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MAJ INVEST HOLDING A/S

# ANNUAL REPORT 2018

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MAJ  
INVEST



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# MANAGEMENT'S REVIEW

## COMPANY INFORMATION

### MAJ INVEST HOLDING A/S

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CVR no. 28 29 54 80  
Registered office in: Copenhagen  
majinvest.com

### AUDITORS

Ernst & Young P/S  
Osvald Helmuths Vej 4  
DK-2000 Frederiksberg

### BOARD OF DIRECTORS

Tommy Pedersen, chairman  
Nils Bernstein  
Ruth Schade  
Jørgen Tang-Jensen  
Tomas Munksgard Hoff (elected by staff)  
Søren Krag Jacobsen (elected by staff)  
Anders Møller Olesen (elected by staff)

### EXECUTIVE BOARD

Jeppe Christiansen  
Erik Holm  
Henrik Parkhøi



Maj Invest's Executive Board & Chairman of the Board - Erik Holm, Managing Director; Jeppe Christiansen, CEO; Henrik Parkhøi, Managing Director; Tommy Pedersen, Chairman of the Board.

## FINANCIAL HIGHLIGHTS - GROUP

### INCOME STATEMENT (PRINCIPAL ITEMS)

DKK thousand	2018	2017	2016	2015	2014
Total gross income	340,629	467,530	449,193	326,059	311,334
- Net interest and fee income	342,357	406,316	423,517	292,506	291,956
- Market value and currency translation adjustments	(11,427)	45,456	14,509	21,645	8,883
- Other operating income	9,698	15,757	11,167	11,908	10,495
Staff costs and administrative expenses	(212,039)	(208,994)	(208,492)	(211,862)	(175,615)
Profit before tax	115,046	245,222	233,469	107,536	133,329

### BALANCE SHEET

Shareholders' equity	418,455	424,201	515,746	358,411	507,191
Total assets	665,740	691,600	798,370	593,751	659,524

### RATIOS AND KEY FIGURES

Return on equity before tax	27.3%	52.2%	53.4%	24.8%	27.9%
Cost/income ratio	1.53	2.13	2.08	1.49	1.75
Cost in per cent of income	65.5%	46.9%	48.0%	67.0%	57.2%
Tier 1 capital ratio	33.0%	31.1%	28.8%	36.1%	43.8%
Capital ratio	33.0%	31.1%	28.8%	36.1%	43.8%
Own funds in relation to minimum capital requirements	4.1	3.9	3.6	4.5	5.5

Ratios and key figures were drawn up in accordance with the definitions of the Danish Financial Supervisory Authority (FSA).

## HIGHLIGHTS AND MAJOR EVENTS

### FINANCIAL YEAR 2018

The group's financial results 2018 were satisfactory and within the revised forecast. The highlights are as follows:

- Profit after tax was DKK 92.0 million, corresponding to a return on average equity of 21.8 per cent. In 2017, profit after tax was DKK 190.9 million after a number of non-recurring items.
- Both the group's own funds and its capital ratio rose in 2018. With own funds of DKK 341.8 million and a capital ratio of 33.0 per cent at year-end 2018, the group is well capitalised.
- Maj Invest Asset Management has continued previous years' international growth and has in 2018 entered into new client agreements with international investors who represent an increasing portion of assets under management.
- Maj Invest Equity has provided advisory services to Maj Invest Equity 4 K/S on the sale of DK-Foods with a highly satisfactory result for the investors. In addition, Maj Invest Equity has provided advisory services to Maj Invest Equity 5 K/S on the acquisition of Roll-O-Matic, Good Food Group and Emballagegruppen.
- The group has set up a company in India to support its international private equity activities.
- Maj Invest Equity International has provided advisory services to Maj Invest Financial Inclusion Fund II K/S on investments in Bancompartir in Colombia and the two Indian companies Belstar Investment and Finance and Aye Finance.
- Maj Bank once again saw an increase in the number of clients as well as assets, and a financial result in line with expectations.



### CORPORATE DEVELOPMENT SINCE OUR START

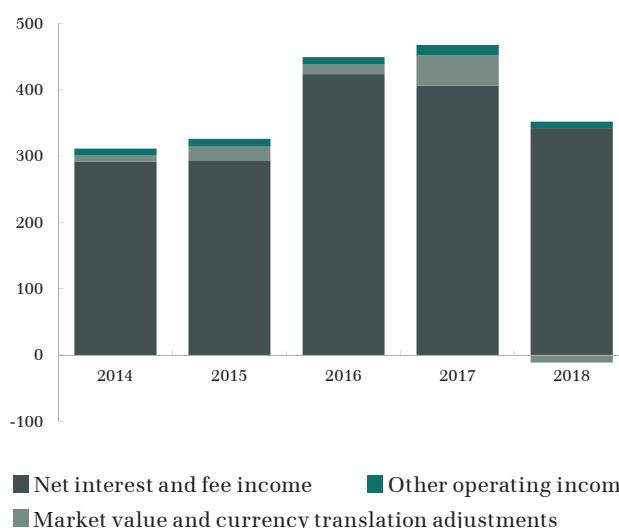
Since its inception in May 2005, our group has developed favourably in terms of business volume and number of clients. To date we have had two main business activities, Asset Management and Private Equity, both primarily serving institutional investors and large clients in Denmark and internationally.

By setting up Maj Bank at the end of 2015, it enabled us to serve private clients within the savings and investment area in Denmark. We aim to develop these activities into a new business area complementing our Maj Invest Asset Management activities.

With the establishment of a company in India in 2018, the Maj Invest group is represented in seven countries.

### TREND IN GROSS REVENUE

DKK million



### MILESTONES

#### 2005

Permit from the Danish FSA. Fondsmæglerselskabet Maj Invest A/S established. Private equity fund LD Equity 2 and Investeringsforeningen Maj Invest (mutual fund) established.

#### 2006

Private equity fund LD Equity 1 and Markets established.

#### 2007

Activities taken over from Dansk Erhvervsinvestering, and private equity fund LD Equity 3 established.

#### 2008

Investeringsforeningen Maj Invest (mutual fund) receives first Morningstar rating.

#### 2009

Wealth Management and private equity fund Maj Invest Equity Vietnam I established.

#### 2010

Private equity fund Danish Microfinance Partners established.

#### 2011

Private equity fund Maj Invest Equity 4 established.

#### 2012

Private equity fund The Energy and Fertilizer Investment Fund established.

#### 2013

The mutual fund Maj Invest Funds (Luxembourg) established.

#### 2014

Company in Singapore and representative offices in London and Jakarta established. Maj Invest South America (Peru) established.

#### 2015

Maj Bank established. Private equity funds Maj Invest Equity Southeast Asia II and Maj Invest Financial Inclusion Fund II established.

#### 2016

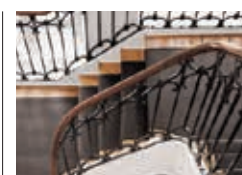
Private equity fund Maj Invest Equity 5 established.

#### 2017

Registration in the US (SEC) and with the authorities in Canada.

#### 2018

Company in India established.





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## DEVELOPMENT IN BUSINESS AREAS

### INVESTMENT PHILOSOPHY

We focus on long-term value creation for our clients since short-term developments are driven by unpredictable factors.

The group has two principal business areas, Maj Invest Asset Management and Maj Invest Equity, which primarily service institutional investors and large clients in Denmark as well as abroad. Together with Maj Bank, which services private clients, these two principal business areas offer a number of long-term investment products.

Maj Invest Asset Management provides advisory services on asset allocation and asset management (listed securities). Our clients are Danish and international institutional investors, *Investeringsforeningen Maj Invest* (mutual fund) in Denmark, and the mutual fund *Maj Invest Funds* in Luxembourg.

- Maj Invest *Formueforvaltning* (wealth management) delivers advisory services on wealth management to high-net-worth clients, companies and funds.
- Maj Invest Investor Relations & Markets is responsible for trading and execution services and supplies distributors with information on the Danish mutual fund *Investeringsforeningen Maj Invest* as well as *Maj Invest Funds*, which is a mutual fund based in Luxembourg. The department offers services to clients in Denmark and abroad within the core business area Maj Invest Asset Management.

Maj Invest Equity provides investment advisory services to private equity funds investing in unlisted equities in Denmark and abroad. Maj Invest Equity is among Denmark's largest private equity advisors within the segment of small and medium-sized companies.

- Maj Invest Equity International provides investment advisory services to four funds with international activities. Two of the funds focus on investments within microfinancing, financial infrastructure and microfinance banks, and two funds focus on private equity investments in Vietnam and Southeast Asia.

### GROSS REVENUE

DKK million



Maj Bank provides investment advisory services on savings and investments to private clients. Maj Bank's advisory services are based on knowledge rather than news and focus on long-term economic relationships and broad financial and economic knowledge.

Furthermore, we provide administrative and reporting services to companies with activities related to the group's business activities.

Total assets under management, incl. assets in custody accounts in Maj Bank A/S, totalled approximately DKK 64 billion at year-end 2018. In 2018, the group employed an average of 105 employees.

### MAJ INVEST ASSET MANAGEMENT

Maj Invest Asset Management provides advisory services on portfolio and investment decisions and asset management of listed products extended to large professional clients and institutional investors. Maj Invest Asset Management has entered into agreements with clients on both overall strategic portfolio and investment strategy as well as agreements within individual investment areas, including listed equities and bonds.

Our advice is built on a long-term strategy based on analysis of structural conditions and scenarios in global financial markets. The key concepts of our strategy are risk diversification and risk analysis, as expressed in our research of trends and themes in the financial markets.

Generally, 2018 has been a challenging year due to instability in the financial markets, resulting in a general drop in equity prices. In accordance with the group's international strategy, Maj Invest Asset Management entered into more client agreements with international investors in 2018. The portion of assets under management on behalf of international investors rose in 2018.

At year-end 2018, Maj Invest Asset Management's total assets under management constituted DKK 58 billion.

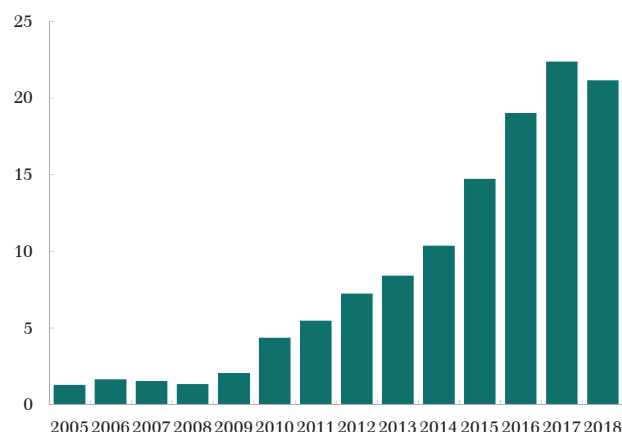
#### INVESTERINGSFORENINGEN MAJ INVEST (MUTUAL FUND)

Maj Invest Asset Management acts as investment advisor to Investeringsforeningen Maj Invest, which consists of 13 funds and has been offered to both private and professional investors for 13 years.

Net sales for the year were lower than previous years, and combined with large payments of dividends and a negative market trend, the fund recorded a small decline in assets under management from DKK 22.4 billion at year-end 2017 to DKK 21.1 billion in 2018. Generally, Investeringsforeningen Maj Invest maintained its market share in 2018 in terms of assets under manage-

#### TREND IN MUTUAL FUND ASSETS SINCE START

DKK billion



ment compared with the total market for mutual fund units offered to the retail market.

In 2018, the funds Maj Invest Value Aktier and Maj Invest Value Aktier Akkumulerende maintained their Silver rating in Morningstar's qualitative rating of selected funds. This rating is given on the basis of thorough analysis of the individual funds and their advisors. Rated funds are given one of the following ratings: Negative, Neutral, Bronze, Silver or Gold. Morningstar® is an internationally acknowledged investment research firm assessing returns and risks in comparable mutual funds in Europe, Africa and Asia. All funds are divided into categories.

#### NEW FUND: MAJ INVEST VALUE AKTIER SRI+

A new fund, Maj Invest Value Aktier SRI+, opened in the fourth quarter 2018. Even though all Maj Invest funds act as responsible investors and live up to Maj Invest's requirements for companies' corporate social responsibility, Value Aktier SRI+ encompasses an extended SRI concept; thus the name SRI+ that stands for Socially Responsible Investment with a plus.

The fund has been established to meet the needs of especially institutional investors with a political stance not to invest in for example coal, oil or products used for weapons. Such requests for investments are becoming more and more common, and thus the fund is offered both as a listed product for retail investors and as an unlisted product for institutional investors.

All equities in all of Maj Invest's funds are screened continuously by GES International, which monitors whether companies live up to international standards and conventions within human rights, labour rights, environment and corruption. These are also called ESG factors: Environmental, Social, Governance.

#### MAJ INVEST FORMUEFORVALTNING (WEALTH MANAGEMENT)

Maj Invest Formueforvaltning provides high-net-worth clients with advisory services concerning asset allocation and asset management of listed securities and mutual funds. The key concepts are a stringent investment process with solid focus on risk management and long-term asset growth for clients.

Maj Invest Formueforvaltning supplements other corporate activities and draws on both the group's asset management capabilities and analytical skills when advising clients.

#### MAJ INVEST INVESTOR RELATIONS & MARKETS

Investor Relations handles the group's client relations in Denmark and abroad and is the hub from which we enter into distribution agreements and provide distributors with information about Investeringsforeningen Maj Invest. Investor Relations takes active part in the expansion of the group's internationalisation strategy. Thus, a considerable expansion of the distribution net with the distribution of the Maj Invest Funds product has taken place in more European countries. Maj Invest Funds, which is a mutual fund based in Luxembourg, provides primarily international investors with the opportunity to invest in the company's global value equity product if they do not request a discretionary portfolio management agreement.

As an authorised member of Nasdaq OMX Nordic, Maj Invest Markets trades in both Danish and foreign equities and mutual fund units. Our Markets department provides services to professional investors.

Maj Invest Markets is market maker for all funds of Investeringsforeningen Maj Invest

#### MAJ INVEST EQUITY

Maj Invest Equity is among the largest private equity advisors in the small and medium-sized enterprise segment in Denmark. The company advises on investments in unlisted Danish equities.

Maj Invest Equity advises five funds. LD Equity 1, LD Equity 2 and LD Equity 3 have sold their last unlisted portfolio companies. Maj Invest Equity 4 is fully invested and completed two exits in 2018. Maj Invest Equity 5 is in its investment period and therefore open to investment.

Maj Invest Equity retains a large investment team with solid and long-standing experience, knowledge and networks in private equity investment in the small and medium-sized unlisted Danish enterprise segment.

In 2018, the emphasis was both on further developing the portfolio companies and completing five exits. The company has also focused on identifying and assessing potential new companies in which to invest.

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#### STILL INTERNATIONAL CLASS

In the period under review, Maj Invest Danske Obligationer (Danish bonds) and Maj Invest Globale Obligationer (global bonds) are placed second and third in their Morningstar categories among all European mutual and investment funds.

The global equity fund Maj Invest Value Aktier is number six among 583 comparable funds in Europe in terms of performance since its launch at year-end 2005. The figures are from the comparable Morningstar category Global Large-Cap Blend (equities). The fund is first among funds and share classes offering services to private individuals in Denmark. In 2018, Maj Invest Value Aktier and Maj Invest Value Aktier Akkumulerende (accumulative) were once again rated Silver in Morningstar's qualitative rating of selected funds. They were given the same rating in 2017.

Maj Invest Pension is number five in terms of performance since its launch at the end of 2005 of 349 mixed funds offering services to clients throughout Europe in the Morningstar category Balanceret EUR Moderat Risiko - Global (balanced EUR moderate risk - global). Maj Invest Pension ranks number one among funds offering services to retail clients in Denmark.

Note: Return after deduction of costs from 1 January 2006 to 31 December 2018. Only funds with a track record covering the entire period are included. Source: Morningstar Direct.

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The investment strategy for Maj Invest Equity 5 K/S is to invest in small and medium-sized Danish enterprises with a value of DKK 225-450 million. (EUR 30-60 million). Investments are made in companies that have value creation potential in the areas of service, brands, manufacturing and food. The portfolio companies need to occupy a strong market position or have the potential for carving out a strategic position in a growing market.

Maj Invest Equity 5 K/S usually takes a leading role in the investment, but differs from other private equity funds in that it applies a flexible ownership model which invests in both minority and majority shareholdings. This is done with an active and dynamic partnership philosophy on the basis of which we work with the other shareholders, management and business partners. We focus on thoroughly aligning expectations with our investment partners. This is done by proposing transparent plans, aims and ambitions as well as setting out plans for the most important measures to be implemented during the fund's ownership. Companies must be focused on skills that generate a competitive advantage in the market. Owners and management have to agree on a robust and well-thought-out strategy and business plan. Companies seeking growth, new capital and fresh skills would be typical investment opportunities for Maj Invest Equity 5 K/S.

Value creation is based on long-term operational and strategic value and permanent improvement and innovation. Added to this is the opportunity for targeted organic growth and growth through acquisition. Long-term ownership supported by experienced and capable business partners who are able to contribute with business improvements for these companies also forms part of our value creation strategy. These partners will usually undertake roles on the board of the companies, but will also include co-investment. An important prerequisite when investing in a company is that management itself invests in the business. This ensures the best possible convergence of interests between Maj Invest Equity 5 K/S and management.

In 2018, Maj Invest Equity advised Maj Invest Equity 5 K/S on the acquisition of Roll-O-Matic A/S which is a market leader in flexible machinery for the production of plastic bags and film on rolls. In 2018, Maj Invest Equity also advised on the acquisition of Good Food Group A/S and Emballagegruppen A/S whose commercial activities lie in food and packaging. The deal was completed

at the beginning of 2019. With these three investments, Maj Invest Equity 5 K/S has invested in a total of seven companies.

Maj Invest Equity is seeing robust interest in its portfolio companies and activity levels over the year have been high. The emphasis in 2018 was to further develop those companies that Maj Invest Equity 4 invested in with a view to completing a number of exits in the coming years.

In 2018, Maj Invest Equity advised LD Equity 1 K/S on the sale of Norisol A/S. With this sale, all unlisted portfolio companies have been sold. Only one listed investment remains in the fund.

In 2018, Maj Invest Equity advised LD Equity 2 K/S on the sale of Unwire ApS. This portfolio company was the last remaining company in the fund which was set up in 2005. This sale means that the fund can now be wound up. Maj Invest Equity has also advised LD Equity 3 K/S, which was set up in 2007, on the sale of SubC Partner A/S, its last portfolio company, which means that this fund can now also be wound up.

At the end of 2017, Maj Invest Equity advised Maj Invest Equity 4 K/S on a deal involving the successful sale of the design company Muuto. In the three years that Maj Invest Equity 4 K/S was an investor in Muuto, Maj Invest Equity worked with management to ensure Muuto a growth of more than 40 per cent per annum and to increase the company's market share. The sale of Muuto was finalised in the first half of 2018 and has been one of the best investments on which Maj Invest Equity has acted as advisor.

In 2018, Maj Invest Equity also advised Maj Invest Equity 4 K/S on the sale of DK-Foods which supplies toppings for frozen and chilled pizzas. In the two years of ownership, Maj Invest Equity advised and developed the company in partnership with management. In this period, DK-Foods developed positively and achieved its growth targets far earlier than anticipated both in terms of new customers and additional sales to existing customers as well as significant expansion of its production facilities. The investment was realised with a very satisfactory result for Maj Invest Equity 4 K/S.

Maj Invest Equity works as part of the Maj Invest Group on the basis of the same principles as the UN's principles for responsible investment (UN PRI). Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S, our more recent funds, require that portfolio companies comply with international guidelines and conventions in the areas of human rights, labour rights, environment and anti-corruption.

#### MAJ INVEST EQUITY INTERNATIONAL

Maj Invest Equity International acts as advisor to four private equity funds within microfinancing and companies in Vietnam and Southeast Asia.

The experience and expertise gained throughout the years from advisory services on private equity investments in Denmark have also been used internationally. Thus, the investment process is very similar to the strategy applied in connection with the acquisition and sale of Danish companies and also the value creation process in the holding period. By supplementing these competences with local knowledge, each fund obtains a strong competitive edge. Among other things, local knowledge is supported by group representation in Peru, and in the second half of 2018 also in a newly established company in India.

Maj Invest Equity International acts as advisor to Danish Microfinance Partners K/S (fund I) and Maj Invest Financial Inclusion Fund II (fund II), investing in the top segment of financial institutions and companies, including specialised banks, in Latin America, Asia and Africa, offering financial services to the group of clients below the middle class that often has no access to the financial services offered by traditional commercial banks. Typical services include loans, savings, insurance and payment handling. Loans are granted to groups, individual clients or small companies.

Danish Microfinance Partners K/S (fund I) has a total of five remaining investments in the portfolio. Three of these are direct investments, and the other two are "fund of funds". In 2018, the companies were further developed for divestment purposes.

Maj Invest Equity International also acts as advisor to the follow-up private equity fund Maj Invest Financial Inclusion Fund II K/S (fund II). In 2018, Maj Invest Equity International provided advisory services on investments in Bancompartir in Colombia as well as in Belstar

Investment and Finance and Aye Finance, which are both domiciled in India.

With these investments, the fund now comprises a total of six investments of which two are in Latin America, one is in Africa/China and three are in India.

The group has a company in Peru that acts as consultant to Fondsmæglerselskabet Maj Invest A/S concerning investments within microfinancing in Latin America. In addition, a company was established in India in 2018 to act as consultant to Fondsmæglerselskabet Maj Invest A/S concerning microfinance investments in India.

Furthermore, Maj Invest Equity International acts as advisor to the fund Maj Invest Equity Vietnam I K/S on investments in companies in Vietnam. Established in 2009, Maj Invest Equity Vietnam I K/S was the first fund to which Maj Invest Equity International provided advisory services. In 2018, there has been focus on further developing the last company in the portfolio for divestment purposes.

Maj Invest Equity International acts as advisor to the follow-up private equity fund Maj Invest Equity Southeast Asia II K/S. The fund has made a total of four investments of which two have activities in Indonesia and two have activities in Vietnam.

The group has decided to focus its international private equity activities around microfinancing in the future. As a consequence, no new investments will be made in companies in Vietnam or Indonesia; however, existing investments will be further developed for future exit purposes. Thus, we expect to start closing down our group companies in Vietnam and Singapore in 2019.

#### MAJ BANK

Maj Bank offers accounts and custody accounts for savings and investment purposes. Maj Bank does not offer loans, current accounts, debit cards or payment services. Thus, Maj Bank is a niche bank providing advisory services to clients as a supplement to their everyday bank connection.

Emphasis in 2018 has been on increasing the number of clients as well as the business volume with a focus on clients' advisory needs as regards long-term savings and investments. Our ambition is to provide services that offer easy-to-understand solutions based on simplicity. Simplicity and overview are excellent starting points for making long-term investments.

The bank's advisory services focus on long-term economic relationships and broad financial and economic knowledge of investment approaches and market considerations. Knowledge is shared with clients through the developed IT knowledge platform called Maj World. Maj Bank hopes this knowledge sharing will help give clients an excellent basis for making their own investment decisions. Maj World is regularly updated with relevant professional articles and initiatives, including a very detailed overview of costs, and thus greater transparency for clients.

A user survey among existing clients has shown that clients are highly satisfied with the provided advisory services as well as Maj World. Among other things, this has resulted in the fact that more existing clients have increased their business volume in 2018, and in several cases Maj Bank has been recommended by existing clients to potential new clients.

Potential clients have been more hesitant as a consequence of the instability in the financial markets. However, the new clients welcomed by Maj Bank during the year have in average brought more assets to the bank than anticipated.

#### RESEARCH AND DEVELOPMENT ACTIVITIES

The group has not had any research activities; however, the subsidiary Maj Bank A/S has in 2018 further developed the IT knowledge platform Maj World together with external suppliers. ■

#### WHY MAJ BANK?

Maj Bank has the same business and investment principles and approach as Maj Invest. The Bank provides financial knowledge to its clients based on long-term and rational thinking with focus on fair costs.

Simplicity and focus are vital to create an overview which is a good starting point when it comes to long-term investment. Maj Bank has therefore developed Maj World which is the the Bank's digital platform.

Maj Bank's business philosophy is knowledge-based and its purpose is to pass on financial information and understanding to its clients. The bank first sorts and analyses historical data, including current news flows. Based on this process, it creates an overview of financial and economic interrelationships. We call the result the "Big Picture".

Subsequently, based on years of experience, we initiate the investment approach that has provided the best results. Our investment strategy consists of three elements:

- The client's acceptance of risk and time horizon provide the basis for the choice of savings profile.
- Weighting of equities versus bonds, including risk management.
- Choice of suitable investment products.

Maj Bank differs from traditional investment service providers in that we focus on the creation of the big picture and in-depth knowledge of the few central, long-term economic and financial interrelationships, preventing us from being distracted by the constant flow of so-called "breaking news". This approach facilitates a long-term investment strategy. Maj Bank recommends few adjustments to client portfolios and chooses investment products with long-term durability. A "buy and hold" strategy as opposed to "day trading". The result is low costs for investors. Another keyword for Maj Bank is fair costs, and clients gain a bonus based on their business volume.



# MANAGEMENT, REMUNERATION AND OWNERSHIP

Maj Invest Holding A/S is the parent of the Maj Invest group. Fondsmæglerselskabet Maj Invest A/S and Maj Invest Equity A/S carry out a sizeable portion of our activities. The Maj Invest group also consists of Maj Bank A/S and a variety of management companies related to the group’s activities in the Maj Invest Equity business area.

## MANAGEMENT

The board of directors has seven members, three of whom are elected by staff. The boards of directors of Maj Invest Holding A/S and Fondsmæglerselskabet Maj Invest A/S are identical except for the fact that Fondsmæglerselskabet Maj Invest A/S only has two directors elected by staff.

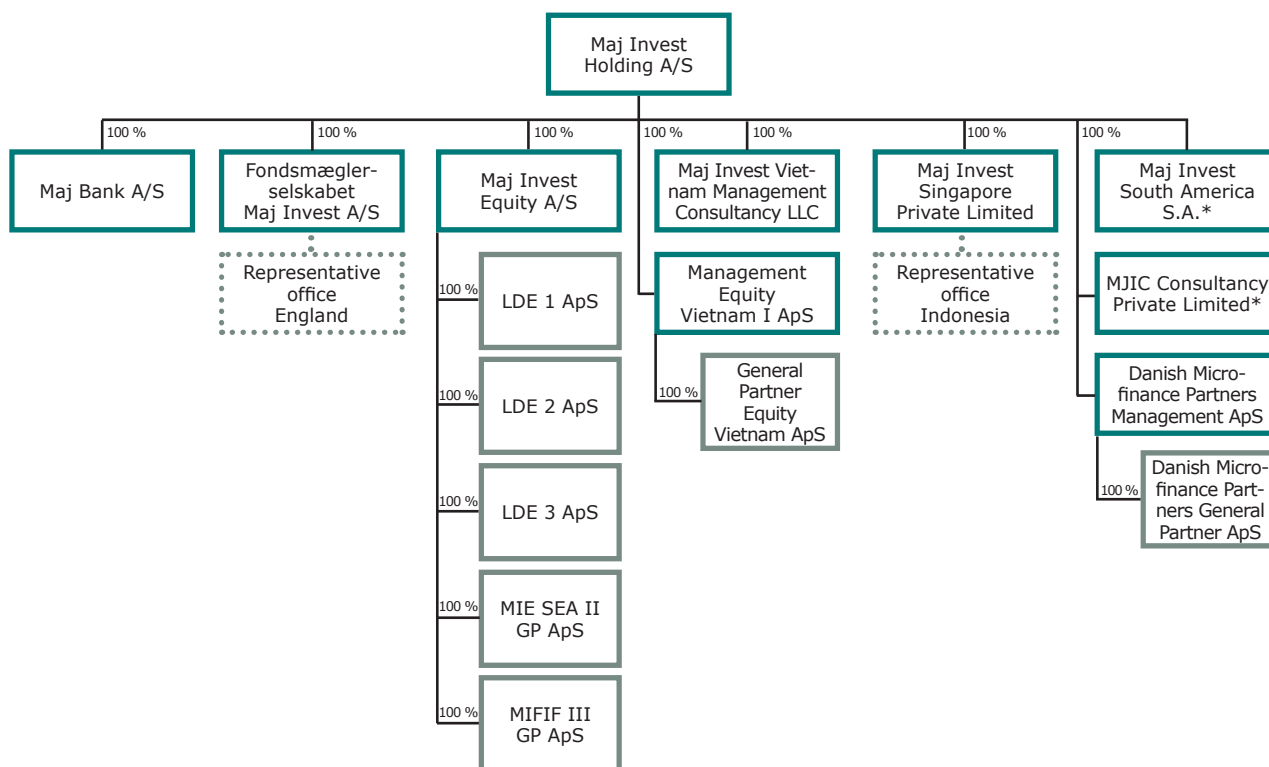
Together with two members of the group’s executive board, four members of the board of directors are also represented on the board of directors of Maj Invest Equity A/S.

The executive board consists of three people. These three hold the same positions in Fondsmæglerselskabet Maj Invest A/S and the executive boards of the two companies are therefore identical. Two members of the executive board also constitute the executive board of Maj Invest Equity A/S.

Directorships and executive functions of the board of directors and our executive board appear in the chapter headed “Executive functions and directorships”.

On the group’s website, majinvest.com, there is a more detailed description of the group’s legal, management and organisational structure.

## GROUP STRUCTURE



\*Jointly owned by two group companies with Maj Invest Holding A/S owning the majority.  
 Note: Associates are not included in the group chart.



In 2015, our board of directors has set a target for the share of the underrepresented gender at 40 per cent of shareholder-elected board members. In 2018, the board of directors took stock of this issue in particular and of our diversity policy in general. At year-end 2018, the share of the underrepresented gender was 25 per cent.

The boards of directors of the subsidiaries Fondsmæglerselskabet Maj Invest A/S and Maj Bank A/S have prepared a policy aiming at increasing representation of the underrepresented gender at other management levels and moreover to encourage diversity. The objective is to continue filling executive positions on the basis of the needed qualifications, but also to encourage diversity where possible.

Our long-term goal is to have the company reflect the surroundings making the company an attractive choice for both clients as well as current and future employees.

#### **SALARY AND REMUNERATION POLICY AND PRACTICE**

Once a year the board of directors revises the group's salary and remuneration policy and practice. The board of directors has decided not to appoint a remuneration committee due to the group's size. The salary and remuneration policy appears (in Danish) on the group's website on [majinvest.com/om-maj-invest/information/juridisk-information](http://majinvest.com/om-maj-invest/information/juridisk-information).

Note 8 to the financial statements provides further information on the remunerations and salaries of the board of directors, the executive board and staff whose activities significantly influence the company's risk profile by fixed and variable remuneration.

#### **KNOWLEDGE RESOURCES**

The group's business activities are based on providing advisory services regarding trading and investing in listed securities and private equity. This puts exacting demands on the qualifications and specialist know-how of our staff. A very high share of our staff has expertise in special investment areas.

We continuously strive to attract and retain staff with broad experience and professional skills and focus on developing staff competencies. We need this strategy to continue generating excellent results and extend our business foundation.

We have taken various initiatives aimed at making us an attractive workplace and to give our staff competitive salaries consisting of a fixed salary and a bonus scheme calculated on the basis of results achieved on behalf of our clients.

We are convinced that competitive remuneration is a must for attracting and retaining competitive executive officers and staff. An incentive-based remuneration or retention scheme can help promote business development that benefits our company. In our opinion, ownership with both management and staff as shareholders boosts value creation.

#### **PERFORMANCE-BASED MANAGEMENT FEE AND BONUS SCHEME IN OUR PRIVATE EQUITY FUNDS**

As is customary in our sector, the group and our clients, including investors in the private equity funds, have made agreements regarding performance-based management fees/carried interest. Under these schemes, Fondsmæglerselskabet Maj Invest A/S - and in the new private equity funds Maj Invest Equity A/S - can, upon agreement, typically receive a performance-based management fee/carried interest in addition to the fixed fee if the individual fund generates excess returns. The fee is usually 20 per cent or higher of that part of the investment return that exceeds an agreed hurdle rate in average annual return over the total life of the fund or contract.

As part of the fund agreements, Fondsmæglerselskabet Maj Invest A/S has in the early established funds undertaken to use typically 50 per cent of the performance-based management fees on an incentive scheme intended for Maj Invest Equity staff involved in such investments. Fund agreements in the new funds stipulate that Maj Invest Equity staff involved in such investments will receive minimum 50 per cent of the performance-based management fees/carried interest to distribute among them. The time of payment of such fees from the funds to the group varies. Maj Invest Equity staff cannot receive payment from these schemes until certain predefined yield targets have been reached, which is often relatively late in the life of the individual fund.

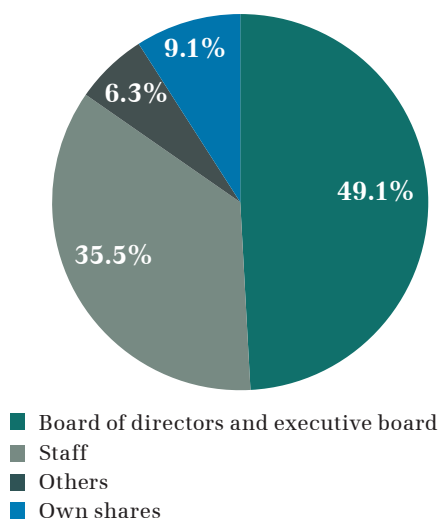
The size of any performance-based management fees/ carried interest is finally calculated when the individual fund is closed. Thus, the fund may be adjusted upwards or downwards throughout its life, depending on the investment returns. As the group cannot be certain to receive any performance-based management fees/ carried interest, such fees are recognised as contingent assets. Note 20 to the financial statements includes information on the size of nonrealised performance-based management fees after reserve for bonus schemes and taxes, etc.

#### OWNERSHIP

Corporate employees have currently received an offer to buy shares in Maj Invest Holding A/S. This offer to employees should be viewed as an element in furthering shareholders' common interest as well as in retaining the competencies and qualifications held in our organisation and thus reinforcing staff commitment in a competitive financial group. Six board members, our executive board and the majority of staff members have availed themselves of our offer to buy shares in Maj Invest Holding A/S. Group employees account for the second-largest group of shareholders in Maj Invest Holding A/S whereas our executive board and board of directors constitute the largest group. At end-year 2018 the composition of Maj Invest Holding A/S' shareholders was as shown in the figure below. ■

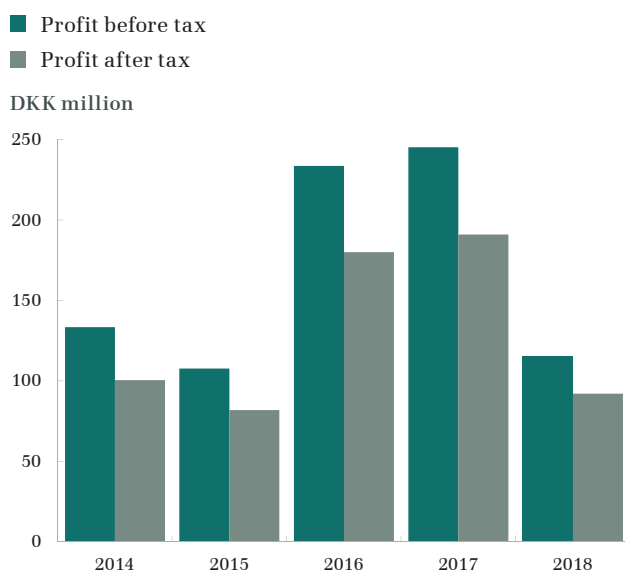
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DISTRIBUTION OF SHARES IN MAJ INVEST HOLDING A/S



# FINANCIAL REVIEW

## TRENDS IN PROFIT



Consolidated profit before tax was DKK 115.0 million against DKK 245.2 million in 2017. Consolidated profit after tax was DKK 92.0 million against DKK 190.9 million in 2017. The result for 2018 is somewhat below the result for 2017, which was the best ever in the history of the group.

The result for 2018 is satisfactory and within the revised forecast announced in the half-year report of profit after tax in the level of DKK 85-105 million.

## RISKS AND UNCERTAINTIES ON RECOGNITION AND MEASUREMENT

The major risks pertaining to recognition and measurement relate to market and liquidity-related transactions, performance fees and, to a smaller degree, to unlisted investments and the computation of intangible assets.

The market and liquidity-related positions are mostly placed in Danmarks Nationalbank (central bank), in Danish listed mortgage bonds and in large banks in Denmark. Moreover we have listed as well as unlisted investments; the latter primarily relating to Maj Invest Equity. The value of investments is measured at their fair values and adjusted currently in conformance with such values.

Intangible assets pertain to development costs for the IT platform Maj World and software in general. These assets are written off currently, and the useful value of Maj World and the value of software are assessed on a current basis. Consequently, there is, in our opinion, a modest uncertainty in respect of the measurement of these assets at year-end 2018.

There have been no extraordinary events in the period under review that can have affected recognition or measurement.

## MAJ INVEST HOLDING A/S

Net interest and fee income totalled a modest minus in 2018 against an income of DKK 3.5 million the year before. The amount includes dividends from equities which have declined from DKK 3.3 million in 2017 to DKK 0.2 million in 2018. In addition, 2018 saw net interest expenses of DKK 0.2 million against income of DKK 0.2 million the year before.

Market value and currency translation adjustments showed a loss of DKK 15.1 million in 2018 against a gain of DKK 39.7 million in 2017. The negative trend in the financial markets has affected the portfolio of listed equities. 2017 showed unrealised gains of DKK 25.3 million whereas 2018 showed unrealised losses of DKK 24.4 million on listed equities. Among other things, other market value and currency translation adjustments relate to unlisted investments in more of the private equity funds to which the group provides advisory services, and to a smaller degree to adjustments concerning bonds and currency.

Other operating income primarily relates to our administration of private equity funds. In 2018, other operating income totalled DKK 10.2 million against DKK 14.3 million in 2017.

In 2017, other operating income was positively affected by an increase in commitments relating to Maj Invest Financial Inclusion Fund II K/S as the result of new investors. New investors must pay fees dating back to the establishment of the fund.

In 2018, other operating income is, to a smaller degree, affected by a decrease related to the funds for which the investment period has ended.

Staff costs, etc. rose by DKK 1.1 million to DKK 14.0 million in 2018. The increase is primarily a consequence of slightly higher administrative costs in 2018.

Results from interests in associated companies totalled DKK -7.0 million in 2018 against DKK -5.3 million in 2017 and are attributable to the company's Treasury investments.

Results of interests in group enterprises totalled DKK 109.8 million, which are somewhat lower than the record year 2017 of DKK 161.1 million. Most of the results in group enterprises and the related trend are attributable to the subsidiaries Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S. Results in group enterprises are explained in more detail in "Trends in significant subsidiaries".

At year-end, shareholders' equity was DKK 418.5 million, or a reduction of DKK 5.7 million compared with DKK 424.2 million at year-end 2017. In 2018, dividends of DKK 53.3 million were distributed concerning 2017 and DKK 40.4 million in interim dividends for 2018. The purchase and sale of own shares have net reduced shareholders' equity with DKK 4.1 million, whereas consolidation of profits for the year affected shareholders' equity positively with DKK 92.0 million.

At year-end 2018, the parent's balance sheet was DKK 517.8 million against DKK 560.5 million at year-end 2017.

#### TRENDS IN SIGNIFICANT SUBSIDIARIES

Fondsmæglerselskabet Maj Invest A/S and Maj Invest Equity A/S are the group enterprises where most of the activities take place, whereas Maj Bank A/S continues to be in a phase with main emphasis on acquiring more clients and expanding business volumes. The group's activities are mentioned on pages 9-14 in this annual report.

Fondsmæglerselskabet Maj Invest A/S' gross income was DKK 301.7 million, or a decrease of DKK 56.4 million on the previous year. Performance-related fees reached a lower - but still satisfactory - level in 2018. In addition, 2017 was positively affected by an increase in the investment commitment of Maj Invest Financial Inclusion Fund II K/S, resulting in extra consultancy fees recorded as income due to new investors paying fees from the launch of the fund. Disregarding these two factors in 2017, 2018 recorded a small pick-up in income.

Costs fell by DKK 7.3 million to DKK 154.5 million, of which the main part is attributable to remuneration-related costs. Profit after tax was DKK 114.8 million in 2018 against DKK 153.7 million in 2017. Shareholders' equity at year-end 2018 was DKK 264.1 million, and total assets were DKK 340.3 million.

Maj Invest Equity A/S provides administrative and advisory services to a number of private equity funds. The company's gross income totalled DKK 47.0 million against DKK 58.0 million the previous year. As for Fondsmæglerselskabet Maj Invest A/S, the decrease can be attributed to the fact that 2017 recorded one-off income from Maj Invest Financial Inclusion Fund II K/S.

Total costs rose by DKK 6.3 million to DKK 42.7 million, among other things due to a higher number of employees on average in 2018 compared with 2017.

Profit after tax was DKK 3.3 million in 2018 against DKK 16.8 million in 2017. Shareholders' equity amounted to DKK 18.1 million at year-end 2018, and total assets were DKK 60.3 million.

Maj Bank A/S is a niche bank providing advisory services to clients on investments and long-term savings. The bank's gross income was DKK 6.1 million in 2018 against DKK 5.7 million in 2017. The bank's profit after tax was DKK -8.3 million, which is an improvement of DKK 1.0 million compared with 2017. Shareholders' equity amounted to DKK 59.8 million at year-end 2018, and total assets were DKK 115.5 million at year-end. The capital ratio was 205.9 per cent, which is dramatically above the statutory requirement.

Our group also includes a number of companies relating to the business activities handled by Maj Invest Equity and Maj Invest Equity International. Their results aggregated DKK 0.1 million, and shareholders' equity totalled DKK 3.8 million at year-end.

#### COMMENTS IN RESPECT OF SELECTED ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2018, net interest and fee income amounted to DKK 342.4 million in 2018 against DKK 406.3 million in 2017. The lower net interest and fee income is primarily due to a lower - albeit satisfactory - level for performance-related fees in 2018 and one-off income in 2017; among other things, the income related to the increase in the investment commitment for Maj Invest Financial Inclusion Fund II K/S as mentioned earlier.

Dividends on equities, etc. produced a gain of DKK 0.9 million against DKK 3.6 million in 2017. Dividends stem mainly from the group's investments in private equity funds under the group's management.

In 2018, market value and currency translation adjustments amounted to a loss of DKK 11.4 million against a gain of DKK 45.5 million in 2017.

Market value and currency translation adjustments comprised a loss of DKK 1.1 million on bonds, a gain of DKK 1.1 million on currency and a gain of DKK 0.4 million on hedging transactions. The group's equity positions showed a capital loss of DKK 11.9 million of which DKK 24.4 million can be attributed to an unrealised capital loss on listed equities as a consequence of the negative trend in the equity market in 2018. 2017 showed an unrealised capital gain of DKK 25.3 million on listed equities. Other equity-related market value adjustments relate to unlisted investments, including investments in more of the private equity funds under the group's management, and a trading portfolio of mutual fund units for the market-making activities in our Markets department. Other equity-related market value adjustments produced a gain of DKK 12.5 million in 2018.

Staff costs and administrative expenses amounted to DKK 212.0 million, which is a rise of 1.5 per cent compared with costs of DKK 209.0 million in 2017.

In 2018, staff costs accounted for DKK 145.9 million against DKK 152.3 million in 2017. The decrease is the result of considerably lower bonus costs and fewer staff members in 2018 than in 2017.

Other administrative expenses increased by DKK 9.5 million in 2018 to DKK 66.2 million. Among other things, the increase in other administrative expenses is attributable to the group's international activities and higher consultancy costs due to a large upgrade of an IT system.

Depreciation charges on intangible and tangible assets totalled DKK 6.3 million in 2018 compared with DKK 8.0 million in 2017.

Results of interests in associated companies related to the group's Treasury activities were a loss of DKK 7.0 million in 2018 against a loss of DKK 5.3 million in 2017.

In 2018, consolidated profit before tax amounted to DKK 115.0 million. Corporate taxes are estimated at DKK 23.1 million, matching an effective tax rate of 17.4 per cent. After tax, profit amounted to DKK 92.0 million in 2018 against DKK 190.9 million in 2017.

Total consolidated assets amounted to DKK 665.7 million at year-end. Amounts due from central banks and credit institutions totalled DKK 185.6 million at year-end 2018. Together with listed bond holdings of DKK 230.3 million, this is the reason that more than 60 per cent of group assets are highly liquid. At year-end 2017, highly liquid assets constituted 59 per cent of total assets of DKK 691.6 million.

At year-end 2018, shareholders' equity totalled DKK 418.5 million against DKK 424.2 million at year-end 2017. In 2018, dividends of DKK 53.3 million concerning the financial year 2017 as well as interim dividends of DKK 40.4 million concerning 2018 were distributed. The acquisition and sale of own shares reduced shareholders' equity by net DKK 4.1 million, whereas the consolidation of profits for the year in the amount of DKK 92.0 million affected shareholders' equity positively.

### CAPITAL AND CAPITAL RATIOS

The group's own funds totalled DKK 341.8 million at year-end 2018 against DKK 329.5 million at year-end 2017. In note 26 of the financial statements there is a link between shareholders' equity and own funds.

Among other things, the increase in own funds can be attributed to a lower deduction of tier 1 capital instruments in the financial sector in 2018 compared with 2017.

The group's capital ratio was 33.0 per cent at year-end. This is an increase of 1.9 percentage points compared with year-end 2017, among other things due to the increase in own funds.

Group risk exposures totalled DKK 1,034.9 million at year-end 2018 against DKK 1,060.4 million at year-end 2017. Credit risk exposures were DKK 346.0 million, market risk exposures were DKK 75.8 million, and operational risk items were DKK 613.1 million at year-end.

At year-end, the parent's own funds amounted to DKK 349.7 million against DKK 356.2 million at year-end 2017. With total risk exposures of DKK 668.1 million, the capital ratio was 52.3 per cent at year-end 2018. The capital ratio was 49.9 per cent at year-end 2017.

The group as well as the parent company both have own funds that are considerably higher than the minimum requirements set by the board of directors.

### CORPORATE RISKS

As a financial business the group undertakes various risks relating to credit, market, liquidity and operations. Risk management is a crucial activity given the full attention of management because uncontrolled development of such risks could adversely impact consolidated profit and the level of capital.

For a detailed description of corporate risks see note 29 (Financial instruments and risks) and the document (in Danish) on our website [majinvest.com/om-maj-invest/information/kapitalforhold-og-risici](http://majinvest.com/om-maj-invest/information/kapitalforhold-og-risici), which discloses financial information on capital and risks in compliance with the Capital Requirements Regulation (CRR).

### DISTRIBUTION OF PROFIT

The board of directors recommends that the general meeting approves the distribution of dividends in the amount of DKK 1.6 per share of DKK 1. Together with interim dividends of DKK 1.2 per share of DKK 1 distributed in August, this is equivalent to total dividends of DKK 98.5 million for the financial year 2018.

### OUTLOOK FOR 2019

The portion of consolidated income that depends on assets under management is increasing. Together with financial market trends, this raises the uncertainty of future earnings.

For 2019, we expect an increase in consolidated gross income and profit after tax in the range of DKK 80-100 million.

### EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance-sheet date and before the signing of the annual report that are thought to materially affect the assessment of our annual report. ■

# THE FINANCIAL MARKETS

Through most of 2018, investors generally kept faith in prospects for continued expansion of the global economy, but as the year progressed, key economic figures started to disappoint. The disappointing figures started in Europe, but later spread to the Far East and towards the end of the year to the United States as well. This meant that an increasing number of investors started to doubt the sustainability of the economic upturn.

According to the so-called PMI indices, for example, it is clear that the global economic climate is slowing down. In Maj Invest's opinion, this is a temporary downturn in manufacturing and not the start of a recession. For an extended period of time in 2018, we warned of an approaching period of disappointing key economic indicators – and at the end of 2018 this period seems to have commenced.

This marks the end of the build-up of stocks that has been on-going since the end of 2016. The build-up of stocks was probably already ending by the spring of 2018 as PMI figures started to fall in the United States, Europe and the Far East. Trump's escalating trade war, with China in particular, led to further accelerated build-up of stocks in an attempt to preempt customs duties. This extended the boom in the United States and the Far East over the summer of 2018, but in Q4 the slowdown started in China and Taiwan and by the end of the year it had also arrived in the United States.

## CAUSE AND EFFECT

In general, the slowdown in China is seen as being driven by the trade war – and the subsequent slowdown in the United States is seen as being driven by developments in China. People seem to think that it is the trade war that is hitting the United States like a boomerang. In our view, this interpretation turns cause and effect upside down. Developments in the United States are driven by the US inventory cycle, but these developments are transmitted – through the global supply chain – to the Far East and Europe. A decision to increase stocks in the United Sta-

tes is immediately followed by an increase in Chinese and Taiwanese export orders (Taiwan produces many of the semi-manufacture that Chinese enterprises use in their production for the United States). This means that industrial activity in the United States appears to follow trends in the Far East. Although the US stock cycle is the underlying driver for both, it is normally in the Far East that trends are seen first.

## THE EQUITY MARKET

At the beginning of the year, the markets were generally characterised by faith in a continued economic upturn, but also by a growing pessimism as the year went on – initially, mostly in Europe, but gradually also in the Far East and towards the end of the year in the United States. The US S&P 500 share index grew more or less evenly up to October, but then fell significantly and ended the year at 6.2 per cent below end-of-2017 levels. Due to a strengthened US dollar, this only meant a fall of 1.6 per cent measured in Danish kroner. Prices of shares in the German DAX index ended up falling 20.6 per cent, while emerging market shares in the Morgan Stanley EM index fell by 16.6 per cent (12.6 per cent in DKK). The Danish C20 index fell by 13.0 per cent.

## INTEREST RATES

With continued low levels of inflation, developments in the interest rate markets were characterised by relatively small fluctuations – with rising interest rates through to October and then a fall. This means that the ten-year US treasury yield ended the year at 2.68 per cent, 0.28 percentage points above end-of-2017 levels. Equivalent interest rates in Germany and Denmark closed at 0.24 per cent and 0.23 per cent respectively, 0.19 and 0.25 percentage points below end-of-2017 levels. Uncertainty surrounding economic policy in Italy meant that the Italian interest rate spread against Germany rose by 0.91 percentage points to 2.50 percentage points while the interest rate spread between Germany and Spain rose by 0.03 percentage points to 1.17 percentage points.

#### FINANCIAL MARKETS - OUTLOOK FOR 2019

The rather dramatic fall in share prices in December brings to mind a combination of forced selling and illiquid markets, and the beginning of 2019 saw a decent recovery in share prices, which, in our opinion, are still below their fair value.

Early in the year, however, we see a significant risk of further decrease in key economic indicators which may lead to a stronger fear of recession and renewed falls in share prices and interest rates. In the second half of 2019, on the other hand, we see solid opportunity for a reinvigorated economy and thereby also solid opportunity for renewed interest rate rises and for the price of shares to return to fair value.

The trade war is the joker. The markets perceive the trade war as the most important reason for the disappointing key indicators. A positive result from the imminent negotiations between the United States and China may therefore trigger a much faster return to fair value. ■





# EXECUTIVE FUNCTIONS AND DIRECTORSHIPS

Executive functions and directorships in commercial enterprises

## BOARD OF DIRECTORS

### ■ TOMMY PEDERSEN, CHAIRMAN

*Chairman of the boards of:*

Fondsmæglerselskabet Maj Invest A/S  
Maj Invest Equity A/S  
Maj Invest Holding A/S  
Bodum Invest AG, Switzerland  
Nycredit Forsikring A/S

*Vice chairman of the boards of:*

Bodum Holding AG, Switzerland  
Bodum Land A/S  
Løvenholm Fonden  
Peter Bodum A/S

*Directorships:*

Den Danske Forskningsfond  
Jeudan A/S  
Pharmacosmos Holding A/S with one subsidiary  
Societe Generale Equipment Finance, Norway

*Managing Director:*

TP Advisers ApS

Remuneration 2018: DKK 150 thousand  
At group level: DKK 525 thousand

### ■ NILS BERNSTEIN

*Chairman of the board of:*

Danref Holding A/S with two subsidiaries

*Directorships:*

Fondsmæglerselskabet Maj Invest A/S  
Maj Bank A/S  
Maj Invest Equity A/S  
Maj Invest Holding A/S

Remuneration 2018: DKK 50 thousand  
At group level: DKK 325 thousand

### ■ RUTH SCHADE

*Directorships:*

Fondsmæglerselskabet Maj Invest A/S  
Maj Invest Equity A/S  
Maj Invest Holding A/S  
Buskysminde A/S  
Danfrugt Skælskør A/S  
Femern Bælt A/S  
Harboe Ejendomme A/S  
Keldernæs A/S  
Lundegård A/S  
Rugbjerggård A/S  
Sund og Bælt Holding A/S with four subsidiaries  
Vejrmøllegård ApS  
Visbjerggården A/S

*Managing Director (not registered):*

Harboes Bryggeri A/S

Remuneration 2018: DKK 50 thousand  
At group level: DKK 175 thousand

### ■ JØRGEN TANG-JENSEN

*Chairman of the board of:*

Danmarks Grønne Investeringsfond

*Directorships:*

Fondsmæglerselskabet Maj Invest A/S  
Maj Invest Equity A/S  
Maj Invest Holding A/S  
Coloplast  
Geberit AG, Jona, Switzerland  
Rockwool International A/S  
VKR Holding A/S with one subsidiary

Remuneration 2018: DKK 33 thousand  
At group level: DKK 127 thousand

■ TOMAS MUNKSGARD HOFF

*Directorships:*

Fondsmæglerselskabet Maj Invest A/S  
Maj Invest Holding A/S

Director's remuneration 2018 (normal salary paid to directors elected by staff not disclosed): DKK 50 thousand  
At group level: DKK 175 thousand

■ SØREN KRAG JACOBSEN

*Directorships:*

Maj Invest Holding A/S

Director's remuneration 2018 (normal salary paid to directors elected by staff not disclosed): DKK 50 thousand  
At group level: DKK 50 thousand

■ ANDERS MØLLER OLESEN

*Directorships:*

Fondsmæglerselskabet Maj Invest A/S  
Maj Invest Holding A/S

Director's remuneration 2018 (normal salary paid to directors elected by staff not disclosed): DKK 50 thousand  
At group level: DKK 175 thousand

As regards executive board members' directorships, please refer to section 80 (1) of the Danish Financial Business Act.

## EXECUTIVE BOARD

■ JEPPE CHRISTIANSEN

*Chairman of the boards of:*

EMLIKA ApS with one subsidiary  
Haldor Topsøe A/S

*Vice chairman of the boards of:*

Maj Bank A/S  
Novo Nordisk A/S  
Symphogen A/S

*Directorships:*

Maj Invest Equity A/S  
Kirkbi A/S  
Novo Holdings A/S

*CEO:*

Fondsmæglerselskabet Maj Invest A/S  
Maj Invest Holding A/S

*Managing Director:*

Maj Invest Equity A/S  
Det Kgl. Vajsenhus

*Other offices:*

Danish Microfinance Partners K/S,  
investment committee member  
Maj Invest Equity 4 K/S,  
investment committee member  
Maj Invest Equity 5 K/S,  
investment committee member  
Maj Invest Equity Southeast Asia II K/S,  
investment committee member  
Maj Invest Equity Vietnam I K/S,  
investment committee member  
Maj Invest Financial Inclusion Fund II K/S,  
investment committee member

Salary 2018: DKK 1,052 thousand including company car subsidy. At group level: DKK 7,016 thousand including company car subsidy.

## ■ ERIK HOLM

*Chairman of the boards of:*

Cenex ApS  
 Sticks'n'Sushi Holding A/S with three subsidiaries  
 VGRH II ApS  
 Victor Gruppen Restauranter Holding ApS

*Vice chairman of the boards of:*

Arvid Nilssons Fond  
 SP Group A/S with one subsidiary

*Directorships:*

Maj Invest Equity A/S  
 Maj Invest Singapore Private Ltd.  
 Maj Invest South America S.A.  
 AO Invest A/S  
 Brødrene A. & O. Johansen A/S  
 Fonden Maj Invest Equity General Partner

*CEO:*

Maj Invest Equity A/S

*Managing Director:*

Fondsmæglerselskabet Maj Invest A/S  
 Maj Invest Holding A/S  
 Erik Holm Holding ApS  
 MIE5 Holding 4 ApS

*Other offices:*

LD Equity 1 K/S,  
 investment committee member  
 LD Equity 2 K/S,  
 investment committee member  
 LD Equity 3 K/S,  
 investment committee member  
 Maj Invest Equity 4 K/S,  
 investment committee member  
 Maj Invest Equity 5 K/S,  
 investment committee member  
 Maj Invest Equity Southeast Asia II K/S,  
 investment committee member  
 Maj Invest Equity Vietnam I K/S,  
 investment committee member

Salary 2018: DKK 815 thousand

At group level: DKK 5,430 thousand

## ■ HENRIK PARKHØI

*Directorships:*

Maj Bank A/S  
 Maj Invest Singapore Private Ltd.  
 Maj Invest South America S.A.  
 Maj Invest Vietnam Management Consultancy LLC.  
 Investeringsforvaltningsselskabet SEBinvest A/S

*Deputy CEO:*

Fondsmæglerselskabet Maj Invest A/S

*Managing Director:*

Maj Invest Holding A/S

Salary 2018: DKK 703 thousand

At group level: DKK 4,686 thousand



# FINANCIAL STATEMENTS

## INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

DKK thousand	Note	Group		Parent	
		2018	2017	2018	2017
Interest income	3	1,899	3,371	719	1,283
Interest expense	4	(1,465)	(2,009)	(922)	(1,060)
Net interest income		434	1,361	(203)	223
Dividend on equities etc.		864	3,646	190	3,328
Fee and commission income		357,920	471,637	-	-
Fee and commission expense		(16,861)	(70,328)	(20)	(23)
Net interest and fee income	6, 7	342,357	406,316	(33)	3,528
Market value and currency translation adjustments	5, 6, 7	(11,427)	45,456	(15,066)	39,681
Other operating income		9,698	15,757	10,230	14,296
Staff costs and administrative expenses	8	(212,039)	(208,994)	(13,955)	(12,932)
Depreciation, amortisation and impairment of intangible and tangible assets		(6,298)	(7,976)	(51)	(58)
Other operating costs		(225)	(5)	-	-
Loan impairment charges	9	-	-	-	-
Results of interests in associated companies and group enterprises	15, 16	(7,021)	(5,333)	102,817	155,805
Profit before tax		115,046	245,222	83,944	200,321
Tax	10	(23,064)	(54,298)	8,038	(9,397)
Net profit for the year		91,982	190,924	91,982	190,924
Other comprehensive income					
Translation of results of foreign entities		65	(292)	65	(292)
Adjustment of subsidiary		-	5	-	5
Other comprehensive income, total		65	(287)	65	(287)
Comprehensive income for the year, total		92,047	190,637	92,047	190,637

## DISTRIBUTION OF PROFIT

For distribution			
Transferred from "Other reserves"		98,530	158,184
Net profit for the year		91,982	190,924
For distribution, total		190,512	349,108
Proposed distribution			
Proposed dividend		58,160	58,160
Extraordinary dividend distributed in the financial year		40,370	100,024
Provision for "Reserve for revaluation using the equity method"		102,817	155,805
Provision for equity under "Retained earnings"		(10,834)	35,119
Distributed amount, total		190,512	349,108

## BALANCE SHEET

DKK thousand	Note	Group		Parent	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>ASSETS</b>					
Cash in hand and demand deposits with central banks		35,958	37,107	1	-
Due from credit institutions	11	149,624	153,897	13,142	5,252
Loans and receivables	12	6,346	3,366	6,340	3,366
Bonds at fair value	13	230,344	218,425	5,385	5,918
Equities etc.	14	124,884	167,997	111,979	154,176
Interests in associated companies	15	27,677	34,198	27,677	34,198
Interests in group enterprises	16	-	-	345,711	355,132
Intangible assets	17	4,443	6,354	12	58
Other tangible assets	18	3,632	4,073	27	4
Current tax assets		11,492	4,992	4,739	-
Deferred tax assets		55	30	13	9
Other assets	19	63,249	54,680	2,262	1,974
Prepaid expenses		8,035	6,481	534	453
<b>Total assets</b>		<b>665,740</b>	<b>691,600</b>	<b>517,821</b>	<b>560,538</b>

## BALANCE SHEET

DKK thousand	Note	Group		Parent	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>LIABILITIES</b>					
<b>Debt</b>					
Due to credit institutions	21	70,401	98,349	70,401	98,349
Deposits	22	50,877	37,469	-	-
Current tax liabilities		66	2	-	9,774
Other liabilities	23	93,547	93,694	28,417	27,775
Accrued income		23,102	23,280	549	440
<b>Total debt</b>		<b>237,992</b>	<b>252,794</b>	<b>99,367</b>	<b>136,338</b>
<b>Provisions</b>					
Provisions for deferred tax		293	605	-	-
Other provisions	24	9,000	14,000	-	-
<b>Provisions, total</b>		<b>9,293</b>	<b>14,605</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity</b>					
Share capital		36,350	36,350	36,350	36,350
Accumulated value adjustments					
Accumulated currency translation of foreign entities		(164)	(229)	(164)	(229)
Other reserves					
Net revaluation using the equity method		-	-	59,841	71,024
Other reserves		15,783	19,901	107,702	205,496
Retained earnings		308,326	310,020	156,565	53,400
Proposed dividend		58,160	58,160	58,160	58,160
<b>Total shareholders' equity</b>		<b>418,455</b>	<b>424,201</b>	<b>418,455</b>	<b>424,201</b>
<b>Total liabilities</b>		<b>665,740</b>	<b>691,600</b>	<b>517,821</b>	<b>560,538</b>

Notes not referred to: 1, 2, 20, 25, 26, 27, 28 and 29.

## STATEMENT OF CAPITAL - GROUP

2018	Share capital	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Minority interests	Total
DKK thousand							
Shareholders' equity, year-end 2017	36,350	19,901	(229)	310,020	58,160	-	424,201
Net profit for the year	-	-	-	91,982	-	-	91,982
Other comprehensive income							
Translation of results of foreign entities	-	-	65	-	-	-	65
Other comprehensive income, total	-	-	65	-	-	-	65
Comprehensive income for the year, total	-	-	65	91,982	-	-	92,047
Transactions with owners							
Dividend 2017	-	-	-	-	(53,306)	-	(53,306)
Non-distributed dividend, own shares 2017	-	-	-	4,854	(4,854)	-	-
Extraordinary dividend 2018	-	-	-	(40,370)	-	-	(40,370)
Proposed dividend	-	-	-	(58,160)	58,160	-	-
Acquisition of own shares	-	(15,827)	-	-	-	-	(15,827)
Sale of own shares	-	11,710	-	-	-	-	11,710
Shareholders' equity, year-end 2018	36,350	15,783	(164)	308,326	58,160	-	418,455



## STATEMENT OF CAPITAL - GROUP

2017	Share capital	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Minority interests	Total
DKK thousand							
Shareholders' equity, year-end 2016	45,438	36,277	63	211,324	222,644	-	515,746
Net profit for the year	-	-	-	190,924	-	-	190,924
Other comprehensive income							
Translation of results of foreign entities	-	-	(292)	-	-	-	(292)
Adjustment of subsidiary	-	5	-	-	-	-	5
Other comprehensive income, total	-	5	(292)	-	-	-	(287)
Comprehensive income for the year, total	-	5	(292)	190,924	-	-	190,637
Transactions with owners							
Capital reduction	(9,088)	-	-	9,088	-	-	-
Dividend 2016	-	-	-	-	(165,777)	-	(165,777)
Reversal of dividend 2016, cancelled shares	-	-	-	44,530	(44,530)	-	-
Non-distributed dividend, own shares 2016	-	-	-	12,338	(12,338)	-	-
Extraordinary dividend 2017	-	-	-	(100,024)	-	-	(100,024)
Proposed dividend	-	-	-	(58,160)	58,160	-	-
Acquisition of own shares	-	(28,541)	-	-	-	-	(28,541)
Sale of own shares	-	12,159	-	-	-	-	12,159
Shareholders' equity, year-end 2017	36,350	19,901	(229)	310,020	58,160	-	424,201

## STATEMENT OF CAPITAL - PARENT

2018		Reserve for net revalua- tion using equity method	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Total
DKK thousand	Share capital						
Shareholders' equity, year-end 2017	36,350	71,024	205,496	(229)	53,400	58,160	424,201
Net profit for the year	-	102,817	-	-	(10,834)	-	91,982
Other comprehensive income							
Translation of results of foreign entities	-	-	-	65	-	-	65
Other comprehensive income, total	-	-	-	65	-	-	65
Comprehensive income for the year, total	-	102,817	-	65	(10,834)	-	92,047
Transactions with owners							
Dividend 2017	-	-	-	-	-	(53,306)	(53,306)
Non-distributed dividend, own shares 2017	-	-	4,854	-	-	(4,854)	-
Extraordinary dividend from subsidiaries 2018	-	(49,000)	-	-	49,000	-	-
Expected dividend from subsidiaries*	-	(65,000)	-	-	65,000	-	-
Extraordinary dividend 2018	-	-	(40,370)	-	-	-	(40,370)
Proposed dividend	-	-	(58,160)	-	-	58,160	-
Acquisition of own shares	-	-	(15,827)	-	-	-	(15,827)
Sale of own shares	-	-	11,710	-	-	-	11,710
Shareholders' equity, year-end 2018	36,350	59,841	107,702	(164)	156,565	58,160	418,455

\*Dividend will be approved at the annual general meeting in the spring 2019.

## STATEMENT OF CAPITAL - PARENT

2017		Reserve for net revalua- tion using	Other	Currency translation	Retained	Proposed	
DKK thousand	Share capital	equity method	reserves	reserve	earnings	dividend	Total
Shareholders' equity, year-end 2016	45,438	99,214	130,105	63	18,281	222,645	515,746
Net profit for the year	-	155,805	-	-	35,119	-	190,924
Other comprehensive income							
Translation of results of foreign entities	-	-	-	(292)	-	-	(292)
Adjustment of subsidiary	-	5	-	-	-	-	5
Other comprehensive income, total	-	5	-	(292)	-	-	(287)
Comprehensive income for the year, total	-	155,810	-	(292)	35,119	-	190,637
Transactions with owners							
Capital reduction	(9,088)	-	9,088	-	-	-	-
Dividend 2016	-	-	-	-	-	(165,777)	(165,777)
Reversal of dividend 2016, cancelled shares	-	-	44,530	-	-	(44,530)	-
Non-distributed dividend, own shares 2016	-	-	12,338	-	-	(12,338)	-
Extraordinary dividend from subsidiaries 2017	-	(113,000)	113,000	-	-	-	-
Expected dividend from subsidiaries*	-	(71,000)	71,000	-	-	-	-
Extraordinary dividend 2017	-	-	(100,024)	-	-	-	(100,024)
Proposed dividend	-	-	(58,160)	-	-	58,160	-
Acquisition of own shares	-	-	(28,541)	-	-	-	(28,541)
Sale of own shares	-	-	12,159	-	-	-	12,159
Shareholders' equity, year-end 2017	36,350	71,024	205,496	(229)	53,400	58,160	424,201

\*Dividend was approved at the annual general meeting in the spring 2018.

## STATEMENT OF CAPITAL - PARENT

The company's share capital consists of 36,350,000 shares of DKK 1 (year-end 2017: 36,350,000).

The company has no outstanding options at year-end 2018 (year-end 2017: 227,000) entitling holders to subscribe for a share.

Own shares	Shares		In per cent of capital
	Number	Nom. value	
<b>2018</b>			
Own shares 1 January	3,030,593	3,030,593	8.3%
Acquisition of own shares	1,188,420	1,188,420	3.3%
Sale of own shares	(919,785)	(919,785)	(2.5%)
<b>Own shares 31 December</b>	<b>3,299,228</b>	<b>3,299,228</b>	<b>9.1%</b>

Own shares were acquired in connection with employees leaving our employment. Own shares were sold in connection with the recruitment of group staff and as an extraordinary offer made to corporate employees. The value of the annual acquisition and sale of own shares was a net acquisition of DKK 4,117 thousand.

Own shares	Shares		In per cent of capital
	Number	Nom. value	
<b>2017</b>			
Own shares 1 January*	11,605,875	11,605,875	25.5%
Cancellation of own shares*	(9,087,820)	(9,087,820)	(20.0%)
Acquisition of own shares	1,645,200	1,645,200	4.5%
Sale of own shares	(1,132,662)	(1,132,662)	(3.1%)
<b>Own shares 31 December</b>	<b>3,030,593</b>	<b>3,030,593</b>	<b>8.3%</b>

\*In per cent of capital is calculated on the basis of share capital of DKK 45,438 thousand before cancellation of own shares

In early 2017 the company decided to reduce its capital by 9,087,820 shares through the cancellation of own shares. The reduction in capital was finally registered in Erhvervsstyrelsen (the Danish Business Authority) on 16 February 2017.

Own shares were acquired in connection with employees leaving our employment. Own shares were sold in connection with the recruitment of group staff and as an extraordinary offer made to corporate employees, executive board members and directors. Additionally, own shares were sold in connection with employees exercising their options in the company. The value of the annual acquisition and sale of own shares was a net acquisition of DKK 16,382 thousand.

## NOTES

### Note 1 Accounting principles

#### GENERAL

The annual report, which comprises the group and its parent, Maj Invest Holding A/S, has been prepared in compliance with the Danish Financial Business Act including the Executive Order on Financial Reporting for Credit Institutions and Investment Companies etc.

As of 1 January 2018, the Executive Order on Financial Reporting changed as regards classification and measurement of financial assets and liabilities to incorporate the rules contained in IFRS 9 into the act. Changes have resulted in new criteria governing the date on which financial assets are to be measured at amortised cost price, at fair value in the profit or loss account or at fair value via other comprehensive income. Changes have also resulted in new criteria for impairment of loans and receivables at amortised cost, after which they are written down on the basis of expected credit losses against previously incurred credit losses.

In accordance with the transition rules, no adaptation of comparison figures for 2017 has been performed.

Changes have had no impact on the group's or the parent company's opening balance sheet as of 1 January 2018.

Except from the above, our accounting policies are the same as last year.

#### Consolidation

The consolidated financial statements comprise the parent, Maj Invest Holding A/S, and the entities, in which the parent directly or indirectly holds more than 50% of the voting rights, or in which the parent has a controlling interest through its holdings of shares or in some other manner.

The consolidated financial statements are prepared by aggregating uniform income, costs, assets and liabilities. Intra-group income and expenses, accounts and intra-group profit or loss arising from transactions between consolidated entities are eliminated.

The financial statements included in the consolidated financial statements have been prepared in compliance with the group's accounting policies.

The parent's interests in consolidated subsidiaries are eliminated against the parent's share of the particular subsidiary's equity value.

#### Recognition and measurement

All income and expenses relating to the reporting period are recognised in the income statement regardless of time of payment.

In compliance with MiFID II, retrocession fees, which must not be retained as of 1 July 2017 but have to be paid out to clients, are no longer recognised as fees or commissions received or paid. In the balance sheet, non-settled commissions are recognised under other assets or liabilities, respectively. There have been no adjustments to financial figures for periods prior to 1 July 2017 as this practice is the result of new regulations and not a change in accounting policy.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the company, and the values of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the company, and the values of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement of assets and liabilities after initial recognition is made as described below for each accounting item.

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the annual report, either affirming or not affirming conditions existing on the balance sheet date.

## NOTES

### Note 1 cont.

#### Foreign currency

Transactions in foreign currency are translated into Danish kroner at the exchange rates prevailing on the transaction date.

Monetary items in currencies other than Danish kroner are translated into Danish kroner at the closing rates of the particular currencies on the balance sheet date.

Non-monetary items in currencies other than Danish kroner recognised at cost are translated into Danish kroner at the exchange rates on the transaction date.

Non-monetary items in currencies other than Danish kroner recognised at fair value are translated into Danish kroner at the closing rates on the balance sheet date.

Any foreign currency translation adjustments are recognised in the income statement. Any foreign currency translation adjustments relating to foreign entities are recognised in other comprehensive income.

#### Derivatives

On initial recognition, derivatives are recognised at cost in the balance sheet and subsequently measured at fair value. Any changes in the fair values of derivatives are recognised currently in the income statement.

#### Intra-group transactions

Intra-group transactions are made on an arm's length basis or settled on the basis of actual costs.

#### Translation of foreign entities

The profits or losses of foreign associated companies or subsidiaries, which are independent units, are translated at the rates on the transaction date or corresponding average rates.

Balance sheet items are translated at the rates on the balance sheet date. Any foreign currency translation adjustments arising from the translation of equity at the beginning of the year and any currency translation adjustments arising from the translation into Danish kroner (DKK) of profits or losses of foreign entities' functional rates are recognised directly in other comprehensive income.

#### Tax

Tax on the year's results consisting of current tax and deferred tax for the reporting period is recognised in the income statement with the portion that is attributable to the results for the year and directly via equity with the portion that is attributable to equity transactions. Any changes in deferred tax due to tax rate adjustments are recognised in the income statement.

Provisions are made for both current and deferred taxes for the period under review in respect of the jointly taxed consolidated entities. The company is jointly taxed with all its subsidiaries residing in Denmark. The tax effect of joint taxation is allocated to profit or loss in the consolidated entities in proportion to their taxable incomes. The jointly taxed entities are included in the Danish tax prepayment scheme.

Provisions for deferred tax on any temporary differences between the tax base of assets and liabilities and their carrying amounts are measured using the balance-sheet liability method. If a temporary difference is negative, a deferred tax asset will be recognised if, in all probability, it can be applied to reduce any future tax liability.

Any deferred tax is measured in compliance with current tax rules and at the tax rate likely to be applicable once any temporary differences have been eliminated. Any deferred tax assets or liabilities are presented after offsetting in the same legal entity.

## NOTES

### Note 1 cont.

#### INCOME STATEMENT

##### Interest, dividends, fees and commissions

Interest, fees and commissions are accrued and recorded in the period they are earned and recognised in the income statement at the amounts relevant to the period under review.

Commissions and fees etc., which are an integral part of the effective interest rate, are recognised as part of amortised cost. Commissions and fees etc., which are considered an integral part of the effective interest rate, are accrued and recognised over the term to maturity.

Dividends are recognised in the income statement at the time of declaration or on the distribution of interim dividends.

Performance-related investment management fees/carried interest are recorded as income at the time when the company will be entitled to such fees. Until entitlement, such fees are mentioned under “Contingent assets”.

Fees and commissions received will include income from services vis-a-vis clients.

##### Market value adjustments

Any differences between the fair values and the carrying amounts of securities are recognised as market value adjustments.

##### Other operating income

Other operating income includes items of a nature secondary to the company’s core activity, including fees from entities for which we carry out administrative tasks. Other operating income is accrued when earned and recognised in the income statement at the amounts relevant to the period under review.

##### Staff costs and administrative expenses

Staff costs and administrative expenses include salaries, pensions and social costs, rent, IT costs, legal and audit fees and other administrative expenses. Costs relating to benefits and other payments payable to employees, including holiday pay, etc. are recognised in step with our employees performing the work entitling them to such benefits and other payments.

##### Results of interests in associated companies and group enterprises

The proportionate shares of net profits or losses for the reporting period in associated companies and group enterprises are recognised as results of interests in associated companies and group enterprises.

#### BALANCE SHEET

##### ASSETS

##### Receivables from credit institutions and central banks

On initial recognition, receivables from credit institutions and central banks are recognised at their fair values and subsequently at amortised cost.

##### Loans and receivables

Loans and receivables are recognised at amortised cost. Loans and receivables are not held for trading purposes and only include loans where the borrower has no contractual right to repay the loan with tradable bonds issued by the company.

Loans and receivables, where there has not been a significant increase in credit risk since the first recognition, are written down by an amount corresponding to the statistically expected loss in the coming 12 months, while loans and receivables which have seen a significant increase in credit risk are written down by an amount corresponding to the expected loss over the remaining term of the loan/receivable. For loans and receivables that are impaired (non-performing), only interest on the written-down amount is recognised as income. As part of the group’s Treasury activities, Maj Invest Holding A/S has provided limited loans to commercial enterprises. Maj Bank A/S also has a very limited number of deposit accounts that are overdrawn due to payments of fees. The group has therefore not developed models for the impairment of loans and receivables. Write-downs are based on individual valuations and estimates.

## NOTES

### Note 1 cont.

#### Securities

Securities are recognised at their fair values on the balance sheet date. The fair values of unlisted investments are the transaction prices that would result from a trade between independent parties. The fair values of interests in private equity funds are computed at the fair values of the underlying investments in compliance with the International Private Equity and Venture Capital Valuation Guidelines drawn up by the IPEV Board. The settlement date is used as the date of recognition. Any change in value between the trade date and the settlement date is recognised as a financial asset or a financial liability.

#### Interests in associated companies and group enterprises

Interests in associated companies and group enterprises are recognised and measured using the equity method. The proportionate interests in the equity values of associated companies or group enterprises computed on the basis of the fair values of identifiable net assets at the time of acquisition are recognised in "Interests in associated companies and group enterprises".

Goodwill is not amortised, but tested for impairment – at a minimum once annually. Write-downs as a result of impairment are included in the profit and loss account under investments in associated and affiliated companies.

The total net revaluation of investments in associated and affiliated companies is allocated via the distribution of profits to the reserve for net revaluation using the intrinsic value method under the equity's statutory reserves. Reserves are reduced by dividend payments to the parent company and are adjusted by other equity movements in the subsidiaries.

Exchange rate adjustments for translation of foreign entities are recognised under other comprehensive income.

#### Intangible assets

Our intangible assets consist of a trading system, a portfolio management system and computer software. Intangible assets are measured at cost with the deduction of any amortisation or impairment losses. These assets are amortised on a straight-line basis over their estimated useful lives or over the relevant contractual periods:

- Trading system : 60-90 months
- Computer software and portfolio management system : 24-36 months

#### Other tangible assets

Other tangible assets are measured at cost with the deduction of any depreciation or impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives:

- Computer equipment : 36 months
- Furnitures, fixtures and equipment : 36 months

#### Recoverable amounts

The carrying amounts of intangible assets and other tangible assets are reviewed annually to determine whether there is an indication for impairment in addition to any depreciation or amortisation charges. If so, an impairment test will determine whether the recoverable amount is lower than the carrying amount, and the asset will subsequently be recorded at the lower recoverable amount. The recoverable amount of an asset is calculated as the higher of its net selling price or its value in use.

#### Other assets

Income falling due after year-end and any interest receivable will be recognised in other assets. Any significant amounts receivable and falling due more than 12 months after the period in which they were earned are discounted at their present values on the balance sheet date. The discounting rate used matches the market rate of return of the particular amounts receivable.

Any positive fair values of derivatives including spot transactions are recognised in other assets.



## NOTES

### Note 1 cont.

#### Prepaid expenses

Prepaid expenses incurred on or before the balance sheet date, but concerning subsequent reporting periods are recorded as prepayments. Prepaid expenses are measured at cost.

### LIABILITIES

#### Deposits

Deposits include debts to private people and counterparties, not being credit institutions and central banks, including ordinary demand deposits and special deposits. On initial recognition, deposits are recognised at their fair values and subsequently at amortised cost.

#### Debts to credit institutions

On initial recognition, debts to credit institutions are measured at their fair values and subsequently at amortised cost.

#### Other liabilities

Other liabilities are measured at their net realisable values.

Expenses falling due after year-end and any interest payable are recorded in other liabilities. Any negative fair values of derivatives, including spot transactions, are recognised in other liabilities.

#### Accrued income

Income received before the balance sheet date, but concerning subsequent reporting periods are recorded as accrued income. Accrued income is measured at cost.

#### Provisions

A provision is a liability that is uncertain in terms of amount or timing. A provision is recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the company, and the value of such provision can be reliably measured.

The values of any future liabilities are measured at their present values to the extent that the discounting of such liabilities is of significance to the measurement of the size of the particular provision. The discount rate used matches the market rate of return in respect of the liability in question.

#### Shareholders' equity

Premiums in respect of issued options or warrants and any redemption of options or warrants in respect of corporate shares are recognised in other reserves as movements in equity.

Any obligation to buy back shares in the event of an employee leaving the company's employment is deducted from equity and recorded as debt in other liabilities. The debt is computed at the amount of shares that the company is obliged to buy back in compliance with the shareholders' agreement duly considering the capital requirements of the group and the company.

Any purchases or sale of own shares are recognised directly at the transaction value and recognised as a change directly in equity via "Other reserves".

Any proposed dividends are recognised as a liability at the time of adoption at the annual general meeting (time of declaration). Dividends to be paid for the period under review will be recorded as a separate item in shareholders' equity.

## NOTES

Note 2 Financial highlights - group (5-year overview)

### INCOME STATEMENT

DKK thousand	2018	2017	2016	2015	2014
Net interest and fee income	342,357	406,316	423,517	292,506	291,956
Market value and currency translation adjustments	(11,427)	45,456	14,509	21,645	8,883
Staff costs and administrative expenses	(212,039)	(208,994)	(208,492)	(211,862)	(175,615)
Results of interests in associated companies and group enterprises	(7,021)	(5,333)	-	-	-
Net profit for the year	91,982	190,924	180,004	81,832	100,374

### BALANCE SHEET

Loans	6,346	3,366	3,366	866	915
Shareholders' equity	418,455	424,201	515,746	358,411	507,191
Total assets	665,740	691,600	798,370	593,751	659,524

### RATIOS AND KEY FIGURES

Return on equity before tax	27.3%	52.2%	53.4%	24.8%	27.9%
Return on equity after tax	21.8%	40.6%	41.2%	18.9%	21.0%
Cost/income ratio	1.53	2.13	2.08	1.49	1.75
Cost in % of income	65.5%	46.9%	48.0%	67.0%	57.2%
Tier 1 capital ratio	33.0%	31.1%	28.8%	36.1%	43.8%
Capital ratio	33.0%	31.1%	28.8%	36.1%	43.8%
Own funds in relation to minimum capital requirements	4.1	3.9	3.6	4.5	5.5

Ratios and key figures were drawn up in accordance with the definitions of the Danish Financial Supervisory Authority (FSA).

## NOTES

### Note 2 Financial highlights - parent (5-year overview)

## INCOME STATEMENT

DKK thousand	2018	2017	2016	2015	2014
Net interest and fee income	(33)	3,528	3,663	1,672	2,862
Market value and currency translation adjustments	(15,066)	39,681	9,624	14,399	(2,421)
Staff costs and administrative expenses	(13,955)	(12,932)	(18,648)	(21,618)	(18,272)
Results of interests in associated companies and group enterprises	102,817	155,805	177,505	78,392	106,718
Net profit for the year	91,982	190,924	180,004	81,832	100,374

## BALANCE SHEET

Loans	6,340	3,366	3,366	866	915
Shareholders' equity	418,455	424,201	515,746	358,411	507,149
Total assets	517,821	560,538	615,643	469,911	531,069

## RATIOS AND KEY FIGURES

Return on equity before tax	19.9%	42.6%	41.7%	19.2%	20.6%
Return on equity after tax	21.8%	40.6%	41.2%	18.9%	21.0%
Cost/income ratio	6.99	16.42	10.77	4.66	6.37
Cost in % of income	14.3%	6.1%	9.3%	21.4%	15.7%
Tier 1 capital ratio	52.3%	49.9%	40.9%	64.9%	79.8%
Capital ratio	52.3%	49.9%	40.9%	64.9%	79.8%
Own funds in relation to minimum capital requirements	6.5	6.2	5.1	8.1	10.0

Ratios and key figures were drawn up in accordance with the definitions of the Danish Financial Supervisory Authority (FSA).

## NOTES

DKK thousand	Group		Parent	
	2018	2017	2018	2017
<b>Note 3 Interest income</b>				
Due from credit institutions	114	83	20	17
Loans and other receivables	324	229	324	229
Bonds	1,303	2,181	365	419
Derivatives (foreign exchange contracts)	-	(73)	-	(14)
Other interest income	158	951	10	632
<b>Total interest income</b>	<b>1,899</b>	<b>3,371</b>	<b>719</b>	<b>1,283</b>
<b>Note 4 Interest expense</b>				
Credit institutions	(1,436)	(1,928)	(898)	(1,040)
Other interest expense	(29)	(81)	(24)	(20)
<b>Total interest expense</b>	<b>(1,465)</b>	<b>(2,009)</b>	<b>(922)</b>	<b>(1,060)</b>
<b>Note 5 Market value and currency translation adjustments</b>				
Bonds	(1,113)	(161)	(139)	1,008
Equities etc.	(11,873)	46,915	(15,829)	39,829
Currency	1,142	(1,056)	903	(1,157)
Derivatives	417	(242)	-	-
<b>Total market value and currency translation adjustments</b>	<b>(11,427)</b>	<b>45,456</b>	<b>(15,066)</b>	<b>39,681</b>
<b>Note 6 Net interest, fee income and market value and currency translation adjustments by business area</b>				
Net interest and fee income				
Asset Management	239,033	232,172	-	-
Equity	96,768	164,256	-	69
Treasury	412	4,423	(33)	3,459
Maj Bank	6,144	5,465	-	-
<b>Total net interest and fee income</b>	<b>342,357</b>	<b>406,316</b>	<b>(33)</b>	<b>3,528</b>
Market value and currency translation adjustments				
Asset Management	4,114	6,766	-	-
Equity	6	(226)	-	-
Treasury	(15,547)	38,916	(15,066)	39,681
<b>Total market value and currency translation adjustments</b>	<b>(11,427)</b>	<b>45,456</b>	<b>(15,066)</b>	<b>39,681</b>
<b>Note 7 Geographical segmentation</b>				
Net interest and fee income				
Denmark	289,266	369,536	(382)	1,691
Other Europe	29,795	24,820	-	-
Asia	332	1,852	349	1,837
North America	14,401	2,401	-	-
South America	(13)	(5)	-	-
Oceania	8,576	7,713	-	-
<b>Total net interest and fee income</b>	<b>342,357</b>	<b>406,316</b>	<b>(33)</b>	<b>3,528</b>

## NOTES

## Note 7 cont.

DKK thousand	Group		Parent	
	2018	2017	2018	2017
<b>Market value and currency translation adjustments</b>				
Denmark	(11,698)	48,147	(14,894)	42,059
Other Europe	427	(242)	(9)	-
Asia	(165)	(2,398)	(163)	(2,378)
South America	9	(51)	-	-
<b>Total market value and currency translation adjustments</b>	<b>(11,427)</b>	<b>45,456</b>	<b>(15,066)</b>	<b>39,681</b>
<b>Note 8 Staff costs and administrative expenses</b>				
Directors:				
Directors, fixed remuneration	(1,600)	(1,725)	(450)	(450)
Directors, variable remuneration	-	-	-	-
<b>Total</b>	<b>(1,600)</b>	<b>(1,725)</b>	<b>(450)</b>	<b>(450)</b>
Executive board:				
Executive board, fixed remuneration	(16,883)	(16,037)	(2,532)	(2,406)
Executive board, variable remuneration	(250)	(300)	(38)	(45)
<b>Total</b>	<b>(17,133)</b>	<b>(16,337)</b>	<b>(2,570)</b>	<b>(2,451)</b>
Other significant risk takers:				
Risk takers, fixed remuneration	(29,569)	(28,336)	(1,076)	(651)
Risk takers, variable remuneration	(1,175)	(1,350)	(60)	(60)
<b>Total</b>	<b>(30,744)</b>	<b>(29,686)</b>	<b>(1,136)</b>	<b>(711)</b>
Staff costs:				
Salaries	(72,791)	(81,129)	(5,715)	(5,809)
Pensions	(7,101)	(7,322)	(511)	(641)
Social security costs and payroll tax based on				
Financial Services Payroll Tax Act	(16,489)	(16,109)	(32)	(36)
<b>Total</b>	<b>(96,381)</b>	<b>(104,559)</b>	<b>(6,258)</b>	<b>(6,485)</b>
Other administrative expenses	(66,181)	(56,687)	(3,541)	(2,834)
<b>Total staff costs and administrative expenses</b>	<b>(212,039)</b>	<b>(208,994)</b>	<b>(13,955)</b>	<b>(12,932)</b>

Number of: Board of directors 7 (2017: 7), executive board 3 (2017: 3). Other significant risk takers group 16 (2017: 17), parent 2 (2017: 2).

Director's fee paid to retired board member Henrik Andersen in 2018: DKK 17 thousand. At group level: DKK 48 thousand.

## NOTES

## Note 8 cont.

Executive board members' investment commitment/employment contracts involving performance bonus or carried interest

2018	Jeppe Christiansen		Erik Holm		Henrik Parkhøi	
- = No commitment or not included + = Included in scheme	Performance bonus	Carried interest	Performance bonus	Carried interest	Performance bonus	Carried interest
LD Equity 1 K/S	-	-	-	-	-	-
LD Equity 2 K/S	+	-	+	-	-	-
LD Equity 3 K/S	+	-	+	-	+	-
Maj Invest Equity 4 K/S	-	+	-	+	-	-
Maj Invest Equity 5 K/S	-	+	-	+	-	-
Maj Invest Equity Vietnam I K/S	-	+	-	+	-	+
Danish Microfinance Partners K/S	-	-	-	-	-	-
Maj Invest Equity Southeast Asia II K/S	-	+	-	+	-	-
Maj Invest Financial Inclusion Fund II K/S	-	+	-	+	-	+

Executive board members' investment commitment/employment contracts involving performance bonus or carried interest.

2017	Jeppe Christiansen		Erik Holm		Henrik Parkhøi	
- = No commitment or not included + = Included in scheme	Performance bonus	Carried interest	Performance bonus	Carried interest	Performance bonus	Carried interest
LD Equity 1 K/S	-	-	-	-	-	-
LD Equity 2 K/S	+	-	+	-	-	-
LD Equity 3 K/S	+	-	+	-	+	-
Maj Invest Equity 4 K/S	-	+	-	+	-	-
Maj Invest Equity 5 K/S	-	+	-	+	-	-
Maj Invest Equity Vietnam I K/S	-	+	-	+	-	+
Danish Microfinance Partners K/S	-	-	-	-	-	-
Maj Invest Equity Southeast Asia II K/S	-	+	-	+	-	-
Maj Invest Financial Inclusion Fund II K/S	-	+	-	+	-	+

## NOTES

## Note 8 cont.

DKK thousand	Group		Parent	
	2018	2017	2018	2017
<b>Number of employees</b>				
Average number of employees (full-time equivalent)	105	107	8	9
<b>Auditors appointed by the general meeting, fees</b>				
Statutory audit of financial statements	(861)	(812)	(130)	(102)
Other assurance services	(431)	(247)	(44)	(16)
Tax advisory services	-	(48)	-	-
Non-audit services	(788)	(178)	-	(96)
<b>Total audit and non-audit fees</b>	<b>(2,080)</b>	<b>(1,285)</b>	<b>(174)</b>	<b>(214)</b>

## Note 9 Loan impairment charges

There have been no loan impairment charges as a consequence of expected credit losses.

## Note 10 Tax

Tax on profit for the year	(26,766)	(56,293)	4,707	(9,978)
Adjustment of prior-year tax charges	3,364	1,215	3,327	580
Adjustment of deferred tax	338	780	4	1
<b>Total tax</b>	<b>(23,064)</b>	<b>(54,298)</b>	<b>8,038</b>	<b>(9,397)</b>

## Effective tax rate

Current tax rate	22.0%	22.0%	22.0%	22.0%
Adjustment of non-taxable items	(0.4%)	0.1%	(0.8%)	0.1%
Adjustment of results of interests in associated companies and group enterprises	(1.3%)	(0.5%)	(27.8%)	(17.1%)
Adjustment of prior-year tax charges	(2.9%)	(0.5%)	(4.6%)	(0.3%)
Tax rate adjustments regarding international subsidiaries	-	0.0%	-	-
<b>Total effective tax rate</b>	<b>17.4%</b>	<b>21.1%</b>	<b>(11.1%)</b>	<b>4.7%</b>

Deferred tax relates to intangible and other tangible assets.

There is no provision for deferred tax in respect of interests in associated companies and group enterprises.

## NOTES

DKK thousand	Group		Parent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Note 11 Due from credit institutions</b>				
Demand deposits	149,624	153,897	13,142	5,252
<b>Due from credit institutions, total</b>	<b>149,624</b>	<b>153,897</b>	<b>13,142</b>	<b>5,252</b>
<b>Note 12 Loans</b>				
<b>By current maturity</b>				
On demand	6	-	-	-
Up to 3 months	4,340	-	4,340	-
Over 3 months and up to 1 year	-	2,000	-	2,000
Over 1 year and up to 5 years	2,000	1,366	2,000	1,366
<b>Total loans</b>	<b>6,346</b>	<b>3,366</b>	<b>6,340</b>	<b>3,366</b>
<b>Note 13 Bonds at fair value</b>				
Other mortgage bonds	225,465	200,024	506	822
Other bonds	4,879	18,401	4,879	5,096
<b>Bonds at fair value, total</b>	<b>230,344</b>	<b>218,425</b>	<b>5,385</b>	<b>5,918</b>
At year-end 2018, the group had provided bonds at a market value of DKK 36.2 million (2017: DKK 35.0 million) in security of trading in derivatives and securities.				
Interest rate risk	1,509	1,562	35	151
<b>Note 14 Equities etc. at fair value</b>				
Equities/mutual funds listed in				
Nasdaq OMX Copenhagen A/S	53,151	78,580	44,655	69,015
Equities/mutual funds listed in other stock exchanges	140	-	140	-
Unlisted equities at fair value	71,593	89,417	67,184	85,160
<b>Total equities etc. at fair value</b>	<b>124,884</b>	<b>167,997</b>	<b>111,979</b>	<b>154,176</b>
<b>Note 15 Interests in associated companies</b>				
Total acquisition sum at 1 January	39,531	-	39,531	-
Additions	500	39,531	500	39,531
<b>Total acquisition cost at 31 December</b>	<b>40,031</b>	<b>39,531</b>	<b>40,031</b>	<b>39,531</b>
Revaluations at 1 January	(5,333)	-	(5,333)	-
Profit for the year	(6,937)	(1,312)	(6,937)	(1,312)
Revaluations for the year	(84)	(4,021)	(84)	(4,021)
<b>Revaluations at 31 December</b>	<b>(12,354)</b>	<b>(5,333)</b>	<b>(12,354)</b>	<b>(5,333)</b>
<b>Carrying amount at 31 December</b>	<b>27,677</b>	<b>34,198</b>	<b>27,677</b>	<b>34,198</b>
<b>Carrying amount at 1 January</b>	<b>34,198</b>	<b>-</b>	<b>34,198</b>	<b>-</b>



## NOTES

DKK thousand	Group		Parent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Note 16 Interests in group enterprises</b>				
Total acquisition sum at 1 January	-	-	208,337	207,784
Additions	-	-	676	553
<b>Total acquisition sum at 31 December</b>	<b>-</b>	<b>-</b>	<b>209,013</b>	<b>208,337</b>
Revaluations at 1 January	-	-	146,795	278,950
Foreign currency translation	-	-	65	(292)
Profit for the year	-	-	109,838	161,138
Dividend	-	-	(120,000)	(293,000)
<b>Revaluations at 31 December</b>	<b>-</b>	<b>-</b>	<b>136,698</b>	<b>146,795</b>
<b>Carrying amount at 31 December</b>	<b>-</b>	<b>-</b>	<b>345,711</b>	<b>355,132</b>
<b>Carrying amount at 1 January</b>	<b>-</b>	<b>-</b>	<b>355,132</b>	<b>486,733</b>
<b>Note 17 Intangible assets</b>				
Total cost at 1 January	24,295	22,180	136	118
Additions	2,609	2,115	-	18
Disposals	(47)	-	-	-
<b>Total acquisition sum at 31 December</b>	<b>26,857</b>	<b>24,295</b>	<b>136</b>	<b>136</b>
Amortisation and impairment charges at 1 January	(17,941)	(11,981)	(78)	(36)
Amortisation charges for the year	(4,490)	(5,960)	(45)	(42)
Reversals of amortisation charges	17	-	-	-
<b>Amortisation and impairment charges at 31 December</b>	<b>(22,414)</b>	<b>(17,941)</b>	<b>(124)</b>	<b>(78)</b>
<b>Carrying amount at 31 December</b>	<b>4,443</b>	<b>6,354</b>	<b>12</b>	<b>58</b>
<b>Carrying amount at 1 January</b>	<b>6,354</b>	<b>10,199</b>	<b>58</b>	<b>82</b>
<b>Note 18 Other tangible assets</b>				
Total cost at 1 January	18,048	16,423	927	927
Additions	1,598	1,753	28	-
Disposals	(411)	(128)	-	-
<b>Total cost at 31 December</b>	<b>19,235</b>	<b>18,048</b>	<b>955</b>	<b>927</b>
Depreciation and impairment charges at 1 January	(13,975)	(11,963)	(923)	(908)
Depreciation charges for the year	(1,808)	(2,016)	(5)	(16)
Reversals of depreciation charges	180	3	-	-
<b>Depreciation and impairment charges at 31 December</b>	<b>(15,603)</b>	<b>(13,975)</b>	<b>(929)</b>	<b>(923)</b>
<b>Carrying amount at 31 December</b>	<b>3,632</b>	<b>4,073</b>	<b>27</b>	<b>4</b>
<b>Carrying amount at 1 January</b>	<b>4,073</b>	<b>4,460</b>	<b>4</b>	<b>19</b>

## NOTES

DKK thousand	Group		Parent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Note 19 Other assets</b>				
Various debtors	60,631	51,876	473	433
Positive fair value of derivatives etc.	125	48	-	-
Interest due	925	1,571	591	534
Other assets	1,568	1,185	1,197	1,008
<b>Other assets, total</b>	<b>63,249</b>	<b>54,680</b>	<b>2,262</b>	<b>1,974</b>

Various debtors include accounts

with group enterprises worth	-	-	470	175
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**Note 20 Contingent assets**

Fondsmæglerselskabet Maj Invest A/S and Maj Invest Equity A/S have made a number of investment management agreements involving payment of a performance-based management fee/carried interest. This means that if a return exceeds an agreed level, the companies will earn a share of such return by way of a performance-based management fee/carried interest. Such fees are typically computed on a quarterly basis and may also fall due for quarterly payment. However, the payment of such fees cannot exceed the fee to which the companies are certain to be entitled.

At 31 December 2018 our performance-based fee/carried interest, to which the company is not yet entitled, amounted to approx. DKK 72 million (at 31 December 2017: DKK 70 million) after provisions.

**Note 21 Due to credit institutions****By current maturity**

Up to 3 months	70,401	98,349	70,401	98,349
<b>Due to credit institutions, total</b>	<b>70,401</b>	<b>98,349</b>	<b>70,401</b>	<b>98,349</b>

**Note 22 Deposits****By current maturity**

Demand deposits	41,389	18,973	-	-
Up to 3 months	1,142	1,343	-	-
Over 3 months and up to 1 year	843	562	-	-
Over 1 year and up to 5 years	1,091	6,453	-	-
Over 5 years	6,411	10,139	-	-
<b>Deposits, total</b>	<b>50,877</b>	<b>37,469</b>	<b>-</b>	<b>-</b>

**By type of deposits**

Demand deposits	41,389	18,973	-	-
Special forms of deposits	9,488	18,496	-	-
<b>Deposits, total</b>	<b>50,877</b>	<b>37,469</b>	<b>-</b>	<b>-</b>

## NOTES

DKK thousand	Group		Parent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Note 23 Other liabilities</b>				
Various creditors	39,805	37,466	9,753	9,061
Negative fair values of derivatives etc.	110	19	-	-
Accrued interest and commissions	47	47	29	47
Buyback obligation, own shares	15,000	15,000	15,000	15,000
Other liabilities	38,584	41,162	3,634	3,666
<b>Other liabilities, total</b>	<b>93,547</b>	<b>93,694</b>	<b>28,417</b>	<b>27,775</b>

Various creditors include accounts with group enterprises worth	-	-	6	21
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**Note 24 Other provisions**

Other provisions concern bonuses relating to performance-based management fees/carried interest recognised in the income statement.

**Note 25 Guarantees and contingent liabilities**

Guarantees etc.:

Other guarantees	600	759	-	-
<b>Total guarantees etc.</b>	<b>600</b>	<b>759</b>	<b>-</b>	<b>-</b>

Other contingent liabilities:

Other liabilities (commitment to invest in capital funds)	68,518	70,676	68,236	70,352
<b>Other contingent liabilities, total</b>	<b>68,518</b>	<b>70,676</b>	<b>68,236</b>	<b>70,352</b>

**Other binding agreements**

Maj Invest Holding A/S has entered a tenancy agreement for the premises Gammeltorv 18 of which the company pays a share. The agreement is terminable at six months' notice by either party. The landlord cannot terminate the tenancy until 1 October 2021.

A group company has entered a tenancy agreement for the premises Dronningens Tværgade 7, 1st floor, Copenhagen. The agreement is terminable at six months' notice by either party. The landlord cannot terminate the tenancy until 28 February 2020.

The group has entered into IT related obligations, which in the non-terminable period are:

In year one	-	964	-	-
Between one and five years	431	500	-	-
<b>Other binding agreements, total</b>	<b>431</b>	<b>1,463</b>	<b>-</b>	<b>-</b>

The company is jointly registered concerning VAT and payroll tax payable under the Danish Financial Services Payroll Tax Act with Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S and jointly liable for any payments in respect thereof. The company is also jointly taxable with all group entities residing in Denmark. Being the administration company, we are jointly and severally liable with the other entities in the joint taxation scheme in respect of Danish corporation tax and withholding taxes on dividends, interest income and royalties. For 2018 the jointly taxed entities have a current tax receivable of DKK 11,492 thousand (31 December 2017: tax receivable of DKK 4,992 thousand).

## NOTES

DKK thousand	Group		Parent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Note 26 Own funds</b>				
Shareholders' equity	418,455	424,201	418,455	424,201
<b>Total tier 1 capital before primary deductions</b>	<b>418,455</b>	<b>424,201</b>	<b>418,455</b>	<b>424,201</b>
Primary deductions				
Proposed dividend	(58,160)	(58,160)	(58,160)	(58,160)
Unused limits for own share purchase	(10,095)	(4,536)	(10,095)	(4,536)
Intangible assets	(4,443)	(6,354)	(12)	(58)
Deferred capitalised tax assets	(55)	(9)	(13)	(9)
Valuation based on prudence	(383)	(421)	(491)	(549)
Tier 1 capital instruments in the financial sector	(3,504)	(25,189)	-	(4,709)
<b>Total common equity tier 1 capital after primary deductions</b>	<b>341,814</b>	<b>329,532</b>	<b>349,684</b>	<b>356,180</b>
<b>Total eligible capital</b>	<b>341,814</b>	<b>329,532</b>	<b>349,684</b>	<b>356,180</b>

DKK thousand	Company activity	Equity interest	Shareholders' equity	Profit after tax
<b>Note 27 Group overview</b>				
<b>Consolidated subsidiaries</b>				
Fondsmæglerselskabet Maj Invest A/S, Copenhagen	Asset management company	100%	264,076	114,779
Maj Bank A/S, Copenhagen	Bank	100%	59,752	(8,349)
Maj Invest Equity A/S, Copenhagen	Alternative investment fund manager	100%	18,100	3,264
Danish Microfinance Partners Management ApS, Copenhagen	Private equity management	100%	203	(1)
Management Equity Vietnam I ApS, Copenhagen	Private equity management	100%	428	6
Maj Invest Singapore Private Limited, Singapore	Consulting company	100%	537	49
Maj Invest South America S.A., Lima, Peru	Consulting company	100%	756	(9)
Maj Invest Vietnam Management, Consultancy LLC, Ho Chi Minh City, Vietnam	Consulting company	100%	1,626	98
MJIC Consultancy Private Limited Mumbai, India	Consulting company	100%	232	-

## NOTES

### Note 27 cont.

Shareholders' equity and results are based on the companies' most recently approved annual reports. The equity and results of foreign subsidiaries are based on non-audited financial statements. Subsidiaries of consolidated subsidiaries are not included in the group overview but their results are included in the results of the consolidated subsidiaries, cf. the Executive Order on Financial Reporting.

For a full group overview, please see the group chart in the management's review on page 16.

DKK thousand	Revenue	Full-time staff	Profit before tax	Tax
<b>Geographical breakdown of subsidiaries</b>				
Denmark	352,865	96	140,759	31,060
Vietnam	2,589	2	74	(24)
Peru	4,045	3	57	65
Singapore	4,691	3	39	(11)
India	-	1	-	-

No group enterprises have received subsidies in the financial reporting period.

### Note 28 Related parties and ownership

#### Other related parties

Related parties include the members of our board of directors and our executive board and their related family members. Related parties also comprise companies in which the persons mentioned above hold significant interests.

The executive board members participate as special limited partners on equal terms with any other special limited partners in one or more private equity funds under the group's management.

Five directors, the executive board and a family member that is related party to one of the executive board members are clients of the subsidiary Maj Bank A/S. Except for a small advisory fee applicable to the bank's clients, transactions with the above-mentioned group of related parties are made on market terms and in accordance with current business conditions. Other related parties are clients on market terms.

Six directors and all executive board members and/or companies that are considered related parties to such directors or executive board members hold shares in Maj Invest Holding A/S.

The group has not raised any loans, mortgage credits or charges, or any other form of guarantee or security on behalf of any members of the executive board or the board of directors, any related family members of such members, or companies in which such members have significant interests.

In 2018 there were no extraordinary transactions with related parties.

#### Ownership

In compliance with the Danish Companies Act, sections 55 and 56, the following shareholders have been entered in the company's register of shareholders as holding minimum 5 per cent of the company capital or minimum 5 per cent of the voting rights:

Maj Invest Holding A/S, 1457 Copenhagen K  
 EMLIKA ApS, 2830 Virum  
 Erik Holm Holding ApS, 2900 Hellerup  
 Managing Director Henrik Parkhøi, Ellevadsvej 35, 2920 Charlottenlund  
 Lind Invest ApS, 8000 Århus C

## NOTES

### Note 29 Financial instruments and risks

#### Objectives and risk policies

The board of directors has provided guidelines in respect of the types of risk that the group may be exposed to. These guidelines include identification, management, control and reporting of risks. The guidelines are supported by a number of routines, and in the subsidiaries Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S also by a number of business procedures. Moreover the directors of Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S have in addition formulated corporate policies relevant to the companies relating to market risks, liquidity, credit, insurance cover of risks, and operational risks. Together with the corporate policies established by the subsidiaries Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S, the guidelines and procedures constitute the group's risk policy. Our risk policy includes a decentralised function identifying risks at various levels in the group enabling a current assessment of any consequences as well as ensuring that the group's capital and capital ratio requirements always comply with statutory requirements and identified risks.

To ensure efficient management of our risk policy, we have segregated the function in charge of business and the function responsible for managing and monitoring the various types of risk.

#### Market and liquidity risks

The group's market risks are related to our activities in Markets in the subsidiary Fondsmæglerselskabet Maj Invest A/S and to the group's shareholders' equity and surplus liquidity investments (Treasury).

The directors have set up a general framework in respect of market risks.

The framework for investing consolidated liquidity is wide in areas where the risk is considered small and narrow in less liquid areas of investment and/or investments involving larger credit risks. The framework is used in combination with the positive lists drawn up by the directors as regards approved financial institutions and countries. Exposures outside these positive lists have a higher risk weighting and a lower investment frame than do exposures on the positive lists. This helps reduce the market risks and ensure that we have liquid assets in the form of a large holding of securities that are easily realisable.

#### Liquidity risks

The group's liquidity must always be sufficient. We have a framework determining the portion of consolidated liquidity that may be placed in fixed-term deposits and the maximum term.

The board of directors of the subsidiaries Fondsmæglerselskabet Maj Invest A/S and Maj Bank A/S have drawn up liquidity plans (contingency and emergency plans) for any liquidity crises.

These liquidity plans may also be applied at group level.

#### Interest rate risk

This risk is a result of the investments of consolidated liquidity in the form of exposure in bond markets. The directors have set up a maximum framework in respect of our interest rate risk. A very large portion of our investments are short-term investments. Interest rate risks are modest compared with shareholders' equity and our own funds.

Interest rate risks	Koncern		Parent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Interest rate risks (DKK thousand)	1,414	630	(61)	183
In % of year-end shareholders' equity	0.3%	0.1%	(0.0%)	0.0%
In % of year-end own funds	0.4%	0.2%	(0.0%)	0.1%

In the current management and monitoring of interest rate risks, we use a duration model based on the Danish FSA's guidelines.

#### Equity risks

The framework in respect of equity risks is limited by positions in single equities, types of equities, including mutual funds, and a total limit on equity exposures. A few positions in unlisted equities are included as interests in associates due to the percentage of ownership.

## NOTES

### Note 29 cont.

Via separate investment frameworks, the group can also invest in private equity products for which the group acts as investment advisor. This provides investors with a high degree of corporate commitment concerning the products we offer. The group's holdings of interests in listed Danish equities and mutual funds, foreign equities and mutual funds as well as unlisted investments are seen below.

31.12.2018	Group			Parent		
	DKK thousand	In % of year-end equity	In % of year-end own funds	DKK thousand	In % of year-end equity	In % of year-end own funds
<b>Equities etc. at fair value</b>						
Mutual fund units in the trading portfolio	8,497	2.0%	2.5%	-	-	-
Listed equities outside the trading portfolio	44,795	10.7%	13.1%	44,795	10.7%	12.8%
Unlisted equities	15,621	3.7%	4.6%	11,495	2.7%	3.3%
Associated companies	27,677	6.6%	8.1%	27,677	6.6%	7.9%
Holdings in private equity funds	55,971	13.4%	16.4%	55,689	13.3%	15.9%
<b>Total equities etc. at fair value</b>	<b>152,561</b>	<b>36.5%</b>	<b>44.6%</b>	<b>139,656</b>	<b>33.4%</b>	<b>39.9%</b>

31.12.2017	Group			Parent		
	DKK thousand	In % of year-end equity	In % of year-end own funds	DKK thousand	In % of year-end equity	In % of year-end own funds
<b>Equities etc. at fair value</b>						
Mutual fund units in the trading portfolio	9,565	2.3%	2.9%	-	-	-
Listed equities outside the trading portfolio	69,015	16.3%	20.9%	69,015	16.3%	19.4%
Unlisted equities	11,492	2.7%	3.5%	7,476	1.8%	2.1%
Associated companies	34,198	8.1%	10.4%	34,198	8.1%	9.6%
Holdings in private equity funds	77,925	18.4%	23.6%	77,684	18.3%	21.8%
<b>Total equities etc. at fair value</b>	<b>202,195</b>	<b>47.7%</b>	<b>61.4%</b>	<b>188,374</b>	<b>44.4%</b>	<b>52.9%</b>

### Currency risk

Currency risks relate to our liquidity investments in securities and increasingly to the group's activities abroad as a consequence of the international strategy defined with a view to selling selected products to international clients.

Forward exchange contracts are used for hedging of certain positions.

We have a moderate framework for unhedged foreign exchange positions, and a framework for currency positions combined with foreign exchange hedging. This provides an upper limit for currency positions even if risks are hedged.

As a result of the Danish fixed rate policy vis-a-vis the euro, we do not have any framework as regards the euro.

The group's currency risk is limited and shown in the table on the following page.

## NOTES

### Note 29 cont.

Currency risks	Group		Parent	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Currency risks (DKK thousand)*	5,118	4,009	3,729	3,196
In % of year-end shareholders' equity	1.2%	0.9%	0.9%	0.8%
In % of year-end own funds	1.5%	1.2%	1.1%	0.9%

\*Change of 2.25% for EUR and 12% for other currencies.

### Counterparty risk

The corporate securities brokers in Fondsmæglerselskabet Maj Invest A/S trade daily on behalf of our clients and for our own portfolios. Our counterparties are therefore other securities brokers or market participants and/or clients. Transactions in Markets are exclusively spot transactions. Trade in listed derivatives is limited and exclusively for hedging of our own positions.

Maj Bank A/S provides investment advice and facilitates transactions on behalf of its clients. No transactions are made on its own account. Client transactions are settled as commission transactions through a business partner via the client's online banking account. The company has no trading portfolio.

### Credit risk

The group's credit risks primarily concern receivables from clients and market and liquidity-related transactions. Our credit risks are subject to a framework given by the board of directors. The size of our credit risk framework is lower than the framework allowed by law both as regards individual transactions and the group's overall credit exposure.

Our clients are institutional investors and financially solid clients. Many of our clients pay in advance, and clients that do not are regulated by fixed and short intervals. Our credit risk in respect of clients is considered insignificant.

The framework for the group's market and liquidity-related transactions is set up so that it is wider where the risk is considered smallest and narrower for less liquid investments and/or investments involving higher credit risk. The directors have drawn up positive lists of approved financial institutions and countries for investment in money and bond markets. The framework is restricted in respect of exposures with financial counterparties that are not on the positive lists.

As part of the group's Treasury activities, the group has to a limited extent provided loans for companies which the group has invested in, or which can be converted into shares in the companies.

### Reporting and monitoring of risks

The group's financial positions are recorded in a trading system for activities in Markets in Fondsmæglerselskabet Maj Invest A/S and a standard portfolio system for our own positions not related to our trading activities in Markets.

We have invested substantial resources in computer systems for the management and identification of risks in order to currently monitor and control such risks.

Accounting & Risk Management and Middle Office have online access to our trading system and are able to see transactions and positions in the system. The trading and finance systems are integrated, the latter being responsible for bookkeeping of transactions.

Middle Office administers a portfolio management system, which includes transactions and positions in respect of our own portfolio activities not associated with Markets.

Control, reconciliation and bookkeeping are made on a day-to-day basis in both computer systems and checked against the company's finance system. Transactions are recorded and reconciled to the settled transactions and the group's custody accounts in external banks and bank accounts.



## NOTES

### Note 29 cont.

There are also regular checks of the prices of positions which the group has with external parties such as depository banks, stock exchanges or similar institutions.

Based on the risk management module of our trading system and withdrawals from accounts and custody accounts, a daily report is prepared showing earnings, positions, risks and utilisation of lines concerning the Markets activities of Fondsmæglerselskabet Maj Invest A/S. This report is submitted to Markets and the executive board of Fondsmæglerselskabet Maj Invest A/S.

Middle Office delivers currently reconciled data from the portfolio management system to Accounting & Risk Management, which monitors the corporate investment framework.

On the basis of data from the trading system, the portfolio management system and extracts from our finance system, Accounting & Risk Management currently reports to the executive board on the overall market, credit risks and liquidity. Directors receive reports once every three months.

# STATEMENTS

## STATEMENTS BY MANAGEMENT

The board of directors and the executive board have today considered and approved the annual report for Maj Invest Holding A/S for the period 1 January 2018 - 31 December 2018.

The board of directors and the executive board hereby declare that we are of the opinion that:

- The consolidated financial statements have been prepared in accordance with the Danish Financial Business Act.
- The financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position at 31 December 2018 and of the results of the parent's and the group's activities for the 2018 financial year.
- The management's review includes a fair report of developments in the parent's and the group's activities and financial position and describes the significant risks and any uncertainty factors that may affect the parent or the group.

The annual report will be submitted to the general meeting for approval.

Copenhagen, 7 March 2019

### EXECUTIVE BOARD

Jeppe Christiansen  
CEO

Erik Holm  
Managing Director

Henrik Parkhøj  
Managing Director

### BOARD OF DIRECTORS

Tommy Pedersen  
Chairman

Nils Bernstein

Ruth Schade

Jørgen Tang-Jensen

Tomas Munksgaard Hoff

Søren Krag Jacobsen

Anders Møller Olesen

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maj Invest Holding A/S

## Opinion

We have audited the consolidated financial statements and the parent company financial statements of Maj Invest Holding 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 and notes, including a summary of significant accounting policies, for both the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Business 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 for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Business 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.

## 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 the Danish Financial Business 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.

## 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 scepticism 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.

#### Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 7 March 2019

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

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State Authorised  
Public Accountant  
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