
Vega Sea A/S

Agstrupvej 51, DK-6000 Kolding

Annual Report for 1 July 2022 - 31 December 2023

CVR No. 33 25 28 62

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 5/7 2024

Jakob Graasbøll
Enemark
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Vega Sea A/S for the financial year 1 July 2022 - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Kolding, 5 July 2024

Executive Board

Jakob Graasbøll Enemark
CEO

Board of Directors

Sverre Søraa
Chairman

Torben Svejgård

Jan Frode Fjellkårstad

Independent Auditor's report

To the shareholders of Vega Sea A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 July 2022 - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Vega Sea A/S for the financial year 1 July 2022 - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the 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 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.

Independent Auditor's report

Trekantområdet, 5 July 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Morten Elbæk Jensen

State Authorised Public Accountant

mne27737

Company information

The Company	Vega Sea A/S Agstrupvej 51 6000 Kolding CVR No: 33 25 28 62 Financial period: 1 July 2022 - 31 December 2023 Municipality of reg. office: Kolding
Board of Directors	Sverre Søraa, chairman Torben Svejgård Jan Frode Fjellkårstad
Executive Board	Jakob Graasbøll Enemark
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle
Lawyers	CLEMENS Advokatpartnerselskab Skt. Clemens Stræde 7 8000 Aarhus
Bankers	DNB Bank ASA Dronning Eufemias gate 30 NO-0191 Oslo Sydbank A/S Kongensgade 62 6700 Esbjerg

Group Chart

<u>Company</u>	<u>Residence</u>	<u>Ownership</u>
Vega Sea A/S	Denmark	
Vega Salmon A/S	Denmark	100%
Vega Salmon Deutchland Holding GmbH	Germany	100%
Vega Salmon GmbH	Germany	100%
Vega Salmon Gebäude GmbH	Germany	100%
Vega Salmon Vertrieb GmbH	Germany	100%
Vega Salmon Verkauf UG	Germany	100%
Vega Salmon Italia S.R.L	Italy	100%

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

	Group				
	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK 18 months	TDKK 12 months	TDKK 12 months	TDKK 12 months	TDKK 12 months
Key figures					
Profit/loss					
Revenue	2,199,131	1,313,969	1,070,923	1,086,704	1,170,586
Gross profit	279,840	128,910	104,099	85,118	78,536
EBITDA	57,388	29,734	31,394	18,718	14,648
Profit/loss of primary operations	32,604	9,472	8,232	-4,809	-10,188
Profit/loss of financial income and expenses	-25,436	-5,406	-7,898	-6,247	-5,652
Net profit/loss for the year	2,774	2,622	-974	-9,136	-11,833
Balance sheet					
Balance sheet total	475,245	326,294	287,441	320,827	284,263
Investment in property, plant and equipment	36,775	8,223	7,254	19,937	25,075
Equity	71,406	65,627	65,318	67,037	42,175
Cash flows					
Cash flows from:					
- operating activities	-36,921	-26,108	13,883	-10,750	62,313
- investing activities	-14,285	-7,985	-8,504	-19,845	-27,776
- financing activities	50,805	34,123	-5,020	30,437	-39,439
Change in cash and cash equivalents for the year	-401	30	359	-158	-4,902
Number of employees	519	350	260	205	235
Ratios					
Gross margin	12.7%	9.8%	9.7%	7.8%	6.7%
Solvency ratio	15.0%	20.1%	22.7%	20.9%	14.8%
Return on equity	4.0%	4.0%	-1.5%	-16.7%	-21.1%

Management's review

Business review

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

The above-mentioned principal activity has been executed from the production facilities in Germany, the office in Denmark and sales offices in selected countries.

In December 2022 the Group was sold to Coast Seafood AS from Norway. The new ownership supports the continuous growth of the company and at the same time bring even more focus on sustainability, value-chain optimization and automation, synergies and in total strengthening Vega in being an attractive partner.

The Group is 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 a 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 a high focus on quality, taste and product diversification. It is Group policy to produce and develop environmentally friendly packaging, that also needs to be consumer friendly. Thus, the development of new product categories is highly prioritized.

As a natural and important part of the Group's focus areas, we work intensively on improving efficiency while maintaining and improving the quality of our products. As a result of this focus a large state-of-the-art automation project for handling of smoked retail products has been initiated with expected implementation in 2024. This is to ensure that the Group, always offer products that surpass every applicable standard for the industry. At the same time, we increasingly wish to offer traceability and support the ESG agenda.

The main part of the Group's annual 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 end consumers get a unique product and taste experience.

Continues improvement programs have been identified and executed, all of them supporting our focus on sustainability and strengthening Vega as an attractive partner Delivering World Class Salmon Every Day.

Financial review

Because of the takeover by Coast Seafood AS, the financial year has been changed from closing at 30/6 to 31/12, following the calendar year going ahead. By this the current period under review is covering an 18-month period from 1/7 2022 – 31/12 2023. Comparison to the previous year is by this a challenge, also due to the high embedded seasonality of the business.

In the year under review, the Group realized revenue of DKK 2,199 million for the full 18-month period.

The price for Head-On-Gutted (HOG) salmon has increased significantly during the spring period of 2023 due to a drop in the worldwide supply of superior salmon primarily due to increased downgrading of fish. This has challenged having a steady production flow through-out the year.

Despite of that the Group in total achieved better margins in the period than last year due to a change in product mix selling more smoked products.

The general increase in interest rates had a major impact on the result compared to last year and adjusting for the different period under review the impact for the period is close to DKK 20 million.

Despite the positive result of DKK 2.6 million, the management does not consider the result satisfactory as it is beneath the expectations for the period and in total not honoring the change in the level of interest rates.

The balance sheet total increased during the period with DKK 149,0 million to DKK 475,2 million which is due to the increase in trade receivables of DKK 100,5 million and an increase of DKK 59.0 million in inventories. The significant higher level of the balance sheet is mainly a reason of changing year-end closing to 31/12 being at the end of high season in comparison to 30/6 being at the end of low season.

Management's review

Equity as of 31 December amounted to DKK 71.4 million because of a positive profit of the year of DKK 2.7 million and a positive impact from translation and hedging reserves of DKK 3.0 million (Equity as of 30. June 2022: DKK 65.6 million).

Financial development – parent company

In 2022/23 there was a cost level of DKK 1.2 million (2021/22: DKK 0.7 million). Profit for the year was DKK 2.7 million (2021/22: DKK 2.6 million). At the end of the financial year, the balance sheet total amounted to DKK 279.9 million (2021/22: DKK 142 million). Equity as of 31 December 2023 amounted to DKK 71.4 million (2021/22: 65.6 million).

Outlook

The Group continues its strategy to focus on existing and new partnerships, launching of new products within sustainable packing solutions and convenience, ensure the highest quality standards, and to maintain focus on internal processes to improve cost efficiency. Implementation of a new automated packing line in 2024 is expected to bring efficiency and processes to a new level.

Due to the volatile prices in salmon market development in revenue in terms of value is not considered a fair view of the activity in the group but more the focus on volume.

In the financial year 2024 it is expected to achieve 10% higher volume than realized in 2023 (12-month comparison), mostly by selling more smoked products. With the increase in the activity level and the expectation of being more efficient the profit for the year is expected to be turned to a level of DKK 5 million.

The Group can honour the cash flow consequences of the 2024 financial outlook.

Risk conditions

Business risk

The primary business risk faced by the Group is the continued ability to deliver high quality products at competitive and secured fixed prices. It is a group policy to hedge raw material purchases and currencies, and therefore, the volume of fixed price contracts is considerable.

As mentioned above several initiatives has been put in into action to meet expected level of activity and profitability.

Special risks

Due to the combination of inflation and increased interests in all regions we have recognized changed consumer behavior driven by more intensive focus on prices. On top the continuously challenge of having less supply of superior salmon in Q1 and Q2 is pushing more production in to the second half of the year.

To mitigate the risks, we are continuously updating our sourcing strategy, cost picture, focusing on efficiency, and offering alternative products to the markets and seeking new opportunities through our innovative products and packaging solutions.

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, interest rates and fish prices. 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, Fishpool contracts and interest rate swaps.

Management's review

Employees

The development in employees is specified as follows (full-time Vega employees, excl. temporary workers):

	Total	Denmark	Rest of world
Number of employees, beginning of the year	461	21	440
Net development employees, in 2022/23	+11	+2	+9
Number of employees, year end	472	23	449

The average total workers have increased compared to last year, which is due to increased activity in the Group.

Environment

The Group policy is of course to comply with applicable environmental legislation so that the environmental impact on the surroundings is minimized 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, cleaner discharge 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. As a part of the strategy, the Group has invested resources into its own innovation department, to take the development of products to the next level. For the coming financial years, we expect several new launches that will set Vega apart from the competitors.

Sustainability report

The Vega Sea A/S sustainability report for the year has been published and is obtainable at

<https://vega-salmon.dk/about-us/csr/>

The report represents a statutory statement of practices in Vega Sea A/S cf. §99a and §99d of the Danish Financial Statements Act.

Gender distribution in Vega Sea A/S cf. §99b

According to legislation on the gender quotation on the Management Board in Danish enterprises, the group entity Vega Sea A/S has laid down that board members elected at the general meeting are at least to account for 33% of the underrepresented gender in 2026 at the latest.

Management's review

GENDER DISTRIBUTION IN VEGA SEA A/S MANAGEMENT

Management level	Year 2023 actual & 2026 target
Board of Directors	
Total number of members in 2023	3
Underrepresented gender in percentage in 2023	0%
Target for underrepresented gender in percentage	33%
Year of meeting target	2026
Other Management	
Total number of members in 2023	1*

*As the other management consists of 1 member, Vega Sea A/S is not able to report on gender distribution. Further, Vega Sea A/S falls below the threshold of 50 employees and therefore does not report targets for other management

In Vega Sea A/S' sustainability report from 2021/2022, the Board of Directors consisted of five male members and zero female members, and a target was set to reach a level where the underrepresented gender made up 20% of the Board of Directors in 2023/2024. In December 2022, Vega Sea A/S was sold to Coast Seafood A/S resulting in a new constellation of members in the Board of Directors with three male members and zero female members, which remains unchanged as of 31 December 2023.

Vega Sea A/S' efforts around gender distribution in the Board of Directors in 2023 have included discussions on ESG activities including social practices and diversity going forward, which are incorporated in the strategic initiatives for the next three years. Vega Sea A/S is in progress to fulfill the ambition.

The other management in Vega Sea A/S consists of 1 member in the executive management.

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. On this basis, several internal procedures have been developed and are regularly updated to ensure 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.

Management's review

Remuneration of Management

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

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 programs, 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.

Income statement 1 July 2022 - 31 December 2023

	Note	Group		Parent company	
		2022/23	2021/22	2022/23	2021/22
		TDKK 18 months	TDKK 12 months	TDKK 18 months	TDKK 12 months
Revenue	1	2,199,131	1,313,969	0	0
Change in inventories of finished goods, work in progress and goods for resale		58,991	29,189	0	0
Other operating income		10,453	1,273	0	0
Expenses for raw materials and consumables		-1,775,600	-1,056,393	0	0
Other external expenses	2	-213,135	-159,128	-759	-102
Gross profit		279,840	128,910	-759	-102
Staff expenses	3	-222,452	-102,742	-454	-550
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-24,784	-16,696	0	0
Profit/loss before financial income and expenses		32,604	9,472	-1,213	-652
Income from investments in subsidiaries		0	0	10,690	5,317
Financial income	4	25,986	3,457	4,137	1,287
Financial expenses	5	-51,422	-8,863	-13,071	-4,090
Profit/loss before tax		7,168	4,066	543	1,862
Tax on profit/loss for the year		-4,394	-1,444	2,231	760
Net profit/loss for the year	6	2,774	2,622	2,774	2,622

Balance sheet 31 December 2023

Assets

	Note	Group		Parent company	
		2022/23	2021/22	2022/23	2021/22
		TDKK	TDKK	TDKK	TDKK
Completed development projects		987	1,803	0	0
Software		453	971	0	0
Development projects in progress		0	482	0	0
Intangible assets	7	1,440	3,256	0	0
Land and buildings		88,752	91,178	0	0
Plant and machinery		39,812	35,986	0	0
Other fixtures and fittings, tools and equipment		2,516	2,680	0	0
Leasehold improvements		0	0	0	0
Property, plant and equipment in progress		16,169	27,223	0	0
Property, plant and equipment	8	147,249	157,067	0	0
Investments in subsidiaries	9	0	0	102,524	88,829
Other investments	10	35	35	35	35
Fixed asset investments		35	35	102,559	88,864
Fixed assets		148,724	160,358	102,559	88,864
Raw materials and consumables		28,393	39,832	0	0
Work in progress		8,822	8,235	0	0
Finished goods and goods for resale		141,768	71,925	0	0
Inventories		178,983	119,992	0	0
Trade receivables		120,629	20,086	0	0
Receivables from group enterprises		0	0	172,621	49,854
Receivables from associates		0	1,255	0	175
Other receivables	11	9,808	8,894	0	0
Deferred tax asset	12	17,028	13,979	4,717	2,486
Prepayments	13	0	1,256	0	260
Receivables		147,465	45,470	177,338	52,775

Balance sheet 31 December 2023

Assets

Note	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Cash at bank and in hand	73	474	0	0
Current assets	326,521	165,936	177,338	52,775
Assets	475,245	326,294	279,897	141,639

Balance sheet 31 December 2023

Liabilities and equity

	Note	Group		Parent company	
		2022/23	2021/22	2022/23	2021/22
		TDKK	TDKK	TDKK	TDKK
Share capital	14	24,588	24,588	24,588	24,588
Reserve for net revaluation under the equity method		0	0	14,021	0
Reserve for hedging transactions		35	-2,970	0	0
Reserve for exchange rate conversion		-89	-89	0	0
Retained earnings		46,872	44,098	32,797	41,039
Equity		71,406	65,627	71,406	65,627
Credit institutions		6,744	0	0	0
Lease obligations		2,449	997	0	0
Other payables		1,557	1,484	0	0
Deferred income		14,337	15,499	0	0
Long-term debt	15	25,087	17,980	0	0
Subordinate loan capital		0	6,252	0	6,252
Credit institutions	15	92,091	77,411	75,738	68,615
Lease obligations	15	3,246	268	0	0
Trade payables		177,938	122,930	0	0
Payables to group enterprises		26,043	0	131,665	0
Corporation tax		6,036	3,677	0	0
Other payables	15,11	11,632	31,060	1,088	1,145
Deferred income	15, 16	61,766	1,089	0	0
Short-term debt		378,752	242,687	208,491	76,012
Debt		403,839	260,667	208,491	76,012
Liabilities and equity		475,245	326,294	279,897	141,639
Contingent assets, liabilities and other financial obligations	19				
Related parties	20				
Fee to auditors appointed at the general meeting	21				
Subsequent events	22				
Accounting Policies	23				

Statement of changes in equity

Group

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	24,588	-2,970	-89	44,098	65,627
Tax on adjustment of hedging instruments for the year	0	-848	0	0	-848
Hedging instruments	0	3,853	0	0	3,853
Net profit/loss for the year	0	0	0	2,774	2,774
Equity at 31 December	24,588	35	-89	46,872	71,406

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	24,588	0	41,039	65,627
Other equity movements	0	3,005	0	3,005
Net profit/loss for the year	0	11,016	-8,242	2,774
Equity at 31 December	24,588	14,021	32,797	71,406

Cash flow statement 1 July 2022 - 31 December 2023

	Note	Group	
		2022/23	2021/22
		TDKK 18 months	TDKK 12 months
Result of the year		2,774	2,622
Adjustments	17	54,614	19,928
Change in working capital	18	-62,932	-41,191
Cash flow from operations before financial items		-5,544	-18,641
Financial income		25,986	3,457
Financial expenses		-51,422	-8,863
Cash flows from ordinary activities		-30,980	-24,047
Corporation tax paid		-5,941	-2,061
Cash flows from operating activities		-36,921	-26,108
Purchase of intangible assets		-37,193	-1,305
Purchase of property, plant and equipment		0	-8,223
Sale of property, plant and equipment		22,908	1,543
Cash flows from investing activities		-14,285	-7,985
Repayment of loans from credit institutions		21,421	-3,938
Reduction of lease obligations		4,430	-339
Repayment of payables to group enterprises		26,043	0
Repayment of other long-term debt		-1,089	8,504
Raising of loans from credit institutions		0	24,899
Other adjustments		0	4,997
Cash flows from financing activities		50,805	34,123
Change in cash and cash equivalents		-401	30
Cash and cash equivalents at 1 July		474	444
Cash and cash equivalents at 31 December		73	474
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		73	474
Cash and cash equivalents at 31 December		73	474

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK 18 months	TDKK 12 months	TDKK 18 months	TDKK 12 months
1. Revenue				
Geographical segments				
Domestic markets (Denmark)	83,549	35,663	0	0
Export markets (other countries)	2,115,582	1,278,306	0	0
	2,199,131	1,313,969	0	0

The group has one business segment, which is sale of fish.

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
2. Special items				
Covid 19	0	3,566	0	0
	0	3,566	0	0

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK 18 months	TDKK 12 months	TDKK 18 months	TDKK 12 months
3. Staff Expenses				
Wages and salaries	184,224	85,169	454	550
Pensions	34,340	2,186	0	0
Other social security expenses	3,357	15,015	0	0
Other staff expenses	531	372	0	0
	222,452	102,742	454	550
Including remuneration to the Executive Board and Board of Directors	8,607	2,653	0	0
Average number of employees	519	350	1	1

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK 18 months	TDKK 12 months	TDKK 18 months	TDKK 12 months
4. Financial income				
Interest received from group enterprises	0	0	951	341
Other financial income	22,077	57	3,185	943
Exchange adjustments	3,909	3,400	0	0
Exchange gains	0	0	1	3
	25,986	3,457	4,137	1,287

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK 18 months	TDKK 12 months	TDKK 18 months	TDKK 12 months
5. Financial expenses				
Interest paid to group enterprises	493	252	0	0
Other financial expenses	46,994	7,899	13,071	4,090
Exchange adjustments, expenses	3,935	712	0	0
	51,422	8,863	13,071	4,090

	Parent company	
	2022/23	2021/22
	TDKK	TDKK
6. Profit allocation		
Reserve for net revaluation under the equity method	10,690	5,317
Retained earnings	-7,916	-2,695
	2,774	2,622

Notes to the Financial Statements

7. Intangible fixed assets

Group

	Completed development projects	Software	Develop- ment projects in progress
	TDKK	TDKK	TDKK
Cost at 1 July	4,029	5,451	482
Additions for the year	0	362	56
Transfers for the year	538	0	-538
Cost at 31 December	4,567	5,813	0
Impairment losses and amortisation at 1 July	2,226	4,480	0
Amortisation for the year	1,354	880	0
Impairment losses and amortisation at 31 December	3,580	5,360	0
Carrying amount at 31 December	987	453	0

Development projects mainly consist of projects for the development of products, packaging and systems to support the business.

The development of new products is to help ensure that the Vega group maintains the innovative momentum and that we are the first to enter the market with innovative products. The purpose here is to refine products further to ensure greater profit.

The development of new packaging is to ensure new and expansion of already existing markets.

The development of systems is to contribute to reducing costs in the company.

Notes to the Financial Statements

8. Property, plant and equipment Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 July	143,128	122,321	10,678	301	27,446
Additions for the year	6,470	5,499	749	0	24,057
Disposals for the year	0	0	0	0	-24,042
Transfers for the year	0	10,600	0	0	-10,600
Cost at 31 December	<u>149,598</u>	<u>138,420</u>	<u>11,427</u>	<u>301</u>	<u>16,861</u>
Impairment losses and depreciation at 1 July	51,950	86,335	7,998	301	223
Impairment losses for the year	0	1,674	0	0	469
Depreciation for the year	<u>8,896</u>	<u>10,599</u>	<u>913</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>60,846</u>	<u>98,608</u>	<u>8,911</u>	<u>301</u>	<u>692</u>
Carrying amount at 31 December	<u>88,752</u>	<u>39,812</u>	<u>2,516</u>	<u>0</u>	<u>16,169</u>

Notes to the Financial Statements

	Parent company	
	2022/23	2021/22
	TDKK	TDKK
9. Investments in subsidiaries		
Cost at 1 July	88,503	88,503
Cost at 31 December	88,503	88,503
Value adjustments at 1 July	326	-3,350
Exchange adjustment	0	86
Net profit/loss for the year	10,690	5,317
Fair value adjustment of hedging instruments for the year	3,005	-1,727
Value adjustments at 31 December	14,021	326
Carrying amount at 31 December	102,524	88,829

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Vega Salmon A/S	Kolding, Denmark	DKK 500.000	100%
Vega Salmon Deutschland Holding GmbH	Handewitt, Germany	EUR 25.000	100%
Vega Salmon GmbH	Handewitt, Germany	EUR 1.000.000	100%
Vega Salmon Vertreib GmbH	Handewitt, Germany	EUR 25.000	100%
Vega Salmon Gebäude GmbH	Handewitt, Germany	EUR 200.000	100%
Vega Salmon Verkauf UG	Handewitt, Germany	EUR 10.000	100%
Vega Salmon Italia S.R.L	Spoletto, Italia	EUR 10.000	100%

Notes to the Financial Statements

10. Other fixed asset investments

	<u>Group</u>	<u>Parent company</u>
	Other investments	Other investments
	TDKK	TDKK
Cost at 1 July	35	35
Cost at 31 December	35	35
Carrying amount at 31 December	35	35

<u>Group</u>		<u>Parent company</u>	
2022/23	2021/22	2022/23	2021/22
TDKK	TDKK	TDKK	TDKK

11. Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts and interest rate swaps have been concluded. At the balance sheet date, the contractual/notional principal value of derivative financial instruments amounts to:

Assets	139	0	0	0
Liabilities	0	3,396	0	0

	<u>Value adjustment, equity</u>	<u>Fair value at 31. December</u>
	TDKK	TDKK
Forward exchange contracts	-3,006	139

The Group has signed contracts with Fish Pool for physical supply of salmon for the financial year 2024 of mDKK 19.9 (2021/22: mDKK 109.8). The market value of the contracts as pr 31 December 2023 is mDKK 0,3 (2021/22: mDKK 4.3).

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
12. Deferred tax asset				
Deferred tax asset at 1 July	13,979	12,431	2,486	1,726
Amounts recognised in the income statement for the year	3,049	2,308	2,231	760
Amounts recognised in equity for the year	0	-760	0	0
Deferred tax asset at 31 December	17,028	13,979	4,717	2,486
Tax loss carry-forward	-17,028	-13,979	-4,717	-2,486
Transferred to deferred tax assets	17,028	13,979	4,717	2,486
	0	0	0	0
Deferred tax asset				
The deferred tax asset relates to losses in subsidiaries				
Calculated tax assets	17,028	13,979	4,717	2,486
Carrying amount	17,028	13,979	4,717	2,486

Deferred tax assets can be attributed to primarily tax loss carryforwards for the jointly taxed Danish companies. Based on expected positive earnings in the future, it is estimated that the tax loss carryforwards will be utilised within a period of 3-4 years.

13. Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

14. Share capital

The share capital consist of 24,588,100 shares of a nominal value of DKK 1 or multiples hereof. No shares carry any special rights.

Notes to the Financial Statements

Group		Parent company	
2022/23	2021/22	2022/23	2021/22
TDKK	TDKK	TDKK	TDKK

15. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Credit institutions

After 5 years	0	0	0	0
Between 1 and 5 years	6,744	0	0	0
Long-term part	6,744	0	0	0
Within 1 year	38,000	68,615	38,000	68,615
Other short-term debt to credit institutions	54,091	8,796	37,738	0
	98,835	77,411	75,738	68,615

Lease obligations

After 5 years	0	0	0	0
Between 1 and 5 years	2,449	997	0	0
Long-term part	2,449	997	0	0
Within 1 year	3,246	268	0	0
	5,695	1,265	0	0

Other payables

After 5 years	1,557	1,484	0	0
Long-term part	1,557	1,484	0	0
Other short-term payables	11,632	31,060	1,088	1,145
	13,189	32,544	1,088	1,145

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
15. Long-term debt				
Deferred income				
After 5 years	9,987	11,150	0	0
Between 1 and 5 years	4,350	4,349	0	0
Long-term part	14,337	15,499	0	0
Within 1 year	1,087	1,089	0	0
Other deferred income	60,679	0	0	0
	76,103	16,588	0	0

16. Deferred income

Deferred income, recognised under "Liabilities", includes 15,424 tDKK (2021/22: 15,499 tDKK) in accrued EU grants for capital expenditure, which are recognised as other income as the fixed assets are depreciated.

	Group	
	2022/23	2021/22
	TDKK 18 months	TDKK 12 months
17. Cash flow statement - Adjustments		
Financial income	-25,986	-3,457
Financial expenses	51,422	8,863
Depreciation, amortisation and impairment losses, including losses and gains on sales	24,784	16,696
Tax on profit/loss for the year	4,394	1,444
Other adjustments	0	-3,618
	54,614	19,928

Notes to the Financial Statements

	Group	
	2022/23	2021/22
	TDKK 18 months	TDKK 12 months
18. Cash flow statement - Change in working capital		
Change in inventories	-58,991	-44,461
Change in receivables	-100,201	1
Change in trade payables, etc	96,260	3,269
	-62,932	-41,191

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK

19. Contingent assets, liabilities and other financial obligations

Charges and security

Company charge of 60,000 TDKK 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 225 MDKK at 31 December 2023 (30 June 2022: 143 MDKK).

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 171 MDKK at 31 December 2023 (30 June 2022: 157 MDKK).

Parent

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

Vega Salmon A/S
Vega Salmon GmbH
Vega Salmon Gebäude GmbH
Vega Salmon Vertrieb GmbH

Shares in Vega Salmon A/S have also been provided as security for credit facilities.

The Company has guaranteed the subsidiaries facility of sale of debtors to the banking institutions of up to 100 MDKK regarding any unqualified transferred receivables and 10% advance payment on transferred receivables. At 31 December 2023, transferred unpaid receivables amounted to 83 MDKK (2021/22: 85 MDKK), while the advance payment is recognized as a receivable from sales and other payables, respectively, and amounted to 8.3 MDKK (2021/22: 8.5 MDKK). Management does not consider that any unqualified receivables have been transferred, and in the period after, all transferred receivables has been paid.

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
19. Contingent assets, liabilities and other financial obligations				
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	999	907	0	0
Between 1 and 5 years	639	471	0	0
	1,638	1,378	0	0

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

20. Related parties

	Basis
Controlling interest	
Coast Seafood AS 6701 Måløy, Norge	Immediate owner
Other related parties	
Other companies in the Coast Seafood Group	

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

	Group	
	2022/23	2021/22
	TDKK 18 months	TDKK 12 months
21. Fee to auditors appointed at the general meeting		
PricewaterhouseCoopers		
Audit fee	400	0
Non-audit services	125	0
	525	0
EY		
Audit fee	0	340
Other assurance engagements	0	38
Tax advisory services	0	149
	0	527

22. Subsequent events

After the balance sheet date no significant events have occurred which affect the assessment of the Company or Group's financial positions at 31 December 2023.

Notes to the Financial Statements

23. Accounting policies

The Annual Report of Vega Sea A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Reclassifications have been made between accounting lines in the balance sheet. Comparison figures have been adjusted. Apart from this the accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022/23 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Vega Sea A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Notes to the Financial Statements

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other debt", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

Segment information on revenue

Information on geographical segments is based on the Group's risks and returns and its internal financial reporting system.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Change in inventories of finished goods, work in progress and goods for resale

The item contains the year's decrease or increase in stocks of finished goods, goods in process and trade goods.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with . The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Other intangible fixed assets

Licences and rights are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Software licences and rights are amortised over the period of the agreements, which is 3 years and 7 years, respectively.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans are not recognised in cost during construction and reconstruction periods.

Notes to the Financial Statements

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	20-50 years
Plant and machinery	5-8 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-8 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Notes to the Financial Statements

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividends that management proposes to distribute for the financial year are shown as a separate item under equity.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and deposits.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$