BioMar Group A/S

Annual report 2018
CVR no. 38 57 06 17

Værkmestergade 25, 6.
DK-8000 Aarhus C

Content

DET BEKRÆFTES, AT NÆRVÆRENDE ÅRSRAPPORT
ER EN FULDSTÆNDIG OG TRO KOPI AF DEN PÅ
GENERALFORSAMLINGEN GODKENDTE ÅRSRAPPORT

DATO 12.03.2019
NAVN CLAUS ESKILDSEN
STILLING GROUP CFO
ADR VÆRKMESTERGADE 25
DK-8000

Corporate information

BioMar Group A/S
Værkmestergade 25, 6.
8000 Aarhus C
Denmark

Phone: (+45) 86 20 49 70
www.biomar.com

CVR-no.: 38 57 06 17
Financial year: January 1st – December 31st

Board of Directors
Jens Bjerg Sørensen (Chairman)
Asbjørn Reinkind (Deputy Chairman)
Jørn Ankær Thomsen
Natalie Knight
Anders Wilhjelm

Executive management
CEO Carlos Diaz

Shareholders
The Group is a 100% subsidiary of:
Aktieselskabet Schouw & Co.
Chr. Filtenborgs Plads 1
8000 Aarhus C
Denmark

Approval and publication
Annual general meeting at March 12th 2019

Management statement

The Board of Directors and the Executive Management have considered and approved the annual report for 2018 for BioMar Group A/S.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at December 31st 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended December 31st 2018.

In our opinion, the management's report includes a fair review of the development and performance of the Group and the parent company, the financial results and cash flows for the year and of the financial position, together with a description of the principal risks and uncertainties that the Group and parent company face.

We recommend that the annual report is adopted by the shareholders at the annual general meeting.

Aarhus, March 4th 2019

Executive Management:

Carlos Diaz
CEO

Board of Directors:

Jens Bjerg Sørensen
Chairman

Asbjørn Reinkind
Deputy Chairman

Jørn Ankær Thomsen

Natalie Knight

Anders Wilhjelm

Independent auditor’s report

To the shareholders of BioMar Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of BioMar Group A/S for the financial year 1 January – 31 December 2018, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and 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 2018 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 2018 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" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 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 financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient 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.

Aarhus, March 4th 2019

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

Claus Hammer-Pedersen
State Authorised
Public Accountant
MNE no.: mne21334

Søren Jensen
State Authorised
Public Accountant
MNE no.: mne34132

Management review

BioMar at a glance

BioMar is a leading supplier of high performance feed to the aquaculture industry worldwide. Globally BioMar Group supplies aquaculture feed to more than 45 different fish and shellfish species in more than 80 countries. The main products are feed made for salmon and trout, seabass and seabream as well as shrimps. The Group's activities are based on geography and business focus divided in to three operational divisions; Salmon, EMEA and Emerging Markets.

The Salmon division supplies fish feed with high attention to sustainability for Atlantic and Pacific salmon and trout mainly in Norway, Scotland and Chile. The EMEA division comprise fish feed for among other trout, seabass, seabream, sturgeon and eel mainly for customers in Europe, Middle East and Africa. The Emerging Markets division operates and serves customers in Ecuador, China and Costa Rica with feed for shrimp, tilapia, cobia, red snapper, trout and other warm water species.

The three operational divisions enable the most appropriate business models in the individual markets with the aim to achieve best practice and positive synergies across the geographical markets.

The Group employs more than 1.500 employees end of 2018 of which 231 employees are employed in the Group's joint ventures in China and Turkey. The share of employees employed abroad constitutes more than 90% of the total head count.

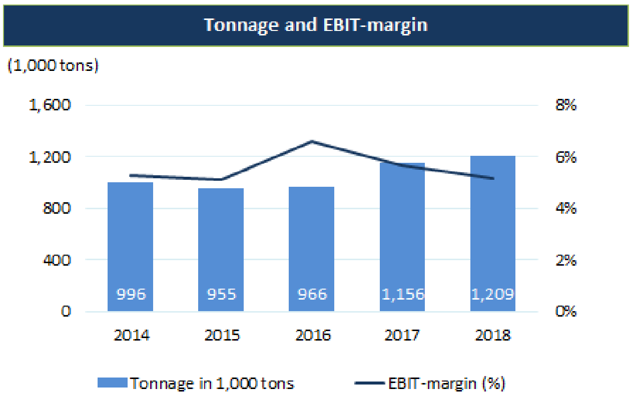
BioMar is head quartered in Aarhus and holds production facilities in the following countries divided by division:
Salmon division: Chile, Norway and Scotland.
EMEA division: Denmark, France, Greece, Spain and Turkey.
Emerging Markets division: Costa Rica, Ecuador and China.

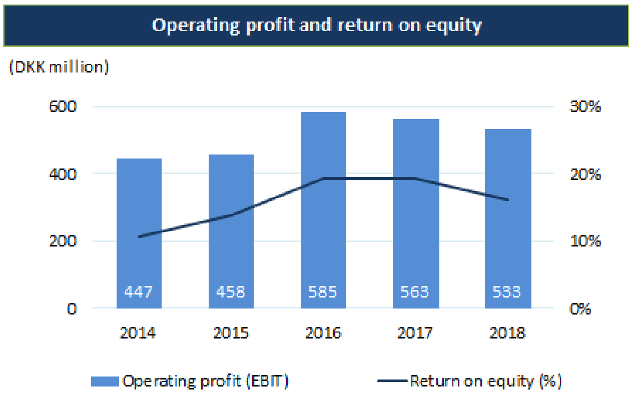
Group structure

Reference is made to note 26.

Financial highlights and key ratios

	2018	2017	2016	2015	2014
Volume aqua feed					
Tonnage in 1,000 tons	1,209	1,156	966	955	996
(in million DKK)					
Profit and loss					
Revenue	10,328	9,955	8,867	8,974	8,451
Operating profit before depreciations (EBITDA)	712	712	722	593	574
Operating profit (EBIT)	533	563	585	458	447
Net financials	-35	14	-16	-54	-39
Profit before tax	574	615	581	410	411
Profit for the year	410	470	433	276	194
Invested capital					
Investments in property, plant and equipment	224	195	272	116	95
Non-current assets	3,161	2,973	1,821	1,550	1,446
Current assets	3,980	3,322	3,355	3,270	3,371
Total assets	7,141	6,295	5,176	4,820	4,817
Equity	2,583	2,489	2,343	2,120	1,885
Cash flows					
Cash flows from operating activities	365	296	884	637	266
Cash flows from investing activities	-217	-1,027	-376	-210	-167
Cash flows from financing activities	-108	657	-634	-622	-60
Cash flows for the year	40	-74	-125	-195	40
Key ratios					
EBIT-margin (%)	5.2	5.7	6.6	5.1	5.3
Return on equity (%)	16.2	19.5	19.4	13.8	10.7
Solvency ratio (%)	36.2	39.5	45.3	44.0	39.1





Definitions of key ratios

Ratio	Definition	Value
Operating profit (EBIT-margin)	$\frac{\text{Operating profit}}{\text{Revenue}}$	5.2 %
Return on Equity (%)	$\frac{\text{Profit for the year}}{\text{Average equity}}$	16.2 %
Solvency rate (%)	$\frac{\text{Equity}}{\text{Total assets}}$	36.2 %

Business development

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

Considering Alimentsa's positive performance combined with the market growth anticipated for the coming years, BioMar has invested in a new production line in the existing facilities with about 25,000 tonnes of feed to the annual output capacity. The production line corresponds to an investment of just over 10m DKK and will be ready for production in the first quarter of 2019.

Following the completion of the pelletized line Alimentsa will commence the construction of a new production line for extruded feed in connection with the company's existing facility which will add another 40,000 tonnes capacity to the existing 110,000 tons. The production line corresponds to an investment of just over 48m DKK and will be ready for production in the first quarter of 2020.

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

In China, the construction of the new factory in Wuxi near Shanghai is ongoing and commercial production is expected to start in the second quarter of 2019. The construction was delayed due to challenges in the collaboration with local contractor. The new feed plant in Wuxi which is constructed together with Chinese partner Tongwei Co. Ltd. will have an annual capacity of 50,000 tonnes of aqua feed and is expected to be the stepping stone to penetrate the Chinese market for sustainable high performance aquaculture feed in 2019.

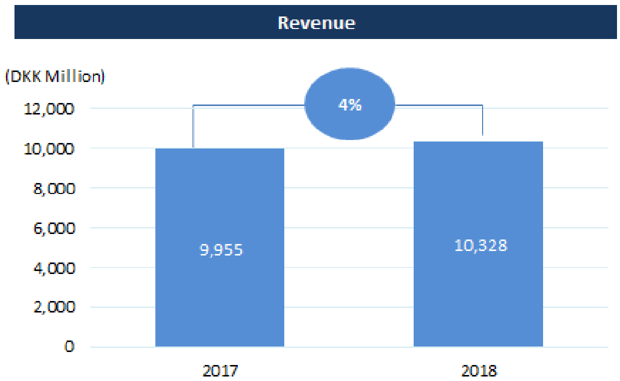
In March 2017, BioMar announced an almost 300m DKK investment in a new feed factory in Tasmania, Australia. The project is progressing according to plan, but obtaining local regulatory approval has postponed the project by a couple of months, and BioMar now expects the new facility (annual feed capacity of about 110,000 tonnes) to be ready early 2020.

In Denmark BioMar has initiated a project that will lift the output capacity by 25,000 tonnes to 150,000 tonnes per year. Demand continues to grow in the European markets, particularly for the specialty feeds BioMar manufactures in Brande. The new production line will be dedicated to specialised larval and fry diets and RAS feed (Recirculating Aquaculture Systems), and when it becomes operational the Brande facility will be BioMar's largest feed facility for non-salmon markets. The new line represents a total investment of about 90m DKK and is expected to be commissioned in Q4 2019.

Financial review

Income statement

BioMar realised in 2018 a growth in sales volume and revenue of 5% and 4% respectively. The increase relates both to the acquisition of Alimentsa in September 2017, from when the company was included in the consolidation, but also solid performance in all group companies besides BioMar Norway. Norway was an isolated challenge for BioMar in the year due to intense competition.



Revenue grew 4% from 9,955m DKK in 2017 to 10,328m DKK in 2018. The growth mainly relates to the growth in volume of 5%. The Salmon division overall decreased both in volume and revenue driven by intensified competition in Norway and consequently loss of customer contracts. On the opposite side both sales in Chile and UK increased due to a strong value proposition to customers partially recovering the sales lost in Norway. The biological conditions were overall favorable without any significant decease outbreaks. Temperatures varied significant during the year following cold winter in Europe and warm summer in both Europe and Australia and ending with a mild autumn.

In the crucial Norwegian market BioMar incurred a significant reduction in volume and revenue due to loss of customer contract in the second half of the year. This was a consequence of intense competition and reduced margins following the competitive situation as well as less sales of value added products compared to 2017.

In Chile BioMar managed to grow both sales and revenue significantly compared to 2017. This growth was a result of favorable growing conditions in the fish farming industry but also a strong value proposition to customers has expanded business relationships with existing customers and attracted new.

The EMEA division realised sales and revenue in line with the results from 2017 despite very unusual weather conditions in Central and Northern Europe. Very hot summer months but mild winter months allowed customers to extent the growing season and regain lost growth in the summer months. In Turkey the joint venture increased sales and revenue compared to 2017 despite challenging macro economical condition.

With the acquisition in Ecuador in 2017 the Emerging Market division has become a significant part of BioMar. In Ecuador the business grew organically more than 20% in sales and revenue due to strong market growth but BioMar has also been successful in attracting new customers contributing to the growth.

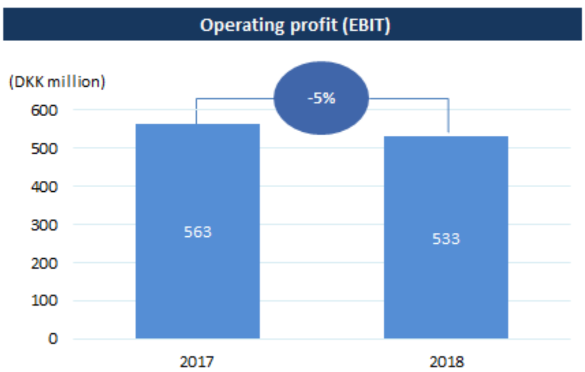
In China the joint venture realised sales and revenue above 2017 but not fully as expected due to postponed completion of the production plant in Wuxi. Low prices on fish combined with central government credit restrictions have limited the growth potential in China for 2018. After some delays BioMar will in the second quarter of 2019 start commercial production on the facility in Wuxi and further expand its footprint in the Chinese market.

Operating profit (EBIT) amounted to 533m DKK compared to 563m DKK in 2017, a decrease of 30m DKK. The decrease was a result of intense competition in Norway with less volume and lower margins balanced by the full year effects of the acquisition in Ecuador. In addition the result in 2017 included income of non-recurring nature of approx. 21m DKK.

The operating profit before depreciations (EBITDA) amounted to 712m DKK which was slightly below the expectations between 720-770m DKK as communicated in the financial statements for 2017. The short coming is solely related to the market conditions in Norway described above as all other markets performed according to or better than expected.

Exchange rate fluctuations in BioMar's main currencies NOK, USD and GBP have impacted revenue and EBIT negatively with 180m DKK and 5m DKK respectively.

Depreciations increased 31m DKK to 180m DKK in 2018 due to full year effects of the acquisition in Ecuador and the completion of the production line in Norway both in September 2017.

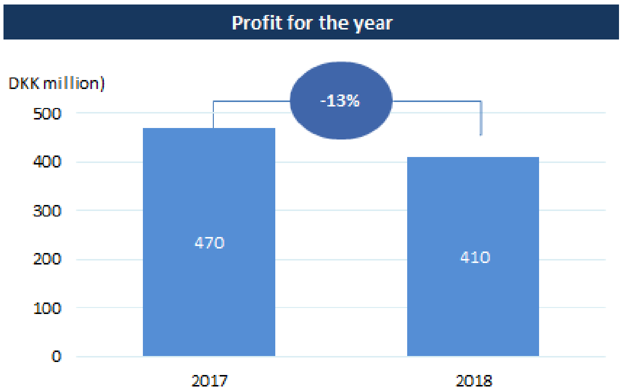


Net financial items shows an expense of 35m DKK opposed to an income of 14m DKK in 2017. The deviations mainly relates to a reversed impairment of 42m DKK in 2017 but also slightly higher interest cost from increased borrowings to finance BioMar's investment plans.

Income from associated companies and joint ventures increased to 75m DKK from 38m DKK in 2017. The increase relates mainly to full year effects of the recognition of the fish farming company Salmones Austral SA which was included from July 2017 but all associated investment grew their results in 2018.

Profit before tax ended at 574m DKK compared to 615m DKK the year before which is a decrease of 41m DKK. The decrease is mainly driven by reduced earnings in Norway from increased competition balanced by full year effects of the acquisition in Ecuador as well as the positive net financials in 2017.

Profit after tax amounts to 410m DKK compared to 470m DKK in 2017.



Balance sheet

Non-current assets amounted to 3,161m DKK end of 2018 compared to 2,973m DKK end of 2017, an increase of 188m DKK. The increase relates to the investment program in BioMar with the initiative to build a new factory in Australia and a new line in Denmark but also accumulated profits from associated companies as well as positive currency fluctuations contributed to the increase.

Current assets amounted to 3,980m DKK end of 2018 compared to 3,322m DKK end of 2017, an increase of 658m DKK. Inventories increased 210m DKK due to phasing of sales at year-end as well as planned stock build up in some markets. Receivables from customers increased 327m DKK as a result of seasonality with more sales realized in Q4 2018 as well as a market mix change towards markets with generally longer credit terms.

The group's net working capital increased net 175m DKK compared to 2017. The increase relates mainly to the market mix and seasonality mentioned above.

Non-current liabilities increased 53m DKK to 861m DKK end of 2018. The increase relates to value adjustment of put option regarding the minority share of Alimentsa offset by repayment of long-term loans of 50m DKK.

Equity amounted to 2,583m DKK end of 2018 equivalent to a solidity of 36% opposed to 40% end of 2017.
Return on invested capital excluding goodwill amounted to 20% in 2018 compared 29% in 2017, a decrease of 9 percentage points. The decrease is driven by an increase in average invested capital mainly from full year effects of the acquisition in Ecuador in 2017 but also an increased investment in working capital affects the result negatively.

Cash flow statement

Cash flow from operating activities amounts to 366m DKK compared to 296m DKK in 2017. The improvement is mainly related to less paid income taxes and less investment in working capital compared to 2017. In 2017 BioMar prepaid a significant amount in tax in Chile to optimize the tax burden in the future. The opportunity arose as a consequence of a tax reform in Chile.

Cash flow from investment activities amounts to 217m DKK compared to 1,027m DKK in 2017, a decrease of 810m DKK. The investment activity has come back to a more normalised level after the acquisitions of activities in Ecuador and further shares in the associated company Salmones Austral which impacted the cash flow in 2017 with -842m DKK.

Cash flow from investment activities amounts to -108m DKK compared to 657m DKK. The cash flow was impacted by a dividend payment of 300m DKK and a drawdown on financing facilities of 192m DKK at the parent company Schouw & Co.

Financial resources

Net interest bearing debt amounts to 880m DKK compared to 726m DKK end of 2017, an increase of 154m DKK.
BioMar is mainly financed through the parent company with committed facilities that exceed 12 months.

Outlook

The markets for aquaculture are still showing good growth in many markets and BioMar expects this tendency to continue in 2019. The Salmon division markets are expected to expand moderately, reflecting positive developments in biological conditions and fish farmers generally being able to respond to biological challenges. In the Emerging Markets division especially the market for shrimp in Ecuador is expected to continue to see attractive annual growth rates although lower than 2018.

BioMar expects all three divisions will contribute to increasing volumes sold in 2019. General market conditions are expected to remain challenging in 2019 reflecting moderate growth combined with the intense competitive landscape in Norway. Competition further accelerated in the Norwegian market in 2019, and the effects will also impact 2019.

BioMar will defend its market share and expand its position by developing and implementing new products and continuing to strongly focus on optimising margins, enhancing efficiency and on customer communication. Salmon prices are expected to remain at a high level that will provide solid earnings for fish farmers, which will reduce BioMar's risk of bad debts. In the United Kingdom the ongoing and unresolved political negotiations about Brexit cause some uncertainty for BioMar's operations in the UK, mainly around sourcing of raw materials from outside the UK. Although the impact isn't assessed to be significant to the Group, BioMar has and will continue to safe guard this risk through alternative sourcing and inventory build-up.

Based on these assumptions BioMar expects to generate earnings before interest and tax (EBIT) moderately above the realised EBIT for 2018. EBIT will be positively impacted by the implementation of IFRS 16 with approximately 10m DKK. The effect of IFRS 16 on EBITDA will be significantly higher and is estimated at the level of +130m DKK – further reference is made to note 27.

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

Risk management

The Board of Directors and management in BioMar assess and monitor on an ongoing basis the risks to which the company is exposed as well as management and mitigation of those risks. Risks are defined as the risk of the company not achieving its short- and long-term objectives. The risk management strategy comprises the implementation of a number of procedures and policies in order to identify measure and manage relevant risks. The group is among other exposed to strategical, operational and financial risks.

The strategical risks mainly relate to the risk of BioMar not achieving its long-term objectives but can also impact the fulfilment of short-term objectives. BioMar typically classifies the risk according to two criteria being the likelihood for a certain event to occur and the financial impact if that event occurs. Based on an overall assessment of each risk actions to mitigate the risks are prioritised and implemented. It is assessed that the risks BioMar are exposed to are common for the industry.

Research & development and knowledge resources

It is BioMar's objective to be recognised as an innovative company which through research and development activities delivers competitive products and technical related services to its customers. BioMar invests annually an amount equal to 10-15% of the result from operations in research and development and has engaged highly educated and specialists in this field. In addition BioMar has a long tradition for cooperating with research institutes in a number of countries as well as fish farmers are often involved in the development processes.

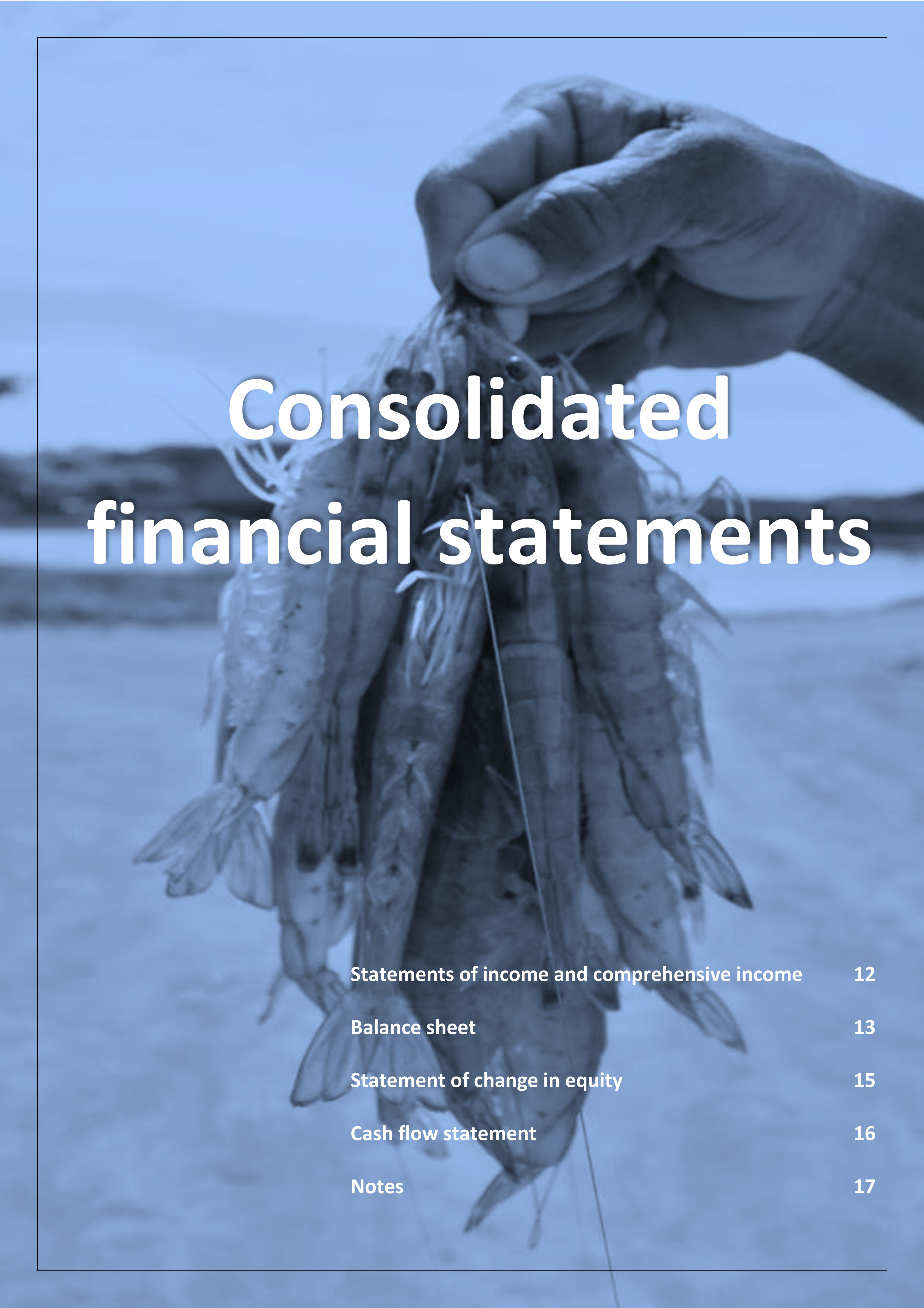
Corporate Social Responsibility

In accordance with the Danish Financial Statement Act § 99a BioMar has not published an individual report for corporate social responsibility as it has been incorporated in the consolidated report for the parent company Schouw & Co., to which reference is made.

Gender composition

Reference is made to the section on gender composition presented in the financial statements for 2018 for the parent company, Schouw & Co., concerning policies and targets regarding gender composition in management functions.

Information about the account for corporate social responsibility and corporate governance in general can be retrieved from the parent company's website, at; https://www.schouw.dk/en/about-us/corporate-governance/



Consolidated financial statements

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(DKK 1,000)

Note	INCOME STATEMENT	2018	2017
	Revenue	10,327,846	9,954,634
1,2,3,4	Production cost	-9,048,711	-8,727,159
	Gross profit	**1,279,135**	**1,227,475**
6	Other operating income and expenses, net	21,850	32,268
2.3	Distribution costs	-525,631	-463,647
2,3,5	Administration costs	-242,291	-232,999
	Operating profit (EBIT)	**533,063**	**563,097**
7	Share of profit after tax, associates	62,776	27,992
7	Share of profit after tax, joint ventures	12,539	9,982
8	Financial income	13,029	54,526
9	Financial expenses	-47,871	-40,321
	Profit before tax	**573,536**	**615,276**
10	Tax on profit for the year	-163,448	-145,371
	Profit for the year	**410,088**	**469,905**
	Other comprehensive income		
	Items that have been or may subsequently be reclassified to the income statement;		
	Exchange rate adjustments, foreign entities	80,894	-192,199
	Value adjustments of hedging instruments:		
	- Value adjustments for the year	691	-1,635
	- Value adjustments tranferred to production costs	1,635	468
	Other comprehensive income in subsidiaries, associates and joint ventures	-2,958	-12,830
	Tax on items that have been or may subsequently be reclassified to the income statement	-741	1,645
	Other comprehensive income after tax	**79,521**	**-204,551**
	Total comprehensive income	**489,609**	**265,354**

The comprehensive income for the year is fully attributable to BioMar Group A/S.

BALANCE SHEET AT DECEMBER 31st

(DKK 1,000)

Note	TOTAL ASSETS	2018	2017
	Goodwill	936,615	895,632
	Other intangible assets	364,585	385,031
	Assets under development	1,349	1,194
11	Intangible assets	1,302,549	1,281,857
	Land and buildings	557,430	544,769
	Plant and machinery	540,489	573,403
	Other plant, fixtures and operating equipment	30,448	32,116
	Assets under construction	162,735	44,005
12	Property, plant and equipment	1,291,102	1,194,293
7	Investments in associates	372,579	296,046
7	Investments in joint ventures	136,747	135,512
	Securities	1,701	4,325
16	Deferred tax	12,439	6,800
14	Receivables	44,265	54,131
	Other non-current assets	567,731	496,814
	Total non-current assets	**3,161,382**	**2,972,964**
13	Inventories	1,297,333	1,087,464
14	Receivables	2,314,254	1,930,318
15	Income tax	70,792	50,235
	Prepayments	13,093	13,305
	Cash and cash equivalents	284,398	240,681
	Total current assets	**3,979,870**	**3,322,003**
	Total assets	**7,141,252**	**6,294,967**

BALANCE SHEET AT DECEMBER 31st

(DKK 1,000)

Note	EQUITY AND LIABILITIES	2018	2017
	Share capital	250,000	250,000
	Other reserves	150,396	67,917
	Retained earnings	1,882,373	1,870,619
	Proposed dividend	300,000	300,000
	Total equity	**2,582,769**	**2,488,536**
16	Deferred tax	139,537	121,363
17	Interest bearing debt	400,000	450,000
	Other liabilities	321,036	236,517
	Total non-current liabilities	860,573	807,880
17	Interest bearing debt	1,014,830	751,050
18	Trade payables and other debt	2,552,415	2,169,623
	Deferred income	10,592	-
15	Income tax	120,073	77,878
	Total current liabilities	3,697,910	2,998,551
	Total liabilities	**4,558,483**	**3,806,431**
	Total equity and liabilities	**7,141,252**	**6,294,967**

Notes without reference:

19 Contingent liabilities and guarantees

22 Financial risks

24 Operational lease and rent commitments

25 Related party transactions

26 Group structure

27 New financial reporting regulations

28 Events after the balance sheet date

29 Group accounting policies

30 Accounting estimates and judgements

STATEMENT OF CHANGES IN EQUITY

(DKK 1,000)

	Share capital	Hedge transaction reserve	Exchange rate adjustment reserve	Retained income	Proposed dividend	Total equity
Equity at January 1st 2017	**250,000**	**-657**	**273,025**	**1,620,560**	**200,000**	**2,342,928**
Comprehensive income in 2017						
Profit for the year				169,905	300,000	469,905
Other comprehensive income						
Value adjustments of hedging instruments		-1,167				-1,167
Exchange rate adjustments of foreign entities			-192,199			-192,199
Other comprehensive income from associates and joint ventures			-11,737			-11,737
Other equity adjustments				-1,093		-1,093
Tax on other comprehensive income		652		993		1,645
Other comprehensive income	-	-515	-203,936	-100	-	-204,551
Comprehensive income	-	-515	-203,936	169,805	300,000	265,354
Transactions with shareholders:						
Dividend distributed					-200,000	-200,000
Additions of non-controlling interest				316,771		316,771
Put option recognised at fair value				-228,572		-228,572
Value adjustment of put option				-7,945		-7,945
Transactions with shareholders	-	-	-	80,254	-200,000	-119,746
Equity at December 31st 2017	**250,000**	**-1,172**	**69,089**	**1,870,619**	**300,000**	**2,488,536**
Change of accounting policy IFRS 9				-10,857		-10,857
Restated equity at January 1st 2018	**250,000**	**-1,172**	**69,089**	**1,859,762**	**300,000**	**2,477,679**
Comprehensive income in 2018						
Profit for the year				110,088	300,000	410,088
Other comprehensive income						
Value adjustments of hedging instruments		2,326				2,326
Exchange rate adjustments of foreign entities			80,894			80,894
Other comprehensive income in subsidiaries, associates and joint ventures				-2,958		-2,958
Tax on other comprehensive income		-741				-741
Other comprehensive income	-	1,585	80,894	-2,958	-	79,521
Comprehensive income	-	1,585	80,894	107,130	300,000	489,609
Transactions with shareholders:						
Dividend distributed					-300,000	-300,000
Value adjustment of put option				-84,519		-84,519
Transactions with shareholders	-	-	-	-84,519	-300,000	-384,519
Equity at December 31st 2018	**250,000**	**413**	**149,983**	**1,882,373**	**300,000**	**2,582,769**

SHARE CAPITAL

The share capital is unchanged and consists of 100,000 shares with a nominal value of 2,500 DKK. All shares carry equal rights. The Group does not hold own shares.

CASH FLOW STATEMENT

(DKK 1,000)

Note		2018	2017
	Profit before tax	573,536	615,276
	Adjustment for non-cash items:		
2	Depreciations and impairment losses	179,535	148,862
	Other operating items, net	12,672	27,355
	Share of profit after tax in associates and joint ventures	-75,315	-37,974
8	Financial income	-13,029	-54,526
9	Financial expenses	47,871	40,321
	Cash flow from operations before changes in working capital	725,270	739,314
20	Changes in working capital	-188,594	-240,025
	Cash flow from operations	536,676	499,289
	Interest received	8,120	11,513
	Interest paid	-47,373	-27,822
	Cash flow from ordinary activities	497,423	482,980
15	Income tax paid	-131,836	-186,870
	Cash flow from operating activities	**365,587**	**296,110**
21	Purchase of intangible assets	-3,279	-6,967
21	Purchase of property, plant and equipment	-223,516	-195,291
	Sale of property, plant and equipment	862	352
23	Acquisition of subsidiaries	-	-755,584
	Acquisition of associates and joint ventures	-	-86,873
	Dividend from associates and joint ventures	252	2,522
	Re-payment of loans	8,377	14,576
	Investment in securities	185	-
	Cash flow from investing activities	**-217,119**	**-1,027,265**
21	Re-payment of long-term liabilities/proceeds from borrowings	-50,000	250,000
	Increase (re-payment) of intra-group balances	223,113	607,004
	Increase (re-payment) of debt to credit institutions	18,463	-14
	Dividend distributed	-300,000	-200,000
	Cash flow from financing activities	**-108,424**	**656,990**
	Cash flow for the year	40,044	-74,165
	Cash, and cash equivalents at January 1st	240,681	329,540
	Exchange rate adjustments of cash and cash equivalents	3,673	-14,694
	Cash and cash equivalents at December 31st	**284,398**	**240,681**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DKK 1,000)

Note

Note	PRODUCTION COST	2018	2017
1	Cost of goods sold	-8,278,974	-8,031,188
	Inventory write-downs	-3,494	-5,334
	Reversed inventory write-downs	-	1,959

Note	DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	2018	2017
2	Amortisation of intangible assets	-40,855	-23,746
	Depreciation of property, plant and equipment	-138,680	-125,116
	Total depreciation, amortisation and impairment losses	-179,535	-148,862

Amortisations of intangible assets are included in distribution cost with 29 mDKK (2017: 14m DKK) and administration costs with 12m DKK (2017: 10m DKK). Other depreciations are included in the respective cost types, mainly production costs.

Note	STAFF COSTS	2018	2017
3	Wages and salaries	-414,521	-379,611
	Defined contribution pension plans	-27,442	-24,733
	Other social security costs	-42,476	-41,815
	Share-based payments	-2,879	-2,058
	Total staff costs	-487,318	-448,217
	Average number of employees	1,177	996
	Remuneration to Executive Board and Board of Directors		
	Wages and salaries	-5,010	-5,772
	Bonus	-578	-3,959
	Share-based payments	-1,286	-909
	Total remuneration to Executive Board and Board of Directors	-6,874	-10,640

BONUS SCHEMES

Executive management are covered by bonus schemes regarding achievement of a number of both financial and operational objectives. An amount corresponding up to 5 months of remuneration is paid out in case the objectives are achieved.

Note

3 **STAFF COSTS (continued)**

Share-based payments

Executive Management and senior managers in BioMar Group are covered by the parent company Schouw & Co.'s share option programme. The programme entitles participants to acquire shares in Schouw & Co. at a price based on the officially quoted price at the time for granting (2018: 626.90 DKK) plus a premium (2018 allocation: 3%) from the date of grant until the date of exercise. The costs related to the programme are calculated according to "Black & Scholes" and are expensed as staff costs linearly over the period of the option and settled to the parent company.

OUTSTANDING OPTIONS	Executive management	Others	Total	Average exercise price in DKK (1)	Fair value (DKK) per option (2)	Total fair value in DKK (2)	Exercisable from	Exercisable until
Granted in 2016	20,000	15,000	35,000	451	69.65	2,438	March 2019	March 2020
Granted in 2017	20,000	34,000	54,000	672	68.45	3,696	March 2020	March 2021
Total outstanding options at December 31st 2017	40,000	49,000	89,000			6,134		
Granted in 2018	25,000	40,000	65,000	706	58.51	3,803	March 2021	March 2022
Exercised (from 2016 grant)		-5,833	-5,833			-406		
Lapsed (from 2017 grant)		-2,500	-2,500			-171		
Lapsed (from 2018 grant)		-5,833	-5,833			-341		
Total outstanding options at December 31st 2018	65,000	74,834	139,834			9,019		

(1) exercised after 4 years (at the latest possible date)

(2) at the date of grant

In 2018 5,833 options are exercised, from the 2016 grants. The options are exercised at an average price of 423.22 DKK.

Fair value assumptions:

	2018 grants	2017 grants	2016 grants
Expected volatility	21.10%	23.27%	31.50%
Expected term	48 mo.	48 mo.	48 mo.
Expected dividend per share	12 DKK	10 DKK	8 DKK
Risk-free interest rate	-0.38%	-0.25%	0.10%

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 specified period, the share options will lapse without any compensation to the holders. Exercise of the share options is contingent on the holder being in continuing employment during the above-mentioned periods. If the holder leaves the company before a share option vests, the holder may in some cases have a right to exercise the share option early during a four-week period following Schouw & Co.'s next stock announcement. In the event of early exercise the number of share options will be reduced proportionally.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DKK 1,000)

Note

4	RESEARCH AND DEVELOPMENT COSTS	2018	2017
	Incurred research and development costs	-67,807	-58,912
	Research and development costs recognised in the income statement	-67,807	-58,912

5	FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING	2018	2017
	Total fee to EY:		
	Statutory audit	-2,526	-2,199
	Other assurance engagements	-294	-227
	Tax and VAT advisory services	-1,179	-3,442
	Other services	-118	-396
	Total fees to EY	-4,117	-6,264
	Total fee to other auditors:		
	Statutory audit	-184	-362
	Other assurance engagements	-	-37
	Tax and VAT advisory services	-191	-182
	Other services	-	-67
	Total fees to other auditors	-375	-648

6	OTHER OPERATING INCOME AND EXPENSES	2018	2017
	Profit on the disposal and sale of property, plant and equipment	365	973
	Profit biological assets	21,356	11,382
	Public grants	-	20,686
	Other operating income	289	-
	Total other operating income	22,010	33,041
	Losses on the disposal and sale of property, plant and equipment	-134	-1
	Other operating costs	-26	-772
	Total other operating expenses	-160	-773
	Total other operating income and expenses, net	21,850	32,268

Profit from biological assets relates to profit from harvest and fair value adjustment of biological assets in the sea.
Public grants relate to R&D projects.

Note

7 **INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND JOINT OPERATIONS**

The Group has the following investments in associates and joint ventures, all recognised to the Group's share of the net equity. The Group's equity interests are consistent with its voting rights.

		Equity interest	
Name	**Country and city of incorporation**	**2018**	**2017**
Salmones Austral S.A.	Puerto Montt, Chile	23%	23%
Aquaculture Technology Centre Patagonia S.A.	Lenca, Chile	30%	30%
LetSea AS	Dønna, Norway	33%	33%
LCL Shipping Ltd.	Grangemouth, Scotland	40%	40%
BioMar-Sagun TTK	Söke, Turkey	50%	50%
BioMar Tongwei (Wuxi) Biotech Co., Ltd.	Wuxi, China	50%	50%

Material associates

Financial information for associates that are considered material to the Group adjusted for different accounting practices.

	Salmones Austral S.A.	
	2018	**2017**
Revenue	1,631,951	1,412,256
Result after tax	222,675	205,868
Current assets	1,107,144	1,057,828
Non-current assets	1,471,792	1,394,268
Current liabilities	521,422	757,991
Non-current liabilities	700,842	616,379
Share of profit	51,015	26,628

Immaterial associates and joint ventures

Financial information for associates and joint ventures that individually are considered immaterial to the Group.

	2018	**2017**
Share of profit, associates	11,761	1,364
Share of profit, joint ventures	12,539	9,982

Carrying amount of investments in associates and joint ventures	**2018**	**2017**
The Group's share of equity in material associates	310,814	246,877
Goodwill regarding material associates	10,595	10,088
The Group's share of equity in individually immaterial associates	51,170	39,081
The Group's share of equity in individually immaterial joint ventures	133,491	132,256
Goodwill regarding immaterial joint ventures	3,256	3,256
Total carrying amount of investments in associates and joint ventures	509,326	431,558
Recognised as investments in associates	372,579	296,046
Recognised as investments in joint ventures	136,747	135,512
Total investments	509,326	431,558

Note

7 **INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND JOINT OPERATIONS (continued)**

Joint operations:

In addition to the associates and joint ventures the Group has the following joint operations:
Pro-rata consolidated enterprises in which BioMar Group holds a 50% equity share; Alitec Pargua S.A. and BioMar Aquacorporation Products S.A.
The investment in both enterprises is a joint arrangement, in which the BioMar Group in cooperation with an external partner shares control of the production capacity in the jointly operated enterprises. As both partners contribute and thus control a proportion of the assets and liabilities the constructions are, in accordance with IFRS 11, classified as joint operations, hence the rule of proportional consolidation applies.

Financial information for joint operations that individually are considered immaterial to the Group.

	Joint operations	
	2018	**2017**
Share of profit	4,788	3,691

8 **FINANCIAL INCOME**	**2018**	**2017**
Interest income etc.	6,933	11,202
Financial income from group enterprises	1,187	311
Exchange rate adjustments	4,526	303
Fair value adjustments of financial assets measured through profit and loss	383	42,710
Total financial income	13,029	54,526

9 **FINANCIAL EXPENSES**	**2018**	**2017**
Interest expenses etc.	-22,073	-6,732
Financial costs to group enterprises	-21,865	-21,090
Exchange rate adjustments	-1,366	-12,499
Fair value adjustments of financial assets measured through profit and loss	-2,567	-
Total financial expenses	-47,871	-40,321

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DKK 1,000)

Note

10	**TAX ON PROFIT FOR THE YEAR**	**2018**	**2017**
	Tax on profit for the year is specified as follows:		
	Tax on profit for the year	-163,448	-145,371
	Tax on other comprehensive income	-741	1,645
	Total tax	-164,189	-143,726
	Tax on the profit for the year has been calculated as follows:		
	Current tax	-150,184	-135,917
	Deferred tax	2,230	-14,246
	Change in deferred tax due to change in corporate tax rates	-10,815	992
	Adjustments of prior periods tax charge	-4,679	3,800
	Total tax recognised in the income statement	-163,448	-145,371
	Specification of tax on the profit for the year:		
	Calculated 22% tax on the profit for the year	-126,178	-135,360
	Adjustment of calculated tax in foreign subsidiaries relative to 22%	-30,709	-40,053
	Tax effect of:		
	Non-deductible costs and non-taxable income	6,702	26,125
	Adjustments from change in corporate tax rates	-10,815	992
	Adjustments of prior periods tax charge	-4,679	3,800
	Use of tax assets not previously recognised	2,231	-875
	Total tax recognised in the income statement	-163,448	-145,371
	Effective tax rate	28.5%	23.6%

Tax on other comprehensive income		**2018**	
	Before tax	Tax	After tax
Exchange rate adjustments of foreign entities	80,894	-	80,894
Value adjustments of hedging instruments	2,326	-741	1,585
Other equity adjustments	-255	-	-255
Other comprehensive income from associates and joint ventures	-2,703	-	-2,703
Total tax on other comprehensive income	80,262	-741	79,521

		2017	
	Before tax	Tax	After tax
Exchange rate adjustments of foreign entities	-192,199	-	-192,199
Value adjustments of hedging instruments	-1,167	652	-515
Other equity adjustments	-1,093	993	-100
Other comprehensive income from associates and joint ventures	-11,737	-	-11,737
Total tax on other comprehensive income	-206,196	1,645	-204,551

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DKK 1,000)

Note

11 **INTANGIBLE ASSETS**

	2018			
	Goodwill	Other intangible assets	Assets under development	Total
Cost at January 1st	895,632	461,511	1,194	1,358,337
Exchange rate adjustments	40,983	20,799	-	61,782
Additions	-	3,124	155	3,279
Transferred/reclassified	-	-7	-	-7
Cost at December 31st	936,615	485,427	1,349	1,423,391
Amortisation and impairment at January 1st	-	-76,480	-	-76,480
Exchange rate adjustments	-	-3,514	-	-3,514
Amortisation	-	-40,855	-	-40,855
Transferred/reclassified	-	7	-	7
Amortisation and impairment at December 31st	-	-120,842	-	-120,842
Carrying amount at December 31st	936,615	364,585	1,349	1,302,549

	2017			
	Goodwill	Other intangible assets	Assets under development	Total
Cost at January 1st	372,443	114,623	7,943	495,009
Exchange rate adjustments	-59,029	-23,756	-58	-82,843
Additions	-	5,773	1,194	6,967
Additions from acquisitions	582,218	378,498	-	960,716
Disposals	-	-21,512	-	-21,512
Transferred/reclassified	-	7,885	-7,885	-
Cost at December 31st	895,632	461,511	1,194	1,358,337
Amortisation and impairment at January 1st	-	-80,278	-	-80,278
Exchange rate adjustments	-	6,032	-	6,032
Reversed amortisations on disposals	-	21,512	-	21,512
Amortisation	-	-23,746	-	-23,746
Amortisation and impairment at December 31st	-	-76,480	-	-76,480
Carrying amount at December 31st	895,632	385,031	1,194	1,281,857

OTHER INTANGIBLE ASSETS

Other intangible assets are mainly acquired in connection with business combinations and comprise brand, customer contracts and know-how. The identified assets have an expected usefull life between 5 and 20 years.

Note
11 **INTANGIBLE ASSETS (continued)**

GOODWILL
The management of BioMar Group has tested the value in use of the carrying amounts against goodwill in the group companies. In the tests performed, the senior management of the respective companies has estimated the expected free cash flow for a 5-year budget period for the years 2019-2023. The free cash flow after tax has been applied to a discounted cash flow model (the "value in use" principle) for the purpose of assessing each company's value and goodwill which subsequently are compared against the carrying amount recognised in the BioMar Group consolidated financial statements.

As of December 31st 2018 BioMar Group has recognised goodwill at a total value of 936.6m DKK (2017: 895.6m DKK).
The required rate of return is based on a WACC consisting of a 10-year unit bond plus a premium reflecting industry/geography-specific risks and the company's current capital structure. The rate of growth used to extrapolate company cash flows in the terminal period was fixed at 2%, a rate not expected to exceed the long-term inflation rate.

Goodwill is ascribed to the EMEA Division and to the activities in Chile and Ecuador. BioMar Group operates in an expanding industry driven by global population growth, rising standards of living and sustainable fishery. Market research institutes expect a long-term market growth in feed for fish farming, driven by the increasing global demand for fish, including salmon for 2019-2020, of average 5-7%. Slightly higher growth rates are expected for the Chilean market and in the Emerging Markets Division and lower market growth in the established fish farming markets.
The impairment test assumes an average growth in the tonnage of 7% in EMEA 3% in Chile and 7% in Ecuador in the budget period 2019-2023. The assumed production capacity for the budget period will cover the expected increase in the business activities and no productivity enhancements and cost savings have been assumed for that period. BioMar's feed is mainly based on marine and vegetable raw materials for which a significant part of the price fluctuations are included in the price adjustment mechanism in the sales contracts.

In the budget period 2019-2023 EBIT margins in line with the 2018 realised have been applied.

2018	Key assumptions				Sensitivity analysis	
CGU specific assumptions:	Carrying amount of goodwill	Yearly growth in tonnage	WACC after tax	WACC before tax	EBIT allowed decrease	WACC allowed increase
EMEA	80,431	6.8%	7.4%	9.3%	71.8%	15.8pp
Chile Group	270,066	3.4%	9.5%	12.3%	25.0%	2.8pp
Alimentsa	586,118	7.0%	11.0%	14.1%	8.1%	0.8pp
	936,615					

The impairment tests made at December 31st 2018 did not result in a write-down of carrying amounts. Sensitivity analyses were performed as part of the test to determine if reduced cash flows or higher WACC would cause impairment write-down. The sensitivity anlyses showed that likely changes in the key assumptions would not result in a recoverable amount lower than the carrying amount of goodwill.

2017	Key assumptions				Sensitivity analysis	
CGU specific assumptions	Carrying amount of goodwill	Yearly growth in tonnage	WACC after tax	WACC before tax	EBIT allowed decrease	WACC allowed increase
EMEA	80,369	4.0%	7.2%	9.0%	76.7%	19.7pp
Chile Group	257,158	10.7%	9.2%	11.8%	44.0%	5.5pp
Alimentsa	558,105	4.4%	10.7%	13.3%	1.0%	0.08pp
	895,632					

Note

12 **PROPERTY, PLANT AND EQUIPMENT**

2018	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipments	Assets under construction	Total
Cost at January 1st	943,175	1,715,690	155,452	44,005	2,858,322
Exchange rate adjustments	8,746	5,958	175	-1,061	13,818
Additions	33,088	44,186	8,924	137,318	223,516
Disposals	-6	-2,565	-1,607	-81	-4,259
Transferred/reclassified	3,054	14,848	-2,346	-17,446	-1,890
Cost at December 31st	988,057	1,778,117	160,598	162,735	3,089,507
Depreciation at January 1st	-398,406	-1,142,287	-123,336	-	-1,664,029
Exchange rate adjustments	179	-1,493	101		-1,213
Reversed depreciations on disposals	5	2,357	1,265	-	3,627
Depreciation	-32,467	-96,124	-10,089	-	-138,680
Transferred/reclassified	62	-81	1,909	-	1,890
Depreciation at December 31st	-430,627	-1,237,628	-130,150	-	-1,798,405
Carrying amount at December 31st	557,430	540,489	30,448	162,735	1,291,102
Of which finance leased assets	-	-	-	-	-
Depreciation period	20-30 years	8-15 years	4-10 years		

By the end of 2018 BioMar Group has contractual obligations of 280m DKK (2017: 13m DKK) regarding purchase of tangible assets, not yet delivered. The contracted assets are mainly regarding construction of a new production facility in Tasmania and a new production line in BioMar's factory in Denmark.

No interests have been capitalised on the construction projects as of December 31st 2018.

2017	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipments	Assets under construction	Total
Cost at January 1st	750,981	1,524,778	146,455	243,924	2,666,138
Exchange rate adjustments	-54,644	-88,876	-5,655	-18,936	-168,111
Additions	51,185	91,288	12,167	40,651	195,291
Additions from acquisitions	117,275	45,839	4,545	1,629	169,288
Disposals	-1,336	-170	-2,752	-26	-4,284
Transferred/reclassified	79,714	142,831	692	-223,237	-
Cost at December 31st	943,175	1,715,690	155,452	44,005	2,858,322
Depreciation at January 1st	-392,835	-1,119,867	-121,615	-	-1,634,317
Exchange rate adjustments	22,365	64,764	4,432	-	91,561
Reversed depreciations on disposals	1,336	160	2,347	-	3,843
Depreciation	-29,272	-87,344	-8,500	-	-125,116
Depreciation at December 31st	-398,406	-1,142,287	-123,336	-	-1,664,029
Carrying amount at December 31st	544,769	573,403	32,116	44,005	1,194,293
Of which finance leased assets	-	-	-	-	-
Depreciation period	20-30 years	8-15 years	4-10 years		

Note

13 INVENTORIES	2018	2017
Raw materials	869,288	703,562
Biological assets	65,888	70,124
Finished goods	362,157	313,778
Total inventories	1,297,333	1,087,464
Carrying amount of inventories recognised at fair value less costs to sell	65,888	70,124

Biological assets comprise fish at sea in connection with R&D trial concessions and are according to IAS 41 and IFRS 13 measured at fair value less costs to sell. Biological assets measured at fair value are recognized on level 3 in the fair value hierarchy as valuation is based on factors not derived from observable markets.
The model applied by BioMar Group divides the fish into three weight categories and assumes the following:

Biological assets with an average live weight of more than 4 kg (ready for harvesting) are measured at fair value (net sale price), and biological assets between 1 and 4 kg in average live weight are measured at fair value less costs to sell including a proportionate expected net profit at harvest.

Other biological assets as fry, smolt and fish with an average live weight of less than 1 kg are likewise measured at fair value, but due to the limited biological transformation, hence the limited market and related observable prices, accumulated costs are deemed to be the best approximation of fair value at this biological stage.

Significant assumptions determining fair value of biological assets
The estimate of fair value of biological assets will always be based on uncertain assumptions. Estimates are applied to the following factors; biomass volume, the size distribution, the quality of the biomass and market prices.

	2018	2017
The value of biological assets is comprised of the following:		
Biological assets below 1 kg	15,086	6,450
Biological assets between 1 and 4 kg	37,663	63,674
Biological assets above 4 kg	13,139	-
Total value of biological assets	65,888	70,124

Total volume of biological assets as per December 31st 2018: 1,584 tons (2017: 2,141 tons).

Value adjustments of biological assets taken to profit and loss:		
Fair value adjustment of biological assets	-5,320	5,087
Profit on sale of biological assets	26,676	5,431
Total value adjustments	21,356	10,518

Value adjustments and income arising from biological assets are recognised as other operating income and specified in note 6.

Note

14 RECEIVABLES	2018	2017
Trade receivables	2,001,918	1,674,894
Interest-bearing receivables	250,819	234,356
Other receivables	105,782	75,199
Total receivables	2,358,519	1,984,449
Non-current receivables	44,265	54,131
Current receivables	2,314,254	1,930,318
Total	2,358,519	1,984,449

Interest bearing receivables mainly comprise deposits on the parent company's cash pool facility.

Credit risks
The Group's credit risks are primarily related to trade receivables. According to the group policy all significant customer relations are continouosly credit rated. Credit insurances are taken out when deemed commercial rational compared to the credit risk. Of the trade receivables as per December 31st 2018 1,037m DKK (2017: 899m DKK) are covered by credit insurance.

Until January 1st 2018 receivable write-downs were based on assessments of objective indications for impairment on the individual receivables.
From January 1st 2018 the Group has implemented IFRS 9 after which the write-downs are assessed in accordance with the simplified expected credit-loss model. The model entails that the expected credit-loss is immediately recognised in the income statement and is monitored according to the Group's risk management procedures until realisation.

Write-downs are calculated based on expected default rates individually defined per geographical location. The default rates are based on historical data regarding the incurred losses and adjusted for the effect of expected changes in relevant parameters applying to the fish farming industry.

No restatement of comparative figures, with reference to the transition rules, hence comparative figures are stated in accordance with the previous requirements set out in IFRS 7.

As security for the trade receivables, the Group holds collateral as security for a total amount of 411m DKK broken down as follows:

	2018	2017
Collateral on non-matured receivables	274,871	235,402
Collateral on matured receivables	136,452	132,053

Collaterals primarily relate to securities in assets consisting of biological assets and fish farming equipment.

Provision for expected credit losses	2018	2017
As at January 1st, in accordance with IAS 39	-133,989	-146,869
Change of accounting policy IFRS 9	-15,093	-
Provision for expected credit losses according to IFRS 9, as at January 1st	-149,082	-146,869
Additions from business combinations	-	-4,233
Provision for expected credit losses	-865	7,600
Realised in the year	9,526	1,831
Exchange rate adjustments	5,058	7,682
As at December 31st	-135,363	-133,989

Note

14 **RECEIVABLES (continued)**

The Group's trade receivables and expected losses are specified as follows:

	Maturity analysis				
2018	Not due	1-30 days	31-90 days	> 91 days	Total
Trade receivables	1,757,147	152,375	70,160	157,566	2,137,248
Impairment	-20,210	-3,019	-6,796	-105,338	-135,363
Trade receivables, net	1,736,937	149,356	63,364	52,228	2,001,885
Proportion of trade receivables expected to be settled					93.7%
Impairment ratio	1.2%	2.0%	9.7%	66.9%	6.3%

The expected credit-losses and default rates are distributed as follows:

	Maturity analysis								
2018	Not due		1-30 days		31-90 days		> 91 days		Total
High-risk markets	-9,469	2.6%	-1,349	7.1%	-4,134	35.7%	-30,983	72.4%	-45,935
Medium-risk markets	-9,726	1.1%	-781	1.1%	-2,660	4.6%	-74,009	64.7%	-87,176
Low-risk markets	-1,015	0.2%	-889	1.5%	-2	0.3%	-346	97.7%	-2,252
Total expected credit-losses according to market risk assessment	-20,210		-3,019		-6,796		-105,338		-135,363

The risk assessments are based on a combination of a country and market credit rating and an entity specific risk assessment. Low risk markets are mainly consisting of entities from the Salmon Division, whereas high risk markets mainly are related to the EMEA Division. Medium risk markets are a combination of entities from all divisions.

Individually impaired receivables:

	Maturity analysis				
2017	Not due	1-30 days	31-90 days	> 91 days	Total
Trade receivables not impaired	1,450,680	97,644	44,143	6,968	1,599,435
Trade receivables impaired	-	38,551	27,016	143,881	209,448
Impairment	-	-1,680	-5,743	-126,566	-133,989
Trade receivables, net	1,450,680	134,515	65,416	24,283	1,674,894
Proportion of trade receivables expected to be settled					92.6%
Impairment percentage (of impaired trade receivables)	0.0%	4.4%	21.3%	88.0%	64.0%
Impairment ratio	0.0%	1.2%	8.1%	83.9%	7.4%

Note

15	**INCOME TAX**	**2018**	**2017**
	Income tax January 1st, net	-27,643	-43,270
	Exchange rate adjustments	1,389	4,911
	Additions from acquisitions	-	-44,037
	Current tax for the year	-150,184	-135,917
	Prior year adjustments	-4,679	3,800
	Corporate income tax paid during the year	131,836	186,870
	Income tax December 31st, net	-49,281	-27,643
	Which is distributed as follows:		
	Income tax receivable	70,792	50,235
	Income tax payable	-120,073	-77,878
	Total income tax	-49,281	-27,643

16	**DEFERRED TAX**	**2018**	**2017**
	Deferred tax January 1st, net	-114,563	-16,236
	Change of accounting policy IFRS 9	4,236	-
	Exchange rate adjustments	-7,445	5,916
	Adjustment from change in corporate tax rate	-10,815	992
	Deferred tax for the year recognised in profit and loss statement	2,230	-14,246
	Deferred tax for the year recognised in other operating income	-741	1,645
	Additions from acquisitions	-	-92,634
	Deferred tax at December 31st, net	-127,098	-114,563
	Deferred tax is recognised in the balance sheet as follows:		
	Deferred tax asset	12,439	6,800
	Deferred tax liability	-139,537	-121,363
	Deferred tax at December 31st, net	-127,098	-114,563
	Deferred tax pertains to:		
	Intangible assets	-93,710	-79,414
	Property, plant and equipment	-45,215	-40,677
	Current assets	-8,977	-8,715
	Other liabilities	15,666	11,655
	Tax loss carry-forwards	5,138	2,588
	Total deferred tax	-127,098	-114,563

As per December 31st 2018 BioMar Group has unrecognised deferred tax assets of 6m DKK (2017: 8m DKK). Utilisation of the tax assets is not deemed virtually certain.

Note

16 **DEFERRED TAX (continued)**

	2018					
	Balance at January 1st	Change of accounting policy	Exchange rate adjustments	Recognised in the profit for the year	Recognised in equity	Balance at December 31st
Intangible assets	-79,414	-	-4,506	-9,790	-	-93,710
Property, plant and equipment	-40,677	-	-1,922	-2,616	-	-45,215
Other current assets	-8,715	4,236	-847	-3,651	-	-8,977
Other liabilities	11,655	-	-170	4,922	-741	15,666
Tax losses	2,588	-	-	2,550	-	5,138
Total changes in deferred tax	-114,563	4,236	-7,445	-8,585	-741	-127,098

	2017					
	Balance at January 1st	Acquisitions	Exchange rate adjustments	Recognised in the profit for the year	Recognised in equity	Balance at December 31st
Intangible assets	897	-82,844	3,467	-934	-	-79,414
Property, plant and equipment	-13,433	-9,790	2,022	-20,469	993	-40,677
Other current assets	-9,393	-	909	-231	-	-8,715
Other liabilities	2,599	-	-109	8,513	652	11,655
Tax losses	3,094	-	-373	-133	-	2,588
Total changes in deferred tax	-16,236	-92,634	5,916	-13,254	1,645	-114,563

Note

17 **INTEREST BEARING DEBT**

	2018	2017
Payable to group enterprises (long-term)	400,000	450,000
Payable to group enterprises (short-term)	963,607	719,864
Credit institutions (short-term)	51,223	31,186
Total interest bearing debt	1,414,830	1,201,050
Fair value of interest bearing debt	1,414,830	1,201,050

The Group's interest bearing debt is mainly taken out in DKK.

2018	Balance at January 1st	Cash flows	Exchange rate adjustments	Balance at December 31st
Payable to group enterprises (long-term)	450,000	-50,000	-	400,000
Payable to group enterprises (short-term)	719,864	250,103	-6,360	963,607
Credit institutions (short-term)	31,186	18,463	1,574	51,223
Total interest-bearing debt	1,201,050	218,566	-4,786	1,414,830

Short-term interest bearing payables from group enterprises comprise withdrawls on the parent company's cash pool facility.

2017	Balance at January 1st	Cash flows	Exchange rate adjustments	Balance at December 31st
Payable to group enterprises (long-term)	250,000	200,000	-	450,000
Payable to group enterprises (short-term)	383,068	336,029	767	719,864
Credit institutions (short-term)	35,519	-14	-4,319	31,186
Total interest-bearing debt	668,587	536,015	-3,552	1,201,050

INTEREST RATE RISKS

Due to the chosen funding of investments and the ongoing operations BioMar Group is exposed to fluctuations in the interest rates. In order to mitigate this risk the Group has taken out fixed rate, long-term debt with a duration of 4 years. Fixed rate loans account for 32% (2017: 42%) of the total interest bearing debt. For debt raised on floating terms fluctuations in the interest rates of +/- 100 bps will have a hypothetic impact on the profit for the year and equity of +/- 7.5m DKK (2017: +/- 5.3m DKK).

Maturity profile on interest bearing debt:

	Re-payment		Interest during loan period		Carrying amount	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Overdraft (without scheduled re-payment)	964,830	701,050	-	-	964,830	701,050
Below 1 year	55,975	56,550	5,975	6,550	50,000	50,000
Between 1 and 5 years	414,111	470,086	14,111	20,086	400,000	450,000
Total	1,434,916	1,227,686	20,086	26,636	1,414,830	1,201,050

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DKK 1,000)

Note

Note	18 TRADE PAYABLES AND OTHER DEBT	2018	2017
	Trade payables	2,327,867	1,898,506
	Other debt	224,548	271,117
	Total trade payables and other debt	2,552,415	2,169,623

19 **CONTINGENT LIABILITIES AND GUARANTEES**

Contingent liabilities

Pending lawsuits

BioMar Group is part in a few pending lawsuits. Management assesses that the outcome of the lawsuits will not materially influence the Group's financial position.

Joint taxation liability

BioMar Group participates in a Danish joint taxation arrangement with Schouw & Co. (CVR no. 63965812) serving as the administration company, and is therefore jointly and severally liable for the corporation tax and also for obligations, if any, to withhold tax on dividends, interests and royalties. The total net liability to the Danish tax authorities is recognised in the annual report of Schouw & Co. Potential corrections to the jointly taxed income and tax at source may result in a higher liability for the Group.

Guarantees

BioMar Group is predominately funded through and by the parent company Schouw & Co.'s cash resources and credit facilities. Schouw & Co. has in 2016 established a credit facility of 1,800m DKK expandable up to 2,100m DKK through a bank syndicate consisting of Danske Bank, DNB and Nordea. BioMar Group is, like the other larger Schouw & Co. subsidiaries, co-guarantor for the credit facility. As per December 31st 2018 1,404m DKK of the total credit facility has been utilised.

In addition BioMar Group has provided corporate guarantees of 478m DKK towards banks and other financial partners.

The following assets have been pledged as security to credit institutions (carrying amount):	2018	2017
Land and buildings	25,451	25,111
Inventories	479,545	485,962
Receivables	256,463	313,046
Total pledged assets	761,459	824,119

Note

Note	20 CHANGES IN WORKING CAPITAL	2018	2017
	Change in inventories	-204,299	-190,940
	Change in receivables	-338,007	302,033
	Change in trade payables and other debt	353,712	-351,118
	Total changes in working capital	-188,594	-240,025

Note	21 ADJUSTMENT FOR NON-CASH TRANSACTIONS	2018	2017
	Purchase/sale of intangible assets cf. note 11	3,279	6,967
	Amount paid regarding intangible assets	3,279	6,967
	Purchase/sale of property, plant and equipment cf. note 12	223,516	195,291
	Amount paid regarding property, plant and equipment	223,516	195,291
	Proceeds from borrowings	-	250,000
	Re-payment of long-term liabilities	-50,000	-
	Re-payments of/proceeds from borrowings	-50,000	250,000

22 **FINANCIAL RISKS**

As a result of the Group's international activities, the Group is influenced by and exposed to a number of different financial risks i.e fluctuations in energy and raw material prices as well as interests, foreign exchange rates and liquidity risks. For the most significant areas Group management has formulated a risk policy, approved by the Board of Directors.

Energy prices
The Group is exposed to changes in energy prices (mainly gas, oil, electricity and environmental taxes) as energy is consumed in the production of aqua feed. Furthermore, the Group is also indirectly exposed as changes in the energy prices are reflected in the transportation costs. Changes in transportation costs are expected to be fully or partially passed on to the trading partners. BioMar Group does not have, and does therefore not actively hedge the risk of fluctuations in energy prices. Probable changes in energy prices are assessed not to have a significant impact on the Group's profit and loss or equity.

Raw material prices
The Group is exposed to changes in raw material prices (mainly sources of protein and different types of oils) used in the production of aqua feed. The Group does not actively hedge these risks as they are covered by update of list prices and incorporation of price adjustment mechanism in sales contracts. Probable changes in raw material prices are assessed not to have a significant impact on the Group's profit and loss or equity.

Liquidity risk/financial resources
The liquidity risk means that BioMar Group may not be able to fulfill its obligations as a result of a failure to release assets or obtain adequate financing. The Group activities are exposed to a relatively high degree of seasonal fluctuations requiring occasional oscillations in the need for liquidity. Historically, the working capital requirements are highest in the 3rd quarter. BioMar Group is predominantly financed by the parent company partly through medium termed loans up to 5 years and a business credit through the parent company credit facility from the bank syndicate consisting of Danske Bank, DNB and Nordea. The parent company Schouw & Co. ensures availability of sufficient operating liquidity and credit facilities for the ongoing operations and development.

The Group's interest bearing debt amounts to 1,415m DKK (2017: 1,201m DKK), of which 400m DKK (2017: 450m DKK) has a remaining loan period of more than 1 year. Cash and cash equivalents amount to 285m DKK (2017: 241m DKK). Additionally, the Group has significant unutilised and comitted loan facilities per December 31st 2018, hence the available financial resources are deemed sufficient for the realisation of the Group's strategy.

Note

22 **FINANCIAL RISKS (continued)**

	2018				
	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Non-derivative financial instruments					
Banks and other credit institutions	51,223	51,223	51,223	-	-
Payable to group enterprises	1,363,607	1,383,693	969,582	414,111	-
Trade payables	2,327,867	2,327,867	2,327,867	-	-
Other debt	534,743	596,734	213,707	383,027	
Derivatives					-
Derivative financial instruments	10,841	10,841	10,841	-	-
Recognised in balance sheet total	4,288,281	4,370,358	3,573,220	797,138	-
Operating lease liabilities		648,415	136,996	354,604	156,815
Contractual obligations to purchase property, plant and equipment		279,758	279,758	-	-
Total		5,298,531	3,989,974	1,151,742	156,815

BioMar Group is predominantly financed by the parent company through both short- and long term credit facilities.
The credit facilities do not contain financial covenants, that if not complied with will result in discontinuation of the credits.

The available financial ressources are deemed sufficient.

	2017				
	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Non-derivative financial instruments					
Banks and other credit institutions	31,186	31,186	31,186	-	-
Payable to group enterprises	1,169,864	1,196,500	726,414	470,086	-
Trade payables	1,898,506	1,898,506	1,898,506	-	-
Other debt	498,439	575,416	261,922	313,494	-
Derivatives					
Derivative financial instruments	9,195	9,195	9,195	-	-
Recognised in balance sheet total	3,607,190	3,710,803	2,927,223	783,580	-
Operating lease liabilities		543,319	125,132	268,515	149,672
Contractual obligations to purchase property, plant and equipment		12,740	12,740	-	-
Total		4,266,862	3,065,095	1,052,095	149,672

Note
22 **FINANCIAL RISKS (continued)**

Foreign currency risks

A significant part of the Group's revenue is generated in the same currency as the functional currency for the respective enterprises, hence these are naturally hedged and limiting the foreign currency exposure.
As a main rule, the Group hedges all significant foreign currency risks regarding in- and out going payments in foreign currencies in accordance with the Group's policy for currency risk management.

The sensitivity analysis shows the impact on the income statement and equity from likely changes in exchange rates in main currencies.

	2018					
Currency	Cash and receivables	Financial liabilities (non-derivatives)	Derivatives to hedging of future cash flows	Likely change in exchange rate	Hypothetical effect on the profit for the year	Hypothetical effect on the equity
EUR / DKK	279,445	-237,587	-	+2%	628	628
USD / DKK	236,805	-517,761	57,967	+5%	1,296	-8,362
USD / GBP	177,249	-75,514	-155,957	+5%	609	-2,033
USD / NOK	34,962	-219,050	306,146	+5%	181	4,577
EUR / NOK	67,225	-229,192	160,762	+5%	-1,321	-45
Others	77,562	-117,615	102,782	+5%/+20%	-1,502	2,313
	873,248	-1,396,719	471,700		-109	-2,922

	2017					
Currency	Cash and receivables	Financial liabilities (non-derivatives)	Derivatives to hedging of future cash flows	Likely change in exchange rate	Hypothetical effect on the profit for the year	Hypothetical effect on the equity
EUR / DKK	225,382	-177,523	-	+2%	718	718
USD / DKK	176,814	-386,840	26,640	+5%	1,300	-9,833
USD / GBP	70,266	-57,565	-81,968	+5%	289	-2,598
USD / NOK	3,288	-143,686	337,180	+5%	68	7,379
Others	101,857	-369,830	320,236	+5%/+20%	-4,916	282
	577,607	-1,135,444	602,088		-2,541	-4,052

Note

22 **FINANCIAL RISKS (continued)**

Currency hedging agreements regarding future transactions

Net amounts outstanding for currency hedging agreements at December 31st for the Group, which satisfy the requirements for hedge accounting and which relate to future transactions.

	2018			
Currency	Notional principal	Accumulated capital gain/(loss) recognised in equity	Fair value	Maximum number of months to expiry
EUR	190,518	963	4,712	5
USD	208,157	1,640	7,419	11
RUB	-21,268	-	621	2
GBP	-2,192	-	-20	1
Others	96,485	-1,912	-3,310	4
Total	471,700	691	9,422	

	2017			
Currency	Notional principal	Accumulated capital gain/(loss) recognised in equity	Fair value	Maximum number of months to expiry
EUR	302,887	119	6,510	6
USD	281,852	-2,013	2,742	12
RUB	-27,362	-	-454	3
Others	44,711	259	-310	
Total	602,088	-1,635	8,488	

Categories of financial instruments	**2018**	**2017**
Securities (fair value hierarchy level 1)	807	2,979
Securities (fair value hierarchy level 3)	894	1,346
Financial assets measured at fair value through profit and loss	1,701	4,325
Derivative financial assets (fair value hierarchy level 2)	19,898	17,682
Hedging instruments measured at fair value	19,898	17,682
Trade receivables	2,001,918	1,674,894
Other receivables	336,703	291,873
Cash and cash equivalents	284,398	240,681
Financial assets measured at amortised cost	2,623,019	2,207,448
Derivative financial liabilities (fair value hierarchy level 2)	10,841	9,195
Hedging instruments measured at fair value	10,841	9,195
Other long-term liabilities	321,036	236,517
Interest bearing debt	1,414,830	1,201,050
Trade payables and other debt	2,541,574	2,160,428
Financial liabilities measured at amortised cost	4,277,440	3,597,995

Note

23 **ACQUISITIONS**

	Alimentsa S.A.	
	2018	**2017**
Specification of acquired net assets at acquisition date		
Intangible assets	-	378,498
Property, plant and equipment	-	169,288
Inventories	-	41,196
Receivables	-	79,395
Cash and cash equivalents	-	33,326
Deferred tax	-	-92,634
Trade payables	-	-19,673
Other debt	-	-30,265
Current tax	-	-43,246
Net assets acquired	-	515,885
Goodwill	-	582,217
Of which non-controlling interests	-	-316,771
Acquisition costs	-	781,331
Contingent consideration	-	7,579
Of which cash and cash equivalent	-	-33,326
Total cash acquisition costs	-	755,584

On September 13th 2017 BioMar Group gained control of the Ecuadorian shrimp feed manufacturer Alimentsa S.A. by acquiring 70% of the shares in the company. No acquisitions have been made in 2018.

Note

24 **OPERATIONAL LEASES AND RENT COMMITMENTS**

The Group leases operating equipment under operating lease agreements. Lease terms are typically between 1 and 40 years with renewal options at expiry. No contingent rents are payable under any of the leases.

	2018	2017
0-1 year	134,983	125,132
1-5 years	325,151	268,515
> 5 years	123,211	149,672
Total operational leases and rent commitments	**583,345**	**543,319**
Lease cost recognised in the income statement	135,241	115,882

25 **RELATED PARTY TRANSACTIONS**

Schouw & Co. owns 100% of the shares in BioMar Group A/S.
Members of the Board of Directors, the Executive Management as well as their family members are considered related parties. Furthermore, related parties are companies in which the above-mentioned group of people has significant interests.

Transactions between BioMar Group and the other entities in the Schouw & Co. Group appear below:

	2018	2017
Management fee	-2,100	-2,000
Interest paid	-21,865	-21,090
Interest received	1,187	311
At December 31st the Group has the following debt and receivables:		
Receivables from group companies	208,086	182,539
Debt to group companies	-1,363,607	-1,169,864

In addition, related parties also comprise the associates and joint ventures cf. note 7, in which BioMar Group has either significant influence or joint control.

Transactions between BioMar Group and the associates and joint ventures appear below:

	Associates		Joint ventures	
	2018	2017	2018	2017
Sales	327,301	182,945	18,385	19,027
Purchases	88,276	46,779	-	-
Interest received	430	-	-	-
At December 31st the Group has the following debt and receivables:				
Receivables from associates and joint ventures	132,185	102,299	21,701	22,399
Debt to associates and joint ventures	83,405	82,410	600	565

Note

26 **GROUP STRUCTURE**

Company name	**Division**	**Domicile**	**BioMar Group's share in %**
BioMar Group A/S		Aarhus, Denmark	
BioMar A/S	EMEA	Brande, Denmark	100,00
BioMar Spolka z.o.o.	EMEA	Zielona Gora, Poland	100,00
Oy BioMar AB	EMEA	Vanda Helsingfors, Finland	100,00
BioMar AB	EMEA	Malmø, Sweden	100,00
Bio mar OOO, Russia	EMEA	Ropsha, Leningrad, Russia	100,00
BioMar S.A.S.	EMEA	Nersac, France	100,00
BioMar Hellenic S.A.	EMEA	Volos, Greece	100,00
BioMar Iberia S.A.	EMEA	Dueñas, Spain	100,00
BioMar Sagun TTK (Joint venture)	EMEA	Söke, Turkey	50,00
BioMar AS	Salmon	Myre, Norway	100,00
LetSea AS	Salmon	Dønna, Norway	33,33
BioMar Ltd.	Salmon	Grangemouth, Scotland	100,00
LCL Shipping Ltd.	Salmon	Grangemouth, Scotland	40,00
BioMar Pty. Ltd.	Salmon	Hobart, Australia	100,00
BioMar Group A/S Chile Holding S.A.	Salmon	Puerto Montt, Chile	100,00
BioMar Chile S.A.	Salmon	Puerto Montt, Chile	100,00
Alitec Pargua S.A. (Joint operation)	Salmon	Pargua, Chile	50,00
Salmones Austral S.A.	Salmon	Puerto Montt, Chile	22,91
Aquaculture Technology Centre Patagonia S.A.	Salmon	Lenca, Chile	30,00
BioMar Aquaculture Corporation S.A.	Emerging Markets	Cañas, Costa Rica	100,00
BioMar Aquacorporation Products S.A. (Joint operation)	Emerging Markets	Cañas, Costa Rica	50,00
Alimentsa S.A.	Emerging Markets	Guayaquil, Ecuador	70,00
BioMar Tongwei (Wuxi) Biotech Co., Ltd. (Joint venture)	Emerging Markets	Wuxi, China	50,00
Zhuhai Haiwei Feed Co., Ltd	Emerging Markets	Zhuhai, China	100,00

27 **NEW FINANCIAL REPORTING REGULATIONS**

As of the date of release of this annual report, the IASB has issued a number of new and amended financial reporting standards and interpretations which are not mandatory for the BioMar Group in 2018. Approved, not yet effective standards and amendments are implemented when they become mandatory for BioMar Group as per the EU effective dates.

The following accounting standard is considered the most relevant for BioMar Group:
IFRS 16 - Leases requires lessee to recognise all leases in the balance sheet as a right-of-use asset and a lease liability with few exceptions. In the income statement, the lease cost is replaced by depreciation of the leased asset and an interest expense for the financial lease liability.

BioMar Group will implement the standard from January 1st, 2019 utilising the modified retrospective approach, where the right-of-use assets on transition are measured at an amount equal to the lease liability. BioMar will make use of the relief from restating comparative figures and will not apply IFRS 16 to low value and short-term leases.

The impact assessment analysis concluded that the implementation of IFRS 16 will have an insignificant impact on profit and loss but will result in an expected increase in total assets and liabilities of 610m DKK, equal to approx. 9% of the total assets, and the operating cash flow will improve by approx. 115m DKK. The right-of-use assets and lease liabilities are to be seperately presented in the balance sheet or disclosed in the notes.

28 **EVENTS AFTER THE BALANCE SHEET DATE**
No material events have occurred after the balance sheet date.

Note 29 Accounting policies

BioMar Group A/S is a private limited company domiciled in Denmark. The annual report for the period January 1st – December 31st 2018 comprises both the consolidated accounts for the BioMar Group and its subsidiaries (the Group) and the annual accounts for the parent company, BioMar Group A/S.

The consolidated accounts for BioMar Group A/S are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements pursuant to the Danish Financial Statement Act applying for large class-C entities. The annual report also complies with the International Financial Reporting Standards (IFRS) issued by IASB.

Basic principles

The annual report is presented in Danish kroner which is the presentation currency for the Group and the functional currency for the parent company. If not stated otherwise all amounts are presented in 1,000 DKK.

The annual report is presented on the basis of historical cost, except for share based remuneration, derivatives, financial instruments, biological assets and contingent consideration in connection with business combinations, which are measured at fair value.

The accounting policies, as stated below, are consistent with those applied last year except for the implementation of IFRS 9 financial instruments.

The financial statements for the Parent are presented separately from the consolidated statements.

Impact of new accounting standards

BioMar Group has implemented the following new or amended standards and interpretations form January 1st 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Effect of IFRS 9 Financial instruments

The adoption and implementation of IFRS 9 have not had a significant impact on the classification of the Group's financial assets and liabilities. The Group's receivables that primarily pertain from the sale of aqua feed were previously classified as receivables and measured at amortised cost as the Group's business model is to hold these receivables in exchange for contractual cash flows.

Hence, based on the Group's business model and type of financial assets and liabilities, adoption and implementation of IFRS 9 has only impacted the impairment of these financial assets measured at amortised cost price.

For trade receivables BioMar Group applies the simplified expected loss model, after which the impairment is immediately recognised. The change in accounting policies from the previous incurred loss-model to IFRS 9's expected loss model has resulted in an earlier recognition of expected losses both at first recognition and subsequently.

BioMar Group has implemented the changed impairment model prospectively using January 1st 2018 as the date of initial application with the accumulated effect of the changed accounting policy recognised in retained earnings with no restatement of comparative figures in accordance with the transition requirements.

The consequence from implementing IFRS 9's expected credit loss-model in BioMar Group is an increased provision for expected credit losses of 15m DKK with a deferred tax effect of 4m DKK, which is recognised in the Group's retained earnings January 1st 2018. Hence, the 134m DKK in provision for expected losses as per December 31st 2017 has been increased to 149m DKK at January 1st 2018.

Effect of IFRS 15 Revenue from contracts with customers

The management has assessed the effect of implementing IFRS 15 and due to the Group's business model and composition and types of sales contracts the overall conclusion is that the effect on recognition and measurement is immaterial.

Note 29

Accounting policies (continued)

The consolidated financial statement

The consolidated financial statements comprise BioMar Group A/S and the subsidiaries controlled by BioMar Group. 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.

Entities 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 BioMar Group 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 joint operations. Joint operations refer to activities where the parties have direct rights to assets and liabilities, whereas joint ventures are activities for which the parties only have the rights to the net assets.

The consolidated financial statements have been prepared by aggregating the financial statements of the parent company, the individual subsidiaries and joint arrangements prepared in accordance with the Group's accounting policies. Intragroup income and expenses, shareholdings, dividends, balances and realised and unrealised gains on transactions between the consolidated entities are eliminated. Unrealised gains on transactions with associates and joint ventures are eliminated proportionate 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.

Business combinations

Newly acquired or established entities are recognised in the consolidated financial statements from the date of acquisition. Comparative figures are not adjusted to reflect acquisitions. Sold or liquidated entities are consolidated until the date of sale or liquidation. Discontinued operations are separately presented.

The purchase method is applied on acquisitions if the parent company gains control of the respective company. Identifiable assets, liabilities and contingent liabilities in the acquired company 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. Deferred tax on the revaluations are recognised.

Acquisition date is the date from which BioMar Group gains actual control of the acquired entity.

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. Goodwill is not amortised but is annually tested for impairment. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units that will subsequently form the basis for the future impairment tests. Goodwill and fair value adjustments in connection with acquisition of a foreign entity with a different functional currency than the presentation currency of BioMar Group are treated as assets and liabilities belonging to the foreign entity and converted to the entity's functional currency with the rate of the transaction date. Negative discrepancies, negative goodwill, is recognised in the income statement at the acquisition date.
If, on the acquisition date, there are any uncertainties with respect to identifying or measuring acquired assets, liabilities or contingent liabilities or uncertainties with respect to determining their cost, initial recognition will be made on the basis of provisionally calculated values. Such provisionally values may be adjusted, or additional assets or liabilities may be recognised up to 12 months after the acquisition date, if new information become available about conditions prevailing on the acquisition date, which would have affected the calculation of values on that day had such information been known. After this period goodwill is not adjusted.

Note 29

Accounting policies (continued)

For put-options issued as part of the consideration for business combinations, put-options received by non-controlling shareholders are considered to be exercised at the take-over date (anticipated acquisition).

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

Any gains or losses on the disposal of subsidiaries, associates and joint ventures are stated as the difference between the sales price or the proceeds from the winding-up and the carrying amount of net assets, including goodwill, at the date of disposal and the related cost for selling or winding-up.

Foreign currency translation

A functional currency is determined for each of the reporting entities in 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 prevailing 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 expenses.

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

On consolidation of entities with functional currency different from Danish kroner (DKK), the income statements are translated at the exchange rates prevailing at the transaction date and the balance sheets are translated at the exchange rates prevailing at the balance sheet date.

The average exchange rate for each individual month is used as the transaction date exchange rate in case of no significant differences. Exchange rate differences arising from the translation of the opening equity of such entities at the exchange rate prevailing at the balance sheet date and on the translation of the income statements from the exchange rates prevailing at the transaction date to the exchange rate at the balance sheet date are recognised in other comprehensive income in the exchange rate adjustment reserve under equity.

Derivative financial instruments

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

Changes in the fair value of the derivative financial instruments that effectively hedge the value of a recognised asset or liability are recognised in the income statement together with any changes in the value of the hedged asset or liability. Hedging of future cash flows according to contracts, except exchange rate hedging, are treated as hedging of the fair value of a recognised asset or liability.

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

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

Note 29

Accounting policies (continued)

Some contracts imply conditions corresponding to derivative financial instruments. Such integrated financial instruments are recognised separately and are regularly measured to fair value, in case they deviate significantly from the respective contract unless the total contract is recognised and regularly measured at fair value.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods, which primarily relates to aqua feed, is recognised in the income statement if transfer of the risk to the customer has taken place before year-end and if the income can be reliably measured. The performance obligations in the contracts are to deliver aqua feed to the customers and each delivery is considered a separate performance obligation as each delivery is distinct. Due to the business model composition and types of sales contracts variable components and the related consideration are considered immaterial.

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

Production costs

Production costs corresponding to the year's revenue include 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 sale also includes research and development costs that do not meet the criteria for capitalisation as well as amortisation and impairment of capitalised 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. Included are also costs for sales and logistic staff, advertising and exhibitions costs as well as depreciation/amortisation.

Administrative costs

Administrative costs 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 include impairment on trade receivables.

Other operating income and expenses

Other operating income and expenses comprise activities secondary to the primary activities of the entities and consist of the following:

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

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

Result from subsidiaries, associates and joint ventures

Subsidiaries, associates and joint ventures are recognised in the income statement at the proportionate share of the profit or loss and after elimination of the proportionate share of intra-group gains or losses.

Note 29 Accounting policies (continued)

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, surcharges and refunds under the on-account tax scheme and changes in fair value of derivative financial instruments that do not qualify as hedge accounting.

Interest expenses relating to the construction of non-current assets are recognised as part of the cost of the asset.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.
When the grants are related to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Taxation

BioMar Group is taxed jointly with the parent company's other 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 utilise tax losses from other companies pay a joint tax contribution to the parent company at an amount corresponding to the tax value of the tax losses utilised. Companies whose tax losses are utilised by other companies receive joint tax contribution from the parent company corresponding to the tax value of the utilised losses (full absorption). The jointly taxed companies pay tax under the Danish on-account tax scheme.

Balance sheet

Goodwill

On initial recognition goodwill is recognised in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The determination of cash-generating units is based on the management structure and the internal financial management.

Other intangible assets

Other intangible assets (e.g. software solutions) and intangible assets acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment. Intangible assets are amortised on a straight-line basis over the expected useful life of the assets: 5-20 years.

Intangible assets with indefinite useful lives are not amortised but are subject to yearly impairment tests.

Property, plant and equipment

Land and buildings, plant and machinery, fixtures and fittings and tools and equipment are measured at costs 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. Cost is increased by the present value of estimated liabilities for the removal and disposal of the asset and restoration of the site where the asset was used. The total cost is de-composed for separate depreciations if the useful lives of the single components are deemed significant different.

Subsequent costs, such as the cost of replacing components of property, plant and equipment, are included in the asset's carrying amount when deemed likely that it will result in economic benefits. 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 asset/component, which are expected to be as follows:

Note 29 Accounting policies (continued)

• Buildings 20-30 years.
• Plant and machinery 8-15 years.
• Other fixtures and fittings, tools and equipment 4-10 years.
• Land are not depreciated.

The basis for the depreciations is calculated with due considerations to the asset's scrap value, reduced by any impairment losses. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount depreciations are ceased.

In case of changes to the depreciation period or residual value the effect on depreciations going forward is recognised as a change of accounting estimates.

Depreciations are recognised in the income statement as production, distribution or administrative costs.

Investments in associates and joint ventures

Investments in associates and joint ventures are measured in the balance sheet at the proportionate share of the companies' net asset value (net equity method) calculated in accordance with the Group's accounting policies with deductions or addition of the proportionate share of unrealised intra-group gains or losses and with addition of the carrying amount of goodwill. Impairment test is performed when there is objective evidence of impairment.

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.

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, as a separate line item, 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.

Deferred tax assets are assessed on a yearly basis and are only recognised in case it's deemed likely that they will be utilised.

The carrying amount of other non-current assets are tested annually to determine whether there are any indications of impairment. If such 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.

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 or distribution costs or as administrative expense.

Impairment write-downs of goodwill are not reversed. Impairment of other assets is reversed to the extend changes have occurred to the assumptions and estimates leading to the impairment. Impairment is only reversed to the extend 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.

Inventories

Inventories are measured at cost in accordance with the FIFO-method. Where the net-realisable value is lower than the cost, inventories are written down to this lower cost.

The cost of goods for resale, raw materials and consumables comprises the purchase price and delivery costs.

The cost of finished goods and work in progress comprise the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs 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.

Note 29

Accounting policies (continued)

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 in consideration of marketability, obsolescence and movements in the expected selling price.

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

Receivables, effective from January 1st 2018

Receivables are measured at amortised cost less allowance for lifetime expected credit losses.
Provisions for impairment losses are calculated in accordance with the simplified expected credit-loss model, after which the total expected loss is immediately recognised in the income statement at the same time as the receivable is recognised in the balance sheet taking the total expected loss into consideration.

Expected credit-losses are calculated based on the expected default rate, determined per geographical location. The default rate is based on historic default rates adjusted for the effect of expected changes in relevant parameters.

Receivables, effective before January 1st 2018

Receivables are measured at amortised cost and are written down in case of objective impairment indications. Impairment write-downs are calculated as the difference between the carrying amount and the present value of the expected cash flows, including realisation value of collaterals, if any. As discounting rate, the effective interest rate applying at first recognition for the individual receivable, is utilised.

Securities

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

Unlisted securities, for which the fair value is not regularly monitored, are classified as available for sale. The securities are measured at fair value and unrealised value adjustments are recognised directly in other comprehensive income, except for impairment losses which are recognised in the income statement under financial items. On realisation, the accumulated value adjustment recognised in other comprehensive income is reclassified as financials in the income statement.

Share holders' 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.

Exchange adjustment reserve

The exchange adjustment reserve in the consolidated financial statement comprise exchange differences arising from the translation of the financial statement of foreign enterprises from their functional currency into Danish kroner including exchange differences on financial instruments considered to be part of the investment or as hedging of the net investment. On full or partly realisation of the net investment exchange rate adjustments are recognised in the income statement.

Hedge transaction reserve

The hedge transaction reserve contains the accumulated net change in the fair value of hedging transactions that met the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised.

Employee benefits

Executive Management and senior managers in BioMar Group are covered by the parent company Schouw & Co.'s share option programme. The costs related to the programme are calculated according to "Black & Scholes" and are expensed as staff costs linearly over the period of the option and settled to the parent company.

Note 29

Accounting policies (continued)

Pension obligations

BioMar Group has set up pension plans and similar 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.

BioMar Group does not have defined benefit plans.

Tax and other liabilities

Payable and deferred tax

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

Deferred tax is measured in accordance with the balance sheet liability method on all timing differences between the carrying amount and the tax base of the 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. In case the tax value can be measured according to multiple tax schemes, the deferred tax is measured on the basis of the management's planned utilisation, respective settlement of the liability.

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 tax liabilities within the same legal tax entity or 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 is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Financial liabilities

Debt to credit institutions is recognised at the raising of a loan at fair value less transaction costs. Debt relating to a put option for the purchase of non-controlling interests is initially measured at fair value. In subsequent periods, financial liabilities are measured at amortised costs, applying the "effective interest 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.

Other liabilities are measured at net realisation value.

Leases

For accounting purposes, leases are divided into finance and operating leases. Leases are classified as finance lease when substantially all risks and rewards of ownership of the leased asset are transferred. Other leases are classified as operating leases. BioMar Group has only entered into operating lease contracts. Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Cash flow statement

The consolidated 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.

Note 29 Accounting policies (continued)

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 divesting companies are recognised until the date of divestment.

Cash flows from operating activities are calculated according to the indirect method as the profit for the year before tax is 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 as under cash and cash equivalent. 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, re-payments of interest bearing debt and the purchase and sale of treasury shares.
Cash and cash equivalents include cash at bank and in hand as well as securities with a maturity of less than three months at the time of acquisition that can immediately be converted into cash and that involve insignificant risk of value fluctuations.

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.

Key figures

Key figures are calculated in accordance with ”Recommendations and Ratios” issued by the Danish Society of Financial Analysts.

Note 30

Significant accounting judgments and estimates

Estimation uncertainty

In preparing the financial statements, management makes a number of assessments, estimates and 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 consider 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 outcome may deviate from the 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.
The notes provide information on bases and assumptions, on the future and other estimation uncertainties at the balance sheet date where there is a considerable risk of changes that may lead to significant adjustment of the carrying amount of assets and liabilities within the next financial year.

Judgments and estimates, deemed significant for the financial reporting are mainly related to impairment of trade receivables and goodwill and valuation of the put option. See further below.

Receivables

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macroeconomic factors impacting the industry hence the credit risk. The expected loss rates are updated at every reporting date.

Impairment of goodwill

At the yearly impairment test of goodwill, or if indications of impairment, judgments are applied to assess to which extend the cash generating units, that the goodwill is related to, are able to generate sufficient positive cash flows in the future to support the carrying amount of goodwill and the other net assets in the respective entities.
The impairment test and the particular sensitive circumstances relating to this is described in note 11 regarding intangible assets.

Put option

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

Parent company financial statements

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(DKK 1,000)

Note	INCOME STATEMENT	2018	2017
1	Revenue	950,820	1,047,191
4	Cost of sales	-888,916	-985,322
	Gross profit	**61,904**	**61,869**
	Other operating income and expenses, net	170	243
2.3	Distribution costs	-810	-1,182
2,3,5	Administration costs	-70,896	-82,023
	Operating profit (EBIT)	**-9,632**	**-21,093**
	Share of profit after tax, subsidiaries	406,911	480,768
9	Share of profit after tax, joint ventures	12,539	9,982
6	Financial income	1,806	1,685
7	Financial expenses	-12,175	-16,619
	Profit before tax	**399,449**	**454,723**
8	Tax on profit for the year	3,896	7,086
	Profit for the year	**403,345**	**461,809**
	Other comprehensive income		
	Items that have been or may subsequently be reclassified to the income statement;		
	Exchange rate adjustments, foreign entities	65,451	-189,139
	Other value adjustments in subsidiaries and joint ventures	-1,291	-12,352
	Other comprehensive income after tax	**64,160**	**-201,491**
	Total comprehensive income	**467,505**	**260,318**

BALANCE SHEET AT DECEMBER 31st

(DKK 1,000)

Note	TOTAL ASSETS	2018	2017
	Other intangible assets	729	1,167
	Assets under development	1,349	1,194
10	Intangible assets	2,078	2,361
	Land and buildings	319	-
	Other plant, fixtures and operating equipment	69	239
	Assets under construction	-	43
11	Property, plant and equipment	388	282
	Investments i subsidiaries	3,269,828	3,159,006
9	Investments in joint ventures	136,747	135,512
	Securities	-	171
17	Deferred tax	417	392
12	Receivables	11,426	13,036
	Other non-current assets	3,418,418	3,308,117
	Total non-current assets	**3,420,884**	**3,310,760**
12	Receivables	488,470	411,803
16	Income tax	971	7,988
	Prepayments	3,456	2,785
	Cash and cash equivalents	72	153
	Total current assets	**492,969**	**422,729**
	Total assets	**3,913,853**	**3,733,489**

Note	EQUITY AND LIABILITIES	2018	2017
	Share capital	250,000	250,000
	Reserve for net revaluation according to the equity method	1,340,856	1,287,015
	Retained earnings	665,268	562,461
	Proposed dividend	300,000	300,000
	Total equity	**2,556,124**	**2,399,476**
13	Interest bearing debt	400,000	450,000
	Total non-current liabilities	400,000	450,000
13	Interest bearing debt	558,110	540,079
14	Trade payables and other debt	399,619	343,934
	Total current liabilities	957,729	884,013
	Total liabilities	**1,357,729**	**1,334,013**
	Total equity and liabilities	**3,913,853**	**3,733,489**

Notes without reference:

18 Financial risks

19 Operational lease and rent commitments

20 Contingent liabilities and guarantees

21 Related party transactions

22 Accounting policies

STATEMENT OF CHANGES IN EQUITY

(DKK 1,000)

	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend	Total equity
Equity at January 1st 2017	**250,000**	**1,242,303**	**650,625**	**200,000**	**2,342,928**
Comprehensive income in 2017					
Profit for the year		238,237	-76,428	300,000	461,809
Other comprehensive income					
Exchange rate adjustments of foreign entities		-193,525	-11,736		-205,261
Other valuation adjustments in foreign entities					-
Tax on other comprehensive income					-
Other comprehensive income	-	-193,525	-11,736	-	-205,261
Comprehensive income	-	44,712	-88,164	300,000	256,548
Transactions with shareholders:					
Dividend distributed				-200,000	-200,000
Transactions with shareholders	-	-	-	-200,000	-200,000
Equity at December 31st 2017	**250,000**	**1,287,015**	**562,461**	**300,000**	**2,399,476**
Change of accounting policy IFRS 9		-10,857			-10,857
Restated equity at January 1st 2018	**250,000**	**1,276,158**	**562,461**	**300,000**	**2,388,619**
Profit for the year		-10,711	114,056	300,000	403,345
Other comprehensive income					
Exchange rate adjustments of foreign entities		73,997	-8,546		65,451
Other valuation adjustments in foreign entities		1,412	-2,703		-1,291
Tax on other comprehensive income					-
Other comprehensive income	-	75,409	-11,249	-	64,160
Comprehensive income	-	64,698	102,807	300,000	467,505
Transactions with shareholders:					
Dividend distributed				-300,000	-300,000
Transactions with shareholders	-	-	-	-300,000	-300,000
Equity at December 31st 2018	**250,000**	**1,340,856**	**665,268**	**300,000**	**2,556,124**

Proposed dividend per share amounts to 3,000 DKK (3,000 DKK in 2017).

CASH FLOW STATEMENT

(DKK 1,000)

Note		2018	2017
	Profit before tax	399,449	454,723
	Adjustment for non-cash items:		
2	Depreciations and impairment losses	2,109	1,265
	Other operating items, net	-170	-
	Share of profit after tax in subsidiaries	-406,911	-480,768
	Share of profit after tax in joint ventures	-12,539	-9,982
6	Financial income	-1,806	-1,685
7	Financial expenses	12,175	16,619
	Cash flow from operations before changes in working capital	-7,693	-19,828
15	Changes in working capital	-21,996	6,929
	Cash flow from operations	-29,689	-12,899
	Interest received	1,515	1,662
	Interest paid	-12,157	-17,345
	Cash flow from ordinary activities	-40,331	-28,582
16	Income tax received	10,888	6,910
	Cash flow from operating activities	**-29,443**	**-21,672**
10	Purchase of intangible assets	-1,528	-1,194
	Sale of intangible fixed assets	-	6,165
11	Purchase of property, plant and equipment	-404	-43
	Sale of property, plant and equipment	170	47
	Acquisition of subsidiaries	-	-788,912
	Liquidation of subsidiaries	-	85,529
	Capital contribution in subsidiaries	-56,981	-15,121
	Dividend from subsidiaries	417,622	238,918
	Repayment of loans	2,299	2,198
	Sales of securities	153	-
	Cash flow from investing activities	**361,331**	**-472,413**
	Re-payment of long-term liabilities/proceeds from borrowings	-50,000	250,000
	Increase (re-payment) of intra-group balances	18,031	444,085
	Dividend distributed	-300,000	-200,000
	Cash flow from financing activities	**-331,969**	**494,085**
	Cash flow for the year	-81	-
	Cash and cash equivalents at January 1st	153	152
	Exchange rate adjustments of cash and cash equivalents	-	1
	Cash and cash equivalents at December 31st	**72**	**153**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
(DKK 1,000)

Note

1 **REVENUE**

	2018	2017
Products	882,301	981,384
Services	68,519	65,807
Total revenue	950,820	1,047,191

2 **DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES**

	2018	2017
Amortisation of intangible assets	-1,811	-438
Depreciation of property, plant and equipment	-298	-827
Total depreciation, amortisation and impairment losses	-2,109	-1,265

Amortisations of intangible assets are included in administration costs with 1.8m DKK (2017: 0.4m DKK).

3 **STAFF COSTS**

	2018	2017
Wages and salaries	-35,945	-40,263
Defined contribution pension plans	-1,945	-2,035
Other social security costs	-145	-158
Share-based payments	-2,879	-2,058
Total staff costs	-40,914	-44,514
Average number of employees	24	25
Remuneration to Executive Board and Board of Directors		
Wages and salaries	-5,010	-5,772
Bonus	-578	-3,959
Share-based payments	-1,286	-909
Total remuneration to Excecutive Board and Board of Directors	-6,874	-10,640

For more information on salaries, pensions and share-based payment to the Executive Management of BioMar Group, see note 3 to the consolidated financial statement.

4 **COST OF SALES**

	2018	2017
Cost of goods sold	-882,300	-981,384
Research and development costs recognised in the income statement	-6,616	-3,938
Total cost of sales	-888,916	-985,322

5 **FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING**

	2018	2017
Total fee to EY:		
Statutory audit	-600	-561
Tax and VAT advisory services	-122	-318
Other services	-54	-211
Total fees to EY	-776	-1,090

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(DKK 1,000)

Note

6	FINANCIAL INCOME	2018	2017
	Interest income etc.	-	173
	Financial income from group enterprises	1,515	1,489
	Exchange rate adjustments	291	-
	Fair value adjustments of financial assets measured through profit and loss	-	23
	Total financial income	1,806	1,685

7	FINANCIAL EXPENSES	2018	2017
	Interest expenses etc.	-35	-10
	Financial costs to group enterprises	-12,122	-14,990
	Exchange rate adjustments	-	-1,619
	Fair value adjustments of financial assets measured through profit and loss	-18	-
	Total financial expenses	-12,175	-16,619

8	TAX ON PROFIT FOR THE YEAR	2018	2017
	Tax on profit for the year is specified as follows:		
	Tax on profit for the year	3,896	7,086
	Total tax	3,896	7,086
	Tax on the profit for the year has been calculated as follows:		
	Current tax	3,871	7,985
	Deferred tax	25	-899
	Total tax recognised in the income statement	3,896	7,086
	Specification of tax on the profit for the year:		
	Calculated 22% tax on the profit for the year	-87,879	-100,039
	Tax effect of:		
	Non-deductible costs and non-taxable income	91,775	107,125
	Total tax recognised in the income statement	3,896	7,086
	Effective tax rate	-1.0%	-1.6%

Tax on other comprehensive income		2018	
	Before tax	Tax	After tax
Exchange rate adjustments, foreign entities	65,451	-	65,451
Total tax on other comprehensive income	65,451	-	65,451

		2017	
	Before tax	Tax	After tax
Exchange rate adjustments, foreign entities	-189,139	-	-189,139
Other value adjustments in subsidiaries and joint ventures	-12,352	-	-12,352
Total tax on other comprehensive income	-201,491	-	-201,491

Note

9 **INVESTMENTS IN JOINT VENTURES**

Below is an overview of the parent company's investments in joint ventures, all recognised to the parent company's share of the net equity. The Group's equity interests are consistent with it's voting rights.

Name	Country and city of incorporation	2018	2017
BioMar-Sagun TTK	Söke, Turkey	50%	50%
BioMar Tongwei (Wuxi) Biotech Co., Ltd.	Wuxi, China	50%	50%

	2018	2017
Share of profit, joint ventures	12,539	9,982
The Group's share of equity in individually immaterial joint ventures	133,491	132,256
Goodwill regarding immaterial joint ventures	3,256	3,256
Carrying amount of investments in joint ventures	136,747	135,512

10 **INTANGIBLE ASSETS**

	2018		
	Other intan-gible assets	Assets under development	Total
Cost at January 1st	5,115	1,194	6,309
Additions	1,373	155	1,528
Cost at December 31st	6,488	1,349	7,837
Amortisation and impairment at January 1st	-3,948	-	-3,948
Amortisation	-1,811	-	-1,811
Amortisation and impairment at December 31st	-5,759	-	-5,759
Carrying amount at December 31st	**729**	**1,349**	**2,078**

	2017		
	Other intan-gible assets	Assets under development	Total
Cost at January 1st	5,115	6,165	11,280
Additions	-	1,194	1,194
Disposals	-	-6,165	-6,165
Cost at December 31st	5,115	1,194	6,309
Amortisation and impairment at January 1st	-3,510	-	-3,510
Amortisation	-438	-	-438
Amortisation and impairment at December 31st	-3,948	-	-3,948
Carrying amount at December 31st	**1,167**	**1,194**	**2,361**

Note

11 **PROPERTY, PLANT AND EQUIPMENT**

	2018			
	Land and buildings	Other plant, fixtures and operating equipments	Assets under construction	Total
Cost at January 1st	1,306	2,958	43	4,307
Additions	147	71	186	404
Disposals	-	-570	-	-570
Transferred	229	-	-229	-
Cost at December 31st	1,682	2,459	-	4,141
Depreciation at January 1st	-1,306	-2,719	-	-4,025
Reversed depreciations on disposals	-	570	-	570
Depreciation	-57	-241	-	-298
Depreciation at December 31st	-1,363	-2,390	-	-3,753
Carrying amount at December 31st	**319**	**69**	**-**	**388**
Of which finance leased assets	-	-	-	-
Depreciation period	5 år	3-5 år		

	2017			
	Land and buildings	Other plant, fixtures and operating equipments	Assets under construction	Total
Cost at January 1st	1,306	4,131	-	5,437
Additions	-	-	43	43
Disposals	-	-1,173	-	-1,173
Cost at December 31st	1,306	2,958	43	4,307
Depreciation at January 1st	-1,219	-3,105	-	-4,324
Reversed depreciations on disposals	-	1,126	-	1,126
Depreciation	-87	-740	-	-827
Depreciation at December 31st	-1,306	-2,719	-	-4,025
Carrying amount at December 31st	**-**	**239**	**43**	**282**
Of which finance leased assets	-	-	-	-
Depreciation period	5 år	3-5 år		

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(DKK 1,000)

Note

12	RECEIVABLES	2018	2017
	Trade receivables	428,186	345,359
	Interest-bearing receivables	41,224	51,590
	Other receivables	30,486	27,890
	Total receivables	499,896	424,839
	Non-current receivables	11,426	13,036
	Current receivables	488,470	411,803
	Total	499,896	424,839

Credit risks

The parent company's credit risk relates primarily to receivables from subsidiaries.

13	INTEREST BEARING DEBT	2018	2017
	Payable to group enterprises (long-term)	400,000	450,000
	Payable to group enterprises (short-term)	558,110	540,079
	Total interest bearing debt	958,110	990,079
	Fair value of interest bearing debt	958,110	990,079

2018	Balance at January 1st	Cash flows	Exchange rate adjustments	Balance at December 31st
Payable to group enterprises (long-term)	450,000	-50,000	-	400,000
Payable to group enterprises (short-term)	540,079	18,031	-	558,110
Total interest-bearing assets and liabilities	990,079	-31,969	-	958,110

Biomar Grop A/S' interest bearing debt is mainly taken out in DKK.

2017	Balance at January 1st	Cash flows	Exchange rate adjustments	Balance at December 31st
Payable to group enterprises (long-term)	250,000	200,000	-	450,000
Payable to group enterprises (short-term)	153,965	388,709	-2,595	540,079
Total interest-bearing assets and liabilities	403,965	588,709	-2,595	990,079

INTEREST RATE RISKS

Due to the chosen funding of investments and the ongoing operations BioMar Group A/S is exposed to fluctuations in the interest rates. In order to mitigate this risk the company has taken out fixed rate, long-term debt with a duration of 4 years. Fixed rate loans account for 47% (2017: 51%) of the total interest bearing debt. For debt raised on floating terms fluctuations in the interest rates of +/- 100 bps will have a hypothetic impact on the profit for the year and equity of +/- 3.9m DKK (2017: +/- 3.7m DKK).

Maturity profile on interest bearing debt:

	Re-payment		Interest during loan period		Carrying amount	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
		-				
Overdraft (without scheduled re-payment)	508,110	490,079	-	-	508,110	490,079
Below 1 year	55,975	56,550	5,975	6,550	50,000	50,000
Between 1 and 5 years	414,111	470,086	14,111	20,086	400,000	450,000
Total	978,196	1,016,715	20,086	26,636	958,110	990,079

Note

14	**TRADE PAYABLES AND OTHER DEBT**	**2018**	**2017**
	Trade payables	383,980	309,130
	Payables to group enterprises	10,525	13,948
	Other debt	5,114	20,856
	Total trade payables and other debt	399,619	343,934

15	**CHANGES IN WORKING CAPITAL**	**2018**	**2017**
	Change in receivables	-77,681	307,559
	Change in trade payables and other debt	55,685	-300,630
	Total changes in working capital	-21,996	6,929

16	**INCOME TAX**	**2018**	**2017**
	Income tax January 1st, net	7,988	6,912
	Current tax for the year	3,871	7,986
	Corporate income tax paid during the year	-10,888	-6,910
	Income tax December 31st, net	971	7,988
	Which is distributed as follows:		
	Income tax receivable	971	7,988
	Total	971	7,988

17	**DEFERRED TAX**	**2018**	**2017**
	Deferred tax January 1st	392	1,291
	Deferred tax for the year recognised in profit and loss statement	25	-899
	Deferred tax at December 31st, net	417	392
	Deferred tax is recognised in the balance sheet as follows:		
	Deferred tax asset	417	392
	Deferred tax at December 31st, net	417	392
	Deferred tax pertains to:		
	Intangible assets	-160	-181
	Property, plant and equipment	398	476
	Other liabilities	179	97
	Total deferred tax at December 31st	417	392

Note
18 **FINANCIAL RISKS**

The sensitivity analysis shows the impact on the income statement and equity from likely changes in exchange rates in main currencies.

	2018					
Currency	Cash and receivables	Financial liabilities (non-derivatives)	Derivatives to hedging of future cash flows	Likely change in exchange rate	Hypothetical effect on the profit for the year	Hypothetical effect on the equity
EUR / DKK	241,494	-203,574	-	+2%	592	592
USD / DKK	223,666	-178,951	-23,470	+5%	829	829
Others	8,262	-1,984	-	+5%	245	245
	473,421	-384,509	-23,470		1,665	1,665

	2017					
Currency	Cash and receivables	Financial liabilities (non-derivatives)	Derivatives to hedging of future cash flows	Likely change in exchange rate	Hypothetical effect on the profit for the year	Hypothetical effect on the equity
EUR / DKK	193,022	-158,647	-	+2%	536	536
USD / DKK	161,473	-374,694	-7,449	+5%	908	618
Others	6,701	-2,902	-	+5%	148	148
	361,196	-536,243	-7,449		1,592	1,302

Currency hedging agreements regarding future transactions

Net amounts outstanding for currency hedging agreements at December 31st for BioMar Group A/S, which satisfy the requirements for hedge accounting and which relate to future transactions.

	2018				2017			
Currency	Notional principal	Accumulated capital gain/(loss) recognised in equity	Fair value	Maximum number of months to expiry	Notional principal	Accumulated capital gain/(loss) recognised in equity	Fair value	Maximum number of months to expiry
USD	-23,470	-	12	11	-7,449	-	-74	12
	-23,470	-	12		**-7,449**	**-**	**-74**	

Categories of financial instruments	**2018**	**2017**
Securities (fair value hierarchy level 1)	-	172
Financial assets measured at fair value through profit and loss	-	172
Derivative financial assets (fair value hierarchy level 2)	12	-
Hedging instruments measured at fair value	12	-
Receivables	499,884	424,839
Cash and cash equivalents	72	153
Financial assets measured at amortised cost	499,956	424,992
Derivative financial liabilities (fair value hierarchy level 2)	-	74
Hedging instruments measured at fair value	-	74
Interest bearing debt	958,110	990,079
Trade payables and other debt	399,619	343,860
Financial liabilities measured at amortised cost	1,357,729	1,333,939

Note

19 **OPERATIONAL LEASES AND RENT COMMITMENTS**

The company leases offices and equipment under operating lease agreements. Lease terms are typically between 1 and 4 years with renewal options at expiry.

	2018	2017
0-1 year	4,270	4,399
1-5 years	2,366	353
Total operational leases and rent commitments	6,636	4,752
Lease cost recognised in the income statement	4,241	3,611

20 **CONTINGENT LIABILITIES AND GUARANTEES**

Guarantees
BioMar Group A/S is predominately funded through and by the parent company Schouw & Co.'s cash resources and credit facilities. Schouw & Co. has in 2016 established a credit facility of 1,800m DKK expandable up to 2,100m DKK through a bank syndicate consisting of Danske Bank, DNB and Nordea. BioMar Group A/S is, like the other larger Schouw & Co. subsidiaries, co-guarantor for the credit facility. As per December 31st 2018 1,404m DKK of the total credit facility has been utilised. In addition BioMar Group A/S has provided corporate guarantees of 413m DKK towards banks and other financial partners.

Contingent liabilities
Pending lawsuits
BioMar Group A/S is not part of any pending lawsuits.

Joint taxation liability
BioMar Group A/S participates in a Danish joint taxation arrangement with Schouw & Co. (cvr.no 63965812) serving as the administration company, and is therefore jointly and severally liable for the corporation tax and also for obligations, if any, to withhold tax on dividend, interests and royalties. The total net liability to the Danish tax authorities is recognised in the annual report of Schouw & Co. Potential corrections to the jointly taxed income and tax at source may result in a higher liability for the Group.

21 **RELATED PARTY TRANSACTIONS**

Schouw & Co. owns 100% of the shares in BioMar Group A/S.
Members of the Board of Directors, the Executive Management as well as their family members are considered related parties. Furthermore, related parties are companies in which the above-mentioned group of people has significant interests.

Transactions between BioMar Group and the other entities in the Schouw & Co. Group appear below;

	2018	2017
Revenue	882,301	981,383
Management fee	56,166	52,019
Interest paid	-12,122	-14,990
Interest received	1,515	1,489
At December 31st the company has the following debt and receivables:		
Receivables from group companies	450,253	336,138
Debt to group companies	-968,035	-1,003,462

Related parties also comprise the joint ventures in which BioMar has control or significant influence.

	Joint ventures	
At December 31st the company has the following debt and receivables:	2018	2017
Receivables from joint ventures	19,157	22,399
Payables to joint ventures	-600	-565

Note 22

Accounting policies

BioMar Group A/S is a private limited company domiciled in Denmark.

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.

BioMar Group A/S has implemented the standards and interpretations which are effective from January 1st 2018. The parent company accounting policies are consistent with those applied last year.

Investments in subsidiaries and joint ventures

The proportionate share of the profit or loss from subsidiaries 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 and joint ventures are, at first recognition, measured at cost and subsequently at the proportionate share of the companies' net assets calculated in accordance with the parent company's accounting policies with deductions or addition of the proportionate share of unrealised intra-group gains or losses and with addition of goodwill calculated according to the acquisition method.

Investments in entities with negative net assets are recognised at DKK nil, and receivables and loans from the entities, if any, are written down corresponding to the parent company's share of the negative net assets to the extend the amount is deemed irrecoverable. In case the negative accounting values of the net assets exceeds the receivable amounts the remaining amount is recognised as a liability in case the parent company has a judicial or actual obligation to cover the negative balance.

The net revaluations of investments in subsidiaries are transferred to the designated reserve under equity in case the carrying amount exceeds the acquisition price. Recently acquired or established companies are recognised in the financial statement from the date of acquisition. Sold or liquidated companies are likewise recognised until the date of the sale or liquidation.

Share holders' 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.

Reserve for net revaluation according to the equity method

Net revaluations of subsidiaries and joint ventures are recognised under equity as reserve for net revaluations to the extent that the carrying value exceeds the cost price of the investment.