



New stock buyback program & financial impact of The BioAg Alliance

December 10, 2013

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With reference to Company announcement No. 28 of December 10, 2013, in which Novozymes announced the formation of The BioAg Alliance with Monsanto, Novozymes hereby communicates the financial impact of the alliance agreement and announces a new stock buyback program worth up to DKK 2 billion in total.

Expected financial impact of the alliance agreement

The agreement is not expected to have any financial impact on 2013, as closing of the agreement is not expected until early 2014.

Sales and cash impact:

- Following closing, Monsanto will pay Novozymes an aggregate upfront payment of USD 300 million (around DKK 1,650 million) net in recognition of Novozymes' ongoing business and microbial capabilities, and for Novozymes to supply alliance products
- Novozymes expects that the upfront payment will have a positive impact on net cash flow generation in 2014 of DKK 1,400-1,450 million. The full impact of the profit-sharing agreement, increased R&D costs, higher CAPEX, one-time expenses and transaction costs relating to the alliance will continue to be uncertain until closing of the agreement. As part of the agreement, a number of intangible assets will be exchanged between the parties. This exchange of assets is expected to have a net positive impact on Novozymes' EBIT margin in 2014 as it is expected to more than offset the above-mentioned costs
- What remains of the USD 300 million after the above-mentioned costs have been deducted will be accounted for as deferred income and is expected to be allocated to sales over a 5-10-year period starting in 2014 in accordance with IFRS. The exact distribution between the years will follow the sales development and has therefore not yet been determined. However, the major part of the amount is expected to fall in the first five years
- The revenue component stemming from the deferred income is expected to somewhat counterbalance the negative effect on sales recognition by Novozymes, as by entering the profit-sharing alliance, Novozymes' underlying BioAg sales will be downward adjusted
- Sales growth for BioAg from the new and adjusted level is expected to be higher from 2015 and onward than what Novozymes could have achieved on its own
- The downward adjustment of the BioAg sales is expected to have a negative impact on Novozymes' total sales in 2014 of up to 1%. The higher expected sales growth over the next 2-3 years is expected to close this gap on total sales
- As part of the alliance, Monsanto contributes relevant commercial microbial products purchased from other suppliers to the alliance. These products will add to the total sales of The BioAg Alliance
- Novozymes' share of the future sales of The BioAg Alliance will continue to be booked under the sales reporting area Agriculture & Feed

Earnings:

- For 2014, Novozymes' gross margin for the Group is expected to be negatively impacted by up to 1 percentage point due to changes in sales recognition by Novozymes under the alliance
- The lower sales and gross profit contribution from BioAg will be counterbalanced by lower total sales and distribution costs for Novozymes and the deferred income. Total sales and distribution costs as percentage of sales for Novozymes are expected to decrease by around 1 percentage point given the transfer of marketing responsibility to Monsanto
- The BioAg Alliance will commence a transformational innovation program to accelerate growth in the mid and long term. This effort will result in a significant R&D investment, which over the coming years may impact Novozymes' EBIT margin negatively, but not to the extent that it, on its own, will prevent Novozymes from reaching its target of an EBIT margin above 24%
- For 2014, Novozymes expects a slightly positive EBIT contribution from The BioAg Alliance compared with 2013 due to a gain from the transfer of certain intangible assets to Monsanto, as the transaction value of the assets exceeds book value. The positive contribution is expected to equal up to 1 percentage point on EBIT margin in 2014
- For 2014, ROIC including goodwill is expected to be positively impacted by around 1.5 percentage points

New stock buyback program

Following the announcement of The BioAg Alliance with Monsanto, Novozymes has decided to adjust its capital structure and initiate a new stock buyback program worth up to DKK 2 billion in total or a maximum of 26 million shares.

The shares acquired within the program will be used to reduce the common stock and to meet obligations arising from employee share incentive programs. The program is expected to be initiated following closing of the alliance agreement and to run in the remainder of 2014 and in accordance with the provisions of European Commission (EC) Regulation No. 2273/2003 of December 22, 2003, also referred to as the Safe Harbour Regulation. The cancellation of shares will take place after the program is finished and will be subject to approval at the Annual Shareholders' Meeting.

The maximum number of shares to be purchased by the company per daily market session will be equivalent to no more than 25% of the average volume of shares in the company traded on NASDAQ OMX Copenhagen during the preceding 20 business days.

The new stock buyback program will continue to allow Novozymes to maintain its financial flexibility when it comes to pursuing investment opportunities. However, the program is contingent upon no major strategic initiatives being decided upon that will require a significant amount of capital, for example a major acquisition.

To ensure there is no negative impact on the free float of Novozymes' stock capital, Novozymes' principal shareholder, Novo A/S, has informed Novozymes that it has the intention to reduce its relative holding of B shares so that it will continue to hold around 25.5% of the total stock capital following Novozymes' cancellation of stock as a result of the stock buyback program.

Finally, Novozymes maintains its dividend policy of a targeted annual dividend pay-out ratio of 35% of net profit within 1-2 years. For the fiscal year 2012, the dividend pay-out ratio was 34.1%.

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Forward-looking statements

This company announcement contains forward-looking statements. Forward-looking statements are, by their very nature, 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 launch of competing products in Novozymes' core areas.

Novozymes is the world leader in bioinnovation. Together with customers across a broad array of industries we create tomorrow's industrial biosolutions, improving our customers' business and the use of our planet's resources. Read more at www.novozymes.com.