

We have an obligation



Some companies have the ability to transform industries and truly impact people's lives. Novozymes is one such company. 2018 was a satisfactory year during which we made significant progress on our strategic journey.



Letter from the Board of Directors

As the world becomes increasingly politically polarized and some governments abandon sustainable initiatives, consumers look to innovative companies to spearhead sustainability. Novozymes produces and sells biological solutions that enable customers to produce more from less. In essence, every product we sell makes the world more sustainable.

With our extensive knowledge about sustainable solutions, we see it as our obligation to make sure that these solutions reach as many industries and people as possible. By expanding the reach of our solutions, we can ensure that we achieve the sustainable impact we seek. At the same time, we can grow our company and provide attractive returns for our shareholders.

When sustainability and business go hand in hand

In 2018, Novozymes brought several impactful innovations to market, enabling our customers to increase the quality or consumer experience of their products or processes, reduce their environmental footprint and increase their profitability. Some of our new solutions even have the potential for transformative change.

To give just one example, Novozymes launched Balancius™ in the fall of 2018 as part of our feed alliance with DSM. Balancius™ is a novel enzyme that improves gut functionality in broiler chickens. The product is so effective that poultry farmers need 3% less feed to raise a chicken. Balancius™ not only benefits farmer economics, it also saves on the use of raw materials and energy, thus reducing CO₂ emissions.

Novozymes spends 13% of revenue on R&D. As a Board, we support the decision to reinvest substantial amounts in the company to ensure the development of more impactful innovations such as Balancius™. Bringing new innovations to market also drives revenue and earnings growth.

Satisfactory performance

In 2018, we delivered on the financial outlook parameters set out at the beginning of the year. Bioenergy delivered strong growth, and Food & Beverages was solid. Agriculture & Feed also contributed to growth, whereas sales to the Household Care industry were flat. Overall, we delivered 4% organic sales growth and solid earnings and cash flow. This is satisfactory, especially considering the negative impact from challenging Middle Eastern markets.

Events such as those relating to the Middle East are difficult to foresee, but nevertheless impact the business. What is important is to remain vigilant regarding our surroundings and to take action when possible.

Investing in Novozymes' future

The Board actively engages in dialogue regarding Novozymes' strategy and how this evolves, to ensure that the company successfully achieves its targets and delivers on its purpose.

Strategy was one of the key topics of our Board meeting in Bangalore, India, in June 2018, where we had the opportunity to meet with employees and gain insights into their work and the environment in which they operate.

In 2018, the Board continued to support substantial investments in Novozymes' future. In Lyngby, Denmark, we are building an innovation campus, which will be inaugurated in summer 2019. In India, we look forward to inaugurating our new production facilities near Mumbai very shortly. We are also making improvements to production facilities in other locations, to ensure that they remain up to date and can continue delivering at very high capacity.

We want Novozymes to continue to be a leading, growing and profitable bioinnovator for many years to come. In 2019, Novozymes will launch a new strategy, and together with the Executive Leadership Team, the Board looks forward to presenting our revised priorities in June.

2019: focus on commercial execution

In 2019, we expect Novozymes to deliver 3-6% organic sales growth, an EBIT margin of 28-29% and an ROIC of around 23%. Our guidance for 2019 reflects geopolitical uncertainty such as the one in the Middle East, the future setup of the BioAg business as well as volatile agricultural markets.

In 2019, growth will come from more impactful innovation across businesses and a stronger presence, especially in the emerging markets. These game-changing innovations will not only contribute to Novozymes' topline, they will also make the world more sustainable. Although our outlook reflects uncertainties, our view on 2019 is positive.

One of Novozymes' top priorities for 2019 and beyond is to drive excellence in commercial execution and dialogue with customers. We want to improve our speed to market and explore optimal routes to market in both emerging and developed markets. Together, the Board and the Executive Leadership Team will increasingly focus on and drive this agenda. We believe in the importance of being led by science and of demonstrating that good business and sustainability can complement one another to benefit the planet and all our stakeholders.

Thank you

The Board would like to thank all of Novozymes' employees for their achievements and dedication during the year. We look forward to making an even greater impact in 2019.

On behalf of the Board of Directors,



Jørgen Buhl Rasmussen
Chairman