

A photograph of a middle-aged man with white hair and glasses, wearing a dark suit, a light blue shirt, and a yellow tie. He is standing in a hallway with a light-colored wall and a white door frame. The text is overlaid on the image.

Letter from the Board of Directors

Pushing through a challenging year

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2016 was a challenging year for Novozymes. As the year progressed, sales growth proved harder to achieve than originally anticipated. This had a significant impact on all of Novozymes, its employees, leadership team and also the share price, which fell by 26% over the year. Although challenging, 2016 also saw good progress in a lot of areas, which positioned Novozymes well for the future: Our biotechnology platform was strengthened across the field of enzymes and microbes, we saw good progress in the pipeline of new products, exciting products were brought to market, and 2016 was yet another strong year in terms of earnings.

Novozymes' strategy is to invest significantly in being at the forefront of industrial biotechnology. Together with our customers and partners, we bring innovation to market that improves our customers' business whilst growing the market for sustainable biological solutions.

Accelerating short- and long-term growth through execution

The low sales growth in 2016 led the Board and Executive Leadership Team to focus on accelerating growth in the short term as well as in the long term. A lot of the areas in which Novozymes is currently conducting research will generate revenue in 3-5 years or beyond. Although this may herald great value, it will not help us in 2017. Therefore, we are currently focusing on execution, delivering our innovations faster and getting as close to our customers as possible in order to maximize the value of the extensive product portfolio each of our divisions boasts.

In 2016, we launched some exciting solutions across divisions within both enzymes and microorganisms. For example, we launched our first probiotic for animals together with Adisseo, and as part of The BioAg Alliance,

we launched our first microbial product for corn. Both launches open up new markets for Novozymes, and the Board has great expectations in terms of their success.

During the year, Novozymes also acquired Organobalance GmbH, a small German research-oriented company with an exciting platform within microbial solutions that will strengthen and complement Novozymes' own talents in the microbial space.

Overall, 2016 was a year with challenges across many of our markets. However, nothing has happened in the markets that would prompt us to change our strategy. We have to constantly advance and strengthen our agility, flexibility and diversity. We firmly believe that there will be an increased need for technologies that enable the world to utilize raw materials better, consume less energy, and produce more and better foods for a growing population. The products and projects Novozymes has in the market today and in the pipeline reassure the Board that growth rates will increase again.

Planning for the future of Novozymes

After 17 years as Chairman of Novozymes' Board of Directors, Henrik Gürtler has decided

not to seek re-election to the Board. Following the Annual Shareholders' Meeting on February 22, 2017, Mr. Gürtler will pass on the torch. The Board would like to take this opportunity to thank Mr. Gürtler for his many years of dedication to Novozymes and his passion for growing the company since the IPO in 2000. The Board wishes him all the best in his future endeavors.

The Board proposes the election of Jørgen Buhl Rasmussen as the new Chairman of the Board. Mr. Rasmussen has been a member of the Board since 2011, and Vice Chairman for the past year. He has the necessary skills and experience from leading large, global companies as well as the in-depth knowledge of Novozymes required to take on the task.

As Vice Chairman, the Board is proposing the election of Agnete Raaschou-Nielsen. Ms. Raaschou-Nielsen has also been a member of the Board since 2011, and from 2014 to 2016 she was also Vice Chairman of the Board. She has extensive experience in strategic leadership, acquisition and divestment of companies as well as macroeconomics and intellectual property rights.

In addition to the changes to the Chairmanship, the Board is proposing the election of two new members, Ms. Kim Stratton and Mr. Kasim Kutay. Ms. Stratton is responsible for International Commercial at Shire, a global biotech company. She has extensive international experience in a technology-based company that has created high growth with impressive earnings. Mr. Kutay is CEO of Novo A/S. He has more than 25 years' experience within the pharmaceutical industry and banking.

These changes are a result of the Board's continuous work to ensure the right competencies on the Board and a successful demonstration of its long-term succession planning. The Board looks forward to welcoming the new members to the Board and to continuing its close collaboration with the Executive Leadership Team in the drive to fulfill Novozymes' purpose of finding biological answers for better lives in a growing world.

Let's rethink tomorrow.

January 2017
The Board of Directors
Novozymes A/S