companies such as Novozymes are gaining the ear of government. Novozymes is using this opportunity to further drive change by engaging in dialogue with policymakers and advocating for a biobased society, by sharing its biotechnology know-how and presenting its innovative solutions.

Creating opportunities

As part of this global advocacy effort, we strategically select and participate in global forums and events, such as Rio+20 and B20 meetings, not only to engage with politicians and industry opinion leaders, but also to meet with customers and partners to find possible synergies.

Our agenda in 2012 was to positively influence and drive necessary change in the following areas:

- Ending fossil fuel subsidies
- Free trade in sustainable solutions
- Robust carbon pricing
- Support for deployment of low-carbon solutions
- Private investment in green infrastructure

The United Nations Conference on Sustainable Development (Rio+20) in June 2012 was the biggest sustainability event of the past two decades. More than 55,000 people from 193 countries and over 1,500 companies participated and directly contributed to the debate. Novozymes was represented in the processes and the event, where the final agreement focused on several key areas for both the company and the future of the biobased economy. We presented our solutions to heads of state, journalists and global opinion leaders, and we connected with a large number of current and potential customers to explore future projects.

Listening to mitigate risk

By participating in such global events and engaging with stakeholders around the world, Novozymes also gains vital insights that can be integrated into the business and the solutions offered to customers. Learning how policymakers, opinion leaders and NGOs view our industries enables us to better understand the business value chain, anticipate future requirements and safeguard our business by developing new solutions to meet changing market needs.

A long-term commitment

It takes time to influence political decisions, and we recognize, of course, that political support for building a biobased economy requires a long-term effort. In 2013, we will continue to advocate our solutions and policies that promote sustainable long-term growth. Focus areas will include establishing solid sustainability agendas with the new leadership in China and the U.S. administration, with particular emphasis on priorities for renewable energy. One of our long-term targets aims to secure biofuels as a "high-impact opportunity" on the Global Action Agenda of the U.N.'s Sustainable Energy for All initiative in 2015.

NOVOZYMES' STOCK

During 2012, Novozymes returned more than DKK 1.4 billion to shareholders through dividends and share buybacks. The share price had a challenging 2012 and ended the year down 10%.

Novozymes' stock is listed on Nasdaq OMX Copenhagen and included in the OMX Copenhagen 20 index (OMXC20). 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.

SHARE PERFORMANCE

Novozymes' stock (DKK)	2012	2011
Share price, year-end	159.2	177.3
Total market value, year-end (billion)*	51.7	57.6
Earnings per share, diluted	6.33	5.71
Dividend per share	2.2**	1.9

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

** Proposed

Novozymes' share price decreased by 10% during the year. In comparison, the OMXC20 gained 27%, the MSCI Pan Europe Index 13% and the Dow Jones Sustainability World Index 12%.

The average daily trading volume of Novozymes' stock in 2012 was 587,031 shares, or DKK 93 million, making it the seventh most actively traded company on Nasdaq OMX Copenhagen, compared with ninth in 2011. At year-end, the total market value of Novozymes' B shares was DKK 43.2 billion and the implied value of the nontraded A shares was DKK 8.5 billion.

Over the past five years, Novozymes' stock has generated an average annual return to shareholders of 7% (9% including dividends). This can be compared with a five-year average return without dividends of 1% for the OMXC20, (5)% for the MSCI Pan Europe Index and (5)% for the Dow Jones Sustainability World Index.

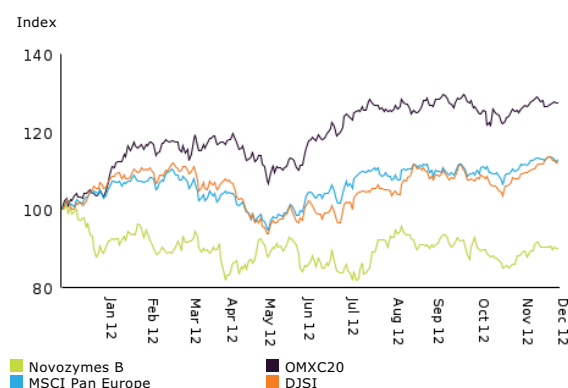
SHARE BUYBACK PROGRAM INITIATED AND TERMINATED IN 2012

In 2011, it was decided to initiate a new share buyback program worth up to DKK 2 billion over a two-year period starting in 2012. The program was contingent upon no major acquisitions being made. In 2012, Novozymes bought back shares worth a total of DKK 831,847,334 between January 20 and October 29. The buyback program was terminated with the announcement of the strategic partnership with, and acquisition of an equity position in, Beta Renewables.

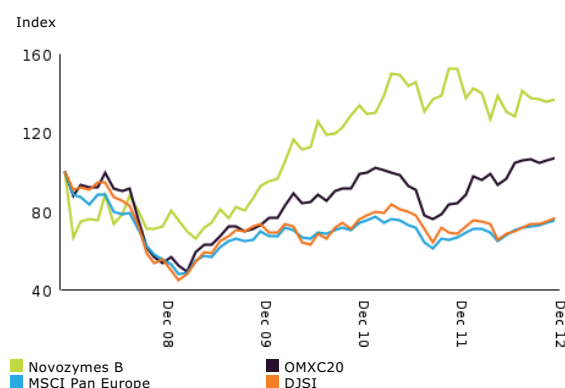
The B common stock is expected to be reduced by DKK 10,600,000 from DKK 542,512,800 to DKK 531,912,800 by canceling part of the holding of treasury B stock. The cancellation of shares is subject to approval at the Annual Shareholders' Meeting on February 28, 2013.

To ensure there is no negative impact on the liquidity of Novozymes' stock, the principal shareholder, Novo A/S, has agreed to keep its relative holding of B shares at the current level (25.5% of common stock) following Novozymes' cancellation of shares as a result of the stock buyback program.

2012 INDEXED SHARE PRICE DEVELOPMENT



FIVE-YEAR INDEXED SHARE PRICE DEVELOPMENT



DIVIDENDS

The Board of Directors proposes that the Annual Shareholders' Meeting approve a dividend of DKK 2.2 per share for the 2012 financial year. This will result in an expected total dividend payment of approximately DKK 687 million, corresponding to a payout ratio of 34.1%. Novozymes plans to increase the payout ratio to 35% over the next 1-2 years.

Distributions	2012	2011	2010	2009	2008
Dividends (DKK million)	687*	599	504	358	326
Stock buybacks (DKK million)	832	400	0	0	0
Total (DKK million)	1,519*	999	504	358	326
Net profit (DKK million)	2,016	1,828	1,614	1,194	1,062
Payout ratio (%)	34.1*	32.8	31.2	30.0	30.7
Number of shares outstanding, year-end (million)**	312	315	315	311	310
Dividend per share (DKK)**	2.2*	1.9	1.6	1.15	1.05

* Proposed

** 2008-2010 are restated to reflect 1-to-5 stock split of the company's A and B shares

DIVIDEND DATES 2013

Resolution adopted at the Annual Shareholders' Meeting	February 28
Last day of trading with right to dividend for 2012	February 28
First day of trading without right to dividend for 2012	March 1
Disbursement of dividend	March 6

EQUITY ANALYSTS

The following companies have analysts covering Novozymes' stock:

- ABG Sundal Collier
- Alm. Brand Markets
- Carnegie
- CA Cheuvreux Nordic
- Citi
- Credit Suisse
- Danske Markets
- Deutsche Bank
- DnB NOR Markets
- Goldman Sachs
- Handelsbanken Capital Markets
- Jefferies & Company
- J.P. Morgan
- Jyske Bank
- Kempen & Co.
- Nordea Markets
- Nykredit Markets
- SEB Enskilda Equities
- Standard & Poor's
- Sydbank
- 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 2012, Novozymes was:

- Reconfirmed as a member of the Dow Jones Sustainability World Index and the Dow Jones Sustainability STOXX Index. Named as sector leader for the 11th time and awarded a Gold Class rating for 2011 performance in SAM's Sustainability Yearbook 2012
- Ranked fifth in the Carbon Disclosure Project's Nordic Carbon Disclosure Leadership Index 2012 with a score of 94 out of 100
- Ranked among top three in the health care sector by Bloomberg in the Global Corporate Renewable Energy Index (CREX) 2012
- 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.

	A stock	B stock	Total
Common stock (DKK)	107,487,200	542,512,800	650,000,000
Number of shares	53,743,600	271,256,400	325,000,000
Number of votes	1,074,872,000	542,512,800	1,617,384,800
Voting rights (%)	66.5	33.5	100

At the end of 2012, Novo A/S held 25.5% 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 70.1% 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 50,000 shareholders, of whom 99% were private shareholders in Denmark. Twenty institutional investors, including Novo A/S, owned approximately 55% of the B shares. Around 70% of the B shares were held outside Denmark.

Novozymes held 4.7% of the B stock, equivalent to 3.9% 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, 2012.

FINANCIAL CALENDAR

Group financial statement for 2012	January 21, 2013
Annual Shareholders' Meeting 2013	February 28, 2013
Interim report for the first 3 months of 2013	April 25, 2013
Interim report for the first half of 2013	August 9, 2013
Interim report for the first 9 months of 2013	October 25, 2013
Group financial statement for 2013	January 23, 2014

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.

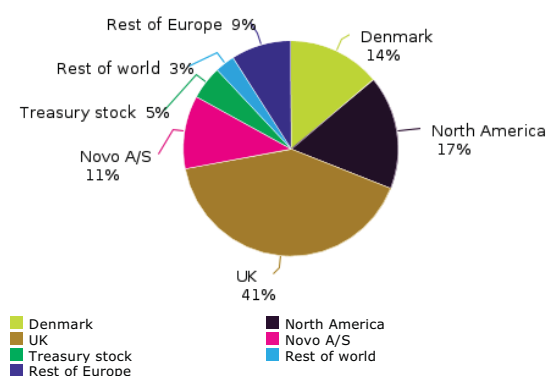
If you have questions for Investor Relations, please contact:

Maarit Pokkinen
Head of Investor Relations
Tel.: +45 4446 8682
E-mail: mpok@novozymes.com

Martin Riise
Senior Investor Relations Manager, Europe
Tel.: +45 4446 0738
E-mail: mrsn@novozymes.com

Thomas Steenbech Bomhoff
Senior Investor Relations Manager, USA
Tel.: +1 919 494 3483
E-mail: tsbm@novozymes.com

SHAREHOLDER DISTRIBUTION OF B COMMON STOCK



COMPANY PROFILE

Novozymes is the world leader in bioinnovation, producing a wide range of industrial enzymes, microorganisms and biopharmaceutical ingredients. Our biological solutions help our customers make more from less, while saving energy and generating less waste.

A growing population is putting increasing pressure on the world's natural resources, and innovation is essential if we are to continue to meet the world's basic needs. Novozymes' solutions are part of the answer. Used in the manufacture of numerous products, our 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

We use our expertise in biotechnology to develop innovative solutions, often in partnership with our customers. Novozymes has a global presence with over 6,000 employees on six continents. More than 20% of Novozymes'

global workforce is engaged in research and development, and 13-14% of sales are invested in research and development worldwide.

Our solutions are based on a unique industrial biotechnology platform and provide a wealth of opportunities for the world's industries. Microbiology, high-throughput screening, protein engineering and fermentation technology are 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. To safeguard our biosolutions, we currently hold 7,000 granted or pending patents, which illustrate the possibilities that emerge when nature and technology join forces.

SUSTAINABILITY IS A PART OF US

Sustainability is an integral part of our business. The nature of our technology allows us to offer our customers solutions that enable them to optimize their use of raw materials and energy. This has become a competitive advantage as more customers look to use sustainability as a differentiator.



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.

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. We also help our customers achieve further CO₂ reductions through the application of our products. In 2012 alone, we helped customers reduce their CO₂ emissions by an estimated 48 million tons.

We seek to enable the necessary balance between better business, cleaner environment and better lives. Through our commitment to international agreements and universal values we are able to identify issues and challenges of relevance to our stakeholders and our business. For example, we subscribe to the UN Global Compact and support the U.N. Convention on Biological Diversity to help steer the global agenda towards a more sustainable world.

It is important for Novozymes to be a transparent and responsible business. Our cross-functional sustainability organization, responsible for setting sustainability targets, mirrors our value chain and is built upon multistakeholder engagement. Learn more about our long-term targets in the Long-term targets and strategy section.

WORLD LEADER IN INDUSTRIAL ENZYMES

Our largest business segment, Enzyme Business, accounted for 91% of total sales in 2012. BioBusiness, consisting of microorganisms and biopharmaceutical ingredients, made up the remaining 9%.

We are constantly striving to expand our markets by developing new applications and introducing innovations in existing markets. With a 47% share of the global enzyme market in 2012, we retained our position as the world's largest and leading producer of industrial enzymes, generating total sales of DKK 11,234 million and EBIT of DKK 2,745 million.

MORE THAN 700 PRODUCTS AND 40 UNIQUE END MARKETS GLOBALLY

Novozymes sells products all over the world and serves a wide variety of industries, such as household care, bioenergy, agriculture, food and beverages, biopharmaceuticals, wastewater, textiles, and pulp and paper.

Enzymes are widely used in laundry and dishwashing detergents and account for a large part of Novozymes' sales. Our solutions improve the performance of detergents by enabling improved stain removal, garment care and general wash performance. Enzymes can replace 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) and cellulose into fermentable sugars used in the production of ethanol. Biofuels are an important step toward meeting the growing demand for renewable fuel.

Enzymes are also used extensively in the food and beverage industry to enhance the quality of bread, beer, wine and other products, and in the feed industry to increase the digestibility and nutritional value of animal feed.

Novozymes also supplies a range of microorganisms for industrial use in the cleaning, wastewater and agricultural markets, while its Biopharma business focuses on improving medical devices as well as drug delivery and formulation using unique recombinant albumin and hyaluronic acid technologies.

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
-

INNOVATION + MARKETING = ROBUST PRODUCT PIPELINE

Translating customer needs into cutting-edge, commercially viable solutions is critical to maintaining Novozymes' robust product pipeline. To stay ahead of the competition, we use radical innovation to generate solutions that fundamentally influence the way industry operates and help our customers produce more with less. We also involve our customers early in the idea development phase to deliver high-value products that satisfy market needs.

Novozymes realizes that good ideas are everywhere, but they need to be discovered, improved and correctly implemented. Therefore, we use a structured approach to foster radical innovation within our business, while bringing in external experts and customers to strengthen solution development, pool knowledge and mitigate risks.

Among other internal tools, we use online, collaborative software and social media to crowdsource ideas for solutions to industry-specific problems, such as replacing a chemical with an enzyme to save energy, water and raw materials in a particular part of the textile-manufacturing process.

Connecting great minds

Colleagues from different Novozymes sites brainstorm online to provide and comment on ideas, and produce a shortlist of solutions reflecting where needs lie in functions such as marketing or R&D. The shortlist is typically generated within a few days, after which the prioritized ideas are defined and an assessment is made of whether they can be developed using Novozymes' competencies. Around 15-20% of these ideas will reach the next stage, where a decision is made whether to develop them as new lead projects, potentially with relevant partners, or shelve them.

We also enable collaboration along the entire innovation value chain to maximize potential and reduce risks by clearly identifying needs and opportunities that take us from initial idea to viable product.

For instance, Novozymes' Shandong Innovation and Business Center, opened in June 2012, integrates R&D, business development and stakeholder relations, and works with local stakeholders to commercialize the best innovations while meeting local market needs. Based in Shandong province on China's dynamic east coast, the center taps into the province's industrial biotechnology infrastructure, including universities and microbial research institutes, while leveraging its position as a major Chinese hub for the food-processing, textile, brewing and leather sectors, among others, which are all industries where we can offer cost-effective, sustainable solutions.

Market-viable products

Although radical innovation is about creativity and the next big idea, it must fall within the realm of what is technologically achievable and practically feasible – and be guided by market needs. Novozymes, and its partners, must also have the necessary research capabilities and marketing structure to enable the idea to reach scale.

A good example is Novozymes' research alliance with Sea6 Energy, based in Chennai, India, to convert the carbohydrates found in seaweed into sugars that can be fermented to produce fuel ethanol, fine chemicals, food proteins and fertilizers. Launched in January 2012, the partnership sees Novozymes developing the enzymes needed for the conversion process, while Sea6 Energy contributes its offshore seaweed cultivation technology.

Both partners bring funds to the project, and their research synergies strengthen the business case. This is because the partnership complements Novozymes' other efforts to convert biomass into fuel ethanol, while Sea6 Energy pioneers ways to ferment sugars derived from seaweed to produce fuel with minimal use of fresh water. The outcome is the development of a scalable, sustainable alternative to fossil fuels, and an advanced fuel ethanol whose feedstock takes no fertilizers to grow and puts no pressure on land use.

Early customer collaboration

To ensure the market viability of new products, and to realize the full potential of our partnerships, we make marketing and business development an integral part of the innovation process and involve customers in product development at an early stage. This allows for balanced investigation of proof of concept from both a technical and a commercial perspective. In other words, we quickly validate whether a proposed product performs as intended, its environmental impact, whether it satisfies customer needs at relevant cost, and what, if any, are its competitor technologies.

Early collaboration also reveals how committed a customer is to a project and speeds up commercialization of market-viable products. Typically, we see 6-8 products brought to market every year out of a pool of substantial projects.

We are currently trialing new internal structures to improve the flow of products in the R&D pipeline toward better-qualified solutions and to speed up the idea-to-market process. The success of these efforts will be measured by the increased commercial impact of new products and the continuous improvement of internal resource allocation to projects with the highest market relevance.



OUTLOOK

THE NOVOZYMES REPORT 2012

EXPECTATIONS FOR 2013

EXPECTATIONS FOR 2013

Financial targets:

- Sales growth of 4-7% in DKK
- Sales growth of 5-8% in local currency (LCY)
- Organic sales growth of 5-8%
- EBIT growth of 4-7%
- EBIT margin of around 24%
- Net profit growth of 6-9%
- Investments of around DKK 1,100 million
- Free cash flow before acquisitions of around DKK 1,650 million
- ROIC of around 20%

Sustainability targets:

- Ensure 95% 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 35% 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 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 above 4% and below 9%
 - Obtain Gold Class rating from SAM in the Sustainability Yearbook 2014
 - Enable a 50 million ton reduction in CO₂ emissions through our customers' application of our products
 - Establish a biofuels initiative, championed by Novozymes, under the U.N.-led initiative SEFA (Sustainable Energy for All)
-

FINANCIAL EXPECTATIONS

2012 was an eventful year for Novozymes. In terms of profitability and earnings growth, it was a very satisfactory year, whereas sales growth was disappointing, despite being within the guided range. Looking at 2013, we expect to be able to retain the current level of profitability, as we feel confident of our continued ability to improve productivity throughout the business. On the sales side, we expect Novozymes' sales growth to pick up from 2012, although it will still be below the long-term target.

SALES EXPECTATIONS

The full-year LCY and organic sales growth guidance is 5-8%. Based on exchange rates at January 18, 2013, sales growth in DKK is expected at 4-7%. Organic sales growth is expected to pick up during the year.

Within Enzyme Business, Novozymes expects all four sales areas to contribute to growth in 2013. Growth drivers in 2013 will again be Household Care Enzymes and Feed Enzymes, included in the Feed & Other Technical Enzymes area.

Household Care Enzymes are expected to be the strongest contributor to full-year sales growth, as the fundamental growth drivers of the business are expected to remain in place in 2013. Furthermore, enzyme sales to the household care industry will be supported by higher sales to a detergent manufacturer that ceased its remaining captive enzyme production in the second half of 2012.

Sales of Feed Enzymes, included in the Feed & Other Technical Enzymes area, are expected to benefit from the continued global rollout and adoption of RONOZYME® ProAct and a positive development of phytase enzyme sales.

Growth in the Food & Beverages Enzymes segment is expected to increase as some of the major industries such as starch and baking return to growth, and with the increase in demand for enzymes for healthy food concepts expected to continue.

Enzyme sales to the bioenergy industry are expected to grow in 2013 compared with 2012. Sales in the U.S. will be positively affected by increased penetration of the recently launched product Novozymes Avantec®, which enables producers of corn-based ethanol to increase the ethanol yield by up to 2.5% with the same amount of corn. The full-year sales outlook is based on the expectation that U.S. bioethanol production in 2013 will be roughly at the level of 2012.

BioBusiness sales are expected to grow in double digits organically, with positive contributions from both the Microorganisms and Biopharma business areas.

Microorganisms sales to the BioAg industry are expected to be the strongest growth contributor due to the recently announced partnerships and to growth in North America and new markets in Europe and Asia. The acquisition of Natural Industries, Inc. in November 2012 will contribute slightly to LCY and DKK sales growth in 2013. The other Microorganisms industries are expected to grow moderately.

Biopharma sales are expected to benefit from increased sales of recombinant albumin to a growing customer base established in 2012. Hyaluronic acid sales are also expected to grow, as potential customers conclude the product-testing phase during 2013 and place commercial orders.

EARNINGS EXPECTATIONS

EBIT growth is expected at 4-7%.

The 2013 expectation for the EBIT margin is around 24%.

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

Around 75% of expected USD/DKK exposure for 2013 has been hedged at 5.61 DKK/USD compared with 5.70 DKK/USD in 2012. For 2013, around 42% of expected EUR/DKK exposure has been hedged at 7.41 DKK/EUR.

INVESTMENTS AND CASH FLOW EXPECTATIONS

For 2013, Novozymes expects around DKK 1.1 billion in net

investments. Besides maintenance CAPEX and investments for operational efficiency, Novozymes will invest in future sales growth, including expansion of R&D facilities. Investments are also being made to improve energy efficiency, thus positively contributing to energy cost savings and achievement of the sustainability targets.

Free cash flow before acquisitions is expected at around DKK 1,650 million, mainly as a result of higher net profit and lower CAPEX.

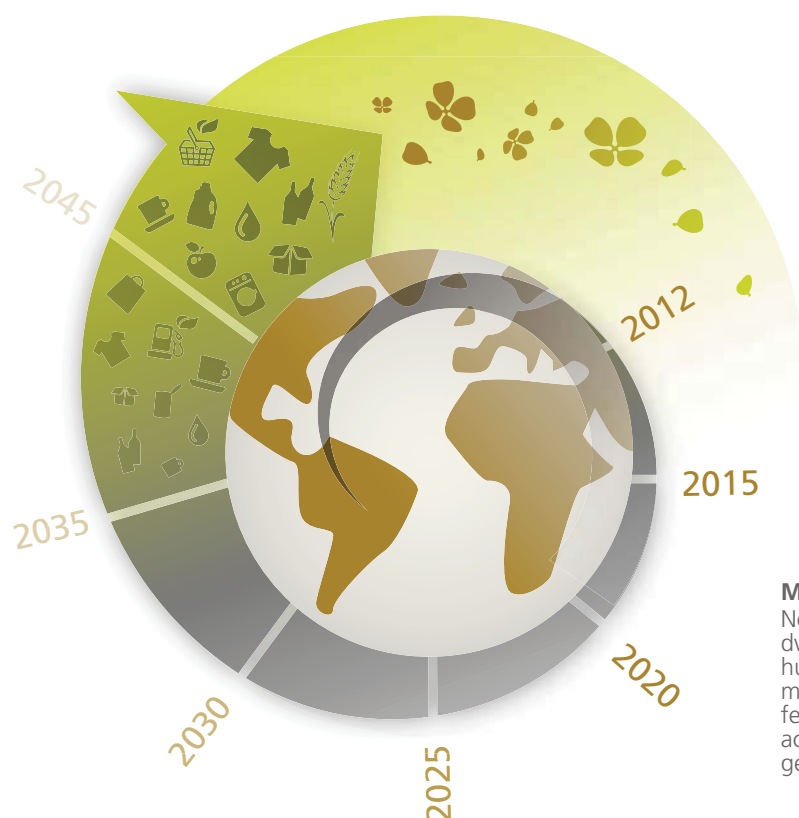
Return on invested capital is expected at around 20%.

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 18, 2013, for the full year.

(DKK)	EUR	USD	JPY	CNY
Average exchange rate 2012	746	579	7.28	91.80
Closing rate January 18, 2013	746	560	6.23	90.05
Estimated average exchange rate 2013	746	560	6.23	90.05
Change in estimated exchange rate 2013 compared with average exchange rate 2012	0%	-3%	-14%	-2%

Other things being equal, a 5% movement in the USD is expected to have an annual impact on EBIT of DKK 60-80 million.



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.

PRODUCT PIPELINE

The pipeline for product launches is strong, and more products are expected to be launched in 2013 than were launched in 2012. These product launches will support Novozymes' long-term growth.

SUSTAINABILITY EXPECTATIONS

Like our long-term targets, the sustainability expectations reflect our consideration of the entire business value chain and our key stakeholders. Therefore, we have designed our expectations to address the following categories: suppliers, Novozymes, customers and society. While we consider the entire value chain, the majority of the expectations focus on internal efforts.

SUSTAINABLE SUPPLY CHAIN

In line with our new long-term target of 100% adherence to our supplier program for commercial, quality and sustainability performance in 2015, our target for 2013 is to ensure that 95% of all suppliers with a 12-month rolling spend above DKK 1 million observe these requirements.

NOVOZYMES

Within Novozymes, our expectations relate to resource utilization, workplace development and sustainability leadership.

Utilization of resources and climate change impact

We have chosen 2005 as the baseline year for our resource efficiency targets. The 2013 targets for improving resource efficiency are 42% for energy, 35% for water and 50% for CO₂. The CO₂ target is based on emissions from Novozymes' own production sites and from energy suppliers.

Workplace development

Novozyymes endeavors to cultivate a workforce of satisfied and motivated employees. Our efforts are addressed through targets for employee satisfaction and employee development. In 2013, the target is a score of at least 75 in our employee survey for both "satisfaction and motivation" and "opportunities for professional and personal development."

To further foster a diverse and inclusive workplace, Novozymes has set new targets for diversity at leadership level. The proportion of male to female employees and of Danish nationals to nationals of other countries at leadership level is currently lower than in the organization as a whole. These figures are also relatively constant. Therefore, our target for 2013 is for a minimum of 30% of all newly appointed leaders to be female and a minimum of 55% to be a nationality other than Danish. Leaders are defined here as those who have at least three employees reporting to them.

In addition to these targets, we aim to keep the frequency of occupational accidents below 3.0 per million working hours and the rate of absence from work below 3% in 2013. The target for employee turnover is set at a range that reflects the present job market and Novozymes' aims with regard to attraction and retention of employees. We see it as preferable to have a turnover above 4% and below 9% in 2013.

Sustainability leadership

Novozyymes prioritizes benchmarking its sustainability efforts against peers, as shown in the 2013 target of earning a Gold Class rating from SAM in the Sustainability Yearbook 2014. Although we have chosen Dow Jones Sustainability



SUSTAINABILITY ACROSS THE VALUE CHAIN

Our focus on sustainability across the value chain impacts our interaction with suppliers, customers and society at large, helping improve livelihoods, the environment and the way we do business.

Indexes and SAM's rating as yardsticks, a number of alternative ratings 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 a 50 million ton reduction in CO₂ emissions through our customers' application of our products in 2013.

SOCIETY

To strengthen the pull of sustainable solutions in society, and to reach our new long-term target of championing the inclusion of biofuels as a "high-impact opportunity" in the U.N.'s Sustainable Energy for All (SEFA) initiative, our target for 2013 is to champion the establishment of a biofuels initiative under SEFA. More specifically, this will require Novozymes to take a leading role in bringing together all actors with a commitment to biofuels and gathering these commitments within what is defined as an initiative under SEFA.



LONG-TERM TARGETS AND STRATEGY

Novozymes envisions a future where our biological solutions create the necessary balance between better business, cleaner environment and better lives.

Our integrated business approach is reflected in our long-term targets. In addition to our ambitions for sales growth and financial returns, we aim to use our resources as efficiently as possible, reduce our environmental footprint and continue to lead the way within sustainability.

LONG-TERM TARGETS

As of January 21, 2013, we have updated both our long-term financial targets for the next five years and our sustainability targets. The financial targets have remained unchanged since 2009. However, a clearer picture of Novozymes' future growth drivers and earnings calls for an adjustment to the long-term financial targets. The new long-term targets, listed below, are contingent upon no major acquisitions being made.

The long-term sustainability targets have also been amended, reflecting Novozymes' consideration of the entire business value chain. The new targets, which are integrated into our business strategy and concrete business initiatives, emphasize our engagement and collaboration with business partners and other stakeholders.

Read more about the long-term financial and sustainability targets in the Strategic update section.

NOVOZYMES' LONG-TERM TARGETS

Financial targets for the next five years:

- 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, following a ramp-up from current levels.

The targets are based on the assumption that:

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

Sustainability targets:

- Ensure 100% supplier adherence to our 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 our 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
 - Champion the inclusion of biofuels as a high-impact opportunity area in the U.N.'s Sustainable Energy for All initiative in 2015
-



KEY DEVELOPMENTS IN BIOENERGY

Novozymes is the world's leading supplier of enzyme technology for conventional biofuels. Through innovation and strategic partnerships, we are also playing a key role in enabling the commercialization of advanced biofuels produced from agricultural residues and waste.

The production of conventional biofuels in the U.S., Novozymes' largest bioenergy market, has become well established over the last decade and today accounts for 10% of gasoline consumption in the U.S. transportation sector. However, growth in the U.S. bioenergy industry has leveled off over the past couple of years, as the increase in the upper blending limit for ethanol in gasoline from 10% to 15% is only slowly penetrating the market. Additionally, volatile corn prices are putting pressure on ethanol producers' margins, making bioinnovation all the more important for producing more with less.

Launched in October 2012, our latest product, Novozymes Avantec®, enables producers to squeeze up to an extra 2.5% ethanol out of corn. A typical U.S. ethanol plant uses around 900,000 tons of feed-grade corn each year to produce 100 million gallons of ethanol. With Avantec, it can obtain the same output from 22,500 tons less corn. If all ethanol plants in the U.S. used the new product, they would need 3 million tons less corn, a gross saving of some DKK 5 billion a year.

Exciting developments in advanced biofuels

It was an important year for advanced biofuels, as the first commercial-scale facilities opened in China, with Europe and the U.S. set to follow in 2013. In October, Novozymes made another significant move to further the commercialization of advanced biofuels by entering into a strategic partnership with Beta Renewables, a leading supplier of biofuel production technology, to jointly guarantee production costs and processes.

The deal is unique in that it offers a combined solution that reduces the financial and technological risk in customers' projects and will help accelerate the large-scale commercialization of the industry. Novozymes expects Beta Renewables to win contracts for 15-25 new facilities over the next 3-5 years, potentially boosting Novozymes' annual sales by up to DKK 1 billion. These first commercial-scale facilities are a critical step in demonstrating the viability of the market.

Novozymes also launched a new enzyme solution, Novozymes Cellic® CTec3, which further cuts costs and increases yields in the production of advanced biofuels, putting the cost of producing a gallon of ethanol from biomass on par with conventional ethanol and gasoline.

Mitigating risk in a politically regulated industry

Unlike most other industries in which Novozymes

operates, the transportation fuel industry is heavily regulated. The bioenergy 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.

A number of new and existing bioenergy regulations were discussed in 2012. Prompted by a major drought, the Renewable Fuel Standard (RFS), a key legislative tool in the U.S., was challenged, as a number of states filed requests with the Environmental Protection Agency to lower the mandated blending of biofuel in gasoline; however, all waivers were denied. We expect the RFS to be challenged again in 2013 but remain confident the industry will continue to advocate for and defend the success of the RFS.

In China, progress was made as the National Development and Reform Commission announced its decision to increase bioenergy production by 5 million tons per year by 2015, a considerable increase from the 1.75 million tons produced in 2011. Meanwhile the European Commission proposed capping conventional biofuels at 5% and providing additional incentives for advanced biofuels. Finally, the global debate about the use of agricultural resources for energy production was reignited as global prices for agricultural commodities experienced another volatile year.

Novozymes works actively across regions in close collaboration with industry partners, key opinion leaders, NGOs and intergovernmental organizations to promote a balanced public debate and ensure that policy is scientifically based, all with a view to long-term sustainable development. We also invest continuously in innovation to advance technology, minimize political risk and ensure commercial viability. Further information on our position on bioenergy can be found at www.novozymes.com.

2012 – A glimpse of the future

Developments in 2012 illustrated what Novozymes does best: deliver innovative solutions to increase the sustainability and viability of customers' businesses. Novozymes has around 150 scientists and researchers, plus a full commercial team, dedicated to bioenergy innovation. We realize the bioenergy industry will remain dependent on political regulation, creating both opportunities and challenges. Going forward, we will continue to improve enzyme technology to increase yields in the conventional ethanol industry, bring down the cost of advanced biofuels and work to have biofuels included as a "high-impact opportunity" on the Global Action Agenda of the U.N.'s Sustainable Energy for All initiative in 2015.

STRATEGY

Novozymes is a business-to-business company providing biological solutions. We compete by understanding customers' business needs, turning insights into cost-effective and innovative biological solutions. We aim to drive the world toward sustainability together with our customers by making better use of the world's resources to meet needs for food, feed, fuel and other consumables. Our technological foundation is biotechnology, enzymes and microorganisms. Wherever we choose to do business, our aim is to be the market leader. We operate with a triple bottom line approach and are thus committed to continuously improving our financial, environmental and social performance.

Our strategic agenda is three-fold: drive innovation, expand opportunities and improve productivity.

DRIVE INNOVATION

As the world's premier industrial enzyme developer and producer, we drive the industry forward by rethinking how and where enzymes can be applied. We regard sustainability as an integral and significant part of our business model and a vital element in building long-term customer relationships. Our solutions address the need to improve industrial processes and products, enabling our customers to produce more with less. We are committed to research and development, in which we invest 13-14% of annual sales and employ over 20% of our global workforce, and we

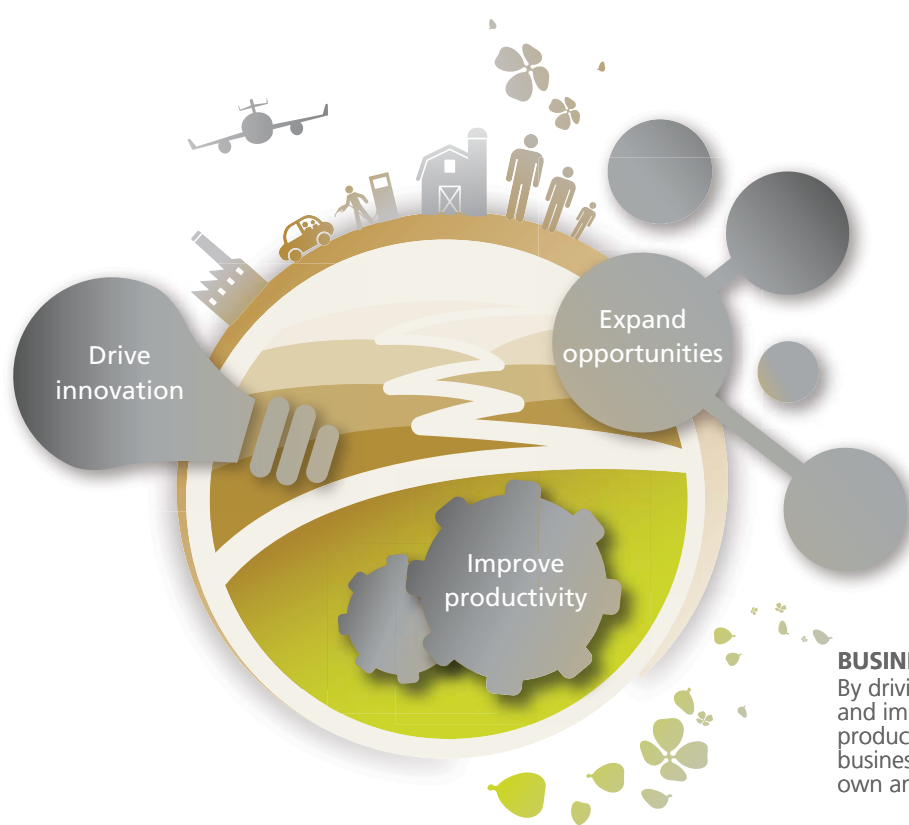
are one of the world's most active patent filers in our field with a portfolio of 7,000 patents granted or pending. Our innovations drive our top line, allowing us to grow in existing markets and reach new markets alike.

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. We lead the way in several fields where our technological platforms and organizational capabilities give us a competitive advantage and our solutions benefit society at large. Novozymes seeks to turn opportunities into significant business that can sustain the company's growth and returns over time.

IMPROVE PRODUCTIVITY

We aim to deliver sustainable returns on our innovations by constantly improving the use of both our own and nature's resources throughout our business and especially in our production processes. We use sophisticated technologies to improve the efficiency of our fermentation production processes, the strains that produce our enzymes, and the performance of the enzymes themselves. This enables us to increase output from existing facilities and reduce



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.

consumption of raw materials, water and energy, making for a flexible production setup that improves our margins, returns and environmental footprint.

STRATEGIC UPDATE

Novozymes' strategy and financial targets have been unchanged since 2009. Executive Management and the Board of Directors confirm that Novozymes will continue its strategy to deliver sustainable growth through innovation, market presence and operational excellence. However, it has been decided to update the financial targets due to improved visibility regarding future sales growth drivers and earnings capacity.

Novozymes previously excluded future sales of enzymes for biomass conversion from its long-term sales targets. However, there is now better visibility regarding growth opportunities in this emerging field. Furthermore, visibility has improved for several projects in the pipeline for sales of microorganisms to the BioAg industry and solutions to the biopharma industry. In terms of earnings, the previous long-term target for the EBIT margin has been outperformed in the last couple of years and the outlook remains supportive of current levels.

SALES GROWTH

Growth is expected in all industries during the five-year period, with sales of Household Care Enzymes among the strongest contributors. Sales of enzymes for biomass conversion and sales to the biopharma industry are expected to materialize slowly in 2013 and 2014, and to contribute significantly to sales growth by 2015, enabling Novozymes to achieve on average more than 10% organic growth from that year onward. The sales growth target is based on the assumption that the global economy stabilizes without any major fluctuations.

BIOMASS CONVERSION

Novozymes' long-term target assumes that the company will have sales to at least 15 biomass conversion plants by the end of 2017. The first cellulosic ethanol plants will come onstream in 2013-2014 and, as they start production, more players are expected to commence construction of plants.

Novozymes is collaborating with Beta Renewables, which is expected to contract the design and planning of 15-25 cellulosic ethanol plants in the next 3-5 years. As Novozymes is Beta Renewables' preferred enzyme partner, these contracts are expected to generate enzyme sales for Novozymes once the contracted plants become operational around two years later. In 5-7 years, these contracts are expected to contribute up to DKK 1 billion to Novozymes' annual enzyme sales.

In addition, Novozymes is collaborating with other partners on the development of cellulosic ethanol technology and other means of converting biomass to fermentable sugars

for the production of biochemicals and other materials. These partnerships are also expected to result in sales of enzymes toward the end of the five-year period.

EBIT MARGIN

Novozymes' new long-term target for the EBIT margin is more than 24%. This level is expected to be achievable, while at the same time keeping the desired flexibility in the business to pursue opportunities for long-term growth.

ROIC

The long-term target of more than 22% for ROIC incl. goodwill is unchanged, as it remains ambitious yet achievable. ROIC incl. goodwill has decreased over the last couple of years due to acquisitions. As investments normalize and sales grow, Novozymes is expected to reach the target and remain above 22%.

Novozymes expects to continue to make productivity improvements in both Enzyme Business and BioBusiness. This ability is important for offsetting increasing raw material prices and for reaching the EBIT margin and ROIC targets.

INNOVATION

Novozymes' future success relies on innovation, so the company will continue to spend 13-14% of sales on R&D. Novozymes will always focus on investing in projects that will secure growth for Novozymes and benefit customers. Currently, Novozymes is changing internal structures to improve the flow of products in the R&D pipeline toward better-qualified solutions and to speed up the idea-to-market process. The success of these efforts will be measured by the increased commercial impact of new products.

INVESTMENTS

Novozymes has invested relatively heavily in recent years in order to be ready for future growth in both Enzyme Business and BioBusiness. It is expected that an investment level of not more than 8% relative to sales will be sufficient going forward to cater for 10% sales growth. Should future growth opportunities that require up-front investment be identified, Novozymes will allow investments to exceed the targeted level. R&D facility expansions are not included in the 8% target.

ACQUISITIONS AND PARTNERSHIPS

Novozymes continues to be interested in companies and technologies that fit strategically with its overall objectives and can balance the portfolio in terms of risk, future value creation, market access and resource utilization. Novozymes is always searching for new opportunities and will continue to acquire and divest activities as required to ensure a balanced portfolio.

Strategic partnerships are an important element in reaching and servicing new customers. Novozymes will continue to look for partners that complement its strengths in bringing its technology to the market.

SUSTAINABILITY

Sustainability is an integral part of Novozymes' business. The nature of Novozymes' technology enables customers to optimize their use of raw materials and energy. This has become a competitive advantage as more customers look to use sustainability as a differentiator.

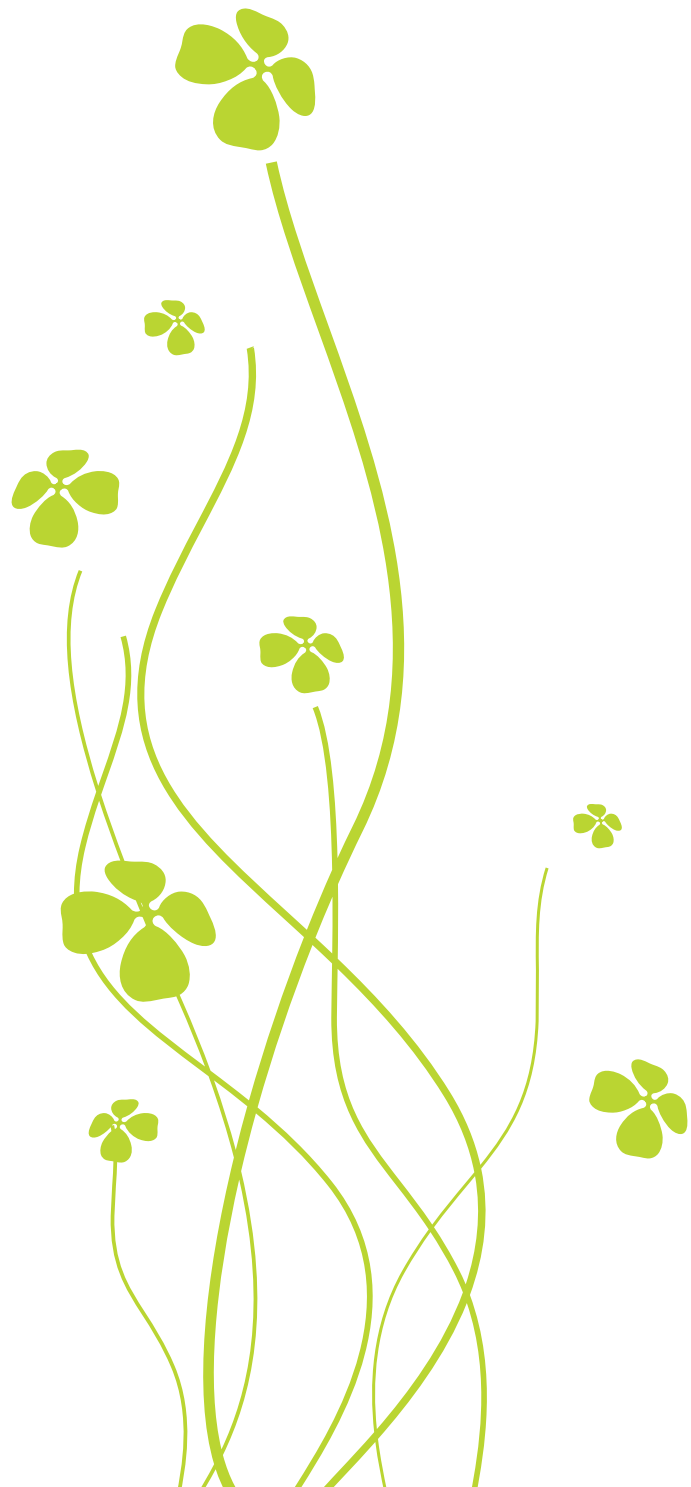
To support the ambition to drive sustainability around the world, Novozymes works closely with all players across the business value chain: suppliers, customers and society. Novozymes mitigates risks and taps into supplier strengths by requiring suppliers to balance reliability, quality and efficiency with a focus on sustainability and innovation. Work is being carried out, and investments are being made, to increase CO₂ efficiency by improving our production processes and by helping customers achieve further CO₂ reductions through the application of our products. Novozymes is a member of the Dow Jones Sustainability World Index and the Dow Jones Sustainability STOXX Index. Several external stakeholders have recognized Novozymes as one of the world leaders in sustainability.

The sustainability targets have been updated to reflect Novozymes' sustainability ambitions and activities across the value chain, and to ensure the long-term development of Novozymes as an international, inclusive and successful company.

Three new sustainability targets

Novozymes' long-term targets increasingly focus on improving the external impact of the company's sustainability efforts. Novozymes has therefore added three new sustainability targets:

- We aim to have all suppliers comply with our program for commercial, quality and sustainability performance in 2015. This target will help increase the sustainability impact of our partnerships
- To further strengthen our position as a preferred employer, we have broadened our employment target by aiming to draw on a global talent pool and further cement ourselves as an inclusive employer. A diversified, balanced workforce is vital to improving innovation capabilities and global insight
- We want the U.N. to recognize biofuels as a high-impact opportunity area in its Sustainable Energy for All (SEFA) initiative, which aims to make sustainable energy universally available by 2030 by activating all sectors of society. The success of the initiative depends on the involvement of many key players, so Novozymes and other stakeholders must work together to make the potential of biofuels more widely known





GOVERNANCE

THE NOVOZYMES REPORT 2012

BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT

The Board of Directors and Executive Management 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
COWI Holding 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

Member:

The Novo Nordisk Foundation
Novo Nordisk A/S
Vestas Wind Systems A/S
Veloxis Pharmaceuticals A/S

Chairman of the audit committee:

Vestas Wind Systems A/S
Veloxis Pharmaceuticals A/S

Member of the audit committee:

Novo Nordisk A/S

Special competencies:

Expertise in capital markets, 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.*



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:

Brdr. Hartmann A/S
Pension Fund for Danish Lawyers and Economists

Deputy Chairman:

Danske Invest

Member:

Danske Invest Management A/S
Dalhoff Larsen & Horneman A/S
Arkil Holding A/S
Solar A/S
Schouw & Co. A/S
Danish Energy Technology Development and Demonstration Program under the Ministry of Climate and Energy

Member of the audit committee:

Dalhoff Larsen & Horneman A/S

Special competencies:

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



JØRGEN BUHL RASMUSSEN

Born 1955. President and 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
Confederation of Danish Industry's Permanent Committee on Business Policies

Special competencies:

Expertise in acquisitions, international business and management, specifically in sales, marketing and branding



LENA OLVING

Born 1956. Deputy CEO and Chief Operating Officer, Saab AB. Member of the Board since 2011. Member of the Audit Committee. Elected for one year at a time.

Board positions

Member:

SJ AB

Member of the audit committee:

SJ AB

Special competencies:

Expertise in financial and accounting matters, and broad experience in supply chain management, process optimization and production



MATHIAS UHLÉN

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

Board positions

Chairman:

Atlas Antibodies AB
Antibodypedia AB

Deputy Chairman:

Affibody AB

Member:

Swetree Technologies AB
Bure Equity AB

Special competencies:

Broad experience in research and biotechnology



SØREN HENRIK JEPSEN

Born 1947. Regulatory Affairs Manager. Employee representative. Member of the Board since 2005. Elected for four years at a time.



ULLA MORIN

Born 1954. Laboratory Technician. Employee representative. Member of the Board since 2001. Elected for four years at a time.

Board positions

Member:

The Novo Nordisk Foundation



LARS BO KØPPLER

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

Executive Management



STEEN RIISGAARD

Born 1951. President and CEO.

Board positions

Chairman:

WWF (World Wide Fund for Nature) Denmark
ALK-Abelló A/S

Vice chairman:

Egmont International Holding A/S
Rockwool International A/S

Member:

CAT Science Park A/S

Member of the audit committee:

ALK-Abelló A/S



BENNY D. LOFT

Born 1965. Executive Vice President and CFO.

Board positions

Deputy chairman:

The Blue Planet

Member:

DONG Energy A/S
Xellia Pharmaceuticals AS

Member of the audit committee:

DONG Energy A/S



PEDER HOLK NIELSEN

Born 1956. Executive Vice President, Enzyme Business.

Board positions

Member:

Hempel A/S
LEO Pharma A/S
Beta Renewables S.p.A.

Member of the audit committee:

Beta Renewables S.p.A.



PER FALHOLT

Born 1958. Executive Vice President, Research & Development and CSO.

Board positions

Chairman:

Technical University of Denmark (DTU)

Member:

DHI Group

ARTs Biologics A/S



THOMAS VIDEBÆK

Born 1960. Executive Vice President, BioBusiness.

Board positions

Member:

Evolva AG



THOMAS NAGY

Born 1963. Executive Vice President, Stakeholder Relations and COS.

Board positions

Member:

Danish-American Business Forum

American Chamber of Commerce in Denmark



NEW PRESIDENT AND CEO

Peder Holk Nielsen, new President and Chief Executive Officer with effect from April 1, 2013.

NEW LEADERSHIP

The Board of Directors of Novozymes appoints Peder Holk Nielsen as President and Chief Executive Officer with effect from April 1, 2013.

The Board of Directors of Novozymes has appointed Peder Holk Nielsen as President and Chief Executive Officer with effect from April 1, 2013. Mr. Nielsen will replace the current President and CEO, Steen Riisgaard, who after 12 years as CEO and 33 years in Novozymes and Novo Industri/Novo Nordisk steps down according to plan.

Mr. Nielsen, 56, is currently serving as Executive Vice President and head of enzyme business, a position he has held since 2007. Mr. Nielsen's career spans management positions in Novozymes and Novo Industri/Novo Nordisk across business development, R&D, quality management and sales & marketing. He holds a M.Sc. and Ph.D. in Chemical Engineering from the Technical University of Denmark, and a B.Com. in International Business Management from the Copenhagen Business School.

ANDREW FORDYCE WILL JOIN THE EXECUTIVE LEADERSHIP TEAM ON APRIL 1, 2013

From April 1, 2013 Novozymes will have a new executive leadership team. All Executive Vice Presidents of the current executive management team will continue and Andrew Fordyce, 49, will join them. Mr. Fordyce is currently Vice President, Sales and Customer Solutions. Since joining the company in 1993, he has held several positions in commercial operations, R&D and production in Denmark, Switzerland and the US. Mr. Fordyce holds a Ph.D. in Chemical Engineering from the University of Texas at Austin.

On April 1, 2013 the executive leadership team will have the following members with new areas of responsibility:

- President & CEO: Peder Holk Nielsen
- Business Development: EVP Thomas Videbæk
- Business Operations: EVP Andrew Fordyce
- Supply Operations: EVP Thomas Nagy
- Research & Development: EVP and CSO Per Falholt
- Corporate Functions: EVP and CFO Benny D. Loft

CORPORATE GOVERNANCE

The Board of Directors and Executive Management again fulfilled their main responsibilities and achieved a positive assessment in 2012.

Novozymes aims to ensure corporate openness and transparency at all times, and to provide stakeholders with relevant insight into the business and the way it is managed. To this end it has developed effective management systems over many years and regularly updates these 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 Executive Management, with no individual being a member of both. The division of responsibility between the Board of Directors and Executive Management is clearly laid down and described in the Rules of procedure for the Board of Directors and Rules of procedure for Executive Management, available at www.novozymes.com.

Novozymes' Articles of Association require the Board of Directors to have four to eight members elected by 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 of Directors 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.

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 and Executive Management.

The Board's main responsibilities are to:

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

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 Executive Management compensation and nomination and in overseeing Executive Management'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 compensation for the Board of Directors.

In addition, the Board of Directors has established an Audit Committee. Further information about the 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. A detailed review of Novozymes' position on all of the recommendations 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.

The recommendations require companies to explain any noncompliance. Novozymes follows 72 of 79 recommendations, the exceptions being:

- Remuneration and nomination committees have not been set up. Instead, these responsibilities are laid down in the Charter for the Chairmanship (Recommendations 5.10.7 and 5.10.8)

- Information on the remuneration of Executive Management is provided at an aggregate rather than an individual level. Novozymes considers this information to be private and confidential, and believes that information at an individual level is of limited value to shareholders and that the information provided is adequate to evaluate the compensation of Executive Management. Information on the maximum level of individual remuneration is nevertheless provided – see Note 4 to the consolidated financial statements (Recommendation 6.2.3)
- The remuneration policy for Executive Management 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 6.1.8)
- The current Executive Management has the right to termination payments amounting to a maximum of three years' fixed base salary and pension contributions, in other words excluding variable compensation. This maximum does not currently exceed two years' total remuneration. Novozymes has decided not to change existing contracts, but future contracts will provide for a maximum of two years' fixed base salary (Recommendation 6.1.9)
- 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 (Recommendations 1.4.1 and 1.4.2)

We also work within the parameters of *Touch the World* (www.novozymes.com) – a document outlining our values and commitments – and we have committed to principles derived from the United Nations Global Compact and United Nations Convention on Biological Diversity.

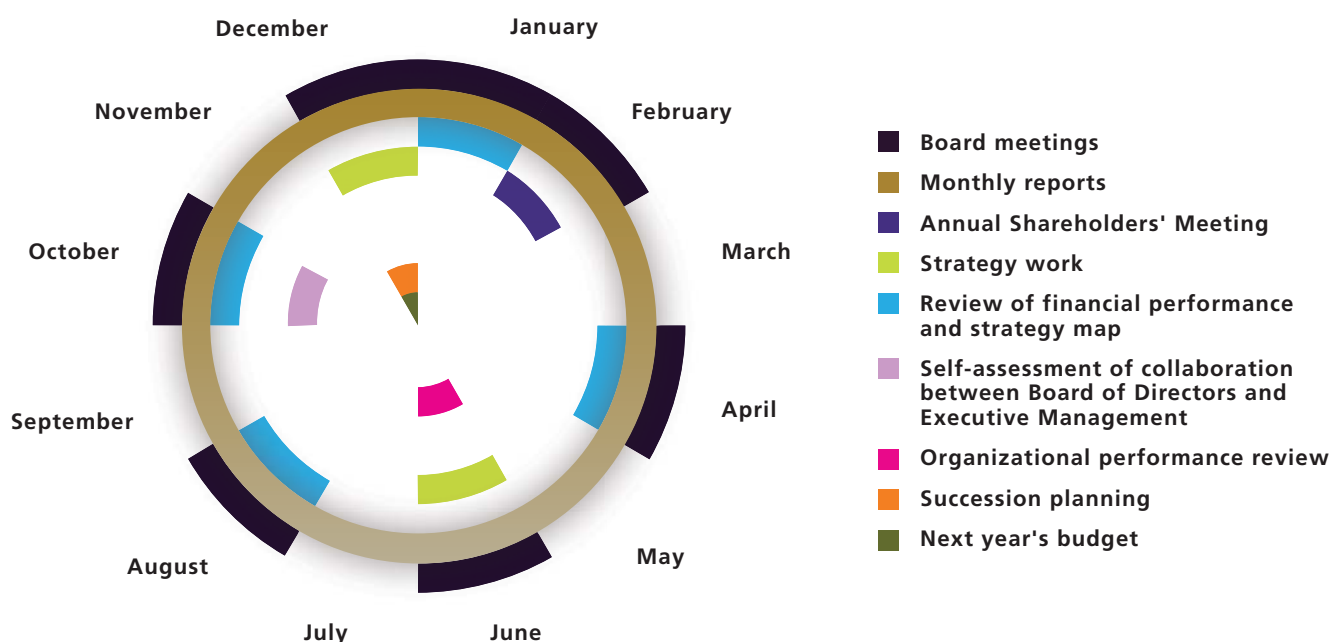
SELF-ASSESSMENT OF THE BOARD OF DIRECTORS

The Board of Directors held eight meetings in 2012. The attendance rate was 95%.

In order to ensure that Novozymes has well-functioning management systems in place at all times, the Board of Directors and Executive Management assess annually whether their main responsibilities have been fulfilled. The performance of the Board of Directors and Executive Management and the quality of collaboration between these two bodies are also discussed and assessed.

The assessment in 2012 was facilitated by an external party and was positive, with only minor areas for improvement identified. Overall, there was broad satisfaction with the planning, content and implementation of the meetings. The general impression was that presentations and discussions at the meetings were of high quality, and that Executive Management was very responsive to input from the Board of Directors. The Board of Directors and Executive Management plan to sharpen their focus on risk analysis and mitigation plans.

A YEAR WITH THE BOARD OF DIRECTORS



The Audit Committee held four meetings in 2012, with all members present at all meetings.

The Audit Committee also performs an annual assessment of its own performance, and the external auditors are asked to evaluate whether its performance fulfilled the requirements of the Audit Committee's charter. The 2012 assessment was again positive and confirmed compliance with the charter.

Each year, the Audit Committee evaluates the need for an internal audit function at Novozymes. Based on its positive assessment of the company's internal control system, the Board of Directors has decided, based on a recommendation from the Audit Committee, that the establishment of an internal audit function is not necessary.

OTHER BOARD-RELATED INFORMATION

Changes to the Articles of Association require that shareholders representing at least 2/3 of the total number of votes in the company are represented at the shareholders' meeting, and that at least 2/3 of both the votes cast and 2/3 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 share capital, 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 and ensure 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.

Novozyymes 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.

Novozyymes is party to contracts where managerial staff can claim compensation in case of resignation, dismissal or where the position is made redundant due to takeover bids.

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 environmental, social and financial areas.

Risks can be mitigated to some extent by ensuring the right behavior internally, but as risks are often related to external factors, the process of identifying and managing risk is integrated into Novozymes' management systems at all levels.

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 our business, whether positively or negatively. The purpose of this is to ensure 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 at the same time living up to Novozymes' ambition of being open and transparent, is to engage with stakeholders. We give high priority to understanding and living up to our stakeholders' expectations.

Through numerous meetings each year with our stakeholders, such as investors, policymakers, customers, neighbors, and NGOs, we become aware of relevant issues and trends that provide valuable input for our strategic development.



SPOTTING OPPORTUNITY AND RISK

Managing risk is a continuous process at Novozymes. We look inward and outward to spot business opportunities and risks, and achieve maximum impact through a combination of investigation, analysis, constructive dialogue, balanced review of our options and timely response.

In our dialogue with stakeholders, we also promote our viewpoints, solutions, etc. We want to ensure this is done in a respectful way, protecting Novozymes' reputation. Therefore, we have established principles for ethical ways to influence our stakeholders. For instance, we have a management standard defining good business practice for dealing with authorities, policymakers and political parties.

Our Sustainability Development Board (SDB) is an example of how we make systematic use of input from our stakeholders. Consisting of vice presidents from all key business functions, the SDB is responsible for developing our sustainable development strategy and targets aimed at ensuring that Novozymes is a leader in sustainability. To provide qualified support for strategic decision-making and pursue an ambitious sustainability strategy, the SDB is presented with systematic surveys identifying and assessing trends that may have a material business impact and are relevant to Novozymes' stakeholders. The SDB uses these surveys to select key trends to act on, based on an assessment of their relevance and importance to Novozymes' business strategies, looking at both opportunities and risks. The SDB reports directly to Novozymes' Executive Management, which evaluates and endorses the sustainability targets and strategy for the Board of Directors' final approval.

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. We also conduct assessments of our social and environmental impact at production sites, which 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

Executive Management uses long-term scenarios as part of an annual evaluation of opportunities and barriers for future growth, conducted during the strategy process. This evaluation is based on reports on long-term scenarios for each of the business areas. The scenarios are also 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 and risk descriptions. For expansion projects and major investment proposals, an estimate of the net present value of the investment is included as well.

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 Executive Management 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 Financial Planning & Analysis, 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

Annual process for sustainability trend-spotting and target-setting



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 will be made where possible.

Every six months, risks are reported to Corporate Financial Planning & Analysis. These are then assessed, and a shortlist of approximately 30 risks judged to be the most significant is reported to Executive Management, and any appropriate mitigation actions are decided and implemented. Twice a year, around 15 of the most significant risks from a financial and image impact perspective 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

Novozymes mitigates risks in many different ways and at many different levels. Some risks can be mitigated through behavior and others through processes and procedures or 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. Furthermore, Novozymes achieved its target for 2012 to measure the ability to live Touch the World throughout the organization.

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, and we measure our progress through our long-term sustainability target of 100% supplier adherence to our supplier program for commercial, quality and sustainability performance.

Our business integrity principles can be found under Business Integrity at 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.

Timely and accurate reporting

Novozymes attaches great importance to timely, transparent and accurate reporting, as this is considered key to being a trustworthy company and an essential prerequisite for maintaining a balanced stakeholder dialogue.

Novozymes' risk management and internal controls relating to financial reporting are designed to facilitate:

- Presentation of management accounts that allow Novozymes' performance to be measured, evaluated and monitored
- Presentation of financial statements that provide a true and fair view without material misstatement, and comply with International Financial Reporting Standards, as adopted by the EU, and other additional disclosure requirements for the annual reports of listed companies

Novozymes' internal controls and risk management systems are updated on an ongoing basis and have been designed with a view to discovering and eliminating errors and defects in the financial statements and procedures. However, as there is always a risk of misuse of assets, unexpected losses, etc., the internal controls and risk management systems can only provide reasonable and not absolute assurance that all material errors and defects are discovered and eliminated.

The environmental and social data presented in The Novozymes Report are also covered by internal controls and the risk management systems.

A more detailed description of Novozymes' risk management and internal controls concerning the financial reporting process can be found in the statutory report on corporate governance fulfilling the requirements in Section 107b of the Danish Financial Statements Act.

The financial reporting process and the internal controls supporting it are monitored by the Audit Committee. As part of this monitoring, all cases of fraud and concerns raised either through the whistleblower system, *Ethics*

Hotline, or directly by internal or external personnel, are reported to the Audit Committee.

In 2012, 13 cases of fraud were discovered compared with four cases in 2011. All 13 cases led to dismissal of the involved employees, with five cases reported to the police. All cases were related to theft or misappropriation of Novozymes assets.

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.

The following section describes the main risk factors for Novozymes, and what is being done to reduce these risks.



RISK FACTORS

Novozymes is exposed to a wide range of risk factors. We strive to identify and mitigate risks that could affect our financial, environmental or social performance as early as possible.

This section describes a number of critical risks identified in our value chain along with the measures that Novozymes is taking to reduce them. The risks described are the major risks presented to the Board of Directors, but selected information has been omitted for commercial or competitive reasons.

Some of the risks described include opportunities that are actively being pursued.

A color-coded symbol next to each risk indicates Novozymes' assessment of the level of risk after mitigating activities:

- High risk and high impact
- ▲ Low risk and high impact, or high risk and low impact
- Low risk and low impact

Financial risks are not included below, but presented in Note 34 to the consolidated financial statements.

SUPPLY AND SUPPLIER RISKS

ENERGY CONSUMPTION AND PRICES ■

Novozymes' production requires relatively large amounts of energy, and fluctuations in energy prices will therefore affect the cost of goods sold. The risk of a negative impact from rising energy prices is managed by continuously optimizing the production process, for example by using gene technology, and by partially hedging energy prices for a future period. In the long term, this risk is often offset by the positive impact on sales when energy prices go up, as it becomes more profitable for our customers to replace oil-based ingredients with enzymes and to use energy-saving enzymes in their production.

To further reduce this risk, Novozymes has set a target to improve energy efficiency per kilo of product by 50% in 2015 compared with the 2005 level.

RAW MATERIAL CONSUMPTION AND PRICES ■

A significant proportion of Novozymes' raw materials is derived from agricultural produce, and fluctuations in prices for these commodities will therefore affect the cost of goods sold. Novozymes seeks to reduce the risk of a negative impact on costs by optimizing the production process, for example by using gene technology, and by ensuring the greatest possible flexibility in the use of raw materials. Raw

materials are in many cases purchased on 12-month contracts, mitigating sudden price spikes.

SUPPLY CHAIN MANAGEMENT ■

Novozymes attaches importance to integrating sustainability and risk management into the selection and evaluation of key suppliers, as choosing the wrong suppliers can lead to a risk of damage to Novozymes' reputation. Therefore, an advanced supplier performance management system is used, where sustainability is a parameter and evaluated alongside commercial and quality parameters. Instead of relying only on supplier self-evaluations, the supplier evaluation process is supplemented with media research, dialogue and the critical insight of Novozymes' purchasers. The system helps rank and compare suppliers according to risk and opportunity and provides an overview of the global supplier pool. The system is also designed to help the purchasing function identify the suppliers who typically pose the biggest risks. Suppliers with critical issues are subject to further questions, action plans or an audit.

INNOVATION RISKS

INNOVATION ▲

Novozymes strives to maintain 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 our research and development function, requiring it to sustain a full and flowing pipeline. Novozymes allocates 13-14% of sales to research and development to ensure sufficient resources for future innovation.

PATENT STRATEGY ▲

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 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 2012, 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.

MARKET RISKS

BIOFUELS ●

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

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.

Novozymes works actively across regions in close collaboration with industry partners, key opinion leaders, NGOs and intergovernmental organizations to promote a balanced public debate and ensure that policy is scientifically based, all with a view to long-term sustainable development.

CUSTOMER CONCENTRATION ▲

Sales to our five largest customers make up approximately 28% of total sales. Thus, a relatively small number of customers account for a high proportion of Novozymes' revenue, which means that the company is affected by developments in these customers' markets. To reduce the risk of fluctuations in sales, we focus on delivering a strong innovation pipeline to support our customers' market development. Novozymes also works closely with major customers to build long-term relationships by means of joint development projects and joint production planning, for example.

OTHER RISKS

REPUTATION ▲

Novozymes' reputation is an important factor throughout the business, from interaction and partnerships with customers to relations with authorities to recruitment of new employees. Novozymes aims to maintain a good reputation by means of openness and transparency in both internal and external communications. Work is also carried out on an ongoing basis to mitigate the risk associated with situations that could damage Novozymes' reputation. Relevant legislation must be complied with at all times, and Novozymes is committed to ensuring high standards in everything we do and to conducting our business operations in a responsible way. For example, we continually train our employees in our business integrity principles.

Positively impacting our surrounding environment is important to Novozymes. Therefore, we endeavor to do business in such a way that our environmental impact is part of the solution to current environmental challenges. Our targets of achieving significant reductions in CO₂ emissions and water and energy consumption demonstrate our commitment to this ambition.

DATA & IT SECURITY ▲

The continuous development of IT technology and use of IT tools impose an increasing risk of data theft by external parties. In 2012, Novozymes upgraded its IT security setup and implemented training programs to educate employees on potential threats and the best way to safeguard confidential information.

GLOBAL ORGANIZATION AND TAXES ▲

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.

A woman with long brown hair, wearing a black leather jacket and a grey scarf, is smiling and reaching out with her right hand towards a jar on a grocery store shelf. The background is slightly blurred, showing other shelves and products. The overall tone is warm and positive.

ACCOUNTS & DATA

THE NOVOZYMES REPORT 2012

Consolidated income statement

Note		2012 DKK million	2011 DKK million
1, 2	Revenue	11,234	10,510
3, 6	Cost of goods sold	4,811	4,602
	Gross profit	6,423	5,908
3, 6	Sales and distribution costs	1,421	1,376
3, 6	Research and development costs	1,527	1,464
3, 4, 5, 6	Administrative costs	808	778
7	Other operating income, net	78	50
	Operating profit / EBIT	2,745	2,340
8	Financial income	22	208
9	Financial costs	183	133
	Profit before tax	2,584	2,415
10	Tax	568	587
	Net profit	2,016	1,828
	Attributable to		
	Shareholders in Novozymes A/S	2,015	1,826
	Minority interests	1	2
		2,016	1,828
	Proposed dividend per share	DKK 2.20	DKK 1.90
19	Earnings per share	DKK 6.42	DKK 5.79
19	Earnings per share, diluted	DKK 6.33	DKK 5.71

Consolidated statement of comprehensive income

Note	2012 DKK million	2011 DKK million
Net profit	2,016	1,828
Currency translation adjustments		
Subsidiaries and minority interests	(68)	116
Deferred tax	(2)	(6)
Currency translation adjustments, total	(70)	110
Cash flow hedges		
Fair value adjustments	(6)	(58)
Reclassification to Financial costs (2011: Financial income)	51	(130)
Deferred tax	(8)	6
Cash flow hedges, total	37	(182)
Other comprehensive income	(33)	(72)
Comprehensive income for the year	1,983	1,756
Attributable to		
Shareholders in Novozymes A/S	1,982	1,753
Minority interests	1	3
	1,983	1,756

Consolidated balance sheet

Note		Dec. 31, 2012 DKK million	Dec. 31, 2011 DKK million
ASSETS			
11	Intangible assets	2,672	2,221
13	Property, plant and equipment	7,084	6,557
14	Deferred tax assets	224	275
27	Investment in associate	52	-
15	Other receivables	191	-
	Non-current assets, total	10,223	9,053
16	Inventories	1,808	1,741
17	Trade receivables	2,080	1,971
18	Tax receivables	138	167
15	Other receivables	284	195
	Other financial assets	45	48
	Cash at bank and in hand	535	667
	Current assets, total	4,890	4,789
	Assets, total	15,113	13,842
LIABILITIES AND SHAREHOLDERS' EQUITY			
19	Common stock	650	650
	Other reserves	432	465
	Retained earnings	8,473	7,694
	Minority interests	13	15
	Shareholders' equity, total	9,568	8,824
14	Deferred tax liabilities	1,036	905
20	Provisions	140	152
21	Other financial liabilities	1,749	1,604
	Non-current liabilities, total	2,925	2,661
20	Provisions	90	98
21	Other financial liabilities	286	258
	Trade payables	1,044	745
18	Tax payables	76	37
22	Other payables	1,124	1,219
	Current liabilities, total	2,620	2,357
	Liabilities, total	5,545	5,018
	Liabilities and shareholders' equity, total	15,113	13,842

Consolidated statement of shareholders' equity

	Attributable to shareholders in the company				Total DKK million	Minority interests DKK million	Total equity DKK million
	Common stock DKK million	Currency translation adjustments DKK million	Cash flow hedges DKK million	Retained earnings DKK million			
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
Shareholders' equity at January 1, 2011	650	391	149	6,634	7,824	12	7,836
Net profit for the year				1,828	1,828		1,828
Other comprehensive income for the year		107	(182)		(75)	3	(72)
Total comprehensive income for the year		107	(182)	1,828	1,753	3	1,756
Purchase of treasury stock				(400)	(400)		(400)
Sale of treasury stock				165	165		165
Dividend				(504)	(504)		(504)
Stock-based payment				83	83		83
Tax related to equity items				(112)	(112)		(112)
Changes in shareholders' equity	-	107	(182)	1,060	985	3	988
Shareholders' equity at December 31, 2011	650	498	(33)	7,694	8,809	15	8,824

The proposed dividend of DKK 687 million for 2012 is included in Retained earnings.

Reference is made to Note 19 concerning treasury stock and average number of shares.

Consolidated statement of cash flows

Note		2012 DKK million	2011 DKK million
	Net profit	2,016	1,828
31	Reversal of non-cash items	1,337	1,649
	Income tax paid	(393)	(518)
	Interest received	15	16
	Interest paid	(77)	(72)
	Cash flow before change in working capital	2,898	2,903
	Change in working capital		
	Increase in receivables	(265)	(34)
	Increase in inventories	(85)	(62)
	Increase/(decrease) in trade payables and other payables	211	(88)
	Currency translation adjustments	(1)	(10)
	Cash flow from operating activities	2,758	2,709
	Investments		
	Purchase of intangible assets	(54)	(34)
	Sale of property, plant and equipment	5	8
	Purchase of property, plant and equipment	(1,122)	(1,274)
	Capitalized interest costs re purchase of property, plant and equipment	(6)	(16)
32	Acquisitions and divestments	(732)	(1,426)
	Cash flow from investing activities	(1,909)	(2,742)
	Free cash flow	849	(33)
	Financing		
	Borrowings	797	550
	Repayments of borrowings	(683)	(562)
	Purchase of treasury stock	(832)	(400)
	Sale of treasury stock	156	165
	Refundable income tax	-	95
	Dividend paid	(603)	(504)
	Cash flow from financing activities	(1,165)	(656)
	Net cash flow	(316)	(689)
	Unrealized gain/(loss) on currencies and financial assets included in cash and cash equivalents	22	(11)
	Net change in cash and cash equivalents	(294)	(700)
	Cash and cash equivalents at January 1	624	1,324
33	Cash and cash equivalents at December 31	330	624

Undrawn committed credit facilities were DKK 3,000 million at December 31, 2012. All DKK 3,000 million expires after 4 years.

Environmental and social data

Note			2012	2011
ENVIRONMENTAL PERFORMANCE				
Resource utilization				
Consumption of resources				
35	Water	1,000 m ³	6,446	6,073
36	Energy	1,000 GJ	4,078	3,929
	Raw materials	1,000 tons	445	421
	Packaging	1,000 tons	17	15
Efficiency improvement compared with 2005				
	Water	%	32	30
	Energy	%	38	34
	CO ₂	%	55	47
Wastewater				
37	Volume	1,000 m ³	4,376	4,308
Biomass				
38	Biomass volume	1,000 m ³	551	479
Waste				
39	Waste	Tons	14,241	11,704
39	Percentage of total waste recycled	%	33.6	41.1
Emissions to air				
	Ozone-depleting substances, HCFCs	Kg	880	986
40	CO ₂	1,000 tons	379	390
Environmental impact potentials				
41	Global warming	1,000 tons CO ₂ -eqv.	381	392
42	Ozone layer depletion	Kg CFC ₁₁ -eqv.	48	105
Environmental compliance, etc.				
	Breaches of regulatory limits	No.	15	21
	Significant spills	No.	-	-
	Neighbor complaints	No.	11	18
Animals for testing				
	Enzyme Business	No.	822	580
	BioBusiness	No.	418	539
Climate change impact				
Impact of application of Novozymes' products				
	Estimated CO ₂ reductions from customers' application of Novozymes' products in their products or processes	Million tons	48	45

Note			2012	2011
SOCIAL PERFORMANCE				
Workplace development				
Employee statistics				
43	Employees, total	No.	6,041	5,824
43 44	Women	%	35.4	35.3
	Men	%	64.6	64.7
45	Rate of employee turnover	%	8.1	8.3
	Average age	Years	40.5	39.9
	Seniority	Years	9.0	8.9
46	Rate of absence	%	1.9	1.9
	Expatriates	No.	84	90
Training costs				
	Average spent per employee	DKK	6,002	5,907
	Costs as percentage of total employee costs	%	1.2	1.2
Health and safety				
	Fatalities	No.	1	0
47	Occupational accidents with absence	No.	29	40
	Of which life-threatening accidents	No.	1	0
48 49	Occupational diseases	No.	7	11
	Frequency of occupational accidents	Per million working hours	3.0	4.3
	Frequency of occupational diseases	Per million working hours	0.7	1.2
Socio-economic impact				
Processes and technology				
	New products	No.	6	6
	Active patent families	No.	1,165	1,137
Training and compliance				
	Supplier performance management	%	93	91
	Completion of business integrity training for employees	%	79	71
50	Fraud cases	No.	13	4
Corporate citizenship				
	Regional flagship projects	No.	13	7
	Learners reached	No.	26,035	9,791

Index of notes

Basis for reporting

Accounting policies for consolidated financial statements

Accounting policies for environmental and social data

Critical accounting estimates and judgments

Consolidated financial notes

Note 1 - Operating segment information

Note 2 - Revenue

Note 3 - Employee costs

Note 4 - Management remuneration

Note 5 - Fees to statutory auditor

Note 6 - Depreciation, amortization and impairment losses

Note 7 - Other operating income, net

Note 8 - Financial income

Note 9 - Financial costs

Note 10 - Tax

Note 11 - Intangible assets

Note 12 - Impairment test of goodwill

Note 13 - Property, plant and equipment

Note 14 - Deferred tax

Note 15 - Other receivables

Note 16 - Inventories

Note 17 - Trade receivables

Note 18 - Tax receivables and payables

Note 19 - Common stock

Note 20 - Provisions

Note 21 - Other financial liabilities

Note 22 - Other payables

Note 23 - Stock-based payment

Note 24 - Foreign currencies in the balance sheet

Note 25 - Derivatives - Hedge accounting, etc.

Note 26 - Commitments and contingencies

Note 27 - Joint ventures and associate

Note 28 - Related party transactions

Note 29 - Government grants

Note 30 - Business acquisitions

Note 31 - Non-cash items

Note 32 - Cash flow from acquisitions and divestments

Note 33 - Cash and cash equivalents

Note 34 - Financial risk factors

Notes concerning environmental and social data

Note 35 - Water allocated to primary source

Note 36 - Energy by primary source

Note 37 - Treated wastewater for irrigation

Note 38 - Total biomass volume by product

Note 39 - Total waste volume by disposal method

Note 40 - CO₂ emissions by scope and source

Note 41 - Global warming, CO₂-equivalents

Note 42 - Ozone layer depletion, CFC₁₁-equivalents

Note 43 - Employee statistics

Note 44 - Percentage of women by job category

Note 45 - Job creation

Note 46 - Rate of absence by job category

Note 47 - Consequences of occupational accidents

Note 48 - Consequences of occupational diseases

Note 49 - Types of occupational diseases

Note 50 - Fraud cases

ACCOUNTING POLICIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Novozymes Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish requirements on the presentation of accounts. Novozymes has prepared its consolidated financial statements in accordance with all the IFRS standards in force at December 31, 2012. The fiscal year for the Group is January 1 – December 31, 2012. 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 Novozymes Report does not contain the financial statements for the parent company, Novozymes A/S. The financial statements for the parent company can be found online under *Financial statements for Novozymes A/S* at www.report2012.novozymes.com. Together, The Novozymes Report and the financial statements for the parent company, Novozymes A/S, form the Annual Report that will be sent to the Danish Business Authority.

IMPACT OF NEW ACCOUNTING STANDARDS

Standards and amendments issued by IASB with effective date after December 31, 2012, or not adopted by the EU and therefore not implemented, comprise:

- Annual Improvements to IFRSs (2009–2011)
- IFRS 9 "Financial Instruments"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosures of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- Amendments to IAS 19 "Employee Benefits"
- Amendments to IFRS 7/IAS 32 "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"
- Revised IAS 28 "Investments in Associates and Joint Ventures"
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

Implementation of these will lead to further specifications in the Notes and reclassifications but no material changes in recognition and measurement.

SIGNIFICANT ACCOUNTING POLICIES CONSOLIDATION

The consolidated financial statements comprise the financial statements of Novozymes A/S (the parent company) and all the companies in which the Group owns more than 50% of the voting rights or otherwise has control or similar de facto control (subsidiaries), as well as joint ventures. The consolidated financial statements are based on the financial statements for the parent company and for the subsidiaries, and are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal stockholdings and balances, and unrealized intercompany profits and losses. All the financial statements used for consolidation are prepared in accordance with the Group's accounting policies.

The Group's holdings in joint ventures are consolidated using the proportionate consolidation method by including its proportionate share of their assets, liabilities, revenue and costs line by line.

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. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

BUSINESS ACQUISITIONS

On acquisition of new companies, the assets, liabilities and contingent liabilities of each new company are recognized at fair value at the time of acquisition. Goodwill is adjusted for changes in the purchase price after acquisition and changes in the fair value of the identifiable assets, liabilities and contingent liabilities acquired since the acquisition date until 12 months afterward. Newly acquired companies are recognized as from the date of acquisition, and no adjustment is made to comparative figures.

TRANSLATION OF FOREIGN CURRENCIES

The consolidated financial statements are presented in Danish kroner (DKK). Foreign currency transactions are translated into the functional currency 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.

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.

Realized and unrealized foreign exchange gains and losses are recognized under Financial income or Financial costs, with the exception of unrealized gains and losses relating to hedging of future cash flows, which are recognized in Other comprehensive income. The following exchange rate differences are also 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
- Fair value adjustment of financial liabilities that qualify for hedging of net assets in foreign subsidiaries

STOCK-BASED PAYMENT

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 offset against Shareholders' equity. The value of cash-settled programs, which are offset against Other payables, 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.

GOVERNMENT GRANTS

Government grants received relating to research and development costs are recognized under Other operating income, net, based on the percentage completion of the projects. Grants received relating to investments in Property, plant and equipment are offset against the cost price of the eligible assets.

SEGMENT INFORMATION

The consolidated financial statements provide information on the Group's operating segments in a manner that is consistent with the internal reporting that goes to the Board of Directors and Executive Management. In addition, information is provided on geographical allocation.

LEASES

Operating lease costs are recognized in the income statement on a straight-line basis over the period of the lease. Liabilities relating to non-cancelable contracts are specified in the Notes.

KEY FIGURES

Key figures are prepared in accordance with the "Recommendations & Financial Ratios 2010" of the Danish Society of Financial Analysts.

REVENUE

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.

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. These sales are recognized when they are realized. A liability is recognized when it is permitted for goods to be returned and this is likely.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. 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.

OTHER OPERATING INCOME, NET

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

The Group is party to various outlicensing and research and collaboration agreements, which can involve up-front and milestone payments that may occur over several years. These agreements 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 crucial for timing of income recognition and for classification of income as Revenue/Other operating income according to the above definitions.

TAX

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.

Novozymes A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Novo A/S Group. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

INTANGIBLE ASSETS

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. Booked 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.

PROPERTY, PLANT AND EQUIPMENT

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.

IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Goodwill

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

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, termed as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill and then pro rata on the basis of the carrying amount of the other assets. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

If the recoverable amount for the cash-generating unit again exceeds the carrying amount, the recognized impairment losses for goodwill are not reversed subsequently.

Property, plant and equipment and finite-lived intangible assets

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.

INVENTORIES

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, and 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.

FINANCIAL ASSETS AND LIABILITIES

The Novozymes Group categorizes financial assets and liabilities as follows: Financial assets/liabilities at fair value through profit or loss, Loans and receivables, Hedge accounting and Financial liabilities.

Financial assets/liabilities measured at fair value through profit or loss is the part of derivatives that cannot be designated as hedge accounting, for example accrued interest on currency swaps and time value of currency options. Loans and receivables are non-derivatives with fixed or determinable payments that are not listed on an active market. Loans and receivables are entered in the balance sheet under the following items: Trade receivables, as part of Other receivables, and Cash at bank and in hand. The items are measured at amortized cost or net realizable value equivalent to nominal value less allowances for doubtful receivables, whichever is lower.

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 to hedge assets and liabilities are measured at fair value on the balance sheet date, and value adjustments are recognized as Financial income or Financial costs.

Derivatives used to hedge future cash flows 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.

Financial liabilities are entered in the balance sheet under the following items: Other financial liabilities, Trade payables and as part of Other payables. Financial liabilities are measured at amortized cost.

SHAREHOLDERS' EQUITY

Treasury stock

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 options.

Dividend

The dividend proposed for the financial year is included in Retained earnings until approved at the annual shareholders' meeting.

PROVISIONS

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.

PREPAYMENTS AND DEFERRED INCOME

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

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

Prepayments and deferred income are measured at cost.

STATEMENT OF CASH FLOWS

The Statement of cash flows for the Group, 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 minority stock, 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.

ACCOUNTING POLICIES FOR ENVIRONMENTAL AND SOCIAL DATA

The accounting policies for environmental and social data are unchanged from last year. The environmental and social data in the Novozymes Report are based on data for the parent company and for all subsidiaries, combining items of a uniform nature compiled using the same methods, unless specifically stated otherwise below. The selection of parameters to report on is based on an evaluation of what Novozymes considers to be responsible, relevant and of value for its stakeholders when measuring sustainability performance. We also believe these data to be of greatest relevance to our key stakeholders.

Recognition of newly acquired or divested sites and subsidiaries follows the same principles as for the financial reporting unless otherwise stated.

Information on Novozymes' use of the GRI indicators can be found in the online report under *Supplementary*.

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.

ENVIRONMENT

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

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.

Minor consumption of water, energy and wastewater may be calculated or estimated.

WATER

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 both quantities consumed 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.

ENERGY

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 fuel 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. Reported quantities are based on meter readings, with the exception of steam, which may be subject to calculation.

CO₂

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

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

CO₂ from externally generated energy 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 are calculated on the basis of principles described in the Greenhouse Gas (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. CO₂ emissions generated at external warehouses are not included.

Emissions data are either derived directly from suppliers or calculated on the basis of distance and emission factors from the GHG Protocol. Calculation is based on fuel consumption, distance and weight. The fuel-based approach is applied wherever possible.

EFFICIENCY INDEXES

The three efficiency improvement indicators (for water, energy and CO₂) measure the weighted sum of the efficiency improvement for Enzyme Business and BioBusiness, whereby the resource consumption for each business segment determines its weight in the calculation. The efficiency improvement within each business segment 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.

RAW MATERIALS AND PACKAGING

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.

WASTEWATER

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

BIOMASS

Biomass is measured or calculated on the basis of volume or weight produced and transported from Novozymes as liquid fertilizer (NovoGro®) or converted to a fertilizer product with a higher dry matter content (NovoGro® 30 or compost).

WASTE

Waste is the registered volume of waste broken down into hazardous and nonhazardous waste and by disposal method. Disposal methods include landfill, incineration, recycling and other. The amount recycled is the quantity recycled internally or sent to an external service provider for recycling.

EMISSIONS TO AIR OF OZONE-DEPLETING SUBSTANCES

Emissions to air of ozone-depleting substances is measured as consumption of CFCs, HCFCs and halons.

ENVIRONMENTAL IMPACT POTENTIALS

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).

ENVIRONMENTAL COMPLIANCE

Breaches of environmental regulatory limits is measured as the number of incidents in the reporting year considered to be in nonconformity 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.

ANIMALS FOR TESTING

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.

IMPACT OF APPLICATION OF NOVOZYMES' PRODUCTS

Estimated reduction in CO₂ emissions as a consequence of customers' application of Novozymes' products is based on an annually updated Life Cycle Assessment (LCA) of Novozymes' products. The LCAs are prepared and updated by Novozymes and subject to assumptions and estimates.

SOCIAL AND SOCIO-ECONOMIC PERFORMANCE NUMBER OF EMPLOYEES

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.

JOB CATEGORIES

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. Skilled workers, laboratory technicians and other technicians comprises skilled workers, laboratory technicians and other technicians. Process operators comprises operators and unskilled workers.

EMPLOYEE TURNOVER

The rate of employee turnover is calculated as the 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).

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

GROWTH IN NUMBER OF EMPLOYEES, ORGANIC

The organic growth in number of employees is measured by taking the number of employees at year-end less the number of employees at the beginning of the year, then subtracting the number of employees gained via acquisitions and adding the number of employees at sites divested during the year.

GROWTH IN NUMBER OF EMPLOYEES, ACQUISITIONS

The growth in number of employees via acquisitions is measured as the number of employees gained via acquisition of new companies.

AGE AND SENIORITY

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.

ABSENCE

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.

EXPATRIATION

Expatriation refers to Novozymes employees temporarily reassigned within Novozymes from the country of original employment for a period that extends beyond six months.

TRAINING COSTS

Training costs is the costs of external training courses and seminars, translated into Danish kroner at the average exchange rates. Training costs is also shown as a percentage of total employee costs.

OCCUPATIONAL ACCIDENTS

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

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.

CONSEQUENCES OF OCCUPATIONAL ACCIDENTS AND OCCUPATIONAL DISEASES

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.

FREQUENCIES OF OCCUPATIONAL ACCIDENTS AND OCCUPATIONAL DISEASES

The frequencies of occupational accidents with absence and occupational diseases are stated per million working hours.

NUMBER OF NEW PRODUCTS

The number of new products with new or improved characteristics launched during the year.

NUMBER OF ACTIVE PATENT FAMILIES

The number of inventions for which there are one or more active patent applications or active patents at year-end.

SUPPLIER PERFORMANCE MANAGEMENT

This indicator is a weighted average of three indicators that measure the rate of suppliers covered in the supplier evaluation system, the rate of development of action plans for suppliers not in compliance with Novozymes' responsible purchasing standards and the completion rate of said supplier action plans.

COMPLETION OF BUSINESS INTEGRITY TRAINING

The completion rate for the number of employees who have been subject to business integrity training in the last training period. For even years – for example 2012 – the training period equals the financial reporting year. For odd years, the training period covers the last 24 months, as the training then covers both the training of all employees in the previous (even) year and new employees trained in the reporting year.

FRAUD

The number of fraud cases reported to the Audit Committee in the reporting year. Internal procedure states that all fraud cases discovered are to be reported to the Audit Committee.

REGIONAL FLAGSHIP PROJECTS

Regional flagship projects is corporate citizenship/community engagement projects currently in progress where, within the scope of scientific understanding and environmental awareness, Novozymes engages with a community by providing competencies, for example through transfer of knowledge to help meet the community's needs.

LEARNERS REACHED

The total number of indirect and direct learners that Novozymes reaches via its corporate citizenship activities within the scope of scientific understanding and environmental awareness.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

ACCOUNTING ESTIMATES

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 about 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 amount of assets and liabilities within the next 12 months are described below.

IMPAIRMENT TESTING

Annual impairment testing of goodwill is based on the value in use of the individual cash-generating unit, using the discounted cash flow method. The calculation is based on yearly revised budgets and long-term forecasts approved by Management. The key parameters for the impairment testing are expected sales growth, expected EBITDA, expected market growth, cost efficiency, utilization of synergies, development of emerging activities and expected growth rate in cash flows during the terminal period. All these parameters are by their nature based on estimates. Given these parameters and experience, there is no significant uncertainty on the carrying amount of goodwill at the end of 2012, which is DKK 811 million (2011: DKK 835 million). Further information can be found in Note 12.

USEFUL LIFE OF INTANGIBLE ASSETS

The estimated useful life reflects the period over which the Group expects to receive economic benefit 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 periodically reviewed taking into consideration anticipation of 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 on the carrying amount of patents, trademarks, licenses and know-how at the end of 2012, which is DKK 1,759 (2011: DKK 1,318 million).

COST OF WORK IN PROGRESS AND FINISHED GOODS

Work in progress and finished goods are measured at cost including indirect production costs. 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 the parameters may have an impact on the gross margin and the overall valuation of work in progress and finished goods.

The carrying amount of work in progress and finished goods is DKK 1,535 million (2011: DKK 1,473 million) of which indirect production costs amount to DKK 581 million at the end of 2012 (2011: DKK 557 million).

ALLOWANCES FOR DOUBTFUL TRADE RECEIVABLES

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 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. The carrying amount of allowances for doubtful trade receivables is DKK 153 million at the end of 2012 (2011: DKK 164 million).

PROVISIONS AND CONTINGENT LIABILITIES

Management assesses the need for provisions and contingent liabilities 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. Further information can be found in Notes 20 and 26. The carrying amount of provisions at the end of 2012 is DKK 230 million (2011: DKK 250 million).

TAXATION

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.

MANAGEMENT JUDGMENTS MADE IN APPLYING ACCOUNTING POLICIES

The application of the Group's accounting policies may require Management to make judgments, apart from the above involving estimates, that 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.

Although Novozymes holds less than 20% of the equity shares of 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.

Note 1 - Operating segment information

Novozymes' operating segments reflect the way the activities are organized and controlled. Most of the production facilities are common to Enzyme Business as a whole, which is why the activities are considered to be integrated. Therefore, Enzyme Business cannot be subdivided into further activities. Gross profit is the primary parameter used when Management evaluates the performance of the segments.

Enzyme Business develops and manufactures industrial enzymes for a variety of industries. BioBusiness consists of two activities: Microorganisms and Biopharma. Microorganisms develops and manufactures microbial solutions for a variety of industries, and enzymatic pesticides and microbial yield plus fertility enhancers for the agricultural industry. Biopharma develops and manufactures recombinant ingredients and technologies for pharmaceutical and medical device manufacturers.

Cost of goods sold is allocated directly. The functions for Sales and distribution, Research and development, and Administrative are considered as working for both segments, and their costs are therefore allocated to the Corporate function. Sales between the individual segments are deducted from the revenue of the selling company and amount to DKK 28 million in 2012 (2011: DKK 16 million).

Income statement	2012				2011			
	Enzyme Business DKK million	BioBusiness DKK million	Corporate DKK million	Total DKK million	Enzyme Business DKK million	BioBusiness DKK million	Corporate DKK million	Total DKK million
Revenue	10,163	1,071	-	11,234	9,489	1,021	-	10,510
Cost of goods sold	4,251	560	-	4,811	3,921	681	-	4,602
Gross profit	5,912	511	-	6,423	5,568	340	-	5,908
Sales and distribution costs			1,421	1,421			1,376	1,376
Research and development costs			1,527	1,527			1,464	1,464
Administrative costs			808	808			778	778
Other operating income, net			78	78			50	50
Operating profit (EBIT)				2,745				2,340
Capital expenditure								
Intangible assets	26	11	17	54	29	2	3	34
Property, plant and equipment	903	85	140	1,128	962	210	118	1,290
Capital expenditure, total	929	96	157	1,182	991	212	121	1,324
Depreciation and amortization								
Intangible assets	36	43	87	166	37	45	106	188
Property, plant and equipment	363	51	123	537	371	74	123	568
Depreciation and amortization, total	399	94	210	703	408	119	229	756
Write-downs and impairment losses								
Intangible assets	-	-	-	-	-	30	-	30
Write-downs and impairment losses, total	-	-	-	-	-	30	-	30
Operating assets								
Inventories	1,633	175	-	1,808	1,603	138	-	1,741
Trade receivables	1,936	144	-	2,080	1,859	112	-	1,971

Geographical allocation	2012 DKK million	2011 DKK million
Revenue		
Denmark	106	112
Rest of Europe, Middle East & Africa	4,032	3,707
North America	3,716	3,691
Asia Pacific	2,200	1,958
Latin America	1,180	1,042
Revenue, total	11,234	10,510
Intangible assets and Property, plant and equipment		
Denmark	4,646	4,010
Rest of Europe, Middle East & Africa	81	74
North America	2,685	2,288
Asia Pacific	1,953	1,967
Latin America	391	439
Intangible assets and Property, plant and equipment, total	9,756	8,778
Capital expenditure		
Denmark	378	358
Rest of Europe, Middle East & Africa	20	39
North America	576	648
Asia Pacific	173	250
Latin America	35	29
Capital expenditure, total	1,182	1,324

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

The geographical allocation is made on the basis of the Group's revenue, intangible assets, property, plant and equipment, and capital expenditure. 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.

Note 2 - Revenue

	2012 DKK million	2011 DKK million
Household Care Enzymes	3,780	3,325
Food & Beverages Enzymes	3,186	3,033
Bioenergy Enzymes	1,748	1,782
Feed & Other Technical Enzymes	1,449	1,349
Microorganisms	944	767
Biopharma	127	254
Revenue, total	11,234	10,510

Sales to the five largest customers as a percentage of revenue

28%	28%
-----	-----

Note 3 - Employee costs

	2012 DKK million	2011 DKK million
Wages and salaries	2,400	2,246
Pensions	226	209
Other social security costs	183	172
Other employee costs	137	139
Stock-based payment	99	111
Employee costs, total	3,045	2,877

Recognized in the income statement under the following items:

Cost of goods sold	1,093	1,043
Sales and distribution costs	690	622
Research and development costs	798	766
Administrative costs	455	445
	3,036	2,876

Recognized in the assets as:

Change in employee costs recognized in inventories	9	1
Employee costs, total	3,045	2,877

Geographical distribution:

Denmark	1,710	1,627
Rest of Europe, Middle East and Africa	194	243
North America	678	601
Asia Pacific	333	292
Latin America	130	114
Employee costs, total	3,045	2,877

Average number of employees in the Group

5,950	5,751
-------	-------

Average number of employees in R&D department

1,371	1,204
-------	-------

Number of employees outside Denmark as a percentage of total number of employees

57%	57%
-----	-----

Reference is made to Note 43 concerning the geographical distribution of employees.

Note 4 - Management remuneration

	Executive Management DKK million	Board of Directors DKK million	Total DKK million
2012			
Salaries and other short-term benefits	33	6	39
Contribution-based pension	8	-	8
Total remuneration excl. expensed stock-based incentive programs	41	6	47
Expensed stock-based incentive programs	44	-	44
Total remuneration	85	6	91

	Executive Management DKK million	Board of Directors DKK million	Total DKK million
2011			
Salaries and other short-term benefits	29	6	35
Contribution-based pension	6	-	6
Total remuneration excl. expensed stock-based incentive programs	35	6	41
Expensed stock-based incentive programs	51	-	51
Total remuneration	86	6	92

Executive Management

Remuneration to Executive Management comprises a base salary, pension, a bonus scheme and stock-based incentive programs. No member of Executive Management has a base salary exceeding DKK 6 million. 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 Executive Management are approved by the Annual Shareholders' Meeting, and more detailed information is available at www.novozymes.com.

Members of Executive Management 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 competition 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 three years' base salary and pension contributions.

Board of Directors

Remuneration paid to individual members of the Board of Directors was:

	Board of Directors DKK '000	Audit Committee DKK '000	2012 Total DKK '000	Board of Directors DKK '000	Audit Committee DKK '000	2011 Total DKK '000
Remuneration						
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	417	-	417
Jerker Hartwall**	-	-	-	69	35	104
Søren Henrik Jepsen	417	-	417	417	-	417
Lars Bo Køppler	417	-	417	417	-	417
Ulla Morin	417	-	417	417	-	417
Lena Olving***	417	208	625	347	174	521
Agnete Raaschou-Nielsen***	417	208	625	347	174	521
Jørgen Buhl Rasmussen***	417	-	417	347	-	347
Walther Thygesen**	-	-	-	69	35	104
Mathias Uhlén	417	-	417	417	-	417
Remuneration, total	5,071	833	5,904	5,347	835	6,182

* Resigned on February 29, 2012

** Resigned on March 1, 2011

*** Joined on March 1, 2011

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 Management hold shares of stock and stock options in Novozymes A/S:

	Shares at Jan. 1, 2012	Purchased during the year	Sold during the year	Shares at Dec. 31, 2012	Market value DKK million
Shares of stock					
Kurt Anker Nielsen	49,845	-	-	49,845	7.9
Søren Henrik Jepsen	280	146	-	426	0.1
Ulla Morin	2,080	-	-	2,080	0.3
Agnete Raaschou-Nielsen	430	-	-	430	0.1
Total, Board of Directors	52,635	146	-	52,781	8.4
Steen Riisgaard	58,575	-	-	58,575	9.3
Benny D. Loft	2,260	189,120	189,120	2,260	0.4
Per Falholt	-	64,900	64,900	-	-
Peder Holk Nielsen	-	189,120	189,120	-	-
Thomas Videbæk	-	184,570	184,570	-	-
Thomas Nagy	500	184,570	185,070	-	-
Total, Executive Management	61,335	812,280	812,780	60,835	9.7
	Options at Jan. 1, 2012	Additions during the year	Exercised during the year	Options at Dec. 31, 2012	Market value DKK million
Share options including stock awards					
Steen Riisgaard	710,110	-	-	710,110	49.2
Benny D. Loft	310,335	-	189,120	121,215	8.3
Per Falholt	310,335	-	64,900	245,435	18.2
Peder Holk Nielsen	310,335	-	189,120	121,215	8.3
Thomas Videbæk	302,865	-	184,570	118,295	8.1
Thomas Nagy	328,135	-	184,570	143,565	10.1
Total, Executive Management	2,272,115	-	812,280	1,459,835	102.2

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 23.

Note 5 - Fees to statutory auditor

	2012 DKK million	2011 DKK million
Statutory audit	8	8
Other assurance engagements	-	-
Tax advisory services	6	6
Other services	3	2
Fees to statutory auditor, total	17	16

Note 6 - Depreciation, amortization and impairment losses

	2012 DKK million	2011 DKK million
Recognized in the income statement under the following items:		
Cost of goods sold	414	445
Sales and distribution costs	24	24
Research and development costs	79	75
Administrative costs	20	24
Depreciation and impairment losses, property, plant and equipment, total	537	568
Recognized in the income statement under the following items:		
Cost of goods sold	79	112
Sales and distribution costs	16	10
Research and development costs	69	92
Administrative costs	2	4
Amortization and impairment losses, intangible assets, total	166	218
Depreciation, amortization and impairment losses, total	703	786

No impairment losses on know-how have been recognized in 2012 (2011: DKK 30 million included in cost of goods sold).

Note 7 - Other operating income, net

	2012 DKK million	2011 DKK million
Income and grants concerning research projects/collaborations	34	49
Other operating income, net	27	23
Gain/(loss) on sale of activities	17	(22)
Other operating income, net, total	78	50

Note 8 - Financial income

	2012 DKK million	2011 DKK million
Interest income	13	18
Exchange gains on derivatives, net	-	161
Other foreign exchange gains, net	-	29
Stock-based payment and value adjustment of securities	9	-
Financial income, total	22	208

Note 9 - Financial costs

	2012 DKK million	2011 DKK million
Interest costs	80	110
Other financial costs	23	20
Share of loss in associate	3	-
Other foreign exchange losses, net	83	-
Stock-based payment and value adjustment of securities	-	19
Capitalized interest costs at an interest rate of 3.8% p.a. (2011: 3.9%)	(6)	(16)
Financial costs, total	183	133

Note 10 - Tax

	2012 DKK million	2011 DKK million
Tax payable on net profit	525	487
Change in deferred tax	75	69
Adjustment for previous years	(32)	31
Tax in the income statement	568	587

Calculation of effective tax rate:		
Corporation tax rate in Denmark	25.0%	25.0%
Non-deductible expenses, net	0.5%	0.6%
Difference in foreign tax rates	(0.3)%	(0.7)%
Other adjustments	(3.2)%	(0.6)%
Effective tax rate	22.0%	24.3%

Note 11 - Intangible assets

	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, 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
Cost at January 1, 2011	269	1,048	529	11	1,857
Currency translation adjustments	1	(9)	(28)	-	(36)
Additions from business acquisitions	-	1,047	360	-	1,407
Additions during the year	-	-	-	34	34
Disposals during the year	-	(190)	(26)	-	(216)
Cost at December 31, 2011	270	1,896	835	45	3,046
Amortization and impairment losses at January 1, 2011	236	535	16	-	787
Currency translation adjustments	1	(2)	-	-	(1)
Amortization for the year	10	178	-	-	188
Write-downs and impairment losses for the year	-	30	-	-	30
Disposals for the year	-	(163)	(16)	-	(179)
Amortization and impairment losses at December 31, 2011	247	578	-	-	825
Carrying amount at December 31, 2011	23	1,318	835	45	2,221

No impairment losses have been recognized in 2012 (2011: DKK 30 million).

Note 12 - Impairment test of goodwill

The carrying amount of goodwill was tested for impairment at December 31, 2012. The test performed did not identify any impairment (2011: DKK 0 million). Goodwill is allocated to three cash-generating units (CGUs): Enzyme Business, Microorganisms and Biopharma, at which level goodwill is monitored by Management. Refer to Note 1 for a description of the individual segments and CGUs.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use risk-adjusted cash flow projections based on financial budgets and business plans approved by Management covering a budget period of 18 years. Cash flows beyond the 18-year budget period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

Financial budgets and business plans used exceed five years in order to reflect the expected cash flow from emerging activities correctly. Emerging activities in Microorganisms and Biopharma are expected to generate significant cash flows after 2017, and in recent years Novozymes has invested in future growth within these activities. These investments are expected to generate economic benefits for a long period.

The key assumptions used in testing for impairment are based on Management's expectations of operational development and growth, which are partly based on past experience.

The following key assumptions are used for the impairment tests performed. The expected cash inflow for Enzyme Business in 2013 significantly exceeds the value of goodwill allocated to this CGU. Hence, no further key assumptions are used in determining whether impairment exists for this CGU.

	Enzyme Business	Microorganisms	Biopharma
2012			
Goodwill, DKK million	171	465	175
Expected average annual sales growth, budget period	n/a	5-7%	10-14%
Expected growth rate in cash flows, terminal period	n/a	2.0%	0.1%
Pre-tax discount rate applied for cash flow projections	n/a	6.5%	6.5%
	Enzyme Business	Microorganisms	Biopharma
2011			
Goodwill, DKK million	177	484	174
Expected average annual sales growth, budget period	n/a	6-9%	10-15%
Expected growth rate in cash flows, terminal period	n/a	2.0%	0.7%
Pre-tax discount rate applied for cash flow projections	n/a	5.1%	5.1%

Further key assumptions include expectations of market growth, EBITDA margin, cost efficiency, utilization of synergies and development of emerging activities.

Management believes that any reasonably likely change in the key assumptions on which the recoverable amounts are based would not cause goodwill to be impaired.

Note 13 - Property, plant and equipment

	Land and buildings DKK million	Plant and machinery DKK million	Other equipment DKK million	Assets under con- struction and prepayments DKK million	Total DKK million
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
Cost at January 1, 2011	3,665	5,470	1,153	1,700	11,988
Currency translation adjustments	45	86	16	66	213
Additions from business acquisitions	44	10	3	-	57
Additions during the year	29	215	88	958	1,290
Disposals during the year	(60)	(369)	(227)	-	(656)
Transfer (to)/from other items	288	867	70	(1,225)	-
Cost at December 31, 2011	4,011	6,279	1,103	1,499	12,892
Depreciation and impairment losses at January 1, 2011	1,612	3,741	769		6,122
Currency translation adjustments	19	62	13		94
Depreciation for the year	184	290	94		568
Disposals during the year	(51)	(217)	(181)		(449)
Depreciation and impairment losses at December 31, 2011	1,764	3,876	695		6,335
Carrying amount at December 31, 2011	2,247	2,403	408	1,499	6,557

Interest of DKK 6 million (2011: DKK 16 million) is included in purchases of property, plant and equipment above and under investing activities in the statement of cash flows.

Note 14 - Deferred tax

	2012 DKK million	2011 DKK million
Deferred tax at January 1	(630)	(422)
Currency translation adjustments	(3)	6
Effect from business acquisitions	(35)	(28)
Tax related to the income statement	(78)	(26)
Tax on shareholders' equity items	(66)	(160)
Deferred tax at December 31	(812)	(630)
Deferred tax assets	224	275
Deferred tax liabilities	(1,036)	(905)
Deferred tax at December 31	(812)	(630)

	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 and balance re recapture of tax losses	25	-	25
Stock options	68	-	68
Liabilities, etc.	169	(241)	(72)
	726	(1,538)	(812)
Offsetting items	(502)	502	-
Deferred tax at December 31, 2012	224	(1,036)	(812)

Due after more than 12 months		(730)
Unrecognized share of tax-loss carry-forwards, tax credit, etc. (of which DKK 52 million expires in 2032)	81	

	Deferred tax assets DKK million	Deferred tax liabilities DKK million	Total DKK million
Intangible assets and property, plant and equipment	75	(1,018)	(943)
Inventories	277	(145)	132
Tax-loss carry-forwards and balance re recapture of tax losses	36	-	36
Stock options	115	-	115
Liabilities, etc.	246	(216)	30
	749	(1,379)	(630)
Offsetting items	(474)	474	-
Deferred tax at December 31, 2011	275	(905)	(630)

Due after more than 12 months		(592)
Unrecognized share of tax-loss carry-forwards, tax credit, etc. (of which DKK 9 million expires in 2032)	38	

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

Note 15 - Other receivables

	2012 DKK million	2011 DKK million
Deposits	18	19
Prepaid expenses	246	87
Loans	63	-
Other receivables	148	89
Other receivables at December 31	475	195
Non-current	191	-
Current	284	195

Note 16 - Inventories

	2012 DKK million	2011 DKK million
Raw materials and consumables	273	268
Work in progress	399	361
Finished goods	1,136	1,112
Inventories at December 31	1,808	1,741

Cost of materials, included under Cost of goods sold, is DKK 2,733 million (2011: DKK 2,546 million).

Expensed write-downs on inventories	68	72
Reversal of write-downs on inventories	49	50

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

Note 17 - Trade receivables

	2012 DKK million	2011 DKK million
Trade receivables	2,181	2,082
Allowances for doubtful trade receivables	(153)	(164)
	2,028	1,918
Amounts owed by related companies	52	53
Trade receivables at December 31	2,080	1,971

	2012 DKK million	2011 DKK million
Changes in allowances for doubtful trade receivables:		
At January 1	164	133
Allowances during the year	61	74
Write-offs during the year	(8)	(12)
Reversed allowances	(64)	(31)
Allowances at December 31	153	164

The cost is included in Sales and distribution costs.

Allocation of overdue net receivables (not written off) by maturity period is as follows:

Up to 30 days	238	209
Between 30 days and 90 days	41	32
Between 91 days and 365 days	-	1
Overdue net receivables at December 31	279	242

Note 18 - Tax receivables and payables

	2012 DKK million	2011 DKK million
At January 1	130	146
Currency translation adjustments	2	-
Effect from business acquisitions	-	(21)
Tax related to the income statement	(490)	(561)
Tax on shareholders' equity items	27	48
Tax paid for the current year, net	393	518
Tax receivables, net, at December 31	62	130
Tax receivables	138	167
Tax payables	(76)	(37)
Tax receivables, net, at December 31	62	130

Of which due after more than 12 months - -

Note 19 - Common stock

	2012 DKK million	2011 DKK million
Common stock		
Nominal value		
A common stock	107	107
B common stock	543	543
Common stock at December 31	650	650
	2012 No.	2011 No.
Shares of common stock		
A shares of DKK 2	53,743,600	53,743,600
B shares of DKK 2	271,256,400	271,256,400
Shares of common stock at December 31	325,000,000	325,000,000
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.		
	2012 No.	2011 No.
Shares of common stock in circulation		
Shares of stock at January 1	315,084,570	314,707,510
Purchase of treasury stock	(5,247,588)	(2,455,000)
Sale of treasury stock	2,388,384	2,832,060
Shares of common stock in circulation at December 31	312,225,366	315,084,570
	2012 No.	2011 No.
Shares of treasury stock - B stock		
Shares of stock at January 1	9,915,430	10,292,490
Additions during the year	5,247,588	2,455,000
Disposals during the year	(2,388,384)	(2,832,060)
Shares of stock at December 31	12,774,634	9,915,430
	2012 %	2011 %
Percentage of common stock		
Percentage of common stock at January 1	3.1%	3.2%
Additions during the year	1.6%	0.8%
Disposals during the year	(0.8%)	(0.9%)
Percentage of common stock at December 31	3.9%	3.1%
	2012 DKK million	2011 DKK million
Profit basis for earnings per share	2,015	1,826
	2012 No.	2011 No.
Average number of shares		
Average shares of stock	313,981,216	315,156,775
Adjustment for stock options	4,299,368	4,799,444
Average number of diluted shares	318,280,584	319,956,219

Note 20 - Provisions

	2012 DKK million	2011 DKK million
Provisions at January 1	250	232
Currency translation adjustments	(3)	(2)
Additions from business acquisitions	-	15
Additions during the year	30	37
Reversals during the year	(31)	(20)
Utilization during the year	(16)	(12)
Provisions at December 31	230	250
Non-current	140	152
Current	90	98

Provisions include items relating to liabilities for restoring leased premises, contingent considerations, environmental liabilities, pending litigation and other minor obligations.

Novozymes is obliged to restore leased premises when terminating the lease and vacating the premises. The exact amounts are considered uncertain as the final settlements will depend on thorough inspection of the leased 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. However, the timing is by nature uncertain.

The contingent consideration relates to acquisitions of activities and companies and is expected to be settled on an ongoing basis over a period of up to five years, but with the majority being paid before the end of 2014.

Environmental liabilities relate to expected costs to ensure that Novozymes' production sites do not have a negative environmental impact. Provision has been made for the estimated costs relating 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.

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 mainly expected to be finalized in 2013 and 2014.

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

Note 21 - Other financial liabilities

	2012 DKK million	2011 DKK million
Credit institutions	1,944	1,666
Derivatives	70	176
Other financial liabilities	21	20
Other financial liabilities at December 31	2,035	1,862
Non-current	1,749	1,604
Current	286	258

The credit institutions are payable within the following periods from the balance sheet date:

Less than 1 year	243	152
Between 1 and 2 years	4	562
Between 2 and 3 years	490	5
Between 3 and 4 years	5	488
Between 4 and 5 years	5	5
After 5 years	1,197	454
Credit institutions at December 31	1,944	1,666

The debt is denominated in the following currencies:

CNY	-	46
DKK	205	600
EUR	1,706	961
Other	33	59
Credit institutions at December 31	1,944	1,666

Debt to credit institutions runs to 2013-2029. The interest rates are between 1.2% and 5.2% for debt in DKK and EUR.

The interest rates on the variable loans will be adjusted in 2013.

Land and buildings with a carrying amount of DKK 317 million are pledged as security for credit institutions.

Note 22 - Other payables

	2012 DKK million	2011 DKK million
Employee costs payable	558	536
Deferred income	87	92
Stock-based payment	27	32
Other payables	452	559
Other payables at December 31	1,124	1,219

Note 23 - Stock-based payment

Novozymes has established stock-based incentive programs for Executive Management, other managers and 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 Executive Management. The program is a three-year stock-based program and covers the period 2011-2013, with shares to be released in January 2014. The number of total stock awards is based on expected economic profit and dividend, and will be adjusted on an annual basis. The fair value at grant date was DKK 108 million, which will be expensed over the three-year period, assuming that the cumulative economic profit target will be met. The program is based on achievement of cumulative economic profit in the three-year period. Using economic profit as the target for the program will ensure that Novozymes' Executive Management focuses on delivering on the company's long-term expectations.

In 2011 Novozymes established a stock award program for key employees (grades of vice president and director) covering the period 2011-2013, with restricted stock expected to be offered each year. In 2012 a total of 204,350 stock awards (2011: 202,395) were granted based on this program. The program is based on fulfillment of specified financial and nonfinancial targets. The shares granted in 2012 will be released in January 2016 (2011: January 2015).

For the period 2003-2012 stock option programs were established conferring the right to purchase one share per stock option at a nominal price of DKK 2. 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.

Further, Novozymes has a stock purchase plan under the gross salary deduction scheme, with employees buying shares at the official trading price. Total employee costs of DKK 25 million (2011: DKK 24 million) recognized for this plan in 2012 are included in Note 3. A total of 157,737 shares have been transferred to employees.

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

	2012		2011	
	Number of options	Avg. exercise price per option in DKK	Number of options	Avg. exercise price per option in DKK
Outstanding at January 1	9,290,020	80	12,376,360	75
Granted	32,871	132	28,095	159
Exercised	(2,435,985)	65	(2,941,345)	58
Forfeited	(35,045)	92	(105,265)	92
Expired	(95,550)	40	(67,825)	36
Outstanding at December 31	6,756,311	86	9,290,020	80

The weighted average share price at the time of exercise was DKK 163 in 2012 (2011: DKK 166). Of the 6,756,311 outstanding options (2011: 9,290,020), 4,463,805 options were exercisable (2011: 3,467,455), and the weighted average price for these options is DKK 84 (2011: DKK 75).

The stock options outstanding have the following characteristics:

	2012			2011		
	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)
Outstanding program 2003	-	-	-	776,830	30	-
Outstanding program 2006	768,365	69	2	939,045	69	3
Outstanding program 2006	3,575	80	2	3,575	80	3
Outstanding program 2007	1,487,259	99	3	1,681,785	99	4
Outstanding program 2007	98,440	117	5	98,440	117	6
Outstanding program 2007	22,195	119	3	25,945	119	4
Outstanding program 2008	2,138,831	78	4	3,495,385	78	5
Outstanding program 2008	64,880	83	5	64,880	83	6
Outstanding program 2008	27,160	81	4	40,275	81	5
Outstanding program 2009	2,062,835	89	5	2,098,765	89	6
Outstanding program 2009	16,420	106	5	16,420	106	6
Outstanding program 2010	20,005	135	6	23,025	135	7
Outstanding program 2011	25,650	159	7	25,650	159	8
Outstanding program 2012	20,696	163	8	-	-	-
Outstanding at December 31	6,756,311	86	3	9,290,020	80	4

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 2012 was DKK 19 per option (2011: DKK 34 per option). The fair value of stock awards granted during 2012 was DKK 31 million (2011: DKK 139 million), to be expensed over the three-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:

	2012	2011
Expected future dividend per share, DKK	7.9	5.5
Volatility, %	21.9	24.1
Annual risk-free interest rate, %	0.6	1.6
Weighted average share price at grant date, DKK	163	159

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 27 million has been recognized for this in 2012 (2011: DKK 32 million). The intrinsic value of exercisable cash-settled programs in 2012 was DKK 16 million (2011: DKK 13 million).

During 2012 DKK 99 million arising from stock-based payment has been recognized in the income statement (2011: DKK 111 million), of which DKK 69 million arises from equity-settled programs (2011: DKK 83 million).

Note 24 - Foreign currencies in the balance sheet

Hedging of assets and liabilities in foreign currency (transaction risk)

The table below shows the Group's financial assets and liabilities in foreign currencies at December 31, 2012, calculated as the total of each Group company's assets and liabilities in a currency other than its own. The table also shows the derivatives used to hedge these assets and liabilities.

DKK million	Currency exposure	Derivatives	Net currency exposure	Exchange rate at Dec. 31, 2012 (for 100 units)
AUD	(71)	78	7	587.80
BRL	105	-	105	277.05
CHF	(575)	370	(205)	617.58
CNY	44	-	44	90.79
EUR	755	(1,761)	(1,006)	746.04
GBP	(189)	181	(8)	913.20
JPY	67	(73)	(6)	6.57
MXN	41	(13)	28	43.53
SEK	(27)	25	(2)	87.14
USD	2,714	(3,266)	(552)	565.91
ZAR	47	-	47	66.49
Other	20	(2)	18	
	2,931	(4,461)	(1,530)	

Transaction risk is the possibility of gains/losses on transactions that are open on the balance sheet date as a result of subsequent exchange rate changes. Gains/losses are recognized in the income statement.

Note 25 - Derivatives - Hedge accounting, etc.

Cash flow hedges, etc.

The table below shows the derivatives that the Group has contracted to hedge currency exposure, interest rate exposure or price exposure on future cash flows. The total fair value adjustment at year-end is entered directly in Shareholders' equity and will be taken to the income statement as the financial contracts are realized, with the exception of currency translation and accrued interest on currency swaps used for interest hedging, as these do not qualify as cash flow hedges and are therefore entered directly in the income statement.

DKK million	2012		2011	
	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	1,278	(12)	2,573	(55)
	2,204	(18)	2,573	(55)
Interest rate swaps				
DKK/DKK - (2011: pays fixed rate of 2.95% / earns variable rate of 1.00%)	-	-	307	(6)
EUR/EUR - pays fixed rate of 3.06% / earns variable rate of 0.78% (2011: 1.82%)	112	(9)	112	(7)
EUR/EUR - pays fixed rate of 3.58% / earns variable rate of 0.78% (2011: 1.82%)	112	(20)	112	(13)
	224	(29)	531	(26)
Currency swaps				
EUR/DKK - (2011: pays fixed rate of 4.27% / earns variable rate of 1.00%)	-	-	250	(7)
	-	-	250	(7)
Forwards				
Electricity price agreement - average payment of DKK 300/MWh (2011: DKK 352/MWh)	77	(11)	99	(13)
Oil price agreement - (2011: average payment of USD 671/MT)	-	-	8	-
	77	(11)	107	(13)
	2,505	(58)	3,461	(101)

Forward exchange contracts fall due in the period January 2013 to December 2013 (2011: January 2012 to December 2013), while swaps fall due in the period July 2015 to July 2019 (2011: March 2013 to July 2019). Electricity agreements have been contracted for the period January 2013 to December 2014 (2011: January 2012 to December 2013); and there are no oil contracts at year end (2011: January 2012 to June 2012).

At the end of 2012 the Group has hedged future cash flows in USD at 76% for 2013 (2011: 100% for 2012 and 50% for 2013) and in EUR at 42% for 2013 (2011: 0%).

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, and derivatives that no longer fulfill the criteria for cash flow hedges. Gains or losses on fair value adjustments at year-end are entered in the income statement.

DKK million	2012		2011	
	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)	(68)	2
CAD	2	-	(26)	1
CHF	(370)	1	-	-
EUR	52	-	-	-
GBP	(181)	(1)	(201)	2
JPY	73	2	-	-
MXN	13	-	14	-
SEK	(25)	1	(96)	-
USD	3,266	32	2,299	(32)
	2,752	33	1,922	(27)

The forward exchange contracts fall due in the period January 2013 to April 2013 (2011: January 2012 to October 2012).

The gain on forward exchange contracts was DKK 65 million (2011: DKK 15 million), compared with a gain on the hedged items of DKK 65 million (2011: DKK 15 million).

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, electricity prices and oil prices (Level 2).

The carrying amount for the financial instruments split allocated to categories are:

	2012 DKK million	2011 DKK million
Loans and receivables	2,844	2,746
Hedge accounting (asset)	45	48
Financial liabilities	3,461	2,990
Hedge accounting (liability)	70	176

Financial assets/liabilities measured at fair value through profit or loss are immaterial.

Note 26 - Commitments and contingencies

	2012 DKK million	2011 DKK million
Commitments		
Rental commitments expiring within the following periods from the balance sheet date:		
Less than 1 year	55	59
Between 1 and 2 years	43	44
Between 2 and 3 years	27	35
Between 3 and 4 years	22	22
Between 4 and 5 years	18	20
After 5 years	74	87
Rental commitments at December 31	239	267

Of which commitments to related companies at December 31, 2012, amount to DKK 22 million, compared with DKK 29 million at December 31, 2011. The above rental commitments relate to noncancelable operating lease contracts, primarily for buildings and offices.

The following amount has been recognized in the consolidated income statement in respect of rentals

	95	97
--	----	----

Other commitments

Contractual obligations to third parties relating to capital expenditure, etc.

	157	373
--	-----	-----

Other guarantees

Other guarantees and commitments to related companies

	125	137
--	-----	-----

Other guarantees and commitments

	461	424
--	-----	-----

Pending litigation and arbitration

Novozymes is party to a patent lawsuit in which Novozymes claims that Genencor Inc. (a DuPont company) has infringed Novozymes' U.S. Patent No. 7,713,723 covering certain alpha-amylase enzymes for use in the biofuel and starch industries. In 2012 the judge has overturned the jury verdict from 2011, which came out in favor of Novozymes. Novozymes has appealed against the decision and expects a ruling in 2013. By its nature, the financial impact of the lawsuit on Novozymes is unpredictable at present.

In addition, Novozymes is engaged in certain other legal proceedings but, in the opinion of the Board of Directors and Executive Management, 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.

Note 27 - Joint ventures and associate

Novozymes A/S has interests in three joint ventures. Two of which are homeowners' associations run as jointly controlled entities with Novo Nordisk A/S. Novozymes A/S owns 50% of the assets in the associations, which are located in Denmark, and the objects of the associations are the operation and maintenance of common facilities. Novozymes' share of assets and liabilities are shown below.

	2012 DKK million	2011 DKK million
Non-current assets	47	43
Current assets	48	43
Total assets at December 31	95	86
Non-current liabilities	65	61
Current liabilities	30	25
Total liabilities at December 31	95	86
Net profit	-	-

In 2012 Novozymes has formed a jointly controlled operation with Beta Renewables S.p.A. The purpose of the operation is to jointly market, demonstrate and guarantee cellulosic biofuel solutions based on technologies held by Beta Renewables S.p.A. and Novozymes. At December 31, 2012, no assets and liabilities are jointly held with Beta Renewables S.p.A. For further information, refer to Note 30.

Investment in associate relates solely to Beta Renewables S.p.A. Novozymes holds 9.95% of the shares in the company, which is incorporated in Italy.

Novozymes A/S has not assumed any material contingent liabilities in connection with its interests in joint ventures.

Note 28 - 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).

Related parties are considered to be the Novo Nordisk Foundation and its subsidiaries, that is the Novo and Novo Nordisk Groups, the directors of these entities, and the Board of Directors and Executive Management of Novozymes A/S, together with their immediate families. Related parties also include companies in which the above persons have control or joint control.

All agreements relating to these transactions are based on the list prices used for sale to third parties where such list prices exist; otherwise the price has been set at what is regarded as market price. The majority of the agreements are renegotiated regularly. The Group has had the following transactions with related parties:

	2012 DKK million	2011 DKK million
Sale of goods, materials and services		
Sale of goods and materials		
- The Novo Nordisk Group	2	1
Sale of services		
- The Novo Nordisk Group	90	72
Total sale of goods, materials and services	92	73
Purchase of goods, materials, services and assets		
Purchase of goods and materials		
- Novo Nordisk A/S	80	69
Purchase of services		
- NNIT A/S	42	36
- Novo Nordisk A/S	46	58
- NNE Pharmaplan A/S	87	105
Total purchases of goods, materials, services and assets	255	268

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 Management is presented in Note 4.

	2012 DKK million	2011 DKK million
Receivables		
- The Novo Nordisk Group	52	53
Receivables at December 31	52	53
Financial liabilities		
- Novo Nordisk A/S	21	21
Financial liabilities at December 31	21	21
Payables		
- NNIT A/S	9	5
- Novo Nordisk A/S	108	35
- NNE Pharmaplan A/S	16	26
Payables at December 31	133	66

Note 29 - Government grants

During the financial year the Novozymes Group has received grants of DKK 9 million for research and development, compared with DKK 24 million in 2011.

Government grants includes grants from the EU, the Danish National Advanced Technology Foundation and the U.S. Department of Energy for various research projects.

Note 30 - Business acquisitions

DKK million	2012 Beta Renew- ables S.p.A.	2012 Natural Industries Inc.	2011 EMD/Merck Crop BioSc.
The assumed fair value of acquired assets and liabilities is as follows:			
Intangible assets	510	90	1,047
Property, plant and equipment	-	-	57
Interest in associate	55	-	-
Inventories	-	-	89
Trade and other receivables	104	6	101
Cash and cash equivalents	-	-	25
Provisions	-	-	15
Financial and other liabilities	-	37	109
Acquired net assets	669	59	1,195
The purchase price is as follows:			
Cash	669	63	1,555
Contingent consideration	-	3	-
Total purchase price	669	66	1,555
Goodwill	-	7	360
Cash flow for acquisition:			
Cash payment	669	63	1,555
Less cash and cash equivalents in acquired business	-	-	(25)
Cash outflow for acquisition	669	63	1,530

Beta Renewables S.p.A.

On November 5, 2012, Novozymes entered into a jointly controlled operation with Beta Renewables S.p.A. including an investment in 9.95% of the shares of 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 fair value of the acquired intangible assets of DKK 510 million is provisional pending receipt of the final valuations for those assets.

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 protected 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. The fair value of the acquired intangible assets of DKK 90 million is provisional, pending receipt of the final valuations for those assets.

EMD/Merck Crop BioScience

On February 7, 2011, Novozymes bought 100% of the shares in EMD Crop BioScience USA Inc. and Merck Crop BioScience Argentina S.A., as well as the intellectual property rights of EMD Crop BioScience Canada. EMD/Merck Crop BioScience operates within the bioagricultural business and is located in the U.S. and Argentina. The business is expected to build a stronger position for our existing BioAg industry.

The gross contractual amount for trade receivables due was DKK 78 million, of which DKK 12 million was expected to be uncollectible at the acquisition date. Acquisition-related costs of DKK 39 million have been charged to Sales and distribution costs at DKK 1 million in 2011 and DKK 38 million in 2010.

Goodwill represents the difference between the value of the acquired companies/activities and the value allocated to the specified net assets. Goodwill is thus an expression for assets for which a value cannot be measured reliably, including expected synergies arising in connection with amalgamation with the existing business. Approx. 50% of the calculated goodwill is expected to be deductible.

The revenue contributed by EMD/Merck Crop BioScience recognized in the consolidated income statement for 2011 from February 7, 2011, was DKK 323 million, but the contribution to operating profit was not material due to integration costs and the IFRS effect on inventories. If EMD/Merck Crop BioScience had been owned for the whole year, revenue and operating profit would not have been materially different.

Note 31 - Non-cash items

	2012 DKK million	2011 DKK million
Accrued interest income and interest costs	61	76
(Gain)/loss on financial assets, etc., net	(9)	20
Depreciation, amortization and impairment losses	703	786
Allowances for doubtful trade receivables	2	31
Financial gain/loss on sale of assets	4	8
Unrealized foreign exchange gain	(49)	(41)
Tax	568	587
Stock-based payment (excluding DKK 25 million in gross salary deduction scheme (2011: DKK 24 million))	74	87
Change in provisions	(17)	(18)
Other items	-	113
Non-cash items	1,337	1,649

Note 32 - Cash flow from acquisitions and divestments

	2012 DKK million	2011 DKK million
Acquisition of Natural Industries Inc.	63	-
Investment in Beta Renewables S.p.A. and jointly controlled operation	669	-
Acquisition of EMD/Merck Crop BioScience	-	1,530
Divestment of activities	-	(151)
Transaction costs	-	47
Cash flow from acquisitions and divestments	732	1,426

Note 33 - Cash and cash equivalents

	2012 DKK million	2011 DKK million
Cash at bank and in hand	535	667
Credit institutions - on demand	(205)	(43)
Cash and cash equivalents at December 31	330	624

Note 34 - 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 the market situation. The treasury policy contains rules on which financial instruments can be used for hedging, the counterparties that 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 EUR, USD and JPY. 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 (2011: DKK 15-20 million). A movement of 5% in the USD would result in a change in operating profit of around DKK 60-80 million (2011: DKK 60-80 million). A movement of 5% in the JPY would result in a change of around DKK 5-10 million (2011: DKK 5-10 million) in operating profit.

A 5% movement in the CNY would, other things being equal, result in a change in Shareholders' equity of around DKK 99 million (2011: DKK 85 million), while a movement of 5% in the CHF would result in a change in Shareholders' equity of around DKK 28 million (2011: DKK 15 million). A movement of 5% in the USD would result in a change in Shareholders' equity of around DKK 27 million (2011: DKK 19 million).

Novozymes' policy is to hedge existing net assets in foreign currencies and expected future net exposure from the Group's operations. Hedging of exchange rate exposure is carried out through a combination of loans, forward exchange contracts, swaps and options. Exchange rate-hedging transactions are carried out to minimize risks and thereby increase the predictability of the Group's financial results.

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, which 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 not have an effect on profit (2011: positive effect of DKK 2 million). In accordance with Novozymes' treasury policy, a minimum of 30% of loans must be at fixed interest rates. At year-end 2012, 77% (2011: 71%) 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 customer sales. 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, 2012, the Group considers its maximum credit risk to be DKK 2,889 million (2011: DKK 2,794 million), which is the total of the Group's financial assets. At December 31, 2012, the maximum credit risk related to one counterparty was DKK 211 million (2011: DKK 235 million). The credit risk of debtors is countered by thorough, regular analyses based on customer type, country and specific conditions; see also *Accounting estimates and judgments*. Generally, customers are creditworthy. No collateral was held for financial assets at December 31, 2012.

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.

The table below shows the future draw on liquidity based on the financial liabilities at December 31, 2012 (settled by financial assets). The table is broken down by payment periods, in accordance with the contractual due date. The amounts are shown undiscounted, so the figures cannot be directly reconciled with the respective items in the balance sheet.

DKK million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Financial liabilities at December 31, 2012				
Other financial liabilities	243	4	500	1,218
Trade payables	1,044	-	-	-
Other payables	452	-	-	-
Gross settlement of derivatives (outflow)	8	8	16	8

The figures below show the inflow from the above gross settlement of derivatives, so as to provide an adequate and fair picture of the actual draw on liquidity.

Gross settlement of derivatives (inflow)	1	1	1	1
---	---	---	---	---

DKK million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Financial liabilities at December 31, 2011				
Other financial liabilities	152	562	498	474
Trade payables	745	-	-	-
Other payables	559	-	-	-
Gross settlement of derivatives (outflow)	27	261	19	12

The figures below show the inflow from the above gross settlement of derivatives, so as to provide an adequate and fair picture of the actual draw on liquidity.

Gross settlement of derivatives (inflow)	10	255	9	5
---	----	-----	---	---

Note 35 - Water allocated to primary source

	2012 1,000 m ³	2011 1,000 m ³
Drinking water	3,949	3,531
Industrial water	2,182	2,259
Steam	315	283
Water, total	6,446	6,073

Note 36 - Energy by primary source

	2012 1,000 GJ	2011 1,000 GJ
Town gas	66	-
Diesel oil	1	-
Gas oil	21	46
Heavy fuel oil	78	135
Light fuel oil	-	1
Natural gas	557	615
Internally generated energy, total	723	797
District heat	171	153
Electricity	2,363	2,197
Steam	821	782
Externally purchased energy, total	3,355	3,132
Total energy consumption	4,078	3,929

Note 37 - Treated wastewater for irrigation

	2012 1,000 m ³	2011 1,000 m ³
Volume	541	738

Note 38 - Total biomass volume by product

Biomass is liquid waste from Novozymes' production that is rich in nitrogen and phosphorus and therefore can be used as fertilizer. Instead of disposing of this biomass as waste, a major part of it is turned into a product, NovoGro®, 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 the production is reused by farmers, the amount 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.

	2012 1,000 m ³	2011 1,000 m ³
Volume, NovoGro®	333	295
Volume, NovoGro® 30	145	140
Volume, compost	73	44
Biomass, total	551	479

Note 39 - Total waste volume by disposal method

	2012 Tons	2011 Tons
Incineration	2,442	2,593
Landfilling	6,728	3,980
Recycling	4,791	4,806
Other	280	325
Waste, total	14,241	11,704

The registered volume of waste in 2012 was 14,241 tons compared with 11,704 tons in 2011. This increase was the result of biomass generated at the new factory in Blair, USA, that could not be distributed as fertilizer products (NovoGro® and similar). This also resulted in a decline in the waste-recycling percentage from approx. 41% in 2011 to approx. 34% in 2012.

Note 40 - CO₂ 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 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.

	2012 1,000 tons	2011 1,000 tons
Town gas	4	-
Gas oil	2	3
Heavy fuel oil	6	11
Natural gas	29	32
CO₂ - Scope 1	41	46
District heat	9	8
Electricity	239	245
Steam	71	69
CO₂ - Scope 2	319	322
Ship	5	7
Truck	9	9
Air freight	5	6
CO₂ - Scope 3	19	22
CO₂ emissions, total	379	390

Note 41 - Global warming, CO₂-equivalents

The Global Warming Potential (GWP) is the effect that each greenhouse gas has on global warming. Multiplying the quantity of the emitted greenhouse gas by the applicable GWP results in a CO₂-equivalent emission.

	2012 1,000 tons	2011 1,000 tons
Total CO ₂ emissions	379	390
Ozone-depleting substances, HCFCs	2	2
CO₂-equivalents, total	381	392

Note 42 - Ozone layer depletion, CFC₁₁-equivalents

	2012 Kg	2011 Kg
CFCs	-	51
HCFCs	48	54
CFC₁₁-equivalents, total	48	105

Note 43 - Employee statistics

	2012 No.	2011 No.
Women	2,140	2,056
Men	3,901	3,768
Employees, total	6,041	5,824
Full-time employees	5,689	5,501
Part-time employees	352	323
Employees, total	6,041	5,824
Denmark	2,580	2,530
Rest of Europe, Middle East and Africa	279	270
North America	1,120	1,015
Asia Pacific	1,710	1,666
Latin America	352	343
Employees, total	6,041	5,824
Senior management	168	171
Management	950	890
Professional	1,824	1,690
Administrative	572	581
Skilled workers, laboratory technicians and other technicians	1,137	1,112
Process operators	1,390	1,380
Employees, total	6,041	5,824

Note 44 - Percentage of women by job category

	2012 %	2011 %
Senior management	17.9	18.1
Management	29.7	29.3

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.

Note 45 - Job creation

	2012 No.	2011 No.
Net growth in number of employees, organic	217	219
Terminations	453	452

Note 46 - Rate of absence by job category

	2012 %	2011 %
Senior management, management, professional and administrative	1.1	1.1
Skilled workers, laboratory technicians, other technicians and process operators	2.9	3.0

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.

Note 47 - Consequences of occupational accidents

	2012 No.	2011 No.
Return to original job	27	39
Return to a different job in the same department	-	1
Out of work or early retirement	1	-
Case pending	1	-
Occupational accidents, total	29	40

Total days of absence related to accidents registered in the same year

	490	636
--	-----	-----

For comparison purposes, cases that were pending at the end of 2011 have been updated in line with information available at the end of 2012. The derived figure for total days of absence has also been updated.

Note 48 - Consequences of occupational diseases

	2012 No.	2011 No.
Return to original job	1	5
Return to a different job in the same department	2	6
Transfer to a different job in another department	1	-
Out of work or early retirement	1	-
Case pending	2	-
Occupational diseases, total	7	11

Total days of absence related to diseases registered in the same year

	153	11
--	-----	----

For comparison purposes, cases that were pending at the end of 2011 have been updated in line with information available at the end of 2012. The derived figure for total days of absence has also been updated.

Note 49 - Types of occupational diseases

	2012 No.	2011 No.
Musculoskeletal disorders	1	1
Skin diseases	1	2
Cancer	1	-
Respiratory disease	-	3
Enzyme allergy	4	4
Eye disease	-	1
Occupational diseases, total	7	11

Note 50 - Fraud cases

	2012 No.	2011 No.
Dismissal of employee	8	4
Dismissal of employee and reported to the police	5	-
Fraud cases, total	13	4

COMPANIES IN THE NOVOZYMES GROUP

Group companies

	Country	Activity		Issued common stock/paid-up stock	Percentage of shares owned
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 Biopharma Holdings AU Ltd.	Australia	■ □	AUD	30,000,001	100
Novozymes Biopharma AU Ltd.	Australia	■ □	AUD	78,684,909	100
Novozymes Austria GmbH	Austria	■	EUR	36,337	100
Novozymes Belgium BVBA	Belgium	■	EUR	18,600	100
Novozymes Latin America Ltda.	Brazil	○ ● ■	BRL	23,601,908	100
Novozymes BioAg Produtos 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 Biologicals Investment Inc.	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 A/S	Denmark	○ ● ■ ▲ □	DKK	650,000,000	
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	611,000	100
Novozymes Biologicals Holding 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 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
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

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

● Production

■ Sales & Marketing

▲ Research & Development

□ Holding companies, etc.

STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and Executive Management have today considered and approved the Annual Report of Novozymes A/S for the financial year January 1 – December 31, 2012.

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 at December 31, 2012, of the Group and the Parent Company, and of the results of the Group and the Parent Company operations, and of consolidated cash flows for the financial year 2012.

In our opinion, Management's Review includes a true and fair account of the development 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, 2013

Executive Management

Steen Riisgaard
President & CEO

Benny D. Loft

Peder Holk Nielsen

Per Falholt

Thomas Nagy

Thomas Videbæk

Board of Directors

Henrik Gürtler
Chairman

Kurt Anker Nielsen
Vice Chairman

Agnete Raaschou-Nielsen Jørgen Buhl Rasmussen

Lars Bo Køppler

Lena Olving

Mathias Uhlén

Søren Henrik Jepsen

Ulla Morin

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 Environmental and Social Data of Novozymes A/S for the financial year January 1 to December 31, 2012. 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. Environmental and Social Data are prepared in accordance with the accounting policies stated in accounting policies for 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 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 regulation. 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 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 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 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, 2012, and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2012, 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, 2012, and of the results of the Parent Company's operations for the financial year January 1 to December 31, 2012, 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, 2012, are prepared in accordance with accounting policies stated in accounting policies for 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 report, outlook and management. We have not performed any procedures additional to the audit of the Consolidated Financial Statements, the Parent Company Financial Statements, and 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 Environmental and Social Data.

Bagsvaerd, January 21, 2013

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Torben Jensen
State Authorized Public Accountant

INDEPENDENT ASSURANCE STATEMENT ON NOVOZYMES' 2012 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 on pages 62-63, 68-70 and 93-95, we refer to the Independent Auditor's Report on pages 98-99.

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 in 2012 not performed any tasks or services for Novozymes or other clients 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 Executive Management, management and staff from Enzyme Business, BioBusiness, Corporate Communications and Sustainability Development regarding Novozymes' adherence and commitment to the AA1000 AccountAbility Principles, the existence of systems and procedures to support adherence to the principles, and the embedding of the principles at corporate level.

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

We continue to see a strong commitment to accountability across Novozymes with systems and processes in place to support stakeholder participation at corporate level. We commend the systematic approach to stakeholder engagement and the new stakeholder engagement management system in development to support effective engagements and internal alignment concerning engagements.

We have no significant recommendations regarding inclusivity.

REGARDING MATERIALITY

We observe that Novozymes continues to strengthen and document its processes with regard to materiality determination – for example with respect to the annual processes leading from trends to targets. In terms of understanding the sustainability issues that are viewed as important to stakeholders and as having an impact on Novozymes, we commend the new materiality map posted at www.novozymes.com.

We have no significant recommendations regarding materiality.

REGARDING RESPONSIVENESS

Understanding and responding to stakeholder needs and concerns are key to Novozymes and evident from the different forms of communication materials used to engage in dialogue with different types of stakeholders.

Specifically, we recommend that Novozymes continue to develop its communication concerning a biobased economy at www.novozymes.com by

addressing prerequisites and potential dilemmas associated with the agenda to increase transparency and balance in its communication to stakeholders.

Bagsvaerd, January 21, 2013

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Torben Jensen
State Authorized Public Accountant

THE NOVOZYMES REPORT 2012

Novozymes' reporting ambition is to provide a report that integrates financial and sustainability data. We have been working with integrated reporting for many years, as this reflects the way we operate our business.

The Novozymes Report 2012 is available in English in a full online version at www.report2012.novozymes.com. The written online report is supplemented with a series of videos adding perspective and insight into Novozymes' performance. In addition, an integrated feature called My Report enables you to compile a full or customized PDF download of the report. We hope that you will find this feature useful whether you want to print the report or just save it on your own computer. The reporting website is dedicated to The Novozymes Report 2012 and other information relevant to our shareholders and financial stakeholders, but is also a mine of information for anyone else 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. The annual report will be available at www.novozymes.com as a separate publication in Danish. In case of discrepancy between the annual report in Danish and The Novozymes Report in English, the Danish annual report shall prevail.

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" in the online version. See also the statements in the report.

PwC has not audited the sections of the report found under the headings Report, Outlook, Governance and Supplementary. The Supplementary section includes our Communication on Progress with respect to the UN Global Compact, 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 Guidelines for Sustainability Reporting.

FORWARD-LOOKING STATEMENTS

The Novozymes Report 2012 contains forward-looking statements, including Novozymes' financial outlook for 2013, 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 and the introduction of competing products in Novozymes' core areas. See Risk management.

EDITORIAL TEAM

Editor	Julia Bedingfield, Corporate Communications, jubd@novozymes.com , tel. +45 4446 1724
Finance	Jens Breitenstein, Finance, jlb@novozymes.com , tel. +45 4446 1087 Jan Paulsen, Finance, jpau@novozymes.com , tel. +45 4446 3208
Investor Relations	Thomas Steenbech Bomhoff, Investor Relations, tsbm@novozymes.com , tel. +1 919 494 3483
Sustainability	Mette Gyde Møller, Sustainability Development, mgmq@novozymes.com , tel. +45 4446 0434
Assistance	Tanja Bengtsson, The Innovation Office, tbss@novozymes.com , tel. +45 4446 1239
Text	The editorial team from Novozymes, headed by Corporate Communications
Photos	Niclas Jessen
Design & web	Bysted A/S
Editing, proofreading & Danish translation	Borella projects

© Novozymes A/S

Novozymes A/S | Krogshoejvej 36 | 2880 Bagsvaerd | Denmark

