

FINANCIAL AND SUSTAINABILITY DISCUSSION

Sales, earnings, and cash flow grew strongly in 2010. Overall demand was high in the enzyme business, and costs were kept under control. Novozymes met all financial targets for 2010, and we showed good progress on our sustainability performance.

| 2010 key performance (DKK) | |
|--|------------|
| Sales growth | 15% |
| EBIT growth | 25% |
| EBIT margin | 21.8% |
| Net profit growth | 35% |
| Free cash flow before acquisitions | DKK 998m |
| Net investments excl. acquisitions | DKK 1,326m |
| ROIC | 22.2% |
| Water efficiency (compared to 2005 index) | 29% |
| Energy efficiency (compared to 2005 index) | 30% |
| Reduction in CO ₂ emissions through our customers' application of our products (million tons) | 40 |
| Frequency of accidents with absence per million working hours | 4.1 |

The following section presents the realized financial, environmental, and social data for the year. An overview of data and key figures can be found in Accounts and Key figures, while an overview of reporting in accordance with the Global Reporting

Initiative (GRI) guidelines can be found under Supplementary reporting.

Sales

Total sales in 2010 were DKK 9,724 million, an increase of 15% compared to 2009. Exchange rates impacted sales positively, and sales in LCY increased by 10%. Organically, sales grew by 11% compared to 2009.

Costs and Other operating income

Total costs excluding net financials and tax increased by 12% to DKK 7,676 million. Cost of goods sold and other operating costs increased, mainly as a result of higher volumes sold and higher activity levels, especially in R&D. Depreciation was also higher, partly due to one-off write-downs.

Gross profit increased by 15% compared to 2009, resulting in a gross profit margin of 55.7%, which is 0.1 %-point higher than the gross margin in 2009. Increased sales, productivity improvements, and higher capacity utilization in the enzyme plants all contributed positively to the increase in the gross margin, whereas a rise in depreciation and amortization impacted negatively compared to 2009. The higher level was mainly due to one-off write-downs of know-how and other assets of approximately DKK 65 million, of which approximately DKK 50 million was related to BioBusiness and mainly expensed in the fourth quarter of 2010.

The gross profit margin for Enzyme Business was 58.6%, an improvement of 1.2 %-points compared to 2009. The gross profit margin for BioBusiness was 12.0%, against 34.5% in 2009. Lower sales (including the absence of plectasin sales), and one-off write-downs in the biopharmaceutical ingredient business were the main reasons for the decrease.

Other operating costs increased by 9% to DKK 3,364 million in 2010. The ratio of other operating costs to sales was 35%, against 36% in 2009. Costs associated with the agreement to acquire EMD/Merck Crop BioScience were roughly DKK 30 million and were expensed in the fourth quarter of 2010 under Sales and distribution costs.

- Sales and distribution costs, including business development, increased by 11%, representing 13% of sales
- R&D costs increased by 13%, representing 14% of sales
- Administrative costs were up by 1%, representing 8% of sales

Other operating income increased by DKK 5 million to DKK 69 million in 2010. Most of this income was related to the grant from the US Department of Energy regarding Novozymes' cellulosic biofuel enzyme project DECREASE.

Depreciation and amortization rose to DKK 679 million, an increase of DKK 115 million, or 20%, compared to 2009. The higher level of depreciation and amortization was primarily the result of one-off write-downs of know-how in BioBusiness.

EBIT

EBIT increased by 25% to DKK 2,117 million, against DKK 1,688 million in 2009, and the EBIT margin was 21.8%, against 20.0% in 2009. Strong underlying sales growth in the enzyme business and the development in other operating costs impacted the EBIT margin positively, whereas one-off write-downs, mainly in BioBusiness, as well as costs related to the acquisition process for EMD/Merck Crop BioScience impacted EBIT and the EBIT margin negatively by approximately DKK 95 million and 1%-point respectively.

Net financial items and Net profit

Net financial income was DKK 6 million in 2010, compared to net financial costs of DKK 67 million in 2009. Net currency hedging/revaluation gains were DKK 12 million higher compared to 2009, whereas other financials developed negatively by DKK 56 million, partly explained by the fair value adjustment of employee stock option schemes. Net interest expenses were

DKK 23 million, a decrease of DKK 117 million compared to 2009.

At the end of 2010, net interest-bearing debt was DKK 346 million, against DKK 949 million at year-end 2009.

Profit before tax increased by 31% to DKK 2,123 million from DKK 1,621 million in 2009.

In 2010, the effective tax rate was 24.0%, against 26.3% in 2009. The lower tax rate was mainly the result of negotiated advance pricing agreements (APA).

Net profit increased by 35% to DKK 1,614 million from DKK 1,194 million in 2009. The strong growth in net profit was the result of stronger EBIT, a positive development in net financials, and a lower effective tax rate compared to 2009.

Cash flow, investments, and acquisitions

Cash flow from operating activities increased by 28% to DKK 2,324 million compared to 2009. The rise was primarily due to higher net profit and a relative improvement in net working capital compared to 2009. Net working capital benefited from a relative improvement in payables.

Net investments excluding acquisitions totaled DKK 1,326 million, against DKK 978 million in 2009. The relatively high investment level was related to the new enzyme plant in Nebraska, USA, the construction of the cGMP hyaluronic acid facility in Tianjin, China, and the expansion of enzyme granulation capacity in China and Denmark.

Free cash flow before acquisitions came to DKK 998 million in 2010, against DKK 839 million in 2009. The increase was the result of higher operating cash flow, which benefited from higher net profit and a relative improvement in net working capital, but was reduced by higher net investments.

Acquisitions amounted to DKK 23 million in 2010 and related to the acquisition of the Brazilian company Turfal in August.

Balance sheet and Statement of shareholders' equity
Shareholders' equity was DKK 7,836 million at December 31,

2010, up from DKK 5,841 million at year-end 2009. Shareholders' equity was increased by comprehensive income and decreased by dividend payments of DKK 359 million. Shareholders' equity represented 62% of the balance sheet total, against 54% at year-end 2009.

Net debt-to-equity was 4% at December 31, 2010, against 16% at year-end 2009.

Return on invested capital (ROIC), including goodwill, was 22.2%, against 20.3% in 2009.

At December 31, 2010, the holding of treasury stock was 2.1 million B shares, equivalent to 3.2% of the total number of shares outstanding.

Utilization of resources

Water and energy consumption are key indicators of efficiency and environmental impact related to the utilization of resources. We therefore implemented a set of efficiency indexes with targets for relative improvement for 2015 compared to 2005. For water the 2015 target is to improve efficiency by 40% and for energy by 50% compared to 2005.

The realized improvement in water efficiency in 2010 was 29% and for energy efficiency 30%, compared to 27% realized improvements for both in 2009. Thus we are well on our way to meet the long-term targets.

Climate change impact

It is important for Novozymes to be able to position our enzyme technology as part of the solution to address climate change. At the same time we also need to consider our own carbon footprint. Accordingly, Novozymes has set a 2015 efficiency target to improve CO₂ efficiency by 50% compared to 2005. With an improvement of 38% in 2010, compared to 24% in 2009, we improved our CO₂ efficiency by 14 %-points. This was a result of the implementation of several projects, including an increased share of purchased electricity from wind turbines.

We also set a target for global reduction of CO₂ emissions based on LCA studies. With a calculated reduction of 40 million tons

for 2010 through our customers' application of our products, we achieved a considerable improvement compared to 2009 as a result of improved product performance as well as a positive product mix, with increased sales volumes of products with a high CO₂ reduction potential.

Stakeholder engagement

Sustainability is key in our engagement and dialogue with stakeholders. In 2010, the goal for our work on supplier performance management and sustainability management was a Gold Class rating in the Sustainability Yearbook.

Having worked dedicatedly to cover more and more of our purchasing with our supplier performance management system introduced in 2009, the target for 2010 was to establish action plans for all suppliers with performance issues. This target was met with 168 action plans developed, of which the majority have resulted in engagement with suppliers to resolve commercial, quality, and sustainability issues. For 2011, we do not have a quantitative target for our supplier performance management, but since this is still one of our focus areas, we will continue working on improving our suppliers' sustainability performance. Focus areas in 2011 will include further sustainability training of purchasers and supplier auditors. We will also initiate an assessment of the raw materials with the greatest environmental impact in order to identify areas for improvement in raw material sourcing. Furthermore, the system will be used to advance specific supply chain engagement initiatives.

To be able to adequately respond to stakeholders' needs and expectations, we need to know how partners, investors, employees, customers, NGOs, etc. evaluate our sustainability management performance. Analysts and rating agencies continuously assess the overall sustainability performance of companies, and we use the most valid ratings to compare ourselves with our peers. Our rating from Dow Jones Sustainability Indexes and the underlying evaluation completed by Sustainability Asset Management (SAM) were our yardsticks when formulating the target for 2010 to obtain a Gold Class rating from SAM in the Sustainability Yearbook. This target was reached, and Novozymes maintained our position as leader in the

biotech sector.

Compliance and complaints

We do not have targets for compliance and complaints, but we make efforts to comply with regulations and to minimize complaints. In 2010, 36 breaches of regulatory limits were registered worldwide. Of these, 31 were related to pH in wastewater or concentrations of polluting substances in wastewater.

In 2010, HFC emissions increased to 1,532 kg, compared to the usual maintenance level of around 550 kg. This was mainly due to a technical breakdown at one of our sites in the US.

Novozymes received 21 complaints from neighbors in 2010, with the majority being related to odor and noise from nearby factories. By way of comparison, we received 33 complaints in 2009.

Novozymes always strives to avoid significant spills such as the release of chemicals into watercourses or soil. There were no significant spills in 2010.

In 2003, high nitrate levels were found in the groundwater around Novozymes' site in Franklinton, North Carolina, USA.

Subsequent measurements were submitted to the authorities in early 2008. The data are still under review by the authorities.

Employer performance

The target for employee turnover was defined as a range between 4% and 9%, reflecting the present job market and Novozymes' aim to attract and retain employees. With a realized employee turnover of 7.5% for 2010, this target was met.

Every year, Novozymes' employees have the opportunity to express their opinions in our People's Opinion survey. Employees' satisfaction and motivation, as measured by the survey this year, reached a score of 76 and thereby exceeded the target of 75. Asked to rate opportunities for professional and personal development, our employees gave a score of 73 this year, which is above the company target of 70. Thus both targets were reached.

The 2010 target for absence from work was a rate of below 3%. With a rate of absence of 2.1%, this target was achieved.

The frequency of occupational accidents in 2010 decreased to 4.1 accidents per million working hours from 5.1 in 2009. As the target was a frequency below 4.5, the target was met. The majority of the accidents were related to routine activities. In 2010, we implemented a program called "Dare to Care" at all major sites with the purpose of fostering an attentive and caring culture to safeguard everyone's safety and well-being at work. The program uses observations of work operations and feedback as a tool for eliminating hazards and improving our safety behavior.

HEALTHY CHOICES AT NOVOZYMES

Health is a personal responsibility, but we also have a responsibility as an employer. Novozymes aims to help employees make healthy choices by providing conditions, information, and facilities in the workplace that promote good lifestyle habits and wellness opportunities.

Health promotion is beneficial not only for our employees, but also for our business, due to the stability that reduced sick leave and improved well-being bring. Moreover, it is part of our corporate social responsibility to offer healthy and safe working conditions to help prevent both work-related and lifestyle-related health problems. In this way, our initiatives indirectly benefit society in general by reducing the burden of treatment, care, and sick leave expenses.

Examples of health promotion initiatives

At Novozymes, the objective of health promotion is primarily prevention. We are constantly expanding the range of opportunities for employees to improve their health through information campaigns and other initiatives across the business. Novozymes' sites are either tobacco free or only permit smoking within screened smoking cabins, and healthy choices are available in all canteens. Some sites have fitness centers that are open during and outside working hours. All employees are offered health insurance. Globally, Novozymes also has various return-to-work arrangements where employees on sick leave gradually increase their number of working hours, often under the supervision of a doctor, nurse, or social advisor.

As health issues are generally very culture specific, most initiatives are regional or local. They range from on-site skin cancer screenings in the US and on-site flu and hepatitis B vaccinations in China to yoga classes twice a week in Brazil and on-site health checks in Denmark, the last of which include a follow-up session with a doctor from the in-house medical center. The offerings are numerous and vary with local needs.

Incentive program for Executive Management

Executive Management's stock option program for the period 2007-2010 has come to an end. Stock options under this program

were granted in three out of the four years; the expectation of not reaching DKK 10 billion in sales in 2010 did not allow for the granting of options in 2010. The Board of Directors will propose new guidelines for incentive-based remuneration for Executive Management, which will be announced together with the notice convening the Annual Shareholders' Meeting, where approval for the guidelines will be sought. Subject to the approval of the new guidelines, after the Annual Shareholders' Meeting Novozymes will announce a new incentive program for Executive Management based on the principles contained in the guidelines.

Incentive program for vice presidents and directors

Novozyymes has established a three-year restricted stock-based incentive program for vice presidents and directors covering the period 2011-2013, with restricted stock offered each year. Management shall approve the allocations made each year.

The restricted stock-based program is based on fulfillment of specified financial and nonfinancial targets. The total allocation of restricted shares is calculated on the basis of fulfillment of the following targets:

- EBIT target: 0-20% of the total restricted stock-based program
- Economic profit target: 0-60% of the total restricted stock-based program
- Sustainability targets: 0-20% of the total restricted stock-based program

The release of the restricted stock is subject to continued employment at the end of the binding period. The restricted stock is free of charge to employees.

The number of restricted shares in the program is determined each year. The restricted shares have a qualifying period of one year and a binding period of three years.

The value of the program for 2011 could total up to approximately DKK 30 million. The stock-based program will be accrued and expensed over four years, and the amount recognized for 2011 is approximately DKK 8 million.

Events occurring after the end of the year

No significant events have occurred after December 31, 2010.