schouw+co

A global industrial conglomerate

Schouw & Co. is a focused industrial conglomerate. Our six wholly owned businesses operate 60 production units in 29 countries worldwide. Through acquisitions and investments made in 2018, we now also have operations in Sri Lanka, Slovakia, Switzerland and Austria.

We were founded in 1878 and since 1988 our mission has been to compose a diversified portfolio of leading Danish B2B industrial businesses. We create value through active and long-term ownership.

Annual Report 2018

Contents

Management's report

Our businesses

Group information

Consolidated financial statements

Parent company financial statements

Management's statement and auditor's report

The management review includes the sections 'Management's report', 'Businesses' and 'Group information'.
This publication is a translation of the Danish Annual Report 2018. The original Danish text shall be controlling for all purposes, and in cases of discrepancy, the Danish wording shall be applicable.

Overview

schouw+co

Schouw & Co. is a listed industrial conglomerate. We own and develop B2B businesses in various sectors and industries.

At the end of 2018, we had six different companies in our portfolio that had been acquired since 1988, when we first launched out strategy of composing a diversified portfolio of leading Danish industrial businesses.

We have had the businesses in our portfolio for an average of 14 years, and we compose the portfolio from a 'best ownership' principle.

We have never acquired a business for the purpose of reselling it, and we believe businesses can develop best when focused on long-term growth and development.

Vision

We intend to be among the best in terms of creating value in a proper and reliable manner

Mission

We compose a portfolio of leading Danish industrial businesses that we develop through value-creating, active and long-term ownership.

Results are created by people

Through our portfolio companies, we have operations and employees on six continents.

We added about 3,000 new employees in 2018 through business expansion and in particular through Fibertex Nonwovens' acquisition in Brazil and GPV's acquisition of CCS.

The CCS acquisition brought the Group's headcount to about 10,000 employees at 31 December 2018, of which about 1,500 are based in Poland and 1,100 are in Denmark, Thailand and Sri Lanka, respectively.

141 years in business

The company was founded by Victor Schouw in 1878 in the rear building of a property located in the Copenhagen district of Nørrebro.

128 years in packaging

During its first 128 years in business, Schouw & Co. mainly manufactured packaging materials, such as paper bags and milk cartons.

31 years as a conglomerate

Since 1988, Schouw & Co. has been involved in many different businesses and industries.

OUR GLOBAL LOCATIONS

Headquartered in Aarhus, Denmark, Schouw & Co. has 60 manufacturing facilities in 29 countries through its businesses

29 countries with **PRODUCTION**

- **BioMar** – Denmark, Norway, Scotland, France, Spain, Greece, Turkey, Chile, Costa Rica, Ecuador, China and Australia*
  * Currently under construction
- **Fibertex Personal Care** – Denmark, Malaysia, Germany and the USA
- **Fibertex Nonwovens** – Denmark, France, Czech Republic, Turkey, South Africa, the USA and Brazil
- **HydraSpecma** – Denmark, Sweden, Finland, the UK, Poland, China, India, the USA and Brazil
- **Borg Automotive** – Denmark, the UK, Poland and Belgium
- **GPV** – Denmark, Thailand, Mexico, Switzerland, Austria, Germany, Slovakia, Sri Lanka and China

Management's report

2018 Highlights

Schouw & Co. continued its ambitious growth strategy in 2018. We invested almost DKK 700 million in property, plant and equipment and expanded capacity and acquired businesses for more than DKK 850 million. Although these investments and transactions have increased our working capital by a substantial margin, we also increased our cash flows from operations by 10%.

MAIN EVENTS OF 2018

ORGANIC GROWTH

- Continued growth momentum in all businesses
- Strong demand in both new and existing markets

TWO STRATEGIC ACQUISITIONS

- Fibertex Nonwovens established a presence in Brazil
- GPV acquired CCS, becoming a European top-10 EMS business.

CAPACITY INCREASES

- Capacity increases at BioMar (Denmark, Ecuador and Australia), Fibertex Personal Care (USA), Fibertex Nonwovens (Brazil), HydraSpecma (Sweden and Poland), Borg Automotive (Poland) and GPV (Thailand).

INNOVATION AND DEVELOPMENT

- BioMar expanded its R&D facilities for the shrimp business
- Fibertex Nonwovens launched production of nano-nonwovens
- Borg Automotive launched digital platform for the development of mechatronics.

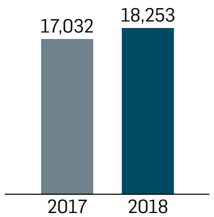
DEVELOPING THE ORGANISATION

- Seminar attended by 100 top managers of our businesses
- Talent development programme across all businesses

FINANCIAL HIGHLIGHTS

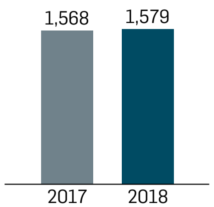
Revenue

+7%



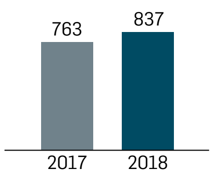
EBITDA

+1%



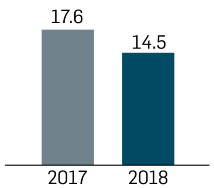
Cash flow from operating activities

+10%



ROIC%

-3.1pp



ACQUISITIONS AND DIVESTMENTS IN 2018

GPV acquired EMS-business CCS

In the beginning of 2018, GPV announced an ambitious growth plan with a revenue target of DKK 2.5bn by 2022. Opportunities have appeared sooner than anticipated, and at the end of 2018, GPV signed an agreement to acquire CCS. The deal has enabled GPV to meet its ambition, creating a leading European EMS business.

Fibertex Nonwovens made an acquisition in Brazil

For many years Fibertex Nonwovens has consolidated itself as one of the world's leading manufacturers of specialized nonwovens, and when the opportunity presented itself in early 2018, the company established a presence in Brazil, one of the most important growth markets in the world. The acquisition has enabled Fibertex Nonwovens to follow some of its large European customers globally.

Divesting biogas business Xergi

Schouw & Co. was an early mover in the biogas industry, knowing full well at the time that this would be an investment in a relatively immature industry. The industry has changed, and by divesting Xergi to Nature Energy, Schouw & Co. has played a part in creating a strong Danish business that will build, own and operate biogas plants in Denmark and internationally.

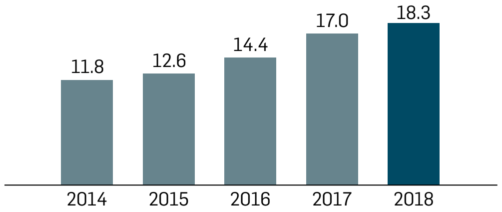
Financial highlights and key ratios

GROUP SUMMARY (DKKm)	2018	2017	2016	2015	2014
REVENUE AND INCOME					
Revenue	18,253	17,032	14,369	12,566	11,784
Operating profit before depreciation (EBITDA)	1,579	1,568	1,472	1,214	1,070
Depreciation and impairment losses	532	475	434	383	363
EBIT	1,047	1,093	1,038	831	708
Profit/loss after tax in associates and joint ventures	70	42	566	86	28
Gains on divestments	9	0	0	0	0
Net financials	-40	-30	-27	-46	-35
Profit before tax	1,086	1,105	1,578	871	701
Profit for the year	796	875	1,339	645	428
Cash flows					
Cash flow from operating activities	837	763	1,598	1,171	628
Cash flow from investing activities	-1,360	-2,763	-395	-569	-355
Of which investment in property, plant and equipment	-685	-809	-830	-354	-233
Cash flows from financing activities	623	818	-925	-324	-563
Cash flows for the year	100	-1,181	277	278	-290
Invested capital and financing					
Invested capital (ex. goodwill)	8,831	7,337	5,416	4,464	4,528
Total assets	16,940	14,389	12,273	10,516	9,882
Working capital	3,441	2,505	1,727	1,598	1,775
Net interest-bearing debt (NIBD)	2,425	1,275	-1,028	-511	44
Share of equity attributable to shareholders of Schouw & Co.	8,652	8,317	7,797	6,656	6,071
Non-controlling interests	7	15	18	21	3
Total equity	8,659	8,332	7,814	6,677	6,074
Financial data					
EBITDA margin (%)	8.7	9.2	10.2	9.7	9.1
EBIT margin (%)	5.7	6.4	7.2	6.6	6.0
EBT margin (%)	6.0	6.5	11.0	6.9	6.0
Return on equity (%)	9.4	10.9	18.6	10.2	7.2
Equity ratio (%)	51.1	57.9	63.7	63.5	61.5
ROIC excluding goodwill* (%)	14.5	17.6	20.2	18.3	16.9
ROIC including goodwill* (%)	11.3	13.8	16.6	15.1	14.0
NIBD/EBITDA ratio*	1.5	0.8	-0.7	-0.4	0.0
Average no. of employees	7,174	6,087	4,108	2,382	2,139
Per share data					
Earnings per share (of DKK 10)	33.43	36.85	56.56	27.48	18.08
Diluted earnings per share (of DKK 10)	33.35	36.63	56.41	27.38	18.02
Dividends per share (of DKK 10)	13.00	13.00	12.00	10.00	8.00
Net asset value per share (of DKK 10)	365.17	346.99	328.38	282.10	258.44
Share price, end of period (per share DKK 10)	485.60	581.50	526.00	387.00	290.00
Price/Net asset value	1.33	1.68	1.60	1.37	1.12
Market capitalisation at year end	11,505	13,939	12,489	9,131	6,812

* Exclusive effect from acquisition of CCS

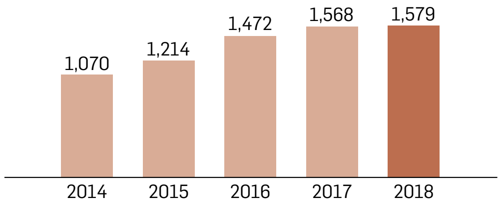
Revenue

DKK billion



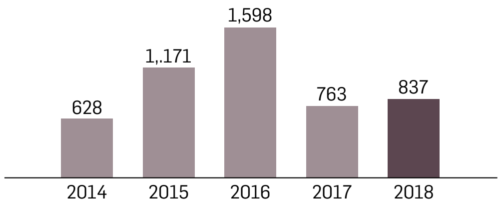
Operating profit before depreciation (EBITDA)

DKK million



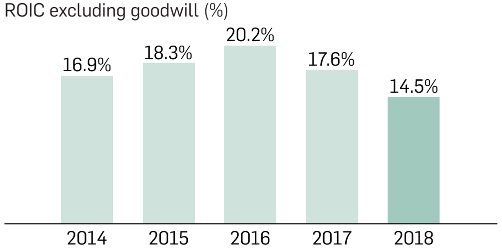
Cash flow from operating activities

DKK million



Return on invested capital

ROIC excluding goodwill (%)



Our businesses

Schouw & Co. is the owner of six companies operating in various industries. Our businesses operate in the B2B segment and have been in our portfolio for an average of 14 years. All businesses are wholly owned.

Revenue: Expected revenue for 2019.
No. of employees 1 Jan. 2019

BioMar

REVENUE: DKK 10.3 BILLION
Employees: About 1,200

16 SITES

One of the world's largest manufacturers of quality feed for the shrimp and fish farming industry. The core business areas are feed for salmon, trout, sea bass and sea bream and shrimp.

Founded in 1962. In 2005, Schouw & Co. took a 68.8% majority interest in BioMar, then a listed company. BioMar became a wholly owned subsidiary following a merger in 2008.

About 45% of expected 2019 EBITDA.

Fibertex Personal Care

REVENUE: DKK 2.3 BILLION
Employees: About 750

5 SITES

One of the world's largest manufacturers of spun-bond/spunmelt nonwovens for the personal care industry. Sells products for baby diapers, sanitary towels and incontinence products.

Fibertex was founded in 1968 and was acquired by Schouw & Co. in 2002. The Personal Care activities became a part of Fibertex in 1998 and were hived off as an independent portfolio company in 2011.

Almost 20% of expected 2019 EBITDA.

Fibertex Nonwovens

REVENUE: DKK 1.65 BILLION
Employees: About 1,000

8 SITES

A leading European manufacturer of industrial nonwovens. A wide range of applications, including for cars, construction and filtration solutions.

Fibertex was founded in 1968 and was acquired by Schouw & Co. in 2002. The company previously included the Personal Care activities, which were hived off as an independent port-folio company in 2011.

About 10% of expected 2019 EBITDA.

GPV

REVENUE: DKK 2.75 BILLION
Employees: About 4,000

12 SITES

One of Europe's lead-ing EMS businesses. Manufacturer of technical electronics, mechanics and mechatronics. Serves global customers in the Cleantech and Instruments & Industry business areas.

GPV was founded in 1961 and was acquired by Schouw & Co. in 2016. CCS is consolidated as a part of GPV effective from the end of 2018.

Just over 10% of expected 2019 EBITDA.

HydraSpecma

REVENUE: DKK 2.0 BILLION
Employees: About 1,200

15 SITES

Market-leading specialist within hydraulic solu-tions and components Customers include both major Nordic-based OEM manufacturers and the aftermarket

Hydra-Grene was founded as an independent com-pany in 1974 and has been a part of the Schouw & Co. Group since 1988. Specma was founded in 1918 and had been a part of the Group since 2016.

Just over 10% of expected 2019 EBITDA.

Borg Automotive

REVENUE: DKK 1.0 BILLION
Employees: About 1,700

4 SITES

Europe's largest independ-ent automotive remanu-facturing company. Sells to distributors and OE customers for almost all car makes.

Borg Automotive was founded in 1975 and has been a part of the Schouw & Co. Group since the beginning of April 2017.

Almost 10% of expected 2019 EBITDA.

Letter from the CEO

Solid platform for future value creation despite severe competition and earnings pressure

Very competitive markets and challenging market conditions during the year made us lower our earnings guidance, but we ended the year with an EBITDA improvement on 2017. We spent a great deal of resources on future-proofing our businesses, and their strong strategic positions make them well prepared for the coming years. We expect continued improvements in 2019.

Revenue, EBITDA and cash flows from operations all improved in 2018

We grew our revenue at a satisfactory rate of 7% in 2018. All of our businesses reported revenue improvements over 2017, which is a positive achievement given the current market conditions. HydraSpecma reported the biggest improvement at 11%, driven in part by sound underlying demand in wind, automotive and other segments. Fibertex Nonwovens also generated 11% growth, of which the most is derived from an acquisition in Brazil at the beginning of the year.

Challenging market conditions, rising prices of raw materials and margin pressures meant that

Letter from the CEO

we were unable to grow our earnings at the same rate as our revenue, but the performance was also due to certain individual events. The annual contract negotiations in the important Norwegian market in the summer of 2018 meant that BioMar has had below-normal volumes since the second half of 2018. In addition, Fibertex Personal Care surprisingly experienced reduced demand from several of its major customers in Asia from the second half of 2018, but that is by no means an indication that the substantial growth in the Asian market should not continue in the coming years. Given the circumstances, I am pleased to note that our consolidated EBITDA was higher in 2018 than in 2017, although we had anticipated a larger improvement at the start of the year.

Focused and streamlined

In 2018, we sold our 50% ownership interest in biogas company Xergi, which we had established together with Dalgasgroup in 2004. We were early movers in the biogas industry, knowing full well that this would be an investment in a relatively immature industry. The industry has changed, and by divesting Xergi to Danish company Nature Energy, which was Xergi's largest customer, we found the right owners to take the company to the next level.

During the year, we also sold the last of the industrial properties we took over when we sold the lighting business Martin Professional in 2013, and the associate Incuba Invest was dissolved. This means that Schouw & Co. is now a much more streamlined business, focused on long-term value creation through active and developing ownership of large, strong portfolio businesses.

Long-term growth and a bigger global footprint

Strengthening our companies' strategic positions and long-term competitive strength is key, and in 2018, we invested close to DKK 1.5 billion to increase capacity and acquire business operations.

Towards the end of 2018, we announced that GPV had acquired Swiss-based CCS in a deal valued at about DKK 800 million. The acquisition expands GPV's geographical footprint in the German-speaking parts of Europe and the company now also has production facilities in Sri Lanka, China and Slovakia. Following the deal, GPV employs about 4,000 people, and the acquired operations will be integrated with GPV during 2019. GPV is truly in the midst of quite a significant transformation. When Schouw & Co. took over the company in 2016, its revenue was about DKK 900 million. For 2019, we expect revenue in excess of DKK 2.7 billion.

Schouw & Co. has grown into a global business, and at the beginning of 2019, our businesses employed about 10,000 people at 60 production facilities in 29 countries. BioMar is building a factory in Australia in order to serve salmon farmers in the region better, and the Group is making additional investments to increase its shrimp feed capacity in Ecuador. Fibertex Personal Care is starting up nonwovens print production in the USA; Fibertex Nonwovens has acquired businesses in Brazil and the USA within the last 18 months. Both HydraSpecma and Borg Automotive have expanded their production facilities in Poland.

Growth in 2019 despite markets under pressure

We see good opportunities over the next few years to create value from the substantial investments we have made in recent years. All of our businesses are strongly positioned and well prepared to face the competition. However, we also see some degree of volatility, and our focus in 2019 will be on strengthening our earnings power and generating cash flows.

BioMar has operations in 12 countries, and in each of these markets except for Norway, we expect the group to leverage its good momentum and either maintain or improve earnings in 2019. The Norwegian salmon market, the world's largest market for quality fish feed, has changed in recent years. The market has always been very competitive, but it has also become more volatile. Feed contracts, and by extension, risks have grown larger, and earnings have been squeezed to unsustainably low levels. This is a situation requiring a firm reaction from BioMar. We cannot and will not accept orders that do not sufficiently cover our overheads. We cannot run a responsible feed business if earnings do not match investments made and risks taken. Therefore, it is absolutely vital that we are able to achieve sufficient profitability in our Norwegian operations.

Overall, we expect a substantial EBITDA improvement in 2019 over 2018. However, a big part of that improvement will be due to the accounting effects of the treatment of leases and lease contracts (IFRS 16), but we also expect all of our businesses to report underlying results in line with or better than in 2018. Given the outlook for continued high and volatile raw materials prices, Brexit uncertainty and geopolitical trade wars as well as continued pressure in all markets, we honestly feel that these are quite positive prospects for our Group.

We plan to expand and defend our positions in 2019, to strengthen customer relations, optimise production and logistics, and we intend to invest in innovation and future-proofing. We are ready if attractive opportunities arise, we will make value-creating investments, and our general priority will be to invest capital where it will benefit our long-term shareholders the most.

Jens Bjerg Sørensen, President and CEO
Aarhus, 8 March 2019

Schouw & Co.'s business model

Schouw & Co. has a long-term investment horizon. We invest in – and we own and operate – Danish industrial businesses with the potential to grow and evolve through active ownership.

BUILDING OUR PORTFOLIO

Køb og salg af virksomheder har historisk været væsentligt for værdiskabelsen i Schouw & Co. We will buy a business if the right opportunity arises, not because we are required or need to make acquisitions.

Criteria for acquiring new portfolio businesses

Industry	B2B business – preferably in a processing industry or logistics
Size	Revenue of minimum DKK 1 billion – or with the potential to reach that level quickly
Geography	Head office in Denmark, but with an international focus
Ownership	Preferably full ownership, but at least a majority stake
Position	Leading position and with the potential to set the agenda in its segment
Management	A strong and ambitious management able to stay on board under the new ownership
New owners	Should be in need of new ownership to support transformation and step change
Ownership	Possibility of exercising long-term, active and strategic ownership

Best ownership

When Schouw & Co. has bought a company, it has never been with the intention of reselling it. We believe businesses develop best when focused on long-term growth and development.

Schouw & Co. is the best owner of the businesses in our portfolio as long as we have the necessary resources to support their strategy and development. However, we are also open to strategic joint ownership or to divesting a company if a new ownership has the potential to take the company to the next level, thereby providing the best solution for the shareholders of Schouw & Co.

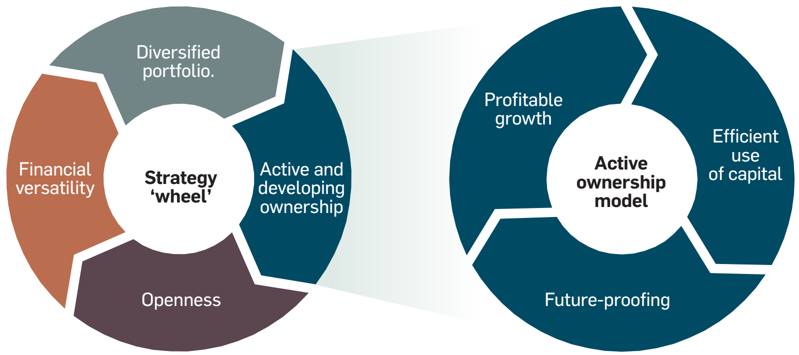
Active ownership

At Schouw & Co., our strategy is based on two 'wheels' that reflect the Group's modus operandi and our mindset. The strategy builds on a number of specific objectives, and on results being created by people.

Strategy

The Schouw & Co. modus operandi and mindset are illustrated in two 'wheels'. The Strategy Wheel consists of four key areas that characterise the Group as a whole, with one area – active and developing ownership – being unfolded in more detail in a separate 'wheel'.

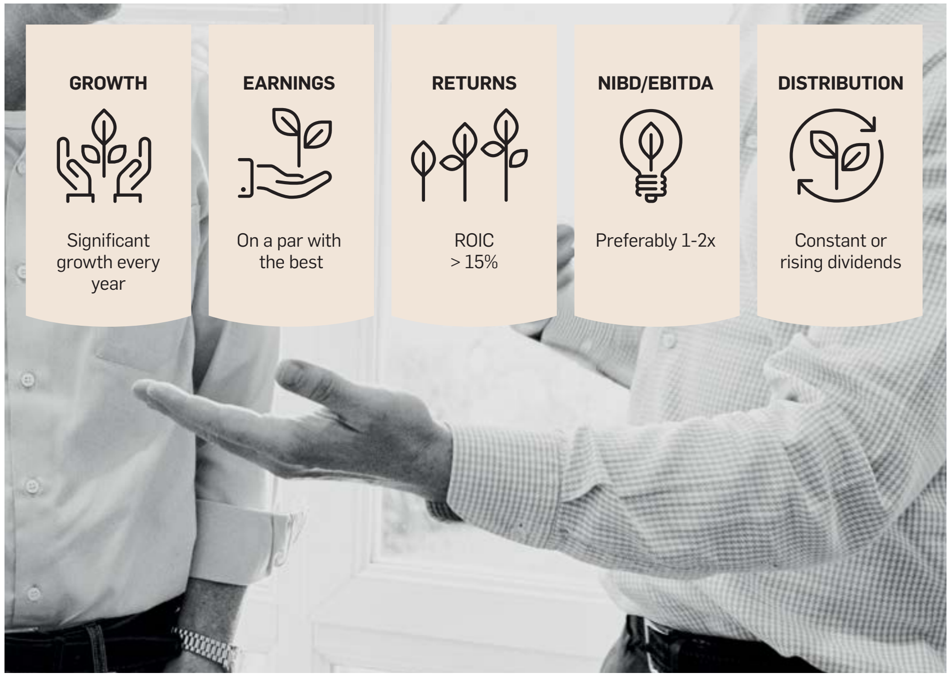
Diversified portfolio	Since 1988, the cornerstone of our strategy has been to own and operate a portfolio of businesses in different industries.
Active and developing ownership	Businesses under Schouw & Co. ownership consistently evolve and transform – and active ownership is deeply entrenched in our business model.
Openness	As a listed company, we communicate openly about our targets and strategy, always with due consideration for our competitive situation.
Financial versatility	Schouw & Co. must always have the financial resources to support its portfolio businesses and to pursue opportunities that may arise.



Profitable growth	All Schouw & Co. companies are focused on long-term profitability and growth, which we consider fundamental to value creation.
Efficient capacity utilisation	Our businesses must optimally use the capital made available to them by applying assets and working capital in the best way possible.
Future-proofing	Investing in innovation, organisation and development is essential for long-term value creation and is given special priority by all of our businesses.

Strategic goals

We pursue five strategic goals at Group level. Our portfolio businesses all have the potential to generate both growth and earnings that match the best of their industry peers.



Our mantra

Our mantra at Schouw & Co. provides specific insight into the requirements and expectations for our portfolio companies. "Results are created by people"

Management's report

High level of activity and revenue improvements by all portfolio businesses. Several businesses expanded and major acquisition made by GPV. EBITDA improved despite very competitive markets and challenging market conditions.

To sum up 2018, it was a year of a high level of activity, but also one of very competitive markets and challenging market conditions. The year closed on a fourth quarter with revenue 8% higher than last year. Earningswise, BioMar finished the year on a particularly good note, while Fibertex Nonwovens and Borg Automotive reported results below expectations.

QUARTER (DKKm)	**2018 Q4**	**2017 Q4**	**Change**	
Revenue	4,834	4,491	343	8%
EBITDA	421	443	-22	-5%
EBIT	289	314	-25	-8%
Income from associates etc.	33	27	6	22%
Profit before tax	355	339	17	5%
Cash flow from operating activities	308	55	253	463%

The 2018 consolidated revenue was up by 7% to DKK 18,253 million from DKK 17,032 million in 2017. All of the Group's businesses were major contributors to the improvements, drfiven by acquisitions and full-year recognition effects.

Reported EBITDA increased from DKK 1,568 million in 2017 to DKK 1,579 million in 2018. The improvement derived from Hydra Specma and GPV as well as from the full-year effects of Borg Automotive and a marginal improvement by BioMar, whereas the two Fibertex businesses both reported lower EBITDA than last year. As expected, transaction costs of DKK 10 million relating to the acquisition of Swiss-based EMS company CCS weighed on GPV's EBITDA for the year, and the consolidated EBITDA ended the year within the most recent guidance range.

Associates and joint ventures, which are recognised at a share of profit after tax, contributed profit of DKK 70 million in 2018 compared to DKK 42 million in 2017. BioMar operations were the main driver of the share of profit, as especially Chilean fish farming company Salmones Austral contributed to the improvement. The joint venture Xergi contributed a DKK 5 million loss, but was recognised at a DKK 17 million gain related to the divestment of the company in November 2018.

Consolidated net financial items were an expense of DKK 40 million in 2018 compared with DKK 30 million in 2017, which was better than expected. The higher expense mainly reflects higher interest expenses resulting from substantial investments made.

This brought consolidated profit before tax to DKK 1,086 million compared with DKK 1,105 million in 2017.

Liquidity and capital resources

The Schouw & Co. Group's operating activities generated a cash inflow of DKK 837 million in 2018, compared with DKK 763 million in 2017, based on positive performance by the Group's businesses with the exception of the two Fibertex businesses.

Cash flows for investing activities amounted to DKK 1,360 million in 2018, primarily used for GPV's acquisition of CCS and for capacity-expanding investments by BioMar and the two Fibertex businesses. By comparison, cash flows for investing activities in 2017 amounted to DKK 2,763 million, which was primarily used for the acquisition of Borg Automotive and BioMar's acquisition in Ecuador, and for capacity-expanding investments by BioMar and Fibertex Personal Care.

The Group's overall working capital grew from DKK 2,505 million at 31 December 2017 to DKK 3,441 million at 31 December 2018. The increase in working capital was mainly due to GPV's acquisition of CCS, but all portfolio businesses with the exception of Borg Automotive increased their working capital during the year.

Group developments

The companies of the Schouw & Co. Group have invested heavily in recent years to capitalise on opportunities for expansion. This includes major investments in capacity-enhancing assets in BioMar and Fibertex Personal Care as well as the acquisition of Ecuadorian shrimp feed manufacturer Alimentsa for BioMar in September 2017 and the acquisition of Brazilian nonwovens manufacturer Duci for Fibertex Nonwovens in February 2018.

After having made such massive investments, the natural next step for the Group is to focus on optimising and leveraging available assets and on the business opportunities at hand. Accordingly, 2018 was generally a period of adapting to movements in the markets, whether they relate to geography, products or have in other ways caused a change

FULL YEAR (DKKm)	**2018**	**2017**	**Change**	
Revenue	18,253	17,032	1,221	7%
EBITDA	1,579	1,568	11	1%
EBIT	1,047	1,093	-46	-4%
Associates, etc.	70	42	28	67%
Profit before tax	1,086	1,105	-18	-2%
Cash flow from operating activities	837	763	74	10%
Net interest-bearing debt	2,425	1,275	1,150	90%
Working capital	3,441	2,505	936	37%
ROIC excluding goodwill	14.5%	17.6%	-3.1pp	
ROIC including goodwill	11.3%	13.8%	-2.5pp	

in demand, with a view to securing sustainable profitability in all operations.

Focus on the core business areas has also increased at group level. Schouw & Co. agreed on 31 October 2018 to sell its 50% ownership interest in biogas business Xergi, and in December also sold the last of the industrial properties in Frederikshavn, Denmark still in Group ownership following the divestment of Martin Professional in 2013. Lastly, the associate Incuba Invest has been dissolved. As a result, Schouw & Co. now only has a 15.8% ownership interest in Incuba A/S, which is the owner of three properties and runs three science parks in Aarhus, Denmark.

The Schouw & Co. group still intends to grow by way of capacity-increasing investments and acquisitions. At the end of December 2018, GPV took over Swiss-based EMS company CCS and its some →

Management's report

2,500 employees in a transaction worth about DKK 800 million on a debt-free basis (enterprise value). Shortly after the end of the financial year, Fibertex Nonwovens took over a newly-established spunlacing business in South Carolina, USA.

The following is a brief review of other business developments in the portfolio companies in 2018. See the individual company reviews on the following pages for more information.

BioMar finished an otherwise challenging year on a good note. The Group reported an increase in both revenue and volumes sold, which was driven especially by the shrimp feed operations acquired in Ecuador in 2017. Reported EBITDA improved by a slight margin despite fierce competition in Norway. The share of profit in associate Salmones Austral, the Chilean fish farming business, has developed well, and the company's non-consolidated joint ventures in Turkey and China are developing well and are steadily becoming more important for BioMar's overall business activity.

Fibertex Personal Care reported a fair revenue improvement driven mainly by higher prices of raw materials and an increase in activity for the printing business. Reported EBITDA was down relative to the year before due to more competitive markets in Asia, a negative impact from raw materials prices and foreign exchange rates, as well as costs of running in printing operations in Malaysia.

Fibertex Nonwovens reported a fair revenue improvement driven mainly by the acquisition of the nonwovens business in Brazil in February 2018. Reported EBITDA was lower than expected, mainly due to a combination of high prices of raw materials and lower sales towards the end of the year, as well as substantial nonrecurring costs for restructuring and downsizing operations in India at the end of the year.

GPV reported revenue and earnings improvements and took over Swiss-based EMS company CCS at the end of 2018. The reported EBITDA remains impacted by the costs of building operations in Mexico, and GPV recognised transaction costs relating to the acquisition of CCS. Other than those transaction costs, the acquisition of CCS did not influence 2018 earnings, but the balance sheet of CCS was consolidated at the end of 2018.

HydraSpecma reported a fair revenue improvement following positive developments in the wind turbine segment and strong activity in several other business segments. Reported EBITDA continued to improve, driven by the high level of activity combined with efficiency enhancements resulting from completed investments in both production equipment and organisational development.

Borg Automotive reported a moderate improvement in revenue relative to the 2017 calendar year driven by an increase in volume sales. As Borg Automotive was only consolidated for nine months in 2017, the increased contribution to the consolidated financial statements is substantial. Reported EBITDA fell short of expectations, weighed down by larger customer bonuses and a number of adjustments relating to cores, among other things.

EVENTS AFTER THE BALANCE SHEET

On 14 January 2019, Fibertex Nonwovens took over a newly-established spunlacing business in South Carolina, USA at an enterprise value of approximately DKK 140 million.

Other than as set out elsewhere in this annual report, Schouw & Co. is not aware of events occurring after 31 December 2018 which are expected to have a material impact on the Group's financial position or outlook.

DIVIDEND

The Board of Directors recommends to the Annual General Meeting that the dividend for 2018 remain at DKK 13 per share, for an amount equal to 2.7% of the market capitalisation at 31 December 2018. As a result, total dividend payments will amount to DKK 332 million, equal to a payout ratio of 41% after tax.

BREXIT

Britain's withdrawal from the EU in 2019 is attracting a lot of attention, but this is not considered to expose the Schouw & Co. Group to critical risk. However, the UK is an important market for the Group's businesses and for their customers, so any uncertainty in trading with the UK could obviously affect the Schouw & Co. Group's revenue and earnings in 2019.

The portfolio companies most affected are BioMar, which needs to import raw materials to its factory in Scotland, and Borg Automotive due to the significant interaction between its operations in the UK and Poland. In addition, the other portfolio businesses are large exporters to the UK. However, Britain's withdrawal from the EU is not believed to have a long-term effect on the development of the Schouw & Co. Group.

Depreciation, amortisation and IFRS 16 (leases and lease contracts)

The implementation of IFRS 16 will improve EBITDA, while increasing depreciation/amortisation charges and interest expenses. The balance sheet will grow and key ratios will be affected

As a listed company, Schouw & Co. is required to implement IFRS 16, the new accounting standard for recognising lease obligations, effective from 1 January 2019. One of the purposes of the new accounting standard is to make it easier to compare financial statements, whether a company chooses to own or lease its assets.

Under the new accounting standard, the right of use of a leased asset must be recognised as an asset in the balance sheet, while the corresponding lease liability must be recognised in the interest-bearing debt. Obviously, the increase in total assets will affect the key ratios that the balance sheet items involved are a part of.

In the income statement, the lease payment is broken down into a depreciation component and an interest component. As a result, the operating profit before depreciation (EBITDA) will improve by the amount of the lease payment, while depreciation charges will increase by the amount of the estimated depreciation component and financial expenses will increase by the estimated interest component.

For the Schouw & Co. Group, this will mainly have an effect on BioMar, as the company has long-term vessel charter agreements, and for GPV, HydraSpecma and Borg Automotive, which all to some extent operate from leased properties. Otherwise, the Group only has a limited amount of leased assets, mainly consisting of leased cars.

For 2019, this means the Group's net interest-bearing debt (NIBD) at year start will increase by about DKK 920 million and EBITDA will increase by about DKK 205 million, while depreciation charges will increase by about DKK 190 million and financial expenses will increase by the estimated interest expense of about DKK 25 million. As depreciation charges are made on a straight line basis and the interest expenses are the highest at the start of the lease period, this will have a negative effect of about DKK 10 million on the profit before tax. Cash flows from operating activities are expected to improve by about DKK 180 million, but that will be offset by corresponding cash flows for financing activities. Prior-year figures are not restated under IFRS 16, so for ease of comparison the expected IFRS 16 effect in 2019 has been distributed on the individual companies in the table below. The implementation of IFRS 16 is described further on pages 64 and 89.

Schouw & Co. reports the earnings guidance for its portfolio companies at EBITDA level. However, the Group believes in the importance of reporting developments further down the income statement and so also discloses each company's depreciation/amortisation charges. As already mentioned, depreciation/amortisation charges will increase by the effect of implementing IFRS 16.
Total PPA-related depreciation and amortisation from the acquisition of businesses amounted to DKK 82 million in 2018 and related mainly to the acquisitions of Alimentsa (BioMar), Specma (HydraSpecma) and Borg Automotive. In 2019, PPA-related depreciation and amortisation is expected to increase to about DKK 100 million, mainly due to GPV's acquisition of CCS at the end of 2018.

Other depreciation and amortisation will increase in 2109 as a result of investments made, including GPV's acquisition of CCS at the end of 2018. As a result, other depreciation and amortisation charges are expected to increase from DKK 450 million in 2018 to approximately DKK 505 million in 2019. Details of depreciation/amortisation for the portfolio companies are shown in the table below.

	PPA depreciation/ amortisation		Estimated IFRS 16 depreciation/ amortisation		Other depreciation/ amortisation and impairment losses		Total depreciation/ amortisation and impairment losses	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
BioMar	32	33	120	-	150	151	302	184
Fibertex Personal Care	1	1	2	-	134	121	137	122
Fibertex Nonwovens	7	6	2	-	95	89	104	95
GPV	20	-2	28	-	74	39	122	37
HydraSpecma	18	22	28	-	37	36	83	58
Borg Automotive	22	22	10	-	14	13	46	35
Other	-	-	0	-	1	1	1	1
Total	100	82	190	-	505	450	795	532

EFFECT OF IFRS 16	**NIBD***	**EBITDA**
BioMar	610	130
Fibertex Personal Care	5	2
Fibertex Nonwovens	5	2
GPV	130	30
HydraSpecma	135	30
Borg Automotive	35	11
Other	0	0
Total	920	205

* At 1 January 2019

Outlook

The Group prioritises long-term sustainable earnings. Healthy business activity and the acquisition of CCS fuelling expectations for higher revenue and improved EBITDA.

Outlook for 2019

The business areas the Schouw & Co. Group companies are involved in have generally seen good momentum in recent years. Demand remains strong, but a degree of caution is being noticed in certain markets.

There is a slight imbalance between relatively reluctant demand and supply, as recent years' healthy activity levels have provided favourable conditions for a number of capacity-increasing investments both by the Group's businesses and by their peers. At the same time, input prices of a number of important raw materials and delivery times for many components have gone up.

The result is challenging and highly competitive markets, and the Schouw & Co. portfolio businesses will have to weigh opportunities to sell more of their excess capacity against the desire to maintain long-term sustainable earnings.

The Group's businesses are well positioned to take on the market challenges, and maintaining competitive strength is a key priority. Accordingly, Schouw & Co. intends to allocate substantial resources to preparing portfolio companies for the future – even if allocated costs and investments may not necessarily contribute to improving earnings in the short term.

The following brief comments provide full-year 2019 revenue and EBITDA guidance for the individual portfolio companies, excluding the bottom-line effect that is a direct result of the implementation of IFRS16.

BioMar expects revenue and EBITDA to remain at a high level despite the more competitive market in Norway. BioMar also expects its non-consolidated feed manufacturing companies in Turkey and China to increase their business volumes.

Fibertex Personal Care expects to grow its revenue and EBITDA despite challenging market competition in both Europa and Asia.

Fibertex Nonwovens expects to grow its revenue and EBITDA on the back of better balanced input and selling prices and due to fewer restructuring costs. The acquisition of the spunlacing business in the USA in January 2019 will lift revenue, but positive earnings from the transaction are not expected until 2020.

GPV expects significant revenue and EBITDA improvements, primarily as a result of its acquisition of the major Swiss-based EMS business at the end of December 2018.

HydraSpecma expects to maintain revenue at the current high level and to continue to improve its EBITDA following the completion of capacity expansion, restructuring and efficiency-enhancing projects.

Borg Automotive expects to grow revenue and EBITDA. However, Britain's departure from the EU may affect the outlook.

Schouw & Co. Group's overall guidance

Overall, the Schouw & Co. Group projects full-year 2019 consolidated revenue of about DKK 20.0 billion against DKK 18.3 billion in 2018, equal to a 10% increase expected to be driven mainly by GPV's acquisition of CCS. However, for several of the portfolio companies, revenue will heavily depend on how prices of raw materials develop, and any price fluctuations can significantly change the revenue without necessarily having any notable effect on earnings.

Schouw & Co. provides earnings guidance for the individual portfolio companies, but these expectations are subject to change during the course of the year. The consolidated earnings guidance is for EBITDA in the range of DKK 1,815-1,975 million in 2019 compared to DKK 1,579 million in 2018. About DKK 205 million of the anticipated improvement relates to the effect of IFRS 16.

Overall depreciation charges are expected to increase from DKK 532 million in 2018 to about DKK 795 million in 2019, of which about DKK 190 million relates to IFRS 16 effects. As a result, the Group guides for consolidated EBIT in 2019 in the range of DKK 1,020-1,180 million.

Associates and joint ventures, which are recognised at a share of profit after tax, are expected to contribute profit of approximately DKK 80 million in 2019 compared with DKK 70 million in 2018.

The Group's net financial items are expected to grow from an expense of DKK 40 million in 2018 to an expense of about DKK 90 million in 2019, of which about DKK 25 million relates to IFRS16 effects.

REVENUE (DKKm)	**2019 expected**	**2018 actual**	**2017 actual**
BioMar	c. 10,300	10,328	9,955
Fibertex Personal Care	c. 2,300	2,187	2,016
Fibertex Nonwovens	c. 1,650	1,574	1,422
GPV	c. 2,750	1,218	1,148
HydraSpecma	c. 2,000	2,005	1,805
Borg Automotive	c. 1,000	958	709
Other/eliminations	-	-18	-23
Total revenue	c. 20,000	18,253	17,032

EBITDA (DKKm)	**2019 expected**	**2018 actual**	**2017 actual**
BioMar	820-890	713	712
Fibertex Personal Care	320-340	315	365
Fibertex Nonwovens	165-185	160	179
GPV	190-210	115	107
HydraSpecma	210-230	175	148
Borg Automotive	140-150	131	89
Other	-30	-30	-32
Total EBITDA	1,815-1,975	1,579	1,568
PPA depreciation	-100	-82	-64
IFRS 16 depreciation	-190	-	-
Other depreciation	-505	-450	-411
Total EBIT	1,020-1,180	1,047	1,093
Associates, etc.	80	70	42
Divestments	-	9	0
IFRS 16 - fin. items	-25	-	-
Other financial items	-65	-40	-30
Total profit before tax	1,010-1,170	1,086	1,105

Our focus for 2019

2019 will be a year in which the effects of past investments are expected to materialise.
New investments will be at a lower level than in recent years, having a positive effect on cash flows.
Yet, as always, future-proofing and growth opportunities will be in focus in all parts of the Group

Schouw & Co.'s main focus areas at Group level for 2019 will be to

- strengthen our earnings power by increasing efficiency and optimising costs
- deriving value from past investments
- enhance earnings in detractor units, areas and products
- generate strong cash flows, in part by optimising working capital
- identify investment and acquisition opportunities that may contribute to strengthening long-term competitive strength
- expand and improve ESG (environment, social and governance) reporting
- ensure the financial and managerial resources needed to future-prooof the strategic platform.

The main focus of our portfolio companies in 2019 will be on

BioMar

- winning profitable feed contracts in the important Norwegian salmon market
- complete capacity expansion in Denmark, Ecuador and Australia
- achieve cost savings and optimise margins throughout the business
- set up the organisation and commercial production at the factory in Wuxi, China

Fibertex Personal Care

- introduce nonwoven printing in the US market from the recently established production facilities in North Carolina
- continue investing in innovation and development, including in super-soft products
- leverage the already established capacity and optimise production and the supply chain
- defend and expand position as the leader in innovation and quality

Fibertex Nonwovens

- build a strong platform in North America by integrating the business operations acquired in the first quarter of 2019
- increase earnings and build a return on past investments
- analyse business model and build platform for long-term value creation
- optimise and leverage on R&D, especially in nanotechnology

GPV

- derive value from the acquisition in 2018, and implement first wave of integration
- enhance earnings in Mexico by increasing business activity
- continue efforts to win major outsourcing orders in the market

HydraSpecma

- prepare and implement European production and logistics strategy
- enhance earnings in Swedish aftermarket segment
- reduce working capital by optimising work procedures and production flows
- continue steamlining and automatisation

Borg Automotive

- optimise production, including scaling up at the new site in Lublin, Poland
- retain customers and upselling to new and existing customers
- build skills and competencies in mechatronics and other technologies

Risks

Diversified conglomerate means diversified business risk. The Group is expected to have limited exposure to Britain's withdrawal from the EU.

RISKS PARTIALLY OFFSET BY CONGLOMERATE DIVERSIFICATION

Global macroeconomics
For BioMar, Fibertex Personal Care and Borg Automotive, their business models and sales do not rely on the global economy. Demand for fish and fish feed and the consumption of baby diapers and automotive spare parts are cyclical only to a limited extent, whereas Fibertex Nonwovens, GPV and HydraSpecma face more cyclicality in sales.

Country-specific risk
The group sells its products in more than 100 countries and has 60 production facilities in 29 countries, but with a significant concentration of facilities in Europe.

Acquisitions
M&A has historically been a major value creator, and the Group will in future have additional opportunities to contribute to consolidate operations and create acquisitive growth within the different business areas and geographies the portfolio businesses operate in.

Cyber risk
The IT systems used by the Group's companies are not interconnected. The companies are generally well protected, but there will always be a risk that individual companies will experience an IT breakdown or cybercrime.

Brexit
Generally, Schouw & Co. is not widely exposed to Britain's withdrawal from the EU. BioMar and Borg Automotive are the most directly affected, as both have production facilities in the UK.

Currency risk
The broad geographical diversification with a strong overlap of production and sales in the same countries creates a natural hedge at group level. The overall foreign currency risk is considered to be moderate.

Financing risk
Debt is generally managed centrally, and the parent company assumes liability for large parts of its subsidiaries' bank debts. The Group mainly raises financing with a consortium of three Nordic banks.

Interest rate risk
The Group has moderate interest-bearing risk relative to its earnings, and higher interest rates would only have a moderate impact on earnings.

RISKS THAT ARE OF SOME IMPORTANCE DESPITE DIVERSIFICATION

Peers and the competitive setting
All of the portfolio companies operate in highly competitive markets and face natural concerns as to whether it will be possible to sell the projected volumes at the expected prices and to collect trade receivables. Risks vary from market to market, as there may be excess capacity causing pressure on prices in some, while in others technology innovation may change the competitive setting.

Reliance on major customers
All of our portfolio businesses operate in B2B markets and serve relatively large customers. No single customer accounts for more than 5% of the Group's consolidated revenue, but in some cases, the five largest customers may account for more than 50% of a particular subsidiary's revenue.

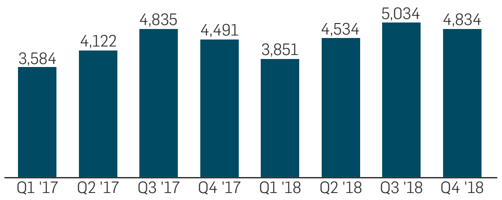
Risk relating to raw materials
Raw material represent the majority of costs at Group level. Our portfolio businesses rely on certain raw materials and are thus sensitive to large fluctuations in the prices of such raw materials. BioMar and Fibertex Personal Care apply automatic price adjustment mechanisms to a large extent, which at long or short lags compensate for price fluctuations.

Quarterly financial highlights

(DKKm)	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
INCOME STATEMENT								
Revenue	3,584	4,122	4,835	4,491	3,851	4,534	5,034	4,834
Gross profit	585	667	818	771	649	754	815	757
EBITDA	285	357	483	443	314	399	445	421
Depreciation and impairment losses	106	119	121	129	131	133	136	132
EBIT	178	238	362	314	183	266	309	289
Profit after tax in associates, JV's etc.	0	4	10	27	2	16	19	33
Net financials	-15	13	-26	-3	-13	-24	-27	24
Profit before tax	163	256	347	339	172	258	301	355
Tax on profit for the period	-41	-55	-84	-49	-54	-58	-71	-108
Profit for the period	122	201	262	289	118	201	230	247
CASH FLOWS								
Cash flow from operating activities	14	6	689	55	2	-35	563	308
Cash flow from investing activities	-301	-1,185	-857	-421	-217	-221	-128	-794
Cash flows from financing activities	116	198	213	291	250	109	-339	602
BALANCE SHEET								
Intangible assets	1,481	2,328	3,226	3,195	3,135	3,176	3,169	3,594
Property, plant and equipment	3,603	3,703	3,873	3,959	4,024	4,161	4,167	4,317
Other non-current assets	545	694	687	710	705	721	722	763
Cash and cash equivalents	1,513	520	562	478	509	371	464	585
Other current assets	5,270	6,086	6,243	6,047	6,216	6,999	7,243	7,681
Total assets	12,412	13,331	14,591	14,389	14,589	15,429	15,765	16,940
Shareholders' equity	7,976	7,761	8,056	8,332	8,406	8,382	8,503	8,659
Interest-bearing liabilities	828	1,512	1,697	1,805	2,038	2,457	2,214	3,058
Other liabilities	3,608	4,058	4,838	4,252	4,145	4,590	5,048	5,223
Total equity and liabilities	12,412	13,331	14,591	14,389	14,589	15,429	15,765	16,940
Average no. of employees	4,605	6,279	6,517	6,838	7,025	7,073	7,257	7,314
FINANCIAL KEY FIGURES								
Gross profit margin	16.3%	16.2%	16.9%	17.2%	16.9%	16.6%	16.2%	15.7%
EBITDA margin	7.9%	8.7%	10.0%	9.9%	8.1%	8.8%	8.8%	8.7%
EBIT margin	5.0%	5.8%	7.5%	7.0%	4.8%	5.9%	6.1%	6.0%
ROIC excluding goodwill (annualised)	20.0%	19.6%	18.8%	17.6%	16.7%	16.3%	15.2%	14.5%
ROIC including goodwill (annualised)	16.6%	16.1%	15.1%	13.8%	13.0%	12.6%	11.8%	11.3%
Working capital	1,948	2,353	2,175	2,505	2,800	3,158	3,015	3,441
Net interest-bearing debt	-754	927	1,071	1,275	1,477	2,035	1,701	2,425

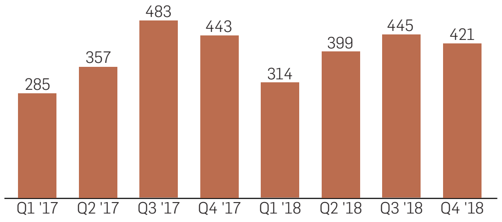
Revenue

DKK million



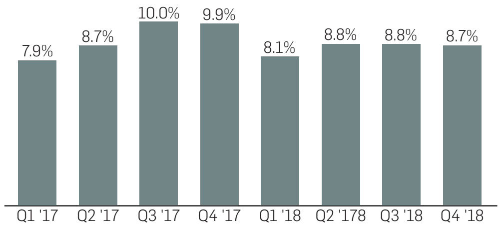
EBITDA

DKK million



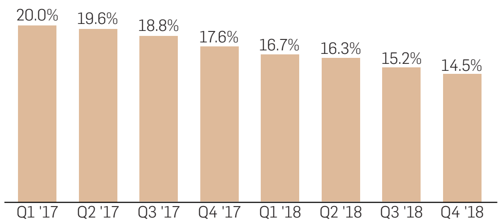
EBITDA margin

percent



ROIC excluding goodwill

percent



Chr. Filtenborgs Plads

This stately old mansion located at Chr. Filtenborgs Plads 1 in Aarhus, Denmark serves as Schouw & Co.'s corporate headquarters. In addition to being the workplace of the parent company's 14 employees, the location is very often used for meetings by all of the Group's portfolio companies.

Our businesses

See financial highlights and key ratios on pp. 32 and 33

Fish feed

Schouw & Co.'s largest business segment, BioMar is a global manufacturer of feed for all stages of fish and shellfish farming. About 70% of the feed produced is for salmon farmed in Norway, Scotland or Chile, but BioMar produces feed for more than 45 different species. BioMar is an innovative business and generates growth and opportunities for large and small customers through ongoing feed optimisation.

BioMar is one of the world's largest manufacturers of quality feed for the shrimp and fish farming industries and a global player with a presence in all major shrimp and fish farming regions.
Schouw & Co. took an initial ownership interest in BioMar in 2005, and the company became a wholly owned subsidiary through a merger process in 2008.
BioMar represents more than half of Schouw & Co.'s consolidated revenue and is expected to contribute about 45% of the 2019 consolidated EBITDA.

Value creation

- BioMar manufactures quality feed for the global fish and shellfish farming industry, known as the aquaculture industry.
- BioMar manufactures feed for all phases of fresh-water and salt-water fish farming operations, from larvae to fish ready for slaughter.
- Innovation and product development is deeply entrenched in BioMar's DNA. Globally, the company has four test centres where new raw materials and feed concepts are trialled and feed recipes optimised, and where years of knowledge and expertise on fish nutrition are converted into efficient and sustainable feed.
- Sustainability and responsibility are key concepts in aquaculture, and BioMar has a long-standing track record of cutting edge development and of setting the standards for quality and reliability for the entire value chain.

Growth

- Aquaculture is a growth industry driven by demographic and health-related issues.
- There is an increasing demand for healthy and sustainable food including fish and shellfish from the growing global population. However, due to the limited volumes of ocean-caught wild fish, aquaculture is the only sustainable way of increasing the supply of fish and shellfish without overfishing the oceans.
- Fish and shellfish are eaten in all cultures and accepted in all regions – and particularly fatty fish like salmon have a high content of essential Omega-3 fatty acids, which offer a number of healthy properties.
- Annual growth rates for the species BioMar manufactures feed for are estimated at 3-6%.

Presence

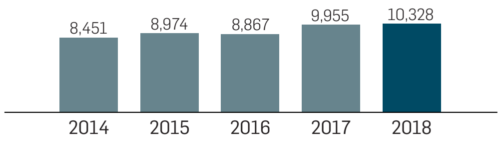
- BioMar is present internationally in the aquaculture regions of importance.
- Salmon farming is mainly based in Norway, Scotland and Chile. BioMar has a total of six factories and the majority of its feed manufacturing capacity in these markets. The company is now also building a factory in Australia.
- Shrimp farming is a very big business globally and, unlike salmon farming, much more diversified geographically. Shrimp farming is primarily based in South-East Asia and Latin America, and following an acquisition in 2017, BioMar now has a solid position in Ecuador, the largest shrimp-producing country in Latin America. The factory in Costa Rica also produces shrimp feed.
- BioMar has a total of five factories in the Mediterranean and the Baltic regions, manufacturing feed for more than 40 different species, but mainly for trout, sea bass and sea bream.
- China is the world's largest fish farming region, but due to the low quality and low value of most of the fish farmed there, the two factories in BioMar's joint venture with Chinese company Tongwei focus solely on quality feed for selected species of high quality fish at relatively high selling prices.
- BioMar's sixteen factories all manufacture quality feed for both large international clients and small local fish farmers. BioMar holds a market share of 20-30% in most of its markets.

See financial highlights and key ratios on pp. 32 and 33

BioMar

Challenging year ended on a strong note, but Norwegian market remains extremely competitive. Good momentum in capacity expansion projects in Australia and Denmark, and further expansion i Ecuador. Focus in 2019 on protecting earnings.

Revenue performance



BioMar is one of the world's largest manufacturers of quality feed for the shrimp and fish farming industry. The company's operations are divided into three divisions:

- The Salmon division covering operations in Norway, Scotland, Chile and Australia. The division supplies high-yielding feed for Atlantic salmon, Pacific salmon and trout.
- The EMEA division covering the EMEA region and involving all operations other than salmon. The division has production facilities in Denmark, France, Spain, Greece and Turkey.
- The Emerging Markets division covering new territories and business development activities, including production of shrimp feed. The division has production facilities in Ecuador, Costa Rica and China.

The business operation in Ecuador is dedicated to the production of shrimp feed. It was acquired in September 2017 and was consolidated from that point in time. The business operations in Turkey and China, both driven through joint ventures with local partners, are not consolidated.

BioMar	Q4 18	Q4 17	2018	2017
Volume ('000 of tonnes)	331	324	1,210	1,156
Revenue (DKKm)	2,822	2,637	10,328	9,955
- of which salmon north	1,339	1,456	4,892	5,420
- of which salmon south	672	489	2,315	1,957
- other divisions	811	692	3,121	2,578

Financial performance

BioMar lifted revenue by slightly more than expected in Q4 2018 to DKK 2,822 million from DKK 2,637 million in Q4 2017, reporting good earnings.

Full-year 2018 revenue was DKK 10,328 million, a 4% increase from DKK 9,955 million in 2017. The higher-than-expected revenue was based on a 5% increase in volumes sold relative to 2017. Developments in foreign exchange rates had a negative overall impact of approximately DKK 225 million on revenue, mainly due to lower USD, GBP and NOK rates relative to DKK.

As expected, the Salmon division reported a minor year-on-year volume decline in 2018. The setback was driven by the more intensive competition in Norway, whereas volume sales in Chile and Scotland improved.

BioMar reported a substantial decline in both terms of revenue and volumes sold in the crucial Norwegian market relative to 2017. The revenue decline was mainly due to the fact that BioMar did not win feed sales contracts in Norway for the second half of 2018 in the volume otherwise anticipated. On the other hand, revenue and volumes sold in Chile grew by a substantial margin relative to 2017. The improvements in that market were to a large extent driven by the favourable growth conditions enjoyed by the fish farming industry, but also by an attractive product offering allowing BioMar to expand business relations with existing customers while also attracting new customers.

The EMEA division reported revenue and volume sales in line with 2017. The year was one of unusually favourable weather conditions, including a warm summer that did not favour fish farming conditions, but mild weather at the end of the year extended the growth season, partially offsetting the unsuccessful growing season of the summer months. The Turkish joint venture increased sales year on year, despite the challenging macroeconomic conditions. The Turkish operations are not recognised in consolidated revenue.

The Emerging Markets division reported a substantial year-on-year increase in volumes sold. The improvement was mainly due to the acquisition of the business in Ecuador, which in 2017 was only consolidated from September, but it also generated substantial organic growth in 2018. The Chinese joint venture reported more business activity than in 2017, albeit less than expected due to the delayed start-up of the new factory in Wuxi just outside of Shanghai.

Like the Turkish activities, the Chinese operations are not consolidated. The two non-consolidated feed businesses reported combined 2018 revenue (100% basis) of DKK 781 million and EBITDA of DKK 71 million, compared to revenue of DKK 699 million and EBITDA of DKK 52 million in 2017. The non-consolidated feed businesses also include the fish farming company Salmones Austral and the Letsea and ATC Patagonia research centres. The non-consolidated companies are recognised in the 2018 consolidated financial statements at a share of profit of DKK 75 million after tax, compared to DKK 38 million in 2017. The profit improvement was attributable in particular to the Salmones Austral fish farming business in Chile (23% owned), which reported revenue (100% basis) of DKK 1,632 million and EBITDA of DKK 442 million for 2018.

BioMar reported EBITDA of DKK 713 million for 2018, which was in line with 2017 because the business acquisition in Ecuador and the positive developments in a number of markets during the year were offset by the earnings decline in Norway caused by more competitive market conditions. The reported EBITDA was also at the top end of the most recent guidance range of DKK 690-715 million.

Working capital increased from DKK 672 million at 31 December 2017, to DKK 846 million at 31 December 2018, due in part to a shift in the market and timing differences for volumes sold during the year. ROIC excluding goodwill remained high, at 22.6% at 31 December 2018, but still lower than the rate of 30.1% reported at 31 December 2017 due to the higher average invested capital in 2018.

See financial highlights and key ratios on pp. 32 and 33

BioMar

Business review

BioMar's acquisition of Ecuadorian shrimp feed manufacturer Alimentsa in autumn 2017 has progressed as planned, and the company continues to generate revenue and earnings fully in line with expectations. Alimentsa has been successfully integrated with the rest of the BioMar businesses, although there are still positive synergies and additional potential to be achieved. While retaining its focus on tilapia and shrimp feed for the Central American market, the business in Costa Rica is one of the BioMar units that are readily expected to benefit from the synergy potential with Alimentsa.

In response to BioMar Ecuador's positive performance combined with the market growth anticipated for the coming years, BioMar has installed a new production line in existing buildings, which will add about 25,000 tonnes of feed to the annual output capacity. The new line is scheduled to begin operations by the end of the first quarter of 2019. In addition to the new production line for pelleted feed, BioMar has commenced construction of an additional line for extruded feed, which will increase capacity in Ecuador by a further 40,000 tonnes of feed. The new production line represents an investment of approximately DKK 50 million and is expected to become operational in the first quarter of 2020.

In October 2018, BioMar opened the Aquaculture Technology Center (ATC) in Ecuador, a research center dedicated to shrimp farming. The ATC will be a value creator in BioMar's production of shrimp feed and for the company's customers. In addition, the ATC will complement BioMar's product development capabilities in other geographical markets and become a part of BioMar's ATC network that currently consists of facilities in Chile, Norway and Denmark.

In China, BioMar is currently building a new fish feed factory in Wuxi near Shanghai in a joint venture with Chinese partner Tongwei. The new facility will have an annual capacity of 50,000 tonnes of fish feed. Construction of the plant has been delayed several times, in part due to challenges arising in the cooperation with a local contractor, and the facility is expected to be commissioned at the end of the second quarter of 2019.

In March 2017, BioMar announced an almost DKK 300 million investment in a new feed factory in Tasmania, Australia. The project was previously moved back a few months due to regulatory processing, but it is now progressing to plan, and BioMar expects the new facility (annual fish feed capacity of about 110,000 tonnes) to be ready in early 2020.

BioMar has initiated a project that will lift the output capacity at Brande, Denmark, and reduce the load on the existing production facility. Demand continues to grow in the European markets, particularly for the specialty feeds BioMar manufactures at Brande. The new production line will be dedicated to specialised larval and fry diets and RAS feed (Recirculating Aquaculture Systems), and when it becomes operational the Brande facility will be BioMar's largest feed facility for non-salmon markets. The new line represents a total investment of about DKK 90 million and the expanded facility is expected to be commissioned by the end of 2019.

Outlook

Demand for farmed fish and shrimp is generally developing well in many markets, and there are no immediate indications of any changes to this trend. The overall salmon market is expected to grow at a moderate pace in 2019 driven by generally good biological conditions, while the shrimp farming business in Ecuador is expected to see more pronounced growth.

BioMar expects market conditions in Norway will be challenging in 2019, as moderate growth in demand combined with high supply makes for an extremely competitive market. BioMar has considerable output capacity in Norway, but due to the challenging market conditions, the company must give priority to long-term sustainable earnings over short-term volume sales.

BioMar will defend its market share and expand its position by developing and implementing new products and continuing to strongly focus on optimising margins, enhancing efficiency and on customer communication. Prices of farmed fish, including salmon prices, are expected to remain at a level that will provide solid earnings for fish farmers, which will reduce BioMar's risk of bad debts.
Obviously, Britain's departure from the EU will affect BioMar's operations in Scotland, especially in terms of procuring raw materials from areas outside the UK. While this not expected to have a material effect, BioMar is still trying to mitigate possible negative effects by building inventories and identifying potential alternative suppliers.

Against this background, BioMar expects to generate full-year 2019 revenue of about DKK 10.3 billion, but as always changes in raw materials prices and foreign exchange rates may impact revenue. The full-year EBIT will also depend on how foreign exchange rates develop, but based on the current outlook, BioMar expects to generate EBITDA in the range of DKK 820-890 million, of which about DKK 130 million relate to IFRS16.

Associates and joint ventures, which are recognised at a share of profit after tax, are expected to contribute profit of approximately DKK 80 million in 2019 compared with DKK 75 million in 2018.

See financial highlights and key ratios on pp. 32 and 33

Ownership through and alongside company managements

Schouw & Co. maintains an ongoing and close dialogue with portfolio company management teams on such issues as strategy, financing, accounting, investments and acquisitions. Ownership is always exercised through and alongside company management teams. Pictured here are (from left to right) Kasper Okkels (Vice President Strategy, Business Development & IR), Peter Kjær (Vice President), Jens Bjerg Sørensen (CEO) and Erik Weimar Rasmussen (CFO).

See financial highlights and key ratios on pp. 32 and 33

Nonwovens

Schouw & Co. has been the owner of its two nonwovens companies, Fibertex Personal Care and Fibertex Nonwovens, since 2002. Fibertex was founded in 1968 and the Personal Care activities were started up in 1998. In 2011, the two businesses became separate independent units through a demerger. A common trait for the two companies is that they manufacture nonwoven textiles from similar raw materials, whereas their technologies, customers and markets differ completely.

FIBERTEX PERSONAL CARE

Fibertex Personal Care is one of the world's largest manufacturers of spunbond/spunmelt nonwovens for the personal care industry. The company has been under Schouw & Co. ownership since 2002.

Value creation

- Fibertex Personal Care manufactures much of the nonwoven textiles used for diapers, sanitary towels and incontinence products. In many cases, customers are major hygiene product manufacturers, such as Proctor & Gamble, selling their products under global brands.
- Innovation and product development have been the company's focal areas for many years, and customers have long recognised Fibertex Personal Care for this.

Growth

- In Asia, disposable diapers are still used much less than in Europe, where disposable diapers are used for virtually all babies. Due to growing prosperity, attention to personal hygiene and growth of the middle class in Asia, the Asian market has grown by more than 10% annually over the past many years.
- The global market for spunbond nonwovens is forecast to grow by about 5% per year.

Presence

- The production of spunbond material is based in Denmark and Malaysia. Being easy to transport, the material is shipped to destinations all over Europe and in most parts of South-East Asia and in quite large quantities to Japan.
- In addition to the production of spunbond nonwovens, the company possesses a unique technology that allows direct printing on nonwoven fabrics. Printing currently takes place at sites in Germany and Malaysia, and printing capacity has now also been installed in the USA.

Fibertex NONWOVENS

Fibertex Nonwovens manufactures nonwovens for a wide range of industrial applications. The company has been under Schouw & Co. ownership since 2002.

Value creation

- Fibertex Nonwovens manufactures nonwoven textiles. Applications include cars and furniture, for wet wipes, as weed covers, as well as for acoustic purposes, as composite products, filtration solutions and in infrastructure projects.
- The products are used as a textile either in place of another, more expensive and heavier material or as an integral part of a customer's production. For example, almost 30 m^2 of nonwoven fabrics are used in modern cars.

Growth

- Growth in the use of nonwovens derives from new applications and greater use in existing products. For example, nonwovens are used to reduce the weight of a car and thereby to improve its fuel economy, while new applications, such as for filtration, are expanding the accessible market.
- Overall, the use of industrial nonwovens is forecast to grow by about 5% per year.

Presence

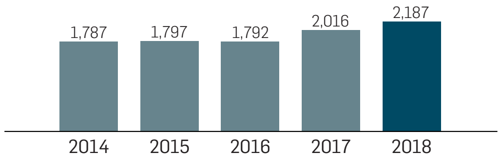
- Production and sales are mainly based within the EU, and Fibertex Nonwovens operates factories in Denmark, France and the Czech Republic. These three factories account for about 60% of the company's combined output.
- In addition, the company has production facilities in the USA, Turkey, Brazil and South Africa.

See financial highlights and key ratios on pp. 32 and 33

Fibertex Personal Care

Revenue increase and EBITDA as expected. Construction of the new print facilities in the USA now completed. Focus is on a stronger cash flow and on using the existing production facilities to their full potential in 2019.

Revenue performance



Fibertex Personal Care is one of the world's largest manufacturers of spunbond/spunmelt nonwovens for the personal care industry. The company has nonwovens production facilities in Denmark and Malaysia.

Its operations also include Innowo Print, a market leader in direct printing on nonwoven textiles. The company has nonwovens production facilities in Germany, Malaysia and the USA.

Financial performance

Fibertex Personal Care reported an increase in revenue to DKK 608 million in Q4 2018 from DKK 545 million in Q4 2017 and earnings in line with expectations, bringing full-year 2018 revenue to DKK 2,187 million, an 8% increase from DKK 2,016 million in 2017. This revenue increase was driven in particular by higher prices of raw materials and an increase in the printing activity business. Volumes sold were in line with last year, but with a shift away from Europe and towards Asia.

Fibertex Personal Care	Q4 18	Q4 17	2018	2017
Revenue (DKKm)	608	545	2,187	2,016
- nonwovens from Denmark	178	191	695	730
- nonwovens from Malaysia	306	285	1,116	1,020
- printing activities	124	69	376	266

Reported EBITDA was DKK 315 million, compared with DKK 365 million in 2017. The drop in earnings was mainly the result of a change in product mix and lower production efficiency due in part to tough competition currently faced by the company's customers in Asia. Despite higher volume sales, this has depressed demand for products supplied by the factories in Malaysia. In addition, running in the printing operations in Malaysia weighed on EBITDA to the tune of DKK 5 million in 2018, and developments in raw materials prices and foreign exchange rates relative to 2017 had more than a DKK 20 million impact on earnings in general.

Working capital grew from DKK 355 million at 31 December 2017 to DKK 447 million at 31 December 2018. Higher receivables and inventories were the main reason for the higher working capital, in part due to an inventory build-up in Malaysia to provide a buffer for production optimisation purposes.

The most recent investments, in a new factory unit in Malaysia, a technology upgrade in Denmark, and in new print production facilities in the USA combined with the higher working capital to increase the average invested capital. Combined with the lower earnings, this reduced the return on invested capital, ROIC, excluding goodwill from 15.8% at 31 December 2017 to 11.4% at 31 December 2018.

Business review

In the European market, demand is gradually moving towards specialty products in a trend originating in Asia where the market is also undergoing major change. Fibertex Personal Care has adapted to the situation by stepping up its focus on innovation and patents involving specialty products. As a result, the company will soon be ready to launch products featuring new functions and visual effects as well as softer and textile-like materials.

The company sells its products mainly to the baby diaper segment, but it is seeing a strong increase in product sales for the incontinence and sanitary towels segments, driven by demographic developments and generally more demanding users of sanitary towels. The company is working hard to maximise the use of its technology platform, raw materials and techniques enabling the production of specialty products.

Fibertex Personal Care possesses unique know-how of direct printing on nonwoven textiles, and the development of new print technologies, visual effects and globally available capacity that starting in 2019 will also encompass the USA will all strengthen the company's business opportunities. Construction of the new factory at Asheboro, North Carolina, has now been completed, and it represents a total investment of approximately DKK 100 million.

Outlook

Tough competition remains characteristic of the European market, especially for commodity nonwovens, but due to investments in new technology and upgrades of existing product lines, the company is still able to meet customer demands for innovative products combined with a high level of quality and service.

The company's customers represent global consumer brand names, which are under pressure in the Asian markets where market conditions have changed. This applies especially to China, due to the many new local suppliers in that market. Fibertex Personal Care expects moderate demand from several major customers in Asia during the coming year, but the company is strongly positioned as a preferred supplier to the Asian market.

Massive investment in the nonwoven industry in recent years has produced a challenging and competitive market which is expected to persist in the coming years. Consequently, Fibertex Personal Care's strategic focus in the years ahead will be to maximise the use of the company's existing assets until it becomes necessary to invest in additional capacity.

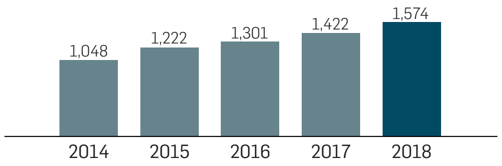
Fibertex Personal Care expects to generate full-year 2019 revenue of about DKK 2.3 billion. As always, however, changes in raw materials prices and foreign exchange rates may impact revenue and earnings performance. Based on the current outlook, Fibertex Personal Care expects to generate 2019 EBITDA in the range of DKK 320-340 million, of which about DKK 2 million will be due to the implementation of IFRS16.

See financial highlights and key ratios on pp. 32 and 33

Fibertex Nonwovens

Revenue improved in 2018, but earnings weaker than expected, in part due to non-recurring costs in India and higher raw materials prices. Newly-established facility in South Carolina, USA acquired after the end of the financial year. Improvements expected in 2019.

Revenue performance



Fibertex Nonwovens is among Europe's leading manufacturers of nonwovens, i.e. non-woven textiles used for a number of different industrial purposes. The company's core markets are in Europe and North and South America, while its secondary markets are in Africa and Asia.

Financial performance

Fibertex Personal Care reported an increase in revenue to DKK 373 million in Q4 2018 from DKK 331 million in Q4 2017, but with result well below expectations, bringing full-year 2018 revenue to DKK 1,574 million, an 11% increase from DKK 1,422 million in 2017. The revenue improvement was due primarily to the acquisition of the nonwoven business in Brazil in February 2018, which contributed DKK 115 million, and to growth in the US business, whereas tough competition and lower-than-expected demand weighed on performance in the European markets.

Reported EBITDA was DKK 160 million, compared with DKK 179 million in 2017, which was less than expected. The main reasons for the drop in earnings were high prices of raw materials and lower sales towards the end of the year, as well as substantial nonrecurring costs for restructuring and downsizing operations in India at the end of the year.

Prices of the most frequently used types of raw materials rose steeply in 2017, and the trend continued in 2018. Steps were taken to offset the effects of challenging prices and the extreme competition in general, including comprehensive price increases, the launch of new and improved products and internal efficiency-improvements and cost savings. Developments in prices of raw materials had a severe impact on the European factories, which were unable to pass on the higher prices. On the other hand, the US operations improved, and the acquisition in Brazil contributed about DKK 13 million to EBITDA net of acquisition expenses.

The higher business activity and the acquisition in Brazil drove up working capital from DKK 422 million at 31 December 2017 to DKK 524 million at 31 December 2018, of which Brazil accounted for DKK 47 million. ROIC excluding goodwill fell from 7.8% at 31 December 2017 to 5.6% at 31 December 2018, due to high capex levels in 2017 and 2018, combined with lower 2018 earnings.

Business review

In recent years, Fibertex Nonwovens has consolidated its position as a leading manufacturer of industrial nonwovens. In terms of development and innovation, the company has built a solid portfolio of new projects, including products for the automotive and composite industries and for filtration and acoustic applications. In order to capitalise on its future growth potential, the company has expanded operations and upgraded lines in order to increase the proportion of value-added products.

The acquired Brazilian factory has been integrated into the global sales organisation during the past year, giving Fibertex Nonwovens a strong platform on the important Brazilian market.

Fibertex Nonwovens has now started up an important strategic initiative involving industrial scale production of nanoproducts and advanced filtration media. After more than ten years of research and development, Fibertex Nonwovens is among the first companies ready to manufacture unique products for the filtration and medtech industries.

The US business continued its positive developments in 2018, reporting growing revenue and earnings while also building a strong customer portfolio. The position in the USA is considered an important long-term investment in an attractive growth market.

After the end of the financial year, Fibertex Nonwovens acquired a newly-established state-of-the-art spunlacing facility in South Carolina. The acquisition represents a total investment of about DKK 140 million. The new production site provides Fibertex Nonwovens a strategically important foundation for further growth in the North American market and also complements Fibertex Nonwovens' existing site in Illinois.

Outlook

Fibertex Nonwovens expects market conditions in 2019 to be largely in line with those of 2018, but concerns about how the global economy will develop may obviously impact demand. Expectedly, it will be easier to absorb changes to raw materials prices than was the case in 2018, so the company may strike a better balance between the prices of raw materials and selling prices. In addition, operating results in South Africa are expected to improve, and consolidated earnings will not be weighed down by the non-recurring costs in India recognised at the end of 2018.

While the acquisition of the spunlacing business in South Carolina in January 2019 will contribute to full-year revenue, the new facility will need to be run in during 2019 and is not expected to contribute to earnings until from 2020.

On that background, Fibertex Nonwovens expects to generate revenue in the range of DKK 1.6-1.7 billion and to improve EBITDA to the range of DKK 165-185 million in 2019, of which about DKK 2 million will be due to the implementation of IFRS16. Given the structural investments made and the company's increased efforts to work the market, Fibertex Nonwovens is believed to have built a solid platform from which to grow its future earnings.

See financial highlights and key ratios on pp. 32 and 33

Industrial solutions

Three of the companies in our portfolio are all different, but nevertheless they have a number of common traits as sub-suppliers of industrial solutions. They all source parts and components from various suppliers and then provide assembly or processing services as well as advisory services, technical know-how and strategic cooperation to their customers. The companies offer logistics solutions and integration services to their customers.

GPV

GPV is one of Europe's largest EMS (Electronic Manufacturing Services) companies and has been under Schouw & Co. ownership since 2016.

Value creation

- GPV creates value by offering advanced customised solutions in electronics, mechanics and mechatronics.
- Its products are low-volume specialist electronics and technically advanced mechanics components.

Growth

- Business growth derives from customers' increasing use of outsourcing and the growing electronics content of industrial products, in part due to the impact of the Industrial Internet of Things.
- The EMS industry is forecast to grow by about 5-7% annually.

Presence

- Servicing customers in Europe, Asia and the Americas from factories in Denmark, Thailand and Mexico.
- Following an acquisition, GPV is represented in Switzerland, Germany, Austria, Slovakia, Sri Lanka and China effective from 2019.

HydraSpecma Group

HydraSpecma is among the largest specialist hydraulics players in the Nordic region. Hydra-Grene has been under Schouw & Co. ownership since 1988, and the Specma operations were acquired in 2016.

Value creation

- HydraSpecma possesses engineering expertise, product know-how, market understanding and business acumen within all areas of hydraulics.
- The company provides unique advisory services and fast delivery across the entire hydraulics field.

Growth

- Several business segments offer very positive growth prospects, including wind turbines and contractors' equipment.
- Hydraulics applications are forecast to grow by about 5% annually in the industries HydraSpecma supplies.

Presence

- Strong Nordic presence with several units in Denmark, Sweden and Finland.
- Has followed its major customers to international markets and currently has business units in Poland, the UK, China, India, the USA and Brazil.

BORG AUTOMOTIVE

Borg Automotive is Europe's largest independent automotive remanufacturing company. The company has been under Schouw & Co. ownership since the second quarter of 2017.

Value creation

- Instead of being scrapped, defective alternators, brake calipers and steering racks can be remanufactured and reused in the market as part of the circular economy.
- Borg offers the broadest product range in the remanufacturing industry, covering most car makes.

Growth

- There are more and more cars on the roads, and today's cars are driving further than before. At the same time, there is global attention on reusing materials.
- The European remanufacturing industry is forecast to grow by about 7% annually.

Presence

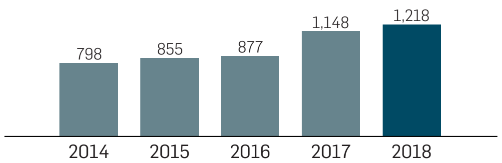
- European-based production in Poland and the UK. Sales and development activities run out of Denmark and Belgium.
- Customers are European distributors of auto parts and OE manufacturers.

See financial highlights and key ratios on pp. 32 and 33

GPV

Revenue and earnings for 2018 in line with expectations. Revenue and earnings guidance up considerably following acquisition of Swiss-based EMS company CCS.

Revenue performance



GPV is a leading European EMS (Electronic Manufacturing Services) company. The company is a high-mix/low-medium (HMLM) volume manufacturer for the B2B market. GPV's core products are electronics, high-precision mechanics and mechatronics (combination of electronics, software and mechanical technology). Its customers are primarily major international businesses typically headquartered in Europe or North America. GPV sells its products to its customers' international units in large parts of the world and in 2018 shipped products to customers in more than 30 countries.

At the end of 2018, GPV acquired Swiss-based EMS company CCS Group, which was consolidated from the date of acquisition. The transaction adds facilities in Switzerland, Germany, Austria, Slovakia, Sri Lanka and China to GPV's existing production facilities in Denmark, Mexico and Thailand, while strengthening its market coverage in the German-speaking parts of Europe.

Financial performance

GPV reported an increase in revenue to DKK 316 million in Q4 2018 from DKK 295 million in Q4 2017 and earnings in line with expectations, bringing full-year 2018 revenue to DKK 1,218 million, a 6% increase from DKK 1,148 million in 2017. Revenue growth was constrained during the year because a few large customers generally experienced less business activity than last year, especially in the first half of 2018.

Reported EBITDA was DKK 115 million, compared with DKK 107 million in 2017, which was in line with expectations. The reported earnings remain impacted by costs of about DKK 25 million for building operations in Mexico, and transaction costs recognised at DKK 10 million in relation to the acquisition of CCS. Consolidating CCS had no other effect on 2018 earnings, but the company was consolidated effective from the end of 2018.

Working capital amounted to DKK 370 million at 31 December 2018 (exclusive of CCS), compared with DKK 295 million at 31 December 2017. In addition to the added activity, the increase in working capital was attributable to the start-up of the new facility in Mexico and contracts to secure sufficient inventories. Inclusive of CCS, working capital was DKK 809 million at 31 December, 2018. ROIC excluding goodwill (and exclusive of CCS) fell from 16.9% at 31 December 2017 to 11.8% at 31 December 2018, due to completed investments for capacity expansion and the increase in working capital.

Business review

Meeting customer requirements for high quality standards and reliability of supply is a big priority for GPV. To ensure adequate flexibility, the company has a current investment programme to step up automation and increase production capacity. In particular, this will involve expanding the factory space at the facility in Thailand, which will grow business activity there by about 50%. The new factory expansion will become operational in successive stages and is scheduled for final completion in 2021.

With the electronics factory established recently in Mexico, GPV has strengthened its position in terms of manufacturing and shipping to the Americas. The new factory began operations in 2017, however startup of the activity has taken longer time than expected.

At the end of 2018, GPV acquired EMS company CCS Group based in Lachen Switzerland. The transaction had an enterprise value of approximately DKK 800 million on a debt-free basis. Founded in Switzerland in 1985, the CCS Group specialises in electronics, system integration and cable harness manufacturing. The company operates production facilities in Switzerland, Germany, Austria, Slovakia, Sri Lanka and China.

The CCS acquisition complements GPV's existing activities and market coverage, particularly in the German-speaking parts of Europe. The deal has created a major European EMS business headquartered in Denmark that will have production facilities in Asia, Europe and the Americas and about 4,000 employees. The integration of CCS began in earnest on 7 January 2019 when all unit names were changed to GPV.

Outlook

GPV generally expects flat markets in the short term. The positive market trends seen in 2017 and 2018 have resulted in extraordinarily long lead times for certain electronic components. As a result, sourcing components and raw materials has become more resource intensive and more important for GPV in supplying products to its customers.

GPV expects to grow its revenue from existing operations in 2019, in part to be driven by the positive effects of new products and an inflow of new clients. Add to this the substantial effects from the acquisition of the Swiss-based EMS company which will be consolidated for the full year in 2019. As a result of the acquisition, EBITDA for 2019 will be affected by inventory adjustments of about DKK 15 million and integration costs which are currently expected to amount to about DKK 35 million net of a limited amount of positive synergies during the year.

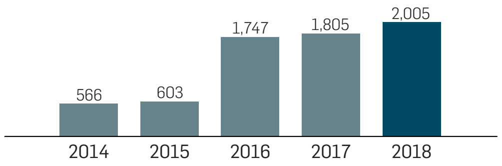
On that background, GPV expects to generate revenue of about DKK 2,750 million and EBITDA in the range of DKK 190-210 million in 2019, of which about DKK 30 million will be due to the implementation of IFRS 16.

See financial highlights and key ratios on pp. 32 and 33

HydraSpecma

Revenue exceeds DKK 2 billion with strong earnings in 2018. Completed investment in capacity expansion and automation raises efficiency and improves business volume. Guiding for sustained earnings improvements in 2019.

Revenue performance



HydraSpecma is a specialised manufacturing, trading and engineering company whose core business is hydraulic components and systems for industry and the aftermarket. The company is a hydraulics market leader in the Nordic region, which is the base of its core production facilities and most of its operations. HydraSpecma also serves customers from its own businesses in Poland, the UK, China, India, Brazil and the USA.

Financial performance

HydraSpecma reported an increase in revenue to DKK 502 million in Q4 2018 from DKK 464 million in Q4 2017 along with strong earnings as expected, bringing full-year 2018 revenue to DKK 2,005 million, an 11% increase from DKK 1,805 million in 2017. The largest contributor to the improvement was the wind turbine segment followed by the extraordinary business activity in the contractors' equipment, lorries and buses, and the building and construction segments.

Reported EBITDA was DKK 175 million, compared with DKK 148 million in 2017. The earnings improvement was driven by the high level of activity combined with efficiency enhancements resulting from completed investments in both production equipment and organisational development.

Working capital increased from DKK 566 million at 31 December 2017, to DKK 678 million at 31 December 2018. The greater working capital was due to the increased business activity and to an increase in the volume of goods in transit to overseas markets and from the build-up of inventory in the USA. In addition, the company has made the strategic decision to increase inventories of key products in response to longer supplier lead times.

The earnings increase for the year offsets the higher average invested capital, lifting the return on invested capital, ROIC, excluding goodwill to 14.3% at 31 December 2018 from 13.0% at 31 December 2017.

Business review

HydraSpecma invested to expand production capacity and increase automation in 2018 aiming to enhance efficiencies and trim production costs, and the company will continue investing in 2019. In Poland, construction of a new 7,300m^2 factory is scheduled for completion in the first quarter of 2019. The new facilities will enable HydraSpecma to continue to serve customers, especially from Sweden and Finland, that have relocated operations to Poland. The new factory in Poland will also serve new customers in Central Europe and the UK.

In response to the growing customer demand, the company is investing in automation and to expand its output processing capacity of hydraulic hoses and pipes in Sweden and to increase the production output of complete units for the wind turbine industry in Denmark. HydraSpecma is also starting up production of complete hydraulics systems at its subsidiaries in China in response to growing demand for large, integrated hydraulics systems for non-European markets.

As part of a major logistics project, HydraSpecma will be combining several of its business units in Finland, where the company is building a 3,000 m^2 state-of-the-art warehouse and logistics facilities expected to be in operation in the second quarter of 2019. The company is also working to optimise its current logistics and production setup in Sweden and Denmark by consolidating production in stronger units.

HydraSpecma allocates resources for developing and testing new products in collaboration with customers on a regular basis, continually investing to develop its know-how and expertise. Among the fields currently in focus is electrification. The company is prepared to make the necessary investments to remain an attractive business partner to its customers and suppliers.

Outlook

HydraSpecma expects to maintain the high level of activity in the coming year. The company also expects a change in the geographical markets, as activities in China are expected to expand in industries such as wind power, while demand in Europe is expected to see a largely similar decline.

The hydraulics market is seeing growing global competition in both the wind turbine segment and in the rest of the industrial OEM market. In a situation of increasing prices and longer supplier lead times, this places heavy demands on the company's ability to optimise its production capacity and processes, to developing the organisation and ensure a successful integration of the company's various units.

HydraSpecma is currently working to optimise its current working capital. The intention is to optimise logistics and business procedures in order to maintain its high level of supply service.

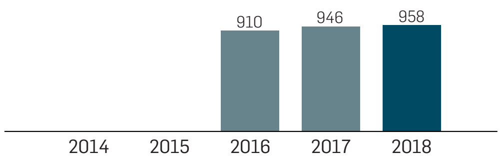
HydraSpecma expects to continue to generate revenue of about DKK 2.0 billion and to improve EBITDA to the range of DKK 210-230 million in 2019, of which about DKK 30 million will be due to the implementation of IFRS16.

See financial highlights and key ratios on pp. 32 and 33

Borg Automotive

Higher volumes, but softer earnings. Strong market position, large product range and good capacity provide a platform for growth. Revenue and EBITDA growth expected in 2019.

Revenue performance



Europe's largest remanufacturing company, Borg Automotive, produces, sells and distributes remanufactured automotive parts to the European market.

Borg Automotive sells its products under three different brands: Lucas, Elstock and DRI, with Elstock and DRI being proprietary brands. The company's main products are starters, alternators, brake calipers, air-condition compressors, EGR valves, steering racks and pumps. The company's business model is supported by a sales deposit system that encourages customers to return defective spare parts as they are replaced, so they can be used as cores for remanufacturing purposes. Headquartered in Silkeborg, Denmark, Borg Automotive operates production facilities in Poland and the UK and has a sales and development subsidiary in Belgium.

Schouw & Co. acquired Borg Automotive at 1 April 2017, and the company was thus only consolidated as from the second quarter of 2017. For purposes of comparison, however, the financial review also refers to Q1 2017 in the year-to-date comparative figures for 2017.

Financial performance

Borg Automotive reported revenue of DKK 217 million in Q4 2018, compared to DKK 224 million in Q4 2017 and earnings slightly short of expectations. This brought full-year 2018 revenue to DKK 958 million, a 1% increase from DKK 946 million in 2017. The modest improvement was slightly less than expected, with sales slowing especially in the fourth quarter as several major customers reviewed their inventories at year-end and with several customers experiencing a drop in business activity during the final three months of the year. Nevertheless, total volumes sold were higher than in 2007.

Reported EBITDA for 2018 was DKK 131 million compared to DKK 102 million in the 2017 calendar year when non-recurring costs and inventory adjustments due to the purchase price allocation affected EBITDA by a total of DKK 53 million. The reported earnings for 2018 were weighed down by larger customer bonuses and a number of adjustments relating to cores.

Working capital fell from DKK 200 million at 31 December 2017 to DKK 141 million at 31 December 2018, while the reported return on invested capital (ROIC) excluding goodwill was 20.7%.

Business review

Borg Automotive experienced positive demand in volume terms in 2018. Borg Automotive has two sales departments: Elstock, based in Denmark, sells to the independent aftermarket, while CPI, based in Belgium, sells to private-label customers, including OES (Original Equipment Service) customers. The positive demand performance is seen across the product range, and overall sales volumes grew 8% relative to 2017.

Developing the product programme, optimising production and ensuring complementary operations at the two production units in Poland and the UK is an ongoing priority at Borg Automotive. The company has also taken steps to make trading easier for customers through increased digitalisation of services and transactions.

The current positive demand trends make it relevant to increase capacity. The purpose of the upcoming expansion will be to build the capacity to manage a wider product range and a broader geographical footprint, while also ensuring that the current customer base receives a level of service that accommodates the ever-growing demands for speed of delivery, precision and quality.

As part of the expansion plans, Borg Automotive began to establish a new production site in Lublin, Poland in autumn 2018. The new factory was set up in existing business premises acquired for the purpose, and it will initially house the production of brake calipers, which is currently the fastest growing product in the portfolio. The new production unit became operational early in 2019, and it is expected that it can be expanded over a number of years so as to double the current capacity in Poland.

Outlook

The market Borg Automotive serves has experienced considerable customer consolidation in recent years that give the consolidated companies higher procurement volumes, leading to changes in their trading patterns. This trend is expected to continue in 2019. On the positive side, consolidation also facilitates higher sales volumes. Borg Automotive has a broad product portfolio and a strong pipeline that will continue to support positive sales developments to the independent aftermarket and to the OES segment.

Borg Automotive generates about 20% of its overall sales in the UK, and some of the company's largest core suppliers are based there as well. As a result, the actual process involving Britain's withdrawal from the EU may have a significant impact on revenue and earnings for 2019. The 2019 guidance is based on a solution being found that will postpone the withdrawal or result in an agreement so that a so-called hard Brexit can be avoided.

On that background, Borg Automotive expects to generate revenue of about DKK 1,000 million and EBITDA in the range of DKK 140-150 million in 2019, of which about DKK 11 million will be due to the implementation of IFRS16.

Portfolio company financial highlights – full year

	BioMar		Fibertex Personal Care		Fibertex Nonwovens		GPV		HydraSpecma		Borg Automotive		Group	
Full year	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
INCOME STATEMENT														
Revenue	10,328	9,955	2,187	2,016	1,574	1,422	1,218	1,148	2,005	1,805	958	946	18,253	17,032
Gross profit	1,275	1,223	380	423	314	318	262	251	505	471	240	226	2,975	2,840
EBITDA	713	712	315	365	160	179	115	107	175	148	131	102	1,579	1,568
Depreciation and impairment losses	184	153	122	114	95	91	37	25	58	60	35	28	532	475
EBIT	529	559	194	251	65	88	78	81	117	88	96	73	1,047	1,093
Profit after tax in associates and JV's, etc.	75	38	0	0	0	0	0	0	0	0	0	0	79	42
Net financial items	-35	14	-18	-25	-40	-39	-4	5	-16	-21	-7	2	-40	-30
Profit before tax	569	611	176	226	25	49	74	87	102	67	89	75	1,086	1,105
Tax on profit/loss for the year	-163	-146	-44	-47	-10	-6	-9	8	-29	-17	-22	-10	-290	-230
Profit before non-controlling interests	407	465	131	179	16	42	65	95	73	50	67	65	796	874
Non-controlling interests	0	0	0	0	6	4	0	0	-1	1	0	0	5	5
Profit for the year	407	465	131	179	22	47	65	95	72	50	67	65	801	879
CASH FLOWS														
Cash flow from operating activities	366	296	184	253	60	108	40	7	10	-11	149	28	837	763
Cash flow from investing activities	-217	-1,027	-153	-319	-179	-180	-741	-103	-85	-44	-41	-19	-1,360	-2,763
Cash flows from financing activities	-108	657	-81	121	108	63	832	72	81	43	-114	-48	623	818
BALANCE SHEET														
Intangible assets*	1,294	1,273	82	84	160	150	429	18	260	289	345	354	3,594	3,195
Property, plant and equipment	1,300	1,207	1,412	1,357	824	820	425	240	234	192	91	73	4,317	3,959
Other non-current assets	568	497	56	72	2	4	54	45	6	9	56	57	763	710
Cash and cash equivalents	284	241	31	77	25	37	158	26	29	23	5	11	585	478
Other current assets	3,695	3,081	742	633	757	627	1,230	546	1,012	899	553	490	7,681	6,047
Total assets	7,141	6,299	2,323	2,222	1,768	1,639	2,296	875	1,541	1,412	1,050	985	16,940	14,389
Shareholders' equity	2,581	2,490	992	941	541	548	743	243	470	440	598	456	8,659	8,332
Interest-bearing liabilities	1,415	1,201	853	822	960	843	970	377	708	616	25	155	3,058	1,805
Other liabilities	3,146	2,608	478	458	267	248	582	255	363	356	427	374	5,223	4,252
Total equity and liabilities	7,141	6,299	2,323	2,222	1,768	1,639	2,296	875	1,541	1,412	1,050	985	16,940	14,389
Average no. of employees	1,177	996	713	656	1,000	867	1,453	1,302	1,219	1,147	1,599	1,458	7,174	6,087
FINANCIAL KEY FIGURES														
EBITDA margin	6.9%	7.2%	14.4%	18.1%	10.2%	12.6%	9.4%	9.3%	8.7%	8.2%	13.6%	10.7%	8.7%	9.2%
EBIT margin	5.1%	5.6%	8.9%	12.4%	4.2%	6.2%	6.4%	7.1%	5.9%	4.9%	10.0%	7.7%	5.7%	6.4%
ROIC excluding goodwill	22.6%	30.1%	11.4%	15.8%	5.6%	7.8%	11.8%	16.9%	14.3%	13.0%	20.7%	23.3%	14.5%	17.6%
ROIC including goodwill	14.8%	19.5%	10.8%	14.9%	5.2%	7.1%	11.6%	16.5%	12.5%	11.1%	11.1%	12.7%	11.3%	13.8%
Working capital	846	672	447	355	524	422	809	295	678	566	141	200	3,441	2,505
Net interest-bearing debt	880	726	822	746	926	806	812	351	652	554	-42	144	2,425	1,275

*** Intangible assets in portfolio businesses stated exclusive of consolidated goodwill in Schouw & Co.**

Portfolio company financial highlights – Q4

	BioMar		Fibertex Personal Care		Fibertex Nonwovens		GPV		HydraSpecma		Borg Automotive		Group	
Q4	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
INCOME STATEMENT														
Revenue	2,822	2,637	608	545	373	331	316	295	502	464	217	224	4,834	4,491
Gross profit	365	342	108	115	60	71	69	68	127	109	29	66	757	771
EBITDA	213	217	88	102	23	40	29	25	44	27	30	41	421	443
Depreciation and impairment losses	46	45	31	31	21	24	10	5	15	15	8	8	132	129
EBIT	167	172	57	71	2	16	18	20	30	12	21	32	289	314
Profit after tax in associates and JV's, etc.	33	22	0	0	0	0	0	0	0	0	0	0	42	27
Net financial items	-7	-5	-4	-5	-4	-7	-2	1	-1	-4	-1	4	24	-3
Profit before tax	193	190	53	66	-2	9	16	21	29	8	20	36	355	339
Tax on profit/loss for the period	-58	-56	-15	-9	0	12	-4	22	-12	-4	-8	-8	-108	-49
Profit before non-controlling interests	136	133	38	57	-2	21	12	43	17	4	12	29	247	289
Non-controlling interests	0	0	0	0	1	1	0	0	0	-1	0	0	1	0
Profit for the period	136	133	38	57	-1	21	12	43	16	3	12	29	248	289
CASH FLOWS														
Cash flow from operating activities	176	-42	40	72	37	38	39	12	26	-38	8	-20	308	55
Cash flow from investing activities	-75	-42	-39	-73	-33	-86	-643	-24	-32	-17	-28	174	-794	-421
Cash flows from financing activities	-88	135	-25	23	-6	51	739	17	0	33	11	-182	602	291
BALANCE SHEET														
Intangible assets*	1,294	1,273	82	84	160	150	429	18	260	289	345	354	3,594	3,195
Property, plant and equipment	1,300	1,207	1,412	1,357	824	820	425	240	234	192	91	73	4,317	3,959
Other non-current assets	568	497	56	72	2	4	54	45	6	9	56	57	763	710
Cash and cash equivalents	284	241	31	77	25	37	158	26	29	23	5	11	585	478
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Total assets	7,141	6,299	2,323	2,222	1,768	1,639	2,296	875	1,541	1,412	1,050	985	16,940	14,389
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Total equity and liabilities	7,141	6,299	2,323	2,222	1,768	1,639	2,296	875	1,541	1,412	1,050	985	16,940	14,389
Average no. of employees	1,188	1,135	735	656	1,008	867	1,495	1,302	1,233	1,147	1,643	1,458	7,314	6,087
FINANCIAL KEY FIGURES														
EBITDA margin	7.5%	8.2%	14.5%	18.8%	6.2%	12.2%	9.0%	8.5%	8.9%	5.9%	13.6%	18.2%	8.7%	9.9%
EBIT margin	5.9%	6.5%	9.3%	13.1%	0.5%	4.8%	5.8%	6.9%	5.9%	2.7%	9.8%	14.4%	6.0%	7.0%
ROIC excluding goodwill	22.6%	30.1%	11.4%	15.8%	5.6%	7.8%	11.8%	16.9%	14.3%	13.0%	20.7%	23.3%	14.5%	17.6%
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Working capital	846	672	447	355	524	422	809	295	678	566	141	200	3,441	2,505
Net interest-bearing debt	880	726	822	746	926	806	812	351	652	554	-42	144	2,425	1,275

* Intangible assets in portfolio businesses stated exclusive of consolidated goodwill in Schouw & Co.

Group information

Board of Directors

Chairman

JØRN ANKÆR THOMSEN

Born 1945. Elected to the Board in 1982. Current term expires in 2022.

LL.M., University of Copenhagen. Attorney and of counsel, Gorrissen Federspiel Law Firm. Member of the company's audit committee and chairman of the company's nomination and remuneration committee. Mr Ankær Thomsen has special expertise in legal matters, including company law and capital markets, and in strategy, financial reporting, treasury and finance, as well as mergers and acquisitions.

Directorships

Chairman: Aida A/S, Carlsen Byggecenter Løgten A/S, Danish Industrial Equipment A/S, Ejendomsselskabet FMJ A/S, Fibertex Nonwovens A/S, Fibertex Personal Care A/S, F.M.J. A/S, Givesco A/S, Kildebjerg Ry A/S, Leighton Foods A/S, Søndergaard Give A/S, Th. C. Carlsen Løgten A/S.

Deputy Chairman: Carletti A/S, Jens Eskildsen og Hustru Mary Antonie Eskildsens Mindefond.

Board member: BioMar Group A/S, Borg Automotive A/S, Dan Cake A/S, Givesco Bakery A/S, Givesco Ejendomme A/S, GPV International A/S, Hydra-Grene A/S, Jacobsens Bakery Ltd A/S, Købmand Th. C. Carlsens Mindefond, Otto Mønsteds Kollegium i Aarhus.

Executive Management: Anpartsselskabet Jørn Ankær Thomsen, Galten Midtpunkt ApS, Perlusus ApS.

Shares held in Schouw & Co.

Holds 20,000 shares in Schouw & Co. (End 2017: 20,000 shares)

Independence as a board member

Jørn Ankær Thomsen is not considered to be independent due to his affiliation with the main shareholder Givesco A/S, his affiliation with a law firm which acts as an adviser to the company and the fact that he has served more than 12 years on the Board.

Deputy Chairman

JØRGEN WISBORG

Born 1962. Elected to the Board in 2009. Current term expires in 2021.

MSc, Aarhus School of Business and LEAP, Leadership Programme, Insead, France. CEO of OK a.m.b.a. Chairman of the company's audit committee and member of the company's nomination and remuneration committee. Mr Wisborg has special expertise in management and sales as well as in strategy, business development, financial reporting, treasury and finance.

Directorships

Chairman: Danoil Exploration A/S, Energidata A/S, Kamstrup A/S, Lygas Energiteknik A/S, OK Plus A/S, OK Plus Butiksdrift A/S, Samfinans A/S.

Deputy Chairman: Drivkraft Danmark.

Board member: Formuepleje Holding A/S and member of the supervisory committee of Lygas Finans A/S.

Executive Management: OK a.m.b.a., Rotensia ApS.

Shares held in Schouw & Co.

Holds 15,000 shares in Schouw & Co. (End 2017: 15,000 shares)

Independence as a board member

Jørgen Wisborg is considered to be independent.

Board member

KJELD JOHANNESEN

Born 1953. Elected to the Board in 2003. Current term expires in 2019.

Business diploma (HD), Marketing economics, Copenhagen Business School and a professional board member. Mr Johannesen has special expertise in management, production and sales as well as in strategy, business development and international business relations.

Directorships

Chairman: Hamlet Protein A/S, KPC Holding A/S, New Nutrition ApS, New Nutrition Holding ApS, Sparekassen Nordjyllands Fond af 29. marts 1976, Spar Nord Bank A/S.

Executive Management: CLK 2016 Holding ApS, Kjeld Johannesen Holding ApS.

Shares held in Schouw & Co.

Holds 22,000 shares in Schouw & Co. (End 2017: 22,000 shares)

Independence as a board member

Kjeld Johannesen is not considered to be independent, having served more than 12 years on the Board.

Board of Directors

Board member

AGNETE RAASCHOU-NIELSEN

Born 1957. Elected to the Board in 2012. Current term expires in 2020.

PhD, University of Copenhagen and a professional board member. Ms Raaschou-Nielsen has special expertise in business development and acquisitions, macroeconomics, emerging markets, as well as international production, sales and marketing. Member of the company's audit committee and of its nomination and remuneration committee.

Directorships

Chairman: AP Invest Kapitalforening, Arkil Holding A/S, Brødrene Hartmann A/S, Investeringsforeningen Danske Invest, Investeringsforeningen Danske Invest Select, Investeringsforeningen Procapture, Investeringsforeningen Profil Invest, Kapitalforeningen Danske Invest Institutional.

Deputy Chairman: Novozymes A/S.

Board member: Danske Invest Management A/S.

Shares held in Schouw & Co.

Holds 3,237 shares in Schouw & Co. (End 2017: 2,637 shares)

Independence as a board member

Agnete Raaschou-Nielsen is considered to be independent.

Board member

HANS MARTIN SMITH

Born 1979. Elected to the Board in 2017. Currnent term expires in 2021.

M.SC. (Economics) Aarhus University and Senior Vice President, regional CFO, Vestas Northern & Central Europe. Mr Smith has special expertise in finance, business development, strategy, M&A, capital markets and investor relations.

Directorships

Board member: GREP Svenska AB, NEG Micon UK Limited, Vestas Belgium SA, Vestas Benelux B.V., Vestas-Celtic Wind Technology Ltd, Vestas Central Europe – Zagreb d.o.o., Vestas Eastern Africa Ltd., Vestas Finland Oy, Vestas Manufacturing Rus OOO, Vestas Northern Europe AB, Vestas Norway AS, Vestas Poland sp. z o.o., Vestas RUS, Vestas Southern Africa (Pty) Ltd., Vestas Switzerland AG.

Executive Management: Vestas Blades Deutschland GmbH, Vestas Bulgaria EOOD, Vestas Central Europe d.o.o. Beograd, Vestas CEU Romania S.R.L., Vestas Czech Republic s.r.o., Vestas Deutschland GmbH, Vestas Georgia LLC, Vestas Nacelles Deutschland GmbH, Vestas Services GmbH, Vestas Slovakia spol. S.r.o., Vestas Österreich GmbH, WPT Nord GmbH.

Shares held in Schouw & Co.

Holds 600 shares in Schouw & Co. (End 2017: 0 shares)

Independence as a board member

Hans Martin Smith is considered to be independent.

Board member

KENNETH SKOV ESKILDSEN

Born 1973. Elected to the Board in 2018. Current term expires in 2022.

Business training from Aarhus Business College and managing director of Givesco Bakery A/S. Mr Eskildsen has special expertise in international business relations, accounting and economics as well as sales and production, including specifically in foods.

Directorships

Chairman: Almondy AB, Almondy Fastighets AB, Almondy Group Holding AB, Heede Bolcher A/S, MTK GmbH.

Board member: Carletti A/S, Carletti Fastigheter AB, Coldstar ApS, Coronet Cake Company ApS, Crispo Denmark ApS, Dina Food ApS, Food Innovation House ApS, French Bakery AS, Givesco A/S, Givesco Ejendomme A/S, Holdingselskabet af 22. august 2018 ApS, Humlum A/S, Hägges Finbageri AB, Investeringsselskabet af 22. august 2018 ApS, Jacobsen Bakery Ltd A/S, Jens Eskildsen og Hustru Mary Antonie Eskildsens Mindefond, JFKA Invest ApS, Kakes A/S, Nykers A/S, OK Snacks A/S, SiccaDania A/S, Switsbake Int AB, Vorgod Bageri A/S.

Executive Management: Coronet Cake Company ApS, Ejendomsselskabet Kristian Skous Vej 6 ApS, Givesco Bakery A/S, Givesco Ejendomme A/S, Grain Active A/S, JFKA Invest ApS, Porto ApS,

Shares held in Schouw & Co.

Holds 47,170 shares in Schouw & Co. (End 2017: 47,170 shares)

Independence as a board member

Kenneth Skov Eskildsen is not considered to be independent due to his affiliation with the main shareholder Givesco A/S.

Executive Management

President

JENS BJERG SØRENSEN

Born 1957. Appointed in 2000.

Business graduate, Niels Brock Business College, Business diploma (HD), Marketing economics, Copenhagen Business School, IEP – Insead Executive Programme, Insead, France.

Directorships

Chairman: A. Kirk A/S, Alba Ejendomme A/S, BioMar Group A/S, Borg Automotive A/S, Dovista A/S, F. Salling Holding A/S, F. Salling Invest A/S, GPV International A/S, Hydra-Grene A/S, Købmand Herman Sallings Fond.

Deputy Chairman: Fibertex Nonwovens A/S, Fibertex Personal Care A/S, Per Aarsleff A/S, Per Aarsleff Holding A/S, Salling Group A/S.

Board member: Aida A/S, Bitten og Mads Clausens Fond, Ejendomsselskabet FMJ A/S, F.M.J. A/S.

Executive Management: Jens Bjerg Sørensen Datter-holding 1 ApS, Jens Bjerg Sørensen Holding ApS.

Shares held in Schouw & Co.

Holds 56,000 shares in Schouw & Co. (End 2017: 56,000 shares)

Vice President

PETER KJÆR

Born 1956. Appointed in 1993.

BSc, Electronic Engineering, Engineering College of Aarhus, Business diploma (HD), Marketing economics, Aarhus School of Business, MBA from IMD, Lausanne, Switzerland.

Directorships

Chairman: Capnova A/S, Den Gamle By, Incuba A/S.

Board member: A. Espersen A/S, Alba Ejendomme A/S, Direktør J.P.A. Espersen og hustru, fru Dagny Espersens Fond, Hydra-Grene A/S, Insepa A/S, Specma AB.

Executive Management: Alba Ejendomme A/S.

Shares held in Schouw & Co.

Holds 30,000 shares in Schouw & Co. (End 2017: 30,000 shares)

Directorships in other companies and other relevant management positions. Shareholdings include each board member's or executive's shares in Schouw & Co. and those held by their related parties. Changes to shareholdings are reported to the Danish FSA pursuant to current rules.

Investor Information

Capital and share structures

The shares of Aktieselskabet Schouw & Co. are listed in the large cap segment on Nasdaq Copenhagen under the short name SCHO and the ISIN code DK0010253921.

The company has 25,500,000 issued shares of DKK 10 nominal value, equal to a total share capital of DKK 255,000,000 nominal value.
Each share carries one vote, no share carries any special rights and no restrictions apply as to the transferability of the shares.

The Board of Directors reviews the company's capital and share structure at least once a year, giving priority to retaining a high equity ratio in order to ensure the necessary financial versatility. At its most recent review in December 2018, the Board of Directors found the company's capital and share structures to be appropriate and adequate relative to the company's plans and expectations.

Register of shareholders

The Company's registrar is Computershare A/S, Lottenborgvej 26D, DK-2800 Kgs. Lyngby, Denmark.

Treasury shares

Schouw & Co. used 110,833 treasury shares in 2018 in connection with options exercised under the Group's share incentive scheme and acquired 387,900 treasury shares through a share buyback programme in the second half of 2018.

At the end of 2018, the company held 1,806,997 treasury shares, equal to 7.09% of the share capital.

The market value of the holding of treasury shares was DKK 877 million at 31 December 2018. The portfolio of treasury shares is recognised at DKK 0.

Dividend policy

Schouw & Co. aims to pay stable or growing dividends, always with due consideration for the company's earnings and any potential major investments or acquisitions.

Recommended dividend for the 2018 financial year unchanged at DKK

13

per share.

Incentive plans

Since 2003, Schouw & Co. has operated a share-based incentive programme comprising the Executive Management and senior managers, including the executive managements of subsidiaries.

Under the share-based incentive programme, Schouw & Co. awarded, in March 2018, a total of 344,000 share options to 27 people.

The share options vest over a period of three years are exercisable during a 12-month period following the publication of Schouw & Co.'s full-year profit announcement for the 2020 financial year at a strike price of DKK 626.90 plus a 3% premium per annum from the date of grant until the date of exercise.

The overall guidelines for incentive programmes approved by the company's shareholders in general meeting are available from the company's website, www.schouw.dk.

Financial calendar for 2019

11 April 2019	Annual general meeting
16 April 2019	Expected distribution of dividend for the 2018 financial year
9 May 2019	Release of Q1 2019 interim report
15 August 2019	Release of Q2 2019 interim report
7 November 2019	Release of Q3 2019 interim report

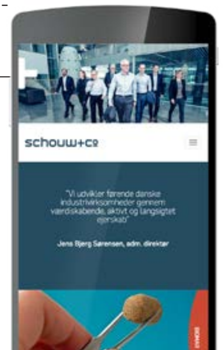
Company announcements

Apart from the weekly status announcements concerning the share buyback programme issued in the second half of 2018, Schouw & Co. released the following company announcements in 2018: The announcements are available at the company's website, www.schouw.dk.

9 March 2018	#1	Schouw & Co.'s financial calendar 2018 - revised
9 March 2018	#2	Annual report 2017: Strong revenue improvements, growth and expansion
15 March 2018	#3	Notice of the Annual General Meeting of Aktieselskabet Schouw & Co.
16 March 2018	#4	Continuation of incentive programme
12 April 2018	#5	Annual general meeting
3 May 2018	#6	Interim report – First quarter of 2018
10 August 2018	#7	Schouw & Co. realises a good Q2 2018, but lowers full-year EBITDA guidance
17 August 2018	#8	Interim report – Second quarter of 2018
17 August 2018	#9	Schouw & Co. to initiate share buy-back programme of up to DKK 200 million
31 October 2018	#20	GPV acquires Swiss-based EMS company CCS Group
12 November 2018	#22	Interim report – Third quarter of 2018
19 December 2018	#29	Schouw & Co.'s financial calendar 2019
28 December 2018	#30	GPV's acquisition of the Swiss-based CCS Group finalised

www.schouw.dk

The company's web site contains press releases and company announcements, as well as more detailed information on the Group. Interested parties are also invited to subscribe to the company's news service.



Investor Information

Share price performance

The Schouw & Co. share closed the year at a price of DKK 485.60 (official year-end price), compared with DKK 581.50 per share at 31 December 2017, corresponding to a drop of 16%, but with considerable volatility during the year.

Accordingly, the total market capitalisation of the company's listed share capital amounted to DKK 12,383 million at the close of the financial year, against DKK 14,828 million at the close of 2017. Adjusted for the holding of treasury shares, the company's market capitalisation was DKK 11,505 million at 31 December 2018.

Shareholder structure

Schouw & Co. increased the number of registered shareholders from about

10,500

to about

11,000.

Of these, the following are listed in the Company's register in accordance with section 56 of the Danish Companies Act:

Givesco A/S	**28.09%**
Direktør Svend Hornsylds Legat	**14.82%**
Aktieselskabet Schouw & Co.	**7.09%**

Members of the Board of Directors and the Executive Management of Schouw & Co. and their connected persons held a total of 108,007 and 86,000 shares, respectively, in the company at 31 December 2018.

DKK 200 million share buyback programme completed.

During the period from 20 August to 28 December 2018, Schouw & Co. completed a share buyback programme under the Safe Harbour regulations. In addition to the programme, Schouw & Co. acquired 387,900 treasury shares at a total value of DKK 200 million.

Investor relations policy

Schouw & Co. aims to create value and achieve results to match the best of its industry peers.

The company's investor relations policy is to provide reliable information and to maintain professional relations with shareholders and the market so as to ensure that investors always have the necessary information to make an assessment of the Group's true values. Schouw & Co. complies with the duty of disclosure rules of Nasdaq Copenhagen.

The company's annual and interim reports of the past ten years and its company announcements of the past five years are available from its website, www.schouw.dk, where users can also subscribe to the company's news service.

Schouw & Co. hosts conference calls when releasing annual or interim reports. Presentations given during conference calls will subsequently be posted on the company's website.

From time to time, Schouw & Co. holds meetings with investors and other parties. Presentations from such meetings are also available from the company's website.

Schouw & Co. observes a 30-day silent period ahead of releasing financial reports. During such periods, our financial communications are subject to special restrictions.

Any queries of an investor relations nature should be e-mailed to: ir@schouw.dk or to the company at: schouw@schouw.dk.

Corporate Responsibility

Responsible supplier management, anti-corruption and business ethics in focus in 2018.
In 2019, efforts will be on improve reporting on ESG (Environment, Social and Governance issues)

SECTION 99A AND 99B REPORT

As required under sections 99 a and 99 b of the Danish Financial Statements Act, Schouw & Co. has prepared a report on corporate responsibility. The entire report is available from the company's website: www.schouw.dk/en/cg2018/.

Schouw & Co. applies a CR strategy house that provides the basis for the Group's long-term CR efforts going forward to 2020 and form part of its corporate responsibility report.

Presentation of the business model

Schouw & Co. is a diversified industrial conglomerate with an operational structure consisting of the parent company and a number of wholly-owned portfolio companies operating with a large degree of operational autonomy. Subsidiaries of the portfolio companies operate activities that are identical to or closely related to the general activities of the portfolio company.

Most of the consolidated revenue is generated from automated or advanced production processes in which sourced raw materials are made into products resold to customers that manufacture the end products. The remaining revenue derives mainly from technical trading and processing operations in which sourced components are handled and/or processed before being resold to OEM customers. The Group's operations are generally performed to internationally recognised standards.

The Group sources a limited number of different raw materials that mainly include marine and vegetable raw materials and oil-based products generally supplied in large quantities from internationally recognised suppliers. On the other hand, the Group purchases a very large number of different components from many suppliers worldwide. It is a general characteristic of these products, however, that they are manufactured by recognised technical manufacturers that meet high quality standards.

The Group sells its products to professional customers that use its products or incorporate them in an end product. Most of its process production is sold to a limited number of customers that are large-volume buyers. The Group does not sell directly to consumers and only sells to public sector customers to a limited extent.

Due to these characteristics, certain CR-related matters are of special importance, and our risk assessment shows that this applies especially to matters related to our employees, our use of

CR POLICY

Human rights

Schouw & Co. operates in a number of different countries worldwide. Regardless of which country we operate in, we endeavour to observe human rights and to treat our employees with dignity and respect. We support and respect the protection of internationally proclaimed human rights as set out in the UN Universal Declaration of Human Rights and in the declarations and recommendations of the ILO.

Social issues and labour conditions

At Schouw & Co., we believe that results are created by people. We aim to be a responsible employer and to provide proper employment conditions, healthy and safe working conditions and a motivational working environment for our employees.

Anti-corruption and business ethics

Over the years, Schouw & Co. has built a reputation of a company maintaining a high degree of integrity and ethical conduct. We combat all forms of corruption, including bribery and facilitation payments.

Climate and the environment

Many of the companies of the Schouw & Co. Group are involved in large-scale processing of commodities, and we recognise the environmental impact of our production processes. Our CR policy on climate and the environment goes hand in hand with good business acumen. We work to protect the environment and to reduce on a regular basis our emissions relative to our production output.

Corporate Responsibility

resources, for example in the form of energy and commodities, and business ethics.

Review of actions taken and results achieved

In 2018, Schouw & Co. worked specifically with responsible supplier management, anti-corruption and business ethics across the portfolio companies on the basis of the general risk assessment made. This vision on responsible conduct is firmly anchored in the way we at Schouw & Co. run our business, and it has contributed to building the Group's strong reputation over the past many years. For that reason, these areas are not believed to constitute a significant CR risk, but they are nevertheless a focus area and a means of maintaining our high standards.

The work on responsible supplier management was based on two group-wide workshops facilitated by external consultants and supplemented by individual programmes at the individual companies that were also facilitated by external consultants.

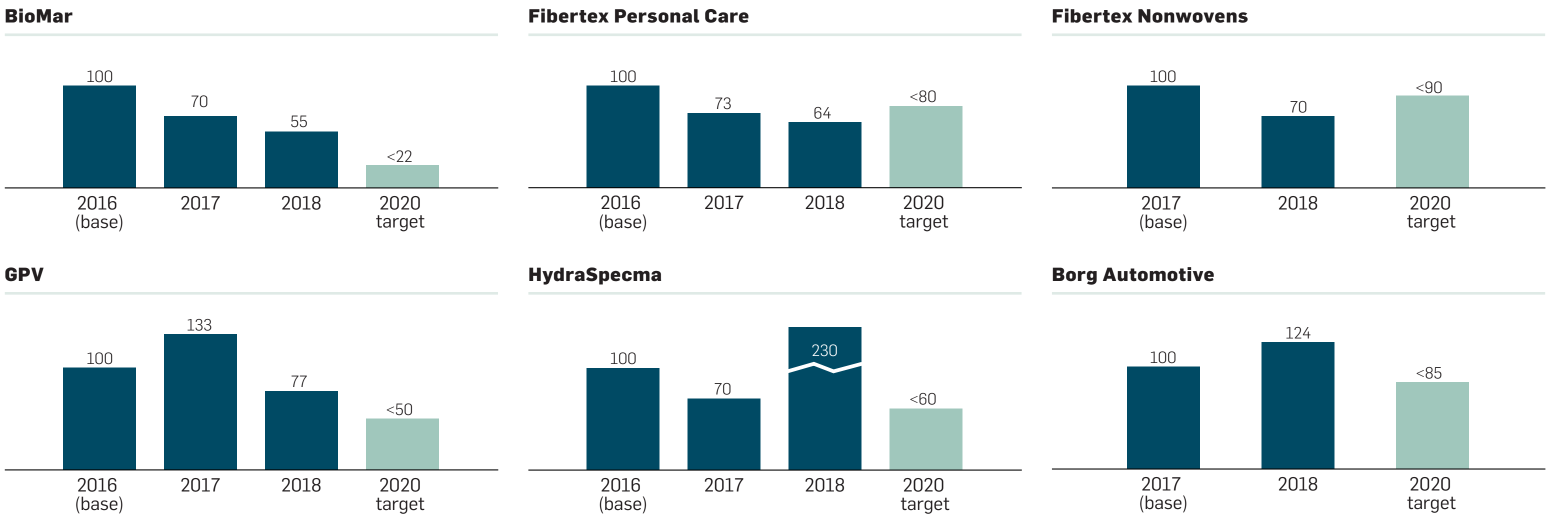
The introductory workshop dealt with issues such as challenges and opportunities in relation to responsible supplier management, identification of risks in the supplier chain, assessment of experience, processes for responsible supplier management as well as important tools, such as code of conduct, self-assessment questionnaires, corrective action plans and audits. Designed to meet each company's needs, the individual programmes dealt with issues such as tools, quality assurance of processes and benchmark analysis. The process concluded with an experience-sharing workshop held in January 2019 for all portfolio companies that also dealt with supply chain audits.

At the end of 2017, the companies of the Group had jointly developed an e-learning programme focused on anti-corruption and business ethics and consisting of a shared platform customised to each individual company. The e-learning programme consists of a company-specific video with a welcome from the company's CEO, a general presentation of the Group's CR policy, a number of practical dilemmas and lastly a ten question quiz. The e-learning programme was rolled out to relevant employees in most portfolio companies in 2018. At BioMar, HydraSpecma and Borg Automotive, more than 90% of the relevant employees have now completed the programme, while at GPV the rate is 77%. The two Fibertex companies updated codes of conduct for their employees in 2018, and plan to implement the updated codes in 2019.

Individually, the Group's businesses launched a number of initiatives in 2018, both in the above-mentioned areas and in the other CR areas. A detailed presentation of these actions and the results achieved are provided in the general CR report, which is available on the company's website. The Group's report on gender composition is also available from the website.

The portfolio businesses will each continue these efforts in all CR-related areas in 2019, and Schouw & Co. also intends to work across the Group on how we can improve the consolidated reporting on corporate responsibility, including whether to refocus the reporting on ESG (Environment, Social & Governance) issues.

Lost-time injury
Index



The Group's companies are to a large extent free to direct their CR efforts towards those areas they consider the most relevant, and they each have individual criteria for success. However, employee safety is a priority area for all companies, and one that they all strive to steadily improve. The entire report on corporate responsibility is available at the company's website, www.schouw.dk/en/cg2018.

Corporate Governance

SECTION 107B REPORT

Schouw & Co. has prepared a corporate governance report for the 2018 financial year, as required under section 107b of the Danish Financial Statements Act, which can be found in its entirety at schouw.dk/en/cg2018/. The report (in Danish) consists of three parts:

- A report on the company's work to comply with the Recommendations on corporate governance.
- A description of the main elements of the Group's internal control and risk management systems in connection with the financial reporting process.
- A description of the composition of the company's management bodies, committees established and their functions. Information on the company's Board of Directors and Executive Management can be found on pages 35-37.

CORPORATE GOVERNANCE

Schouw & Co. complies with the rules applying to companies listed on Nasdaq Copenhagen, which include a code on corporate governance as set out in "Corporate Governance Recommendations".

The Board of Directors and the Executive Management of Schouw & Co. see corporate governance as a natural part of running a responsible business. Corporate governance considerations and the interaction with the company's stakeholders is a constant priority, and considering the company's corporate governance policy is a recurring item in the annual business of the Board meetings. Schouw & Co. believes it complies in all material respects with the intentions of "Corporate Governance Recommendations". However, there are a few areas in which Schouw & Co. does not apply the corporate governance recommendations. A detailed account of the company's position on each individual item of the Recommendations is provided on the company's website.

FINANCIAL REPORTING PROCESS

The Group's internal control and risk management systems for financial reporting purposes were established to ensure that the financial statements are presented in accordance with current legislation and international financial reporting standards.

The purpose of establishing internal control and risk management processes is to provide reasonable assurance that any material errors and irregularities in connection with the financial reporting are detected and corrected to the effect that the annual report and interim reports give a true and fair view without material misstatement and to ensure that appropriate accounting policies are selected and applied and for making accounting estimates that are reasonable.

Management has identified three areas of particular importance in the financial reporting: trade receivables, acquisitions and goodwill.

Control environment

The Board of Directors has set up an Audit Committee with supervisory responsibility that reports to the entire Board of Directors. The Executive Management is responsible for the day-to-day maintenance of an effective control environment and internal control and risk management systems in relation to the financial reporting. Managers at various levels of the organisation, including the executive managements of the Group's business segments, are responsible for their respective areas.

Powers and responsibilities are defined in internal guidelines and policies. The Board of Directors approves the Group's overall policies. The Executive Management approves other policies and procedures and the relevant functions issue guidelines and monitor the application of established policies and procedures. The organisational structure and the internal guidelines combine with laws and standards to make up the control environment.

Risk assessment

The Audit Committee annually performs a general assessment of the risk of material errors in the financial reporting, including a separate assessment of the risk of the consolidated financial statements containing material errors due to fraud. Such risk assessment is performed based on business procedures, reporting processes and policies the purpose of which is to ensure that relevant risks are managed and kept to an acceptable minimum.

The Audit Committee assesses on an annual basis whether establishing an internal audit function would be appropriate. On the recommendation of the audit committee, the Board of Directors of Schouw & Co. has resolved not to establish an internal audit function at the present time.

Control activities

The purpose of control activities is to prevent and detect any errors or irregularities. These activities form an integral part of the Group's standardised accounting and reporting procedures, which comprise procedures for authorisations, verifications, approvals, reconciliations, segregation of duties, IT application controls, and general IT controls.

Control activities are supported by the regular issuance of reporting instructions and necessary updating of accounting policies in connection with new accounting standards. In addition, a consolidated financial reporting manual is available to all relevant persons.

Monitoring

The Group maintains extensive internal financial reporting enabling the Board of Directors and the Executive Management to monitor Group and individual segment performance. The reporting during the year enables early detection and correction of any errors or irregularities in the financial reporting, including any weaknesses detected in or non-compliance with established business procedures, etc.

Compliance with accounting policies is monitored on an ongoing basis at both Group and segment level by way of controlling activities. Such activities also extend to the parent company's review and assessment of its subsidiaries' business procedures and of whether the internal controls meet the standards required by Schouw & Co. The results of these activities are assessed on an ongoing basis and communicated annually to the Audit Committee. The Audit Committee also receives observations from the shareholder-appointed auditors. The Audit Committee monitors that the Executive Management responds in a timely manner to any weaknesses and/or omissions identified and whether such discoveries justify implementing improved internal controls to ensure an appropriate financial reporting process. →

Corporate Governance

Auditors

Each year, the shareholders in annual general meeting appoint external auditors following a recommendation by the Board of Directors. Ahead of each recommendation, the Audit Committee on behalf of the Board of Directors makes a critical assessment of the auditor's independence and competencies, etc., in accordance with the Recommendations on Corporate Governance.

The shareholder-appointed auditors report in writing to the entire Board of Directors at least once a year by way of long-form audit reports, and immediately on becoming aware of any matters to be brought to the attention of the Board of Directors. The shareholder-appointed auditors serve as auditors of all of the Group's major subsidiaries. In a few foreign units, however, other local auditors may be appointed for practical reasons, but audits in all group entities are conducted in accordance with instructions issued by the shareholder-appointed auditors.

MANAGEMENT BODIES

The current Board of Directors of Schouw & Co. consists of six shareholder-elected members who elect a chairman and a deputy chairman from among their number. The Board of directors of Schouw & Co. also serves as the board of directors of Direktør Svend Hornsylds Legat.

Board members are elected for terms of four years and for purposes of continuity the individual members are up for election in different years. When a new Board candidate is nominated, emphasis is on the potential new member being able to contribute to maintaining the necessary scope of competence on the Board and on the potential new member being able to act independently of special interests.

The Board of Directors carries out an annual self-assessment, applying a structured model. The Board of Directors performed its most recent self-assessment in December 2018, and it concluded that the Board works well as a unit and that, overall, it has the competencies necessary for it to perform its duties.

The Board of Directors is responsible for the overall management of the company, which includes appointing the members of the Executive Management, laying down guidelines for and exercising control of the work performed by the Executive Management, organising the company's business in a responsible manner, defining the company's business concept and strategy and evaluating the adequacy of the company's capital contingency programme. The duties of the Board are set out in the company's rules of procedure, and Board meetings are conducted in accordance with a fixed master agenda, which over the full year ensures compliance with the Board's rules of procedure.

Ordinary Board meetings are scheduled at least six months in advance. Board meetings are normally attended by all members of the Board and the Executive Management, as was the case in 2018. The Board held six board meeting and one board seminar during the year.

Schouw & Co.'s Board committees

The Board of Directors of Schouw & Co. has appointed an audit committee consisting of Jørgen Wisborg (chairman), Jørn Ankær Thomsen and Agnete Raaschou-Nielsen. At the beginning of 2019, the Board also appointed a nomination and remuneration committee consisting of Jørn Ankær Thomsen (chairman), Jørgen Wisborg and Agnete Raaschou-Nielsen.

Of the committee members, Jørgen Wisborg and Agnete Raaschou-Nielsen are both considered to be independent. Jørn Ankær Thomsen is not considered to be independent due to his affiliation with the main shareholder Givesco, his affiliation with a law firm which acts as an adviser to the company and the fact that he has served more than 12 years on the Board.

The Audit Committee's task is mainly to monitor the work and processes relating to the financial reporting process, and to assist the Board in assessments and controls. All three members of the audit committee are considered to have accounting qualifications. The Audit Committee normally convenes four times a year, as was the case in 2018.

Effective from the beginning of 2019, the Nomination and Remuneration Committee handles the tasks set out in the recommendations on corporate governance concerning nomination and remuneration committees. In 2018, those tasks were handled by the Board of Directors jointly. The terms of reference of the committees are available from the company's website.

Schouw & Co. Executive Management

The members of the Executive Management of Schouw & Co. are Jens Bjerg Sørensen, President, and Peter Kjær, Vice President. The members of the Executive Management are registered with the Danish Business Authority.

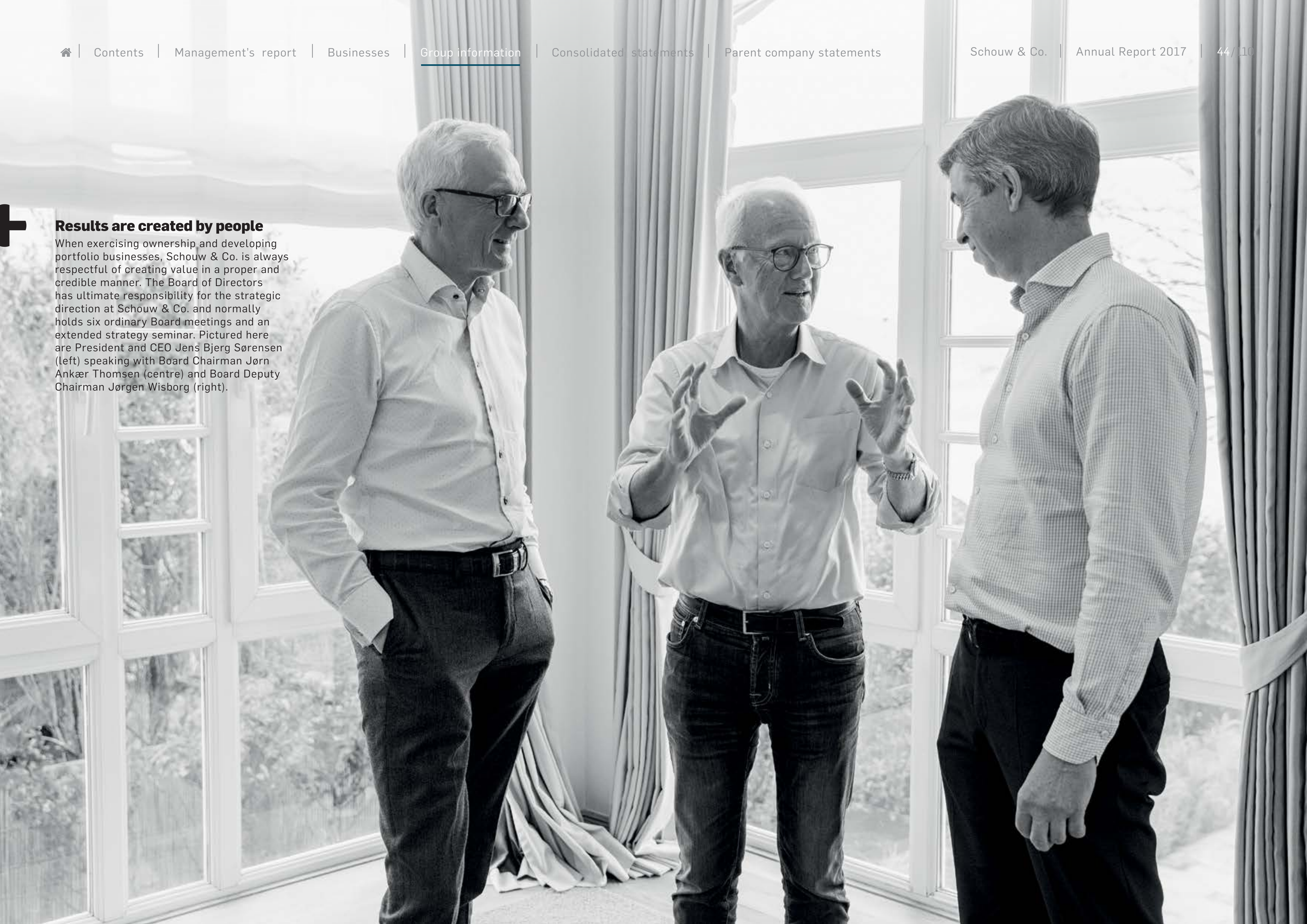
The Executive Management is in charge of the day-to-day management of the company both at parent company and group level and complies with the guidelines and directions issued by the Board of Directors. The day-to-day management does not include any transactions that, considering the company's circumstances, are of an unusual nature or of material importance. Such transactions can only be made by the Executive Management upon specific authority from the Board of Directors, unless awaiting a decision by the Board of Directors would cause significant disadvantage to the activities of the company.

Management of the portfolio companies

The Schouw & Co. Group has a decentralised corporate structure, under which the individual portfolio companies enjoy a large degree of operational autonomy and have their own individual organisation and management in charge of the company's operations. Each portfolio company is structured as a focused sub-group with its own subsidiaries.

The boards of directors of the ultimate company of the individual portfolio companies are generally composed of a representative from each of the Board of Directors and the Executive Management of Schouw & Co. along with external board members who have special knowledge of the particular portfolio company's business area.

The boards of directors of a portfolio company's underlying subsidiaries are generally composed of managers and employees from the portfolio company and possibly external board members.



Results are created by people

When exercising ownership and developing portfolio businesses, Schouw & Co. is always respectful of creating value in a proper and credible manner. The Board of Directors has ultimate responsibility for the strategic direction at Schouw & Co. and normally holds six ordinary Board meetings and an extended strategy seminar. Pictured here are President and CEO Jens Bjerg Sørensen (left) speaking with Board Chairman Jørn Ankær Thomsen (centre) and Board Deputy Chairman Jørgen Wisborg (right).

Consolidated financial statements

Statements of income and comprehensive income

1 January – 31 December

Note	Income statement	2018	2017
1, 2	Revenue	18,253	17,032
3	Cost of sales	-15,278	-14,192
	Gross profit	2,975	2,840
4	Other operating income	41	51
3	Distribution costs	-1,225	-1,098
3, 32	Administrative expenses	-741	-693
4	Other operating expenses	-3	-7
	EBIT	1,047	1,093
12	Profit after tax in associates	63	32
12	Profit after tax in joint ventures	8	10
15	Gains on equity divestments	9	0
17	Financial income	79	78
18	Financial expenses	-119	-108
	Profit before tax	1,086	1,105
22	Tax on profit/loss for the year	-290	-230
	Profit for the year	796	874
	Shareholders of Schouw & Co.	801	879
	Non-controlling interests	-5	-5
	Profit for the year	796	874
33	Earnings per share (DKK)	33.43	36.85
33	Diluted earnings per share (DKK)	33.35	36.63

Note	Statement of comprehensive income	2018	2017
	Items that can be reclassified to the income statement:		
	Foreign exchange adjustments of foreign units, etc.	81	-226
	Value adjustment of hedging instruments for the year	-2	-4
	Hedging instruments transferred to cost of sales	1	0
	Hedging instruments transferred to financials	5	5
	Other comprehensive income from associates and joint ventures	2	-22
	Other adjustments to other comprehensive income	0	-8
22	Tax on other comprehensive income	-1	0
	Other comprehensive income after tax	86	-254
	Profit for the year	796	874
	Total recognised comprehensive income	882	620
	Attributable to		
	Shareholders of Schouw & Co.	888	625
	Non-controlling interests	-5	-5
	Total recognised comprehensive income	882	620

Amounts in DKK million

Balance sheet · Assets and liabilities
at 31 December

Note	Total assets	2018	2017
	Goodwill	2,404	2,208
	Customer relations	549	379
	Brands	169	183
	Know-how	370	326
	Other intangible assets	101	99
3, 9	**Intangible assets**	3,594	3,195
	Land and buildings	1,797	1,776
	Plant and machinery	1,894	1,836
	Other fixtures and fittings, tools and equipment	125	120
	Assets under construction, etc.	501	226
3, 10	**Property, plant and equipment**	4,317	3,959
12	Equity investments in associates	377	342
12	Equity investments in joint ventures	137	169
26	Securities	75	5
23	Deferred tax	66	58
11	Receivables	108	137
	Other non-current assets	763	710
	Total non-current assets	8,674	7,864
5	Inventories	3,683	2,811
6	Receivables	3,903	3,180
24	Income tax receivable	94	56
	Cash and cash equivalents	585	478
	Total current assets	8,266	6,525
	Total assets	16,940	14,389

Note	Liabilities and equity	2018	2017
21	Share capital	255	255
	Hedge transaction reserve	-8	-10
	Exchange adjustment reserve	79	-7
	Retained earnings	7,994	7,748
	Proposed dividend	332	332
	Equity attributable to parent company shareholders	8,652	8,317
	Non-controlling interests	7	14
	Total equity	8,659	8,332
23	Deferred tax	397	309
27	Liability regarding put option	321	237
28	Other payables	275	153
19	Interest-bearing debt	1,749	1,366
	Non-current liabilities	2,742	2,065
19	Current portion of non-current interest-bearing debt	283	291
19	Interest-bearing debt	1,026	149
8	Trade payables and other payables	4,089	3,464
24	Corporate income tax	140	89
	Current liabilities	5,538	3,993
	Total liabilities	8,281	6,057
	Total equity and liabilities	16,940	14,389

Notes without reference 13, 16, 29-32 and 34-36.

Amounts in DKK million

Cash flow statement

1 January – 31 December

Note		2018	2017
	Profit before tax	1,086	1,105
	Adjustment for operating items of a non-cash nature, etc.		
3	Depreciation and impairment losses	532	475
	Other non-cash operating items, net	6	66
	Provisions	0	1
	Profit/loss after tax in associates and joint ventures	-70	-42
	Financial income	-79	-78
	Financial expenses	119	108
	Cash flows from operations before changes in working capital	1,594	1,635
7	Changes in working capital	-434	-546
	Cash flows from operations	1,160	1,089
	Interest received	30	18
	Interest paid	-98	-53
	Cash flows from ordinary activities	1,092	1,054
24	Income tax paid	-254	-291
	Cash flows from operating activities	837	763
25	Purchase of intangible assets	-34	-24
	Disposal of intangible assets	0	2
25	Purchase of property, plant and equipment	-685	-809
	Sale of property, plant and equipment	4	20
14	Acquisitions	-708	-1,864
15	Divestments	55	0
	Acquisition of non-controlling interests	0	-2
	Acquisition of joint ventures and associates/capital contribution	-1	-87
	Dividends received from associates	0	3
	Additions/disposals of other financial assets	9	-2
	Cash flows from investing activities	-1,360	-2,763

Note		2018	2017
	Loan financing:		
	Repayment of non-current liabilities	-119	-142
25	Proceeds from non-current liabilities incurred	0	231
	Increase of bank overdrafts	1,219	946
20	**Cash flows from debt financing**	1,100	1,035
	Shareholders:		
	Dividends paid	-314	-286
	Purchase/sale of treasury shares, net	-163	69
	Cash flows from financing activities	623	818
	Cash flows for the year	100	-1,181
	Cash and cash equivalents at 1 January	478	1,682
	Value adjustment of cash and cash equivalents	6	-23
	Cash and cash equivalents at 31 December	585	478

Amounts in DKK million

Statement of changes in equity

	Share capital	Hedge transaction reserve	Exchange adjustment reserve	Retained earnings	Proposed dividend	Total	Non-controlling interests	Shareholders' equity
Equity at 1 January 2017	255	-11	240	7,006	306	7,797	18	7,814
Profit and other comprehensive income in 2017								
Foreign exchange adjustments of foreign subsidiaries		0	-225	0	0	-225	0	-226
Value adjustment of hedging instruments for the year		-4	0	0	0	-4	0	-4
Hedging instruments transferred to financials		5	0	0	0	5	0	5
Other comprehensive income from associates and joint ventures		0	-22	-1	0	-22	0	-22
Other adjustments recognised directly in equity		0	0	-7	0	-7	0	-7
Tax on other comprehensive income		-1	0	1	0	0	0	0
Profit for the year		0	0	548	332	880	-5	874
Total recognised comprehensive income		0	-247	541	332	625	-5	620
Transactions with the owners								
Share-based payment (including tax)		0	0	32	0	32	0	32
Distributed dividends		0	0	20	-306	-286	0	-286
Additions/disposals of non-controlling interests		0	0	317	0	317	2	319
Put option recognised at fair value		0	0	-229	0	-229	0	-229
Value adjustment of put option		0	0	-8	0	-8	0	-8
Sale of treasury shares		0	0	69	0	69	0	69
Total transactions with owners during the year		0	0	201	-306	-105	2	-103
Equity at 31 December 2017	255	-10	-7	7,748	332	8,317	14	8,332
Changes in accounting policies, IFRS 9		0	0	-11	0	-11	0	-11
Profit and other comprehensive income in 2018								
Foreign exchange adjustments of foreign subsidiaries		0	81	0	0	81	-1	81
Value adjustment of hedging instruments for the year		-2	0	0	0	-2	0	-2
Hedging instruments transferred to cost of sales		1	0	0	0	1	0	1
Hedging instruments transferred to financials		5	0	0	0	5	0	5
Other comprehensive income from associates and joint ventures		0	5	-3	0	2	0	2
Tax on other comprehensive income		-1	0	0	0	-1	0	-1
Profit for the year		0	0	469	332	801	-5	796
Total recognised comprehensive income		3	86	467	332	888	-5	882
Transactions with the owners								
Share-based payment (including tax)		0	0	18	0	18	0	18
Distributed dividends		0	0	19	-332	-312	-2	-314
Value adjustment of put option		0	0	-85	0	-85	0	-85
Treasury shares bought/sold		0	0	-163	0	-163	0	-163
Total transactions with owners during the year		0	0	-211	-332	-542	-2	-544
Equity at 31 December 2018	255	-8	79	7,994	332	8,652	7	8,659

Amounts in DKK million

Notes · Basis of preparation of the consolidated financial statements

The structure of the Schouw & Co. consolidated financial statements is consistent with that applied last year. In this annual report, the notes have been grouped into five sections. Each section contains comments with a description of the Group's accounting policies, estimates and judgments. Only individually material items are presented in the primary statements. Both quantitative and qualitative factors are used in determining whether or not an item is deemed to be principal.

The names of Fibertex Personal Care, Fibertex Nonwovens. HydraSpecma and Borg Automotive may be abbreviated to FPC, FIN, HS and Borg, respectively.

Accounting policies

The Schouw & Co. annual report for the year ended 31 December 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and other requirements pursuant to the Danish Financial Statements Act. The annual report also complies with the International Financial Reporting Standards (IFRS) issued by IASB.

Recognition and measurement

Schouw & Co. has implemented the standards and interpretations which are effective from 2018. The consolidated accounting policies are consistent with those of last year except for the changes resulting from the implementation of IFRS 9. The annual report is presented in Danish kroner.

Effects of IFRS 9 (financial Instruments)

Implementing IFRS 9 has not had any material influence on the classification of the Group's financial assets and liabilities. The Group's receivables, which mainly involve trade receivables, were previously classified as loans, advances and receivables and measured at amortised cost. The Group's business model is to hold these assets with a view to receiving contractual cash flows, and these financial assets are consequently classified as receivables measured at amortised cost. The change in classification has not given rise to any changes in recognised gross receivables.

Based on the Schouw & Co. Group's business model and types of financial assets and liabilities, the implementation of IFRS 9 has only had an effect on the Group's impairment of financial assets measured at amortised cost. The simplified expected credit loss-model as set out in IFRS 9, under which expected losses are recognised immediately, is applied for trade receivables. The change from the previous impairment model, under which impairment was only recognised on evidence of impairment to the expected credit-loss model of IFRS 9 has led to earlier recognition of expected losses. The implementation of IFRS 9 has increased loss allowance by DKK 15 million, which amount has been recognised, after recognition of deferred tax, in retained earnings under equity effective from 1 January 2018.

As the Group has implemented the amended impairment model retrospectively, the accumulated effect of the change has been recognised in retained earnings under equity at 1 January and in accordance with the transitional provisions of IFRS 9, the comparative figures have not been restated.

Effects of IFRS 15 (revenue recognition)

The Group has implemented IFRS 15, Revenue from Contracts with Customers. Implementation led to a review of the Group's processes and contracts with customers. Following the review, the general assessment is that the standard has no material effect on recognition and measurement.

Roundings and presentation

In the preparation of the annual report, the Schouw & Co. Group uses minimum amounts of DKK 1000 in the measurement of underlying data. As the annual report is generally presented in millions of Danish kroner, all amounts provided have been rounded, for which reason some additions may not add up.

Consolidated financial statements

The financial statements of the Group consolidate the financial statements of Schouw & Co. and subsidiaries controlled by Schouw & Co. Control is achieved by directly or indirectly holding or having the disposal of more than 50% of the voting rights or otherwise exercising a controlling influence over the relevant enterprise. Enterprises in which the Group exercises significant influence but not control are classified as associates. Significant influence is generally achieved by directly or indirectly holding or controlling 20% or more, but less than 50%, of the voting rights. Factors used to determine whether or not Schouw & Co. has control include de facto control and potential voting rights exercisable at the balance sheet date.

Non-controlling interests are recognised in consolidated enterprises that are not wholly owned by the Group.

Joint arrangements are activities or companies in which the Group has joint control through collaborative agreements with one or more parties. Joint control implies that unanimous decisions on the relevant activities are required by the parties sharing the controlling influence.

Joint arrangements are classified either as joint ventures or as joint operations. A joint operation refers to activities where the parties have direct rights to assets and direct obligations for liabilities, whereas a joint venture means activities for which the parties only have rights to the net assets.

Schouw & Co. has joint operations, the most important of which are fish feed activities in Chile (Alitec Pargua) and Costa Rica. These businesses are consolidated on a pro-rata basis. Schouw & Co. also has joint ventures, including BioMar's operations in Turkey and China. These businesses are recognised in a single line at the proportionate share of the profit or loss after tax attributable to the Group.

The consolidated financial statements have been prepared by aggregating the financial statements of the parent company, the individual subsidiaries and joint operations prepared in accordance with the Group's accounting policies. Intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains on transactions between the consolidated companies are eliminated. Unrealised gains on transactions with associates and joint ventures are eliminated in proportion to the Group's share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that no impairment has occurred.

Foreign currency translation

A functional currency is determined for each of the reporting enterprises of the Group. The functional currency is the currency in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currency are translated at the exchange rate ruling on the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognised in the income statement under financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currency are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date when the receivable or payable arose or the exchange rate applied in the most recent annual

Notes · Basis of preparation of the consolidated financial statements

report is recognised in the income statement under financial income or financial expenses.

On consolidation of enterprises with functional currencies other than Danish kroner, the income statements are translated at the exchange rates ruling at the transaction date and the balance sheets are translated at the exchange rates ruling at the balance sheet date. The average exchange rate for each individual month is used as the transaction date exchange rate. Exchange differences arising on the translation of the opening equity of such enterprises at the exchange rates ruling at the balance sheet date and on the translation of the income statements from the exchange rates ruling at the transaction date to the exchange rates ruling at the balance sheet date are recognised in other comprehensive income in the exchange adjustment reserve under equity.

Foreign exchange adjustment of balances that are considered as part of the overall net investment in enterprises with functional currencies other than Danish kroner, are recognised directly in other comprehensive income in the exchange adjustment reserve under equity. Similarly, exchange gains and losses on the part of loans and derivative financial instruments effectively hedging the net investment in such enterprises are recognised in other comprehensive income in the exchange adjustment reserve under equity.

On consolidation of associates and joint ventures with functional currencies other than Danish kroner, the pro-rata share of the results is translated at the exchange rates ruling at the transaction date, and the share of equity including goodwill is translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on the translation of the share of the opening equity of foreign associates at exchange rates ruling at the balance sheet date and on the translation of the share of the results for the year from average exchange rates to the exchange rates ruling at the balance sheet date are recognised in other comprehensive income in the exchange adjustment reserve under equity.

Derivative financial instruments
Derivative financial instruments are measured at fair value and recognised in the balance sheet under other receivables or other payables, respectively. The fair value of derivative financial instruments is calculated on the basis of current market data and recognised valuation methods.

Changes in the fair value of derivative financial instruments that effectively hedge the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the value of the hedged asset or hedged liability. Hedging of future cash flows under agreements are treated as hedging of the fair value of a recognised asset or a recognised liability.

Changes in the part of the fair value of derivative financial instruments effectively hedging future cash flows are recognised in other comprehensive income in the reserve for hedging transactions under equity. On realisation of the hedged transaction, any gains or losses relating to such hedge transactions are transferred from other comprehensive income and recognised in the same item as the hedged item.

Changes in the fair value of derivative financial instruments effectively hedging net investments in foreign subsidiaries or associates are recognised in other comprehensive income in the exchange adjustment reserve under equity.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised as interest income or expenses and similar items in the income statement as they occur.

Shareholders' equity
The hedge transaction reserve contains the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised. The exchange adjustment reserve in the consolidated financial statements comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into Danish kroner including exchange differences on financial instruments considered to be a part of the net investment or as hedging of the net investment.

Treasury shares
The purchase and sale sums of treasury shares and dividends thereon are taken directly to retained earnings under equity. Proceeds from the sale of treasury shares in Schouw & Co. in connection with the exercise of share options are taken directly to equity.

Dividend
Dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (the date of declaration). Dividends expected to be declared in respect of the year are stated as a separate line item under equity.

Significant accounting estimates

In preparing the financial statements, management makes a number of assessments, estimates and makes assumptions necessary for calculating the carrying amount of certain assets and liabilities.

The estimates and assumptions applied are based on factors such as historical experience and other factors that management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Due to the risks and uncertainties the Group is subject to, actual outcomes may deviate from estimates made. It may be necessary to revise previous estimates as a result of changes to the assumptions on which such estimates were based or due to new information or subsequent events.

Management has identified three areas of particular materiality for the financial reporting:

- Total trade receivables is one of the largest items in the balance sheet and have had a significant effect on the income statement when viewed in terms of historical business cycles.. Management reviews the need for bad debt provisions on an ongoing basis. See note 6.

- The Group completed two company acquisitions in 2018. In connection with these two acquisitions, the purchase price allocation was to a significant extent based on estimates and judgements with a view to valuing the acquired net assets at fair value. See note 14. In connection with a company acquisition made in 2017, management established an accounting policy for a put option liability relating to non-controlling interests. The put option liability is also based on estimates and judgements.

- Valued at more than DKK 2.4 billion, goodwill represents a significant amount in the balance sheet, and the value of goodwill is subject to the future earnings of the underlying units. Management performs at least one impairment test annually. See note 16.

In addition, accounting estimates are also made in a number of other areas, including assessments of depreciation periods for property, plant and equipment, inventory writedowns, warranty provisions and deferred tax/deferred tax asset estimates.

Amounts in DKK million

Notes · Basis of preparation of the consolidated financial statements

Definitions of financial ratios

The financial ratios in the annual report are calculated in the following manner:

Ratio	Numerator	Denominator
Return on equity	Profit for the year excluding minorities	Avg. equity excluding non-controlling interests
ROIC excluding goodwill	EBITA	Avg. invested capital excluding goodwill
ROIC including goodwill	EBITA	Avg. invested capital including goodwill
Equity ratio	Equity at year end	Total liabilities and equity at year end
Earnings per share (EPS)	Profit for the year excluding minorities	Average number of shares in circulation
Diluted earnings per share (EPS-D)	Profit for the year excluding minorities	Diluted average number of shares in circulation
Net asset value per share	Equity at year end excluding non-controlling interests	Number of shares at year end excluding treasury shares
Price/net asset value (P/NAV)	Market capitalisation at year end	Equity at year end excluding non-controlling interests
Market cap	Number of shares excluding treasury shares, multiplied by share price	

Performance measures

Schouw & Co.'s consolidated financial statements apply the following Alternative Performance Measures (APM) not defined by IFRS: EBITA, EBITDA, working capital, net interest-bearing debt and invested capital both with and without goodwill. These Alternative Performance Measures are used in the daily Group controlling and in the communication with Group stakeholders. These alternative performance measures are calculated in the following manner:

APM:	2018	2017
EBIT	1,047	1,093
Amortisation of intangible assets	109	83
Impairment of intangible assets	0	0
EBITA	**1,156**	**1,176**
EBITA	1,156	1,176
Depreciation of property, plant and equipment	423	389
Impairment of property, plant and equipment	0	3
EBITDA	**1,579**	**1,568**
Inventories	3,683	2,811
Trade receivables	3,596	2,934
Other receivables (non-interest-bearing)	246	197
Prepayments	48	42
- Trade payables	-3,166	-2,630
Core liability	-236	-189
- Other debt (non-interest-bearing)	-659	-611
- Customer prepayments	-14	-5
Deferred income	-56	-45
Working capital	**3,441**	**2,505**
Interest-bearing debt	3,058	1,805
- Other non-current receivables (interest-bearing)	-35	-45
- Other current receivables (interest-bearing)	-14	-7
- Cash and cash and cash equivalents	-585	-478
Net interest-bearing debt (NIBD)	**2,425**	**1,275**
Working capital	3,441	2,505
Intangible assets	3,594	3,195
- Goodwill	-2,404	-2,208
Property, plant and equipment	4,317	3,959
Non-current provisions	-18	-12
Other non-current payables (non-interest-bearing)	-84	-92
Current provisions	-16	-11
Invested capital (ex. goodwill)	**8,831**	**7,337**
Invested capital (ex. goodwill)	8,831	7,337
Goodwill	2,404	2,208
Invested capital (including goodwill)	**11,235**	**9,545**

Amounts in DKK million

Notes · Profit, working capital and cash flows

This section of the annual report contains notes relating to the Group's primary operations, including a breakdown by operating segments.

The following notes are presented in this section:

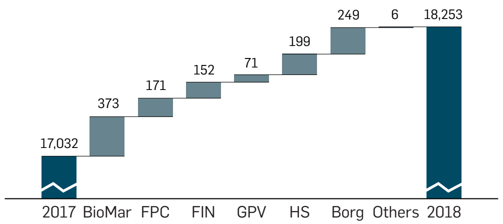
1. Segment reporting
2. Revenue
3. Costs
4. Other operating income and expenses
5. Inventories
6. Receivables (current)
7. Changes in working capital
8. Trade payables and other payables

Comments

Revenue

Consolidated revenue was up by DKK 1,221 million, or 7.2%, to DKK 18,253 million in 2018.

Changes in revenue, 2017 to 2018

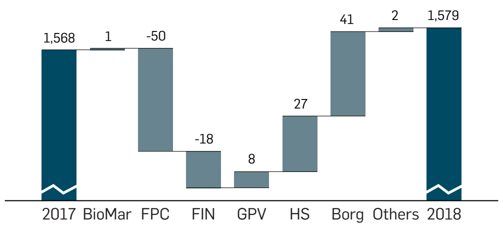


The increase in revenue was influenced by the company acquisitions, including the full-year effects of the companies acquired in 2017. At 1 February 2018, Fibertex Nonwovens acquired Brazilian company Duci, which has contributed DKK 115 million to revenue. In addition, BioMar Ecuador is included for 12 months compared to 4 months in 2017, and Borg is included for 12 months compared with 9 months in 2017, contributing DKK 720 million. The rest of the increase, DKK 386 million, was contributed by the remaining portfolio businesses and the amount was adversely affected by lower exchange rates. Changes in exchange rates relative to 2017 adversely impacted the recognition of revenue from foreign units by approximately DKK 300 million in 2018.

EBITDA

EBITDA improved by DKK 11 million, from DKK 1,568 million in 2017 to DKK 1,579 million in 2018, for a 0.7% increase.

Changes in EBITDA, 2017 to 2018



The change was based on both positive and negative contributions. Fibertex Personal Care reported a decline of DKK 50 million caused mainly by tough competition currently facing the company's customers in Asia, and a negative impact of about DKK 20 million due to changes in prices of raw materials and to foreign exchange rates compared to last year. In addition, the running-in of print operations in Malaysia and establishment of a print factory in the USA had a negative impact on operations of DKK 7 million. For Fibertex Nonwovens, the decline of DKK 18 million was driven by higher prices of raw materials and of restructuring costs of DKK 10 million relating to its operations in India.

Positive contributors were HydraSpecma, Borg and GPV. HydraSpecma reported a DKK 27 million improvement driven by a general increase in business activity with a corresponding earnings improvement.

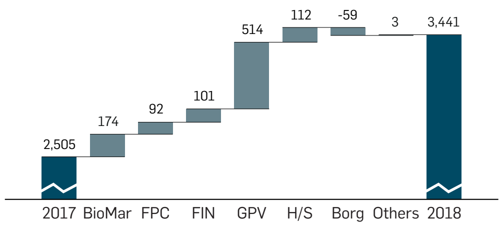
Borg's DKK 41 million improvement was mainly made up of a number of opposing factors. First of all, the company was consolidated for only nine months of 2017 and, secondly, EBITDA was weighed down by a DKK 32 million PPA-related inventory writedown. The corresponding EBITDA for 2017 was DKK 155 million, compared with DKK 131 million in 2018. The difference was mainly the result of larger customer bonuses and a number of adjustments relating to cores in 2018.

GPV reported an improvement of DKK 8 million, but it should be noted that the company incurred substantial costs of about DKK 25 million for building operations in Mexico and DKK 10 million in acquisition costs when acquiring CCS.

Net working capital

Working capital amounted to DKK 3,441 million at 31 December 2018, as compared with DKK 2,505 million at 31 December 2017. Working capital grew by DKK 438 million at 31 December 2018 due to the acquisition of CCS. In addition, working capital increased by DKK 47 million from the acquisition of Duci. Adjusted for the effects of the two company acquisitions, the consolidated working capital increased by DKK 451 million. The amount derived from all portfolio businesses but Borg Automotive, whose working capital fell by DKK 59 million. Two principal reasons for the increase in working capital is growing pressure from customers for extended credit periods and longer supplier delivery periods necessitating inventory build-ups so the companies can continue to serve their customers.

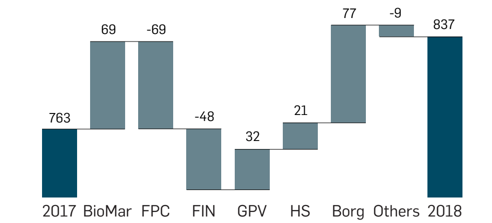
Changes in net working capital, 2017 to 2018



Cash flow statement

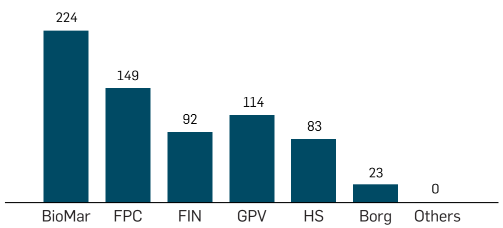
Cash flows from operating activities for the year before changes in working capital fell by DKK 41 million to DKK 1,594 million from DKK 1,635 million in 2017. A negative DKK 434 million shift in the 2018 working capital brought the cash flow from operating activities to DKK 1,160 million, against DKK 1,089 million in 2017. Net of interest and taxes paid, cash flows from operating activities improved by DKK 74 million to DKK 837 million. As shown in the figure below, all portfolio companies but the two Fibertex companies improved their cash flows from operating activities.

Changes in cash flows from operating activities, 2017 to 2018



Cash flows for investing activities for 2018 consisted of the following large transactions: DKK 685 million was spent on property, plant and equipment. All companies made investments during the year. BioMar was the biggest spender at DKK 224 million completing or initiating major capacity expansion projects. The Group spent DKK 708 million on the acquisitions of Duci and CCS. Overall, the Group spent a net amount of DKK 1,360 million on investing activities in 2018, compared to DKK 2,763 million in 2017.

Investments in property, plant and equipment



Amounts in DKK million

Notes · Profit, working capital and cash flows

Cash flows from operations for the year amounted to DKK 837 million, of which DKK 1,360 million was used for investing purposes. Debt financing was increased by DKK 1,100 million. In addition to a completed DKK 200 million share buyback programme, the company paid DKK 312 million in dividends to the shareholders. In addition, the company sold treasury shares for option settlement purposes for DKK 37 million. Net of amounts used for investing and financing purposes, the company had a cash inflow for 2018 of DKK 100 million, compared to a cash outflow in 2017 of DKK 1,181 million.

Accounting policies

Segment reporting
Segment reporting is consistent with the internal management reporting. Schouw & Co. is an industrial conglomerate consisting of a number of sub-groups operating in various industries and independently of the other sub-groups. Currently, six sub-groups are classified as independent reporting segments. The reporting segments are presented separately and without aggregation of operating segments.

Included in the reporting segments are revaluations of assets and liabilities made in connection with Schouw & Co.'s acquisition of the segment in question and consolidated goodwill arising as a result of the acquisition. The operational impact of depreciation/amortisation and write-downs on the above revaluations or goodwill is also included in the profit or loss presented for each reporting segment.

Geographical segment information indicates the Group's revenue and assets by national market.

Revenue
Revenue from the sale of goods for resale and finished goods is recognised in the income statement if transfer of risk to the buyer has taken place before year-end and if the income can be reliably measured. Although a sales agreement for the sale of finished goods and goods for resale often contains more than one performance obligation, such obligations are treated as one combined performance obligation because delivery typically takes place at one point in time.

The terms of payment set out in the Group's sales agreements with customers depend on the underlying performance obligation and on the underlying customer relationship. For the sale of goods for which control passes at a specific point in time, the terms of payment will typically be from one to three months.

Revenue is measured excluding VAT and other taxes and duties charged on behalf of third parties. All discounts granted are deducted from revenue.

Cost of sales
Cost of sales comprises costs defrayed to achieve the year's revenue. The trading companies recognise the cost of goods sold and manufacturing companies recognise production costs corresponding to the year's revenue, including direct and indirect costs for raw materials and consumables, wages and salaries, rent and leasing, amortisation and impairment of intangible assets, depreciation and impairment of production equipment and impairment of inventory. Cost of sales also includes research costs and product development costs that do not meet the criteria for capitalisation, as well as amortisation and impairment of capitalised product development costs.

Distribution costs
Distribution costs comprise expenses incurred in connection with the distribution of goods sold during the year and in connection with sales campaigns, etc. launched during the year under review, including cost of sales and logistics staff, advertising and exhibition costs, as well as depreciation/amortisation and impairment.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and impairment. Administrative expenses also comprise write-downs on receivables.

Employee benefits
Equity-settled share options are measured at fair value at the grant date and their value is recognised in the income statement under staff costs over the vesting period. The balancing item is recognised directly in equity as a shareholder transaction.

On initial recognition of the share options, the number of options expected to vest is estimated. Subsequently, changes in the estimated number of vested options are adjusted to the effect that the total amount recognised is based on the actual number of vested options.

The fair value of options granted is estimated using a valuation model that takes into account the terms and conditions of the options granted.

Other operating income and expenses
Other operating income and costs comprise items secondary to the primary activities of the enterprises and consists of the following:
- Gains or losses on the disposal of intangible assets and property plant and equipment.
- Share of profit or loss of fish farming research, including fair value adjustment of biological assets.
- Government grants include grants and funding of development work and grants for investments, etc. Grants for research and development costs recognised directly in the income statement are included in other operating income.

Investment grants in the form of certain tax-privileged schemes in individual countries are recognised in the balance sheet under receivables and as deferred income under liabilities. Grants are recognised in the income statement under other operating income as the underlying investments are depreciated. The receivable is reduced as the grant is received and the deferred income item is reduced as the grant is recognised in the income statement.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs. The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect costs of production include indirect materials and labour as well as maintenance of and depreciation and impairment of the machines, factory buildings and equipment used in the manufacturing process as well as factory management and administrative expenses. The net realisable value of inventories is calculated as the selling price less costs of conversion and costs incurred to execute the sale and is determined having regard to marketability, obsolescence and expected selling price movements.

Biological inventories are recognised at fair value less estimated selling costs. Gains and losses occurring on the recognition of biological assets at fair value less estimated selling costs are recognised in other operating activities.

Receivables
Receivables are measured at amortised cost. Provisions for bad debts are made in accordance with the simplified expected credit loss-model, under which total losses are recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet in the amount of the lifetime expected credit loss on the receivable. Impairment write-downs on receivables are recog-

Notes · Profit, working capital and cash flows

nised in the income statement under administrative expenses.

Prepayments
Prepayments include expenses paid in respect of subsequent financial years. Deferred income comprises payments received relating to income in subsequent financial years, including investment grants.

Cash flow statement
The cash flow statement shows the cash flows for the year distributed on operating, investing, financing and discontinued activities, net changes for the year in cash as well as cash and cash equivalents at the beginning and end of the year.

The cash effect of acquisitions and divestments is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning acquired companies are recognised from the date of acquisition, while cash flows concerning divested companies are recognised until the date of divestment.

Cash flows in currencies other than the functional currency are translated at average exchange rates unless these differ materially from the exchange rate ruling at the transaction day.

Cash flows from operating activities are calculated according to the indirect method as the profit for the year before tax adjusted for non-cash operating items, changes in working capital, interest paid and income taxes paid.

Cash flows from investing activities comprise payments made in connection with the acquisition and divestment of companies and operations and the acquisition and disposal of intangible assets, property, plant and equipment as well as the purchase and sale of securities not recognised under cash and cash equivalents. Dividends from associates are included in cash flows from investing activities.

Cash flows from financing activities include payments to and from shareholders and related expenses as well as the raising of loans, repayments on interest-bearing debt and the purchase and sale of treasury shares.

Cash flows from discontinued activities comprise cash flows from operating, investing and financing activities in the discontinued entity.

Cash and cash equivalents include cash at bank and in hand as well as securities with a maturity of less than three months at the time of acquisition that can immediately be converted into cash and that involve insignificant risk of value fluctuations.

Significant accounting estimates

Trade receivables
Management applies estimates in the assessment of the likelihood that receivables at the balance sheet date will be received. For the Schouw & Co. Group, the largest risks of losses on trade receivables have historically related to customers of BioMar. BioMar sells a significant part of its products in markets in South America (Chile), and in southern and central Europe. Historically, the largest debtor risks have been for customers in Chile and in southern Europe, especially Greece. The Group has substantial receivables with certain customers in these geographical areas. Thorough analyses have been made of the credit quality of these debtors, and management believes that adequate provisions for losses on these debtors had been made at 31 December 2018.

The other companies are not believed to involve material credit risks. See note 6.

Inventories
The uncertainty involved in estimating inventories is related to the assessment of obsolescence and lack of marketability. Goods considered to be obsolete or to have impaired marketability are written down to net realisable value. As the Schouw & Co. Group consists of companies of a diverse nature, the process of estimating net realisable value of inventories varies from company to company.

Historically, only a small part of the Schouw & Co. Group's inventories have been impaired. At 31 December 2018, impaired inventories had on average been written down by 44% of their original value.

The uncertainty involved in estimating inventories for the Schouw & Co. Group is predominantly related to the Group's companies GPV, HydraSpecma and Borg Automotive.

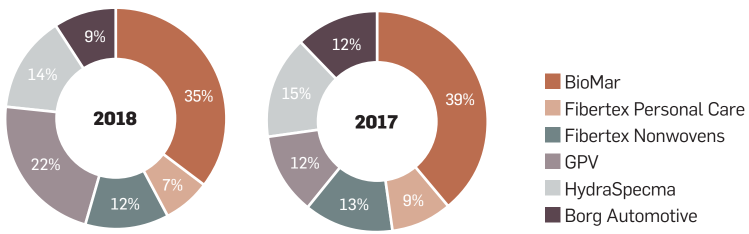
GPV generally produces to order and its inventories predominantly consist of electronics components and metal sourced and/or manufactured to meet customer needs. For its component inventory, GPV applies a general model of writing down goods after they have been in stock for a certain period of time. The company reviews its impairment model on a regular basis, and in the Group's best estimate, the model provides an appropriate and fair presentation of the net realisable value of inventories.

Hydra-Grene applies a general impairment model of automatically writing down goods after they have been in stock for a certain period of time. The company reviews its impairment model on a regular basis, and in the Group's best estimate, the model provides an appropriate and fair presentation of the net realisable value of inventories. Historically, 20-30% of HydraSpecma's inventories have been assessed to be impaired. These have been written down by 80-90% of their value. It is estimated that 18% of HydraSpecma's current inventories are impaired. The inventories in question had been written down by a total of 80% at the balance sheet date.

Borg Automotive remanufactures used components – called cores - such as alternators, starters, brake calipers, etc. When a remanufactured component is sold, Borg also takes a deposit which gives the customer the right to return a similar core.

Borg Automotive has an obligation to accept the returned core, and eventually the market for cores will shrink, and Borg Automotive will be left with unusable cores. As a result, Borg Automotive has relatively large impairment losses on the part of its inventory relating to cores. The company applies a impairment model which is based on expected future sales. In the Group's best estimate, the model provides an appropriate and fair presentation of the net realisable value of inventories.

Inventories, end of year
by portfolio company



See note 5.

Notes · EBIT, working capital and cash flows

1
Segment reporting

Reporting segments 2018	BioMar	Fibertex Personal Care	Fibertex Nonwovens	GPV	HydraSpecma	Borg Automotive	Reporting segments	Non-reporting segments	Parent company	Intra-goup elimination, etc.	Total
External revenue	10,328	2,168	1,574	1,218	2,005	958	18,251	1	0	0	18,253
Intra-group revenue	0	19	0	0	0	0	19	0	9	-29	0
Segment revenue	10,328	2,187	1,574	1,218	2,005	958	18,271	1	10	-29	18,253
EBITDA	713	315	160	115	175	131	1,609	0	-30	0	1,579
Depreciation and impairment losses	184	122	95	37	58	35	530	2	0	0	532
EBIT	529	194	65	78	117	96	1,079	-2	-31	0	1,047
Share of profit in associates and joint ventures	75	0	0	0	0	0	76	0	-5	0	70
Tax on profit/loss for the year	-163	-44	-10	-9	-29	-22	-276	-8	-6	0	-290
Segment assets:	7,571	2,371	1,800	2,296	1,541	1,566	17,145	12	11,206	-11,423	16,940
Of which goodwill	1,358	99	120	168	143	516	2,404	0	0	0	2,404
Equity investments in associates and joint ventures	509	0	0	0	4	0	514	0	0	0	514
Segment liabilities	4,560	1,331	1,227	1,553	1,071	452	10,195	8	2,554	-4,476	8,281
Working capital	846	447	524	809	678	141	3,444	0	-2	0	3,441
Net interest-bearing debt	880	822	926	812	652	-42	4,051	6	-1,632	0	2,425
Cash flow from operating activities	366	184	60	40	10	149	809	1	14	13	837
Capital expenditure	227	153	134	616	85	41	1,256	0	0	0	1,256
Average no. of employees	1,177	713	1,000	1,453	1,219	1,599	7,161	-	13	-	7,174

Based on management control and financial management, Schouw & Co. has identified six reporting segments, which are BioMar, Fibertex Personal Care, Fibertex Nonwovens, GPV, HydraSpecma and Borg Automotive.

All inter-segment transactions were made on an arm's length basis.

The data on revenue by geography are based on customers' geographical location, while data on intangible assets and property, plant and equipment by geography are based the geographical location of the assets. The specification shows individual countries that account for more than 5% of the Group in terms of revenue or assets. As Schouw & Co.'s consolidated revenue is generated in some 100 different countries, a very large proportion of the revenue derives from the 'Other' category.

Amounts in DKK million

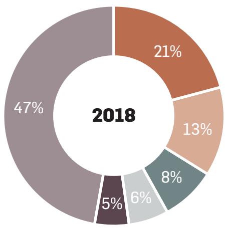
Notes · EBIT, working capital and cash flows

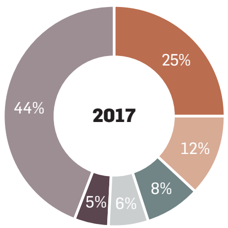
1
Segment reporting (continued)

Reporting segments 2017	BioMar	Fibertex Personal Care	Fibertex Nonwovens	GPV	HydraSpecma	Borg Automotive	Reporting segments	Non reporting segments	Parent company	Intra-group eliminations, etc.	Total
External revenue	9,955	1,995	1,419	1,147	1,805	709	17,030	2	0	0	17,032
Intra-group revenue	0	22	4	0	0	0	26	0	9	-34	0
Segment revenue	9,955	2,016	1,422	1,148	1,805	709	17,056	2	9	-34	17,032
EBITDA	712	365	179	107	148	89	1,600	1	-33	0	1,568
Depreciation and impairment losses	153	114	91	25	60	26	469	6	0	0	475
EBIT	559	251	88	81	88	64	1,131	-4	-33	0	1,093
Share of profit in associates and joint ventures	38	0	0	0	0	0	38	0	4	0	42
Tax on profit/loss for the year	-146	-47	-6	8	-17	-13	-220	0	-10	0	-230
Segment assets:	6,729	2,270	1,671	875	1,412	1,501	14,459	91	9,603	-9,764	14,389
Of which goodwill	1,317	99	119	10	148	516	2,208	0	0	0	2,208
Equity investments in associates and joint ventures	432	0	0	0	3	0	434	0	76	0	511
Segment liabilities	3,809	1,281	1,091	632	972	529	8,314	29	1,286	-3,572	6,057
Working capital	672	355	422	295	566	200	2,510	0	-5	0	2,505
Net interest-bearing debt	726	746	806	351	554	144	3,326	-3	-2,048	0	1,275
Cash flow from operating activities	296	253	108	7	-11	72	725	3	26	9	763
Capital expenditure	1,332	323	164	96	44	22	1,981	1	954	0	2,936
Average no. of employees*	996	656	867	1,302	1,147	1,107	6,075	-	12	-	6,087

* Borg Automotive has had an average of 1,476 employees during ownership period.

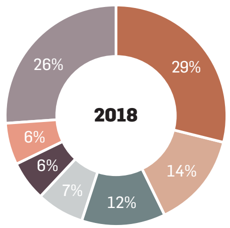
Revenue by country:

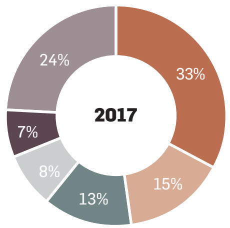




	2018	2017
Norway	3,792	4,323
Chile	2,313	1,957
Denmark	1,527	1,429
UK	1,183	1,024
Sweden	892	894
Other	8,547	7,406
Total	18,253	17,032

Intangible assets and property, plant and equipment by country:





	2018	2017
Denmark	2,325	2,322
Ecuador	1,113	1,076
Malaysia	927	959
Norway	549	579
Chile	488	467
Switzerland	452	0
Other	2,058	1,752
Total	7,911	7,154

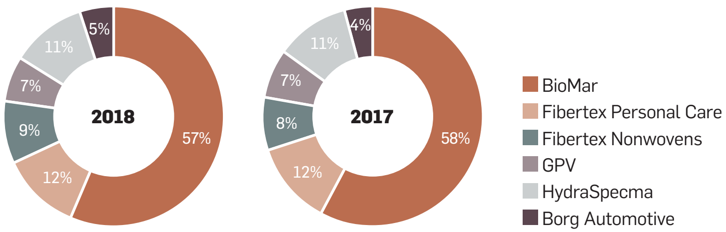
Amounts in DKK million

Notes · EBIT, working capital and cash flows

2
Revenue

	2018	2017
Sale of goods	18,251	17,029
Rental income	2	3
Total revenue	18,253	17,032

Revenue by subsidiary



3
Costs

	2018	2017
Cost of sales		
Cost of goods sold	-12,903	-12,021
Inventory impairment	-25	-51
Reversed write-down of inventories	14	15
Staff costs		
Remuneration to the Board of Directors of Schouw & Co.	-4	-4
Wages and salaries	-1,587	-1,447
Defined contribution pension plans	-104	-97
Other social security costs	-168	-145
Share-based payment	-17	-12
Total staff costs	-1,881	-1,705
Of which staff costs capitalised and recognised in plant, machinery and development projects	16	4
Staff costs recognised in the income statement	-1,864	-1,700
Staff costs are recognised as follows:		
Production	-1,070	-963
Distribution	-431	-395
Administration	-364	-343
Staff costs recognised in the income statement	-1,864	-1,700
Average no. of employees	7,174	6,087

Determination of remuneration to the Board of Directors and the Executive Management

Aktieselskabet Schouw & Co. has prepared a remuneration policy describing guidelines for the remuneration to members of the company's Board of Directors and Executive Management. The remuneration to board members consists of a fixed basic fee, which in 2018 amounted to DKK 300,000. The basic fee will be unchanged in 2019. The remuneration policy is available on the company's website. Remuneration to the Board of Directors includes a fee to the audit committee of DKK 0.5 million (2017: DKK 0.5 million).

Staff costs include salaries and bonuses of DKK 11.4 million (2017: DKK 11.7 million), pension contributions of DKK 0.3 million (2017: DKK 0.3 million) and share-based payment of DKK 3.3 million (2017: DKK 2.5 million) to members of the Executive Management. In addition, members of the Executive Management have company cars at their disposal. Members of the Management Board do not have any unusual employment or contractual terms.

Amounts in DKK million

Notes · EBIT, working capital and cash flows

3
Costs (continued)

Staff costs include salaries and bonuses of DKK 22 million (2017: DKK 24 million), pension contributions of DKK 1 million (2017: DKK 1 million) and share-based payment of DKK 7 million (2017: DKK 5 million) to the registered executive managements of directly owned subsidiaries. This group comprised 8 people in 2018 (2017: 7 people) No severance payments were made to these individuals in 2018 or 2017.

Share-based payment: Share option programme

The company has an incentive programme for the Management and senior managers, including the executive management of subsidiaries. The programme entitles participants to acquire shares in Schouw & Co. at a price based on the officially quoted price at around the date of grant (2018: DKK 626.90) plus a premium (2018 allocation: 3% p.a.) from the date of grant until the date of exercise.

Outstanding options	Executive management	Other	Total
Granted in 2014	40,000		40,000
Granted in 2015	55,000	50,000	105,000
Granted in 2016	55,000	194,000	249,000
Granted in 2017	55,000	234,667	289,667
Total outstanding options at 31 December 2017	205,000	478,667	683,667
Granted in 2018	55,000	289,000	344,000
Exercised (from 2014 grant)	-40,000	0	-40,000
Exercised (from 2015 grant)	-15,000	-50,000	-65,000
Exercised (from 2016 grant)	0	-5,833	-5,833
Lapsed (from 2017 grant)	0	-5,167	-5,167
Lapsed (from 2018 grant)	0	-5,833	-5,833
Total outstanding options at 31 December 2018	205,000	700,834	905,834

Options exercised in 2018:	Exercised from 2014 grant	Exercised from 2015 grant	Exercised from 2016 grant
Number of shares exercised	40,000	65,000	5,833
Average exercise price (DKK)	279.28	360.75	423.22
Average share price (DKK) at date of exercise	574.50	608.00	602.50
Group's cash proceeds in DKK million	11.2	23.4	2.5

The expected volatility is calculated as 12 months' historical volatility based on average prices. If the option holders have not exercised their share options within the period specified, the share options will lapse without any compensation to the holders. Exercise of the share options is subject to the holders being in continuing employment during the above-mentioned periods. If the share option holder leaves the company's employ before a share option vests, the holder may in some cases have a right to exercise the share options early during a four-week period following Schouw & Co.'s next following profit announcement. In the event of early exercise, the number of share options will be reduced proportionately.

The following assumptions were applied in calculating the fair value of outstanding share options at the date of grant:

Fair value assumptions	2018 grants	2017 grants	2016 grants	2015 grants
Expected volatility	21.10%	23.37%	31.50%	27.62%
Expected term	48 mo.	48 mo.	48 mo.	48 mo.
Expected dividend per share	DKK 12	DKK 10	DKK 8	DKK 6
Risk-free interest rate	-0.38%	-0.25%	0.10%	0.00%
Other information on option programmes:				
Exercise price (DKK) *	705.58	671.93	450.88	379.50
Fair value (DKK) per option **	58.51	68.45	69.65	40.99
Total fair value in DKKm	20.1	20.1	17.7	9.3
Exercisable from	March 2021	March 2020	March 2019	March 2017
Exercisable until	March 2022	March 2021	March 2020	March 2019

*) On exercise after four years (at the latest possible date)
**) At the date of grant

Research & development costs	**2018**	**2017**
Research and development costs expensed and development costs incurred are shown below:		
Research and development costs incurred	-98	-85
Development costs recognised as intangible assets	15	0
Amortisation and impairment of recognised development costs	-1	-1
Research and development costs expensed and recognised in the income statement	-84	-86

Depreciation and impairment losses		
Amortisation of intangible assets	-109	-83
Depreciation of property, plant and equipment	-423	-389
Impairment of property, plant and equipment	0	-3
Total depreciation, amortisation and impairment losses	-532	-475

Depreciation/amortisation and impairment is recognised in the income statement as follows:		
Production	-397	-379
Distribution	-82	-49
Administration	-53	-47
Total depreciation, amortisation and impairment losses	-532	-475

Amounts in DKK million

Notes · EBIT, working capital and cash flows

4
Other operating income and expenses

	2018	2017
Gains on the disposal of property, plant and equipment and intangible assets	2	6
Government grants	8	27
Profit /loss from salmon farming test centres	21	11
Other operating income	9	7
Total other operating income	41	51
Loss on the disposal of property, plant and equipment and intangible assets	-2	-7
Other operating expenses	-1	-1
Total other operating expenses	-3	-7

Fibertex Personal Care recognised a DKK 6.1 million investment grant received in Malaysia under government grants in 2018 (2017: DKK 3.9 million). The grant is primarily subject to Fibertex Personal Care Malaysia continuing to generate a taxable profit over the coming years, which is considered very likely.

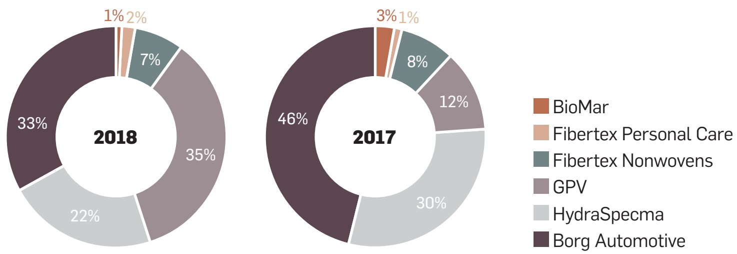
Fibertex Nonwovens received an investment grant of DKK 1.9 million in the Czech Republic in 2018.

5
Inventories

	2018	2017
Raw materials and consumables	2,113	1,559
Work in progress	197	109
Finished goods and goods for resale	1,308	1,073
Biological assets (fish)	66	70
Total inventories	3,684	2,811
Cost of inventories for which impairment losses have been recognised	485	331
Accumulated impairment losses on inventories	-213	-159
Net sales value	273	171

The Group's biological assets consist exclusively of fish used for fish feed experiments and mainly in association with the Group's associate LetSea in Norway.

Inventories written down, by portfolio company (stated at cost)



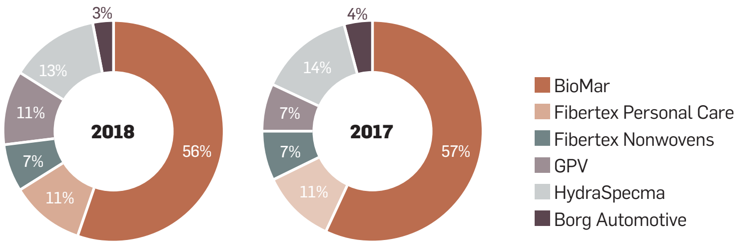
Amounts in DKK million

Notes · EBIT, working capital and cash flows

6
Receivables - current

	2018	2017
Trade receivables	3,596	2,934
Other current receivables	259	204
Prepayments	48	42
Total current receivables	3,903	3,180

Trade receivables by portfolio company:



2018	Not fallen due	Due between (days) 1-30	31-90	>91	Total
Trade receivables	3,001	417	132	189	3,740
Impairment losses on trade receivables	-20	-3	-7	-113	-144
Trade receivables, net	2,981	414	125	76	3,596
Proportion of the total receivables expected to be settled					96.2%
Impairment rate	0.7%	0.8%	5.3%	59.9%	3.8%

2017	Not fallen due	Due between (days) 1-30	31-90	>91	Total
Trade receivables	2,445	339	110	177	3,072
Impairment losses on trade receivables	0	-2	-6	-130	-138
Trade receivables, net	2,445	337	104	47	2,934
Proportion of the total receivables expected to be settled					95.5%
Impairment rate	0.0%	0.6%	5.6%	73.2%	4.5%

	2018	2017
Impairment losses on trade receivables		
Impairment losses in accordance with IAS 39 at 1 January	-138	-158
Change in accounting policies:	-15	0
Impairment losses in accordance with IAS 9 at 1 January	-153	-158
Foreign exchange adjustments	5	8
Additions on company acquisitions	-3	-5
Reversed impairment losses	3	18
Impairment losses for the year	-6	-10
Realised loss	10	10
Impairment losses, end of period	-144	-138
Collateral breakdowns as shown below:		
Collateral on trade receivables not due for payment	277	238
Collateral on trade receivables due for payment	141	132

Amounts in DKK million

Notes · EBIT, working capital and cash flows

6

Receivables - current (continued)

The principal risk in terms of anticipated bad debts in the Schouw & Co. Group relates to BioMar. DKK 135 million of the total of DKK 144 million in bad debt provisions at December 31, 2018 was related to BioMar. Bad debt provisions made in BioMar are based on the following estimates for the current risk of loss:

		Due between (days)			
2018	Not fallen due	1-30	31-90	>91	Total
High risk of loss	9	1	4	31	46
Medium risk of loss	10	1	3	74	87
Low risk of loss	1	1	0	0	2
Total provisions	20	3	7	105	135

BioMar has taken out credit insurance for DKK 1,037 million for its trade receivables. In addition, customers have provided collateral to BioMar in the amount of DKK 411 million (2017: DKK 367 million). The collateral provided consists mainly of assets such as fish stocks and fish farming equipment.

The Group's portfolio companies closely monitor trade receivables in order to estimate the need to make provisions for bad debts. Provisions for bad debts are determined individually on the basis of an assessment of the debtor's ability to pay with due consideration for any collateral provided by the customer plus any debtor insurance. At Group level, a debtor report is prepared quarterly and submitted to Schouw & Co.'s Board of Directors.

7

Changes in working capital

	2018	2017
Change in inventories	-383	-495
Change in receivables	-456	147
Change in trade payables and other payables	405	-198
Total changes in working capital	-434	-546

8

Trade payables and other payables

	2018	2017
Trade payables	3,166	2,630
Core liability	177	160
Customer prepayments	14	5
Other payables	659	613
Provisions	16	11
Prepayments	56	44
Total trade payables and other payables	4,089	3,464

Trade payables and other payables largely all fall due within one year.

Borg Automotive sells remanufactured automotive spare parts charging a deposit for a product's core component. The system of deposits give the customers an incentive to return the cores, ensuring a flow of raw materials to the company. This produces a core liability that applies for two years. The liability amounted to DKK 236 million at 31 December 2018. Of this amount, DKK 177 million has been recognised in current liabilities, while the remaining DKK 59 million has been recognised in other non-current liabilities.

Notes · invested capital

This section of the annual report contains notes relating to the Group's invested capital.

The following notes are presented in this section:

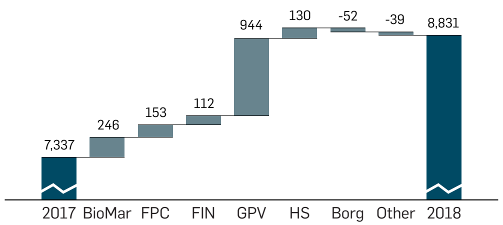
9. Intangible assets
10. Property, plant and equipment
11. Receivables – non-current
12. Investments in subsidiaries, joint arrangements and associates
13. Operational leases and rent commitments
14. Acquisitions
15. Divestments
16. Impairment test

Comments

Invested capital

Invested capital covers property, plant and equipment, intangible assets and working capital and can be stated both inclusive and exclusive of goodwill. Invested capital exclusive of goodwill increased from DKK 7,337 million to DKK 8,831 million at 31 December 2018. Changes in invested capital by portfolio company appear from the chart below.

Changes in invested capital 2017-2018



As can be seen from the chart, invested capital increased in all businesses, except Borg Automotive. The largest effect was from company acquisitions, as the acquisition of CCS at the end of the year increased GPV's invested capital by DKK 783 million.

Amounts in DKK million

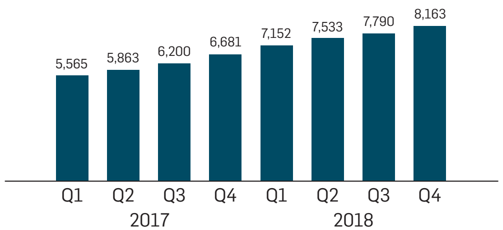
In addition to the effect of the acquisition of CCS, significant investments were made in new capacity. BioMar is currently building a new factory in Australia, Fibertex Personal Care is setting up a print factory in the USA and Fibertex Nonwovens has acquired a nonwovens manufacturer in Brazil and completed its investment to establish nano-production facilities. In addition to the above transactions affected the invested capital, all portfolio businesses but Borg Automotive strongly increased their working capital in 2018.

ROIC

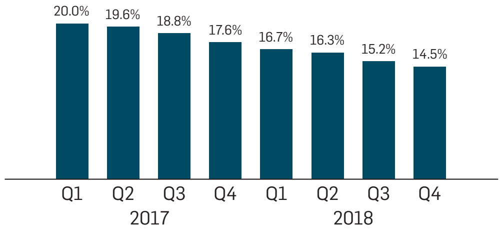
Return on invested capital (ROIC) is measured as Operating profit/loss before amortisation (EBITA) as a percentage of average invested capital. ROIC exclusive of goodwill fell from 17.6% in 2017 to 14.5% in 2018. ROIC is calculated exclusive of the addition of invested capital relating to the acquisition of CCS, because CCS did not contribute to 2018 earnings.

Average invested capital exclusive of goodwill (and adjusted for the addition of CCS) increased by 19% in 2018, whereas earnings fell by 2%.

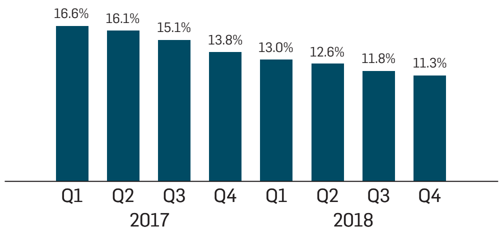
Avg. invested capital excluding goodwill



ROIC excluding goodwill



ROIC including goodwill



Accounting policies

Intangible assets

Goodwill is initially recognised in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment. Goodwill is not amortised. The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The determination of cash-generating units is based on the management structure and the in-house financial management.

Intangible assets such as customer relations, brands and know-how, acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment.

Other intangible assets comprise IT solutions and development projects.

Intangible assets are amortised on a straight-line basis over the expected useful lives of the assets, which are as follows:

Customer relations	10-20 years
Brands	10-20 years
Know-how	10-15 years
Other intangible assets	3-10 years

Goodwill is not amortised, but is tested for impairment once a year.

Property, plant and equipment

Land and buildings, plant and machinery, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use. For assets produced in-house, cost comprises direct and indirect costs of materials, components, third-party suppliers and labour. Cost is increased by the present value of estimated liabilities for the removal and disposal of the asset and restoration of the site on which the asset was used. The cost of a total asset is divided into separate components that are depreciated separately if such components have different useful lives.

Interest expense of constructing a new asset and incurred during the construction period is recognised in the cost of the asset.

The cost of assets held under finance leases is determined as the lower of the fair value of the assets and the present value of future minimum lease payments. The present value is calculated using the interest rate implicit in the lease as the discount factor, or an approximate value.

Notes · invested capital

Subsequent costs, such as the cost of replacing components of property, plant and equipment, are included in the asset's carrying amount. The replaced components are no longer recognised in the balance sheet, and the carrying amount is transferred to the income statement. All other ordinary repair and maintenance costs are recognised in the income statement when incurred.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets/components, which are expected to be as follows:

Buildings	10-50 years
Plant and machinery	4-15 years
Other fixtures and fittings, tools and equipment	3-10 years
Land	not depreciated

The basis of depreciation is calculated with due consideration to the asset's scrap value, reduced by any impairment losses. The residual value is determined at the acquisition date and reassessed annually. Where the residual value exceeds the carrying amount, the property ceases to be depreciated.

If the depreciation period or the scrap value is changed, the effect on depreciation going forward is recognised as a change in accounting estimates. Depreciation is recognised in the income statement as production costs, distribution costs or administrative expenses.

Investments in joint ventures and associates
Joint ventures and associates are recognised in consolidated income statement at the proportionate share of the profit or loss after elimination of the proportionate share of intra-group gains or losses after impairment of goodwill.

Investments in joint ventures and associates are measured in the balance sheet at the proportionate share of the companies' net asset value calculated in accordance with the Group's accounting policies with the deduction or addition of the proportionate share of unrealised intra-group gains and losses and with the addition of the carrying amount of goodwill.

Associates with a negative equity value are recognised at zero.

Receivables from associates are written down to the extent they are deemed to be irrecoverable.

Leases
For accounting purposes, leases are divided into finance and operating leases. Leases are classified as finance leases when substantially all risks and rewards of ownership of the leased asset are transferred. Other leases are classified as operating leases. The accounting treatment of assets held under a finance lease and the related liability is described in the sections on property, plant and equipment and financial liabilities, respectively. Obligations under operating leases are determined at the balance sheet date as the present value of future cash flows for which the discount effect is material, typically for leases running for more than five years from inception. Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

IFRS 16 (leases)
On 1 January 2019, Schouw & Co. implemented IFRS 16, which changes the above accounting policy on leases, as only financial leases are now recognised in the balance sheet. Effective from 1 January 2019, all leases are recognised in the balance sheet as a lease asset (right of use of the lease) and a lease liability. However, leases and lease agreements for minor assets and short-term agreements (of less than one year) are exempt from the recognition requirement. Lease assets are depreciated on a straight-line basis over their expected useful lives, and rent and lease payments are broken down into principal component reducing the lease and an interest component recognised in financial expenses.

Business combinations.
Newly acquired or newly established companies are recognised in the consolidated financial statements from the date of acquisition. Comparative figures are not adjusted to reflect acquisitions.

The purchase method is applied on acquisitions if the Parent Company gains control of the company acquired. Assets, liabilities and contingent liabilities in companies acquired are measured at their fair value at the date of acquisition. Intangible assets are recognised if they can be separated or if they arise from a contractual right and the fair value can be reliably measured. Deferred tax on revaluations made is recognised.

Any excess of the consideration paid for the business over the fair value of the acquired assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. In the event of uncertainty regarding measurement, goodwill may be adjusted until 12 months after the acquisition. Goodwill is not amortised, but is tested for impairment annually. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is transferred to the cash-generating units that will subsequently form the basis for future impairment tests.

On initial recognition, minority interests are either recognised at their fair value or at their pro-rata share of the fair value of the acquired company's identifiable assets, liabilities and contingent liabilities. Accordingly, for the former option, goodwill is recognised relating to minority interests of the acquired business, while for the latter option, goodwill relating to minority interests is not recognised. The measurement of minority interests is determined on a case-by-case basis and disclosed in the presentation of acquired businesses in the notes to the financial statements.

When put options are issued as part of the consideration for business combinations, the put options received by non-controlling interests are considered to have been redeemed on the acquisition date.

The non-controlling interest is reversed and a liability is recognised at fair value on initial recognition, and the difference is adjusted under equity. Fair value is determined as the present value of the exercise price of the option. The option is subsequently measured at amortised cost corresponding to the discounted value of the expected future cash flows. Value adjustments are recognised directly in equity. Dividend payments agreed in relation to the put option are considered a financial expense and recognised in the income statement.

Company divestments
Companies divested or wound up are consolidated in the income statement until the date they are divested or wound up. Comparative figures are not adjusted to reflect divestments.

Any gains or losses on the disposal of subsidiaries, associates or joint ventures are stated as the difference between the sales sum or the proceeds from the winding-up and the carrying amount of net assets, including goodwill, at the date of disposal and expenses for selling or winding-up. On the disposal of subsidiaries, adjustments accumulated in equity through other comprehensive income and which are attributable to the unit are reclassified to the income statement and recognised together with any gains or losses from the disposal.

On the divestment of a subsidiary, the profit/loss is recognised under profit/loss from the divestment of equity investments if the company sold does not represent an independent reporting segment or if

Notes · invested capital

its revenue, profit/loss or assets represent less than 10% of consolidated revenue, consolidated profit/loss or consolidated assets.

Profit from the sale of other subsidiaries is recognised in profit from discontinued operations.

Profit from the sale of associates and joint ventures is recognised together with the share of profit in the respective associates and joint ventures until the date of divestment in profit after tax from associates or profit after tax from joint ventures, as the case may be.

Non-current asset impairment test
Goodwill and intangible assets with indefinite useful lives are tested annually for impairment, initially before the end of the year of acquisition. Development projects in progress are also tested for impairment annually.
The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which goodwill has been allocated and is written down over the income statement to the lower of the recoverable amount and the carrying amount.

The recoverable amount is generally calculated as the present value of the future net cash flows expected to be derived from the business or activity (cash-generating unit) to which the goodwill relates.

A write-down is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Write-downs are recognised in the income statement as production costs, distribution costs or administrative expenses. However, goodwill write-downs are recognised as a separate item in the income statement. Impairment write-downs of goodwill are not reversed. Impairment of other assets is reversed to the extent changes have occurred to the assumptions and estimates leading to the impairment. Impairment is only reversed to the extent the new carrying amount of an asset does not exceed the carrying amount the asset would have had net of depreciation, had the asset not been impaired.

The carrying amounts of other non-current assets are tested annually to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less expected costs to sell and the value in use.

Significant accounting estimates

Acquisitions
Acquisitions are accounted for using the purchase method, according to which the acquired enterprise's identifiable assets, liabilities and contingent liabilities are recognised in the balance sheet at fair value. The principal assets are generally goodwill, property, plant and equipment, intangible assets and inventories and any tax thereon. As there is generally no efficient market for the individual assets, the valuation of the respective assets are generally based on significant accounting estimates. See note 14.

Impairment test
Goodwill is tested annually for impairment, and other intangible assets are tested if there is evidence of impairment.

An assessment is made as to whether the cash-generating unit to which the asset relates will be able to generate sufficient cash flows in future to support the carrying amount of the asset.

Assessments are made of the estimated cash flows for the next many years and of the long-term growth rate and a reasonable discount rate reflecting the risk inherent to the asset or cash-generating unit, all of which is inherently subject to uncertainty. See note 16.

Useful lives
The estimated useful lives of intangible assets and property, plant and equipment which are depreciated are reviewed regularly.

Notes · invested capital

9
Intangible assets

2018	Goodwill	Customer relations	Brands	Know-how	Other intangible assets	Total
Cost at 1 January 2018	2,208	457	199	346	175	3,386
Foreign exchange adjustments	40	7	-1	11	0	58
Addition on internally generated assets	0	0	0	0	25	25
Addition through separate acquisition	0	1	0	0	8	9
Additions on company acquisitions	156	199	0	59	5	419
Disposals	0	0	0	0	-3	-3
Cost at 31 December 2018	2,404	665	198	416	211	3,895
Amortisation and impairment at 1 January 2018	0	-78	-17	-20	-76	-191
Foreign exchange adjustments	0	-2	0	-1	0	-2
Transferred/reclassified	0	1	0	-2	0	0
Amortisation	0	-37	-13	-24	-36	-109
Amortisation and impairment of disposed assets	0	0	0	0	2	2
Amortisation and impairment at 31 December 2018	0	-115	-29	-46	-110	-300
Carrying amount at 31 December 2018	2,404	549	169	370	101	3,594
Amortised over		10-20 years	10-20 years	10-15 years	3-10 years	

2017	Goodwill	Customer relations	Brands	Know-how	Other intangible assets	Total
Cost at 1 January 2017	1,169	197	61	44	146	1,617
Foreign exchange adjustments	-69	-17	-3	-10	-3	-102
Addition through separate acquisition	0	0	0	0	24	24
Additions on company acquisitions	1,108	296	141	313	9	1,867
Disposals	0	-22	0	0	-2	-24
Transferred/reclassified	0	2	0	0	1	3
Cost at 31 December 2017	2,208	457	199	346	175	3,386
Amortisation and impairment at 1 January 2017	0	-74	-6	-8	-47	-135
Foreign exchange adjustments	0	6	0	0	1	8
Transferred/reclassified	0	-2	0	0	0	-2
Amortisation	0	-29	-11	-13	-30	-83
Amortisation and impairment of disposed assets	0	22	0	0	0	22
Amortisation and impairment at 31 December 2017	0	-78	-17	-20	-76	-191
Carrying amount at 31 December 2017	2,208	379	183	326	99	3,195
Amortised over		10-15 years	10-20 years	10-15 years	3-15 years	

Intangible assets

The Group had predominantly additions of intangible assets in 2018 in connection with the acquisition of CCS at the end of the year.

Purchase price allocation in connection with the Group's acquisition has to date resulted in the identification of customer relations of DKK 199 million, know-how of DKK 59 million and other intangible assets of DKK 5 million. As the purchase price allocation has yet to be finalised, there may be changes to the above values.

In addition, there is an unidentifiable added value on acquisitions of DKK 156 million, which is recognised as goodwill.

The category other intangible assets consists mainly of IT projects, but also includes various ongoing and completed development projects.

Amounts in DKK million

Notes · invested capital

10
Property, plant and equipment

2018	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2018	2,488	4,581	334	226	7,628
Foreign exchange adjustments	13	24	0	1	38
Additions	62	130	36	460	689
Additions on company acquisitions	26	83	8	2	118
Disposals	0	-8	-11	0	-20
Disposals on divestment	-121	0	-1	0	-122
Transferred/reclassified	42	140	7	-188	0
Cost at 31 December 2018	2,509	4,950	372	501	8,332
Amortisation and impairment at 1 January 2018	-711	-2,745	-213	0	-3,669
Foreign exchange adjustments	-2	-20	0	0	-22
Transferred/reclassified	-1	0	1	0	-1
Amortisation and impairment of disposed assets	0	5	9	0	14
Disposals on divestment	85	0	1	0	85
Depreciation	-83	-296	-44	0	-423
Depreciation and impairment at 31 December 2018	-712	-3,056	-247	0	-4,015
Carrying amount at 31 December 2018	1,797	1,894	125	501	4,317
Of which assets held under finance leases	7	3	17	0	27
Amortised over	10-50 years	4-15 years	3-10 years		

At the end of 2018, the Group had entered into contracts for the purchase of property, plant and equipment for future delivery for an amount of DKK 310 million (2017: DKK 88 million).

Properties with evidence of impairment have been tested for impairment. No properties were written down during 2018 (2017: DKK 3 million).

2017	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2017	2,144	3,877	330	608	6,958
Foreign exchange adjustments	-68	-124	-7	-22	-221
Additions	61	159	40	548	808
Additions on company acquisitions	163	57	10	5	236
Disposals	-79	-10	-58	-3	-150
Transferred/reclassified	267	622	19	-911	-3
Cost at 31 December 2017	2,488	4,581	334	226	7,628
Amortisation and impairment at 1 January 2017	-723	-2,549	-236	0	-3,508
Foreign exchange adjustments	22	76	5	0	103
Transferred/reclassified	0	0	2	0	2
Amortisation and impairment of disposed assets	66	3	56	0	125
Impairment	-3	0	0	0	-3
Depreciation	-73	-275	-41	0	-389
Depreciation and impairment at 31 December 2017	-711	-2,745	-213	0	-3,669
Carrying amount at 31 December 2017	1,776	1,836	120	226	3,959
Of which assets held under finance leases	8	2	14	0	24
Amortised over	10-50 years	3-15 years	3-10 years		

11
Receivables – non-current

	2018	**2017**
Investment grants	56	72
Other non-current receivables	52	65
Total non-current receivables	108	137

All investment grants received related to the Group's activities in Malaysia (Fibertex Personal Care). The amount is expected to be received as a positive taxable income is achieved.

Other non-current assets include interest-bearing receivables of DKK 35 million (2017: DKK 45 million).

Amounts in DKK million

Notes · invested capital

12

Investments in subsidiaries, associates and joint arrangements

The Group has the following subsidiaries and joint operations:

Name	Registered office	Ownership interest 2018	Ownership interest 2017
Alba Ejendomme A/S	Aarhus, Denmark	100%	100%
BioMar Group A/S	Aarhus, Denmark	100%	100%
Alimentsa S.A.	Guayaquil, Ecuador	70%	70%
Alitec Pargua S.A. *	Pargua, Chile	50%	50%
BioMar A/S	Brande, Denmark	100%	100%
BioMar A/S Chile Holding S.A.	Puerto Montt, Chile	100%	100%
BioMar AB	Malmø, Sweden	100%	100%
BioMar Aquacultura Corporation S.A.	Cañas, Costa Rica	100%	100%
BioMar Aquacorporation Products S.A. *	Cañas, Costa Rica	50%	50%
BioMar AS	Myre, Norway	100%	100%
BioMar Chile SA	Puerto Montt, Chile	100%	100%
BioMar Hellenic S.A.	Volos, Greece	100%	100%
BioMar Iberia S.A.	Dueñas, Spain	100%	100%
BioMar Ltd.	Grangemouth, Scotland	100%	100%
BioMar OOO	Ropsha, Russia	100%	100%
BioMar Pty. Ltd.	Hobart, Australia	100%	100%
BioMar S.A.S.	Nersac, France	100%	100%
BioMar Sp. z o.o.	Zielona Góra, Polen	100%	100%
Oy BioMar Ab	Vanda, Finland	100%	100%
Fibertex Personal Care A/S	Aalborg, Denmark	100%	100%
Fibertex Personal Care Sdn Bhd	Nilai, Malaysia	100%	100%
Innowo Print AG	Ilsenburg, Germany	100%	100%
Fibertex Personal Care Corporation	Asheboro, USA	100%	100%
Fibertex Personal Care K.K.	Tokyo, Japan	100%	100%
Fibertex Nonwovens A/S	Aalborg, Denmark	100%	100%
Elephant Nonwovens - Nao Tecidos U.P., Lda.	Estoril, Portugal	100%	100%
Fibertex Elephant	Sant Cugat del Vallés, Spain	100%	100%
Fibertex France SARL	Beauchamp, France	100%	100%
Fibertex Nonwovens A/S	Aalborg, Denmark	100%	100%
Fibertex Nonwovens Holding Ltd.	Hong Kong, China	100%	100%
Fibertex Nonwovens LLC	Ingleside IL, USA	100%	100%
Fibertex Nonwovens S.A.S.	Chemillé, France	100%	100%
Fibertex Nonwovens Shanghai Co. Ltd.	Shanghai, China	100%	100%
Fibertex Nonwovens Tekstil Sanayi ve Ihracat A.Ş.	Cerkezkoy, Turkey	100%	100%
Fibertex Nonwovens, a.s.	Svitavy, Czech Republic	100%	100%
Fibertex Private Limited	Bangalore, India	100%	100%
Fibertex South Africa Ltd.	Hammarsdale, South Africa	74%	74%
FIN North America Holding Inc.	Ingleside IL, USA	100%	100%
FIN North America Real Estate	Ingleside IL, USA	100%	100%
Fibertex Naotecidos Ltda.	Sao Paolo, Brazil	100%	100%
GPV International A/S	Tarm, Denmark	100%	100%
GPV Asia (Thailand) Co. Ltd.	Bangkok, Thailand	100%	100%
GPV Americas México S.A.P.I de CV	Guadalajara, Mexico	100%	100%
BHE A/S	Horsens, Denmark	100%	100%
CCS Group Holding AG	Risch, Switzerland	100%	-
CCS Customer Care & Solutions Holding AG	Lachen, Switzerland	100%	-
CCS International Ltd.	Lachen, Switzerland	100%	-
CCS Lanka (PVT) Ltd.	Kochchikade, Sri Lanka	100%	-
CCS (Zhongshan) Co. Ltd.	Zhongshan, China	100%	-
CCS Asia Ltd.	Hong Kong, Hong Kong	100%	-
CCS Adaxys AG	Mendrisio, Switzerland	100%	-
CCS Gohlke GmbH	Hildesheim, Germany	100%	-
CCS Slovensko s.r.o.	Hlohovec, Slovenia	100%	-
CCS Akatech GmbH	Frankenmarkt, Austria	100%	-
CCS Akatech Kabel GmbH	Frankenmarkt, Austria	100%	-
Hydra-Grene A/S	Skjern, Denmark	100%	100%
Dansk Afgratningsteknik A/S	Skjern, Denmark	60%	60%
Hydra-Grene Hydraulic Systems (Tianjin) Co., Ltd.	Tianjin, China	90%	90%
Hydra Grene Hydraulics Equipment Accessory Co., Ltd.	Tianjin, China	100%	100%
Hydra Grene Hydraulics India Private Limited	Chennai, India	100%	100%
Hydra-Grene A/S	Skjern, Denmark	100%	100%
Hydra-Grene USA Inc.	Chicago, USA	100%	100%
Hydraulic Connectors Europe Ltd.	Durham, UK	100%	100%
Samwon Tech (Europe) Ltd.	Newton Aycliffe, UK	100%	100%
Specma AB	Goteborg, Sweden	100%	100%
Specma Co. Ltd.	Shanghai, China	100%	100%
Specma Components AB	Skellefteå, Sweden	100%	100%
Specma Do Brazil Ltda	Curitiba, Brazil	51%	51%
Specma Hydraulic Polska sp. z.o.o.	Stargard, Poland	100%	100%
Specma Hydraulic U.S. Inc.	San Antonio, Texas USA	100%	100%
Specma Hydraulikhuset AB	Goteborg, Sweden	100%	100%
Specma OY	Espoo, Finland	100%	100%
Borg Automotive A/S	Silkeborg, Denmark	100%	100%
Borg Automotive Sp.z.o.o.	Zdunska Wola, Poland	100%	100%
Car Parts Industries Belgium SA	Gosselies, Belgium	100%	100%
Car Parts Industries UK Ltd	Wednesbury, UK	100%	100%

FIN took over Brazilian nonwovens manufacturer Duci (which subsequently changed its name to Fibertex Naotecidos) on 1 February 2018, and GPV took over Swiss-based EMS company CCS Group AG on 28 December 2018. Borg has merged five Danish companies into the continuing company Borg Automotive A/S. Schouw & Co has divested Niels Bohrs Vej A/S and put two companies with no activities into liquidation.

*Pro-rata consolidated companies are Alitec Pargua S.A. and BioMar Aquacorporation Products S.A. Both are 50%-owned. Both investments are joint arrangements in which the Schouw & Co. Group (BioMar) shares control over the production apparatus of the jointly-controlled entities with an external business partner. Accordingly, under IFRS 11, the arrangements are therefore classified as joint operations and pro-rata consolidated. The companies are recognised at the following amounts: Current assets DKK 113 million (2017 DKK 108 million), non-current assets DKK 94 million (2017: DKK 90 million), current liabilities DKK 163 million (2017: DKK 150 million), non-current liabilities DKK 19 million (2017: DKK 19 million), revenue DKK 192 million (2017 DKK 195 million) and expenses DKK 184 million (2017 DKK 188 million).

Amounts in DKK million

Notes · invested capital

12

Investments in subsidiaries, joint arrangements and associates (continued)

The Group has the following associates:

Name	Registered office	Ownership interest 2018	Ownership interest 2017
Incuba Invest A/S	Aarhus, Denmark	-	49%
LetSea AS	Dønna, Norway	33%	33%
ATC Patagonia S.A.	Lenca, Chile	30%	30%
Salmones Austral S.A.	Puerto Montt, Chile	23%	23%
LCL Shipping	Grangemouth, Scotland	40%	40%
Young Tech Co. Ltd.	Changwon, South Korea	30%	30%
Micron Specma India (Pvt.) Ltd	Rohtak, Haryana, India	25%	25%

Associates:	2018	2017
Cost at 1 January	331	72
Additions during the year	1	260
Disposals for the year	-66	0
Cost at 31 December	267	331
Adjustments at 1 January	11	-9
Foreign exchange adjustments and other changes in equity	14	-10
Dividends paid	0	-3
Disposals for the year	23	0
Profit after tax from associates	63	32
Adjustments at 31 December	110	11
Carrying amount at 31 December	377	342

2018	Incuba Invest A/S	LetSea AS	ATC Patagonia	Salmones Austral	LCL Shipping	Young Tech Co. Sydkorea	Micron Specma India (Pvt.) Ltd
Revenue	-	183	13	1,632	10	56	1
Profit for the year	-	27	-3	223	2	1	0
Total assets	-	238	83	2,579	20	44	5
Liabilities	-	156	16	1,222	11	34	0
Recognised in the Schouw & Co. Group:							
Share of profit	0	9	-1	51	1	0	0
Share of equity	-	27	20	311	4	3	1
Goodwill	-	0	0	11	0	0	0
Carrying amount at 31 December	-	27	20	321	4	3	1

2017	Incuba Invest A/S	LetSea AS	ATC Patagonia	Salmones Austral	LCL Shipping	Young Tech Co. Sydkorea	Micron Specma India (Pvt.) Ltd
Revenue	0	191	13	1,412	-	27	0
Profit for the year	8	7	-3	206	-	-1	0
Total assets	92	191	74	2,452	-	26	2
Liabilities	4	134	8	1,374	-	19	0
Recognised in the Schouw & Co. Group:							
Share of profit	4	2	-1	27	0	0	0
Share of equity	43	19	20	247	0	2	0
Goodwill	0	0	0	10	0	0	0
Carrying amount at 31 December	43	19	20	257	0	2	0

Salmones Austral is individually considered to be of significant importance to the Group. The comprehensive income in Salmones Austral for 2018 amounted to DKK 223 million (2017: DKK 206 million), its EBITDA was DKK 442 million (2017: DKK 380 million) and its NIBD at 31 December was DKK 540 million (2017: DKK 504 million).

Incuba Invest A/S was put into liquidation in 2018, and the company's assets were distributed to the shareholders. In that connection, Schouw & Co. received shares in Incuba A/S, which owns and operates three science parks in Aarhus, Denmark. Schouw & Co.'s ownership interest is 15.8%.

Amounts in DKK million

Notes · invested capital

12

Investments in subsidiaries, associates and joint ventures (continued)

The Group has the following joint ventures:

Name	Registered office	Ownership interest 2018	Ownership interest 2017
Xergi A/S	Støvring, Denmark	-	50%
BioMar-Sagun TTK	Söke, Turkey	50%	50%
BioMar-Tongwei (Wuxi) Biotech Co., Ltd.	Wuxi, China	50%	50%

The Schouw & Co. Group does not have control of individual assets in the above joint ventures, but shares a controlling influence on the operation of the companies and has a right to a proportionate share of the companies' net assets.

2018	Xergi	BioMar-Sagun	BioMar-Tongwei
Revenue	-	239	542
Profit for the year	-	16	9
Total assets	-	204	366
Liabilities	-	151	152
Recognised in the Schouw & Co. Group:			
Share of profit	-5	8	4
Share of equity	-	27	107
Goodwill	-	1	2
Carrying amount at 31 December	-	28	109

2017	Xergi	BioMar-Sagun	BioMar-Tongwei
Revenue	197	220	479
Profit for the year	0	10	10
Total assets	162	167	341
Liabilities	93	114	129
Recognised in the Schouw & Co. Group:			
Share of profit	0	5	5
Share of equity	33	27	106
Goodwill	0	1	2
Carrying amount at 31 December	33	28	108

Joint ventures:	**2018**	**2017**
Cost at 1 January	210	210
Disposals for the year	-60	0
Cost at 31 December	150	210
Adjustments at 1 January	-41	-38
Foreign exchange adjustments	-9	-13
Other changes in equity	-3	0
Disposals for the year	32	0
Share of profit after tax in joint ventures	8	10
Adjustments at 31 December	-13	-41
Carrying amount at 31 December	137	169

13

Operational leases and rent commitments

2018	Property	Machinery	Ships	Cars	Total
Falling due within one year	84	12	99	12	206
Falling due within 1-5 years	161	18	265	15	457
Falling due after 5 years	71	1	87	0	159
Total operational leases and rent commitments	315	30	450	26	822

2017	Property	Machinery	Ships	Cars	Total
Falling due within one year	60	9	91	10	169
Falling due within 1-5 years	90	11	223	12	336
Falling due after 5 years	48	1	105	0	154
Total operational leases and rent commitments	197	22	419	22	660

BioMar is a party to long-term time charter agreements including ship crews. Only services related to the right to use the vessels (bare boat) are shown in the table above.

An amount of DKK 188 million (2017: DKK 155 million) relating to operating leases and rent commitments has been recognised in the consolidated income statement for 2018.

Amounts in DKK million

Notes · invested capital

14
Acquisitions

	CCS	DUCI	**Total 2018**	**2017**
Customer relations	186	13	199	296
Brands	0	0	0	141
Know-how	59	0	59	313
Other intangible assets	4	1	5	9
Property, plant and equipment	97	21	118	236
Financial assets	1	0	1	1
Inventories	434	38	471	385
Receivables	166	30	196	268
Tax asset	0	0	0	58
Cash and cash equivalents	123	2	125	54
Credit institutions	-159	0	-159	-48
Deferred tax	-38	-4	-42	-185
Provisions	-7	0	-7	-16
Trade payables	-107	-11	-119	-85
Other payables	-148	-8	-156	-252
Current tax	-16	0	-16	-56
Net assets acquired	595	82	677	1,119
Of which non-controlling interests	0	0	0	-317
Goodwill	156	0	156	1,108
Acquisition cost	751	82	833	1,910
of which cash and cash and cash equivalents	-123	-2	-125	-54
Contingent consideration	0	0	0	8
Total cash acquisition costs	628	80	708	1,864

Fibertex Nonwovens acquired all activities in Brazilian nonwovens manufacturer Duci effective on 2 February 2018. Fibertex Nonwovens thereby established a presence in the growing South American market and has now moved a step closer to a position as a global market-leading supplier of nonwovens to the automotive industry. DUCI was founded in 2001 and in 2017 generated revenue of nearly DKK 115 million and EBITDA of about DKK 15 million. Intangible assets of DKK 13 million consisting of customer relations have been identified in connection with the acquisition. The acquisition of Duci involved acquisition costs of DKK 2 million, which amount has been recognised under administrative expenses.

Acquired assets include trade receivables at a fair value of DKK 30 million. The contractual gross receivable amounts to DKK 30 million, of which DKK 0.2 million was assessed as being irrecoverable at the acquisition date. Had Duci been acquired effective on 1 January 2018, revenue would have been DKK 11 million higher and the full-year profit would have been DKK 1 million higher.

GPV acquired the Swiss-based EMS company CCS Group AG on 28 December 2018.

Founded in Switzerland in 1985 under the name of Formatest AG, CCS Group specialises in electronics, cable harness manufacturing and system integration. The company has its head office in the Swiss city of Lachen. CCS employs about 2,500 employees, of which approx. 50% are based in Europe while the rest are in Sri Lanka and in China.

Prior to the acquisition, most of GPV's customers were headquartered in northern Europe, whereas most of CCS' customers are based in the German-speaking parts of Europe. GPV has production facilities in Denmark, Mexico and Thailand, while CCS has production facilities in Switzerland, Germany, Austria, Slovakia, Sri Lanka and China. For some time, GPV has had a strategic goal of establishing a best-cost structure for its operations in Europe, and GPV and CCS complement each other perfectly on three continents and in the most important best-cost regions.

The deal creates a strong European EMS business headquartered in Denmark that will have production facilities in Asia, Europe and the Americas, about 4,000 employees and combined 2019 revenue of about DKK 2,750 million.

Intangible assets of DKK 245 million consisting of customer relations and know-how have been identified in connection with the acquisition. Added value of DKK 24 million has been identified, and the value of inventories has increased by DKK 16 million. Goodwill has provisionally been calculated at DKK 156 million.

The acquisition of CCS involved acquisition costs of DKK 10 million, which amount has been recognised under administrative expenses. Acquired assets include trade receivables at a fair value of DKK 166 million. The contractual gross receivable amounts to DKK 169 million, of which DKK 3 million was assessed as being irrecoverable at the acquisition date. Had CCS been acquired effective at 1 January 2018, revenue would have been DKK 1,572 million higher and the profit after tax would have been DKK 49 million higher.

The Group acquired BHE, Borg Automotive and Alimentsa in 2017.

15
Divestments

The Group divested Xergi A/S and Niels Bohrs Vej A/S in 2018. The divestments produced a total gain of DKK 9 million and cash selling prices totalling DKK 55 million. The transactions involved selling costs of DKK 3 million.

Amounts in DKK million

Notes · invested capital

16
Impairment test

Goodwill
The management of Schouw & Co. has tested the value in use of the carrying amounts against goodwill in the group companies. In the test performed, the senior management of each company indicated the expected free cash flows for a five-year budget and forecast period (2019-2023). The free cash flow after tax has been applied to a discounted cash flow model (the "value in use" principle) for the purpose of estimating each company's value and goodwill, which amount was subsequently compared with the carrying amount recognised in the Schouw & Co. consolidated financial statements.

Schouw & Co. recognised goodwill of DKK 2,208 million at 31 December 2017. On 28 December 2018, GPV acquired Swiss-based EMS company CCS, resulting in an addition of goodwill of DKK 156 million. The Group has also had a positive foreign exchange adjustment of DKK 40, which derived mainly from foreign exchange adjustment in BioMar's subsidiary in Ecuador (Alimentsa). Total goodwill for Schouw & Co. at 31 December 2018 amounted to DKK 2,404 million.

The required rate of return is based on WACC calculated using the 10-year average of the risk-free rate of interest which is defined as a 10-year government bond plus a premium reflecting industry/geography-specific risk and the company's current capital structure. The rate of growth used to extrapolate company cash flows was fixed at 2%, a rate not expected to exceed the long-term inflation rate.

Goodwill relating to BioMar amounts to DKK 1,358 million, which is equal to about 57% of Schouw & Co.'s consolidated goodwill of DKK 2,404 million. The goodwill recognised in BioMar consists of DKK 586 million in BioMar Ecuador, while the remaining DKK 772 million relates to other parts of BioMar. BioMar Ecuador is an independent cash-generating unit and is tested separately due to the materially different products and market conditions applying to shrimp feed relative to the other fish species BioMar is involved in.

BioMar continues to operate in a growth industry driven by rising population growth and rising standards of living. According to a United Nations population growth report, the global population is expected to grow by 1.0 billion from 2017 to 2030 and by a further 1.2 billion by 2050. Volume sales are generally expected to increase slightly in Chile and Ecuador, while weaker growth is expected in other fish farming markets. Against that background, BioMar assumes 4.6% revenue growth during the forecast period and 7% revenue growth for BioMar Ecuador. The assumed production capacity for the budget period will cover the expected increase in business activity, and no productivity enhancements or cost savings have been assumed for the period. BioMar's feed products are mainly based on marine and vegetable raw materials, for which price fluctuations can largely be passed on to selling prices.

Sensitivity analyses and company-specific assumptions:

		Test assumptions			Sensitivity analysis	
	Carrying amount of goodwill	Revenue growth	WACC after tax	WACC before tax	EBIT allowed decline	WACC allowed increase
BioMar (excl. Alimentsa)	772	4.6%	6.8%	6.9%	47.0%	4.6pp
BioMar Ecuador (Alimentsa)	586	7.0%	10.3%	10.3%	17.0%	1.8pp
Fibertex Personal Care	99	3.5%	7.0%	7.3%	35.0%	2.9pp
Fibertex Nonwovens	121	4.3%	7.3%	7.9%	10.0%	0.8pp
HydraSpecma*	142	3.0%	7.2%	7.4%	45.0%	4.1pp
Borg Automotive	516	4.2%	6.9%	6.9%	35.0%	2.9pp

* Goodwill relates only to Specma.

The impairment test made at 31 December 2018 did not result in a write-down of carrying amounts. Sensitivity analysis were performed as part of the test to determine if reduced cash flows or a higher WACC would produce evidence of impairment. The sensitivity analysis showed that likely changes in basic assumptions would not result in a recoverable amount of less than the carrying amount of goodwill.

Other intangible assets
At 31 December 2018, Schouw & Co. had recognised other intangible assets of DKK 1,190 million, an increase of DKK 203 million from 2017 consisting mainly of customer relations, brands and know-how acquired as part of the acquisition of CCS. Management did not identify any indication of impairment in 2018.

Property, plant and equipment
The Group did not identify any assets with indication of impairment in 2018, and therefore did not write down property, plant and equipment in 2018. Write-downs in 2017 amounted to DKK 3 million.

Investments in joint ventures and associates
In 2017 and 2018, management did not identify factors indicating that investments in joint ventures and associates may be impaired.

Other non-current assets
There were no indications of impairment in other non-current assets.

Amounts in DKK million

Notes · capital structure

This section of the annual report contains notes relating to the Group's capital structure.

The following notes are presented in this section:

17. Financial income
18. Financial expenses
19. Interest-bearing debt
20. Net interest-bearing debt
21. Share capital

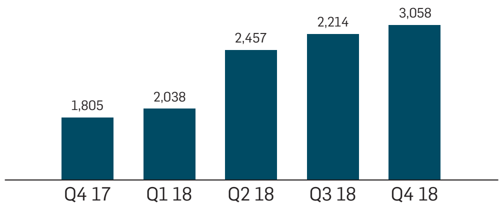
Comments

Financial income
Financial income of DKK 79 million in 2018 included fair value adjustment of securities of DKK 30 million. Adjusted for this amount, financial income amounted to DKK 49 million, compared with DKK 36 million in 2017. Actual interest income fell from DKK 15 million to DKK 12 million in 2018. On the other hand, foreign exchange gains increased from DKK 20 million in 2017 to DKK 37 million in 2018.

Financial expenses
Financial expenses amounted to DKK 119 million in 2018 compared with DKK 108 million in 2017. Actual interest expenses amounted to DKK 48 million compared with DKK 34 million in 2017. Financial expenses also included foreign exchange losses of DKK 48 million compared to DKK 70 million in 2017 and dividends of DKK 15 million paid to the non-controlling shareholder of BioMar Ecuador in 2018.

Liabilities
Interest-bearing debt was DKK 3,058 million, representing a year-on-year increase of DKK 1,253 million. A large part of the Group's debt is in Danish kroner or in euro, these currencies representing 71% of total debt in 2018 (2017: 61%). In addition, 20% of the Group's debt at 31 December 2018 was relatively evenly distributed on the currencies CZK, NOK, MYR and SEK.

Interest-bearing debt



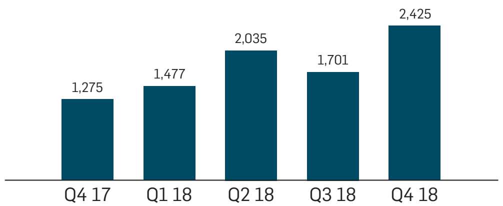
Net interest-bearing debt
Net interest-bearing debt increased by DKK 1,150 million during 2018 to stand at DKK 2,425 million at 31 December 2018.

Cash flows from operating activities reduced the debt by DKK 837 million.

On the other hand, the debt grew as a result of continued acquisitive expansion with the Group's acquisition of two companies in 2018 at a total cash price of DKK 708 million and continued substantial capital expenditure in production plant with investments of DKK 685 million in property, plant and equipment.

The Group spent DKK 200 million on its share buyback programme in 2018 and dividend payments to shareholders amounted to DKK 314 million.

Net interest-bearing debt



Treasury shares
The share capital was unchanged at 25,500,000 shares of DKK 100 each.

At 31 December 2017, Schouw & Co. held 1,529,930 treasury shares, corresponding to 6.00% of the share capital. In 2018, the Group sold 110,833 treasury shares for purposes of its share option programme. In 2018, Schouw & Co. set up a share buyback programme, buying 387,900 treasury shares under that programme. Accordingly, Schouw & Co. held 1,806,997 treasury shares at 31 December 2017, corresponding to 7.09% of the share capital. The portfolio of treasury shares is recognised at DKK 0.

Accounting policies

Financial income and expenses
Financial income and expenses include interest and capital gains and losses on transactions in foreign currency and impairment losses on securities. Also included are amortisation of financial assets and liabilities, finance lease obligations, surcharges and refunds under the on-account tax scheme. and changes in fair values of derivative financial instruments that do not qualify as hedge accounting. Financial expenses relating to the construction of non-current assets are recognised as part of the cost of the asset.

Financial liabilities
Debt to credit institutions is recognised at the raising of a loan at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the "effective interest rate method", to the effect that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan. In addition, the capitalised residual lease liability under finance leases is recognised under financial liabilities.

Significant accounting estimates
No significant accounting estimates were made in the calculation of financial liabilities.

Notes · capital structure

17
Financial income

	2018	2017
Interest income	12	15
Foreign exchange adjustments	37	20
Fair value adjustment of financial assets	30	43
Total	79	78

Fair value adjustment of the Group's holding of shares in Incuba A/S produced income of DKK 29 million in 2018.

18
Financial expenses

	2018	2017
Interest expense	-48	-34
Fair value adjustment of hedging transactions transferred from equity	-5	-5
Foreign exchange adjustments	-48	-70
Dividend to non-controlling shareholders (of Alimentsa)	-15	0
Fair value adjustment of financial assets	-3	0
Total	-119	-108

Borrowing costs of DKK 2.0 million were capitalised in 2018 based on an average rate of interest of 2.9% p.a. Borrowing costs capitalised in 2017 amounted to DKK 1.9 million.

19
Interest-bearing debt

Debt recognised in the balance sheet:

	2018	2017
Credit institutions (non-current)	1,618	1,192
Mortgage debt (non-current)	125	167
Lease debt (non-current)	6	6
Recognised under non-current debt to credit institutions, total	1,749	1,366
Current portion of non-current liabilities	283	291
Credit institutions (non-current)	1,026	149
Total interest-bearing debt	3,058	1,805
Fair value of interest-bearing debt	3,059	1,807

Maturity profile of interest-bearing debt:

	2018	2017
Principal repayment		
Overdraft facilities	1,026	149
Less than 1 year	317	319
1-5 years	1,750	1,320
More than 5 years	45	83
Total	3,138	1,871
Interest		
Overdraft facilities	0	0
Less than 1 year	34	28
1-5 years	44	35
More than 5 years	2	3
Total	80	66
Carrying amount		
Overdraft facilities	1,026	149
Less than 1 year	283	291
1-5 years	1,706	1,285
More than 5 years	43	80
Total	3,058	1,805

Spot rate used for floating rate loans in the table above.

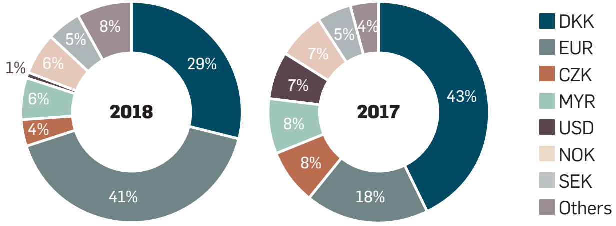
Amounts in DKK million

Notes · capital structure

19
Interest-bearing debt (continued)

	2018	2017
Weighted average effective rate of interest for the year was (%)	2.4	3.0
Weighted average effective rate of interest at the balance sheet date was %.	1.8	2.2

Percentage breakdown of interest-bearing debt by currency:



Breakdown of assets under finance leases are included in debt to credit institutions as follows:

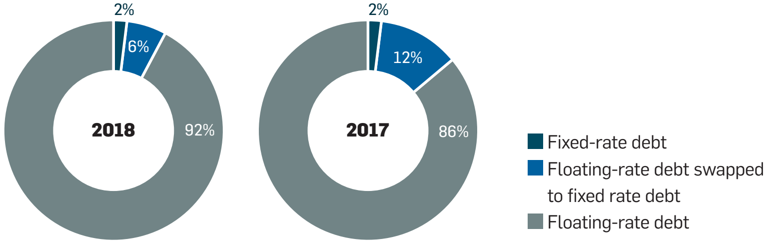
	2018	2017
Lease payment		
Expiry in less than 1 year	6	5
Expiry in 1-5 years	7	6
Expiry after more than 5 years	0	0
Total	12	11
Interest		
Expiry in less than 1 year	1	0
Expiry in 1-5 years	0	0
Expiry after more than 5 years	0	0
Total	1	0
Carrying amount		
Expiry in less than 1 year	5	5
Expiry in 1-5 years	6	6
Expiry after more than 5 years	0	0
Total	11	10

Amounts in DKK million

The fair value of liabilities relating to assets held under finance leases largely corresponds to the carrying amount.

The fair value is an estimate of the present value of future cash flows applying a market rate for similar leases.

Interest profile of interest-bearing debt:



Fixed rate debt includes loans, for which the rate of interest will not be reset within the next year.

	2018	2017
Interest hedging expires in:		
Less than 1 year	50	0
1-5 years	122	201
More than 5 years	18	18
Total	190	219

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by about DKK 22 million after tax (2017: DKK 12 million).

Notes · capital structure

19

Interest-bearing debt (continued)

Capital resources

It is group policy when raising loans to maximise flexibility by diversifying borrowing in respect of maturity/renegotiation dates and counterparties, with due consideration to costs. The Group's capital resources consist of cash and undrawn credit facilities. The Group's objective is to have sufficient capital resources to make company acquisitions and to allow it to continue in an adequate manner to operate the business and to react to unforeseen fluctuations in its cash holdings.

At 31 December, the Group's cash resources consisted of:

	2018	2017
Credit lines	3,531	2,537
Drawn operating credits	-2,485	-1,383
Cash and cash equivalents	585	478
Capital resources	1,630	1,632

Schouw & Co. extended a three-year DKK 2.1 billion committed credit facility in 2018, and the facility will now run to 2021. The facility was established with a bank consortium consisting of Danske Bank, DNB and Nordea. Major subsidiaries of the Schouw & Co. Group are co-guarantors of the credit facility.

Schouw & Co. established a short-term bridge financing of EUR 100 million in connection with the acquisition of CCS at the end of 2018. The bridge-financing is expected to be converted in to non-current debt in the spring of 2019.

Capital management

Schouw & Co. gives priority to having a high equity ratio in order to ensure financial versatility. The company's undrawn credit lines provide it with substantial cash resources.

Amounts in DKK million

20

Net interest-bearing debt

			Non-cash items				
2018	Beginning of year	Cash flows	Acquisitions	Divest-ments	Foreign exchange adjustments	Other	End of year
Interest-bearing liabilities:							
Credit institutions – non-current	1,192	428	0	0	-2	0	1,618
Mortgage debt – non-current	167	-26	0	-17	0	0	125
Lease debt – non-current	6	-4	0	0	0	4	6
Current portion of non-current liabilities	291	-16	1	0	7	0	283
Credit institutions – current	149	715	158	0	4	0	1,026
Total interest-bearing liabilities	1,805	1,100	159	-17	10	4	3,058
Interest-bearing assets:							
Non-current receivables	45	-9	0	0	-1	0	35
Current receivables	7	1	0	6	0	0	14
Cash and cash equivalents	478	-23	121	0	8	0	585
Total interest-bearing assets	530	-31	121	6	8	0	633
Net interest-bearing debt	1,275	1,129	38	-23	2	4	2,425

			Non-cash items				
2017	Beginning of year	Cash flows	Acquisitions	Divest-ments	Foreign exchange adjustments	Other	End of year
Interest-bearing liabilities:							
Credit institutions – non-current	209	980	5	0	-2	0	1,192
Mortgage debt – non-current	189	-37	6	0	9	0	167
Lease debt – non-current	4	2	0	0	0	0	6
Current portion of non-current liabilities	152	138	4	0	-3	0	291
Credit institutions – current	169	-48	33	0	-5	0	149
Total interest-bearing liabilities	723	1,035	48	0	-1	0	1,805
Interest-bearing assets:							
Non-current receivables	61	-14	0	0	-2	0	45
Current receivables	8	0	0	0	0	0	7
Cash and cash equivalents	1,682	-1,235	54	0	-23	0	478
Total interest-bearing assets	1,751	-1,250	54	0	-25	0	530
Net interest-bearing debt	-1,028	2,285	-6	0	24	0	1,275

Notes · capital structure

21
Share capital

The share capital consists of 25,500,000 shares with a nominal value of DKK 10 each. All shares rank equally. The share capital is fully paid up.

Treasury shares	Number of shares	Nominal value (DKK)	Cost	Percentage of share capital
1 January 2017	1,756,930	17,569,300	343	6.89%
Share option programme	-227,000	-2,270,000	-26	-0.89%
31 December 2017	1,529,930	15,299,300	317	6.00%
Share option programme	-110,833	-1,108,330	-13	-0.43%
Additions	387,900	3,879,000	200	1.52%
31 December 2018	1,806,997	18,069,970	504	7.09%

Schouw & Co. has been authorised by the shareholders in general meeting to acquire up to 5,100,000 treasury shares, equal to 20% of the share capital. The authorisation is valid until 1 April 2021.

In 2018, Schouw & Co. sold shares held in treasury for proceeds of DKK 37 million used for the Group's share option programme. The shares had a fair value of DKK 66 million at the time of sale.

In 2018, Schouw & Co. acquired shares for DKK 200 million to be held in treasury. The shares were acquired under the Safe Harbour regulations during the period from 20 August to 28 December 2018.

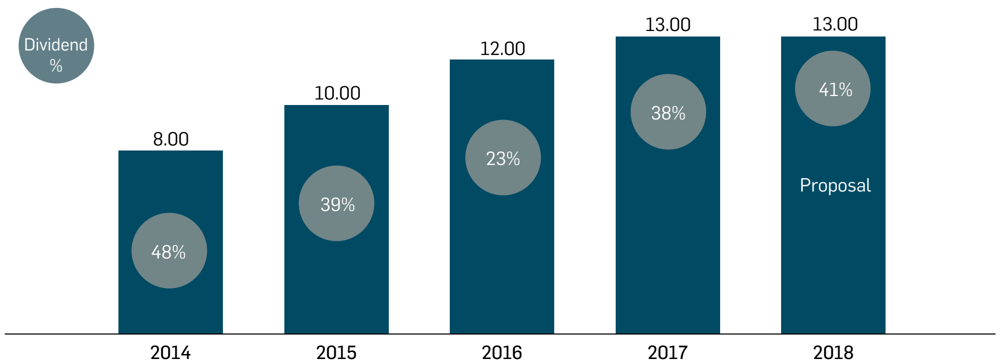
The company acquires treasury shares for allocation to the Group's share option programmes. At 31 December 2018, the company's treasury shares had a market value of DKK 877 million (2017: DKK 890 million). The portfolio of treasury shares is recognised at DKK 0.

The share capital has not changed in the past five years.

Dividend

Dividend is proposed to be unchanged at DKK 13 per share in respect of the 2018 financial year for a total dividend amount of DKK 332 million and a dividend payout of 41% of the profit for the year. On 17 April 2018, the Group paid dividend in respect of 2017 of DKK 13 per share for a total dividend amount of DKK 332 million. Payment of dividends has no tax implications for the company.

Dividend per share (DKK)



The dividend payout ratio expresses the total dividend paid relative to the consolidated profit for the year.

Amounts in DKK million

Notes · tax

This section of the annual report contains notes relating to the Group's taxation.

The following notes are presented in this section:

22. Tax on profit/loss for the year
23. Deferred tax
24. Corporate income tax

Comments

Corporate income tax

Schouw & Co. recorded a profit for the year before tax of DKK 1,086 million, resulting in total tax for the year of DKK 290 million for an effective tax rate of 26.7%. From this amount should be deducted non-taxable income from associates and joint ventures, the sale of equity investments and value adjustment of shares, etc. In addition, a part of the tax for the year relates to the writedown of a tax asset and a non-recognised tax asset, prior-year adjustments and the effect of changed tax rates, etc. When adjusted for these items, the Group's weighted tax rate was 25.1%.

Accounting policies

Taxation

Schouw & Co. is taxed jointly with all its Danish subsidiaries. The current Danish income tax liability is allocated among the companies of the tax pool in proportion to their taxable income. Companies that use tax losses in other companies pay a joint tax contribution to the parent company at an amount corresponding to the tax value of the tax losses used. Companies whose tax losses are used by other companies receive joint tax contributions from the parent company corresponding to the tax value of the losses used (full absorption). The jointly taxed companies pay tax under the Danish on-account tax scheme. Income tax comprises current tax and changes in deferred tax for the year.The tax expense relating to the results for the year is recognised in the income statement, and the tax expense relating to changes in equity is recognised in equity.

In certain countries, the distribution of dividends is liable to taxation. Tax on dividends is provided only to the extent a resolution to distribute dividends has been made or to the extent the company has a dividend distribution policy.

To the extent the Schouw & Co. Group benefits from a deduction in the determination of its taxable income in Denmark due to share-based incentive programmes, the tax effect of such programmes is included in income tax. Any tax deduction exceeding the accounting cost is recognised directly in equity.

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured in accordance with the balance sheet liability method on all timing differences between the carrying amount and tax base of assets and liabilities. However, no deferred tax is recognised on timing differences regarding non-deductible goodwill and other items for which timing differences have arisen at the acquisition date without affecting the financial results or taxable income.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised under other non-current assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.
Deferred tax adjustments are made regarding eliminations of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and rates in the respective countries that will apply under the legislation in force on the balance sheet date when the deferred tax asset is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Deferred tax assets are reviewed annually and recognised only to the extent that it is probable that they will be utilised.

Significant accounting estimates

Deferred tax assets

The calculation of deferred tax assets is based on estimates of the extent to which prior-year losses can be utilised against future earnings. For Danish companies, tax assets have been capitalised at a tax rate of from 22%.

The Group has operations and is liable for tax in many different countries. The calculation of tax payable for the year and the computation of taxable income involves making significant estimates regarding tax assets/liabilities and provisions for uncertain tax positions and in some instances the tax treatment in the relevant tax jurisdictions has not been finalised. This may result in discrepancies between calculated tax and actual tax payments.

Changes in corporate tax rates in Ecuador, Belgium and Norway were recognised in 2018 for a combined negative effect of DKK 14 million, the largest individual effect being in Ecuador.

Deferred tax, including prior-year tax losses, is recognised at the tax rate expected to apply taking into account current local tax rules. Tax losses are capitalised to the extent management believes they can be used within a few years. Such estimates are made at least once a year on the basis of budgets and business plans for the following years. Accordingly, those estimates are inherently subject to a degree of uncertainty. Another factor considered is the distribution of taxable income on the basis of the companies' transfer pricing policies. At 31 December 2018, the Group had capitalised tax losses at a value of DKK 71 million for tax purposes, which are expected to be utilised within the next few years, and non-recognised tax losses at a total value of DKK 69 million for tax purposes, which are not expected to be utilised within the next few years. Half of the non-recognised losses relate to Fibertex South Africa, which has encountered very difficult market conditions.

A pending case involving the Malaysian tax authorities is discussed in note 29.

Notes · tax

22
Tax on profit/loss for the year

	2018	2017
Tax on the profit for the year is specified as follows:		
Tax on profit/loss for the year	-290	-230
Tax on other comprehensive income	-1	0
Total tax	-291	-230
Tax on the profit for the year has been calculated as follows:		
Current tax	-262	-240
Deferred tax	-8	3
Change in deferred tax due to change in corporate tax rates	-14	4
Adjustment of prior-year tax charge	-6	3
Total tax recognised in the income statement	-290	-230
Specification of the tax on the profit for the year:		
Calculated 22% tax of profit/loss before tax	22.0%	22.0%
Tax in foreign subsidiaries in excess of 22%	3.1%	3.4%
Weighted consolidated income tax rate	25.1%	25.4%
Change of corporate income tax rate	1.3%	-0.3%
Tax effect of non-deductible costs and non-taxable income	0.3%	0.2%
Tax effect on share of profit in associates and joint ventures	-2.1%	-0.8%
Tax effect of reversal of writedown in Salmones Austral	0.0%	-1.3%
Tax effect of investment grant	-0.2%	-0.9%
Tax effect of adjustment of prior-year tax charge	0.5%	-0.3%
Tax effect of revised valuation of tax asset	1.2%	-2.1%
Tax effect of change for the year of non-recognised tax asset	0.6%	0.9%
Effective tax rate	26.7%	20.8%

	2018		
Tax on items recognised in other comprehensive income	**Before tax**	**Taxation**	**After tax**
Foreign exchange adjustments of foreign units, etc.	81	0	81
Hedging instruments for the year	-2	0	-1
Hedging instruments transferred to cost of sales	1	0	0
Hedging instruments transferred to financials	5	-1	4
Other comprehensive income from associates and joint ventures	2	0	2
Other adjustments recognised directly in equity	0	0	0
Total tax on items recognised in other comprehensive income	87	-1	86

	2017		
Tax on items recognised in other comprehensive income	**Before tax**	**Taxation**	**After tax**
Foreign exchange adjustments of foreign units, etc.	-226	0	-226
Hedging instruments for the year	-4	0	-4
Hedging instruments transferred to cost of sales	0	0	1
Hedging instruments transferred to financials	5	-1	4
Other comprehensive income from associates and joint ventures	-22	0	-22
Other adjustments recognised directly in equity	-8	1	-7
Total tax on items recognised in other comprehensive income	-254	0	-254

Amounts in DKK million

Notes · tax

23
Deferred tax

	2018					
Change in deferred tax	Balance at 1 Jan.	Foreign exchange adjustments	Additions on acquisitions	Recognised in the profit for the year	Recognised in equity	Balance at 31 December
Intangible assets	207	3	46	2	0	258
Property, plant and equipment	194	3	5	13	0	215
Receivables	-3	0	1	4	-4	-2
Inventories	6	1	9	-5	0	10
Other current assets	0	0	0	2	0	1
Shareholders' equity	3	0	0	1	5	8
Provisions	-7	0	-15	2	0	-20
Other liabilities	-44	0	0	-8	0	-52
Recaptured losses	-17	0	-3	4	0	-16
Tax losses	-87	0	0	16	0	-71
Total change in deferred tax	251	8	42	29	1	331

	2017					
Change in deferred tax	Balance at 1 Jan.	Foreign exchange adjustments	Additions on acquisitions	Recognised in the profit for the year	Recognised in equity	Balance at 31 December
Intangible assets	59	-5	167	-14	0	207
Property, plant and equipment	129	-4	12	50	7	194
Receivables	3	0	0	-6	0	-3
Inventories	6	-1	6	-7	2	6
Other current assets	-2	0	0	2	0	0
Shareholders' equity	40	0	0	-14	-23	3
Provisions	-1	0	-1	1	-6	-7
Other liabilities	-18	0	-27	0	2	-44
Recaptured losses	0	0	0	-17	0	-17
Tax losses	-62	0	-29	-1	5	-87
Total change in deferred tax	153	-9	126	-6	-13	251

Amounts in DKK million

Notes · tax

23
Deferred tax (continued)

	2018	2017
Deferred tax at 1 January	251	153
Change of accounting policies	-4	0
Foreign exchange adjustments	8	-9
Deferred tax adjustment at 1 January	8	1
Deferred tax for the year recognised in profit/loss for the year	8	-3
Reduction of Danish corporate tax rate	14	-4
Deferred tax for the year recognised in equity	5	-13
Additions on acquisitions	42	126
Deferred tax at 31 December, net	331	251
Deferred tax is recognised as follows in the statement of financial position:		
Deferred tax (asset)	-66	-58
Deferred tax (liability)	397	309
Deferred tax at 31 December, net	331	251
Deferred tax pertains to:		
Intangible assets	258	207
Property, plant and equipment	215	194
Current assets	9	2
Shareholders' equity	8	3
Provisions	-20	-7
Other liabilities	-52	-44
Recaptured losses	-16	-17
Tax loss carryforwards	-71	-87
Deferred tax at 31 December, net	331	251

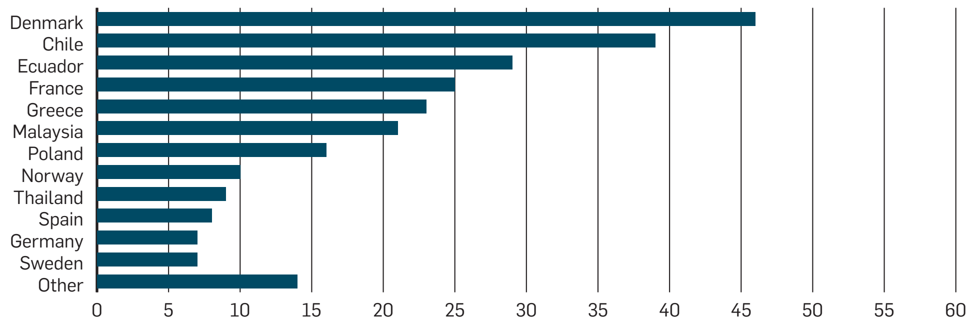
Schouw & Co. has capitalised tax assets of DKK 66 million. It is expected that the tax capitalised will be absorbed by taxable income within the next few years.

There are no deferred tax liabilities that have not been recognised in the balance sheet. Tax losses with an aggregate tax value of DKK 69 million (2017: DKK 61 million) have not been capitalised, because it is considered unlikely that they will be realised.

24
Corporate income tax

	2018	2017
Income tax payable at 1 January	34	52
Foreign exchange adjustments	-1	-6
Current tax for the year	262	240
Adjustment related to prior years	-6	-4
Current tax for the year recognised in other comprehensive income	1	0
Current tax on other equity adjustments	-5	-13
Additions on company acquisitions	16	56
Income tax paid during the year	-254	-291
Income tax at 31 December	46	34
which is specified as follows:		
Income tax receivable	-94	-56
Income tax payable	140	89
Income tax at 31 December	46	34

Income tax paid by country, 2018



Amounts in DKK million

Other notes to the consolidated financial statements

This section of the annual report contains other mandatory notes that do not fall within the scope of the other sections of the report.

The following notes are presented in this section:

25. Adjustment for non-cash transactions
26. Securities
27. Purchase obligations
28. Other payables
29. Contingent liabilities and guarantees
30. Financial risk
31. Categories of financial assets and liabilities
32. Fees to auditors appointed by the general meeting
33. Earnings per share (DKK)
34. Related party transactions
35. Events after the balance sheet date
36. New financial reporting regulations

Comments

Securities
The carrying amount of the Group's securities at 31 December 2018 consisted mainly of a 15.8% shareholding in Incuba A/S.

Accounting policies

Securities
Security holdings which do not enable the company to exercise control or a significant influence are measured at fair value. Value adjustments of securities for which changes in fair value are regularly monitored, are recognised under financial items in the income statement when they occur. Unlisted securities for which the fair value is not regularly monitored are measured a fair value and all value adjustments are recognised in comprehensive income.

Liability regarding put option
Debt relating to a put option for the purchase of non-controlling interests is initially measured at fair value. In subsequent periods, financial liabilities are measured at amortised cost, applying the "effective interest rate method", to the effect that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Pension obligations
The Group has set up pension plans and similar arrangements with the majority of the Group's employees.

Liabilities relating to defined contribution plans are recognised in the income statement in the period in which the benefits vest, and payments due are recognised in the balance sheet under other payables.

For defined benefit plans, annual actuarial calculations are made of the net present value of future benefits to be paid under the plan. The net present value is calculated based on assumptions of the future developments of salary, interest, inflation and mortality rates, among other things. The net present value is calculated only for those benefits earned by the employees through their past employment with the Group. The actuarial calculation of the net present value less the fair value of any plan assets is recognised in the balance sheet as pension obligations. See below.

Current service cost is recognised in the income statement based on actuarial estimates and financial forecasts at the beginning of the year. Differences between the expected development of pension assets, liabilities and the realised values are termed actuarial gains and losses and are recognised in other comprehensive income.

If changes occur in benefits payable regarding the employees' past service with the company, a change in the actuarial net present value arises. This is termed past service cost. Past service cost is recognised immediately if the employees' right to the changed benefit has already vested. If not, it is recognised in the income statement over the period during which the employees' right to the changed benefits vests.

Provisions
Provisions are recognised when, as a consequence of an event occurring before or at the balance sheet date, the Group has a legal or constructive obligation, the settlement of which is likely to result in an outflow from the Group of economic benefits.

In the measurement of provisions, the expenditure required to settle the obligation is discounted. Changes in present values during the year are recognised as financial expenses.

Warranty commitments are recognised as the sale of goods and services is effected, based on incurred warranty costs from prior financial years.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced to the parties affected by such plan on or before the balance sheet date. On acquisition of enterprises, restructuring provisions relating to the acquired enterprise are included in the calculation of goodwill only if the acquired enterprise has a liability at the date of acquisition.

A provision for onerous contracts is recognised when the unavoidable costs under a contract exceed the expected benefits to the Group from the contract.

Other liabilities
Other liabilities are measured at net realisable value.

Significant accounting estimates

Liability regarding put option
The put option pertains to the acquisition of the outstanding shareholding interest in Alimentsa using a pre-determined pricing model. The non-controlling shareholders may exercise the option during the period from 2020 to 2022, and its value will be based on, among other things, the company's financial results during the period until the date of exercise. The obligation prior to exercise is based on an estimate of the company's expected financial performance.

Pension obligations
The acquisition of CCS at the end of 2018 included defined benefit pension obligations most of which related to Switzerland. The employees in Switzerland have statutory defined benefit schemes that typically secure the persons financially on retirement, in case of illness and next of kin on death. Both the employee and the employer make regular contributions to a separate pension fund managed independently of the employer. The employees are guaranteed a statutory minimum return on their pension savings and, on retirement, the conversion of a minimum of their pension savings into annual life-long annuities. The total gross liabilities assumed in connection with the acquisition of CCS amount to DKK 337 million, while the total gross assets acquired amount to DKK 264 million. In accordance with IFRS, the net pension liability is recognised in the balance sheet: The net pension liability in Switzerland was calculated using a discount rate of 0.85%.

Other notes to the consolidated financial statements

25
Adjustment for non-cash transactions

	2018	2017
Purchase of intangible assets	-34	-24
of which was not paid at the balance sheet date/date of adjustment for the year	0	0
Paid relating to purchase of intangible assets	-34	-24
Purchase of property, plant and equipment	-689	-808
of which was not paid at the balance sheet date/date of adjustment for the year	0	-1
Of which assets held under finance leases	4	0
Paid relating to purchase property plant and equipment	-685	-809
Financial liabilities incurred	4	231
of which lease debt	-4	0
Proceeds from incurring financial liabilities	0	231

26
Securities

	2018	2017
Securities measured at fair value		
Cost at 1 January	14	176
Reclassified	0	2
Foreign exchange adjustments	0	-17
Additions	43	27
Disposals	0	-172
Cost at 31 December	57	14
Adjustments at 1 January	-10	-54
Reclassified	0	-2
Foreign exchange adjustments	0	4
Adjustments recognised in the income statement	27	43
Adjustments at 31 December	18	-10
Carrying amount at 31 December	75	5

Shares in unlisted companies are assessed on the basis of a discounted cash flow model, in which budgets and general market expectations are included. Fair value is assessed on the basis of an aggregate assessment, taking into consideration the difficult tradability of shares in an unlisted market.

27
Liability regarding put option

	2018	2017
Put option at 1 January	237	0
Additions	0	229
Foreign exchange adjustments	13	0
Change in liability during the year	71	8
Carrying amount at 31 December	321	237

The put option pertains to BioMar's obligation to buy the outstanding 30% of the shares in BioMar Ecuador.

28
Other payables

	2018	2017
Pension obligations	112	19
Provisions	18	12
Other payables	61	31
Prepayments	84	92
Total other payables	275	153

It is group policy to fund all pension liabilities and predominantly to avoid defined benefit plans. See page 82.

Provisions made comprise warranty commitments, etc. For certain products, the Group has a contractual commitment to provide warranties of from 12 to 24 months. Under these warranties, the Group undertakes to replace or repair goods that do not function satisfactorily. The statement of expected expiry dates is based on previous experience of when claims for repair are typically received or goods are returned.

Other debt consists mainly of the non-current component of the deposit liability in Borg Automotive.

Deferred income mainly consists of investment grants.

Amounts in DKK million

Other notes to the consolidated financial statements

29
Contingent liabilities and guarantees

Contingent liabilities
The Schouw & Co. Group is currently a party to a small number of legal disputes. Management believes that the results of these legal disputes will not impact the Group's financial position other than the receivables and liabilities that have been recognised in the balance sheet at 31 December 2018.

In a transfer pricing review performed in 2013, the Danish tax authorities ("SKAT") made an assessment to increase the taxable income of Fibertex Personal Care A/S by DKK 122 million for the years 2007-2011.

An administrative agreement was entered into with the Danish tax authorities in 2018 to raise the taxable income of Fibertex Personal Care A/S concerning estimated regular royalty income by DKK 87 million for the years 2007-2013, corresponding to a tax payment of DKK 22 million. The Group has subsequently opened mutual agreement procedures with the Malaysian tax authorities with a view to achieving a corresponding reduction of the taxable income of the subsidiary in Malaysia. As a corresponding reduction is believed to be highly likely, a prior-year tax asset relating to Malaysia of DKK 22 million has been recognised in the consolidated financial statements at 31 December 2018.

The following assets have been provided as security to credit institutions (carrying amount):

	2018	2017
Land and buildings	680	766
Plant and machinery	82	133
Current assets	736	978
Total	1,498	1,877

The collateral set out above represents the Group's debt to credit and mortgage-credit institutions of DKK 370 million (2017: DKK 443 million).

Amounts in DKK million

Other notes to the consolidated financial statements

30
Financial risk

The Group's risk management policy
Due to the nature of their operations, investments and financing, each of the Group's portfolio companies are exposed to changes in exchange rates, commodity prices and interest rates.

Finance and interest rate risks are managed at group level through the parent company Schouw & Co. Currency and commodity risks are managed by the portfolio companies, but subject to the Group's risk management policy. All financial instrument transactions are intended to contribute to mitigating fluctuations in profit/loss and to secure the value of cash flows. Financial instruments are not used for speculative purposes.

Interest rate risk
Decisions to hedge interest rate risk are made at group level on the basis of an ongoing assessment of the Group's gearing and the ratio of the floating rate debt and equity.

Credit risk
The Group's credit risk is primarily related to trade receivables (see note 6) and cash deposits. The Group seeks to avoid significant exposure to individual customers or business partners. The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers. At 31 December 2018, the maximum credit risk considering the collateral provided was DKK 3,763 million (trade receivables less collateral + cash).

Currency risk
Most of the Group's portfolio companies cover their currency risk naturally through same-currency procurement and manufacturing in local selling markets. In addition, it is group policy for the portfolio companies to hedge all significant transaction risks relating to future cash flows. The purpose of hedging is to stabilise the value of the Group's cash flows and mitigate profit/loss volatility.

As a general rule, currency risks are hedged by way of forward contracts with a duration of up to 12 months. Individually, the portfolio companies hedge their exposure by way of currency clauses built into customer and supplier contracts. Shown in the table below is the anticipated effect on the profit of likely changes in exchange rate crosses:

Currency	Likely change in exchange rate*	Effect on the profit for the year**
USD/DKK	8.4%	-24
MYR/DKK	10.7%	13
USD/MYR	7.1%	10
ZAR/DKK	15.5%	8
CNY/DKK	7.9%	8
NOK/DKK	7.9%	5

* Percentage increase in exchange rate.
**) A decrease in the exchange rate would reverse the sign.

'Likely change in exchange rate' is based on the historical volatility of of the past five years.

It is group policy not to hedge net investments or translation risk relating to the recognition of profit/loss and equity in foreign subsidiaries from average exchange rates in local currencies to the Group's functional currency.

	2018	2017
Market value of hedges:		
Currency hedges	-1	-2
Interest hedges	-9	-12
Recognised before tax	-10	-14
Tax on recognised hedge transactions	2	4
Hedging agreements after tax	-8	-10
Currency hedging agreements expire in maximum (number of months)	19	8
Interest hedging agreements expires in maximum (number of months)	96	108

Risk relating to raw materials
Risk on raw materials prices is not hedged by way of financial instruments.

Amounts in DKK million

Other notes to the consolidated financial statements

30
Financial risk - continued

The Group's debt maturity profile:

2018	Carrying amount	Cash flows including interest: Overdraft facilities without planned repayment	Less than 1 year	After one year through five years	More than 5 years	Total
Non-derivative financial instruments						
Banks and other credit institutions	3,047	1,026	311	1,743	45	3,126
Financial lease debt	11	0	6	7	0	12
Trade payables	3,166	0	3,166	0	0	3,166
Other payables	1,196	0	806	442	0	1,249
Derivative financial instruments:						
Forward currency contracts used as hedging instruments	13	0	12	0	0	13
Interest rate swaps used as hedging instruments	9	0	3	5	1	9
Recognised in balance sheet total	7,443	1,026	4,305	2,198	46	7,575
Operating lease liabilities			208	487	193	887
Contractual obligations to purchase property plant and equipment			310	0	0	310
Total debt liabilities		1,026	4,823	2,685	239	8,773

2017	Carrying amount	Cash flows including interest: Overdraft facilities without planned repayment	Less than 1 year	After one year through five years	More than 5 years	Total
Non-derivative financial instruments						
Banks and other credit institutions	1,795	149	314	1,314	83	1,860
Financial lease debt	10	0	5	6	0	11
Trade payables	2,630	0	2,630	0	0	2,630
Other payables	1,024	0	784	316	0	1,100
Derivative financial instruments						
Forward currency contracts used as hedging instruments	9	0	9	0	0	9
Interest rate swaps used as hedging instruments	12	0	4	7	2	13
Recognised in balance sheet total	5,481	149	3,746	1,644	85	5,623
Operating lease liabilities			169	336	154	660
Contractual obligations to purchase property plant and equipment			88	0	0	88
Total debt liabilities		149	4,003	1,980	239	6,370

Amounts in DKK million

Other notes to the consolidated financial statements

31

Categories of financial assets and liabilities

Financial assets	**2018**	**2017**
Non-current assets		
Securities (1)	1	3
Other securities and investments (2)	72	0
Other securities and investments (3)	1	2
Financial assets at fair value through profit or loss	75	5
Other receivables	108	137
Receivables are measured at amortised cost.	108	137
Current assets		
Trade receivables	3,596	2,934
Other receivables	239	186
Cash and cash equivalents	585	478
Receivables are measured at amortised cost.	4,420	3,598
Derivative financial instruments (2)	20	18
Hedging instruments measured at fair value	20	18
Financial liabilities		
Non-current liabilities		
Debt to mortgage-credit institutions	125	167
Other credit institutions	1,625	1,198
Other payables	382	268
Financial liabilities measured at amortised cost	2,132	1,633
Current liabilities		
Debt to mortgage-credit institutions	26	27
Other credit institutions	1,283	413
Trade payables and other payables	3,996	3,386
Financial liabilities measured at amortised cost	5,305	3,826
Derivative financial instruments (2)	21	22
Hedging instruments measured at fair value	21	22

1) Listed shares, stated at market value of shareholding (level 1)
2) Financial instruments valued by external credit institutions using generally accepted valuation techniques on the basis of observable data (level 2).
3) Unlisted shares, stated at estimated value (level 3)

The fair value of financial assets and liabilities measured at amortised cost largely corresponds to the carrying amount.

Listed equities measured at the official year-end market value (level 1) amounted to DKK 1 million (2017 DKK 3 million). Securities measured at fair value through other comprehensive income (level 3) amounted to DKK 2 million at the beginning of the year and DKK 1 million at the end of the year. The change was attributable to a minor disposal during the year.

The Group uses interest rate swaps and forward currency contracts to hedge fluctuations in the level of interest rates and foreign exchange rates. Forward exchange contracts and interest rate swaps are valued using generally accepted valuation techniques based on relevant observable swap curves and exchange rates (level 2). The fair values applied are calculated mainly by external sources on the basis of discounted future cash flows. Other securities and investments forming part of a trading portfolio (level 2) includes the shareholding in Incuba A/S.

The fair value of derivative financial instruments is calculated by way of valuation models such as discounted cash flow models. Anticipated cash flows for individual contracts are based on observable market data such as interest rates and exchange rates. In addition, fair values are based on non-observable market data, including exchange rate volatilities, or correlations between yield curves and credit risks. Non-observable market data account for an insignificant part of the fair value of the derivative financial instruments at the end of the reporting period.

Amounts in DKK million

Other notes to the consolidated financial statements

32
Fees to auditors appointed by the general meeting

	2018	2017
Statutory audit fees, EY	-9	-8
Fees for other assurance engagements, EY	-1	-1
Fees for tax and VAT-related services, EY	-3	-5
Non-audit services, EY	-5	-4
Total fees, EY	-17	-17
Statutory audit fees, other auditors	-1	-1
Fees for other assurance engagements, other auditors	0	0
Fees for tax and VAT-related services, other auditors	0	0
Non-audit services, other auditors	0	0
Total fees, other auditors	-1	-1

33
Earnings per share (DKK)

	2018	2017
Share of the profit for the year attributable to shareholders of Schouw & Co	801	879
Average number of shares	25,500,000	25,500,000
Average number of treasury shares	-1,543,980	-1,630,675
Average number of outstanding shares	23,956,020	23,869,325
Average dilutive effect of outstanding share options *	61,084	137,510
Diluted average number of outstanding shares	24,017,104	24,006,835
Earnings per share of DKK 10	33.43	36.85
Diluted earnings per share of DKK 10	33.35	36.63

* See note 3 for information on options that may cause dilution.

Amounts in DKK million

Other notes to the consolidated financial statements

34
Related party transactions

Under Danish legislation, Givesco A/S, Svinget 24, DK-7323 Give, members of the Board of Directors, the Executive Management and senior management as well as their family members are considered to be related parties. Related parties also comprise companies in which the individuals mentioned above have material interests. Related parties also comprise subsidiaries, joint arrangements and associates, see note 12 to the consolidated financial statements and note 9 to the parent company financial statements, in which Schouw & Co. has control, significant influence or joint control of as well as members of the boards of directors, management boards and senior management of those companies.

Management's remuneration and share option programmes are set out in note 3.

	2018	2017
Joint ventures:		
During the financial year, the Group sold goods in the amount of	18	19
At 31 December the Group had a receivable in the amount of	22	22
At December 31, the Group had debt in the amount of	1	1
Associates:		
During the year, the Group received a management fee in the amount of	0	0
During the financial year, the Group sold goods in the amount of	327	183
During the financial year, the Group bought goods in the amount of	136	77
During the financial year, the Group received interest income in the amount of	0	0
At 31 December the Group had a receivable in the amount of	132	102
At December 31, the Group had debt in the amount of	86	84
During the financial year, the Group received dividends in the amount of	0	3

During 2018, the Group traded with BioMar-Sagun, BioMar-Tongwei, LetSea and ATC Patagonia. Salmones Austral, LCL Shipping, Young Tech Co., Micron Specma India and Incuba Invest.

Other than as set out above, there were no transactions with related parties.

Schouw & Co. has registered the following shareholders as holding 5% or more of the share capital: Givesco A/S (28.09%), Direktør Svend Hornsylds Legat (14.82%) and Aktieselskabet Schouw & Co. (7.09%).

35
Events after the balance sheet date

On 14 January 2019, Fibertex Nonwovens took over a newly-established spunlacing business in South Carolina, USA at an enterprise value of approximately DKK 140 million. A purchase price allocation (PPA) has yet to be completed.

Other than as set out elsewhere in this annual report, Schouw & Co. is not aware of events occurring after 31 December 2018, which are expected to have a material impact on the Group's financial position or outlook.

36
New financial reporting regulations

Effective from 1 January 2019, Schouw & Co. implemented IFRS 16 (leases). Accordingly, lease contracts which are currently treated as operating leases will henceforth be recognised in the balance sheet as assets with the associated liabilities. In the income statement, lease payments will be replaced by depreciation of lease assets and interest on the leasing liability. Schouw & Co. has selected the modified retrospective transition method, under which comparative figures are not restated.

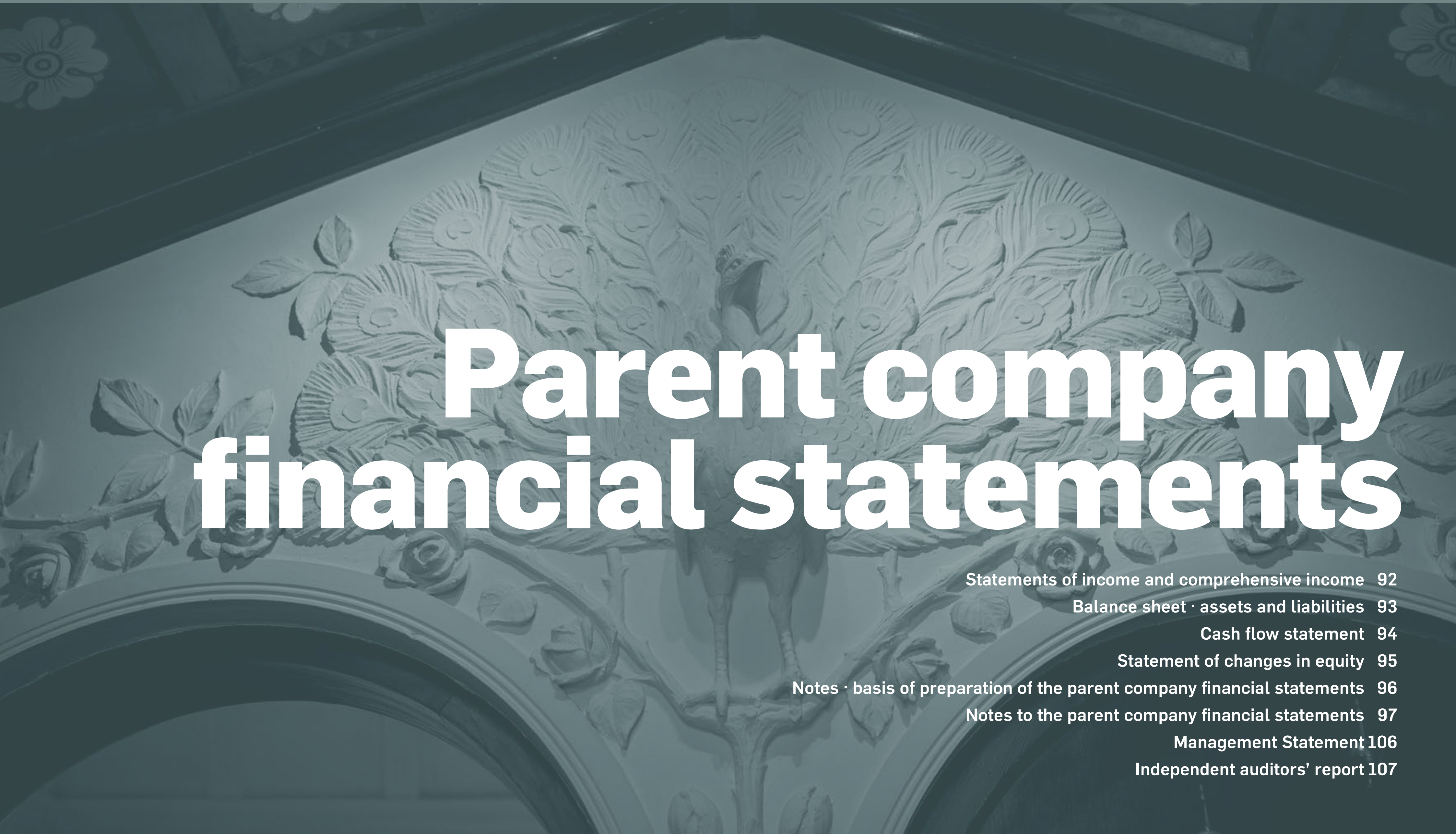
Leases with a term of less than 12 months and low-value leases are not included in the leasing liabilities to be capitalised. An alternative borrowing rate, being the lessee's marginal borrowing rate, has been applied in the calculation of the present value of operating lease liabilities.

At 31 December 2018, Schouw & Co.'s operating leases had a present value of about DKK 920 million, equal to 5% of consolidated total assets. Implementation of IFRS 16 at 1 January 2019 is expected to increase EBITDA by about DKK 205 million.

Amounts in DKK million

Patient, but demanding

Schouw & Co. exercises active, long-term ownership of its portfolio businesses. Each company has its own strong and independent management with full operational responsibility. Schouw & Co.'s role as a parent company is to maintain an ongoing and close dialogue about profitable growth, efficient use of capital and future-proofing the company's strategic platform. Having a long-term approach and giving priority to investing in innovation and development is deeply entrenched in Schouw & Co.'s DNA, but so is having a tight and consistent focus on costs.



Parent company financial statements

Statements of income and comprehensive income

1 January – 31 December

Note	**Income statement**	**2018**	**2017**
1	Revenue	9.5	8.7
	Other operating income	0.0	0.1
2, 23	Administrative expenses	-40.1	-42.0
	Other operating expenses	0.0	-0.2
	EBIT	-30.5	-33.4
9	Recognition of share of profit in subsidiaries	746.8	874.7
9	Recognition of share of profit in associates	-0.4	4.1
9	Recognition of share of profit in joint ventures	-4.9	0.2
10	Gains from the sale of equity investments	9.1	0.0
11	Financial income	104.3	58.3
12	Financial expenses	-24.3	-22.5
	Profit before tax	799.9	881.4
18	Tax on profit/loss for the year	-5.7	-10.0
	Profit for the year	794.2	871.4
	Proposed distribution of profit		
	Proposed dividend of DKK 13 per share (2017: DKK 13 per share)	331.5	331.5
	Retained earnings	462.7	539.9
	Profit for the year	794.2	871.4

Note	**Statement of comprehensive income**	**2018**	**2017**
	Items that can be reclassified to the income statement:		
	Value adjustment of hedging instruments for the year	0.0	-0.1
	Hedging instruments transferred to financials	2.0	2.0
	Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	74.3	-248.9
18	Tax on other comprehensive income	-0.4	-0.4
	Other comprehensive income after tax	75.9	-247.4
	Profit for the year	794.2	871.4
	Total recognised comprehensive income	870.1	624.0

Amounts in DKK million

Balance sheet · assets and liabilities

Note	Total assets	31 Dec. 2018	31 Dec. 2017
	Land and buildings	16.1	16.1
	Other fixtures and fittings, tools and equipment	3.1	3.1
6	**Property, plant and equipment**	19.2	19.2
9	Investments in subsidiaries	6,920.4	6,103.1
9	Equity investments in associates	0.0	43.3
9	Equity investments in joint ventures	0.0	33.1
7	Securities	72.8	0.4
19	Deferred tax	9.5	15.4
8	Receivables from subsidiaries	1,051.0	780.4
	Other non-current assets	8,053.7	6,975.7
	Total non-current assets	8,072.8	6,994.9
8	Receivables from subsidiaries	3,040.8	2,449.7
3	Receivables	13.6	7.0
21	Corporate income tax	4.9	8.1
	Cash and cash equivalents	52.2	62.8
	Total current assets	3,111.5	2,527.6
	Total assets	11,184.3	9,522.5

Note	Liabilities and equity	31 Dec. 2018	31 Dec. 2017
14	Share capital	255.0	255.0
	Hedge transaction reserve	-0.6	-2.2
	Net revaluation reserve as per the equity method	2,989.7	2,072.8
	Retained earnings	5,049.6	5,571.3
	Proposed dividend	331.5	331.5
	Total equity	8,625.3	8,228.4
15	Pensions and provisions	20.7	18.8
13	Credit institutions	1,463.8	995.2
	Non-current liabilities	1,484.5	1,014.0
13	Current portion of non-current liabilities	0.5	0.5
13	Credit institutions	746.7	0.0
13	Amounts owed to subsidiaries	305.1	249.7
5	Trade payables and other payables	11.4	11.7
20	Joint taxation contributions	10.7	18.2
	Current liabilities	1,074.5	280.1
	Total liabilities	2,559.0	1,294.1
	Total equity and liabilities	11,184.3	9,522.5

Notes without reference 16, 17, 22, 24.

Amounts in DKK million

Cash flow statement

1 January – 31 December

Note		2018	2017
	Profit before tax	799.9	881.4
	Adjustment for operating items of a non-cash nature, etc.		
2	Depreciation and impairment losses	0.4	0.3
	Other non-cash operating items, net	4.1	2.9
	Share of profit from subsidiaries, associates and joint ventures	-750.5	-879.0
	Provisions	-0.9	-0.9
	Financial income	-104.3	-58.3
	Financial expenses	24.3	22.5
	Cash flows from operations before changes in working capital	-26.9	-31.1
4	Changes in working capital	-2.9	0.1
	Cash flows from operations	-29.8	-31.0
	Financial income received	73.5	57.6
	Financial expenses paid	-22.7	-11.1
	Cash flows from ordinary activities	21.0	15.5
20, 21	Joint taxation contribution received and net tax paid	-6.5	10.2
	Cash flows from operating activities	14.4	25.7
	Purchase of property, plant and equipment	-0.3	-1.4
	Sale of property, plant and equipment	0.0	0.6
	Capital increase in subsidiaries	-576.4	0.0
	Acquisition of subsidiaries	0.0	-917.6
	Sale of subsidiaries	11.8	0.0
	Dividends received from subsidiaries and associates	548.1	345.0
	Sales of associates	43.3	0.0
	Cash flows from investing activities	26.4	-573.4

Note		2018	2017
	Loan financing:		
	Repayment of non-current liabilities	-0.5	-0.5
	Change in bank overdrafts	1,217.9	939.2
	Change in intra-group balances	-806.3	-1,309.1
	Shareholders:		
	Dividends paid	-312.2	-285.6
	Treasury shares, etc. bought/sold	-150.4	77.3
	Cash flows from financing activities	-51.5	-578.7
	Cash flows for the year	-10.7	-1,126.4
	Cash and cash equivalents at 1 January	62.8	1,193.6
	Value adjustment of cash and cash equivalents	0.0	-4.4
	Cash and cash equivalents at 31 December	52.2	62.8

Amounts in DKK million

Statement of changes in equity

	Share capital	Hedge transaction reserve	Net revaluation reserve as per the equity method	Retained earnings	Proposed dividend	Shareholders' equity
Equity at 01 January 2017	255.0	-3.7	1,787.7	5,451.8	306.0	7,796.8
Other comprehensive income in 2017						
Value adjustment of hedging instruments for the year		-0.1	0.0	0.0	0.0	-0.1
Hedging instruments transferred to financials		2.0	0.0	0.0	0.0	2.0
Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures		0.0	-248.9	0.0	0.0	-248.9
Tax on other comprehensive income		-0.4	0.0	0.0	0.0	-0.4
Profit for the year		0.0	879.0	-339.1	331.5	871.4
Total recognised comprehensive income		1.5	630.1	-339.1	331.5	624.0
Transactions with the owners						
Share-based payment, net		0.0	0.0	24.6	0.0	24.6
Distributed dividends		0.0	-345.0	365.4	-306.0	-285.6
Treasury shares bought/sold		0.0	0.0	68.6	0.0	68.6
Total transactions with owners during the year		0.0	-345.0	458.6	-306.0	-192.4
Equity at 31 December 2017	255.0	-2.2	2,072.8	5,571.3	331.5	8,228.4
Other comprehensive income in 2018						
Hedging instruments transferred to financials		2.0	0.0	0.0	0.0	2.0
Value adjustment of subsidiaries, associates and joint ventures		0.0	74.3	0.0	0.0	74.3
Tax on other comprehensive income		-0.4	0.0	0.0	0.0	-0.4
Profit for the year		0.0	741.4	-278.7	331.5	794.2
Total recognised comprehensive income		1.6	815.7	-278.7	331.5	870.1
Transactions with the owners						
Share-based payment, net		0.0	2.3	15.4	0.0	17.7
Reclassified on the sale of subsidiaries, associates and joint ventures		0.0	662.4	-662.4	0.0	0.0
Value adjustment of put option in subsidiary		0.0	-15.4	0.0	0.0	-15.4
Distributed dividends		0.0	-548.1	567.4	-331.5	-312.2
Treasury shares bought/sold		0.0	0.0	-163.3	0.0	-163.3
Total transactions with owners during the year		0.0	101.3	-242.7	-331.5	-473.3
Equity at 31 December 2018	255.0	-0.6	2,989.7	5,049.6	331.5	8,625.3

The **hedge transaction reserve** contains the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised.

Net revaluation reserve as per the equity method contains the accumulated change of investments in subsidiaries, joint ventures and associates from the date of acquisition until the balance sheet date and expresses the accumulated change in value of the investment while in the Group's ownership.

Amounts in DKK million

Notes · basis of preparation of the parent company financial statements

The structure of the parent company Schouw & Co.'s financial statements is consistent with that applied last year.

Accounting policies

General reference is made to the description of accounting policies provided in the consolidated financial statements. Matters particular to the parent company are described in the following.

Changes in accounting policies
Schouw & Co. has implemented the standards and interpretations which are effective from 2018. The parent company's accounting policies are consistent with those of last year.

Profit/(loss) from investments in subsidiaries, associates and joint ventures
The proportionate share of the profit or loss from individual subsidiaries, associates and joint ventures after tax and after elimination of the proportionate share of intra-group gains or losses is recognised in the income statement.

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are measured at cost on initial recognition and subsequently at the proportionate share of the companies' net asset value calculated in accordance with the parent company's accounting policies with the deduction or addition of unrealised intra-group gains and losses and with the addition or deduction of goodwill calculated according to the purchase method.

Companies with a negative net asset value are recognised at DKK nil, and any receivable amount from these companies is written down, to the extent it is deemed to be irrecoverable, by the parent company's share of the negative net asset value. If the negative net asset value exceeds the amount receivable, the residual amount is recognised under provisions to the extent that the parent company has a legal or constructive obligation to cover the subsidiary's negative balance.

The net revaluation of investments is taken to the reserve for net revaluation under equity according to the equity method to the extent the carrying amount exceeds cost.

Newly acquired or newly established companies are recognised in the financial statements from the date of acquisition. Enterprises disposed of or wound up are recognised until the date of disposal.

Securities
Security holdings which do not enable the company to exercise control or a significant influence are measured at fair value. Value adjustments of securities for which changes in fair value are regularly monitored, are recognised under financial items in the income statement when they occur. Unlisted securities for which the fair value is not regularly monitored are measured a fair value and all value adjustments are recognised in comprehensive income.

Shareholders' equity
The purchase and sale sums of treasury shares and dividends thereon are taken directly to retained earnings under equity.

Treasury shares
Proceeds from the sale of treasury shares in Schouw & Co. in connection with the exercise of share options or employee shares are taken directly to equity.

Dividend
Dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (the date of declaration). Dividends expected to be declared in respect of the year are stated as a separate line item under equity.

Notes to the parent company financial statements

1
Revenue

	2018	2017
Management fee	9.5	8.7
Total revenue	9.5	8.7

2
Costs

	2018	2017
Staff costs		
Remuneration to the Board of Directors of Schouw & Co.	-3.2	-3.3
Wages and salaries	-19.3	-18.9
Defined contribution pension plans	-1.4	-1.2
Other social security costs	-0.1	-0.1
Share-based payment	-4.4	-3.3
Total staff costs	-28.4	-26.8
Average no. of employees	13	12
Amortisation		
Depreciation of property, plant and equipment	-0.4	-0.3
Total depreciation	-0.4	-0.3
Depreciation is recognised in the income statement as follows:		
Administration	-0.4	-0.3
Total depreciation	-0.4	-0.3

For more information on salaries, pensions and share-based payment to the Executive Management of Schouw & Co., see note 3 to the consolidated financial statements.

Staff costs including share-based payment are recognised under administrative expenses.

3
Receivables (current)

	2018	2017
Other current receivables	7.9	1.9
Prepayments	5.8	5.1
Total current receivables	13.6	7.0

No impairment losses were recognised on receivables during the year.

4
Changes in working capital

	2018	2017
Change in receivables	-2.1	0.2
Change in trade payables and other payables	-0.8	-0.1
Total changes in working capital	-2.9	0.1

5
Trade payables and other payables

	2018	2017
Trade payables	1.1	0.4
Other payables	10.2	11.3
Total trade payables and other payables	11.4	11.7

Amounts in DKK million

Notes to the parent company financial statements

6
Property, plant and equipment

2018	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 01 January 2018	18.9	7.7	26.6
Additions	0.0	0.3	0.3
Disposals	0.0	0.0	0.0
Cost at 31 December 2018	19.0	8.0	26.9
Amortisation and impairment at 1 January 2018	-2.8	-4.6	-7.4
Amortisation and impairment of disposed assets	0.0	0.0	0.0
Amortisation	0.0	-0.4	-0.4
Amortisation and impairment at 31 December 2018	-2.9	-4.9	-7.8
Carrying amount at 31 December 2018	16.1	3.1	19.2
Amortised over	25 years	3-8 years	

2017	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	18.9	7.6	26.5
Additions	0.0	1.4	1.4
Disposals	0.0	-1.3	-1.3
Cost at 31 December 2017	18.9	7.7	26.6
Amortisation and impairment at 1 January 2017	-2.8	-4.9	-7.7
Amortisation and impairment of disposed assets	0.0	0.6	0.6
Amortisation	0.0	-0.3	-0.3
Amortisation and impairment at 31 December 2017	-2.8	-4.6	-7.4
Carrying amount at 31 December 2017	16.1	3.1	19.2
Amortised over	25 years	3-8 years	

At 31 December 2018, Schouw & Co. owned the property at Chr. Filtenborgs Plads 1, Aarhus, which is the Group's head office, and an undeveloped site at Hovmarken 18, Lystrup.

7
Securities

	2018	2017
Cost at 1 January	0.0	0.0
Additions	43.0	0.0
Cost at 31 December	43.1	0.0
Adjustments at 1 January	0.3	0.3
Adjustments recognised in the income statement	29.4	0.0
Adjustments at 31 December	29.7	0.3
Carrying amount at 31 December	72.8	0.3

Securities consist mainly of a 15.8% shareholding in Incuba A/S.

8
Receivables from subsidiaries

	2018	2017
Receivables from subsidiaries - non-current	1,051.0	780.4
Receivables from subsidiaries - current	3,040.8	2,449.7
Total receivables from subsidiaries	4,091.8	3,230.1
Breakdown of receivables from subsidiaries:		
Interest-bearing receivables	4,090.3	3,230.1
Non-interest-bearing receivables	1.4	0.0
Total receivables from subsidiaries	4,091.8	3,230.1

Most of the financing of subsidiaries is made through the parent company Schouw & Co. by way of a structure of intra-group loans through cash pools.

For receivables which mature within 12 months after the end of the financial year, the nominal value is estimated to correspond to the fair value.

Amounts in DKK million

Notes to the parent company financial statements

9

Investments in subsidiaries, associates and joint ventures

The parent company has the following subsidiaries:

Name	Registered office	Ownership interest 2018	Ownership interest 2017
BioMar Group A/S	Aarhus, Denmark	100%	100%
Fibertex Personal Care A/S	Aalborg, Denmark	100%	100%
Fibertex Nonwovens A/S	Aalborg, Denmark	100%	100%
Hydra-Grene A/S	Skjern, Denmark	100%	100%
Borg Automotive Holding A/S	Silkeborg, Denmark	100%	100%
GPV International A/S	Tarm, Denmark	100%	100%
Alba Ejendomme A/S	Aarhus, Denmark	100%	100%
Schouw & Co. Finans A/S	Aarhus, Denmark	-	100%
Niels Bohrs Vej A/S	Aarhus, Denmark	-	100%
Anpartsselskabet af 1. februar 2013	Aarhus, Denmark	-	100%

	31 Dec. 2018	31 Dec. 2017
Cost at 1 January	3,980.3	3,062.7
Additions during the year	580.9	917.6
Disposals for the year	-630.5	0.0
Cost at 31 December	3,930.7	3,980.3
Adjustments at 1 January	2,122.8	1,841.3
Disposals for the year	606.5	0.0
Share of profit for the year	746.8	874.7
Dividends paid	-548.1	-345.0
Other capital entries	61.7	-248.2
Adjustments at 31 December	2,989.8	2,122.8
Carrying amount at 31 December	6,920.4	6,103.1
Of which carrying amount of goodwill	1,026.0	1,026.0

Schouw & Co. has tested investments, including goodwill in subsidiaries, for impairment. The impairment tests did not result in investments being written down.

Schouw & Co divested Niels Bohrs Vej A/S and put two companies with no activities into liquidation in 2018.

The parent company has the following associates:

Name	Registered office	Ownership interest 2018	Ownership interest 2017
Incuba Invest A/S	Aarhus, Denmark	-	49%

	31 Dec. 2018	31 Dec. 2017
Cost at 1 January	66.4	66.4
Disposals for the year	-66.4	0.0
Cost at 31 December	0.0	66.4
Adjustments at 1 January	-23.1	-27.6
Disposals for the year	23.4	0.0
Share of profit for the year	-0.4	4.1
Other capital entries	0.2	0.4
Adjustments at 31 December	0.0	-23.1
Carrying amount at 31 December	0.0	43.3

The assets of Incuba Invest A/S were distributed to the shareholders in 2018 and the company was put into liquidation.

The parent company has the following joint ventures:

Name	Registered office	Ownership interest 2018	Ownership interest 2017
Xergi A/S	Støvring, Denmark	-	50%

	31 Dec. 2018	31 Dec. 2017
Cost at 1 January	60.0	60.0
Disposals	-60.0	0.0
Cost at 31 December	0.0	60.0
Adjustments at 1 January	-26.9	-26.0
Disposals	32.5	0.0
Share of profit for the year	-4.9	0.2
Other capital entries	-0.7	-1.1
Adjustments at 31 December	0.0	-26.9
Carrying amount at 31 December	0.0	33.1

Schouw & Co. sold its ownership interst in Xergi A/S in 2018.

Amounts in DKK million

Notes to the parent company financial statements

10

Gains from the sale of equity investments

	2018	2017
Gain from the sale of Xergi	16.8	0.0
Loss on sale of Niels Bohrs Vej	-7.7	0.0
Gains from the sale of equity investments	9.1	0.0

11

Financial income

	2018	2017
Interest income from subsidiaries	73.1	57.2
Foreign exchange adjustments	1.4	0.6
Fair value adjustment of financial assets	29.4	0.0
Other interest income	0.4	0.5
Total financial income	104.3	58.3

12

Financial expenses

	2018	2017
Interest payable to subsidiaries	-1.4	-0.3
Interest expense on financial liabilities	-19.9	-8.8
Fair value adjustment of hedging transactions transferred from equity	-2.0	-2.0
Foreign exchange adjustments	-0.9	-11.4
Total financial expenses	-24.3	-22.5

13

Interest-bearing debt

	2018	2017
Credit institutions (non-current)	1,459.2	990.0
Mortgage debt (non-current)	4.6	5.2
Recognised under non-current debt to credit institutions, total	1,463.8	995.2
Current portion of non-current liabilities	0.5	0.5
Credit institutions (non-current)	746.7	0.0
Amounts owed to subsidiaries	305.1	249.7
Total interest-bearing debt	2,516.2	1,245.4
Fair value of interest-bearing debt	2,516.3	1,245.5

Maturity profile of interest-bearing debt:

	2018	2017
Principal repayment		
Overdraft facilities and debt to subsidiaries	1,051.9	249.7
Less than 1 year	22.1	14.5
1-5 years	1,493.8	1,013.2
More than 5 years	2.5	3.1
Total	2,570.3	1,280.5
Interest		
Overdraft facilities and debt to subsidiaries	0.0	0.0
Less than 1 year	21.5	14.0
1-5 years	32.4	21.0
More than 5 years	0.1	0.1
Total	54.0	35.1
Carrying amount		
Overdraft facilities and debt to subsidiaries	1,051.9	249.7
Less than 1 year	0.5	0.5
1-5 years	1,461.4	992.2
More than 5 years	2.4	3.0
Total	2,516.2	1,245.4

Spot rate used for floating rate loans.

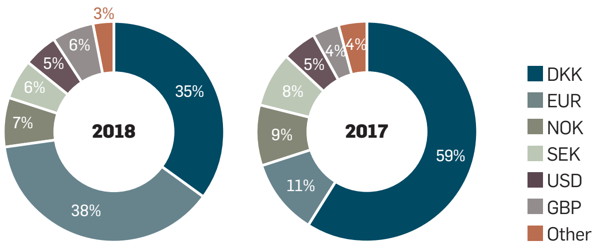
Amounts in DKK million

Notes to the parent company financial statements

13
Interest-bearing debt (continued)

The weighted average effective rate of interest for the year was 1.3% (2017: 1.2%).
The weighted average effective rate of interest at the balance sheet date was 1.4% (2017: 1.1%).

Percentage breakdown of interest-bearing debt by currency:



Interest rate risk
The parent company hedges parts of the interest rate risk on its debt subject to a case-by-case assessment. Such assessments include, in addition to expectations for interest rate developments, the amount of the total floating rate debt relative to equity. Hedging consists of interest rate swaps.

Interest profile of interest-bearing debt:

	2018	2017
Fixed-rate debt	0.0	0.0
Floating-rate debt	2,516.2	1,245.4
Interest-rate hedge: floating rate debt swapped to fixed rate debt	50.1	50.0

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by DKK 19.2 million after tax (2017: DKK 9.3 million). An increase in interest rates of 1 percentage point would cause equity to rise by DKK 0.2 million after tax (2017: DKK 0.8 million). The fair value of the interest rate swap has been calculated using generally accepted valuation techniques on the basis of observable data (level 2). The interest rate swap has a term to maturity of 0.5 years.

Fixed rate debt consists only of items, for which the rate of interest will not be reset within the next 12 months.

Capital resources
To ensure that the company always has the necessary capital resources to capitalise on opportunities for investment that may arise and to be able to settle obligations agreed, the company has entered into a number of agreements with recognised financial institutions, under which they provide credit lines to Schouw & Co. It is company policy to diversify borrowings on short term drawing facilities and long-term loans from an assessment of its current leverage. The company's capital resources consist of cash, short-term receivables from subsidiaries and undrawn credit facilities.

	2018	2017
Credit facility	2,846.7	1,800.0
Operating credits drawn	-2,206.0	-990.0
Cash and cash equivalents	52.2	62.8
Current loans to subsidiaries	2,989.3	2,389.6
Current debt to subsidiaries	-305.1	-249.7
Parent company's net position including credit facility	3,377.1	3,012.7
Of which utilised by subsidiaries, net	-2,684.2	-2,139.9
Parent company's cash resources	692.9	872.8

Schouw & Co. extended a three-year DKK 2.1 billion committed credit facility in 2018, and the facility will now run to 2021. The facility was established with a bank consortium consisting of Danske Bank, DNB and Nordea. Major subsidiaries of the Schouw & Co. Group are co-guarantors of the credit facility.

Schouw & Co. established a short-term bridge financing of EUR 100 million in connection with the acquisition of CCS at the end of 2018. The bridge-financing is expected to be converted in to non-current debt in the spring of 2019.

Amounts in DKK million

Notes to the parent company financial statements

14
Share capital

The share capital consists of 25,500,000 shares with a nominal value of DKK 10 each. All shares rank equally.

The share capital is fully paid up. Each share carries one vote, for a total of 25,500,000 voting rights.

Treasury shares	Number of shares	Nominal value	Cost	Percentage of share capital
1 January 2017	1,756,930	17,569,300	342.8	6.89%
Share option programme	-227,000	-2,270,000	-26.3	-0.89%
Additions	0	0	0.0	0.00%
31 December 2017	1,529,930	15,299,300	316.6	6.00%
Share option programme	-110,833	-1,108,330	-13.0	-0.43%
Additions	387,900	3,879,000	200.3	1.52%
31 December 2018	1,806,997	18,069,970	503.9	7.09%

In 2018, Schouw & Co. sold shares held in treasury for proceeds of DKK 37.1 million used for the Group's share option programme. The shares had a fair value of DKK 66.0 million at the time of sale.

In 2018, Schouw & Co. acquired shares for DKK 200.3 million to be held in treasury. The shares were acquired under the Safe Harbour regulations during the period from 20 August to 28 December 2018.

Schouw & Co. has been authorised by the shareholders in general meeting to acquire up to 5,100,000 treasury shares, equal to 20.0% of the share capital. The authorisation is valid until 1 April 2021.

The company acquires treasury shares for allocation to the Group's share option programmes. At 31 December 2018, the company's treasury shares had a market value of DKK 877.5 million (2017: DKK 889.7 million). The portfolio of treasury shares is recognised at DKK 0.

15
Pensions and provisions

	2018	2017
Pension obligations	17.8	18.8
Provisions	2.9	0.0
Total	20.7	18.8
Pension obligations		
Net liability at 1 January	18.8	19.7
Paid out	-0.9	-0.9
Net liability at 31 December	17.8	18.8

It is company policy to fund all pension liabilities, so as predominantly to avoid defined benefit plans. However, as part of the merger with BioMar Holding, Schouw & Co. assumed a defined benefit obligation.

The pension obligation was calculated at DKK 17.8 million at 31 December 2018. The entire amount relates to the liability to insure the entitlements to receive supplementary pensions in accordance with the previous practise of the KFK pension funds. The entire obligation is related to people who were on the labour market at 30 September 2002 and who transferred to employment with the consortium that took over the divested grain and feed operations (the former KFK). Some uncertainty applies as to the amount of the pension obligation. Accordingly, final coverage of this liability may impact future financial results in a positive or a negative direction.

	2018	2017
Provisions		
Net liability at 1 January	0.0	0.0
Change for the year	2.9	0.0
Net liability at 31 December	2.9	0.0
Maturity profile of provisions		
Less than 1 year	0.0	0.0
More than 1 years	2.9	0.0

Provisions concern guarantee commitments in relation to the sale of Xergi.

Amounts in DKK million

Notes to the parent company financial statements

16
Contingent liabilities and guarantees

Contingent liabilities
The company is taxed jointly with the other Danish Group companies. As a management company, the company is joint and severally liable with the other Danish Group companies for Danish income tax and withholding tax on dividends, interest and royalties within the joint taxation pool.

Guarantees
The following assets have been provided as security to credit institutions:

Land and buildings with a carrying amount of DKK 16.1 million (2017: DKK 16.1 million).
The collateral set out above represents the parent company's debt to mortgage-credit institutions of DKK 5.2 million (2017: DKK 5.7 million).

Surety for group debt to credit institutions amounted to DKK 16.4 million (2017: DKK 16.3 million).

17
Financial risk

The parent company's risk management policy
Due to the nature of its operations, investments and financing, the parent company is exposed primarily to changes in the level of interest rates. Interest rate risks are described in greater detail in note 12. The parent company's financial management exclusively involves the management of financial risk relating to operations and investment.

Currency risk
The parent company's currency risks mainly relate to its subsidiaries' foreign business operations. The parent company does not hedge these investments.

The parent company's currency risk exposure at 31 December 2018 was limited to EUR-denominated net debt of DKK 16 million and as such not subject to any material currency risk.

Credit risk
The parent company credit risk relates primarily to receivables from subsidiaries and secondarily to cash deposits.

18
Tax on profit/loss for the year

	2018	**2017**
Tax on the profit for the year is specified as follows:		
Tax on profit/loss for the year	-5.7	-10.0
Tax on other comprehensive income	-0.4	-0.4
Total tax	-6.2	-10.4
Tax on the profit for the year has been calculated as follows:		
Current tax	-4.3	-1.3
Deferred tax	-0.9	-8.7
Adjustment of prior-year tax charge	-0.6	0.0
Total tax recognised in the income statement	-5.7	-10.0
Specification of the tax on the profit for the year:		
Calculated 22% tax of profit/loss before tax	-176.0	-193.9
Tax effect of non-deductible costs and non-taxable income	170.8	183.9
Tax effect of adjustment of prior-year tax charge	-0.6	0.0
Total tax recognised in the income statement	-5.7	-10.0
Effective tax rate	0.7%	1.1%

Non-taxable income and non-deductible expenses relate primarily to non-deductible income from investments in subsidiaries, joint ventures and associates.

Tax on items recognised in other comprehensive income – 2018	**Before tax**	**Taxation**	**After tax**
Hedging instruments for the year	0.0	0.0	0.0
Hedging instruments transferred to financials	2.0	-0.4	1.6
Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	74.3	0.0	74.3
Total tax on items recognised in other comprehensive income	76.3	-0.4	75.9

Tax on items recognised in other comprehensive income – 2017	**Before tax**	**Taxation**	**After tax**
Hedging instruments for the year	-0.1	0.0	-0.1
Hedging instruments transferred to financials	2.0	-0.4	1.6
Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	-248.9	0.0	-248.9
Total tax on items recognised in other comprehensive income	-247.0	-0.4	-247.4

Amounts in DKK million

Notes to the parent company financial statements

19
Deferred tax

	2018	2017
Deferred tax at 1 January	-15.4	-18.3
Deferred tax for the year recognised in profit/loss for the year	0.9	8.7
Deferred tax for the year recognised in equity	5.0	-5.8
Deferred tax at 31 December, net	-9.5	-15.4
Deferred tax pertains to:		
Property, plant and equipment	-1.0	-1.5
Shareholders' equity	-0.8	-5.8
Other liabilities	-7.7	-8.1
Deferred tax at 31 December, net	-9.5	-15.4

There are no deferred tax assets or tax liabilities that have not been recognised in the balance sheet.

	2018			
Change in deferred tax	Balance at 1 Jan.	Recognised in the profit for the year	Recognised in equity	Balance at 31 Dec.
Property, plant and equipment	-1.5	0.4	0.0	-1.0
Shareholders' equity	-5.8	0.0	5.0	-0.8
Other liabilities	-8.1	0.5	0.0	-7.7
Total change in deferred tax	-15.4	0.9	5.0	-9.5

	2017			
Change in deferred tax	Balance at 1 Jan.	Recognised in the profit for the year	Recognised in equity	Balance at 31 Dec.
Property, plant and equipment	-2.1	0.6	0.0	-1.5
Other liabilities	0.0	0.0	-5.8	-5.8
Tax losses	-16.2	8.1	0.0	-8.1
Total change in deferred tax	-18.3	8.7	-5.8	-15.4

20
Joint taxation contributions

	2018	2017
Joint taxation contributions at 1 January	18.2	14.9
Transferred from deferred tax at 1 January	0.0	0.1
Adjustment related to prior years	6.7	0.0
Current tax for the year	-51.4	-42.0
Joint taxation contributions received/paid	37.2	45.2
Total joint taxation contributions	10.7	18.2
which is specified as follows:		
Joint taxation contribution receivable	0.0	0.0
Joint taxation contributions payable	10.7	18.2
Total joint taxation contributions	10.7	18.2

21
Corporate income tax

	2018	2017
Income tax payable at 1 January	-8.1	-9.8
Current tax for the year	4.3	1.3
Adjustment related to prior years	-6.1	0.1
Current tax for the year recognised in other comprehensive income	0.4	0.4
Current tax on other equity adjustments	-3.1	-6.9
Current tax for the year from jointly taxed companies	51.4	42.0
Income tax paid during the year	-43.7	-35.0
Total income tax	-4.9	-8.1
which is specified as follows:		
Income tax receivable	-4.9	-8.1
Income tax payable	0.0	0.0
Total income tax	-4.9	-8.1

Amounts in DKK million

Notes to the parent company financial statements

22
Operating lease liabilities

	2018	2017
Falling due within one year	0.2	0.2
Falling due within 1-5 years	0.3	0.3
Falling due after 5 years	0.0	0.0
Total operational leases	0.5	0.5

An amount of DKK 0.2 million (2017: DKK 0.2 million) relating to operating leases has been recognised in the income statement for 2018. The parent company has lease agreements for cars only.

23
Fees to auditors appointed by the shareholders

	2018	2017
Statutory audit fees, EY	-0.3	-0.3
Fees for tax and VAT-related services, EY	-0.1	-0.2
Non-audit services, EY	-0.5	-2.1
Total fees, EY	-0.8	-2.6

24
Related party transactions

Related parties are described in note 34 to the consolidated financial statements.

Management's remuneration and share option programmes are set out in note 3 to the consolidated financial statements.

	2018	2017
Subsidiaries:		
During the year, the parent company received a management fee of	9.4	8.6
During the year, the parent company received interest income of	73.1	57.1
At 31 December the parent company had a receivable of	4,091.8	3,230.1
At December 31, the parent company had debt amounting to	305.1	249.7
During the year, the parent company received dividends of	548.1	345.0
Associates:		
During the year, the parent company received a management fee of	0.1	0.1
During the year, the parent company received interest income of	0.0	0.0
During the year, the parent company received dividends of	0.0	0.0

Other than as set out above, there were no transactions with related parties.

Amounts in DKK million

Management Statement
To the shareholders of Aktieselskabet Schouw & Co.

The Board of Directors and the Executive Management have considered and approved the annual report for the 2018 financial year.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2018.

In our opinion, the management's report includes a fair review of the development and performance of the Group and the parent company, the financial results and cash flows for the year and of the financial position, together with a description of the principal risks and uncertainties that the Group and the parent company face.

We recommend that the annual report be adopted by the shareholders at the annual general meeting.

Aarhus, 8 March 2019

Executive Management

Jens Bjerg Sørensen
President

Peter Kjær

Board of Directors

Jørn Ankær Thomsen
Chairman

Jørgen Wisborg
Deputy Chairman

Kjeld Johannesen

Agnete Raaschou-Nielsen

Hans Martin Smith

Kenneth Skov Eskildsen

Independent auditors' report

To the shareholders of Aktieselskabet Schouw & Co.

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Aktieselskabet Schouw & Co for the financial year 1 January - 31 December 2018, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as the Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, 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 31 December 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Aktieselskabet Schouw & Co. before 1995 and must therefore withdraw from the audit no later than at the annual general meeting in 2021. We have been reappointed annually by resolution of the general meeting for a total consecutive period of more than 24 years up until and including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2018. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Trade receivables

Trade receivables represent a significant consolidated financial statements item, of which approx. 56% of the Group's trade receivables relate to BioMar; see note 6 to the consolidated financial statements. BioMar operates in an industry and at geographical markets that imply a risk of loss on trade receivables. The assessment of impairment losses on trade receivables is based on Management's assessment of future payments, including the value of collateral.

Our audit procedures included examination and independent assessment of Management's assessment of impairment losses on trade receivables, including in particular an assessment of trade receivables ageing at financial year end and payments received after the balance sheet date, an assessment of the development within the industry and geographical markets, collateral and realised losses on receivables in the financial year as well as an assessment of Management's ability to correctly compute losses on trade receivables in previous years. Our audit was in particular directed at the assessment of impairment losses on trade receivables from BioMar.

Acquisitions

The acquisition of the EMS business CCS Group AG was effected on 28 December 2018, while the acquisition of the Brazilian nonwovens manufacturer Duci was effected on 2 February 2018; see note 14 to the consolidated financial statements. In connection with the transactions, Management has prepared purchase price allocations. Purchase price allocations are subject to significant estimates and assessments by Management, including requirements for the valuation of identifiable assets and liabilities at fair value. In connection with the purchase price allocation, Management identified relevant assets and liabilities, including e.g. customer contracts, brands, know-how, other intangible assets, and goodwill.
Our audit procedures included examination and independent assessment of the accounting policies determined by Management and the assets and liabilities identified by Management as well as of the valuation methods and assumptions used for the fair value valuation. We compared methods and assumptions applied with generally accepted practice for the valuation and external data, where relevant.

Goodwill

Goodwill represents a significant consolidated financial statements item.

In order to ensure that the carrying amount of goodwill does not exceed the recoverable amount, Management performs an impairment test once a year of group goodwill; see note 16 to the consolidated financial statements. We compared the value of each of the cash-generating units to which goodwill relates with the recoverable amount. In accordance with IAS 36, Management has estimated future cash flows for each cash-generating unit and calculated the value in use using the discounted cash flow model.

Our audit procedures included an examination of the Group's impairment model and the assumptions on which the estimated future cash flows as well as the discounted cash flows are based, including significant expectations of future earnings (EBIT) and determination of the discount factor. Moreover, we made comparison with historical growth rates and external market data and performed a sensitivity analysis for the assumptions used.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the

Independent auditors' report

Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act Moreover, Management is responsible 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.

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 in preparing the financial statements 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

Our objectives are to obtain reasonable assurance as to whether the financial statements 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that they - either individually or combined - could influence the economic decisions taken by users on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risk 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 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 in preparing the financial statements 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 and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and 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 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.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are 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.

Aarhus, 8 March 2019

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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