

Statement of the Board of Directors and Executive Leadership Team

The Board of Directors and Executive Leadership Team have today considered and approved the Annual Report of Novozymes A/S for the financial year January 1 – December 31, 2016.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements have been prepared in accordance with additional Danish disclosure requirements

for listed companies. Management's Review has also been prepared in accordance with Danish disclosure requirements for listed companies.

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 of the Group and the Parent Company at December 31, 2016, and of the results of the Group and the Parent Company operations, and of consolidated cash flows for the financial year 2016.

In our opinion, Management's Review includes a true and fair account of the developments in the operations and financial circumstances of the Group and the Parent Company, of the result 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 and social data are stated in accordance with the accounting policies.

We recommend that the Annual Report be adopted by the Annual Shareholders' Meeting.

Bagsvaerd, January 18, 2017

Executive Leadership Team

Peder Holk Nielsen
President & CEO

Thomas Videbæk

Benny D. Loft

Board of Directors

Henrik Gürtler
Chairman

Anders Hentze Knudsen

Lars Bo Køppler

Jørgen Buhl Rasmussen
Vice Chairman

Agnete Raaschou-Nielsen

Mathias Uhlén

Heinz-Jürgen Bertram

Lars Green

Lena Bech Holskov

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, 2016 and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Parent Company Financial Statements give a true and fair view of the Company's financial position at December 31, 2016 and of the results of the Company's operations for the financial year January 1 to December 31, 2016 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, 2016 are prepared in accordance with the accounting policies for the Consolidated environmental data and the Consolidated social and governance data.

What we have audited

Novozymes' Consolidated Financial Statements for the financial year January 1 to December 31, 2016 comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the financial statements, including summary of significant accounting policies.

Novozymes' Parent Company Financial Statements for the financial year January 1 to December 31, 2016 comprise the income statement, the balance sheet, the statement of changes in equity and the notes to the financial statements, including summary of significant accounting policies.

These are collectively referred to as the "Financial Statements."

Novozymes' Consolidated environmental data and Consolidated social and governance data for the financial year January 1 to December 31, 2016 comprise the environmental performance and data, the social and governance performance and 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 and the Environmental, Social and Governance Data* 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 ethical requirements that are relevant to our audit of the Financial Statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 2016. 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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Partnerships and collaboration agreements (revenue recognition and intangible assets)</i></p> <p>Novozymes has entered into partnerships and collaboration agreements. These partnerships and collaborations include complex mechanisms for sharing profit and expenses and, due to the complexity of the agreements, there are several uncertainties in relation to the interpretation of the agreements.</p> <p>In addition, intangible assets are associated with these partnerships and collaborations. Management's assessment of the risk of impairment of the carrying amount of intangible assets requires judgment in relation to the identification of Cash Generating Units (CGUs) and the underlying assumptions in the Group's impairment model.</p> <p>We focus on this area because the agreements and the related accounting treatment of e.g. revenue recognition are complex and because establishing appropriate accruals and impairment tests requires significant judgment and estimation by Management.</p> <p>Refer to notes [2.2] and [3.1].</p>	<p>We have 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 accounted for correctly on an ongoing basis.</p> <p>We obtained Management's calculation for deferred income and profit-sharing accruals under the applicable agreements, and corroborated inputs and key assumptions – both to internal and independent sources – and considered the historical accuracy.</p> <p>In respect of the intangible assets, we assessed the Group's impairment review methodology, including the identification of CGUs. We challenged the underlying key assumptions within the Group's impairment model, including discount rates, growth rates and cash flow projections.</p> <p>We evaluated Management's sensitivity analysis and performed our own sensitivity analysis on the key assumptions used.</p> <p>We assessed whether the disclosures in relation to intangibles were appropriate and met the requirements of accounting standards.</p>

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, the Parent Company Financial Statements, and the Consolidated environmental data and the Consolidated social and governance data, and 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 the Financial Statements and the Environmental, Social and Governance Data. As part of an audit in accordance with ISAs and additional requirements in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements and the Environmental, Social and Governance Data, 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 and environmental, social and governance information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and the Consolidated Environmental, Social and Governance Data. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit 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.

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.

Hellerup, 18 January 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No.: 33771231

Mogens Nørgaard Mogensen
State Authorized Public Accountant

Rasmus Friis Jørgensen
State Authorized Public Accountant

Independent assurance statement on Novozymes' 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.

Regarding the audit of the Consolidated Environmental and the Consolidated Social and Governmental 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.

Assurance provider's responsibility

As assurance provider, it is our responsibility, based on our work, to make observations and recommendations with respect to the nature and extent of Novozymes' adherence to the AA1000 AccountAbility Principles.

Our team of experts has competencies with regard to assessing sustainability management systems. In 2016, we have not performed any tasks or services for Novozymes or other clients that would have conflicted with our independence, nor have we been responsible for the preparation of any part of the Annual

Report. Thus, we are independent as defined in the AA1000 Assurance Standard (AA1000AS (2008)), and we consider our team qualified to carry out this independent assurance engagement.

Scope, standards and criteria used

We have planned and performed our work based on AA1000AS, 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 has used to identify and determine issues that are relevant and significant (material) to the organization and its stakeholders, and of whether these issues are included in the sustainability reporting; and
3. Enquiries and interviews with members of the Board of Directors, members of the Executive Leadership Team and Corporate Sustainability 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 organization.

Conclusion

Based on our review, nothing has come to our attention causing us to believe that Novozymes does not adhere to the AA1000 AccountAbility Principles.

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. We have no significant recommendations regarding inclusivity, materiality and responsiveness.

Regarding inclusivity

Novozymes continues to demonstrate a strong commitment to accountability with systems and processes in place to support stakeholder engagement in sustainability issues. With the reorganization of Novozymes' business, focus has been maintained on strategic stakeholder engagement and using sustainability-related insights as a basis for building strategic partnerships and alliances, and product innovation, development and marketing. The new structure is also intended to facilitate divisional and market-level innovation in future.

Regarding materiality

Novozymes continues to discuss, evaluate and determine the materiality of sustainability issues on an ongoing basis at Board level and in the Executive Leadership Team through the new Portfolio Board and other governance processes involving senior management across the organization. We have noted that work is ongoing to further embed and align considerations of material sustainability issues in core business processes, including product innovation.

We have also noted that Novozymes' strategic external engagement and partnerships on sustainability issues is intended to help provide insights to support enhanced forecasting of future market conditions and changes in customer behavior as part of actions to improve analysis of future risks and opportunities for the business.

Hellerup, 18 January 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No.: 33771231

Mogens Nørgaard Mogensen

State Authorized Public Accountant

Regarding responsiveness

In 2016, Novozymes reorganized its business into a new divisional structure to provide increased agility and flexibility to respond to markets and customers within its different business areas. The commitment to being responsive to stakeholder needs and concerns is evident from senior management's continued engagement with stakeholders at a global and local level and within the divisions. Novozymes is also continuing work to better understand and quantify the sustainability benefits of its products.

Rasmus Friis Jørgensen

State Authorized Public Accountant