Statement of the Board of Directors and Executive Leadership Team

The Board of Directors and the Executive Leadership Team have today considered and adopted the Annual Report of Novozymes A/S for the financial year January 1 – December 31, 2017. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management’s Review has been prepared in accordance with the Danish Financial Statements Act.

Bagsvaerd, February 7, 2018

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, 2017 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year January 1 – December 31, 2017.

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 results 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, social and governance data are stated in accordance with the accounting policies.

We recommend that the Annual Report be adopted at the Annual Shareholders’ Meeting.

Executive Leadership Team

Peder Holk Nielsen
President & CEO

Jørgen Buhl Rasmussen
Chairman

Agnete Raaschou-Nielsen
Vice Chairman

Kasim Kutay

Thomas Videbæk

Kim Stratton

Lars Green

Mathias Uhlén

Prisca Havranek-Kosicek

Lena Bech Holskov

Anders Hentze Knudsen

Lars Bo Køppler
Independent Auditor’s Report

To the Shareholders of Novozymes A/S

Our opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group’s financial position at December 31, 2017 and of the results of the Group’s operations and cash flows for the financial year January 1 to December 31, 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company’s financial position at December 31, 2017 and of the results of the Parent Company’s operations for the financial year January 1 to December 31, 2017 in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated environmental data and the Consolidated social and governance data for the financial year January 1 to December 31, 2017 are prepared in accordance with the accounting policies for the Consolidated environmental data and the Consolidated social and governance data.

Our opinions are consistent with our Auditor’s Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements of Novozymes A/S for the financial year January 1 to December 31, 2017 comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of shareholders’ equity, the consolidated statement of cash flow and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Novozymes A/S for the financial year January 1 to December 31, 2017 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

The Consolidated environmental data and Consolidated social and governance data of Novozymes A/S for the financial year January 1 to December 31, 2017 comprise the environmental performance and consolidated data, the social and governance performance and consolidated data and the related notes, including summary of significant accounting policies.

These are collectively referred to as the “Environmental, Social and Governance Data.”

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were appointed as auditors of Novozymes A/S for the first time after the initial public offering on March 21, 2001. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 17 years, including the financial year 2017.
Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition related to partnerships and collaboration agreements

Novozymes has entered into several partnerships and collaboration agreements.

Some of these partnerships and collaborations include complex mechanisms for sharing profit and expenses. Due to the complexity of the agreements, there are several uncertainties in relation to the interpretation of the agreements.

We focused on this area because the agreements and the related accounting treatment of revenue recognition is complex and because establishing appropriate accruals requires significant judgement and estimation by Management.

Refer to Note 2.2 to the Consolidated Financial Statement.

How our audit addressed the key audit matter

We tested relevant controls including applicable information systems and Management’s review controls implemented, to ensure that revenue and costs from the partnerships and collaboration agreements are recognized appropriately on an ongoing basis.

We obtained Management’s calculation for deferred income and profit-sharing accruals under the applicable agreements, and reconciled inputs and key assumptions – for both internal and external sources – and assessed the accuracy of the accruals in previous periods.

We assessed whether the disclosures in relation to revenue were appropriate and met the requirements of accounting standards.

Statement on Management’s Review

Management is responsible for Management’s Review, pages 3 - 64.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management’s Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements, and the Consolidated environmental data, and the Consolidated social and governance data, has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Management’s Responsibility for the Financial Statements and the Environmental, Social and Governance 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 further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Furthermore, Management is responsible for preparing the Consolidated environmental data and the Consolidated social and governance data in accordance with the accounting policies stated in the Environmental, Social and Governance Data, and for such internal control as Management determines is necessary to enable the preparation of Environmental, Social and Governance Data that are free from material misstatement, whether due to fraud or error.
In preparing the Financial Statements, Management is responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements and the Environmental, Social and Governance Data
Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Environmental, Social and Governance Data as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and the Environmental, Social and Governance Data. As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Group’s and the Parent Company’s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

• Conclude on the appropriateness of Management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Parent Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our auditor opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, February 7, 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no.: 33771231

Mogens Nørgaard Mogensen
State Authorized Public Accountant
mne21404

Rasmus Friis Jørgensen
State Authorized Public Accountant
mne28705

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
Independent assurance statement on Novozymes’ 2017 sustainability reporting and adherence to the AA1000 AccountAbility Principles

To the Stakeholders of Novozymes
We have been engaged by Novozymes A/S’ Management to provide moderate assurance (review) as to whether Novozymes adheres to the AA1000 AccountAbility Principles.

Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the description of Novozymes’ adherence to the AA1000 AccountAbility principles of Inclusivity, Materiality and Responsiveness is not fairly stated.

This conclusion is to be read in the context of what we say in the remainder of our report.

Regarding the audit of the Consolidated environmental data and Consolidated social and governance data, we refer to the Independent Auditor’s Report.

Management’s responsibility
Adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness is the responsibility of Management.

Our responsibility
We are responsible for planning and performing the engagement to obtain moderate assurance (review) of Novozymes’ adherence with the AA1000 AccountAbility principles of Inclusivity, Materiality and Responsiveness; forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and reporting our conclusion to the stakeholders of Novozymes A/S.

We have planned and performed our work based on AA1000AS (2008), 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:

1. Review of processes related to how Novozymes identifies its stakeholders and engages them in relevant business decisions to develop and implement responses to sustainability;
2. Review of the process that Novozymes used to identifies and determine relevant and significant (material) issues to the organization and its stakeholders and whether these issues are included in the sustainability reporting; and
3. Enquiries and interviews with the chairman of the Board of Directors, members of the Executive Leadership Team and employees responsible for key areas of Novozymes’ operations regarding Novozymes’ commitment and adherence to the AA1000 AccountAbility Principles, and the existence of systems and procedures to support adaptation of the principles in the organisation. Our work focused on Novozymes’ sustainability ambition and strategy and its organisational capacity to deliver on this. Moreover, our work focused on Novozymes’ readiness to align business priorities with, and leverage, the UN Global Goals, for its business development.
Observations 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
Novozymes has maintained its commitment to and focus on sustainability as a core business issue at both Board and Executive level throughout the year. External engagement by senior management on sustainability has continued, in particular on the UN Global Goals, and sustainability continues to be a focus for development of new business projects and partnerships.

Novozymes’ revised sustainability plan, developed in 2017, includes actions to further embed consideration of sustainability issues into internal operational activities. We have noted that further work is ongoing to increase internal engagement on sustainability, particularly within core business functions.

Regarding materiality
Novozymes continues to actively evaluate and manage current and likely future sustainability issues and their impact on the business, and delivery of the targets are factored into senior management’s objectives and remuneration.

We have noted that advanced application of technology and data and analytics is playing an increasing role in Novozymes’ operations and will also be important in influencing delivery of sustainability objectives.

Regarding Responsiveness
Novozymes management has maintained commitment and active involvement in understanding and responding to external stakeholder priorities. We have noted that the review of Novozymes’ sustainability plan involved active input from the Board and the Executive Leadership Team. This has resulted in a revised plan to evolve sustainability activities, particularly focused on embedding sustainability further into internal operational activities in the short term.

We have communicated a number of minor recommendations for improvement to the management of Novozymes.

Hellerup, February 7, 2018

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