



Vega Sea A/S

Agtrupvej 51, DK-6000 Kolding

CVR no. 33 25 28 62

Annual report 2019/20

Approved at the Company's annual general meeting on 30 November 2020

Chairman:


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Statement by Management

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Vega Sea A/S for the financial year 1 July 2019 - 30 June 2020

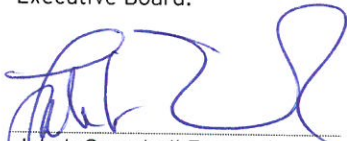
The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that 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 Company at 30 June 2020 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 July 2019 - 30 June 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

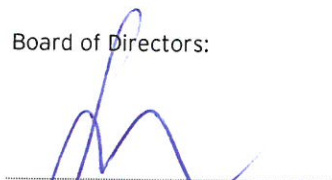
We recommend that the annual report be approved at the annual general meeting.

Kolding, 26 November 2020
Executive Board:



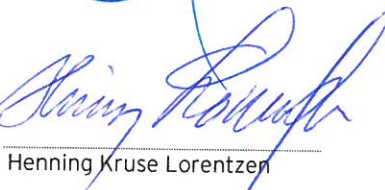
Jakob Graasbøll Enemark
CEO

Board of Directors:



Søren Bach
Chairman

Per Høholt

Torben Svejgård

Henning Kruse Lorentzen

Independent auditor's report

To the shareholders of Vega Sea A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Vega Sea A/S for the financial year 1 July 2019 - 30 June 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2020 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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 Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

Independent auditor's report

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 Statements Act.

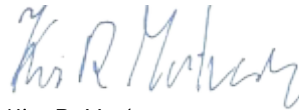
Independent auditor's report

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

Aarhus, 26 November 2020
EY Godkendt revisionspartnerselskab
CVR no. 30 70 02 28



Rasmus Berntsen
State Authorised
Public Accountant
mne35461



Kim R. Mortensen
State Authorised
Public Accountant
mne18513

Management's review

Company details

| | |
|-------------------------|---|
| Name | Vega Sea A/S |
| Address, P.O. Box, city | Agtrupvej 51, DK-6000 Kolding |
| CVR no. | 33 25 28 62 |
| Established | 21 October 2010 |
| Registered office | Kolding |
| Financial year | 1 July - 30 June |
| Board of Directors | Søren Bach, Chairman Per Høholt Torben Svejgård Henning Kruse Lorentzen |
| Executive Board | Jakob Graasbøll Enemark, CEO |
| Auditor | EY Godkendt Revisionspartnerselskab Vaerkmestergade 25, P.O. Box 330, DK-8100 Aarhus C |
| Attorney | Andersen Partners, Jernbanegade 31, DK-6000 Kolding |
| Bankers | DNB Bank ASA, Dronning Eufemias gate 30, NO-0191 Oslo Sydbank, Kongensgade 62, DK-6700 Esbjerg |

Recommendations for active ownership and corporate governance

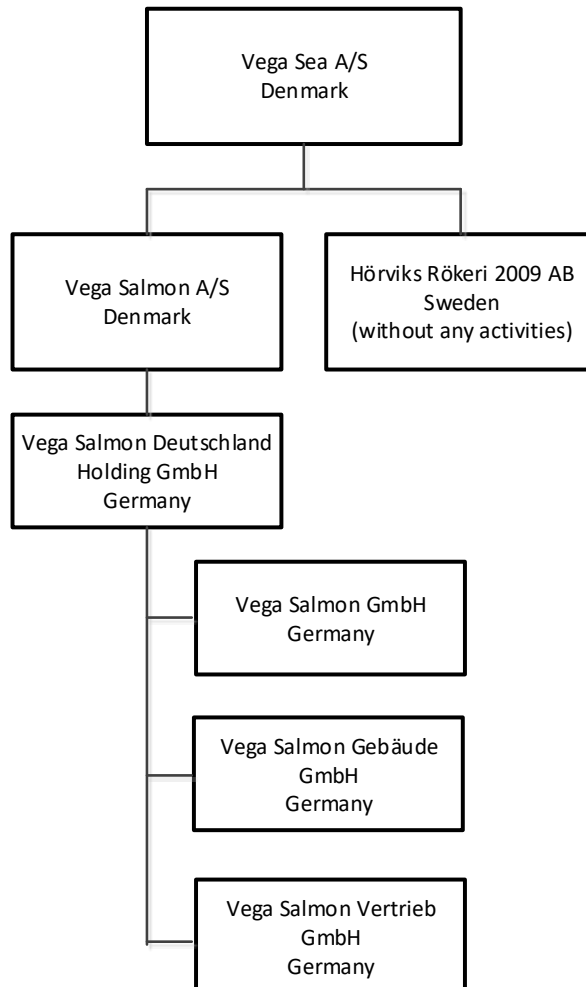
Maj Invest Equity 4 K/S is comprised by the guidelines for Danish Venture and Private Equity Association (DVCA) for active ownership and corporate governance for private equity funds, and therefore, the Vega Sea Group is comprised by the same guidelines.

The Vega Sea Group follows the DVCA guidelines except that no audit committee has been established as the Board of Directors conducts those assignments.

DVCA's guidelines are available at the webpage of the association www.dvca.dk.

Management's review

Group chart



All companies are wholly owned.

As per 30 June 2020 Vega Sea A/S was owned by Maj Invest Equity 4 K/S via MIE4 Holding 1 ApS (85.0 %) and Underwood Holding ApS (9.7%) as well as the Board of Directors and other executive employees (5.3%).

Management's review

Financial highlights for the Group

| DKK'000 | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 |
|--|---------------|----------------|---------------|---------------|----------------|
| Key figures | | | | | |
| Revenue | 1,086,704 | 1,170,586 | 1,482,629 | 1,433,556 | 1,021,062 |
| Gross profit | 85,118 | 78,536 | 122,768 | 126,892 | 111,930 |
| Profit before depreciation, amortisation and impairment losses, net financials and special items (EBITDA) | 18,718 | 14,648 | 52,838 | 52,548 | 23,893 |
| Special items, excl. net financials but incl. impairment losses | -3,080 | -5,095 | -2,984 | -16,377 | -11,238 |
| Operating profit/loss | -4,809 | -10,188 | 29,692 | 14,094 | -10,879 |
| Net financials | -6,247 | -5,652 | -9,708 | -6,464 | -7,263 |
| Profit/loss for the year | -9,136 | -11,833 | 17,699 | 808 | -15,806 |
| Balance sheet total | 315,916 | 284,263 | 331,599 | 347,078 | 330,098 |
| Investments in property, plant and equipment | 19,937 | 25,075 | 31,191 | 15,308 | 9,421 |
| Net working capital | -28,121 | -42,807 | 21,774 | 69,462 | 43,027 |
| Net interest-bearing debt | 73,572 | 77,131 | 93,755 | 114,166 | 136,221 |
| Non-current part of net interest- bearing debt ¹⁾ | 51,124 | 54,172 | 61,527 | 65,774 | 84,046 |
| Equity | 67,038 | 42,175 | 69,862 | 83,493 | 73,424 |
| Cash flows from operating activities | -10,750 | 62,313 | 80,382 | 15,475 | 45,635 |
| Cash flows from investing activities | -19,845 | -27,776 | -25,715 | -993 | -11,275 |
| Cash flows from financing activities | 30,437 | -39,439 | -51,390 | -13,033 | -34,330 |
| Total cash flows | -158 | -4,902 | 3,277 | 1,449 | 30 |
| Financial ratios | | | | | |
| Gross margin | 7,8% | 6,7% | 8,2% | 8,9 % | 11,0 % |
| EBITDA margin before special items | 1,7 % | 1,3% | 3,5% | 3,7 % | 2,3 % |
| Equity ratio | 21,2% | 14,8% | 21,1% | 24,1 % | 22,2 % |
| Return on equity | -16,7% | -21,1% | 23,1% | 1,0 % | -19,3 % |
| Average number of full-time Vega employees | 205 | 235 | 247 | 238 | 300 |
| Average number of full-time temps | 215 | 182 | 212 | 116 | N/A |
| Total number of full-time workers | 420 | 417 | 459 | 354 | |

- 1) According to bank agreement signed after the balance sheet date. DKK 50 million is non-current compared to the balance sheet at 30 June 2020. This has been reflected in the key figures above.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

| | |
|------------------------------------|--|
| Gross margin | $\frac{\text{Gross margin} \times 100}{\text{Revenue}}$ |
| EBITDA margin before special items | $\frac{\text{EBITDA before special items}}{\text{Revenue}}$ |
| Equity ratio | $\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$ |
| Return on equity | $\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$ |

Management's review

Operating review

Business review

The Group's principal activity is developing, purchasing, processing and distributing fish products - primarily salmon.

The above-mentioned principal activity has been executed from the production facilities in Germany.

The Group is in particular focusing on delivering products to the Group's customers in the right quality within the agreed delivery dates and at competitive prices that reflect the products' high level of quality. The Group's customers are global quality-conscious entities with strong focus on food safety.

Furthermore, it is group policy to use considerable resources on product development, so that the Group can offer its customers products with high focus on quality, taste and product diversification. Furthermore, it is group policy to produce and develop environmentally friendly wrapping/packaging, that also needs to be consumer friendly. Thus, the development of new product categories is highly prioritised.

As a natural and important part of the Group's focus areas, we work intensively on improving efficiency and maintaining and improving the quality of our products to ensure that the Group at all times offers products that live up to every applicable standard for the industry, and at the same time, we increasingly wish to offer traceability and support sustainability.

Approx. 92% of the Group's yearly revenue is generated outside Scandinavia and based on the Group's product range and high quality, dedicated efforts are made to strengthen our position in selected export areas.

Cooperation with the Group's customers, suppliers and other business partners is based on partnerships to create value for all parties involved and to ensure that the Group end users get a unique product and taste experience.

Financial review

In the year under review, the Group realised revenue of DKK 1,087 million, which is a decrease of 7%. During 2019/20, the average price level on Head-On-Gutted (HOG) salmon decreased by 6% compared to last year, but still with considerable day-to-day volatile fluctuations during the entire financial year. The Group noted a decline in the volume sold of 4% which was due to lower sales to the US market and in addition a general lower sales price per kg due to increased competition. Also, the raw material price had a negative impact on revenue.

At the beginning of March, the Group had a major positive change in fresh products activities. This change had a considerable impact on the demand for workers to meet the demand from the customers. As seen in the overview of employees, the Group secured the needed workers. The increased activity changed the profitability in the Group, which continued throughout the rest of the financial year 2019/20 setting a solid base for the future.

In February, the Group executed a change in management and made other organisational adjustments. This was deemed necessary to set the Group up for future success. The costs associated with this totalled approx. DKK 3.1 million.

Following the above, the Group realised a profit before depreciation and amortisation, net financials, tax and special items (EBITDA before special items) of DKK 18.7 million against DKK 14.6 million in 2018/19.

The COVID-19 pandemic had an extraordinary negative impact on the financial results for 2019/20. Mainly the foodservice sector was affected by this, as the activity in this sector overnight dropped to zero. On the contrary, the retail sector has in general noted an increase in activity over the same time span. It is assumed that the Group also had a share of this increase in activity.

At the beginning of the pandemic, the procedures and guidelines in the production were tightened, resulting in more time-consuming work processes, and consequently increasing production costs. Furthermore, Management have had a high temporary focus on the effect of COVID-19 on the daily business.

Management's review

Operating review

The Group estimates that the extraordinary net negative effect on profit and loss due to COVID-19 is approx. DKK 2 million. Taking this into account, the normalised EBITDA for 2019/20 is DKK 20.7 million.

The profit for the year is considered dissatisfactory.

COVID-19 has had a major impact on how the daily business is performed, both at the factory and the administration. When the pandemic surged in March, the Group quickly decided that all personnel that did not have tasks that required presence at the factory or office should work from home. This was set in place to make sure that the risk of affecting production capacity was as low as possible. Furthermore, the Group closed for any visitors to the company premises and added a no-travelling policy, which combined made it difficult to engage in dialogues with potential customers.

Before COVID-19, health and food safety was already a key area for the Group with extensive guidelines and procedures to follow. During the initial phase of COVID-19, these guidelines and procedures were expanded to fully comply with the guidelines prepared by health authorities in both Denmark and Germany. The Group decided to use the best from both countries to ensure that safety still was and is at the highest possible standard.

At the end of the financial year, the Group established its own COVID-19 test center at the facilities in Handewitt. This to make sure that the employees always have access to near-instant testing, and to make sure the Group can perform random testing for COVID-19 going forward thereby securing the highest possible health standard for its employees.

As in previous years, investments have been made in production equipment, etc. which allows the Group still to efficiently provide competitive products to the benefit of the Group and the Group's business partners. A large part of this year's investments was again attributable to the further expansion of production capacity in Germany increasing the smoke capacity by 50%. The expansion is still under construction, expected finishing time will be in the second half of 2020/21. Originally, the expansion was planned to be completed in 2019/20 but was postponed due to focus on increased production activity from March.

During the financial year, the owners decided to finalize two capital increases totalling DKK 33.5 million, the share capital has been increased with DKK 3.35 million, the remaining amount relates to free reserves. The capital increases restore equity to the same level as in the financial year 2017/18.

The restructuring in the financial year had an impact on the ownership structure in Vega Sea A/S, as noted on page 7.

Outlook

Despite this year's challenges, the Group continues its strategy to focus on existing and new partnerships, invest in product, market and sales development, ensure the highest quality standards - including sustainability, expansion of overseas markets and to maintain focus on internal processes in order to improve cost efficiency.

Due to the volatile prices in the salmon market the development in revenue in terms of value is not considered that important but more the focus on sales activities in terms of volume. It is the expectation next year to achieve a higher volume than in 2019/20, mostly by means of a significant change in the product mix producing and selling more fresh products. The major positive change in activity since March 2020 continues and forms the basis for the higher expectations. Furthermore, there is continuous focus on production efficiency and still maintaining the high-quality product the Group offers.

As mentioned above, we expect an increase in the activity level in the financial year 2020/21, thus also an increase in revenue and most importantly an increase in the net contribution to the Group's results. We expect a positive result for the financial year 2020/21.

Management's review

Operating review

As in the financial year 2019/20, we expect that there will be uncertainty regarding COVID-19 and its effects on our business. We estimate that there will be an impact on our revenue but expect the net impact on the Group's results to be insignificant, as we have taken the necessary measures to prevent this, mainly by having a flexible organisation.

Liquidity wise, the financial outlook for 2020/21 is in place, as we have secured sufficient credit facilities both taking into consideration the peak season and the entire financial year.

Special risks

It is group policy to currently hedge raw material purchases and currencies, and therefore, the volume of fixed price contracts is considerable.

The Group is aware of the COVID-19 risk for the business in the near future. As mentioned above, several safeguards have been put in place in order to limit the effect on production capacity.

Financial risks

The Group's primary financing sources are bank loans, leasing debt and overdraft facilities. Due to its operations, investments and financing, the Group is exposed to changes in exchange rates and interest rates. Vega Sea A/S manages the Group's financial risks centrally and coordinates the Group's cash management, including new funding and placement of excess liquidity. If deemed expedient to reduce the financial risks, financial instruments are held in the form of foreign exchange contracts and interest rate swaps.

Employees

The development in employees is specified as follows:

| | Total | Denmark | Rest of world |
|--|-------|---------|---------------|
| Number of employees, beginning of the year | 228 | 25 | 203 |
| Net development employees, in 2019/20 | -6 | -4 | -2 |
| Number of employees, year end | 222 | 21 | 201 |

The increase in the temps from last year's average of 182 to this year's average of 215 was attributable to the considerable change in activity from March as described above.

Environment

The Group strives at all times to comply with applicable environmental legislation so that the environmental impact on the surroundings is minimised to the extent possible. Based on the below-mentioned UN Global Compact progress report, the Group continuously implements measures to limit energy consumption, water release, etc. to the highest extent possible.

In 2019/20, the Group invested in its own wastewater treatment plant to ensure an even cleaner discharge in the local area, and to ensure that our production facility is optimized for the future. This is truly an important step, when looking forward and pursuing our goals focusing on sustainability.

Management's review

Operating review

Research and development activities

On an ongoing basis, the Group deploys resources for product development for the benefit of the Group's business partners but has no major research and development activities.

CSR report

In March 2014, the Group joined UN Global Compact. The progress report for the year has been published and is obtainable at <https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/443336>.

The report represents a statutory statement of corporate social responsibility pursuant to the exemption given in section 99a of the Danish Financial Statements Act.

Goals for the gender quotation on the Group's Boards of Directors

According to legislation on the gender quotation on the Management Board in Danish enterprises, the group entities Vega Sea A/S and Vega Salmon A/S have laid down that board members elected by the general meeting are at least to account for 20% of the underrepresented gender at the ordinary general meeting in 2020/21 at the latest. The other group entities are not subject to those rules.

Upon the presentation of the annual report of Vega Sea A/S for 2019/20, none of the four members of the Board of Directors were female. No new members of the Board of Directors have been elected during the financial year 2019/20.

The target number for female managers in the Vega Group is 30% for Management. As of 30 June 2020, female managers in the entity accounted for 17% against 12.6% last year. We have prepared a policy that is to ensure that the share of women at top management levels is increased. Upon implementation of the policy, frameworks have been laid down for the individual managers' career development, mentor schemes and network. We have had several search processes for positions as managers during the financial year but did not succeed in hiring female managers due to a lack of qualified candidates.

Corporate governance

Vega Sea A/S' Board of Directors and Executive Board always aim at ensuring that the Group's management structure and control systems are appropriate and function satisfactorily. Management assesses on an ongoing basis whether this is the case.

Management's duties are among other things based on the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association as well as good practice for enterprises of the same size and with the same international reach as Vega Sea A/S. Moreover, by virtue of being owned by a private equity fund, the Company complies with guidelines on responsible ownership and corporate governance. On this basis, a number of internal procedures have been developed and are regularly updated in order to ensure active, safe and profitable management of the Group.

Management's review

Operating review

Duties of the Board of Directors

The Board of Directors of Vega Sea A/S and its group entities ensure that the Executive Boards comply with the Boards of Directors' aims, strategies and business procedures. Information from the Executive Boards of the individual companies is given systematically at meetings and through written and oral reporting. This reporting e.g. comprises the development in the Company's surroundings, the Company's development, profitability and the financial position.

The Board of Directors of Vega Sea A/S holds meetings according to a fixed schedule at least six times a year. A strategy seminar is usually held once a year. In the period between the ordinary meetings of the Board of Directors, the Board of Directors receive, on a regular basis, written information on the Company's and the Group's results of operation and financial position.

The Board of Directors' and the Executive Board's directorships in other companies are disclosed in Appendix A.

Remuneration of Management

Remuneration of the Board of Directors of Vega Sea A/S is made separately.

In order to attract and maintain the Group's managerial qualifications, remuneration of the Executive Board and executive employees is set according to tasks, value created and terms in comparable companies. Remuneration includes incentive programmes, which are to ensure shared interests of the Company's Management and the Board of Directors.

Dividend policy

Dividend distribution must be made taking into consideration the Group's continued development and existing agreements with funding sources.

Stakeholders

The Vega Sea A/S Group seeks to develop and maintain good relations with its stakeholders on an on-going basis, as such relations are assessed to have a significant and positive effect on the Group's development.

Primary stakeholders are the Group's customers, employees, suppliers and shareholders.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment of the annual report.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Income statement

| Note | DKK'000 | Group | | Parent | |
|------|---|-----------|-----------|---------|---------|
| | | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| 3 | Revenue | 1,086,704 | 1,170,586 | 0 | 0 |
| | Changes in inventories of finished goods and work in progress | -14,605 | -44,935 | 0 | 0 |
| | Other operating income | 3,855 | 4,297 | 0 | 0 |
| | Raw materials and consumables | -859,280 | -928,495 | 0 | 0 |
| | Other external expenses | -131,556 | -122,917 | -182 | -237 |
| | Gross profit/loss | 85,118 | 78,536 | -182 | -237 |
| 4 | Staff costs | -69,480 | -68,983 | -550 | -550 |
| | Amortisation of intangible assets and depreciation on property, plant and equipment and impairment losses | -20,447 | -19,741 | 0 | 0 |
| | Operating profit/loss | -4,809 | -10,188 | -732 | -787 |
| | Income from equity investments in group entities | 0 | 0 | -7,681 | -10,196 |
| 5 | Financial income | 1,033 | 563 | 2,524 | 1,771 |
| 5 | Financial expenses | -7,280 | -6,215 | -4,128 | -3,167 |
| | Profit before tax | -11,056 | -15,840 | -10,017 | -12,379 |
| 6 | Tax for the year | 1,920 | 4,007 | 881 | 546 |
| | Profit/loss for the year | -9,136 | -11,833 | -9,136 | -11,833 |

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Balance sheet

| Note | DKK'000 | Group | | Parent | |
|------|--|----------------|----------------|----------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | ASSETS | | | | |
| | Fixed assets | | | | |
| 7 | Intangible assets | | | | |
| | Software, etc. | 301 | 600 | 0 | 0 |
| | Development projects | 2,532 | 3,207 | 0 | 0 |
| | | <u>2,833</u> | <u>3,807</u> | <u>0</u> | <u>0</u> |
| 8 | Property, plant and equipment | | | | |
| | Land and buildings | 101,899 | 107,991 | 0 | 0 |
| | Plant and machinery | 46,430 | 50,708 | 0 | 0 |
| | Fixtures and fittings, tools and equipment | 2,519 | 3,445 | 0 | 0 |
| | Leasehold improvements | 83 | 145 | 0 | 0 |
| | Assets under construction | 22,775 | 11,263 | 0 | 0 |
| | | <u>173,706</u> | <u>173,552</u> | <u>0</u> | <u>0</u> |
| 9 | Investments | | | | |
| | Investments in group entities | 0 | 0 | 97,913 | 70,415 |
| | Other securities and investments | 35 | 35 | 35 | 35 |
| | | <u>35</u> | <u>35</u> | <u>97,948</u> | <u>70,450</u> |
| | Total fixed assets | <u>176,574</u> | <u>177,394</u> | <u>97,948</u> | <u>70,450</u> |
| | Non-fixed assets | | | | |
| | Inventories | | | | |
| | Raw materials and consumables | 16,690 | 23,629 | 0 | 0 |
| | Work in progress | 3,712 | 4,929 | 0 | 0 |
| | Finished goods | 39,839 | 53,227 | 0 | 0 |
| | | <u>60,241</u> | <u>81,785</u> | <u>0</u> | <u>0</u> |
| | Receivables | | | | |
| | Trade receivables | 57,523 | 10,981 | 0 | 0 |
| | Receivables from group entities | 0 | 0 | 29,787 | 40,965 |
| 10 | Deferred tax assets | 11,154 | 5,617 | 1,252 | 479 |
| | Income taxes receivable | 216 | 0 | 216 | 0 |
| | Income tax - joint taxation | 0 | 0 | 0 | 457 |
| | Other receivables | 9,385 | 7,486 | 0 | 0 |
| 11 | Prepayments | 738 | 757 | 0 | 0 |
| | | <u>79,016</u> | <u>24,841</u> | <u>31,255</u> | <u>41,901</u> |
| | Cash | <u>85</u> | <u>243</u> | <u>0</u> | <u>0</u> |
| | Total non-fixed assets | <u>139,342</u> | <u>106,869</u> | <u>31,255</u> | <u>41,901</u> |
| | TOTAL ASSETS | <u>315,916</u> | <u>284,263</u> | <u>129,203</u> | <u>112,351</u> |

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Balance sheet

| Note | DKK'000 | Group | | Parent | |
|-------|--|--|----------------|----------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | EQUITY AND LIABILITIES | | | |
| | | Equity | | | |
| 12 | Share capital | 24,588 | 21,238 | 24,588 | 21,238 |
| | Reserve for net revaluation according to the equity method | 0 | 0 | 663 | 7,845 |
| | Retained earnings | 42,450 | 20,937 | 41,787 | 13,092 |
| | Total equity | 67,038 | 42,175 | 67,038 | 42,175 |
| | | Liabilities | | | |
| 13 | Non-current liabilities other than provisions | | | | |
| | Lease commitments | 0 | 4,172 | 0 | 0 |
| 14 | Deferred income | 17,119 | 19,017 | 0 | 0 |
| | Other payables | 1,124 | 0 | 0 | 0 |
| | | 18,243 | 23,189 | 0 | 0 |
| | | Current liabilities other than provisions | | | |
| 13 | Current portion of non-current liabilities | 54,166 | 57,366 | 50,000 | 54,000 |
| | Payables to banking institutions | 16,168 | 12,983 | 9,948 | 12,858 |
| | Trade payables | 134,474 | 123,375 | 0 | 0 |
| | Income tax - joint taxation | 0 | 2,831 | 0 | 0 |
| | Income tax payable | 2,415 | 22 | 0 | 0 |
| | Other payables | 21,534 | 20,441 | 2,217 | 3,318 |
| 13,14 | Deferred income | 1,878 | 1,881 | 0 | 0 |
| | | 230,635 | 218,899 | 62,165 | 70,176 |
| | Total liabilities | 248,878 | 242,088 | 62,165 | 70,176 |
| | TOTAL EQUITY AND LIABILITIES | 315,916 | 284,263 | 129,203 | 112,351 |

- 1 Accounting policies
- 2 Special items
- 16 Collateral
- 17 Contractual obligations and contingencies, etc.
- 18 Foreign currency and interest rate risks and use of derivative financial instruments
- 19 Related parties
- 20 Other

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Statement of changes in equity

| Note | DKK'000 | Group | | |
|------|--|---------------|-------------------|---------|
| | | Share capital | Retained earnings | Total |
| | Equity at 1 July 2018 | 21,238 | 48,624 | 69,862 |
| | Profit/loss for the year | 0 | -11,833 | -11,833 |
| | Dividend during the financial year | 0 | -15,000 | -15,000 |
| | Foreign exchange adjustments | 0 | -88 | -88 |
| | Value adjustments of hedging instruments after tax | 0 | -707 | -707 |
| | Acquisition of warrants | 0 | -59 | -59 |
| | Equity at 30 June 2019 | 21,238 | 20,937 | 42,175 |
| | Capital Increase | 3,350 | 30,150 | 33,500 |
| | Profit/loss for the year | 0 | -9,136 | -9,136 |
| | Foreign exchange adjustments | 0 | 45 | 45 |
| | Value adjustments of hedging instruments after tax | 0 | 454 | 454 |
| | Equity at 30 June 2020 | 24,588 | 42,450 | 67,038 |

| Note | DKK'000 | Parent | | | |
|------|--|---------------|--|-------------------|---------|
| | | Share capital | Net revaluation according to the equity method | Retained earnings | Total |
| | Equity at 1 July 2018 | 21,238 | 18,836 | 29,788 | 69,862 |
| 15 | Profit/loss for the year | 0 | -10,196 | -1,637 | -11,833 |
| | Dividend during the financial year | 0 | 0 | -15,000 | -15,000 |
| | Foreign exchange adjustments | 0 | -88 | 0 | -88 |
| | Value adjustments of hedging instruments after tax | 0 | -707 | 0 | -707 |
| | Acquisition of warrants | 0 | 0 | -59 | -59 |
| | Equity at 1 July 2019 | 21,238 | 7,845 | 13,092 | 42,175 |
| | Capital Increase | 3,350 | 0 | 30,150 | 33,500 |
| 15 | Profit/loss for the year | 0 | -7,681 | -1,455 | -9,136 |
| | Foreign exchange adjustments | 0 | 45 | 0 | 45 |
| | Value adjustments of hedging instruments after tax | 0 | 454 | 0 | 454 |
| | Equity at 30 June 2020 | 24,588 | 663 | 41,787 | 67,038 |

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Cash flow statement

| Note | DKK'000 | Group | |
|------|--|----------------|----------------|
| | | 2019/20 | 2018/19 |
| | Profit/loss for the year before interest | -4,809 | -10,188 |
| | Depreciation, amortisation and impairment losses | 20,447 | 19,741 |
| | Changes in working capital | -13,825 | 64,581 |
| | Other adjustments of non-cash operating items | -1,918 | -3,287 |
| | Cash generated from operations (operating activities) | -105 | 70,847 |
| | Financial income received | 1,033 | 563 |
| | Financial expenses incurred | -7,280 | -6,215 |
| | Income taxes refunded/paid | -4,398 | -2,882 |
| | Cash flows from operating activities | -10,750 | 62,313 |
| | Acquisition of intangible assets | 0 | -3,502 |
| | Acquisition of property, plant and equipment | -19,937 | -25,075 |
| | Disposal of property, plant and equipment | 92 | 801 |
| | Cash flows from investing activities | -19,845 | -27,776 |
| | Changes in non-current liabilities, net | -3,372 | -7,268 |
| | Changes in short-term debt to banks | 309 | -17,112 |
| | Capital increase/warrants | 33,500 | -59 |
| | Dividend | 0 | -15,000 |
| | Cash flows from financing activities | 30,437 | -39,439 |
| | Changes in cash and cash equivalents | -158 | -4,902 |
| | Cash and cash equivalents at 1 July | 243 | 5,145 |
| | Cash and cash equivalents at 30 June | 85 | 243 |

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

1 Accounting policies

The annual report of Vega Sea A/S for 2019/20 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies are consistent with those of last year. Some accounting items have been reclassified. The comparative figures have been restated.

Consolidation

The consolidated financial statements comprise the parent company Vega Sea A/S and entities controlled by the parent company. Control is deemed to exist when the parent company directly or indirectly holds more than 50% of the voting rights. Control may also exist via agreement or articles of association or because the parent company in some other way has or actually exercises control in a subsidiary.

The existence and impact of potential voting rights that are actually exercisable or convertible are taken into account when assessing whether control exists.

The financial statements of the consolidated entities have been prepared in accordance with the parent company's accounting policies. The consolidated financial statements are prepared based on the consolidated entity's financial statements by aggregating similar financial statement items. Intra-group income, costs, profits, losses, investments, dividends and balances are eliminated. Investments in consolidated enterprises are set off against the proportionate share of the consolidated enterprise' fair value of assets and liabilities at the acquisition date.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month, and the statement of financial position items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries which are considered part of the total investment in the subsidiary are taken directly to equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Leases

For accounting purposes, lease contracts are classified as either finance or operating lease obligations.

A lease is classified as a finance lease when it transfers substantially all risks and rewards of the leased asset as if the asset had been owned. Other leases are classified as operating leases.

Finance lease assets are capitalised under property, plant and equipment and are depreciated over their expected useful lives. The corresponding finance lease obligations are recognised in liabilities. Operating lease expenses are recognised on a straight line basis in the income statement over the lease term.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

1 Accounting policies (continued)

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are recognised at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" or "Other payables", respectively.

Changes in the fair value of derivative financial instruments classified as and qualifying for designation as hedges of the fair value of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as an instrument used for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of the selling price/cost of the relevant financial statement items.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in profit or loss as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place. Revenue from the sale of services is recognised in the income statement when delivery to the buyer has taken place. Revenue is recognised exclusive of VAT, duties and rebates in connection with the sale and is measured at the selling price at the agreed consideration.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprises the net movement in the financial year.

Other operating income and expenses

Other operating income and expenses comprise items secondary to the principal activities of the Company, including gains or losses on the disposal of non-current assets.

Raw materials and consumables

Raw materials and consumables include the consumption of raw materials and consumables in the financial year after adjustment of changes in inventories of raw materials and consumables from the beginning of the year to the end of the year. The item includes any shrinkage and usual impairment losses of the inventories in questions.

Other external costs

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including compensated absence and pensions, and other social security costs, etc. relating to the employees. The item is net of refunds from public authorities.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

1 Accounting policies (continued)

Amortisation of intangible assets, depreciation on property, plant and equipment and impairment losses

Depreciation, amortisation and impairment losses comprise amortisation of intangible assets and depreciation on property, plant and equipment and impairment losses.

Income from equity investments in group entities

The item comprises the proportionate share of the individual subsidiaries' profits/losses after tax after elimination of intra-group profits/losses.

Grants

EU grants received for capital expenditures are recognised in the balance sheet as prepayments and are recognised as the fixed assets are depreciated. Prepayments are recognised as other operating income.

Financial income

Financial income comprises interest income, net gains on receivables, payables regarding transactions denominated in foreign currencies, amortisation of financial income as well as refunds under the on-account tax scheme, etc.

Financial expenses

Financial expenses comprise interest expenses, net losses on receivables, payables regarding transactions denominated in foreign currencies, amortisation of financial liabilities as well as surcharges under the on-account tax scheme, etc.

Taxation

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The parent company is jointly taxed with MIE4 Holding 1 ApS and all Danish subsidiaries. The current Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income (full absorption with refunds regarding tax losses).

Balance sheet

Intangible assets

Intangible assets comprise software rights, etc. and completed development projects, that are measured at cost less accumulated amortisation and impairment losses. Software rights, etc. and completed development projects are amortised over 3-5 years.

Write-down of intangible assets are made to the recoverable amount if this is lower than the carrying amount.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. For assets held under finance leases, cost is the lower of the fair value of the asset and the present value of future lease payments.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

1 Accounting policies (continued)

The basis of depreciation is cost less expected residual value at the end of the useful life. Depreciation is provided on a straight-line basis over the following expected useful lives:

| | |
|--|-------------|
| Buildings | 20-50 years |
| Plant and machinery | 5-8 years |
| Fixtures and fittings, tools and equipment | 3-10 years |

Land is not depreciated.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Write-down of property, plant and equipment is made to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in group entities

Investments in group enterprises are recognised and measured according to the equity method. This implies that investments are measured at the proportionate share of the Company's net asset value minus or plus any unrealised intra-group profits and losses.

Impairment of fixed assets

Intangible assets, property, plant and equipment and investments in group entities are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there are indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

Receivables

Receivables are measured at cost less write-down for bad debt losses that are based on an individual assessment.

Other securities and investments

Other securities and investments, etc. are measured at fair value at the balance sheet date. If the fair value cannot be reliably measured, securities are measured at cost less any impairment losses.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. The cost of manufactured goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is calculated as the expected selling price less costs of completion and expenses that must be incurred to affect the sale.

Prepayments (assets)

Prepayments comprise prepaid costs concerning subsequent financial years.

Income taxes

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Cash

Cash comprises cash at hand and bank deposits.

Equity

Net revaluation reserve according to the equity method

Net revaluation of equity investments in subsidiaries is recognised at cost in the net revaluation reserve according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at amortised cost, which essentially correspond to the net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years. Moreover, the item includes EU grants for capital expenditure, which are recognised as revenue as the fixed assets concerned are depreciated.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash as well as the Company's cash at the beginning and end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of long-term interest-bearing debt, changes in short-term debt to banks and payment of dividends to shareholders.

Cash include cash at bank and bank deposits.

Segment information

Information is disclosed by geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

2 Special items

Special items comprise significant income and expenses of a special nature relative to the Group's revenue-generating operating activities such as costs of comprehensive structuring of processes and basic structural adjustments as well as any disposal gains and losses relating thereto and which over time are of significant importance. Special items also comprise significant one-off items, which, in the opinion of Management, do not form part of the Group's operating activities.

As disclosed in the Management's review, the loss for the year is affected by extraordinary restructuring costs, which, in the opinion of the Board of Directors, do not form part of the operating activities.

| DKK'000 | Group | | Parent | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| Special items | | | | |
| Costs | | | | |
| Restructuring costs | -3,080 | 0 | 0 | 0 |
| Quality issues | 0 | -5,095 | | |
| Tax | 678 | 1,121 | 0 | 0 |
| | <u>-2,402</u> | <u>-3,974</u> | <u>0</u> | <u>0</u> |
| Special items are recognised in the below line items | | | | |
| Raw materials and consumables | 0 | -3,038 | 0 | 0 |
| Staff costs | -2,838 | -478 | 0 | 0 |
| Other external expenses | -242 | -1,579 | 0 | 0 |
| Financial expenses | 0 | 0 | 0 | 0 |
| Income from equity investments in group entities | 0 | 0 | -2,402 | -3,974 |
| Profit/loss on special items before tax | <u>-3,080</u> | <u>-5,095</u> | <u>-2,402</u> | <u>-3,974</u> |
| Tax | 678 | 1,121 | 0 | 0 |
| Profit/loss on special items after tax | <u><u>-2,402</u></u> | <u><u>-3,974</u></u> | <u><u>-2,402</u></u> | <u><u>-3,974</u></u> |

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

| DKK'000 | Group | | Parent | |
|--|------------------|------------------|--------------|--------------|
| | 2019/20 | 2018/19 | 2018/19 | 2017/18 |
| 3 Revenue | | | | |
| Revenue broken down on geographical segments: | | | | |
| Domestic markets (Denmark and Sweden) | 49,937 | 104,134 | 0 | 0 |
| Export markets (other countries) | 1,036,767 | 1,066,452 | 0 | 0 |
| | <u>1,086,704</u> | <u>1,170,586</u> | <u>0</u> | <u>0</u> |
| 4 Staff costs | | | | |
| Wages and salaries | 58,244 | 58,180 | 550 | 550 |
| Pensions | 1,906 | 2,086 | 0 | 0 |
| Other social security costs | 8,434 | 8,448 | 0 | 0 |
| Other staff costs | 896 | 269 | 0 | 0 |
| | <u>69,480</u> | <u>68,983</u> | <u>550</u> | <u>550</u> |
| Average number of full-time employees | <u>205</u> | <u>235</u> | <u>1</u> | <u>1</u> |
| Remuneration of the entity's Management totals: | | | | |
| Executive Board | 5,617 | 4,007 | 0 | 0 |
| Board of Directors | 550 | 550 | 550 | 550 |
| | <u>6,167</u> | <u>4,557</u> | <u>550</u> | <u>550</u> |
| Remuneration of the Company's Management includes costs for existing and former members of the Board of Directors and the Executive Board. For issued warrants reference is made to note 12. | | | | |
| 5 Net financials | | | | |
| Financial income | | | | |
| Interest income from group entities | 0 | 0 | 1,671 | 1,685 |
| Foreign exchange adjustments | 187 | 149 | 7 | 0 |
| Other financial income | 846 | 414 | 846 | 86 |
| | <u>1,033</u> | <u>563</u> | <u>2,524</u> | <u>1,771</u> |
| Financial expenses | | | | |
| Interest expenses to group entities | 0 | 0 | 0 | 135 |
| Other financial expenses | 7,280 | 6,215 | 4,128 | 3,032 |
| | <u>7,280</u> | <u>6,215</u> | <u>4,128</u> | <u>3,167</u> |
| 6 Tax on profit/loss for the year | | | | |
| Computed tax on the taxable income for the year | -3,852 | -425 | 0 | 0 |
| Adjustments of deferred tax for the year | 5,537 | 4,564 | 773 | 479 |
| Adjustment of prior-year taxes | 108 | 67 | 108 | 67 |
| Adjustment of equity movements | 127 | -199 | 0 | 0 |
| | <u>1,920</u> | <u>4,007</u> | <u>881</u> | <u>546</u> |

(- = costs)

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

7 Intangible assets

| DKK'000 | Group | |
|--|--------------------------------|----------------|
| | Completed development projects | Software, etc. |
| Cost at 1 July 2019 | 3,376 | 9,453 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Foreign exchange adjustments | 0 | -22 |
| Cost at 30 June 2020 | 3,376 | 9,431 |
| Amortisation and impairment losses at 1 July 2019 | 169 | 8,853 |
| Amortisation | 675 | 285 |
| Disposals | 0 | 0 |
| Foreign exchange adjustments | 0 | -8 |
| Amortisation and impairment losses at 30 June 2020 | 844 | 9,130 |
| Carrying amount at 30 June 2020 | 2,532 | 301 |

8 Property, plant and equipment

| DKK'000 | Group | | | | |
|---|--------------------|---------------------|--|------------------------|---------------------------|
| | Land and buildings | Plant and machinery | Fixtures and fittings, tools and equipment | Leasehold improvements | Assets under construction |
| Cost at 1 July 2019 | 143,480 | 108,820 | 10,567 | 302 | 11,263 |
| Foreign exchange adjustments | -211 | -174 | -12 | 0 | 0 |
| Additions | 0 | 7,756 | 669 | 0 | 11,512 |
| Disposals | 0 | -328 | -384 | 0 | -0 |
| Cost at 30 June 2020 | 143,269 | 116,074 | 10,840 | 302 | 22,775 |
| Depreciation and impairment losses at 1 July 2019 | 35,489 | 58,112 | 7,122 | 157 | 0 |
| Foreign exchange adjustments | -61 | -105 | -10 | 0 | 0 |
| Depreciation | 5,942 | 12,213 | 1,270 | 62 | 0 |
| Reversal of accumulated depreciation and impairment losses on assets sold | 0 | -576 | -61 | 0 | 0 |
| Depreciation and impairment losses at 30 June 2020 | 41,370 | 69,644 | 8,321 | 219 | 0 |
| Carrying amount at 30 June 2020 | 101,899 | 46,430 | 2,519 | 83 | 22,775 |
| Portion related to assets held under finance leases | 0 | 2,878 | 0 | 0 | 0 |

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

9 Investments

| | Group |
|---------------------------------|------------------|
| | Other securities |
| DKK'000 | |
| Cost at 1 July 2019 | 35 |
| Cost at 30 June 2020 | 35 |
| Carrying amount at 30 June 2020 | 35 |

| | Parent Company | |
|--|-------------------------------|------------------|
| | Investments in group entities | Other securities |
| DKK'000 | | |
| Cost at 1 July 2019 | 62,566 | 35 |
| Additions | 33,500 | 0 |
| Disposals | 0 | 0 |
| Cost at 30 June 2020 | 96,066 | 35 |
| Revaluations at 1 July 2019 | 7,849 | 0 |
| Foreign exchange adjustments, etc. | 45 | 0 |
| Dividend | 0 | 0 |
| Profit/loss for the year | -7,681 | 0 |
| Value adjustments of hedging instruments | 1,634 | 0 |
| Revaluations at 30 June 2020 | 1,847 | 0 |
| Carrying amount at 30 June 2020 | 97,913 | 35 |

| Subsidiaries | Capital | Registered office | Ownership interest |
|---|--------------------|--------------------|--------------------|
| Vega Salmon A/S | DKK 500 thousand | Kolding, Denmark | 100.00% |
| Vega Salmon Deutschland Holding GmbH | EUR 25 thousand | Flensburg, Germany | 100.00% |
| Vega Salmon GmbH | EUR 1,000 thousand | Flensburg, Germany | 100.00% |
| Vega Salmon Vertrieb GmbH | EUR 25 thousand | Flensburg, Germany | 100.00% |
| Vega Salmon Gebäude GmbH | EUR 200 thousand | Flensburg, Germany | 100.00% |
| Hörviks Rökeri 2009 AB (without any activities) | SEK 6,000 thousand | Sölvesborg, Sweden | 100.00% |

See also group chart on page 7.

Consolidated financial statements and parent company financial statements for the period 1 July 2019 - 30 June 2020

Notes

| DKK'000 | Group | | Parent | |
|--------------------------------|----------------|---------------|---------------|-------------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| 10 Deferred tax | | | | |
| Deferred tax at 1 July | -5,617 | -1,053 | -479 | 0 |
| Adjustment previous year | 0 | 0 | 0 | 0 |
| Adjustments for the year | -5,537 | -4,564 | -773 | -479 |
| Deferred tax at 30 June | -11,154 | -5,617 | -1,252 | -479 |

The Group has a tax asset of DKK 0.5 million which has not been recognised as utilisation thereof is uncertain.

Deferred tax relates to:

| | | | | |
|---|----------------|---------------|---------------|-------------|
| Intangible assets and property, plant and equipment | -1,008 | -1,117 | 0 | 0 |
| Non-fixed assets | -196 | -225 | 0 | 0 |
| Liabilities | 0 | 0 | 0 | 0 |
| Financial instruments held to hedge future cash flows | 21 | -107 | 0 | 0 |
| Tax losses carried forward | -9,971 | -4,168 | -1,252 | -479 |
| | -11,154 | -5,617 | -1,252 | -479 |

Deferred tax is recognised in the balance sheet as follows:

| | | | | |
|--------------------------|----------------|---------------|---------------|-------------|
| Deferred tax assets | -11,154 | -5,617 | -1,252 | -479 |
| Deferred tax liabilities | 0 | 0 | 0 | 0 |
| | -11,154 | -5,617 | -1,252 | -479 |

Comments on deferred tax

Deferred tax assets have been recognised based on expected earnings for the next four years for the jointly taxed Danish Group.

11 Prepayments

Group

Prepayments comprise costs incurred concerning subsequent financial years.

12 Share capital

The share capital comprises:

| DKK'000 | 2019/20 | 2018/19 |
|---|---------|---------|
| 24,588,100 pcs. at a nominal amount of DKK 1.00 | 24,588 | 21,238 |

The share capital has changed during the year with 3,350 thousand shares of DKK 1.00. In 2018/19, there was a capital increase of DKK 92 thousand and in 2016/17 of DKK 1,146 thousand.

There are 21,238,100 A-shares and 3,350,000 B-shares. B-shares have an advance dividend right of DKK 34.3 million with the addition of interest of 8% pro anno.

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12 Share capital (continued)

Warrants

In 2016/17, an agreement was reached on a warrant programme, which is issued to the benefit of the Board of Directors and the Executive Board as well as other key employees. In the financial year 2016/17, 3,353,479 warrants were issued with different hurdle rates from 4-14% and a subscription price of 6.25 per share. In the financial year 2017/18, 138,750 warrants were issued with hurdle rates of 12% and a subscription price of 7.5 per share. In the financial year 2018/19, 405,150 warrants were repealed or sold back from key employees at the time of leaving the Vega Group. Warrants give the right to subscribe for one share per warrant. No warrants were issued in 2019/20. The warrants must be exercised by 31 August 2021 at the latest.

13 Non-current liabilities other than provisions

| DKK'000 | Group | | | |
|----------------------------------|--------------------------|-------------------|---------------------|-------------------|
| | Liabilities 30 June 2020 | Due within 1 year | Non-current portion | Due after 5 years |
| Payables to banking institutions | 50,000 | 50,000 | 0 | |
| Lease commitments | 4,166 | 4,166 | 0 | |
| Other payables | 1,124 | 0 | 1,124 | |
| | 55,290 | 54,166 | 1,124 | |
| Deferred income | 18,997 | 1,878 | 17,119 | 12,558 |
| | <u>74,287</u> | <u>56,044</u> | <u>18,243</u> | <u>12,558</u> |

The Group has signed a new agreement with DnB Bank ASA after the balance sheet date. This ensures sufficient capital resources at least until 30 June 2021.

14 Deferred income

Group

Deferred income, recognised under "Liabilities", DKK 17,119 thousand (2018/19: DKK 20,898 thousand) consists of accrued EU grants for capital expenditure, which are recognised as other income as the fixed assets are depreciated and payments received from customers which cannot be recognised as revenue until in the subsequent financial year.

15 Appropriation of profit/loss

| DKK'000 | Parent | |
|--|---------------|----------------|
| | 2019/20 | 2018/19 |
| Proposed distribution of profit/loss | | |
| Reserve for net revaluation according to the equity method | -7,681 | -10,196 |
| Retained earnings | -1,455 | -1,637 |
| | <u>-9,136</u> | <u>-11,833</u> |

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16 Collateral

Group

A company charge of DKK 60,000 thousand has been provided as collateral for payables to banking institutions secured on operating equipment, goodwill, plant and machinery, inventories and trade receivables. Furthermore, plant and machinery and rolling stock (except for leased assets) in subsidiary in Germany have been provided as security. The carrying amount of the assets provided as security totalled DKK 106,671 thousand at 30 June 2020 (30 June 2019: DKK 132,493 thousand).

Land and buildings as well as machines and operating equipment have been provided as collateral for mortgage credit institutions and payables to banking institutions. The carrying amount of mortgaged land and buildings as well as machines and operating equipment totalled DKK 173,706 thousand at 30 June 2020 (30 June 2019: DKK 173,552 thousand).

The Group has lease liabilities to banks of DKK 4,166 thousand which are secured on plant and machinery with a carrying amount of DKK 2,878 thousand.

Furthermore, the Group has provided a negative pledge to banking institutions.

Parent

The Company has guaranteed the subsidiaries' payables to banking institutions, which include the following companies:

Vega Salmon A/S
Hörviks Rökeri 2009 AB
Vega Salmon GmbH
Vega Salmon Gebäude GmbH
Vega Salmon Vertrieb GmbH
Vega Salmon Deutschland Holding GmbH.

At 30 June 2020, liabilities totalled DKK 0 thousand (30 June 2019: DKK 0 thousand).

Shares in Vega Salmon A/S have also been provided as security for credit facilities. Furthermore, the Company has provided a negative pledge to banking institutions.

The Company has provided a comfort letter to Vega Salmon A/S in respect of providing sufficient liquidity to perform budgeted activities for 2020/21.

17 Contractual obligations and contingencies, etc.

Other financial liabilities

Group

The Group has entered into lease agreements with a lease payment totalling DKK 907 thousand during the next year. The residual lease obligation totalled DKK 1,205 thousand at 30 June 2020.

Parent

The Company is jointly taxed with MIE4 Holding 1 ApS and as of 1 April 2016, the Company and Danish subsidiary hold secondary liability for 85.0% (2017/18: 84.7%) of Danish income taxes and withholding taxes, etc. within the joint taxation unit. The jointly taxed entities' total known net liabilities towards the Central Tax Administration are disclosed in the parent company financial statements. Any subsequent corrections of the joint taxation income may entail that the Company's liability will increase.

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18 Foreign currency and interest rate risks and use of derivative financial instruments

The Group uses hedging instruments such as forward exchange contracts and interest and currency swaps to hedge recognised and non-recognised transactions.

Forecast transactions

The Group uses forward exchange contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year:

| DKK'000 | Period | Contractual value | | Gains and losses recognised in equity | |
|----------------------------------|------------|-------------------|---------|---------------------------------------|---------|
| | | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| Forward exchange contracts/swaps | 0-6 months | 65,666 | 115,232 | 94 | -486 |

The Group has signed contracts with Fish Pool for physical supply of salmon for the financial year 2020/21 of DKK 88.5 million. The market value of the contracts as per 30 June 2020 is - DKK12.6 million.

Interest rate risks

The Group uses interest rate swaps to hedge interest rate risks, whereby floating interest payments are rescheduled into fixed interest payments.

| DKK'000 | 2019/20 | | | | 2018/19 | | | |
|--------------------------|--------------------|------------|---------------------------------------|-------------------------|--------------------|---------------------------------------|------------|-------------------------|
| | Notional principal | Fair value | Value adjustment recognised in equity | Term to maturity months | Notional principal | Value adjustment recognised in equity | Fair value | Term to maturity months |
| Interest rate swaps, EUR | 40,886 | -1,612 | 0 | 27 | 47,593 | 0 | -2,459 | 39 |

The cash flows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap. The interest rate swap does not qualify for hedge accounting.

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19 Related parties

Vega Sea A/S' related parties comprise the following:

Control

Maj Invest Equity 4 K/S via MIE4 Holding 1 ApS (85.0%).

Related party transactions

| DKK'000 | 2019/20 | 2018/19 |
|-------------------------------------|---------|---------|
| Group | | |
| Dividend to shareholders | 0 | 15,000 |
| Parent | | |
| Interest income from group entities | 1,671 | 1,685 |
| Interest expenses to group entities | 0 | 135 |
| Capital injection and warrants | 33,500 | -59 |
| Receivables from group entities | 29,787 | 40,965 |
| Dividend to shareholders | 0 | 15,000 |
| Dividend from subsidiaries | 0 | 15,000 |
| Contribution grant to subsidiary | 33,500 | 25,000 |

Remuneration/fees to members of the Executive Board and the Board of Directors of the parent company are reflected in note 4.

20 Other

Fees to the Company's auditor appointed by the general meeting

| DKK'000 | Group | |
|-------------------------|------------|------------|
| | 2019/20 | 2018/19 |
| Total fees to EY: | | |
| Fee for statutory audit | 335 | 336 |
| Tax assistance | 79 | 160 |
| Other assistance | 108 | 74 |
| | <u>522</u> | <u>570</u> |

Parent

Auditor's fee regarding parent company is included in the fee information for the Group.

Management review

Management positions of the Board of Directors and the Executive Board

Vega Sea A/S' Board of Directors' and Executive Board's management positions in other companies are described below:

The Board of Directors

Søren Bach, Chairman (joined the Board of Directors in Vega Sea in 2016)

Chairman, Message A/S, appointed in 2015

Chairman, MH55 ApS, appointed in 2015

Chairman, EC MES Holding ApS, appointed in 2015

Chairman, Vega Salmon A/S, appointed in 2016

CEO, Urbach ApS, appointed in 1975

CEO, Bach Dental Holding ApS, appointed in 2017

Member of the Board of Directors and CEO, Holdingselskabet Oris Tandlægerne A/S and 2 wholly-owned subsidiaries, appointed in 2017

Per Høholt, Member of the Board of Directors (joined the Board of Directors in Vega Sea in 2013)

Member of the Board of Directors, Vega Salmon A/S, appointed in 2016

Member of the Board of Directors, Oreco A/S, appointed in 2015

Member of the Board of Directors, R2 Group Invest A/S, appointed in 2018

Member of the Board of Directors, GOOD FOOD GROUP A/S, appointed in 2019

Member of the Board of Directors, Equity Datterholding 13 ApS, appointed in 2018

CEO and Member of the Board of Directors, MIE5 Datterholding 6 ApS, appointed in 2018

CEO, MIE4 Holding 1 ApS, appointed in 2017

CEO, LDETRE Holding 9 ApS, appointed in 2018

CEO, LDE 3 ApS, appointed in 2018

Chairman, Fonden LDE 3 GP, appointed in 2018

CEO, MIE5 Holding 6 ApS, appointed in 2018

Torben Svejgård, Member of the Board of Directors (joined the Board of Directors in Vega Sea in 2016)

Member of the Advisory Board, BHJ Food & Petfood, appointed in 2015

Chairman, DCH International A/S, appointed in 2016

Member of the Board of Directors, TripleNine Group A/S, appointed in 2016

Member of the Board of Directors, Convert A/S, appointed in 2018

Member of the Advisory Board, Aquaticode, appointed in 2019

Member of the Board of Directors, Golden Springs Group, appointed in 2020

The Executive Board

Jakob Graasbøll Enemark, CEO, appointed in 2020

Member of the Board of Directors, Vega Salmon A/S, appointed in 2020

CEO, Sestri Invest ApS, appointed in 2017

Maj Invest Equity 4 K/S has appointed all members of the Board of Directors. The Board of Directors possesses 2.6% of the share capital in Vega Sea A/S.

Directly and indirectly, the Executive Board owns 1.3% of the share capital in Vega Sea A/S.