schouw+co

# 2016 Annual Report

ENGLISH

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## Management's report



## Portfolio companies



## Group information



## Consolidated statements



## Parent company statements



## Management's statement and auditor's report



Management's review includes the sections 'Management's report' and 'Portfolio Companies'

This publication is a translation of the Danish Annual Report 2016. The original Danish text shall be controlling for all purposes, and in cases of discrepancy, the Danish wording shall be applicable.


Published in March 2017 by Aktieselskabet Schouw & Co.


As in previous years, Schouw & Co. will not be printing and distributing a conventional annual report. We have published a shareholder magazine to accompany our full-length annual report and readers may benefit from reading the annual report in conjunction with the shareholder magazine. The shareholder magazine is available in a print version and electronically at www.schouw.dk

The annual report contains a full presentation of financial statements and a full management's report, whereas the articles in the shareholder magazine provide supplementary information about our portfolio companies.

# With performance comes responsibility

The Schouw & Co. Group had a remarkable year in 2016. Achieving a number of milestones while generating EBIT of more than DKK 1 billion and a cash flow from operations of DKK 1.6 billion, Schouw & Co. has built a very strong financial position. We are seeing the positive effects of recent years' investments in preparing our business for the future, and we have an attractive platform for continuing to grow. However, these strong results and our strong capital structure also bring with them a certain responsibility – and we are confident that we at Schouw & Co. and our portfolio businesses have the potential to continue creating long-term value.

It lies firmly rooted in Schouw & Co.'s DNA for us to think in terms of and invest in long-term opportunities, but we also understand and respect the importance of every single penny and of having the ambition to develop our group in the short term as well. As an international business, at Schouw & Co. we fully accept the responsibility that comes with operating globally. Creating value in a proper and trustworthy manner always pays off in the long term.

Long-term investment will also be a key factor for Schouw & Co. in 2017, as we expect to allocate additional resources to upgrading organisations and managements. We will be focused on projects involving innovation and future value creation. Even business-to-business industrial players need to think about digitalisation and to be adaptable and ready for change.

Schouw & Co. has a strong, solid platform. We regularly assess attractive investment opportunities involving either our existing portfolio companies or the potential of adding new businesses to the portfolio. Our performance and our capital structure involve a certain responsibility, and we stand well prepared to continue creating long-term value.

**Jens Bjerg Sørensen, President**
Aarhus, 10 March 2017

# A good year of significant events

## 2016 results

- Revenue rose to DKK 14.4 billion. (2015: 12.6) with company acquisitions making positive contributions.
- EBIT rose to DKK 1,038 million (2015: 831), which was better than expected during the year.
- Cash flows from operating activities rose to DKK 1,598 million (2015: 1,171).
- Profit after tax in associates and joint ventures amounted to DKK 566 million (2015: 86), mainly from the sale of shares in Kramp.
- Net interest-bearing debt was a net deposit of DKK 1,028 million.
- High level of business activity: acquisitions of hydraulics company Specma and EMS company GPV, sale of shares in Kramp, sale of Incuba Invest's shares in Scandinavian Micro Biodevices and a number of substantial capacity-increasing investments in the portfolio companies.
- Our ROIC improved for the seventh consecutive year, reaching 20.2%, excluding goodwill, and 16.6% when stated including goodwill.

## Outlook for 2017

- Healthy activity in most of market segments, but in all markets, winning orders is a highly demanding and competitive process.
- Allocating additional resources to prepare portfolio companies for the future.
- For 2017, we expect revenue of about DKK 15.6 billion and EBIT in the range of DKK 940-1,060 million. However, consolidated EBIT is expected in the upper end of the range.
- Proposal to increase the dividend for the 2016 financial year by 20% to DKK 12 per share.

## BioMar

BioMar reported slightly lower revenue, but a considerable EBIT improvement to DKK 581 million (2015: 447) driven by operational improvements and a number of special factors. BioMar expects to increase revenue and improve its core earnings in 2017, but EBIT is expected to be lower than the 2016 figure.

## Fibertex Personal Care

Fibertex Personal Care reported flat revenue with a slight drop in EBIT. For 2017, the company expects to grow its revenue and to report EBIT in a range close to the 2016 EBIT.

## Fibertex Nonwovens

Fibertex Nonwovens reported improvements in both revenue and EBIT. For 2017, the company expects revenue to continue to improve and EBIT to be higher than the 2016 EBIT.

## Hydra/Specma

Hydra/Specma reported improvements in both revenue and EBIT in its Danish operations and a significant effect from the Specma acquisition. For 2017, the company expects moderate revenue growth and EBIT in a range close to the 2016 EBIT.

## GPV

GPV reported improvements in both revenue and EBIT. Effective from 1 March 2017, GPV acquired EMS company BHE. The transaction has lifted the 2017 revenue forecast, whereas integration costs are expected to keep EBIT at just below the 2016 EBIT.

**14.4%**

↑ *Revenue growth from 2015 to 2016*

**24.9%**

↑ *EBIT growth from 2015 to 2016*

**20.2%**

↑ *Seveth consecutive increase in ROIC (excluding goodwill) in 2016*

**DKK 12**

↑ *Dividend raised for the sixth consecutive year. This year by DKK 2 per share.*

# Financial highlights and key ratios

| GROUP SUMMARY (DKK MILLION) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Revenue and income** | | | | | |
| Revenue | 14,369 | 12,566 | 11,784 | 11,645 | 12,478 |
| Operating profit before depriciation (EBITDA) | 1,472 | 1,214 | 1,070 | 1,039 | 1,163 |
| Depreciation and impairment losses | 434 | 383 | 363 | 354 | 390 |
| Operating profit (EBIT) | 1,038 | 831 | 708 | 685 | 772 |
| Profit after tax in associates and joint ventures | 566 | 86 | 28 | -21 | -5 |
| Value adjustment of listed securities | 0 | 0 | 0 | 499 | -68 |
| Financial items, net (ex. financial investments) | -27 | -46 | -35 | -53 | -86 |
| Profit before tax | 1,578 | 871 | 701 | 1,109 | 613 |
| Profit for the year from continuing operations | 1,339 | 645 | 428 | 860 | 469 |
| Profit for the year from discontinued operations | 0 | 0 | 0 | 508 | 29 |
| Profit for the year | 1,339 | 645 | 428 | 1,368 | 498 |
| **Cash flows** | | | | | |
| Cash flows from operating activities | 1,598 | 1,171 | 628 | 667 | 862 |
| Cash flows from investing activities | -395 | -569 | -355 | 522 | -365 |
| Of which investment in property, plant and equipment | -828 | -354 | -233 | -346 | -351 |
| Cash flows from financing activities | -925 | -324 | -563 | -687 | -660 |
| Cash flows from discontinued operations | 0 | 0 | 0 | 434 | 30 |
| Cash flows for the year | 277 | 278 | -290 | 936 | -133 |
| **Invested capital and financing** | | | | | |
| Invested capital excluding goodwill | 5,416 | 4,464 | 4,528 | 4,045 | 5,100 |
| Total assets | 12,273 | 10,516 | 9,882 | 9,696 | 10,381 |
| Working capital | 1,727 | 1,598 | 1,775 | 1,424 | 1,892 |
| Net interest bearing debt (NIBD) | -1,028 | -511 | 44 | -23 | 2,023 |
| Share of equity attributable to shareholders of Schouw & Co. | 7,797 | 6,656 | 6,071 | 5,743 | 4,624 |
| Non-controlling interests | 18 | 21 | 3 | 3 | 3 |
| Total equity | 7,814 | 6,677 | 6,074 | 5,746 | 4,627 |
| **Financial data** | | | | | |
| EBITDA margin (%) | 10.2 | 9.7 | 9.1 | 8.9 | 9.3 |
| EBIT margin (%) | 7.2 | 6.6 | 6.0 | 5.9 | 6.2 |
| EBT margin (%) | 11.0 | 6.9 | 6.0 | 9.5 | 4.9 |
| Return on equity (%) | 18.6 | 10.2 | 7.2 | 26.4 | 11.3 |
| Equity ratio (%) | 63.7 | 63.5 | 61.5 | 59.3 | 44.6 |
| ROIC excluding goodwill (%) | 20.2 | 18.3 | 16.9 | 16.1 | 15.2 |
| ROIC including goodwill (%) | 16.6 | 15.1 | 14.0 | 13.3 | 12.9 |
| NIBD/EBITDA | -0.7 | -0.4 | 0.0 | 0.0 | 1.7 |
| Average number of employees during the year | 4,108 | 2,382 | 2,139 | 2,052 | 2,873 |

| GROUP SUMMARY (DKK MILLION) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Per share data** | | | | | |
| Earnings per share (of DKK 10) | 56.56 | 27.48 | 18.08 | 57.46 | 21.09 |
| Diluted earnings per share (of DKK 10) | 56.41 | 27.38 | 18.02 | 57.28 | 21.07 |
| Dividend per share (of DKK 10) | 12.00 | 10.00 | 8.00 | 6.00 | 5.00 |
| Net asset value per share (of DKK 10) | 328.38 | 282.10 | 258.44 | 240.49 | 196.25 |
| Share price at year end (of DKK 10) | 526.00 | 387.00 | 290.00 | 222.50 | 149.00 |
| Price/net asset value | 1.60 | 1.37 | 1.12 | 0.93 | 0.76 |
| Market capitalisation at year end | 12,489 | 9,131 | 6,812 | 5,313 | 3,511 |

## Definitions of financial ratios

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33. Other key ratios are calculated in accordance with "Recommendations and Ratios 2015" issued by the Danish Finance Society.

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

| | |
|---|---|
| Return on equity | $\frac{\text{Profit for the year excluding non-controlling interests}}{\text{Avg. equity excluding non-controlling interests}}$ |
| 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) | $\frac{\text{Profit for the year excluding non-controlling interests}}{\text{Average number of shares in circulation}}$ |
| Diluted earnings per share (EPS-D) | $\frac{\text{Profit for the year excluding non-controlling interests}}{\text{Diluted average number of shares in circulation}}$ |
| Net asset value per share | $\frac{\text{Equity at year end, excluding non-controlling interests}}{\text{No. of shares at year end excl. treasury shares}}$ |
| Price/net asset value (P/NAV) | $\frac{\text{Market capitalisation at year end}}{\text{Equity at year end, excluding non-controlling interests}}$ |
| Market capitalisation | Number of shares, ex treasury shares, x share price |

MANAGEMENT REVIEW

# Our businesses

## BioMar

FACTS BioMar is the world's third-largest manufacturer of quality feed for the fish farming industry. The core business areas are feed for salmon, trout, sea bass, sea bream and tilapia.

GEOGRAPHY Head office in Aarhus, Denmark. Production facilities in Norway, Scotland, Denmark, France, Spain, Greece, Turkey, Chile, Costa Rica and China.

OWNERSHIP 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.

**www.biomar.com**

## Fibertex Nonwovens

FACTS Fibertex Nonwovens is among Europe's leading manufacturers of nonwovens, i.e. non-woven textiles used for many different industrial purposes.

GEOGRAPHY Head office in Aalborg, Denmark. Production facilities in Denmark, France, the Czech Republic, Turkey, the USA and South Africa.

OWNERSHIP Fibertex was founded in 1968 and was acquired by Schouw & Co. in 2002.

**www.fibertex.com**

## GPV

FACTS GPV, Denmark's largest EMS (Electronic Manufacturing Services) company, is a high-mix/low-medium volume manufacturer for the B2B market.

GEOGRAPHY Head office in Tarm, Denmark. Production facilities in Denmark, Thailand and Mexico.

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

**www.gpv.dk**

## Fibertex Personal Care

FACTS Fibertex Personal Care is among the world's largest manufacturers of spunbond/spunmelt nonwoven textiles for the personal care industry, manufacturing mainly baby diapers, sanitary towels and incontinence products.

GEOGRAPHY Head office in Aalborg, Denmark. Nonwoven production facilities in Denmark and Malaysia and printing facilities in Germany and Malaysia.

OWNERSHIP Fibertex was founded in 1968 and was acquired by Schouw & Co. in 2002. The Personal Care activities were set up under Fibertex in 1998. but were hived off as an independent portfolio company of Schouw & Co. at the beginning of 2011.

**www.fibertexpersonalcare.com**

## Hydra/Specma

FACTS Hydra/Specma is a Nordic market leader specialised in trading and producing hydraulic components and systems development for industry.

GEOGRAPHY Head office in Skjern, Denmark. Production facilities in Denmark, Sweden, Finland, Poland, the UK, China, India, the USA and Brazil.

OWNERSHIP 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 1920 and has been a part of the Group since 2016.

**www.hydra.dk** and **www.specma.com**

## Other investments

XERGI Xergi is one of Europe's leading suppliers of turnkey biogas systems. Its core business consists of technology development, system design and installation as well as system operation and maintenance. Schouw & Co. co-owns Xergi on a fifty/fifty basis together with Dalgasgroup (Hedeselskabet).

INCUBA INVEST Schouw & Co. holds a 49% stake in Incuba Invest, a development and venture operation supporting entrepreneurial environments and investing actively in company start-ups.

PROPERTY In addition to the operational properties of the portfolio companies, Schouw & Co. also owns a small number of properties, including the parent company head office in Aarhus and two industrial properties in Frederikshavn, Denmark.

# Management's report

## Financial performance

The Schouw & Co. Group had a good year in 2016. The portfolio companies reported good business activity in most market segments. Many of the initiatives and activities undertaken were successful, and the Group upgraded its guidance several times during the year.

A strong fourth quarter closed out the year with revenue exceeding the forecast by about 10%. In addition, the full-year EBIT ended slightly higher than the upper end of the guidance, in part due to special factors in BioMar.

| FOURTH QUARTER | 2016 Q4 | 2015 Q4 | Change | |
|---|---|---|---|---|
| Revenue | 3,896 | 3,078 | 817 | 27% |
| EBITDA | 427 | 358 | 69 | 19% |
| EBIT | 315 | 259 | 56 | 22% |
| Associates etc. | 3 | 10 | -7 | -69% |
| Profit before tax | 315 | 282 | 33 | 12% |
| Cash flow from operations | 753 | 551 | 202 | 37% |

Consolidated revenue was up by 14% from DKK 12,566 million in 2015 to DKK 14,369 million in 2016. The increase was due predominantly to the acquisitions of Specma and GPV, which were consolidated from 1 January and 1 April 2016, respectively. Fibertex Nonwovens and the former Hydra-Grene also contributed, while Fibertex Personal Care reported flat revenue and BioMar's revenue fell slightly despite an increase in volumes sold.

EBIT rose from DKK 831 million in 2015 to DKK 1,038 million in 2016. BioMar and the acquisitions of Specma and GPV were the main drivers of the EBIT improvement. Fibertex Nonwovens and the former Hydra-Grene also contributed, while Fibertex Personal Care reported a moderate decline relative to the very good performance of 2015.

Profit from associates and joint ventures, which is stated after tax, improved from DKK 86 million in 2015 to DKK 566 million in 2016. The strong performance was mainly based on Kramp, as the share of profit and the gain from the sale of shares in September 2016 totalled DKK 489 million, and on Incuba Invest, which in August 2016 sold its shares in Scandinavian Micro Biodevices. Schouw & Co.'s share of the profit was recognised at DKK 67 million. By way of comparison, Kramp and Incuba Invest combined were recognised at a share of profit of DKK 72 million in 2015. The remaining associates and joint ventures were recognised at a slight combined profit.

Consolidated net financial items were an expense of DKK 27 million in 2016, compared with an expense of DKK 46 million in 2015, which was mainly driven by a writedown of securities by BioMar.

| FULL YEAR | 2016 Q4 | 2015 Q4 | Change | |
|---|---|---|---|---|
| Revenue | 14,369 | 12,566 | 1,803 | 14% |
| EBITDA | 1,472 | 1,214 | 258 | 21% |
| EBIT | 1,038 | 831 | 207 | 25% |
| Associates etc. | 566 | 86 | 481 | 561% |
| Profit before tax | 1,578 | 871 | 707 | 81% |
| Cash flow from operations | 1,598 | 1,171 | 427 | 36% |
| Net interest-bearing debt | -1,028 | -511 | -517 | - |
| Working Capital | 1,727 | 1,598 | 129 | 8% |
| ROIC excl. goodwill | 20.2% | 18.3% | 1.9pp | |
| ROIC incl. goodwill | 16.6% | 15.1% | 1.6pp | |

The consolidated profit before tax increased from DKK 871 million in 2015 to DKK 1,578 million in 2016. A big part of the year's earnings derive from companies divested and is therefore non-taxable. As a result, profit for the year after tax increased from DKK 645 million in 2015 to DKK 1,339 million in 2016.

## Liquidity and capital resources

The Schouw & Co. Group's operating activities generated a cash inflow of DKK 1,598 million in 2016, compared with DKK 1,171 million in 2015. Cash flows for investing activities amounted to DKK 395 million in 2016, against DKK 569 million in 2015. The moderate net volume of investment in 2016 consisted of several opposing factors, with investment in property, plant and equipment amounting to DKK 828 million and acquisitions to DKK 625 million, whereas the Group received DKK 1,034 million from the sale of shares in Kramp and DKK 61 million in dividends from Incuba Invest.

At 31 December 2016, the consolidated net interest-bearing position was a net deposit of DKK 1,028 million, against a DKK 511 million net deposit at 31 December 2015.

The Group's overall working capital increased from DKK 1,598 million at 31 December 2015 to DKK 1,727 million at 31 December 2016. The increase was based on the acquired activities, whereas BioMar in particular reduced its working capital, in part through greater use of supply chain financing. ➔

# Management's report

**Group developments**
At Group level, two major acquisitions and two significant divestments were dominant events of 2016.

The Swedish hydraulics company Specma was acquired effective from the start of the year in a transaction that nearly trebled the Group's hydraulics operations, and Hydra/Specma is now a Nordic market leader. In addition, Schouw & Co. acquired EMS company GPV on 1 April 2016, adding a new leg to the portfolio with the ambition of bringing GPV to a new and higher level through long-term ownership.

In August 2016, the associate Incuba Invest divested its shares in Scandinavian Micro Biodevices at a substantial accounting gain that led to the payment of an extraordinary dividend in the third quarter of 2016 of which Schouw & Co.'s share was DKK 61 million.

On 9 September 2016, Schouw & Co. agreed to sell its shares in Kramp at a price of DKK 1,034 million. Schouw & Co.'s involvement in spare parts and accessories to the agricultural sector dated back to the 1988 acquisition of Grene, which then became the first portfolio company of the conglomerate. In 2013, Schouw & Co. merged its wholly owned subsidiary Grene with Dutch company Kramp in return for a 20% ownership interest in the combined company. The merger has been a huge success, propelling the company to a position as a leading supplier of spare parts and accessories to the agricultural sector in Europe and creating substantial shareholder value. Schouw & Co. acquired Grene in 1988 at a price of DKK 49 million. In addition to the DKK 1,034 million received from the sale of shares, Schouw & Co. received dividends totalling DKK 273 million during the almost 30 years of ownership. Overall, Schouw & Co.'s involvement in the business area has produced an annualised internal rate of return of 15%.

The following is a brief review of portfolio company performances in 2016. See the individual company reviews on the following pages for more information.

**BioMar** reported slightly lower revenue on the back of slightly higher volume sales consisting of lower sales in Chile that were offset by improvements in Norway, Scotland and the rest of Europe. On the other hand, the full-year EBIT was a strong improvement due in part to operational improvements, in part to special income and lower provisions for bad debt.

BioMar's large-scale capacity expansion at the existing factory in Karmøy, Norway, is progressing to plan, and the new production line is expected to be commissioned in the second quarter of 2017. In addition, the two new joint ventures, in Turkey and China, are both developing as expected.

**Fibertex Personal Care** reported flat revenue with a slight drop in EBIT compared with 2015. Last year, EBIT was strongly supported by plunging prices of raw materials and a considerable foreign exchange gain at the end of the year. The company's extensive investment in a new factory unit in Malaysia is developing to plan with commercial production scheduled to begin in late 2017. The project to expand the print facilities at the existing factory site in Malaysia and in Germany is also progressing to plan.

**Fibertex Nonwovens** reported improvements in both revenue and EBIT. The advance was mainly attributable to the automotive segment and the acquisition of operations in Turkey in November 2015. In addition, the company increased its product sales to the construction industry and for infrastructure projects in Europe and is also reporting growing activity in these two segments in the Middle East and Asia.

The business of the former **Hydra-Grene** produced revenue and EBIT improvements for its pre-acquisition operations. The significant effect from the **Specma** acquisition has taken the combined company to a whole new level. Hydra/Specma spent the year working to achieve the immediate synergies and also acquired the activities of the Chinese company Etola Hydraulic Systems in October 2016.

The most recent acquisition, **GPV**, was only consolidated from 1 April 2016, the date of acquisition. GPV reported year-on-year revenue and EBIT improvements for both the full year and for the nine month period under Schouw ownership.

# Management's report

Shortly after GPV was acquired, the company announced it was establishing electronics production in Guadalajara, Mexico. That project is progressing to plan.

## Events after the balance sheet date

GPV agreed on 28 February 2017 to acquire BHE, an EMS company based in Horsens, Denmark, with effect from 1 March 2017.

Other than as set out above, and elsewhere in this Annual Report, Schouw & Co. is not aware of events occurring after 31 December 2016, which are expected to have a material impact on the Group's financial position or outlook.

## 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. 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. In addition hereto, the gepgraphical distribution of the Group’s activities causes some exposure to exchange rate fluctuations.

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 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 and Chile.

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

## Dividend

The Board of Directors recommends to the Annual General Meeting that the dividend for 2016 be raised by 20% to DKK 12.00 per share, for an amount equal to 2.3% of the market capitalisation at 31 December 2016. As a result, total dividend payments will amount to DKK 306 million, equal to a payout ratio of 23%.

# Outlook

The general market conditions the Group is encountering at the beginning of 2017 do not appear to be very different from those of 2016. There is a good momentum in most of the segments our portfolio companies are involved in, but in all markets, winning orders is very demanding and requires highly competitive prices and terms.

Schouw & Co. gives priority to investing long term, but without compromising on short term developments. Long-term investments will also be dominant in 2017, as additional resources will be allocated to preparing the portfolio companies for the future. The full-year profit forecast will reflect the budget allocations.

**BioMar** expects to increase revenue and improve its core earnings in 2017. However, the 2016 EBIT included positive effects of significant income flows relating to special circumstances that cannot be expected to occur again to the same extent in 2017. Accordingly, the profit range guided for 2017 is lower than the EBIT realised in 2016.

**Fibertex Personal Care** expects to increase revenue in 2017 based on larger volumes. A particular focus will be on the completion of the new factory unit being built in Malaysia. The full-year EBIT is expected to be in a range close to the 2016 EBIT.

**Fibertex Nonwovens** expects to increase revenue in 2017 based in part on its greater output capacity and new technology in its upgraded production lines. The company expects to increase full-year EBIT relative to 2016.

**Hydra/Specma** expects a moderate increase in full-year revenue in 2017. Synergies from the Specma acquisition continue to materialise, but the company has also launched a number of forward-looking initiatives that will increase costs in the short term. As a result, full-year EBIT is expected to be in a range close to the 2016 EBIT.

**GPV** expects to increase revenue from like-for-like activities in 2017. The most recent acquisition will add to the company's overall revenue, but necessary integration costs will detract from the 2017 profit. As a result, the full-year EBIT is expected to drop slightly in 2017 relative to 2016.

Overall, Schouw & Co. expects consolidated revenue in the vicinity of DKK 15.6 billion in 2017. However, for several of the portfolio companies, revenue will depend strongly 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 aggregating these ranges indicates EBIT guidance for 2017 in the range of DKK 940-1,060 million. However, consolidated EBIT is expected to be in the upper end of that range, meaning in the range of DKK 1,000-1,060 million.

Associates and joint ventures, which are recognised at a share of profit after tax, are expected to contribute combined profit of approximately DKK 20 million for 2017. Disregarding the share of profit in 2016 that derived from the now divested shares in Kramp and from Incuba Invest's sale of shares in Scandinavian Micro Biodevices, the guidance is for a combined improvement.

Consolidated financial items for 2017 are expected to be an expense in the region of DKK 25 million, subject to the effects of exchange rate fluctuations.

| REVENUE (DKK million) | 2017 forecast | 2016 actual | 2015 actual |
|---|---|---|---|
| BioMar | c. 9,400 | 8,867 | 8,974 |
| Fibertex Personal Care | c. 2,000 | 1,792 | 1,797 |
| Fibertex Nonwovens | c. 1,400 | 1,301 | 1,222 |
| Hydra/Specma | c. 1,800 | 1,747 | 603 |
| GPV | c. 975 | 668 * | - |
| Other/eliminations | - | -6 | -30 |
| **Total revenue** | **c. 15.6 bn** | **14,369** | **12,566** |

| EBIT (DKK million) | 2017 forecast | 2016 actual | 2015 actual |
|---|---|---|---|
| BioMar | 510-550 | 581 | 447 |
| Fibertex Personal Care | 230-260 | 246 | 253 |
| Fibertex Nonwovens | 80-100 | 81 | 76 |
| Hydra/Specma | 100-120 | 111 | 78 |
| GPV | 50-60 | 44* | - |
| Other | c. -30 | -24 | -23 |
| **Total EBIT** | **940-1,060** | **1,038** | **831** |
| Associates etc. | c. 20 | 566 | 86 |
| Other financial items | c. -25 | -27 | -46 |
| **Profit before tax** | **935-1,055** | **1,578** | **871** |

*GPV in 2016 includes 9 months

MANAGEMENT REVIEW

# Taking Schouw & Co. to the next level

***CEO Jens Bjerg Sørensen responds to six questions about what 'the next level' is for Schouw & Co.***

**Schouw & Co. had yet another good year in 2016, and the buoyant share price indicates strong market confidence in your performance. How do you see the prospects for your conglomerate?**
My view on the outlook for Schouw & Co. really hasn't changed from a year ago. From our position inside the organisation, we take a long-term perspective. We prepare for the future, and we see the company's development as a stable growth process. From the outside, it may not quite look that way. We've achieved some significant milestones that have been highly visible to the world around us. Our capital structure is stronger than ever before, and we've invested heavily for the past several years to internationalise our portfolio companies and turn them into frontrunners in their respective industries. Our investment programme culminated in 2016, our biggest capex year ever, and we expect a positive return on many of these investments over the coming years.

**There has been speculation in the market about your solid capital structure, and how you might apply it. Can you tell us a bit about your plans and whether you have any new acquisitions in the pipeline?**
The most important thing about our capital structure is that we can act freely, fast and in a long-term perspective. Staying open to opportunities that may arise is part of our DNA, and that won't change. We will take part in industry consolidation when and if there is a good rationale for it, and we regularly consider the possibility of adding a sixth company to our portfolio. We have room for another company in our current situation if the right opportunity comes along. What is important is that we make the right decisions and the right thing to do generally is to strengthen our existing businesses. We've done that consistently in the past, whether we've been expanding a portfolio company or acquiring a new one, and I'm very pleased to say that our portfolio has never been stronger than it is now.

**The solid company portfolio is the key driver behind the significant increase in your market capitalisation in recent years. Schouw & Co. became a part of the Nasdaq Copenhagen Large Cap index from the beginning of 2017. What effect will that have?**
Our market capitalisation topped the one-billion-euro mark as far back as over two years ago, so we've already been in the Large Cap category for some time. We see that as a very tangible sign that we're moving in the right direction and that we've also moved to the next level. So the question is, what does this actually mean on a practical level? Well, it means that we will be easier to spot, especially for international investors, and, obviously, it will increase the market awareness of the things we do. That's a positive effect, but, apart from that, we will continue to do as we've always done: focus on stable long-term growth.

**How do you see the global economic outlook? Can economic developments help Schouw & Co. generate further growth in 2017?**
We are upbeat on the global economy. There is a lot to indicate that economic recovery will be picking up, but the outlook remains blurred, and it would be foolish to expect a straight-line development. There will be certain bumps in the road in the short term, both politically and market-wise. What matters most is that we'll be ready for the changes and the bumps that we will undoubtedly encounter. We are more agile and ready for change than we've ever been, and having that preparedness is what will characterise winners in the future.

**Everybody is talking about the need for change and digitalisation. Don't you see a risk of falling victim to disruption?**
We have a very serious approach to both digitalisation and disruption. In fact, we have a clear objective to continually disrupt ourselves. 'Industry 4.0' and the new digitalisation and automation opportunities play a particular role in this respect. Our businesses are strongly positioned thanks to our high level of capital expenditure over the past many years, but obviously we can't just sit back. We must continue to be innovative.

**My last question is: what can we expect from Schouw & Co. in 2017?**
What you can always expect from Schouw & Co.: more of the same. We will continue to generate earnings in line with the best of our peers in a proper and trustworthy manner as we work to achieve our long-term targets. In other words, we will maintain our high level of capital expenditure, and we will continue to consolidate in 2017 through expansion and acquisitions. Our goal in everything we do is to be best-in-class and to move to the next level.

# Board of Directors and Executive Management

CHAIRMAN

**Jørn Ankær Thomsen**

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

LL.M., University of Copenhagen. Attorney and 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, Givesco 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, Dan Cake A/S, Givesco Bakery A/S, Givesco Ejendomme A/S, GPV International A/S, Hydra-Grene A/S, Jacobsens Bakery Ltd A/S, Købmand Th. C. Carlsens Mindefond, Otto Mønsteds Kollegium i Aarhus, Specma AB.

Executive Management: Anpartsselskabet Jørn Ankær Thomsen, Galten 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 Givesco A/S, his affiliation with a law firm which acts as an adviser to the company and the fact that he has served more than 12 years on the Board.

DEPUTY CHAIRMAN

**Jørgen Wisborg**

Born 1962. Elected to the Board in 2009. Current term expires in 2017.

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.

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 of Directors and Executive Management

DEPUTY CHAIRMAN
## Erling Eskildsen

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

Managing director of Givesco 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, Givesco Bakery A/S.

Board member: Danish Industrial Equipment A/S, Givesco 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, Struer Brød A/S, Søndergaard Give A/S.

Executive Management: Givesco 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 Givesco A/S and the fact that he has served more than 12 years on the Board.

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 member. 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 28,686 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 Johannesen

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

Business diploma (HD), Marketing economics, Copenhagen Business School. 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 of Directors and Executive Management

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.

**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: Dahlhoff Larsen & Horneman A/S, Novozymes A/S, Solar A/S.

Board member: Danske Invest Management A/S.

**Shares held in Schouw & Co.**

Holds 2,079 shares in Schouw & Co.

**Independence as a board member**

Agnete Raaschou-Nielsen is considered to be independent.

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, 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, Fonden Aarhus 2017, Incuba Invest A/S, Niels Bohrs Vej A/S, Schouw & Co. Finans A/S, Specma AB.

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, Xergi A/S.

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

**Shares held in Schouw & Co.**

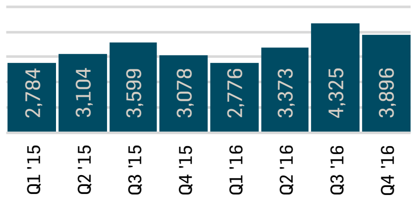
Holds 30,000 shares in Schouw & Co.

*Listed on pages 12-14 are directorships in other companies and other relevant management positions held by members of the Board of Directors and the Executive Management. 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.*

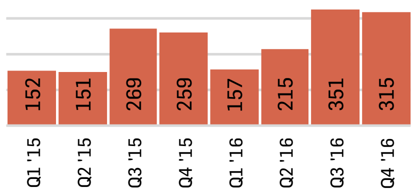
# Quarterly financial highlights

| Quarterly information (DKK million) | Q1 '15 | Q2 '15 | Q3 '15 | Q4 '15 | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 |
|---|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | | |
| Revenue | 2,784 | 3,104 | 3,599 | 3,078 | 2,776 | 3,373 | 4,325 | 3,896 |
| Gross profit | 413 | 432 | 549 | 552 | 480 | 574 | 719 | 644 |
| EBITDA | 246 | 247 | 363 | 358 | 256 | 319 | 471 | 427 |
| Depreciation and impairment | 95 | 96 | 93 | 99 | 99 | 103 | 120 | 111 |
| **Operating profit (EBIT)** | 152 | 151 | 269 | 259 | 157 | 215 | 351 | 315 |
| Profit after tax from associates and joint ventures | 19 | 28 | 29 | 10 | 14 | 33 | 516 | 3 |
| Financial items, net | 18 | -18 | -58 | 12 | -14 | -2 | -7 | -4 |
| **Profit before tax** | 189 | 160 | 240 | 282 | 157 | 247 | 860 | 315 |
| Tax on profit | -65 | -34 | -71 | -57 | -41 | -54 | -84 | -61 |
| **Profit** | 124 | 127 | 169 | 225 | 116 | 193 | 776 | 254 |
| **Cash flow** | | | | | | | | |
| Cash flows from operating activities | 172 | 52 | 396 | 551 | 110 | 373 | 363 | 753 |
| Cash flows from investing activities | -78 | -106 | -129 | -256 | -739 | -149 | -170 | 662 |
| Cash flows from financing activities | 64 | -179 | -122 | -86 | 118 | -680 | -85 | -279 |
| **BALANCE SHEET** | | | | | | | | |
| Intangible assets | 1,135 | 1,121 | 1,120 | 1,176 | 1,473 | 1,486 | 1,467 | 1,482 |
| Property, plant and equipment | 2,861 | 2,810 | 2,662 | 2,776 | 2,940 | 3,195 | 3,293 | 3,450 |
| Other non-current assets | 959 | 972 | 1,005 | 959 | 985 | 1,054 | 486 | 530 |
| Cash and cash equivalents | 1,337 | 1,072 | 1,209 | 1,411 | 892 | 441 | 549 | 1,682 |
| Other current assets | 4,080 | 4,516 | 4,408 | 4,194 | 4,460 | 4,850 | 6,390 | 5,129 |
| Total assets | 10,372 | 10,491 | 10,404 | 10,516 | 10,750 | 11,026 | 12,185 | 12,273 |
| Equity | 6,513 | 6,366 | 6,410 | 6,677 | 6,784 | 6,756 | 7,504 | 7,814 |
| Interest-bearing debt | 1,240 | 1,228 | 1,075 | 987 | 1,206 | 1,107 | 1,031 | 723 |
| Other creditors | 2,619 | 2,897 | 2,919 | 2,852 | 2,760 | 3,163 | 3,650 | 3,736 |
| Total liabilities and equity | 10,372 | 10,491 | 10,404 | 10,516 | 10,750 | 11,026 | 12,185 | 12,273 |
| Average number of employees | 2,294 | 2,399 | 2,409 | 2,430 | 3,018 | 4,295 | 4,369 | 4,469 |
| **FINANCIAL KEY FIGURES** | | | | | | | | |
| Gross profit margin | 14.8% | 13.9% | 15.3% | 17.9% | 17.3% | 17.0% | 16.6% | 16.5% |
| EBITDA margin | 8.9% | 8.0% | 10.1% | 11.6% | 9.2% | 9.4% | 10.9% | 11.0% |
| EBIT margin | 5.5% | 4.9% | 7.5% | 8.4% | 5.6% | 6.4% | 8.1% | 8.1% |
| ROIC excl. goodwill (annualised) | 17.5% | 17.0% | 17.0% | 18.3% | 18.2% | 19.1% | 19.9% | 20.2% |
| ROIC incl. goodwill (annualised) | 14.5% | 14.1% | 14.0% | 15.1% | 14.9% | 15.6% | 16.4% | 16.6% |
| Working capital | 1,862 | 2,013 | 1,872 | 1,598 | 1,933 | 1,993 | 2,092 | 1,727 |
| Net interest-bearing debt | -120 | 134 | -217 | -511 | 154 | 582 | 412 | -1,028 |

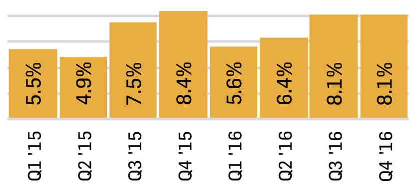
Revenue



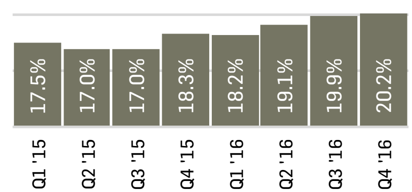

Operating profit (EBIT)




EBIT%




ROIC ex. goodwill



# Our businesses

# BioMar

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 for the salmon operations based in northern (Norway and Scotland) and southern (Chile) waters, an EMEA division for all operations not covered by the Salmon division and an Emerging Markets division for new territories and other business development activities.

**Financial performance**

BioMar reported revenue somewhat higher than expected and EBIT well above expectations for the Q4 2016 period. The Q4 performance brought the full-year revenue to DKK 8,867 million, 1% short of the 2015 revenue of DKK 8,974 million.

The marginally lower revenue was generated on a slight increase in volume sales but with a big change in the geographical composition. Volume sales in Chile were sharply reduced due to the natural phenomenon of severe algal blooms early in 2016, which reduced fish stocks and thus total feed consumption. While BioMar grew its market share in Chile as expected, volume sales were still down. The drop was offset by a slightly higher volume of sales in Norway and Scotland and in the EMEA division, where structural changes in the Greek fish farming industry led to an increase in volumes sold.

EBIT improved significantly, from DKK 447 million in 2015 to DKK 581 million in 2016. The significant improvement was based on a number of factors: The operational improvements were driven by efficiency enhancements, focused margin management and by a change in product mix, as functional feed sold well. In addition, BioMar generated very strong income from selling fish stock from the fish farming operations the company is involved in and from R&D subsidies which added about DKK 50 million to EBIT relative to 2015. Lastly, consolidation of the Greek fish farming industry and the improved financial position of Chilean fish farmers in general have reduced bad debts by a large margin, improving EBIT by DKK 44 million relative to 2015.

Working capital fell from DKK 752 million at 31 December 2015 to DKK 414 million at 31 December 2016. This large reduction was mainly due to an increase in supplier credit following a focused effort and greater use of supply chain financing. The strong EBIT improvement lifted the return on invested capital, ROIC, excluding goodwill to 35.8% at 31 December 2016 from 22.7% at 31 December 2015.

**Business development**

The company has traditionally divided its operations into three geographical regions, but after completing an extensive strategy process in 2016, BioMar's operations are now divided into three new divisions: the Salmon division, the EMEA division and the Emerging Markets division. The new structure is aimed at addressing the various markets using the most appropriate business model. This approach will encourage knowledge sharing, promote best practice and capitalise on synergies across geographical markets.

Currently, the Salmon division covers operations at the factories in Norway, Scotland and Chile; the EMEA division covers operations at the factories in Denmark, France, Spain, Greece and Turkey; and the Emerging Markets division covers operations in Costa Rica and China.

For the salmon operations, BioMar expects a slight increase in total feed volumes in Norway and Scotland and for the Chilean market to a gradually recover and win back the volumes lost due to the severe algal blooms seen in early 2016.

Having won market share in Chile in 2016, BioMar stands to regain the volumes lost due to the algal blooms and the resulting blockades that disrupted production in 2016. The current attractive settlement prices coupled with generally good fish farming conditions provide a strong platform for growth in the Chilean market, but market concerns may be focused on regulation and the effects it could have on the potential for growth. ➔

# BioMar

In the crucial Norwegian market, the construction of a new production line at the existing factory in Karmøy is progressing to plan. Expected to become operational in the second quarter of 2017, the new production line will have an annual capacity of 140,000 tonnes. In addition, BioMar is making further investments in functional feeds and new logistical solutions and in that connection has signed a long-term lease for another natural gas powered ship that will help cut transport-related carbon emissions.

The EMEA division has increased its sales to BioMar's traditional European markets, where the company has a strong market position. BioMar expects to see the improvements continue as the division strengthens its platform for growth by addressing new markets and now having production facilities in Turkey. Consolidation of the Greek fish farming industry is expected to be growth supportive, as well.

The new factory in Turkey, built in association with Turkish company Sagun Group, began commercial production in Q3 2016. The factory produces feed for species such as trout, sea bass and sea bream, a field BioMar has operated in for many years. BioMar expects quickly to become a significant player in the Turkish market, which is an important fish farming market.

In China, BioMar is constructing a new fish feed factory in Wuxi near Shanghai in a joint venture with Chinese partner Tongwei Co. Ltd. The factory, which is expected to open in the second half of 2017, will have a capacity of about 50,000 tonnes. The new factory joint venture will complement Tongwei's current production by focusing on feed for high-value fish farming and utilising BioMar's special expertise in this area. In November 2016, the Chinese joint venture acquired fish feed producer Haiwei and its factory near Hong Kong. The transaction will help accelerate market penetration and generate higher sales in 2017.

The factory in Costa Rica maintains its core focus on feed for tilapia, but is also working to develop shrimp feed for the shrimp farming industry in Central America.

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| Volume (1,000 t) | 270 | 238 | 966 | 955 |
| Revenue (DKK million) | 2,491 | 2,136 | 8,867 | 8,974 |
| - of which salmon north | 1,434 | 1,043 | 4,593 | 4,279 |
| - of which salmon south | 514 | 572 | 1,903 | 2,526 |
| - of which other divisions | 543 | 521 | 2,371 | 2,169 |

**Recognising 50%-owned operations**

BioMar currently has four operations owned on a fifty/fifty-basis with local partners, but they are subject to different accounting treatments. At Alitec Pargua, one of BioMar's factories in Chile, and the factory in Costa Rica, the two joint owners share control of the production apparatus. As a result, these two operations are classified as joint operations and are pro rata consolidated, to the effect that their contributions to revenue and EBIT are recognised at a 50% share.

The recent start-ups in Turkey and China, on the other hand, are jointly owned independent companies, and BioMar does not have independent control of their assets. These companies are classified as joint ventures, which means their contributions to revenue and EBIT are not consolidated. Instead, they are recognised at their pro rata share (50%) of the profit after tax in joint ventures.

# BioMar

## Outlook

Total feed volumes on BioMar's core markets are forecasted to grow slightly in 2017, but despite the moderate growth outlook, BioMar expects to increase its volumes sold, mainly through added sales of salmon feed. Based on forecasts of only moderately increasing prices of raw materials, BioMar expects to generate revenue totalling about DKK 9.4 billion in 2017. The revenue guidance is, as always, subject to any subsequent changes in prices of raw materials, which could significantly change revenue without necessarily having any notable effect on earnings.

General market conditions are expected to be challenging in 2017, because moderate growth is expected to make the core markets highly competitive. BioMar will need to defend its market share and expand its position by developing and implementing new types of feed such as functional feed, and to remain focused on margin optimisation, efficiency enhancements and customer communication.

The 2016 EBIT included positive effects of significant income flows relating to special circumstances that cannot be expected to occur again to the same extent in 2017. On the other hand, the anticipated volume increase and the generally good economic conditions for fish farming drive expectations of higher core earnings. Assuming this, BioMar expects EBIT in the DKK 510-550 million range for 2017.

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| INCOME STATEMENT | | | | |
| Revenue | 2,490.9 | 2,136.5 | 8,867.5 | 8,974.2 |
| Gross profit | 320.4 | 295.7 | 1,133.2 | 1,080.5 |
| EBITDA | 253.2 | 176.7 | 722.4 | 592.8 |
| Depreciation and impairment | 38.0 | 36.4 | 141.4 | 146.1 |
| **Operating profit (EBIT)** | 215.2 | 140.3 | 581.0 | 446.7 |
| Profit after tax from associates and joint ventures | 2.0 | 5.5 | 12.6 | 6.0 |
| Financial items, net | -7.3 | 10.0 | -16.4 | -53.6 |
| **Profit before tax** | 209.9 | 155.8 | 577.1 | 399.1 |
| Tax for the year | -43.4 | -30.5 | -148.4 | -131.9 |
| **Profit for the year** | 166.3 | 125.3 | 428.7 | 267.2 |
| CASH FLOWS | | | | |
| Cash flows from operating activities | 545.3 | 444.0 | 884.2 | 636.7 |
| Cash flows from investing activities | -145.5 | -79.0 | -375.6 | -209.5 |
| Cash flows from financing activities | -360.6 | -239.1 | -633.7 | -621.7 |
| BALANCE SHEET | | | | |
| Intangible assets * | 405.9 | 409.7 | 405.9 | 409.7 |
| Property, plant and equipment | 1,049.3 | 884.9 | 1,049.3 | 884.9 |
| Other non-current assets | 374.1 | 268.7 | 374.1 | 268.7 |
| Cash and cash equivalents | 329.5 | 457.2 | 329.5 | 457.2 |
| Other current assets | 3,408.6 | 2,812.2 | 3,408.6 | 2,812.2 |
| **Total assets** | 5,567.4 | 4,832.7 | 5,567.4 | 4,832.7 |
| Equity | 2,347.7 | 2,128.2 | 2,347.7 | 2,128.2 |
| Interest-bearing debt | 668.6 | 597.7 | 668.6 | 597.7 |
| Other creditors | 2,551.1 | 2,106.8 | 2,551.1 | 2,106.8 |
| **Total liabilities and equity** | 5,567.4 | 4,832.7 | 5,567.4 | 4,832.7 |
| Average number of employees | 899 | 884 | 887 | 897 |
| FINANCIAL KEY FIGURES | | | | |
| EBITDA margin | 10.2% | 8.3% | 8.1% | 6.6% |
| EBIT margin | 8.6% | 6.6% | 6.6% | 5.0% |
| ROIC ex goodwill | 35.8% | 22.7% | 35.8% | 22.7% |
| RIOC incl. goodwill | 24.4% | 16.4% | 24.4% | 16.4% |
| Working capital | 413.7 | 752.4 | 413.7 | 752.4 |
| Net interest-bearing debt | -234.1 | 68.7 | -234.1 | 68.7 |

* Excluding goodwill on consolidation in Schouw & Co. of DKK 430.2 million

All amounts in DKK million

# Fibertex Personal Care

Fibertex Personal Care is one of the world's largest manufacturers of spunbond/spunmelt nonwoven fabrics for the personal care industry. Its products are key components in baby diapers, sanitary towels and incontinence products. The company has production facilities in Denmark and Malaysia and mainly sells its products in Europe and South-east Asia to customers representing multinational brands for the consumer goods market.

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

## Financial performance

Fibertex Personal Care reported revenue and earnings for Q4 2016 that were as expected, bringing full-year revenue to DKK 1,792 million, which was in line with the revenue for 2015. Revenue was composed of a number of opposing factors, as volumes sales fell in Denmark but increased in Malaysia and lower prices of raw materials cut into revenue.

The FY 2016 EBIT was DKK 246 million, compared with DKK 253 million in 2015. However, a comparison should take into account that the 2015 EBIT was strongly supported by plunging raw materials prices and a considerable foreign exchange gain at the end of the year.

Working capital amounted to DKK 295 million at 31 December 2016, which was in line with the figure at 31 December 2015. Despite the considerable separate effects on the 2015 performance, Fibertex Personal Care managed to maintain a high return on invested capital: ROIC excluding goodwill was 18.4% in 2016, against 20.7% in 2015.

## Business development

Fibertex Personal Care ensures excellent professional relationships with its customers through its extensive product development. The company is working to develop softer products, to enhance their skin-comfort and produce thinner and more lightweight materials. The good customer relations are reflected in a number of awards and distinctions from important customers. Most recently, Fibertex Personal Care received Procter & Gamble's External Business Partner of the Year Award, a biennial award given to its best suppliers. In 2016, it was given to twelve of Procter & Gamble's some 50,000 suppliers.

In 2016, Fibertex Personal Care launched an investment to build another factory unit in Malaysia, which will increase the company's total output capacity in the country by about 20%. The project includes a new production site 25 km south of the existing factory at Nilai outside Kuala Lumpur. The new site may eventually have as many as four production lines and thus provides a suitable base for future expansion.

Construction of the new factory building began in August 2016, and machinery installation is scheduled to start early in the second quarter of 2017. This will be Fibertex Personal Care's eighth production line and the company's fifth in Malaysia. Not only will it help grow capacity for the company's current product range; it will also facilitate the production of super-soft products, a category in very high demand in Asian markets. The overall investment amounts to around DKK 400 million.

One of the existing production lines in Denmark was upgraded in 2016, in part to expand capacity but also to upgrade the technology to the level needed to manufacture new super-soft products.

In addition to establishing a new factory unit in Malaysia, Fibertex Personal Care expanded its existing plant at Nilai in order to add print facilities. When completed, the extension will have room for two print lines, the first of which has already been installed. Fibertex Personal Care will have to build up a market for this new service in South-east Asia, but there is already a great deal of interest, as printing on these lightweight materials is a speciality.

The company's print business is also being expanded: Innowo Print in Germany is increasing capacity by adding a new print line. The expansion is driven by growing demand in Europe, and commissioning of the new line is scheduled for the end of March 2017.

In October 2016, Fibertex Personal Care established a wholly owned sales subsidiary in Japan with a view to improving the services provided to Japanese customers, who were previously managed by the sales organisation in Malaysia. ➔

# Fibertex Personal Care

**Outlook**

The global output capacity of spunbond/spunmelt nonwoven fabrics continues to grow, which leads to excess capacity in different regions from time to time. Fibertex Personal Care's markets in Europe saw limited growth and a resultant strong price pressure in 2016. Asia remains a growing market in which price competition is currently also a factor, but growing demand has traditionally absorbed the surging supply in the region over time.

In 2017, Fibertex Personal Care will be focused on consolidating its business and on utilising its overall production capacity. Work continues on setting up an eighth production line at the new factory unit in Malaysia, with commissioning scheduled for the end of the year.

Fibertex Personal Care expects to generate full-year 2017 revenue of DKK 2.0 billion. The anticipated improvement is based mainly on increased volumes, but – as always – revenue may be strongly affected by changes in prices of raw materials and foreign exchange rates. Similarly, the full-year EBIT will depend on how prices of raw materials develop and on possible shifts in foreign exchange rates, but, given the current outlook, the company expects EBIT of DKK 230-260 million.

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| Revenue (DKK million) | 456 | 500 | 1,792 | 1,797 |
| - of which from Denmark | 177 | 220 | 695 | 795 |
| - of which from Malaysia | 242 | 264 | 955 | 935 |
| - of which from Germany | 37 | 16 | 142 | 67 |

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| INCOME STATEMENT | | | | |
| Revenue | 455.8 | 500.5 | 1,791.5 | 1,797.2 |
| Gross profit | 95.8 | 134.3 | 398.3 | 381.8 |
| EBITDA | 85.5 | 134.1 | 361.8 | 394.7 |
| Depreciation and impairment | 28.9 | 36.8 | 116.2 | 142.2 |
| **Operating profit (EBIT)** | 56.6 | 97.3 | 245.6 | 252.5 |
| Financial items, net | 4.8 | -3.0 | -6.9 | -5.5 |
| **Profit before tax** | 61.2 | 94.3 | 238.6 | 247.0 |
| Tax for the year | -20.0 | -25.7 | -60.5 | -60.0 |
| **Profit for the year** | 41.3 | 68.6 | 178.1 | 187.0 |
| | | | | |
| CASH FLOWS | | | | |
| Cash flows from operating activities | 66.6 | 100.2 | 331.4 | 342.1 |
| Cash flows from investing activities | -131.2 | -66.3 | -361.3 | -85.3 |
| Cash flows from financing activities | 65.6 | -49.3 | 25.3 | -248.1 |
| | | | | |
| BALANCE SHEET | | | | |
| Intangible assets * | 85.6 | 76.3 | 85.6 | 76.3 |
| Property, plant and equipment | 1,171.0 | 975.1 | 1,171.0 | 975.1 |
| Other non-current assets | 44.5 | 82.0 | 44.5 | 82.0 |
| Cash and cash equivalents | 23.0 | 27.9 | 23.0 | 27.9 |
| Other current assets | 563.5 | 542.9 | 563.5 | 542.9 |
| **Total assets** | 1,887.6 | 1,704.2 | 1,887.6 | 1,704.2 |
| | | | | |
| Equity | 876.9 | 786.2 | 876.9 | 786.2 |
| Interest-bearing debt | 609.6 | 511.2 | 609.6 | 511.2 |
| Other creditors | 401.1 | 406.8 | 401.1 | 406.8 |
| **Total liabilities and equity** | 1,887.6 | 1,704.2 | 1,887.6 | 1,704.2 |
| | | | | |
| Average number of employees | 580 | 518 | 574 | 514 |
| | | | | |
| FINANCIAL KEY FIGURES | | | | |
| EBITDA margin | 18.7% | 26.8% | 20.2% | 22.0% |
| EBIT margin | 12.4% | 19.4% | 13.7% | 14.1% |
| ROIC ex goodwill | 18.4% | 20.7% | 18.4% | 20.7% |
| RIOC incl. goodwill | 17.1% | 19.2% | 17.1% | 19.2% |
| Working capital | 294.7 | 294.4 | 294.7 | 294.4 |
| Net interest-bearing debt | 586.0 | 482.4 | 586.0 | 482.4 |

* Excluding goodwill on consolidation in Schouw & Co. of DKK 48.1 million

All amounts in DKK million

# Fibertex Nonwovens

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.

**Financial performance**

Fibertex Nonwovens' Q4 2016 revenue and EBIT were at the lower end of the company's guided range. The full-year revenue was DKK 1,301 million, a 6.5% improvement from DKK 1,222 million in 2015. The revenue improvement was driven both by the acquisition of operations in Turkey in November 2015 and by a revenue increase from the other European production facilities.

The 2016 EBIT was DKK 81 million (2015: DKK 76 million) driven by stronger demand from the automotive segment and several other segments and by satisfactory capacity utilisation at the European factories.

Due to the increase in business activity, working capital increased from DKK 361 million at 31 December 2015 to DKK 383 million at 31 December 2016. An increase in average invested capital meant that the return on invested capital, ROIC, excluding goodwill fell slightly, from 7.8% at 31 December 2015 to 7.7% at 31 December 2016.

**Business development**

Fibertex Nonwovens reported a generally positive performance in 2016, 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 2015. In addition, the company experienced a higher level of business activity in the Middle East and Asia, reporting sales to major infrastructure projects, for example. The company has set up sales subsidiaries in India and China to support future growth.

In recent years, Fibertex Nonwovens has consolidated its position as a leading manufacturer of industrial nonwovens. The company has completed a number of structural investments and has gradually expanded its output capacity for processed products through a technology upgrade of several production lines as part of its strategy to increase sales of value-added products.

In terms of development and innovation, the company has built a solid portfolio of new projects, including new products for the automotive and composite industries and for filtration and acoustic purposes, as well as products to be sold in new territories expected to offer growth opportunities. In order to develop along with its customers and capitalise on future growth potential, Fibertex Nonwovens expanded its output capacity by adding new production lines in the Czech Republic and South Africa.

The main focus in the strategically important North American market was to build up the market and prepare the manufacturing facility in the USA for a future increase in local production for the North American customer base. Sales to the North American market fell in 2016, but the company considers setting up in the USA to be an important long-term investment in an attractive market that is expected to offer a significant growth potential going forward.

Market conditions were challenging in South Africa in 2016, as weak economic activity and low commodity prices have slowed infrastructure and mining projects, both in South Africa and in neighbouring countries. The commissioning of new output capacity during the year strengthened Fibertex South Africa's structural base. While it currently does not adequately make use of its output capacity, the factory is fully in line with the other Fibertex Nonwoven production units in terms of capability and product quality. During the year, the South African operations strengthened their ties with the global sales organisation in order to improve sales from South Africa to relevant export markets. ➔

# Fibertex Nonwovens

**Outlook**

Fibertex Nonwovens anticipates a stable to moderately growing level of activity in 2017. Conditions in most markets and segments are generally expected to be stable, but rising prices of raw materials would deteriorate the financial results.

Fibertex Nonwovens expects to increase its full-year EBIT in 2017, with support from the production lines upgraded in 2016 and the new capacity established in the Czech Republic and South Africa. Given the structural investments made and the company's increased efforts to work the market, with 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 a low-growth market in 2017, but the greater integration with the global sales organisation is expected to improve earnings.

Against this backdrop, Fibertex Nonwovens expects to generate full-year 2017 revenue of DKK 1.4 billion and EBIT in the range of DKK 80-100 million in 2016.

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| Revenue (DKK million) | 288 | 294 | 1,301 | 1,222 |
| - of which from Denmark | 57 | 42 | 233 | 211 |
| - of which from Czech Republic | 62 | 74 | 319 | 308 |
| - of which from France | 114 | 123 | 500 | 490 |
| - of which from other | 55 | 55 | 249 | 213 |

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| INCOME STATEMENT | | | | |
| Revenue | 288.3 | 293.6 | 1,301.4 | 1,222.3 |
| Gross profit | 63.1 | 62.4 | 296.1 | 272.8 |
| EBITDA | 33.5 | 29.4 | 162.5 | 153.2 |
| Depreciation and impairment | 21.6 | 20.5 | 81.8 | 76.8 |
| **Operating profit (EBIT)** | 11.8 | 8.9 | 80.6 | 76.4 |
| Profit after tax from associates | 0.0 | -0.1 | 0.0 | -0.7 |
| Financial items, net | -9.0 | -0.7 | -20.2 | -11.7 |
| **Profit before tax** | 3.0 | 8.1 | 60.5 | 64.0 |
| Tax for the year | -1.2 | 2.2 | -19.9 | -17.1 |
| **Profit before non-controlling interests** | 1.8 | 10.3 | 40.6 | 46.9 |
| Non-controllig interests | 1.1 | -0.1 | 4.2 | 3.0 |
| **Profit for the year** | 2.9 | 10.2 | 44.7 | 49.9 |
| | | | | |
| CASH FLOWS | | | | |
| Cash flows from operating activities | 34.0 | -4.8 | 113.7 | 97.2 |
| Cash flows from investing activities | -46.1 | -155.8 | -108.4 | -313.0 |
| Cash flows from financing activities | 4.2 | 101.1 | -12.6 | 216.0 |
| | | | | |
| BALANCE SHEET | | | | |
| Intangible assets * | 164.1 | 168.2 | 164.1 | 168.2 |
| Property, plant and equipment | 753.9 | 723.0 | 753.9 | 723.0 |
| Other non-current assets | 4.3 | 3.9 | 4.3 | 3.9 |
| Cash and cash equivalents | 48.7 | 58.8 | 48.7 | 58.8 |
| Other current assets | 560.6 | 549.5 | 560.6 | 549.5 |
| **Total assets** | 1,531.6 | 1,503.4 | 1,531.6 | 1,503.4 |
| | | | | |
| Equity | 503.8 | 459.6 | 503.8 | 459.6 |
| Interest-bearing debt | 782.3 | 793.2 | 782.3 | 793.2 |
| Other creditors | 245.5 | 250.6 | 245.5 | 250.6 |
| **Total liabilities and equity** | 1,531.6 | 1,503.4 | 1,531.6 | 1,503.4 |
| | | | | |
| Average number of employees | 830 | 771 | 810 | 719 |
| | | | | |
| FINANCIAL KEY FIGURES | | | | |
| EBITDA margin | 11.6% | 10.0% | 12.5% | 12.5% |
| EBIT margin | 4.1% | 3.0% | 6.2% | 6.2% |
| ROIC ex goodwill | 7.7% | 7.8% | 7.7% | 7.8% |
| RIOC incl. goodwill | 7.0% | 7.0% | 7.0% | 7.0% |
| Working capital | 383.0 | 361.1 | 383.0 | 361.1 |
| Net interest-bearing debt | 733.5 | 730.4 | 733.5 | 730.4 |

* Excluding goodwill on consolidation in Schouw & Co. of DKK 32.0 million

OUR BUSINESSES

# Hydra/Specma

Hydra/Specma is a specialised trading company and manufacturer of hydraulic components and systems development for industry. The company is a Nordic market leader and also serves customers in other parts of Europe, in China and in selected business segments in overseas markets.

The Swedish hydraulics company Specma was acquired effective 4 January 2016 and is thus consolidated from the beginning of the year. Due to the consolidation, the reported numbers for 2016 are materially different from those for 2015.

**Financial performance**
Hydra/Specma reported Q4 2016 revenue and earnings in line with expectations, bringing the full-year revenue to DKK 1,747 million, compared with Hydra-Grene's pre-acquisition revenue of DKK 603 million in 2015. Like-for-like revenue for the former Hydra-Grene was up by DKK 68 million, or 11%, in 2016, an improvement derived from the wind turbine industry and selected other industry segments.

By far most of the revenue increase resulted from the acquisition of Specma, which generated 2016 revenue in line with the year-before period. Specma's sales improved, especially in the automotive segment (lorries and buses), but fell in the marine and mining sectors due to the general market downturn.

The 2016 EBIT was DKK 111 million, of which the former Hydra-Grene contributed DKK 83 million, a DKK 5 million improvement over its 2015 EBIT. The rest of the EBIT derived from the acquisition of Specma, which realised a 2016 EBIT of DKK 49 million before amortisation and depreciation charges of DKK 22 million due to purchase price allocation, or DKK 8 million less than in 2015.

Working capital increased from DKK 202 million at 31 December 2015 to DKK 463 million at 31 December 2016 as a natural effect of the increase in business activity. Due to the significant increase in invested capital and the relatively lower earnings of the acquired operations, ROIC excluding goodwill fell to 16.1% at 31 December 2016 from 28.9% at 31 December 2015.

**Business development**
Taking over Specma has given the combined company a strong base in the Nordic region and a strengthened platform for serving international customers. With its extensive hydraulics expertise, Hydra/Specma is able to serve customers locally in the European and Chinese markets as well as other strategic customers globally with its full range of services, spanning from new product development to supplying finished units.

The initiatives introduced to accelerate the integration of Hydra-Grene and Specma are progressing as planned. While initial efforts were directed at achieving the immediate synergies in procurement, current work centres on realising cross-selling synergies. In addition, the company has begun a process of general optimisation and benchmarking across the two units. The company emphasises the importance of raising the general skills level in its employees to ensure a potential for continued growth while also making a point of retaining its core values: respecting the importance of every single penny, good business acumen and the ability to respond quickly to changes in the market.

Effective from 1 October 2016, Hydra-Specma acquired the activities of the Chinese company Etola Hydraulic Systems (Tianjin) Co. Together with Hydra's pre-acquisition operations, these activities have now been rolled into a new company, Hydra-Etola, in which Hydra/Specma holds a 90% ownership interest. This positions the new company with a strengthened production platform close to important wind turbine customers in the Beijing region. Hydra/Specma also has production facilities in the Shanghai region that were originally a part of Specma.

**Outlook**
Hydra/Specma expects to maintain its excellent sales performance with OEM customers in the wind turbine industry, the automotive segment and other selected industry areas. The company also expects a positive sales performance in the aftermarket, including the mining industry, in late 2017. Sales to the marine segment, on the other hand, are expected to be a challenge due to overcapacity in the market, and activity in the defence industry is expected to soften. ➔

# Hydra/Specma

However, political changes may also impact market developments, including possible major amendments to subsidy schemes for installing wind turbines or new custom barriers.

The Hydra-Grene/Specma merger is expected to produce more positive synergies over time than those already achieved in 2016. Hydra/Specma expects positive effects from cross-selling and optimised operational structures to materialise in the longer term, but in 2017 the synergies will be offset by integration costs relating to IT and cross-organisational projects. Earnings for 2017 will also be affected by the structural costs involved in optimising operations in China and building a new inventory unit in the USA that will be used to serve the company's US customers.

Hydra/Specma expects 2017 revenue of about DKK 1.8 billion. The company has launched a number of initiatives and made investments that will increase costs in the short term, but which are important in achieving future goals. Hydra/Specma expects full-year EBIT in the range of DKK 100-120 million after amortisation and depreciation charges due to purchase price allocation.

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| INCOME STATEMENT | | | | |
| Revenue | 440.4 | 156.0 | 1,746.9 | 602.9 |
| Gross profit | 112.2 | 58.2 | 443.7 | 206.1 |
| EBITDA | 40.1 | 27.0 | 169.9 | 93.2 |
| Depreciation and impairment | 16.2 | 4.4 | 59.4 | 15.1 |
| **Operating profit (EBIT)** | 24.0 | 22.6 | 110.6 | 78.1 |
| Financial items, net | -1.3 | 0.1 | -7.8 | -0.1 |
| **Profit before tax** | 22.7 | 22.7 | 102.8 | 78.0 |
| Tax for the year | -5.9 | -5.3 | -22.3 | -18.3 |
| **Profit before non-controlling interests** | 16.7 | 17.5 | 80.5 | 59.7 |
| Non-controllig interests | 0.3 | 0.0 | -1.4 | 0.0 |
| **Profit for the year** | 17.0 | 17.5 | 79.1 | 59.7 |
| | | | | |
| CASH FLOWS | | | | |
| Cash flows from operating activities | 61.9 | -0.3 | 127.7 | 66.8 |
| Cash flows from investing activities | -23.5 | -3.3 | -545.0 | -9.8 |
| Cash flows from financing activities | -44.4 | 5.1 | 445.5 | -71.3 |
| | | | | |
| BALANCE SHEET | | | | |
| Intangible assets | 315.7 | 11.7 | 315.7 | 11.7 |
| Property, plant and equipment | 191.9 | 93.7 | 191.9 | 93.7 |
| Other non-current assets | 6.7 | 0.3 | 6.7 | 0.3 |
| Cash and cash equivalents | 36.0 | 7.8 | 36.0 | 7.8 |
| Other current assets | 806.1 | 295.5 | 806.1 | 295.5 |
| **Total assets** | 1,356.4 | 409.0 | 1,356.4 | 409.0 |
| | | | | |
| Equity | 407.1 | 212.2 | 407.1 | 212.2 |
| Interest-bearing debt | 594.4 | 86.9 | 594.4 | 86.9 |
| Other creditors | 354.9 | 109.9 | 354.9 | 109.9 |
| **Total liabilities and equity** | 1,356.4 | 409.0 | 1,356.4 | 409.0 |
| | | | | |
| Average number of employees | 1,062 | 247 | 1,020 | 241 |
| | | | | |
| FINANCIAL KEY FIGURES | | | | |
| EBITDA margin | 9.1% | 17.3% | 9.7% | 15.5% |
| EBIT margin | 5.5% | 14.5% | 6.3% | 12.9% |
| ROIC ex goodwill | 16.1% | 28.9% | 16.1% | 28.9% |
| RIOC incl. goodwill | 13.6% | 28.9% | 13.6% | 28.9% |
| Working capital | 462.9 | 202.1 | 462.9 | 202.1 |
| Net interest-bearing debt | 497.0 | 77.2 | 497.0 | 77.2 |

All amounts in DKK million

# GPV

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. GPV's core products are both electronics and mechatronics (combination of electronics, software and mechanical technology). Its customers are primarily major international businesses with a leading position in their particular field and typically headquartered in Europe or the United States. GPV has production facilities in Denmark (Tarm and Aars), in Bangkok, Thailand and in Guadalajara, Mexico.

Schouw & Co. acquired GPV effective 1 April 2016, and the company is therefore only consolidated with effect from the second quarter of 2016. For ease of comparison, however, the income statement items in the table contain full-year figures for 2015 and 2016. A relatively large minority shareholder of the Thai subsidiary was bought out as part of the acquisition. As a result, the balance sheet figures are not directly comparable and have been left out of the table.

## Financial performance

GPV reported revenue in line with expectations and EBIT somewhat higher than expected for the Q4 2016 period. For the calendar year 2016, GPV generated revenue of DKK 877 million, compared with DKK 855 million in 2015. The 2016 revenue for the period after 1 April, equal to DKK 668 million, has been recognised in the consolidated financial statements. In the similar period of 2015, in which GPV was not consolidated, revenue was DKK 649 million.

EBIT was DKK 61 million compared with DKK 53 million in 2015. The 2016 EBIT includes a DKK 5 million negative adjustment mainly involving inventories made due to the purchase price allocation in connection with the acquisition. EBIT of DKK 44 million has been recognised in the consolidated financial statements for 2016, net of the above-mentioned adjustment of DKK 5 million. EBIT for the corresponding period of last year was DKK 39 million.

Working capital amounted to DKK 181 million, and ROIC excluding goodwill was 15.9% at 31 December 2016.

## Business development

GPV sells its products to international customer units in large parts of the world. In 2016, the company shipped products to 34 countries.

The HMLM volume segment of the technical electronics and mechatronics market is highly demanding in terms of testing skills and service excellence. Meeting customer requirements for high quality standards and reliability of supply is a big priority for GPV. The company has built sufficient flexibility to absorb to a reasonable extent shifts in demand caused by market fluctuations.

In May 2016, GPV announced it was setting up an electronics production facility in Guadalajara, Mexico, in a move that will bring the company closer to the North American market. GPV intends to base its new Mexican operations on the GPV Business System to ensure that customers receive the same high level of service excellence as GPV's other factories deliver.

The new factory site is a strategic location for GPV in terms of manufacturing and shipping in the three major time zones of Asia, Europe and the Americas. The new factory has been commissioned and is currently being run in to enable GPV to share in its existing customers' growth in North America and to expand its share of the HMLM volume technical electronics market. GPV monitors closely the current political situation in the USA, which could potentially result in changes being made to the current trade agreement between the USA and Mexico. Should such changes be made, GPV would investigate the possibilities of adding sufficient local US content to its products to be able to continue exporting to the USA.

In addition to setting up the new factory in Mexico, GPV expanded production capacity at the factory in Thailand and upgraded a production line at the factory in Aars, Denmark to the latest automation standard (Industry 4.0).

Effective from 1 March 2017, GPV acquired BHE, an EMS company based in Horsens, Denmark at an enterprise value of DKK 42 million. BHE generated annual revenue of DKK 100 million, and its operations are expected to be rolled into GPV's existing platform and to support GPV's ambitious growth plan.

# GPV

**Outlook**

The trend of outsourcing production in the sectors in which GPV finds its customers is expected to continue, as customers increasingly focus on their core skills. This approach allows OEM customers to cut back on their capital expenditure and inventories while still retaining access to flexibility and, through GPV, an outsourcing partner capable of handling their manufacturability analysis, complex production, test designs, testing and logistics.

The general market in 2017 is expected to see a moderately positive trend in Europe, but weaker market conditions in China and Russia and relatively uncertain market conditions in the United States. GPV could be affected by the general market developments, but the company does not rely on specific customers, and the recent examples of activity expansion offer a potential for further growth.

The BHE acquisition is expected to support 2017 revenue by about DKK 75 million for the 10-month consolidation period. BHE's ordinary operations are expected to support the financial results, but a negative contribution is expected for 2017 due to necessary integration costs.

Against this backdrop, GPV expects to generate a full-year 2017 revenue of about DKK 975 million and EBIT in the range of DKK 50-60 million.

| | Q4 16 | Q4 15 | 2016 | 2015 |
|---|---|---|---|---|
| INCOME STATEMENT | | | | |
| Revenue | 224.7 | 203.1 | 876.8 | 854.5 |
| Gross profit | 50.5 | 43.2 | 183.4 | 173.2 |
| EBITDA | 23.7 | 19.6 | 84.2 | 78.5 |
| Depreciation and impairment | 5.9 | 6.3 | 23.6 | 25.3 |
| **Operating profit (EBIT)** | 17.8 | 13.3 | 60.6 | 53.2 |
| Financial items, net | -2.7 | -8.4 | -7.2 | -20.2 |
| **Profit before tax** | 15.2 | 4.9 | 53.5 | 33.0 |
| Tax for the year | 5.4 | 0.0 | 6.7 | -1.0 |
| **Profit before non-controlling interests** | 20.4 | 4.9 | 60.1 | 32.0 |
| Non-controllig interests | 0.0 | 0.0 | 0.0 | |
| **Profit for the year** | 20.4 | 4.9 | 60.1 | |
| | | | | |
| CASH FLOWS | | | | |
| Cash flows from operating activities | 39.7 | 33.2 | 106.5 | 51.3 |
| Cash flows from investing activities | -25.4 | -1.4 | -41.7 | -42.8 |
| Cash flows from financing activities | 0.1 | -26.3 | -27.7 | -6.5 |
| | | | | |
| BALANCE SHEET | | | | |
| Property, plant and equipment | 199.3 | | 199.3 | |
| Other non-current assets | 24.6 | | 24.6 | |
| Cash and cash equivalents | 51.5 | | 51.5 | |
| Other current assets | 362.1 | | 362.1 | |
| **Total assets** | 637.5 | | 637.5 | |
| | | | | |
| Equity | 164.5 | | 164.5 | |
| Interest-bearing debt | 291.2 | | 291.2 | |
| Other creditors | 181.8 | | 181.8 | |
| **Total liabilities and equity** | 637.5 | | 637.5 | |
| | | | | |
| Average number of employees | 1,088 | | 1,074 | |
| | | | | |
| FINANCIAL KEY FIGURES | | | | |
| EBITDA margin | 10.5% | 9.6% | 9.6% | 9.2% |
| EBIT margin | 7.9% | 6.6% | 6.9% | 6.1% |
| ROIC ex goodwill | 15.9% | | 15.9% | |
| RIOC incl. goodwill | 15.9% | | 15.9% | |
| Working capital | 181.4 | | 181.4 | |
| Net interest-bearing debt | 239.7 | | 239.7 | |

All amounts in DKK million

# Other investments

## Xergi

Schouw & Co. has been involved in the biogas sector since 2001 and today co-owns Xergi on a fifty/fifty basis together with Dalgasgroup (Hedeselskabet).

Xergi is one of Europe's leading suppliers of turnkey biogas systems. Its core business consists of technology development, system design and installation as well as turnkey system operation and maintenance. The company's head office is in Støvring near Aalborg, Denmark and it operates mainly on the European and US markets. Xergi is recognised as a joint venture in the Schouw & Co. consolidated financial statements.

In recent years, Xergi has invested heavily in technology innovation and in building a substantial customer and project portfolio, partly by working the market in Denmark, partly by maintaining its successful presence in the French and UK markets, and lastly by working new territories in Europe, the Americas and Asia.

Xergi completed several major projects in 2016, whereas the inflow of new project start-ups has not been as strong as previously expected. As a result, revenue for 2016 amounted to DKK 182 million, down from DKK 411 million in 2015. Due to the revenue decline, Xergi incurred a loss for the year and Schouw & Co. has recognised a loss of DKK 2 million under profit after tax in joint ventures in its consolidated financial statements.

However, Xergi has a considerable active project portfolio, and although the timing of when these projects get final approval will depend on, among other things, the regulatory authorities and on financing commitments, Xergi expects to improve both revenue and earnings by a considerable margin in 2017.

www.xergi.com

## Incuba Invest

Schouw & Co. holds a 49% ownership interest in the development and venture company Incuba Invest A/S, whose other shareholders are the Aarhus University Research Foundation and NRGi a.m.b.a. Incuba Invest is recognised as an associate in the Schouw & Co. consolidated financial statements.

Incuba Invest has a 26% ownership interest in Incuba, a company owning a number of properties and running three science parks in Aarhus, Denmark: the biotech-med science park next to Aarhus University Hospital, the IT science park at Katrinebjerg and the energy and clean-tech Navitas science park at the Port of Aarhus. In addition, Incuba Invest is engaged in development activities through a 16% ownership interest in Capnova, a government-approved innovation environment.

Lastly, Incuba Invest has for several years been involved in the venture capital area through a 38% ownership interest in Scandinavian Micro Biodevices, a company producing point-of-care veterinary diagnostic products, which in August 2016 was sold to US company Zoetis, a global leader in animal health.

Incuba Invest usually reports a modest profit after tax that is based on the ordinary operations of its underlying businesses. While that was also the case in 2016, the profit for the year was supported by a considerable gain on the sale of Scandinavian Micro Biodevices. Schouw & Co. recognised DKK 67 million as its share of the profit for 2016 under profit after tax in associates. Incuba Invest expects to report a modest profit at the usual level in 2017.

As a result of the sale of shares in Scandinavian Micro Biodevices, Incuba Invest paid extraordinary dividends in the third quarter of 2016, of which Schouw & Co. received DKK 61 million.

www.incuba.dk
www.capnova.dk

## Property

Schouw & Co. owns a small number of properties in addition to the operational properties of the portfolio companies. They are the parent company's offices in Aarhus, Denmark, a minor property relating to the former Grene Industri-service, also in Aarhus, and two properties in Frederikshavn, Denmark, that Schouw & Co. took over in February 2013 in connection with the divestment of Martin, both of which have been put up for sale.

# Group information

# Investor information

## Capital and share structures
The shares of Aktieselskabet Schouw & Co. are listed on Nasdaq Copenhagen under the short name SCHO and the ISIN code DK0010253921. Effective from 1 January 2017, the share became a component of the Large Cap index.

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 2016, 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, Kongevejen 418, DK-2840 Holte, Denmark.

## Shareholder structure
The number of registered shareholders in Schouw & Co. has in the recent year increased from about 8,000 to about 9,000, of whom 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. | 6.89% |

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 connected persons held a total of 1,092,227 and 86,000 shares, respectively, in the company at 31 December 2016.

## Treasury shares
In 2016, Schouw & Co. acquired 34,800 treasury shares at an aggregate price of DKK 13 million and used 184,000 treasury shares in connection with options exercised under the Group's share incentive scheme.

At the end of 2016, the company held 1,756,930 treasury shares, equal to 6.89% of the share capital.

The market value of the holding of treasury shares was DKK 924 million at 31 December 2016. The portfolio of treasury shares is recognised at DKK 0.

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

Under the share-based incentive programme, Schouw & Co. awarded, in March 2016, a total of 55,000 share options to members of the Executive Management (two people) and a total of 199,000 share options to other senior managers, including the executive managements of subsidiaries (seventeen people).

The share options are exercisable during a 12-month period following the publication of Schouw & Co.'s full-year profit announcement for the 2018 financial year at a strike price of DKK 400.60 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.

## 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.

All amounts in DKK million

# Investor information

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 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 IR-related nature should be e-mailed to the Investor Relations department at: ir@schouw.dk or to the company's management at: schouw@schouw.dk.

**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.

**Financial calendar**

| | |
|---|---|
| 20.04.2017 | Annual General Meeting |
| 25.04.2017 | Expected distribution of dividend for the 2016 financial year |
| 04.05.2017 | Release of Q1 2017 interim report |
| 17.08.2017 | Release of H1 2017 interim report |
| 13.11.2017 | Release of interim report Q3 2017 |

**Company announcements**
Company announcements to the Danish FSA and Nasdaq Copenhagen since 1 January 2016. The announcements are available at the company's website, www.schouw.dk.

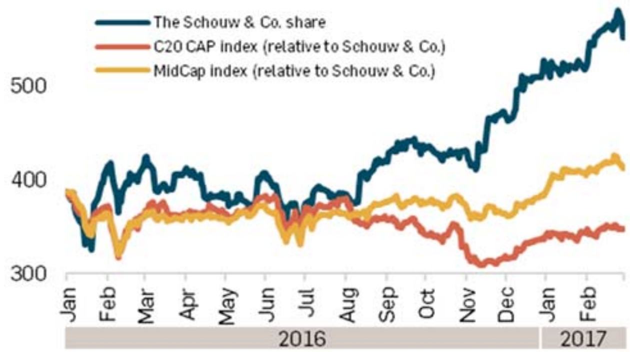
| | |
|---|---|
| 21.01.2016 | #1 Upward adjustment of 2015 EBIT |
| 22.01.2016 | #2 Fibertex Personal Care to expand capacity in Malaysia |
| 29.01.2016 | #3 Acquisition of Danish EMS |
| 04.03.2016 | #4 Annual report 2015 |
| 11.03.2016 | #5 Incentive programme |
| 17.03.2016 | #6 Notice of the AGM |
| 01.04.2016 | #7 Acquisition of GPV finalised |
| 14.04.2016 | Annual general meeting |
| 03.05.2016 | #9 Interim report – Q1 of 2016 |
| 08.08.2016 | #10 Incuba Invest divests shares in Scandinavian Micro Biodevices |
| 11.08.2016 | #11 Interim report – first half of 2016 |
| 09.09.2016 | #12 Sale of shares in Kramp |
| 10.11.2016 | #13 Interim report – Q3 of 2016 |
| 19.12.2016 | #14 Financial calendar 2017 |

**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 2016 financial year be raised by 20% to DKK 12 per share.

**Share price performance**
The Schouw & Co. share closed the year at a price of DKK 526.00 (official year-end price), compared with DKK 387.00 per share at 31 December 2015, corresponding to an increase of 36%.

Accordingly, the total market capitalisation of the company's listed share capital amounted to DKK 13,413 million at the close of the financial year, against DKK 9,869 million at the close of 2015. Adjusted for the holding of treasury shares, the company's market capitalisation was DKK 12,489 million at 31 December 2016.




GROUP INFORMATION

All amounts in DKK million

# Corporate governance

## Statutory report

Schouw & Co. has prepared a statutory corporate governance report for the 2016 financial year, as required under section 107b of the Danish Financial Statements Act. The statutory report consists of three parts:

- A report on the company's work to comply with the recommendations on corporate governance, which is found below.
- A description of the main elements of the Group's internal control and risk management systems in connection with the financial reporting process, which is found on pages 32-33.
- A description of the composition of the company's management bodies, committees established and their functions, which is found on pages 34-35; in addition, information on the company's Board of Directors and Executive Management can be found on pages 12-14.

The full report on corporate governance as required under section 107 b of the Danish Financial Statements Act is available from www.schouw.dk/cg2016.

As required under section 99a and 99b of the Danish Financial Statements Act, Schouw & Co. has also prepared a statutory report on corporate social responsibility, which can be found on pages 35-38, and a statutory report on targets and policies on the gender composition of the management, which can be found on pages 38-39.

## Corporate governance recommendations

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

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

Schouw & Co. believes it complies in all material respects with the intentions of "Corporate Governance Recommendations". However, there are a few areas in which Schouw & Co. does not apply the corporate governance recommendations.

A detailed account of the company's position on each individual item of the Recommendations on Corporate Governance is provided (in Danish) on the website: www.schouw.dk/cg2016.

## The 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 acceptable and 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. See page 47.

### Control environment

The Board of Directors has set up an Audit Committee to assist the Board of Directors in

GROUP INFORMATION

# Corporate Governance

monitoring the financial reporting and evaluating the efficiency of the company's internal control and risk management systems.

The Audit Committee has supervisory responsibility and 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 areas, 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 that the consolidated financial statements contain material errors due to fraud. Such risk assessment is performed based on business procedures, reporting processes and policies the purpose of which is to ensure that relevant risks are managed and kept to an acceptable minimum.

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

On the recommendation of the Audit Committee, the Board of Directors of Schouw & Co. has resolved not to establish an internal audit function.

**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 issuance of reporting instructions on full-year or interim financial reporting and necessary updating of accounting policies in connection with new accounting standards. In addition, the Group has a consolidated financial reporting manual that is available to all relevant persons.

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

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

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

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

# Corporate governance

## 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 six 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 2016, 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 2016, 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 Givesco, his affiliation with a law firm which acts as an adviser to the company and the fact that he has served more than 12 years on the Board. 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 2016.

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. Accordingly, the Board of Directors has not set up a committee for that purpose.

### The Executive Management of Schouw & Co.

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

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

### Management of the portfolio companies

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

# Corporate Responsibility

The boards of directors of the ultimate company of the individual portfolio companies are generally composed of a representative from 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.

To support the individual managements of the portfolio companies, Schouw & Co. has issued a set of general guidelines for its subsidiaries.

### Remuneration policy

Schouw & Co.'s remuneration policy is intended to firmly align the interests of the members of the Board of Directors and the Executive Management with those of the shareholders and the company.

The remuneration policy is a mean of ensuring that the remuneration provided will always reasonably reflect the company's performance and current situation. In addition, it is intended to promote the long-term goals for safeguarding the company's interests.

The remuneration policy and the overall guidelines for incentive programmes can be found on the company's website, www.schouw.dk.

## Corporate responsibility (section 99 a)

The statutory report on corporate responsibility includes a description of the Schouw & Co.'s business model in relation to corporate responsibility, corporate responsibility policies and risk assessments and a description of actions taken and results achieved.

### Presentation of Schouw & Co.'s business model

Schouw & Co. is a diversified industrial conglomerate with an operational structure consisting of the parent company Schouw & Co. and a number of wholly owned portfolio companies each structured as focused sub-groups with their own subsidiaries.

Each individual portfolio company has a high degree of operational autonomy as well as its own organisation and management in charge of its operations. Subsidiaries of the portfolio companies operate activities that are identical to or closely related to the general activities of the portfolio company.

More than half of the Group's operations are located in Denmark or other parts of Europe, However, the Group also has considerable business operations in non-European countries, mainly in Malaysia, Thailand and Chile, but the production facilities there are generally fully on a par with the European units.

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

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

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

The characteristics of the Group's business model set out above mean that certain CR-related matters are of special importance to our business. This applies especially to matters related to our employees, our use of resources – ie energy and commodities – and our business ethics.

# Corporate Responsibility

## CR policy and risk assessment

In 2016, Schouw & Co. adopted corporate responsibility policies within the fields of human rights, social issues and labour conditions, anti-corruption and business ethics, and climate and the environment. The Group's CR policy forms the framework for a common approach by our employees in respect of our values and our objective of ensuring sustainable and responsible conduct. The policy describes a number of guidelines and the expectations we have to each other, and it summarises how we should conduct ourselves in our respective roles as employees and employer. The policy is based on the ten principles of the UN Global Compact.

Schouw & Co. has also made an overall risk assessment in these areas. The principal risks are described below in the context of the policy applying to each individual area.

### 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.*

Schouw & Co. has performed a general risk assessment in relation to human rights. The Group has operations in many different countries, including in what is defined as high-risk countries. The production units of our subsidiaries generally operate on a very similar basis, and we strive to uphold the same high standards at all production units, regardless of geographical affiliation. The latter is believed to contribute to reducing the risk of violating human rights.

### SOCIAL AND EMPLOYEE-RELATED MATTERS

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

Schouw & Co. has performed a general risk assessment in relation to social and employee-related matters. At Schouw & Co., we believe our employees constitute our most important resource. As a result, we consider CR risks relating to social and employee-related matters to be of material importance.

The large proportion of automated production and the handling of many different technical products, requires that our employees have very demanding skills. In Europe as well as in all other countries of operation, we generally employ skilled labour and well-trained employees who acquire the necessary skills by receiving teaching and training, thereby enabling our portfolio companies to comply with their quality and safety standards. This contributes to ensuring and maintaining a high level of health and safety, and constant efforts are made to minimise risks in this field.

### 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.*

Schouw & Co. has performed a general risk assessment in relation to corruption and business ethics. Schouw & Co.'s vision is to be among the best in terms of creating value in a proper and reliable manner by committing ourselves and our businesses to taking responsibility and acting sustainably in any country we operate in. This vision is firmly anchored in the way we at Schouw & Co. run our business, and it has contributed to building the Group's strong reputation over the past many years. Accordingly, this area is not believed to constitute a significant CR risk, but we give considerable attention to ensuring that high standards are maintained.

### 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.*

Schouw & Co. has performed a general risk assessment in relation to climate and the environment. Due to the extensive use of oil-based products and marine raw materials and the considerable consumption of energy for processing purposes, this area is considered to make up a significant CR risk for most of the Group's businesses.

It is inherent to and an integral part of the Group's business model that we seek to optimise consumption of raw materials and minimise the volume of waste, and thereby to reduce the volume of energy consumed and the impact on climate and the environment and to lower the relative volume of emissions. Going forward, our individual companies will maintain a consistent focus on improving their performance in terms of climate and the environment.

**Description of actions taken and results achieved**

The Schouw & Co. Group's CR efforts have, historically and in 2016, been focused mainly on areas believed to represent a particular CR risk or which contains a business perspective, meaning social and employee-related matters and climate and the environment.

In the field of social and employee-related matters, BioMar conducted a survey on employee commitment with a view to identifying potential areas for improvement, which led to an improvement of internal communications. On a local scale, several factories have had an extraordinary focus on health and safety.

Specifically, the factories in Costa Rica and Chile have run extensive programmes teaching safety and securing the physical working environment.

In Denmark, a focus area for Fibertex Personal Care in 2016 was to ensure safe access to machinery in connection with repairs and maintenance, and for the employees to work in ergonomically correct positions. In Germany and Malaysia, work focused on the handling of hazardous goods and safety related to using forklifts. Lastly, the company standardised the process of registering work-related accidents at its different factories. Combined, the company has reduced the incidence of work-related injuries involving loss of time from work from 24 per one million working hours in 2015 to 22 in 2016.

Fibertex Nonwovens focused especially on improving its physical working environment in 2016, particularly at its recent company acquisitions. As a result, noise-reducing installations at its two production facilities in the USA have resulted in significant noise reduction for the operators attending the lines on a daily basis. At the factory in Turkey, the company has installed an air condition system in the production area, significantly improving work-condition temperatures.

Since the merger in early 2016, Hydra/Specma has reviewed current practices at the two companies with a view to sharing experiences and developing best practices with a particular focus on working environment and safety.

GPV's focus in 2016 was on preventing and reducing the number of work-related accidents. The company has prepared the implementation of a new policy that requires factory management to report all work-related accidents to the executive management and to assess at the following management meeting how similar episodes can be avoided in future.

In the field of climate and the environment in 2016, BioMar continued its efforts to ensure sustainability, extending the number of years it has been committed to this very central issue. Its activities include broad-reaching development efforts to reduce consumption of traditional marine raw materials, but also such steps as installing advanced air filters at production facilities in order to reduce the strain on local communities. Specifically, as part of a major extension of its production facility in Norway, BioMar has signed a long-term lease for a second natural gas-driven ship that will help cut transport-related carbon emissions.

Fibertex Personal Care and Fibertex Nonwovens were both specifically focused on their energy consumption in 2016, preparing a detailed overview of the energy consumed in their respective processes. Both companies had their Danish factories certified to the ISO 50001 standard on energy management as part of a three-year project on energy efficiency enhancements involving the implementation of specific energy-saving projects and special analysis to identify potential energy savings. During the past year, both companies have tested the use of LED lighting at their facilities. Energy consumption at the two factories in Denmark is expected to be reduced by 1,500 MWh and 1,000 MWh respectively once all projects have been completed.

Since the merger in early 2016, Hydra/Specma has reviewed established practices in the two companies in preparation of the detailed mapping of the energy consumption by the combined company that is scheduled for 2017.

GPV defined an overall target in 2016 to cut its power consumption relative to its revenue by 10% from 2016 to 2020, and the company has for several years been recording selected data to be used in monitoring performance. All GPV factories have building and machinery maintenance staff working together with management to look into potential ways to cut consumption of power, water and gas. As part of this effort, LED lighting was installed at the Tarm factory in 2016.

In the fields of human rights, anti-corruption and business ethics, we made general assessments of the primary risks in 2016 that will be used as a basis for our efforts going forward. These assessments, along with the work to develop CR policies in general, were carried out in a collaboration involving representatives from the Group's five major businesses.

The Group intends to continue its CR efforts within social and employee-related matters, climate and the environment in 2017. We also plan to investigate how best to strengthen our efforts in the two other areas: human rights and anti-corruption and business ethics.

Additional information about actions and results achieved can be found on the company's website: www.schouw.dk/cg2016.

### Gender composition (Section 99 b)

The Board of Directors of Schouw & Co. has fixed the following targets for the gender composition of its management:

*For the measurement period from 1 April 2013 to 31 March 2017, the target is to increase the number of female board members of Aktieselskabet Schouw & Co. from one member currently, equal to 14%, to at least two members, equal to at least 28%. A target has also been defined for the Group that all of its Danish reporting class C companies should have at least one female board member, equal to at least 20%. At the start of the measurement period, none of these companies had female board members.*

No new members have been elected to the Board of Directors since the start of the measurement period. The Board of Directors was increased from six to seven shareholder-elected members on 11 April 2012, but at the general meeting held on 14 April 2016,that number was again reduced to six, one of whom is a woman.

The Group has six group companies in the relevant reporting class: BioMar Group A/S with four shareholder-elected board members, BioMar A/S with three shareholder-elected board members, Fibertex Personal Care A/S, Fibertex Nonwovens A/S and GPV International A/S, each with four shareholder-elected board members, and Hydra-Grene A/S with five shareholder-elected board members. None of these companies currently have any female board members.

# Corporate Responsibility

No new shareholder-elected members have been elected to the boards of directors of these subsidiaries since the current targets were adopted, with the exception of BioMar A/S, in which one male board member was replaced twice by a new male board member. BioMar A/S is a wholly owned subsidiary of BioMar Group A/S, and the company's board of directors consists entirely of senior employees of the BioMar Group. In connection with the acquisition of GPV on 1 April 2016, three new board members were appointed. They are two male representatives of Schouw & Co. and an independent male member with special knowledge of the company's industry.

Accordingly, the Group made no progress in 2016 in meeting the targets. As the current measurement period expires at the end of March 2017, the Board of Directors has defined a new measurement period from 1 April 2017 to 31 March 2021, and for which the current targets are maintained.

In addition, the Board of Directors of Schouw & Co. has adopted the following policy for increasing the proportion of the under-represented gender at the Group's other management levels.

*Schouw & Co. is aware that the proportion of women at management level in the Group is generally lower than the gender composition of the Group's employees in general. Accordingly, the companies of the Schouw & Co. Group will make a special effort to create a framework to support the career development of individual women employees, for example through networks, mentoring schemes or other specific initiatives that may help individual employees build management experience.*

*The companies of the Schouw & Co. Group will also make a dedicated effort to ensuring the best possible women representation among candidates being considered for management positions.*

Formally, the policy only applies to the parent company and its Danish reporting class C companies being reported for, but the general intention is for the Group's other companies to take the same approach.

It is important to the Group that the best possible level of representation of women is ensured among candidates shortlisted for management positions. This was the case in 2016, when a finance manager was being sought for the parent company, although the successful candidate was male, and in the appointment of a female CCO at Fibertex Nonwovens. In Hydra-Grene, a female CFO was replaced by a male employee who was recruited internally from a former sister company.

Every second year, the Group arranges a two-day symposium that is attended by senior managers from across the Group. The 2016 symposium was attended by 87 employees, seven of whom (8%) were women. The 2014 symposium had 62 attendees, five of whom were women (also 8%).

# Consolidated financial statement

schouw+co

# Consolidated financial statements

# Statements of income and comprehensive income *1.1–31.12*

| Note | Income statement | 2016 | 2015 |
|---|---|---|---|
| 1, 2 | Revenue | 14,369.1 | 12,565.7 |
| 3 | Cost of sales | -11,952.3 | -10,619.8 |
| | **Gross profit** | 2,416.8 | 1,945.9 |
| | | | |
| 4 | Other operating income | 73.8 | 23.9 |
| 3 | Distribution costs | -879.4 | -696.7 |
| 3, 30 | Administrative expenses | -570.6 | -441.8 |
| 4 | Other operating expenses | -2.1 | 0.0 |
| | **Operating profit (EBIT)** | 1,038.5 | 831.3 |
| | | | |
| 13 | Profit after tax in associates | 571.5 | 74.7 |
| 13 | Profit after tax in joint ventures | -5.1 | 11.5 |
| 17 | Financial income | 33.3 | 50.2 |
| 18 | Financial expenses | -59.9 | -96.6 |
| | **Profit before tax** | 1,578.3 | 871.1 |
| | | | |
| 21 | Tax on profit for the year | -239.5 | -226.3 |
| | **Profit for the year** | 1,338.8 | 644.8 |
| | | | |
| | Attributable to | | |
| | Shareholders of Schouw & Co. | 1,341.5 | 647.8 |
| | Non-controlling interests | -2.7 | -3.0 |
| | **Profit for the year** | 1,338.8 | 644.8 |
| | | | |
| 31 | Earnings per share (DKK) | 56.56 | 27.48 |
| 31 | Diluted earnings per share (DKK) | 56.41 | 27.38 |

| Note | Comprehensive income | 2016 | 2015 |
|---|---|---|---|
| | Items that can be reclassified to the profit and loss statement: | | |
| | Exchange rate adjustment of foreign subsidiaries | -16.0 | 104.7 |
| | Hedging instruments recognised during the year | -4.1 | 3.0 |
| | Hedging instruments transferred to cost of sales | -0.8 | 0.3 |
| | Hedging instruments transferred to financials | 7.1 | 7.0 |
| | Other comprehensive income from associates and joint ventures | 10.0 | -7.9 |
| | Other adjustment on equity | -4.3 | -0.3 |
| 21 | Tax on other comprehensive income | -0.2 | -2.9 |
| | **Other comprehensive income after tax** | -8.3 | 103.9 |
| | | | |
| | Profit for the year | 1,338.8 | 644.8 |
| | **Total recognised comprehensive income** | 1,330.5 | 748.7 |
| | | | |
| | Attributable to | | |
| | Shareholders of Schouw & Co. | 1,334.6 | 756.4 |
| | Non-controlling interests | -4.1 | -7.7 |
| | **Total recognised comprehensive income** | 1,330.5 | 748.7 |

All amounts in DKK million

# Balance sheet · Assets and liabilities *at 31 December*

| Note | Assets | 2016 | 2015 |
|---|---|---|---|
| | Goodwill | 1,168.6 | 1,006.1 |
| | Completed development projects | 7.7 | 0.0 |
| | Development projects in progress | 0.0 | 0.0 |
| | Other intangible assets | 305.2 | 169.9 |
| 3, 10 | **Intangible assets** | 1,481.5 | 1,176.0 |
| | Land and buildings | 1,420.6 | 1,260.2 |
| | Plant and machinery | 1,328.0 | 1,152.3 |
| | Other fixtures, tools and equipment | 93.5 | 65.4 |
| | Assets under construction, etc. | 608.0 | 298.3 |
| 3, 11 | **Property, plant and equipment** | 3,450.1 | 2,776.2 |
| 13 | Equity investments in associates | 62.6 | 570.3 |
| 13 | Equity investments in joint ventures | 171.2 | 109.1 |
| 24 | Securities | 121.3 | 83.9 |
| 22 | Deferred tax | 35.5 | 18.1 |
| 12 | Receivables | 138.9 | 177.7 |
| | **Other non-current assets** | 529.5 | 959.1 |
| | **Total non-current assets** | 5,461.1 | 4,911.3 |
| 5 | Inventories | 1,970.5 | 1,435.1 |
| 6 | Receivables | 3,103.7 | 2,752.7 |
| 23 | Income tax receivable | 55.3 | 5.9 |
| 24 | Securities | 0.0 | 0.1 |
| | Cash and cash equivalents | 1,682.4 | 1,410.7 |
| | **Total current assets** | 6,811.9 | 5,604.5 |
| | **Total assets** | 12,273.0 | 10,515.8 |

| Note | Liabilities and equity | 2016 | 2015 |
|---|---|---|---|
| 20 | Share capital | 255.0 | 255.0 |
| | Hedge transaction reserve | -10.7 | -12.4 |
| | Exchange adjustment reserve | 240.4 | 263.1 |
| | Retained earnings | 7,006.1 | 5,895.1 |
| | Proposed dividend | 306.0 | 255.0 |
| | **Share of equity attributable to the parent company** | 7,796.8 | 6,655.8 |
| | Non-controlling interests | 17.6 | 20.7 |
| | **Total equity** | 7,814.4 | 6,676.5 |
| 22 | Deferred tax | 188.6 | 147.9 |
| 25 | Pensions and similar liabilities | 100.4 | 106.3 |
| 19 | Credit institutions | 402.2 | 686.6 |
| | **Non-current liabilities** | 691.2 | 940.8 |
| 19 | Current portion of non-current debt | 152.1 | 190.6 |
| 19 | Credit institutions | 168.8 | 109.4 |
| 8 | Trade payables and other payables | 3,339.4 | 2,567.1 |
| 23 | Income tax | 107.1 | 31.4 |
| | **Current liabilities** | 3,767.4 | 2,898.5 |
| | **Total liabilities** | 4,458.6 | 3,839.3 |
| | **Total liabilities and equity** | 12,273.0 | 10,515.8 |

Notes without reference 14, 16, 26-29 & 31-34.

All amounts in DKK million

# Cash flow statement *1 Jan – 31 Dec*

| Note | | 2016 | 2015 |
|---|---|---|---|
| | Profit before tax | 1,578.3 | 871.1 |
| | Adjustment for operating items of a non-cash nature, etc. | | |
| 3 | Depreciation and impairment losses | 434.0 | 383.0 |
| | Other operating items, net | 13.7 | 72.9 |
| | Provisions | -1.1 | 0.6 |
| | Profit/(loss) after tax in associates and joint ventures | -566.4 | -86.2 |
| | Financial income | -33.3 | -50.2 |
| | Financial expenses | 59.9 | 96.6 |
| | **Cash flows from operating activities before changes in working capital** | **1,485.1** | **1,287.8** |
| 7 | Changes in working capital | 371.6 | 198.1 |
| | **Cash flows from operating activities** | **1,856.7** | **1,485.9** |
| | Interest income received | 25.2 | 29.4 |
| | Interest expenses paid | -54.5 | -53.6 |
| | **Cash flows from ordinary activities** | **1,827.4** | **1,461.7** |
| 23 | Income tax paid | -229.3 | -290.5 |
| | **Cash flows from operating activities** | **1,598.1** | **1,171.2** |
| 9 | Purchase of intangible assets | -18.8 | -61.9 |
| 9 | Purchase of property, plant and equipment | -828.3 | -354.4 |
| | Sale of property, plant and equipment | 5.9 | 16.2 |
| 15 | Acquisition of enterprises | -551.0 | -124.7 |
| | Acquisition of joint ventures and associates / capital contribution | -74.3 | -36.7 |
| | Divestment of associates | 1,033.8 | 0.0 |
| | Received dividend from associates | 64.3 | 49.2 |
| | Additions/disposals of other financial assets | -27.1 | -57.0 |
| | **Cash flows from investing activities** | **-395.5** | **-569.3** |

| Note | | 2016 | 2015 |
|---|---|---|---|
| | Debt financing: | | |
| | Repayment of non-current liabilities | -488.7 | -275.6 |
| 9 | Proceeds from incurring non current financial liabilities | 103.5 | 70.2 |
| | Increase (repayment) of bank overdrafts | -332.3 | 46.3 |
| | Shareholders: | | |
| | Capital contributions, etc. By non-controlling interests | 1.0 | 14.9 |
| | Dividend paid | -237.7 | -188.8 |
| | Purchase / sale of treasury shares, net | 28.9 | 9.4 |
| | **Cash flows from financing activities** | **-925.3** | **-323.6** |
| | Cash flows for the year | 277.3 | 278.3 |
| | Cash and cash equivalents at 1 January | 1,410.7 | 1,087.1 |
| | Value adjustment of cash and cash equivalents | -5.6 | 45.3 |
| | **Cash and cash equivalents at 31 December** | **1,682.4** | **1,410.7** |



All amounts in DKK million

# Statement of changes in equity

| | Share capital | Hedge transaction reserve | Exchange adjustment reserve | Retained earnings | Proposed dividend | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity at 1 January 2015** | 255.0 | -20.0 | 153.7 | 5,478.2 | 204.0 | 6,070.9 | 2.9 | 6,073.8 |
| Other comprehensive income in 2015 | | | | | | | | |
| Exchange rate adjustment of foreign subsidiaries | 0.0 | 0.0 | 109.4 | 0.0 | 0.0 | 109.4 | -4.7 | 104.7 |
| Value adj. of hedging instruments recognised during the year | 0.0 | 3.0 | 0.0 | 0.0 | 0.0 | 3.0 | 0.0 | 3.0 |
| Hedging instruments transferred to cost of sales | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| Hedging instruments transferred to financials | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 7.0 |
| Other comprehensive income from associates and JVs | 0.0 | 0.0 | 0.0 | -7.9 | 0.0 | -7.9 | 0.0 | -7.9 |
| Other adjustment on equity | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | -0.3 | 0.0 | -0.3 |
| Tax on other comprehensive income | 0.0 | -2.7 | 0.0 | -0.2 | 0.0 | -2.9 | 0.0 | -2.9 |
| Profit for the year | 0.0 | 0.0 | 0.0 | 392.8 | 255.0 | 647.8 | -3.0 | 644.8 |
| **Total recognised comprehensive income** | 0.0 | 7.6 | 109.4 | 384.4 | 255.0 | 756.4 | -7.7 | 748.7 |
| Transactions with the owners | | | | | | | | |
| Share-based payment, net | 0.0 | 0.0 | 0.0 | 7.9 | 0.0 | 7.9 | 0.0 | 7.9 |
| Dividend distributed | 0.0 | 0.0 | 0.0 | 15.2 | -204.0 | -188.8 | 0.0 | -188.8 |
| Addition/disposal of minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25.5 | 25.5 |
| Treasury shares bought/sold | 0.0 | 0.0 | 0.0 | 9.4 | 0.0 | 9.4 | 0.0 | 9.4 |
| **Transactions with the owners for the period** | 0.0 | 0.0 | 0.0 | 32.5 | -204.0 | -171.5 | 25.5 | -146.0 |
| **Equity at 31 December 2015** | 255.0 | -12.4 | 263.1 | 5,895.1 | 255.0 | 6,655.8 | 20.7 | 6,676.5 |
| Other comprehensive income in 2016 | | | | | | | | |
| Exchange rate adjustment of foreign subsidiaries | 0.0 | 0.0 | -14.6 | 0.0 | 0.0 | -14.6 | -1.4 | -16.0 |
| Value adj. of hedging instruments recognised during 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 JVs | 0.0 | 0.0 | -8.1 | 18.1 | 0.0 | 10.0 | 0.0 | 10.0 |
| Other adjustment on equity | 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 payment, net | 0.0 | 0.0 | 0.0 | 15.2 | 0.0 | 15.2 | 0.0 | 15.2 |
| Dividend distributed | 0.0 | 0.0 | 0.0 | 17.3 | -255.0 | -237.7 | 0.0 | -237.7 |
| Addition/disposal of non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 |
| Treasury shares bought/sold | 0.0 | 0.0 | 0.0 | 28.9 | 0.0 | 28.9 | 0.0 | 28.9 |
| **Transactions with the owners for the period** | 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 |



All amounts in DKK million

# Notes · Basis of preparation of the consolidated 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 along with a description of the Group's accounting policies, estimates and judgments. Only individually material items are presented in the primary statements. Both quantitative and qualitative factors are used in determining whether or not an item is deemed to be principal.

The names of Fibertex Personal Care, Fibertex Nonwovens and Hydra/Specma may in the following be abbreviated to FPC, FIN and H/S, respectively,

## Accounting policies

The annual report for the year ended 31 December 2016 has been prepared in accordance with the International Financial Reporting Standards 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 2016. The consolidated accounting policies are consistent with those of last year. 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 1000 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.  Joint arrangements are activities or companies in which the Group has joint control through collaborative agreements with one or more parties. Joint control implies that unanimous decisions on the relevant activities are required by the parties sharing the controlling influence.

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

Schouw & Co. has joint operations, the most important of which are fish feed activities in Chile (Alitec Pargua) and Costa Rica. These businesses are consolidated on a pro-rata basis. Schouw & Co. also has joint ventures, including 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. 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.

# Notes · Basis of preparation of the consolidated statements

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 2016. In connection with these two acquisition, management 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 15.
- Valued at more than DKK 1 billion, goodwill represents a significant amount in the balance sheet, and the value of goodwill is subject to the future earnings of the underlying units. Management performs at least one impairment test annually. See note 16.

In addition 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, unlisted securities and deferred tax/deferred tax asset estimates.

## Performance measures

Schouw & Co.'s consolidated financial statements apply the following Alternative Performance Measures not defined by IFRS: 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:

| Key figures (Alternative Performance Measures): | 2016 | 2015 |
|---|---|---|
| EBIT | 1,038 | 831 |
| Amortisation of intangible assets | 52 | 20 |
| Impairment of intangible assets | 0 | 3 |
| Depreciation of property, plant and equipment | 368 | 360 |
| Impairment of property, plant and equipment | 15 | 0 |
| **EBITDA** | **1,472** | **1,214** |
| | | |
| Inventories in total | 1,971 | 1,435 |
| Trade receivables | 2,896 | 2,558 |
| Other current receivables (non-interest bearing) | 171 | 166 |
| Accruals and deferred income | 29 | 6 |
| - Trade payables | -2,836 | -2,152 |
| - Other payables (non-interest bearing) | -482 | -404 |
| - Customer prepayments | -4 | 0 |
| - Accruals and deferred income | -17 | -10 |
| **Working capital** | **1,727** | **1,598** |
| | | |
| Interest bearing debt | 723 | 987 |
| - Other non-current receivables (interest bearing) | -61 | -64 |
| - Other current receivables (interest bearing) | -8 | -23 |
| - Cash and cash equivalents | -1,682 | -1,411 |
| **Net interest bearing debt (NIBD)** | **-1,028** | **-511** |
| | | |
| Working capital | 1,727 | 1,598 |
| Intangible assets | 1,482 | 1,176 |
| - Goodwill | -1,169 | -1,006 |
| Property, plant and equipment | 3,450 | 2,776 |
| - Non-current provisions | -11 | -7 |
| - Other non-current payables (non-interest bearing) | -63 | -73 |
| - Current provisions | 0 | -1 |
| **Invested capital excluding goodwill** | **5,416** | **4,464** |
| | | |
| Invested capital excluding goodwill | 5,416 | 4,464 |
| Goodwill | 1,169 | 1,006 |
| **Invested capital including goodwill** | **6,585** | **5,470** |

CONSOLIDATED STATEMENT

All amounts in DKK million

# Notes · Profit, working capital and cash flows

This section of the annual report contains notes relating to the Group's primary operations, including a breakdown by operating segments. The following notes are presented in this section:

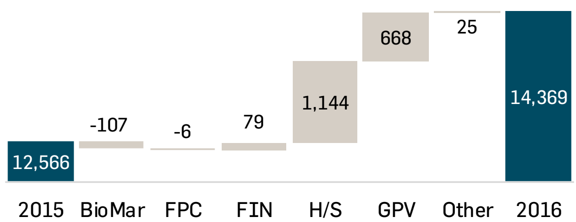
1. Segment reporting
2. Revenue
3. Costs
4. Other operating income and expenses
5. Inventories
6. Receivables (current)
7. Changes in working capital
8. Trade payables and other payables
9. Adjustment for non-cash transactions

## Comments

### Revenue

Consolidated revenue was up by DKK 1,803 million, or 14.4%, from DKK 12,566 million in 2015 to DKK 14,369 million in 2016.

Change in revenue 2015 - 2016



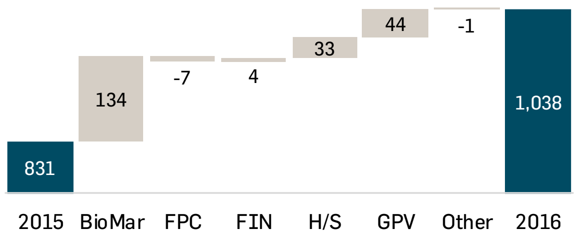

The revenue growth was based on the Group's acquisitions of Specma and GPV, which in aggregate contributed DKK 1,743 million to consolidated revenue. In addition, the acquisition made by Fibertex Nonwoven in Turkey last year had a full-year effect of DKK 57 million, which brought the revenue growth from acquisitions to a total of DKK 1,800 million. Organic revenue growth relative to 2015 was limited. However, this moderate revenue growth should be seen in the context of the 2016 revenue of foreign units being recognised at exchange rates that were on average lower than the corresponding exchange rates of 2015. This factor had an adverse effect on consolidated revenue of DKK 294 million.

At constant exchange rates, the consolidated revenue for 2016 would have risen by about 2.3%.

### Operating profit (EBIT)

EBIT improved by DKK 207 million, from DKK 831 million in 2015 to DKK 1,038 million in 2016, for a 24.9% increase.

Change in EBIT 2015 - 2016




A significant part of the EBIT improvement was provided by BioMar and earnings from the acquired businesses of Specma and GPV.

BioMar improved earnings by 30% through enhanced operational efficiency, a change in the product mix with increased sales of functional feed and two special factors. First, the fish farming industry has generally improved its earnings thanks to significantly higher settlement prices, as a result of which BioMar's bad debt provisions were extremely low compared with previous years. Relative to 2015, the drop in bad debt provisions had a positive effect of DKK 44 million on earnings. The second factor involves other operating income, through which BioMar increased earnings by about DKK 50 million.

The acquisitions of Specma and GPV contributed DKK 28 million and DKK 44 million, respectively, to EBIT after purchase price allocation.

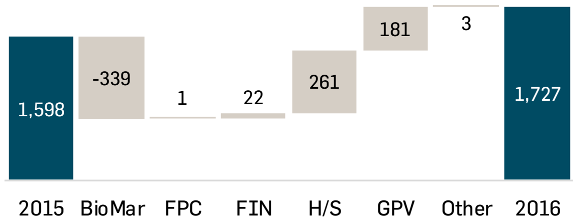
### Working capital

Working capital amounted to DKK 1,727 million at 31 December 2016, as compared with DKK 1,598 million at 31 December 2015. The acquisitions of Specma and GPV added DKK 461 million to working capital.

All portfolio companies with the exception of BioMar saw natural developments in working capital relative to revenue.

The BioMar Group reduced the working capital by DKK 339 million, while revenue was unchanged. The reduction was predominantly due to an increase in supplier financing, as BioMar's trade payables increased by DKK 383 million.

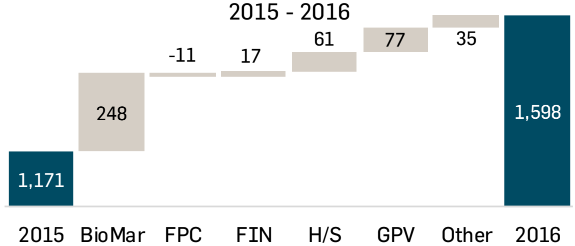
Change in working capital 2015 - 2016




### Cash flow statement

Cash flows from operating activities for the year before changes in working capital improved by DKK 197 million to DKK 1,485 million in 2016. The DKK 372 million movement in the 2016 working capital brought the cash flow from operating activities to DKK 1,857 million, against DKK 1,486 million in 2015. Net of interest and taxes paid, cash flows from operating activities improved by DKK 427 million to DKK 1,598 million. As shown in the figure below, almost all portfolio companies improved their cash flows from operating activities. FPC was the only exception, recording a small drop.

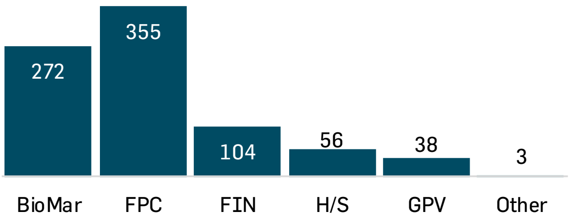
Change in cash flows from ordinary activity
2015 - 2016



# Notes · Profit, working capital and cash flows

The investment activity of 2016 consisted of the following large transactions: About DKK 828 million was used to acquire property, plant and equipment, a large proportion of it being used in BioMar and FPC, which both carried out major capacity expansion projects. The Group spent DKK 551 million on the acquisitions of Specma and GPV and received about DKK 1,034 million from the sale of the associate Kramp. The Group spent a net amount of DKK 395 million on investing activities in 2016.

Investments in property, plant and equipment in 2016




Cash flows from operations for the year amounted to DKK 1,598 million. The net cash flow for investing purposes was DKK 395 million. Debt financing etc. was reduced by DKK 717 million, and dividends paid to the shareholders amounted to DKK 238 million. In addition, the company sold treasury shares for option settlement purposes for DKK 29 million. Net of amounts used for investing and financing purposes, the company had a cash inflow for 2016 of DKK 277 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. If the profit or loss, assets or revenue of a sub-group represents 10% or more of consolidated profit or loss, assets or revenue, such sub-group is classified as a reporting segment. 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 operating costs relating to investment property. Cost of sales also includes research costs and product development costs that do not meet the criteria for capitalisation, as well as amortisation and impairment of capitalised product development costs.

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

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

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

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

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

### Other operating income and expenses
Other operating income and expenses comprise items of a secondary nature relative to the companies' activities, including gains and losses on replacement of intangible assets and property, plant and equipment. Gains and losses on the disposal of intangible assets and property, plant and equipment are computed as the difference between the selling price and the carrying amount at the date of disposal.

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 accruals and deferred income. 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 accruals and deferred income item is reduced as the grant is recognised in the income statement.

# Notes · Profit, working capital and cash flows

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

Biological inventories are recognised at fair value less estimated selling costs. Gains and losses occurring on the recognition of biological assets at fair value less estimated selling costs are recognised in cost of sales for the year.

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

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

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

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

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

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

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

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

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

# Significant accounting estimates

## Debtors
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 the Group's fish feed manufacturer (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 2016. Management assessed in 2016 that a number of BioMar's bad debt provisions could reasonably be reversed, due to a significant improvement in the financial positions of the debtors in question.

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

## Inventories
The uncertainty involved in estimating inventories is related to 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 2016, impaired inventories had on average been written down by 65% or their original value.

BioMar's inventories consist of a range of different finished fish feed products which on average are only in stock for a few weeks until delivered and which have a shelf life of between eight and twelve months. Raw materials are supplied regularly, and the company typically maintains inventories for about four weeks of production. Accordingly, BioMar's inventories are considered to be subject to very limited impairment.

# Notes · Profit, working capital and cash flows

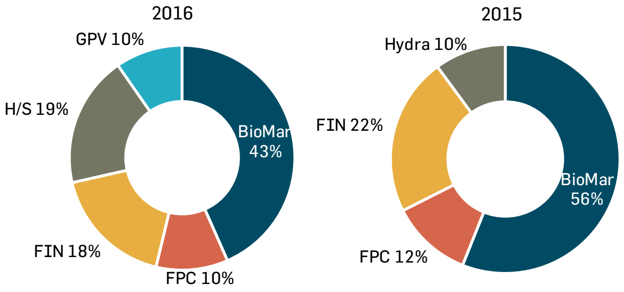
Fibertex Personal Care predominantly produces to order, and its finished nonwoven products are shipped to customers immediately after being produced. Raw materials are supplied regularly, and the company typically only needs to maintain inventories for about two weeks of production. Accordingly, Fibertex Personal Care's inventories are considered to be subject to very limited impairment.

Fibertex Nonwovens manufactures a number of different nonwoven products, a part of which is manufactured for stock. Raw materials are supplied regularly, and the company typically maintains inventories for about four weeks of production. Fibertex Nonwovens reviews its inventory on a regular basis to identify products with a low turnover rate, which may result in a writedown.

Primarily being a trading company, Hydra/Specma carries the largest inventory of the Schouw & Co. Group's portfolio companies. Currently, Hydra/Specma is estimated to carry about 100,000 different items. Given the relatively large number of items carried, it is necessary for Hydra/Specma 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 Hydra/Specma's inventories have been assessed to be impaired. These have been written down by 80-90% of their value. It is estimated that 20% of Hydra/Specma's current inventories are impaired. The inventories in question had been written down by a total of 85% at the balance sheet date.

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 · Profit, working capital and cash flows

## 1 SEGMENT REPORTING

| Total reportable segments 2016 | BioMar | Fibertex Personal Care | Fibertex Nonwovens | Hydra/Specma | 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 | 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 |
| Including 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 |
| NIBD | -234.1 | 586.0 | 733.5 | 497.0 | 239.7 | 1,822.1 |
| Cash flows from operating activities | 884.2 | 331.4 | 113.7 | 127.7 | 77.3 | 1,534.3 |
| Cash flows 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 number of employees * | 887 | 574 | 810 | 1,020 | 806 | 4,097 |

| Total reportable segments 2015 | BioMar | Fibertex Personal Care | Fibertex Nonwovens | Hydra-Grene | GPV | Total |
|---|---|---|---|---|---|---|
| External revenue | 8,974.2 | 1,766.4 | 1,214.6 | 602.9 | - | 12,558.1 |
| Intra-group revenue | 0.0 | 30.8 | 7.7 | 0.0 | - | 38.5 |
| Segment revenue | 8,974.2 | 1,797.2 | 1,222.3 | 602.9 | - | 12,596.6 |
| Depreciation and impairment | 146.1 | 142.2 | 76.8 | 15.1 | - | 380.2 |
| EBIT | 446.7 | 252.5 | 76.4 | 78.1 | - | 853.7 |
| Segment assets | 5,262.9 | 1,752.3 | 1,535.4 | 409.0 | - | 8,959.6 |
| Including goodwill | 784.7 | 99.1 | 122.4 | 0.0 | - | 1,006.2 |
| Equity investments in associates and joint ventures | 82.7 | 0.0 | 0.0 | 0.0 | - | 82.7 |
| Segment liabilities | 2,704.5 | 918.0 | 1,043.8 | 196.8 | - | 4,863.1 |
| Working capital | 752.4 | 294.4 | 361.1 | 202.1 | - | 1,610.0 |
| NIBD | 68.7 | 482.4 | 730.4 | 77.2 | - | 1,358.7 |
| Cash flows from operating activities | 636.7 | 342.1 | 97.2 | 66.8 | - | 1,142.8 |
| Cash flows from investing activities | -209.5 | -85.3 | -313.0 | -9.8 | - | -617.6 |
| Cash flows from financing activities | -621.7 | -248.1 | 216.0 | -71.3 | - | -725.1 |
| Capital expenditure | 134.7 | 87.0 | 334.0 | 9.8 | - | 565.5 |
| Average number of employees | 897 | 514 | 719 | 241 | - | 2,371 |

* GPV had in average 1,074 employees during ownership period in 2016.

All amounts in DKK million

# Notes · Profit, working capital and cash flows

## 1 SEGMENT REPORTING (CONTINUED)

Based on management control and financial management, Schouw & Co. has identified five reporting segments, which are BioMar, Fibertex Personal Care, Fibertex Nonwovens, Hydra/Specma and GPV.

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

**Reconciliation of consolidated revenue, EBIT, assets and liabilities**

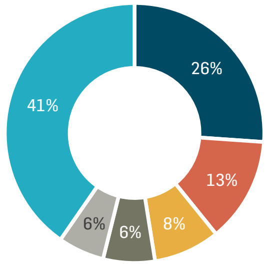
| 2016 | Group revenue | EBIT | Assets | Liabilities |
|---|---|---|---|---|
| Reporting segments | 14,374.9 | 1,062.3 | 11,490.7 | 6,680.6 |
| Non-reporting segments | 22.6 | 4.5 | 148.2 | 36.8 |
| The parent company | 6.9 | -28.3 | 8,522.4 | 725.6 |
| Group elimination etc. | -35.3 | 0.0 | -7,888.3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

| 2015 | Group revenue | EBIT | Assets | Liabilities |
|---|---|---|---|---|
| Reporting segments | 12,596.6 | 853.7 | 8,959.6 | 4,863.1 |
| Non-reporting segments | 7.4 | 4.1 | 201.5 | 36.5 |
| The parent company | 5.2 | -26.5 | 6,796.6 | 140.7 |
| Group elimination etc. | -43.5 | 0.0 | -5,441.9 | -1,201.0 |
| Total | 12,565.7 | 831.3 | 10,515.8 | 3,839.3 |

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 the 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.

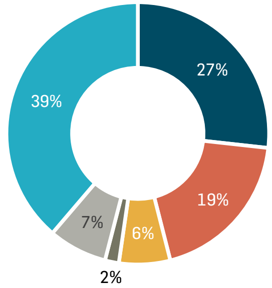
**Revenue by country:**

2016



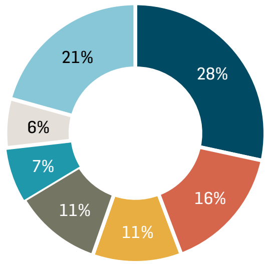

| | 2016 | 2015 |
|---|---|---|
| Norway | 3,751 | 3,365 |
| Chile | 1,878 | 2,415 |
| Denmark | 1,190 | 794 |
| Sweden | 929 | 214 |
| U.K. | 829 | 910 |
| Other | 5,793 | 4,868 |
| Total | 14,369 | 12,566 |

2015



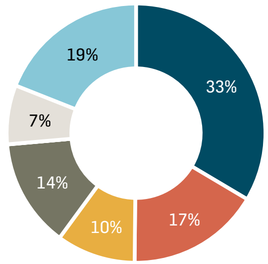

**Intangible and fixed assets by country:**

2016




| | 2016 | 2015 |
|---|---|---|
| Denmark | 1,401 | 1,325 |
| Malaysia | 781 | 658 |
| Norway | 548 | 391 |
| Chile | 543 | 536 |
| Sweden | 335 | 0 |
| Czech Republic | 303 | 291 |
| Other | 1,021 | 751 |
| Total | 4,932 | 3,952 |

2015




All amounts in DKK million

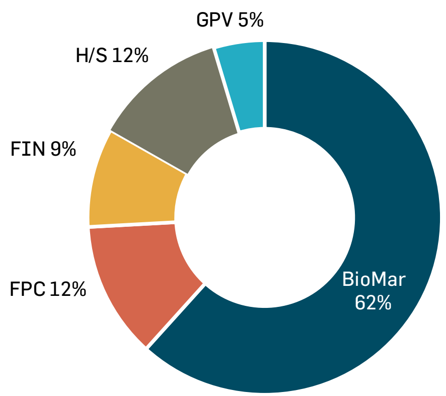
# Notes · Profit, working capital and cash flows

## 2 REVENUE

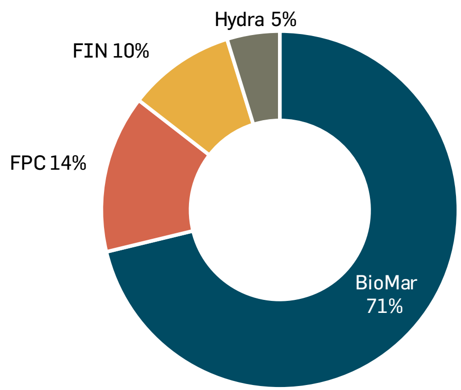
| | 2016 | 2015 |
|---|---|---|
| Sale of goods | 14,346.3 | 12,558.0 |
| Sale of services | 0.1 | 0.2 |
| Rental income | 22.7 | 7.5 |
| Total revenue | 14,369.1 | 12,565.7 |

Revenue by subsidiary

2016




2015




## 3 COSTS

| | 2016 | 2015 |
|---|---|---|
| **Cost of sales** | | |
| Cost of goods sold | -10,177.5 | -9,216.6 |
| Inventory impairments | -14.8 | -10.3 |
| Reversed inventory impairments | 17.1 | 7.3 |
| | | |
| **Staff costs** | | |
| Remuneration to the Board of Directors of Schouw & Co. | -3.4 | -3.4 |
| Wages and salaries | -1,154.0 | -771.8 |
| Defined contribution pension plans | -62.9 | -51.6 |
| Other social security costs | -133.3 | -65.3 |
| Share-based payment | -9.9 | -7.2 |
| **Total staff costs** | **-1,363.5** | **-899.3** |
| | | |
| Including staff costs capitalised and recognised in plant, machinery and development projects | 2.1 | 4.0 |
| **Staff costs recognised in the income statement** | **-1,361.4** | **-895.3** |
| | | |
| Staff costs are recognised as follows: | | |
| Production | -769.5 | -509.1 |
| Distribution | -314.5 | -200.8 |
| Administration | -277.4 | -185.4 |
| **Staff costs recognised in the income statement** | **-1,361.4** | **-895.3** |
| | | |
| Average number of employees | 4,108 | 2,382 |

**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 2016 amounted to DKK 250,000. Effective from 2017, the basic fee will be raised to DKK 300,000. 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 0.4 million (2015: DKK 0.4 million).

Staff costs include salaries and bonuses of DKK 11.2 million (2015: DKK 10.7 million), pension contributions of DKK 0.3 million (2015: DKK 0.3 million) and share-based payment of DKK 2.3 million (2015: DKK 1.8 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.



All amounts in DKK million

# Notes · Profit, working capital and cash flows

## 3 COSTS (CONTINUED)

Staff costs include salaries and bonuses of DKK 19.9 million (2015: DKK 14.1 million), pension contributions of DKK 0.9 million (2015: DKK 0.8 million) and share-based payment of DKK 4.0 million (2015: DKK 2.8 million) to the registered executive managements of directly owned subsidiaries. This group of people consisted of an extra person in 2016 relative to 2015. No severance payments were made to these individuals in 2016 or 2015.

**Share-based payment: Share option programme**
The company maintains an incentive programme for the Executive Management and senior managers, including the executive managements 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 (2016: DKK 400.60) plus a premium (2016 allocation: 3% p.a.) from the date of grant until the date of exercise.

| Outstanding options | Management | Other | Total |
|---|---|---|---|
| Granted in 2012 | 40,000 | 0 | 40,000 |
| Granted in 2013 | 40,000 | 44,000 | 84,000 |
| Granted in 2014 | 55,000 | 150,000 | 205,000 |
| Granted in 2015 | 55,000 | 172,000 | 227,000 |
| Outstanding options in total at 31 December 2015 | 190,000 | 366,000 | 556,000 |
| Granted in 2016 | 55,000 | 199,000 | 254,000 |
| Exercised (from the share options granted in 2012) | -40,000 | 0 | -40,000 |
| Exercised (from the share options granted in 2013) | 0 | -44,000 | -44,000 |
| Exercised (from the share options granted in 2014) | 0 | -100,000 | -100,000 |
| Outstanding options in total at 31 December 2016 | 205,000 | 421,000 | 626,000 |

| Options exercised in 2016: | Exercised from 2012 grant | Exercised from 2013 grant | Exercised from 2014 grant |
|---|---|---|---|
| Exercised number of shares | 40,000 | 44,000 | 100,000 |
| Average excercise price in DKK | 148.30 | 199.27 | 273.15 |
| Average share price in DKK on exercise | 400.00 | 401.68 | 403.77 |
| Group's cash proceeds in DKK million | 5.9 | 8.8 | 27.3 |

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:

| Presumptions for the fair value: | 2016 grant | 2015 grant | 2014 grant | 2013 grant |
|---|---|---|---|---|
| Expected volatility | 31.50% | 27.62% | 26.12% | 25.36% |
| Expected term | 48 mths | 48 mths | 48 mths | 48 mths |
| Expected dividend per share | DKK 8 | DKK 6 | DKK 5 | DKK 4 |
| Risk-free interest rate | 0.10% | 0.00% | 0.65% | 0.62% |
| | | | | |
| Other information regarding the options: | | | | |
| Strike price in DKK * | 450.88 | 379.50 | 297.50 | 211.63 |
| Fair value in DKK per option ** | 69,65 | 40.99 | 30.87 | 20.19 |
| Fair value in total in DKK millions ** | 17.7 | 9.3 | 6.9 | 4.4 |
| Can be exercised from | March 2019 | March 2017 | March 2016 | March 2015 |
| Can be exercised to | March 2020 | March 2019 | March 2018 | March 2017 |

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

| | 2016 | 2015 |
|---|---|---|
| **Research and development costs** | | |
| Research and development costs expensed and development costs incurred are shown below: | | |
| Research and development costs incurred | -73.0 | -72.3 |
| Amortisation and impairment losses on recognised development costs | 0.0 | 0.0 |
| Research and development costs for the year recognised in the income statement | -73.0 | -72.3 |
| | | |
| **Depreciation/amortisation and impairment** | | |
| Amortisation of intangible assets | -51.5 | -19.8 |
| Impairment of intangible assets | 0.0 | -2.9 |
| Depreciation of property, plant and equipment | -367.5 | -360.3 |
| Impairment of property, plant and equipment | -15.0 | 0.0 |
| Total depreciation/amortisation and impairment | -434.0 | -383.0 |
| | | |
| **Depreciation/amortisation and impairment is recognised in the income statement as follows:** | | |
| Production | -351.8 | -339.0 |
| Distribution | -34.3 | -15.0 |
| Administration | -47.9 | -29.0 |
| Total depreciation/amortisation and impairment | -434.0 | -383.0 |

CONSOLIDATED STATEMENT

# Notes · Profit, working capital and cash flows

## 4 OTHER OPERATING INCOME AND EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Gains on the disposal of property, plant and equipment and intangible assets | 1.7 | 4.7 |
| Government grants | 20.6 | 10.7 |
| Other operating income | 51.5 | 8.5 |
| Total other operating income | 73.8 | 23.9 |
| | | |
| Losses on the disposal of property, plant and equipment and intangible assets | -0.9 | 0.0 |
| Other operating expenses | -1.2 | 0.0 |
| Total other operating expenses | -2.1 | 0.0 |

Fibertex Personal Care recognised a DKK 7.1 million investment grant received in Malaysia under government grants in 2016 (2015: DKK 9.8 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 12.7 million (2015: DKK 0.0 million) in 2016 for R&D activities.

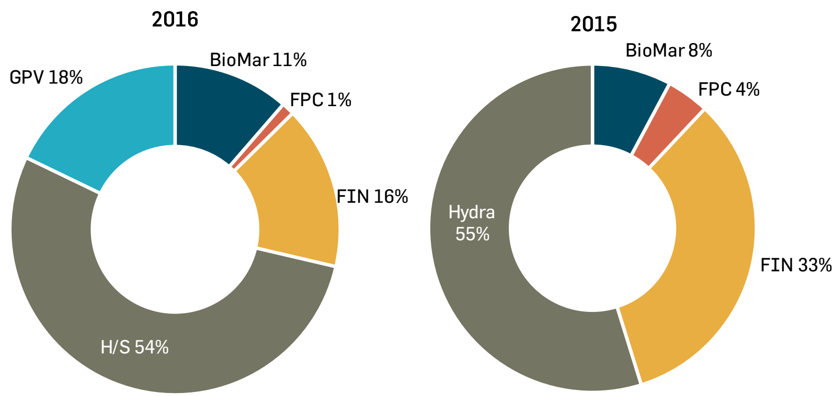
Other operating income for 2016 consisted of gains totalling DKK 47.7 million (2015: DKK 6.3 million) from the sale of farmed fish from BioMar's large-scale research activities.

## 5 INVENTORIES

| | 2016 | 2015 |
|---|---|---|
| Raw materials and consumables | 1,045.8 | 820.9 |
| Work in progress | 57.4 | 8.9 |
| Finished goods and goods for resale | 837.8 | 562.0 |
| Biological assets (fish) | 29.5 | 43.3 |
| Inventories in total | 1,970.5 | 1,435.1 |
| | | |
| Cost of inventories for which impairment losses have been recognised | 165.9 | 72.1 |
| Accumulated impairment losses on inventories | -107.6 | -52.4 |
| Net sales value | 58.3 | 19.7 |

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)






CONSOLIDATED STATEMENT

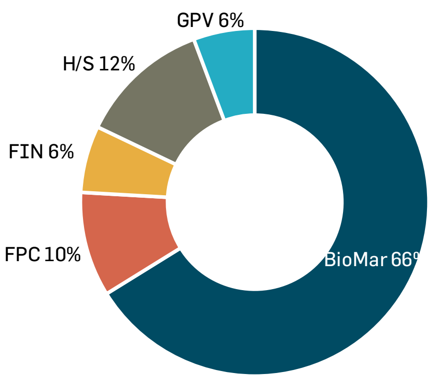
All amounts in DKK million

## 6 RECEIVABLES - CURRENT

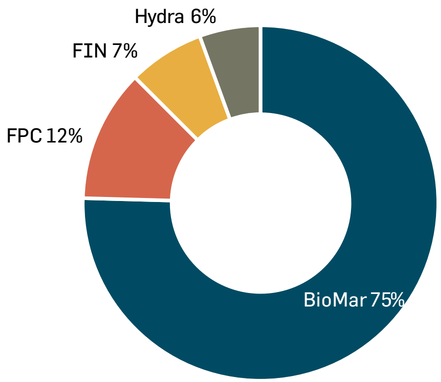
| | 2016 | 2015 |
|---|---|---|
| Trade receivables | 2,896.0 | 2,557.5 |
| Receivables from associates | 0.0 | 9.9 |
| Other current receivables | 179.0 | 179.3 |
| Accruals and deferred income | 28.7 | 6.0 |
| **Receivables current** | **3,103.7** | **2,752.7** |

Trade receivables by portfolio company:

2016




2015




| | | Due between (days) | | | |
|---|---|---|---|---|---|
| **2016** | Not due | 1-30 | 31-90 | >91 | Total |
| 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 |
| Trade receivables in total | 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 percentage | 0.4% | 1.4% | 6.0% | 66.2% | 5.2% |

| | | Due between (days) | | | |
|---|---|---|---|---|---|
| **2015** | Not due | 1-30 | 31-90 | >91 | Total |
| Trade receivables not considered to be impaired | 2,012.7 | 226.9 | 129.3 | 37.4 | 2,406.3 |
| Trade receivables individually assessed to be impaired | 8.1 | 45.6 | 67.0 | 237.3 | 358.0 |
| Trade receivables in total | 2,020.8 | 272.5 | 196.3 | 274.7 | 2,764.3 |
| Impairment losses on trade receivables | -0.4 | -1.5 | -6.9 | -198.0 | -206.8 |
| **Trade receivables net** | **2,020.4** | **271.0** | **189.4** | **76.7** | **2,557.5** |
| Proportion of the total receivables which is expected to be settled | | | | | 92.5% |
| Impairment percentage | 0.0% | 0.6% | 3.5% | 72.1% | 7.5% |

| | 2016 | 2015 |
|---|---|---|
| **Impairment losses on trade receivables** | | |
| Impairment losses at 1 January | -206.8 | -181.9 |
| Exchange adjustments | -0.5 | -0.2 |
| Additions on company acquisitions | -1.6 | 0.0 |
| Reversed impairment losses | 46.5 | 8.6 |
| Impairment losses for the year | -35.7 | -43.2 |
| Realised loss | 39.9 | 9.9 |
| **Impairment losses at 31 December** | **-158.2** | **-206.8** |
| Collateral breakdowns as shown below: | | |
| Collateral on receivables not due for payment. | 301.0 | 54.0 |
| Collateral on receivables due for payment which have not been individually impaired. | 50.4 | 169.1 |
| Collateral on receivables due for payment which have been individually impaired. | 20.5 | 67.5 |

A total of 9.3% (2015: 13.0%) of receivables at the balance sheet date were impaired to a greater or lesser extent. There is a continual follow-up on overdue debtors. A number of provisions were reversed in 2016 and bad debt provisions were a net income of DKK 10.8 million. Last year, bad debt provisions were an expense of DKK 34.6 million.

BioMar has taken out credit insurance for DKK 994 million for its trade receivables. In addition, customers have provided collateral in the amount of DKK 371.9 million (2015: DKK 290.6 million). Most of the DKK 371.9 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.

All amounts in DKK million

# Notes · Profit, working capital and cash flows

## 7 CHANGES IN WORKING CAPITAL

| | 2016 | 2015 |
|---|---|---|
| Change in inventories | -77.8 | 56.6 |
| Change in receivables | -2.7 | -164.1 |
| Change in trade payables and other payables | 452.1 | 305.6 |
| Changes in working capital in total | 371.6 | 198.1 |

## 8 TRADE PAYABLES AND OTHER PAYABLES

| | 2016 | 2015 |
|---|---|---|
| Trade payables | 2,836.4 | 2,152.0 |
| Customer prepayments | 3.6 | 0.4 |
| Other payables | 482.1 | 404.2 |
| Accruals and deferred income | 0.2 | 0.5 |
| Current liabilities | 17.1 | 10.0 |
| Trade payables and other payables in total | 3,339.4 | 2,567.1 |

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

## 9 ADJUSTMENT FOR NON-CASH TRANSACTIONS

| | 2016 | 2015 |
|---|---|---|
| Purchase of intangible assets | -18.8 | -61.9 |
| Of which not paid at the balance sheet date/adjustment for the year | 0.0 | 0.0 |
| **Amount paid in relation to intangible assets** | -18.8 | -61.9 |
| | | |
| Purchase of property, plant and equipment | -830.1 | -355.4 |
| Of which not paid at the balance sheet date/adjustment for the year | 1.8 | 1.0 |
| Of which assets held under finance leases | 0.0 | 0.0 |
| **Amount paid in relation to purchase of property, plant and equipment** | -828.3 | -354.4 |
| | | |
| Incurring financial liabilities | 103.5 | 70.2 |
| Of which lease debt | 0.0 | 0.0 |
| **Proceeds from incurring financial liabilities** | 103.5 | 70.2 |

All amounts in DKK million

# Notes · invested capital

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

The following notes are presented in this section:

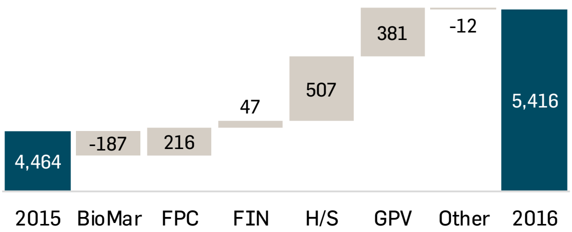
10. Intangible assets
11. Property, plant and equipment
12. Receivables (non-current)
13. Investments in subsidiaries, joint arrangements and ass.
14. Operational leases and rent commitments
15. Acquisitions
16. Impairment test

## Comments

### Invested capital

Invested capital covers property, plant and equipment, intangible assets and working capital and can be stated both inclusive and exclusive of goodwill. Invested capital exclusive of goodwill increased from DKK 4,464 million to DKK 5,416 million at 31 December 2016. Changes in invested capital by portfolio company appears from the chart below.

Change in invested capital 2015 - 2016



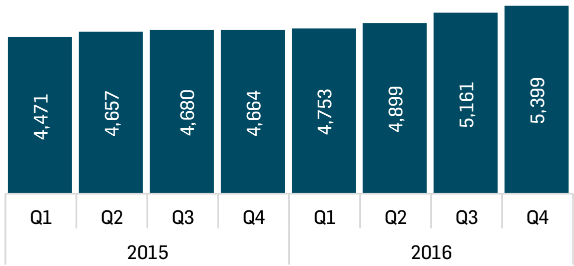

As can be seen from the chart, invested capital increased primarily as a result of the acquisitions of Specma and GPV. Invested capital was increased by DKK 483 million from the acquisition of Specma and by DKK 381 million from the acquisition of GPV. For BioMar, the change was composed of a reduction of invested capital due to the significant reduction of working capital and an increase in invested capital due to the company's large investments in 2016. BioMar's net invested capital was reduced by DKK 187 million. For Fibertex Personal Care and Fibertex Nonwovens, the increases in invested capital were mainly due to the large investment programmes of the year.

### ROIC

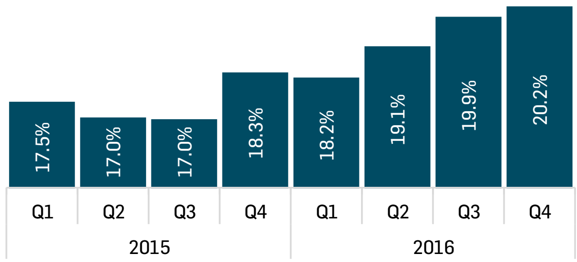
Return on invested capital (ROIC) is measured as Operating profit/loss before amortisation (EBITA) as a percentage of average invested capital. ROIC exclusive of goodwill improved from 18.3% in 2015 to 20.2% in 2016. The improvement is the result of earnings growth of 28% combined with only 16% increase in the average invested capital.

Changes in average invested capital and ROIC exclusive of goodwill are shown below. As appears from the illustration, ROIC developed favourably throughout 2016.

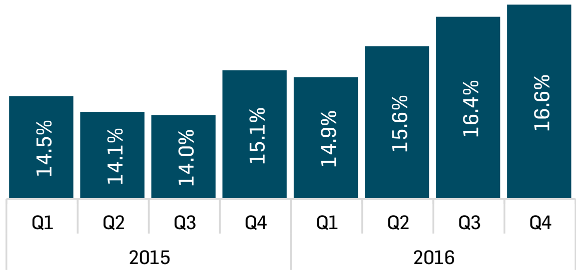
Avg. invested capital excluding goodwill




ROIC excluding goodwill




ROIC including goodwill




All amounts in DKK million

# Notes · invested capital

## Accounting policies

### Intangible assets
On initial recognition goodwill is recognised in the balance sheet at cost of acquisition. 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.

Development costs comprise salaries, amortisation and depreciation and other costs attributable to the company's development activities. Clearly defined development projects are recognised as intangible assets where the technical utilisation of the project, the availability of adequate resources and a potential future market or application opportunity in the company can be demonstrated and where the intention is to manufacture, market or use the project. This requires that the cost can be measured reliably and it is probable that the future earnings or the net selling prices can cover production and selling costs, administrative expenses as well as the development costs. Development projects normally consist of product development and the proprietary development of IT solutions. Other development costs are recognised in the income statement as incurred. Recognised development costs are measured at cost less accumulated amortisation and impairment. On completion of the development work, the development project is amortised on a straight-line basis over the estimated useful life. The usual amortisation period is two to seven years. The basis of amortisation is calculated less any impairment.

Other intangible assets including patents, licenses and rights as well as certain intangible assets acquired in connection with business combinations and acquired IT solutions are measured at cost less accumulated amortisation and impairment. Other intangible assets are amortised on a straight-line basis over their estimated useful lives. The usual amortisation period is three to fifteen years. The basis of amortisation is calculated less any impairment.

### Property, plant and equipment
Land and buildings, investment property, 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.

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 | 2-8 years |
| Land is 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 tax and minority interests and 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.

### 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.

### 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 15.

### 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 16.

# Notes · invested capital

## 10 INTANGIBLE ASSETS

| 2016 | Goodwill | Completed development projects | Development projects in progress | Other intangible assets | Total |
|---|---|---|---|---|---|
| Cost at 1 January 2016 | 1,006.1 | 0.0 | 0.0 | 264.4 | 1,270.5 |
| Foreign exchange adjustment | 2.9 | 0.0 | 0.0 | -3.0 | -0.1 |
| Addition through separate acquisition | 0.0 | 3.5 | 0.0 | 15.3 | 18.8 |
| Addition on company acquisition | 159.6 | 0.0 | 0.0 | 176.2 | 335.8 |
| Disposals | 0.0 | 0.0 | 0.0 | -12.7 | -12.7 |
| Transferred/reclassified | 0.0 | 4.2 | 0.0 | 0.0 | 4.2 |
| Cost at 31 December 2016 | 1,168.6 | 7.7 | 0.0 | 440.2 | 1,616.5 |
| Amortisation and impairment at 1 January 2016 | 0.0 | 0.0 | 0.0 | -94.5 | -94.5 |
| Foreign exchange adjustment | 0.0 | 0.0 | 0.0 | -1.7 | -1.7 |
| Amortisation | 0.0 | 0.0 | 0.0 | -51.5 | -51.5 |
| Amortisation and impairment of disposed assets | 0.0 | 0.0 | 0.0 | 12.7 | 12.7 |
| Amortisation and impairment at 31 December 2016 | 0.0 | 0.0 | 0.0 | -135.0 | -135.0 |
| **Carrying amount at 31 December 2016** | 1,168.6 | 7.7 | 0.0 | 305.2 | 1,481.5 |
| | | | | | |
| Depreciated over (years) | | 2-7 | | 3-15 | |

| 2015 | Goodwill | Completed development projects | Development projects in progress | Other intangible assets | Total |
|---|---|---|---|---|---|
| Cost at 1 January 2015 | 970.5 | 18.2 | 23.1 | 150.3 | 1,162.1 |
| Foreign exchange adjustment | 34.0 | 0.0 | 0.0 | 9.4 | 43.4 |
| Addition through separate acquisition | 0.0 | 0.0 | 0.0 | 61.9 | 61.9 |
| Addition on company acquisition | 1.6 | 0.0 | 0.0 | 1.4 | 3.0 |
| Transferred/reclassified | 0.0 | -18.2 | -23.1 | 41.4 | 0.1 |
| Cost at 31 December 2015 | 1,006.1 | 0.0 | 0.0 | 264.4 | 1,270.5 |
| Amortisation and impairment at 1 January 2015 | 0.0 | -6.1 | -4.7 | -56.4 | -67.2 |
| Foreign exchange adjustment | 0.0 | -0.1 | 0.0 | -4.5 | -4.6 |
| Transferred/reclassified | 0.0 | 6.2 | 4.7 | -10.9 | 0.0 |
| Impairment | 0.0 | 0.0 | 0.0 | -2.9 | -2.9 |
| Amortisation | 0.0 | 0.0 | 0.0 | -19.8 | -19.8 |
| Amortisation and impairment at 31 December 2015 | 0.0 | 0.0 | 0.0 | -94.5 | -94.5 |
| **Carrying amount at 31 December 2015** | 1,006.1 | 0.0 | 0.0 | 169.9 | 1,176.0 |
| | | | | | |
| Depreciated over (years) | | 2-7 | | 3-15 | |

CONSOLIDATED STATEMENT

All amounts in DKK million

# Notes · invested capital

## 11 PROPERTY, PLANT AND EQUIPMENT

| 2016 | Land and buildings | Plant and machinery | Other fixtures, 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 adjustment | 16.0 | 3.3 | -14.3 | 17.5 | 22.5 |
| Addition | 52.3 | 154.6 | 29.9 | 593.3 | 830.1 |
| Addition 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 adjustment | 2.2 | -11.9 | -3.3 | 0.0 | -13.0 |
| Transferred/reclassified | 0.0 | 3.4 | 0.0 | 0.0 | 3.4 |
| Depreciation 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 lease | 8.8 | 0.0 | 7.3 | 0.0 | 16.1 |
| Depreciated over (years) | 10-50 | 3-15 | 2-8 | | |

| 2015 | Land and buildings | Plant and machinery | Other fixtures, tools and equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| Cost at 1 January 2015 | 1,839.7 | 3,316.7 | 260.2 | 131.0 | 5,547.6 |
| Foreign exchange adjustment | -22.7 | -62.1 | -0.2 | -1.3 | -86.3 |
| Addition | 15.9 | 62.5 | 17.0 | 260.0 | 355.4 |
| Addition on company acquisitions | 64.6 | 80.5 | 1.0 | 0.0 | 146.1 |
| Disposals | -10.5 | -3.9 | -4.8 | -0.3 | -19.5 |
| Transferred/reclassified | 14.0 | 52.2 | 9.6 | -91.1 | -15.3 |
| Cost at 31 December 2015 | 1,901.0 | 3,445.9 | 282.8 | 298.3 | 5,928.0 |
| Amortisation and impairment at 1 January 2015 | -577.2 | -2,064.8 | -190.6 | 0.0 | -2,832.6 |
| Foreign exchange adjustment | 1.3 | 26.9 | 4.2 | 0.0 | 32.4 |
| Transferred/reclassified | 0.0 | 0.3 | -0.1 | 0.0 | 0.2 |
| Amortisation and impairment of disposed assets | 0.0 | 5.1 | 3.4 | 0.0 | 8.5 |
| Amortisation | -64.9 | -261.1 | -34.3 | 0.0 | -360.3 |
| Amortisation and impairment at 31 December 2015 | -640.8 | -2,293.6 | -217.4 | 0.0 | -3,151.8 |
| **Carrying amount at 31 December 2015** | 1,260.2 | 1,152.3 | 65.4 | 298.3 | 2,776.2 |
| Of which assets held under finance lease | 9.5 | 26.8 | 1.6 | 0.0 | 37.9 |
| Depreciated over (years) | 10-50 | 3-15 | 2-8 | | |

By the end of 2016, the Group had entered into contracts for the purchase of property, plant and equipment for future delivery for an amount of DKK 342 million (2015: DKK 345 million). These are mainly contracts involving the setting up of a new production line at Fibertex Personal Care in Malaysia and the completion of a new production line at BioMar Norway.

Properties with evidence of impairment have been tested for impairment. Properties were written down by DKK 15.0 million to their recoverable amount during the financial year (2015: DKK 0.0 million).

## 12 RECEIVABLES - NON-CURRENT

| | 2016 | 2015 |
|---|---|---|
| Investment grant | 36.0 | 82.0 |
| Other receivables non-current | 102.9 | 95.7 |
| Total receivables non-current | 138.9 | 177.7 |

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

Other non-current assets include interest-bearing receivables of DKK 60.8 million (2015: DKK 63.9 million).

All amounts in DKK million

# Notes · invested capital

## 13 INVESTMENTS IN SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The Group has the following subsidiaries and joint operations:

| Name | Registered office | Ownership interest - 2016 | Ownership interest - 2015 |
|---|---|---|---|
| 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% |
| BioMar Group A/S | Aarhus, Denmark | 100% | 100% |
| BioMar A/S | Aarhus, Denmark | 100% | 100% |
| Oy BioMar Ab | Vanda, Finland | 100% | 100% |
| BioMar AB | Rimbo, Sweden | 100% | 100% |
| BioMar OOO | Ropsha, Russia | 100% | 100% |
| Dana Feed A/S | Aarhus, Denmark | 100% | 100% |
| BioMar Sp. z o.o. | Zielona Gora, Poland | 100% | 100% |
| BioMar S.A.S. | Nersac, France | 100% | 100% |
| BioMar B.V. | Rotterdam, The Netherlands | 100% | 100% |
| BioMar Iberia S.A. | Dueñas, Spain | 100% | 100% |
| BioMar Hellenic S.A. | Volos, Greece | 100% | 100% |
| BioMar AS | Myre, Norway | 100% | 100% |
| BioMar Ltd. | Grangemouth, Scotland | 100% | 100% |
| BioMar A/S Chile Holding S.A. | Puerto Montt, Chile | 100% | 100% |
| BioMar Chile SA | Puerto Montt, Chile | 100% | 100% |
| BioMar Aquacultura Corporation S.A. | Canas, Costa Rica | 100% | 100% |
| BioMar Aquacorporation Products S.A. * | Canas, Costa Rica | 50% | 50% |
| Alitec Pargua S.A. * | Pargua, Chile | 50% | 50% |
| BioMar Holding PTE L. | Singapore, Singapore | 100% | - |
| Fibertex Personal Care A/S | Aalborg, Denmark | 100% | 100% |
| Fibertex Personal Care Sdn Bhd | Nilai, Malaysia | 100% | 100% |
| Innowo Print AG | Ilsenburg, Germany | 100% | 100% |
| Fibertex Personal Care K.K. | Tokyo, Japan | 100% | - |
| Fibertex Nonwovens A/S | Aalborg, Denmark | 100% | 100% |
| Fibertex Nonwovens, a.s. | Svitavy, Czech Republic | 100% | 100% |
| Fibertex France SARL | Beauchamp, France | 100% | 100% |
| Elephant Nonwovens - Nao Tecidos U.P., Lda. | Estoril, Portugal | 100% | 100% |
| Fibertex Elephant | Sant Cugat del Vallés, Spain | 100% | 100% |
| Fibertex Nonwovens S.A.S. | Chemillé, France | 100% | 100% |
| Fibertex South Africa Ltd. | Hammarsdale, South Africa | 74% | 74% |
| Fibertex Nonwovens Tekstil Sanayi ve Ihracat A.Ş. | Cerkezkoy, Turkey | 100% | 100% |
| Fibertex Private Limited | Bangalore, India | 100% | - |
| FIN North America Holding Inc. | Ingleside IL, USA | 100% | 100% |
| FIN North America Real Estate | Ingleside IL, USA | 100% | 100% |
| Fibertex Nonwovens LLC | Ingleside IL, USA | 100% | 100% |
| Fibertex Nonwovens Shanghai Co. Ltd. | Shanghai, China | 100% | - |
| Fibertex Nonwovens Holding Ltd. | Hong Kong, China | 100% | - |
| Hydra-Grene A/S | Skjern, Denmark | 100% | 100% |
| Hydra Grene Hydraulics Equipment Accessory Co., Ltd. | Tianjin, China | 100% | 100% |
| Hydra Grene Hydraulics India Private Limited | Chennai, India | 100% | 100% |

| Name | Registered office | Ownership interest - 2016 | Ownership interest - 2015 |
|---|---|---|---|
| Hydra-Grene USA Inc. | Chicago, USA | 100% | 100% |
| Dansk Afgratningsteknik A/S | Skjern, Denmark | 60% | 60% |
| Specma AB | Goteborg, Sweden | 100% | - |
| Specma Wiro AB | Motala, Sweden | 100% | - |
| Specma Components AB | Skellefteå, Sweden | 100% | - |
| Specma Hydraulikhuset AB | Goteborg, Sweden | 100% | - |
| Specma OY | Espoo, Finland | 100% | - |
| Specma Hydraulic Polska sp. z.o.o. | Stargard, Poland | 100% | - |
| Samwon Tech (Europe) Ltd. | Newton Aycliffe, England | 100% | - |
| Hydraulic Connectors Europe Ltd. | Durham, England | 100% | - |
| Specma Co. Ltd | Shanghai, China | 100% | - |
| Specma Hydraulic U.S. Inc. | San Antonio, Texas USA | 100% | - |
| Specma Do Brazil Ltda | Curitiba, Brazil | 51% | - |
| Hydra Etola Hydraulic Systems Co, Ltd. | Tianjin, China | 90% | - |
| GPV International A/S | Tarm, Denmark | 100% | - |
| GPV Asia Co. Ltd | Bangkok, Thailand | 100% | - |
| GPV Americas Mëxico S.A.P.I de CV | Guadalajara, Mexico | 100% | - |

Effective 4 January 2016, Hydra-Grene acquired Swedish hydraulics company Specma AB and a number of its subsidiaries.

On 1 April 2016, Schouw & Co. acquired GPV International and GPV Asia Co. Ltd. In 2016, GPV set up operations in Mexico and established GPV Americas Mêxico S.A.P.I de CV in that connection.

Fibertex Personal Care established a sales subsidiary in Japan in 2016, and Fibertex Nonwovens established new sales subsidiaries in India and China in 2016.

In November, Hydra/Specma set up operations in a new industrial zone in China and established Hydra Etola Hydraulic Systems Co, Ltd. in that connection.

*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 105.5 million (2015: DKK 174.4 million), non-current assets: DKK 107.3 million (2015: DKK 108.0 million), current liabilities: DKK 120.7 million (2015: DKK 166.8 million), non-current liabilities: DKK 23.5 million (2015: DKK 25.0 million), revenue: DKK 198.3 million (2015: DKK 220.7 million) and costs DKK 196.0 million (2015: DKK 218.8 million).

All amounts in DKK million

## 13 INVESTMENTS IN SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES - CONTINUED

The Group has the following associates:

| Name | Registered office | Ownership interest - 2016 | Ownership interest - 2015 |
|---|---|---|---|
| Incuba Invest A/S | Aarhus, Denmark | 49% | 49% |
| LetSea AS | Dønna, Norway | 33% | 33% |
| Young Tech Co. Ltd. | Gimpo, South Korea | 30% | - |
| Kramp Groep B.V. | Varsseveld, The Netherlands | 0% | 20% |

There was a net profit from investments in associates after tax in 2016 of DKK 571.5 million, which breaks down into a share of profit after tax in associates of DKK 137.1 million and a profit from the sale of shares in Kramp Groep B.V. of DKK 434.4 million. The share of profit for 2016 consists primarily of the profit in Kramp until the date of sale in September and the share of profit from Incuba Invest A/S, which reported significant improvements in 2016 following the sale of its ownership interest in Scandinavian Micro Biodevices ApS.

| Associates: | 2016 | 2015 |
|---|---|---|
| Cost at 1 January | 664.2 | 702.5 |
| Addition on acquisition of subsidiary | 2.5 | 0.0 |
| Disposals | -595.0 | -38.3 |
| Cost at 31 December | 71.7 | 664.2 |
| Adjustments at 1 January | -93.9 | -140.8 |
| Foreign exchange adjustments | 17.1 | -6.1 |
| Dividends paid | -64.3 | -49.2 |
| Disposals for the year | -5.1 | 27.5 |
| Profit after tax in associates | 137.1 | 74.7 |
| Adjustments at 31 December | -9.1 | -93.9 |
| **Carrying amount at 31 December** | 62.6 | 570.3 |
| Recognised in the income statement: | | |
| Operating profit in associates | 137.1 | 74.7 |
| Profit / reassessment at fair value | 434.4 | 0.0 |
| Profit after tax in associates and reassessment at fair value | 571.5 | 74.7 |

| 2016 | Incuba Invest A/S | LetSea AS | Fibertex South Africa Ltd. | Young Tech Co, Ltd. | Kramp Groep B.V. |
|---|---|---|---|---|---|
| Revenue | 0.0 | 210.1 | - | i.o. | 0.0 |
| Profit for the year | 136.5 | 45.8 | - | i.o. | 0.0 |
| Total assets | 82.3 | 128.9 | - | i.o. | 0.0 |
| Liabilities | 3.1 | 65.0 | - | i.o. | 0.0 |
| Recognised in the Schouw & Co. group: | | | | | |
| Share of profit for the year | 67.0 | 15.4 | - | 0.0 | 54.7 |
| Share of equity | 38.8 | 21.3 | - | 2.5 | 0.0 |
| Goodwill | 0.0 | 0.0 | - | 0.0 | 0.0 |
| Carrying amount at 31 December | 38.8 | 21.3 | - | 2.5 | 0.0 |

| 2015 | Incuba Invest A/S | LetSea AS | Fibertex South Africa Ltd. | Young Tech Co, Ltd. | Kramp Groep B.V. |
|---|---|---|---|---|---|
| Revenue | 0.0 | 122.0 | - | - | 5,126.4 |
| Profit for the year | 2.4 | 11.0 | - | - | 353.0 |
| Total assets | 91.7 | 67.3 | - | - | 2,925.9 |
| Liabilities | 20.5 | 40.9 | - | - | 1,795.6 |
| Recognised in the Schouw & Co. group: | | | | | |
| Share of profit for the year | 1.2 | 3.6 | -0.7 | - | 70.6 |
| Share of equity | 34.9 | 8.8 | - | - | 226.1 |
| Goodwill | 0.0 | 0.0 | - | - | 300.5 |
| Carrying amount at 31 December | 34.9 | 8.8 | - | - | 526.6 |

After having divested its ownership interest in Kramp Groep B.V. in 2016, the Schouw & Co. Group no longer has any associates individually considered to be of significant importance to the Group.

CONSOLIDATED STATEMENT

All amounts in DKK million

# Notes · invested capital

## 13 INVESTMENTS IN SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES - CONTINUED

The Group has the following joint ventures:

| Name | Registered office | Ownership interest - 2016 | Ownership interest - 2015 |
|---|---|---|---|
| Xergi A/S | Støvring, Denmark | 50% | 50% |
| BioMar-Sagun TTK | Istanbul, Turkey | 50% | 50% |
| BioMar-Tongwei | Chengdu, 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.

| 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 for the year | -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 |

| 2015 | Xergi | BioMar-Sagun | BioMar-Tongwei |
|---|---|---|---|
| Revenue | 410.5 | 5.4 | 0.0 |
| Profit for the year | 18.5 | 4.6 | 0.0 |
| Total assets | 147.5 | 75.9 | 69.6 |
| Liabilities | 77.1 | 4.2 | 0.0 |
| | | | |
| Recognised in the Schouw & Co. group: | | | |
| Share of profit for the year | 9.2 | 2.3 | 0.0 |
| Share of equity | 35.2 | 35.8 | 34.8 |
| Goodwill | 0.0 | 1.4 | 1.9 |
| Carrying amount at 31 December | 35.2 | 37.2 | 36.7 |

| Joint ventures: | 2016 | 2015 |
|---|---|---|
| Cost at 1 January | 135.3 | 98.6 |
| Additions | 74.3 | 36.7 |
| Cost at 31 December | 209.6 | 135.3 |
| | | |
| Adjustments at 1 January | -26.2 | -34.3 |
| Foreign exchange adjustments | -7.1 | -3.4 |
| Profit after tax in joint ventures | -5.1 | 11.5 |
| Adjustments at 31 December | -38.4 | -26.2 |
| | | |
| **Carrying amount at 31 December** | 171.2 | 109.1 |

## 14 OPERATIONAL LEASES AND RENT COMMITMENTS

| 2016 | Property | Machinery | Ships | Cars | Total |
|---|---|---|---|---|---|
| Due for payment within 1 year | 54.0 | 9.5 | 67.9 | 8.6 | 140.0 |
| Due for payment within 1-5 years | 112.6 | 12.1 | 261.7 | 12.5 | 398.9 |
| Due for payment 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 |

| 2015 | Property | Machinery | Ships | Cars | Total |
|---|---|---|---|---|---|
| Due for payment within 1 year | 21.1 | 6.5 | 57.8 | 5.2 | 90.6 |
| Due for payment within 1-5 years | 52.1 | 7.7 | 187.4 | 7.8 | 255.0 |
| Due for payment after 5 years | 53.6 | 0.0 | 94.8 | 0.0 | 148.4 |
| Total operational leases and rent commitments | 126.8 | 14.2 | 340.0 | 13.0 | 494.0 |

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 138.2 million (2015: DKK 93.2 million) relating to operating leases and rent commitments has been recognised in the consolidated income statement for 2016.

All amounts in DKK million

# Notes · invested capital

## 15 ACQUISITIONS

| | Specma | GPV | 2016 | 2015 |
|---|---|---|---|---|
| Intangible assets | 176.2 | 0.0 | 176.2 | 3.0 |
| Property, plant and equipment | 84.1 | 171.3 | 255.4 | 146.1 |
| Financial assets | 4.2 | 3.6 | 7.8 | 0.0 |
| Inventories | 235.5 | 189.1 | 424.6 | 29.5 |
| Receivables | 204.0 | 149.3 | 353.3 | 18.0 |
| Cash and cash equivalents | 60.9 | 28.9 | 89.8 | 0.5 |
| Credit institutions | -148.2 | -308.0 | -456.1 | -16.2 |
| Deferred tax | -53.1 | 11.8 | -41.3 | 0.0 |
| Provisions | -4.3 | 0.0 | -4.3 | 0.0 |
| Trade payables | -99.6 | -97.6 | -197.2 | -17.1 |
| Other liabilities | -67.0 | -51.1 | -118.1 | -17.2 |
| Tax payable | -9.6 | 0.7 | -8.9 | 0.0 |
| **Net assets acquired** | 383.1 | 98.0 | 481.2 | 146.6 |
| Of which non-controlling interests | 0.0 | 0.0 | 0.0 | -10.7 |
| Current value of original share of equity | 0.0 | 0.0 | 0.0 | -10.7 |
| Goodwill | 159.6 | 0.0 | 159.6 | 0.0 |
| **Cost** | 542.7 | 98.0 | 640.8 | 125.2 |
| Of which cash and cash equivalents | -60.9 | -28.9 | -89.8 | -0.5 |
| **Cash cost total** | 481.8 | 69.1 | 551.0 | 124.7 |

The Group acquired Specma AB, a hydraulics business based in Sweden, on 4 January 2016 for a cash consideration of DKK 481.8 million.

Specma specialises in the production and sales of hydraulics systems and components for local and international OEM customers. Headquartered in Gothenburg, Sweden. The company employs 750 people, most of whom are based in Sweden but it also has a significant presence in Finland, the UK, China and Poland.

The transaction has made Hydra/Specma the largest player in specialist hydraulics technology in the Nordic region, and the company serves OEM customers in the wind power, marine and offshore sectors.

In connection with the purchase price allocation relating to the acquisition of Specma, goodwill was calculated at DKK 159.6 million. Goodwill represents the value of know-how and synergies. Gross receivables of DKK 205.0 million were taken over as part of the acquisition of Specma. The acquisition of Specma involved acquisition costs of DKK 3.7 million. Most of the acquisition costs were recognised as administrative expenses in the financial statements for 2015. Specma contributed revenue of DKK 1,075.7 million and a profit of DKK 23.2 million in 2016.

Effective 1 April 2016, the Group acquired GPV for a cash consideration of DKK 69.1 million.

GPV is Denmark's largest EMS (Electronic Manufacturing Services) company. The company manufactures low-volume specialist electronics and advanced mechanics components with a high degree of flexibility, currently selling its products to some 300 international customers. GPV employs a little over 1,000 people, most of whom are employed at the company's production unit in Thailand.

A purchase price allocation prepared on the acquisition of GPV led to a write-down of buildings at the company's Thai production unit and other minor revaluations. Overall, no goodwill was identified in connection with the acquisition. Gross receivables of DKK 149.9 million were taken over as part of the acquisition of GPV. Transaction costs incurred in connection with the acquisition of GPV amount to DKK 4.6 million, of which DKK 3.6 million was recognised as administrative expenses in the 2015 financial statements.

GPV contributed revenue of DKK 667.6 million and EBIT of DKK 45.6 million for the period from 1 April 2016. Had GPV been recognised as from 1 January 2016, revenue would have been DKK 209 million higher and the full-year EBIT would have been DKK 15 million higher.

Effective 1 March 2015, the Group acquired an additional 48.2% of the shares in Fibertex South Africa for a cash consideration of DKK 19.5 million. The transaction brought the ownership interest to 74.2%, and, the Group gained control of the company. IFU (the Industrialisation Fund for Developing Countries) continues to hold the remaining 25.8% of the shares in the company.

On 2 November 2015, Fibertex Nonwovens took over Ribatek's nonwoven activities in Turkey. The deal was structured as a purchase of assets, under which Fibertex Nonwovens acquired buildings, machinery, inventories and other assets for a total amount of approximately DKK 120 million through a newly-established Turkish company. The takeover included the employees related to production along with customers and other rights.

All amounts in DKK million

# Notes · invested capital

## 16 IMPAIRMENT TEST

**Goodwill**
The management of Schouw & Co. has tested the value in use of the carrying amounts against goodwill in the group companies. In the test performed, the senior management of each company indicated the expected free cash flows for a five-year budget period (2017-2021). 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. Goodwill increased by DKK 163 million relative to 2015, which amount breaks down into an addition of DKK 160 million from the acquisition of Specma and net foreign exchange adjustments of DKK 3 million.

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.

At 68%, the goodwill in BioMar makes up most of the consolidated goodwill. 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 1.1 billion from 2016 to 2031 and by a further 1.2 billion by 2050. Revenue growth of 4.2% is assumed for BioMar in the budget period. 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. An EBIT margin of 4-6% may be achieved in a competitive market. 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. Sensitivity analyses and company-specific assumptions:

| | | Test assumptions | | | | Sensitivity analysis | |
|---|---|---|---|---|---|---|---|
| | Carrying amount of goodwill | Revenue growth | EBIT-per cent | WAAC after tax | WAAC before tax | EBIT permitted drop | WACC permitted increase |
| BioMar | 793.8 | 4.2% | 5.4% | 7.2% | 7.2% | 60% | 6.8pp |
| Fibertex Personal Care | 99.1 | 6.0% | 11.9% | 7.2% | 7.3% | 56% | 6.7pp |
| Fibertex Nonwovens | 123.8 | 8.6% | 8,0% | 7.5% | 7.2% | 33% | 2.3pp |
| Hydra | 151.9 | 4.0% | 7.9% | 7.2% | 7.4% | 49% | 5.3pp |

The impairment test made at 31 December 2016 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.

**Development projects**
Schouw & Co. recognised completed development projects of DKK 7.7 million at December 31, 2016. The carrying amount was tested for impairment, which did not give rise to the recognition of any impairment loss. No development projects in progress were recognised at 31 December 2016.

**Other intangible assets**
Schouw & Co. recognised other intangible assets of DKK 305.2 million at 31 December 2016. The amount related primarily to customer rights and know-how taken over in company acquisitions and identified through purchase price allocation, and to IT solutions developed mainly with the assistance of external consultants. An addition of DKK 176.2 million was recognised in 2016 in relation to the acquisition of Specma and GPV. Management did not identify any indication of impairment in 2016. In 2015, management recognised a minor impairment loss of DKK 2.9 million related to IT projects.

**Property, plant and equipment**
The value of a property was written down by DKK 15 million in 2016 in connection with the termination of a lease. The Group identified no other assets with an indication of impairment, and therefore recognised no further impairment losses on property, plant and equipment in 2016. No impairment losses were recognised in 2015.

**Investments in joint ventures and associates**
In 2015 and 2016, management did not identify factors indicating that investments in joint ventures and associates may be impaired.

**Other non-current assets**
Other non-current assets recognised in the amount of DKK 121.3 million consist primarily of a 18.4% shareholding in the Chilean fish farming company Salmones Austral SpA. The ownership interest was increased from 13.6% in 2016 through the conversion of a receivable. The Chilean fish farming industry faced difficult market conditions in 2015 and in early 2016. A substantial improvement in market prices of salmon in the spring of 2016 has added to a positive outlook for the industry. The fair value calculation performed did not give rise to an adjustment of the recognised fair value, unlike in 2015 when a DKK 43 million writedown was made under financial expenses. Material assumptions used in the fair value calculation were expected output volume and the selling price of fish. Management believes that the current value of the ownership interest reflects 18.4% of the present value of the company's future earnings.

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

All amounts in DKK million

# Notes · capital structure

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

The following notes are presented in this section:

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

## Comments

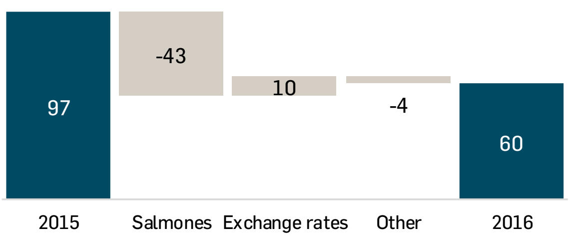
### Financial income

Financial income fell by DKK 17 million from DKK 50 million in 2015 to DKK 33 million in 2016. Foreign exchange gains of DKK 25 million were recognised in 2015 as compared with DKK 12 million in 2016. As a result, financial income before foreign exchange gains were reduced by DKK 3 million to DKK 22 million in 2016.

### Financial expenses

Financial expenses amounted to DKK 60 million in 2016 compared with DKK 97 million in 2015. The decline of DKK 37 million was mainly due to the DKK 43 million writedown made on the Group’s shareholding in Salmones Austral in 2015. Foreign exchange adjustments were DKK 10 million higher in 2016 than in 2015, whereas other financial expenses were DKK 4 million lower.

Change in financial expenses 2015 - 2016

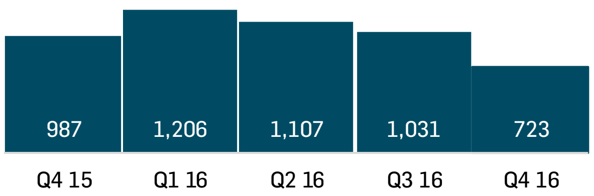



Disregarding writedowns and foreign exchange adjustments, the Group incurred financial expenses of DKK 43 million in 2016. The Group had no net debt during parts of the year, and these expenses derived from a number of long-term loans the Group has retained and from the fact that the Group has paid interest on cash deposits held with a number of banks.

### Liabilities

Interest bearing debt was DKK 723 million, representing a year-on-year reduction of DKK 264 million The main reason for the lower interest-bearing debt was the repayment of long-term debt. A large part of the Group's debt is in Danish kroner or in euro, these currencies representing 46% of total debt in 2016 (2015: 69%).  In addition, some 29% of the Group's debt at 31 December 2016 was in MYR (2015: 16%). The group has converted most of its interest-bearing debt to fixed rates through interest rate swaps and, as a result, the Group is not particularly sensitive to changes in interest rates.

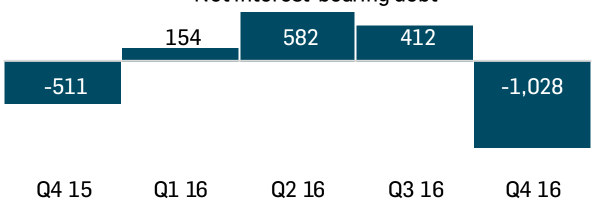
Interest-bearing debt




### Net interest-bearing debt

Net interest-bearing debt was reduced from a net deposit of DKK 511 million in 2015 to a net deposit of DKK 1,028 million at 31 December 2016. As shown in the chart below, the Group did have net interest-bearing debt during parts of the year, as both the Specma and GPV acquisitions took place during the early parts of the year, whereas the consideration of DKK 1,034 million from the sale of the ownership interest in Kramp was only received in the fourth quarter of 2016. The Group’s investment in property, plant and equipment of DKK 828 million was largely evenly distributed during the course of the year, although with a slight overweight in the second half.

Net interest-bearing debt




### Treasury shares

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

At 31 December 2015, Schouw & Co. held 1,906,130 treasury shares, corresponding to 7.48% of the share capital. A further 34,800 treasury shares were acquired in 2016, whereas 184,000 treasury shares were sold for use in the Group’s share option programme. Accordingly, Schouw & Co. held 1,756,930 treasury shares at 31 December 2016, corresponding to 6.89% of the share capital. The portfolio of treasury shares is recognised at DKK 0.

## Accounting policies

### Financial income and expenses

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

### Financial liabilities

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

## Significant accounting estimates

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

# Notes · capital structure

## 17 FINANCIAL INCOME

| | 2016 | 2015 |
|---|---|---|
| Interests from financial assets | 21.7 | 25.1 |
| Currency transaction adjustments | 11.6 | 25.1 |
| Total | 33.3 | 50.2 |

## 18 FINANCIAL EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Interests from financial liabilities | -36.1 | -41.0 |
| Fair value adj. of hedging transactions transferred from equity | -7.1 | -7.0 |
| Currency transaction adjustments | -15.9 | -5.3 |
| Fair value adj. of financial assets measured through profit or loss | -0.8 | -43.3 |
| Total | -59.9 | -96.6 |

Borrowing costs of DKK 3.3 million were capitalised in 2016 based on an average rate of interest of 2.1% p.a. Borrowing costs capitalised in 2015 amounted to DKK 0.2 million.

Through BioMar, the Group owns 18.4% of the Chilean fish farming company, Salmones Austral. In 2015, market conditions proved difficult for the Chilean fish farming industry. Based on budgets and forecasts for Salmones Austral, a write-down of DKK 43 million was made in 2015, which was included under financial expenses.

## 19 NET INTEREST-BEARING DEBT

Debt recognised in the balance sheet:

| | 2016 | 2015 |
|---|---|---|
| Credit institutions (non-current) | 209.5 | 469.6 |
| Mortgage debt (non-current) | 188.7 | 216.1 |
| Lease debt (non-current) | 4.0 | 0.9 |
| Recognised under non-current debt to credit institutions, total | 402.2 | 686.6 |
| Current portion of non-current liabilities | 152.1 | 190.6 |
| Credit institutions (current) | 168.8 | 109.4 |
| **Interest-bearing debt in total** | 723.1 | 986.6 |
| | | |
| Fair value of the interest bearing debt | 724.6 | 987.2 |

Maturity profile of interest-bearing debt:

| | 2016 | 2015 |
|---|---|---|
| **Payment** | | |
| Overdraft facilities without planned repayment | 168.8 | 109.4 |
| Less than 1 year | 231.4 | 204.0 |
| 1-5 years | 277.1 | 539.0 |
| More than 5 years | 144.4 | 172.2 |
| Total | 821.7 | 1,024.6 |
| **Rate of interest** | | |
| Overdraft facilities without planned repayment | 0.0 | 0.0 |
| Less than 1 year | 79.3 | 13.4 |
| 1-5 years | 14.7 | 18.8 |
| More than 5 years | 4.6 | 5.8 |
| Total | 98.6 | 38.0 |
| **Carrying amount** | | |
| Overdraft facilities without planned repayment | 168.8 | 109.4 |
| Less than 1 year | 152.1 | 190.6 |
| 1-5 years | 262.4 | 520.2 |
| More than 5 years | 139.8 | 166.4 |
| Total | 723.1 | 986.6 |

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

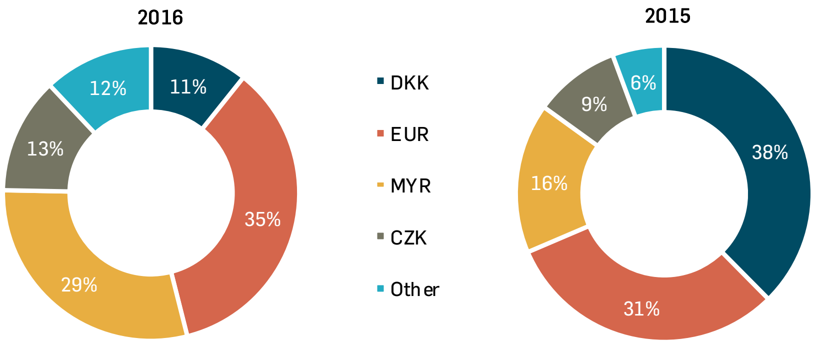
All amounts in DKK million

# Notes · capital structure

## 19 NET INTEREST-BEARING DEBT (CONTINUED)

| | 2016 | 2015 |
|---|---|---|
| Weighted average effective rate of interest of the year was (%) | 4.2 | 3.9 |
| Weighted average effective rate of interest on the balance sheet date was (%) | 3.6 | 2.8 |

Percentage breakdown of interest-bearing debt by currency:




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

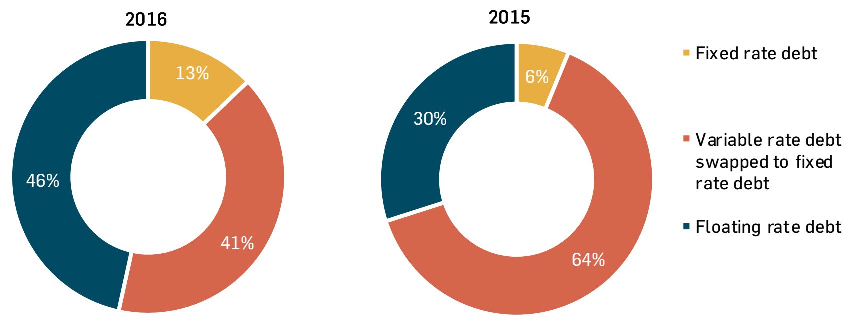
| | 2016 | 2015 |
|---|---|---|
| **Lease payment** | | |
| Expire in less than 1 year | 5.2 | 2.8 |
| Expire in 1-5 years | 7.6 | 1.0 |
| Expire in more than 5 years | 0.0 | 0.0 |
| Total | 12.8 | 3.8 |
| **Rate of interest** | | |
| Expire in less than 1 year | 2.4 | 0.1 |
| Expire in 1-5 years | 3.6 | 0.1 |
| Expire in more than 5 years | 0.0 | 0.0 |
| Total | 6.0 | 0.2 |
| **Carrying amount** | | |
| Expire in less than 1 year | 2.8 | 2.7 |
| Expire in 1-5 years | 4.0 | 0.9 |
| Expire in more than 5 years | 0.0 | 0.0 |
| Total | 6.8 | 3.6 |

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.

| | 2016 | 2015 |
|---|---|---|
| **Hedging expires in:** | | |
| Less than 1 year | 59.5 | 13.3 |
| 1-5 years | 49.9 | 409.8 |
| More than 5 years | 184.3 | 207.0 |
| Total | 293.7 | 630.1 |

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by about DKK 3 million after tax (2015: DKK 2 million).

CONSOLIDATED STATEMENT

All amounts in DKK million

# Notes · capital structure

## 19 NET 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.

| | 2016 | 2015 |
|---|---|---|
| Credit facility | 2,329.3 | 1,958.8 |
| Drawn operating credits | -168.8 | -109.4 |
| Cash and cash equivalents | 1,682.4 | 1,410.7 |
| **Available capital** | 3,842.9 | 3,260.1 |

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 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.

## 20 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 in DKK | Cost | Percentage of share capital |
|---|---|---|---|---|
| **1 January 2015** | **2,009,933** | **20,099,330** | **349.7** | **7.88%** |
| Share option programme | -177,000 | -1,770,000 | -21.5 | -0.69% |
| Additions | 73,197 | 731,970 | 23.8 | 0.29% |
| **31 December 2015** | 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 | 0.14% |
| **31 December 2016** | 1,756,930 | 17,569,300 | 342.9 | 6.89% |

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.

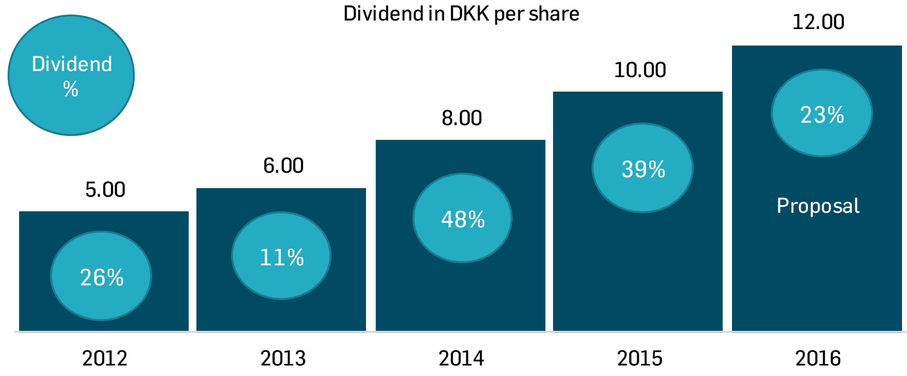
The company acquires treasury shares for allocation to the Group's share option programmes.

A total of 184,000 shares held in treasury were used in connection with options exercised in 2016. The shares had an aggregate fair value of DKK 74.1 million at the time of exercise.

The Group's holding of treasury shares had a market value of DKK 924.1 million at 31 December 2016 (2015: DKK 737.7 million). The holding is recognised at DKK 0 in the balance sheet.

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

**Dividend**
A dividend of DKK 12 per share is proposed in respect of the 2016 financial year for a total dividend amount of DKK 306.0 million and a proposed dividend payout of 23% of the profit for the year. On 19 April 2016, the Group paid dividend in respect of 2015 of DKK 10 per share for a total dividend amount of DKK 255.0 million. Payment of dividends has no tax implications for the company.






CONSOLIDATED STATEMENT

All amounts in DKK million

# Notes · tax

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

The following notes are presented in this section:

21. Tax on profit/loss for the year
22. Deferred tax
23. Income tax

## Comments

### Income tax

Schouw & Co. achieved a profit before tax for the year of DKK 1,578 million. Tax on the profit for the year was an expense of DKK 240 million, for an effective tax rate of 15%.

The rate should be compared with the Group's weighted tax rate of 24%, which should be adjusted for non-taxable income, non-deductible costs and the share of profit in associates and joint ventures, which are recognised after tax. In addition, the tax-free profit from the sale of shares in Kramp is recognised under share of profit in associates. Dividend payments from Chile have increased the corporate tax payable by BioMar Chile, increasing the tax rate. The use of non-capitalised prior-year losses has 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 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 calculated in accordance with the balance sheet liability method on all timing differences between the accounting and tax value 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 a not been finalised. This may result in discrepancies between calculated tax and actual tax payments.

Deferred tax, including prior-year tax losses, is recognised at the tax rate expected to apply taking into account current local tax rules. Tax losses are capitalised to the extent management believes they can be used within a few years. Such estimates are made at least once a year on the basis of budgets and business plans for the following years. Accordingly, those estimates are inherently subject to a degree of uncertainty. Another factor considered is the distribution of taxable income on the basis of the companies' transfer pricing policies. At 31 December 2016, the Group had capitalised tax losses at a value of DKK 62 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 75 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

## 21 TAX ON THE PROFIT FOR THE YEAR

| | 2016 | 2015 |
|---|---|---|
| Tax for the year is composed as follows: | | |
| Tax on the profit for the year | -239.5 | -226.3 |
| Tax on other comprehensive income | -0.2 | -2.9 |
| **Tax in total** | -239.7 | -229.2 |
| | | |
| Tax on the profit for the year has been calculated as follows: | | |
| Current tax | -252.7 | -194.2 |
| Deferred tax | 10.2 | -34.7 |
| Change in deferred tax due to change in corporate income tax rates | 0.8 | 1.4 |
| Adjustment of prior-year tax charge | 2.2 | 1.2 |
| **Tax recognised in the income statement in total** | -239.5 | -226.3 |
| | | |
| Specification of the tax on the profit for the year: | | |
| Calculated 22.0% (23.5%) tax of the profit for the year | 22.0% | 23.5% |
| Adjustment of calculated tax in foreign subsidiaries relative to 22.0% (23.5%) | 1.8% | 3.5% |
| Estimated weighted consolidated income tax rate | 23.8% | 27.0% |
| Change of corporate income tax rate | -0.1% | -0.2% |
| Tax effect of non-deductible costs and non-taxable income | -1.0% | -0.7% |
| Tax effect on share of profit in associates and joint ventures | -7.9% | -2.3% |
| Tax effect of write-down on ownership interest in Salmones Austral | 0.0% | 1.7% |
| Tax effect of dividend tax in Chile | 2.1% | 1.8% |
| Tax effect of adjustment of prior-year tax charge | -0.1% | -0.1% |
| Tax effect of non-capitalised tax asset | 0.5% | 0.4% |
| Tax effect of deferred tax regarding previous years recognised this year | -2.0% | -1.6% |
| **Effective tax rate** | 15.2% | 26.0% |

| | 2016 | | |
|---|---|---|---|
| **Tax on items taken directly to other comprehensive income** | **Before tax** | **Tax** | **After tax** |
| 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 JVs | 10.0 | 0.0 | 10.0 |
| Other adjustments recognised directly in equity | -4.3 | 0.3 | -4.0 |
| Tax on items taken directly to other comprehensive income in total | -8.1 | -0.2 | -8.3 |

| | 2015 | | |
|---|---|---|---|
| **Tax on items taken directly to other comprehensive income** | **Before tax** | **Tax** | **After tax** |
| Exchange adjustments of foreign units, etc. | 104.7 | 0.0 | 104.7 |
| Hedging instruments for the year | 3.0 | -0.9 | 2.1 |
| Hedging instruments transferred to cost of sales | 0.3 | -0.1 | 0.2 |
| Hedging instruments transferred to financials | 7.0 | -1.7 | 5.3 |
| Other comprehensive income from associates and JVs | -7.9 | 0.0 | -7.9 |
| Other adjustments directly to the equity | -0.3 | -0.2 | -0.5 |
| Tax on items taken directly to other comprehensive income in total | 106.8 | -2.9 | 103.9 |

All amounts in DKK million

# Notes · tax

## 22 DEFERRED TAX

| Change in deferred tax | 2016 Balance at 1 Jan. | Foreign exchange adjustment | Additions on acquisition | Recognised in profit for the year | Recognised in other comprehensive income | Balance at 31 Dec. |
|---|---|---|---|---|---|---|
| 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 current assets | 0.0 | 0.0 | 0.0 | -2.4 | 0.0 | -2.4 |
| 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 |
| Other liabilities | -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 losses | -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 |

| Change in deferred tax | 2015 Balance at 1 Jan. | Foreign exchange adjustment | Additions on acquisition | Recognised in profit for the year | Recognised in other comprehensive income | Balance at 31 Dec. |
|---|---|---|---|---|---|---|
| Intangible assets | 19.7 | 1.5 | 0.0 | 0.9 | 0.0 | 22.1 |
| Property, plant and equipment | 156.9 | -6.0 | 0.0 | 12.2 | 0.0 | 163.1 |
| Receivables | -1.6 | 0.0 | 0.0 | -12.9 | 0.0 | -14.5 |
| Inventories | 4.4 | 0.2 | 0.0 | 8.6 | 0.0 | 13.2 |
| Other current assets | 0.2 | 0.0 | 0.0 | -0.2 | 0.0 | 0.0 |
| Provisions | -1.4 | 0.0 | 0.0 | -0.2 | 0.0 | -1.6 |
| Other liabilities | -18.0 | 0.7 | 0.0 | -1.1 | 0.5 | -17.9 |
| Tax losses | -60.8 | 0.4 | 0.0 | 25.8 | 0.0 | -34.6 |
| **Total change in deferred tax** | 99.4 | -3.2 | 0.0 | 33.1 | 0.5 | 129.8 |

All amounts in DKK million

# Notes · tax

## 22 DEFERRED TAX (CONTINUED)

| | 2016 | 2015 |
|---|---|---|
| Deferred tax at 1 January | 129.8 | 99.4 |
| Foreign exchange adjustment | -2.2 | -3.2 |
| Deferred tax adjustment at 1 January | 23.3 | -0.5 |
| Deferred tax for the year recognised in profit for the year | -10.2 | 34.7 |
| Effect of lowering corporate income tax | -0.8 | -1.4 |
| Transferred to/from income tax payable, 1 January | -28.0 | 0.3 |
| Deferred tax for the year recognised in other comprehensive income | -0.1 | 0.5 |
| Addition on acquisition of subsidiary | 41.3 | 0.0 |
| **Net deferred tax at 31 December** | 153.1 | 129.8 |
| Deferred tax is recognised in the balance sheet as follows: | | |
| Deferred tax (asset) | -35.5 | -18.1 |
| Deferred tax (liability) | 188.6 | 147.9 |
| **Net deferred tax at 31 December** | 153.1 | 129.8 |
| Deferred tax pertains to: | | |
| Intangible assets | 59.4 | 22.1 |
| Property, plant and equipment | 129.2 | 163.1 |
| Current assets | 6.6 | -1.3 |
| Equity | 39.7 | 0.0 |
| Provisions | -1.5 | -1.6 |
| Other liabilities | -18.4 | -17.9 |
| Recaptured losses | 0.1 | 0.0 |
| Tax loss carry-forwards | -62.0 | -34.6 |
| **Net deferred tax at 31 December** | 153.1 | 129.8 |

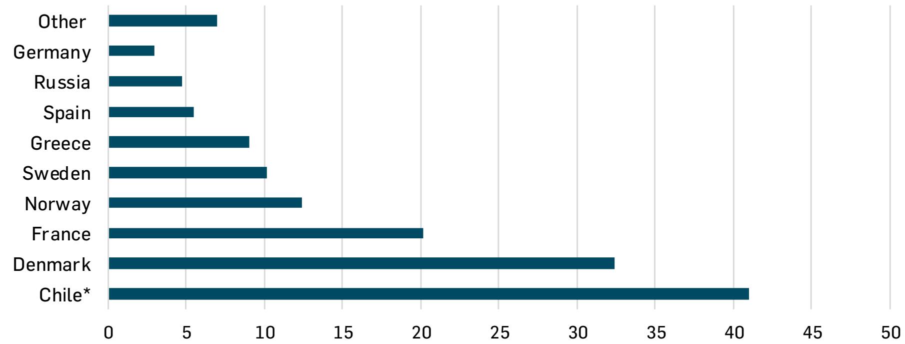
Schouw & Co. has capitalised tax assets of DKK 36 million. It is expected that the tax capitalised will be absorbed by taxable income within the next few years.

There are no deferred tax liabilities that have not been recognised in the balance sheet. Tax losses with an aggregate tax value of DKK 75 million (2015: DKK 54 million) have not been capitalised, because it is considered unlikely that they will be realised.

## 23 INCOME TAX

| | 2016 | 2015 |
|---|---|---|
| Net income tax payable at 1 January | 25.5 | 122.8 |
| Exchange adjustments at 1 January | -3.5 | -1.5 |
| Current tax for the year | 252.7 | 194.2 |
| Prior-year adjustments | -25.5 | -0.5 |
| Transferred to/from deferred tax at 1 January | 28.0 | -0.3 |
| Current tax for the year recognised in other comprehensive income | 0.3 | 2.1 |
| Current tax of other equity adjustments | -5.3 | -0.8 |
| Additions on acquisitions | 8.9 | 0.0 |
| Corporate income tax paid during the year | -229.3 | -290.5 |
| **Income tax at 31 December** | 51.8 | 25.5 |
| Which is distributed as follows: | | |
| Income tax receivable | -55.3 | -5.9 |
| Income tax payable | 107.1 | 31.4 |
| **Income tax at 31 December** | 51.8 | 25.5 |

Income tax paid by country in 2016




*) Exclusive of tax paid on dividends of DKK 46 million distributed in Chile.

All amounts in DKK million

# Other notes to the consolidated financial statements

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

The following notes are presented in this section:

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

## Comments

### Securities

The Group's holding of securities grew by DKK 37 million to DKK 121 million at 31 December 2016. The 18.4% ownership interest in Chilean fish farming company Salmones Austral SpA represents DKK 117 million of this amount. At 31 December 2015, Salmones Austral SpA was recognised at DKK 82 million, but in 2016 the Group injected DKK 30 million into Salmones Austral SpA through the conversion of receivables.

## Accounting policies

### Securities

Security holdings which do not enable the company to exercise control or a significant influence, and other securities 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

### Securities

The fair values of unlisted securities have been estimated, the most important of which is the Group's ownership interest in Salmones Austral SpA.

# Other notes to the consolidated financial statements

## 24 SECURITIES

| Non current assets | 2016 | 2015 |
|---|---|---|
| Securities measured at fair value | | |
| Cost at 1 January | 129.4 | 116.3 |
| Reclassified | 6.8 | 0.0 |
| Foreign exchange adjustment | 6.5 | 13.0 |
| Additions | 32.9 | 0.1 |
| Cost at 31 December | 175.6 | 129.4 |
| Adjustments at 1 January | -45.5 | -1.3 |
| Reclassified | -6.7 | 0.0 |
| Foreign exchange adjustment | -1.7 | -0.9 |
| Adjustments recognised in the income statement | -0.4 | -43.3 |
| Adjustments at 31 December | -54.3 | -45.5 |
| Carrying amount at 31 December | 121.3 | 83.9 |

| Current assets | 2016 | 2015 |
|---|---|---|
| Securities measured at fair value | | |
| Cost at 1 January | 6.8 | 6.8 |
| Reclassified to assets available for sale | -6.8 | 0.0 |
| Cost at 31 December | 0.0 | 6.8 |
| Adjustments at 1 January | -6.7 | -6.7 |
| Reclassified to assets available for sale | 6.7 | 0.0 |
| Adjustments at 31 December | 0.0 | -6.7 |
| Carrying amount at 31 December | 0.0 | 0.1 |

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 aggregated assessment of such, taking into consideration the difficult tradability.

Long-term securities consist primarily of a 18.37% shareholding in Salmones Austral SpA. Following a fair value calculation, the recognised investment in Salmones Austral SpA was unchanged for 2016.

## 25 PENSIONS, PROVISIONS AND OTHER PAYABLES

| | 2016 | 2015 |
|---|---|---|
| Pensions | 19.7 | 20.6 |
| Provisions | 11.2 | 7.0 |
| Other payables | 6.8 | 5.8 |
| Accruals and deferred income | 62.7 | 72.9 |
| Pensions, provisions and other payables in total | 100.4 | 106.3 |

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.

All amounts in DKK million

# Other notes to the consolidated financial statements

## 26 PLEDGES 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 2016.

The Danish tax authorities ("SKAT") have in a transfer pricing review 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 MAP procedure must be commenced not later than three years after SKAT took up the matter. As a result, Fibertex Personal Care opened a MAP 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 30.6 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 be decided within the next few years, whether by the Danish National Tax Tribunal or in the mutual negotiations between the authorities in Malaysia and Denmark, the amount has been recognised as a non-current receivable.

At 31 December 2016, 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):

| | 2016 | 2015 |
|---|---|---|
| Land and buildings | 685.5 | 594.6 |
| Plant and machinery | 254.4 | 197.3 |
| Current assets | 480.4 | 459.9 |
| Other collaterals | 0.0 | 0.0 |
| Total | 1,420.3 | 1,251.8 |

The collateral set out above represents the Group's debt to credit and mortgage-credit institutions of DKK 813.1 million (2015: DKK 674.9 million).

All amounts in DKK million

## 27 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 2016, the maximum credit risk considering the collateral provided was DKK 4,206.5 million (trade receivables less collateral + cash).

**Currency risk**
The Group has generally had a relatively modest 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 effect on the profit for the year 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 profit for the year** |
|---|---|---|
| EUR/USD | 8,6% | -21.4 |
| EUR/MYR | 11,3% | -15.8 |
| EUR/TRY | 11,2% | -9.4 |
| EUR/NOK | 8,3% | -9.2 |
| EUR/DKK | 0,3% | 0.9 |

*) 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.

| | 2016 | 2015 |
|---|---|---|
| Currency hedging | 3.8 | 10.4 |
| Interest rate hedging | -19.1 | -26.8 |
| Hedging agreements before tax | -15.3 | -16.4 |
| Tax on hedging agreements | 4.5 | 4.0 |
| Hedging agreements after tax | -10.8 | -12.4 |
| | | |
| Currency hedging expires in maximum (number of months) | 18 | 9 |
| Interest rate hedging expires in maximum (number of months) | 120 | 132 |

All amounts in DKK million

# Other notes to the consolidated financial statements

## 27 FINANCIAL RISK - CONTINUED

The Group's debt maturity profile:

| 2016 | Carrying amount | Overdraft facilities without planned repayment | Cash flows including interests: Less than 1 year | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Non-derivative financial instruments: | | | | | | |
| Banks and other credit institutions | 716.3 | 168.8 | 226.2 | 269.5 | 144.4 | 808.9 |
| Financial leases | 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 current payables, etc. | 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 for hedging | 19.1 | 0.0 | 5.0 | 11.4 | 2.9 | 19.3 |
| Recognised in the balance sheet total | 4,045.1 | 168.8 | 3,539.3 | 288.5 | 147.3 | 4,143.9 |
| Operational leases | | | 140.0 | 398.9 | 202.8 | 741.7 |
| Legal obligation at 31 December, for the purchase of PPE | | | 341.6 | 0.0 | 0.0 | 341.6 |
| **Total** | | 168.8 | 4,020.9 | 687.4 | 350.1 | 5,227.2 |

| 2015 | Carrying amount | Overdraft facilities without planned repayment | Cash flows including interests: Less than 1 year | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Non-derivative financial instruments | | | | | | |
| Banks and other credit institutions | 983.0 | 109.4 | 201.2 | 538.0 | 172.2 | 1,020.8 |
| Financial leases | 3.6 | 0.0 | 2.8 | 1.0 | 0.0 | 3.8 |
| Trade payables | 2,152.0 | 0.0 | 2,152.0 | 0.0 | 0.0 | 2,152.0 |
| Other current payables, etc. | 377.7 | 0.0 | 377.7 | 0.0 | 0.0 | 377.7 |
| Derivative financial instruments | | | | | | |
| Forward currency contracts used as hedging instruments | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Interest rate swaps used for hedging | 26.8 | 0.0 | 6.6 | 16.3 | 5.0 | 27.9 |
| Recognised in the balance sheet total | 3,543.2 | 109.4 | 2,740.4 | 555.3 | 177.2 | 3,582.3 |
| Operational leases | | | 90.6 | 255.0 | 148.4 | 494.0 |
| Legal obligation at 31 December, for the purchase of PPE | | | 299.1 | 45.9 | 0.0 | 345.0 |
| **Total** | | 109.4 | 3,130.1 | 856.2 | 325.6 | 4,421.3 |

All amounts in DKK million

# Other notes to the consolidated financial statements

## 28 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

| Financial assets | 2016 | 2015 |
|---|---|---|
| **Non-current assets** | | |
| Other securities and investments | 2.3 | 0.0 |
| **Fair value recognised in the income statement 1)** | 2.3 | 0.0 |
| | | |
| Other investments and securities (other equity holdings) | 119.0 | 83.9 |
| **Available-for-sale financial assets (3)** | 119.0 | 83.9 |
| | | |
| Other receivables | 138.9 | 177.7 |
| **Receivables measured at amortised cost** | 138.9 | 177.7 |
| | | |
| **Current assets** | | |
| Trade receivables | 2,896.0 | 2,557.5 |
| Other receivables | 179.1 | 189.2 |
| Cash and cash equivalents | 1,682.4 | 1,410.7 |
| **Receivables measured at amortised cost** | 4,757.5 | 4,157.4 |
| | | |
| Other investments and securities (other equity holdings) | 0.0 | 0.1 |
| **Available-for-sale financial assets (3)** | 0.0 | 0.1 |
| | | |
| Other receivables (derivative financial instruments) | 13.5 | 10.6 |
| **Trading portfolio (2)** | 13.5 | 10.6 |
| | | |
| **Financial liabilities** | | |
| **Non-current liabilities** | | |
| Debt to mortgage-credit institutions | 188.7 | 216.1 |
| Other (debt) to credit institutions | 213.5 | 470.6 |
| Other liabilities | 6.8 | 5.8 |
| **Financial liabilities measured at amortised cost** | 409.0 | 692.5 |
| | | |
| **Current liabilities** | | |
| Debt to mortgage-credit institutions | 26.4 | 24.3 |
| Other (debt) to credit institutions | 294.5 | 275.7 |
| Trade payables | 2,836.5 | 2,152.0 |
| **Financial liabilities measured at amortised cost** | 3,157.4 | 2,452.0 |
| | | |
| Other debt (derivative financial instruments) | 34.4 | 27.0 |
| **Trading portfolio (2)** | 34.4 | 27.0 |

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.

## 29 FAIR VALUE OF CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

| | 2016 | 2015 |
|---|---|---|
| **Financial assets** | | |
| Securities measured at fair value through profit or loss – level 1 | 2.3 | 0.0 |
| Derivative financial instruments to hedge future cash flows – level 2 | 17.8 | 10.6 |
| Securities measured at fair value through other comprehensive income – level 3 | 119.0 | 84.0 |
| | | |
| **Financial liabilities** | | |
| Derivative financial instruments to hedge future cash flows – level 2 | 34.4 | 16.8 |

Listed equities measured at the official year-end market value (level 1) amounted to DKK 2.3 million (2015 DKK 0.0 million). The change for the year was due to the addition of shares in Selonda (listed in Greece) at a value of DKK 2.3 million. Securities measured at fair value through other comprehensive income (level 3) amounted to DKK 84.0 million at the beginning of the year. The change for the period consisted of the addition of DKK 30.6 million, a DKK 0.4 million write-down to a lower fair value and foreign exchange adjustments of DKK 4.8 million.

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.

All amounts in DKK million

# Other notes to the consolidated financial statements

## 30 FEES TO AUDITORS APPOINTED BY THE GENERAL MEETING

| | 2016 | 2015 |
|---|---|---|
| Statutory audit fees, EY | -6.5 | -4.5 |
| Fees for other assurance engagements, EY | -0.8 | -0.4 |
| Fees for tax and VAT related services, EY | -5.1 | -2.3 |
| Fees for other services, EY | -2.3 | -2.4 |
| **Total fees, EY** | -14.7 | -9.6 |
| | | |
| Statutory audit fees, other accountants | -0.5 | -0.6 |
| Fees for other assurance engagements, other auditors | -0.3 | -0.1 |
| Fees for tax and VAT related services, other accountants | -0.7 | -0.6 |
| Fees for other services, other accountants | -0.3 | -1.0 |
| **Total fees, other accountants** | -1.8 | -2.3 |

## 31 EARNINGS PER SHARE (DKK)

| | 2016 | 2015 |
|---|---|---|
| Share of the profit for the year attributable to shareholders of Schouw & Co. | 1,341.5 | 647.8 |
| | | |
| Average number of shares | 25,500,000 | 25,500,000 |
| Average number of treasury shares | -1,782,139 | -1,924,775 |
| **Average number of outstanding shares** | 23,717,861 | 23,575,225 |
| | | |
| Average dilutive effect of outstanding share options * | 64,452 | 88,443 |
| **Diluted average number of outstanding shares** | 23,782,313 | 23,663,668 |
| | | |
| Earnings per share in Danish kroner of DKK 10 | 56.56 | 27.48 |
| Diluted earnings per share in Danish kroner of DKK 10 | 56.41 | 27.38 |

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

CONSOLIDATED STATEMENT

All amounts in DKK million

# Other notes to the consolidated financial statements

## 32 RELATED PARTY TRANSACTIONS

Under Danish legislation, Givesco A/S, Svinget 24, DK-7323 Give, members of the Board of Directors, the Executive Management and senior management as well as their family members are considered to be related parties. Related parties also comprise companies in which the individuals mentioned above have material interests. Related parties also comprise subsidiaries, joint arrangements and associates, see note 13 to the consolidated financial statements and note 9 to the parent company financial statements, in which Schouw & Co. has control, significant influence or joint control of as well as members of the boards of directors, management boards and senior management of those companies.

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

| | 2016 | 2015 |
|---|---|---|
| *Joint Ventures:* | | |
| During the financial year, the Group received consulting fees in the amount of | 0.0 | 0.2 |
| During the financial year, the Group sold goods in the amount of | 27.0 | 0.0 |
| At 31 December the Group had a receivable in the amount of | 19.2 | 0.0 |
| | | |
| *Associates:* | | |
| During the financial year, the Group received management fee in the amount of | 0.1 | 0.1 |
| During the financial year, the Group sold goods in the amount of | 31.2 | 20.1 |
| During the financial year, the Group bougth goods in the amount of | 9.5 | 2.4 |
| During the financial year, the Group received interest income in the amount of | 0.2 | 0.4 |
| At 31 December the Group had a receivable in the amount of | 0.0 | 10.9 |
| At 31 December the Group had debt in the amount of | 0.0 | 0.1 |
| During the financial year, the Group received dividends in the amount of | 64.3 | 49.2 |

During 2016, the Group traded with BioMar-Sagun, Incuba Invest, LetSea and Young Tech Co.

Other than as set out above, no transactions were made during the year with related parties.

Schouw & Co. has registered the following shareholders as holding 5% or more of the share capital: Givesco A/S (28.09%), Direktør Svend Hornsylds Legat (14.82%) and Aktieselskabet Schouw & Co. (6.89%).

## 33 EVENTS AFTER THE BALANCE SHEET DATE

GPV agreed on 28 February 2017 to acquire BHE, an EMS company based in Horsens, Denmark, with effect from 1 March 2017.

Other than as set out above, and elsewhere in this Annual Report, Schouw & Co. is not aware of events occurring after 31 December 2016, which are expected to have a material impact on the Group's financial position or outlook.

## 34 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 2016, including IFRS 15 and 16 and amendments to IFRS 9.

Adopted standards and improvements that have not yet come into force are expected to be implemented as and when they become mandatory to Schouw & Co. as per the EU effective dates.

Schouw & Co. is currently analysing the effects of the new standards. At the present time, IFRS 15 on revenue recognition is not expected to have any significant overall effect on the financial reporting. IFRS 16 on leases is expected to be of importance to the Group, because when it takes effect, most of 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 2016, the group had operating leases with lease obligations for a total of DKK 742 million, equal to 6% of total assets, most of which are expected to to be recognised in the balance sheet effective from 1 January 2019. The change will affect the income statement in that lease payments will be divided into a depreciation component and an interest component. This will in future reporting increase EBIT by an amount corresponding to the lease payments, as such amounts will henceforth be recognised as either depreciation charges or interest expense. It will also effect the cash flow statement in that the principal portion, which to date has been recognised in cash flows from operating activities will be presented as cash flows from financing activities. The interest portion will continue to be recognised in the cash flow statement under operating activities. The changes will not affect profit/loss before tax.

All amounts in DKK million

# Parent company financial statement

# Statements of income and comprehensive income *1.1–31.12*

| Note | Income statement | 2016 | 2015 |
|---|---|---|---|
| 1 | Revenue | 6.9 | 5.2 |
| 3 | Other operating income | 0.0 | 1.9 |
| 2, 22 | Administrative expenses | -35.2 | -33.6 |
| | **Operating profit (EBIT)** | -28.3 | -26.5 |
| | Recognition of share of profit in subsidiaries | 781.7 | 565.8 |
| | Recognition of share of profit in joint ventures | -2.3 | 9.2 |
| | Recognition of share of profit in associates | 556.1 | 71.8 |
| 11 | Financial income | 41.7 | 27.2 |
| 12 | Financial expenses | -10.7 | -2.0 |
| | **Profit before tax** | 1,338.2 | 645.5 |
| 18 | Tax on profit for the year | 3.3 | 2.3 |
| | **Profit for the year** | 1,341.5 | 647.8 |
| | Attributable to | | |
| | Proposed dividend, DKK 12 per share (2015: DKK 10 per share) | 306.0 | 255.0 |
| | Retained earnings | 1,035.5 | 392.8 |
| | **Profit for the year** | 1,341.5 | 647.8 |

| Note | Statement of comprehensive income | 2016 | 2015 |
|---|---|---|---|
| | Items that will be reclassified to the income statement: | | |
| | Hedging instruments recognised during the year | -0.4 | -1.0 |
| | Hedging instruments transferred to financials | 2.0 | 1.9 |
| | Value adjustment of subsidiaries, associates and joint ventures | -4.9 | 106.6 |
| | Other adjustments to parent company shareholders' equity | 0.0 | 1.3 |
| 18 | Tax on other comprehensive income | -0.4 | -0.2 |
| | **Other comprehensive income after tax** | -3.7 | 108.6 |
| | Profit for the year | 1,341.5 | 647.8 |
| | **Total recognised comprehensive income** | 1,337.8 | 756.4 |

All amounts in DKK million

# Balance sheet · Assets and liabilities

| Note | Assets | 31/12 2016 | 31/12 2015 |
|---|---|---|---|
| | Land and buildings | 16.1 | 16.1 |
| | Other fixtures, tools and equipment | 2.7 | 2.6 |
| 7 | **Property, plant and equipment** | 18.8 | 18.7 |
| 9 | Equity investments in subsidiaries | 4,904.0 | 4,240.8 |
| 9 | Equity investments in joint ventures | 34.0 | 35.2 |
| 9 | Equity investments in associates | 38.8 | 561.5 |
| | Securities | 0.4 | 0.4 |
| 19 | Deferred tax | 18.3 | 14.8 |
| 8 | Receivables from subsidiaries | 596.1 | 305.8 |
| | **Other non-current assets** | 5,591.6 | 5,158.5 |
| | **Total non-current assets** | 5,610.4 | 5,177.2 |
| 8 | Receivables from subsidiaries | 1,711.2 | 739.0 |
| 4 | Receivables | 7.2 | 16.8 |
| 21 | Income tax | 9.8 | 4.7 |
| | Cash | 1,193.6 | 858.9 |
| | **Total current assets** | 2,921.8 | 1,619.4 |
| | **Total assets** | 8,532.2 | 6,796.6 |

| Note | Liabilities and equity | 31/12 2016 | 31/12 2015 |
|---|---|---|---|
| 14 | Share capital | 255.0 | 255.0 |
| | Hedge transaction reserve | -3.7 | -4.9 |
| | Net revaluation reserve as per the equity method | 1,787.7 | 1,291.3 |
| | Retained earnings | 5,451.8 | 4,859.4 |
| | Proposed dividend | 306.0 | 255.0 |
| | **Total equity** | 7,796.8 | 6,655.8 |
| 15 | Pensions and similar liabilities | 19.7 | 20.6 |
| 13 | Credit institutions | 5.7 | 6.2 |
| | **Non-current liabilities** | 25.4 | 26.8 |
| 13 | Current portion of non-current debt | 0.5 | 0.5 |
| 13 | Credit institutions | 44.3 | 0.0 |
| 13 | Payables to subsidiaries | 636.1 | 67.8 |
| 6 | Trade payables and other payables | 14.2 | 16.7 |
| 20 | Joint taxation contribution | 14.9 | 29.0 |
| | **Current liabilities** | 710.0 | 114.0 |
| | **Total liabilities** | 735.4 | 140.8 |
| | **Total liabilities and equity** | 8,532.2 | 6,796.6 |

Notes without reference 10, 16, 17 & 23.

PARENT COMPANY

All amounts in DKK million

# Cash flow statement *1 January – 31 December*

| Note | | 2016 | 2015 |
|---|---|---|---|
| | Profit before tax | 1,338.2 | 645.5 |
| | Adjustment for operating items of a non-cash nature, etc. | | |
| 2 | Depreciation and impairment losses | 0.3 | 0.3 |
| | Other operating items, net | 3.4 | 2.4 |
| | Share of profit from subsidiaries, associates and joint ventures | -1,335.5 | -646.8 |
| | Provisions | -0.9 | -0.8 |
| | Financial income | -41.7 | -27.2 |
| | Financial expenses | 10.7 | 2.0 |
| | **Cash flows from operating activities before changes in working capital** | -25.5 | -24.6 |
| 5 | Changes in working capital | -4.7 | 2.6 |
| | **Cash flows from operating activities** | -30.2 | -22.0 |
| | Financial income received | 40.2 | 17.3 |
| | Financial expenses paid | -6.8 | -2.2 |
| | **Cash flows from ordinary activities** | 3.2 | -6.9 |
| 20,21 | Joint taxation contribution received and net tax paid | -17.6 | 1.0 |
| | **Cash flows from operating activities** | -14.4 | -5.9 |
| | Purchase of property, plant and equipment | -0.5 | -0.3 |
| | Capital increase in subsidaries | -140.0 | -7.5 |
| | Acquisition of subsidiaries | -98.1 | 0.0 |
| | Dividend from subsidiaries | 394.8 | 367.2 |
| | Sale of associates | 1,033.8 | 0.0 |
| | Loans to associates | 9.9 | 0.0 |
| | **Cash flows from investing activities** | 1,199.9 | 359.4 |

| Note | | 2016 | 2015 |
|---|---|---|---|
| | Debt financing: | | |
| | Repayment of non-current liabilities | -0.6 | -8.1 |
| | Increase (repayment) of bank overdrafts | 44.3 | 0.0 |
| | Increase (repayment) of intra-group balances | -691.0 | 307.3 |
| | Shareholders: | | |
| | Dividend paid | -237.7 | -188.8 |
| | Purchase / sale of treasury shares, ect. | 35.8 | 14.2 |
| | **Cash flows from financing activities** | -849.2 | 124.6 |
| | Cash flows for the year | 336.3 | 478.1 |
| | Cash and cash equivalents at 1 January | 858.9 | 380.0 |
| | Value adjustment of cash and cash equivalents | -1.6 | 0.8 |
| | **Cash and cash equivalents at 31 December** | 1,193.6 | 858.9 |

All amounts in DKK million

# Statement of changes in equity

| | Share capital | Hedge transaction reserve | Net revaluation reserve as per the equity method | Retained earnings | Proposed dividend | Total equity |
|---|---|---|---|---|---|---|
| **Equity at 1 January 2015** | 255.0 | -5.6 | 903.9 | 4,713.6 | 204.0 | 6,070.9 |
| Other comprehensive income in 2015 | | | | | | |
| Value adjustment of hedging instruments recognised during the year | 0.0 | -1.0 | 0.0 | 0.0 | 0.0 | -1.0 |
| Hedging instruments transferred to financials | 0.0 | 1.9 | 0.0 | 0.0 | 0.0 | 1.9 |
| Value adjustment of subsidiaries, associates and joint ventures | 0.0 | 0.0 | 106.6 | 0.0 | 0.0 | 106.6 |
| Other adjustments to parent company shareholders' equity | 0.0 | 0.0 | 1.3 | 0.0 | 0.0 | 1.3 |
| Tax on other comprehensive income | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 | -0.2 |
| Profit for the year | 0.0 | 0.0 | 646.7 | -253.9 | 255.0 | 647.8 |
| **Total recognised comprehensive income** | 0.0 | 0.7 | 754.6 | -253.9 | 255.0 | 756.4 |
| Transactions with the owners | | | | | | |
| Share-based payment, net | 0.0 | 0.0 | 0.0 | 7.9 | 0.0 | 7.9 |
| Dividend distributed | 0.0 | 0.0 | -367.2 | 382.4 | -204.0 | -188.8 |
| Treasury shares bought/sold | 0.0 | 0.0 | 0.0 | 9.4 | 0.0 | 9.4 |
| **Transactions with the owners for the year** | 0.0 | 0.0 | -367.2 | 399.7 | -204.0 | -171.5 |
| **Equity at 31 December 2015** | 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 | 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 |
| Value adjustment 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 |
| Dividend distributed | 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 |
| **Transactions with the owners for 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 |

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.

All amounts in DKK million

# Notes · Basis of preparation of the parent company

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 2016. 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

| | 2016 | 2015 |
|---|---|---|
| Management fee | 6.9 | 5.2 |
| Total revenue | 6.9 | 5.2 |

## 2 COSTS

| | 2016 | 2015 |
|---|---|---|
| **Staff costs** | | |
| Remuneration to the Board of Directors of Schouw & Co. | -2.7 | -2.8 |
| Wages and salaries | -17.9 | -15.9 |
| Defined contribution pension plans | -1.1 | -1.0 |
| Other social security costs | -0.1 | -0.1 |
| Share-based payment | -3.0 | -2.4 |
| **Total staff costs** | -24.8 | -22.2 |
| | | |
| Average number of employees | 11 | 11 |
| | | |
| **Depreciation** | | |
| Depreciation of 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 OTHER OPERATING INCOME

| | 2016 | 2015 |
|---|---|---|
| Other operating income | 0.0 | 1.9 |
| Total other operating income | 0.0 | 1.9 |

Other operating income in 2015 relates to an expected reimbursement of VAT in connection with a change in the deductibility of VAT in holding companies.

## 4 RECEIVABLES - CURRENT

| | 2016 | 2015 |
|---|---|---|
| Receivables from associates | 0.0 | 9.9 |
| Other current receivables | 1.9 | 6.5 |
| Accruals and deferred income | 5.3 | 0.4 |
| **Receivables current** | 7.2 | 16.8 |

No impairment losses were recognised on receivables during the year.

## 5 CHANGES IN WORKING CAPITAL

| | 2016 | 2015 |
|---|---|---|
| Change in receivables | 1.0 | -6.2 |
| Change in trade payables and other payables | -5.7 | 8.8 |
| Changes in working capital in total | -4.7 | 2.6 |

## 6 TRADE PAYABLES AND OTHER PAYABLES

| | 2016 | 2015 |
|---|---|---|
| Trade payables | 0.3 | 0.2 |
| Other payables | 13.9 | 16.5 |
| Trade payables and other payables in total | 14.2 | 16.7 |

All amounts in DKK million

# Notes to the parent company financial statements

## 7 PROPERTY, PLANT AND EQUIPMENT

| 2016 | Land and buildings | Other fixtures, 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 |
| | | | |
| Depreciation and impairment at 1 January 2016 | -2.8 | -4.7 | -7.5 |
| Depreciation and impairment of disposed assets | 0.0 | 0.1 | 0.1 |
| Depreciation | 0.0 | -0.3 | -0.3 |
| Depreciation and impairment at 31 December 2016 | -2.8 | -4.9 | -7.7 |
| | | | |
| **Carrying amount at 31 December 2016** | 16.1 | 2.7 | 18.8 |
| | | | |
| Depreciated over | 25 years | 3-8 years | |

| 2015 | Land and buildings | Other fixtures, tools and equipment | Total |
|---|---|---|---|
| Cost at 1 January 2015 | 18.9 | 7.2 | 26.1 |
| Additions | 0.0 | 0.3 | 0.3 |
| Disposals | 0.0 | -0.2 | -0.2 |
| Cost at 31 December 2015 | 18.9 | 7.3 | 26.2 |
| | | | |
| Depreciation and impairment at 1 January 2015 | -2.8 | -4.6 | -7.4 |
| Depreciation and impairment of disposed assets | 0.0 | 0.2 | 0.2 |
| Depreciation | 0.0 | -0.3 | -0.3 |
| Depreciation and impairment at 31 December 2015 | -2.8 | -4.7 | -7.5 |
| | | | |
| **Carrying amount at 31 December 2015** | 16.1 | 2.6 | 18.7 |
| | | | |
| Depreciated over | 25 years | 3-8 years | |

At 31 December 2016, 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.

## 8 RECEIVABLES FROM SUBSIDIARIES

| | 2016 | 2015 |
|---|---|---|
| Receivables from subsidiaries - non-current | 596.1 | 305.8 |
| Receivables from subsidiaries - current | 1,711.2 | 739.0 |
| Receivables from subsidiaries in total | 2,307.3 | 1,044.8 |
| | | |
| Break down of receivables from subsidiaries: | | |
| Interest-bearing | 2,307.3 | 1,043.5 |
| Non-interest-bearing | 0.0 | 1.3 |
| Receivables from subsidiaries in total | 2,307.3 | 1,044.8 |

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.

All amounts in DKK million

# Notes to the parent company financial statements

## 9 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

**The parent company has the following subsidiaries:**

| Name | Registered office | Ownership interest 2016 | Ownership interest 2015 |
|---|---|---|---|
| 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% |
| GPV International A/S | Tarm, Danmark | 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% |

| | 31/12 2016 | 31/12 2015 |
|---|---|---|
| Cost at 1 January | 2,824.6 | 2,817.1 |
| Additions | 238.1 | 7.5 |
| Cost at 31 December | 3,062.7 | 2,824.6 |
| | | |
| Adjustments at 1 January | 1,416.2 | 1,054.1 |
| Share of profit for the year | 781.7 | 565.8 |
| Dividends paid | -334.0 | -318.0 |
| Other capital entries | -22.6 | 114.3 |
| Adjustments at 31 December | 1,841.3 | 1,416.2 |
| | | |
| **Carrying amount at 31 December** | 4,904.0 | 4,240.8 |
| | | |
| Of which carrying amount of goodwill | 510.2 | 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 joint ventures:**

| Name | Registered office | Ownership interest 2016 | Ownership interest 2015 |
|---|---|---|---|
| Xergi A/S | Støvring, Denmark | 50% | 50% |

| | 31/12 2016 | 31/12 2015 |
|---|---|---|
| Cost at 1 January | 60.0 | 60.0 |
| Cost at 31 December | 60.0 | 60.0 |
| | | |
| Adjustments at 1 January | -24.8 | -34.3 |
| Share of profit for the year | -2.3 | 9.2 |
| Other capital entries | 1.1 | 0.3 |
| Adjustments at 31 December | -26.0 | -24.8 |
| | | |
| **Carrying amount at 31 December** | 34.0 | 35.2 |

No goodwill has been capitalised in respect of investments in joint ventures.

**The parent company has the following associates:**

| Name | Registered office | Ownership interest 2016 | Ownership interest 2015 |
|---|---|---|---|
| Incuba Invest A/S | Aarhus, Denmark | 49% | 49% |
| Kramp Groep B.V. | Varsseveld, The Netherlands | 0% | 20% |

| | 31/12 2016 | 31/12 2015 |
|---|---|---|
| Cost at 1 January | 661.5 | 661.5 |
| Disposals | -595.0 | 0.0 |
| Cost at 31 December | 66.4 | 661.5 |
| | | |
| Adjustments at 1 January | -100.0 | -115.7 |
| Disposals | -5.1 | 0.0 |
| Share of profit for the year | 121.7 | 71.8 |
| Dividends paid | -60.8 | -49.2 |
| Other capital entries | 16.6 | -6.9 |
| Adjustments at 31 December | -27.6 | -100.0 |
| | | |
| **Carrying amount at 31 December** | 38.8 | 561.5 |
| | | |
| Of which carrying amount of goodwill | 0.0 | 300.5 |
| | | |
| Recognised in the income statement: | 0.0 | 0.0 |
| Operating profit in associates | 121.7 | 71.8 |
| Profit / reassessment at fair value | 434.4 | 0.0 |
| Profit after tax in associates and reassessment at fair value | 556.1 | 71.8 |

All amounts in DKK million

# Notes to the parent company financial statements

## 10 OPERATING LEASE LIABILITIES

| | 2016 | 2015 |
|---|---|---|
| Due for payment within 1 year | 0.1 | 0.2 |
| Due for payment within 1-5 years | 0.1 | 0.3 |
| Due for payment after 5 years | 0.0 | 0.0 |
| Operating leases in total | 0.2 | 0.5 |

An amount of DKK 0.2 million (2015: DKK 0.2 million) relating to operating leases has been recognised in the income statement for 2016. The parent company has lease agreements for cars only.

## 11 FINANCIAL INCOME

| | 2016 | 2015 |
|---|---|---|
| Interest income from subsidiaries | 40.0 | 16.8 |
| Currency transaction adjustments | 1.5 | 9.5 |
| Other interest income | 0.2 | 0.9 |
| Total financial income | 41.7 | 27.2 |

## 12 FINANCIAL EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Interest payable to subsidiaries | 0.0 | 0.0 |
| Interests on financial liabilities | -4.8 | -0.1 |
| Fair value adjustments of hedging transactions transferred from equity | -2.0 | -1.9 |
| Currency transaction adjustments | -3.9 | 0.0 |
| Total financial expenses | -10.7 | -2.0 |

## 13 NET INTEREST-BEARING DEBT

Debt recognised in the balance sheet:

| | 2016 | 2015 |
|---|---|---|
| Mortgage debt (non-current) | 5.7 | 6.2 |
| Recognised under non-current debt to credit institutions, total | 5.7 | 6.2 |
| Current portion of non-current liabilities | 0.5 | 0.5 |
| Credit institutions (current) | 44.3 | 0.0 |
| Payables to subsidiaries | 636.1 | 63.1 |
| **Interest-bearing debt in total** | **686.6** | **69.8** |
| Fair value of the interest bearing debt | 686.5 | 69.9 |

Maturity profile of interest-bearing debt:

| | 2016 | 2015 |
|---|---|---|
| **Payment** | | |
| Payables without planned repayment | 680.4 | 63.1 |
| Less than 1 year | 0.6 | 0.6 |
| 1-5 years | 2.3 | 2.4 |
| More than 5 years | 3.7 | 4.2 |
| Total | 687.0 | 70.3 |
| **Rate of interest** | | |
| Payables without planned repayment | 0.0 | 0.0 |
| Less than 1 year | 0.1 | 0.1 |
| 1-5 years | 0.1 | 0.2 |
| More than 5 years | 0.2 | 0.2 |
| Total | 0.4 | 0.5 |
| **Carrying amount** | | |
| Payables without planned repayment | 680.4 | 63.1 |
| Less than 1 year | 0.5 | 0.5 |
| 1-5 years | 2.2 | 2.2 |
| More than 5 years | 3.5 | 4.0 |
| Total | 686.6 | 69.8 |

Spot rate used for floating rate loans.

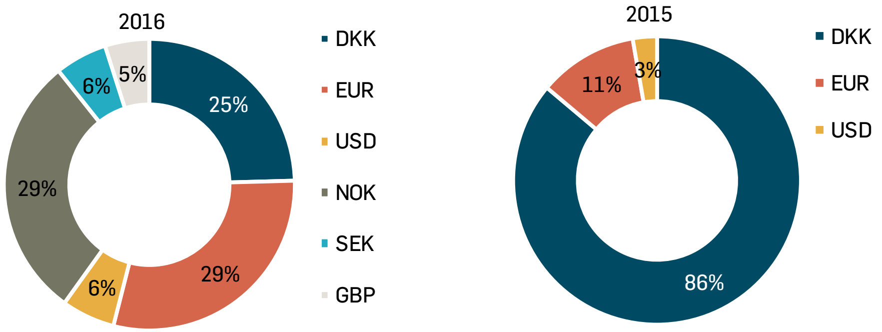
All amounts in DKK million

# Notes to the parent company financial statements

## 13 NET INTEREST-BEARING DEBT (CONTINUED)

The weighted average effective rate of interest for the year was 1.7% (2015: 3.4%).
The weighted average effective rate of interest at the balance sheet date was 0.4% (2015: 2.8%).

Distribution 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:

| | 2016 | 2015 |
|---|---|---|
| Fixed rate debt | 0.0 | 0.0 |
| Floating rate debt | 686.5 | 69.8 |
| Variable rate debt swapped to fixed rate debt | 49.9 | 50.1 |

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by about DKK 5.0 million after tax (2015: DKK 0.2 million). An increase in interest rates of 1 percentage point would cause equity to rise by DKK 1.2 million after tax (2015: DKK 1.3 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 2.5 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.

| | 2016 | 2015 |
|---|---|---|
| Credit facility | 1,800.0 | 680.0 |
| Cash and cash equivalents | 1,193.6 | 858.9 |
| Draw operating credits | -44.3 | 0.0 |
| The parent companys cash resources before predisposed credit lines to subsidiaries | 2,949.3 | 1,538.9 |
| Predisposed credit lines to subsidiaries | 2,678.1 | 1,061.4 |
| Drawn operating credits in subsidiaries | 1,075.1 | 674.6 |
| Undrawn credit lines in subsidiaries | 1,603.0 | 386.8 |
| The parent companys credit resources after predisposed credit lines to subsidiaries | 1,346.3 | 1,152.1 |

Schouw & Co. has entered into an agreement with several major Scandinavian banks, which, subject to compliance with covenants, provides an operating credit facility until June 2019. Schouw & Co. will be able to extend the agreement by up to two years.

All amounts in DKK million

# Notes to the parent company financial statements

## 14 SHARE CAPITAL

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

The share capital is fully paid up. Each share carries one vote, for a total of 25,500,000 voting rights.

| Treasury shares | Number of shares | Nominal value | Cost | Percentage of share capital |
|---|---|---|---|---|
| 1 January 2015 | 2,009,933 | 20,099,330 | 349.7 | 7.88% |
| Share option programme | -177,000 | -1,770,000 | -21.5 | -0.69% |
| Additions | 73,197 | 731,970 | 23.8 | 0.29% |
| **31 December 2015** | 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% |

In 2016, Schouw & Co. sold shares held in treasury for proceeds of DKK 42.0 million used for the Group's share option programme. The shares had a fair value of DKK 74.1 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 2016, the company's treasury shares had a market value of DKK 924.1 million (2015: DKK 737.7 million).

## 15 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.

| | 2016 | 2015 |
|---|---|---|
| Net liability at 1 January | 20.6 | 21.4 |
| Paid out | -0.9 | -0.8 |
| Net liability at 31 December | 19.7 | 20.6 |

The pension obligation was calculated at DKK 19.7 million at 31 December 2016. 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.

## 16 PLEDGES 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 (2015: DKK 16.1 million).
The collateral set out above represents the parent company's debt to mortgage-credit institutions of DKK 6.2 million (2015: DKK 6.9 million).

Surety for group debt to credit institutions amounted to DKK 19.8 million (2015: DKK 0.0 million).

In addition, the Group has provided a guarantee to an insurance company in the amount of DKK 20 million.

All amounts in DKK million

# Notes to the parent company financial statements

## 17 FINANCIAL RISK

**The parent company's risk management policy**
Due to the nature of its operations, investments and financing, the parent company is exposed primarily to changes in the level of interest rates. Interest rate risks are described in greater detail in note 13. 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.

In addition, as the owner of the Group's cash pools, the parent company has a relatively large currency exposure on its cash positions. However, the currency risk is offset by opposite cash positions held by the Group's subsidiaries. The parent company's overall currency risk is currently limited to net deposits in EUR, USD and SEK. The DKK/USD and DKK/SEK exchange rates are relatively volatile, 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.

**2016**

| Currency | Net position | Likely change in exchange rate* | Effect on profit for the year** |
|---|---|---|---|
| EUR/DKK | 378.5 | 0.4% | 1.5 |
| USD/DKK | 118.1 | 8.5% | 10.0 |
| SEK/DKK | 73.9 | 6.6% | 4.9 |

*) 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.

## 18 TAX ON THE PROFIT FOR THE YEAR

| | 2016 | 2015 |
|---|---|---|
| Tax for the year is composed as follows: | | |
| Tax on the profit for the year | 3.3 | 2.3 |
| Tax on other comprehensive income | -0.4 | -0.2 |
| **Tax in total** | 2.9 | 2.1 |
| | | |
| Tax on the profit for the year has been calculated as follows: | | |
| Current tax | -0.5 | 1.1 |
| Deferred tax | 3.7 | 0.4 |
| Adjustment of prior-year tax charge | 0.1 | 0.8 |
| **Tax recognised in the income statement in total** | 3.3 | 2.3 |
| | | |
| Specification of the tax on the profit for the year: | | |
| Calculated 22.0% (23.5%) tax of the profit for the year | -294.4 | -151.7 |
| Tax effect of non-deductible costs and non-taxable income | 297.6 | 153.2 |
| Tax effect of adjustment of prior-year tax charge | 0.1 | 0.8 |
| **Tax recognised in the income statement in total** | 3.3 | 2.3 |
| | | |
| **Effective tax rate** | -0.2% | -0.4% |

Non-taxable income and non-deductible expenses relate primarily to non-deductible income from investments in subsidiaries, joint ventures and associates.

| **Tax on items taken to other comprehensive income - 2016** | **Before tax** | **Tax** | **After tax** |
|---|---|---|---|
| Hedging instruments for the year | -0.4 | 0.1 | -0.3 |
| Hedging instruments transferred to financials | 2.0 | -0.5 | 1.5 |
| Value adjustment of subsidiaries, associates and joint ventures | -4.9 | 0.0 | -4.9 |
| Total tax on items taken to other comprehensive income | -3.3 | -0.4 | -3.7 |

| **Tax on items taken to other comprehensive income - 2015** | **Before tax** | **Tax** | **After tax** |
|---|---|---|---|
| Hedging instruments for the year | -1.0 | 0.2 | -0.8 |
| Hedging instruments transferred to financials | 1.9 | -0.4 | 1.5 |
| Value adjustment of subsidiaries, associates and joint ventures | 106.6 | 0.0 | 106.6 |
| Other adjustments to parent company shareholders' equity | 1.3 | 0.0 | 1.3 |
| Total tax on items taken to other comprehensive income | 108.8 | -0.2 | 108.6 |

All amounts in DKK million

# Notes to the parent company financial statements

## 19 DEFERRED TAX

| | 2016 | 2015 |
|---|---|---|
| Deferred tax at 1 January | -14.8 | -13.6 |
| Deferred tax adjustment at 1 January | 0.2 | -0.8 |
| Deferred tax for the year recognised in profit for the year | -3.7 | -0.4 |
| **Net deferred tax at 31 December** | -18.3 | -14.8 |
| | | |
| Deferred tax pertains to: | | |
| Property, plant and equipment | -2.1 | -2.8 |
| Other liabilities | -16.2 | -11.5 |
| Tax loss carry-forwards | 0.0 | -0.5 |
| **Net deferred tax at 31 December** | -18.3 | -14.8 |

There are no deferred tax assets or tax liabilities that have not been recognised in the balance sheet.

| | 2016 | | |
|---|---|---|---|
| **Change in deferred tax** | Balance at 1 Jan | Recognised in profit for the year | Balance at 31 Dec |
| Property, plant and equipment | -2.8 | 0.7 | -2.1 |
| Other liabilities | -11.5 | -4.7 | -16.2 |
| Tax losses | -0.5 | 0.5 | 0.0 |
| **Total change in deferred tax** | -14.8 | -3.5 | -18.3 |

| | 2015 | | |
|---|---|---|---|
| **Change in deferred tax** | Balance at 1 Jan | Recognised in profit for the year | Balance at 31 Dec |
| Property, plant and equipment | -3.1 | 0.3 | -2.8 |
| Other liabilities | -9.6 | -1.9 | -11.5 |
| Tax losses | -0.9 | 0.4 | -0.5 |
| **Total change in deferred tax** | -13.6 | -1.2 | -14.8 |

## 20 JOINT TAXATION CONTRIBUTIONS

| | 2016 | 2015 |
|---|---|---|
| Joint taxation contribution at 1 January | 29.0 | 25.1 |
| Current tax for the year | -29.5 | -17.1 |
| Joint taxation contribution received/paid | 15.4 | 21.0 |
| Joint taxation contribution in total | 14.9 | 29.0 |
| | | |
| Which is distributed as follows: | | |
| Joint taxation contribution receivable | 0.0 | 0.0 |
| Joint taxation contribution payable | 14.9 | 29.0 |
| Joint taxation contribution in total | 14.9 | 29.0 |

## 21 INCOME TAX

| | 2016 | 2015 |
|---|---|---|
| Net income tax payable at 1 January | -4.7 | 0.0 |
| Current tax for the year | 0.5 | -1.2 |
| Prior-year adjustments | -0.3 | 0.0 |
| Current tax for the year recognised in other comprehensive income | 0.3 | 0.2 |
| Current tax of other equity adjustments | -2.1 | -0.8 |
| Current tax for the year from jointly taxed companies | 29.5 | 17.1 |
| Corporate income tax paid during the year | -33.0 | -20.0 |
| **Income tax in total** | -9.8 | -4.7 |
| | | |
| Which is distributed as follows: | | |
| Income tax receivable | -9.8 | -4.7 |
| Income tax payable | 0.0 | 0.0 |
| **Income tax in total** | -9.8 | -4.7 |

All amounts in DKK million

# Notes to the parent company financial statements

## 22 FEES TO AUDITORS APPOINTED BY THE GENERAL MEETING

| | 2016 | 2015 |
|---|---|---|
| Statutory audit fees, EY | -0.3 | -0.2 |
| Fees for tax and VAT related services, EY | -0.1 | -0.1 |
| Fees for other services, EY | -0.5 | -1.1 |
| **Total fees, EY** | -0.9 | -1.4 |

## 23 RELATED PARTY TRANSACTIONS

Related parties are described in note 34 to the consolidated financial statements.

Management's remuneration and share option programmes are set out in note 3 to the consolidated financial statements.

| | 2016 | 2015 |
|---|---|---|
| *Subsidiaries:* | | |
| The parent company has during the year received a management fee of | 6.8 | 5.0 |
| The parent company has during the year received interests of | 40.0 | 16.8 |
| The parent company has at 31 December a receivable of | 2,307.3 | 1,044.7 |
| The parent company has at 31 December a debt of | 636.1 | 67.8 |
| The parent company has during the year received dividends of | 334.0 | 318.0 |
| *Associates:* | | |
| The parent company has during the year received a management fee of | 0.1 | 0.1 |
| The parent company has during the year received interests of | 0.2 | 0.4 |
| The parent company has at 31 December a receivable of | 0.0 | 9.9 |
| The parent company has during the year received dividends of | 60.8 | 49.2 |
| *Joint Ventures:* | | |
| The parent company has during the year received concultancy fee of | 0.0 | 0.2 |

Other than as set out above, no transactions were made during the year with related parties.

All amounts in DKK million

# Management Statement

## To the shareholders of Aktieselskabet Schouw & Co.

The Board of Directors and the Executive Management have considered and approved the annual report for the 2016 financial year.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and other requirements pursuant to the Danish Financial Statements Act.

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 2016 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2016.

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, 10 March 2017

### Executive Management

Jens Bjerg Sørensen
*President*

Peter Kjær

### Board of Directors

Jørn Ankær Thomsen
*Chairman*

Jørgen Wisborg
*Deputy Chairman*

Erling Eskildsen

Niels Kristian Agner

Kjeld Johannesen

Agnete Raaschou-Nielsen

# 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 2016, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent 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 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

### 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon, and 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 the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements and the parent company 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 accompanying consolidated financial statements and parent company financial statements.

#### TRADE RECEIVABLES

Trade receivables represent a significant consolidated financial statements item of which approx. 2/3 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 write-downs 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 estimate of write-downs 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 estimate of write-down on trade receivables relating to BioMar.

#### ACQUISITIONS

The acquisition of the Swedish hydraulics entity, Specma, was finalised on 4 January 2016, whereas the acquisition of the electronics manufacturer, GPV International A/S, was finalised on 1 April 2016, see note 15 to the consolidated financial statements. Management has prepared purchase price allocations in connection with the transactions which are subject to significant estimates and assessments by Management, including requirements for the valuation of identifiable assets at fair value. In connection with the purchase price allocation, Management identified relevant assets and liabilities, including e.g. customer contracts, trademarks, other intangible assets and goodwill.

Our audit procedures included examination and independent assessment of the assets and liabilities identified by Management as well as of the valuation methods and assumptions used for the fair value valuation. We compared methods and assumptions applied with generally accepted practice for the valuation and external data, where relevant.

#### GOODWILL

Goodwill represents a significant consolidated financial statements item. In order to ensure that the carrying amount of goodwill does not exceed the recoverable amount, Management performs an impairment test once a year of group goodwill, see note 16 to the consolidated financial statements. We compared the value of each of the cash-generating units to which goodwill relates with the recoverable amount. In accordance with IAS 36, Management has estimated future cash flows for each cash-generating unit and calculated the value in use using the discounted cash flow model.

Our audit procedures included an examination of the Group's impairment model and the assumptions on which the estimated future cash flows as well as the discounted cash flows are based, including significant expectations of future earnings (EBIT) and determination of the discount factor. Moreover, we made comparison with historical growth rates and external market data and performed a sensitivity analysis for the assumptions used.

# Independent auditors' report

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 our procedures, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient 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.

# Independent auditors' report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 10 March 2017

Ernst & Young
Godkendt Revisionspartnerselskab
Company reg. (CVR) no. 30700228

Claus Hammer-Pedersen
*State Authorised Public Accountant*

Morten Friis
*State Authorised Public Accountant*

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