



Vega Sea A/S

Agtrupvej 51, DK-6000 Kolding

CVR no. 33 25 28 62

Annual report 2017/18

Approved at the Company's annual general meeting on 2. October 2018

Chairman:

A handwritten signature in blue ink, consisting of a stylized first name followed by a large, looped surname, is written over a horizontal dotted line.

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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 2017 - 30 June 2018


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 2018 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 July 2017 - 30 June 2018.


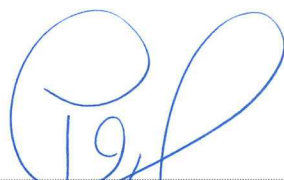
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

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

Kolding, 21 September 2018
Executive Board:


Michael Budtz Berthelsen
CEO
Jakob Graasbøll Enemark
CFO

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 financial statements of Vega Sea A/S for the financial year 1 July 2017 - 30 June 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations and cash flows for the financial year 1 July 2017 - 30 June 2018 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 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 Company 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 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 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 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.

Independent auditor's report

- ▶ 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 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 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 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.

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.

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, 21 September 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Rasmus Berntsen
State Authorised
Public Accountant
MNE no.: mne35461



Kim R. Mortensen
State Authorised
Public Accountant
MNE no.: 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	Michael Budtz Berthelsen, CEO Jakob Graasbøll Enemark, CFO
Auditor	Ernst & Young 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

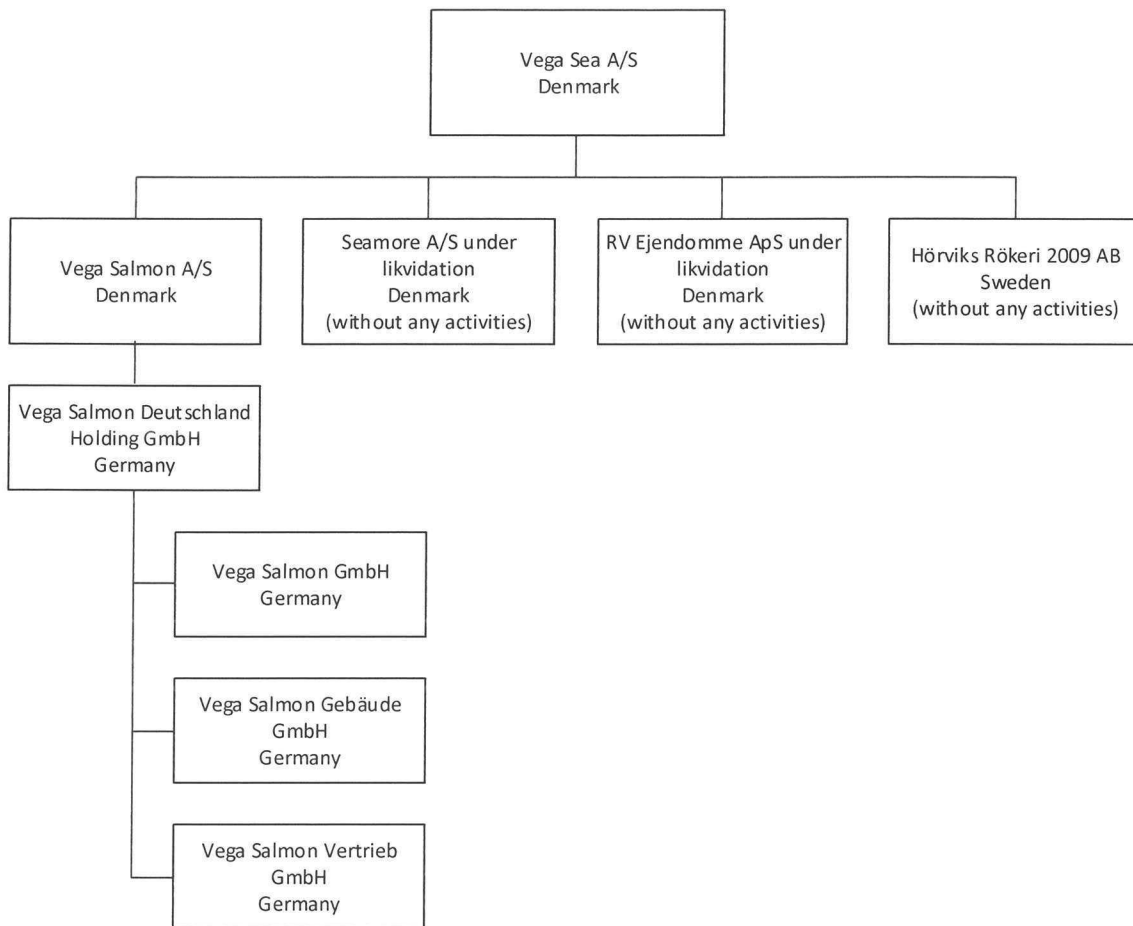
Maj Invest Equity 4 K/S is comprised by the guidelines for Danish Venture and Private Equity Association (DVCA) for active ownership and corporate governance for private equity funds, and therefore, the Vega Sea Group is comprised by the same guidelines.

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.

Vega Sea A/S is owned by Maj Invest Equity 4 K/S via MIE4 Holding 1 ApS (83.5 %) and Underwood Holding ApS (11.2%) as well as the Board of Directors and other executive employees (5.3%).

Management's review

Financial highlights for the Group

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	1,492,285	1,433,556	1,021,062	1,017,416	706,937
Gross profit	122,768	126,892	111,930	129,479	93,708
Profit before depreciation, amortisation and impairment losses, net financials and special items (EBITDA)	52,838	52,548	23,893	39,519	27,881
Special items, including impairment losses	-5,920	-16,377	-11,238	-2,509	0
Operating profit/loss	29,692	14,094	-10,879	16,257	9,953
Net financials	-9,708	-6,464	-7,263	-8,262	-6,632
Profit/loss for the year	17,699	808	-15,806	5,522	2,491
Balance sheet					
Balance sheet total	331,599	347,078	330,098	408,271	365,542
Investments in property, plant and equipment	31,191	15,308	9,421	29,141	17,899
Net working capital	-1,100	44,742	16,122	56,261	43,982
Net Interest-bearing debt	93,755	114,166	136,221	170,581	154,183
Equity	69,862	83,493	73,424	90,622	85,875
Cash flows					
Cash flows from operating activities	80,382	15,475	45,635	10,687	-1,865
Cash flows from investing activities	-25,715	-993	-11,275	-27,113	-15,802
Cash flows from financing activities	-42,633	-10,915	-11,229	6,709	-7,951
Total cash flows	12,034	3,567	23,131	-9,717	-25,618
Financial ratios					
Gross margin	8.2%	8.9 %	11.0 %	12.7 %	13.3 %
EBITDA margin before special items	3.5%	3.7 %	2.3 %	3.9 %	3.9 %
Equity ratio	21.1%	24.1 %	22.2 %	22.2 %	23.5 %
Return on equity	23.1%	1.0 %	-19.3 %	6.2 %	2.9 %
Average number of full-time employees					
	247	238	300	291	212

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 product - primarily salmon.

The above-mentioned principal activity has been executed from production facilities in Germany and Sweden (until 31 March 2018 where production was fully transferred to 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 consumer-friendly wrapping/packaging and product diversification. 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. 86% 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 expand the export share.

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 1,492 million, which is an increase of 4%. During 2017/18, the average price level on Head -On-Gutted (HOG) salmon decreased compared to last year, but still with considerable day-to-day volatile fluctuations during the entire financial year. The Group realised growth in the volume sold of 5% which was driven by the strategic focus on development and expansion of existing partnerships.

The Group has through continuous focus on securing stable earnings through hedging of raw material prices and currencies realised a gross profit slightly below 2016/17 but with staff cost below last year's level by DKK 10 million. This is considered satisfactory especially seen in the light of the process during the financial year of closing the production in Hörviks, Sweden and step by step moving the production to the facility in Germany. Last year's provision for liabilities in respect of the close-down in Sweden was in line with the actual cost hereof and resulting in a gain from selling the building and machines.

A decrease in the gross margin compared with last year is primarily attributable to a change in the product mix sold.

The above-mentioned focus on partnerships and value creation have, in addition to transfer of production to Germany also included a strengthening of the sales organisation and sales set-up, and as a part of this process, the Group realised costs of DKK 5.9 million in relation to a changed agent setup (special items).

Following the above, the Group realised a profit before depreciation and amortisation, net financials, tax and special items (EBITDA before special items) of DKK 52.8 million against DKK 52.5 million in 2016/17.

Management's review

Operating review

In the year under review, we have entered into a new bank set-up with DNB Bank ASA and the changed facilities support the current 3-year strategy plan and the continuous focus on working capital. The main reason for the decrease in this year's working capital of DKK 45.8 million is attributable to the Receivable Purchase Financing facility with the bank, which resulted in a decrease in accounts receivable of DKK 77.7 million. The Supply Chain Financing facility with the bank is also the main reason for the increased level in accounts payable. The increase in inventories was a result of increased volume securing fluctuation in seasonable demand and a major part of the inventories has been sold in the following month.

This year's EBITDA level and the above improvement in the working capital provided the basis for a dividend payment of DKK 35 million and in addition a reduction of the Group's net interest-bearing debt by DKK 20.4 million.

In addition to the above, the change of bank resulted in transferring the long-term loan facilities in the Group from the German entities to Vega Sea A/S and by this affecting the year's result by the negative market value of DKK 2.9 million (special items) regarding a swap agreement, which could no longer be recognised as a hedging transaction.

The profit for the year taken the special items into consideration and the development in the Group's interest-bearing debt are considered satisfactory.

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 attributable to the expansion of production facilities and hot smoke capacity in Germany in connection with the close-down of the production in Sweden. All buildings and machines in Sweden were sold in the financial year, which had a positive impact on cash flows from investing activities by DKK 2.8 million.

In the financial year, the incentive programme was introduced for executive employees in the Group. The share and warrant scheme were established by issuance of new shares. The ownership structure in Vega Sea A/S has thus been changed to the below equity interests on page 6.

Outlook

The Group has started executing last year's strategy plan for the coming three years according to which the Group is to continue its focus on existing partnerships, invest in product, market and sales development, ensure the highest quality standards - including sustainability, expansion of overseas markets and to focus on internal processes in order to improve cost efficiency.

The close-down of production in Sweden and the expansion in Germany in 2017/18 is a part of this strategy and are expected to have a positive full-year impact on the operating profit in 2018/19. 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 growth in volume around 4% and to improve EBITDA before special items in the same range. A further expansion of the production capacity in Germany is planned to take place in second half of the calendar year 2019 securing a significant base of increase in operating profit in the financial year of 2019/20.

Special risks

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

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.

Management's review

Operating review

Employees

The development in employees is specified as follows:

	Total	Denmark	Rest of world
Number of employees, beginning of the year	249	30	219
Number of employees, year end	228	25	203
Average number of employees	247		

Environment

The Group strives at all times to comply with applicable environmental legislation so that the environmental impact on the surroundings are 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.

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/learner/421642>.

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

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 2019/20 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 2017/18, none of the four members of the Board of Directors was female. No new members of the Board of Directors have been elected during the financial year 2017/18.

The target number for female managers in the Vega Group is 15% for Management. As of 30 June 2018, female managers in the entity accounted for 12.5% against 25% last year (a reduction of one female manager). 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.

Management's review

Operating review

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 an active, safe and profitable management of the Group.

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 note 22.

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, the members of the Executive Board and executive employees' remuneration 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 2017 - 30 June 2018

Income statement

Note	DKK'000	Group		Parent	
		2017/18	2016/17	2017/18	2016/17
3	Revenue	1,492,285	1,433,556	0	0
	Changes in inventories of finished goods and work in progress	28,995	40,460	0	0
	Other operating income	4,949	4,635	0	0
	Raw materials and consumables	-1,248,912	-1,214,626	0	0
	Other external expenses	-154,549	-137,133	-117	-247
	Gross profit/loss	122,768	126,892	-117	-247
4	Staff costs	-72,914	-82,468	-550	-659
	Amortisation of intangible assets and depreciation on property, plant and equipment and impairment losses	-20,162	-30,330	0	0
	Operating profit/loss	29,692	14,094	-667	-906
	Income from equity investments in group entities	0	0	19,197	1,522
5	Financial income	1,333	642	1,166	3
5	Financial expenses	-11,041	-7,106	-2,419	-16
	Profit before tax	19,984	7,630	17,277	603
6	Tax for the year	-2,285	-6,822	422	205
	Profit for the year	17,699	808	17,699	808

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK'000	Group		Parent	
		2018	2017	2018	2017
	ASSETS				
	Fixed assets				
7	Intangible assets				
	Software, etc.	1,259	2,511	0	0
		1,259	2,511	0	0
8	Property, plant and equipment				
	Land and buildings	103,746	108,665	0	0
	Plant and machinery	47,085	42,797	0	0
	Fixtures and fittings, tools and equipment	4,294	6,268	0	0
	Leasehold improvements	207	246	0	0
	Assets under construction	12,282	0	0	0
		167,614	157,976	0	0
9	Investments				
	Investments in group entities	0	0	95,808	93,622
	Other securities and investments	35	35	0	0
		35	35	95,808	93,622
	Total fixed assets	168,908	160,522	95,808	93,622
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	34,684	17,413	0	0
	Work in progress	5,465	6,523	0	0
	Finished goods	97,626	67,573	0	0
		137,775	91,509	0	0
	Receivables				
	Trade receivables	9,008	86,732	0	0
	Receivables from group entities	0	0	33,298	8,852
12	Deferred tax assets	1,053	0	0	0
	Income taxes receivable	219	57	0	0
	Income tax - joint taxation	0	0	836	0
	Other receivables	8,348	5,143	0	0
10	Prepayments	1,143	1,247	0	0
		19,771	93,179	34,134	8,852
	Cash	5,145	1,868	1,421	1,117
	Total non-fixed assets	162,691	186,556	35,555	9,969
	TOTAL ASSETS	331,599	347,078	131,363	103,591

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK'000	Group		Parent	
		2018	2017	2018	2017
	EQUITY AND LIABILITIES				
	Equity				
11	Share capital	21,238	21,146	21,238	21,146
	Reserve for net revaluation according to the equity method	0	0	18,836	26,712
	Retained earnings	48,624	62,347	29,788	35,635
	Total equity	69,862	83,493	69,862	83,493
	Provisions				
12	Deferred tax	0	549	0	0
9	Provisions relating to investments in group entities	0	0	0	14,688
13	Other provisions	0	5,391	0	0
		0	5,940	0	14,688
	Liabilities				
14	Non-current liabilities other than provisions				
	Payables to banking institutions	54,000	55,013	54,000	0
	Lease commitments	7,527	10,761	0	0
	Income tax - joint taxation	2,905	0	0	0
15	Deferred income	20,868	22,697	0	0
		85,300	88,471	54,000	0
	Current liabilities other than provisions				
14	Current portion of non-current liabilities	7,279	11,408	4,000	0
	Payables to banking institutions	30,095	38,852	0	0
	Trade payables	113,946	86,578	0	0
	Income tax - joint taxation	2,393	1,626	0	1,626
	Income tax payable	164	97	0	0
	Other payables	20,554	28,591	3,501	3,784
14,15	Deferred income	2,006	2,022	0	0
		176,437	169,174	7,501	5,410
	Total liabilities	261,737	257,645	61,501	5,410
	TOTAL EQUITY AND LIABILITIES	331,599	347,078	131,363	103,591

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- 18 Contractual obligations and contingencies, etc.
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Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Statement of changes in equity

Note	DKK'000	Group		
		Share capital	Retained earnings	Total
	Equity at 1 July 2016	20,000	53,424	73,424
	Capital increase	1,146	6,014	7,160
	Profit/loss for the year	0	808	808
	Foreign exchange adjustments	0	-145	-145
	Value adjustments of hedging instruments after tax	0	1,833	1,833
	Other equity adjustments	0	413	413
	Equity at 1 July 2017	21,146	62,347	83,493
	Capital increase/warrants	92	651	743
	Profit/loss for the year	0	17,699	17,699
	Dividend	0	-35,000	-35,000
	Foreign exchange adjustments	0	-713	-713
	Value adjustments of hedging instruments after tax	0	3,640	3,640
	Equity at 30 June 2018	21,238	48,624	69,862

Note	DKK'000	Parent			
		Share capital	Net revaluation according to the equity method	Retained earnings	Total
	Equity at 1 July 2016	20,000	23,502	29,922	73,424
	Capital increase	1,146	0	6,014	7,160
16	Profit/loss for the year	0	1,522	-714	808
	Foreign exchange adjustments	0	-145	0	-145
	Value adjustments of hedging instruments after tax	0	1,833	0	1,833
	Other equity adjustments	0	0	413	413
	Equity at 1 July 2017	21,146	26,712	35,635	83,493
	Capital increase/warrants	92	0	651	743
16	Profit/loss for the year	0	19,197	-1,498	17,699
	Dividend from subsidiaries (including year-end)	0	-30,000	30,000	0
	Dividend during the financial year	0	0	-35,000	-35,000
	Foreign exchange adjustments	0	-713	0	-713
	Value adjustments of hedging instruments after tax	0	3,640	0	3,640
	Equity at 30 June 2018	21,238	18,836	29,788	69,862

Consolidated financial statements and parent company financial statements for the period 1 July 2017 – 30 June 2018

Cash flow statement

Note	DKK'000	Group	
		2017/18	2016/17
	Profit/loss for the year before interest	29,692	14,094
	Depreciation, amortisation and impairment losses	20,162	30,330
	Changes in working capital	45,956	-26,455
	Other adjustments of non-cash operating items	-8,148	4,860
	Cash generated from operations (operating activities)	87,662	22,829
	Financial income received	1,333	642
	Financial expenses incurred	-8,105	-7,106
	Income taxes refunded/paid	-508	-890
	Cash flows from operating activities	80,382	15,475
	Acquisition of intangible assets	-481	-665
	Acquisition of property, plant and equipment	-31,191	-15,308
	Disposal of property, plant and equipment	5,957	14,980
	Cash flows from investing activities	-25,715	-993
	Changes in non-current liabilities, net	-8,376	-18,488
	Capital increase/warrants	743	7,573
	Dividend	-35,000	0
	Cash flows from financing activities	-42,633	-10,915
	Changes in cash and cash equivalents	12,034	3,567
	Cash and cash equivalents at 1 July	-36,984	-40,551
	Cash and cash equivalents at 30 June	-24,950	-36,984
Breakdown of cash balances at year end:			
	Cash	5,145	1,868
	Short-term debt to banks	-30,095	-38,852
		-24,950	-36,984

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 2017 – 30 June 2018

Notes

1 Accounting policies

The annual report of Vega Sea A/S for 2017/18 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.

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's 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.

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.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 – 30 June 2018

Notes

1 Accounting policies (continued)

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

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.

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 those goods, etc. 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.

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.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

1 Accounting policies (continued)

Financial income

Financial income comprises interest income, net gains on securities, payables and 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 securities, payables and 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. that are measured at cost less accumulated amortisation. Software rights, etc. are amortised over 3 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.

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

Consolidated financial statements and parent company financial statements for the period 1 July 2017 – 30 June 2018

Notes

1 Accounting policies (continued)

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.

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.

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.

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.

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 effect the sale.

Prepayments

Prepayments comprise prepaid costs concerning subsequent financial years.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 – 30 June 2018

Notes

1 Accounting policies (continued)

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 balances.

Liabilities

Amounts owed to credit institutions in the form of mortgage debt, etc. are measured at the date of borrowing at cost which corresponds to proceeds received less transaction costs paid. Subsequently, the debt is measured at amortised cost. Consequently, the difference between the proceeds at the time of borrowing and the repayable nominal value is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Other liabilities are measured at 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 and cash equivalents as well as the Company's cash and cash equivalents 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 interest-bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents include cash and short-term debt to banking institutions.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

1 Accounting policies (continued)

Segment information

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

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 profit for the year is affected by several matters that in the opinion of the Board of Directors do not form part of the operating activities.

DKK'000	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
Special items				
Costs				
Change in agent set-up	-5,306	0	0	0
Restructuring costs	-435	-16,377	0	0
Adjustment regarding swap	-2,936	0	0	0
Income				
Gain regarding sale of property, plant and equipment	2,757	0	0	0
	<u>-5,920</u>	<u>16,377</u>	<u>0</u>	<u>0</u>
Special items are recognised in the below line items				
Raw materials and consumables	0	3,524	0	0
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	0	8,253	0	0
Staff costs	0	1,940	0	0
Other external expenses	-5,741	2,660	0	0
Other income	2,757	0	0	0
Financial expenses	-2,936	0	0	0
Profit/loss on special items	<u>-5,920</u>	<u>16,377</u>	<u>0</u>	<u>0</u>

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
DKK'000				
3 Revenue				
Revenue broken down on geographical segments:				
Domestic market (Denmark and Sweden)	213,085	204,085	0	0
Export markets (other countries)	1,279,200	1,229,471	0	0
	<u>1,492,285</u>	<u>1,433,556</u>	<u>0</u>	<u>0</u>
The Group has one business segment which is sale of fish.				
4 Staff costs				
Wages and salaries	64,531	67,111	550	659
Pensions	2,177	2,605	0	0
Other social security costs	7,967	11,744	0	0
Other staff costs	239	1,008	0	0
	<u>74,914</u>	<u>82,468</u>	<u>550</u>	<u>659</u>
Average number of full-time employees	<u>247</u>	<u>238</u>	<u>1</u>	<u>1</u>
Remuneration of the entity's Management totals:				
Executive Board	4,100	4,485	0	0
Board of Directors	550	659	550	659
	<u>4,650</u>	<u>5,144</u>	<u>550</u>	<u>659</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 11.				
5 Net financials				
Financial income				
Interest income from group entities	0	0	1,166	0
Foreign exchange adjustments	1,332	598	0	0
Other financial income	1	44	0	3
	<u>1,333</u>	<u>642</u>	<u>1,166</u>	<u>3</u>
Financial expenses				
Other financial expenses	<u>11,041</u>	<u>7,106</u>	<u>2,419</u>	<u>16</u>
6 Tax on profit/loss for the year				
Computed tax on the taxable income for the year	-3,588	-2,184	422	440
Adjustments of deferred tax for the year	1,041	-4,439	0	-235
Adjustment of prior-year taxes	64	-199	0	0
Adjustment of equity movements	198		0	
	<u>-2,285</u>	<u>-6,822</u>	<u>422</u>	<u>205</u>

(- = costs)

The Group has a tax asset of DKK 1.8 million. The tax asset has not been recognised as utilisation thereof is uncertain.

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Consolidated financial statements and parent company financial statements for the period 1 July 2017 – 30 June 2018

Notes

7 Intangible assets

	Group
	Software, etc.
DKK'000	
Cost at 1 July 2017	8,846
Additions	481
Cost at 30 June 2018	9,327
Amortisation and impairment losses at 1 July 2017	6,335
Amortisation	1,733
Amortisation and impairment losses at 30 June 2018	8,068
Carrying amount at 30 June 2018	1,259

8 Property, plant and equipment

	Group				
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction
DKK'000					
Cost at 1 July 2017	141,296	88,310	18,350	280	0
Foreign exchange adjustments	36	-41	-120	0	0
Additions	953	16,785	1,149	22	12,282
Disposals	-8,669	-9,535	-7,886	0	0
Cost at 30 June 2018	133,616	95,519	11,493	302	12,282
Depreciation and impairment losses at 1 July 2017	32,631	45,513	12,082	34	0
Foreign exchange adjustments	-14	-92	-97	0	0
Impairment losses	0	0	0	0	0
Depreciation	5,430	11,272	1,666	61	0
Reversal of accumulated depreciation and impairment losses on assets sold	-8,177	-8,261	-6,452	0	0
Depreciation and impairment losses at 30 June 2018	29,870	48,432	7,199	95	0
Carrying amount at 30 June 2018	103,746	47,085	4,294	207	12,282
Portion related to assets held under finance leases	0	9,305	0	0	0

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

9 Investments

	Group
	Other securities
DKK'000	
Cost at 1 July 2017	35
Cost at 30 June 2018	35
Carrying amount at 30 June 2018	35

	Parent Company
	Investments in group entities
DKK'000	
Cost at 1 July 2017	52,218
Additions	9,750
Cost at 30 June 2018	61,968
Revaluations at 1 July 2017	41,404
Foreign exchange adjustments, etc.	-713
Dividend	-15,000
Profit/loss for the year	19,197
Value adjustments of hedging instruments	3,640
Transferred from provisions	-14,688
Revaluations at 30 June 2018	33,840
Carrying amount at 30 June 2018	95,808

Subsidiaries	Capital	Registered office	Ownership interest
Seamore A/S under likvidation	DKK 1,000 thousand	Kolding	100.00%
RV Ejendomme ApS under likvidation	DKK 125 thousand	Kolding	100.00%
Vega Salmon A/S	DKK 500 thousand	Kolding	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 6.

10 Prepayments

Group

Prepayments comprise costs incurred concerning subsequent financial years.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

11 Share capital

The share capital comprises:

DKK'000	2017/18	2016/17
21,238,100 pcs. at a nominal amount of DKK 1.00	21,238	21,146

Except for the year's capital increase of DKK 92 thousand and last year's capital increase of DKK 1,146 thousand, the share capital has remained unchanged for the past five years.

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. Warrants give the right to subscribe for one share per warrant. The warrants must be exercised by 31 August 2021 at the latest.

DKK'000	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
12 Deferred tax				
Deferred tax at 1 July	549	-3,890	0	-235
Adjustment previous year	-561	0	0	0
Adjustments for the year	-1,041	4,439	0	235
Deferred tax at 30 June	-1,053	549	0	0

Deferred tax relates to:

Intangible assets and property, plant and equipment	-1,589	905	0	0
Non-fixed assets	471	176	0	0
Liabilities	-28	-426	0	0
Financial instruments held to hedge future cash flows	93	-106	0	0
	-1,053	549	0	0

Deferred tax is recognised in the balance sheet as follows:

Deferred tax assets	-1,053	0	0	0
Deferred tax liabilities	0	549	0	0
	-1,053	549	0	0

13 Other provisions

Other provisions in 2017 included restructuring provisions regarding the close-down of the Swedish activities. The liability has been paid off in 2017/18.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

14 Non-current liabilities

DKK'000	Group			
	Liabilities 30 June 2018	Due within 1 year	Non-current portion	Due after 5 years
Payables to banking institutions	58,000	4,000	54,000	0
Lease commitments	10,806	3,279	7,527	0
Income tax - joint taxation	2,905	0	2,905	0
	71,711	7,279	64,432	0
Deferred income	22,874	2,006	20,868	13,358
	94,585	9,285	85,300	13,358

15 Deferred income

Group

Deferred income, recognised under "Liabilities", DKK 22,874 thousand (2016/17: DKK 24,719 thousand) consists of payments received from customers which cannot be recognised as revenue until in the subsequent financial year. Moreover, the item includes accrued EU grants for capital expenditure, which are recognised as revenue as the fixed assets are depreciated.

DKK'000	Parent	
	2017/18	2016/17
16 Appropriation of profit/loss		
Proposed distribution of profit/loss		
Reserve for net revaluation according to the equity method	19,197	1,522
Retained earnings	-1,498	-714
	17,699	808

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

17 Collateral

Group

A company charge of DKK 70,000 thousand has been provided as collateral for payables to banking institutions secured on operating equipment, goodwill, plant and machinery, inventories and trade receivables, which totalled DKK 198,162 thousand at 30 June 2018 (30 June 2017: DKK 145,802 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 167,407 thousand at 30 June 2018 (30 June 2017: DKK 157,730 thousand).

Parent

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

Vega Salmon A/S
Seamore A/S under likvidation
RV Ejendomme ApS under likvidation
Hörviks Rökeri 2009 AB
Vega Salmon GmbH
Vega Salmon Gebäude GmbH
Vega Salmon Vertrieb GmbH
Vega Salmon Deutschland Holding GmbH.

At 30 June 2018, liabilities totalled DKK 40,900 thousand (30 June 2017: DKK 115,864 thousand).

18 Contractual obligations and contingencies, etc.

Other financial liabilities

Group

The Group has entered into lease agreements under which the yearly rental expenses total DKK 228 thousand, and lease payments total DKK 789 thousand. The residual lease obligation totalled DKK 1,646 thousand at 30 June 2018.

Parent

The Company is jointly taxed with MIE4 Holding 1 ApS and as of 1 April 2016, the Company and the parent company hold secondary liability for 83.5% (2016/17: 83.3%) 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.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

19 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. Furthermore, a few transactions after are hedged through currency options.

DKK'000	Period	Contractual value		Gains and losses recognised in equity	
		2017/18	2016/17	2017/18	2016/17
Forward exchange contracts/swaps	0-7 months	23,848	72,960	421	-481

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	2016/17				2017/18			
	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	58,655	-3,001	1,944	63	52,784	0	-2,911	51
Interest rate swaps, DKK	0	0	164	-	0	0	0	-
	58,655	-3,001	2,108		52,784	0	-2,911	

The hedged cash flows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 - 30 June 2018

Notes

20 Related parties

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

Control

Maj Invest Equity 4 K/S via MIE4 Holding 1 ApS (83.5%).

Related party transactions

DKK'000	2017/18	2016/18
Group		
Payables to group entities	0	1,626
Dividend to shareholders	35,000	0
Parent		
Interest income from group entities	1,166	0
Capital injection and warrants	743	7,573
Receivables from group entities	33,298	8,852
Payables to group entities	0	1,626
Dividend to shareholders	35,000	0
Dividend from subsidiaries	15,000	0

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

21 Other note disclosures

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

	Group	
DKK'000	2017/18	2016/17
Total fees to EY:		
Fee for statutory audit	435	402
Tax assistance	249	321
Other assistance	288	295
	<u>972</u>	<u>1,018</u>

Parent:

Auditors fee regarding parent are included in the fee information for the Group.

Consolidated financial statements and parent company financial statements for the period 1 July 2017 – 30 June 2018

Notes

22 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

Member of the Board of Directors, EL:CON A/S, appointed in 2014

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, Oreco A/S, appointed in 2015

CEO, MIE4 Holding 1 ApS, appointed in 2017

Member of the Board of Directors, Headhunterportal.com ApS, appointed in 2017

Member of the Board of Directors, Capres A/S, appointed in 2017

CEO, LDETRE Holding 9 ApS, appointed in 2018

CEO, LDE 3 ApS, appointed in 2018

CEO LDETRE Holding 14 ApS, appointed in 2018

Chairman, Fonden LDE 3 GP, appointed in 2018

Chairman, SUBC Partner A/S, appointed in 2018

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

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

Chairman, DCH International A/S and 1 wholly-owned subsidiary, appointed in 2016

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

Member of the advisory board, BHJ Food & Petfood A/S, appointed in 2015

Chairman, Carsoe A/S, appointed in 2017

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

Henning Kruse Lorentzen, Member of the Board of Directors (joined the Board of Directors in Vega Sea in 2012)

Chairman, Crown Seafood A/S, appointed in 2014

CEO, Loppe ApS, appointed in 2017

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

The Executive Board

Michael Budtz Berthelsen, Managing Director, appointed in 2015

CEO, Budtz Dedication ApS, appointed in 2013

CEO, Underwood Holding ApS, appointed in 2016

Jakob Graasbøll Enemark, CFO, appointed in 2017

CEO, Sestri Invest ApS, appointed in 2017

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

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 12.1% of the share capital in Vega Sea A/S.