



Building sustainable growth during times of rapid change

2018 was a satisfactory year for Novozymes. Despite challenges in certain parts of the world, particularly the Middle East, we grew most of our markets and delivered 4% organic sales growth. This is in line with our guidance. We delivered solid earnings and satisfactory cash flow, and launched significant innovations that will contribute to future growth. In 2019, we plan to further strengthen our commercial execution power.



Letter from the CEO

Novozymes performed well in 2018, once again demonstrating the impact our solutions have on the world. Our innovation pipeline is strong, and we are commercializing products from most of our priority innovation platforms. We support our innovations with solid investments in commercial activities and an increased presence in growth markets such as Southeast Asia and Africa.

We grew organic sales by 4% during the year and delivered strong earnings. The EBIT margin came in at a solid 28.3%, and net profit grew by 3%. All these results were in line with the financial outlook parameters set out at the beginning of the year. This is satisfactory, especially considering the negative Middle Eastern impact.

Most of our industries contributed to growth, demonstrating the robustness of a business that spans several industries and geographies. Bioenergy performed particularly well, supported by new innovations launched in 2018. Food & Beverages delivered solid growth, Agriculture & Feed also grew, while sales to Household Care were flat.

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Novozymes' key growth driver is delivering innovative quality solutions that enable customers to increase the quality of their products and their consumers' experience using them, produce more from less and improve their sustainability performance.

We set ambitious sustainability targets accordingly. In 2018, our customers avoided an estimated 88 million tons of CO₂ emissions by applying our solutions. That corresponds to taking approximately 37 million cars off the road.

We met most of our operational sustainability targets set for 2018; however, we did not meet our CO₂ emission reduction target due to product mix changes and an inability to source renewable energy for some of our production sites.

Regrettably, we were unable to maintain last year's record-low number of occupational accidents with absence. 27 of our employees were injured at work in 2018, which translates to 2.4 accidents with absence per million working hours. The wellbeing of employees is a top priority, and we in the Executive Leadership Team will do our utmost to ensure that the number of accidents is substantially reduced going forward.

The world takes notice

In 2018, the Executive Leadership Team spent time traveling the world meeting employees, customers, investors, politicians, NGOs and other stakeholders, all of whom are important to Novozymes. And it was worth every minute. From these meetings, it is clear that, despite the challenges we are seeing in some of our markets, Novozymes has a very strong platform for future growth – and a purpose that resonates with all of our stakeholders.

It is exciting to work for a company where every single product sold brings value to customers and partners and improves their sustainability

performance. However, the current political and economic climate makes it challenging to achieve a global consensus on solving broader societal challenges.

In 2018, I joined the Board of Directors of Partnering for Green Growth and the Global Goals 2030 (P4G), a global network of leaders and innovators from government, business and civil society seeking breakthrough solutions for green economic growth. I take part in such forums because we cannot change the world by ourselves.

2018: innovation for increased impact

In 2018, we brought a total of eight impactful innovations to market across several innovation platforms. Let me briefly mention a few of these. In animal health & nutrition, we launched Balancius™ to help farmers produce more meat per chicken using less feed. In BioAg, we launched Acceleron® B-360 ST, a new corn inoculant for higher and more sustainable yields.

We added solutions for water to our list of top-priority innovation platforms and subsequently launched an enzymatic product for sludge dewatering, which is an important part of the wastewater treatment process. This new solution helps wastewater treatment plants to reduce their chemical usage, energy consumption and overall disposal costs.

We also launched two yeast solutions for Bioenergy. I am proud to see that these solutions are helping ethanol producers and have already had a positive impact on sales in Bioenergy.

Emerging markets bring opportunities for growth

To support growth in the years to come, we are continuing to step up our activities in emerging markets. These markets hold significant potential, particularly within Household Care and Food & Beverages.

Driving growth in emerging markets requires a good understanding of customers in the region and of their consumers. In 2018, we opened offices in Thailand, Indonesia, the Philippines and Kenya. With these offices in place, we are building more commercial execution power in Southeast Asia and Africa.

We also opened the Novozymes Innovation & Technology Center in Istanbul, Turkey. This center will enable us to develop solutions tailored to the specific needs, trends and production processes of customers in the Middle East and Africa. It features state-of-the-art facilities, including an industrial-scale flatbread line, enabling customers to taste, feel and smell flatbread baked with our solutions.

In 2018, our freshness solution for Household Care was launched in emerging markets. This is our most significant Household Care innovation in years and offers a whole new dimension in clean. The feedback shows that this solution stands out and holds a great deal of potential for the future, both in emerging and developed markets.

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More innovation and supply perspectives

Over the past three years, Novozymes has identified and leveraged important synergies between Research & Technology and Supply Operations. Innovation pipeline management and investment allocation in our production facilities are becoming more complex.

To ensure that our innovation and supply perspectives are represented to an even greater extent within the Executive Leadership Team, Claus Crone Fuglsang, Senior Vice President, Research & Technology, and Graziela Chaluppe dos Santos Malucelli, Senior Vice President, Supply Operations, will take part in meetings. Furthermore, Claus Crone Fuglsang has taken on the title of Chief Science Officer (CSO), reflecting the important role that Research & Technology plays in ensuring that Novozymes delivers truly impactful innovations.

This is testimony to the great work and results that both Claus Crone Fuglsang and Graziela Chaluppe dos Santos Malucelli have achieved over the past few years.

Delivering on our ambitious targets

Creating sustainable value for our key stakeholders is what drives me and my colleagues to deliver every day. In 2018, we made further progress on our long-term sustainability targets. These targets are rooted in the UN Sustainable Development Goals (SDGs) and ensure that we always work toward fulfilling our purpose of creating better lives in a growing world.

Looking ahead

In summary, I am pleased that our impactful innovations are reaching markets with attractive value propositions and strong sustainability impact, helping our customers to improve their processes and products and produce more from less. Overall, we delivered within our guidance for 2018, despite challenging external factors.

In 2019, we expect to increase sales organically by between 3 and 6%. Growth comes from innovation and increased market penetration, particularly in the emerging markets. New game-changing solutions, such as freshness in laundry, Balancius™ for feed and yeast for Bioenergy, will make strong contributions to our topline – and make the world more sustainable. Although the outlook reflects uncertainties, our view on 2019 is positive.

In 2019, we will focus on increasing our commercial execution power to show our customers that we deliver the products, service, quality, reliability and expertise that they expect and that make them stand out in their markets. In addition, we will continue to strengthen our commercial presence in emerging markets. Only by being present in these markets can we engage with and enhance direct dialogue with our customers and build knowledge about the trends and needs our innovations must satisfy. We also continue to build digital competencies and increasingly use digital tools and new ways of working, spanning R&D, production, routes to market, administration and other functions.

We want to remain the undisputed leader in bioinnovation for many years to come. We will revise our priorities during the first half of 2019 and look forward to launching a new strategy in June in connection with a Capital Markets Day.

Thank you

On a final note, I would like to thank Novozymes' employees for their dedication and passion for this company.

Our employees want Novozymes to do well and are strongly motivated to deliver sustainable biological solutions. It is their ability to “rethink tomorrow” that makes us who we are. Their hard work ensures that we are able to deliver incredible innovations and reach even more people around the world with our sustainable solutions. Every single day they go to work, they contribute to creating better lives and setting the right direction for our world.



Peder Holk Nielsen
President & CEO

Novozymes holds more than
6,500
active and pending patents

In 2018, total sales came to DKK million
14,390

Sales in emerging and developed markets

