

# LONG-TERM TARGETS

**Novozymes' performance in 2010 leaves us even better positioned to fulfill our ambition of changing the world together with our customers. The long-term targets communicated at the beginning of 2009 are unchanged.**

For a decade, Novozymes has focused on delivering strong growth in sales, earnings, and cash flow. In 2009, we launched a new ambition with new and more demanding targets for both financial and sustainability performance.

Novozymes' strong financial performance in 2010 surpassed the new financial targets, but it is our average performance over a longer time period that matters most, so the targets are unchanged. When it comes to sustainability, 2010 showed that we are well on track to meet the targets for 2015.

## NOVOZYMES' LONG-TERM TARGETS

### Financial targets:

- . Organic sales growth of more than 10% p.a. \*
- . EBIT margin of more than 20%
- . Return on invested capital of more than 22%

### Sustainability targets:

- . Enable a 75 million ton reduction in CO<sub>2</sub> emissions in 2015 through our customers' application of our products
- . Improve energy efficiency by 50% in 2015 compared to 2005
- . Improve CO<sub>2</sub> efficiency by 50% in 2015 compared to 2005
- . Increase energy supply from renewable and CO<sub>2</sub>-neutral sources to 50% in 2020
- . Improve water efficiency by 40% in 2015 compared to 2005
- . Be recognized as a global leader in sustainability
- . Be a preferred employer globally

*\* Sales of enzymes for cellulosic ethanol are not included in the target.*

Enzyme Business, which accounted for 94% of sales in 2010, is expected to be the strongest absolute growth contributor, with the detergent, technical, food, and feed enzyme segments all having the potential to support the long-term target of double-digit yearly sales growth. Sales of enzymes for cellulosic ethanol are not included in this target as it is too early to estimate the sales.

BioBusiness accounted for 6% of sales in 2010. Our ambition is to grow BioBusiness into a DKK 6 billion business by 2018. This requires the successful development and commercialization of products in our pipeline, as well as success for our customers' biopharmaceutical products currently in different phases of development. To reach this goal, we also need to pursue further acquisitions in areas where we see a good match.

The agreement to acquire EMD/Merck Crop BioScience signed in December 2010 is an example of such an acquisition. As a consequence, BioBusiness will become more sizable and the acquisition will support the ambition for BioBusiness.

The project portfolio in BioBusiness is constantly under review to ensure that we allocate and optimize available resources in the best way possible. As a result, after unsuccessfully exploring the market for a potential new partner for plectasin, Novozymes is pursuing a divestment or spin-off of the AMP (antimicrobial peptide) activities as these are not deemed optimally developed within Novozymes.

We expect growth in all geographical markets, developed as well as developing. There are numerous growth opportunities around the world, some unique to each geographical area and some of more global significance, such as saving water and energy and replacing chemicals. Enzyme consumption per capita in the developing world is significantly lower than in developed markets, which means that enzyme penetration rates in countries like China and India are well below those in the US and Europe. Novozymes views this as an opportunity for future growth in the developing world. However, we also regard the developed countries as growth areas, as our technology can improve the efficiency of existing processes and further enhance quality.

Besides growth in sales, continuous improvements in productivity and enzyme performance will help achieve our long-term financial targets.

### Investing in growth

Historically, annual organic sales growth of 8-9% has been achieved with an investment level of around 6-7% of sales,

as productivity improvements have enabled us to continuously increase throughput in existing production facilities. However, the higher annual sales target of organic growth of more than 10% has required a period of time when our investment level relative to sales has been high, which is also the case for 2011. Once the new production capacity is established, we estimate an investment level of less than 8% of sales to be sufficient to achieve long-term sales growth of around 10%.

With additional funds allocated to new growth initiatives, for the next couple of years the R&D-to-sales ratio is expected to be somewhat higher than the figure of approximately 14% of sales we have spent on R&D historically. This reflects the strategic decision to explore the many growth opportunities in our various business segments that have the potential not only to add growth in the short term but particularly to support annual organic growth of more than 10% on a 5-10 year horizon.

### **Sustainability leader**

Our long-term resource efficiency targets for energy and water are linked directly to minimizing environmental impact, increasing cost efficiency, and long-term risk management. In addition, we are striving to use renewable energy in our production, and we have a target for absolute reductions in CO<sub>2</sub> emissions through our customers' use of our products.

Fulfillment of our targets for sourcing energy and reducing CO<sub>2</sub> emissions depends partly on markets for energy and the availability of preferred energy sources. Novozymes is particularly dependent on developments in the renewable energy markets in China and the US.

Novozymes is committed to demonstrating sustainability leadership by making sure that we identify developments on the sustainability agenda that are relevant for our business and organization. This helps us mitigate risks as well as capitalize on opportunities. We believe that sustainability will increasingly become an important growth driver and define markets, and it is our long-term ambition to be recognized as a company that demonstrates leadership and sets the standards when it comes to sustainability. Our annual rating by Dow Jones Sustainability Indexes is based on an assessment of our broad sustainability management performance and is therefore a relevant indicator of how we are performing in this area.

To fulfill our growth ambition, we need highly skilled, motivated, and engaged employees. Novozymes therefore strives continuously to be a preferred employer globally. Every year, Novozymes measures satisfaction, motivation, and opportunities for professional and personal development among our employees, and the company often participates in international rankings of preferred employers. We need to stay among the best to attract committed people who share our vision and passion.

## **GLOBAL INITIATIVE TO IMPROVE PRODUCT SUSTAINABILITY**

In August 2010, Novozymes became a founding member of The Sustainability Consortium, a new global organization that aims to improve the sustainability of consumer products, consumption, and global supply chains. The consortium represents a diverse group of stakeholders with the mission of promoting a new generation of products and supply networks that address environmental, social, and economic issues. The aim is to drive research and develop standards for product sustainability from a life cycle perspective. Primary academic partners are the University of Arkansas and Arizona State University while NGO members include WWF and Business for Social Responsibility (BSR). Business members include retailers, such as Wal-Mart, as well as a number of our customers, such as Cargill, Unilever, Henkel, and Procter & Gamble.

The consortium's goal of changing the consumer market supports Novozymes' ambition of changing the world together with our customers and partners, and driving the world toward sustainability. Novozymes decided to be a founding member of the consortium to help develop new standards and strategies that will create more sustainable consumer products for the future.

### **Experts in life cycle assessment**

Novozymes is recognized for our in-house expertise in life cycle assessment (LCA), a method for measuring the environmental impact of products throughout their life cycle, from cradle to grave. LCA has been used systematically at Novozymes since 2005, and the results are playing an increasing role in managing product development and providing our customers with documented claims.

Our team of internationally recognized LCA experts is working on documenting the environmental impact of our products in industries from bread to beer to biofuel. Novozymes' products helped customers reduce their CO<sub>2</sub> emissions by 40 million tons in 2010, equivalent to the emissions of more than 15 million cars, based on average driving and average CO<sub>2</sub> emissions from cars in Europe.

For further information about LCA studies conducted by Novozymes during the year, please see Supplementary reporting/LCA studies.