An international industrial conglomerate

Schouw & Co. is a focused industrial conglomerate. Our six wholly owned businesses operate 60 production units in 29 countries worldwide.

Schouw & Co. was 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 ownership and facilitate long-term and responsible transformation.

Annual Report 2019

Contents

The management review includes the sections 'Management's report', 'Businesses' and 'Group information'

This publication is a translation of the Danish Annual Report 2019. The original Danish text shall be controlling for all purposes, and in cases of discrepancy, the Danish wording shall be applicable.

Overview

142
years old
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.

32
years as a conglomerate
Since 1988, Schouw & Co. has been involved in many different businesses and industries.

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

At the end of 2019, we had six different companies in our portfolio which had been acquired since 1988, when we first launched our strategy of composing a diversified portfolio of leading Danish industrial businesses.

We have had the businesses in our portfolio for an average of 15 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 develop best when focused on long-term growth and development.

Our purpose
ENABLING LONG-TERM AND RESPONSIBLE TRANSFORMATION

OUR GLOBAL LOCATIONS

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

29
COUNTRIES OF PRODUCTION

- **BioMar** – Denmark, Norway, Scotland, France, Spain, Greece, Turkey, Chile, Costa Rica, Ecuador, China and Australia
- **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, Switzerland, Germany, Austria, Slovakia, Thailand Sri Lanka, China and Mexico

REVENUE
DKK 20.9 billion

EBITDA
DKK 2.0 billion

ROIC
12.3%

Management's report

2019 Highlights

We continued recent years' growth strategy in 2019. During the year, we invested more than DKK 1 billion to expand output capacity and acquire businesses and grew revenue by 15%. At DKK 1.4 billion, cash flows from operating activities were DKK 573 million higher than in 2018 (including IFRS effects).

SIGNIFICANT EVENTS

Q1

2019

- Fibertex Nonwovens acquires newly-built spunlace capacity in South Carolina, USA.
- HydraSpecma opens new factory site in Stargard, Poland.
- Borg Automotive remanufactures first brake calipers at its new factory in Lublin, Poland.
- HydraSpecma achieves highest certification as a Danfoss premium distributor in Denmark.
- BioMar expands shrimp feed production by 25,000 tonnes in Ecuador.
- BioMar announced commercial breakthrough with fish feed with a high content of omega-3 from algae.

21%
Quarterly revenue growth (year-on-year)

+99 DKKm
Improvement in cash flows from operating activities

Q2

2019

- Fibertex Personal Care begins print facility operations in North Carolina, USA.
- BioMar announces full ownership of formerly 50%-owned joint venture Alitec Pargua in Chile.
- Fibertex Nonwovens performs strategic review and confirms potential for long-term value creation.
- HydraSpecma opens new 3,200 m^2 distribution centre in Tampere, Finland.
- BioMar decides to expand shrimp feed capacity in Ecuador by 40,000 tonnes.

10%
Quarterly revenue growth (year-on-year)

+163 DKKm
Improvement in cash flows from operating activities

Q3

2019

- Borg Automotive streamlines business by trimming operations in Belgium.
- BioMar teams up with a Norwegian fish farmer to launch an app providing full traceability of raw materials for salmon.
- HydraSpecma Sweden announces decision to build new and bigger facilities outside Gothenburg.
- BioMar completes capacity expansion at factory in Brande, Denmark.

17%
Quarterly revenue growth (year-on-year)

+161 DKKm
Improvement in cash flows from operating activities

Q4

2019

- BioMar completes construction of new salmon feed factory in Australia.
- GPV successfully completes integration of CCS.
- BioMar's second factory in 50%-owned joint venture in China completed.
- GPV opens new 2,300 m^2 warehouse in Bangkok, Thailand.
- Six people graduate Schouw & Co.'s Accelerated Growth talent development programme.
- HydraSpecma acquires minor hydraulics company to strengthen local expertise in Finland.

12%
Quarterly revenue growth (year-on-year)

+150 DKKm
Improvement in cash flows from operating activities

Financial highlights and key ratios

GROUP SUMMARY (DKKm)	2019*	2018	2017	2016	2015
REVENUE AND INCOME					
Revenue	20,946	18,253	17,032	14,369	12,566
Operating profit before depreciation (EBITDA)	1,951	1,579	1,568	1,472	1,214
Depreciation and impairment losses	802	532	475	434	383
EBIT	1,149	1,047	1,093	1,038	831
Profit/loss after tax in associates and joint ventures	50	70	42	566	86
Gains on equity divestments	29	9	0	0	0
Net financials	-79	-40	-30	-27	-46
Profit before tax	1,149	1,086	1,105	1,578	871
Profit for the year	906	796	875	1,339	645
Cash flows					
Cash flows from operating activities	1,410	837	763	1,598	1,171
Cash flows from investing activities	-1,043	-1,360	-2,763	-395	-569
Of which investment in property, plant and equipment	-774	-685	-809	-830	-354
Cash flows from financing activities	-421	623	818	-925	-324
Cash flows for the year	-54	100	-1,181	277	278
Invested capital and financing					
Invested capital (ex. goodwill)	10,510	8,831	7,337	5,416	4,464
Total assets	18,777	16,940	14,389	12,273	10,516
Working capital	3,738	3,441	2,505	1,727	1,598
Net interest-bearing debt (NIBD)	3,298	2,425	1,275	-1,028	-511
Share of equity attributable to shareholders of Schouw & Co.	9,519	8,652	8,317	7,797	6,656
Non-controlling interests	2	7	15	18	21
Total equity	9,521	8,659	8,332	7,814	6,677
Financial data					
EBITDA margin (%)	9.3	8.7	9.2	10.2	9.7
EBIT margin (%)	5.5	5.7	6.4	7.2	6.6
EBT margin (%)	5.5	6.0	6.5	11.0	6.9
Return on equity (%)	10.0	9.4	10.9	18.6	10.2
Equity ratio (%)	50.7	51.1	57.9	63.7	63.5
ROIC excluding goodwill (%)	12.3	14.5	17.6	20.2	18.3
ROIC including goodwill (%)	10.0	11.3	13.8	16.6	15.1
NIBD/EBITDA ratio	1.7	1.5	0.8	-0.7	-0.4
Average no. of employees	9,683	7,174	6,087	4,108	2,382
Per share data					
Earnings per share (of DKK 10)	38.27	33.43	36.85	56.56	27.48
Diluted earnings per share (of DKK 10)	38.27	33.35	36.63	56.41	27.38
Dividends per share (of DKK 10)	14.00	13.00	13.00	12.00	10.00
Net asset value per share (of DKK 10)	397.34	365.17	346.99	328.38	282.10
Share price, end of period (per share DKK 10)	560.00	485.60	581.50	526.00	387.00
Price/Net asset value	1.41	1.33	1.68	1.60	1.37
Market capitalisation at year end	13,415	11,505	13,939	12,489	9,131

* 2019 figures affected by IFRS 16. Comparative figures have not been restated.

IFRS 16

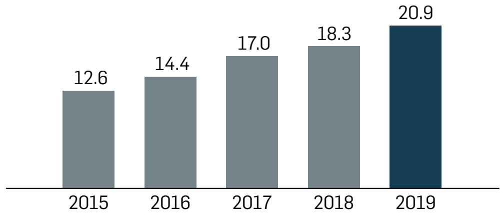
The Annual Report 2019 reflects the effects of IFRS 16, the accounting standard for recognising lease liabilities, which we implemented effective from 1 January 2019.

The implementation of IFRS 16 has resulted in the recognition of lease assets and a similar lease liability of DKK 910 million effective from 1 January. Also, EBITDA improved by DKK 208 million, EBIT improved by DKK 14 million, and cash flows from operating activities improved by DKK 182 million in 2019 relative to the year before. Prior-year comparative figures have not been restated.

Additional information on the effects of IFRS 16 is provided in the notes to the consolidated financial statements on pages 48 and 50.

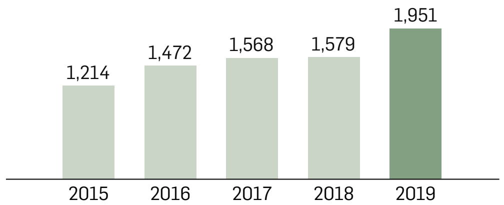
Revenue

DKK billion



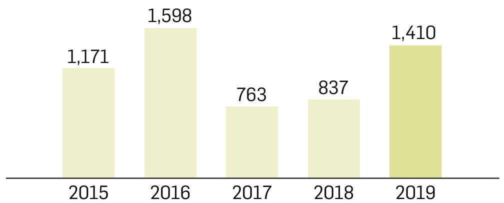
Operating profit before depreciation (EBITDA)

DKK million



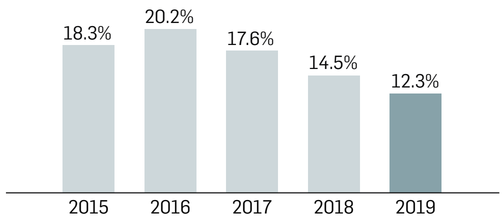
Cash flows from operating activities

DKK million



Return on invested capital

ROIC excluding goodwill (%)



Our businesses

Schouw & Co. has six wholly-owned companies operating in various industries. They all operate in the B2B segment and have been in our portfolio for an average of 15 years.

BioMar

OWNED SINCE 2005

NO. OF EMPLOYEES
C. 1,250

REVENUE:
DKK 11.2 BILLION

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

ALMOST 50%
OF 2019 EBITDA

Fibertex Personal Care

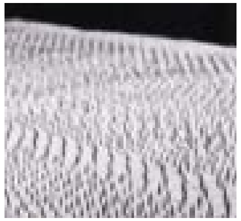
OWNED SINCE 2002

NO. OF EMPLOYEES
C. 750

REVENUE:
DKK 2.2 BILLION

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

ABOUT 18%
OF 2019 EBITDA



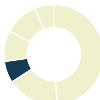
Fibertex Nonwovens

OWNED SINCE 2002

NO. OF EMPLOYEES
C. 1,000

REVENUE:
DKK 1.7 BILLION

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



ABOUT 7%
OF 2019 EBITDA

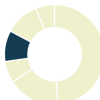
GPV

OWNED SINCE 2016

NO. OF EMPLOYEES
C. 3,800

REVENUE:
DKK 2.9 BILLION

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



ABOUT 10%
OF 2019 EBITDA

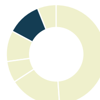
HydraSpecma

OWNED SINCE 1988

NO. OF EMPLOYEES
C. 1,200

REVENUE:
DKK 2.1 BILLION

Market-leading specialist within hydraulic solutions and components. Customers include major Nordic-based OEM manufacturers and the aftermarket.



ABOUT 11%
OF 2019 EBITDA

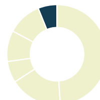
Borg Automotive

OWNED SINCE 2017

NO. OF EMPLOYEES
C. 1,600

REVENUE:
DKK 0.9 BILLION

Europe's largest independent automotive remanufacturing company. Sells to distributors and OE customers for almost all car makes.



ABOUT 6%
OF 2019 EBITDA

Letter from the CEO

In 2020, we will continue the work to secure and anchor our market positions. We intend to invest in innovation and future-proofing.

Positive performance especially in BioMar made 2019 a good and satisfactory year for Schouw & Co. During the year, we consolidated our platform and strengthened our position in important core markets. The companies of the Schouw & Co. Group are well-invested and well prepared for the years ahead. We expect improvements to continue in 2020.

Record year for Schouw & Co. in 2019

In several areas, 2019 was clearly the best year ever for Schouw & Co. For the first time ever, we generated revenue of more than DKK 20 billion, and our operating profit was the highest in our 142-year history. We generated cash flows from operating activities of more than DKK 1.4 billion. This is a performance I am both proud of and very pleased with.

At the start of 2019, one of the key focus areas for Schouw & Co. was to derive value from recent years' very large investments and to generate strong cash flows. That was a goal for us throughout the year. Several things have been quite suc- →

Letter from the CEO

cessful, while elsewhere the work also continues into 2020. For example, BioMar has installed new capacity in Australia, Denmark, Ecuador and China, and the effects of these projects will take a few years to feed through. Challenging market conditions, such as a slowdown in the automotive industry, have put earnings by some of our companies under pressure, but in general our businesses delivered very strong cash flows from operations.

The strongest revenue improvement came from GPV, which at the end of 2018 acquired Swiss-based EMS company CCS, which was a good deal larger than the former GPV. The integration process was very smooth and very successful. Schouw & Co. acquired GPV in 2016, and compared to the company back then, today's GPV is a thoroughly transformed company with a strong platform and prospects for significant value creation.

Enabling long-term and responsible transformation

Over a number of years, we have moulded and refined the Schouw & Co. ownership model. It builds on strong principles of creating value in a proper and trustworthy manner, while also demanding profit improvements, growth investments and capital optimisation.

Our portfolio businesses are all unique and operate in different and independent markets. Therefore, we seek to harvest only 'intelligent synergies' across our portfolio. That means we provide most of the financing centrally, we have a select few intra-group agreements, in insurance, for example, and we have a uniform, structured approach to financial reporting, strategy processes and M&A. All operational and day-to-day decisions are made by strong management teams in each company.

As a result, the managements and employees of the portfolio companies are very important to our ownership. We run our businesses through and together with our management teams, and we take great care to ensure a common direction with the focus on short-term challenges but also with the courage and responsible approach to plan for the long term. This forms part of our long-standing model and is the epitome of our mantra that 'results are created by people'.

For us as owners, it is important to enable long-term and responsible transformation of our businesses. That may be by allocating capital, initiating strategic considerations, evaluating new markets or technologies, supporting innovation, consolidation or something else that makes it possible to move a company from one level to the next. We believe that dynamic companies create the most value.

Platform for profitable growth

Over the past few years, we have built a strong foundation for value creation. All of our businesses are well-invested, and we have the capacity for further growth. Our businesses operate in different markets, but they all have a positive underlying long-term outlook.

There is increasing global demand for healthy and sustainable foods, and aquaculture is the most responsible way to increase the supply of fish and shellfish. BioMar supplies quality feed to the aquaculture industry with the focus on food safety and sustainable raw materials and full traceability in the supply chain. Our other businesses also have fundamental growth drivers. For example, there is a growing need for the products from Fibertex Personal Care due to the expansion of the middle class in Asia where demand for hygiene products is growing considerably, and as GPV's customers invest in Industry 4.0 and the Internet of Things, etc., it generates fundamental growth for the EMS industry.

We expect growth to continue in 2020 and are guiding for revenue of DKK 22 billion. Several of our businesses operate in very competitive markets where short-term growth opportunities are under pressure, and we are also seeing signs of a slowdown in the general economic cycle. Overall, however, we expect earnings to match our revenue performance.

In 2020, we will continue the work to secure and anchor our market positions. We intend to strengthen our solid and long-standing customer relations, optimise production setups and logistic flows, and we will invest in innovation and future-proofing. If attractive opportunities arise, we will be ready as always, and our general priority will be to invest capital where it will benefit our shareholders the most.

Jens Bjerg Sørensen, President and CEO
Aarhus, 6 March 2020

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

Buying and selling businesses has historically been an essential component of creating value at 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

B2B industry → B2B business – preferably in a processing industry or logistics
Size → Minimum revenue of DKK 1 billion – or with the potential to reach that level quickly
Danish company, international profile → HQ in Denmark, but with an international focus
Sustainable business model → Easy to understand, long-term sustainable business model
Leading position → Leading position and with the potential to drive the market agenda
Ambitious management → Ambitious, agile and strong management able to stay on board under the new ownership
New ownership need → New ownership required to support transformation and step change
Active ownership → Possibility of exercising long-term, active and strategic ownership, preferably under full 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 transformation. 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.

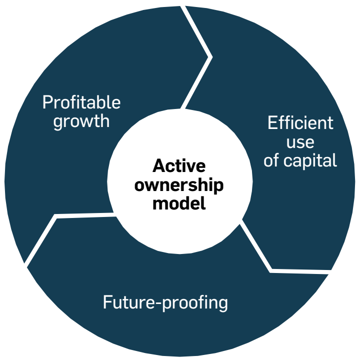
Active ownership

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'.

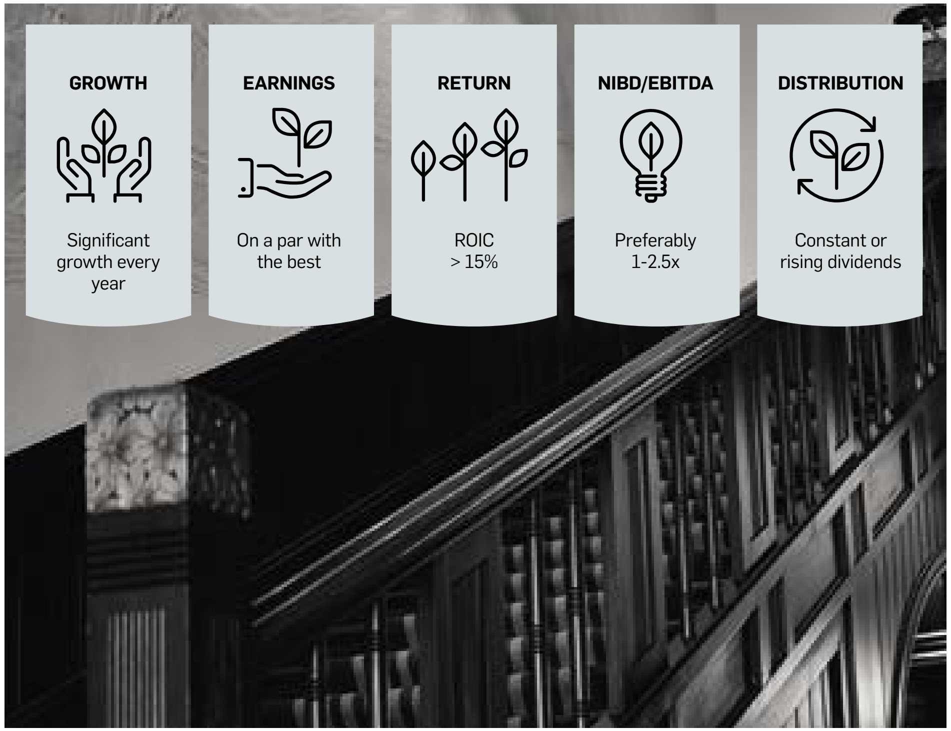
Diversified portfolio	Since 1988, the cornerstone of our strategy has been to own and operate a portfolio of businesses in different industries.
Active and developing ownership	Businesses under Schouw & Co. ownership consistently evolve and transform – and active ownership is deeply entrenched in our 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

Business activity at a record high despite very competitive markets and changing market conditions. Strong improvements in revenue and EBITDA. Stronger cash flows from operations. Several substantial investment processes now completed.

Financial performance

For the Schouw & Co. Group overall, 2019 was a good year with business activity at a record high despite competitive markets and changing market conditions. The year closed on a strong fourth quarter with revenue 12% higher than last year. Earningswise, BioMar finished the year on a very good note, and the consolidated fourth quarter EBITDA ended up 21% year on year. Adjusted for the IFRS 16 effects, EBITDA was up 8% in the fourth quarter.

QUARTER (DKKm)	**2019 Q4**	**2018 Q4**	**Change**	
Revenue	5,428	4,834	595	12.3%
EBITDA	510	421	89	21.1%
EBIT	303	289	14	5.0%
Income from associates	17	33	-16	-49.2%
Profit before tax	306	355	-49	-13.9%
Cash flows from operating activities	458	308	150	48.7%

The 2019 consolidated revenue was up by 15% to DKK 20,946 million from DKK 18,253 million in 2018. BioMar was the main driver of the improvement, but GPV, Fibertex Nonwovens and HydraSpecma were also major contributors thanks in part to acquisitions and full-year recognition effects.

Reported EBITDA rose from DKK 1,579 million in 2018 to DKK 1,951 million in 2019, which included DKK 208 million recognised due to the implementation of IFRS 16. When adjusted for this factor, EBITDA was up by 10% mainly driven by the higher earnings in BioMar, but GPV, Fibertex Personal Care and HydraSpecma also contributed.

Associates and joint ventures, which are recognised at a share of profit after tax, contributed profit of DKK 50 million in 2019 compared to DKK 70 million in 2018. The profit came from the BioMar operations, as especially the Chilean fish farming business Salmones Austral contributed, whereas the joint ventures in China and Turkey contributed less than the year before. The amount of DKK 29 million recognised in "Gains on equity divestments" relates to recalculation of the value of BioMar's previous ownership interest in Alitec Pargua.

Consolidated net financial items were an expense of DKK 79 million in 2019, compared with a DKK 40 million expense in 2018. The higher expense mainly reflects DKK 26 million in IFRS 16 interest effects and an DKK 17 million increase in interest expenses resulting from completed investments and the higher working capital. Other financial items, including foreign exchange and fair value adjustments, improved by DKK 3 million to have an overall neutral effect. The consolidated profit before tax for the year was DKK 1,149 million against DKK 1,086 million in 2018.

Financial highlights of the six portfolio businesses are set out on pages 32-33. Consolidated financial highlights are provided on page 50.

YEAR (DKKm)	**2019**	**2018**	**Change**	
Revenue	20,946	18,253	2,693	14.8%
EBITDA	1,951	1,579	372	23.6%
EBIT	1,149	1,047	103	9.8%
Income from associates	50	70	-20	-28.7%
Profit before tax	1,149	1,086	63	5.8%
Cash flows from operating activities	1,410	837	573	68.4%
Net interest-bearing debt	3,298	2,425	873	36.0%
Working capital	3,738	3,441	297	8.6%
ROIC excluding goodwill	12.3%	14.5%	-2.2%	
ROIC including goodwill	10.0%	11.3%	-1.4%	

Liquidity and capital resources

The Schouw & Co. Group's operating activities generated a cash inflow from operating activities of DKK 1,410 million in 2019, compared with DKK 837 million in 2018, based on significant improvements by all Group businesses with the exception of BioMar and Borg Automotive. The cash flows from operating activities were also driven by IFRS 16 effects which increased cash flows from operating activities by DKK 182 million because repayments of lease liabilities form part of cash flows from debt financing.

Cash flows for investing activities amounted to DKK 1,043 million in 2019, primarily used for capacity-expanding investments in BioMar and company acquisitions in BioMar and Fibertex Nonwovens. By comparison, cash flows for investing activities in 2018 amounted to DKK 1,360 million and was used mainly for GPV's acquisition of CCS Group and capacity-expanding investments by BioMar and the two Fibertex businesses.

IFRS 16

The Annual Report 2019 reflects the effects of IFRS 16, the accounting standard for recognising lease liabilities, which we implemented effective from 1 January 2019. Under IFRS 16, the right of use of a leased asset must be recognised as an asset in the balance sheet just like assets owned, while the corresponding lease liability must be recognised as interest-bearing debt. Lease payments are broken down in the income statement into a depreciation component and an interest expense. As a result, 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. Comparative figures have not been restated.

For the Schouw & Co. Group, this mainly has an effect on BioMar, due to that company's long-term vessel charter and property leases, and on GPV, HydraSpecma and Borg Automotive, which all to some extent operate from leased properties.

Management's report

The consolidated working capital increased by 9% from DKK 3,441 million at 31 December 2018 to DKK 3,738 million at 31 December 2019, which should be seen in the context of the 15% revenue improvement for the year.

Group developments

The companies of the Schouw & Co. Group have invested heavily in recent years to capitalise on opportunities for expansion, including major investments in capacity-expanding assets and substantial acquisitions in complementary businesses.

A number of large investment processes were either completed or progressed to a concluding stage in 2019. They were, for example, large capacity-expanding projects in BioMar, Fibertex Personal Care's new print facilities in the USA, Fibertex Nonwovens' acquisition of a spunlace business in the USA, GPV's successful integration of recently-acquired CCS, HydraSpecma's new facilities in Poland and Finland and Borg Automotive's new plant in Poland.

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. This process already began in 2019. Accordingly, the Group increasingly focused on adapting to movements in the markets, whether they related to geography, products or in other ways caused a change in demand. Such a dynamic process of adapting is important for securing sustainable profitability in all operations.

The following is a brief review of other business developments in the portfolio companies in 2019. See the individual company reviews on the following pages for more information.

BioMar had a good finish to the year and outperformed its guidance, which had already been raised twice during the year. Both revenue and volumes sold improved for the year, and reported EBITDA improved by more than was expected. BioMar started up new production capacity in Chile and Denmark during the year and is currently bringing on more capacity in Australia, Ecuador and China.

Fibertex Personal Care reported unchanged revenue with overall volumes sold in line with the year before but based on higher volumes sold from the factory in Denmark and lower volumes from the factory in Malaysia. However, the company also reported a sharp EBITDA improvement driven by favourable developments in prices of raw materials and in foreign exchange rates as well as strong positive cash flows from operations.

Fibertex Nonwovens reported a fair revenue improvement driven mainly by the acquisition of the spunlace business in the USA in January 2019. Reported EBITDA fell short of expectations, in part due to a write-down of operations in India and South Africa at the end of the year. Relocation of production capacity from South Africa to the USA is under way.

GPV more than doubled its revenue in 2019 after acquiring the Swiss-based EMS business CCS at the end of December 2018. The company also improved its reported EBITDA substantially, but the financial results of the former GPV were affected by a changes in Thai baht exchange rates and the costs of building operations in Mexico. The integration of CCS was a success.

HydraSpecma reported revenue improvements driven by strong business activity and sales of products for wind turbines and other stationary equipment. Reported EBITDA also improved, but weakened demand for products for the vehicles segment towards the end of the year weighed on the overall improvement. Completing investments in new facilities and in automation leads to efficiency improvements.

Borg Automotive reported a moderate decline in revenue due to generally muted demand in the European markets. Reported EBITDA fell year on year, in part due to the lower revenue and the resulting drop in efficiency, but also due to non-recurring costs in connection with restructuring activities in Belgium.

EVENTS AFTER THE BALANCE SHEET DATE

Other than as set out elsewhere in this annual report, Schouw & Co. is not aware of events occurring after 31 December 2019 which are expected to influence the Group's financial position or outlook.

DIVIDEND

The Board of Directors recommends to the Annual General Meeting that the dividend for 2019 be increased to DKK 14 per share, for an amount equal to 2.5% of the share price at 31 December 2019. As a result, total dividend payments will amount to DKK 357 million, equal to a payout ratio of 39% after tax.

EBITDA, depreciation and amortisation

Since 2018, Schouw & Co. has provided earnings guidance for each of its portfolio companies at EBITDA level, which allows us to treat PPA-related depreciation/amortisation and impairment in a single central section of the Management's Review rather than as separate elements under each portfolio business. However, the Group believes in the importance of reporting developments further down the income statement and so also discloses each company's depreciation/amortisation and impairment charges.

The implementation of the IFRS 16 accounting standard on the recognition of lease liabilities effective from 1 January 2019 provided a special challenge in terms of comparing 2018 and 2019 figures. For Schouw & Co., the implementation of IFRS 16 caused the Group's net interest-bearing debt (NIBD) at 1 January 2019 to increase by about DKK 910 million and EBITDA to improve by DKK 208 million, while depreciation/amortisation charges increased by about DKK 194 million and financial expenses increased by the interest expense of DKK 26 million.

Prior-year figures are not restated under IFRS 16, so for ease of comparison with 2018 the expected IFRS 16 effects in 2019 are disclosed for each of the companies. For 2020, the IFRS 16 effects will be in line with the year before, meaning that 2020 and 2019 figures will be directly comparable.

Total PPA-related depreciation and amortisation from the acquisition of businesses amounted to DKK 88 million in 2019 and related mainly to the acquisitions of Alimentsa (BioMar), CCS (GPV), Specma (HydraSpecma) and Borg Automotive. In 2020, PPA-related depreciation and amortisation is expected to increase to about DKK 100 million, mainly due to minor adjustments.

Other depreciation/amortisation and impairment charges including the IFRS 16 effects will increase from DKK 714 million in 2019 to about DKK 745 million in 2020 as a result of the completed investments. Details of depreciation/amortisation for the portfolio companies are shown in the table below.

	PPA depreciation/ amortisation		Other depreciation/ amortisation and impairment		Total depreciation/ amortisation and impairment	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
BioMar	37	29	303	282	340	311
Fibertex Personal Care	1	1	139	136	140	137
Fibertex Nonwovens	0	0	110	107	110	107
GPV	20	20	100	98	120	118
HydraSpecma	20	16	65	63	85	79
Borg Automotive	22	22	27	26	49	48
Other	0	0	1	1	1	1
Total	100	88	745	714	845	802

Outlook

Focus on leveraging recent years' substantial investments and optimising earnings. Guidance for higher revenue and for EBITDA to remain high.

Outlook for 2020

Recent years have generally seen fair growth in the segments in which the Group businesses operates, and the healthy activity levels have led to many capacity-increasing investments both by the Group's businesses and by their peers.

Demand remains strong, although a degree of caution is being noticed in a number of areas. Combined with the increased output capacity, this results in a competitive situation where 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-invested and stand well prepared to meet the competition. Maintaining competitive strength is a key priority, and Schouw & Co. will continue 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.

As the Schouw & Co. Group has operations in many different countries, it stands to reason that the Group may be affected from time to time by local circumstances, threats of a trade war or other political tensions. However, some countries are of greater importance than others, and the amount of attention the outbreak of corona virus in China has attracted in recent months serves to emphasise that difficult conditions in countries of special importance may have a global impact. The full-year outlook for 2020 does not reflect any specific effects from these matters.

The following brief comments provide full-year 2020 revenue and EBITDA guidance for the individual portfolio companies. See the individual company reviews on the following pages for more information.

BioMar expects to maintain its strong performance with continued revenue and EBITDA improvements. Innovative product development and the addition of further production capacity in core markets support the positive expectations.

Fibertex Personal Care expects to generate revenue close to the 2019 figure but with a lower EBITDA, because a number of positive effects recognised in 2019 are not expected to repeat in 2020.

Fibertex Nonwovens expects moderate revenue growth and a more substantial EBITDA improvement in part on the back of better balanced input and selling prices and fewer restructuring costs than recognised in 2019.

GPV expects revenue in line with 2019, but an improvement in EBITDA in part as a result of the successful integration of GPV's existing activities and the acquired company, CCS.

HydraSpecma has moderate expectations for its revenue mainly due to slowing demand for its products targeting the vehicle segment. The company expects EBITDA to be close to the 2019 level due in part to completed efficiency improvements.

Borg Automotive expects moderate revenue growth and EBITDA improvements on the back of an upward trend in demand in the end of 2019.

Schouw & Co. Group's overall guidance

Overall, the Schouw & Co. Group projects full-year 2020 consolidated revenue of about DKK 21.6 billion against DKK 20.9 billion in 2019, equal to a 3% increase. However, for several of the portfolio companies, revenue will depend on raw materials prices, and any price fluctuations can significantly change the revenue without necessarily having any notable effect on earnings.

Schouw & Co. provides consolidated earnings guidance at EBITDA level based on an aggregation of individual portfolio company forecasts, but actual portfolio company EBITDA results may deviate from these individual forecasts. Accordingly, the actual guidance is expressed through consolidated EBITDA, which for 2020 is in the range of DKK 1,935-2,105 million compared with DKK 1,951 million in 2019.

Depreciation and amortisation charges are expected to increase from DKK 802 million in 2019 to approximately DKK 845 million in 2020. As a result, the Group guides for consolidated 2020 EBIT in the range of DKK 1,090-1,260 million.

Associates and joint ventures, which are recognised at a share of profit after tax, are expected to contribute profit of approximately DKK 60 million in 2020 compared with DKK 50 million in 2019.

Consolidated net financial items are expected to be an expense of about DKK 100 million in 2020, compared with a DKK 79 million expense in 2019.

REVENUE (DKKm)	**2020 expected**	**2019 actual**	**2018 actual**
BioMar	c. 12,000	11,180	10,328
Fibertex Personal Care	c. 2,100	2,183	2,187
Fibertex Nonwovens	c. 1,750	1,705	1,574
GPV	c. 2,800	2,856	1,218
HydraSpecma	c. 2,000	2,123	2,005
Borg Automotive	c. 975	918	958
Other/eliminations	-	-18	-18
Total revenue	c. 21,625	20,946	18,253

PROFIT (DKKm)	**2020 expected**	**2019 actual**	**2018 actual**
BioMar	1,000-1,060	966	713
Fibertex Personal Care	280-310	352	315
Fibertex Nonwovens	165-185	141	160
GPV	210-240	196	115
HydraSpecma	200-220	215	175
Borg Automotive	110-120	110	131
Other	-30	-29	-30
Total EBITDA	1,935-2,105	1,951	1,579
PPA depreciation	-100	-88	-82
Other depreciation	-745	-714	-450
Total EBIT	1,090-1,260	1,149	1,047
Associates, etc.	60	50	70
Divestments	-	29	9
Other financial items	-100	-79	-40
Total profit before tax	1,050-1,220	1,149	1,086

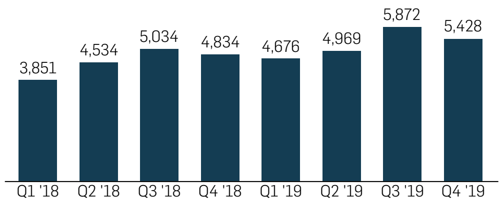
Quarterly financial highlights

2019 figures affected by IFRS 16. Comparative figures have not been restated.

(DKKm)	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
INCOME STATEMENT								
Revenue	3,851	4,534	5,034	4,834	4,676	4,969	5,872	5,428
Gross profit	649	754	815	757	745	781	988	857
EBITDA	314	399	445	421	401	419	621	510
Depreciation and impairment losses	131	133	136	132	200	196	200	207
EBIT	183	266	309	289	202	224	421	303
Profit after tax in associates and joint ventures	2	16	19	33	15	7	11	17
Gains on equity divestments	0	0	0	9	0	29	0	0
Net financials	-13	-24	-27	24	-4	-42	-20	-14
Profit before tax	172	258	301	355	213	218	411	306
Tax on profit for the period	-54	-58	-71	-108	-47	-44	-95	-57
Profit for the period	118	201	230	247	167	175	316	249
CASH FLOWS								
Cash flows from operating activities	2	-35	563	308	100	128	724	458
Cash flows from investing activities	-217	-221	-128	-794	-325	-316	-170	-233
Cash flows from financing activities	250	109	-339	602	208	210	-541	-298
BALANCE SHEET								
Intangible assets	3,135	3,176	3,169	3,594	3,592	3,565	3,605	3,568
Property, plant and equipment	4,024	4,161	4,167	4,317	4,568	4,732	4,879	4,956
Other non-current assets	705	721	722	763	1,672	1,710	1,705	1,699
Cash and cash equivalents	509	371	464	585	574	588	613	538
Other current assets	6,216	6,999	7,243	7,681	8,003	8,199	8,685	8,016
Total assets	14,589	15,429	15,765	16,940	18,409	18,794	19,487	18,777
Shareholders' equity	8,406	8,382	8,503	8,659	8,967	8,787	9,252	9,521
Interest-bearing liabilities	2,038	2,457	2,214	3,058	4,141	4,690	4,207	3,885
Other liabilities	4,145	4,590	5,048	5,223	5,301	5,317	6,029	5,371
Total equity and liabilities	14,589	15,429	15,765	16,940	18,409	18,794	19,487	18,777
Average no. of employees	7,025	7,073	7,257	7,314	9,749	9,708	9,756	9,576
FINANCIAL KEY FIGURES								
Gross profit margin	16.9%	16.6%	16.2%	15.7%	15.9%	15.7%	16.8%	15.8%
EBITDA margin	8.1%	8.8%	8.8%	8.7%	8.6%	8.4%	10.6%	9.4%
EBIT margin	4.8%	5.9%	6.1%	6.0%	4.3%	4.5%	7.2%	5.6%
ROIC excluding goodwill (annualised)	16.7%	16.3%	15.2%	14.5%	13.7%	12.4%	12.8%	12.3%
ROIC including goodwill (annualised)	13.0%	12.6%	11.8%	11.3%	10.8%	9.9%	10.3%	10.0%
Working capital	2,800	3,158	3,015	3,441	3,725	3,938	3,795	3,738
Net interest-bearing debt	1,477	2,035	1,701	2,425	3,520	4,061	3,553	3,298

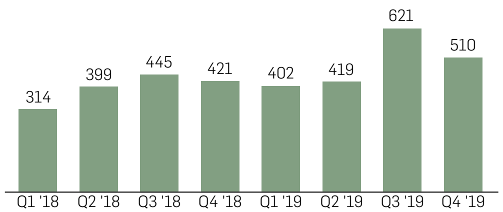
Revenue

DKK million



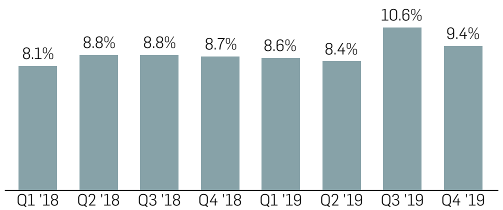
EBITDA

DKK million



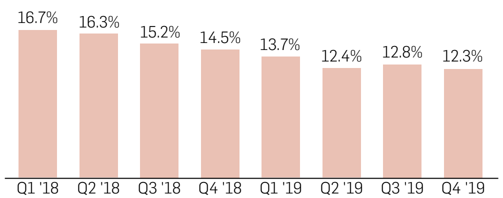
EBITDA margin

percent



ROIC excluding goodwill

percent



Chr. Filtenborgs Plads

This stately historic 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 focus for 2020

2020 will be a year of clear goals in which the effects of past investments are expected to materialise. A lower level of investments is expected relative to previous years, but as always we will remain focused on both short and long-term innovation, future-proofing and growth opportunities.

Schouw & Co.'s main focus areas at group level for 2020 will be on

Improving earnings
- Retain position and sales, streamline cost base and continually optimise margins
- Divest or develop and improve activities in which current profitability is too low

Investing for growth
- Allocate capital for continuing transformation and development of our businesses
- Make investments and acquisitions that will contribute to strengthening long-term competitive strength

Capital optimisation
- Reduce working capital by optimising work procedures and production flows
- Generate solid cash flow and increase return on invested capital

Future-proofing
- Ensure the financial and managerial resources needed to pursue attractive opportunities as they arise.
- Further develop reporting and ensure ESG value creation

The main focus of our portfolio companies in 2020 will be on

BioMar
- Sustain positive developments in Norwegian salmon market
- Expand position in Ecuador and start up production of extruded shrimp feed
- Commercial start-up of new factories in Australia and China
- Retain strong position in Mediterranean and Baltic regions
- Continue to drive innovation, including in feed for recirculation systems

Fibertex Personal Care
- Secure volume sales in spunbond business in both Europe and Asia
- Continue innovation, for both products and services
- Develop print facilities, in both Asia and North America
- Introduce additional value-added products, including post-treatment applications

Fibertex Nonwovens
- Secure return on investment in geographical and technology expansion
- Pursue growth opportunities and continue to develop products for the automotive segment
- Increase sales of nano and other advanced products for composite, medtech and filtration solutions
- Profitable growth in North America by leveraging new capacity and developing spunlace sales

GPV
- Harvest synergies and leverage platform created in acquisition of Swiss company CCS at end 2018
- Generate more sales and improve earnings in Mexico
- Continue efforts to win major outsourcing orders and customers
- Develop organisation and ensure enough management resources for continued organic and acquisitive growth

HydraSpecma
- Adapt cost base to period of reduced activity in selected segments
- Expand logistics and webshop solutions across the Nordics
- Optimise working capital through focused procurement and warehouse management
- Leverage and expand production flows across Scandinavia, Poland and China

Borg Automotive
- Regain sales momentum across European markets and improve efficiency
- Develop digital integration further by adding wholesalers and OEM manufacturers
- Develop organisation and ensure that skills and know-how remains scalable
- Explore possibilities of adding new product areas to operations

Risks

Schouw & Co.'s conglomerate structure means diversified business risk.

RISKS PARTIALLY OFFSET BY CONGLOMERATE DIVERSIFICATION

Global macroeconomics

For BioMar, Fibertex Personal Care and Borg Automotive, their business models and sales not particularly affected by the global economic developments. 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, Some countries have a greater effect than others, and difficult condition in countries of special importance, such as the corona virus outbreak in China, may have a global impact.

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.

Currency risk

The broad geographical diversification with strong production and sales overlap within 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' debt. The Group mainly raises financing with four banks (three of which are Nordic) and by issuing bonds.

Interest rate risk

The Group has moderate interest-bearing debt 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 one 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.

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

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. More than half 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 its ongoing feed optimisation creates opportunities for sustainable growth.

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 accounts for about half of Schouw & Co.'s revenue and earnings.

FEED FOR SALMON

Value creation

- BioMar has produced quality fish feed for farmed salmon since 1987.
- BioMar manufactures feed for all phases of freshwater and saltwater fish farming operations, from larvae to fish ready for slaughter.
- Much of today's feed offers various value-adding properties, such as feed with a higher energy content, feed containing special raw materials and feed used for treating diseases.

Growth

- Aquaculture in general, and salmon farming in particular, is a growth industry driven by global demand for healthy and tasty foods. Due to its high content of omega-3 fatty acids, salmon is considered to be particularly healthy.
- Volumes of wild-catch salmon are limited, and aquaculture is the only sustainable way of increasing the supply of fish and shellfish without overfishing the oceans.
- The salmon business is expected to continue to grow by 3-5% per year over the coming years.

Presence

- Salmon is farmed mainly in the North Sea region (mainly Norway and Scotland) and in Chile. Salmon farming also takes place in Australia, where BioMar has recently built a feed factory.
- BioMar has a total of seven factories in salmon markets.
- BioMar has an estimated global market share of 25-30% for salmon feed.

FEED FOR OTHER FISH SPECIES

Value creation

- Since BioMar was founded in 1962 by a group of Danish trout farmers, the company has produced fish feed for a large number of different species.
- Innovation and product development is deeply entrenched in BioMar's DNA. The company operates global test centres where new raw materials and feed concepts are trialled and feed recipes are optimised.
- Sustainability and responsibility are key concepts in aquaculture. BioMar is at the forefront of developments and sets the standards for quality and reliability for the entire value chain.

Growth

- The global population is growing, and people on all continents demand healthy and sustainable food including fish and shellfish.
- Fish and shellfish are eaten in all cultures and accepted in all regions and can be farmed locally in large volumes.
- Growth prospects vary by species and by region. Feed demand for some Mediterranean species grows by only 1-3% per year, while in some regions demand for shrimp feed is growing at about 10% annually.

Presence

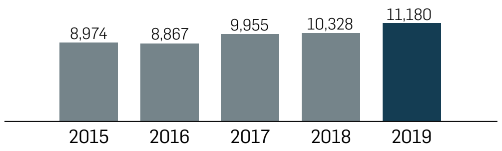
- BioMar's EMEA region spans operations in the Mediterranean and the Baltic regions and includes factories in Denmark, France, Spain, Greece and Turkey. The company produces feed for more than 40 different species, but mainly for trout, sea bass and sea bream.
- Shrimp farming takes place in many different parts of the world, including in Asia, the Middle East and South and Central America. BioMar currently has shrimp feed production in Ecuador and Costa Rica.
- BioMar is present in China through a joint venture with a local feed manufacturer.

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

BioMar

Record-breaking full-year performance with strong improvements in both revenue and earnings. New production capacity added in Chile and Denmark and more on the way in Australia, Ecuador and China. Guiding for sustained improvements in 2020.

Revenue performance



BioMar is one of the world's largest manufacturers of quality feed for the shrimp and fish farming industries. 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 operations in Turkey and China, both driven through 50/50 joint ventures with local partners, are not consolidated.

BioMar	Q4 19	Q4 18	2019	2018
Volume ('000 of tonnes)	337	331	1,250	1,210
Revenue (DKKm)	3,126	2,822	11,180	10,328
- of which salmon north	1,568	1,339	5,008	4,892
- of which salmon south	764	672	2,819	2,315
- other divisions	793	811	3,353	3,121

Financial performance

The year closed on a strong fourth quarter. Volume growth and a strong product mix drove an 11% increase in revenue to DKK 3,126 million, and earnings were solid.

Revenue growth in Q4 and for the year as a whole was attributable mainly to the Salmon division, whose innovative product offering and close collaboration with customers on developing advanced feed solutions were some of the most important factors driving the improvement. To this should be added the acquisition of the remaining shares in formerly 50%-owned Alitec Pargua in Chile in June 2019.

Full-year 2019 revenue was DKK 11,180 million, an 8% increase from DKK 10,328 million in 2018, reflecting a 3% increase in volumes sold relative to 2018, higher average raw materials prices and a stronger product offering. All three divisions contributed to the increase. Developments in foreign exchange rates had a positive overall impact of approximately DKK 140 million on revenue, mainly due to higher USD and GBP rates that were only partially offset by a lower NOK rate relative to DKK.

Reported EBITDA was up from DKK 713 million in 2018 to a higher-than-expected DKK 966 million in 2019, of which, however, IFRS 16 effects accounted for DKK 128 million. Adjusted for this ➔

JOINT VENTURES AND ASSOCIATES

BioMar manufactures fish feed in China and Turkey through 50/50 joint ventures with local partners. These activities are not consolidated, but having a presence in these markets is very important to BioMar due to their large growth potential.

The two feed businesses reported combined 2019 revenue (100% basis) of DKK 676 million and EBITDA of DKK 25 million, against revenue of DKK 781 million and EBITDA of DKK 71 million in 2018. The lower revenue was attributable mainly to intensified competition in China's Guangdong province and challenging macro-economic conditions in Turkey. Other than lower revenue, the 2019 performance was impacted by provisions for bad debts in Turkey. BioMar remains positive on the business prospects in these two important aquaculture markets in spite of the current challenges.

The non-consolidated businesses also include the Chilean fish farming company Salmones Austral and three minor businesses, LetSea, ATC Patagonia and LCL Shipping.

BioMar holds a non-strategic ownership interest of 22.9% in Salmones Austral, which is consequently recognised as an associate in the consolidated financial statements. The owners of Salmones Austral have decided to work towards a listing of the company in Santiago, Chile for purposes of raising capital for the continued development of the company. It is believed that a realistic timing of an IPO could be the second quarter of 2020. As this ownership interest is not of a strategic nature, BioMar may choose to divest shares in an IPO – obviously on the condition that the terms overall are considered to be attractive.

Salmones Austral generated revenue of DKK 1,605 million and EBITDA of DKK 418 million in 2019, while year-end NIBD was DKK 513 million. The carrying amount of BioMar's ownership interest at 31 December 2019 was DKK 365 million.

The non-consolidated companies are recognised in the 2019 consolidated financial statements at a share of profit of DKK 50 million after tax, compared to DKK 75 million in 2018.

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

BioMar

factor, the EBITDA change was a 18% improvement. Other than revenue growth, the EBITDA improvement was driven by concept development and the strong product offering. The Norwegian business continued the positive trend after the extensive structural and organisational changes implemented earlier in the year. These changes are now filtering through to results in the shape of a better price/volume balance. Overall, exchange rate developments had a positive effect on EBITDA of approximately DKK 17 million.

Working capital increased from DKK 846 million at 31 December 2018 to DKK 1,315 million at 31 December 2019, mainly due to the higher revenue and shifts in customers and geographies resulting in extended credit periods. BioMar taking full ownership of Alitec Pargua in June 2019 and inventory build-up at the new production facility in Australia were other factors driving the increase.

ROIC excluding goodwill remained high, at 18.8% at 31 December 2019, but still lower than the 22.6% reported at 31 December 2018 with the higher average capital invested in, among other things, more production capacity offsetting the stronger earnings. To this should be added the significant IFRS 16 effects, which increased average invested capital by DKK 546 million. Net of IFRS 16 effects, ROIC excluding goodwill would have been 21.7% at 31 December 2019.

Business review

For several years, BioMar has run the Chilean feed business Alitec Pargua in a 50/50 joint venture with a local business partner, but took over full ownership on 7 June 2019. Following the acquisition, BioMar now has substantially more production capacity, i.e. some 60,000 tonnes annually, at its disposal in the strategically important Chilean market. The production unit is now fully integrated with BioMar's two other production units in Chile.

In response to BioMar Ecuador's positive performance combined with the market growth anticipated for the coming years, BioMar in 2019 initiated additional capacity expansion in Ecuador in addition to the new product line of pelleted feed that began operating earlier in the year.

The expansion includes a production line for extruded feed, which will increase annual capacity by a further 40,000 tonnes. The new production line represents an investment of approximately DKK 50 million and is expected to be commissioned at the end of Q1 2020.

In China, construction of the new fish feed factory in Wuxi near Shanghai is now in its final phase. However, completion of the factory, constructed in a joint venture with Chinese partner Tongwei Co. Ltd., has been affected by the current situation involving corona virus in China. In combination with the existing factory in Guangdong province, the new factory, with annual fish feed capacity of about 50,000 tonnes and a further expansion potential, will provide a good platform for penetrating the Chinese market by providing sustainable quality feed.

Construction of the new feed factory in Tasmania, Australia, has progressed to schedule, and the plant will now commence commercial production. The project, adding annual fish feed capacity of about 110,000 tonnes, represents an investment of about DKK 300 million, of which approximately DKK 280 million had been paid by the end of 2019.

BioMar has completed a project that has lifted the output capacity at Brande, Denmark and reduced the load on the existing production facility. The new production line, representing a total investment of about DKK 100 million, is dedicated to specialised larval and fry diets and RAS feed (Recirculating Aquaculture Systems).

Regulatory investigation in Chile

In December 2019, the Chilean competition authority indicted four Chilean fish feed producers, including BioMar Chile, on charges of concerted practice. The charges are based on isolated circumstances related to the Chilean fish feed industry during the 2003-2015 period.

The case, which is expected to be rather long-running, is still in the early stages, but BioMar Chile does not acknowledge the charges and the company intends to rebut the charges that it has participated in concerted practices so as to restrict competition in the industry. For more information, see note 28 to the consolidated financial statements on contingent liabilities.

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. BioMar expects to grow volume sales in 2020 relative to 2019, and all three divisions are expected to contribute to the improvement. BioMar will defend its market share and consolidate its position by developing and implementing new products and maintaining its strong focus on optimising margins, enhancing efficiency and on customer communication.

Against this background, BioMar expects to generate full-year 2020 revenue of about DKK 12 billion, but as always changes in raw materials prices and foreign exchange rates may impact revenue. Earnings may also be affected by currency movements, but based on the current outlook, BioMar expects to generate EBITDA in the range of DKK 1,000-1,060 million in 2020.

Associates and joint ventures, which are recognised at the share of profit after tax, are expected to contribute profit of approximately DKK 60 million in 2020.

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. The active ownership is always exercised through and alongside company management teams. Pictured from left to right: Erik Weimar Rasmussen, CFO, Jens Bjerg Sørensen, CEO, Peter Kjær (Vice President) and Kasper Okkels (Vice President Strategy, Business Development & IR).

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

Nonwovens

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. Typically, 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 operations are based at sites in Germany, Malaysia and 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

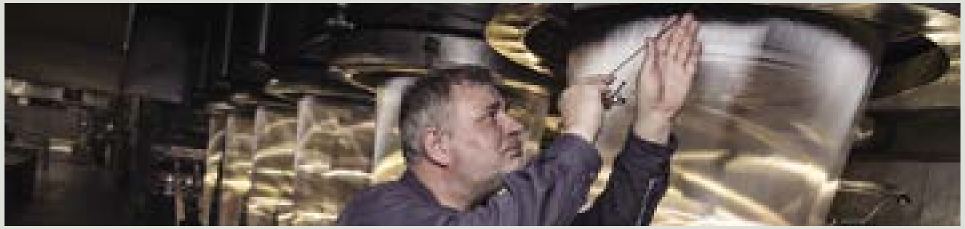
- Fibertex Nonwovens manufactures nonwoven textiles. Applications include cars and furniture, for wet wipes, as weed covers, as well as for acoustic purposes, as composite products, filtration solutions and in infrastructure projects.
- The products are used as a textile either in place of another, more 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 increased 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.

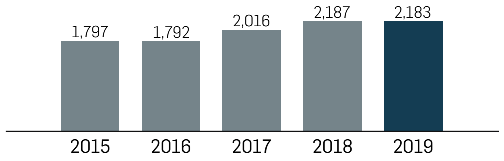


See financial highlights and key ratios on pp. 32 and 33

Fibertex Personal Care

Revenue unchanged in 2019, but strong earnings improvement after favourable developments in prices of raw materials and foreign exchange rates. Strong positive cash flows from operations. Focus is on using the existing production facilities in 2020.

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.

Operations include direct printing on nonwoven textiles for the personal care industry. The company is a market leader in this field. Printing operations are based in Germany, Malaysia and the USA.

Financial performance

Fibertex Personal Care generated revenue of DKK 546 million in Q4 2019, compared with DKK 608 million in Q4 2018. The revenue decline was driven by a number of opposing factors with volume sales increasing in Denmark but declining in Malaysia.

Volumes sold in 2019 as a whole were in line with the level for full-year 2018, and overall revenue came to DKK 2,183 million against DKK 2,187 million in 2018.

Fibertex Personal Care	Q4 19	Q4 18	2019	2018
Revenue (DKKm)	546	608	2,183	2,187
- nonwovens from Denmark	192	178	743	695
- nonwovens from Malaysia	271	306	1,058	1,116
- printing activities	83	124	382	376

Reported EBITDA improved strongly from DKK 315 million in 2018 to DKK 352 million in 2019. In spite of weaker demand for products supplied by the factories in Malaysia and tougher competition in Europe, the more competitive market conditions were more than offset by a DKK 50 million windfall from favourable developments in raw materials prices, foreign exchange rates, etc.

Fibertex Personal Care reduced its working capital from DKK 447 million at 31 December 2018 to DKK 332 million at 31 December 2019. The reduction was primarily due to lower capital tied up in receivables. Based on higher LTM earnings and the lower amount tied up in invested capital, ROIC excluding goodwill increased to 13.0% at 31 December 2019 from 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 sees the changing demand patterns as an invitation to focus even more on innovation and specialty product patents and is increasingly working towards launching products featuring new functions and visual effects as well as softer and textile-like materials.

Fibertex Personal Care 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 customised to meet new demands.

In addition to its physical products, the company has developed new services, including an improved selection of ready Innowo Print designs for the many customers that do not have an in-house design department. The new US print factory unit enables the company to serve customers on a global scale, and it is now ready to expand its customer portfolio in new markets.

Outlook

Competition in the European market remains tough, especially for standard products, but thanks to investments in new technology, upgrades of existing product lines and unwavering focus on creating value for its customers, the company has retained its position as a preferred supplier.

The company's customers represent global consumer brand names, which are under pressure in Asian markets and their regularly changing market conditions. This applies especially to the Chinese market, which has seen a strong influx of new local brand name suppliers. Fibertex Personal Care expects moderate demand from several major customers in Asia during the coming period. Nevertheless, the company is strongly positioned in the Asian market, not least due to its low production costs, close customer relationships and recognised strengths in terms of quality, service and innovation.

Massive investment in nonwoven capacity to meet the needs of the personal care 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.

Based on the current competitive climate and raw materials prospects, Fibertex Personal Care expects to generate full-year 2020 revenue of about DKK 2.1 billion, but as always changes in raw materials prices and foreign exchange rates may impact revenue.

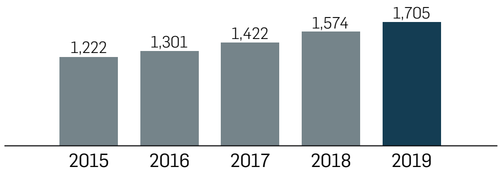
Profit for the year may also be impacted by developments in raw materials prices and foreign exchange rates, but as opposed to 2019, a positive contribution from these factors is not expected in 2020. Factoring in also the more competitive market conditions and lower revenue, EBITDA for 2020 is expected to be in the DKK 280-310 million range.

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

Fibertex Nonwovens

Acquisitions and improvements in North America send revenue higher, but write-downs in India and South Africa impacting financial results. Relocating output capacity from South Africa to North America. Guiding for earnings improvements in 2020.

Revenue performance



Fibertex Nonwovens is among Europe's leading manufacturers of nonwovens, i.e. non-woven textiles used for a large number of 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 Nonwovens felt the effect of the general economic decline in Europe during the final months of the year, and the reported revenue of DKK 373 million for the fourth quarter of 2019 was in line with the figure for the fourth quarter of 2018.

Full-year revenue still improved by 8% to DKK 1,705 million, up from DKK 1,574 million in 2018. The revenue improvement was due primarily to the acquisition of the US spunlace business in January 2019, which contributed DKK 140 million, and generally to growth in North America, whereas tough competition and subdued demand weighed on performance in the European markets.

Expectations after the third quarter were for full-year results in line with 2018, in part due to higher prices of raw materials during the first part and lower sales during the last part of the year, and because the acquired US business was not expected to be a significant contributor to earnings in 2019. In an end-of-year review conducted as part of the forward-looking strategy, however, the company reassessed its activities in India and South Africa, where recent years' strain on earnings increased further in 2019. The assessment led to a decision to write down the operations, which impacted EBITDA by DKK 13 million. This brought reported EBITDA to DKK 141 million in 2019, compared with DKK 160 million in 2018.

Even with the increase in business activity, working capital fell from DKK 524 million at 31 December 2018 to DKK 510 million at 31 December 2019. ROIC excluding goodwill fell from 5.6% at 31 December 2018 to 3.1% at 31 December 2019. The low return was a result of the significant investments made combined with the current low earnings, and Fibertex Nonwovens expects to increase ROIC by a considerable margin over the coming years.

Business review

Fibertex Nonwovens completed a strategic review of the business in the first half of 2019 with the assistance of a team of external consultants for the purpose of exploring opportunities for increasing earnings and improving the return on invested capital. The strategic review confirmed the company's market position, and identified a number of focal areas for development, which have already been initiated.

The North American operations have continued the positive developments, and building a presence in the USA is considered an important long-term investment in an attractive growth market. As part of its expansion strategy for North America, Fibertex Nonwovens took over a spunlace company in South Carolina with state-of-the-art production facilities. The acquisition complements Fibertex Nonwovens' existing site in Illinois. To further build capacity in North America, Fibertex Nonwovens has upgraded a needlepunch production line and is relocating it from South Africa to North America.

In recent years, Fibertex Nonwovens has consolidated its position as a leading manufacturer of industrial nonwovens, and in 2019 the company has strengthened its business base by making a number of important strategic and structural initiatives. In addition to acquiring the US spunlace operations and expanding capacity by relocating the needlepunch production line from South Africa, these initiatives have included starting up nanotechnology applications, restructuring production in the Czech Republic and Turkey, and optimising production across its European sites. In terms of development and innovation, the company has built a solid portfolio of new projects, including new products for the automotive and composite industries and for filtration and acoustic purposes, while steadily expanding capacity and upgrading production lines in order to increase the proportion of value-added products.

Outlook

Fibertex Nonwovens expects market conditions in North America to remain favourable. On the other hand, the slumping activity in the European market will likely continue due to the general economic downturn, for example due to the slowing activity being seen in the automotive industry. The company has stepped up market activities and aligned production capacity to mitigate that effect.

Prices of the most frequently used types of raw materials, which rose sharply in 2017 and 2018, fell in 2019, so going forward the company expects to see a better balance between the prices of raw materials and selling prices going forward. In addition, the substantial costs recognised in the operations in India and South Africa in 2019 will not weigh on overall earnings in 2020.

In addition, Fibertex Nonwovens expects the effects of the initiatives identified by the strategic review to have an effect in the slightly longer term. With the substantial changes being made, including the ongoing capacity adjustment in South Africa and expansion in North America, Fibertex Nonwovens expects to lift its profitability by a substantial margin over the coming years.

Against this background, Fibertex Nonwovens expects to generate full-year 2020 revenue of DKK 1,750 million and EBITDA in the range of DKK 165-185 million.

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, processing as well as advisory services to customers along with technical know-how and strategic cooperation. The companies offer logistics solutions and integration services to their customers.

GPV

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

Value creation

- GPV creates value by offering customised solutions in electronics, mechanics, cable harnessing 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 Industrial IoT.
- The EMS industry is forecast to grow by about 5-7% annually.

Presence

- Serving European and American customers operating in international markets.
- Due to acquisitive expansion, GPV today has business units in Denmark, Switzerland, Germany, Austria, Slovakia, Thailand, Sri Lanka, China and Mexico.

HydraSpecma

HydraSpecma is among the largest specialist hydraulics players in the Nordic region. HydraSpecma has been under Schouw & Co. ownership since 1988.

Value creation

- HydraSpecma possesses engineering expertise, product know-how, market understanding and business acumen within all areas of hydraulics.
- The company provides technical advisory services, fast delivery and the most comprehensive product range in the market.

Growth

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

Presence

- Strong Nordic presence with business units in Denmark, Sweden, Norway 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 nearly all car makes.

Growth

- There are more and more cars on the roads, and today's cars have higher mileage than cars had previously. At the same time, there is global attention on reusing materials.
- The European remanufacturing industry is forecast to grow by about 3% annually.

Presence

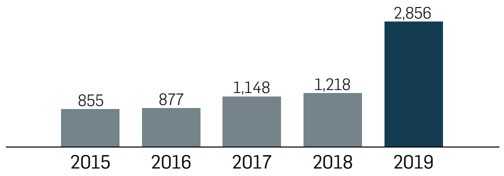
- European-based production in Poland and the UK. Sales and development activities run out of Denmark and Belgium.
- Customers are European distributors of auto parts and OE manufacturers.

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

GPV

Improved revenue and earnings after acquisition of Swiss-based EMS company CCS. The integration of CCS has been successfully completed, and GPV is poised to continue to grow. Guiding for earnings improvements in 2020.

Revenue performance



GPV is a leading European EMS (Electronics Manufacturing Services) company. The company is a high-mix/low-medium volume manufacturer for the B2B market. Core products are electronics, mechanics, cable harnessing, mechatronics (combination of electronics, mechanics and software) and associated services. 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 2019 served customers in more than 50 countries.

At the end of 2018, GPV acquired Swiss-based EMS company CCS, which was consolidated from the date of acquisition. Following the acquisition, the new GPV operates production facilities in Denmark, Switzerland, Germany, Austria, Slovakia, Thailand, Sri Lanka, China and Mexico.

Financial performance

GPV's financial performance in 2019 strongly reflected the acquisition of CCS, which company generated a good deal more revenue in 2018 than the former GPV but was not consolidated in the 2018 income statement.

GPV increased revenue from DKK 1,218 million in 2018 to DKK 2,856 million in 2019. The increase was predominantly attributable to the acquisition of CCS, which contributed DKK 1,571 million in 2019. A few large customers experienced less business activity during the year than GPV had expected, and that weighed on the revenue performance.

Reported EBITDA increased from DKK 115 million in 2018 to DKK 196 million in 2019. EBITDA for the former GPV amounted to DKK 89 million in 2019, DKK 10 million of which was due to the implementation of IFRS 16, whereas the earnings performance was adversely affected by about DKK 17 million due to a substantial change in Thai baht exchange rates against the main selling currencies, and the costs of building operations in Mexico continue to weigh on EBITDA. The rest of EBITDA – amounting to DKK 106 million – derived from the acquisition of CCS including IFRS 16 effects and integration costs.

Working capital fell from DKK 809 million at 31 December 2018 when the CCS acquisition was recognised, to DKK 766 million at 31 December 2019. The drop in working capital was driven in particular by targeted inventory-reducing efforts, whereas the changes in Thai bath and Swiss franc exchange rates augmented the working capital.

ROIC excluding goodwill was 11.8% at 31 December 2018 not including the CCS acquisition. The subsequent ROIC performance was strongly affected by the acquisition of CCS and generally by the reduced earnings, higher invested capital in the former GPV and the implementation of IFRS 16. At the end of 2019, ROIC excluding goodwill stood at 6.0% (and 6.4% excluding IFRS 16 effects).

Business review

The acquisition of Swiss company CCS has complemented GPV's existing market coverage, particularly in the German-speaking parts of Europe. It has also expanded the company's service offering to include product and software development as well as cable harnessing. The acquisition has created a leading European EMS business headquartered in Denmark and operating production facilities in Asia, Europe and the Americas. Integration of the acquired and the existing business began on 7 January 2019 when all units were renamed globally to reflect the GPV brand and customer-facing activities became a top priority. The initial phase of integration in 2019 was a success from both an organisational and a strategic perspective, and the company's stronger market position has already drawn interest from both new and existing customers. In other words, the company stands well prepared to grow the combined operation over the next 12 months.

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 efficiency. Among other things, this will involve expanding the factory space at the facility in Thailand, which will facilitate an increase of business capacity by about 50%. The first phase of the expansion was completed and began operations at the end of 2019. The rest of the project will be implemented successively, with completion expected within the next couple of years.

Outlook

GPV believes that geopolitical uncertainty will continue to dominate the market in 2020, as especially the ongoing US-China trade war may impact on global trade. In addition, the outbreak of the corona virus in China has jeopardised the reliability of supply for the short term and could also impact general developments in the EMS industry in the longer term.

The situation has softened expectations for general market developments in 2020, and GPV customers with exposure to particular segments may suffer major declines in business activity. However, GPV has a strong pipeline with an ongoing inflow of new contracts and new customers that are expected to contribute considerably to revenue.

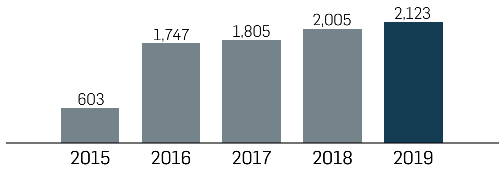
As a result, GPV expects to generate revenue of approximately DKK 2.8 billion and EBITDA in the range of DKK 210-240 million in 2020.

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

HydraSpecma

Strong business activity driven by sales of products for wind turbines and other stationary equipment, but weakened demand for products for the vehicles segment. Moderate guidance for 2020 revenue and EBITDA.

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 generated revenue of DKK 509 million in the fourth quarter of 2019, compared with DKK 502 million in the year-earlier period. This meant that full-year revenue was up by 6% from DKK 2,005 million in 2018 to DKK 2,123 million in 2019. Sales to customers in the wind turbine and vehicles segments contributed to the improvements throughout the year. Sales to customers in the vehicles segment also contributed positively until the fourth quarter, when the level of activity slowed down considerably due to weakening demand, particularly from major global customers.

Reported EBITDA rose from DKK 175 million in 2018 to DKK 215 million in 2019, of which IFRS 16 effects accounted for DKK 30 million and gains from the sale of property accounted for DKK 6 million. The EBITDA increase was also attributable to revenue growth and efficiency improvements, despite the adverse effect of the slowdown in sales to customers in the vehicles segment in Q4.

Working capital fell from DKK 678 million at 31 December 2018 to DKK 665 million at 31 December 2019. While the reduction was in part a result of targeted efforts to reduce working capital, the slowdown of activity in the vehicles segment also contributed. Working capital was still affected by the increased value of goods in transit to overseas markets resulting from strong business activity in these markets.

ROIC excluding goodwill fell from 14.3% at 31 December 2018 to 13.5% at 31 December 2019 (excluding IFRS 16 effects: 15.0%).

Business review

As a step in the efforts to optimise the logistics and production network in Europe, HydraSpecma commissioned a new 7,300 m² factory in Poland in the first quarter of 2019. The new factory has freed up capacity and enabled the company to optimise production at its other units which have been operating under undue strain. In Finland, HydraSpecma combined two separate units at a new joint 3,000 m² warehouse and logistics facility in the second quarter. In December 2019, the acquisition of a small hydraulics company meant that this facility's operations were expanded and local expertise in hydraulics systems for industry was strengthened.

HydraSpecma will continue to invest in optimising the logistics and production network and has decided to build new production and administrative facilities outside Gothenburg in order to optimise current production and exploit the potential for future growth. The new facilities are expected to be operational in 2021. In addition, a new 1,100 m² warehouse is being constructed in Skjern, Denmark to accommodate the strong business activity, particularly in wind turbines and stationary equipment.

In China, HydraSpecma has ramped up production of large integrated hydraulics units in order to accommodate growing demand in Asia and to optimise its supply chain.

In 2019, HydraSpecma invested in training, IT, automation and capacity expansion in order to enhance processes and cut costs in production as well as administration. In collaboration with customers, HydraSpecma continually develops new products and solutions to meet new or changing demands, to optimise products or processes or for cost-out projects. The company also develops hybrid solutions comprising both hydraulic and electrical components and on a regular basis allocates resources for testing and development of products and system in close collaboration with customers.

Outlook

HydraSpecma expects a slightly lower level of activity in 2020. The main reason is weakened demand for products for the vehicles segment, which is not fully offset by increased activity in other areas. HydraSpecma has initiated the necessary adjustments, taking into account a continued shift in the geographical distribution of the business, as activities in Asia are expected to expand, especially in the wind turbine segment.

The global hydraulics market remains very competitive in both the wind turbine segment and in the rest of the industrial OEM market. In a situation of weaker demand in certain segments and continued high prices of a number of components and raw materials, this places heavy demands on the company's ability to optimise its production capacity and processes. In the short term, this will require new investment and imply costs, but it is also an important prerequisite for HydraSpecma to retain its competitive strength.

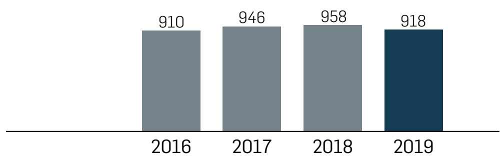
HydraSpecma expects to generate revenue of around DKK 2.0 billion and EBITDA in the range of DKK 200–220 million in 2020.

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

Borg Automotive

Stabilised, but subdued demand. Strengthened product offering to boost sales. Sustained improvements guided for 2020.

Revenue performance



Europe's largest independent 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 and the company's two proprietary brands, Elstock and DRI. 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 subsidiary in Belgium.

Financial performance

Borg Automotive reported revenue of DKK 198 million in the fourth quarter of 2019, compared with DKK 217 million in the fourth quarter of 2018. The revenue decline reflected the generally subdued demand in the European market, which began to take hold towards the end of 2018. Full-year revenue amounted to DKK 918 million, compared with DKK 958 million in 2018.

Reported EBITDA was down from DKK 131 million in 2018 to DKK 110 million in 2019. Of this, IFRS 16 effects contributed DKK 11 million, while non-recurring costs relating to the restructuring of CPI in Belgium reduced EBITDA.

Working capital increased from DKK 141 million at 31 December 2018 to DKK 156 million at 31 December 2019. The increase in working capital was mainly due to growing component inventories. ROIC excluding goodwill fell from 20.7% at 31 December 2018 to 14.9% at 31 December 2019 (excluding IFRS 16 effects: 15.6%).

Business review

Demand was generally subdued in 2019. The reason for the weaker demand is not a change in Borg Automotive's customer base, but rather reduced end user activity. Several customers in the large markets have experienced softening business interaction with end users compared to previous periods, although the market now seems to be stabilising.

Developing the product programme, optimising production and ensuring complementary operations at the production units in Poland and the UK is an ongoing priority at Borg Automotive, which holds a strong market position.

The company is investing more in product development in order to be able to manage greater product complexity and electrification and to accommodate customer demands in both the short and the long term. The product offering will be strengthened in the short term, including with a wider offering of electric steering rack systems. Longer term projects includes solving mechatronic challenges of the future.

The continued positive expectations for long-term sales developments has created a need to ensure access to scalable production capacity that will enable Borg Automotive to manage future growth with a wider product range and a broader geographical footprint. To this end, Borg Automotive in 2019 established a remanufacturing company in Lublin, Poland, initially to house production of brake calipers.

Outlook

Customer consolidation is an ongoing factor in the market Borg Automotive serves. Obviously, the consolidated companies gain higher procurement volumes, leading to changes in their trading patterns. On the positive side, consolidation also facilitates higher sales volumes. Borg Automotive has a broad product portfolio and a strong pipeline that will support positive sales developments to the independent aftermarket and the OE segment.

Demand expectations for 2020 remain subdued, although at the end of the fourth quarter of 2019 there were indications of a minor improvement in the OE segment. In 2020, the market is expected to be more competitive and costs are expected to rise, mainly due to higher payroll costs in Poland as a result of political wage adjustment.

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. Consequently, Britain's negotiation of trade agreements with the EU after Brexit may have an impact on the company's future UK activities. The outlook for 2020 does not include any major revenue and EBITDA impact in this respect, however.

Borg Automotive expects full-year revenue of around DKK 975 million in 2020, for an 6% increase relative to 2019. The full-year EBITDA is expected to be in the DKK 110-120 million range.

Portfolio company financial highlights – full year

2019 figures affected by IFRS 16. Comparative figures have not been restated.

	BioMar		Fibertex Personal Care		Fibertex Nonwovens		GPV		HydraSpecma		Borg		Group	
FY	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
INCOME STATEMENT														
Revenue	11,180	10,328	2,183	2,187	1,705	1,574	2,856	1,218	2,123	2,005	918	958	20,946	18,253
Gross profit	1,477	1,275	407	380	309	314	444	262	532	505	201	240	3,370	2,975
EBITDA	966	713	352	315	141	160	196	115	215	175	110	131	1,951	1,579
Depreciation and impairment losses	311	184	137	122	107	95	118	37	79	58	48	35	802	532
EBIT	655	529	215	194	33	65	78	78	136	117	62	96	1,149	1,047
Profit after tax in assc's and joint ventures, etc.	79	75	0	0	0	0	0	0	1	0	0	0	79	79
Net financial items	-62	-35	-12	-18	-28	-40	-13	-4	-23	-16	-1	-7	-79	-40
Profit before tax	672	569	203	176	6	25	65	74	114	102	62	89	1,149	1,086
Tax on profit/loss for the year	-134	-163	-43	-44	0	-10	-16	-9	-25	-29	-18	-22	-243	-290
Profit before non-controlling interests	537	407	160	131	5	16	50	65	89	73	43	67	906	796
Non-controlling interests	0	0	0	0	5	6	0	0	-1	-1	0	0	5	5
Profit for the year	537	407	160	131	11	22	50	65	88	72	43	67	911	801
CASH FLOWS														
Cash flows from operating activities	328	366	426	184	112	60	235	40	177	10	85	149	1,410	837
Cash flows from investing activities	-543	-217	-55	-153	-256	-179	-88	-741	-77	-85	-27	-41	-1,043	-1,360
Cash flows from financing activities	198	-108	-371	-81	142	108	-143	832	-101	81	-60	-114	-421	623
BALANCE SHEET														
Intangible assets	1,311	1,294	78	82	152	160	422	429	255	260	323	345	3,568	3,594
Property, plant and equipment	1,750	1,300	1,368	1,412	976	824	478	425	256	234	97	91	4,956	4,317
Other non-current assets	1,194	568	51	56	36	2	183	54	124	6	88	56	1,699	763
Cash and cash equivalents	270	284	31	31	23	25	168	158	28	29	3	5	538	585
Other current assets	4,246	3,695	579	742	766	757	1,157	1,230	1,028	1,012	594	553	8,016	7,681
Total assets	8,771	7,141	2,107	2,323	1,953	1,768	2,406	2,296	1,691	1,541	1,105	1,050	18,777	16,940
Shareholders' equity	2,852	2,581	1,104	992	650	541	857	743	530	470	579	598	9,521	8,659
Interest-bearing liabilities	2,565	1,415	574	853	1,042	960	1,009	970	771	708	91	25	3,885	3,058
Other liabilities	3,355	3,146	430	478	261	267	540	582	390	363	435	427	5,371	5,223
Total equity and liabilities	8,771	7,141	2,107	2,323	1,953	1,768	2,406	2,296	1,691	1,541	1,105	1,050	18,777	16,940
Average no. of employees	1,239	1,177	746	713	1,019	1,000	3,829	1,453	1,221	1,219	1,615	1,599	9,683	7,174
FINANCIAL KEY FIGURES														
EBITDA margin	8.6%	6.9%	16.1%	14.4%	8.2%	10.2%	6.9%	9.4%	10.1%	8.7%	12.0%	13.6%	9.3%	8.7%
EBIT margin	5.9%	5.1%	9.8%	8.9%	1.9%	4.2%	2.7%	6.4%	6.4%	5.9%	6.8%	10.0%	5.5%	5.7%
ROIC excluding goodwill	18.8%	22.6%	13.0%	11.4%	3.1%	5.6%	6.0%	11.8%	13.5%	14.3%	14.9%	20.7%	12.3%	14.5%
ROIC including goodwill	13.7%	14.8%	12.3%	10.8%	2.9%	5.2%	5.5%	11.6%	12.0%	12.5%	8.2%	11.1%	10.0%	11.3%
Working capital	1,315	846	332	447	510	524	766	809	665	678	156	141	3,738	3,441
Net interest-bearing debt	2,077	880	542	822	980	926	819	812	718	652	2	-42	3,298	2,425

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

Portfolio company financial highlights – Q4

2019 figures affected by IFRS 16. Comparative figures have not been restated.

	BioMar		Fibertex Personal Care		Fibertex Nonwovens		GPV		HydraSpecma		Borg		Group	
Q4	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
INCOME STATEMENT														
Revenue	3,126	2,822	546	608	373	373	682	316	509	502	198	217	5,428	4,834
Gross profit	427	365	102	108	54	60	120	69	124	127	30	29	857	757
EBITDA	299	213	88	88	16	23	53	29	37	44	24	30	510	421
Depreciation and impairment losses	76	46	35	31	33	21	29	10	21	15	12	8	207	132
EBIT	223	167	52	57	-17	2	24	18	17	30	12	21	303	289
Profit after tax in assc's and joint ventures, etc.	16	33	0	0	0	0	0	0	1	0	0	0	17	42
Net financial items	-17	-7	-7	-4	-6	-4	8	-2	-10	-1	3	-1	-14	24
Profit before tax	222	193	45	53	-23	-2	32	16	7	29	15	20	306	355
Tax on profit for the period	-33	-58	-7	-15	6	0	-9	-4	-3	-12	-10	-8	-57	-108
Profit before non-controlling interests	189	136	39	38	-18	-2	23	12	4	17	6	12	249	247
Non-controlling interests	0	0	0	0	3	1	0	0	0	0	0	0	3	1
Profit for the year	189	136	39	38	-15	-1	24	12	4	16	6	12	252	248
CASH FLOWS														
Cash flows from operating activities	135	176	76	40	50	37	85	39	62	26	59	8	458	308
Cash flows from investing activities	-125	-75	-8	-39	-54	-33	1	-643	-36	-32	-11	-28	-233	-794
Cash flows from financing activities	-66	-88	-60	-25	-3	-6	-94	739	-32	0	-51	11	-298	602
BALANCE SHEET														
Intangible assets	1,311	1,294	78	82	152	160	422	429	255	260	323	345	3,568	3,594
Property, plant and equipment	1,750	1,300	1,368	1,412	976	824	478	425	256	234	97	91	4,956	4,317
Other non-current assets	1,194	568	51	57	36	2	183	54	124	6	88	56	1,699	763
Cash and cash equivalents	270	284	31	31	23	25	168	158	28	29	3	5	538	585
Other current assets	4,246	3,695	579	742	766	757	1,157	1,230	1,028	1,012	594	553	8,016	7,681
Total assets	8,771	7,141	2,107	2,323	1,953	1,768	2,406	2,296	1,691	1,541	1,105	1,050	18,777	16,940
Shareholders' equity	2,852	2,581	1,104	992	650	541	857	743	530	470	579	598	9,521	8,659
Interest-bearing liabilities	2,565	1,415	574	853	1,042	960	1,009	970	771	708	91	25	3,885	3,058
Other liabilities	3,355	3,146	430	478	261	267	540	582	390	363	435	427	5,371	5,223
Total equity and liabilities	8,771	7,141	2,107	2,323	1,953	1,768	2,406	2,296	1,691	1,541	1,105	1,050	18,777	16,940
Average no. of employees	1,280	1,188	757	735	1,024	1,008	3,729	1,495	1,220	1,233	1,551	1,643	9,576	7,314
FINANCIAL KEY FIGURES														
EBITDA margin	9.6%	7.5%	16.1%	14.5%	4.3%	6.2%	7.8%	9.0%	7.3%	8.8%	12.3%	13.6%	9.4%	8.7%
EBIT margin	7.1%	5.9%	9.6%	9.3%	-4.6%	0.5%	3.5%	5.8%	3.3%	5.9%	6.1%	9.8%	5.6%	6.0%
ROIC excluding goodwill	18.8%	22.6%	13.0%	11.4%	3.1%	5.6%	6.0%	11.8%	13.5%	14.3%	14.9%	20.7%	12.3%	14.5%
ROIC including goodwill	13.7%	14.8%	12.3%	10.8%	2.9%	5.2%	5.5%	11.6%	12.0%	12.5%	8.2%	11.1%	10.0%	11.3%
Working capital	1,315	846	332	447	510	524	766	809	665	678	156	141	3,738	3,441
Net interest-bearing debt	2,077	880	542	822	980	926	819	812	718	652	2	-42	3,298	2,425

*** 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. 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. Member of the company's audit committee and chairman of the company's nomination and remuneration committee.

Directorships

Chairman: Aida A/S, Carlsen Byggeselskab 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, HydraSpecma A/S, Jacobsens Bakery Ltd A/S, Købmand Th. C. Carlsens Mindefond, Otto Mønsteds Kollegium, 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 2018: 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. Mr Wisborg has special expertise in management and sales as well as in strategy, business development, financial reporting, treasury and finance. Chairman of the company's audit committee and member of the company's nomination and remuneration committee.

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.

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

Shares held in Schouw & Co.

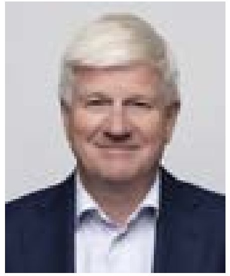
Holds 15,000 shares in Schouw & Co. (End 2018: 15,000 shares)

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 2023.

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 2018: 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 Index, Investeringsforeningen Danske Invest Select, Investeringsforeningen Profil Invest, Kapitalforeningen Danske Invest Institutional.

Board member: Danske Invest Management A/S, Københavns Universitet.

Member of the Committee on Corporate Governance.

Shares held in Schouw & Co.
Holds 3,237 shares in Schouw & Co.
(End 2018: 3,237 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. Current 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 Ireland Ltd., Vestas Manufacturing Rus OOO, Vestas Northern Europe AB, Vestas Norway AS, Vestas Poland sp. z o.o., Vestas RUS OOO, Vestas Southern Africa (Pty) Ltd., Vestas Switzerland AG.

Executive Management: Availon Holding GmbH, Availon GmbH, 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 Hungary Kft., Vestas Nacelles Deutschland GmbH, Vestas Services GmbH, Vestas Slovakia spol. S.r.o., Vestas Österreich GmbH.

Shares held in Schouw & Co.
Holds 600 shares in Schouw & Co. (End 2018: 600 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, Grocon Holding ApS, MTK GmbH.

Board member: Carletti A/S, Carletti Fastigheter AB, Coldstar 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, 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: Ejendomsselskabet Kristian Skous Vej 6 ApS, Givesco Bakery A/S, Givesco Ejendomme A/S, Grain Active A/S, Grocon Holding ApS, JFKA Invest ApS, Porto ApS,

Shares held in Schouw & Co.
Holds 381,990 shares in Schouw & Co. (End 2018: 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, F. Salling Holding A/S, F. Salling Invest A/S, GPV International A/S, HydraSpecma A/S, Købmand Herman Sallings Fond.

Deputy Chairman: Fibertex Nonwovens A/S, Fibertex Personal Care 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, Købmand Ferdinand Sallings Mindefond, Per Aarsleff A/S, Per Aarsleff Holding A/S.

Executive Management: Jens Bjerg Sørensen Datterholding 1 ApS, Jens Bjerg Sørensen Holding ApS.

Shares held in Schouw & Co.

Holds 56,000 shares in Schouw & Co. (End 2018: 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, HydraSpecma AB, HydraSpecma A/S, Insepa A/S.

Executive Management: Alba Ejendomme A/S.

Shares held in Schouw & Co.

Holds 26,500 shares in Schouw & Co. (End 2018: 30,000 shares)

MANAGEMENT BODIES

The Board of Directors of Schouw & Co. consists of not less than four and not more than seven shareholder-elected members who elect a chairman and a deputy chairman from among their number. Board member are elected for a term of four years. The Board of Directors of Schouw & Co. also serves as the board of directors of Direktør Svend Hornsylds Legat.

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 Board of Directors has set up audit committee and a nomination and remuneration committee.

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 2019. The Board held six board meeting and one board seminar during the year

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

Additional reporting on the composition of the management bodies and their committees as well as committer functions is provided (in Danish) in the statutory report on corporate governance prepared in accordance with section 107b of the Danish Financial Statements Act, which is available from the company's website at www.schouw.dk/cg2019.

These pages list directorships in other companies and other relevant management positions held. Shareholdings include each board member's or executive's shares in Schouw & Co. and those held by their related parties.

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 structures 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 2019, 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.

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.

Recommendation to increase dividend for the 2019 financial year to DKK

14

per share

Treasury shares

Schouw & Co. used 262,717 treasury shares in 2019 in connection with options exercised under the Group's share incentive scheme.

At the end of 2019, the company held 1,544,280 treasury shares, equal to 6.06% of the share capital.

The market value of the holding of treasury shares was DKK 865 million at 31 December 2019. The portfolio of treasury shares is recognised at DKK 0.

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 2019, a total of 326,000 share options to 28 people.

The share options vest over a period of three years and are exercisable during a 12-month period following the publication of Schouw & Co.'s annual report for the 2021 financial year at a strike price of DKK 510.30 plus a 3% premium per annum from the date of grant until the date of exercise.

The overall guidelines for incentive programmes can be found in the company's remuneration policy as approved by the company's shareholders in general meeting and which are available from the company's website, www.schouw.dk.

Financial calendar for 2020

15/04/2020 Annual general meeting
20/04/2020 Expected distribution of dividend for the 2019 financial year
07/05/2020 Release of Q1 2020 interim report
14/08/2020 Release of Q2 2020 interim report
05/11/2020 Release of Q3 2020 interim report

Company announcements

Schouw & Co. has released the following company announcements in 2019: The announcements are available at the company's website, www.schouw.dk.

08/03/2019	#1	Annual report 2018
08/03/2019	#2	Correction to company announcement No. 01/2019
14/03/2019	#3	Notice of the Annual General Meeting of Schouw & Co.
15/03/2019	#4	Continuation of incentive programme
11/04/2019	#5	Annual general meeting of Schouw & Co.
09/05/2019	#6	Interim report – First quarter of 2019
04/07/2019	#7	Notification of transactions with shares in Schouw & Co.
15/08/2019	#8	Interim report – Second quarter of 2019
07/11/2019	#9	Interim report – Third quarter of 2019
14/11/2019	#10	Notification of transactions with shares in Schouw & Co.
27/11/2019	#11	Notification of transactions with shares in Schouw & Co.
20/12/2019	#12	Schouw & Co.'s financial calendar 2020
20/12/2019	#13	FNE indicts Chilean fish feed industry

www.schouw.dk

The company's website 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 560.00 (official year-end price), compared with DKK 485.60 per share at 31 December 2018, corresponding to an increase of 15%.

Accordingly, the total market capitalisation of the company's listed share capital amounted to DKK 14,280 million at the close of the financial year, against DKK 12,383 million at the close of 2018. Adjusted for the holding of treasury shares, the company's market capitalisation was DKK 13,415 million at 31 December 2019.

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.

Shareholder structure

Schouw & Co. has approximately registered shareholders

10,800

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.
6.06%

Members of the Board of Directors and the Executive Management of Schouw & Co. and their connected persons held a total of 442,827 and 82,500 shares, respectively, in the company at 31 December 2019.

Register of shareholders

The Company's registrar is Computershare A/S, Lottenborgvej 26D, 1st floor, DK-2800 Kgs. Lyngby.

Corporate social responsibility and corporate governance

New format for ESG reporting. Statutory reports as required under sections 99a, 99b, 107b and 107d of the Danish Financial Statements Act are available from the company's website. Go to www.schouw.dk/en/cg2019.

Corporate social responsibility

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.

At Schouw & Co., we have an ambition to be among the best in terms of creating value in a proper and trustworthy manner. In 2017, we set up a 'strategy house' to provide a framework for the Group's long-term CR efforts going forward to 2020.

Individually, the Group's businesses launched a number of initiatives in 2019 in relation to the four CR areas of human rights, social issues and labour conditions, anti-corruption and business ethics, and climate and the environment. In addition, we have worked at Group level to establish a whistle-blower scheme for all companies of the Group and on improvements to the Group's reporting on corporate responsibility.

Report pursuant to section 99a

Schouw & Co. has prepared an ESG (Environment, Social & Governance) report, which constitutes the Group's full report on corporate social responsibility for the 2019 financial year pursuant to section 99a of the Danish Financial Statements Act. The ESG report is available on the company's website at www.schouw.dk/en/cg2019.

The 2019 ESG report contains a description of our business model, our corporate responsibility and risk assessment policies as well as a description of actions and results including a performance review of the targets set in 2016. The report is a first step towards a more comprehensive ESG reporting inspired by the model launched by Nasdaq. Efforts in 2020 will involve compiling more data for future reporting.

Reports pursuant to sections 107d and 99b

The 2019 ESG report contains a separate section on statutory reporting. IT includes the report on our company's diversity policy pursuant to section 107d and the Group's overall report on gender composition in management pursuant to section 99b of the Danish Financial Statements Act. The ESG report is available on the company's website at www.schouw.dk/en/cg2019.

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 Schouw & Co. believes it complies in all material respects with the intentions of "Corporate Governance Recommendations".

Report pursuant to section 107b

Schouw & Co. has prepared a statutory corporate governance report for the 2019 financial year (in Danish), as required under section 107b of the Danish Financial Statements Act, which can be found in its entirety on the company's website at schouw.dk/cg2019.

The statutory report 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. In addition, information on the company's Board of Directors and Executive Management can be found on pages 35-37 in the annual report.

ESG report

Schouw & Co. has issued a corporate responsibility report in a new format: ESG Report 2019

Results are created by people

When exercising ownership and developing portfolio businesses, Schouw & Co. is always respectful of creating value in a proper and trustworthy manner.

Consolidated financial statements

Statements of income and comprehensive income

1 January – 31 December

Note	**Income statement**	**2019**	**2018**
1, 2	Revenue	20,946	18,253
3	Cost of sales	-17,576	-15,278
	Gross profit	3,370	2,975
4	Other operating income	37	41
3	Distribution costs	-1,335	-1,225
3, 32	Administrative expenses	-918	-741
4	Other operating expenses	-5	-3
	EBIT	1,149	1,047
12	Profit after tax in associates	49	63
12	Profit after tax in joint ventures	1	8
	Gains on equity divestments	29	9
16	Financial income	84	79
17	Financial expenses	-164	-119
	Profit before tax	1,149	1,086
21	Tax on profit/loss for the year	-243	-290
	Profit for the year	906	796
	Shareholders of Schouw & Co.	911	801
	Non-controlling interests	-5	-5
	Profit for the year	906	796
33	Earnings per share (DKK)	38.27	33.43
33	Diluted earnings per share (DKK)	38.27	33.35

Note	**Statement of comprehensive income**	**2019**	**2018**
	Items that cannot be reclassified to the income statement:		
	Actuarial gains/losses on defined benefit pension obligations	3	0
	Items that can be reclassified to the income statement:		
	Foreign exchange adjustments of foreign units, etc.	163	81
	Value adjustment of hedging instruments for the year	0	-2
	Hedging instruments transferred to cost of sales	2	1
	Hedging instruments transferred to financials	4	5
	Other comprehensive income from associates and joint ventures	9	2
21	Tax on other comprehensive income	-1	-1
	Other comprehensive income after tax	180	86
	Profit for the year	906	796
	Total recognised comprehensive income	1,086	882
	Attributable to		
	Shareholders of Schouw & Co.	1,091	888
	Non-controlling interests	-5	-5
	Total recognised comprehensive income	1,086	882

Amounts in DKK million

Balance sheet · Assets and liabilities
at 31 December

Note	Total assets	2019	2018
9	Intangible assets	3,568	3,594
10	Property, plant and equipment	4,956	4,317
11	Lease assets	827	0
12	Equity investments in associates	427	377
12	Equity investments in joint ventures	136	137
25	Securities	79	75
22	Deferred tax	122	66
13	Receivables	107	108
	Total non-current assets	10,222	8,674
5	Inventories	3,868	3,683
6	Receivables	4,112	3,903
23	Income tax receivable	37	94
	Cash and cash equivalents	538	585
	Total current assets	8,554	8,266
	Total assets	18,777	16,940

Note	Liabilities and equity	2019	2018
20	Share capital	255	255
	Hedge transaction reserve	-3	-8
	Exchange adjustment reserve	251	79
	Retained earnings	8,658	7,994
	Proposed dividend	357	332
	Equity attributable to parent company shareholders	9,519	8,652
	Non-controlling interests	2	7
	Total equity	9,521	8,659
22	Deferred tax	409	397
26	Liability regarding put option	0	321
27	Other payables	306	275
18	Interest-bearing debt	2,976	1,749
	Non-current liabilities	3,691	2,742
18	Interest-bearing debt	909	1,309
7	Trade payables and other payables	4,173	4,089
26	Liability regarding put option	369	0
23	Corporate income tax	114	140
	Current liabilities	5,565	5,538
	Total liabilities	9,256	8,281
	Total equity and liabilities	18,777	16,940

Notes without reference 15, 28-31 and 34-36.

Amounts in DKK million

Cash flow statement

1 January – 31 December

Note		2019	2018
	Profit before tax	1,149	1,086
	Adjustment for operating items of a non-cash nature, etc.		
3	Depreciation and impairment losses	802	532
	Other non-cash operating items, net	-1	6
	Provisions	33	0
	Profit/loss after tax in associates and joint ventures	-50	-70
	Financial income	-84	-79
	Financial expenses	164	119
	Cash flows from operations before changes in working capital	2,012	1,594
8	Changes in working capital	-228	-434
	Cash flows from operations	1,784	1,160
	Interest received	16	30
	Interest paid	-116	-98
	Cash flows from ordinary activities	1,684	1,092
23	Income tax paid	-274	-254
	Cash flows from operating activities	1,410	837
24	Purchase of intangible assets	-30	-34
24	Purchase of property, plant and equipment	-774	-685
	Sale of property, plant and equipment	12	4
14	Acquisitions	-259	-708
	Divestments	0	55
	Acquisition of non-controlling interests	-1	0
	Acquisition of joint ventures and associates / capital contribution	-3	-1
	Dividends received from associates	11	0
	Additions/disposals of other financial assets	1	9
	Cash flows from investing activities	-1,043	-1,360

Note		2019	2018
	Loan financing:		
	Repayment of non-current liabilities	-363	-119
24	Proceeds from non-current liabilities incurred	1,020	0
	Increase (repayment) of bank overdrafts	-881	1,219
19	**Cash flows from debt financing**	-224	1,100
	Shareholders:		
	Dividends paid	-309	-314
	Purchase/sale of treasury shares, net	112	-163
	Cash flows from financing activities	-421	623
	Cash flows for the year	-54	100
	Cash and cash equivalents at 1 January	585	478
	Value adjustment of cash and cash equivalents	8	6
	Cash and cash equivalents at 31 December	538	585

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 2018	255	-10	-7	7,737	332	8,306	14	8,321
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
Profit and other comprehensive income in 2019								
Foreign exchange adjustments of foreign subsidiaries		0	163	0	0	163	0	163
Hedging instruments transferred to cost of sales		2	0	0	0	2	0	2
Hedging instruments transferred to financials		4	0	0	0	4	0	4
Other comprehensive income from associates and joint ventures		0	9	0	0	9	0	9
Adjustment of defined benefit pension plans		0	0	3	0	3	0	3
Tax on other comprehensive income		-1	0	0	0	-1	0	-1
Profit for the year		0	0	554	357	911	-5	906
Total recognised comprehensive income		5	172	557	357	1,091	-5	1,086
Transactions with the owners								
Share-based payment (including tax)		0	0	21	0	21	0	21
Distributed dividends		0	0	22	-332	-309	0	-309
Value adjustment of put option		0	0	-48	0	-48	0	-48
Treasury shares bought/sold		0	0	112	0	112	0	112
Total transactions with owners during the year		0	0	107	-332	-224	0	-224
Equity at 31 December 2019	255	-3	251	8,658	357	9,519	2	9,521

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, Hydra/Specma 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 2019 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 2019. The consolidated accounting policies are consistent with those of last year except for the changes resulting from the implementation of IFRS 16. The annual report is presented in Danish kroner.

Effects of IFRS 16 (Leases)
Effective from 1 January 2019, the Group implemented the new standard on leases using the modified retrospective transition method. Accordingly, comparative figures have not been restated.

Implementation of the new standard on leases means that, unlike previously and with a few exceptions, all leases are recognised in the balance sheet. Leases with a term of less than 12 months and low-value leases, which Schouw & Co. defines as leases with a value of less than EUR 10,000, are exempt from recognition in the balance sheet.

Leases that at the time of transition were not subject to the above exemptions are recognised in the balance sheet as a lease assets (a right-of-use asset) and a lease liability. Due to the transition method the Group has applied, the lease asset and the lease liability are of the same amount on initial recognition for which reason implementation had no equity impact at the beginning of the year.

The lease liability is calculated as the present value of future lease payments and discounted using the internal rate of return of the lease or an alternative borrowing rate.

Any service elements included in the lease are not included in the lease liability, but are disclosed separately.

For purposes of assessing expected lease terms, the Group identifies the non-cancellable lease term of the agreement plus periods comprised by an extension option which management reasonably expects to exercise.

The implementation of IFRS 16 has resulted in the recognition of lease assets and corresponding lease liabilities of DKK 910 million effective at 1 January. Also, EBITDA improved by DKK 208 million, EBIT improved by DKK 14 million, and cash flows from operating activities were improved by DKK 182 million relative to 2018.

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 consisting of fish feed activities in Costa Rica. This business is 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 used in the primary economic environment in which the reporting entity in question 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 two 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. For more information, see the note "Receivables".

- Valued at DKK 2.451 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 the note "Impairment test".

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

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:

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: EBIT, 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:	2019	2018	Change
Income statement ratios:			
EBIT before implementation of IFRS 16	1,135	1,047	8.5%
Effect of IFRS 16 implementation	14	-	
EBIT	**1,149**	**1,047**	**9.8%**
EBIT	1,149	1,047	
Amortisation of intangible assets	133	109	
Impairment of intangible assets	2	0	
EBITA	**1,284**	**1,156**	**11.1%**
EBITA	1,284	1,156	
Depreciation of property, plant and equipment	466	423	
Impairment of property, plant and equipment	7	0	
Depreciation of lease assets	194	-	
EBITDA	**1,951**	**1,579**	**23.6%**
Lease payments in 2019	208	-	
EBITDA before implementation of IFRS 16	**1,743**	**1,579**	**10.4%**
Cash flow ratios			
Cash flows from operating activities before implementation of IFRS 16	1,228	837	46.6%
Effect of IFRS 16 implementation	182	0	
Cash flows from operating activities	**1,410**	**837**	**68.4%**
Balance sheet ratios			
Inventories	3,868	3,683	
Trade receivables	3,790	3,596	
Other receivables (non-interest bearing)	210	246	
Other non-current operating receivables	39	0	
Prepayments	65	48	
- Trade payables	-3.218	-3,166	
Core liability	-250	-236	
- Other debt (non-interest bearing)	-686	-659	
- Customer prepayments	-13	-14	
Deferred income	-49	-56	
Other non-current operating liabilities	-18	0	
Working capital	**3,738**	**3,441**	**8.6%**

APM:	2019	2018	Change
Balance sheet ratios (continued)			
Interest-bearing debt before implementation of IFRS 16	3,056	3,058	-0.1%
Effect of IFRS 16 implementation	829	0	
interest-bearing debt	**3,885**	**3,058**	**27.0%**
Interest-bearing debt	3,885	3,058	
- Other non-current receivables (interest-bearing)	-2	-35	
- Other current receivables (interest-bearing)	-47	-14	
- Cash and cash and cash equivalents	-538	-585	
Net interest-bearing debt (NIBD)	**3,298**	**2,425**	**36.0%**
Working capital	3,738	3,441	
Intangible assets	3,568	3,594	
- Goodwill	-2,451	-2,404	
Property, plant and equipment	4,956	4,317	
Lease assets	827	0	
Non-current provisions	-32	-18	
Other non-current payables (non-interest bearing)	-77	-84	
Current provisions	-20	-16	
Invested capital (ex. goodwill)	**10,510**	**8,831**	**19.0%**
Invested capital (ex. goodwill)	10,510	8,831	
Goodwill	2,451	2,404	
Invested capital (including goodwill)	**12,961**	**11,235**	**15.4%**

Amounts in DKK million

Notes · EBIT, 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:

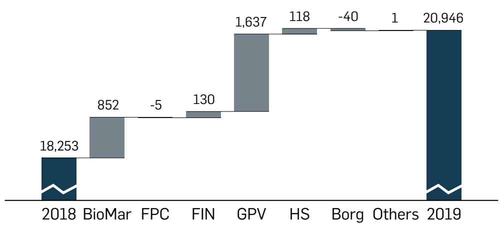
1 Segment reporting
2 Revenue
3 Costs
4 Other operating income and expenses
5 Inventories
6 Receivables (current)
7 Trade payables and other payables
8 Changes in working capital

Comments

Revenue

Consolidated revenue was up by DKK 2,693 million, or 14.8%, to DKK 20,946 million in 2019.

Changes in revenue, 2018 to 2019



The increase in revenue was significantly influenced by company acquisitions, including the full-year effects of the companies acquired in 2018. At 28 December 2018, GPV acquired Swiss-based EMS company CCS, recognised with revenue of DKK 1,571 million.

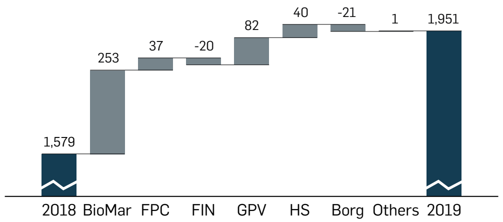
At 11 January 2019, Fibertex Nonwovens acquired a newly-established nonwovens business in the USA, which contributed DKK 140 million to revenue.

The rest of the increase, DKK 982 million, was contributed by the remaining portfolio businesses, and higher exchange rates had a positive effect on the amount. Changes in exchange rates in 2019 had a positive effect of about DKK 200 million on the recognition of revenue from foreign units relative to 2018.

EBITDA

EBITDA improved by DKK 372 million, from DKK 1,579 million in 2018 to DKK 1,951 million in 2019. It should be noted, however, that changed recognition of leases (IFRS 16) had a positive effect of DKK 208 million on EBITDA. When adjusted for this factor, EBITDA increased by DKK 164 million, or 10.4%.

Changes in EBITDA, 2018 to 2019



The change was based on both positive and negative contributions. On the positive side, BioMar, Fibertex Personal Care, GPV and HydraSpecma all reported improvement, whereas Fibertex Nonwovens and Borg Automotive both reported a decline.

BioMar's improvement of DKK 253 million included positive IFRS 16 effects of DKK 128 million. The actual improvement of DKK 125 million equalled almost 18% growth, most of which derived from increased earnings in the two largest markets of Norway and Chile.

Despite very competitive markets, Fibertex Personal Care generated an improvement of DKK 37 million with no material effect from IFRS 16. The improved earnings were mainly driven by the positive effects of foreign exchange rates and lower prices of raw materials.

For Fibertex Nonwovens, the decline of DKK 20 million was driven by very competitive markets and slumping demand in Europe. The Indian company increased its loss by DKK 8 million, while the Brazilian company reported a negative effect of DKK 5 million, mainly due to import tariffs imposed on raw materials.

GPV reported a DKK 82 million improvement, of which IFRS 16 effects accounted for DKK 34 million. The rest of the improvement, DKK 48 million, consisted of relatively larger earnings by the acquired company, CCS, and lower earnings by the former GPV that were mostly due to declining earnings by the Thai company as a result of a higher THB exchange rate.

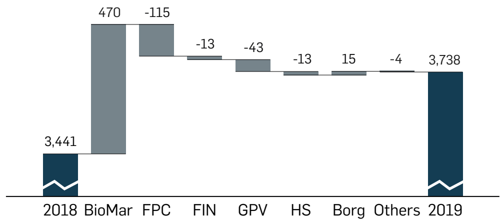
HydraSpecma reported a DKK 40 million improvement driven by IFRS 16 effects of DKK 30 million and a property gain of DKK 6 million.

Borg Automotive reported a drop in EBITDA of DKK 21 million, which included positive IFRS 16 effects of DKK 11 million. The decline in earnings was driven by generally weak European markets and a resulting drop in production efficiency. In addition, non-recurring costs in connection with the restructuring of the Belgian operations also weighed on EBITDA.

Working capital

Working capital increased from DKK 3,441 million at 31 December 2018 to DKK 3,738 million at 31 December 2019. Working capital increased by 8.6%, as compared with the revenue growth of 14.8%.

Changes in working capital, 2018 to 2019



As can be seen from the chart, four of the six portfolio businesses successfully reduced their working capital.

BioMar increased its working capital by DKK 470 million due in part to an 8.3% revenue increase, in part to a shifts in customers and geographies resulting in extended credit periods. The acquisition of the outstanding 50% of the feed factory Alitec Pargua in Chile increased working capital by DKK 32 million. In addition, the company began the inventory build-up at the new feed factory in Australia.

Fibertex Personal Care reduced its working capital by DKK 115 million to DKK 332 million, mainly by reducing debtors and increasing supplier payables.

Despite 8.3% revenue growth, Fibertex Nonwovens managed to reduce its working capital by DKK 13 million to DKK 510 million.

GPV reduced its working capital by DKK 43 million to DKK 766 million through a targeted reduction of inventories in particular. On the other hand, working capital in Thailand and Switzerland increased due to higher foreign exchange rates.

Despite 5.9% revenue growth, HydraSpecma managed to reduce its working capital by DKK 13 million to DKK 665 million.

Amounts in DKK million

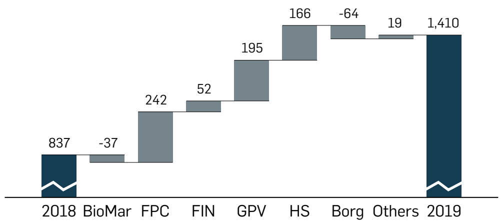
Notes · EBIT, working capital and cash flows

Borg Automotive increased its working capital by DKK 15 million to DKK 156 million, mainly due to larger inventories caused by a drop in sales.

Cash flow statement
Cash flows from operating activities for the year before changes in working capital improved by DKK 418 million to DKK 2,012 million from DKK 1,594 million in 2018. A negative DKK 228 million shift in the 2019 working capital brought the cash flow from operating activities to DKK 1,784 million, against DKK 1,160 million in 2018. Net of interest and taxes paid, cash flows from operating activities improved by DKK 1,410 million against DKK 837 million in 2018.

It should be noted that IFRS 16 effects had a positive effect on the cash flows from operating activities for the year, because part of the lease payments are now presented as an increase in debt repayment under debt financing. The DKK 573 million improvement in cash flows from operating activities for the year corresponds to an increase of 68.4% (exclusive if IFRS effects: 46.6%) As shown in the figure below, all portfolio companies but BioMar and Borg Automotive improved their cash flows from operating activities.

Change in cash flows from operating activities, 2018 to 2019



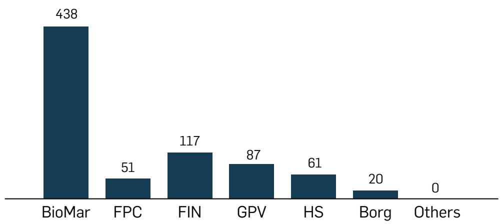
Cash flows for investing activities amounted to DKK 1,043 million, a reduction of DKK 317 million, or 23%, from DKK 1,360 million in 2018.

Amounts in DKK million

Purchases of property, plant and equipment made up most of the amount at DKK 774 million, which breaks down into DKK 438 million in BioMar, including for capacity-expanding investments in a new factory in Australia and additional output capacity in Denmark and Ecuador The other portfolio companies invested a total of DKK 336 million for both capacity expansion and maintenance purposes.

The Group spent DKK 259 million on acquisitions. In January 2019, Fibertex Nonwovens acquired a newly-built spunlace capacity in Greenville, USA at a price of DKK 134 million. Next, BioMar acquired the outstanding 50% of the feed factory Alitec Pargua in Chile at a price of DKK 107 million, and in December 2019, HydraSpecma acquired a Finnish hydraulics company at a price of DKK 18 million.

Investments in property, plant and equipment



Cash flows from operations for the year amounted to DKK 1,410 million, of which DKK 1,043 million was used for investing purposes. Debt financing was reduced by a net amount of DKK 224 million, which included refinancing in connection with the raising of Schuldschein loan with a 5-7 year term, most of the proceeds from which were used to reduce bridge financing set up in connection with GPV's acquisition of CCS.

A total of DKK 309 million of the cash flows for the year was used to pay dividends to the company's shareholders. In addition, the company sold treasury shares for option settlement purposes for DKK 112 million.

Net of amounts used for investing and financing purposes, the company had a total cash outflow for 2019 of DKK 54 million, compared to a cash inflow in 2018 of DKK 100 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. Enterprises engaged in trading recognise cost of sales and enterprises engaged in manufacturing recognise production costs corresponding to revenue for the year. This includes direct and indirect costs of raw materials and consumables, wages and salaries, depreciation and amortisation of intangible assets and production facilities, depreciation and amortisation of lease assets as well as depreciation of inventories. 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

Notes · EBIT, working capital and cash flows

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.

Grants for research and development costs recognised directly in the income statement are included in other operating income. 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 recognised 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, including lease debt, and the purchase and sale of treasury shares.

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 2019.

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.

Notes · EBIT, working capital and cash flows

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.

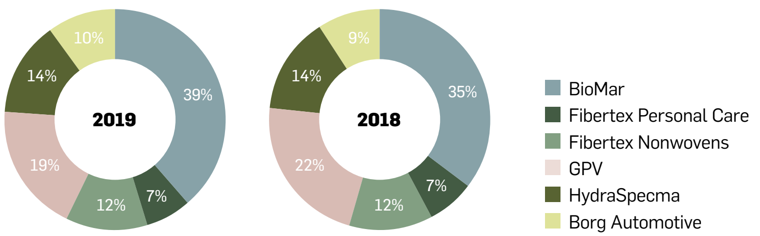
Hydra-Grene applies a general impairment model of automatically writing down goods after they have been in stock for a certain period of time. The company reviews its impairment model on a regular basis, and in the Group's best estimate, the model provides an appropriate and fair presentation of the 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 21% of HydraSpecma's current inventories are impaired. The inventories in question had been written down by a total of 79% 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 the specific type of core 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 an 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 2019	BioMar	Fibertex Personal Care	Fibertex Nonwovens	GPV	HydraSpecma	Borg Automotive	Reporting segments	Non reporting segments	Parent company	Group eliminations, etc.	Total
External revenue	11,180	2,163	1,705	2,856	2,123	918	20,944	1	0	0	20,946
Intra-group revenue	0	20	0	0	0	0	20	0	10	-30	0
Segment revenue	11,180	2,183	1,705	2,856	2,123	918	20,964	1	10	-30	20,946
EBITDA	966	352	141	196	215	110	1,980	1	-31	0	1,951
Depreciation and impairment losses	311	137	107	118	79	48	800	1	1	0	802
EBIT	655	215	33	78	136	62	1,180	1	-31	0	1,149
Share of profit in associates and joint ventures	50	0	0	0	1	0	50	0	0	0	50
Tax on profit/loss for the year	-134	-43	0	-16	-25	-18	-237	0	-6	0	-243
Profit for the year	537	160	5	50	89	43	884	0	22	0	906
Segment assets:	9,201	2,155	1,985	2,406	1,691	1,621	19,060	12	12,011	-12,306	18,777
Of which goodwill	1,400	99	120	174	142	516	2,451	0	0	0	2,451
Equity investments in associates and joint ventures	555	0	0	0	8	0	563	0	0	0	563
Segment liabilities	5,920	1,003	1,303	1,549	1,161	525	11,462	6	2,493	-4,705	9,256
Working capital	1,315	332	510	766	665	156	3,745	0	-6	0	3,738
Net interest-bearing debt	2,077	542	980	819	718	2	5,138	5	-1,845	0	3,298
Cash flows from operating activities	328	426	112	235	177	85	1,362	1	31	16	1,410
Capital expenditure	672	55	243	88	78	27	1,164	0	1	0	1,165
Average no. of employees	1,239	746	1,019	3,829	1,221	1,615	9,669	0	14	0	9,683

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 revenue derives from the 'Other' category.

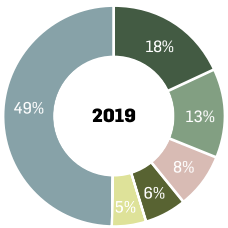
Amounts in DKK million

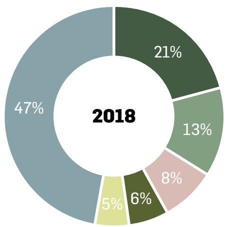
Notes · EBIT, working capital and cash flows

1
Segment reporting (continued)

Reporting segments 2018	BioMar	Fibertex Personal Care	Fibertex Nonwovens	GPV	HydraSpecma	Borg Automotive	Reporting segments	Non reporting segments	Parent company	Group eliminations, 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
Profit for the year	407	131	16	65	73	67	759	-10	47	0	796
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 flows 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

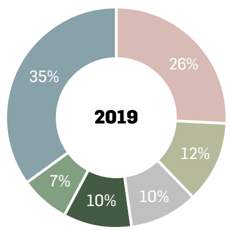
Revenue by country:

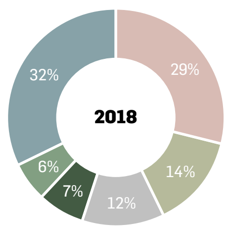




	2019	2018
Norway	3,788	3,792
Chile	2,817	2,313
Denmark	1,647	1,527
UK	1,341	1,183
Germany	1,102	794
Other	10,251	8,645
Total	20,946	18,253

Intangible assets and property, plant and equipment and lease assets by country:





	2019	2018
Denmark	2,388	2,325
Ecuador	1,162	1,113
Malaysia	919	927
Norway	948	549
Chile	678	488
Other	3,256	2,510
Total	9,351	7,911

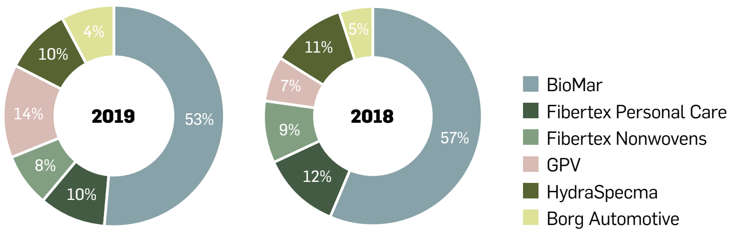
Amounts in DKK million

Notes · EBIT, working capital and cash flows

2
Revenue

	2019	2018
Sale of goods	20,833	18,251
Disposal of biological assets	103	0
Royalties	8	0
Rental income	2	2
Total revenue	20,946	18,253

Revenue by subsidiary



3
Costs

	2019	2018
Cost of sales		
Cost of goods sold	-14,689	-12,903
Inventory impairment	-57	-25
Reversed write-down of inventories	31	14
Staff costs		
Remuneration to the Board of Directors of Schouw & Co.	-4	-4
Wages and salaries	-1,949	-1,587
Defined contribution pension plans	-129	-104
Defined benefit pension plans	-11	0
Other social security costs	-232	-168
Share-based payment	-22	-17
Total staff costs	-2,346	-1,881
Of which staff costs capitalised and recognised in plant, machinery and development projects	11	16
Staff costs recognised in the income statement	-2,335	-1,864
Staff costs are recognised as follows:		
Production	-1,393	-1,070
Distribution	-498	-431
Administration	-444	-364
Staff costs recognised in the income statement	-2,335	-1,864
Average no. of employees	9,683	7,174

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 each board member consists of a fixed base fee, which in 2019 amounted to DKK 300,000. It is proposed to raise the base fee for 2020 to DKK 325,000. The remuneration policy is available on the company's website. Remuneration to the Board of Directors includes a fee for serving on committees of DKK 0.6 million (2018: DKK 0.5 million).

Staff costs include salaries and bonuses of DKK 11.8 million (2018: DKK 11.4 million), pension contributions of DKK 0.3 million (2018: DKK 0.3 million) and share-based payment of DKK 3.5 million (2018: DKK 3.3 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 28 million (2018: DKK 22 million), pension contributions of DKK 1 million (2018: DKK 1 million) and share-based payment of DKK 10 million (2018: DKK 7 million) to the registered executive managements of directly owned subsidiaries. This group comprised eight people in 2019 (2018: 8 people) Severance payments of DKK 1 million were made to these individuals in 2019 (2018: 0).

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 (2019: DKK 510.30) plus a premium (2019 allocation: 3% p.a.) from the date of grant until the date of exercise.

Outstanding options	Executive management	Other	Total
Granted in 2015	40,000	-	40,000
Granted in 2016	55,000	188,167	243,167
Granted in 2017	55,000	229,500	284,500
Granted in 2018	55,000	283,167	338,167
Total outstanding options at 31 December 2018	205,000	700,834	905,834
Granted in 2019	47,000	279,000	326,000
Exercised (from 2015 grant)	-40,000	-	-40,000
Lapsed (from 2016 grant)	-450	-	-450
Exercised (from 2016 grant)	-54,550	-168,167	-222,717
Lapsed (from 2018 grant)		-2,167	-2,167
Lapsed (from 2019 grant)		-4,167	-4,167
Total outstanding options at 31 December 2019	157,000	805,333	962,333

Options exercised in 2019:	Exercised from 2015 grant	Exercised from 2016 grant
Number of shares exercised	40,000	222,717
Average exercise price (DKK)	369.00	436.73
Average share price (DKK) at date of exercise	487.16	513.16
Group's cash proceeds in DKK million	14.8	97.2

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	2019 grants	2018 grants	2017 grants	2016 grants
Expected volatility	29.23%	21.10%	23.37%	31.50%
Expected term	48 mo.	48 mo.	48 mo.	48 mo.
Expected dividend per share	DKK 13	DKK 12	DKK 10	DKK 8
Risk-free interest rate	-0.52%	-0.38%	-0.25%	0.10%
Other information on option programmes:				
Exercise price (DKK) *	574.35	705.58	671.93	450.88
Fair value (DKK) per option **	71.47	58.51	68.45	69.65
Total fair value in DKKm	23.3	20.1	20.1	17.7
Exercisable from	March 2022	March 2021	March 2020	March 2019
Exercisable until	March 2023	March 2022	March 2021	March 2020

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

Research & development costs	**2019**	**2018**
Research and development costs expensed and development costs incurred are shown below:		
Research and development costs incurred	-114	-98
Development costs recognised as intangible assets	5	15
Amortisation and impairment of recognised development costs	-7	-1
Research and development costs expensed and recognised in the income statement	-116	-84
Depreciation and impairment losses		
Amortisation of intangible assets	-133	-109
Impairment, ofintangible assets	-2	0
Depreciation of property, plant and equipment	-466	-423
Impairment of property, plant and equipment	-7	0
Depreciation of lease assets	-194	-
Total depreciation, amortisation and impairment losses	-802	-532
Depreciation/amortisation and impairment is recognised in the income statement as follows:		
Production	-501	-397
Distribution	-218	-82
Administration	-82	-53
Total depreciation, amortisation and impairment losses	-802	-532

Amounts in DKK million

Notes · EBIT, working capital and cash flows

4
Other operating income and expenses

	2019	2018
Gains on the disposal of property, plant and equipment and intangible assets	9	2
Government grants	12	8
Profit /loss from salmon farming test centres	2	21
Other operating income	14	9
Total other operating income	37	41
Loss on the disposal of property, plant and equipment and intangible assets	-3	-2
Other operating expenses	-2	-1
Total other operating expenses	-5	-3

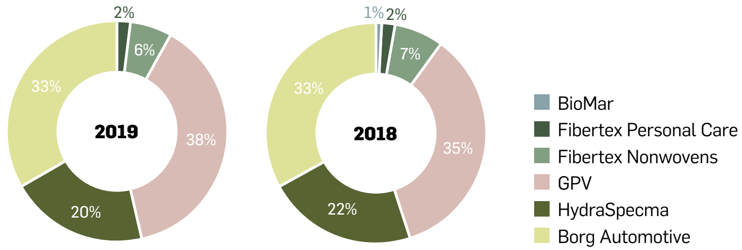
Fibertex Personal Care recognised a DKK 6.6 million investment grant received in Malaysia under government grants in 2019 (2018: DKK 6.1 million). The grant is primarily subject to Fibertex Personal Care Malaysia continuing to generate a taxable profit over the coming years, which is considered very likely.

5
Inventories

	2019	2018
Raw materials and consumables	2,199	2,113
Work in progress	162	197
Finished goods and goods for resale	1,446	1,308
Biological assets (fish)	60	66
Total inventories	3,868	3,684
Cost of inventories for which impairment losses have been recognised	540	485
Accumulated impairment losses on inventories	-226	-213
Net sales value	314	273

The group's biological assets consist exclusively of fish used for fish feed experiments.

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



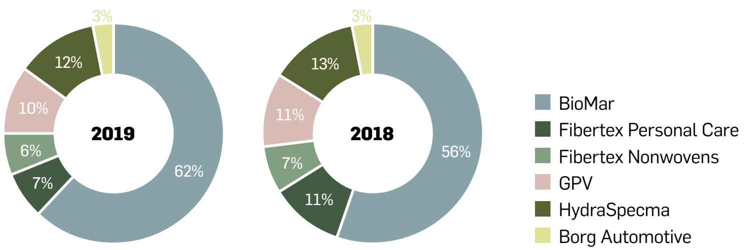
Amounts in DKK million

Notes · EBIT, working capital and cash flows

6
Receivables (current)

	2019	2018
Trade receivables	3,790	3,596
Other current receivables	257	259
Prepayments	65	48
Total current receivables	4,112	3,903

Trade receivables by portfolio company:



2019	Not fallen due	Due between (days) 1-30	31-90	>91	Total
Trade receivables	3,135	424	151	251	3,961
Impairment losses on trade receivables	-26	-3	-11	-131	-171
Trade receivables, net	3,109	421	140	120	3,790
Proportion of total receivables expected to be settled					95.7%
Impairment rate	0.8%	0.7%	7.4%	52.2%	4.3%

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 total receivables expected to be settled					96.2%
Impairment rate	0.7%	0.8%	5.3%	59.9%	3.8%

	2019	2018
Impairment losses on trade receivables		
Impairment losses at 1 January	-144	-153
Foreign exchange adjustments	-3	5
Additions on company acquisitions	0	-3
Reversed impairment losses	1	3
Impairment losses for the year	-28	-6
Realised loss	2	10
Impairment losses, end of period	-171	-144

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 146 million of the total of DKK 171 million in bad debt provisions at 31 December 2019 was related to BioMar. Bad debt provisions made in BioMar are based on the following estimates for the current risk of loss:

2019	Not fallen due	Due between (days) 1-30	31-90	>91	Total
High risk of loss	6	1	5	43	55
Medium risk of loss	16	2	2	69	89
Low risk of loss	1	0	0	1	2
Total provisions	23	3	7	113	146

2018	Not fallen due	Due between (days) 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 1,101 million for its trade receivables (2018: DKK 1,037 million). In addition, customers have provided collateral to BioMar in the amount of DKK 254 million (2018: DKK 411 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 on the basis of a general impairment model and an individual assessment of the debtor's expected 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

Trade payables and other payables

	2019	2018
Trade payables	3,218	3,166
Core liability	188	177
Customer prepayments	13	14
Other payables	686	659
Provisions	20	16
Prepayments	49	56
Total trade payables and other payables	4,173	4,089

Trade payables and other payables all fall due in all material respects within one year.

For a number of years, BioMar has facilitated a supply chain financing programme (reverse factoring) through banks. The purpose of the programme is to develop and ensure long-term relations with strategically important suppliers of raw materials. The supply chain finance programme contributes to ensuring low raw materials prices and financing costs in the value chain. Suppliers participating in the programme have the option of receiving early payment once BioMar has approved a delivery. Under the system, BioMar assigns approved invoices to the bank in a factoring arrangement without recourse. The bank then pays the supplier early while ensuring the best possible credit period for BioMar. Supply chain finance debt of DKK 818 million is recognised in the balance sheet under trade payables (2018: DKK 734 million). The increased use of supply chain financing in 2019 should be seen in the context of BioMar's increased revenue. If BioMar did not use supply chain financing, the ordinary trade payables would increase by a significant part of the amount for supply chain finance.

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 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 250 million at 31 December 2019. Of this amount, DKK 188 million is recognised as current liabilities, while the rest is recognised as other non-current liabilities.

8

Changes in working capital, cash flow effect

	2019	2018
Change in inventories	-100	-383
Change in receivables	12	-456
Change in trade payables and other payables	-140	405
Total changes in working capital	-228	-434

Amounts in DKK million

Notes · invested capital

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

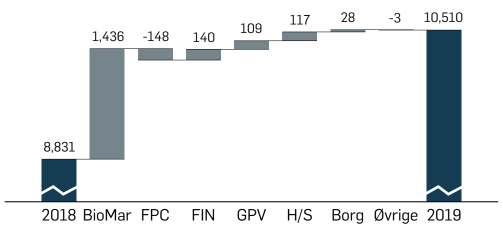
The following notes are presented in this section:

9 Intangible assets
10 Property, plant and equipment
11 Lease assets
12 Investments in subsidiaries, associates and joint arrangements
13 Receivables – non-current
14 Acquisitions
15 Impairment test

Comments

Invested capital
Invested capital covers property, plant and equipment, intangible and lease assets and working capital and can be stated both inclusive and exclusive of goodwill. Invested capital exclusive of goodwill increased by DKK 1,680 million from DKK 8,831 million to DKK 10,510 million at December 31, 2019. Changes in invested capital by portfolio company appear from the chart below.

Changes in invested capital 2018-2019



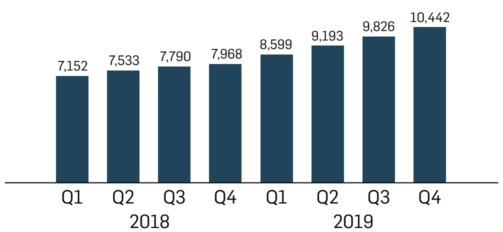
As can be seen from the chart, invested capital increased in all businesses with the exception of Fibertex Personal Care. Invested capital increased by a total of DKK 814 million due to lease assets capitalised in accordance with IFRS 16. BioMar accounted for DKK 1,436 million, or 85%, of the overall increase, of which DKK 541 million was for capitalising lease assets. In addition, BioMar invested a total of DKK 543 million in 2019 and increased its working capital by DKK 470 million.

The rest of the increase in invested capital, of DKK 244 million, consisted of Fibertex Nonwovens, GPV, HydraSpecma and Borg Automotive combined investing DKK 394 million and of Fibertex Personal Care reducing its invested capital by DKK 148 million.

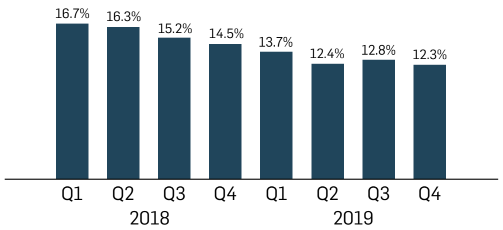
ROIC
Return on invested capital (ROIC) is measured as Operating profit/loss before amortisation of intangible assets (EBITA) as a percentage of average invested capital. ROIC exclusive of goodwill fell from 14.5% in 2018 to 12.3% in 2019. Net of the effect of IFRS 16, ROIC would have been 13.2%.

The reason for the lower ROIC was a 31% increase (20% excluding IFRS 16 effects) in average invested capital exclusive of goodwill in 2019, whereas EBITA increased by only 11%.

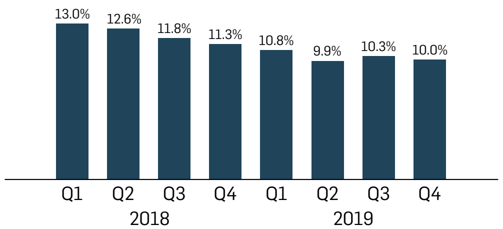
Avg. invested capital excluding goodwill



ROIC excluding goodwill



ROIC including goodwill



Accounting policies

Intangible assets
Goodwill is initially measured 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	7-20 years
Brands	10-20 years
Know-how	5-15 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.

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.

Amounts in DKK million

Notes · invested capital

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.

Leases
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.

Lease terms for vessels vary, with terms up to 15 years, while property leases generally have terms of 3-10 years. Many of the property leases have extension options, which are recognised in the lease asset if the Group reasonably expects to exercise the option The other leases have terms of up to 5 years. Other assets mainly consist of cars, trucks and other production equipment.

The lease liability is calculated as the present value of future lease payments and discounted using the internal rate of return of the lease or an alternative borrowing rate.

Service elements included in the lease are not included in the lease liability, but are disclosed separately.

For purposes of assessing expected lease terms, the Group identifies the non-cancellable lease term of the agreement plus periods comprised by an extension option which management reasonably expects to exercise.

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 DKK 0.

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

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-rate 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 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.

Gains on the sale of associates and joint ventures are recognised in Gains on equity divestments.

Notes · invested capital

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 the note "Acquisitions".

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 the note "Impairment test".

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

Notes · invested capital

9
Intangible assets

2019	Goodwill	Customer relations	Brands	Know-how	Other intangible assets	Total
Cost at 1 January 2019	2,404	665	198	416	211	3,895
Foreign exchange adjustments	27	9	0	7	1	44
Addition on internally generated assets	0	0	0	0	7	7
Addition through separate acquisition	0	0	0	0	26	26
Additions on company acquisitions	22	13	0	0	0	35
Disposals	0	0	0	0	-1	-1
Transferred/reclassified	0	0	0	0	2	2
Cost at 31 December 2019	2,452	687	198	423	245	4,006
Amortisation and impairment at 1 January 2019	0	-115	-29	-46	-110	-300
Foreign exchange adjustments	0	-2	0	-1	0	-3
Transferred/reclassified	0	0	0	0	-1	-1
Impairment	-2	0	0	0	0	-2
Amortisation	0	-51	-13	-29	-40	-133
Amortisation and impairment at 31 December 2019	-2	-168	-41	-76	-151	-438
Carrying amount at 31 December 2019	2,451	519	157	347	94	3,568
Amortised over		7-20 years	10-20 years	5-15 years	3-10 years	

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	

The Group had only minor additions of intangible assets in connection with acquisitions in 2019.

In 2019, goodwill related to Fibertex Nonwoven's acquisition of Fibertex South Africa was written down by DKK 2 million.

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

2019	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2019	2,509	4,950	372	501	8,332
Foreign exchange adjustments	51	104	6	13	174
Additions	57	155	46	516	774
Additions on company acquisitions	131	155	4	36	326
Disposals	-3	-9	-11	0	-24
Disposals on divestment	-38	-64	-3	-12	-116
Transferred/reclassified	61	197	5	-282	-19
Cost at 31 December 2019	2,768	5,488	419	772	9,446
Amortisation and impairment at 1 January 2019	-712	-3,056	-247	0	-4,015
Foreign exchange adjustments	-11	-63	-4	0	-78
Transferred/reclassified	0	1	4	0	5
Amortisation and impairment of disposed assets	1	6	9	0	16
Disposals on divestment	12	40	2	0	54
Impairment	0	-7	0	0	-7
Amortisation	-90	-331	-44	0	-466
Amortisation and impairment at 31 December 2019	-799	-3,412	-280	0	-4,490
Carrying amount at 31 December 2019	1,969	2,076	139	772	4,956
Amortised over	10-50 years	4-15 years	3-10 years		

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
Amortisation	-83	-296	-44	0	-423
Amortisation 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
Amortised over	10-50 years	4-15 years	3-10 years		

At the end of 2019, the Group had entered into contracts for the purchase of property, plant and equipment for future delivery for an amount of DKK 121 million (2018: DKK 310 million).

Properties with evidence of impairment have been tested for impairment. No properties were written down in 2019 (2018: DKK 0 million).

Amounts in DKK million

11

Lease assets

2019	Ships	Property	Other assets	Total
Effects of transition to IFRS 16	450	413	47	910
Transferred from property, plant and equipment	0	0	13	13
Cost at 1 January 2019 under IFRS 16	450	413	60	922
Foreign exchange adjustments	6	8	0	14
Additions	43	74	30	147
Disposals	-51	-17	-3	-72
Cost at 31 December 2019	447	478	87	1,012
Amortisation and impairment at 1 January 2019	0	0	0	0
Foreign exchange adjustments	2	-1	0	1
Amortisation and impairment of disposed assets	4	2	2	9
Amortisation	-82	-86	-27	-194
Amortisation and impairment at 31 December 2019	-76	-84	24	-184
Carrying amount at 31 December 2019	371	394	62	827

Lease terms for vessels vary, with terms up to 15 years, while property leases generally have terms of 3-10 years. Many of the property leases have extension options, which are recognised in the lease asset if the Group reasonably expects to exercise the option The other leases have terms of up to 5 years. Other assets mainly consist of cars, trucks and other production equipment.

DKK 16 million was recognised in the income statement for 2019 regarding leases not recognised in the balance sheet, the amount consisting of DKK 4 million in services, DKK 3 million in minor assets and DKK 9 million in short-term agreements.

At the balance sheet date, liabilities concerning lease liabilities of minor assets and services amounted to DKK 12 million, of which DKK 6 million falls due within 12 months, DKK 5 million falls due between one and five years and DKK 1 million falls due after five years.

The correlation between leases recognised under IFRS 16 and formerly recognised under IAS 17 is set out in the table below.

	Ships	Property	Other assets	Total
Operating lease liabilities at 31 December 2018	450	315	57	822
Minor assets and short-term leases	0	-3	-6	-9
Recognised with longer term (anticipated extensions)	0	101	1	102
Service element and other recognition differences	-1	0	-4	-5
Formerly recognised finance lease assets	0	0	13	13
Lease assets at 1 January 2019 under IFRS 16	450	413	60	922

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Investments in subsidiaries, associates and joint arrangements

The Group has the following subsidiaries and joint operations:

Name	Registered office	Ownership interest 2019	Ownership interest 2018
Alba Ejendomme A/S	Aarhus, Denmark	100%	100%
BioMar			
Alimentsa S.A.	Guayaquil, Ecuador	70%	70%
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 Aquacorporation Products S.A. *	Cañas, Costa Rica	50%	50%
BioMar Aquaculture Corporation S.A.	Cañas, Costa Rica	100%	100%
BioMar AS	Myre, Norway	100%	100%
BioMar Chile SA	Puerto Montt, Chile	100%	100%
BioMar Group A/S	Aarhus, Denmark	100%	100%
BioMar Hellenic S.A.	Volos, Greece	100%	100%
BioMar Iberia SA	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, Poland	100%	100%
Oy BioMar Ab	Vanda, Finland	100%	100%
Fibertex Personal Care			
Fibertex Personal Care A/S	Aalborg, Denmark	100%	100%
Fibertex Personal Care AG	Ilsenburg, Germany	100%	100%
Fibertex Personal Care Corporation	Asheboro, USA	100%	100%
Fibertex Personal Care K.K.	Tokyo, Japan	100%	100%
Fibertex Personal Care Sdn Bhd.	Nilai, Malaysia	100%	100%
Fibertex Nonwovens			
Elephant Nonwovens - Nao Tecidos U.P., Lda.	Estoril, Portugal	100%	100%
Fibertex Elephant Espana S.L.	Sant Cugat del Vallés, Spain	100%	100%
Fibertex France SARL	Beauchamp, France	100%	100%
Fibertex Nãotecidos Ltda.	Sao Paolo, Brazil	100%	100%
Fibertex Nonwovens A/S	Aalborg, Denmark	100%	100%
Fibertex Nonwovens Holding Ltd.	Hong Kong, China	100%	100%
Fibertex Nonwovens Inc.	Grey Court SC, USA	100%	0%
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 North America Holding Inc.	Ingleside IL, USA	100%	100%
Fibertex North America Real Estate	Ingleside IL, USA	100%	100%
Fibertex Private Limited	Bangalore, India	100%	100%
Fibertex South Africa Ltd.	Hammarsdale, South Africa	74%	74%

Amounts in DKK million

Notes · Invested capital

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Investments in subsidiaries, associates and joint ventures (continued)

The Group has the following subsidiaries and joint operations:

Name	Registered office	Ownership interest 2019	Ownership interest 2018
GPV			
GPV Americas México S.A.P.I. de CV	Guadalajara, Mexico	100%	100%
GPV Asia (Hong Kong) Ltd.	Hong Kong, Hong Kong	100%	100%
GPV Asia (Thailand) Co. Ltd.	Bangkok, Thailand	100%	100%
GPV Austria Cable GmbH	Frankenmarkt, Austria	100%	100%
GPV Austria GmbH	Frankenmarkt, Austria	100%	100%
GPV DACH (Asia) AG	Lachen, Switzerland	100%	100%
GPV DACH AG	Lachen, Switzerland	100%	100%
GPV Germany GmbH	Hildesheim, Germany	100%	100%
GPV International A/S	Tarm, Denmark	100%	100%
GPV Lanka (Private), Ltd.	Kochchikade, Sri Lanka	100%	100%
GPV Property Solution (private) Limited**	Kochchikade, Sri Lanka	49%	-
GPV Slovakia s.r.o.	Hlohovec, Slovakiet	100%	100%
GPV Switzerland SA	Mendrisio, Switzerland	100%	100%
GPV Zhongshan Co., Ltd.	Zhongshan, China	100%	100%
HydraSpecma			
Dansk Afgratningsteknik A/S	Skjern, Denmark	60%	60%
HydraSpecma A/S	Skjern, Denmark	100%	100%
HydraSpecma AB	Gothenburg, Sweden	100%	100%
HydraSpecma AS	Flekkefjord, Norway	100%	-
HydraSpecma Co. Ltd.	Shanghai, China	100%	100%
HydraSpecma Component AB	Skellefteå, Sweden	100%	100%
HydraSpecma Do Brazil Ltda	Curitiba, Brazil	90%	90%
HydraSpecma Hydraulic Systems (Tianjin) Co. Ltd	Tianjin, China	100%	90%
HydraSpecma Hydraulic U.S. Inc.	San Antonio, Texas USA	100%	100%
HydraSpecma Hydraulics Equipment Accessory Co., Ltd.	Tianjin, China	100%	100%
HydraSpecma Hydraulikhuset AB	Goteborg, Sweden	100%	100%
HydraSpecma India Pvt. Ltd.	Chennai, India	100%	100%
HydraSpecma OY	Espoo, Finland	100%	100%
HydraSpecma Samwon Ltd.	Newton Aycliffe, UK	100%	100%
HydraSpecma Sp. Z.O.O.	Stargard, Poland	100%	100%
HydraSpecma USA Inc.	Chicago, USA	100%	100%
HydraSpecma Wiro AB	Motala, Sweden	100%	100%
Borg Automotive			
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%

Fibertex Nonwovens acquired on 11 January 2019 Fibertex Nonwovens Inc. On 7 June 2019, BioMar acquired the outstanding shares in the joint venture Alitec Pargua, after which the wholly-owned company merged with BioMar Chile SA.

The companies Hydraulic Connectors Europe Ltd. and BHE A/S were put into liquidation in 2019.

A number of companies in CCS Group, which was acquired by GPV at the end of 2018 changed their names in 2019. The companies CCS Customer Care & Solutions Holding AG and CCS Group Holding AG merged in 2019.

A number of companies in HydraSpecma changed their names in 2020.

*Following the acquisition of a minority share in Alitec Pargua, BioMar Aquacorporation Products S.A is the only pro-rata consolidated company in the Group. This is a 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 company is recognised at the following amounts: Current assets DKK 27 million (2018 DKK 20 million), non-current assets DKK 31 million (2018: DKK 33 million), current liabilities DKK 14 million (2018: DKK 8 million), non-current liabilities DKK 12 million (2018: DKK 14 million), revenue DKK 43 million (2018 DKK 37 million) and expenses DKK 42 million (2018 DKK 36 million).

** Although the Group holds only 49% of the newly-established company GPV Property Solution (private) Limited, the Group is considered to have a controlling interest in the company.

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 2019	Ownership interest 2018
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 Ltd.	Grangemouth, Scotland	40%	40%
Young Tech Co. Ltd.	Changwon, South Korea	30%	30%
Micron Specma India (Pvt.) Ltd.	Rohtak, Haryana, India	25%	25%
NGIN A/S	Aarhus, Denmark	40%	0%

Associates:	2019	2018
Cost at 1 January	267	331
Foreign exchange adjustments	6	0
Additions during the year	3	1
Disposals for the year	0	-66
Cost at 31 December	276	267
Adjustments at 1 January	110	11
Foreign exchange adjustments and other changes in equity	3	14
Dividends paid	-11	0
Disposals for the year	0	23
Profit after tax from associates	49	63
Adjustments at 31 December	151	110
Carrying amount at 31 December	427	377

2019	LetSea	ATC Patagonia	Salmones Austral	LCL Shipping	Young Tech Co. Sydkorea	Micron Specma India (Pvt.)	NGIN
Revenue	210	14	1,605	7	40	3	3
Profit for the year	8	-3	203	1	1	0	0
Total assets	166	70	2,893	21	41	10	2
Liabilities	75	5	1,348	10	29	0	0
Recognised in the Schouw & Co. Group:							
Share of profit	3	-1	47	0	0	0	0
Share of equity	30	20	354	4	4	2	1
Goodwill	0	0	11	0	0	0	1
Carrying amount at 31 December	30	20	365	4	4	2	2

2018	LetSea	ATC Patagonia	Salmones Austral	LCL Shipping	Young Tech Co. Sydkorea	Micron Specma India (Pvt.)
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	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

Salmones Austral is individually considered to be of significant importance to the Group. The comprehensive income in Salmones Austral for 2019 amounted to DKK 203 million (2018: DKK 223 million), its EBITDA was DKK 418 million (2018: DKK 442 million) and its NIBD at 31 December was DKK 513 million (2018: DKK 540 million).

Salmones Austral had non-current assets of DKK 1,511 million at 31 December 2019 (2018: DKK 1,472 million), current assets of DKK 1,382 million (2018: DKK 1,107 million), non-current debt of DKK 671 million (2018: DKK 701 million) and current debt of DKK 677 million (2018: DKK 521 million).

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 2019	Ownership interest 2018
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.

2019	BioMar-Sagun	BioMar-Tongwei
Revenue	181	496
Profit for the year	-2	4
Total assets	170	375
Liabilities	124	156
Recognised in the Schouw & Co. Group:		
Share of profit	-1	2
Share of equity	23	110
Goodwill	1	2
Carrying amount at 31 December	24	112

2018	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	8	4
Share of equity	27	107
Goodwill	1	2
Carrying amount at 31 December	28	109

Amounts in DKK million

Joint ventures:	**2019**	**2018**
Cost at 1 January	153	213
Disposals for the year	0	-60
Cost at 31 December	153	153
Adjustments at 1 January	-16	-44
Foreign exchange adjustments	-2	-9
Other changes in equity	0	-3
Disposals for the year	0	32
Share of profit after tax in joint ventures	1	8
Adjustments at 31 December	-17	-16
Carrying amount at 31 December	136	137

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Receivables – non-current

	2019	**2018**
Investment grants	43	56
Other non-current receivables	64	52
Total non-current receivables	107	108

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 2 million (2018: DKK 35 million).

Notes · invested capital

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Acquisitions

	Fibertex South Carolina	Alitec Pargua	HTR-Hydraulics OY	**Total 2019**	**2018**
Customer relations	0	0	13	13	199
Know-how	0	0	0	0	59
Other intangible assets	0	0	0	0	5
Property, plant and equipment	120	205	1	326	118
Financial assets	0	0	0	0	1
Inventories	9	53	7	69	471
Receivables	14	317	0	332	196
Cash and cash equivalents	1	11	0	12	125
Credit institutions	0	-66	0	-66	-159
Deferred tax	16	-33	-3	-20	-42
Provisions	0	0	0	0	-7
Trade payables	-19	-306	0	-325	-119
Other payables	-6	0	0	-6	-156
Current tax	0	0	0	0	-16
Net assets acquired	135	182	18	335	677
Fair value of original ownership interest	0	-91	0	-91	0
Goodwill	0	22	0	22	156
Acquisition cost	135	113	18	266	833
of which cash and cash equivalents	-1	-6	0	-6	-125
Total cash acquisition costs	134	107	18	259	708

Effective 11 January 2019, Fibertex Nonwovens acquired a spunlace production business in South Carolina, USA, for a consideration of DKK 134 million. The seller had established the company in 2016 and built a state-of-the-art spunlace production line. The new production site provides Fibertex Nonwovens with a strategically important foundation for further growth in the North American market.

In connection with the purchase price allocation, intangible assets and property, plant and equipment were identified at values that were DKK 2 million and DKK 59 million, respectively, lower, and a deferred tax asset of DKK 16 million deriving from those amounts. The acquisition involved costs of DKK 2.7 million, which amount has been recognised under administrative expenses. Acquired assets included trade receivables at a fair value of DKK 14 million. The contractual gross receivable also amounted to DKK 14 million.

Had the company been acquired effective from 1 January 2019, revenue would have been DKK 4 million higher, while profit would have been the same.

Effective 7 June 2019, BioMar acquired the outstanding 50% of the shares in the fish feed factory Alitec Pargua S.A. for a cash consideration of DKK 107 million. Prior to the acquisition, the company was owned and operated in conjunction with AquaChile and classified as a joint operation in accordance with IFRS. The acquisition of the shares marks an important increase of BioMar's production capacity in Chile's strategically important salmon market. Having full ownership of Alitec Pargua S.A. also strengthens BioMar's position in the Chilean market. BioMar is now able to serve a broader customer portfolio and to plan future factory upgrades and expansions for the benefit of a sustainable and innovative aquaculture industry, and to accommodate the growing demand for advanced feed solutions.

In accordance with IFRS, the company has measured all assets and liabilities, whether existing or acquired, at fair value for purchase price allocation purposes. In that connection, the company has identified property, plant and equipment at values that were DKK 80 million higher and deferred tax of DKK 22 million deriving from that amount. Goodwill has provisionally been calculated at DKK 22 million.

The remeasurement of the company's existing 50% ownership interest produced an accounting gain of DKK 29 million, which amount is recognised in "Gains on equity divestments". Assets include trade receivables at a fair value of DKK 317 million, of which DKK 253 million represents a receivable from BioMar Chile. No provision has been made for losses on claims.

Had Alitec Pargua been acquired effective on 1 January 2019, revenue would have been DKK 58 million higher and the full-year profit would have been DKK 2 million higher. BioMar incurred total transaction costs of DKK 0.5 million in connection with the acquisition.

Effective at 30 June, Alitec Pargua S.A. merged with BioMar Chile S.A., BioMar's other sales and production company in Chile . The merger was made at book values and did not affect the consolidated financial statements.

At 4 December 2019, HydraSpecma Finland OY acquired the activities of HTR-Hydraulics OY in Finland, taking over customers, inventories and employees. The transaction strengthens HydraSpecma Finland Oy's skills profile as a full-range supplier of hydraulic solutions in Finland. HTR-Hydraulics OY was founded in its current form in 2010, but the company name dates back to 1987. For 2018/19, HTR-Hydraulics OY reported revenue of almost DKK 25 million and EBITDA of just over DKK 4 million. Intangible assets of DKK 13.4 million consisting of customer relations have been identified in connection with the acquisition. Transaction costs incurred in connection with the acquisition amount to DKK 0.1 million, which has been recognised as administrative expenses.

Had HTR-Hydraulics OY been acquired effective on 1 January 2019, revenue would have been DKK 24 million higher and the full-year profit would have been DKK 3 million higher.

In 2018, the Group acquired CCS Group AG and the Brazilian nonwovens manufacturer Duci.

Amounts in DKK million

Notes · invested capital

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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 (2020-2024). 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 2,404 million at 31 December 2018. On 7 June 2019, BioMar acquired the outstanding 50% of the shares in the fish feed factory Alitec Pargua SA, resulting in the addition of DKK 22 million in goodwill. The Group has also had a positive foreign exchange adjustment of DKK 27, which derived mainly from foreign exchange adjustment in BioMar's subsidiary in Ecuador. In addition, Fibertex Nonwovens wrote down goodwill in its subsidiary in South Africa by DKK 2 million. Total goodwill for Schouw & Co. at 31 December 2019 amounted to DKK 2,451 million.

The required rate of return was calculated using WACC with the risk-free rate of interest based on the current required rate of return on a 10-year government bond. A risk premium is added to this rate depending on the industry, geography and the company's capital structure and based on a peer group, which would reflect the market view of an optimum capital structure. The rate of growth used to extrapolate company cash flows was fixed at 2%.

Goodwill relating to BioMar amounts to DKK 1,400 million, which is equal to about 57% of Schouw & Co.'s consolidated goodwill of DKK 2,451 million. The goodwill recognised in BioMar consists of DKK 600 million in BioMar Ecuador, while the remaining DKK 800 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 to 8.5 billion by 2030 and to 9.7 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 9% 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 in all material respects 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)	800	4.6%	6.1%	6.3%	50.8%	4.7pp
BioMar Ecuador (Alimentsa)	600	9.0%	13.0%	13.7%	10.4%	1.3pp
Fibertex Personal Care	99	1.3%	7.2%	7.3%	50.0%	4.9pp
Fibertex Nonwovens	120	5.2%	8.2%	8.6%	20.0%	1.4pp
HydraSpecma*	143	4.8%	7.5%	7.8%	15.0%	1.1pp
Borg Automotive	516	5.0%	7.4%	7.5%	19.0%	1.2pp
GPV**	156	2.2%	8.5%	8.6%	33.0%	3.7pp

* Goodwill relates only to Specma.
* Goodwill relates only to CCS.

The impairment test made at 31 December 2019 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 2019, Schouw & Co. had recognised other intangible assets of DKK 1,117 million, DKK 73 million less than at 31 December 2018, consisting mainly of amortisation of customer relations, brands and know-how.

Property, plant and equipment
In 2019, the Group identified assets with an indication of impairment in Fibertex South Africa, and the assets were written down by DKK 7.0 million in 2019. In addition, the GRP group identified impairment and wrote down assets by DKK 0.2 million.

Investments in joint ventures and associates
In 2018 and 2019, 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:
16 Financial income
17 Financial expenses
18 Interest-bearing debt
19 Net interest-bearing debt
20 Share capital

Comments

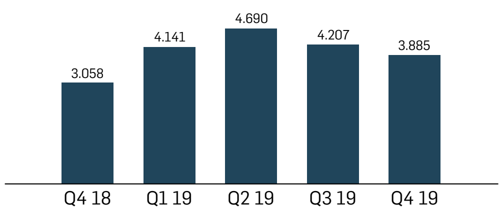
Financial income
Financial income of DKK 84 million in 2019 included fair value adjustment of securities of DKK 5 million. Adjusted for this amount, financial income amounted to DKK 80 million, compared with DKK 49 million in 2018.

Foreign exchange gains increased by DKK 27 million and interest income increased by DKK 3 million.

Financial expenses
Financial expenses amounted to DKK 164 million in 2019 compared with DKK 119 million in 2018. Interest expenses increased from DKK 53 million in 2018 to DKK 99 million in 2019, of which interest on recognised leases accounted for DKK 26 million. Financial expenses also included foreign exchange losses of DKK 45 million compared with DKK 48 million in 2018. Dividends paid to the minority shareholder in BioMar Ecuador amounted to DKK 20 million compared with DKK 15 million in 2018.

Liabilities
Interest-bearing debt was DKK 3,885 million at 31 December 2019, representing a year-on-year increase of DKK 827 million. The increase was due entirely to the addition of IFRS 16 debt, which amounted to DKK 840 million at 31 December 2019. A large part of the Group's debt is in Danish kroner or in euro, these currencies representing 51% of total debt in 2019 (2018: 71%). In addition, 41% of the Group's debt was relatively evenly distributed on the currencies NOK, USD, AUD, GBP and SEK, reflecting the countries in which the Group has extensive business activity.

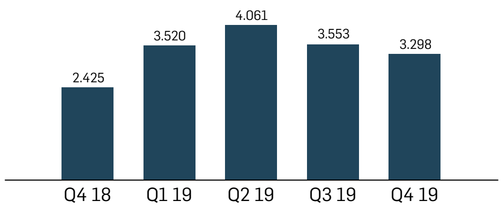
Interest-bearing debt



Net interest-bearing debt
Net interest-bearing debt increased by DKK 873 million during 2019 due mainly to IFRS 16 to stand at DKK 3,298 million at December 31, 2019.

Among other large items that have also had an effect on net interest-bearing debt is cash flows from operating activities, which reduced the debt by DKK 1,410 million in 2019. Conversely, total investments and net financing activities including dividend payments increase the debt by a total of DKK 1,464 million.

Net interest-bearing debt



Treasury shares
The share capital was unchanged at 25,500,000 shares.

At 31 December 2018, Schouw & Co. held 1,806,997 treasury shares, corresponding to 7.09% of the share capital. In 2019, the Group sold 262,717 treasury shares for purposes of its share option programme. Accordingly, Schouw & Co. held 1,544,280 treasury shares at 31 December 2019, corresponding to 6.06% 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, lease liabilities, 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

16
Financial income

	2019	2018
Interest income	15	12
Foreign exchange adjustments	64	37
Fair value adjustment of financial assets	5	30
Total	84	79

17
Financial expenses

	2019	2018
Interest expense	-69	-48
Lease interest expense	-26	0
Fair value adjustment of hedging transactions transferred from equity	-4	-5
Foreign exchange adjustments	-45	-48
Dividend to non-controlling shareholders in BioMar Ecuacor (Alimentsa)	-20	-15
Fair value adjustment of financial assets	0	-3
Total	-164	-119

Borrowing costs of DKK 6.8 million were capitalised in 2019 based on an average rate of interest of 2.5% p.a. Borrowing costs capitalised in 2018 amounted to DKK 2.0 million.

18
Interest-bearing debt

Debt recognised in the balance sheet:

	2019	2018
Credit institutions (non-current)	2,186	1,618
Mortgage debt (non-current)	140	125
Lease debt (non-current)	651	6
Recognised as non-current interest-bearing debt	2,976	1,749
Current portion of mortgage debt	42	26
Current portion of lease debt	189	5
Credit institutions (current)	678	1,278
Recognised as current interest-bearing debt	909	1,309
Total interest-bearing debt	3,885	3,058

The fair value of interest-bearing debt corresponds in all material respects to the carrying amount.

Maturity profile of interest-bearing debt:

	2019	2018
Principal repayment		
Overdraft facilities	548	1,026
Less than 1 year	412	317
1-5 years	2,714	1,750
More than 5 years	365	45
Total	4,040	3,138
Interest		
Overdraft facilities	0	0
Less than 1 year	51	34
1-5 years	88	44
More than 5 years	15	2
Total	154	80
Carrying amount		
Overdraft facilities	548	1,026
Less than 1 year	360	283
1-5 years	2,626	1,706
More than 5 years	350	43
Total	3,885	3,058

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

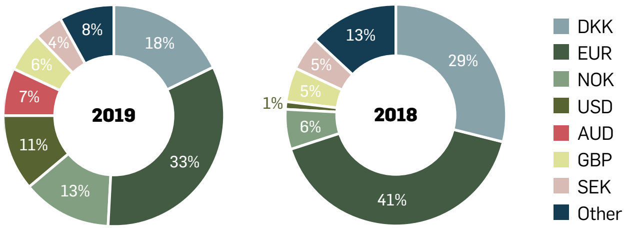
Amounts in DKK million

Notes · capital structure

18
Interest-bearing debt (continued)

	2019	2018
Weighted average effective rate of interest for the year was (%)	2.5	2.4
Weighted average effective rate of interest at the balance sheet date was %.	2.2	1.8

Percentage breakdown of interest-bearing debt by currency:



Breakdown of lease assets included in interest-bearing debt (2018 finance leases):

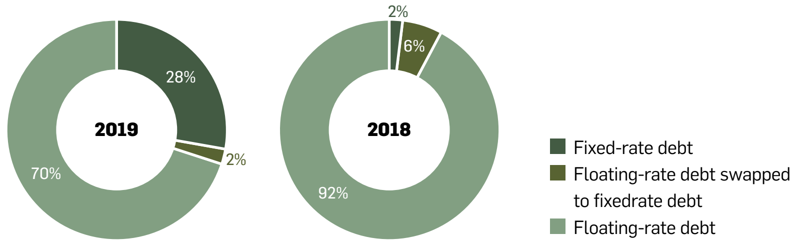
	2019	2018
Lease payment		
Expiry in less than 1 year	211	6
Expiry in 1-5 years	571	7
Expiry after more than 5 years	131	0
Total	913	12
Interest		
Expiry in less than 1 year	22	1
Expiry in 1-5 years	41	0
Expiry after more than 5 years	11	0
Total	73	1
Carrying amount		
Expiry in less than 1 year	189	5
Expiry in 1-5 years	530	6
Expiry after more than 5 years	121	0
Total	840	11

Amounts in DKK million

The fair value of liabilities relating to lease assets corresponds in all material respects to the carrying amount. The lease liability was calculated using mainly an alternative discount rate based on the lease term, the base rate of the country in question and a risk premium, among other factors. The average discount rate applied was 2.9% per annum.

Total lease payments made in 2019 amounted to DKK 208 million, consisting of a repayment of DKK 182 million and calculated lease interest expenses of DKK 26 million.

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. Interest on lease debt is treated as fixed-rate debt.

	2019	2018
Interest hedging expires in:		
Less than 1 year	0	50
1-5 years	100	122
More than 5 years	18	18
Total	118	190

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by about DKK 21 million after tax (2018: DKK 22 million).

Notes · capital structure

18

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:

	2019	2018
Credit lines	2,968	3,531
Drawn operating credits	-1,676	-2,485
Cash and cash equivalents	538	585
Capital resources	1,830	1,630

The Group's companies get a significant proportion of their financing from resources and credit facilities of the parent company Schouw & Co.

The parent company's source of financing is a credit facility established in 2016 with a bank consortium consisting of Danske Bank, DNB and Nordea. The amount of the credit facility is DKK 2.1 billion, with drawings at 31 December 2019 amounting to DKK 1.1 billion. In addition, a three-tranche Schuldschein loan was raised in April 2019 with a maturity of five to seven years. The Schuldschein loans were issued at a total loan amount of EUR 136 million (DKK 1,016 million), with EUR 109 million at five-year maturity and the remaining EUR 27 million at seven-year maturity.

In 2019, the Schouw & Co. Group expanded its banking arrangements with the global bank HSBC (Hongkong & Shanghai Banking Corporation). Through HSBC, Schouw & Co. has established credit facilities in geographies where establishing intra-group loans can be difficult and where foreign subsidiaries have previously used local banks at less attractive borrowing terms. The Schouw & Co. Group has established loan facilities and loans with HSBC for a total amount of DKK 425 million with drawings at 31 December 2019 amounting to DKK 306 million.

Capital management

Schouw & Co. gives priority to having a high equity ratio in order to ensure financial versatility. The Group believes that its capital resources of DKK 1,830 million represent appropriate cash resources.

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Net interest-bearing debt

			Non-cash items				
2019	Beginning of year	Cash flows	Acquisitions	Divestments	Foreign exchange adjustments	Leases	End of year
Interest-bearing liabilities:							
Non-current debt	1,749	537	0	0	19	671	2,976
Current debt	1,309	-761	33	0	7	321	909
Total interest-bearing liabilities	3,058	-224	33	0	26	992	3,885
Interest-bearing assets:							
Non-current receivables	35	-7	0	0	0	-26	2
Current receivables	14	6	0	0	2	26	47
Cash and cash equivalents	585	-61	6	0	8	0	538
Total interest-bearing assets	633	-62	6	0	10	0	587
Net interest-bearing debt	2,425	-162	27	0	17	992	3,298

			Non-cash items				
2018	Beginning of year	Cash flows	Acquisitions	Divestments	Foreign exchange adjustments	Leases	End of year
Interest-bearing liabilities:							
Non-current debt	1,366	398	0	-17	-2	4	1,749
Current debt	440	699	158	0	12	0	1,309
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

Amounts in DKK million

Notes · capital structure

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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 2018	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%
Share option programme	-262,717	-2,627,170	-35	-1.03%
31 December 2019	1,544,280	15,442,800	469	6.06%

In 2019, Schouw & Co. sold shares held in treasury for proceeds of DKK 112 million used for the Group's share option programme. The shares had a fair value of DKK 134 million at the time of sale.

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 01 April 2021.

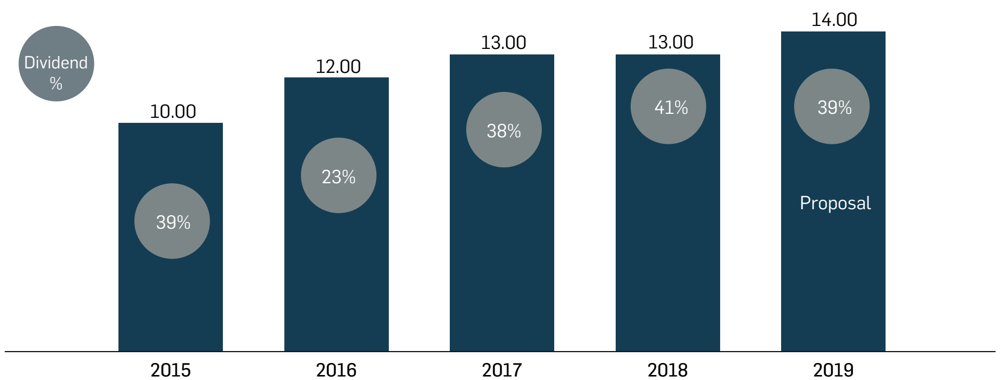
The company acquires treasury shares for allocation to the Group's share option programmes. At 31 December 2019, the company's treasury shares had a market value of DKK 865 million (2018: DKK 877 million). The portfolio of treasury shares is recognised at DKK 0.

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

Dividend

A dividend of DKK 14 per share is proposed in respect of the 2019 financial year for a total dividend amount of DKK 357 million and a dividend payout of 39% of the profit for the year. On 16 April 2019, the Group paid dividend in respect of 2018 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:
21 Tax on profit/loss for the year
22 Deferred tax
23 Corporate income tax

Comments

Corporate income tax
Schouw & Co. recorded a profit for the year before tax of DKK 1,149 million, resulting in total tax for the year of DKK 243 million for an effective tax rate of 21.2%. 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 write-down of tax assets and non-recognised tax assets, prior-year adjustments and the effect of changes in tax rates, etc. When adjusted for these items, the Group's weighted tax rate was 24.6%.

Accounting policies

Taxation
Schouw & Co. is taxed jointly with all its Danish subsidiaries. The current Danish income tax liability is allocated among the companies in the joint taxation 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. Tax for the year comprises current tax and changes in deferred tax for the year. In addition, the tax for the year comprises changes to prior-year tax and changes in assessed provisions for uncertain tax positions. Tax for the year is recognised in the income statement as regards the amount attributable to the profit for the year and in equity as regards the amount attributable to equity entries.

In certain countries, the distribution of dividends is liable to taxation. Provisions are made for tax on dividends 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 tax of the profit for the year. The tax value of 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-depreciable goodwill for tax purposes and other items for which timing differences have arisen at the acquisition date without affecting the profit for the year or taxable income.

Deferred tax assets, including the tax value 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.

Depending on type, uncertain tax positions are measured either as a probability-weighted average of possible outcomes or as the most likely outcome. Uncertain tax positions are recognised in the tax positions they relate to, i.e. as current tax or deferred tax as the case may be.

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 22%.

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

Deferred tax, including tax loss carryforward, is recognised at the tax rate expected to apply taking into account current local tax rules. Tax loss carryforward is 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 and they 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 2019, the Group had capitalised tax losses at a value of DKK 51 million, which are expected to be utilised within the next few years. Non-recognised tax losses at a total value of DKK 114 million for tax purposes are not expected to be utilised within the next few years. More than one third of these non-recognised losses relates to Fibertex South Africa, which has encountered very difficult market conditions.

A pending case involving the Malaysian tax authorities is discussed in the note on "Deferred tax".

Notes · tax

21
Tax on profit/loss for the year

	2019	2018
Tax on profit for the year is specified as follows:		
Tax on profit/loss for the year	-243	-290
Tax on other comprehensive income	-1	-1
Total tax	-244	-291
Tax on profit for the year has been calculated as follows:		
Current tax	-313	-262
Deferred tax	63	-8
Change in deferred tax due to change in tax rates	2	-14
Adjustment of prior-year tax charge	5	-6
Total tax recognised in the income statement	-243	-290
Specification of 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%	2.6%	3.1%
Weighted consolidated income tax rate	24.6%	25.1%
Change of tax rates	-0.2%	1.3%
Tax effect of non-deductible costs and non-taxable income	-1.9%	0.3%
Tax effect on share of profit in associates and joint ventures	-0.9%	-2.1%
Tax effect of investment grant	-0.1%	-0.2%
Tax effect of adjustment of prior-year tax charge	-0.4%	0.5%
Tax effect of revaluation of tax asset	0.5%	1.2%
Tax effect of change of non-recognised tax assets for the year	-0.4%	0.6%
Effective tax rate	21.2%	26.7%

		2019	
Tax on items recognised in other comprehensive income	**Before tax**	**Taxation**	**After tax**
Foreign exchange adjustments of foreign entities, etc.	163	0	163
Hedging instruments for the year	0	0	1
Hedging instruments transferred to cost of sales	2	0	2
Hedging instruments transferred to financials	4	-1	3
Other comprehensive income from associates and joint ventures	9	0	9
Adjustment of defined benefit pension plan	3	0	3
Total tax on items recognised in other comprehensive income	181	-1	180

		2018	
Tax on items recognised in other comprehensive income	**Before tax**	**Taxation**	**After tax**
Foreign exchange adjustments of foreign entities, 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
Total tax on items recognised in other comprehensive income	87	-1	86

Amounts in DKK million

Notes · tax

22
Deferred tax

2019

Change in deferred tax	Balance at 1 Jan.	Foreign exchange adjustments	Additions on acquisitions	Disposals on divestment	Recognised in the profit for the year	Recognised in equity	Balance at 31 December
Intangible assets	258	3	2	0	-24	0	239
Property, plant and equipment	215	4	20	-5	8	0	241
Receivables	-24	0	0	0	-8	0	-32
Inventories	10	-1	0	0	-7	0	2
Other current assets	1	0	0	0	12	0	13
Shareholders' equity	8	0	0	0	1	1	9
Provisions	-20	0	0	0	-17	0	-37
Other liabilities	-52	-1	-2	0	-24	0	-79
Recaptured losses	-16	0	0	0	-3	0	-19
Tax losses	-50	0	0	0	-1	0	-51
Total change in deferred tax	331	5	20	-5	-65	1	286

2018

Change in deferred tax	Balance at 1 Jan.	Foreign exchange adjustments	Additions on acquisitions	Disposals on divestment	Recognised in the profit for the year	Recognised in equity	Balance at 31 December
Intangible assets	207	3	46	0	2	0	258
Property, plant and equipment	194	3	5	0	13	0	215
Receivables	-3	0	1	0	-18	-4	-24
Inventories	6	1	9	0	-5	0	10
Other current assets	0	0	0	0	2	0	1
Shareholders' equity	3	0	0	0	1	5	8
Provisions	-7	0	-15	0	2	0	-20
Other liabilities	-44	0	0	0	-8	0	-52
Recaptured losses	-17	0	-3	0	4	0	-16
Tax losses	-87	0	0	0	37	0	-50
Total change in deferred tax	251	8	42	0	29	1	331

Amounts in DKK million

Notes · tax

22
Deferred tax (continued)

	2019	2018
Deferred tax at 1 January	331	251
Change of accounting policies	0	-4
Foreign exchange adjustments	5	8
Deferred tax adjustment at 1 January	0	8
Deferred tax for the year recognised in profit/loss for the year	-63	8
Change of tax rates	-2	14
Deferred tax for the year recognised in equity	1	5
Additions on acquisitions	20	42
Disposals on divestment	-5	0
Deferred tax at 31 December, net	286	331
Deferred tax is recognised as follows in the balance sheet:		
Deferred tax (asset)	-122	-66
Deferred tax (liability)	409	397
Deferred tax at 31 December, net	286	331

The Schouw & Co. Group has capitalised tax assets of DKK 122 million. It is expected that the tax capitalised will be absorbed by taxable income within the next few years. All deferred tax liabilities have been recognised in the balance sheet.

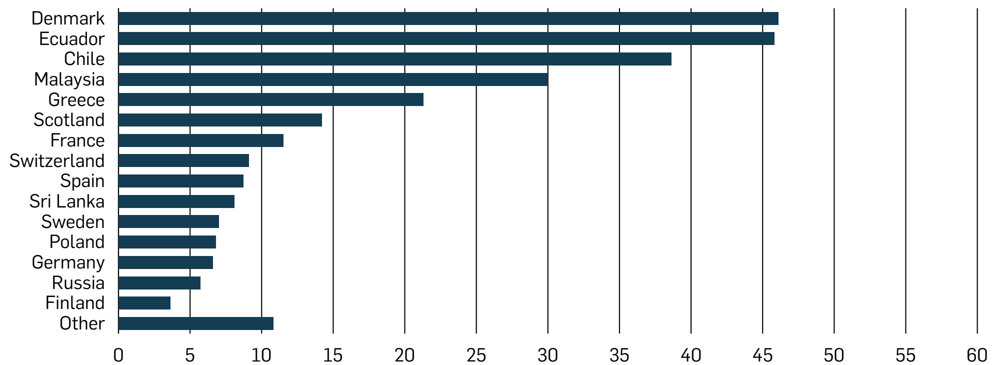
Tax loss carryforward with an aggregate tax value of DKK 114 million (2018: DKK 69 million) have not been capitalised, because it is considered unlikely that they will be realised.

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 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 2019.

23
Corporate income tax

	2019	2018
Income tax payable at 1 January	46	34
Foreign exchange adjustments	4	-1
Current tax for the year	313	262
Adjustment related to prior years	-10	-6
Current tax for the year recognised in other comprehensive income	1	1
Current tax on other equity adjustments	-1	-5
Additions on company acquisitions	0	16
Income tax paid during the year	-274	-254
Income tax at 31 December	78	46
which is specified as follows:		
Income tax receivable	-37	-94
Income tax payable	114	140
Income tax at 31 December	78	46

Income tax paid by country, 2019



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:

Comments

Securities
The carrying amount of the Group's securities at 31 December 2019 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 liabilities
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 liabilities. 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.

Other notes to the consolidated financial statements

24
Adjustment for non-cash transactions

	2019	2018
Purchase of intangible assets	-32	-34
of which was not paid at the balance sheet date/date of adjustment for the year	2	0
Paid relating to purchase of intangible assets	-30	-34
Purchase of property, plant and equipment	-774	-689
of which was not paid at the balance sheet date/date of adjustment for the year	0	0
Of which assets held under finance leases	0	4
Paid relating to purchase property plant and equipment	-774	-685
Financial liabilities incurred	1,168	4
of which lease debt	-147	-4
Proceeds from incurring financial liabilities	1,020	0

25
Securities

	2019	2018
Securities measured at fair value		
Cost at 1 January	57	14
Additions	0	43
Cost at 31 December	57	57
Adjustments at 1 January	18	-10
Dividends paid	-1	0
Adjustments recognised in the income statement	5	27
Adjustments at 31 December	22	18
Carrying amount at 31 December	79	75

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.

Amounts in DKK million

26
Liability regarding put option

	2019	2018
Put option at 1 January	321	237
Foreign exchange adjustments	8	13
Change in liability during the year	40	71
Carrying amount at 31 December	369	321

The put option pertains to BioMar's obligation to buy the outstanding 30% of the shares in BioMar Ecuador (Alimentsa). As the seller will be able to exercise the put option from September 2020, the debt liability was recognised as current debt effective from 31 December 2019.

27
Other payables

	2019	2018
Pension liabilities	115	112
Provisions	32	18
Other payables	83	61
Prepayments	77	84
Total other payables	306	275

It is group policy to insure all pension liabilities and predominantly to avoid defined benefit plans. Provisions for defined benefit pension liabilities exist mainly as a result of the acquisition of CCS in 2018. Total pension liabilities amounted to DKK 115 million at 31 December 2019 compared with DKK 112 million at 31 December 2018. CCS has pension plans in several units, but mainly relating to Switzerland where the liability was DKK 76 million at 31 December 2019. Like last year, provisions were actuarially calculated, and the DKK 3 million adjustment for the year was recognised as other comprehensive income. Gross liabilities amounted to a total of DKK 364 million at 31 December 2019, and the corresponding gross assets in Switzerland amounted to DKK 288 million. The net pension liability in Switzerland was calculated using a discount rate of 0.30%.

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 cores liability in Borg Automotive. Deferred income mainly consists of investment grants.

Other notes to the consolidated financial statements

28
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 2019.

The Chilean competition authority, Fiscalia Nacional Económica ("FNE"), initiated an investigation of the Chilean fish feed industry in October 2016. As part of the investigation, BioMar Chile SA and other companies were subject to unannounced inspections. Naturally, BioMar Chile has been cooperative, responding to questions and providing documentation to the extent possible. Further to the industry investigation, the FNE indicted four Chilean fish feed producers, including BioMar Chile SA, on 19 December 2019 on charges of concerted practice, claiming that BioMar Chile SA be fined up to 30,000 annual tax units, which at 31 December 2019 corresponded to approximately USD 24 million. The charges are based on isolated circumstances related to the Chilean fish feed industry during the 2003-2015 period. At the present time, the FNE has produced only a modest amount of information to support its claim, and the case is in the early stages of a process expected to last from two to four years before it can be concluded.

BioMar Chile does not acknowledge the charges and intends to rebut the charges that it has participated in concerted practices so as to restrict competition in the industry. Based on the Chilean lawyers' opinion in the matter and the information currently available, management believes it is not likely that BioMar will be convicted of participating in concerted practices. Accordingly, no provisions have been recognised at 31 December 2019 concerning claim submitted.

29
Guarantees

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

	2019	2018
Land and buildings	521	680
Plant and machinery	75	82
Current assets	811	736
Total	1,407	1,498

The collateral set out above represents the Group's debt to credit and mortgage-credit institutions of DKK 197 million (2018: DKK 370 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 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 2019, the maximum credit risk considering the collateral provided was DKK 4,074 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	8.2%	-20
USD/NOK	10.2%	18
ZAR/DKK	15.7%	9
CNY/DKK	7.9%	6
USD/CLP	10.0%	6
USD/CHF	11.0%	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 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.

	2019	2018
Market value of hedges		
Currency hedges	2	-1
Interest hedges	-6	-9
Recognised before tax	-4	-10
Tax on recognised hedge transactions	1	2
Hedging agreements after tax	-3	-8
Currency hedging agreements expire in maximum (number of months)	20	19
Interest hedging agreements expires in maximum (number of months)	84	96

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:

2019	Carrying amount	Overdraft facilities without planned repayment	Cash flows including interest: Less than 1 year	After one year through five years	More than 5 years	Total
Non-derivative financial instruments						
Banks and other credit institutions	3,046	548	201	2,144	233	3,127
Lease debt	840	0	211	571	131	913
Trade payables	3,218	0	3,218	0	0	3,218
Other payables	1,312	0	1,255	81	0	1,336
Derivative financial instruments:						
Forward currency contracts used as hedging instruments	20	0	20	0	0	20
Interest rate swaps used as hedging instruments	6	0	1	5	0	6
Recognised in balance sheet total	8,441	548	4,906	2,800	365	8,619
Contractual obligations to purchase property plant and equipment			121	0	0	121
Total debt liabilities			5,027	2,800	365	8,740

2018	Carrying amount	Overdraft facilities without planned repayment	Cash flows including interest: 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			4,823	2,685	239	8,773

Amounts in DKK million

Other notes to the consolidated financial statements

31
Categories of financial assets and liabilities

Financial assets	**2019**	**2018**
Non-current assets		
Securities (1)	2	1
Other securities and investments (2)	76	72
Other securities and investments (3)	1	1
Financial assets at fair value through profit or loss	79	75
Other receivables	102	108
Receivables are measured at amortised cost.	102	108
Current assets		
Trade receivables	3,790	3,596
Other receivables	242	239
Cash and cash equivalents	538	585
Receivables are measured at amortised cost.	4,571	4,420
Derivative financial instruments (2)	14	20
Hedging instruments measured at fair value	14	20
Financial liabilities		
Non-current liabilities		
Debt to mortgage-credit institutions	140	125
Other credit institutions	2,836	1,625
Other payables	83	382
Financial liabilities measured at amortised cost	3,059	2,132
Current liabilities		
Debt to mortgage-credit institutions	42	26
Other credit institutions	867	1,283
Trade payables and other payables	4,447	3,996
Financial liabilities measured at amortised cost	5,356	5,305
Derivative financial instruments (2)	26	21
Hedging instruments measured at fair value	26	21

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 corresponds in all material respects to the carrying amount.

Listed equities measured at the official year-end market value (level 1) amounted to DKK 2 million (2018 DKK 1 million). Securities measured at fair value through other comprehensive income (level 3) amounted to DKK 1 million at the beginning of the year and was unchanged at DKK 1 million at the end of 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

	2019	2018
Statutory audit fees, EY	-11	-9
Fees for other assurance engagements, EY	-2	-1
Fees for tax and VAT-related services, EY	-2	-3
Non-audit services, EY	-1	-5
Total fees, EY	-16	-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)

	2019	2018
Share of the profit for the year attributable to shareholders of Schouw & Co	911	801
Average number of shares	25,500,000	25,500,000
Average number of treasury shares	-1,709,337	-1,543,980
Average number of outstanding shares	23,790,663	23,956,020
Average dilutive effect of outstanding share options *	2,090	61,084
Diluted average number of outstanding shares	23,792,753	24,017,104
Earnings per share of DKK 10	38.27	33.43
Diluted earnings per share of DKK 10	38.27	33.35

* 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.

	2019	2018
Joint ventures:		
During the financial year, the Group sold goods in the amount of	30	18
At 31 December the Group had a receivable in the amount of	35	22
At December 31, the Group had debt in the amount of	1	1
Associates:		
During the financial year, the Group sold goods in the amount of	316	327
During the financial year, the Group bought goods in the amount of	99	136
At 31 December the Group had a receivable in the amount of	133	132
At December 31, the Group had debt in the amount of	62	86
During the financial year, the Group received dividends in the amount of	11	0

During 2019, the Group traded with BioMar-Sagun, BioMar-Tongwei, LetSea and ATC Patagonia, Salmones Austral, LCL Shipping, Young Tech Co., Micron Specma India and NGIN.

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. (6.06%).

35
Events after the balance sheet date

Other than as set out elsewhere in this annual report, Schouw & Co. is not aware of events occurring after 31 December 2019 which are expected to have a material effect on the Group's financial position or outlook.

36
New financial reporting regulations

As of the date of release of this annual report, the ISAB had issued a number of new and amended financial reporting standards and interpretations which are not mandatory for Schouw & Co. in 2019, including additions to IFRS 3 and IAS 1.

Adopted standards and improvements that have not yet come into force are implemented as and when they become mandatory to Schouw & Co. as per the EU effective dates. None of the above-mentioned standards and interpretations are expected to influence recognition and measurement for Schouw & Co.

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**	**2019**	**2018**
1	Revenue	10.4	9.5
2, 24	Administrative expenses	-41.6	-40.1
	EBIT	-31.2	-30.5
9	Recognition of share of profit in subsidiaries	877.4	746.8
	Recognition of share of profit in associates	0.0	-0.4
	Recognition of share of profit in joint ventures	0.0	-4.9
12	Gains from the sale of equity investments	0.0	9.1
13	Financial income	100.6	104.3
14	Financial expenses	-41.6	-24.3
	Profit before tax	905.2	799.9
20	Tax on profit/loss for the year	-6.2	-5.7
	Profit for the year	899.1	794.2
	Proposed distribution of profit		
	Proposed dividend of DKK 14 per share (2018: DKK 13 per share)	357.0	331.5
	Retained earnings	542.1	462.7
	Profit for the year	899.1	794.2

Note	**Statement of comprehensive income**	**2019**	**2018**
	Items that can be reclassified to the income statement:		
	Hedging instruments transferred to financials	1.0	2.0
	Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	179.6	74.3
20	Tax on other comprehensive income	-0.2	-0.4
	Other comprehensive income after tax	180.3	75.9
	Profit for the year	899.1	794.2
	Total recognised comprehensive income	1,079.4	870.1

Amounts in DKK million

Balance sheet · Assets and liabilities

Note	Total assets	31/12 2019	31/12 2018
6	Intangible assets	1.0	0.0
7	Property, plant and equipment	18.9	19.2
8	Lease assets	0.7	0.0
9	Investments in subsidiaries	7,602.3	6,920.4
10	Securities	76.0	72.8
21	Deferred tax	6.2	9.5
11	Receivables from subsidiaries	1,001.1	1,051.0
	Total non-current assets	8,706.3	8,072.8
11	Receivables from subsidiaries	3,281.2	3,040.8
3	Receivables	9.4	13.6
23	Corporate income tax	0.0	4.9
	Cash and cash equivalents	15.5	52.2
	Total current assets	3,306.1	3,111.5
	Total assets	12,012.4	11,184.3

Note	Liabilities and equity	31/12 2019	31/12 2018
16	Share capital	255.0	255.0
	Hedge transaction reserve	0.0	-0.6
	Net revaluation reserve as per the equity method	3,571.6	2,989.7
	Retained earnings	5,336.2	5,049.6
	Proposed dividend	357.0	331.5
	Total equity	9,519.8	8,625.3
17	Pensions and provisions	17.6	20.7
15	Interest-bearing debt	2,110.0	1,463.8
	Non-current liabilities	2,127.6	1,484.5
15	Interest-bearing debt	344.2	1,052.4
5	Trade payables and other payables	13.5	11.4
22	Joint taxation contributions	5.2	10.7
17	Provisions	2.0	0.0
	Current liabilities	365.0	1,074.5
	Total liabilities	2,492.5	2,559.0
	Total equity and liabilities	12,012.4	11,184.3

Notes without reference 18, 19, 25.

Amounts in DKK million

Cash flow statement

1 January – 31 December

Note		2019	2018
	Profit before tax	905.2	799.9
	Adjustment for operating items of a non-cash nature, etc.		
2	Depreciation and impairment losses	0.6	0.4
	Other non-cash operating items, net	6.4	4.1
	Share of profit from subsidiaries, associates and joint ventures	-877.4	-750.5
	Provisions	-0.9	-0.9
	Financial income	-100.6	-104.3
	Financial expenses	41.6	24.3
	Cash flows from operations before changes in working capital	-25.2	-26.9
4	Changes in working capital	1.4	-2.9
	Cash flows from operations	-23.7	-29.8
	Financial income received	96.8	73.5
	Financial expenses paid	-38.4	-22.7
	Cash flows from ordinary activities	34.6	21.0
22, 23	Joint taxation contribution received and net tax paid	-3.6	-6.5
	Cash flows from operating activities	31.0	14.4
	Purchase of intangible assets	-1.0	0.0
	Purchase of property, plant and equipment	-0.1	-0.3
	Capital increase in subsidiaries	-100.0	-576.4
	Sale of subsidiaries	0.0	11.8
	Dividends received from subsidiaries and associates	467.0	548.1
	Sales of associates	0.0	43.3
	Additions/disposals of other financial assets	3.1	0.0
	Cash flows from investing activities	369.1	26.4

Note		2019	2018
	Loan financing:		
	Repayment of non-current liabilities	-0.8	-0.5
	Non-current debt raised	1,015.3	0.0
	Change in bank overdrafts	-1,116.3	1,217.9
	Change in intra-group balances	-153.3	-806.3
	Shareholders:		
	Dividends paid	-309.1	-312.2
	Treasury shares, etc. bought/sold	127.5	-150.4
	Cash flows from financing activities	-436.7	-51.5
	Cash flows for the year	-36.6	-10.7
	Cash and cash equivalents at 1 January	52.2	62.8
	Value adjustment of cash and cash equivalents	0.0	0.0
	Cash and cash equivalents at 31 December	15.5	52.2

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 1 January 2018	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
Foreign exchange adjustment, etc. 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 from 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
Other comprehensive income in 2019						
Value adjustment of hedging instruments for the year		-0.2	0.0	0.2	0.0	0.0
Hedging instruments transferred to financials		1.0	0.0	0.0	0.0	1.0
Value adjustment of subsidiaries, associates and joint ventures		0.0	179.6	0.0	0.0	179.6
Tax on other comprehensive income		-0.2	0.0	0.0	0.0	-0.2
Profit for the year		0.0	877.4	-335.3	357.0	899.1
Total recognised comprehensive income		0.6	1,057.0	-335.1	357.0	1,079.4
Transactions with the owners						
Share-based payment, net		0.0	0.2	20.3	0.0	20.5
Value adjustment of put option in subsidiary		0.0	-8.3	0.0	0.0	-8.3
Distributed dividends		0.0	-467.0	489.4	-331.5	-309.1
Treasury shares bought/sold		0.0	0.0	112.0	0.0	112.0
Total transactions with owners during the year		0.0	-475.1	621.7	-331.5	-184.9
Equity at 31 December 2019	255.0	0.0	3,571.6	5,336.2	357.0	9,519.8

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 2019. Other than the implementation of IFRS 16, 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

	2019	2018
Management fee	10.4	9.5
Total revenue	10.4	9.5

2
Costs

	2019	2018
Staff costs		
Remuneration to the Board of Directors of Schouw & Co.	-3.2	-3.2
Wages and salaries	-22.0	-19.3
Defined contribution pension plans	-1.6	-1.4
Other social security costs	-0.1	-0.1
Share-based payment	-4.7	-4.4
Total staff costs	-31.6	-28.4
Average no. of employees	14	13
Amortisation		
Depreciation of property, plant and equipment	-0.3	-0.4
Depreciation of lease assets	-0.2	0.0
Total depreciation	-0.6	-0.4
Depreciation is recognised in the income statement as follows:		
Administration	-0.6	-0.4
Total depreciation	-0.6	-0.4

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

	2019	2018
Other current receivables	1.9	7.9
Prepayments	7.5	5.8
Total receivables	9.4	13.6

No impairment losses were recognised on receivables during the year.

4
Changes in working capital

	2019	2018
Change in receivables	0.7	-2.1
Change in trade payables and other payables	0.8	-0.8
Total changes in working capital	1.4	-2.9

5
Trade payables and other payables

	2019	2018
Trade payables	0.8	1.1
Other payables	12.7	10.2
Total trade payables and other payables	13.5	11.4

Amounts in DKK million

Notes to the parent company financial statements

6
Intangible assets

2019	IT projects	Total
Cost at 1 January 2019	0.0	0.0
Additions	1.0	1.0
Disposals	0.0	0.0
Cost at 31 December 2019	1.0	1.0
Amortisation and impairment at 1 January 2019	0.0	0.0
Amortisation and impairment of disposed assets	0.0	0.0
Amortisation	0.0	0.0
Amortisation and impairment at 31 December 2019	0.0	0.0
Carrying amount at 31 December 2019	1.0	1.0
Amortised over	5 years	

7
Property, plant and equipment

2019	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	19.0	8.0	26.9
Additions	0.0	0.1	0.1
Disposals	0.0	-1.2	-1.2
Cost at 31 December 2019	19.0	6.8	25.8
Amortisation and impairment at 1 January 2019	-2.9	-4.9	-7.8
Amortisation and impairment of disposed assets	0.0	1.2	1.2
Amortisation	0.0	-0.3	-0.3
Amortisation and impairment at 31 December 2019	-2.9	4.0	7.0
Carrying amount at 31 December 2019	16.1	2.8	18.9
Amortised over	25 years	3-8 years	

Amounts in DKK million

2018	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 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

At 31 December 2019, Schouw & Co. owned the property at Chr. Filtenborgs Plads 1, Aarhus, which is the Group's head office, and an undeveloped site at Lystrup, Denmark.

8
Lease assets

2019	Total
Effects of transition to IFRS 16	0.5
Cost at 1 January 2019 under IFRS 16	0.5
Additions	0.5
Disposals	-0.0
Cost at 31 December 2019	0.9
Amortisation and impairment at 1 January 2019	0.0
Amortisation and impairment of disposed assets	0.0
Amortisation	-0.2
Amortisation and impairment at 31 December 2019	-0.2
Carrying amount at 31 December 2019	0.7

Notes to the parent company financial statements

9
Investments in subsidiaries

The parent company has the following subsidiaries:

Name	Registered office	Ownership interest 2019	Ownership interest 2018
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%
HydraSpecma A/S	Skjern, Denmark	100%	100%
Borg Automotive Holding A/S	Silkeborg, Denmark	100%	100%
GPV International A/S	Vejle, Denmark	100%	100%
Alba Ejendomme A/S	Aarhus, Denmark	100%	100%

	2019	2018
Cost at 1 January	3,930.7	3,980.3
Additions during the year	100.0	580.9
Disposals for the year	0.0	-630.5
Cost at 31 December	4,030.7	3,930.7
Adjustments at 1 January	2,989.8	2,122.8
Disposals for the year	0.0	606.5
Share of profit for the year	877.4	746.8
Dividends paid	-467.0	-548.1
Other capital entries	171.5	61.7
Adjustments at 31 December	3,571.6	2,989.8
Carrying amount at 31 December	7,602.3	6,920.4
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.

10
Securities

	2019	2018
Cost at 1 January	43.1	0.0
Additions	0.0	43.0
Cost at 31 December	43.1	43.1
Adjustments at 1 January	29.7	0.3
Dividends received	-0.6	0.0
Adjustments recognised in the income statement	3.8	29.4
Adjustments at 31 December	33.0	29.7
Carrying amount at 31 December	76.0	72.8

Securities consist mainly of a 15.8% shareholding in Incuba A/S.

11
Receivables from subsidiaries

	2019	2018
Receivables from subsidiaries – non-current	1,001.1	1,051.0
Receivables from subsidiaries – current	3,281.2	3,040.8
Total receivables from subsidiaries	4,282.2	4,091.8
Breakdown of receivables from subsidiaries:		
Interest-bearing receivables	4,281.7	4,090.3
Non-interest-bearing receivables	0.5	1.4
Total receivables from subsidiaries	4,282.2	4,091.8

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

12
Gains from the sale of equity investments

	2019	2018
Gain from the sale of Xergi	0.0	16.8
Loss on sale of Niels Bohrs Vej	0.0	-7.7
Gains from the sale of equity investments	0.0	9.1

13
Financial income

	2019	2018
Interest income from subsidiaries	96.1	73.1
Foreign exchange adjustments	0.1	1.4
Fair value adjustment of financial assets	3.8	29.4
Other interest income	0.7	0.4
Total financial income	100.6	104.3

14
Financial expenses

	2019	2018
Interest payable to subsidiaries	-2.2	-1.4
Interest on lease liabilities	-0.0	0.0
Interest expense on financial liabilities	-38.2	-19.9
Fair value adjustment of hedging transactions transferred from equity	-1.0	-2.0
Foreign exchange adjustments	-0.1	-0.9
Total financial expenses	-41.6	-24.3

Amounts in DKK million

15
Interest-bearing debt

	2019	2018
Credit institutions (non-current)	2,105.4	1,459.2
Mortgage debt (non-current)	4.2	4.6
Lease debt (non-current)	0.4	0.0
Total recognised as non-current interest-bearing debt	2,110.0	1,463.8
Current portion of non-current liabilities	0.8	0.5
Credit institutions (non-current)	0.0	746.7
Amounts owed to subsidiaries	343.3	305.1
Total recognised as current interest-bearing debt	344.2	1,052.4
Total interest-bearing debt	2,454.2	2,516.2

The fair value of interest-bearing debt corresponds in all material respects to the carrying amount.

Maturity profile of interest-bearing debt:

	2019	2018
Principal repayment		
Overdraft facilities and debt to subsidiaries	343.3	1,051.9
Less than 1 year	30.9	22.1
1-5 years	1,966.0	1,493.8
More than 5 years	207.3	2.5
Total	2,547.4	2,570.3
Interest		
Overdraft facilities and debt to subsidiaries	0.0	0.0
Less than 1 year	30.0	21.5
1-5 years	59.6	32.4
More than 5 years	3.7	0.1
Total	93.3	54.0
Carrying amount		
Overdraft facilities and debt to subsidiaries	343.3	1,051.9
Less than 1 year	0.8	0.5
1-5 years	1,906.4	1,461.4
More than 5 years	203.6	2.4
Total	2,454.2	2,516.2

Spot rate used for floating rate loans.

Notes to the parent company financial statements

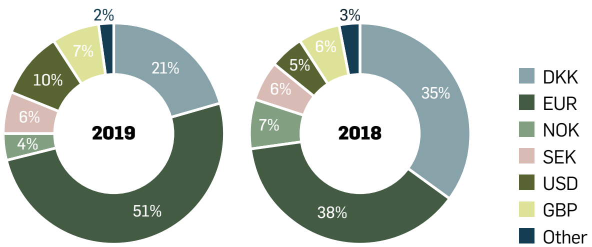
15
Interest-bearing debt (continued)

Maturity profile of lease debt recognised as interest-bearing debt:

2019	Principal repayment	Interest	Carrying amount
Less than 1 year	0.3	0.0	0.3
1-5 years	0.5	0.0	0.4
More than 5 years	0.0	0.0	0.0
Total	0.7	0.0	0.7

The weighted average effective rate of interest for the year was 1.5% (2018: 1.3%).
The weighted average effective rate of interest at the balance sheet date was 1.4% (2018: 1.4%).

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:

	2019	2018
Fixed-rate debt	370.5	0.0
Floating-rate debt	2,083.7	2,516.2
Interest-rate hedge: floating rate debt swapped to fixed rate debt	0.0	50.0

Amounts in DKK million

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by DKK 16.3 million after tax (2018: DKK 19.2 million).

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 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.

	2019	2018
Credit facility	2,100.0	2,846.7
Operating credits drawn	-1,089.5	-2,206.0
Cash and cash equivalents	15.5	52.2
Current loans to subsidiaries	3,280.6	2,989.3
Current debt to subsidiaries	-343.3	-305.1
Parent company's net position including credit facility	3,963.3	3,377.1
Of which utilised by subsidiaries, net	-2,937.3	-2,684.2
Parent company's cash resources	1,026.0	692.9

The parent company's source of financing is a credit facility established in 2016 with a bank consortium consisting of Danske Bank, DNB and Nordea. The amount of the credit facility is DKK 2.1 billion, with drawings at 31 December 2019 amounting to DKK 1.1 billion. In addition, a three-tranche Schuldschein loan was raised in April 2019 with a maturity of five to seven years. The Schuldschein loans were issued at a total loan amount of EUR 136 million (DKK 1,016 million), with EUR 109 million at five-year maturity and the remaining EUR 27 million at seven-year maturity.

Notes to the parent company financial statements

16
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 2018	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%
Share option programme	-262,717	-2,627,170	-35.0	-1.03%
31 December 2019	1,544,280	15,442,800	468.9	6.06%

In 2019, Schouw & Co. sold shares held in treasury for proceeds of DKK 112.0 million used for the Group's share option programme. The shares had a fair value of DKK 133.8 million at the time of sale.

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 01 April 2021.

The company acquires treasury shares for allocation to the Group's share option programmes. At 31 December 2019, the company's treasury shares had a market value of DKK 864.8 million (2018: DKK 877.5 million). The portfolio of treasury shares is recognised at DKK 0.

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

17
Pensions and provisions

	2019	2018
Pension liabilities	16.9	17.8
Provisions	0.0	2.9
Other payables	0.7	0.0
Total non-current liabilities	17.6	20.7
Current provisions	2.0	0.0
Total pensions and provisions	19.6	20.7

Pension liabilities		
Net liability at 1 January	17.8	18.8
Paid out	-0.9	-0.9
Net liability at 31 December	16.9	17.8

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 16.9 million at 31 December 2019. 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.

Provisions
Provisions concern guarantee commitments in relation to the sale of Xergi.

Amounts in DKK million

Notes to the parent company financial statements

18
Contingent liabilities and guarantees

Contingent liabilities
The company is taxed jointly with the other Danish group companies. As a management company, the company is jointly 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.

Guarantees
The following assets have been provided as security to credit institutions:

Land and buildings with a carrying amount of DKK 16.1 million (2018: DKK 16.1 million).
The collateral set out above represents the parent company's debt to mortgage-credit institutions of DKK 4.7 million (2018: DKK 5.2 million).

Surety for group debt to credit institutions amounted to DKK 19.6 million (2018: DKK 16.4 million).

19
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 the note on interest-bearing debt. 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 229 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.

20
Tax on profit/loss for the year

	2019	2018
Tax on profit for the year is specified as follows:		
Tax on profit/loss for the year	-6.2	-5.7
Tax on other comprehensive income	-0.2	-0.4
Total tax	-6.4	-6.2
Tax on profit for the year has been calculated as follows:		
Current tax	-3.7	-4.3
Deferred tax	-2.5	-0.9
Adjustment of prior-year tax charge	0.0	-0.6
Total tax recognised in the income statement	-6.2	-5.7
Specification of the tax on profit for the year:		
Calculated 22% tax of profit/loss before tax	-199.2	-176.0
Tax effect of non-deductible costs and non-taxable income	193.0	170.8
Tax effect of adjustment of prior-year tax charge	0.0	-0.6
Total tax recognised in the income statement	-6.2	-5.7
Effective tax rate	0.7%	0.7%

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 – 2019	**Before tax**	**Taxation**	**After tax**
Hedging instruments transferred to financials	1.0	-0.2	0.8
Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	179.6	0.0	179.6
Total tax on items recognised in other comprehensive income	180.6	-0.2	180.3

Tax on items recognised in other comprehensive income – 2018	**Before tax**	**Taxation**	**After tax**
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

Amounts in DKK million

Notes to the parent company financial statements

21
Deferred tax

	2019	2018
Deferred tax at 1 January	-9.5	-15.4
Deferred tax for the year recognised in profit/loss for the year	2.5	0.9
Deferred tax for the year recognised in equity	0.8	5.0
Deferred tax at 31 December, net	-6.2	-9.5
Deferred tax relates to:		
Intangible assets	0.2	0.0
Property, plant and equipment	-0.7	-1.0
Shareholders' equity	0.0	-0.8
Other liabilities	-5.7	-7.7
Deferred tax at 31 December, net	-6.2	-9.5

All deferred tax assets and tax liabilities have been recognised in the balance sheet.

2019

Change in deferred tax	Balance at 1 Jan.	Recognised in the profit for the year	Recognised in equity	Balance at 31 Dec.
Intangible assets	0.0	0.2	0.0	0.2
Property, plant and equipment	-1.0	0.3	0.0	-0.7
Shareholders' equity	-0.8	0.0	0.8	0.0
Other liabilities	-7.7	2.0	0.0	-5.7
Total change in deferred tax	-9.5	2.5	0.8	-6.2

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

22
Joint taxation contributions

	2019	2018
Joint taxation contributions at 1 January	10.7	18.2
Adjustment related to prior years	0.0	6.7
Current tax for the year	-48.2	-51.4
Joint taxation contributions received/paid	42.7	37.2
Total joint taxation contributions	5.2	10.7
which is specified as follows:		
Joint taxation contribution receivable	0.0	0.0
Joint taxation contributions payable	5.2	10.7
Total joint taxation contributions	5.2	10.7

23
Corporate income tax

	2019	2018
Income tax payable at 1 January	-4.9	-8.1
Current tax for the year	3.7	4.3
Adjustment related to prior years	0.0	-6.1
Current tax for the year recognised in other comprehensive income	0.2	0.4
Current tax on other equity adjustments	-0.8	-3.1
Current tax for the year from jointly taxed companies	48.2	51.4
Income tax paid during the year	-46.4	-43.7
Total income tax	0.0	-4.9
which is specified as follows:		
Income tax receivable	0.0	-4.9
Income tax payable	0.0	0.0
Total income tax	0.0	-4.9

Amounts in DKK million

Notes to the parent company financial statements

24
Fees to auditors appointed by the shareholders

	2019	2018
Statutory audit fees, EY	-0.3	-0.3
Fees for tax and VAT-related services, EY	-0.1	-0.1
Non-audit services, EY	-0.4	-0.5
Total fees, EY	-0.8	-0.8

25
Related party transactions

Related parties are described in the note "Related party transactions" to the consolidated financial statements.

Management's remuneration and share option programmes are set out in the note "Costs" to the consolidated financial statements.

	2019	2018
Subsidiaries:		
During the year, the parent company received a management fee of	10.4	9.4
During the year, the parent company received interest income of	96.1	73.1
During the year, the parent company paid interest expenses amounting to	2.2	0.0
At 31 December the parent company had a receivable of	4,282.2	4,091.8
At December 31, the parent company had debt amounting to	343.3	305.1
During the year, the parent company received dividends of	467.0	548.1

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 2019 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 2019 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2019.

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, 6 March 2020

Executive Management

Jens Bjerg Sørensen
President and CEO

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 2019, 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 2019 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 2019 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 2019.

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 2019. 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. 62% 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.

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 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 inter-

Independent auditors' report

nal 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, 6 March 2020

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Hammer-Pedersen
State Authorised Public Accountant
mne21334

Morten Friis
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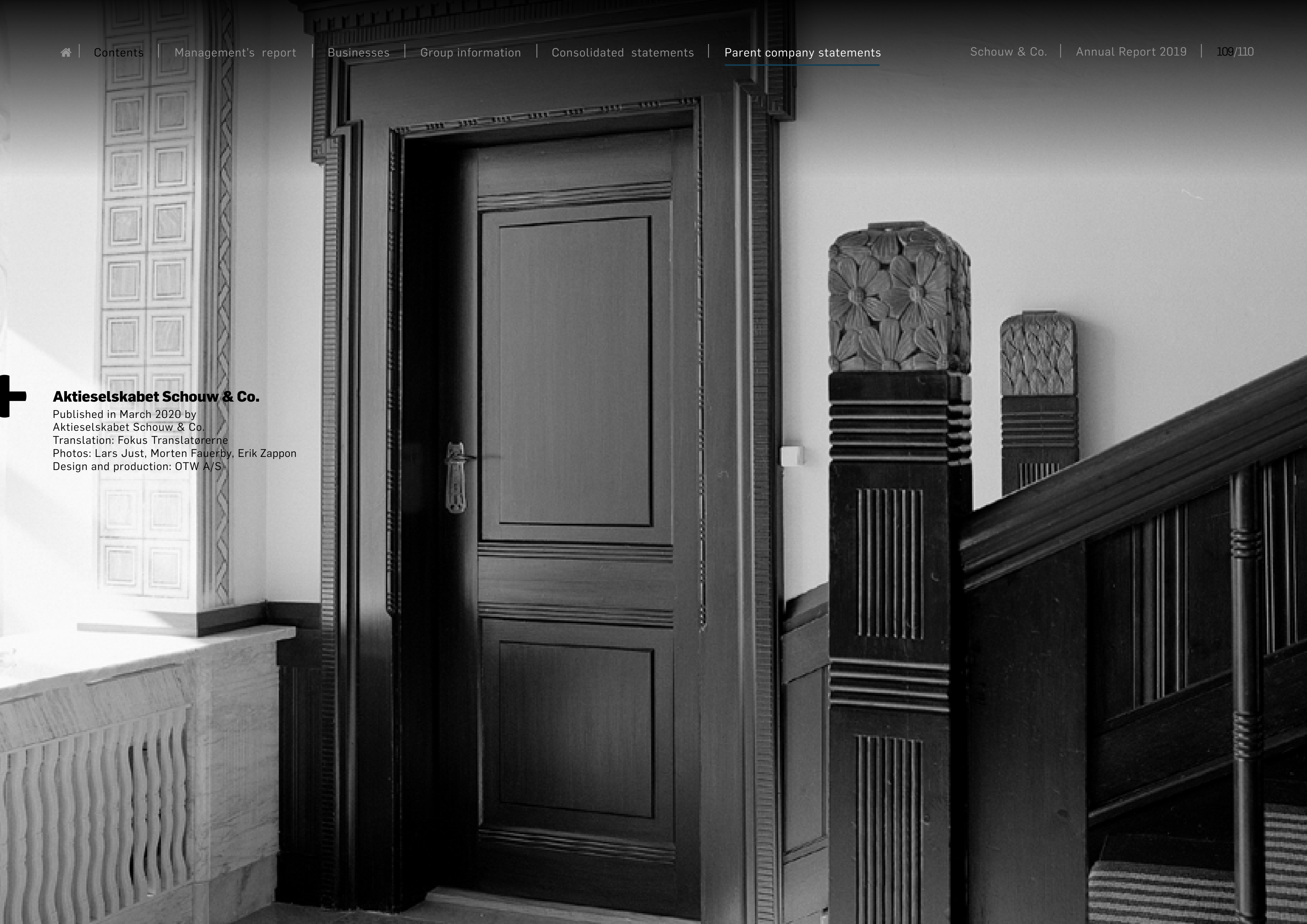

Aktieselskabet Schouw & Co.
Published in March 2020 by
Aktieselskabet Schouw & Co.
Translation: Fokus Translatørerne
Photos: Lars Just, Morten Fauerby, Erik Zappon
Design and production: OTW A/S

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