

Growth through active ownership

Schouw & Co. established a sixth portfolio business in 2017 when it acquired Borg Automotive, a company involved in the remanufacturing of components for the automotive industry. The move initiated a long-term investment in circular economy and sustainability.

At the end of 2017, Schouw & Co. thus had six different portfolio companies that had been acquired since 1988, when the Group first launched its strategy of composing a diversified portfolio of leading Danish industrial businesses.

Annual report 2017

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

This publication is a translation of the Danish Annual Report 2017. The original Danish text shall be controlling for all purposes, and in cases of discrepancy, the Danish wording shall be applicable.

At a glance

schouw+co

Schouw & Co. is a listed industrial conglomerate. We own and develop B2B businesses in various sectors and industries. At the end of 2017, we had six different companies in our portfolio that 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 13 years. We compose the portfolio from a 'best ownership' principle. We have never acquired a business for the purpose of reselling it, and we believe businesses can develop best when focused on long-term growth and development.

Vision

We strive to be among the best in creating value in a proper and trust-worthy manner.

Mission

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

Results are created by people

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

We added 2,400 new employees in 2017 through business expansion and especially from the acquisitions of Borg Automotive and Alimentsa.

At 31 December 2017, our Group had almost 7,000 employees, including about 1,400 in Poland, about 1,100 in Thailand and about 1,050 in Denmark.

140 years in business

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

128 years in packaging

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

30 years as a conglomerate

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

OUR GLOBAL LOCATIONS



● **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, the Czech Republic, Turkey, South Africa, the USA and Brazil

● **HydraSpecma**
Denmark, Sweden, Finland, England, Poland, China, India, the USA and Brazil

● **Borg Automotive**
Denmark, England, Poland and Belgium

● **GPV**
Denmark, Thailand and Mexico

* Currently being established

* Currently being established

25
Countries with
PRODUCTION

Management's report

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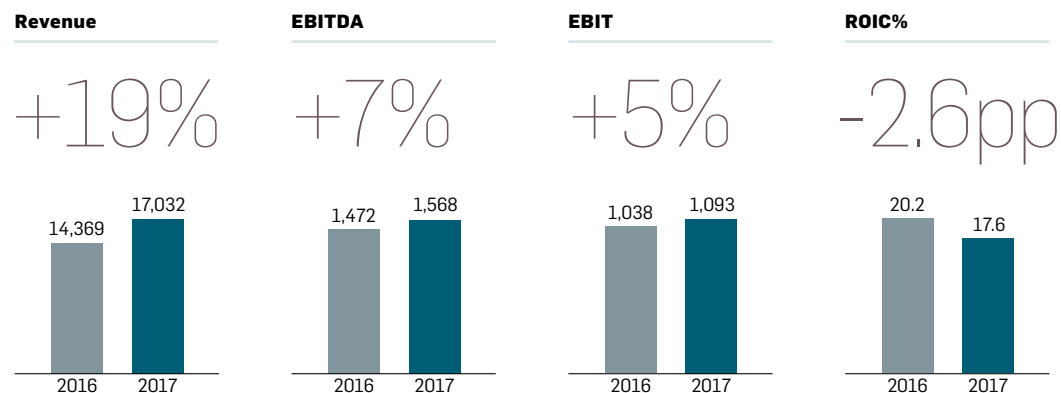
Highlights in 2017

In 2017, substantial investments to grow and expand our businesses were made. The Schouw & Co. Group acquired two large companies: Borg Automotive became a new independent business segment effective from the second quarter, and BioMar became involved in the shrimp feed business by acquiring Ecuadorian company Alimentosa. Consolidated revenue was up by 19%, of which 10% was organic growth, while EBIT improved by 5%.

MAIN EVENTS OF 2017

FEBRUARY	MARCH	MARCH	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER
GPV acquires EMS company BHE based in Horsens, Denmark, adding to its competitive strength	Schouw & Co. establishes new business area in remanufacturing by acquiring Borg Automotive	BioMar expands salmon operations announcing greenfield plant in Australia	BioMar agrees to acquire shrimp feed manufacturer Alimentosa in Ecuador	BioMar completes construction of new production line at Karmøy, Norway, expanding capacity at the plant by 140,000 tonnes	Fibertex Personal Care announces start of greenfield project for printing operations in the USA	GPV announces large capacity expansion in Denmark and Thailand	Fibertex Personal Care starts up fifth production line in Malaysia, expanding capacity in Asia by 20%

FINANCIAL HIGHLIGHTS



MAJOR COMPANY ACQUISITIONS

Schouw & Co. acquired Borg Automotive

A remanufacturer of used auto parts such as starters, alternators, brake calipers and aircondition compressors, Borg Automotive is experiencing strong growth. Through an exclusive and constructive dialogue with the founder and former owner, the company represented an opportunity for Schouw & Co. to make a long-term investment in the circular economy and sustainability.

BioMar acquired Alimentosa

Alimentosa is one of Ecuador's largest manufacturers of quality shrimp feed, which is the largest business segment within global aquaculture that BioMar had not already ventured into. This is a high-growth industry.

BioMar acquired a 70% interest from a local family of Danish descent.

Financial highlights and key ratios

GROUP SUMMARY (DKK million)

	2017	2016	2015	2014	2013
Revenue and income					
Revenue	17,032	14,369	12,566	11,784	11,645
Operating profit before depreciation (EBITDA)	1,568	1,472	1,214	1,070	1,039
Depreciation and impairment losses	475	434	383	363	354
Operating profit (EBIT)	1,093	1,038	831	708	685
Profit/loss after tax in associates and joint ventures	42	566	86	28	-21
Net financials, net of value adjustment of listed securities	-30	-27	-46	-35	446
Profit before tax	1,105	1,578	871	701	1,109
Profit on continuing business	875	1,339	645	428	860
Profit/loss on discontinued operations	0	0	0	0	508
Profit for the year	875	1,339	645	428	1,368

Cash flows

Cash flow from operating activities	763	1,598	1,171	628	667
Cash flow from investing activities	-2,763	-395	-569	-355	522
Of which investment in property, plant and equipment	-809	-828	-354	-233	-346
Cash flows from financing activities	818	-925	-324	-563	-687

Invested capital and financing

Invested capital (ex. goodwill)	7,337	5,416	4,464	4,528	4,045
Total assets	14,389	12,273	10,516	9,882	9,696
Working capital	2,505	1,727	1,598	1,775	1,424
Net interest-bearing debt (NIBD)	1,275	-1,028	-511	44	-23
Share of equity attributable to shareholders of Schouw & Co.	8,317	7,797	6,656	6,071	5,743
Non-controlling interests	15	18	21	3	3
Total equity	8,332	7,814	6,677	6,074	5,746

Financial data

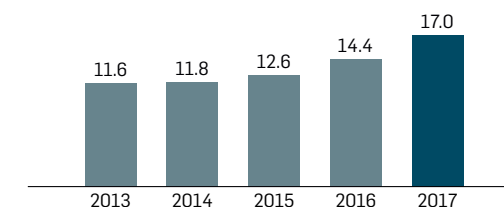
EBITDA margin (%)	9.2	10.2	9.7	9.1	8.9
EBIT margin (%)	6.4	7.2	6.6	6.0	5.9
EBT margin (%)	6.5	11.0	6.9	6.0	9.5
Return on equity (%)	10.9	18.6	10.2	7.2	26.4
Equity ratio (%)	57.9	63.7	63.5	61.5	59.3
ROIC excluding goodwill (%)	17.6	20.2	18.3	16.9	16.1
ROIC including goodwill (%)	13.8	16.6	15.1	14.0	13.3
NIBD/EBITDA ratio	0.8	-0.7	-0.4	0.0	0.0
Average no. of employees	6,087	4,108	2,382	2,139	2,052

Per share data

Earnings per share (of DKK 10)	36.85	56.56	27.48	18.08	57.46
Diluted earnings per share (of DKK 10)	36.63	56.41	27.38	18.02	57.28
Dividends per share (of DKK 10)	13.00	12.00	10.00	8.00	6.00
Net asset value per share (of DKK 10)	346.99	328.38	282.10	258.44	240.49
Share price, end of year (per share DKK 10)	581.50	526.00	387.00	290.00	222.50
Price/Net asset value	1.68	1.60	1.37	1.12	0.93
Market capitalisation, end of year	13,939	12,489	9,131	6,812	5,313

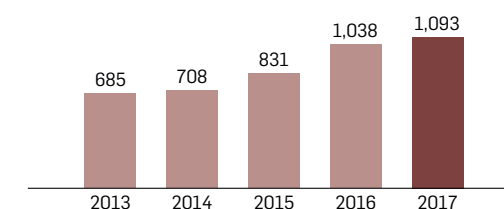
Revenue

DKK billion



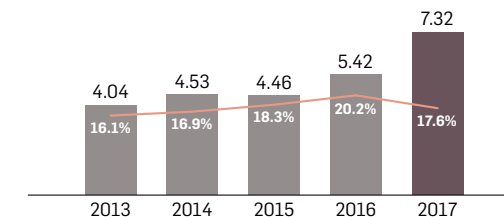
Operating profit (EBIT)

DKK million

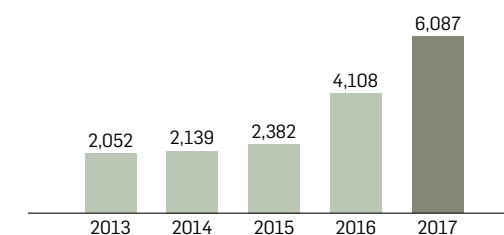


Invested capital and financing (ROIC%)

DKK billion



Average no. of employees



Our businesses

Schouw & Co. is the owner of six companies operating in various industries. Borg Automotive was added as a new portfolio company in 2017. Our businesses have been in our portfolio for an average of 13 years. All businesses are wholly owned.



#3 in the world

in quality feed for the fish farming industry. The core business areas are feed for salmon, trout, sea bass, sea bream and shrimp.

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

#6 in the world

in spunbond/spunmelt for the personal care industry. Sells products for diapers, sanitary towels and incontinence products.

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

#5 in Europe

in specialised industrial nonwovens. Many different industrial applications, including for cars, construction and filtration solutions.

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

#5 in Europe

in hydraulic solutions and components. Customer base includes large Nordic-based OEM manufacturers and the aftermarket.

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

#1 in Europe

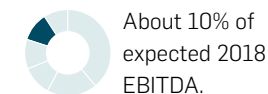
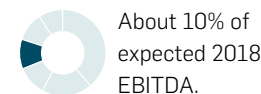
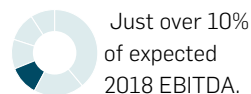
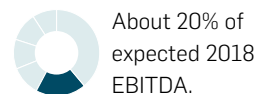
in independent remanufacturing of automotive spare parts. Sells to distributors and OE customers for all car makes.

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

#3 in the Nordics

within EMS. Manufacturer of technical electronics, mechanics and mechatronics. Serves global customers in the Clean-tech and Instruments and Industry business areas.

GPV was founded in 1961 and was acquired by Schouw & Co. in 2016.



Letter from the CEO

Ready for more competitive markets



Put briefly, 2017 was a year in which we met our profit guidance. We saw fast paced developments and a focused effort in all our portfolio businesses – but it was also a year in which we experienced increasing competition in several markets and our robustness was put to the test.

Satisfactory results for 2017 – we took market share

We had a satisfactory performance in 2017. Our revenue was up by 19% to DKK 17.0 billion, while our EBIT improved 5% to DKK 1,093 million. All of our businesses added to the revenue improvement, with the largest contributions coming from Borg Automotive (acquired in 2017), GPV (acquired in 2016) and BioMar. Underlying the performance figures were considerably higher volumes sold, though the effects were diluted for some of our largest business areas in BioMar and Fibertex Personal Care by lower prices and unfavourable developments in foreign exchange rates. Our robustness was tested, and we responded by capturing market share.

Our EBIT for the year also reflects positive performances from all businesses with the exception of HydraSpecma, which incurred extraordinary costs, and BioMar, whose financial results for 2016 included significant income streams relating to special circumstances that did not recur to the same extent in 2017. In addition, the extensive investment activity in 2017 resulting in transaction →

Letter from the CEO

BioMar reported very strong growth, strengthened its international position and expanded its business base. Our largest businesses countered general price pressure by increasing volumes. Sixth business leg established through acquisition of Borg Automotive.

costs and PPA-related adjustments had a natural impact on our financial results. When adjusted for these special items, we achieved a solid improvement in our underlying earnings in 2017.

Focused on positioning and competitive strength

As part of our Go Strong strategy, we invested more than DKK 3 billion in value-adding initiatives and company acquisitions in the course of 2016-2017. In 2017 alone, we invested more than DKK 2 billion to further position and expand the capacities in our businesses, including productivity improvements and product development.

For example, BioMar announced in June 2017 that it had taken a 70% ownership interest in Ecuadorian shrimp feed manufacturer Alimentosa, and in June, BioMar's new production line at Karmøy in Norway began operations at an annual capacity of 140,000 tonnes. Upcoming capacity expansions at BioMar-Tongwei in China (50,000 tonnes annual output as from Q2 2018) and the construction of a new factory in Australia (110,000 tonnes annually from 2019), will support BioMar in taking international market share in the future and not just in terms of salmon feed, but also in the markets for other farmed fish and shrimp.

Similarly, Fibertex Personal Care has expanded its production and printing facilities in Malaysia, where five of the company's eight large nonwoven

production lines are located. Product optimisation has been another focal area for Fibertex Personal Care. The company has developed softer products – for improved skin comfort – that are now made from thinner materials, and has also improved their ability to conduct and encapsulate liquids. This is product development that improves customer end products.

However, Schouw & Co. is not the only one to put internationalisation and capacity expansion on the agenda. So have the competition, and that has intensified price competition generally. The strong increase in volumes sold has, however, offset the resulting effects, and we are confident that through our investment strategy and our due care and diligence we have built a strong position for the coming years – and we won't stop there.

Borg Automotive became Schouw & Co.'s 6th leg

In March 2017, we announced the acquisition of Borg Automotive, one of Europe's largest suppliers of remanufactured automotive spare parts. The move expanded the Schouw & Co. Group to six portfolio companies with almost 7,000 employees and production in 25 countries.

All of our businesses hold a leading position in their respective industries, an international profile and not least an agile corporate and management culture that combined with Schouw & Co.'s active

ownership approach ensures value creation. Being prepared to accept new active owners is essential when we review various investment opportunities, and that is exactly the spirit we encountered at Borg Automotive, and obviously also at GPV when we acquired that company in 2016.

From early on in 2017, we knew that this was going to be a year of consolidating company acquisitions – including the recently merged HydraSpecma (Specma was acquired in 2016) – and that we would very likely add an extra leg to our portfolio. All of this would require considerable management involvement from Schouw & Co., but it would also take courage and hard work in the individual businesses involved. Once again, we've shown that future results are created by people through hard work, diligence and responsible conduct.

We will also be investing in competence-building, digitalisation and innovation in 2018

It will take inspiration and talented employees for us to retain our leading position in product and business development, so we will continue to invest in competence-building, digitalisation and innovation in 2018.

In 2017, for example, BioMar developed new functional feed products that became favourites with customers, while GPV established crucial

innovation environments related to the Internet of Things and anchored at its customers. Focus areas have been defined according to the various mega trends and opportunities present in our companies' markets, such as:

- Increased demand for farmed fish (BioMar)
- Greater attention to hygiene in Asia's growing middle class population (Fibertex Personal Care)
- Global growth in renewable energy (Fibertex Nonwovens and HydraSpecma)
- The green agenda and circular economy (Borg Automotive)
- Outsourcing and Internet of Things (GPV)

Outlook for 2018

We will undoubtedly continue to face challenging markets in 2018, but we are prepared to defend our positions and our market shares. We will remain focused on strengthening our customer relations and on optimising our production efficiency. We will pull out all the stops and, as always, we intend for our capital to work for the benefit of our portfolio businesses and our shareholders.

*Jens Bjerg Sørensen, President and CEO
Aarhus, 9 March 2018*

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., but we have never acquired a company with the intention of reselling it. We will buy a business if the right opportunity arises, not because we are required or need to make acquisitions.

Criteria for acquiring new portfolio businesses

Industry	B2B business – preferably in a processing industry or logistics
Size	Revenue of minimum DKK 1 billion – or with the potential to reach that quickly
Geography	Head office in Denmark, but with an international focus
Ownership	Preferably full ownership, but at least a majority stake
Position	Leading position and with the potential to set the agenda in its segment
Management	A strong and ambitious management that will not need replacement due to a change of ownership
New owners	Should be in need of new ownership to support transformation and step change
Ownership	Possibility of exercising long-term, active and strategic ownership

Best ownership

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

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

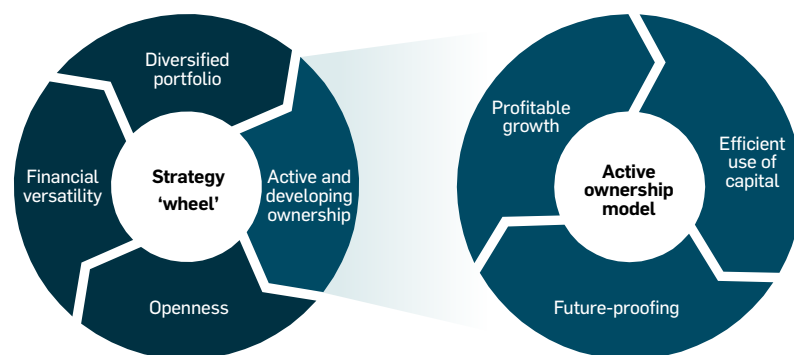
Active ownership

At Schouw & Co., our strategy is based on two 'wheels' that reflect the Group's *modus operandi* and our mindset. The strategy builds on a number of specific objectives. Our current strategy plan, 'Go Strong', sets the ambition for 2020 of having consolidated revenue of more than DKK 20 billion and earnings that match revenue growth.

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 six 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.

GROWTH	EARNINGS	RETURNS	GEARING	DISTRIBUTION	PORTFOLIO
Significant growth every year	On a par with the best	ROIC > 15%	Investment grade capital structure	Constant or increasing dividends	5-7 strong businesses

At company level, Schouw & Co. has traditionally defined targets for EBIT, but in part due to the increases in depreciation/amortisation resulting from purchase price allocation (PPA) on company acquisitions, these targets have been supplemented by EBITDA-level targets. The targets have no specific time horizon, but they reflect the earnings level each company is assessed to be capable of achieving and maintaining by pursuing the strategy plans approved for their business.

	BioMar	Fibertex Personal Care	Fibertex Non-wovens	Hydra-Specma	Borg Automotive	GPV
EBIT target before PPA	6 %	12 %	9 %	10 %	15 %	7 %
EBITDA target	7.5 %	17.5 %	15 %	13 %	18 %	10 %
EBITDA in 2017	7.2 %	18.1 %	12.6 %	8.2 %	16.3 % ¹	9.5 %

Note 1: Normalised for non-recurring costs related to acquisition of Borg Automotive.

Management's report

A good year of significant revenue improvements, exciting acquisitions and large increases in business activity. EBIT improved despite increased competition.

Financial performance

Overall, 2017 was a good year for Schouw & Co. despite widespread and intensified competition. The year also ended well with a good Q4 performance and a 15% year on year revenue increase, while EBIT, as expected, was in line with the very strong Q4 2016 performance, which included positive effects of non-recurring income flows that mainly related to BioMar.

QUARTER (DKK million)	2017 Q4	2016 Q4	Change	
Revenue	4,491	3,896	595	15%
EBITDA	443	427	16	4%
EBIT	314	315	-1	0%
Income from associates	27	3	24	753%
Profit before tax	339	315	24	8%
Cash flow from operating activities	55	753	-699	-93%

The 2017 consolidated revenue was up by 19% to DKK 17,032 million from DKK 14,369 million in 2016. Organic growth was at 10%, with all portfolio companies contributing strongly to the improvement. To this should be added the effects of the most recent company acquisitions that were not consolidated for the corresponding periods of 2016.

EBIT for the year improved from DKK 1,038 million in 2016 to DKK 1,093 million in 2017. Compared to 2016, this year's EBIT was affected by acquisition costs of DKK 11 million and additional depreciation and adjustment resulting from purchase price allocation (PPA) totalling

about DKK 51 million. BioMar's reported EBIT for 2017 was slightly better than expected, though still a bit lower than last year's exceptionally good performance, while the other portfolio companies, including the most recent acquisitions, reported EBIT in line with expectations, with the exception of HydraSpecma, which ended the year short of expectations.

Associates and joint ventures, which are recognised at a share of profit after tax, contributed a combined profit of DKK 42 million for 2017. This item cannot be compared with the figure for 2016, which included the share of profit and accounting gains from the sale of shares in Kramp and the share of profit in Incuba Invest due to the sale of that company's shares in Scandinavian Micro Biodevices. Adjusting for these items, the profit for 2017 illustrates an improvement that was driven mainly by the increase in business activity in BioMar, but with Xergi and Incuba Invest also contributing.

Consolidated net financial items were an expense of DKK 30 million in 2017 compared with DKK 27 million in 2016, which was better than expected. The moderately higher expense reflects higher interest expenses resulting from investments made. Other financial items were at the same level as last year overall, though the composition was different, as a loss on foreign exchange rates of DKK 50 million was partly offset by a DKK 42 million reversal of a previous impairment charge on the value of BioMar's shareholding in the Chilean fish farming company Salmones Austral.

This brought the consolidated profit before tax to DKK 1,105 million in 2017, compared with DKK 1,578 million in 2016 when the now divested Kramp contributed a total of DKK 556 million. Adjusted for this factor, the reported profit before tax reflects an 8% improvement.

FULL YEAR (DKK million)	2017	2016	Change	
Revenue	17,032	14,369	2,663	19%
EBITDA	1,568	1,472	95	6%
EBIT	1,093	1,038	54	5%
Income from associates etc.	42	566	-525	-93%
Profit before tax	1,105	1,578	-474	-30%
Cash flow from Operating activities	763	1,598	-835	-52%
Net interest-bearing debt	1,275	-1,028	2,303	-
Working capital	2,505	1,727	778	45%
ROIC excluding goodwill	17.6%	20.2%	-2.6pp	
ROIC including goodwill	13.8%	16.6%	-2.8pp	

Liquidity and capital resources

The Schouw & Co. Group's operating activities generated a cash inflow of DKK 763 million in 2017, compared with DKK 1,598 million in 2016. The significant difference was to a large extent due to a shift in the use of supply chain financing. While cash flows from operating activities in 2016 were higher than usual due to greater use, the item was below normal in 2017, because BioMar chose not to use supply chain financing to the same extent as last year.

Cash flows for investing activities amounted to DKK 2,763 million in 2017, primarily used for the

acquisition of Borg Automotive and Alimentsa, and for capacity-expanding investments by BioMar and Fibertex Personal Care. By comparison, a net amount of DKK 395 million was spent in 2016, because the sale of shares in Kramp and dividends from Incuba Invest generated a total of DKK 1,095 million, partially offsetting investments in property, plant and equipment and company acquisitions.

At 31 December 2017, the Group had a consolidated net interest-bearing debt of DKK 1,275 million, against a DKK 1,028 million net deposit at 31 December 2016.

The Group's overall working capital increased from DKK 1,727 million at 31 December 2016 to DKK 2,505 million at 31 December 2017. All portfolio companies increased their working capital as a result of increased business activity, with the acquisitions of Borg Automotive and Alimentsa increasing working capital by DKK 291 million.

Group developments

The year 2017 was characterised by increasing competition and in several areas challenging raw materials prices and adverse foreign exchange developments. For Schouw & Co., the main features of the year were the two large company acquisitions and the massive capacity-expanding investments by BioMar and Fibertex Personal Care.

On 20 March 2017, Schouw & Co. agreed to acquire Danish industrial company Borg Automotive. That acquisition was completed on 3 April 2017 and meant that Schouw & Co. established a new →

Management's report

activity for the Group involving the remanufacturing of components for the automotive industry, initiating a long-term investment in the circular economy and sustainability. The overall enterprise value of the company was computed at DKK 1,115 million. Borg Automotive was consolidated effective from the date of acquisition.

BioMar agreed on 2 June 2017 to buy a 70% stake in Ecuadorian shrimp feed producer Alimentos, with the former owners staying on as non-controlling shareholders. The transaction was completed in September 2017 with the enterprise value for a 70% stake in the company computed at DKK 756 million. As the agreement includes an option for BioMar to take over the outstanding shares at a later date, the company has been fully consolidated, with the outstanding obligation being recognised in the balance sheet. Alimentos was consolidated effective from the date of acquisition.

In Norway, construction of BioMar's new production line at the existing factory in Karmøy was completed in July, and the new production line (annual capacity 140,000 tonnes) is now operational. The project represents a total investment of about DKK 300 million.

In 2016, Fibertex Personal Care began construction of a new production site at Sendayan some 25 km south of the existing factory at Nilai outside Kuala Lumpur, Malaysia. The new site may eventually have as many as four production lines, and installation of the first line was completed in July 2017. The new production line, Fibertex Personal

Care's eighth line and the company's fifth in Malaysia, was run in during the third quarter and began commercial production from the start of the fourth quarter. The overall investment amounts to about DKK 400 million.

The following is a brief review of other business developments in the portfolio companies in 2017. See the individual company reviews on the following pages for more information.

BioMar reported strong growth in volumes sold with the largest improvement taking place in the salmon business, but developments in foreign exchange rates and prices of raw materials have curbed the revenue increase. Performance fell slightly short of the exceptionally good results of the preceding year, mainly due to more competitive markets. The company's non-consolidated joint ventures in Turkey and China are developing well and are steadily becoming more important for BioMar's overall business activity. In addition, BioMar is preparing to establish a new factory in Australia, which is scheduled for completion by the end of 2019.

Fibertex Personal Care reported a considerable revenue improvement driven mainly by higher volumes in Malaysia and an increase in business activity at Innowo Print. EBIT improved slightly due to progress reported in Malaysia and by Innowo Print. In addition to investments in Europe and Asia, Fibertex Personal Care took steps in 2017 to establish a production unit for direct print on nonwovens in the USA.

Fibertex Nonwovens reported a broadly based revenue improvement with all production sites contributing. EBIT also improved despite extremely challenging developments in raw materials prices throughout the year. The company invested to upgrade and expand its production apparatus in 2017 and established operations in Brazil after the end of the financial year by acquiring nonwovens manufacturer Duci.

HydraSpecma grew its revenue based on improvements in a number of business segments, but the marine, defence and offshore segments continue to feel the effects of slumping market demand. Sales to the wind power segment were in line with last year, but with a very different geographical breakdown. EBIT fell by a considerable margin year on year, in part due to higher production costs resulting from unexpectedly high demand in certain segments and significant costs incurred in relation to activities in China.

Borg Automotive reported a year on year revenue improvement for the 2017 calendar year. EBIT also improved when disregarding depreciation and adjustments related to the purchase price allocation made in connection with the acquisition and for non-recurring costs incurred prior to the acquisition at 3 April 2017.

GPV reported a significant revenue improvement that was mainly based on organic growth, including establishing operations in Mexico, and from the acquisition of BHE, an electronics manufacturing services company, earlier in the

year. EBIT also improved considerably, even with the integration costs incurred during the period in relation to the BHE acquisition, the start-up in Mexico and other business activity expansion.

Events after the balance sheet date

On 2 February 2018, Fibertex Nonwovens acquired Brazilian nonwovens manufacturer Duci at an enterprise value of about DKK 80 million.

Other than as set out elsewhere in this annual report, Schouw & Co. is not aware of events occurring after 31 December 2017 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 2017 be raised by 8% to DKK 13 per share, for an amount equal to 2.2% of the market capitalisation at 31 December 2017. As a result, total dividend payments will amount to DKK 332 million, equal to a payout ratio of 38% after tax.

Management's report

EBITDA, depreciation and amortisation

Schouw & Co. has traditionally expressed the earnings guidance for its portfolio companies at EBIT level. However, as depreciation and amortisation charges have grown to considerable amounts over the past few years due to purchase price allocation on company acquisitions, it is more meaningful to provide guidance in this context.

Starting from 2018, therefore, guidance for the individual portfolio companies will be made at EBITDA level. This will allow us to treat PPA-related depreciation and amortisation and other depreciation/amortisation and impairment in a single central section of the Management's Review rather than as separate elements under each portfolio business.

Total PPA-related depreciation, amortisation and adjustments for 2017 amounted to DKK 96 million. DKK 32 million related to inventories at Borg Automotive and BHE, which are deducted before EBITDA, while the remaining DKK 64 million was depreciation/amortisation mainly relating to Bio-

Mar, HydraSpecma and Borg Automotive. PPA-related depreciation and amortisation are expected to increase from DKK 64 million in 2017 to about DKK 85 million in 2018, because of the full-year effect of the Borg Automotive and Alimentsa acquisitions.

Other depreciation and amortisation will increase as a result of investments made, other things being equal. However, Fibertex Personal Care has reviewed the expected life of the large spunbond production lines as from 1 January 2018. This review currently involves three relatively new production lines, which are now assessed to have a useful life of 15 years rather than the 10 year period depreciation charges have been calculated on until now. Without this review of the expected useful life, depreciation for 2018 would have been DKK 29 million higher than the current forecast. As a result, other depreciation and amortisation charges are expected to increase from DKK 411 million in 2017 to about DKK 470 million in 2018. Details of depreciation/amortisation for the portfolio companies are shown in the table below.

	PPA depreciation and amortisation		Other depreciation/amortisation		Total depreciation/amortisation and impairment losses	
	2018	2017	2018	2017	2018	2017
BioMar	33	20	158	133	191	153
Fibertex Personal Care	1	1	117	113	118	114
Fibertex Nonwovens	5	5	99	86	104	91
HydraSpecma	24	23	37	37	61	60
Borg Automotive	23	17	17	12	40	28
GPV	-1	-2	39	27	38	25
Other	-	-	3	3	3	3
Group	85	64	470	411	555	475



Outlook

The Group will defend strategic market positions and invest in retaining competitive strength. Healthy activity in most segments fuels expectations of revenue and EBITDA improvements.

Outlook for 2018

The segments the Schouw & Co. Group companies are involved in generally have good momentum. Healthy activity levels and low interest rates have naturally provided favourable conditions for a number of capacity-increasing investments by both the Group's businesses and by their peers.

Such movements in supply and demand do not necessarily always occur in step, and several major areas are currently seeing more competitive markets. This applies in particular to BioMar and Fibertex Personal Care, but the Group's ambition is to retain or strengthen its strategic market positions.

As a result, the Group's healthy revenue performance is not, in some areas, matched by proportionate earnings improvements. However, the Group's businesses are well positioned to take on the market challenges, and maintaining competitive strength is a key priority. Accordingly, Schouw & Co. intends to allocate substantial resources to preparing portfolio companies for the future – even if allocated costs and investments may not necessarily contribute to improving earnings in the short term.

The following brief comments provide full-year 2018 revenue and EBITDA guidance for the individual portfolio companies. See the individual company reviews on the following pages for more information.

BioMar raises its full-year revenue guidance following the acquisition of Alimentsa and also raises its EBITDA guidance despite the more competitive markets. BioMar also expects its non-consolidated feed manufacturing companies in Turkey and China to increase their business activity by substantial margins.

Fibertex Personal Care raises its revenue guidance for 2018 and maintains its guidance for EBITDA at the 2017 level due to very competitive markets, especially in Europe. However, revenue and EBITDA are, as always, subject to changes in prices of raw materials and in foreign exchange rates.

Fibertex Nonwovens expects both revenue and EBITDA to continue to rise, both as a result of the acquisition in Brazil in February 2018 and due to positive performances by its existing units.

HydraSpecma raises its full-year revenue guidance. It also raises its guidance for EBITDA, in part because the extra costs of production and restructuring in China incurred in 2017 are not expected to repeat.

Borg Automotive expects its revenue will continue to increase on a full-year basis, and the company will be consolidated for the full year in 2018 instead of only nine months as was the case in 2017. The company also expects to increase its reported EBITDA, and earnings will not be impacted by PPA-related non-recurring costs and inventory adjustments as was the case in 2017.

GPV raises its revenue and EBIT guidance based on strong organic growth and the successful acquisition of BHE earlier in March 2017.

Schouw & Co. Group's overall guidance

Overall, the Schouw & Co. Group projects full-year 2018 consolidated revenue of about DKK 18.1 billion against DKK 17.0 billion in 2017, equal to a 6% increase. However, for several of the portfolio companies, revenue will heavily depend on how prices of raw materials develop, and any price fluctuations can significantly change revenue without necessarily having any notable effect on earnings.

Schouw & Co. applies a profit forecast range for each individual business, and based on a simple aggregation of these ranges, the Group guides for consolidated 2018 EBIT in the range of DKK 1,665-1,805 million compared with DKK 1,568 million in 2017.

Depreciation, amortisation and impairment charges are expected to total about DKK 555 million in 2018 against DKK 475 million in 2017. As a result, the Group guides for consolidated EBIT in 2018 in the range of DKK 1,110-1,250 million compared with DKK 1,093 million in 2017.

Associates and joint ventures, which are recognised at a share of profit after tax, are expected to contribute profit of about DKK 55 million in 2018 compared with DKK 42 million in 2017. The increase relates primarily to BioMar's joint ventures in China and Turkey.

Consolidated net financial items are expected to be an expense of DKK 45 million in 2018, compared with a DKK 30 million expense in 2017. As always, guidance is provided subject to any positive or negative effects of exchange rate fluctuations.

REVENUE (DKK million)	2018 expected	2017 actual	2016 actual
BioMar	10-10.5bn	9,955	8,867
Fibertex Personal Care	c. 2,100	2,016	1,792
Fibertex Nonwovens	c. 1,600	1,422	1,301
HydraSpecma	c. 1,900	1,805	1,747
Borg Automotive	c. 1,025	709	-
GPV	c. 1,225	1,148	668
Other/eliminations	-	-23	-6
Total revenue	c. 18.1bn	17,032	14,369

EBITDA (DKK million)	2018 expected	2017 actual	2016 actual
BioMar	720-770	712	722
Fibertex Personal Care	350-370	365	362
Fibertex Nonwovens	195-215	179	162
HydraSpecma	155-175	148	170
Borg Automotive	155-175	89	-
GPV	125-135	107	62
Other	c. -35	-32	-6
Total EBITDA	1,665-1,805	1,568	1,472
PPA depreciation/ amortisation	c. -85	-64	-43
Other depreciation/ amortisation	c. -470	-411	-391
Total EBIT	1,110-1,250	1,093	1,038
Associates, etc.	c. 55	42	566
Other financial items	c. -45	-30	-27
Profit before tax	1,120-1,260	1,105	1,578

Our focus for 2018

We expect 2018 is set to be an eventful year. All portfolio companies have projects supporting profitable growth and long-term value creation. Schouw & Co. will also be investing in developing the organisation and enhancing competency levels.

Schouw & Co.'s main focus areas at group level for 2018 will be to

- maintain its position and build competitive strength by being focused on operational streamlining and margin management and on sustaining strategic development from volume to value
- allocate capital for growth and review future capacity expansion so as to ensure a strong platform for long-term value creation
- invest in preparing for the future and to put innovation and digitalisation on the agenda in all of our businesses
- drive 'intelligent synergies' in financing, accounting, strategy, acquisitions and to develop our organisations and talent across all of the Group's companies.
- ensure financial resources for future investments in both maintaining and expanding capacity and in large and small acquisitions

The main focus of our portfolio companies in 2018 will be on

BioMar

- establishing a new salmon feed factory in Australia;
- integrating the Alimentsa shrimp feed business acquired in 2017;
- margin management and operational streamlining throughout and particularly in the extremely competitive Norwegian market;
- starting up the new factory in China operated through a joint venture with Tongwei.

Fibertex Personal Care

- expanding print operations, including sales in Malaysia and establishing the new printing line in North Carolina, USA;
- continuing to invest in innovation and development, including to develop the market for super-soft products;
- optimising and enhancing the efficiency of the fifth production line in Malaysia that was installed in 2017;
- adapting to the more competitive markets in Europe.

Fibertex Nonwovens

- integrating the Brazilian company Duci acquired in first quarter of 2018;
- growing sales to the automotive segment and of advanced products in composite materials and filtration solutions;
- growing earnings on traditional volume goods;
- exploiting its global market position;
- enhancing financial results in South Africa.

HydraSpecma

- continuing the integration of Specma, which was acquired in early 2016, and continuing to develop the OneCompany business culture;
- automating production and optimising capacity for an increase in global demand;
- value creation through cross-selling and product optimisation;
- enhancing financial results in China.

Borg Automotive

- optimising the production set-up, including optimising its factory footprint;
- organisational development and investing for future-proofing purposes;
- identifying growth opportunities and introducing new product lines;
- digitalisation of processes.

GPV

- significantly expanding capacity at the large production site in Bangkok, Thailand;
- winning more customer accounts and outsourcing projects;
- continuing to invest in Industry 4.0 technology and digitalisation projects in its value chain;
- developing the business activities in Mexico where its new factory began operations in 2017.

Risks

Structured approach to mapping risk.
 Business risks typically relate to market conditions.
 Diversified conglomerate means diversified business risk.

Addressing risk

Schouw & Co. completed a structured project in 2017 to map the risks the Group faces, working closely with the portfolio company managements.

The purpose of the project was to identify risks that may affect the Group's earnings and to classify them after weighting impact and probability in a risk heat map. Obviously, this type of analysis is not an exact science, but rather provides a best assessment based on the knowledge available to the portfolio companies.

The effect produced by the weighting of impact and probability illustrates the risks that warrant the most attention. Some risks are unavoidable, others can possibly be hedged by way of insurance or offset by taking appropriate measures. In each case, our subsidiary managements have considered the most significant risks, taking precautionary measures where found appropriate.

The principal business risks for the Group's businesses typically relate to market conditions: will it be possible to sell the projected volumes at the expected prices? And will it be possible to collect the receivables arising from a sale? This is where competition plays its natural role: is there an excess capacity in the market that may trigger price pressure? Is there new technology that can alter our competitive strength? Or have competitors taken strategic positions? It may not be possible

to solve some of these challenges over the short term, but perhaps they can be addressed in a company's strategy plans.

Other risks are to a greater extent associated more with processes or internal matters. Such risks may also be important, but the company may itself be able to offset the risk by taking appropriate measures. Overall, the efforts to map risk have contributed to further sharpening attention on the most significant risks.

Special risks

Schouw & Co. is an industrial conglomerate with activities diversified on various business areas and at many different geographical locations. By diversifying its businesses, the Group spreads the ordinary business risk exposure related to its individual business areas.

BioMar is significantly larger than the other portfolio companies and the risks specifically attaching to BioMar weigh heavily in a consolidated perspective. In addition to the business risks and risks that inherently follow from being a producer of fish feed, the risks that are particular to BioMar involve the biological and climatic issues relating to fish farming.

Several of the Group's business areas rely on certain raw materials and are thus sensitive to large fluctuations in the prices of such raw materials.

Risk heat map (conceptual example)



This applies in particular to BioMar and the two Fibertex companies, although they apply sales contracts that to a large extent have automatic price adjustment mechanisms, which at long or short lags compensate for price fluctuations. Furthermore, the geographical distribution of the Group's operations leads to foreign currency exposure.

In addition, all of the Group's businesses are exposed to usual factors of uncertainty with respect to trade receivables, and all are generally very attentive to following up on receivables. To a certain extent, the Group takes out insurance against bad debts subject to individual assessment.

The Group has interest-bearing debt that was predominantly raised by the parent company. Part

of the debt carries a floating rate of interest, while a small portion has short-term maturity, resulting in overall ordinary risk, but the Group's moderate indebtedness serves to reduce the importance of this risk factor at the present time.

The majority of the company's activities are located in Denmark and elsewhere in Europe, The Group also has substantial assets outside of Europe, primarily in Malaysia, Thailand, Chile and Ecuador.

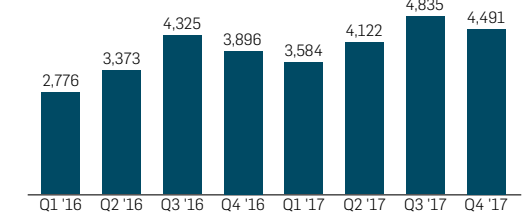
The Group generally takes out ordinary insurance cover in respect of its assets and business activities.

Quarterly financial highlights

QUARTERLY INFORMATION (DKK million)	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
INCOME STATEMENT								
Revenue	2,776	3,373	4,325	3,896	3,584	4,122	4,835	4,491
Gross profit	480	574	719	644	585	667	818	771
EBITDA	256	319	471	427	284	357	483	443
Depreciation and impairment losses	99	103	120	111	106	119	121	129
Operating profit (EBIT)	157	215	351	315	178	238	362	314
Profit after tax in associates and joint ventures	14	33	516	3	0	4	10	27
Net financials	-14	-2	-7	-4	-15	13	-26	-3
Profit before tax	157	247	860	315	163	256	347	339
Tax on profit for the period	-41	-54	-84	-61	-41	-55	-84	-49
Profit for the period	116	193	776	254	122	201	262	289
CASH FLOWS								
Cash flow from operating activities	110	373	363	753	14	6	689	55
Cash flow from investing activities	-739	-149	-170	662	-301	-1,185	-857	-421
Cash flows from financing activities	118	-680	-85	-279	116	198	213	291
BALANCE SHEET								
Intangible assets	1,473	1,486	1,467	1,482	1,481	2,328	3,226	3,195
Property, plant and equipment	2,940	3,195	3,293	3,450	3,603	3,703	3,873	3,959
Other non-current assets	985	1,054	486	530	545	694	687	710
Cash and cash and cash equivalents	892	441	549	1,682	1,513	520	562	478
Other current assets	4,460	4,850	6,390	5,129	5,270	6,086	6,243	6,047
Total assets	10,750	11,026	12,185	12,273	12,412	13,331	14,591	14,389
Shareholders' equity	6,784	6,756	7,504	7,814	7,976	7,761	8,056	8,332
Interest-bearing liabilities	1,206	1,107	1,031	723	828	1,512	1,697	1,805
Miscellaneous obligations	2,760	3,163	3,650	3,736	3,608	4,058	4,838	4,252
Total equity and liabilities	10,750	11,026	12,185	12,273	12,412	13,331	14,591	14,389
Average no. of employees	3,018	4,295	4,369	4,469	4,605	6,279	6,517	6,838
FINANCIAL KEY FIGURES								
Gross profit margin	17.3%	17.0%	16.6%	16.5%	16.3%	16.2%	16.9%	17.2%
EBITDA margin	9.2%	9.4%	10.9%	11.0%	7.9%	8.7%	10.0%	9.9%
EBIT margin	5.6%	6.4%	8.1%	8.1%	5.0%	5.8%	7.5%	7.0%
ROIC excluding goodwill (annualised)	18.2%	19.1%	19.9%	20.2%	20.0%	19.6%	18.8%	17.6%
ROIC including goodwill (annualised)	14.9%	15.6%	16.4%	16.6%	16.6%	16.1%	15.1%	13.8%
Working capital	1,933	1,993	2,092	1,727	1,948	2,353	2,175	2,505
Net interest-bearing debt	154	582	412	-1,028	-754	927	1,071	1,275

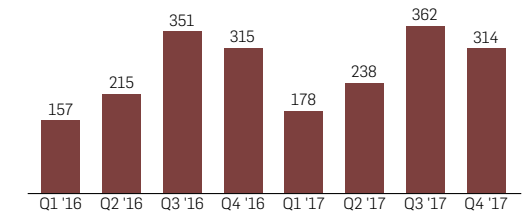
Revenue

DKK million



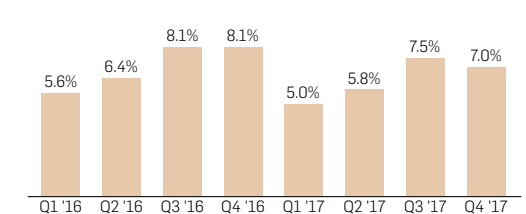
Operating profit (EBIT)

DKK million



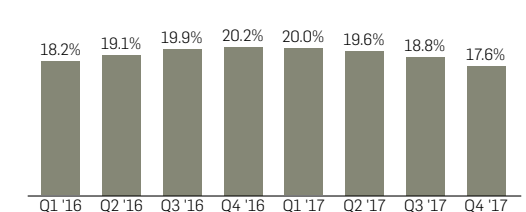
EBIT-margin

Percent



ROIC excluding goodwill

Percent





Chr. Filtenborgs Plads in Aarhus, Denmark

This stately old mansion located at Chr. Filtenborgs Plads 1 in Aarhus, Denmark serves as Schouw & Co.'s corporate headquarters. In addition to being the workplace of the parent company's 12 employees, the location is also used for meetings by all of the Group's portfolio companies. Employees of the most recent acquisition, Borg Automotive, have been frequent visitors since Borg Automotive became part of the Schouw & Co. family in early 2017. Pictured here are Borg Automotive's CFO Carsten Kristoffersen (left) and CEO Kim Kruse Andersen (centre) in conversation with Schouw & Co.'s president and CEO Jens Bjerg Sørensen.

[See financial highlights and key ratios on pp. 32 and 33](#)

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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. Some three quarters of the feed produced is for salmon farmed in Norway, Scotland or in Chile, but BioMar produces feed for more than 45 different species. BioMar is an innovative business, which through ongoing feed optimisation generates growth and opportunities for large and small customers.



BioMar is the world's third-largest manufacturer of quality feed for the fish farming industry and a global player with a presence in all major fish farming regions. Schouw & Co. took an initial ownership interest in BioMar in 2005, and the company became a wholly owned subsidiary through a merger process in 2008. BioMar represents more than half of Schouw & Co.'s consolidated revenue and is expected to contribute more than 40% of the 2018 consolidated EBITDA.

Value creation

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

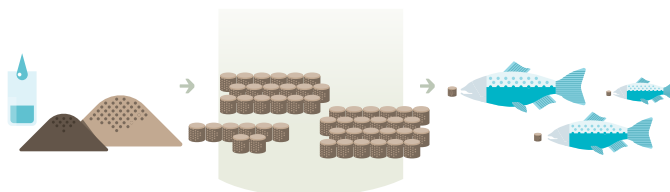
Growth

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

Presence

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

Value chain



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

BioMar

A good year of strong revenue improvements, large capacity expansion in Norway, establishing a foothold in Australia, and shrimp feed becoming a new growth segment. Committed to maintaining market position through innovation.

BioMar is the world's third-largest manufacturer of quality feed for the fish farming industry. The company's operations are divided into three divisions:

- The Salmon division covering salmon operations in northern (Norway and Scotland) and southern (Chile) waters.
- The EMEA division covering the EMEA region and involving all operations other than salmon.
- The Emerging Markets division covering new territories and business development activities.

BioMar's acquisition of a 70% stake in Ecuadorian shrimp feed producer Alimentsa closed in September 2017, at which time the company was consolidated. Alimentsa forms a part of the Emerging Markets division, which now encompasses activities in Costa Rica, China and Ecuador.

Financial performance

BioMar's reported Q4 2017 revenue was slightly higher than expected, while EBIT was well ahead of expectations, bringing full-year 2017 revenue to DKK 9,955 million, a 12% increase on DKK 8,867 million in 2016.

BioMar	Q4 17	Q4 16	2017	2016
Volume ('000 of tonnes)	324	270	1,156	966
Revenue (DKK million)	2,637	2,491	9,955	8,867
- of which salmon north	1,456	1,434	5,420	4,593
- of which salmon south	489	514	1,957	1,903
- other divisions	692	543	2,578	2,371

The higher-than-expected revenue was based on a 20% increase in volumes sold relative to 2016. All three divisions contributed to the volume increase, with the salmon market the biggest contributor. The global salmon biomass grew in 2017 relative to 2016, and market developments were generally positive in Norway, Scotland and Chile, which all had favourable biological conditions for fish farming during the year. The Emerging Markets division contributed to the growth performance mainly through the acquisition of Alimentsa in Ecuador, which was included in the consolidated results for the last four months of the year with revenue of DKK 164 million.

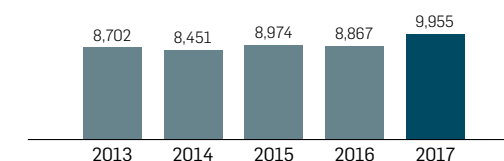
In the crucial Norwegian market, BioMar generated significant increases relative to 2016 in terms of both volumes sold and revenue. The new production line at Karmøy gave BioMar the extra production capacity needed to generate growth and to increase its market share in Norway in 2017.

The operations in Chile improved on both revenue and volumes sold in 2017, mainly because the Chilean market normalised following last year's setback caused by the natural occurrence of severe algal blooms in the spring of 2016. Nevertheless, volumes sold in Chile in the second half of 2017 fell slightly short of expectations, as BioMar failed to fully grow its market share as much as had been expected.

The EMEA division reported increased volumes sold in several markets in northern and southern Europe. However, Greece generated volumes sold in line with 2016 due to the long, cold winter in that market. The Turkish joint venture increased sales by a significant margin year on year, as the factory began commercial operations in mid-2016. The Turkish operations are not recognised in consolidated revenue and EBIT. The same applies to the joint venture operations in China. As expected, the Chinese operations, a part of the Emerging Markets division, reported revenue and earnings improvements for 2017 after acquiring the Haiwei factory in a deal that closed in November 2016. On a 100% basis, the non-consolidated feed businesses reported 2017 revenue of DKK 699 million and EBIT of DKK 39 million. The non-consolidated feed businesses also include the fish farming company Salmones Austral and the Letsea and ATC Patagonia research centres. The non-consolidated companies are recognised in the 2017 consolidated financial statements at a share of profit of DKK 38 million after tax.

EBIT for the year was DKK 559 million in 2017 against DKK 581 million in 2016, the latter figure including significant income streams relating to special circumstances that did not recur to the same extent in 2017. The increase in volumes sold had a positive effect on full-year EBIT, particularly in the Salmon division, but due to the increasingly competitive market in Norway in 2017, the larger

Revenue performance



volumes only to a limited extent made up for the drop in earnings.

The reported EBIT exceeded the most recent guidance range of DKK 530-550 million as was announced in the Q3 2017 interim report. The EBIT improvement was mainly attributable to an increase in volumes sold, a stronger operational performance, which included optimised margins, and the effect on earnings from the acquisition of Alimentsa. Also contributing to EBIT was other operating income deriving mainly from margins on the sale of fish and a minor fair value adjustment of fish inventories. In addition, the group's bad debt provision for 2017 was below the historical average, but in line with 2016.

Developments in foreign exchange rates had a negative overall impact of about DKK 170 million on revenue and of about DKK 10 million at EBIT level, mainly due to lower USD, GBP and NOK rates relative to DKK.

Working capital increased from DKK 414 million at the end of 2016 to DKK 672 million at the end of 2017, among other things due to the acquisition of Alimentsa and the fact that BioMar chose not to use supply chain financing to the same extent as last year. ROIC excluding goodwill remained high, at 30.1% at 31 December 2017, but still lower than the rate of 35.8% reported at 31 December 2016.



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

BioMar

Business development

BioMar acquired a 70% stake in Ecuadorian shrimp feed producer Alimentosa in September 2017, with the former owners staying on as non-controlling shareholders.

Construction of a new production line at the existing factory in Karmøy, Norway, was completed in July. The project also involves expansion of warehouse and other efficiency-enhancing facilities, which are scheduled for completion in 2018. In addition, BioMar is investing in new functional feed types and new logistical solutions and has for that purpose signed a long-term lease for a new, natural gas powered ship. The ship was delivered and brought into operation in 2017 at the same time as the new production line at Karmøy. The ship transports feed from Karmøy to fish farmers along the coast in central Norway.

The EMEA division increased its sales to BioMar's traditional European markets, where the company has a strong market position. BioMar continues to expect to strengthen its position in these markets, in part owing to the building of a strong market position in Turkey, one of Europe's most important aquaculture markets. In addition, consolidation of the Greek fish farming industry is expected to be growth supportive.

As part of its strategy, BioMar has identified the hatchery segment (feed for fish and shrimp farming during the early life stages) as being an area of significant potential, and working closely with its existing organisation BioMar has established a new hatchery business unit. Based in Nersac, France, the new hatchery unit will be in charge of the further development of BioMar's hatchery operations.

In the first quarter of 2017, BioMar acquired a 30% interest in the Aquaculture Technology Center Patagonia (ATC Patagonia), one of the most complete and modern research centres in the southern hemisphere. Having good R&D facilities is a basic requirement for achieving reliable test results that can be used to develop high-yielding feed products that, by extension, can create value for BioMar's customers. In November 2017, BioMar also announced plans to invest in a new research centre in Ecuador. Its main focus will be on shrimp, which will further strengthen the group's global product development capacity.

BioMar increased its ownership interest in the Chilean fish farming company Salmenes Austral to 22.9% in the third quarter of 2017, and the company is now recognised as an associate. BioMar expects the company to achieve good results in the years ahead.

In China, BioMar is constructing a new fish feed factory in Wuxi near Shanghai in a joint venture with Chinese partner Tongwei Co. Ltd. Expected to begin operations at the end of the second quarter of 2018, the factory will have an annual capacity of 50,000 tonnes of fish feed. The new factory will complement the existing Haiwei factory located close to Hong Kong.

In March 2017, BioMar announced an almost DKK 300 million investment in a new feed factory in Tasmania, Australia. Preparations at the factory are progressing to plan, including obtaining local regulatory approval, and BioMar continues to expect the new facility will be ready by the end of 2019 with an annual fish feed capacity of about 110,000 tonnes.

Outlook

BioMar anticipates moderate growth rates in its core markets in 2018. In addition, the group expects to increase volumes sold in emerging markets like Ecuador and China. Unlike in 2017, Alimentosa will contribute full-year revenue and earnings in 2018, and the new factory at Wuxi in China is scheduled to begin production in mid-2018. It should be noted, however, that the operations in China are not consolidated.

BioMar expects all three divisions will contribute to increasing volumes sold in 2018. Moderate growth in total feed volumes is expected in Norway and Chile. The market is expected to expand, reflecting positive developments in biological conditions and fish farmers generally being able to respond to biological challenges. The market in Chile has recovered following the algal bloom difficulties in 2016, and developments going forward will depend on how the authorities and the fish farmers regulate and manage growth.

General market conditions are expected to remain challenging in 2018, as moderate growth will combine with intense competition in core markets. Competition accelerated considerably in the Norwegian market in 2017, and the effects will also impact 2018 earnings. Competition in Scotland will also intensify in 2018, as Marine Harvest is expected to start up its own fish feed production, which will reduce the accessible market.

BioMar will defend its market share and expand its position by developing and implementing new products and continuing to strongly focus on optimising margins, enhancing efficiency and on customer communication. Prices of farmed fish, including salmon prices, are expected to remain

at a level that will provide solid earnings for fish farmers, which will reduce BioMar's risk of bad debts.

Changes in foreign exchange rates and shifts in product mix are expected to reduce average selling prices per tonne relative to 2017.

Against this background, BioMar expects to generate full-year 2018 revenue of about DKK 10.0-10.5 billion, but as always changes in raw materials prices and foreign exchange rates may impact revenue. The full-year EBIT will also depend on how foreign exchange rates develop, but based on the current outlook, BioMar expects to generate EBITDA in the range of DKK 720-770 million compared with DKK 712 million in 2017.

Associates and joint ventures, which are recognised at a share of profit after tax, are expected to contribute profit of about DKK 50 million in 2018 compared with DKK 38 million in 2017.

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

Results are created by people

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



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

Nonwovens

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



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

Value creation

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

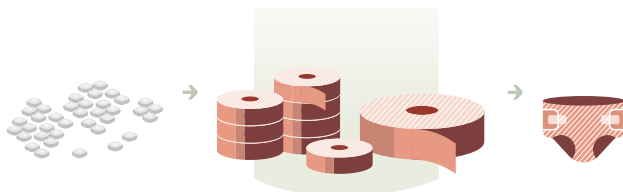
Growth

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

Presence

- The production of spunbond material is based in Denmark and Malaysia. Being easy to transport, the material is shipped to destinations all over Europe and in most parts of South-East Asia and in quite large quantities to Japan.
- In addition to the production of spunbond nonwovens, the company possesses a unique technology that allows direct printing on nonwoven fabrics. Today, printing takes place at sites in Germany and Malaysia, and printing capacity is being installed in the USA in 2018.

Value chain



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, furniture or 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 30m² of nonwoven fabrics are used in modern cars.

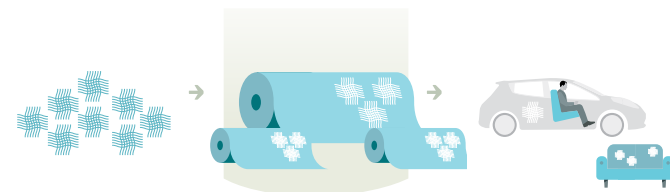
Growth

- Growth in the use of nonwovens derives from new applications and greater use in existing products. For example, nonwovens are used to reduce the weight of a car and thereby to improve its fuel economy, while new applications, such as for filtration, are expanding the accessible market.
- Overall, the use of industrial nonwovens is forecast to grow by 7-8% 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 70% of the company's combined output capacity.
- In addition, the company has production facilities in Turkey, the USA and South Africa. In February 2018, Fibertex Nonwovens acquired Brazilian company Duci.

Value chain



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

Fibertex Personal Care

A good year of revenue improvement, large capacity expansion in Malaysia, new nonwoven technology and of setting up printing facilities in the USA. More competitive markets require substantial efficiency improvements and innovation.

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

Its operations also include Innowo Print, a market leader in direct printing on nonwoven textiles for the personal care industry. Innowo Print has production facilities in Germany and Malaysia and is currently setting up production facilities in the USA.

Financial performance

Fibertex Personal Care generated an increase in revenue to DKK 545 million in Q4 2017 from DKK 456 million in Q4 2016 and EBIT at the lower end of the company's guidance range due to, among other things, higher prices of raw materials and a decline in the USD/DKK exchange rate towards the end of the year.

This brought full-year 2017 revenue to DKK 2,016 million, compared with DKK 1,792 million in 2016. The improvement was mainly driven by increased volumes shipped from the factory in Malaysia and expansion of business activities at Innowo Print.

Fibertex Personal Care	Q4 17	Q4 16	2017	2016
Revenue (DKK million)	545	456	2,016	1,792
- of which from Denmark	192	177	730	695
- of which from Malaysia	310	242	1,093	955
- of which from Germany	44	37	194	142

EBIT improved slightly from DKK 246 million in 2016 to DKK 251 million in 2017, driven by improved performances in Malaysia and by Innowo Print.

Working capital increased from DKK 295 million at 31 December 2016, to DKK 355 million at 31 December 2017, mainly due to the expansion of business activities in Malaysia and at Innowo Print. Despite a major capex spend in 2017, the return on invested capital remained high: ROIC excluding goodwill was 15.8% in 2017, against 18.4% in 2016.

Business development

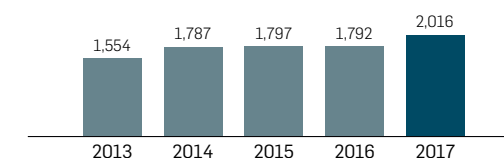
Fibertex Personal Care's focus is to strengthen its market position through a commitment to constant customer attention and on being the standard-setting supplier in terms of quality, service and innovation. This commitment is underpinned by the recent investments in the new nonwovens factory at Sendayan, some 25 km south of the existing factory at Nilai, outside Kuala Lumpur. Starting operations in the fourth quarter of 2017, the new production site has space for an additional three production lines and so is ready for further expansion in the crucial Asian growth market. With growth rates in Europe much lower than they are in Asia, Fibertex Personal Care has invested heavily in recent years to upgrade plant and machinery at the factory site in Denmark, particularly with a view to accommodating demand for specialty products.

After several years of intense development efforts, Fibertex Personal Care has now added a new leg to its product portfolio – Fibertex LOFT – a brand new technology based on the traditional spunbond platform that enables the production of nonwovens with unique textile-like characteristics. The new platform is consistent with the strategic goals of innovation and increased focus on specialty products. Protected through several patents, the Fibertex LOFT technology strengthens Fibertex Personal Care's position in a highly competitive market.

The print technology developed has also increased the company's competitive strength. Customers increasingly demand direct print on nonwovens materials instead of the traditional solution of having a design print on a thin film. Innowo Print's print technology allows its customers' designers to enhance the visual expression, which facilitates a range of differentiation possibilities. Due to growing demand, Fibertex Personal Care has expanded its print capacity in Germany and Malaysia.

In 2017, Fibertex Personal Care acquired an industrial site in Asheboro, North Carolina, as part of an overall investment in a new production unit of about DKK 85 million. The new facility is scheduled to commence operations in the fourth quarter of 2018 and will mainly focus on printing directly on nonwoven materials. The new facility will place the company in a strategically strong

Revenue performance



position with regard to production and delivery in three key markets: Europe, Asia and the USA.

Outlook

Spunbond/spunmelt nonwovens is an attractive market and the industry is investing worldwide to expand production capacity, leading to excess capacity in certain regions from time to time. Europe is a limited growth market currently experiencing very strong price competition that naturally places a heavy demand on production efficiency and the development of innovative products.

The Asian market has seen high growth rates in recent years and demand has absorbed the surging supply in the region. The recent easing of the one-child policy in China has raised demand for nonwovens for diapers in this already large market. Through dedicated investment, launches of innovative new products and close collaboration with strategic customers, Fibertex Personal Care has successfully expanded its market position among the largest suppliers to the Asian market.

Fibertex Personal Care expects to generate full-year 2018 revenue of DKK 2.1 billion. As always, revenue and EBIT will depend on how prices of raw materials and foreign exchange rates develop. Based on the current outlook, Fibertex Personal Care expects to generate EBITDA in the range of DKK 350-370 million compared with DKK 365 million in 2017.

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

Fibertex Nonwovens

A year of revenue and EBIT improvements despite challenging raw materials prices. Upgrades and expansion of production apparatus, followed by acquisition in Brazil. Guiding for sustained improvements in 2018.

Fibertex Nonwovens is among Europe's leading manufacturers of nonwovens, i.e. non-woven textiles used for a number of different industrial purposes. The company's core markets are in Europe and North America and its secondary markets are in Africa and Asia. After the end of the financial year, Fibertex Nonwovens established operations in Brazil through an acquisition.

Financial performance

Fibertex Nonwovens grew its revenue in Q4 2017 to DKK 331 million from DKK 288 million in Q4 2016, increasing EBIT to DKK 16 million from DKK 12 million last year and bringing full-year 2017 revenue to DKK 1,422 million, a 9% increase from DKK 1,301 million in 2016. The revenue improvement was broadly based, with all production sites contributing.

The 2017 EBIT was DKK 88 million compared with DKK 81 million in 2016. After a strong sales performance in the first half of 2017 driven by growing demand from the auto and several other segments, sales stabilised closer to normal levels in the second half of the year. The company reported high capacity utilisation at its European factories and improved its financial results in the USA, South Africa and Turkey, but the improvements were offset by extremely challenging trends in raw materials prices throughout 2017.

Due to the increase in business activity, working capital increased from DKK 383 million at

31 December 2016 to DKK 422 million at 31 December 2017. ROIC excluding goodwill increased slightly from 7.7% at 31 December 2016 to 7.8% at 31 December 2017.

Business development

Fibertex Nonwovens reported a generally positive performance in 2017, with growing sales to the automotive industry, an improved product mix that included higher sales of advanced products, and European sales of products for the construction industry and for infrastructure projects that improved relative to last year. In addition, the company grew its business activity in Asia, reporting sales to major infrastructure projects, for example.

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

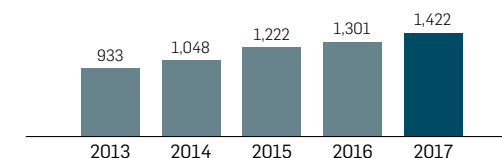
Fibertex Nonwovens' US subsidiary reported a revenue increase and improved earnings in 2017. The company has also built a strong customer

portfolio for its future growth. Setting up in the USA is considered an important long-term investment in an attractive growth market.

Market conditions in South Africa have been challenging in recent years, as weak economic activity and low commodity prices constrained infrastructure and mining projects, both in South Africa and in neighbouring countries. On the other hand, the South African factory drove up business activity in the course of 2017, in part based on growing sales in local markets and on greater integration with the company's global sales organisation, which is intended to improve sales from South Africa to relevant export markets.

After the end of the financial year, Fibertex Nonwovens made a strategic acquisition, taking over Duci, a Brazilian nonwovens manufacturer, effective from the beginning of February 2018. Established in 2001, Duci is based in an industrial district west of São Paulo. The company has about 100 employees and generated revenue of almost DKK 115 million and EBITDA of about DKK 15 million in 2017. Brazil is the world's sixth largest market for industrial nonwovens, amounting to about 120,000 tonnes annually, which is about half of the output of the entire South American market. Duci has a relatively new production platform for the so-called spunlacing technology, and the transaction has given Fibertex Nonwovens a solid foothold in the growing South American market.

Revenue performance



Outlook

Fibertex Nonwovens expects moderately rising business activity in 2018 with generally stable market conditions in most segments. Duci will be consolidated from 1 February 2018.

Prices on the most used commodities rose in 2017, necessitating price increases in all product areas and making already competitive markets even more challenging. Commodity prices remain volatile but are expected to stabilise at a higher level.

Fibertex Nonwovens expects to increase its financial results in 2018, with support from the upgraded production lines and the new capacity established. Given the structural investments made and the company's increased efforts to work the market, including the focus on growing sales of value-added products, Fibertex Nonwovens has built a solid platform from which to grow its future earnings. South Africa will still be experiencing a slumping economy in 2018, but although the South African operations are not yet profitable, integration efforts are expected to help lift the financial performance.

On that background, Fibertex Nonwovens expects to generate revenue of approximately DKK 1,600 million and EBITDA in the range of DKK 195-215 million in 2018 compared with DKK 179 million in 2017.

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

Industrial solutions

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

HydraSpecma Group

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

Value creation

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

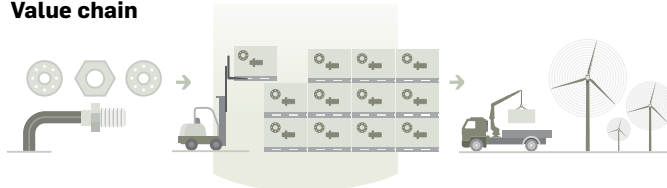
Growth

- Several business segments offer very positive growth prospects, including wind turbines and lorries.
- Hydraulics applications are forecast to grow by 5-7% annually in the industries HydraSpecma supplies.

Presence

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

Value chain



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 all car makes.

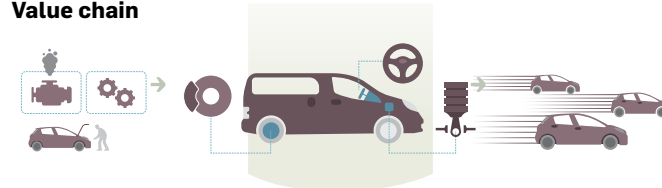
Growth

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

Presence

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

Value chain



GPV

GPV is Denmark's largest EMS (Electronic Manufacturing Services) company and has been under Schouw & Co ownership since 2016.

Value creation

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

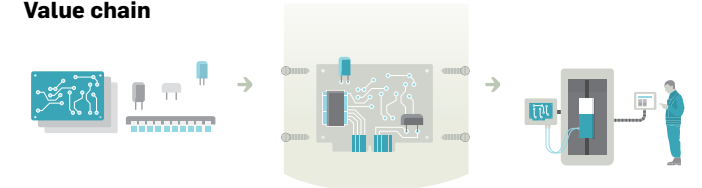
Growth

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

Presence

- Servicing customers in Europe, Asia and the Americas from factories in Denmark, Thailand and Mexico.
- Customers are mainly international market leaders with very tough requirements as to reliability of supply and logistics solutions.

Value chain



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

HydraSpecma

Revenue improvements with major product and geographical shifts, necessary additional costs and significant restructuring costs in China. Improvements expected in 2018.

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 Nordics, which is the base of its core production facilities and most of its operations. The company also serves customers from its own businesses in Poland, England, China, India, Brazil and the USA.

Financial performance

HydraSpecma's reported Q4 2017 revenue was higher than expected, but EBIT was lower than forecast. The Q4 performance brought full-year revenue to DKK 1,805 million, 3% higher than the 2016 revenue of DKK 1,747 million. The company reported a high level of business activity, especially in the building and construction segments, materials handling, agriculture, mining and the automotive segment (lorries and buses), whereas the marine, defence and offshore segments all reported reduced business activity. Revenue from the wind power segment was in line with last year, but with a very different geographical breakdown.

Despite the higher revenue, EBIT for the year fell short of expectations, mainly due to the higher production costs needed to accommodate an unexpected strong increase in customer business activities in certain segments. The financial results were also affected by the activity slump in the marine and wind turbine segment in Asia

and the significant costs incurred to optimise production facilities and restructure the business located near Beijing, China. Overall EBIT was DKK 88 million in 2017, compared with DKK 111 million in 2016.

Working capital increased from DKK 463 million at 31 December 2016 to DKK 566 million at 31 December 2017 due to an increase in business activity, establishing an inventory in the USA and a strategic decision to increase inventories of key products. An increase in average invested capital and the lower earnings meant that the return on invested capital, ROIC, excluding goodwill fell to 13.0% at 31 December 2017 from 16.1% at 31 December 2016.

Business development

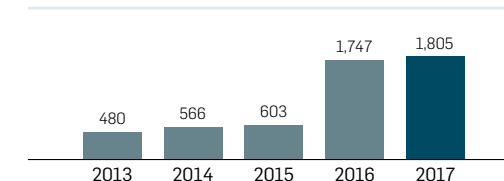
Having experienced a great need to expand production capacity, HydraSpecma is investing heavily in both Sweden and Denmark. The company has bought new robot-equipped production machinery in order to increase its capacity and reduce production costs, while also investing in new buildings. HydraSpecma recently began construction of a new 5,000 m² facility to be fitted with modern production machinery at Stargard in western Poland, where the company has experienced strong growth. This is an area where HydraSpecma serves a lot of Swedish industrial companies that have relocated their production to Poland.

HydraSpecma allocates resources for developing and testing new products in collaboration with customers. For example, the company regularly participates in major development projects that help to reduce the price of energy generated by wind turbines. A supplier to the wind turbine industry must be capable of delivering complete units rather than just individual components, and HydraSpecma is prepared to make the necessary investments to become an attractive supplier to this industry.

HydraSpecma continues to work on optimising its businesses in China – both in Shanghai and in the Beijing region, where at the end of 2016 HydraSpecma rolled its previous operations and activities acquired from Etola into a new company. Acquiring the activities from Etola was part of HydraSpecma's growth plan for 2020, and the move has strengthened its production platform in the Beijing region, but combining the activities has been more difficult and more costly than anticipated.

HydraSpecma increased its ownership in Specma Brazil to 90% in 2017. HydraSpecma expects Brazil to become an important market for the company's large lorry customers, which are expected to increase their production in that country over the coming years.

Revenue performance



Outlook

HydraSpecma continues to expect growth in sales of hydraulics for vehicles and in sales to customers in the wind turbine segment. Stable markets are expected in the other segments. China will still be a low-growth market in 2018, especially in the marine segment, but the optimisation steps taken and the organisational changes made are expected to lead to improved earnings. The hydraulics market is currently seeing rising component prices and much longer delivery times, which could dampen growth in the short term.

HydraSpecma will be focused on optimising its production capacity in 2018 by investing in production facilities and automation. Efforts to reap the positive synergies from bringing Hydra-Grene and Specma together, including in cross-selling and operational structures, will also continue. HydraSpecma will continue to invest in developing its organisation and in cross organisational projects that will increase costs in the short term, but which are essential for the company to achieve its future goals.

HydraSpecma expects to generate revenue of about DKK 1.9 billion and EBITDA in the range of DKK 155-175 million compared with DKK 148 million in 2017.

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

Borg Automotive

Borg's first year under Schouw & Co. ownership was in line with expectations. Strong market position, large product range and good capacity provide a platform for growth. Guiding for sustained improvements in 2018.

Europe's largest remanufacturing company, Borg Automotive produces, sells and distributes remanufactured automotive parts to the European market. Borg Automotive sells its products under three different brands: Lucas, Elstock and DRI, with Elstock and DRI being proprietary brands. The company's main products are starters, alternators, brake calipers, aircondition compressors, EGR valves, steering racks and pumps. Headquartered in Silkeborg, Denmark, Borg Automotive operates production facilities in Poland and England and a sales and development subsidiary in Belgium.

Schouw & Co. acquired Borg Automotive at 3 April 2017, and the company was thus only consolidated as from the second quarter of the year. For the sake of completeness, however, the financial review also comments on the 2017 income statement using comparative figures for full-year 2016. Balance sheet figures for prior periods are not directly comparable and are therefore not reviewed.

Financial performance

Borg Automotive reported Q4 2017 revenue and earnings in line with expectations. The full-year revenue was DKK 946 million, a 4% improvement from DKK 910 million in 2016. For the nine-month period to 31 December 2017, in which the company is consolidated, revenue amounted to DKK 709 million compared with DKK 690 million in the year-earlier period.

The company reported EBIT of DKK 73 million for the 2017 calendar year. EBIT was impacted by non-recurring costs of DKK 22 million that were incurred prior to the acquisition at 3 April 2017, amortisation and depreciation charges of DKK 17 million and inventory adjustments of DKK 32 million related to the purchase price allocation made in connection with the acquisition. When adjusted for these items, the full-year 2017 EBIT was DKK 143 million against DKK 126 million in 2016.

EBIT for the nine-month period of consolidation in 2017 was recognised at DKK 64 million after deduction of the above-mentioned amortisation and depreciation charges and adjustments resulting from the purchase price allocation, which were all in line with expectations.

Working capital amounted to DKK 200 million at 31 December 2017, whereas ROIC excluding goodwill was 23.3%, but it should be noted that the calculation was based on normalised results and an adjusted period to show a representative value.

Business development

Borg Automotive reported generally positive demand in 2017. The company has two sales departments: based in Denmark, Elstock sells to the independent aftermarket, while CPI, based in Belgium, sells to private label customers, including OES (Original Equipment Service) customers.

Both sales departments have felt positive trends in demand across the entire product range.

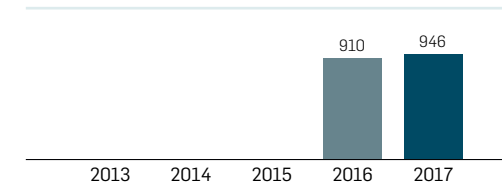
Developing the product programme, optimising production and ensuring complementary operations at the two production units in Poland and England is an ongoing priority at Borg Automotive. In addition, the company has taken steps to make trading easier for customers through increased digitalisation of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

After Schouw & Co. took over the business, the company has accelerated its strategy work in order to explore the business opportunities available in the market. The financial leverage that comes with the long-term ownership is expected to provide a platform for both geographical and product expansion.

Over the past few years, Borg Automotive has generated stable organic growth in terms of both sales volume and revenue. Ongoing negotiations with major customers for additional long-term agreements support the outlook for further positive developments.

Borg Automotive's strong performance makes it relevant to ramp up capacity, and work continues to plan future production expansion in eastern Europe. The upcoming expansion should ensure the capacity to manage a wider product range and broader geographical coverage, while providing

Revenue performance



current customers a level of service that can accommodate ever-growing demands with regard to speed of delivery, precision and quality.

Outlook

The market Borg Automotive serves has experienced considerable customer consolidation in recent years, as many other industries have. Obviously, the consolidating businesses achieve higher procurement volumes, leading to a change in trade patterns.

On the positive side, consolidation also facilitates higher sales volumes. Borg Automotive has a broad product portfolio and a strong pipeline that will continue to support positive sales developments to the independent aftermarket and to the OES segment.

Borg Automotive expects full-year 2018 revenue of DKK 1,000-1,050 million. The company expects to generate EBITDA in the range of DKK 155-175 million in 2018 compared with DKK 102 million in the 2017 calendar year when non-recurring costs and inventory adjustments due to the purchase price allocation affected EBITDA by a total of DKK 53 million.

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

GPV

A good year with revenue improvements, a new factory established in Mexico, a successful acquisition in Denmark and large investments in capacity expansion. Guiding for sustained improvements in 2018.

GPV is Denmark's largest EMS (Electronic Manufacturing Services) company and a significant international player in its field. The company is a high-mix/low-medium (HMLM) volume manufacturer for the B2B market. GPV's core products are electronics, mechatronics (combination of electronics, software and mechanical technology) and high precision mechanics. Headquartered in Denmark, GPV has production facilities in Denmark, Thailand and Mexico.

Its customers are primarily major international businesses typically headquartered in Europe or North America. GPV sells its products to its customers' international units across much of the world and in 2017 shipped products to customers in more than 30 countries.

GPV was acquired by Schouw & Co. at 1 April 2016, and was thus only consolidated as of the second quarter of 2016. For ease of comparison, however, full-year 2016 income statement items shown in the financial highlights table also contain Q1 2016 data.

Financial performance

GPV continued its positive performance during the year in the fourth quarter, increasing revenue to DKK 295 million from DKK 225 million in Q4 2016. EBIT rose to DKK 20 million in Q4 2017, up from DKK 18 million in Q4 2016.

For the calendar year 2017, GPV reported a 31% revenue increase to DKK 1,148 million from DKK 877 million in the 2016 calendar year. The revenue performance was based on the generally higher level of business activity at both existing and new customers and to GPV's acquisition of the EMS company BHE effective from 1 March 2017.

EBIT was DKK 81 million compared with DKK 61 million in 2016, an improvement driven by an increase in business activity, even after recognition of all integration costs related to the BHE acquisition and costs of other business activity expansion.

Working capital amounted to DKK 295 million at 31 December 2017, compared with DKK 181 million at 31 December 2016, an increase reflecting the 31% revenue improvement. ROIC excluding goodwill improved from 15.9% at 31 December 2016 to 17.1% at 31 December 2017, despite an increase in investments, including the BHE acquisition, setting up in Mexico and capacity expansion.

Business development

Meeting customer requirements for high quality standards and reliability of supply is a big priority for GPV. To ensure adequate flexibility, the company is currently investing in further automation and increasing production capacity at its electronics and mechanics facilities. The company is also expanding factory space at its facility in Thailand,

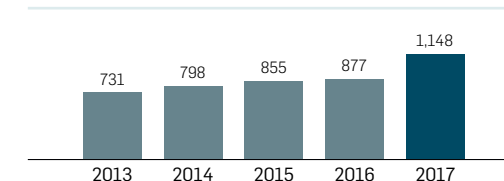
which will increase capacity by about 50%. The new factory expansion will become operational in successive stages and is scheduled for final completion in 2020.

The electronics factory established recently in Mexico, is a strategic location for GPV in terms of manufacturing and shipping in Asia, Europe and the Americas. Commissioned in the first quarter of 2017, the new factory will enable GPV to share in its existing customers' growth in North America and to expand its share of the HMLM volume technical electronics market. An expansion of the capacity in Mexico is expected to become operational during 2018, and work is currently ongoing to extend the production space at the electronics factory in Denmark.

Major investments were made in 2017 to expand production capacity at all GPV factory sites. The largest expansion project was at the electronics factory in Thailand. All new production lines feature the latest automation standards (Industry 4.0).

Operational excellence and supply chain innovation remains major priorities for GPV in its efforts to meet market demands for quality and efficiency. Accordingly, GPV will continue to focus on implementing flexible automation, robotics and digitalisation.

Revenue performance



Outlook

The trend of outsourcing production in the sectors in which GPV operates is expected to continue, as customers increasingly focus on their core competencies and on cutting back on capital expenditure and inventories while through GPV getting access to flexibility and an outsourcing partner capable of handling all aspects of complex production.

The general market forecast for 2017 continues to indicate a positive trend in Europe. The same applies to the US market, although market conditions there are more volatile, while markets in China and Russia are expected to weaken.

The general market situation, new products, new customers and the BHE acquisition in 2017 have all had a positive effect on the 2018 revenue guidance. However, the positive market trends seen in 2017 have resulted in longer lead times for certain electronic components, which could impact operations in 2018. As a result, GPV will be focused on sourcing components and raw materials in order to be able to supply products to customers.

On that background, GPV expects to generate revenue of about DKK 1,225 million and EBITDA in the range of DKK 125-135 million in 2018 compared with DKK 107 million in 2017.

Portfolio company financial highlights – full year

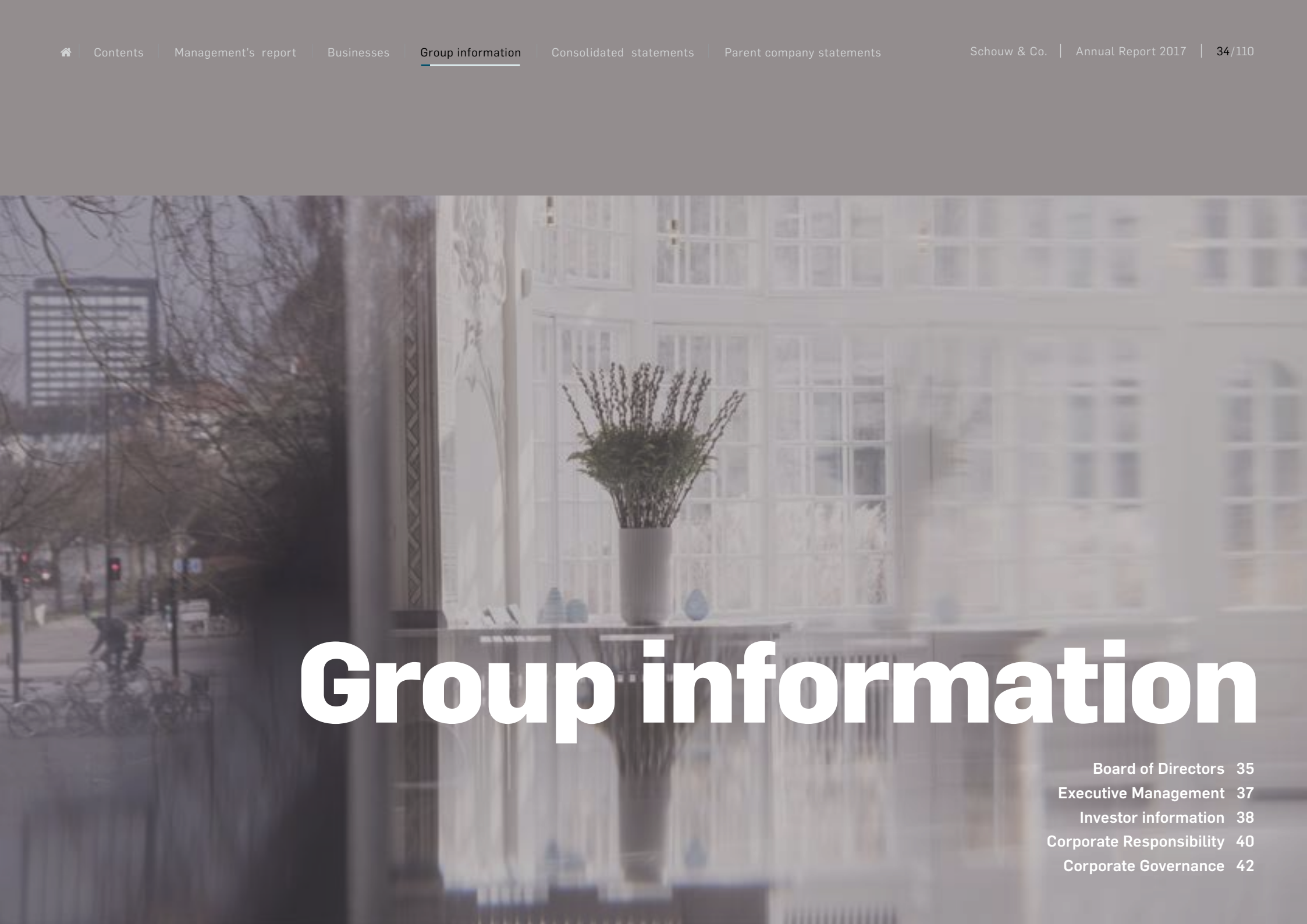
Full year	BioMar		Fibertex Personal Care		Fibertex Nonwovens		HydraSpecma		Borg Automotive		GPV		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
INCOME STATEMENT														
Revenue	9,954.6	8,867.5	2,016.5	1,791.5	1,422.2	1,301.4	1,805.5	1,746.9	946.0	910.4	1,147.5	876.8	17,032.2	14,369.1
Gross profit	1,223.1	1,133.2	422.8	398.3	317.8	296.1	470.5	443.7	226.3	251.6	251.3	183.4	2,840.1	2,416.8
EBITDA	712.0	722.4	364.9	361.8	178.8	162.5	148.0	169.9	101.6	138.3	106.5	84.2	1,567.8	1,472.5
Depreciation and impairment losses	153.2	141.4	114.1	116.2	91.1	81.8	59.9	59.4	28.5	11.9	25.2	23.6	475.1	434.0
Operating profit (EBIT)	558.7	581.0	250.8	245.6	87.6	80.6	88.1	110.6	73.1	126.4	81.4	60.6	1,092.7	1,038.5
Profit after tax in associates and joint ventures	38.0	12.6	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	41.9	566.4
Net financial items	14.2	-16.4	-25.1	-6.9	-38.9	-20.2	-21.1	-7.8	2.0	-14.1	5.4	-7.2	-30.1	-26.6
Profit before tax	610.9	577.1	225.7	238.6	48.7	60.5	66.6	102.8	75.1	112.3	86.8	53.5	1,104.6	1,578.3
Tax on profit/loss for the year	-145.7	-148.4	-46.9	-60.5	-6.5	-19.9	-16.8	-22.3	-10.0	-0.6	8.3	6.7	-230.1	-239.5
Profit before non-controlling interests	465.2	428.7	178.9	178.1	42.2	40.6	49.9	80.5	65.1	111.7	95.1	60.1	874.5	1,338.8
Non-controlling interests	0.0	0.0	0.0	0.0	4.4	4.2	0.6	-1.4	0.0	0.0	0.0	0.0	5.0	2.7
Profit for the year	465.2	428.7	178.9	178.1	46.6	44.7	50.5	79.1	65.1	111.7	95.1	60.1	879.5	1,341.5
CASH FLOWS														
Cash flow from operating activities	296.1	884.2	253.5	331.4	108.1	113.7	-11.1	127.7	27.9	123.9	7.1	106.5	763.3	1,598.1
Cash flow from investing activities	-1,027.3	-375.6	-319.1	-361.3	-180.3	-108.4	-43.8	-545.0	-19.2	-14.6	-103.5	-41.7	-2,763.0	-395.5
Cash flows from financing activities	657.0	-633.7	120.6	25.3	62.7	-12.6	42.8	445.5	-48.4	-72.0	71.6	-27.7	818.3	-925.3
BALANCE SHEET														
Intangible assets*	1,273.0	405.9	83.5	85.6	150.4	164.1	289.1	315.7	354.4		18.4	0.0	3,194.9	1,481.5
Property, plant and equipment	1,207.4	1,049.3	1,356.6	1,171.0	820.2	753.9	191.8	191.9	72.8		239.9	199.3	3,959.2	3,450.1
Other non-current assets	496.8	374.1	72.1	44.5	4.4	4.3	9.2	6.7	56.9		44.7	24.6	709.9	529.5
Cash and cash and cash equivalents	240.7	329.5	76.8	23.0	37.3	48.7	23.1	36.0	11.0		26.5	51.5	478.2	1,682.4
Other current assets	3,081.3	3,408.6	632.5	563.5	627.0	560.6	899.1	806.1	489.9		545.7	362.1	6,046.9	5,129.5
Total assets	6,299.2	5,567.4	2,221.5	1,887.6	1,639.3	1,531.6	1,412.3	1,356.4	985.0		875.2	637.5	14,389.1	12,273.0
Equity	2,489.9	2,347.7	940.9	876.9	548.2	503.8	440.3	407.1	456.2		243.3	164.5	8,331.9	7,814.4
Interest-bearing liabilities	1,201.1	668.6	822.4	609.6	843.4	782.3	615.7	594.4	155.1		377.0	291.2	1,805.3	723.1
Other creditors	2,608.2	2,551.1	458.2	401.1	247.7	245.5	356.3	354.9	373.7		254.9	181.8	4,251.9	3,735.5
Total equity and liabilities	6,299.2	5,567.4	2,221.5	1,887.6	1,639.3	1,531.6	1,412.3	1,356.4	985.0		875.2	637.5	14,389.1	12,273.0
Average number of employees	996	887	656	574	867	810	1,147	1,020	1,458	1,259	1,302	1,074	6,087	4,108
FINANCIAL KEY FIGURES														
EBITDA margin	7.2%	8.1%	18.1%	20.2%	12.6%	12.5%	8.2%	9.7%	10.7%	15.2%	9.3%	9.6%	9.2%	10.2%
EBIT margin	5.6%	6.6%	12.4%	13.7%	6.2%	6.2%	4.9%	6.3%	7.7%	13.9%	7.1%	6.9%	6.4%	7.2%
ROIC excluding goodwill	30.1%	35.8%	15.8%	18.4%	7.8%	7.7%	13.0%	16.1%	23.3%		17.1%	15.9%	17.6%	20.2%
ROIC including goodwill	19.5%	24.4%	14.9%	17.1%	7.1%	7.0%	11.1%	13.6%	12.7%		16.5%	15.9%	13.8%	16.6%
Working capital	671.9	413.7	354.8	294.7	422.4	383.0	566.3	462.9	199.9		294.6	181.4	2,504.9	1,727.1
Net interest-bearing debt	726.0	-234.1	745.6	586.0	806.1	733.5	553.6	497.0	144.0		350.5	239.7	1,275.2	-1,027.9

* Intangible assets in portfolio companies are excluding consolidated goodwill in Schouw & Co.

Portfolio company financial highlights – Q4

Q4	BioMar		Fibertex Personal Care		Fibertex Nonwovens		HydraSpecma		Borg Automotive		GPV		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
INCOME STATEMENT														
Revenue	2,637.1	2,490.9	545.2	455.8	330.5	288.3	463.6	440.4	224.3	219.1	295.2	224.7	4,490.8	3,895.6
Gross profit	342.2	320.4	115.2	95.8	71.3	63.1	108.7	112.2	65.8	59.6	67.7	50.5	770.5	643.6
EBITDA	217.2	253.2	102.3	85.5	40.2	33.5	27.3	40.1	40.8	33.7	25.0	23.7	443.1	426.9
Depreciation and impairment losses	44.9	38.0	30.9	28.9	24.4	21.6	15.0	16.2	8.4	2.8	4.7	5.9	128.8	111.3
Operating profit (EBIT)	172.3	215.2	71.4	56.6	15.8	11.8	12.3	24.0	32.4	30.8	20.4	17.8	314.2	315.5
Profit after tax in associates and joint ventures	22.3	2.0	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	27.3	3.2
Net financial items	-5.0	-7.3	-5.2	4.8	-7.0	-9.0	-4.0	-1.3	3.8	-2.2	0.9	-2.7	-2.7	-3.6
Profit before tax	189.7	209.9	66.2	61.2	8.8	3.0	8.0	22.7	36.2	28.7	21.3	15.2	338.8	315.1
Tax on profit/loss for the period	-56.5	-43.4	-9.2	-20.0	11.8	-1.2	-3.8	-5.9	-7.7	-13.3	21.8	5.4	-49.4	-61.4
Profit before non-controlling interests	133.2	166.3	57.0	41.3	20.6	1.8	4.2	16.7	28.6	15.4	43.1	20.4	289.3	253.7
Non-controlling interests	0.0	0.0	0.0	0.0	0.6	1.1	-0.8	0.3	0.0	0.0	0.0	0.0	-0.2	1.3
Profit for the year	133.2	166.3	57.0	41.3	21.2	2.9	3.4	17.0	28.6	15.4	43.1	20.4	289.2	255.0
CASH FLOWS														
Cash flow from operating activities	-41.6	545.3	72.4	66.6	37.8	34.0	-37.5	61.9	-19.9	43.1	12.1	39.7	54.7	753.5
Cash flow from investing activities	-42.1	-145.5	-73.1	-131.2	-86.3	-46.1	-17.0	-23.5	173.5	-0.6	-24.4	-25.4	-420.8	661.7
Cash flows from financing activities	135.3	-360.6	22.5	65.6	51.3	4.2	33.4	-44.4	-182.4	-5.4	16.6	0.1	290.8	-279.1
BALANCE SHEET														
Intangible assets*	1,273.0	405.9	83.5	85.6	150.4	164.1	289.1	315.7	354.4		18.4	0.0	3,194.9	1,481.5
Property, plant and equipment	1,207.4	1,049.3	1,356.6	1,171.0	820.2	753.9	191.8	191.9	72.8		239.9	199.3	3,959.2	3,450.1
Other non-current assets	496.8	374.1	72.1	44.5	4.4	4.3	9.2	6.7	56.9		44.7	24.6	709.9	529.5
Cash and cash and cash equivalents	240.7	329.5	76.8	23.0	37.3	48.7	23.1	36.0	11.0		26.5	51.5	478.2	1,682.4
Other current assets	3,081.3	3,408.6	632.5	563.5	627.0	560.6	899.1	806.1	489.9		545.7	362.1	6,046.9	5,129.5
Total assets	6,299.2	5,567.4	2,221.5	1,887.6	1,639.3	1,531.6	1,412.3	1,356.4	985.0		875.2	637.5	14,389.1	12,273.0
Equity	2,489.9	2,347.7	940.9	876.9	548.2	503.8	440.3	407.1	456.2		243.3	164.5	8,331.9	7,814.4
Interest-bearing liabilities	1,201.1	668.6	822.4	609.6	843.4	782.3	615.7	594.4	155.1		377.0	291.2	1,805.3	723.1
Other creditors	2,608.2	2,551.1	458.2	401.1	247.7	245.5	356.3	354.9	373.7		254.9	181.8	4,251.9	3,735.5
Total equity and liabilities	6,299.2	5,567.4	2,221.5	1,887.6	1,639.3	1,531.6	1,412.3	1,356.4	985.0		875.2	637.5	14,389.1	12,273.0
Average number of employees	1,135	899	677	580	883	830	1,198	1,062	1,524	1,355	1,409	1,088	6,838	4,469
FINANCIAL KEY FIGURES														
EBITDA margin	8.2%	10.2%	18.8%	18.7%	12.2%	11.6%	5.9%	9.1%	18.2%	15.4%	8.5%	10.5%	9.9%	11.0%
EBIT margin	6.5%	8.6%	13.1%	12.4%	4.8%	4.1%	2.7%	5.5%	14.4%	14.1%	6.9%	7.9%	7.0%	8.1%
ROIC excluding goodwill	30.1%	35.8%	15.8%	18.4%	7.8%	7.7%	13.0%	16.1%	23.3%		17.1%	15.9%	17.6%	20.2%
ROIC including goodwill	19.5%	24.4%	14.9%	17.1%	7.1%	7.0%	11.1%	13.6%	12.7%		16.5%	15.9%	13.8%	16.6%
Working capital	671.9	413.7	354.8	294.7	422.4	383.0	566.3	462.9	199.9		294.6	181.4	2,504.9	1,727.1
Net interest-bearing debt	726.0	-234.1	745.6	586.0	806.1	733.5	553.6	497.0	144.0		350.5	239.7	1,275.2	-1,027.9

* Intangible assets in portfolio companies are excluding consolidated goodwill in Schouw & Co.



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Board of Directors

Chairman

JØRN ANKÆR THOMSEN



Born 1945. Elected to the Board in 1982. Current term expires in 2018.

LL.M., University of Copenhagen. Attorney and associated partner of Gorrissen Federspiel

Law Firm. Member of the company's audit committee. Mr Ankær Thomsen has special expertise in legal matters, including company law and capital markets, and in strategy, financial reporting, treasury and finance, as well as mergers and acquisitions.

Directorships

Chairman: Aida A/S, Carlsen Byggecenter Løgten A/S, Danish Industrial Equipment A/S, Ejendomsselskabet FMJ A/S, Fibertex Nonwovens A/S, Fibertex Personal Care A/S, F.M.J. A/S, Givisco A/S, Kildebjerg Ry A/S, Leighton Foods A/S, Niels Bohrs Vej A/S, Schouw & Co. Finans 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, Borg Automotive Holding A/S, Car Parts Industries ApS, Dan Cake A/S, Givisco Bakery A/S, Givisco Ejendomme A/S, GPV International A/S, Hydra-Grene A/S, Jacobs-

ens Bakery Ltd A/S, Købmand Th. C. Carlsens Mindefond, Otto Mønstedts Kollegium i Aarhus.

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

Shares held in Schouw & Co.

Holds 20,000 shares in Schouw & Co.

Independence as a board member

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

Deputy Chairman

JØRGEN WISBORG



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

MSc, Aarhus School of Business and LEAP, Leadership Programme, Insead, France. CEO

of OK a.m.b.a. Chairman of the company's audit committee. Mr Wisborg has special expertise in management and sales as well as in strategy, business development, financial reporting, treasury and finance.

Directorships

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

Deputy Chairman: The Danish Oil Industry Association.

Board member: AP Pension Livsforsikringsaktieselskab, AP Pensionsservice A/S, Foreningen AP Pension F.M.B.A., 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.

Independence as a board member

Jørgen Wisborg is considered to be independent.

Board member

ERLING ESKILDSEN



Born 1941. Elected to the Board in 1988. Current term expires in 2020.

Managing director of Givisco A/S, the main shareholder of Schouw & Co. Mr Eskildsen has

special expertise in international business relations, including specifically in manufacturing and foods.

Directorships

Chairman: Carletti A/S, Dan Cake A/S, Dan Cake Services ApS, Givisco Bakery A/S.

Board member: Danish Industrial Equipment A/S, Givisco A/S, Hydra-Grene A/S, Jens Eskildsen og Hustru Mary Antonie Eskildsens Mindefond, Leighton Foods A/S, LHTS Invest A/S, OK Snacks A/S, Søndergaard Give A/S.

Executive Management: Givisco A/S, Søndergaard Give A/S.

Shares held in Schouw & Co.

Holds 1,004,462 shares in Schouw & Co.

Independence as a board member

Erling Eskildsen is not considered to be independent due to his affiliation with the main shareholder Givisco A/S and the fact that he has served more than 12 years on the Board.



Board of Directors

Board member

NIELS KRISTIAN AGNER



Born 1943. Elected to the Board in 1998. Current term expires in 2018.

B.Sc. (Bus.Adm.), Copenhagen Business School and a professional board mem-

ber. Mr Agner has special expertise in capital markets, strategy, financial reporting, treasury and finance, international business as well as mergers and acquisitions.

Directorships

Chairman: SP Group A/S, SP Moulding A/S.

Board member: Fonden LDE 2 GP, Fonden LDE 3 GP, Fonden Maj Invest Equity General Partner, Fonden Mie 5 GP, Fonden MIFIF II GP, G.E.C. Gads Forlag A/S.

Executive Management: Pigro Management ApS.

Shares held in Schouw & Co.

Holds 40,050 shares in Schouw & Co.

Independence as a board member

Niels Kristian Agner is not considered to be independent, having served more than 12 years on the Board.

Board member

KJELD JOHANNESSEN



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

Business diploma (HD), Marketing economics, Copenhagen Business School and a profes-

sional 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, 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.

Independence as a board member

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

Board member

AGNETE RAASCHOU-NIELSEN



Born 1957. Elected to the Board in 2012. 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.

Directorships

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

Deputy Chairman: Novozymes A/S.

Board member: Danske Invest Management A/S.

Shares held in Schouw & Co.

Holds 2,637 shares in Schouw & Co.

Independence as a board member

Agne Raaschou-Nielsen is considered to be independent.

Board member

HANS MARTIN SMITH



Born 1979. Elected to the Board in 2017. Term expires in 2021.

MSc (Economics) Aarhus University and Senior Vice President, regional CFO, Vestas Northern & Central

Europe, Vestas Wind Systems A/S. Mr Smith has special expertise in finance, business development, strategy, M&A, capital markets and investor relations.

Directorships

Board member: GREP Svenska AB, Vestas-Celtic Wind Technology Ltd, Vestas Finland Oy, Vestas Northern Europe AB, Vestas Norway AS, Vestas Poland sp. z o.o., Vestas RUS, Wind Power Invest A/S.

Shares held in Schouw & Co.

Holds 0 shares in Schouw & Co.

Independence as a board member

Hans Martin Smith is considered to be independent.

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: Alba Ejendomme A/S, BioMar Group A/S, Borg Automotive A/S, Borg Automotive Holding A/S, Car Parts Industries ApS, Dovista A/S, F. Salling Holding A/S, F. Salling Invest A/S, GPV International A/S, Hydra-Grene A/S, Købmand Herman Sallings Fond, Xergi A/S.

Deputy Chairman: Dansk Supermarked A/S, Fibertex Nonwovens A/S, Fibertex Personal Care A/S, Per Aarsleff A/S, Per Aarsleff Holding A/S.

Board member: Aida A/S, Ejendomsselskabet FMJ A/S, F.M.J. A/S, Incuba Invest A/S, Niels Bohrs Vej A/S, Schouw & Co. Finans A/S.

Executive Management: Jens Bjerg Sørensen Datterholding 1 ApS, Jens Bjerg Sørensen Holding ApS, Saltebakken 29 ApS, Schouw & Co. Finans A/S.

Shares held in Schouw & Co.

Holds 56,000 shares in Schouw & Co.

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: Den Gamle By, Helsingforsgade 25 Aarhus A/S, Incuba A/S.

Deputy Chairman: Capnova A/S.

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

Executive Management: Alba Ejendomme A/S, Incuba Invest A/S, Niels Bohrs Vej A/S, Saltebakken 29 ApS.

Shares held in Schouw & Co.

Holds 30,000 shares in Schouw & Co.

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

Investor information

Capital and share structures

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

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

The Board of Directors reviews the company's capital and share 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 2017, the Board of Directors found the company's capital and share structures to be appropriate and adequate relative to the company's plans and expectations.

Register of shareholders

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

Treasury shares

Schouw & Co. used 227,000 treasury shares in 2017 in connection with options exercised under the Group's share incentive scheme.

At the end of 2017, the company held 1,529,930 treasury shares, equal to 6.00% of the share capital.

The market value of the holding of treasury shares was DKK 890 million at 31 December 2017. The portfolio of treasury shares is recognised at DKK 0.

Dividend policy

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

The Board of Directors recommends that the dividend for the 2017 financial year be raised to DDK

13
per share.

Incentive plans

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

Under the share-based incentive programme, Schouw & Co. awarded, in March 2017, a total of 293,000 share options to 23 people.

The share options are earned over 3 years and exercisable during a 12-month period following the publication of Schouw & Co.'s full-year profit announcement for the 2019 financial year at a strike price of DKK 597.00 plus a 3% premium per annum from the date of grant until the date of exercise.

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

Financial calendar for 2018

12 April 2018	Annual General Meeting
17 April 2018	Expected distribution of dividend for the 2017 financial year
3 May 2018	Release of Q1 2018 interim report
17 August 2018	Release of H1 2018 interim report
12 November 2018	Release of interim report Q3 2018

Company announcements

Company announcements to the Danish FSA and Nasdaq Copenhagen since 1 January 2017. The announcements are available at the company's website, www.schouw.dk.

10 March 2017	#1 Annual report 2016: A good year of significant events
17 March 2017	#2 Continuation of incentive programme
20 March 2017	#3 Notice of the Annual General Meeting of Aktieselskabet Schouw & Co.
20 March 2017	#4 Schouw & Co. acquires the majority of shares in Borg Automotive
3 April 2017	#5 Acquisition of Borg Automotive finalised
20 April 2017	#6 Annual general meeting of Schouw & Co.
4 May 2017	#7 Interim report – first quarter of 2017
2 June 2017	#8 BioMar acquires South American shrimp feed manufacturer
17 August 2017	#9 Interim report – first half of 2017
13 September 2017	#10 BioMar's acquisition of Alimentsa finalised
13 November 2017	#11 Interim report – third quarter of 2017
21 December 2017	#12 Schouw & Co.'s financial calendar 2018

www.schouw.dk

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



Investor information

Share price performance

The Schouw & Co. share closed the year at a price of DKK 581.50 (official year-end price), compared with DKK 526.00 per share at 31 December 2016, corresponding to an increase of 11%, but with considerable volatility during the year.

Accordingly, the total market capitalisation of the company's listed share capital amounted to DKK 14,828 million at the close of the financial year, against DKK 13,413 million at the close of 2016. Adjusted for the holding of treasury shares, the company's market capitalisation was DKK 13,939 million at 31 December 2017.



Shareholder structure

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

9,000
to about
10,500

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.	6.00%

Pursuant to the provisions of Section 31 of the Danish Securities Trading Act, the three shareholders Givesco A/S, Direktør Svend Hornsylds Legat and Erling Eskildsen, who holds 3.94%, are considered as a single shareholder of Schouw & Co. The three shareholders hold in aggregate 46.85% of the shares in the company.

Members of the Board of Directors and the Executive Management of Schouw & Co. and their related persons held a total of 1,104,149 and 86,000 shares, respectively, in the company at 31 December 2017.

Investor relations policy

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

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

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

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

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

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

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

Corporate Responsibility

STATUTORY REPORT (SECTION 99)

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

Schouw & Co. has also set up a CR strategy house that will provide the basis for the Group's long-term CR efforts going forward to 2020 and form part of its statutory corporate responsibility report.

Presentation of the CR House

The foundation of the CR House consists of the Group's CSR policy along with established reporting, accounting policies and management systems. In addition, two CR areas, human rights and anti-corruption and business ethics, are considered absolutely fundamental to all of the Group's businesses.

The columns of the CR House comprise the CR areas social and labour conditions as well as climate and the environment. These are areas where our portfolio companies are given more autonomy in determining what is the most relevant for their particular business. However, they are expected to ensure that all of their efforts are consistent with the Group's overall objectives, which are to continually reduce the relative consumption of energy and water, to reduce waste and to increase recycling, and to ensure employees have good working conditions and a motivating working environment.

Our vision at Schouw & Co. is to be among the best in terms of creating value in a proper and trustworthy manner by committing ourselves and our businesses to taking responsibility and acting sustainably while also creating a motivating working environment. This general vision for responsibility makes up the roof of the CR House.

Review of actions taken and results achieved

In 2017, Schouw & Co. worked specifically with the CR areas of human rights and anti-corruption and business ethics across the portfolio companies. The efforts during the year were coordinated through a number of workshops facilitated by external consultants.

Schouw & Co. has performed a general risk assessment in terms of human rights. The Group has operations in many different countries, including in what are defined as high-risk countries. Nevertheless, all portfolio companies strive to maintain equally high standards at all production units regardless of geographical location, which we believe contributes to reducing the risk of negative impacts on human rights.

In 2017, our individual companies identified and described in detail the potential negative impacts they may have on human rights, both in relation to our own employees and also in their relations to suppliers, customers and the surrounding community. The companies have considered how they can monitor these issues and what can be done to reduce exposure in the most risky areas. The risk areas identified and the associated action plans have been reviewed by external consultants who have provided feedback to each individual company.

Schouw & Co. has performed a general risk assessment in terms of anti-corruption and business ethics. This vision of responsibility, which makes up the roof of the Group's CR House, permeates every aspect of our business and has contributed to building the Group's good reputation over the past many years. Accordingly, this area is not believed to constitute a significant CR risk, but we nevertheless pay considerable attention to ensuring that our high standards are maintained.

The companies of the Group jointly developed an e-learning programme in 2017 focused on anti-corruption and business ethics and consisting of a shared platform that can be customised to each individual company. The e-learning programme consists of a company-specific video with a welcome from the company's CEO, a general presentation of the Group's CR policy, a number of practical dilemmas and lastly a ten question quiz.

The development of the e-learning programme was completed with the assistance of an external consultant at the end of 2017, and the programme will be introduced to relevant employees of the Group's businesses during the first half of 2018.

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

CR POLICY

Human rights

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

Social and labour conditions

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

Anti-corruption and business ethics

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

Climate and the environment

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

Corporate Responsibility

OUR RESPONSIBILITY

Schouw & Co. strives to be among the best in terms of creating value **in a proper** and **trustworthy** manner by committing ourselves and our businesses to taking **responsibility** and acting **sustainably** while also creating **a motivating** working environment.

REDUCE CONSUMPTION OF WATER AND ENERGY

REDUCE WASTE AND INCREASE RECYCLING

IMPROVE HEALTH AND SAFETY AMONG EMPLOYEES

ENSURE HIGH LEVELS OF EMPLOYEE ENGAGEMENT

BIOMAR

- Reduce CO₂ emissions by 20%
- Increase packaging waste recycling rate to 100%
- Reduce lost-time injuries (LTI) to <2%
- Achieve target level of employee satisfaction rate

FIBERTEX PERSONAL CARE

- Reduce annual energy consumption by 5,000 MWh
- Reduce lost-time injuries (LTI) by 20%
- Increase proportion of managers, who have completed management training to 90%

FIBERTEX NONWOVENS

- Reduce energy consumption by 4%
- Reduce waste volumes by 4%
- Reduce lost-time injuries (LTI) by 10%

HYDRASPECMA

- Reduce energy consumption by 10%
- Reduce lost-time injuries (LTI) to <2%

BORG AUTOMOTIVE

- Reduce power consumption by 2.5%
- Reduce consumption of cardboard, paper and plastics by 2%
- Reduce lost-time injuries (LTI) by 15%

GPV

- Reduce energy consumption by 10%
- Reduce lost-time injuries (LTI) to <3.5%

All relevant employees must be trained in anti-corruption and business ethics through an e-learning programme.

HUMAN RIGHTS • ANTI-CORRUPTION AND BUSINESS ETHICS

We endeavour to observe human rights and to treat our employees with dignity and respect.
We combat all forms of corruption and maintain a high degree of integrity and ethical conduct.

CR POLICIES • REPORTING • ACCOUNTING POLICIES • MANAGEMENT SYSTEMS

We have an obligation, as a minimum, to comply with current rules and legislation

* Individual targets are generally defined as 2020 targets for each specific activity relative to a 2016 or 2017 baseline.

Corporate Governance

STATUTORY REPORT (SECTION 107 B)

Schouw & Co. has prepared a statutory corporate governance report for the 2017 financial year, as required under section 107 b of the Danish Financial Statements Act, which can be found in its entirety at schouw.dk/om-os/corporate-governance/. 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.

CORPORATE GOVERNANCE

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

The Board of Directors and the Executive Management of Schouw & Co. see corporate governance as a natural part of running a responsible business. Corporate governance considerations and the interaction with the company's stakeholders is a constant priority, and considering the company's corporate governance policy is a recurring item in the annual business of the Board meetings.

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

Recommendations". However, there are a few areas in which Schouw & Co. does not apply the recommendations. A detailed account of the company's position on each individual item of the Recommendations is provided on the company's website.

FINANCIAL REPORTING PROCESS

As part of its statutory report on corporate governance, the company is required to describe the key elements of its internal control and risk management systems in connection with the financial reporting process.

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

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

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

Control environment

The Board of Directors has set up an Audit Committee with supervisory responsibility that reports

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

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

Risk assessment

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

The Audit Committee assesses on an annual basis whether establishing an internal audit function would be appropriate.

On the recommendation of the audit committee, the Board of Directors has resolved not to establish an internal audit function at the present time.

Control activities

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

Control activities are supported by the regular issuance of reporting instructions and updating of accounting policies necessitated by new accounting standards. A consolidated financial reporting manual is available to all relevant persons.

Monitoring

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

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

Corporate Governance

or omissions identified and whether such discoveries justify implementing improved internal controls to ensure an appropriate financial reporting process.

Auditors

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

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

MANAGEMENT BODIES

As part of its statutory report on corporate governance, the company is required to report on the composition of the Group's management bodies, committees established and their functions.

The Board of Directors of Schouw & Co.

The current Board of Directors of Schouw & Co. consists of seven shareholder-elected members who elect a chairman and a deputy chairman from among their number.

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

The Board of Directors carries out an annual self-assessment, applying a structured model. The Board of Directors performed its most recent self-assessment in December 2017, and it concluded that the Board works well as a unit and that, overall, it has the competencies necessary for it to perform its duties.

The Board of Directors is responsible for the overall management of the company, which includes appointing the members of the Executive Management, laying down guidelines for and exercising control of the work performed by the Executive Management, organising the company's business in a responsible manner, defining the company's business concept and strategy and evaluating the adequacy of the company's capital contingency programme. The duties of the Board are set out in the company's rules of procedure, and Board meetings are conducted in accordance with a fixed master agenda, which over the full year ensures compliance with the Board's rules of procedure. Ordinary Board meetings are scheduled at least six months in advance. Board meetings are normally attended by all members of the Board and the Executive Management. In 2017, the Board of Directors held a total of six meetings and a board seminar.

Schouw & Co.'s Board committees

The Board of Directors of Schouw & Co. has appointed an audit committee consisting of Jørgen Wisborg (chairman), Jørn Ankær Thomsen and Agnete Raaschou-Nielsen.

Jørgen Wisborg and Agnete Raaschou-Nielsen are considered to be independent. Jørn Ankær Thomsen is not considered to be independent due to his affiliation with the main shareholder Givisco, 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. All three members are considered to meet statutory requirements on accounting qualifications.

The Audit Committee's task is mainly to monitor the work and processes relating to the financial reporting process. The Committee assists the Board in assessments and controls relating to auditing, accounting policies, internal control systems, financial reporting, etc. The Audit Committee normally convenes four times a year, as was the case in 2017.

Due to the company's simple management structure, the Board of Directors believes that at the present time it is most appropriate that all Board members participate in the work to nominate candidates and determine remuneration.

The Executive Management

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

The Executive Management is in charge of the day-to-day management both at parent company

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

Management of the portfolio companies

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

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

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



Through and alongside management

Schouw & Co. maintains an ongoing and close dialogue with portfolio company management teams on such issues as strategy, financing, accounting, investments and acquisitions. Ownership is always exercised through and alongside company management teams.

Consolidated financial statements

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Statements of income and comprehensive income

1 January – 31 December

Note	Income statement	2017	2016
1, 2	Revenue	17,032.2	14,369.1
3	Cost of sales	-14,192.1	-11,952.3
	Gross profit	2,840.1	2,416.8
4	Other operating income	51.2	73.8
3	Distribution costs	-1,097.9	-879.4
3, 31	Administrative expenses	-693.2	-570.6
4	Other operating expenses	-7.5	-2.1
	Operating profit (EBIT)	1,092.7	1,038.5
12	Profit after tax in associates	31.7	571.5
12	Profit after tax in joint ventures	10.2	-5.1
16	Financial income	78.4	33.3
17	Financial expenses	-108.4	-59.9
	Profit before tax	1,104.6	1,578.3
21	Tax on profit/loss for the year	-230.1	-239.5
	Profit for the year	874.5	1,338.8
	Shareholders of Schouw & Co.	879.5	1,341.5
	Non-controlling interests	-5.0	-2.7
	Profit for the year	874.5	1,338.8
32	Earnings per share (DKK)	36.85	56.56
32	Diluted earnings per share (DKK)	36.63	56.41

Note	Statement of comprehensive income	2017	2016
	Items that can be reclassified to the income statement:		
	Foreign exchange adjustments of foreign units, etc.	-225.5	-16.0
	Value adjustment of hedging instruments for the year	-4.2	-4.1
	Hedging instruments transferred to cost of sales	0.4	-0.8
	Hedging instruments transferred to financials	4.8	7.1
	Other comprehensive income from associates and joint ventures	-22.3	10.0
	Other adjustments to other comprehensive income	-7.5	-4.3
21	Tax on other comprehensive income	0.1	-0.2
	Other comprehensive income after tax	-254.2	-8.3
	Profit for the year	874.5	1,338.8
	Total recognised comprehensive income	620.3	1,330.5
	Attributable to		
	Shareholders of Schouw & Co.	625.4	1,334.6
	Non-controlling interests	-5.1	-4.1
	Total recognised comprehensive income	620.3	1,330.5

Balance sheet - assets and liabilities

Balance sheet as at 31 December

Note	Total assets	2017	2016
	Goodwill	2,207.7	1,168.6
	Customer relations	379.1	123.0
	Brands	182.8	54.6
	Know-how	326.3	36.2
	Other intangible assets	99.0	99.1
3, 9	Intangible assets	3,194.9	1,481.5
	Land and buildings	1,776.4	1,420.6
	Plant and machinery	1,836.1	1,328.0
	Other fixtures and fittings, tools and equipment	120.3	93.5
	Assets under construction, etc.	226.4	608.0
3, 10	Property, plant and equipment	3,959.2	3,450.1
12	Equity investments in associates	342.0	62.6
12	Equity investments in joint ventures	168.6	171.2
25	Securities	4.7	121.3
22	Deferred tax	57.6	35.5
11	Receivables	137.0	138.9
	Other non-current assets	709.9	529.5
	Total non-current assets	7,864.0	5,461.1
5	Inventories	2,811.2	1,970.5
6	Receivables	3,180.0	3,103.7
23	Income tax receivable	55.7	55.3
	Cash and cash and cash equivalents	478.2	1,682.4
	Total current assets	6,525.1	6,811.9
	Total assets	14,389.1	12,273.0

Note	Liabilities and equity	2017	2016
20	Share capital	255.0	255.0
	Hedge transaction reserve	-10.5	-10.7
	Exchange adjustment reserve	-6.6	240.4
	Retained earnings	7,748.0	7,006.1
	Proposed dividend	331.5	306.0
	Equity attributable to parent company shareholders	8,317.4	7,796.8
	Non-controlling interests	14.5	17.6
	Total equity	8,331.9	7,814.4
22	Deferred tax	308.9	188.6
26	Other payables	360.9	100.4
18	Interest-bearing debt	1,365.7	402.2
	Non-current liabilities	2,035.5	691.2
18	Current portion of non-current interest-bearing debt	291.1	152.1
18	Interest-bearing debt	148.6	168.8
8	Trade payables and other payables	3,492.7	3,339.4
23	Income tax	89.3	107.1
	Current liabilities	4,021.7	3,767.4
	Total liabilities	6,057.2	4,458.6
	Total equity and liabilities	14,389.1	12,273.0

Notes without reference 13, 15, 27-30 & 32-35.

Cash flow statement

1 January – 31 December

Note		2017	2016
	Profit before tax	1,104.6	1,578.3
	Adjustment for non-cash operating items etc.:		
3	Depreciation and impairment losses	475.1	434.0
	Other non-cash operating items, net	66.1	13.7
	Provisions	0.9	-1.1
	Profit/loss after tax in associates and joint ventures	-41.9	-566.4
	Financial income	-78.4	-33.3
	Financial expenses	108.4	59.9
	Cash flows from operations before changes in working capital	1,634.8	1,485.1
7	Changes in working capital	-546.0	371.6
	Cash flow from operations	1,088.8	1,856.7
	Interest received	18.2	25.2
	Interest paid	-52.7	-54.5
	Cash flows from ordinary activities	1,054.3	1,827.4
23	Income tax paid	-291.1	-229.3
	Cash flows from operating activities	763.2	1,598.1
24	Purchase of intangible assets	-24.5	-18.8
	Disposal of intangible assets	2.1	0.0
24	Purchase of property, plant and equipment	-809.1	-828.3
	Sale of property, plant and equipment	20.1	5.9
14	Acquisition of enterprises	-1,863.6	-551.0
	Acquisition of non-controlling interests	-1.5	0.0
	Acquisition of joint ventures and associates / capital contribution	-87.4	-74.3
	Divestment of associates	0.0	1,033.8
	Dividend received from associates	2.5	64.3
	Additions/disposals of other financial assets	-1.6	-27.1
	Cash flows from investing activities	-2,763.0	-395.5

Note		2017	2016
	Loan financing:		
	Repayment of non-current liabilities	-142.3	-488.7
24	Proceeds from incurring non-current financial liabilities	231.2	103.5
	Increase (repayment) of bank overdrafts	946.4	-332.3
19	Cash flows from debt financing	1,035.3	-717.5
	Shareholders:		
	Capital contributions, etc. by non-controlling interests	0.0	1.0
	Dividend paid	-285.6	-237.7
	Purchase/sale of treasury shares, net	68.6	28.9
	Cash flows from financing activities	818.3	-925.3
	Cash flows for the year	-1,181.5	277.3
	Cash and cash equivalents at 1 January	1,682.4	1,410.7
	Value adjustment of cash and cash equivalents	-22.7	-5.6
	Cash and cash equivalents at 31 December	478.2	1,682.4

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 2016	255.0	-12.4	263.1	5,895.1	255.0	6,655.8	20.7	6,676.5
Profit and other comprehensive income in 2016								
Foreign exchange adjustments of foreign subsidiaries	0.0	0.0	-14.6	0.0	0.0	-14.6	-1.4	-16.0
Value adjustment of hedging instruments for the year	0.0	-4.1	0.0	0.0	0.0	-4.1	0.0	-4.1
Hedging instruments transferred to cost of sales	0.0	-0.8	0.0	0.0	0.0	-0.8	0.0	-0.8
Hedging instruments transferred to financials	0.0	7.1	0.0	0.0	0.0	7.1	0.0	7.1
Other comprehensive income from associates and joint ventures	0.0	0.0	-8.1	18.1	0.0	10.0	0.0	10.0
Other adjustments to other comprehensive income	0.0	0.0	0.0	-4.3	0.0	-4.3	0.0	-4.3
Tax on other comprehensive income	0.0	-0.5	0.0	0.3	0.0	-0.2	0.0	-0.2
Profit for the year	0.0	0.0	0.0	1,035.5	306.0	1,341.5	-2.7	1,338.8
Total recognised comprehensive income	0.0	1.7	-22.7	1,049.6	306.0	1,334.6	-4.1	1,330.5
Transactions with the owners								
Share-based payments, net	0.0	0.0	0.0	15.2	0.0	15.2	0.0	15.2
Distributed dividends	0.0	0.0	0.0	17.3	-255.0	-237.7	0.0	-237.7
Additions/disposals of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Sale of treasury shares	0.0	0.0	0.0	28.9	0.0	28.9	0.0	28.9
Total transactions with owners during the year	0.0	0.0	0.0	61.4	-255.0	-193.6	1.0	-192.6
Equity at 31 December 2016	255.0	-10.7	240.4	7,006.1	306.0	7,796.8	17.6	7,814.4
Profit and other comprehensive income in 2017								
Foreign exchange adjustments of foreign subsidiaries	0.0	0.0	-225.4	0.0	0.0	-225.4	-0.1	-225.5
Value adjustment of hedging instruments for the year	0.0	-4.2	0.0	0.0	0.0	-4.2	0.0	-4.2
Hedging instruments transferred to cost of sales	0.0	0.4	0.0	0.0	0.0	0.4	0.0	0.4
Hedging instruments transferred to financials	0.0	4.8	0.0	0.0	0.0	4.8	0.0	4.8
Other comprehensive income from associates and joint ventures	0.0	0.0	-21.6	-0.7	0.0	-22.3	0.0	-22.3
Other adjustments to other comprehensive income	0.0	0.0	0.0	-7.5	0.0	-7.5	0.0	-7.5
Tax on other comprehensive income	0.0	-0.8	0.0	0.9	0.0	0.1	0.0	0.1
Profit for the year	0.0	0.0	0.0	548.0	331.5	879.5	-5.0	874.5
Total recognised comprehensive income	0.0	0.2	-247.0	540.7	331.5	625.4	-5.1	620.3
Transactions with the owners								
Share-based payment (including tax)	0.0	0.0	0.0	31.9	0.0	31.9	0.0	31.9
Distributed dividends	0.0	0.0	0.0	20.4	-306.0	-285.6	0.0	-285.6
Additions/disposals of non-controlling interests	0.0	0.0	0.0	316.8	0.0	316.8	2.0	318.8
Put option recognised at fair value	0.0	0.0	0.0	-228.6	0.0	-228.6	0.0	-228.6
Value adjustment of put option	0.0	0.0	0.0	-7.9	0.0	-7.9	0.0	-7.9
Sale of treasury shares	0.0	0.0	0.0	68.6	0.0	68.6	0.0	68.6
Total transactions with owners during the year	0.0	0.0	0.0	201.2	-306.0	-104.8	2.0	-102.8
Equity at 31 December 2017	255.0	-10.5	-6.6	7,748.0	331.5	8,317.4	14.5	8,331.9

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 2016 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 Non-wovens, Borg Automotive and HydraSpecma may be abbreviated to FPC, FIN, Borg and HS, respectively,

Accounting policies

The Schouw & Co. annual report for the year ended 31 December 2017 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 2017. The consolidated accounting policies are consistent with those of last year. In connection with the acquisition of Alimentsa S.A., the Group has established its accounting policy for put options liability on non-controlling interests. The annual report is presented in Danish kroner.

Roundings and presentation

In the preparation of the annual report, the Schouw & Co. Group uses minimum amounts of DKK 1,000 in the measurement of underlying data. As the annual report is presented in millions of Danish kroner, all

amounts provided have been rounded, for which reason some additions may not add up.

Consolidated financial statements

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

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

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

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

Schouw & Co. has joint operations, the most important of which are fish feed activities in Chile (Alitec Pargua) and Costa Rica. These businesses are con-

solidated on a pro-rata basis. Schouw & Co. also has joint ventures, including Xergi and BioMar's operations in Turkey and China. These businesses are recognised in a single line at the proportionate share of the profit or loss after tax attributable to the Group.

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

Foreign currency translation

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

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

Receivables, payables and other monetary items denominated in foreign currency are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at

the balance sheet date and the exchange rate ruling at the date when the receivable or payable arose or the exchange rate applied in the most recent annual 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.

Notes · basis of preparation of the consolidated financial statements

Exchange differences arising on the translation of the share of the opening equity of foreign associates at exchange rates ruling at the balance sheet date and on the translation of the share of the results for the year from average exchange rates to the exchange rates ruling at the balance sheet date are recognised in other comprehensive income in the exchange adjustment reserve under equity.

Derivative financial instruments

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

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

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

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

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

Shareholders' equity

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

Treasury shares

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

Dividend

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

Significant accounting estimates

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

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

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

- Total trade receivables represent the largest single asset in the balance sheet and have had a significant effect on the income statement when viewed in terms of historical business cycles. Management reviews the need for bad debt provisions on an ongoing basis. See note 6
- The Group completed two major acquisitions in 2017. In connection with these acquisitions, management has determined the put option liability on non-controlling interests and prepared a purchase price allocation that to a significant extent was based on estimates and judgements with a view to valuing assets/liabilities at fair value. See note 14.
- Valued at more than DKK 2 billion, goodwill represents a significant amount in the balance sheet, and the value of goodwill is subject to the future earnings of the underlying units. Management performs at least one impairment test annually. See note 15.

In addition to the above three areas, accounting estimates are also made in a number of other areas, including assessments of depreciation periods for

property, plant and equipment, inventory writedowns, warranty provisions and deferred tax/deferred tax asset estimates.

Definitions of financial ratios

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

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

Notes · basis of preparation of the consolidated financial statements

Performance measures

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

APM::	2017	2016
EBIT	1,093	1,038
Amortisation of intangible assets	83	52
Impairment of intangible assets	0	0
EBITA	1,176	1,090
EBITA	1,176	1,090
Depreciation of property, plant and equipment	389	368
Impairment of property, plant and equipment	3	15
EBITDA	1,568	1,472
Inventories	2,811	1,971
Trade receivables	2,934	2,896
Other receivables (non-interest bearing)	197	171
Prepayments	42	29
- Trade payables	-2,630	-2,836
- Other debt (non-interest bearing)	-800	-482
- Customer prepayments	-5	-4
- Deferred income	-45	-17
Working capital	2,505	1,727
Interest-bearing debt	1,805	723
- Other non-current receivables (interest-bearing)	-45	-61
- Other current receivables (interest-bearing)	-7	-8
- Cash and cash and cash equivalents	-478	-1,682
Net interest-bearing debt (NIBD)	1,275	-1,028
Working capital	2,505	1,727
Intangible assets	3,195	1,482
- Goodwill	-2,208	-1,169
Property, plant and equipment	3,959	3,450
Non-current provisions	-12	-11
Other non-current payables (non-interest bearing)	-92	-63
Current provisions	-11	0
Invested capital (ex. goodwill)	7,337	5,416
Invested capital (ex. goodwill)	7,337	5,416
Goodwill	2,208	1,169
Invested capital (including goodwill)	9,545	6,585



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:

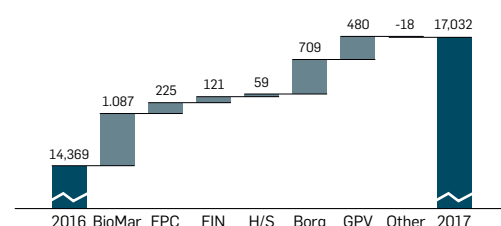
1. Segment reporting
2. Revenue
3. Costs
4. Other operating income and expenses
5. Inventories
6. Receivables (current)
7. Changes in working capital
8. Trade payables and other payables

Comments

Revenue

Consolidated revenue was up by DKK 2,663 million, or 18.5%, from DKK 14,369 million in 2016 to DKK 17,032 million in 2017.

Change in revenue, 2016 to 2017



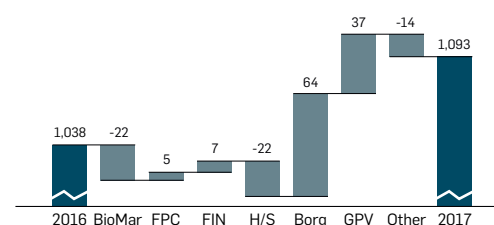
The increase in revenue was influenced by the Group's acquisition of Borg Automotive, Alimentsa and BHE. In addition, GPV was consolidated for 12 months instead of only nine months in 2016. Growth from acquisitions amounted to DKK 1,204 million. Organic revenue growth amounted to DKK 1,459 million, of which BioMar contributed DKK 923 million and Fibertex Personal Care contributed DKK 225

million. The Group's remaining businesses contributed revenue growth of DKK 311 million. Changes in exchange rates relative to 2016 adversely impacted the recognition of revenue from foreign units by about DKK 250 million in 2017.

Operating profit (EBIT)

EBIT improved by DKK 54 million, from DKK 1,038 million in 2016 to DKK 1,093 million in 2017, for a 5.2% increase.

Change in EBIT, 2016 to 2017



As appears from the above, EBIT improvements were provided by GPV and the two Fibertex businesses and the acquired business of Borg Automotive also contributed.

BioMar's EBIT, which includes earnings of DKK 35 million from Alimentsa, fell by a total of DKK 22 million relative to 2016. The main reasons were severe earnings pressure in Norway and a decline of other operating income for a total of DKK 28 million.

HydraSpecma reported EBIT that was DKK 22 million lower than in 2016. The reasons for the decline were weaker earnings in the wind turbine segment, substantial non-recurring costs relating to restructuring the operation in China and higher production costs to accommodate a strong increase in customer business activities.

Changes in exchange rates relative to 2016 adversely

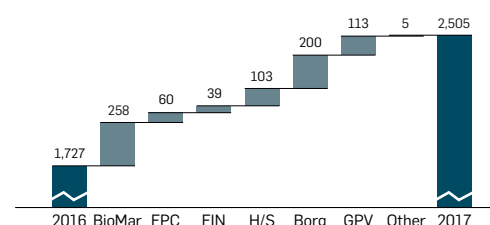
impacted the recognition of EBIT from foreign units by about DKK 20 million in 2017. In addition, the acquisitions of BHE, Borg Automotive and Alimentsa had a negative impact of DKK 13 million on EBIT and the recognition of the acquired companies have further reduced EBIT by a total of DKK 51 million due to purchase price allocation.

Working capital

Working capital amounted to DKK 2,505 million at 31 December 2017, as compared with DKK 1,727 million at 31 December 2016. The acquisitions of Borg Automotive and Alimentsa added DKK 291 million to working capital.

All Group businesses increased their working capital in 2017 due to increases in business activity, including strategic inventory build-ups and reduced use of Supply Chain Financing.

Change in working capital, 2016 to 2017

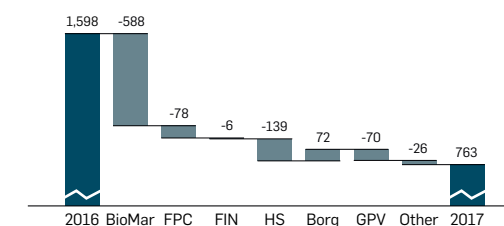


Cash flow statement

Cash flows from operating activities for the year before changes in working capital improved by DKK 150 million to DKK 1,635 million in 2017. A negative DKK 546 million shift in the 2017 working capital brought the cash flow from operating activities to DKK 1,089 million, against DKK 1,857 million in 2016. Net of interest and taxes paid, cash flows from operating activities were reduced by DKK 835 million to DKK 763 million. As can be seen from the chart below, particularly BioMar's cash flows from operat-

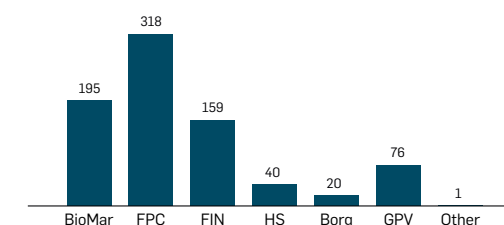
ing activities were reduced, as the increased use of supply chain financing in 2016 had a positive cash flow effect of about DKK 400 million, whereas the reduced application of supply chain financing in 2017 had a negative impact on cash flows from operating activities by about DKK 500 million.

Change in cash flows from operating activities, 2016 to 2017



The investment activity of 2017 consisted of the following large transactions: DKK 809 million was spent on property, plant and equipment, a large proportion of it being used in BioMar, Fibertex Personal Care and Fibertex Nonwovens, which all completed major capacity expansion projects. The Group spent DKK 1,864 million on the acquisitions of Borg Automotive and Alimentsa. The Group spent a net amount of DKK 2,763 million on investing activities in 2017.

Investments in property, plant and equipment



Cash flows from operations for the year amounted to DKK 763 million. The net cash flow for investing

Notes · EBIT, working capital and cash flows

purposes was DKK 2,763 million. Debt financing increased by DKK 1,035 million, and shareholders received dividends of DKK 286 million. In addition, the company sold treasury shares for option settlement purposes for DKK 69 million. Net of amounts used for investing and financing purposes, the company had a cash outflow for 2017 of DKK 1,181 million.

Accounting policies

Segment reporting

Segment reporting is consistent with the internal management reporting. Schouw & Co. is an industrial conglomerate consisting of a number of sub-groups operating in various industries and independently of the other sub-groups. Currently, six sub-groups are classified as a 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.

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

Cost of sales

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

Distribution costs

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

Administrative expenses

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

Employee benefits

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

On initial recognition of the share options, the number of options expected to vest is estimated. Subsequently, changes in the estimated number of vested options are adjusted to the effect that the to-

tal amount recognised is based on the actual number of vested options.

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

Other operating income and expenses

Other operating income and costs comprise items secondary to the primary activities of the enterprises and consists of the following:

- Gains or losses on the disposal of intangible assets and property plant and equipment.
- Share of profit or loss of fish farming research, including fair value adjustment of biological assets.
- Government grants include grants and funding of development work and grants for investments, etc. Grants for research and development costs recognised directly in the income statement are included in other operating income.

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than the 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 market-ability, 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. Receivables are written down for anticipated losses. 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.

Notes · EBIT, working capital and cash flows

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

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

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

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

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

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

Significant accounting estimates

Trade receivables

Management applies estimates in the assessment of the likelihood that receivables at the balance sheet date will be received. For the Schouw & Co. Group,

the largest risks of losses on trade receivables have historically related to customers of BioMar. BioMar sells a significant part of its products in markets in South America (Chile), and in southern and central Europe. Historically, the largest debtor risks have been for customers in Chile and in southern Europe, especially Greece. The Group has substantial receivables with certain customers in these geographical areas. Thorough analyses have been made of the credit quality of these debtors, and management believes that adequate provisions for losses on these debtors had been made at 31 December 2017.

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

Inventories

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

Historically, only a small part of the Schouw & Co. Group's inventories have been impaired. At 31 December 2017, impaired inventories had on average been written down by 48% of their original value.

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

Also being a trading company, HydraSpecma carries the largest inventory of the Schouw & Co. Group's portfolio companies. Currently, HydraSpecma is estimated to carry about 100,000 different items. Given the relatively large number of items carried, it is necessary for HydraSpecma to apply a general model of automatically writing down goods after they

have been in stock for a certain period. 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 19% of HydraSpecma's current inventories are impaired. The inventories in question had been written down by a total of 82% at the balance sheet date.

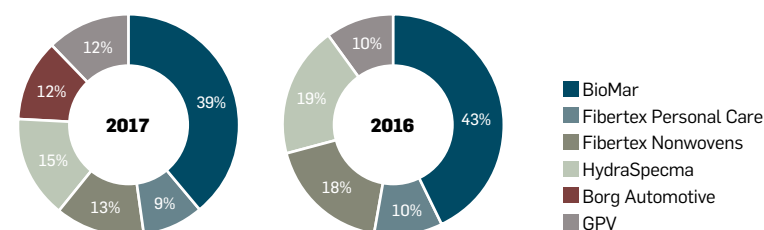
Borg Automotive remanufactures used components – called cores – such as alternators, starters, brake calipers, etc. When a remanufactured component is sold, Borg also takes a deposit which gives the customer the right to return a similar core.

Borg Automotive has an obligation to accept the returned core, and eventually the market for cores will shrink, and Borg Automotive will be left with unusable cores. As a result, Borg Automotive has relatively large impairment losses on the part of its inventory relating to cores.

The company applies a impairment model which is based on expected future sales. In the Group's best estimate, the model provides an appropriate and fair presentation of the net realisable value of inventories. Borg maintains an inventory of finished goods sufficient to retain the desired delivery capacity, which means impairment losses on finished goods is not a big as it is for the inventory of cores. Borg Automotive has almost 24,000 unique finished goods items and therefore applies a general impairment model that like the model applied for cores is based on expected future sales.

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. 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.

**Inventories, end of year
by portfolio company**



See note 5.

Notes · EBIT, working capital and cash flows

1

Segment reporting

Total reporting segments 2017	BioMar	FPC	FIN	HydraSpecma	Borg	GPV	Total
External revenue	9,954.6	1,994.7	1,418.6	1,805.5	709.3	1,147.1	17,029.8
Intra-group revenue	0.0	21.8	3.6	0.0	0.0	0.4	25.8
Segment revenue	9,954.6	2,016.5	1,422.2	1,805.5	709.3	1,147.5	17,055.6
Depreciation and impairment losses	153.2	114.1	91.1	59.9	25.5	25.2	469.0
EBIT	558.7	250.8	87.6	88.1	63.9	81.4	1,130.5
Segment assets	6,729.4	2,269.6	1,671.3	1,412.3	1,500.8	875.2	14,458.6
Of which goodwill	1,317.0	99.1	118.6	147.5	515.8	9.8	2,207.7
Equity investments in associates and joint ventures	431.6	0.0	0.0	2.6	0.0	0.0	434.2
Segment liabilities	3,809.3	1,280.6	1,091.1	972.0	528.8	631.9	8,313.7
Working capital	671.9	354.8	422.4	566.3	199.9	294.6	2,509.9
Net interest-bearing debt	726.0	745.6	806.1	553.6	144.0	350.5	3,325.8
Cash flow from operating activities	296.1	253.5	108.1	-11.1	71.8	7.1	725.5
Cash flow from investing activities	-1,027.3	-319.1	-180.3	-43.8	-19.2	-103.5	-1,693.2
Cash flows from financing activities	657.0	120.6	62.7	42.8	-62.6	71.6	892.1
Capital expenditure	1,332.3	322.8	164.3	43.8	22.4	96.3	1,981.7
Average no. of employees*	996	656	867	1,147	1,107	1,302	6,075
Total reporting segments 2016	BioMar	FPC	FIN	HydraSpecma	Borg	GPV	Total
External revenue	8,867.5	1,770.4	1,294.4	1,746.9	-	667.2	14,346.4
Intra-group revenue	0.0	21.1	7.0	0.0	-	0.4	28.5
Segment revenue	8,867.5	1,791.5	1,301.4	1,746.9	-	667.6	14,374.9
Depreciation and impairment losses	141.4	116.2	81.8	59.4	-	17.4	416.2
EBIT	581.0	245.6	80.6	110.6	-	44.5	1,062.3
Segment assets	5,997.5	1,935.7	1,563.6	1,356.4	-	637.5	11,490.7
Of which goodwill	793.8	99.1	123.8	151.9	-	0.0	1,168.6
Equity investments in associates and joint ventures	158.5	0.0	0.0	2.5	-	0.0	161.0
Segment liabilities	3,219.7	1,010.7	1,027.8	949.4	-	473.0	6,680.6
Working capital	413.7	294.7	383.0	462.9	-	181.4	1,735.7
Net interest-bearing debt	-234.1	586.0	733.5	497.0	-	239.7	1,822.1
Cash flow from operating activities	884.2	331.4	113.7	127.7	-	77.3	1,534.3
Cash flow from investing activities	-375.6	-361.3	-108.4	-545.0	-	-37.4	-1,427.7
Cash flows from financing activities	-633.7	25.3	-12.6	445.5	-	-19.0	-194.5
Capital expenditure	274.8	364.3	108.6	480.0	-	38.0	1,265.7
Average no. of employees	887	574	810	1,020	-	806	4,097

* Borg had 1,476 employees during ownership period in 2017.

Amounts in DKK million

Notes · EBIT, working capital and cash flows

1

Segment reporting (continued)

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

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

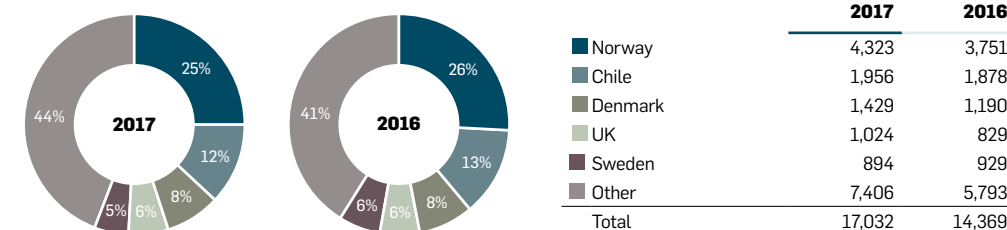
Reconciliation of consolidated revenue, EBIT, assets and liabilities

2017	Consolidated revenue	EBIT	Total assets	Liabilities
Reporting segments	17,055.6	1,130.5	14,458.6	8,313.7
Non-reporting segment	2.4	-4.4	91.1	29.3
Parent company	8.7	-33.4	9,603.5	1,286.1
Group elimination, etc.	-34.5	0.0	-9,764.1	-3,571.9
Total	17,032.2	1,092.7	14,389.1	6,057.2

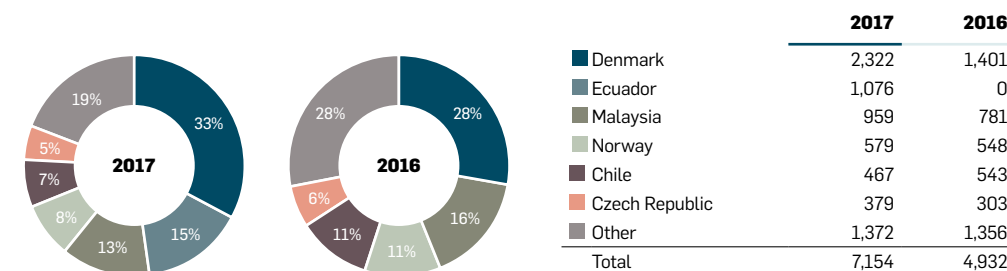
2016	Consolidated revenue	EBIT	Total assets	Liabilities
Reporting segments	14,374.9	1,062.3	11,490.7	6,680.6
Non-reporting segment	22.6	4.5	148.2	36.8
Parent company	6.9	-28.3	8,522.4	725.6
Group elimination, etc.	-35.3	0.0	-7,888.3	-2,984.4
Total	14,369.1	1,038.5	12,273.0	4,458.6

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 on the geographical location of the assets. The specification shows individual countries that account for more than 5% of the Group in terms of revenue or assets. As Schouw & Co.'s consolidated revenue is generated in some 100 different countries, a very large proportion of the revenue derives from the 'Other' category.

Revenue by country:



Intangible assets and property, plant and equipment by country:



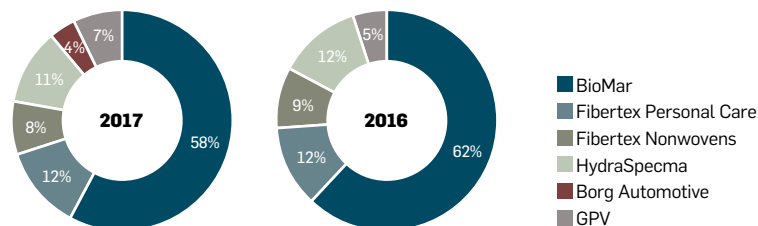
Notes · EBIT, working capital and cash flows

2

Revenue

	2017	2016
Sale of goods	17,029.3	14,346.3
Sale of services	0.1	0.1
Royalty	0.3	0.0
Rental income	2.5	22.7
Total revenue	17,032.2	14,369.1

Revenue by subsidiary



3

Costs

	2017	2016
Cost of sales		
Cost of goods sold	-12,021.1	-10,177.5
Inventory impairment	-50.5	-14.8
Reversed write-down of inventories	14.5	17.1
Staff costs		
Remuneration to the Board of Directors of Schouw & Co.	-4.2	-3.4
Wages and salaries	-1,446.8	-1,154.0
Defined contribution pension plans	-96.6	-62.9
Other social security costs	-144.9	-133.3
Share-based payment	-12.1	-9.9
Total staff costs	-1,704.6	-1,361.5
Of which staff costs capitalised and recognised in plant, machinery and development projects	4.1	2.1
Staff costs recognised in the income statement	-1,700.5	-1,361.4

Staff costs are recognised as follows:

Production	-962.6	-769.5
Distribution	-394.7	-314.5
Administration	-343.2	-277.4
Staff costs recognised in the income statement	-1,700.5	-1,361.4

Average no. of employees	6,087	4,108
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Determination of remuneration to the Board of Directors and the Executive Management

Aktieselskabet Schouw & Co. has prepared a remuneration policy describing guidelines for the remuneration to members of the company's Board of Directors and Executive Management. The remuneration to board members consists of a fixed basic fee, which in 2017 amounted to DKK 300,000. The basic fee will be unchanged in 2018. The remuneration policy is available on the company's website. Remuneration to the Board of Directors includes a fee to the audit committee of DKK 0.5 million (2016: DKK 0.4 million).

Staff costs include salaries and bonuses of DKK 11.7 million (2016: DKK 11.2 million), pension contributions of DKK 0.3 million (2016: DKK 0.3 million) and share-based payment of DKK 2.5 million (2016: DKK 2.3 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.

Notes · EBIT, working capital and cash flows

3

Costs (continued)

Staff costs include salaries and bonuses of DKK 23.8 million (2016: DKK 19.9 million), pension contributions of DKK 1.0 million (2016: DKK 0.9 million) and share-based payment of DKK 4.8 million (2016: DKK 4.0 million) to the registered executive managements of directly owned subsidiaries (2016: DKK 4.0 million). This group of people consisted of an extra person in 2017 relative to 2016. No severance payments were made to these individuals in 2017 or 2016.

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 (2017: DKK 597.00) plus a premium (2017 allocation: 3% p.a.) from the date of grant until the date of exercise.

Outstanding options	Executive management	Other	Total
Granted in 2013	40,000	0	40,000
Granted in 2014	55,000	50,000	105,000
Granted in 2015	55,000	172,000	227,000
Granted in 2016	55,000	199,000	254,000
Total outstanding options at 31 December 2016	205,000	421,000	626,000

Granted in 2017	55,000	238,000	293,000
Exercised (from 2013 grant)	-40,000	0	-40,000
Exercised (from 2014 grant)	-15,000	-50,000	-65,000
Exercised (from 2015 grant)	0	-122,000	-122,000
Lapsed (from 2016 grant)	0	-5,000	-5,000
Lapsed (from 2017 grant)	0	-3,333	-3,333
Total outstanding options at 31 December 2017	205,000	478,667	683,667

Options exercised in 2017:	Exercised from 2013 grant	Exercised from 2014 grant	Exercised from 2015 grant
Number of shares exercised	40,000	65,000	122,000
Average exercise price (DKK)	197.71	277.96	349.16
Average share price (DKK) at date of exercise	698.00	661.31	667.34
Group's cash proceeds in DKK million	7.9	18.1	42.6

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	2017 grants	2016 grants	2015 grants	2014 grants
Expected volatility	23.37%	31.50%	27.62%	26.12%
Expected term	48 mo.	48 mo.	48 mo.	48 mo.
Expected dividend per share	DKK 10	DKK 8	DKK 6	DKK 5
Risk-free interest rate	-0.25%	0.10%	0.00%	0.65%
Other information on option programmes:				
Exercise price (DKK) *	671.93	450.88	379.50	297.50
Fair value (DKK) per option **	68.45	69.65	40.99	30.87
Total fair value in DKKm	20.1	17.7	9.3	6.9
Exercisable from	March 2020	March 2019	March 2017	March 2016
Exercisable until	March 2021	March 2020	March 2019	March 2018

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

**) At the date of grant

Research & development costs

Research and development costs expensed and development costs incurred are shown below:

	2017	2016
Research and development costs incurred	-85.2	-73.0
Amortisation and impairment of recognised development costs	-1.1	0.0
Research and development costs expensed and recognised in the income statement	-86.3	-73.0

Depreciation and impairment losses

Amortisation of intangible assets	-82.9	-51.5
Depreciation of property, plant and equipment	-388.9	-367.5
Impairment of property, plant and equipment	-3.3	-15.0
Total depreciation, amortisation and impairment losses	-475.1	-434.0

Depreciation/amortisation and impairment is recognised in the income statement as follows:

Production	-379.1	-351.8
Distribution	-48.6	-34.3
Administration	-47.4	-47.9
Total depreciation, amortisation and impairment losses	-475.1	-434.0

Notes · EBIT, working capital and cash flows

4

Other operating income and expenses

	2017	2016
Gains on the disposal of property, plant and equipment and intangible assets	6.5	1.7
Government grants	26.6	20.6
Profit /loss from salmon farming test centres	11.4	47.7
Other operating income	6.7	3.9
Total other operating income	51.2	73.9
Loss on the disposal of property, plant and equipment and intangible assets	-6.5	-0.9
Other operating expenses	-1.0	-1.2
Total other operating expenses	-7.5	-2.1

Fibertex Personal Care recognised a DKK 3.9 million investment grant received in Malaysia under government grants in 2017 (2016: DKK 7.1 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.

BioMar received government grants totalling DKK 20.7 million (2016: DKK 12.7 million) in 2017 for R&D activities.

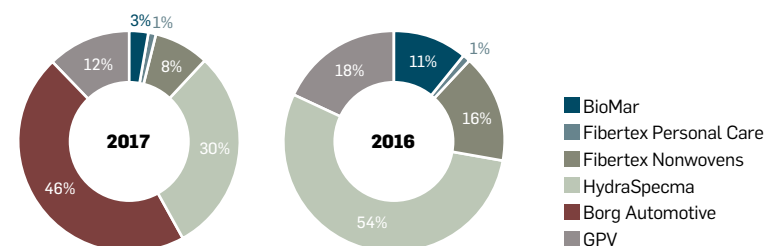
5

Inventories

	2017	2016
Raw materials and consumables	1,558.9	1,045.8
Work in progress	108.8	57.4
Finished goods and goods for resale	1,073.4	837.8
Biological assets (fish)	70.1	29.5
Total inventories	2,811.2	1,970.5
Cost of inventories for which impairment losses have been recognised	330.6	165.9
Accumulated impairment losses on inventories	-159.4	-107.6
Net sales value	171.2	58.3

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

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



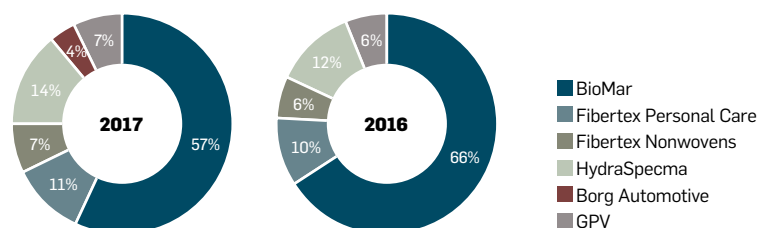
Notes · EBIT, working capital and cash flows

6

Receivables (current)

	2017	2016
Trade receivables	2,934.1	2,896.0
Other current receivables	204.1	179.0
Prepayments	41.8	28.7
Total current receivables	3,180.0	3,103.7

Trade receivables by portfolio company:



	Not fallen due	Due between (days)			Total
		1-30	31-90	>91	
Trade receivables not considered to be impaired	2,445.1	297.7	82.7	28.6	2,854.1
Trade receivables individually assessed to be impaired	0.0	41.6	27.8	148.4	217.8
Total receivables	2,445.1	339.3	110.5	177.0	3,071.9
Impairment losses on trade receivables	0.0	-2.0	-6.2	-129.6	-137.8
Trade receivables, net	2,445.1	337.3	104.3	47.4	2,934.1
Proportion of the total receivables which is expected to be settled					95.5%
Impairment ratio, %	0.0%	0.6%	5.6%	73.2%	4.5%

	Not fallen due	Due between (days)			Total
		1-30	31-90	>91	
Trade receivables not considered to be impaired	2,443.6	213.2	72.0	40.8	2,769.6
Trade receivables individually assessed to be impaired	25.9	52.8	38.6	167.3	284.6
Total receivables	2,469.5	266.0	110.6	208.1	3,054.2
Impairment losses on trade receivables	-10.2	-3.6	-6.6	-137.8	-158.2
Trade receivables, net	2,459.3	262.4	104.0	70.3	2,896.0
Proportion of the total receivables which is expected to be settled					94.8%
Impairment ratio, %	0.4%	1.4%	6.0%	66.2%	5.2%

	2017	2016
Impairment losses on trade receivables		
Impairment losses at 1 January	-158.2	-206.8
Foreign exchange adjustments	7.6	-0.5
Additions on company acquisitions	-5.2	-1.6
Reversed impairment losses	17.8	46.5
Impairment losses for the year	-9.9	-35.7
Realised loss	10.1	39.9
Impairment losses, end of period	-137.8	-158.2

Collateral breakdowns as shown below:

Collateral on trade receivables not due for payment	237.8	301.0
Collateral on trade receivables due for payment not individually assessed to be impaired	40.6	50.4
Collateral on trade receivables due for payment individually assessed to be impaired	91.8	20.5

Notes · EBIT, working capital and cash flows

A total of 7.1% (2016: 9.3%) of receivables at the balance sheet date were impaired to a greater or lesser extent. There is a continual follow-up on overdue debtors. Due to improved economic trends, a number of provisions were reversed in 2017. As a result, bad debt provisions were a net income of DKK 7.9 million. Last year, bad debt provisions were a net income of DKK 10.8 million.

BioMar has taken out credit insurance for DKK 899 million for its trade receivables. In addition, customers have provided collateral in the amount of DKK 370.2 million (2016: DKK 371.9 million). Most of the DKK 370.2 million collateral provided relates to BioMar. The collateral provided consists mainly of assets such as fish stocks and fish farming equipment.

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

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Changes in working capital

	2017	2016
Change in inventories	-495.0	-77.8
Change in receivables	147.1	-2.7
Change in trade payables and other payables	-198.1	452.1
Total changes in working capital	-546.0	371.6

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Trade payables and other payables

	2017	2016
Trade payables	2,629.9	2,836.4
Customer prepayments	4.8	3.6
Other payables	802.4	482.1
Provisions	11.2	0.2
Deferred income	44.4	17.1
Total trade payables and other payables	3,492.7	3,339.4

The increase in other payables was partly attributable to Borg Automotive, which recognises liabilities to customers regarding cores under other debt.

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

Notes · invested capital

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

The following notes are presented in this section:

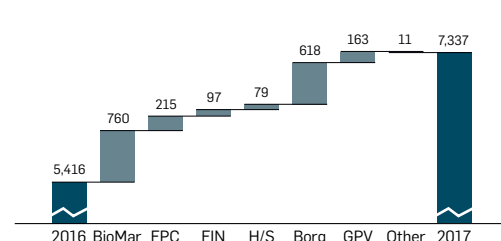
9. Intangible assets
10. Property, plant and equipment
11. Receivables – non-current
12. Investments in subsidiaries, associates and joint arrangements
13. Operational leases and rent commitments
14. Acquisitions
15. Impairment test

Comments

Invested capital

Invested capital covers property, plant and equipment, intangible assets and working capital and can be stated both inclusive and exclusive of goodwill. Invested capital exclusive of goodwill increased from DKK 5,416 million to DKK 7,337 million at 31 December 2017. Changes in invested capital by portfolio company appears from the chart below.

Change in invested capital, 2016 to 2017



As can be seen from the chart, invested capital increased in all segments. The largest effect was from company acquisitions, as the acquisitions of Borg Automotive and BioMar's acquisition of Alimentsa increased invested capital by DKK 618 million and

DKK 608 million, respectively.

In addition to the effect of company acquisitions, several portfolio companies made significant investments in new capacity. BioMar increased its capacity in Norway, and its working capital grew due to increased sales. For Fibertex Personal Care and Fibertex Nonwovens, developments were mainly due to the large investment programmes of the year, which increased in invested capital by DKK 215 million and DKK 97 million, respectively. For GPV, setting up production facilities in Mexico, acquiring BHE and substantial revenue growth resulted in a DKK 163 million increase in invested capital.

ROIC

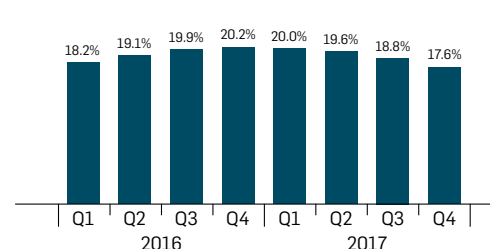
Return on invested capital (ROIC) is measured as Operating profit/loss before amortisation (EBITA) as a percentage of average invested capital. ROIC exclusive of goodwill fell from 20.2% in 2016 to 17.6% in 2017. The fall was a natural effect of the large investments carried out and company acquisitions, which have not yet contributed to consolidated earnings on a full-year basis. Invested capital increased by 23.6%, while EBITA was up by 7.9%.

Average invested capital exclusive of goodwill increased during 2017. Given the natural delay in earnings relative to investments, ROIC exclusive of goodwill fell in 2017, but it remains above the strategic target of 15%.

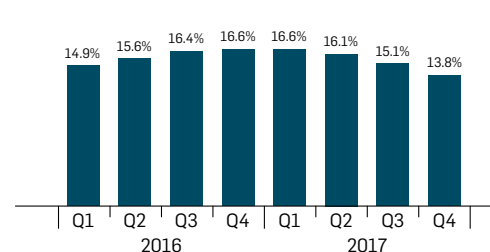
Avg. invested capital excluding goodwill



ROIC excluding goodwill



ROIC including goodwill



Accounting policies

Intangible assets

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

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

Other intangible assets comprise IT solutions and development projects.

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

Customer relations	10-15 years
Brands	10-20 years
Know-how	10-15 years
Other intangible assets	3-15 years
Goodwill is not amortised but annual impairment test is performed.	

Property, plant and equipment

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

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

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

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

Notes · invested capital

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

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

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

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

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

Investments in joint ventures and associates

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

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

Associates with a negative equity value are recognised at zero.

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

Leases

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

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.

For put options issued as part of the consideration for business combinations, put options received by non-controlling shareholders are considered to be exercised at the takeover 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 related 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.

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

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 note 14.

Impairment test

The estimated useful lives of intangible assets and property, plant and equipment which are depreciated are reviewed regularly. Goodwill is tested annually for impairment, and other intangible assets are tested if there is evidence of impairment.

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

Assessments are made of the estimated cash flows for the next many years and of the long-term growth rate and a reasonable discount rate reflecting the risk inherent to the asset or cash-generating unit, all of which is inherently subject to uncertainty. See note 15.

Notes · invested capital

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Intangible assets

2017	Goodwill	Customer relations	Brands	Know-how	Other intangible assets	Total
Cost at 1 January 2017	1,168.6	197.2	60.8	43.8	146.1	1,616.5
Foreign exchange adjustments	-68.7	-17.1	-2.9	-10.1	-2.9	-101.7
Addition through separate acquisition	0.0	0.0	0.0	0.0	24.4	24.4
Additions on company acquisitions	1,107.8	296.4	141.5	312.5	8.8	1,867.0
Disposals	0.0	-21.5	0.0	0.0	-2.3	-23.8
Transferred/reclassified	0.0	2.2	0.0	0.0	1.1	3.3
Cost at 31 December 2017	2,207.7	457.2	199.4	346.2	175.2	3,385.7
Amortisation and impairment at 1 January 2017	0.0	-74.2	-6.2	-7.6	-47.0	-135.0
Foreign exchange adjustments	0.0	6.2	0.4	0.2	1.0	7.8
Transferred/reclassified	0.0	-2.2	0.0	0.0	0.0	-2.2
Amortisation	0.0	-29.4	-10.8	-12.5	-30.2	-82.9
Amortisation and impairment of disposed assets	0.0	21.5	0.0	0.0	0.0	21.5
Amortisation and impairment at 31 December 2017	0.0	-78.1	-16.6	-19.9	-76.2	-190.8
Carrying amount at 31 December 2017	2,207.7	379.1	182.8	326.3	99.0	3,194.9
Amortised over		10-15 years	10-20 years	10-15 years	3-15 years	

2016	Goodwill	Customer relations	Brands	Know-how	Other intangible assets	Total
Cost at 1 January 2016	1,006.1	114.7	0.0	24.5	125.2	1,270.5
Foreign exchange adjustments	2.9	-0.7	-2.0	-0.6	0.3	-0.1
Addition through separate acquisition	0.0	0.0	0.0	0.0	18.8	18.8
Additions on company acquisitions	159.6	92.5	62.8	19.9	1.0	335.8
Disposals	0.0	-9.3	0.0	0.0	-3.4	-12.7
Transferred/reclassified	0.0	0.0	0.0	0.0	4.2	4.2
Cost at 31 December 2016	1,168.6	197.2	60.8	43.8	146.1	1,616.5
Amortisation and impairment at 1 January 2016	0.0	-64.6	0.0	-4.1	-25.8	-94.5
Foreign exchange adjustments	0.0	-1.3	0.0	0.0	-0.4	-1.7
Amortisation	0.0	-17.6	-6.2	-3.5	-24.2	-51.5
Amortisation and impairment of disposed assets	0.0	9.3	0.0	0.0	3.4	12.7
Amortisation and impairment at 31 December 2016	0.0	-74.2	-6.2	-7.6	-47.0	-135.0
Carrying amount at 31 December 2016	1,168.6	123.0	54.6	36.2	99.1	1,481.5
Amortised over		10-15 years	10-20 years	10-15 years	3-15 years	

Amounts in DKK million

Intangible assets

The Group had significant additions of intangible assets in 2017, mainly as a result of its acquisitions of Borg Automotive and Alimentsa.

Purchase price allocation in connection with the Group's acquisitions has resulted in the identification of customer relations of DKK 296.4 million, brands of DKK 141.5 million and know-how of DKK 312.5 million.

In addition, the Group's acquisitions involved unidentifiable added value of DKK 1,107.8 million, which is recognised as goodwill.

Intangible assets relating to customer relations, brands and know-how acquired in connection with company acquisitions represent a significant proportion of total intangible assets. The Group has therefore elected to present these asset classes separately with a restatement of comparative figures.

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

Notes · invested capital

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Property, plant and equipment

2017	land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2017	2,143.7	3,876.7	329.6	608.0	6,958.0
Foreign exchange adjustments	-67.9	-123.8	-7.2	-21.8	-220.7
Additions	61.3	158.8	39.9	548.4	808.4
Additions on company acquisitions	162.7	57.1	10.5	5.3	235.6
Disposals	-79.1	-10.3	-57.7	-2.5	-149.6
Transferred/reclassified	266.9	622.4	18.5	-911.1	-3.3
Cost at 31 December 2017	2,487.6	4,580.9	333.6	226.3	7,628.4
Amortisation and impairment at 1 January 2017	-723.1	-2,548.7	-236.1	0.0	-3,507.9
Foreign exchange adjustments	22.3	76.0	5.1	0.0	103.4
Transferred/reclassified	0.0	0.0	2.2	0.0	2.2
Amortisation and impairment of disposed assets	66.2	2.8	56.1	0.2	125.3
Impairment	-3.3	0.0	0.0	0.0	-3.3
Amortisation	-73.3	-274.9	-40.6	-0.1	-388.9
Amortisation and impairment at 31 December 2017	-711.2	-2,744.8	-213.3	0.1	-3,669.2
Carrying amount at 31 December 2017	1,776.4	1,836.1	120.3	226.4	3,959.2
Of which assets held under finance leases	8.1	2.2	13.5	0.0	23.8
Amortised over	10-50 years	3-15 years	3-10 years		

At the end of 2017, the Group had entered into contracts for the purchase of property, plant and equipment for future delivery for an amount of DKK 88 million (2016: DKK 342 million).

Properties with evidence of impairment have been tested for impairment. Properties were written down by DKK 3.3 million to their recoverable amount during the financial year (2016: DKK 15.0 million).

2016	land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2016	1,901.0	3,445.9	282.8	298.3	5,928.0
Foreign exchange adjustments	16.0	3.3	-14.3	17.5	22.5
Additions	52.3	154.6	29.9	593.3	830.1
Additions on company acquisitions	114.8	106.1	29.3	5.2	255.4
Disposals	-0.6	-15.0	-28.0	-0.5	-44.1
Transferred/reclassified	60.2	181.8	29.9	-305.8	-33.9
Cost at 31 December 2016	2,143.7	3,876.7	329.6	608.0	6,958.0
Amortisation and impairment at 1 January 2016	-640.8	-2,293.6	-217.4	0.0	-3,151.8
Foreign exchange adjustments	2.2	-11.9	-3.3	0.0	-13.0
Transferred/reclassified	0.0	3.4	0.0	0.0	3.4
Amortisation and impairment of disposed assets	0.0	11.6	24.4	0.0	36.0
Impairment	-15.0	0.0	0.0	0.0	-15.0
Amortisation	-69.5	-258.2	-39.8	0.0	-367.5
Amortisation and impairment at 31 December 2016	-723.1	-2,548.7	-236.1	0.0	-3,507.9
Carrying amount at 31 December 2016	1,420.6	1,328.0	93.5	608.0	3,450.1
Of which assets held under finance leases	8.8	0.0	7.3	0.0	16.1
Amortised over	10-50 years	3-15 years	2-8 years		

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Receivables – non-current

	2017	2016
Investment grants	72.1	36.0
Other non-current receivables	64.9	102.9
Total non-current receivables	137.0	138.9

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. The increase in investment grants was due to the completion of an investment in Malaysia.

Other non-current assets include interest-bearing receivables of DKK 44.8 million (2016: DKK 60.8 million).

Notes · invested capital

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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 2017	Ownership interest 2016	Name	Registered office	Ownership interest 2017	Ownership interest 2016
Alba Ejendomme A/S	Aarhus, Denmark	100%	100%	Fibertex Private Limited	Bangalore, India	100%	100%
Alimentsa S.A.	Guayaquil, Ecuador	70%	-	Fibertex South Africa Ltd.	Hammarisdale, South Africa	74%	74%
Alitec Pargua S.A. *	Pargua, Chile	50%	50%	FIN North America Holding Inc.	Ingleside IL, USA	100%	100%
BHE A/S	Horsens, Denmark	100%	-	FIN North America Real Estate	Ingleside IL, USA	100%	100%
BioMar A/S	Brande, Denmark	100%	100%	Formar Industrial Park Sp z.o.o	Woclaw, Poland	100%	-
BioMar A/S Chile Holding S.A.	Puerto Montt, Chile	100%	100%	GPV Americas México S.A.P.I de CV	Guadalajara, Mexico	100%	100%
BioMar AB	Malmö, Sweden	100%	100%	GPV Asia Co. Ltd.	Bangkok, Thailand	100%	100%
BioMar Aquacorporation Products S.A. *	Cañas, Costa Rica	50%	50%	GPV International A/S	Tarm, Denmark	100%	100%
BioMar Aquacultura Corporation S.A.	Cañas, Costa Rica	100%	100%	Hydra-Grene Hydraulic Systems Co., Ltd.	Tianjin, China	90%	90%
BioMar AS	Myre, Norway	100%	100%	Hydra Grene Hydraulics Equipment Accessory Co., Ltd.	Tianjin, China	100%	100%
BioMar Chile SA	Puerto Montt, Chile	100%	100%	Hydra Grene Hydraulics India Private Limited	Chennai, India	100%	100%
BioMar Group A/S	Aarhus, Denmark	100%	100%	Hydra-Grene A/S	Skjern, Denmark	100%	100%
BioMar Hellenic S.A.	Volos, Greece	100%	100%	Hydra-Grene USA Inc.	Chicago, USA	100%	100%
BioMar Iberia S.A.	Dueñas, Spain	100%	100%	Landfall Ltd.	Durham, UK	100%	100%
BioMar Ltd.	Grangemouth, Scotland	100%	100%	Innowo Print AG	Ilseburg, Germany	100%	100%
BioMar OOO	Ropsha, Russia	100%	100%	Marki Industrial Park Sp. z o.o.	Marki, Poland	100%	-
BioMar Pty. Ltd.	Hobart, Australia	100%	-	Niels Bohrs Vej A/S	Aarhus, Denmark	100%	100%
BioMar S.A.S.	Nersac, France	100%	100%	Oy BioMar Ab	Vanda, Finland	100%	100%
BioMar Sp. z.o.o.	Zielona Gora, Poland	100%	100%	Saltebakken 29 ApS	Aarhus, Denmark	100%	100%
Borg Automotive A/S	Silkeborg, Denmark	100%	-	Samwon Tech (Europe) Ltd.	Newton Aycliffe, UK	100%	100%
Borg Automotive Holding A/S	Silkeborg, Denmark	100%	-	Schouw & Co. Finans A/S	Aarhus, Denmark	100%	100%
Borg Automotive Sp.z.o.o.	Zdunska Wola, Poland	100%	-	Specma AB	Goteborg, Sweden	100%	100%
Borg Automotive Slovakia Sro.	Pezinok, Slovakia	100%	-	Specma Co. Ltd.	Shanghai, China	100%	100%
Car Parts Industries ApS	Silkeborg, Denmark	100%	-	Specma Components AB	Skellefteå, Sweden	100%	100%
Car Parts Industries Belgium SA	Gosselies, Belgium	100%	-	Specma Do Brazil Ltda	Curitiba, Brazil	90%	51%
Car Parts Industries UK Ltd	Wednesbury, UK	100%	-	Specma Sp. z.o.o.	Stargard, Poland	100%	100%
Dansk Afgratningsteknik A/S	Skjern, Denmark	60%	60%	Specma Hydraulic U.S. Inc.	San Antonio TX, USA	100%	100%
Elephant Nonwovens - Nao Tecidos U.P., Lda.	Estoril, Portugal	100%	100%	Specma Hydraulikhuset AB	Goteborg, Sweden	100%	100%
Elstock A/S	Silkeborg, Denmark	100%	-	Specma OY	Espoo, Finland	100%	100%
Elstock Sales ApS	Silkeborg, Denmark	100%	-	Specma Wiro AB	Motala, Sweden	100%	100%
Fibertex Elephant	Sant Cugat del Vallés, Spain	100%	100%				
Fibertex France SARL	Beauchamp, France	100%	100%				
Fibertex Nonwovens A/S	Aalborg, Denmark	100%	100%				
Fibertex Nonwovens Holding Ltd.	Hong Kong, China	100%	100%				
Fibertex Nonwovens LLC	Ingleside IL, USA	100%	100%				
Fibertex Nonwovens S.A.S.	Chemillé, France	100%	100%				
Fibertex Nonwovens Shanghai Co. Ltd.	Shanghai, China	100%	100%				
Fibertex Nonwovens Tekstil Sanayi ve Ihracat A.Ş.	Cerkezkoy, Turkey	100%	100%				
Fibertex Nonwovens, a.s.	Svitavy, Czech Republic	100%	100%				
Fibertex Personal Care A/S	Aalborg, Denmark	100%	100%				
Fibertex Personal Care Corporation	Asheboro, North Carolina, USA	100%	-				
Fibertex Personal Care K.K.	Tokyo, Japan	100%	100%				
Fibertex Personal Care Sdn Bhd	Nilai, Malaysia	100%	100%				

Effective from 1 March 2017, GPV acquired the Danish EMS company BHE.

Effective 3 April 2017, Schouw & Co. acquired the remanufacturing business Borg Automotive.

In September 2017, BioMar acquired the Ecuadorian shrimp feed manufacturer Alimentsa.

*Pro-rata consolidated companies are Alitec Pargua S.A. and BioMar Aquacorporation Products S.A. Both are 50%-owned. Both investments are joint arrangements in which the Schouw & Co. Group (BioMar) shares control over the production apparatus of the jointly-controlled entities with an external business partner. Accordingly, under IFRS 11, the arrangements are therefore classified as joint operations and pro-rata consolidated. The companies are recognised at the following amounts: Current assets DKK 108.1 million (2016 DKK 105.5 million), non-current assets DKK 89.8 million (2016: DKK 107.3 million), current liabilities DKK 150.0 million (2016: DKK 120.7 million), non-current liabilities DKK 18.7 million (2016: DKK 23.5 million), revenue DKK 194.7 million (2016 DKK 198.3 million) and expenses DKK 188.1 million (2016 DKK 196.0 million).

Notes · invested capital

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Investments in subsidiaries, associates and joint arrangements (continued)

The Group has the following associates:

Name	Registered office	Ownership interest 2017	Ownership interest 2016
Incuba Invest A/S	Aarhus, Denmark	49%	49%
LetSea AS	Dønna, Norway	33%	33%
ATC Patagonia S.A.	Lenca, Chile	30%	-
Salmones Austral S.A.	Puerto Montt, Chile	23%	*
Young Tech Co. Ltd.	Changwon, South Korea	30%	30%
Micron Specma India (Pvt.) Ltd	Rohtak, Haryana, India	25%	-

* Salmones Austral was not classified as an associate in 2016

Associates:	2017	2016
Cost at 1 January	71.7	664.2
Additions during the year	259.7	0.0
Additions on acquisitions	0.0	2.5
Disposals for the year	0.0	-595.0
Cost at 31 December	331.4	71.7
Adjustments at 1 January	-9.1	-93.9
Foreign exchange adjustments and other changes in equity	-9.5	17.1
Dividends paid	-2.5	-64.3
Disposals for the year	0.0	-5.1
Profit after tax from associates	31.7	137.1
Adjustments at 31 December	10.6	-9.1
Carrying amount at 31 December	342.0	62.6
Recognised in the income statement:		
Share of operating profit in associates	31.7	137.1
Gains/ reassessment at fair value	0.0	434.4
Profit after tax in associates and reassessment at fair value	31.7	571.5

Amounts in DKK million

2017

	Incuba Invest A/S	LetSea AS	ATC Patagonia	Salmones Austral	Young Tech Co. South Korea	Micron Specma India (Pvt.) Ltd	Kramp Groep B.V.
Revenue	0.0	191.0	12.9	1,412.3	27.4	0.1	-
Profit for the year	8.3	6.7	-2.9	205.9	-1.1	-0.2	-
Total assets	92.1	191.4	74.3	2,452.1	26.2	2.2	-
Liabilities	3.8	133.9	7.9	1,374.4	18.8	0.5	-
Recognised in the Schouw & Co. Group:							
Share of profit	4.1	2.2	-0.9	26.7	-0.3	-0.1	-
Share of equity	43.3	19.2	19.9	246.9	2.2	0.4	-
Goodwill	0.0	0.0	0.0	10.1	0.0	0.0	-
Carrying amount at 31 December	43.3	19.2	19.9	257.0	2.2	0.4	-

2016

	Incuba Invest A/S	LetSea AS	ATC Patagonia	Salmones Austral	Young Tech Co. South Korea	Micron Specma India (Pvt.) Ltd	Kramp Groep B.V.
Revenue	0.0	210.1	-	-	n.a.	-	-
Profit for the year	136.5	45.8	-	-	n.a.	-	-
Total assets	82.3	128.9	-	-	n.a.	-	-
Liabilities	3.1	65.0	-	-	n.a.	-	-
Recognised in the Schouw & Co. Group:							
Share of profit	67.0	15.4	-	-	0.0	-	54.7
Share of equity	38.8	21.3	-	-	2.5	-	-
Goodwill	0.0	0.0	-	-	0.0	-	-
Carrying amount at 31 December	38.8	21.3	-	-	2.5	-	-

Until July 2017, Salmones Austral was recognised under securities, but in the summer of 2017, the Group acquired an additional 4.54% of the shares in the company, increasing its ownership interest to 22.91%. As a result, Salmones Austral was reclassified as an associate.

The share of profit after tax in associates amounted to DKK 31.7 million in 2017, most of the amount deriving from Salmones Austral. The share of profit in 2016 consisted of a DKK 434.4 million gain from the sale of shares in Kramp Group B.V. and mainly the share of profit in Kramp until the sale in September 2016 and the share of profit in Incuba Invest A/S.

Salmones Austral is individually considered to be of significant importance to the Group. The comprehensive income in Salmones Austral for 2017 amounted to DKK 205.9 million, its EBITDA was DKK 380.2 million and its NIBD at 31 December was DKK 503.5 million.

Notes · invested capital

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Investments in subsidiaries, associates and joint arrangements (continued)

The Group has the following joint ventures:

Name	Registered office	Ownership interest 2017	Ownership interest 2016
Xergi A/S	Støvring, Denmark	50%	50%
BioMar-Sagun TTK	Söke, Turkey	50%	50%
BioMar-Tongwei (Wuxi) Biotech Co., Ltd.	Wuxi, China	50%	50%

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

2017	Xergi	BioMar-Sagun	BioMar-Tongwei
Revenue	196.9	220.1	478.7
Profit for the year	0.5	10.4	9.6
Total assets	162.4	167.3	340.7
Liabilities	93.2	114.2	129.3
Recognised in the Schouw & Co. Group:			
Share of profit	0.2	5.2	4.8
Share of equity	33.1	26.6	105.7
Goodwill	0.0	1.4	1.9
Carrying amount at 31 December	33.1	28.0	107.6

2016	Xergi	BioMar-Sagun	BioMar-Tongwei
Revenue	181.8	61.7	9.1
Profit for the year	-4.5	-7.9	2.2
Total assets	171.8	95.0	221.6
Liabilities	103.8	41.5	7.1
Recognised in the Schouw & Co. Group:			
Share of profit	-2.3	-3.9	1.1
Share of equity	34.0	26.7	107.3
Goodwill	0.0	1.4	1.9
Carrying amount at 31 December	34.0	28.1	109.2

Amounts in DKK million

Joint ventures:	2017	2016
Cost at 1 January	209.6	135.3
Additions during the year	0.0	74.3
Cost at 31 December	209.6	209.6
Adjustments at 1 January	-38.4	-26.2
Foreign exchange adjustments	-12.8	-7.1
Share of profit after tax in joint ventures	10.2	-5.1
Adjustments at 31 December	-41.0	-38.4
Carrying amount at 31 December	168.6	171.2

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Operational leases and rent commitments

2017	Property	Machinery	Ships	Cars	Total
Falling due within one year	59.5	9.3	90.8	9.6	169.2
Falling due within 1-5 years	89.6	11.3	223.0	12.3	336.2
Falling due after 5 years	48.0	1.4	104.8	0.0	154.2
Total operational leases and rent commitments	197.1	22.0	418.6	21.9	659.6
2016	Property	Machinery	Ships	Cars	Total
Falling due within one year	54.0	9.5	67.9	8.6	140.0
Falling due within 1-5 years	112.6	12.1	261.7	12.5	398.9
Falling due after 5 years	53.6	0.0	149.2	0.0	202.8
Total operational leases and rent commitments	220.2	21.6	478.8	21.1	741.7

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

An amount of DKK 154.6 million (2016: DKK 138.2 million) relating to operating leases and rent commitments has been recognised in the consolidated income statement for 2017.

Notes · invested capital

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Acquisitions

	Borg	Alimentsa	BHE	Total 2017	2016
Customer relations	162.6	124.3	9.5	296.4	92.5
Brands	118.8	22.7	0.0	141.5	62.8
Know-how	81.3	231.2	0.0	312.5	19.9
Other intangible assets	8.5	0.3	0.0	8.8	1.0
Property, plant and equipment	65.3	169.3	1.0	235.6	255.4
Financial assets	0.1	0.0	0.6	0.7	7.8
Inventories	320.6	41.2	23.1	384.9	424.6
Receivables	173.7	79.4	14.8	267.9	353.3
Tax asset	58.5	0.0	0.0	58.5	0.0
Cash and cash and cash equivalents	20.5	33.3	0.0	53.8	89.8
Credit institutions	-37.4	0.0	-10.9	-48.2	-456.1
Deferred tax	-90.7	-92.6	-1.4	-184.7	-41.3
Provisions	-16.0	0.0	0.0	-16.0	-4.3
Trade payables	-53.5	-19.7	-12.2	-85.4	-197.2
Other payables	-218.0	-29.5	-4.3	-251.8	-118.1
Current tax	-11.6	-44.0	0.0	-55.7	-8.9
Net assets acquired	582.7	515.9	20.2	1,118.8	481.2
Of which non-controlling interests	0.0	-316.8	0.0	-316.8	0.0
Goodwill	515.8	582.2	9.8	1,107.8	159.6
Acquisition cost	1,098.5	781.3	30.0	1,909.8	640.8
Of which cash and cash equivalents	-20.5	-33.3	0.0	-53.8	-89.8
Contingent consideration	0.0	7.6	0.0	7.6	0.0
Total cash acquisition costs	1,078.0	755.6	30.0	1,863.6	551.0

At 3 April 2017, Schouw & Co. acquired Danish industrial company Borg Automotive of Silkeborg for a cash consideration of DKK 1,078.0 million. Borg Automotive remanufactures used auto parts such as starters, alternators, brake calipers and air-condition compressors and generates annual revenue of about DKK 1 billion. Founded in 1975, the company employs about 1,400 people, of whom some 1,200 work in Poland. In connection with PPA adjustments relating to the acquisition of Borg Automotive, goodwill was calculated at DKK 515.8 million. Goodwill represents non-identifiable assets. The acquisition of Borg Automotive involved acquisition costs of DKK 5.0 million, which amount is recognised under administrative expenses. Had Borg Automotive been recognised as from 1 January 2017, revenue would have been DKK 237 million higher and profit would have been DKK 13.9 million higher.

BioMar gained control of Ecuadorian shrimp feed manufacturer Alimentsa S.A. on 13 September 2017, acquiring 70% of the shares in that company. Alimentsa is a producer of shrimp feed and generates annual revenue of about DKK 500 million. Founded in 1986, Alimentsa is headquartered in Ecuador's largest city, Guayaquil, and employs some 160 people. Acquiring Alimentsa forms part of BioMar's growth strategy.

In connection with the acquisition of Alimentsa, a put option has been issued, according to which BioMar has an obligation to buy the outstanding 30% of the shares. At the same time, a call option has been issued, according to which BioMar has a right to buy the outstanding 30% of the shares. The parties have agreed a pricing model that is based on earnings over a three-year period prior to the exercise date, and the put option is exercisable for a period of two years starting from three years after the acquisition date at the earliest. At the acquisition date, the present value of the put option was calculated at DKK 228.6 million.

The non-controlling interest was measured at fair value at the acquisition date and has initially been recognised at DKK 316.8 million. The issuance of the put option has the effect of eliminating the non-controlling interest and the recognition of a liability. The difference between the non-controlling interest and the fair value of the put option has been recognised in retained earnings under equity.

BioMar has an obligation to pay additional earn-out consideration, which at the acquisition date was measured at DKK 14.1 million. Final payment is subject to Alimentsa's profit for 2017, which does not differ materially from the assumptions made at the acquisition date.

The acquisition of Alimentsa involved acquisition costs of DKK 8.5 million, which amount is recognised under administrative expenses.

Acquired assets include trade receivables at a fair value of DKK 74.9 million. The contractual gross receivable amounts to DKK 79.2 million, of which DKK 4.3 million was assessed as being irrecoverable at the acquisition date.

In connection with the acquisition, goodwill was been calculated at DKK 582.2 million after recognition at fair value of identifiable assets, liabilities and contingent liabilities. Goodwill represents the value of non-identifiable assets, including the value of future synergies in both the acquired business and in BioMar's existing business in the production of shrimp feed.

Had Alimentsa been recognised as from 1 January 2017, revenue would have been DKK 343 million higher and profit would have been DKK 45 million higher.

Effective 1 March 2017, GPV acquired BHE, an EMS company based in Horsens, Denmark, for a cash consideration of DKK 30.0 million. Acquiring BHE forms part of GPV's growth strategy. Established in 1984, BHE has over a number of years generated annual revenue of about DKK 100 million, selling mainly to the Danish and German markets. In connection with PPA adjustments relating to the acquisition of BHE, goodwill was calculated at DKK 9.8 million. Acquisition costs amounted to DKK 0.7 million. Had BHE been recognised as from 1 January 2017, revenue would have been DKK 14 million higher, while profit would have been the same.

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 period (2018-2022). 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 1,169 million at 31 December 2016. The acquisitions of Borg Automotive, Alimentsa and BHE resulted in additions of goodwill in 2017 of DKK 516 million, DKK 558 million and DKK 10 million, respectively. This and a negative foreign exchange adjustment of DKK 69 million resulted in goodwill of DKK 2,208 million at 31 December 2017.

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

Goodwill relating to BioMar amounts to DKK 1,317 million, which is equal to about 60% of the consolidated goodwill. The goodwill in BioMar consists of goodwill of DKK 558 million relating to Alimentsa and of DKK 759 million related to the "old" BioMar group. Through the acquisition of Alimentsa, the Group has a new cash-generating unit, which is tested separately due to the significantly different products and market conditions applying to shrimp feed relative to the fish species BioMar has been involved with previously.

BioMar operates in an expanding industry that is driven by global population growth and rising standards of living. According to a United Nations population growth report, the global population is expected to grow by 1.0 billion from 2017 to 2030 and by a further 1.2 billion by 2050. BioMar assumes revenue growth of 5.4% during the budget period, with slightly higher volume growth in Chile and expectations of lower market growth in established fish farming markets. Alimentsa assumes revenue growth of 3.1%. The assumed production capacity for the budget period will cover the expected increase in business activity, and no productivity enhancements or cost savings have been assumed for the period. BioMar's feed products are mainly based on marine and vegetable raw materials, for which price fluctuations can largely be passed on to selling prices. BioMar and Alimentsa have both applied EBIT margins in line with 2017. Due to the correlation between prices of raw materials and selling prices, uncertainty mainly prevails at EBIT level, for which reason EBIT, which is the main earnings parameter in the industry, has been selected as sensitivity parameter.

In connection with PPA adjustments relating to the acquisition of Borg Automotive, goodwill was calculated at DKK 515.8 million. Borg Automotive has experienced stable organic growth in recent years both in revenue and in volume to the independent aftermarket and to OE customers, and the positive performance is expected to continue. Borg Automotive assumes revenue growth of 3.4% and an EBIT margin of 14.0% in

the budget period, which is consistent with recent years, when disregarding the non-recurring adjustments recognised in 2017 in connection with the acquisition.

Sensitivity analyses and company-specific assumptions:

	Carrying amount of goodwill	Test assumptions			Sensitivity analysis		
		Revenue growth	EBIT per cent	WACC after tax	WACC before tax	EBIT allowed decline	WACC allowed increase
BioMar	759	5.4%	5.8%	6.8%	6.9%	55%	6.5pp
Alimentsa	558	3.1%	23.5%	10.7%	10.7%	31%	4.0pp
Borg Automotive	516	3.4%	14.0%	9.1%	9.2%	27%	2.8pp
Fibertex Personal Care	99	0.5%	11.0%	7.2%	7.5%	36%	4.0pp
Fibertex Nonwovens	119	6.6%	7.1%	7.4%	7.9%	21%	1.5pp
HydraSpecma	148	5.5%	7.1%	7.7%	8.0%	35%	3.3pp
Other	10						

The impairment test made at 31 December 2017 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

Schouw & Co. recognised other intangible assets of DKK 987 million at 31 December 2017. The amount related primarily to the value customer relations, brands and know-how taken over in company acquisitions and identified through purchase price allocation. An addition of DKK 759 million was recognised in 2017, which amount mainly related the acquisition of Borg Automotive and Alimentsa. Management did not identify any indication of impairment in 2017.

Property, plant and equipment

The value of a property was written down by DKK 3 million in 2017 in connection with the sale of the property in question. The Group identified no other assets with an indication of impairment, and therefore recognised no further impairment losses on property, plant and equipment in 2017. Write-downs in 2016 amounted to DKK 15 million.

Investments in joint ventures and associates

In 2016 and 2017, 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.

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

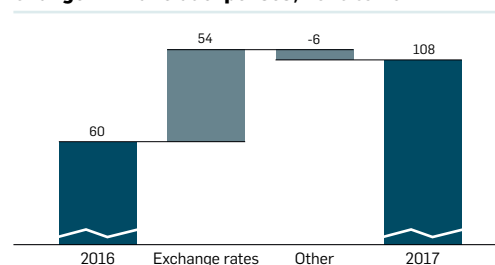
Financial income

Financial income totalling DKK 78 million consists of a reversal of DKK 42 million of a 2015 writedown of the Group's shares in Salmenes Austral. Adjusted for this amount, financial income amounted to DKK 36 million, compared with DKK 33 million in 2016. Actual interest income fell from DKK 22 million to DKK 15 million in 2017. On the other hand, foreign exchange gains increased from DKK 12 million in 2016 to DKK 20 million in 2017.

Financial expenses

Financial expenses amounted to DKK 108 million in 2017 compared with DKK 60 million in 2016. Actual interest expenses amounted to DKK 34 million compared with DKK 36 million in 2016. Financial expenses also included foreign exchange losses of DKK 70 million compared with DKK 16 million in 2016.

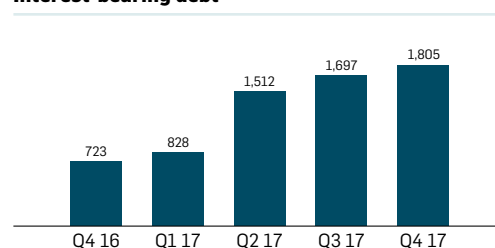
Change in financial expenses, 2016 to 2017



Liabilities

Interest-bearing debt was DKK 1,805 million, representing a year-on-year increase of DKK 1,082 million. The increase in net interest-bearing debt was mainly driven by company acquisitions for a total of DKK 1,864 million. A large part of the Group's debt is in Danish kroner or in euro, these currencies representing 61% of total debt in 2017 (2016: 46%). In addition, 29% of the Group's debt at 31 December 2017 was relatively evenly distributed on the currencies CZK, NOK, MYR and USD.

Interest-bearing debt



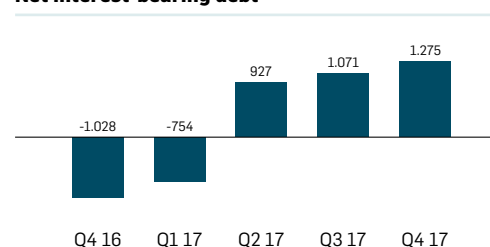
Net interest-bearing debt

Net interest-bearing debt has changed from being a net deposit of DKK 1,028 million at 31 December 2016 to being net interest-bearing debt of DKK 1,275 million at 31 December 2017. As can be seen from the chart below, the Group did have a net deposit during the first quarter of 2017 until the beginning

of April, when Borg Automotive was acquired at a price of DKK 1,115 million and dividends of DKK 286 million were paid. In the third quarter, Alimentsa was acquired at a price of DKK 756 million.

The Group's investment in property, plant and equipment of DKK 809 million was relatively evenly distributed during the course of the year and was largely offset by cash flows from operating activities of DKK 763 million.

Net interest-bearing debt



Treasury shares

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

At 31 December 2016, Schouw & Co. held 1,756,930 treasury shares, corresponding to 6.89% of the share capital. In 2017, the Group sold 227,000 treasury shares for purposes of its share option programme. Accordingly, Schouw & Co. held 1,529,930 treasury shares at 31 December 2017, corresponding to 6.00% 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 li-

abilities, finance lease obligations, surcharges and refunds under the on-account tax scheme and changes in fair values of derivative financial instruments that do not qualify as hedge accounting. Financial expenses relating to the construction of non-current assets are recognised as part of the cost of the asset.

Financial liabilities

Debt to credit institutions is recognised at the raising of a loan at fair value less transaction costs. 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. 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

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Financial income

	2017	2016
Interest income on financial assets	15.4	21.7
Foreign exchange adjustments	20.3	11.6
Gains/fair value adjustments of financial assets measured at fair value through profit or loss	42.7	0.0
Total	78.4	33.3

Through BioMar, the Group holds an ownership interest in the Chilean fish farming company Salmones Austral. As market conditions for the Chilean fish farming industry improved considerably in 2017 relative to the preceding years, the DKK 42 million impairment writedown previously made for Salmones Austral was reversed in 2017.

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Financial expenses

	2017	2016
Interest expense on financial liabilities	-33.8	-36.1
Fair value adjustment of hedging transactions transferred from equity	-4.8	-7.1
Foreign exchange adjustments	-69.8	-15.9
Fair value adjustments of financial assets measured at fair value through profit or loss	0.0	-0.8
Total	-108.4	-59.9

Borrowing costs of DKK 1.9 million were capitalised in 2017 based on an average rate of interest of 1.3% p.a. Borrowing costs capitalised in 2016 amounted to DKK 3.3 million.

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Interest-bearing debt

Debt recognised in the balance sheet:

	2017	2016
Credit institutions (non-current)	1,192.5	209.5
Mortgage debt (non-current)	167.4	188.7
Lease debt (non-current)	5.8	4.0
Recognised under non-current debt to credit institutions, total	1,365.7	402.2
Current portion of non-current liabilities	291.1	152.1
Credit institutions (non-current)	148.6	168.8
Total interest-bearing debt	1,805.4	723.1
 Fair value of interest-bearing debt	 1,806.5	 724.6

Maturity profile of interest-bearing debt:

	2017	2016
Principal repayment		
Overdraft facilities	148.6	168.8
Less than 1 year	319.1	159.0
1-5 years	1,320.2	277.1
More than 5 years	83.3	144.4
Total	1,871.2	749.3

Interest

Overdraft facilities	0.0	0.0
Less than 1 year	28.0	6.9
1-5 years	34.9	14.7
More than 5 years	2.9	4.6
Total	65.8	26.2

Carrying amount

Overdraft facilities	148.6	168.8
Less than 1 year	291.1	152.1
1-5 years	1,285.3	262.4
More than 5 years	80.4	139.8
Total	1,805.4	723.1

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

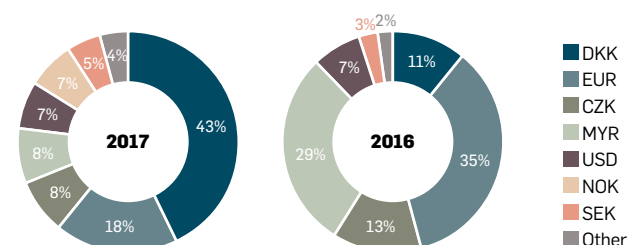
Notes · capital structure

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Interest-bearing debt (continued)

	2017	2016
Weighted average effective rate of interest for the year was (%)	3.0	4.2
Weighted average effective rate of interest at the balance sheet date was %.	2.2	3.6

Percentage breakdown of interest-bearing debt by currency:



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

	2017	2016
Lease payment		
Expiry in less than 1 year	4.9	5.2
Expiry in 1-5 years	6.0	7.6
Expiry after more than 5 years	0.0	0.0
Total	10.9	12.8
Interest		
Expiry in less than 1 year	0.2	2.4
Expiry in 1-5 years	0.2	3.6
Expiry after more than 5 years	0.0	0.0
Total	0.4	6.0
Carrying amount		
Expiry in less than 1 year	4.7	2.8
Expiry in 1-5 years	5.8	4.0
Expiry after more than 5 years	0.0	0.0
Total	10.5	6.8

Amounts in DKK million

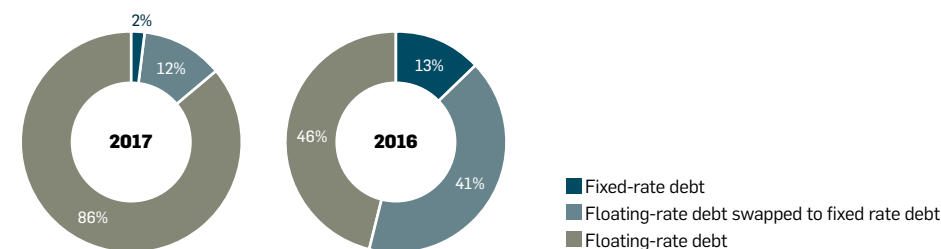
The fair value of liabilities relating to assets held under finance leases largely corresponds to the carrying amount.

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

Interest rate risk

The Group 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 normally consists of interest rate swaps and rate caps. All interest rate swaps and rate caps are used to hedge underlying loans/credit facilities.

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.

	2017	2016
Interest hedging expires in:		
Less than 1 year	0.0	59.5
1-5 years	201.1	49.9
More than 5 years	18.0	184.3
Total	219.1	293.7

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by about DKK 12 million after tax (2016: DKK 3 million).

Notes · capital structure

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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:

	2017	2016
Credit lines	2,537.1	2,329.3
Drawn operating credits	-1,383.1	-168.8
Cash and cash and cash equivalents	478.2	1,682.4
Capital resources	1,632.2	3,842.9

In June 2016, Schouw & Co. established a DKK 1.8 billion credit facility with a bank consortium consisting of Danske Bank, DNB and Nordea. Major subsidiaries of the Schouw & Co. Group are co-guarantors of the credit facility. After its first year, the agreement was extended by one year and currently runs until 2020. there is an option in 2018 to extend the agreement by an additional one year. The agreement also contains an option to increase the credit facility by DKK 0.3 billion, which amount is not included in the credit lines set out in the table above.

Capital management

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

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Net interest-bearing debt

			Non-cash items		
	Beginning of year	Cash flows	Acquisitions	Foreign exchange adjustments	End of year
2017					
Interest-bearing liabilities:					
Credit institutions – non-current	209.5	980.3	5.0	-2.3	1,192.5
Mortgage debt – non-current	188.7	-36.5	5.7	9.5	167.4
Lease debt – non-current	4.0	1.8	0.0	0.0	5.8
Current portion of non-current liabilities	152.1	137.5	4.4	-2.9	291.1
Credit institutions – current	168.8	-47.8	33.1	-5.5	148.6
Total interest-bearing liabilities	723.1	1,035.3	48.2	-1.2	1,805.4
Interest-bearing assets:					
Non-current receivables	60.8	-14.3	0.0	-1.7	44.8
Current receivables	7.8	-0.3	0.0	-0.4	7.1
Cash and cash equivalents	1,682.4	-1,235.3	53.8	-22.7	478.2
Total interest-bearing assets	1,751.0	-1,249.9	53.8	-24.8	530.1
Net interest-bearing debt	-1,027.9	2,285.2	-5.6	23.6	1,275.3

The table above shows developments in the Group's net interest-bearing debt during the year following the Group's implementation of amendments to IAS 7, including cash flows and non-cash items.

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 2016	1,906,130	19,061,300	352.0	7.48%
Share option programme	-184,000	-1,840,000	-22.2	-0.72%
Additions	34,800	348,000	13.1	0.13%
31 December 2016	1,756,930	17,569,300	342.9	6.89%
Share option programme	-227,000	-2,270,000	-26.3	-0.89%
31 December 2017	1,529,930	15,299,300	316.6	6.00%

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

The company acquires treasury shares for allocation to the Group's share option programmes.

A total of 227,000 shares held in treasury were used in connection with options exercised in 2017. The shares had an aggregate fair value of DKK 152.3 million at the date of exercise.

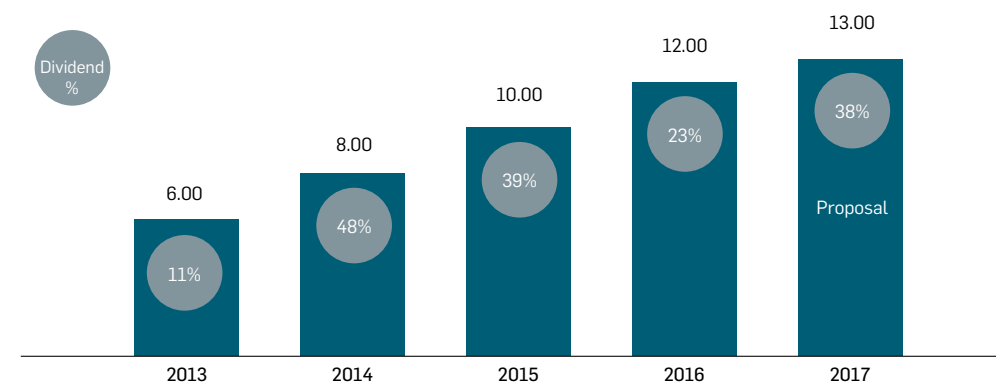
The Group's holding of treasury shares had a market value of DKK 889.7 million at 31 December 2017 (2016: DKK 924.1 million). The portfolio of treasury shares is recognised at DKK 0.

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

Dividend

A dividend of DKK 13 per share is proposed in respect of the 2017 financial year for a total dividend amount of DKK 331.5 million and a dividend payout of 38% of the profit for the year. On 25 April 2017, the Group paid dividend in respect of 2016 of DKK 12 per share for a total dividend amount of DKK 306.0 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 profit for the year in the Group.

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. Income tax

Comments

Income tax

Schouw & Co. achieved a profit before tax for the year of DKK 1,105 million. This amount includes non-taxable income from associated and joint ventures and reversed impairment writedowns on shares, etc. in the total amount of DKK 90 million. When adjusted for this amount, tax on the profit for the year amounted to DKK 230 million, for an effective tax rate of 22.7%.

The rate should be compared with the Group's weighted tax rate of 25.4%. This rate should be adjusted for non-deductible costs and the use of non-capitalised prior-year losses, which have reduced the tax rate.

Accounting policies

Taxation

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

Income tax comprises current tax and changes in deferred tax for the year. The tax expense relating to the results for the year is recognised in the income statement, and the tax expense relating to changes in equity is recognised in equity.

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

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

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

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

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

Deferred tax adjustments are made regarding eliminations of unrealised intercompany gains and losses.

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

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

Significant accounting estimates

Deferred tax assets

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

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

The lower US corporate tax rate was applied for 2017. Due to the relatively modest business activity of the Schouw & Co. Group in the USA, the lower tax rate was not of material importance to the Group.

Deferred tax, including prior-year tax losses, is recognised at the tax rate expected to apply taking into account current local tax rules. Tax losses are capitalised to the extent management believes they can be used within a few years. Such estimates are made at least once a year on the basis of budgets and business plans for the following years. Accord-

ingly, those estimates are inherently subject to a degree of uncertainty. Another factor considered is the distribution of taxable income on the basis of the companies' transfer pricing policies. At 31 December 2017, the Group had capitalised tax losses at a value of DKK 87 million for tax purposes, which are expected to be utilised within the next few years, and non-capitalised tax losses at a total value of DKK 61 million for tax purposes, which are not expected to be utilised within the next few years. About half of the non-capitalised losses relate to Fibertex South Africa, which has encountered very difficult market conditions.

Notes · tax

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Tax on profit/loss for the year

	2017	2016
Tax on the profit for the year is specified as follows:		
Tax on profit/loss for the year	-230.1	-239.5
Tax on other comprehensive income	0.1	-0.2
Total tax	-230.0	-239.7
Tax on the profit for the year has been calculated as follows:		
Current tax	-239.8	-252.7
Deferred tax	2.8	10.2
Change in deferred tax due to change in corporate tax rates	3.8	0.8
Adjustment of prior-year tax charge	3.1	2.2
Total tax recognised in the income statement	-230.1	-239.5
Specification of the tax on the profit for the year:		
Calculated 22.0% tax of profit/loss before tax	22.0%	22.0%
Adjustment of calculated tax in foreign subsidiaries relative to 22.0%	3.4%	1.8%
Estimated weighted consolidated income tax rate	25.4%	23.8%
Change of corporate income tax rate	-0.3%	-0.1%
Tax effect of non-deductible costs and non-taxable income	0.2%	-1.0%
Tax effect on share of profit in associates and joint ventures	-0.8%	-7.9%
Tax effect of reversal of writedown in Salmones Austral	-1.3%	0.0%
Tax effect of investment grant	-0.9%	0.0%
Tax effect of dividend payment in Chile	0.0%	2.1%
Tax effect of adjustment of prior-year tax charge	-0.3%	-0.1%
Tax effect of non-capitalised tax asset	1.0%	0.5%
Tax effect of deferred tax asset relating to prior years recognised this year	-2.2%	-2.0%
Effective tax rate	20.8%	15.2%

	2017		
	Before tax	Taxation	After tax
Tax on items recognised in other comprehensive income			
Foreign exchange adjustments of foreign units, etc.	-225.5	0.0	-225.5
Hedging instruments for the year	-4.2	0.0	-4.2
Hedging instruments transferred to cost of sales	0.4	0.2	0.6
Hedging instruments transferred to financials	4.8	-1.0	3.8
Other comprehensive income from associates and joint ventures	-22.3	0.0	-22.3
Other adjustments to other comprehensive income	-7.5	0.9	-6.6
Total tax on items recognised in other comprehensive income	-254.3	0.1	-254.2

	2016		
	Before tax	Taxation	After tax
Tax included in other comprehensive income			
Foreign exchange adjustments of foreign units, etc.	-16.0	0.0	-16.0
Hedging instruments for the year	-4.1	0.8	-3.3
Hedging instruments transferred to cost of sales	-0.8	0.3	-0.5
Hedging instruments transferred to financials	7.1	-1.6	5.5
Other comprehensive income from associates and joint ventures	10.0	0.0	10.0
Other adjustments to other comprehensive income	-4.3	0.3	-4.0
Total tax on items recognised in other comprehensive income	-8.1	-0.2	-8.3

Notes · tax

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Deferred tax

2017						
Change in deferred tax	Balance at 1 Jan.	Foreign exchange adjustments	Additions on acquisitions	Recognised in the profit for the year	Recognised in equity	Balance sheet at 31 December
Intangible assets	59.4	-5.1	166.8	-13.9	0.0	207.2
Property, plant and equipment	129.2	-3.5	11.8	49.8	6.5	193.8
Receivables	3.4	-0.4	-0.2	-5.8	0.0	-3.0
Inventories	5.6	-0.6	5.5	-7.1	2.4	5.8
Other non-current assets	-2.4	0.1	0.0	1.9	0.0	-0.4
Shareholders' equity	39.7	-0.2	0.0	-13.8	-23.0	2.7
Provisions	-1.5	0.0	-1.1	0.7	-5.5	-7.4
Miscellaneous obligations	-18.4	0.2	-27.5	0.1	1.7	-43.9
Recaptured losses	0.1	0.0	0.0	-16.7	0.0	-16.6
Tax loss	-62.0	0.5	-29.1	-1.2	4.9	-86.9
Total change in deferred tax	153.1	-9.0	126.2	-6.0	-13.0	251.3

2016						
Change in deferred tax	Balance at 1 Jan.	Foreign exchange adjustments	Additions on acquisitions	Recognised in the profit for the year	Recognised in equity	Balance sheet at 31 December
Intangible assets	22.1	-0.7	38.3	-0.3	0.0	59.4
Property, plant and equipment	163.1	-0.5	-5.7	-27.7	0.0	129.2
Receivables	-14.5	-0.4	0.0	18.5	-0.2	3.4
Inventories	13.2	0.2	-1.9	-5.9	0.0	5.6
Other non-current assets	0.0	0.0	0.0	-2.4	0.0	-2.4
Shareholders' equity	0.0	-0.3	39.6	1.2	-0.8	39.7
Provisions	-1.6	-0.1	0.0	0.2	0.0	-1.5
Miscellaneous obligations	-17.9	-0.3	-2.5	2.4	-0.1	-18.4
Recaptured losses	0.0	0.0	0.0	0.1	0.0	0.1
Tax loss	-34.6	-0.1	-26.5	-1.8	1.0	-62.0
Total change in deferred tax	129.8	-2.2	41.3	-15.7	-0.1	153.1

Notes - tax

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Deferred tax (continued)

	2017	2016
Deferred tax at 1 January	153.1	129.8
Foreign exchange adjustments	-9.0	-2.2
Deferred tax adjustment at 1 January	0.6	23.3
Deferred tax for the year, recognised in the profit for the year	-2.8	-10.2
Reduction of Danish corporate tax rate	-3.8	-0.8
Transferred to/from income tax payable at 1 January	0.0	-28.0
Deferred tax for the year recognised in equity	-13.0	-0.1
Additions on acquisitions	126.2	41.3
Deferred tax at 31 December, net	251.3	153.1

Deferred tax is recognised as follows in the statement of financial position:

Deferred tax (asset)	-57.6	-35.5
Deferred tax (liability)	308.9	188.6
Deferred tax at 31 December, net	251.3	153.1

Deferred tax pertains to:

Intangible assets	207.2	59.4
Property, plant and equipment	193.8	129.2
Current assets	2.4	6.6
Shareholders' equity	2.7	39.7
Provisions	-7.4	-1.5
Miscellaneous obligations	-43.9	-18.4
Recaptured losses	-16.6	0.1
Tax loss carryforwards	-86.9	-62.0
Deferred tax at 31 December, net	251.3	153.1

Schouw & Co. has capitalised tax assets of DKK 58 million. It is expected that the tax capitalised will be absorbed by taxable income within the next few years.

There are no deferred tax liabilities that have not been recognised in the balance sheet. Tax losses with an aggregate tax value of DKK 61 million (2016: DKK 75 million) have not been capitalised, because it is considered unlikely that they will be realised.

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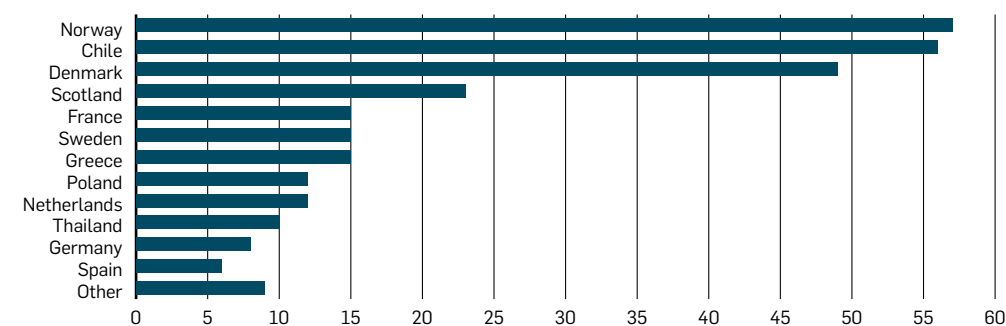
Income tax

	2017	2016
Income tax payable at 1 January	51.8	25.5
Foreign exchange adjustments	-6.4	-3.5
Current tax for the year	239.8	252.7
Adjustment related to prior years	-3.6	-25.5
Transferred to/from deferred tax at 1 January	0.0	28.0
Current tax for the year recognised in other comprehensive income	-0.1	0.3
Current tax on other equity adjustments	-12.5	-5.3
Additions on company acquisitions	55.7	8.9
Income tax paid during the year	-291.1	-229.3
Income tax at 31 December	33.6	51.8

which is specified as follows:

Income tax receivable	-55.7	-55.3
Income tax payable	89.3	107.1
Income tax at 31 December	33.6	51.8

Income tax paid by country, 2017



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:

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

Comments

Securities

The carrying amount of the Group's securities was sharply reduced in 2017, mainly as a result of the purchase of additional shares in Salmenes Austral, which was subsequently reclassified and recognised under Equity investments in associates.

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 listed 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 classified as available for sale. The securities are measured at fair value, and unrealised value adjustments are recognised directly in other

comprehensive income, except for impairment losses which are recognised in the income statement under financial items. On realisation, the accumulated value adjustment recognised in other comprehensive income is reclassified as financials in the income statement.

Pension obligations

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

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

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

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

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

recognised in the income statement over the period during which the employees' right to the changed benefits vests.

Provisions

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

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

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

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

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

Other liabilities

Other liabilities are measured at net realisable value.

Significant accounting estimates

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 liability prior to exercise is based on an estimate of the company's expected financial performance.

Other notes to the consolidated financial statements

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Adjustment for non-cash transactions

	2017	2016
Purchase of intangible assets	-24.4	-18.8
of which was not paid at the balance sheet date/date of adjustment for the year	-0.1	0.0
Paid relating to purchase of intangible assets	-24.5	-18.8
Purchase of property, plant and equipment	-808.4	-830.1
of which was not paid at the balance sheet date/date of adjustment for the year	-0.7	1.8
Of which assets held under finance leases	0.0	0.0
Paid relating to purchase property plant and equipment	-809.1	-828.3
Financial liabilities incurred	231.2	103.5
of which lease debt	0.0	0.0
Proceeds from incurring financial liabilities	231.2	103.5

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Securities

	2017	2016
Securities measured at fair value		
Cost at 1 January	175.6	129.4
Reclassified	1.6	6.8
Foreign exchange adjustments	-17.3	6.5
Additions	26.7	32.9
Disposals	-172.3	0.0
Cost at 31 December	14.3	175.6
Adjustments at 1 January	-54.3	-45.5
Reclassified	-1.6	-6.7
Foreign exchange adjustments	3.6	-1.7
Adjustments recognised in the income statement	42.7	-0.4
Adjustments at 31 December	-9.6	-54.3
Carrying amount at 31 December	4.7	121.3

Securities are classified as "available for sale".

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

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Other payables

	2017	2016
Put option	236.5	0.0
Pension obligations	18.7	19.7
Provisions	11.7	11.2
Other payables	2.3	6.8
Deferred income	91.7	62.7
Total other payables	360.9	100.4

The put option pertains the obligation of the BioMar group to buy the outstanding 30% of the shares in Alimentsa.

It is group policy to fund all pension liabilities and predominantly to avoid defined benefit plans. The acquisition of the majority holding in BioMar at 31 December 2005 included defined benefit pension obligations.

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.

Deferred income mainly consists of investment grants.

Other notes to the consolidated financial statements

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Contingent liabilities and guarantees

Contingent liabilities

The Schouw & Co. Group is currently a party to a small number of legal disputes. Management believes that the results of these legal disputes will not impact the Group's financial position other than the receivables and liabilities that have been recognised in the balance sheet at 31 December 2017.

In a transfer pricing review performed in 2013, the Danish tax authorities ("SKAT") made an assessment to increase the taxable income of the group company Fibertex Personal Care A/S by DKK 122.5 million for the years 2007-2011. According to SKAT, Fibertex Personal Care Sdn. Bhd, Malaysia must pay an annual revenue-driven royalty to the Danish company in return for the use of intellectual property rights. The company's management strongly disagrees with the decision, because no intangible assets have been transferred to the Malaysian subsidiary. Accordingly, SKAT's decision to increase the taxable income has been appealed to the Danish National Tax Tribunal. Furthermore, SKAT has an obligation to negotiate a corresponding reduction of income in Malaysia with the Malaysian tax authorities, the outcome of which could fully or partly eliminate the consolidated tax effect.

Malaysia requires that a possible mutual agreement procedure must be commenced not later than three years after SKAT took up the matter. As a result, Fibertex Personal Care opened a mutual agreement procedure in 2016 by submitting the necessary documentation to the competent authorities in both Denmark and Malaysia. Due to the nature of the case, no liability has been recognised in respect of this tax matter.

In order to avoid limitation for the individual years, SKAT has provisionally raised the company's taxable income for the years 2007-2011 by a total of DKK 122.5 million, the tax effect of which equals DKK 30.8 million, which amount has been capitalised in the consolidated balance sheet, but as indicated the amount is being contested. As the matter is not expected to commence until 2018 at the earliest, whether by the Danish National Tax Tribunal or in the mutual negotiations between the authorities of Malaysia and Denmark, the amount paid-in has been recognised as a non-current receivable.

At 31 December 2017, the Group had provided a guarantee to an insurance company in the amount of DKK 20 million.

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

	2017	2016
Land and buildings	766.4	685.5
Plant and machinery	132.9	254.4
Current assets	977.9	480.4
Total	1,877.2	1,420.3

The collateral set out above represents the Group's debt to credit and mortgage-credit institutions of DKK 442.5 million (2016: DKK 813.1 million).

Other notes to the consolidated financial statements

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Financial risk

The Group's risk management policy

Due to the nature of its operations, investments and financing, the Group is exposed to changes in commodity prices, exchange rates and interest rates. The Group's financial risk management is exclusively aimed at reducing the Group's financial risk relating to its operations, investments and financing.

Group policy is to not actively speculate in financial instruments.

Risk relating to raw materials

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

Credit risk

The Group's credit risk is primarily related to trade receivables (see note 6) and cash deposits. The Group seeks to avoid significant exposure to individual customers or business partners. The Group's policy for undertaking credit risks involves an ongoing credit assessment of all major customers. At 31 December 2017, the maximum credit risk considering the collateral provided was DKK 3,042.1 million (trade receivables less collateral + cash).

Currency risk

The Group has generally had a moderate foreign exchange exposure because its sales have to a large degree had a natural hedge through same-currency costs. Shown in the table below is the anticipated foreign exchange effect on the balance sheet per 31 December 2017 of likely changes in exchange rates of the currency crosses of the most importance to the Group:

Currency	Likely change in exchange rate*	Effect on the profit for the year**
MYR/DKK	11.1%	26.3
USD/DKK	8.4%	-15.1
TRY/DKK	12.0%	6.8
ZAR/DKK	15.3%	6.3
USD/MYR	7.6%	5.2
THB/DKK	7.9%	-2.0

* 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.

Any decision to hedge future cash flows is taken by the individual companies of the Group in accordance with guidelines determined by Schouw & Co. Cash flows are primarily hedged by way of forward contracts and currency clauses built into customer and supplier contracts. The EUR/DKK cross is not hedged.

Generally, group policy is not to hedge neither net investments nor translation risk. Translation risk occurs on recognition of the profit/loss and equity of foreign subsidiaries in the functional currency using average exchange rates of local currencies.

	2017	2016
Currency hedges	-1.7	3.8
Interest hedges	-12.5	-19.1
Recognised before tax	-14.2	-15.3
Tax on recognised hedge transactions	3.7	4.5
Hedging agreements after tax	-10.5	-10.8
Currency hedging agreements expire in maximum (number of months)	8	18
Interest hedging agreements expire in maximum (number of months)	108	120

Other notes to the consolidated financial statements

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Financial risk - continued

The Group's debt maturity profile:

2017	Cash flows including interest					
	Carrying amount	Overdraft facilities without planned repayment	Less than 1 year	After one year through five years	More than 5 years	Total
Non-derivative financial instruments						
Banks and other credit institutions	1,794.9	148.6	314.2	1,314.2	83.3	1,860.3
Financial lease debt	10.5	0.0	4.9	6.0	0.0	10.9
Trade payables	2,629.9	0.0	2,629.9	0.0	0.0	2,629.9
Other liabilities	1,024.4	0.0	783.6	316.1	0.0	1,099.7
Derivative financial instruments						
Forward currency contracts used as hedging instruments	9.2	0.0	9.2	0.0	0.0	9.2
Interest rate swaps used as hedging instruments	12.5	0.0	3.8	7.3	1.5	12.6
Recognised in balance sheet total	5,481.4	148.6	3,745.6	1,643.6	84.8	5,622.6
Operating lease liabilities			169.2	336.2	154.2	659.6
Contractual obligations to purchase property plant and equipment			87.7	0.0	0.0	87.7
Total		148.6	4,002.5	1,979.8	239.0	6,369.9
2016	Cash flows including interest					
	Carrying amount	Overdraft facilities without planned repayment	Less than 1 year	After one year through five years	More than 5 years	Total
Non-derivative financial instruments						
Banks and other credit institutions	716.3	168.8	153.8	269.5	144.4	736.5
Financial lease debt	6.8	0.0	5.2	7.6	0.0	12.8
Trade payables	2,836.4	0.0	2,836.4	0.0	0.0	2,836.4
Other liabilities	451.3	0.0	451.3	0.0	0.0	451.3
Derivative financial instruments						
Forward currency contracts used as hedging instruments	15.2	0.0	15.2	0.0	0.0	15.2
Interest rate swaps used as hedging instruments	19.1	0.0	5.0	11.4	2.9	19.3
Recognised in balance sheet total	4,045.1	168.8	3,466.9	288.5	147.3	4,071.5
Operating lease liabilities			140.0	398.9	202.8	741.7
Contractual obligations to purchase property plant and equipment			341.6	0.0	0.0	341.6
Total		168.8	3,948.5	687.4	350.1	5,154.8

Other notes to the consolidated financial statements

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Categories of financial assets and liabilities

Financial assets	2017	2016
Non-current assets		
Other securities and investments	3.0	2.3
Financial assets measured at fair value through profit or loss (1)	3.0	2.3
Other investments and securities (other equity holdings)	1.7	119.0
Available-for-sale financial assets (3)	1.7	119.0
Other receivables	137.0	138.9
Receivables are measured at amortised cost.	137.0	138.9
Current assets		
Trade receivables	2,934.1	2,896.0
Other receivables	186.0	174.8
Cash and cash and cash equivalents	478.2	1,682.4
Receivables are measured at amortised cost.	3,598.3	4,757.5
Other receivables (derivative financial instruments)	18.1	17.8
Trading portfolio (2)	18.1	17.8
Financial liabilities		
Non-current liabilities		
Debt to mortgage-credit institutions	167.4	188.7
Other credit institutions	1,198.3	213.5
Other payables	238.8	6.8
Financial liabilities measured at amortised cost	1,604.5	409.0
Current liabilities		
Debt to mortgage-credit institutions	27.1	26.4
Other credit institutions	412.5	294.5
Trade payables and other payables	3,415.4	2,836.5
Financial liabilities measured at amortised cost	3,855.0	3,157.4
Other debt (derivative financial instruments)	21.7	34.4
Trading portfolio (2)	21.7	34.4

1) Listed shares, stated at market value of shareholding (level 1)

2) Financial instruments valued by external credit institutions using generally accepted valuation techniques on the basis of observable data (level 2).

3) Unlisted shares, stated at estimated value (level 3)

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

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Fair value of categories of financial assets and liabilities

	2017	2016
Financial assets		
Securities measured at fair value through profit or loss – level 1	3.0	2.3
Derivative financial instruments to hedge future cash flows – level 2	18.1	17.8
Securities measured at fair value through other comprehensive income – level 3	1.7	119.0
Financial liabilities		
Derivative financial instruments to hedge future cash flows – level 2	21.7	34.4

Listed equities measured at the official year-end market value (level 1) amounted to DKK 3.0 million (2016 DKK 2.3 million). Securities measured at fair value through other comprehensive income (level 3) amounted to DKK 119.0 million at the beginning of the year. The change for the period consisted of the addition of DKK 26.7 million, the reversal of a DKK 42.0 million impairment write-down in Salmenes Austral, negative foreign exchange adjustments of DKK 13.7 million and disposals of DKK 172.3 million. In July, the Group acquired a further 4.54% of the shares in Salmenes Austral, bringing the total ownership interest 22.91%. As a result, the combined investment was reclassified as an associate.

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.

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 yield curves and exchange rates. In addition, fair values are based on non-observable market data, including exchange rate volatilities, or correlations between yield curve, exchange rates 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.

Other notes to the consolidated financial statements

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Fees to auditors appointed by the general meeting

	2017	2016
Statutory audit fees, EY	-7.7	-6.5
Fees for other assurance engagements, EY	-0.8	-0.8
Fees for tax and VAT-related services, EY	-4.8	-5.1
Non-audit services, EY	-3.6	-2.3
Total fees, EY	-16.9	-14.7
Statutory audit fees, other auditors	-0.5	-0.5
Fees for other assurance engagements, other auditors	-0.1	-0.3
Fees for tax and VAT-related services, other auditors	-0.2	-0.7
Non-audit services, other auditors	-0.1	-0.3
Total fees, other auditors	-0.9	-1.8

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Earnings per share (DKK)

	2017	2016
Share of the profit for the year attributable to shareholders of Schouw & Co	879.5	1,341.5
Average number of shares	25,500,000	25,500,000
Average number of treasury shares	-1,630,675	-1,782,139
Average number of outstanding shares	23,869,325	23,717,861
Average dilutive effect of outstanding share options *	137,510	64,452
Diluted average number of outstanding shares	24,006,835	23,782,313
Earnings per share of DKK 10	36.85	56.56
Diluted earnings per share of DKK 10	36.63	56.41

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

Other notes to the consolidated financial statements

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Related party transactions

Under Danish legislation, Givisco 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 8 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.

	2017	2016
Joint ventures:		
During the financial year, the Group sold goods in the amount of	19.0	0.0
At 31 December the Group had a receivable in the amount of	22.4	27.0
At 31 December the Group had debt in the amount of	0.6	19.2
Associates:		
During the year, the Group received a management fee in the amount of	0.1	0.1
During the financial year, the Group sold goods in the amount of	182.9	31.2
During the financial year, the Group bought goods in the amount of	77.2	9.5
During the financial year, the Group received interest income in the amount of	0.0	0.2
At 31 December the Group had a receivable in the amount of	102.3	0.0
At 31 December the Group had debt in the amount of	83.7	0.0
During the financial year, the Group received dividends in the amount of	2.5	64.3

During 2017, the Group traded with BioMar-Sagun, BioMar-Tongwei, LetSea and ATC Patagonia. Salmones Austral, Young Tech Co. and Incuba Invest.

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

Schouw & Co. has registered the following shareholders as holding 5% or more of the share capital: Givisco A/S (28.09%), Direktør Svend Hornsylds Legat (14.82%) and Aktieselskabet Schouw & Co. (6.00%).

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Events after the balance sheet date

Fibertex Nonwovens signed an agreement on 2 February 2018 to acquire Brazilian nonwovens manufacturer Duci with accounting effect from that date. The company is included in the Group's guidance for 2018.

Other than as set out above, Schouw & Co. is not aware of events occurring after 31 December 2017, which are expected to have a material impact on the Group's financial position or outlook.

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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 2017, including IFRS 15 and 16 and IFRS 9.

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.

Schouw & Co. has performed an assessment of the effects of IFRS 15, and came to the overall conclusion that the effect on recognition and measurement is immaterial considering the Group's sales contracts.

The implementation of IFRS 9 is mainly expected to impact recognition and measurement of trade receivables in Schouw & Co. Based on an analysis of the Group's debtor mass, including an assessment of ECL (expected credit losses), it is assessed that the standard will have an immaterial effect on the Schouw & CO. Group.

IFRS 16 is expected to be of some importance to the Group, because after it comes into force on 1 January 2018, the leases currently treated as operating leases will be recognised in the balance sheet as assets with the associated liabilities recognised as interest-bearing debt. At 31 December 2017, the group had operating leases with lease obligations at a present value of DKK 660 million, equal to 4.6% of total assets. In addition, the cash flows for the previous lease payments will be reclassified and in the future be presented and recognised as amortisation or interest expenses respectively, which will have a minor impact of the Group's financial results.



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 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.

Parent company financial statements

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Statements of income and comprehensive income

1 January – 31 December

Note	Income statement	2017	2016
1	Revenue	8.7	6.9
	Other operating income	0.1	0.0
2, 21	Administrative expenses	-42.0	-35.2
	Other operating expenses	-0.2	0.0
	EBIT	-33.4	-28.3
	Share of profit after tax in subsidiaries	874.7	781.7
	Share of profit after tax in associates	4.1	556.1
	Profit after tax in joint ventures	0.2	-2.3
10	Financial income	58.3	41.7
11	Financial expenses	-22.5	-10.7
	Profit before tax	881.4	1,338.2
17	Tax on profit/loss for the year	-10.0	3.3
	Profit for the year	871.4	1,341.5
	Proposed distribution of profit		
	Proposed dividend of DKK 13 per share (2016: DKK 12 per share)	331.5	306.0
	Retained earnings	539.9	1,035.5
	Profit for the year	871.4	1,341.5

Note	Totalindkomstopgørelse	2017	2016
	Items that will be reclassified to the income statement:		
	Value adjustment of hedging instruments for the year	-0.1	-0.4
	Hedging instruments transferred to financials	2.0	2.0
	Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	-248.9	-4.9
17	Tax on other comprehensive income	-0.4	-0.4
	Other comprehensive income after tax	-247.4	-3.7
	Profit for the year	871.4	1,341.5
	Total recognised comprehensive income	624.0	1,337.8

Balance sheet · assets and liabilities

Note	Total assets	31 Dec. 2017	31 Dec. 2016
	Land and buildings	16.1	16.1
	Other fixtures and fittings, tools and equipment	3.1	2.7
6	Property, plant and equipment	19.2	18.8
8	Investments in subsidiaries	6,103.1	4,904.0
8	Equity investments in associates	43.3	38.8
8	Equity investments in joint ventures	33.1	34.0
	Securities	0.4	0.4
18	Deferred tax	15.4	18.3
7	Receivables from subsidiaries	780.4	596.1
	Other non-current assets	6,975.7	5,591.6
	Total non-current assets	6,994.9	5,610.4
7	Receivables from subsidiaries	2,449.7	1,711.2
3	Receivables	7.0	7.2
20	Income tax	8.1	9.8
	Cash and cash and cash equivalents	62.8	1,193.6
	Total current assets	2,527.6	2,921.8
	Total assets	9,522.5	8,532.2

Note	Liabilities and equity	31 Dec. 2017	31 Dec. 2016
13	Share capital	255.0	255.0
	Hedge transaction reserve	-2.2	-3.7
	Net revaluation reserve as per the equity method	2,072.8	1,787.7
	Retained earnings	5,571.3	5,451.8
	Proposed dividend	331.5	306.0
	Total equity	8,228.4	7,796.8
14	Pensions and similar obligations	18.8	19.7
12	Credit institutions	995.2	5.7
	Non-current liabilities	1,014.0	25.4
12	Current portion of non-current liabilities	0.5	0.5
12	Credit institutions	0.0	44.3
12	Amounts owed to subsidiaries	249.7	636.1
5	Trade payables and other payables	11.7	14.2
19	Joint taxation contributions	18.2	14.9
	Current liabilities	280.1	710.0
	Total liabilities	1,294.1	735.4
	Total equity and liabilities	9,522.5	8,532.2

Cash flow statement

1 January – 31 December

Note		2017	2016
	Profit before tax	881.4	1,338.2
	Adjustment for operating items of a non-cash nature, etc.		
2	Depreciation and impairment losses	0.3	0.3
	Other non-cash operating items, net	2.9	3.4
	Share of profit from subsidiaries, associates and joint ventures	-879.0	-1,335.5
	Provisions	-0.9	-0.9
	Financial income	-58.3	-41.7
	Financial expenses	22.5	10.7
	Cash flows from operations before changes in working capital	-31.1	-25.5
4	Changes in working capital	0.1	-4.7
	Cash flow from operations	-31.0	-30.2
	Financial income received	57.6	40.2
	Financial expenses paid	-11.1	-6.8
	Cash flows from ordinary activities	15.5	3.2
19, 20	Joint taxation contribution received and net tax paid	10.2	-17.6
	Cash flows from operating activities	25.7	-14.4
	Purchase of property, plant and equipment	-1.4	-0.5
	Sale of property, plant and equipment	0.6	0.0
	Capital increase in subsidiaries	0.0	-140.0
	Acquisition of subsidiaries	-917.6	-98.1
	Dividends received from subsidiaries and associates	345.0	394.8
	Sales of associates	0.0	1,033.8
	Change in loans to associates	0.0	9.9
	Cash flows from investing activities	-573.4	1,199.9

Note		2017	2016
	Loan financing:		
	Repayment of non-current liabilities	-0.5	-0.6
	Change in bank overdrafts	939.2	44.3
	Change in intra-group balances	-1,309.1	-691.0
	Shareholders:		
	Dividends paid	-285.6	-237.7
	Treasury shares, etc. bought/sold	77.3	35.8
	Cash flows from financing activities	-578.7	-849.2
	Cash flows for the year	-1,126.4	336.3
	Cash and cash equivalents at 1 January	1,193.6	858.9
	Value adjustment of cash and cash equivalents	-4.4	-1.6
	Cash and cash equivalents at 31 December	62.8	1,193.6



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 2016	255.0	-4.9	1,291.3	4,859.4	255.0	6,655.8
Other comprehensive income in 2016						
Value adjustment of hedging instruments for the year	0.0	-0.4	0.0	0.0	0.0	-0.4
Hedging instruments transferred to financials	0.0	2.0	0.0	0.0	0.0	2.0
Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	0.0	0.0	-4.9	0.0	0.0	-4.9
Other adjustments to parent company shareholders' equity	0.0	0.0	-439.4	439.4	0.0	0.0
Tax on other comprehensive income	0.0	-0.4	0.0	0.0	0.0	-0.4
Profit for the year	0.0	0.0	1,335.5	-300.0	306.0	1,341.5
Total recognised comprehensive income	0.0	1.2	891.2	139.4	306.0	1,337.8
Transactions with the owners						
Share-based payment, net	0.0	0.0	0.0	12.0	0.0	12.0
Distributed dividends	0.0	0.0	-394.8	412.1	-255.0	-237.7
Treasury shares bought/sold	0.0	0.0	0.0	28.9	0.0	28.9
Total transactions with owners during the year	0.0	0.0	-394.8	453.0	-255.0	-196.8
Equity at 31 December 2016	255.0	-3.7	1,787.7	5,451.8	306.0	7,796.8
Other comprehensive income in 2017						
Value adjustment of hedging instruments for the year	0.0	-0.1	0.0	0.0	0.0	-0.1
Hedging instruments transferred to financials	0.0	2.0	0.0	0.0	0.0	2.0
Foreign exchange adjustment, etc. of subsidiaries, associates and joint ventures	0.0	0.0	-248.9	0.0	0.0	-248.9
Tax on other comprehensive income	0.0	-0.4	0.0	0.0	0.0	-0.4
Profit for the year	0.0	0.0	879.0	-339.1	331.5	871.4
Total recognised comprehensive income	0.0	1.5	630.1	-339.1	331.5	624.0
Transactions with the owners						
Share-based payment, net	0.0	0.0	0.0	24.6	0.0	24.6
Distributed dividends	0.0	0.0	-345.0	365.4	-306.0	-285.6
Treasury shares bought/sold	0.0	0.0	0.0	68.6	0.0	68.6
Total transactions with owners during the year	0.0	0.0	-345.0	458.6	-306.0	-192.4
Equity at 31 December 2017	255.0	-2.2	2,072.8	5,571.3	331.5	8,228.4

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.

Notes · basis of preparation – 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 2017. 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.

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

	2017	2016
Management fee	8.7	6.9
Total revenue	8.7	6.9

2

Costs

	2017	2016
Staff costs		
Remuneration to the Board of Directors of Schouw & Co.	-3.3	-2.7
Wages and salaries	-18.9	-17.9
Defined contribution pension plans	-1.2	-1.1
Other social security costs	-0.1	-0.1
Share-based payment	-3.3	-3.0
Total staff costs	-26.8	-24.8

Average no. of employees	12	11
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Amortisation

Depreciation, property, plant and equipment	-0.3	-0.3
Total depreciation	-0.3	-0.3

Depreciation is recognised in the income statement as follows:

Administration	-0.3	-0.3
Total depreciation	-0.3	-0.3

For more information on salaries, pensions and share-based payment to the Executive Management of Schouw & Co., see note 3 to the consolidated financial statements.

Staff costs including share-based payment are recognised under administrative expenses.

3

Receivables (current)

	2017	2016
Other current receivables	1.9	1.9
Prepayments	5.1	5.3
Total current receivables	7.0	7.2

No impairment losses were recognised on receivables during the year.

4

Changes in working capital

	2017	2016
Change in receivables	0.2	1.0
Change in trade payables and other payables	-0.1	-5.7
Total changes in working capital	0.1	-4.7

5

Trade payables and other payables

	2017	2016
Trade payables	0.4	0.3
Other payables	11.3	13.9
Total trade payables and other payables	11.7	14.2

Notes to the parent company financial statements

6

Property, plant and equipment

2017

	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	18.9	7.6	26.5
Additions	0.0	1.4	1.4
Disposals	0.0	-1.3	-1.3
Cost at 31 December 2017	18.9	7.7	26.6
Amortisation and impairment at 1 January 2017	-2.8	-4.9	-7.7
Amortisation and impairment of disposed assets	0.0	0.6	0.6
Amortisation	0.0	-0.3	-0.3
Amortisation and impairment at 31 December 2017	-2.8	-4.6	-7.4
Carrying amount at 31 December 2017	16.1	3.1	19.2
Amortised over	25 years	3-8 years	

2016

	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	18.9	7.3	26.2
Additions	0.0	0.5	0.5
Disposals	0.0	-0.2	-0.2
Cost at 31 December 2016	18.9	7.6	26.5
Amortisation and impairment at 1 January 2016	-2.8	-4.7	-7.5
Amortisation and impairment of disposed assets	0.0	0.1	0.1
Amortisation	0.0	-0.3	-0.3
Amortisation and impairment at 31 December 2016	-2.8	-4.9	-7.7
Carrying amount at 31 December 2016	16.1	2.7	18.8
Amortised over	25 years	3-8 years	

At 31 December 2017, Schouw & Co. owned the property at Chr. Filtenborgs Plads 1, Aarhus, which is the Group's head office, and an undeveloped site at Hovmarken 18, Lystrup.

Amounts in DKK million

7

Receivables from subsidiaries

	2017	2016
Receivables from subsidiaries - non-current	780.4	596.1
Receivables from subsidiaries - current	2,449.7	1,711.2
Total receivables from subsidiaries	3,230.1	2,307.3
Breakdown of receivables from subsidiaries:		
Interest-bearing receivables	3,230.1	2,307.3
Non-interest-bearing receivables	0.0	0.0
Total receivables from subsidiaries	3,230.1	2,307.3

No impairment losses were recognised on receivables during the year.

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.

Notes to the parent company financial statements

8

Investments in subsidiaries, associates and joint ventures

The parent company has the following subsidiaries:

Name	Registered office	Ownership interest 2017	Ownership interest 2016
BioMar Group A/S	Aarhus, Denmark	100%	100%
Fibertex Personal Care A/S	Aalborg, Denmark	100%	100%
Fibertex Nonwovens A/S	Aalborg, Denmark	100%	100%
Hydra-Grene A/S	Skjern, Denmark	100%	100%
Borg Automotive Holding A/S	Silkeborg, Denmark	100%	-
GPV International A/S	Tarm, Denmark	100%	100%
Schouw & Co. Finans A/S	Aarhus, Denmark	100%	100%
Niels Bohrs Vej A/S	Aarhus, Denmark	100%	100%
Saltebakken 29 ApS	Aarhus, Denmark	100%	100%
Alba Ejendomme A/S	Aarhus, Denmark	100%	100%

	31 Dec. 2017	31 Dec. 2016
Cost at 1 January	3,062.7	2,824.6
Additions during the year	917.6	238.1
Cost at 31 December	3,980.3	3,062.7
Adjustments at 1 January	1,841.3	1,416.2
Share of profit for the year	874.7	781.7
Dividends paid	-345.0	-334.0
Other capital entries	-248.2	-22.6
Adjustments at 31 December	2,122.8	1,841.3
Carrying amount at 31 December	6,103.1	4,904.0
Of which carrying amount of goodwill	1,026.0	510.2

Schouw & Co. has tested investments, including goodwill in subsidiaries, for impairment. The impairment tests did not result in investments being written down.

The parent company has the following associates:

Name	Registered office	Ownership interest 2017	Ownership interest 2016
Incuba Invest A/S	Aarhus, Danmark	49%	49%

Amounts in DKK million

	31/12 2017	31/12 2016
Cost at 1 January	66.4	661.5
Disposals for the year	0.0	-595.0
Cost at 31 December	66.4	66.4
Adjustments at 1 January	-27.6	-100.0
Disposals for the year	0.0	-5.1
Share of profit for the year	4.1	121.7
Dividends paid	0.0	-60.8
Other capital entries	0.4	16.6
Adjustments at 31 December	-23.1	-27.6

Carrying amount at 31 December	43.3	38.8
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Recognised in the income statement:		
Share of operating profit in associates	4.1	121.7
Gains/ remeasurement at fair value	0.0	434.4
Profit after tax in associates and reassessment at fair value	4.1	556.1

The parent company has the following joint ventures:

Name	Registered office	Ownership interest 2017	Ownership interest 2016
Xergi A/S	Støvring, Denmark	50%	50%

	31 Dec. 2017	31 Dec. 2016
Cost at 1 January	60.0	60.0
Cost at 31 December	60.0	60.0
Adjustments at 1 January	-26.0	-24.8
Share of profit for the year	0.2	-2.3
Other capital entries	-1.1	1.1
Adjustments at 31 December	-26.9	-26.0

Carrying amount at 31 December	33.1	34.0
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No goodwill has been capitalised in respect of investments in associates or joint ventures.

Notes to the parent company financial statements

9

Operating lease liabilities

	2017	2016
Falling due within one year	0.2	0.1
Falling due within 1-5 years	0.3	0.1
Falling due after 5 years	0.0	0.0
Total operational leases	0.5	0.2

An amount of DKK 0.2 million (2016: DKK 0.2 million) relating to operating leases has been recognised in the income statement for 2017. The parent company has lease agreements for cars only.

10

Financial income

	2017	2016
Interest income from subsidiaries	57.2	40.0
Foreign exchange adjustments	0.6	1.5
Other interest income	0.5	0.2
Total financial income	58.3	41.7

11

Financial expenses

	2017	2016
Interest payable to subsidiaries	-0.3	0.0
Interest expense on financial liabilities	-8.8	-4.8
Fair value adjustment of hedging transactions transferred from equity	-2.0	-2.0
Foreign exchange adjustments	-11.4	-3.9
Total financial expenses	-22.5	-10.7

12

Interest-bearing debt

	2017	2016
Credit institutions (non-current)	990.0	0.0
Mortgage debt (non-current)	5.2	5.7
Recognised under non-current debt to credit institutions, total	995.2	5.7
Current portion of non-current liabilities	0.5	0.5
Credit institutions (non-current)	0.0	44.3
Amounts owed to subsidiaries	249.7	636.1
Total interest-bearing debt	1,245.4	686.6

Fair value of interest-bearing debt	1,245.5	686.5
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Maturity profile of interest-bearing debt:

	2017	2016
Service		
Amounts owed to subsidiaries	249.7	680.4
Under 1	14.5	0.6
1-5 years	1,013.2	2.3
More than 5 years	3.1	3.7
Total	1,280.5	687.0

Interest		
Amounts owed to subsidiaries	0.0	0.0
Under 1	14.0	0.1
1-5 years	21.0	0.1
More than 5 years	0.1	0.2
Total	35.1	0.4

Carrying amount		
Amounts owed to subsidiaries	249.7	680.4
Under 1	0.5	0.5
1-5 years	992.2	2.2
More than 5 years	3.0	3.5
Total	1,245.4	686.6

Spot rate used for floating rate loans.

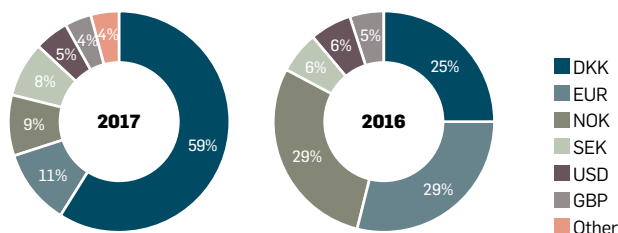
Notes to the parent company financial statements

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Interest-bearing debt (continued)

The weighted average effective rate of interest for the year was 1.2% (2016: 1.7%).
The weighted average effective rate of interest at the balance sheet date was 1.1% (2016: 0.4%).

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:

	2017	2016
Fixed-rate debt	0.0	0.0
Floating-rate debt	1,245.4	686.5
Interest-rate hedge: floating rate debt swapped to fixed rate debt	50.0	49.9

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by DKK 9.3 million after tax (2016: DKK 5.0 million). An increase in interest rates of 1 percentage point would cause equity to rise by DKK 0.8 million after tax (2016: DKK 1.3 million). DKK 1.2 million). The fair value of the interest rate swap has been calculated using generally accepted valuation techniques on the basis of observable data (level 2). The interest rate swap has a term to maturity of 1.5 years.

Fixed rate debt consists only of items, for which the rate of interest will not be reset within the next 12 months.

Capital resources

To ensure that the company always has the necessary capital resources to capitalise on opportunities for investment that may arise and to be able to settle obligations agreed, the company has entered into a number of agreements with recognised financial institutions, under which they provide credit lines to Schouw & Co. It is company policy to diversify borrowings on short term drawing facilities and long-term loans from an assessment of its current leverage as well as an assessment of the current and expected future interest rate levels. The company's capital resources consist of cash, short-term receivables from subsidiaries and undrawn credit facilities.

	2017	2016
Credit facility	1,800.0	1,800.0
Operating credits drawn	-990.0	-44.3
Cash and cash and cash equivalents	62.8	1,193.6
Current loans to subsidiaries	2,389.6	1,711.1
Current debt to subsidiaries	-249.7	-636.0
Parent company's net position including credit facility	3,012.7	4,024.4
Of which utilised by subsidiaries, net	-2,139.9	-1,075.1
Parent company's cash resources	872.8	2,949.3

Schouw & Co. established a DKK 1.8 billion credit facility in 2016 with a bank consortium consisting of Danske Bank, DNB and Nordea. Major subsidiaries of the Schouw & Co. Group are co-guarantors of the credit facility. This three-year agreement may be extended by one year after the first and second year to the effect that it is actually expected to run for five years. The agreement was extended by one year in 2017. The agreement also contains an option to increase the credit facility by DKK 0.3 billion, which amount is not included in the credit lines set out in the table above.

Notes to the parent company financial statements

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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. Each share carries one vote, for a total of 25,500,000 voting rights.

	Number of shares	Nominal value	Cost	Percentage of share capital
Treasury shares				
1 January 2016	1,906,130	19,061,300	352.0	7.48%
Share option programme	-184,000	-1,840,000	-22.2	-0.72%
Additions	34,800	348,000	13.1	0.13%
31 December 2016	1,756,930	17,569,300	342.9	6.89%
Share option programme	-227,000	-2,270,000	-26.3	-0.89%
31 December 2017	1,529,930	15,299,300	316.6	6.00%

In 2017, Schouw & Co. sold shares held in treasury for proceeds of DKK 68.6 million used for the Group's share option programme. The shares had a fair value of DKK 152.3 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 1 April 2021.

The company acquires treasury shares for allocation to the Group's share option programmes. At 31 December 2017, the company's treasury shares had a market value of DKK 889.7 million (2016: DKK 924.1 million).

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Pensions and similar obligations

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.

	2017	2016
Net liability at 1 January	19.7	20.6
Paid out	-0.9	-0.9
Net liability at 31 December	18.8	19.7

The pension obligation was calculated at DKK 18.8 million at 31 December 2017. 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.

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Contingent liabilities and guarantees

Contingent liabilities

The company is taxed jointly with the other Danish group companies. As a management company, the company is joint and severally liable with the other Danish group companies for Danish income tax and withholding tax on dividends, interest and royalties within the joint taxation pool.

Guarantees

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

Land and buildings with a carrying amount of DKK 16.1 million (2016: DKK 16.1 million).
The collateral set out above represents the parent company's debt to mortgage-credit institutions of DKK 5.7 million (2016: DKK 6.2 million).

Surety for group debt to credit institutions amounted to DKK 16.3 million (2016: DKK 19.8 million).

In addition, the Group has provided a guarantee to an insurance company in the amount of DKK 20 million.

Notes to the parent company financial statements

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Financial risk

The parent company's risk management policy

Due to the nature of its operations, investments and financing, the parent company is exposed primarily to changes in the level of interest rates. Interest rate risks are described in greater detail in note 12. The parent company's financial management exclusively involves the management of financial risk relating to operations and investment.

Currency risk

The parent company's foreign exchange risks mainly relate to its subsidiaries' foreign business operations. The parent company does not hedge these investments.

The parent company's foreign exchange risk exposure at 31 December 2017 related to EUR- and USD-denominated net deposits. The DKK/USD exchange rate can fluctuate to a considerable extent, whereas fluctuations in the DKK/EUR exchange rate are relatively modest. 'Likely change in exchange rate' is based on the historical volatility of of the past five years.

2017

Currency	Net position	Likely change in exchange rate*	Effect on profit for the year**
EUR/DKK	391.6	0.4%	1.6
EUR/USD	40.8	8.4%	3.4

*) Percentage increase in exchange rate.

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

Credit risk

The parent company credit risk relates primarily to receivables from subsidiaries and secondarily to cash deposits.

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Tax on profit/loss for the year

	2017	2016
Tax on the profit for the year is specified as follows:		
Tax on profit/loss for the year	-10.0	3.3
Tax on other comprehensive income	-0.4	-0.4
Total tax	-10.4	2.9

Tax on the profit for the year has been calculated as follows:

Current tax	-1.3	-0.5
Deferred tax	-8.7	3.7
Adjustment of prior-year tax charge	0.0	0.1
Total tax recognised in the income statement	-10.0	3.3

Specification of the tax on the profit for the year:

Calculated 22.0% tax of profit/loss before tax	-193.9	-294.4
Tax effect of non-deductible costs and non-taxable income	183.9	297.6
Tax effect of adjustment of prior-year tax charge	0.0	0.1
Total tax recognised in the income statement	-10.0	3.3

Effective tax rate	1.1%	-0.2%
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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 – 2017	Before tax	Taxation	After tax
Hedging instruments for the year	-0.1	0.0	-0.1
Hedging instruments transferred to financials	2.0	-0.4	1.6
Foreign exchange adj., etc. of subsidiaries, associates and joint ventures	-248.9	0.0	-248.9
Total tax on items recognised in other comprehensive income	-247.0	-0.4	-247.4

Tax on items recognised in other comprehensive income – 2016	Before tax	Taxation	After tax
Hedging instruments for the year	-0.4	0.1	-0.3
Hedging instruments transferred to financials	2.0	-0.5	1.5
Foreign exchange adj., etc. of subsidiaries, associates and joint ventures	-4.9	0.0	-4.9
Total tax on items recognised in other comprehensive income	-3.3	-0.4	-3.7

Notes to the parent company financial statements

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Deferred tax

	2017	2016
Deferred tax at 1 January	-18.3	-14.8
Deferred tax adjustment at 1 January	0.0	0.2
Deferred tax for the year, recognised in the profit for the year	8.7	-3.7
Deferred tax for the year recognised in equity	-5.8	0.0
Deferred tax at 31 December, net	-15.4	-18.3

Deferred tax pertains to:

Property, plant and equipment	-1.5	-2.1
Shareholders' equity	-5.8	0.0
Miscellaneous obligations	-8.1	-16.2
Deferred tax at 31 December, net	-15.4	-18.3

There are no deferred tax assets or tax liabilities that have not been recognised in the balance sheet.

2017

	Balance at 1 Jan.	Recognised in the profit for the year	Recognised in equity	Balance at 31 Dec.
Change in deferred tax				
Property, plant and equipment	-2.1	0.6	0.0	-1.5
Shareholders' equity	0.0	0.0	-5.8	-5.8
Miscellaneous obligations	-16.2	8.1	0.0	-8.1
Total change in deferred tax	-18.3	8.7	-5.8	-15.4

2016

	Balance at 1 Jan.	Recognised in the profit for the year	Recognised in equity	Balance at 31 Dec.
Change in deferred tax				
Property, plant and equipment	-2.8	0.7	0.0	-2.1
Miscellaneous obligations	-11.5	-4.7	0.0	-16.2
Tax loss	-0.5	0.5	0.0	0.0
Total change in deferred tax	-14.8	-3.5	0.0	-18.3

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Joint taxation contributions

	2017	2016
Joint taxation contributions at 1 January	14.9	29.0
Transferred from deferred tax at 1 January	0.1	0.0
Current tax for the year	-42.0	-29.5
Joint taxation contributions received/paid	45.2	15.4
Total joint taxation contributions	18.2	14.9

which is specified as follows:

Joint taxation contribution receivable	0.0	0.0
Joint taxation contributions payable	18.2	14.9
Total joint taxation contributions	18.2	14.9

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Income tax

	2017	2016
Income tax payable at 1 January	-9.8	-4.7
Current tax for the year	1.3	0.5
Adjustment related to prior years	-0.1	-0.3
Current tax for the year recognised in other comprehensive income	0.4	0.3
Current tax on other equity adjustments	-6.9	-2.1
Current tax for the year from jointly taxed companies	42.0	29.5
Income tax paid during the year	-35.0	-33.0
Total income tax	-8.1	-9.8

which is specified as follows:

Income tax receivable	-8.1	-9.8
Income tax payable	0.0	0.0
Total income tax	-8.1	-9.8

Notes to the parent company financial statements

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Fees to auditors appointed by the shareholders

	2017	2016
Statutory audit fees, EY	-0.3	-0.3
Fees for tax and VAT-related services, EY	-0.2	-0.1
Non-audit services, EY	-2.1	-0.5
Total fees, EY	-2.6	-0.9

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Related party transactions

Related parties are described in note 33 to the consolidated financial statements.

Management's remuneration and share option programmes are set out in note 3 to the consolidated financial statements.

	2017	2016
Subsidiaries:		
During the year, the parent company received a management fee of	8.6	6.8
During the year, the parent company received interest income of	57.1	40.0
At 31 December the parent company had a receivable of	3,230.1	2,307.3
At 31 December the parent company had debt amounting to	249.7	636.0
During the year, the parent company received dividends of	345.0	334.0
Associates:		
During the year, the parent company received a management fee of	0.1	0.1
During the year, the parent company received interest income of	0.0	0.2
During the year, the parent company received dividends of	0.0	60.8

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

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 2017 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 2017 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2017.

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, 9 March 2018

Executive Management

Jens Bjerg Sørensen
President

Peter Kjær

Bestyrelse

Jørn Ankær Thomsen
Chairman

Jørgen Wisborg
Deputy Chairman

Erling Eskildsen

Niels Kristian Agner

Kjeld Johannesen

Agnete Raaschou-Nielsen

Hans Martin Smith

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 2017, 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 2017 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 2017 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 23 years up until and including the financial year 2017.

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 2017. 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. 57% of the Group's trade receivables relate to BioMar; see note 6 to the consolidated financial statements. BioMar operates in an industry and at geographical markets that imply a risk of loss on trade receivables. The assessment of impairment losses on trade receivables is based on Management's assessment of future payments, including the value of collateral.

Our audit procedures included examination and independent assessment of Management's assessment of impairment losses on trade receivables, including in particular an assessment of trade receivables ageing at financial year end and payments received after the balance sheet date, an assessment of the development within the industry and geographical markets, collateral and realised losses on receivables in the financial year as well as an assessment of Management's ability to correctly compute losses on trade receivables in previous years. Our audit was in particular directed at the assessment of impairment losses on trade receivables from BioMar.

Acquisitions

The acquisition of the spare part manufacturer Borg Automotive Holding A/S was effected on 3 April 2017, while the acquisition of the Ecuadorian shrimp feed manufacturer Alimentos S.A was effected on 13 September 2017; see note 14 to the consolidated financial statements. In connection with the transactions, Management has prepared purchase price allocations and determined the accounting treatment of the put option obligations related to the non-controlling interest in Alimentos S.A. Purchase price allocations are subject to significant estimates and assessments by Management, including requirements for the valuation of identifiable assets and liabilities at fair value. In connection with the purchase price allocation, Management identified relevant assets and liabilities, including e.g. customer contracts, brands, know-how, other intangible assets, and goodwill.

Our audit procedures included examination and independent assessment of the accounting policies determined by Management and the assets and liabilities identified by Management as well as of the valuation methods and assumptions used for the fair value valuation. We compared methods and assumptions applied with generally accepted practice for the valuation and external data, where relevant.

Goodwill

Goodwill represents a significant consolidated financial statements item.

In order to ensure that the carrying amount of goodwill does not exceed the recoverable amount, Management performs an impairment test once a year of group goodwill; see note 15 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.

Independent auditors' report

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 internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that they - either individually or combined - could influence the economic decisions taken by users on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 9 March 2018

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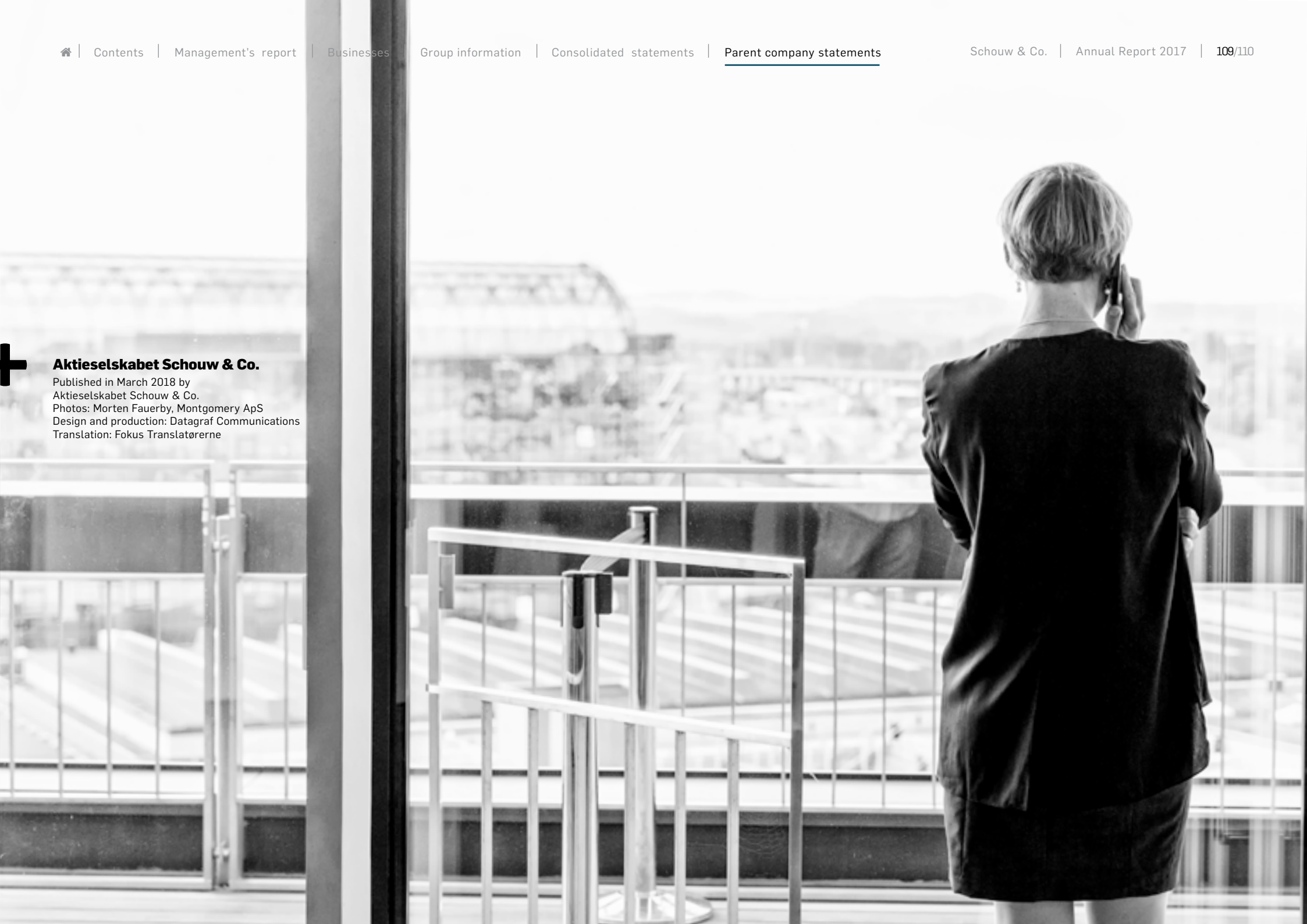
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