# FINANCIAL

# STATEMENT 2020

# Pelagia Holding AS

## Group Accounts

Note: This translation from Norwegian has been prepared for information purposes only.

**Annual report 2020**

**Group Operations**

Pelagia Holding AS (Pelagia) is a Group that produces consumer products and fish meal and fish oil from pelagic fish. With its overall activity, the Group is a key international player within the pelagic sector with production facilities in the North Atlantic. Most of the products are exported globally.

The main office of Pelagia is in Bergen. The Group has 100% owned production facilities in Norway, UK, Ireland and Denmark. Further on, the Group has sales activities on sites in Ukraine and Greece. Pelagia AS also owns 50% in the company Hordafor AS, handling silaged fish raw materials, mainly from salmon. In 2020 Pelagia has acquired 100% of the shares in Brødrene Larsen Eftf AS, a factory with activity for receipt and production of fish for human consumption. Brødrene Larsen Eftf AS was merged into Pelagia AS in 2020. Pelagia AS has entered into an agreement in 2021 about acquisition of the remaining 50% of the shares in Hordafor AS. Hordafor AS will therefore be owned 100% by Pelagia AS after the implementation.

Pelagia Group including the foreign 100% owned subsidiaries and associated companies has purchased approx. 1.4 million tons of raw material for its operations in 2020.

Innovation is an important foundation and goal for Pelagia. In 2020 Pelagia was a party to several R&D projects in cooperation with the Research Council, Innovasjon Norge, the Fisheries and Aquaculture Industry Research Fund, equipment suppliers and others. These parties contribute significant funds to the projects. The purpose of the projects is to increase value creation through development of new products from the pelagic raw materials. The focus is to utilize and create values of the whole fish.

**Result, Balance sheet and Cash flows**

*Result*

The Group's sales revenues were 8.814 MNOK in 2020 (6.881 in 2019). EBITDA was 654 MNOK in 2020 (871 in 2019).

Depreciation of property, plant and equipment and intangible assets was 246 MNOK in 2020 (221 in 2019)

Operating result was 409 MNOK in 2020 (650 MNOK in 2019).

Share of result by use of the equity method was 29 MNOK in 2020 (50 MNOK in 2019). Net finance expenses were 123 MNOK in 2020 (73 MNOK in 2019). Tax expense was 59 MNOK in 2020 (80 MNOK in 2019).

Profit after tax was 255 MNOK in 2020 (547 MNOK in 2019) net profit was 280 MNOK in 2020 (558 MNOK in 2019).

*Balance sheet*
Total balance was 7 040 MNOK as at 31.12.2020 (6 625 MNOK as at 31.12.19). Total equity was 2 730 MNOK (39%) as at 31.12.2020 (2 650 MNOK as at 31.12.19 (40%)).

Net interest-bearing debt was 3 530 MNOK as at 31.12.2020 (3 123 MNOK as at 31.12.19).

The Group complies with all financial covenants at year-end.

The Group's interest terms are NIBOR plus margin. The margin can vary depending on equity ratio and performance related ratios for the Group. The group has a long-term amortized loan of MNOK 1092 and a rotating credit facility of MNOK 1.250, and also a short-term credit facility of MNOK 1.500. In December 2020 Pelagia presented a bond loan that was well received in the market. A bond loan of 900 MNOK was issued with maturity in December 2025.

The Group conducts annual tests to assess the value of the company's assets. Impairment test carried out at the end of 2020 indicates that there is no need for impairment. It is assumed that available raw materials in terms of the size of global quotas will affect the future sale of pelagic fish and thus also the Group's activities.

*Cash flows*
Net cash flows from operating activities were 166 MNOK in 2020 (582 MNOK in 2019). Net cash flows from investing activities were -275 MNOK in 2020 (-339 MNOK in 2019). Investments in 2020 relate to ordinary maintenance and development investments, and purchase of shares. Net cash flows from financing activities were 186 MNOK in 2020 (-242 MNOK in 2019). The change from 2019 to 2020 is mainly due to refinancing of existing borrowing agreement and issue of the bond loan. Cash and cash equivalents were 171 MNOK as at 31.12.2020 (93 MNOK as at 31.12.19).

**Continued operations**

The financial statements have been prepared under the going concern assumption. The Board of Directors confirm that the going concern assumptions are present.

**Risk management and internal control**

The Board of Directors follow the Norwegian Code of Practice for Corporate Governance as far as it is relevant for a company with a listed unsecured bond loan. The Board of Directors are of the opinion that Pelagia is appropriately organized and that the activities are executed in accordance with applicable legislation and regulations and in accordance with the company's objective and articles of association. Further information about corporate governance at www.pelagia.com.

**Financial risk**

Market risk
*1) Currency and price risk*
The Group is exposed to currency risk by having cash flows in foreign currency. Normally, approx.80% of sales are in foreign currency, while the costs are mainly Norwegian kroner (mainly GBP and EUR in foreign subsidiaries). There is a significant correlation between market prices converted to Norwegian kroner based on current exchange rates, and corresponding prices of raw materials, especially on materials with high turnover rates. Changes in market prices translated into Norwegian

kroner will therefore be reflected in the price of raw materials over time, reducing parts of the currency risk. The current turnover in foreign currency is continuously hedged through financial contracts.

### *2) Interest rate risk*

The entire Group's interest-bearing debt is in Norwegian kroner. The Group's debt financing is to a large extent related to operations and varies in line with seasonal fluctuations and is thus only used in certain times of the year. In order to maintain this flexibility essentially all the Group's debt is based on floating rates of interest.

Credit risk

The credit risk will vary depending on what market segment the group operates in. All credit will as a main rule be secured through credit insurance or other instruments. The Group continuously assesses the risk associated with each customer and receivable and has made provisions that are considered sufficient to cover this at any given time.

Liquidity risk

It is the opinion of the management and the Board of Directors that the Group has sufficient access to financing that safeguards business opportunities and operations.

**Working environment**

Pelagia Group had 923 full-time equivalents in 2020 (838 full-time equivalents in 2019). Pelagic industry is a typical seasonal business and number of employees per month will therefore vary considerably.

Sick leave was 3.25 % in 2020 (3.57% in 2019). This is low compared to other industries. The low sick leave compared to other business sectors must partly be seen in connection with the seasonal production fluctuations. The Group is working actively to reduce both short-term and long-term sick leave.

Pelagia Holding AS does not have a corporate assembly. Consequently, the Board of Pelagia Holding AS is directly responsible to the General Meeting.

**Equality**

Employee split was 38% women and 62% men in 2020. The proportion of women in administration and production is relatively similar. The proportion of women is low among executive personnel.

Pelagia aims in its recruitment policy to attract the best applicants to key positions and that women and men shall be given equal opportunities for career development. The Board emphasizes that there shall be no discrimination based on gender in matters such as salary, advancement, additional training and recruitment.

The board consists of seven persons - all men.

**Discrimination**

The Board has adopted ethical guidelines that formulate the standard of good business practice for the company and its employees. The ethical guidelines explain among other things what the Group considers as proper conduct to both employees and external actors. Pelagia will not accept conduct that discriminates people as regards gender, ethnicity, religion or sexual orientation.

## External environment

Catching, production and transport of pelagic fish is environmentally friendly compared to the production of other types of food. The production has minor negative impact on the environment, and the raw materials are efficiently utilized through trimmings delivered to fish meal/fish oil production. Pelagia utilizes 100% of the fish either directly for seafood products or indirectly through our marine products to the feed industry.

The Board further emphasizes that the Group has established environmental management and control systems to meet the requirements of the authorities and the market to environmental standards at all times. Focus will be placed on stimulating the environmental awareness among the staff through training and information.

The Group mainly uses electric power as energy source, and the plants utilize surplus energy for heat recovery. Measures are continuously taken to achieve energy efficiency at all plants.

Packaging is sorted for recycling whenever possible. Hazardous waste is mainly limited to waste oil from freezer compressors and truck batteries. These are delivered to authorized handling stations.

The Group makes systematic efforts to keep within the permitted frames for emission to the external environment.

**Result Allocation**

Pelagia Holding AS is the holding company of Pelagia Group. Net financial result consists mainly of recognised income from dividends and group contributions from subsidiaries, as well as interest expenses. In addition to shares in subsidiaries and the Group's financing, assets and liabilities consist mainly of receivables from and liabilities to subsidiaries. Equity was 29,5% as at 31.12.20 (32,6 % as at 31.12.19).

Allocation of the result in Pelagia Holding AS:

| | | |
|---|---|---|
| Result for the year: | TNOK | 212.551 |
| Dividend provision: | TNOK | 200.000 |
| Transferred from equity | TNOK | 12.551 |

The Board of Directors is not aware of events after the end of the reporting period that have material impact on the financial statements for 2020, see however comments below connected to the Corona situation.

**Outlook**

As enterprises in general, Pelagia has assessed the consequences of the Corona outbreak for its operations. Pelagia is a producer of food and raw materials to fish feed and animal feed an does not expect any significant change in the demand for its products in the longer term.

Pelagia has several different customers who resell within various segments and the demand pattern may change between the customers in the short run. Due to such changes an increased credit risk may arise to some of the customers.  If society should experience a substantial spread of contagion there is the risk that the company will not get necessary supply of raw materials from the fishing fleet, possibly that we cannot maintain production as normal due to contagion. So far both the fisheries and our own production have taken place as normal. To some extent Pelagia uses foreign seasonal workers in its production. This will require extra follow-up and planning for some time ahead. It seems, however, that guidelines have been established for this practice to be continued. A large part of Pelagia's sales is in foreign currency and Pelagia has an extensive use of currency futures in order to hedge its currency positions. Significant changes in the value of Norwegian kroner against for instance USD, Euro and JPY may in the short run have a material accounting impact.

The Group's ability to utilize its production capacities depends on the supply of raw materials in the North Atlantic and thus the size of the global quotas that are distributed between the countries who have share in the fishery resources. In total, the prospects for the fisheries on which the group bases its activities, are reasonable stable.

The demand for pelagic fish is relatively good, but the group has experienced uncertainty related to traditional herring markets as Russia and Ukraine.  The Group is still banned from the Russian market. Periodically the markets have also been affected by the currency restrictions in some countries, but this has been a minor challenge in 2020. Due to the Corona situation this can be an increasing challenge throughout 2021. For fish meal and fish oil the demand in the markets is also good, however, prices and margins are affected by varying raw material quotas in South America. It is a challenge for 2021 that parts of the production will not have a so-called MsC certification. Therefore, the products may partly have to be sold in new markets.

The Group purchases all its raw materials at variable prices and sells finished goods in a world market. Thus, the company's economy is not directly linked to developments in market prices, but to the margin achieved through production. The challenges of achieving good margins are usually largest when market prices fall, since it is normally long lead time from production to market.

The Board emphasizes that there is uncertainty associated with the assessment of future circumstances

Bergen, 28 April 2021

| | | |
|---|---|---|
| ______________________ | ______________________ | ______________________ |
| Helge Singelstad<br>Chairman | Arne Møgster<br>Board Member | Helge Møgster<br>Board Member |
| ______________________ | ______________________ | ______________________ |
| Gustav Witzøe<br>Board Member | Helge Karstein Moen<br>Board Member | Arne Myklebust<br>Board Member |
| ______________________ | ______________________ | |
| Endre Sekse<br>Board Member | Egil Magne Haugstad<br>CEO | |

# Pelagia

## Consolidated income statement

| Amounts in NOK 1,000 (period 01.01 - 31.12) | Notes | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | **4** | 8 813 945 | 6 881 006 |
| Other profits | 4 | - | 105 385 |
| | | | |
| Change in inventories of finished goods | | 181 642 | 441 883 |
| Raw materials and consumables used | | -7 282 789 | -5 609 445 |
| Salaries and personnell expenses | 5 | -662 238 | -583 523 |
| Depreciation | 7, 8 | -246 371 | -221 148 |
| Other operating expenses | 5, 6 | -395 681 | -364 094 |
| **Operating profit** | | **408 507** | **650 014** |
| Share of net result using the equity method | 9, 19 | 28 551 | 49 530 |
| Finance income | 15 | 34 617 | 29 327 |
| Finance costs | 15 | 157 342 | 102 389 |
| **Net finance** | | **-122 725** | **-73 479** |
| **Profit before taxes** | | **314 334** | **626 065** |
| Income tax expense | 14 | -59 374 | -79 932 |
| **Net profit** | | **254 960** | **546 133** |
| **Profit is attributable to** | | | |
| Owners of Pelagia Holding AS | | 254 627 | 546 910 |
| Non-controlling interests | | 100 | -360 |
| **Total** | | **254 728** | **546 550** |

## Consolidated statement of comprehensive income

| Amounts in NOK 1,000 (period 01.01 - 31.12) | Note | 2020 | 2019 |
|---|---|---|---|
| Profit for the period | | 254 960 | 546 550 |
| Currency translation differences | | 24 630 | 11 334 |
| **Total comprehensive income for the period** | | **279 589** | **557 883** |
| **Total comprehensive income for the period is attributable to** | | | |
| Owners of Pelagia Holding AS | | 279 822 | 554 405 |
| Non-controlling interests | | -232 | 3 479 |
| **Total** | | **279 589** | **557 883** |

The items in the statement of comprehensive income can be reversed through profit or loss

## CONSOLIDATED BALANCE SHEET as at 31.12

| Amounts in NOK 1,000 | Notes | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| ***Non-current assets*** | | | |
| Other intangible assets | 7 | 25 989 | 31 172 |
| Goodwill | 7 | 814 247 | 805 907 |
| **Total intangible assets** | | **840 236** | **837 079** |
| Land, buildings and other real property | 8, 17 | 955 346 | 962 988 |
| Machinery and plant | 8, 17 | 1 227 976 | 1 092 999 |
| Fixtures and fittings, tools, office machinery ect. | 8, 17 | 4 656 | 6 099 |
| Right-of-use leased assets | 8, 16 | 46 582 | 61 389 |
| **Total property, plant and equipment** | | **2 234 559** | **2 123 474** |
| Shares in joint ventures | 9 | 322 518 | 323 967 |
| Investments in other shares | | 1 855 | 1 563 |
| Other receivables | 11 | 9 476 | 5 942 |
| **Total financial assets** | | **333 849** | **331 742** |
| **Total non-current assets** | | **3 408 645** | **3 292 026** |
| ***Current assets*** | | | |
| Inventories | 10, 17 | 2 412 787 | 2 231 146 |
| Trade receivables | 11, 17, 18 | 854 428 | 782 061 |
| Derivatives | | 86 011 | 30 921 |
| Other current recivables | 11, 17 | 96 137 | 195 235 |
| Cash and cash equivalents | 12 | 171 249 | 93 463 |
| **Total current assets** | | **3 620 612** | **3 332 826** |
| **Total assets** | | **7 029 257** | **6 624 852** |

## CONSOLIDATED BALANCE SHEET as at 31.12

| Amounts in NOK 1,000 | Notes | 2020 | 2019 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Share capital | 13 | 149 836 | 149 836 |
| Share premium | 13 | 1 347 615 | 1 347 615 |
| Other equity | | 1 173 085 | 1 093 264 |
| Non-controlling interests | | 59 072 | 59 304 |
| **Total equtiy** | | **2 729 608** | **2 650 018** |
| ***Liabilities*** | | | |
| Deferred tax liabilities | 14 | 40 208 | 491 |
| Employee benefit obligations | | 1 998 | 1 481 |
| **Total non-current provisions** | | **42 206** | **1 972** |
| Liabilities to financial institutions | 3, 15 | 2 182 136 | 805 925 |
| Other long-term not interest bearing loan | 3, 15 | 3 162 | - |
| Bond loan | 3, 15 | 889 380 | - |
| Lease liabilities | 3, 15 | 37 097 | 62 982 |
| **Total other non-current liabilities** | | **3 111 775** | **868 907** |
| First year's instalment non-current liabilities | 15, 16 | 154 633 | 615 500 |
| Current portion of provisions for lease liabilities | 16 | 30 498 | 29 234 |
| Current debt to financial institutions | 15 | 407 132 | 1 703 256 |
| Trade payables | | 210 754 | 388 297 |
| Tax payable | 14 | 2 146 | 48 825 |
| Public duties owing | | 49 328 | 43 086 |
| Other current liabilities | 6 | 291 179 | 275 757 |
| **Total current liabilities** | | **1 145 669** | **3 103 955** |
| **Total liabilities** | | **4 299 650** | **3 974 834** |
| **Total equity and liabilities** | | **7 029 257** | **6 624 852** |

Bergen, 28 April 2021

Helge Singelstad
Chairman of the Board

Arne Møgster
Board Member

Gustav Witzøe
Board Member

Egil Magne Haugstad
CEO

Helge Arvid Møgster
Board Member

Helge Karstein Moen
Board Member

Arne Myklebust
Board Member

Endre Sekse
Board Member

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| Amounts in NOK 1,000 | Equity to owners of Pelagia Holding AS | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Share premium | Other equity | Total | Non-controlling interests | Total equity |
| **Equity 01.01.2019** | **149 836** | **1 347 615** | **788 498** | **2 285 948** | **41 592** | **2 327 540** |
| Result for the period | - | - | 546 910 | 546 910 | -360 | 546 550 |
| Other comprehensive income | - | - | 7 855 | 7 855 | 3 479 | 11 334 |
| **Total comprehensive income for the period** | **-** | **-** | **554 765** | **554 765** | **3 118** | **557 883** |
| Non-controlling interests on aquisition of subsidiary* | | | | | 14 594 | 14 594 |
| Dividends paid | - | - | -250 000 | -250 000 | - | -250 000 |
| **Total transactions with owners and non-controlling interests** | **-** | **-** | **-250 000** | **-250 000** | **14 594** | **-235 406** |
| **Equity 31.12.2019** | **149 836** | **1 347 615** | **1 093 264** | **2 590 714** | **59 304** | **2 650 018** |

*Concerns addition non-controlling interests in Distral S.A. See note 19

| Amounts in NOK 1,000 | Equity to owners of Pelagia Holding AS | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Share premium | Other equity | Total | Non-controlling interests | Total equity |
| **Equity 01.01.2020** | **149 836** | **1 347 615** | **1 093 264** | **2 590 714** | **59 304** | **2 650 018** |
| Result for the period | - | - | 254 627 | 254 627 | 332 | 254 960 |
| Other comprehensive income | - | - | 25 194 | 25 194 | -564 | 24 630 |
| **Total comprehensive income for the period** | **-** | **-** | **279 822** | **279 822** | **-232** | **279 589** |
| Non-controlling interests on aquisition of subsidiary* | | | | | - | - |
| Dividends paid | - | - | -200 000 | -200 000 | - | -200 000 |
| **Total transactions with owners and non-controlling interests** | **-** | **-** | **-200 000** | **-200 000** | **-** | **-200 000** |
| **Equity 31.12.2020** | **149 836** | **1 347 615** | **1 173 085** | **2 670 535** | **59 072** | **2 729 608** |

Dividend of 200 MNOK has been proposed for 2020.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| All figures in NOK 1,000 | | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Result before tax expense | | 314 334 | 626 482 |
| Adjusted for: | | | |
| - Depreciations | 7, 8, 16 | 246 371 | 221 148 |
| - Taxes paid | 14 | -48 825 | -38 763 |
| - Share of result using the equity method | 9 | -28 551 | -49 530 |
| - Interest expenses net | 15 | 69 675 | 58 285 |
| - Foreign exchange losses on financial investments | 15 | 45 329 | 1 319 |
| - Proceeds from sale of property, plant and equipment | 20 | 3 023 | -7 093 |
| -Other profits | 4 | - | -105 385 |
| Change working capital: | | | |
| - Change trade receivables | | -54 387 | 330 622 |
| - Change inventories | | -175 177 | -112 666 |
| -Change trade payables | | -177 543 | -176 623 |
| - Change other accruals | | -27 948 | -165 928 |
| **Net cash flows from operating activities** | | **166 300** | **581 869** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary | 19 | - | -82 276 |
| Acquisition of shares | | - | -1 362 |
| Other profits | 4 | - | 105 385 |
| Purchase of property, plant and equipment | 7, 8 | -337 773 | -396 756 |
| Purchase of other intangible assets | | - | -17 568 |
| Proceeds from sale of property, plant and equipment | 8 | 5 137 | 10 900 |
| Interest received | 15 | 27 856 | 27 445 |
| Dividends received | 9 | 30 000 | 15 000 |
| **Net cash flows from investing activities** | | **-274 780** | **-339 231** |
| | | | |
| **Cash flows from financing activities** | | | |
| Loan raising | 15 | 2 433 678 | - |
| Repayment of non-current liabilities | 15 | -647 894 | -115 633 |
| Net change bank overdraft | 15 | -1 277 364 | 243 744 |
| Repayment lease liabilities | 15, 16 | -24 623 | -34 037 |
| Interest paid | 15 | -97 531 | -85 730 |
| Dividends paid to parent company's shareholders | | -200 000 | -250 000 |
| **Net cash flows from financing activities** | | **186 266** | **-241 657** |
| | | | |
| **Change in cash and cash equivalents net** | | **77 787** | **982** |
| | | | |
| Net cash and cash equivalents as at 1 January | | 93 463 | 92 481 |
| | | | |
| **Net cash and cash equivalents per 31 December** | | **171 249** | **93 463** |

**Note 1**
**Accounting policies**

**General information**
All amounts are in NOK 1,000 unless otherwise stated.

Pelagia is a group within production, sale and distribution of fish meal/fish oil and pelagic fish for consumption. Pelagia is an important party within pelagic sector in the North Atlantic. The main office is in Bergen.

**Group structure**
The consolidated financial statements comprise the parent company Pelagia Holding AS and the following subsidiaries and associated companies:

| Subsidiary | Registered office | Parent company | Owner share |
|---|---|---|---|
| Pelagia AS | Bergen | Pelagia Holding AS | 100 % |
| Sirevåg Fryselager AS | Sirevåg | Pelagia AS | 67 % |
| Mat Miljølaboratoriet AS | Måløy | Pelagia AS | 100 % |
| Pelagia Technologies AS | Bergen | Pelagia AS | 100 % |
| Pelagia Innovation AS | Bergen | Pelagia AS | 100 % |
| Norsildmel Innovation AS | Bergen | Pelagia AS | 100 % |
| Norsildmel Hellas Ltd | Athens | Norsildmel Innovation AS | 100 % |
| Epax Norway AS | Ålesund | Pelagia AS | 100 % |
| Epax Pharma Holding UK Unlimited | UK | Pelagia AS | 83 % |
| Epax Pharma Holding UK Unlimited | UK | Epax Norway AS | 17 % |
| Pelagia Denmark AS | Danmark | Pelagia AS | 100 % |
| Pelagia Ukraine LLC | Ukraina | Pelagia AS | 72 % |
| Iorua Ltd. | Irland | Pelagia AS | 100 % |
| Boru Unlimited | Irland | Pelagia AS | 100 % |
| Pelagia Feed (Ireland) Limited* | Irland | Pelagia AS | 100 % |
| Pelagia (UK) Limited | UK | Pelagia AS | 100 % |
| Pelagia (Greenock) Ltd | UK | Pelagia (UK) Limited | 100 % |
| Pelagia Shetland Ltd. | UK | Pelagia AS | 77 % |
| Pelagia Bressay | UK | Pelagia AS | 100 % |
| Distral S.A | Athens | Pelagia AS | 67 % |
| Projekt Skagen AS | Denmark | Pelagia AS | 100 % |

| Associated companies and joint ventures | Registered office | Financial interest |
|---|---|---|
| Hordafor AS | Austevoll | 50 % |
| TD Moreproduct | Ukraine | 50 % |
| North Cap. Honningsvåg AS **) | Honningsvåg | 50 % |

*) Pelagia Feed (Ireland) Limited, included in the consolidated financial statements of Pelagia Holding AS, has made use of the right to omit publication of the company accounts to «Registrar of Companies» in accordance with Section 357 in «the Companies Act 2014». The company has met the requirements in section 357(a) to 357(h).

**) 50% of the company is owned directly through Pelagia AS and 25% is owned indirectly through Hordafôr AS.

**Basis for preparation**

Below are stated the principal accounting policies used in the preparation of the consolidated financial statements.

**Framework for the preparation of the financial statements**

The consolidated financial statements of Pelagia Holding AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), as adopted by the EU. For the presented consolidated financial statements there are no differences between IFRS as adopted by EU and IASB.

The consolidated financial statements have been prepared under the modified historical cost convention. The deviations mainly concern financial assets and liabilities (including derivatives) at fair value over profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. Areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2 to the financial statements.

The consolidated financial statements have been prepared under the going concern assumption.

**Revenue recognition**

Revenue is measured at fair value of the consideration, net after deduction of discounts and value added tax. Revenue is recognised when it can be reliably measured, it is probable that the transactions will generate future economic benefits that will accrue to the company and the criteria described below have been fulfilled. Revenues from the sale of goods are recognised in the income statement when the majority of risks and rewards have been transferred to the buyer. No special discounts are granted, the prices vary and are agreed for each individual delivery. Standard payment terms are used to the largest extent possible but may vary based on delivery terms and instrument of payment. Pelagia uses different Incoterms delivery terms to various customers. Recognition of revenue takes place at the time of delivery as defined in Incoterms for the actual delivery terms.

Sales orders for both pelagic fish for consumption and meal and oil are mainly transported by sea and by truck. Delivery terms most used are CIF (Cost Insurance Freight) and FOB (Free On Board). For both cases transfer of risk and control ordinarily takes place as soon as the goods have been loaded on board the ship.

**Consolidation and investment in associated companies**

*Subsidiaries*

Subsidiaries are all entities over which Pelagia has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. Non-controlling interests in the acquiree are measured either at their fair values or their share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If the acquisition is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interests in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration is recognised at fair value at the acquisition date. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Other contingent consideration is measured continuously at fair value in profit or loss.

If the consideration (including any non-controlling interests and fair value of previously held equity) exceeds fair value of identifiable assets and liabilities acquired, it is recognised as goodwill. If the consideration (including any non-controlling interests and fair value of previously held equity) amounts to less than fair value of net assets in the subsidiary as a consequence of an acquisition on favorable terms, the difference is accounted for as gain in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. Transactions with non-controlling interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. For further acquisitions the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the equity of the parent company's owners. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if Pelagia had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

*Associates*

Associates are all entities over which Pelagia has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The investment is recognised at acquisition cost on the date of acquisition. The carrying amount includes any implicit goodwill identified on acquisition.

If the ownership interest in an associate is reduced but Pelagia retains significant influence, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Pelagia's share of profit or loss in associates is recognised in the income statement and is added to the carrying value of the investment. Pelagia's share of other comprehensive income in the associate is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables) Pelagia does not recognise further losses, unless Pelagia has incurred legal or constructive obligations or made payments on behalf of the associate.

Pelagia determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to "Income from investment in associate" in the income statement.

Profits and losses resulting from transactions between Pelagia and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Pelagia.

Dilution gains and losses arising from investments in associates are recognised in the income statement.

*Joint ventures*

Pelagia has owner interests in joint ventures. Under IFRS 11 investments in joint arrangements are classified as either joint ventures or joint operations. Pelagia has merely owner interests in joint ventures. This implies that the parties have joint control of the rights to the activity's net assets. The Group's investment in joint ventures are accounted for using the equity method. Accounting in accordance with the equity method equals that of associates.

**Foreign currency translation**

Items included in the financial statements of each of Pelagia's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in NOK, which is both the functional currency of the parent company and the Group's presentation currency. All Norwegian entities of the Group use NOK as their functional currency, while foreign companies use local currency as their functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Share of result from associates are translated at average rate of exchange. Share of equity (including goodwill and excess values) are translated at the exchange rate prevailing on the balance sheet date. Translation differences are recognised in other comprehensive income.

**Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and write-down. When assets are sold or disposed of, the cost price and accumulated depreciations are reversed in the accounts and any loss or profit resulting from the realisation is recognised in the income statement.

The cost price of the asset is the purchase price, including fees/taxes and direct purchase expenses connected to putting the asset into service. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is recognised in the income statement. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Plant in progress is classified as property, plant and equipment and recognised at incurred costs related to the asset. The plants are not depreciated before they are ready for use.

Depreciation is calculated over the following periods:

| | |
|---|---|
| Machines and equipment | 5-20 years |
| Operating movables, furniture, fittings etc. | 2-10 years |
| Buildings and plants | 10-50 years |
| Right of use for leased assets | 4-8 years |

Depreciation period and depreciation method are reviewed annually to ensure that the method and period used are in accordance with the economic realities related to the asset. The same applies for scrap value. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

**Leases**

Leases where the company has control of an identified asset when determining the use and receiving the financial benefits, are recognised in the balance sheet from the time the company gains control of the asset. The lease liability is measured at the present value of future fixed lease payments corresponding to the associated right of use of the asset. The discount rate used is equal to the company's marginal borrowing rate. As basis for determining the lease term is used the irrevocable lease term adjusted for extension options that are reasonably certain that the company will exercise. Each lease payment is allocated between interest expense and liability instalment.

Depreciation period for the right of use of assets is determined based on estimated useful life of the asset and the lease term and in accordance with Pelagia's other depreciation policies. Pelagia has chosen to make use of the recognition exceptions for short-term leases and leases where the underlying asset has low value. Leases with lease term twelve months or less have not been recognised in the balance sheet but recognised as expense directly in the income statement. The same applies for leases where the underlying asset has value lower than NOK 50 000.

**Intangible assets and goodwill**

Intangible assets are recognised in the balance sheet if it can be demonstrated that probable future economic benefits may be generated that can be assigned to the asset that is owned by the Group and the cost price of the asset can be reliably estimated. Intangible assets are accounted for at cost price. Intangible assets whose useful life is indefinite are not subject to depreciation but can be written down if recoverable amount is lower than cost price.

Goodwill arises on the acquisition of an entity and constitutes consideration transferred less Pelagia's share of fair value of net identifiable assets and liabilities in the acquired entity. In addition goodwill may arise on acquisition if non-controlling interests are measured at fair value at the date of acquisition.

Intangible assets with limited useful life are depreciated using the straight-line method over their estimated useful lives. The depreciation estimate and depreciation method are subject to an annual review based on the economic realities.

Recoverable amount at the balance sheet date is calculated annually for goodwill and assets whose useful life is indefinite.  An impairment loss is recognised when carrying value of an asset or cash generating unit exceeds its recoverable amount. Impairment loss is recognised in the income statement.

**Impairment of non-financial assets**

The recoverable amount is the higher of an asset's net selling price and value in use. The value in use is calculated by discounting expected future cashflows to present value by using pre-tax discount rate, reflecting the market's price setting of the time value of money and the risk related to the specific asset. For assets that are not mainly generating independent cash flows the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment calculated for cash generating units is divided so that carrying value of any goodwill in cash generating units is reduced first. Subsequently, the remaining impairment is distributed on the other assets in the unit proportionally based on carrying values.

**Cash generating units (CGU):**

Based on fish species and quality, parts of the raw materials are used for human consumption (FOOD) while the rest is used for production of fish meal and fish oil (FEED). Pelagia operates several factories that produce within both FOOD and FEED.  Choice of production location for the actual raw material is based on capacity and a continuous assessment of what is the most efficient production for the Group based among other things on quality and logistics. Due to varying quotas and seasonal production there may be excess of production factories compared to the supply of raw materials. As the number of factories and locations are strategically important for the supply and pricing of raw materials the value of the factories must be regarded as a whole (and as part of a portfolio). The need for impairment of pelagic human consumption factories to utility value is therefore tested based on the portfolio idea. The factories are considered parts of clusters based on prevailing criteria. The clusters are assessed as separate cash generating units.

In connection with the acquisition of Epax in 2017 the Group acquired a third CGU: Health. Epax is one of the world's leading companies for delivery of high-concentrated omega-3 ingredients to leading brands within food supplement and pharmaceutical products.

**Financial assets and liabilities**

*Financial assets*
Financial assets include trade receivables, cash, other receivables and other financial assets. Financial assets are initially recognised at fair value and subsequently measured classified in the following categories:
At amortised cost and fair value through profit or loss. The classification is made based on the financial asset's contractual cash flow characteristics and the business model of the enterprise. The company's receivables are held within a business model in order to collect contractual cash flows and are therefore measured at amortised cost. Equity instruments in other companies are measured at fair value through profit or loss.

Financial assets are derecognised when the rights to contractual cash flows from the financial asset expire or the company transfers the financial asset.

*Financial liabilities*
Financial liabilities include borrowing, trade payables and other financial liabilities. Financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost. Financial liabilities are derecognised when the liability of the contract has been fulfilled through payment, cancelled or expired.

**Derivatives and hedging**
Pelagia uses derivatives for hedging purposes. Forward exchange contracts are mainly used for such purposes. Derivatives are measured at fair value with value changes through profit or loss. The group does not apply hedge accounting.

**Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognised in the balance sheet at the transaction price which is estimated to be equivalent to fair value. For later measurement the trade receivables are valued at amortised cost, less expected loss. Changes in the provision are recognised as other operating expenses.

**Borrowings and trade payables**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless an unconditional right exists to postpone payment of the debt for more than 12 months from the balance sheet date.

**Inventories**

Inventories are stated at the lower of acquisition cost and net realisable value. Acquisition cost is determined using specific assignment. Pelagia does not consider the various production batches of fish or fish meal and fish oil to be directly interchangeable, because of the production date being an important characteristic for the product. Due to significant fluctuations in the market for raw materials this accounting principle involves that acquisition cost for different consignments has corresponding variability.

For finished goods and goods in progress acquisition cost consists of expenses for purchase of raw material, direct wage costs, other direct costs and indirect production costs (based on normal capacity). Borrowing costs are not included. Net realisation value is estimated selling price less variable costs for completion and sale.

**Cash and cash equivalents**

Consist of cash in hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Pelagia has a multi-currency drawing facility. Net deposits are presented as cash and cash equivalents. Any bank overdrafts at the balance sheet date are classified as current liabilities to credit institutions.

**Share capital and premium**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

Where any group company purchases the company's equity share the consideration paid, including any directly attributable incremental costs net of income taxes is deducted from equity (attributable to the company's equity holders) until the shares are cancelled, reissued or disposed of. Where such ordinary shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Pelagia's equity holders.

Dividend payments to Pelagia's shareholders are classified as liability from the date the dividend has been approved by the General Meeting.

**Current and deferred income tax**

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, unless it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of fthe reversal of the temporary difference is controlled by Pelagia and it is probable that they will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforcable right to offset current tax assets against current tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Pension obligations**

The pension schemes are generally financed through payments to an insurance company or pension funds determined by periodic actuary estimates. The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or other obligation to pay further contributions once the contributions have been paid if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plan the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as wage costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

Per 31.12.2020 the Group has a defined benefit pension scheme of immaterial size. This scheme relates to entities included in the Group in 2019.

**Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. If the impact is substantial, the provision is calculated by discounting expected future cash flows with a pre-tax rate that reflects current market assessments of the time value of money and, if relevant, the risks specific to the obligation.

Provisions for restructuring costs are recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either been started or made public. Provisions are not recognised for future operating losses.

**New and changed standards implemented in 2020**

Pelagia has implemented the following new IFRS-standards effective from 01.01.2020:

*The definition of materiality – amendments in IAS 1 and IAS 8*

Amendments have been made in IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors, so that materiality is consistently defined in the standards and the framework. It is stated when information is material and further guidance is provided in IAS 1 about immaterial information

The amendments clarify in particular: › that the term to obscure material information (p30A) applies to situations where the impact is that the information is omitted or misleading and that the entity assesses materiality compared to the financial statements as a whole, and › who are the primary users of financial statements for general use against whom the financial statements are to be addressed by defining them as present and potential investors, lenders and other creditors who depend on the financial statements for general use for large parts of the financial information they need.

*Definition of business – amendments in IFRS 3*

The revised definition of business requires that an acquisition includes at least one input factor and a substantial process which together contribute essentially to create an output. The definition of the term output has been changed to focus on goods and services to customers, generation of income from investments and other income. The term excludes return in the form of lower expenses and other economic benefits. The changes will probably result in more acquisitions being accounted for as acquisition of assets.

*Reference rate reform – Amendments in IFRS 7, IFRS 9 [and IAS 39]*

The amendment represents certain reliefs related to the reference rate reform. The reliefs apply to hedge accounting and involve that the reform in general does not entail hedge accounting to be closed. Any ineffective hedging shall still be recognised in the income statement. Considering the radical quality of hedging that involve IBORbased contracts, the reliefs will impact companies of all types of industries.

*Revised conceptual framework for financial reporting*

IASB has presented a revised conceptual framework that will be used for setting of standards with immediate effect. Important changes include to: › attach more weight to the management's responsibility of stewardship in the goal of financial reporting › reintroduce caution as a subset of neutrality › define a reporting entity, that can be a legal entity, or a part of an entity › update the definitions of an asset and a liability › eliminate the probability limit for recognition and add guidance for derecognition › provide more guidance on various measuring foundations, and › emphasize that the income statement is the most important measure of performance and that income and expenses in statement of comprehensive income should be recycled when it strengthens the relevance or gives a more credible representation. No amendments will be made in any of the present accounting standards. Accountable units who depend on the framework to establish their accounting policies for transactions, events or circumstances that are not regulated in the accounting standards must, however, make use of the revised framework from 1 January 2020. They must assess whether the accounting policies are still in accordance with the revised framework.

## Note 2
## Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Inventories**
Inventories are stated at the lower of acquisition cost and net realisable value. The prices of the Group's products are sensitive due to currency conditions, changes in purchase price, quotas and catch volume and other market related circumstances.

An estimate of net realisable value on the balance sheet date is performed by the sales department and is to a large extent based on actually obtained prices in the market around the balance sheet date. Factors as age and product quality are also included in the assessment of net realisable value. See note 10 for information about impairment made at the balance sheet date.

**Trade receivables**
Trade receivables require use of judgements in the assessment of provision for bad debts. Provision is made when there are objective indicators that the Group will not receive settlement in accordance with original terms. See note 11 for further information about trade receivables.

**Property, plant and equipment**
Depreciation periods (useful life) and depreciation method are assessed annually to ensure that the method and period used are in accordance with the financial realities of the asset. The same applies for scrap value.

When carrying value of an operating asset exceeds estimated recoverable amount, the value is impaired to recoverable amount.

Choice of production site for the actual raw material is based on capacity and a continuous evaluation of the most efficient production for the Group, among other things based on quality and logistics. On this background there can be very different volume on the various production sites, which affects the results on the different locations. Therefore, it is natural to consider the portfolio of production sites within each segment as a total cash generating unit.

**Provision for lease liabilities**
For plants with low degree of utilisation the value of future residual liability is assessed continuously. See note 16 for further description.

**Intangible assets and goodwill**
Pelagia performs impairment tests for goodwill annually. Recoverable amounts from cash generating units have been determined based on calculations of assumed value in use. These calculations require the use of estimates and are further described in note 7.

**Assessment of accounting policy - Cash generating units**
Pelagia has several production facilities in the consumption activity. Due to variations in quotas and seasonal production there may be excess capacity in production plants compared to the supply of raw materials. As number of plants and sites are of strategic importance for the supply and pricing of raw materials, the value of the plants has to be considered as a whole (and as part of a portfolio). Impairment tests of pelagic consumption plants at value in use are therefore made based on a portfolio mind of thinking. The plants are assessed as part of groups based on given criteria. The groups are considered separate cash generating units.

**Note 3**
**Financial instruments and risk management**

**Financial risk management**
The group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. To some extent, the group uses derivative financial instruments to hedge certain risk exposures.  The risk management is carried out by a central treasury department under policies approved by the board of directors.

**a) Market risk**

i) Currency risk
Currency risk arises when future commercial transactions or carrying assets and liabilities are denominated in a currency which is not the entity's functional currency.

The group is exposed to currency risk through cash flows in foreign currency. A substantial part of the turnover will normally be in foreign currency, while the expenses are mainly in Norwegian Kroner.

Over time there is a correlation between market prices translated into Norwegian Kroner and the prices of raw materials. Changes in market prices translated into Norwegian Kroner will therefore over time be reflected in the prices of raw materials and eliminate parts of the currency risk. In order to manage the currency risk arising from future transactions and recognised assets and liabilities, entities in the group use forward exchange contracts. The company has some investments in foreign subsidiaries where net assets are exposed to currency risk by translation.

The entities in the group have different functional currencies, the most important being  NOK and GBP. Changes in foreign exchange rates that affect trade receivables, other receivables, and liabilities in currencies  other than the entity's functional currency will have direct impact on the income statement at year end.

| **Currency position 31.12.** | **GBP (1000)** | **DKK (1000)** | **USD (1000)** | **EUR (1000)** | **JPY (1000)** |
|---|---|---|---|---|---|
| Trade receivables | 3 345 | -27 | 27 769 | 21 283 | 168 938 |
| Advance payments customers | -246 | - | -5 | -0,43 | -12 |
| Forward exchange contracts / derivatives | -46 285 | -15 000 | -64 100 | -71 945 | -700 000 |
| Net withdrawal overdraft facility | -10 715 | -37 693 | 10 647 | 25 221 | 463 041 |
| Total | **-53 901** | **-52 721** | **-25 690** | **-25 441** | **-68 033** |

| **Trade receivables per currency (in NOK 1,000)** | **2020** | **2019** |
|---|---|---|
| GBP | 86 334 | 44 188 |
| USD | 211 656 | 253 512 |
| EUR | 353 015 | 388 706 |
| JPY | 13 984 | 38 158 |
| NOK | 189 438 | 57 496 |
| **Total** | **854 428** | **782 061** |

Carrying value of derivatives are all mainly connected to different currency derivatives.  Principally it concerns currency derivatives where the company sells currency. The group recognises derivatives at fair value with value change through profit or loss.

| **Derivatives (fair value in TNOK)** | **2020** | **2019** |
|---|---|---|
| USD | 52 571 | 19 170 |
| EUR | 17 837 | 9 155 |
| Other | 15 603 | 2 596 |
| **Total currency derivatives** | **86 011** | **30 921** |

At 31 December 2020, if NOK had strengthened by 10% against the following foreign currencies and all other variables were constant, the impact on the pre-tax result would be:

| **10 % increase NOK against** | **GBP** | **DKK** | **USD** | **EUR** | **JPY** |
|---|---|---|---|---|---|
| Net impact on result before tax | -62 775 | -7 418 | -21 920 | -26 638 | -563 |

The impact is calculated based on Pelagia's exposure to foreign currency on working capital and derivatives.
10 % weakening in NOK against the same currencies will give the opposite impact on the pre-tax result.

Corresponding changes in foreign currency rates at year-end on other currencies have been estimated not to have material impact on the result.

ii) Price risk
Pelagia is exposed to price changes for its sold products. Pelagia is also exposed to risk related to prices of pelagic raw materials. The group does not apply raw material derivatives to reduce the price risk.

iii) Interest rate risk
Pelagia's bank deposits and debt are subject to floating rate of interest. This involves that Pelagia is exposed to liquidity risk as a result of changes in the market interest rates. Pelagia does not apply derivatives to hedge from this liquidity risk. Pelagia's borrowings are to a large extent related to operations and vary in line with seasonal fluctuations and are differently drawn during the year. In order to maintain this flexibility Pelagia's debt is mainly based on floating rate of interest. Pelagia also has acquisition financing.

If the interest rates had been 1 % higher (lower) during the year, with all other vairables held constant, the pre-tax result would have been reduced (increased) by approx. MNOK 32,5 in 2020 as a result of floating interest rate on borrrowings and deposits. Equity would have been reduced (increased) by approx MNOK 25 in 2020. Sensitivity analysis is based on net interest bearing debt at year-end. The simulation is only carried out for debt items that represent the main part of Pelagia's interest positions.

**b) Credit risk**
The degree of credit risk varies based on the market segment in which Pelagia operates. The main part of the sales to Japan and Far East and Africa is based on prepayment and other forms of guranteed settlement, the counterparty risk is therefore low. In other markets, as Eastern Europe and EU it is necessary to sell shares of volume on credit in order to serve the markets. Pelagia has credit insurance with own risk for a large share of the customers, but will in periods be exposed without credit insurance for some of the customers. To handle risk, Pelagia has routines and systems for close follow-up of outstanding receivables. Internal credit limits have been established for customers where receivables are not secured throuth credit insurance. The internal limits are assessed based on the customer's financial position, history and any other factors. Pelagia's total credit exposure is mainly related to trade receivables. For further information, see note 10.

The group's credit risk at the balance sheet date can be summarized as follows:

| **Credit risk** | **2020** | **2019** |
|---|---|---|
| Trade receivables at nominal value | 645 584 | 871 999 |
| Covered by credit insurance and cash against documents | -519 422 | -607 361 |
| **Credit exposure trade receivables** | **126 163** | **264 638** |

Counterparty risk connected to credit insurance company and banks that have provided Letter of Credit is considered to be low.

**c) Liquidity risk**
Pelagic industry is capital demanding due to natural seasonal fluctuations. Pelagia is therefore focusing on having sufficient access to financing that ensures business opportunities and flexibility.

The table below specifies Pelagia's financial liabilities that are not derivatives classified pursuant to the maturity structure. The amounts in the table are non-discounted contractual cash flows (including interests based on the current interest rate level).

| **Maturity profile financial liabilities** | **2021** | **2022** | **2023** | **2024** | **After 2024** | **Sum** |
|---|---|---|---|---|---|---|
| Bank loan | 203 587 | 2 137 380 | 26 006 | 25 505 | 49 003 | 2 441 481 |
| Bond loan* | 33 660 | 33 660 | 33 660 | 33 660 | 933 660 | 1 068 300 |
| Leasing liabilities | 30 546 | 22 057 | 13 567 | 8 236 | 484 | 74 890 |
| Long-term not interest bearing loan | - | 3 162 | - | - | - | 3 162 |
| Bank overdraft | 407 132 | - | - | - | - | 407 132 |
| Trade payables and other liabilities | 501 933 | - | - | - | - | 501 933 |
| **Total** | **1 176 858** | **2 196 259** | **73 233** | **67 401** | **983 147** | **4 496 897** |

*The bond loan has maturity in total in 2025.

**Capital management**
Pelagia's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the capital costs.

In order to improve the capital structure, Pelagia may adjust the level of dividends to shareholders, return capital to shareholders, issue new shares or sell assets to repay borrowing.

The financing is in the parent company and consists of an amortized loan of MNOK 1 092 and a short-term overdraft facility (RCF) of MNOK 1 250. In additon a current multi-currency credit facility of MNOK 1 500 has been established that has been drawn by MNOK 407. The company also has an available seasonal credit of MNOK 200.

The covenants consist of demands to equity ratio and interest cover ratio in the consolidated financial statements of Pelagia Holding AS.

In addition the parent company per 31.12.2020 has entered into a bond loan of MNOK 900 with maturity in 2025. There are covenants in the bond agreement related to equity ratio (30%) and interest coverage ratio (4.0x). The loan bears interest 3M NIBOR + 3,25%.

Booked equity ratio and interest cover ratio are shown in the table below:

| **Equity ratio** | **2020** | **2019** |
|---|---|---|
| Booked equity | 2 729 608 | 2 650 018 |
| Total assets | 7 029 257 | 6 624 852 |
| Equity % | 38,8 % | 40,0 % |

| **Interest cover ratio** | **2020** | **2019** |
|---|---|---|
| EBITDA* | 654 879 | 765 777 |
| Net interest expenses | 69 675 | 58 285 |
| Interest cover ratio | 9,4 | 13,1 |

* EBITDA does not include single profit related to sale of subsidiary TNOK 105 385 in 2019.

**Financial instruments**

| 31.12.2020 | **Amortised cost** | **Fair value through profit and loss** | **Fair value over comprehensive income** | **Total** |
|---|---|---|---|---|
| *Assets* | | | | |
| Other investments | - | 1 855 | - | 1 855 |
| Other receivables | 9 476 | - | - | 9 476 |
| Trade receivables and other current receivables* | 865 077 | - | - | 865 077 |
| Currency derivatives | - | 86 011 | - | 86 011 |
| Cash and cash equivalents | 171 249 | - | - | 171 249 |
| **Total** | **1 045 802** | **87 866** | **-** | **1 133 668** |
| *Liabilities* | | | | |
| Debt to credit institutions | 2 743 901 | - | - | 2 743 901 |
| Bond loan | 889 380 | - | - | 889 380 |
| Other long-term not interest bearing debt | 3 162 | - | - | 3 162 |
| Leasing liabilities | 67 594 | - | - | 67 594 |
| Trade payables and other current liabilities | 501 933 | - | - | 501 933 |
| **Total** | **4 205 970** | **-** | **-** | **4 205 970** |

| 31.12.2019 | Amortised cost | Fair value through profit and loss | Fair value over comprehensive income | Total |
|---|---|---|---|---|
| *Assets* | | | | |
| Other investments | - | 1 563 | - | 1 563 |
| Other receivables | 5 942 | - | - | 5 942 |
| Trade receivables and other current receivables* | 798 513 | - | - | 798 513 |
| Currency derivatives | - | 30 921 | - | 30 921 |
| Cash and cash equivalents | 93 463 | - | - | 93 463 |
| **Total** | **897 919** | **32 484** | **-** | **930 403** |
| *Liabilities* | | | | |
| Debt to credit institutions | 3 124 681 | - | - | 3 124 681 |
| Leasing liabilities | 92 216 | - | - | 92 216 |
| Trade payables and other current liabilities | 664 054 | - | - | 664 054 |
| **Total** | **3 880 952** | **-** | **-** | **3 880 952** |

*Trade receivables and other current receivables excl. of prepayments and public duties owing, cf. Note 11.

**Assessment of fair value**

The table below shows financial instruments at fair value according to valuation method. The various levels have been defined as follows:

- Level 1: Listed price in an active market for an identical asset or liability.
- Level 2: Valuation based on other observable factors than noted prices (used in level 1), either directly (price) or indirectly (derived from prices) for the asset or the liability.
- Level 3: Valuation based on factors not provided from observable markets (non-observable prerequisites).

**31.12.2020**

| **Assets** | **Nivå 1** | **Nivå 2** | **Nivå 3** | **Total** |
|---|---|---|---|---|
| - Currency derivatives | - | 86 011 | - | 86 011 |
| - Other investments | - | - | 1 855 | 1 855 |
| **Total** | **-** | **86 011** | **1 855** | **87 866** |

**31.12.2019**

| **Assets** | **Nivå 1** | **Nivå 2** | **Nivå 3** | **Total** |
|---|---|---|---|---|
| - Currency derivatives | - | 30 921 | - | 30 921 |
| - Other investments | - | - | 1 563 | 1 563 |
| **Total** | **-** | **30 921** | **1 563** | **32 484** |

There were no transfers from level 1 to level 2 during the year.

The fair value of financial instruments traded in active markets is based on market prices at the balance sheet date. A market is regarded as active if the market prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The market price used for financial assets held by the group is the current bid price, for financial liabilities the current selling price is used. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, forward exchange contracts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, then the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

**Note 4**
**Sales revenues/segment information**

**Operating segments**
Pelagia's activities are divided into three segments; meal/oil (Feed), consumption (Food) and omega-3 (Health). The segment reporting is followed up by the Board of Directors as the top decision-maker.

*Meal/oil (Feed)*
The meal- and oil activity comprises production of fish meal, fish oil and concentrate of fish protein. The products are mainly sold to the aquaculture industry nationally.

*Consumption (Food)*
The consumption activity consists of receipt and processing of pelagic fish for consumption. Pelagic fish for human consumption is mainly frozen mackerel, herring and capelin catched with closing net or trawl in the Norwegian Sea and the North Sea. The company has production plants spread along the Norwegian coast. The fish is mainly subject to global export.

*Epax (Health)*
The activity consists of production of high-concentrate omega-3 ingredients. The product is used as ingredient for leading brands within food supplements and pharmaceutical products. Production plant for the activity is located in Ålesund. The product is mainly subject to global export.

| | 2020 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment information** | **Food** | **Feed** | **Health** | **Other gains** | ***Total*** | ***Food*** | ***Feed*** | **Health** | **Other gains** | ***Total*** |
| External operating income | 4 748 836 | 3 582 070 | 483 039 | - | *8 813 945* | *3 969 846* | *2 491 505* | *419 654* | - | *6 881 005* |
| Other gains | - | - | - | - | - | | | | 105 386 | *105 386* |
| **Total operating income** | 4 748 836 | 3 582 070 | 483 039 | - | *8 813 945* | *3 969 846* | *2 491 505* | *419 654* | 105 386 | *6 986 391* |
| Cost of goods | 4 068 798 | 3 092 535 | 233 969 | - | *7 395 302* | *3 362 776* | *1 807 530* | *240 292* | - | *5 410 598* |
| **Contribution margin** | 680 038 | 489 535 | 249 071 | - | *1 418 644* | *607 070* | *683 976* | *179 362* | - | *1 575 793* |
| Indirect wages | 206 789 | 84 869 | 27 856 | - | *363 275* | *180 423* | *92 116* | *67 998* | - | *340 537* |
| Indirect operating expenses ex. depreciation | 146 146 | 219 514 | 27 856 | - | *400 490* | *138 123* | *191 274* | *34 697* | - | *364 094* |
| Operating result before depreciation EBITDA | 327 104 | 185 152 | 142 623 | - | *654 879* | *288 524* | *400 586* | *76 667* | 105 386 | *871 162* |
| Income recognition related to acquisition | - | - | - | - | - | - | - | - | | - |
| Depreciation | 131 442 | 110 885 | 4 045 | - | *246 371* | *128 073* | *90 273* | *2 802* | | *221 148* |
| **Operating result EBIT** | **195 662** | **74 267** | **138 578** | - | ***408 507*** | ***160 451*** | ***310 313*** | ***73 865*** | **105 386** | ***650 014*** |
| Net interest | | | | | | | | | | |
| Result from associated company | - | **28 551** | - | - | *28 551* | - | *49 530* | - | - | *49 530* |
| Other financial items | | | | | | | | | | |
| **Result before tax** | | | | | | | | | | |

| **Sales revenues distributed on geographical markets** | **Food** | **Feed** | **Health** | **Other** | ***Total*** | ***Food*** | ***Feed*** | ***Health*** | ***Other*** | ***Total*** |
|---|---|---|---|---|---|---|---|---|---|---|
| Norway | 117 434 | 2 058 296 | 99 935 | - | *2 275 665* | *78 183* | *1 734 645* | *78 811* | - | *1 891 639* |
| Europe for the rest | 359 758 | 799 730 | 24 635 | - | *1 184 123* | *412 152* | *685 464* | *16 858* | - | *1 114 474* |
| Europe EU | 1 650 549 | 633 732 | 58 755 | - | *2 343 036* | *1 344 671* | *71 369* | *56 948* | - | *1 472 988* |
| Asia | 1 745 072 | 59 518 | 132 854 | - | *1 937 444* | *1 586 045* | - | *105 464* | - | *1 691 509* |
| Africa | 735 419 | - | - | - | *735 419* | *438 171* | - | - | - | *438 171* |
| North-America | 140 264 | 28 058 | 162 966 | - | 331 288 | 110 619 | - | 158 387 | - | 269 006 |
| Other | 338 | 2 735 | 3 895 | - | 6 968 | - | 28 | 3 191 | - | 3 219 |
| **Total** | **4 748 834** | **3 582 069** | **483 040** | **-** | **8 813 943** | **3 969 841** | **2 491 506** | **419 659** | **-** | **6 881 006** |

**Other profits**
The group Epax Pharma UK Ltd. with the factory SealSands was sold in 2019. Profit from the disposal of the subsidiary amounts to MNOK 105 and is recognised under other profits in the income statement.

**Note 5**
**Wage costs, full-time equivalents, remunerations etc.**

| **Specification of wage costs** | **2020** | **2019** |
|---|---|---|
| Wages | 571 279 | 496 618 |
| Payroll tax | 60 058 | 56 768 |
| Pension costs | 21 094 | 19 383 |
| Other remunerations | 9 808 | 10 754 |
| **Total** | **662 238** | **583 523** |
| | | |
| Average number of full-time equivalents | 901 | 838 |

| **Remunerations for excecutive employees:** | **Ordinary salary** | **Bonus** | **Other remuner.** | **Total remuner.** |
|---|---|---|---|---|
| CEO - Egil Magne Haugstad | 3 273 | 1 650 | 347 | 5 270 |

The CEO has a profit-based bonus scheme calculated from the group's pre-tax result. Bonus is 0.5 % of pre-tax result reduced by MNOK 100. The bonus is limited upward to 50 % of ordinary annual salary including holiday pay. In case of notice the general manager is entitled to a severance pay corresponding to 6 months fixed salary. Mutual notice period for general manager is 6 months.

A loan has been granted to the group's CFO of TNOK 3 341 at the end of 2020. The interest rate of the loan is equal to the standard interest rate and adequate security has been provided. No other loans or guarantees have been granted to the Board of Directors, the managing director or other executives or related parties. No profit sharing or options are available for the Board of Directors, other executives or other related parties.

**Shares owned by Board members and executive employees**

*The Board:*
The Chairman of the Board, Helge Singelstad, owns shares indirectly through his ownership in Austevoll Seafood ASA.
The Board members Helge Møgster and Arne Møgster own shares indirectly through their owner interests in Laco AS.
Board member Gustav Witzøe owns shares indirectly through his ownership in Kvarv AS.

*Executive employees:*
CEO Egil Magne Haugstad owns shares indirectly through his ownership in Egersund Fiskeri Investering AS.

**Remuneration paid to the members of the Board of Directors**

No Board of Directors' fee has been paid in 2020 or 2019.

**Auditor:**

| Auditor's fees exclusive of vat. | **2020** | **2019** |
|---|---|---|
| Statutory audit | 4 497 | 4 001 |
| Other certification services | 104 | 129 |
| Tax consultancy | 800 | 808 |
| Services other than audit | 356 | 230 |
| **Total** | **5 756** | **5 168** |

**Note 6**
**Specifications**

| **Other operating expenses** | **2020** | **2019** |
|---|---|---|
| Variable lease, short-term leasing agreements and lease of assets of minor value | 22 280 | 20 963 |
| Repair and maintenance | 175 534 | 164 017 |
| IT-expenses | 59 804 | 35 256 |
| Bad debts | -11 991 | 2 374 |
| Other expenses | 150 053 | 141 483 |
| **Total other operating expenses** | **395 681** | **364 094** |

| **Specification of other current liabilities** | **2020** | **2019** |
|---|---|---|
| Wages and public duties owing | 71 771 | 69 313 |
| Prepayments received* | 105 536 | 97 914 |
| Incurred costs | 53 950 | 108 308 |
| Other current liabilities | 59 922 | 223 |
| **Total other current liabilites** | **291 179** | **275 757** |

*Concerns received prepayments from customers in the consumption segment (Food).

**Note 7**
**Intangible assets**

| | Other intangible assets | Goodwill | Customer portfolio | Total |
|---|---|---|---|---|
| Acquisition cost 01.01.20 | 34 124 | 805 908 | 69 700 | 909 732 |
| Translation differences | - | 8 339 | - | 8 339 |
| Additions | - | - | - | - |
| **Acquisition cost 31.12.20** | **34 124** | **814 247** | **69 700** | **918 071** |
| | | | | |
| Accumulated depreciations 01.01 | 5 988 | - | 66 664 | 72 652 |
| Depreciations | 4 181 | - | 1 002 | 5 183 |
| **Accumulated depreciations and write-down 31.12.2020** | **10 168** | **-** | **67 667** | **77 835** |
| | | | | |
| **Book value 31.12.2020** | **23 956** | **814 247** | **2 033** | **840 236** |
| | | | | |
| Straight-line depreciation periods | 5 years | | | |

| | Other intangible assets | Goodwill | Customer portfolio | Total |
|---|---|---|---|---|
| Acquisition cost 01.01.19 | 5 740 | 748 815 | 69 700 | 824 255 |
| Translation differences | - | 7 868 | - | 7 868 |
| Additions | 28 384 | 49 225 | - | 77 609 |
| **Acquisition cost 31.12.19** | **34 124** | **805 908** | **69 700** | **909 732** |
| | | | | |
| Accumulated depreciations 01.01 | 3 497 | - | 62 067 | 65 564 |
| Write-down | 2 491 | - | 4 597 | 7 088 |
| **Accumulated depreciations and write-down 31.12.2019** | **5 988** | **-** | **66 664** | **72 652** |
| | | | | |
| **Book value 31.12.2019** | **28 136** | **805 908** | **3 036** | **837 079** |

Value of customer portfolio identified in the acquisition analysis in 2014 is based on expected earnings and estimated customer exit. This is reflected in the depreciation profile, which is degressive.

The management assesses profitability within the segments consume (food) and meal/oil (feed) and omega-3 (health). These are also considered cash generating units.

The following is a statement of allocation of book value of intangible assets.

| **Segment** | **Other intangible assets** | **Goodwill** | **Customers** | **Total** |
|---|---|---|---|---|
| Feed | - | 765 647 | - | **765 647** |
| Food | 5 988 | - | - | **5 988** |
| Health | - | - | - | **-** |
| **Total intangible assets** | **5 988** | **765 647** | **-** | **771 635** |

Goodwill is monitored at segment level, involving a group of cash generating units. Recoverable amount is calculated based on value in use, i.e. on budgeted future cash flows based on the budget for 2021 and prognoses to and inclusive 2025. After 2025 the terminal value is  calculated based on prognosis for 2025.

No impairment is considered necessary in 2020.

**Key assumptions used in the calculation of value in use:**

| | Feed | Food | Health |
|---|---|---|---|
| Budget period (year) | 5 | 5 | 5 |
| Growth rate terminal calculation | 1,5 % | 1,5 % | 1,5 % |
| Required rate of return before tax (WACC) | 7,9 % | 7,9 % | 8,0 % |
| Asset Beta | 0,82 | 0,82 | 0,82 |
| EBITDA-margin in budget period (average) | 9,7 % | 7,0 % | 26,8 % |
| EBITDA-margin in terminal | 10,5 % | 6,0 % | 25,7 % |

In total Pelagia purchased approx. 1.1 mill tons of raw materials for its activities in 2020 compared to 1.0 mill tons in 2019. The volume expectations in the budget period are at the level of 2020. Calculation of terminal value is based on a total volume of 1.0 million tons.

The terminal value for FEED is calculated based on an EBITDA-margin of 10,5%. This is somewhat higher than the average for the period 2021-2025 which is 9.7%. The background is a turbulent market situation in 2020 and a gradual recovery is assumed. For the last years in the budget period (2023-25) the same margin as in the terminal is used. The margin used in the terminal is also below the actual margin achieved in the period 2015-2019.

**Sensitivity analysis:**
Estimated value in use is sensitive to changes in the assumptions, of which required rate of return and EBITDA-margin are the most important. The conclusion of the sensitivity analysis is that no impairment is needed in Feed, Food or Health based on an isolated change of assumptions, by:

a) increase in required rate of return by 1% - point or
b) reduced EBITDA-margin by 1% - point.

**Note 8**
**Property, plant and equipment**

| Property, plant and equipment 2020 | Land, buildings and other real property | Machines and equipment | Right of use leased assets | Operating movables | Total |
|---|---|---|---|---|---|
| **Acquisition cost 01.01.2020** | **1 251 941** | **1 794 021** | **76 047** | **26 837** | **3 148 845** |
| Translation differences | 5 722 | 27 293 | - | 66 | 33 081 |
| Additions | 61 466 | 275 722 | - | 585 | 337 773 |
| Acquisition business combination | 3 497 | 2 243 | | 10 | 5 750 |
| Disposals | -3 792 | -12 935 | - | -771 | -17 498 |
| **Acquisition cost 31.12.20** | **1 318 834** | **2 086 345** | **76 047** | **26 726** | **3 507 951** |
| | | | | | |
| Accumul. depreciatons and write-down 01.01. | **288 953** | **701 022** | **14 658** | **20 738** | **1 025 371** |
| Translation differences | 1 299 | 17 084 | - | 42 | 18 426 |
| Depreciations | 73 686 | 150 699 | 14 807 | 1 996 | 241 188 |
| Depreciation of disposals | -451 | -10 437 | - | -707 | -11 595 |
| **Acc. depreciation and write-down 31.12** | **363 487** | **858 368** | **29 465** | **22 070** | **1 273 390** |
| **Book values 31.12.2020** | **955 346** | **1 227 977** | **46 582** | **4 656** | **2 234 559** |
| | | | | | |
| Straight-line depreciation periods: | 10 - 50 years | 5 - 20 years | 4 - 8 years | 2 - 10 years | |

| Property, plant and equipment 2019 | Land, buildings and other real property | Machines and equipment | Leased operating assets | Operating movables | Total |
|---|---|---|---|---|---|
| **Acquisition cost 01.01.2019** | **1 124 897** | **1 431 782** | **57 381** | **24 037** | **2 638 096** |
| Impact on implementation IFRS 16 | - | - | 76 047 | - | 76 047 |
| Translation differences | 28 060 | 27 610 | - | 90 | 55 760 |
| Acquisition business combination | 22 | 677 | - | 621 | 1 320 |
| Buy out lease | - | 57 381 | -57 381 | - | - |
| Additions | 101 499 | 292 959 | - | 2 298 | 396 756 |
| Disposals | -2 537 | -16 388 | - | -209 | -19 134 |
| **Acquisition cost 31.12.19** | **1 251 941** | **1 794 021** | **76 047** | **26 837** | **3 148 845** |
| | | | | | |
| Accumul. depreciatons and write-down 01.01. | 210 860 | 495 184 | 48 469 | 18 161 | 772 674 |
| Translation differences | 11 815 | 32 496 | - | 87 | 44 398 |
| Depreciations | 65 851 | 130 731 | 14 786 | 2 692 | 214 060 |
| Buy out lease | - | 48 597 | -48 597 | - | - |
| Depreciation of disposals | 427 | -5 986 | - | -202 | -5 761 |
| **Acc. depreciation and write-down 31.12** | **288 953** | **701 022** | **14 658** | **20 738** | **1 025 371** |
| **Book values 31.12.2019** | **962 988** | **1 092 999** | **61 389** | **6 099** | **2 123 474** |
| | | | | | |
| Straight-line depreciation periods: | 10 - 50 years | 5 - 20 years | 4 - 8 years | 2 - 10 years | |

**Note 9**

**Shares in associated companies and joint ventures - the equity method**

| Company | Classification | Business address | Owner- / voting share |
|---|---|---|---|
| Hordafôr AS | Joint Vent. | Austevoll | 50 % |
| North Capelin Honningsvåg AS* | Joint Vent. | Honningsvåg | 50 % |
| TD Moreproduct | Associate | Nikolajev, Ukraine | 50 % |

* North Capelin Honningsvåg is owned 50 % directly by Pelagia AS. In addition, Pelagia AS owns 25 % indirectly through Hordafor AS' ownership of the remaining 50 %. North Capelin Honningsvåg and TD Moreproduct have been booked at 0 both at the beginning and at the end of the accounting year.

**Statement of share of result and book value**

| | IB | Dividend | Share of result | CB 31.12 |
|---|---|---|---|---|
| Hordafôr AS | 323 967 | -30 000 | 28 551 | 322 518 |
| **Total** | **323 967** | **-30 000** | **28 551** | **322 518** |

| | 2020 | 2019 |
|---|---|---|
| Share of result | 28 551 | 40 384 |
| Profit from existing owner share Norsildmel AS* | - | 9 145 |
| **Total share of result by the equity method** | 28 551 | **49 530** |

*For further information see note 19.

Below is a summary of income statement and balance sheet based on 100% figures 31.12.

**Summarised balance sheet**

| | Hordafôr |
|---|---|
| Cash and cash equivalents | 9 686 |
| Other current assets | 355 062 |
| Non-current assets | 436 894 |
| **Total assets** | **801 642** |
| | |
| Current financial liabilities | 191 823 |
| Non-current financial liabilities | 218 036 |
| **Total liabilities** | **409 859** |
| | |
| **Net assets** | **391 783** |

**Summarised income statement**

| | Hordafôr |
|---|---|
| Operating income | 931 574 |
| Depreciations | 44 962 |
| Net finance | -21 354 |
| Result before tax | 90 679 |
| Tax expense | 20 845 |
| **Result after tax** | **69 835** |
| | |
| Dividends received | 30 000 |

The summarised financial information from joint ventures presented above has been prepared based on the entity's preliminary financial accounts for 2020.

**Note 10**
**Inventories**

| | 2020 | 2019 |
|---|---|---|
| Raw materials | 52 362 | 61 067 |
| Goods in progress | 221 938 | 164 769 |
| Packing and supplements | 54 403 | 58 477 |
| Finished goods | 2 172 866 | 2 042 079 |
| Impairment of finished goods to net realisable value | -88 781 | -95 245 |
| **Total** | **2 412 787** | **2 231 146** |
| | | |
| Book value of inventory impaired to net realisable value | 910 963 | 1 005 829 |

**Note 11**
**Trade receivables and other receivables**

| **Trade receivables** | 2020 | 2019 |
|---|---|---|
| Trade receivables at nominal value | 926 386 | 871 999 |
| Provision for bad debts on trade receivables | -71 958 | -89 938 |
| **Trade receivables, net** | **854 428** | **782 061** |
| | | |
| **Other current receivables** | | |
| Owing vat | 57 565 | 143 549 |
| Prepaid expenses | 27 923 | 35 234 |
| Other receivables, loans etc. | 10 649 | 16 452 |
| **Other current receivables** | **96 137** | **195 235** |
| | | |
| **Total current receivables** | **950 564** | **977 296** |
| | | |
| **Non-current receivables** | | |
| Loan to related parties | 93 | 142 |
| Other loans | 9 383 | 5 800 |
| **Total non-current receivables** | **9 476** | **5 942** |

*Long-term loan is interest-bearing.*

| **Age distribution trade receivables** | | |
|---|---|---|
| Not due | 711 588 | 360 754 |
| < 30 days | 107 435 | 218 470 |
| 30-60 days | 23 504 | 140 898 |
| > 60 days | 83 859 | 151 877 |
| **Total** | **926 386** | **871 999** |

| **Age distribution of provision for bad debts** | | |
|---|---|---|
| Not due | 7 941 | 6 444 |
| < 30 days | 664 | 1 085 |
| 30-60 days | 399 | 596 |
| > 60 days | 62 954 | 81 813 |
| **Total** | **71 958** | **89 938** |

| **Expected credit loss** | | |
|---|---|---|
| Not due | 1,12 % | 1,79 % |
| < 30 days | 0,62 % | 0,50 % |
| 30-60 days | 1,70 % | 0,42 % |
| > 60 days | 75,07 % | 53,87 % |
| **Total** | 7,77 % | 10,31 % |

| **Change in provision for losses on trade receivables** | | |
|---|---|---|
| OB provision | 2 374 | 28 989 |
| Addition provision at acquisition | - | 58 575 |
| Reduction due to losses finally recorded | -5 989 | - |
| Reduction due to reversal of previous provisions | -21 364 | - |
| Increase due to new provisions | 9 373 | 2 374 |
| **Per 31.12** | **-15 606** | **28 989** |

| **Losses on accounts receivable recognised as expense** | | |
|---|---|---|
| Expensed loss on receivables | 5 989 | - |
| Change in provision loss on receivables | -17 980 | 2 374 |
| | **-11 991** | **2 374** |

Trade receivables are partly secured through credit insurance and other types of insurance (letter of credit, goods against documents etc.) The management assesses monthly the risk in outstanding receivables and makes provision for any receivables exposed to loss. The provision for losses on trade receivables mainly comprises receivables that have become due and have not been secured through credit insurance or in any other way. Separate assessments are made of the risk related to each individual customer. In addition a general provision is made for risk in the accounts receivable.

See note 3 for specification and distribution of trade receivables in different currencies and further about credit risk.

**Note 12**
**Restricted funds**

| | **2020** | **2019** |
|---|---|---|
| Restricted tax deductions | 28 286 | 24 985 |
| **Total restricted funds** | **28 286** | **24 985** |

**Note 13**
**Share capital, premium and shareholders' information**

| **Share capital and premium** | **2020** | **2019** |
|---|---|---|
| Number of shares | 149 835 600 | 149 835 600 |
| Nominal value (NOK) | 1 | 1 |
| | | |
| Share capital | 149 836 | 149 836 |
| Premium | 1 347 615 | 1 347 615 |
| **Total paid-in equity** | **1 497 451** | **1 497 451** |

| **Shareholder structure 31.12.** | **Shareholding** | **Shareholding** |
|---|---|---|
| Austevoll Seafood ASA | 74 917 800 | 74 917 800 |
| Kvefi AS | 74 917 800 | 74 917 800 |
| **Total** | **149 835 600** | **149 835 600** |

**Note 14**
**Tax expense, deferred tax asset and deferred tax**

| Tax expense of the year: | **2020** | **2019** |
|---|---|---|
| Current tax | 2 146 | 70 808 |
| Change in deferred tax | 39 717 | 9 199 |
| Change in deferred tax due to changed tax rate | - | -74 |
| **Total** | **59 374** | **79 932** |

| **Reconciliation from anticipated to effective tax expense:** | **2020** | **2019** |
|---|---|---|
| Result before tax | 314 334 | 626 482 |
| | | |
| Tax expense calculated by nominal tax rates 22% (23%) | 69 153 | 137 826 |
| Impact of lower effective tax rate abroad | -3 234 | -19 570 |
| Adjusted tax rate excess values | - | -7 615 |
| Non-taxable profit from the sale of shares | - | -18 162 |
| Share of result according to the equity method | -6 281 | -10 897 |
| Deferred tax assets recognised in the balance sheet | - | - |
| Other permanent differences | -264 | -1 577 |
| Change in deferred tax due to changed tax rate | - | -74 |
| **Tax expense in the income statement** | **59 374** | **79 932** |
| | | |
| Effective tax rate | 19% | 13% |
| Weighted nominal tax rate | 21% | 20% |

Nominal tax rate in 2020 is 22% in Norway, in UK and Ireland 19% and 12.5% respectively.

| **Specification of tax impact of temporary differences/FFU:** | **2020** | **2019** |
|---|---|---|
| Property, plant and equipment | 60 086 | 47 947 |
| Inventory | 2 367 | 1 856 |
| Receivables | -15 417 | -17 957 |
| Financing lease | -4 623 | -6 572 |
| Pension liability | -357 | -346 |
| Carry forward cut-off interest deduction | -21 468 | -22 761 |
| Other temporary differences | 24 318 | -5 508 |
| Carry forward loss for tax purposes | -4 697 | 3 832 |
| **Total** | **40 208** | **491** |
| | | |
| **Carrying deferred tax** | **40 208** | **491** |

| **Specification of change deferred tax in the income statement:** | **2020** | **2019** |
|---|---|---|
| Property, plant and equipment | 12 139 | -14 176 |
| Inventory | 511 | -6 087 |
| Receivables | 2 540 | -1 023 |
| Financing lease | 1 949 | -224 |
| Pension liability | -11 | 569 |
| Carry forward cut-off interest deduction | 1 293 | 14 450 |
| Other temporary differences inclusive of lease | 29 825 | 4 225 |
| Carry forward loss for tax purposes | -8 529 | 11 391 |
| **Total** | **39 717** | **9 125** |

| **Gross change in carrying deferred tax** | **2020** | **2019** |
|---|---|---|
| Opening balance 01.01. | 491 | 12 139 |
| Impact of business combinations | - | -21 813 |
| Recognised in the income statement in the period | 39 717 | 9 125 |
| Translation differences and other changes | - | 1 041 |
| **Closing balance 31.12.** | **40 208** | **491** |

| Payable tax in the balance sheet | 2020 | 2019 |
|---|---|---|
| Payable tax in the balance sheet 01.01. | 48 825 | 11 742 |
| Payable tax from business combinations | - | 3 795 |
| Payable tax for the year | 2 146 | 70 808 |
| Tax paid during the year | -48 825 | -38 763 |
| Translation differences | - | 1 244 |
| **Payable tax in the balance sheet 31.12.** | **2 146** | **48 825** |

**Note 15**
**Borrowings**

| Non-current | 2020 | 2019 |
|---|---|---|
| Bank loan | 2 182 136 | 805 925 |
| Bond loan | 889 380 | - |
| Lease liability | 37 097 | 62 982 |
| **Total non-current liabilities** | **3 108 613** | **868 907** |

| Current | | |
|---|---|---|
| First year's instalment non-current liabilities | 154 633 | 615 500 |
| First year's instalment lease | 30 498 | 29 234 |
| Bank loan and current overdraft facilities | 407 132 | 1 703 256 |
| **Total current liabilities** | **592 263** | **2 347 990** |

*Bank loan and bond loan are recognised at amortised cost. Transaction costs are accrued according to the effective interest rate-method.

See note 3 for further information about financial risk management.

**Carrying value and fair value of non-current borrowings**
Carrying value of Pelagia's borrowings is approximately equal to fair value, as the interest level reflects market conditions.

**Interest terms:**
Pelagia's interest terms are NIBOR plus margin. Margin is calculated based on equity ratio and the ratio between EBITDA divided on net interest expenses (interest coverage ratio).

**Currency:**
Pelagia's long-term debt is in NOK.

**Corporate account arrangement:**
All companies in the group participate in a multi-currency corporate account arrangement where the parent company Pelagia Holding AS is the main account holder. All participants are jointly and severally liable for the outstanding at the corporate account arrangement at any time.

The group had the following currency exposure connected to the corporate account arrangement per 31.12.2020:

| Currency | Currency amount | Foreign exchange rate 31.12 | NOK 31.12 |
|---|---|---|---|
| USD | 348 | 8,53 | 2 968 |
| JYP | 355 951 | 0,08 | 29 464 |
| **Total deposit on corporate account** | | | **32 432** |

| Currency | Currency amount | Foreign exchange rate 31.12 | NOK 31.12 |
|---|---|---|---|
| NOK | -204 455 | 1,00 | -204 455 |
| DKK | -67 296 | 1,41 | -94 692 |
| EUR | -4 963 | 10,47 | -51 968 |
| GBP | -7 595 | 11,65 | -88 449 |
| SEK | -0,06 | 1,04 | -0,06 |
| **Total debet on corporate account** | | | **-439 565** |
| | | | |
| **Net debet on corporate account arrangement** | | | **-407 132** |

Balance on corporate account is presented net in the balance sheet because debet on corporate account arrangement is considered to be one total financial instrument originating from a contract.

**Repayment profile interest bearing debt**

| | Bank loan | Bond loan | Lease liability | Overdraft facility | Total |
|---|---|---|---|---|---|
| 2021 | 154 633 | - | 30 498 | 407 132 | 592 263 |
| 2022 | 2 091 658 | - | 20 187 | - | 2 111 845 |
| 2023 | 24 000 | - | 11 670 | - | 35 670 |
| 2024 | 24 000 | - | 4 872 | - | 28 872 |
| 2025 | 24 000 | 900 000 | 367 | - | 924 367 |
| After 2025 | 24 000 | - | - | - | 24 000 |
| **Total** | **2 342 291** | **900 000** | **67 594** | **407 132** | **3 717 016** |

For further description of the group's financing, see note 3.

For summary of assets pledged as security and guarantees, see note 17.

**Change in liabilities related to financing**

| | Bank loan | Bond loan | Lease liability | Overdraft facility | Total |
|---|---|---|---|---|---|
| **31.12.2018** | **1 537 058** | **-** | **7 826** | **1 076 500** | **2 621 385** |
| Effect of implementation IFRS 16 | - | - | 118 427 | - | 118 427 |
| Cash flow | - | - | -34 037 | - | -34 037 |
| Repayment long-term borrowing | -115 633 | - | - | - | -115 633 |
| Addition from acquisition | - | - | - | 383 012 | 383 012 |
| Bank overdraft | - | - | - | 243 744 | 243 744 |
| **31.12.2019** | **1 421 425** | **-** | **92 216** | **1 703 256** | **3 216 897** |
| | | | | | |
| Instalment leasing debt | | - | -24 622 | - | -24 622 |
| Repayment of debt | -629 134 | - | - | - | -629 134 |
| Raising of new loan | 1 544 478 | 889 200 | - | - | 2 433 678 |
| Transaction costs at loan raising | | - | - | - | - |
| Amortising of transacion costs | - | 180 | - | - | 180 |
| Net payment to corporate account | - | - | - | -1 296 124 | -1 296 124 |
| **31.12.2020** | **2 336 769** | **889 380** | **67 594** | **407 132** | **3 700 875** |

| **Specification of financial income and financial expenses** | **2020** | **2019** |
|---|---|---|
| Interest income customers | - | - |
| Interest income bank | 27 856 | 27 445 |
| Other financial income | 6 761 | 1 882 |
| **Total financial income** | **34 617** | **29 327** |
| | | |
| Interest expenses borrowings | 88 227 | 84 097 |
| Interest expenses financing lease | 9 304 | 1 633 |
| Interest expenses suppliers | - | - |
| Disagio | 45 329 | 1 319 |
| Other financial expenses | 14 482 | 15 339 |
| **Total financial expenses** | **157 343** | **102 388** |
| | | |
| **Total net financial items** | **-122 726** | **-73 062** |

**Note 16**
**Lease liabilities**

**Carrying amount**

The following amounts have been recognised in the company's balance sheet:

| | 2020 | 2019 |
|---|---|---|
| **Right of use leased assets** | | |
| Property, including production facilities | 46 582 | 61 389 |
| Equipment, including machinery | - | - |
| | **46 582** | **61 389** |

| | 2020 | 2019 |
|---|---|---|
| **Lease liabilities** | | |
| Current | 30 498 | 29 234 |
| Non-current | 37 097 | 62 982 |
| | **67 594** | **92 216** |

**Maturity structure lease liability**

| Discounted cash flows | Property, incl. production facilities | Equipment, incl. Machinery | Total lease liability |
|---|---|---|---|
| Less than 1 year (next year) | 30 498 | - | 30 498 |
| 1-5 years | 37 096 | - | 37 096 |
| Over 5 years | - | - | - |
| **Total lease liability** | **67 594** | - | **67 594** |

**Items in the income statement - Depreciation and interest expenses**

The income statement presents the following amounts related to the lease liabilities:

| | 2020 | 2019 |
|---|---|---|
| **Depreciation related to right of use assets** | | |
| Property, including production facilities | 14 807 | 14 789 |
| Equipment, including machinery | - | - |
| **Total depreciation** | **14 807** | **14 789** |
| | | |
| **Interest expenses** | | |
| Interest expense on lease liability | | 9 304 |

**Note 17**

**Provisions of mortgage and guarantees**

| | 2020 | 2019 |
|---|---|---|
| <u>Book value of mortgaged assets:</u> | | |
| Land, buildings and other real propety | 955 346 | 962 988 |
| Machinery and plants | 1 227 976 | 1 092 999 |
| Operating movables, fixtures and fittings etc. | 4 656 | 6 099 |
| Trade receivables and other receivables | 960 040 | 983 239 |
| Inventory | 2 412 787 | 2 231 146 |
| **Total** | **5 560 805** | **5 276 470** |

**Note 18**
**Transactions with related parties (group)**

Pelagia is subject to joint operations (joint ventures) by Austevoll Seafood ASA and Kvefi AS.
The majority of transactions between related parties is purchase and sale of fish to and from associated companies.

The following transactions were accomplished between related parties:

| **a) Sale of goods and services** | **2020** | **2019** |
|---|---|---|
| Sale of goods | | |
| - Associated companies and joint ventures | 60 | 64 |
| - Holding company and its subsidiaries | 2 088 | 1 814 |
| **Total** | **2 148** | **1 878** |

| **b) Purchase of goods and services** | **2020** | **2019** |
|---|---|---|
| Purchase of goods | | |
| - Associated companies and joint ventures | - | 25 366 |
| - Holding company and its subsidiaries | 1 408 | 104 |
| Purchase of services | | |
| - Holding company and its subsidiaries | 16 664 | 11 730 |
| **Total** | **18 072** | **37 200** |

| **c) Trade receivable and trade payable balances** | **2020** | **2019** |
|---|---|---|
| Trade receivables related parties | | |
| - Associated companies and joint ventures | - | - |
| - Holding company and its subsidiaries | - | 4 |
| | | |
| Trade payables to related parties | | |
| - Associated companies and joint ventures | - | - |
| - Holding company and its subsidiaries | - | 826 |

**Note 19**

**Increased owner share in Norsildmel AS**

Pelagia entered into an agreement about acquisition of the remaining 50 % of the shares in Norsildmel AS with takeover 31.12.2019. Through this acquisition Pelagia has increased its owner share from 50% to 100% and obtained control in Norsildmel AS. The acquisition was made with accounting effect from 31.12.2019. The acquisition was completed at fair value. The table below shows the contribution divided on acquired assets and liabilities.

| **Contribution** | **31.12.2019** |
|---|---|
| Cash contribution | 93 249 |
| **Total contribution for increased owner share (50%)** | **93 249** |
| | |
| **Carrying value of identifiable assets and liabilities as a result of the acquisition** | |
| Goodwill | 18 325 |
| Deferred tax assets | 22 042 |
| Property, plant and equipment | 744 |
| Derivatives | 3 540 |
| Trade receivables | 239 213 |
| Inventory | 324 311 |
| Other current receivables | 53 042 |
| Cash and cash equivalents | 39 207 |
| Pension liability | -1 967 |
| Other interest bearing liabilities | -349 026 |
| Trade payables | -85 109 |
| Other current liabilities | -77 824 |
| **Total identifiable net assets** | **186 499** |
| | |
| **Calculation of excess value** | |
| Contribution for shares (50%) | 93 249 |
| Carrying value of previously held equity ratio | 84 104 |
| **Transaction value** | 177 353 |
| Net interest bearing liabilities | -348 257 |
| **Fair value of the operations** | 525 611 |
| | |
| Book value of the equity at the acquisition | 168 173 |
| Identified goodwill | 18 325 |
| | |
| Profit from previous owner share | 9 145 |
| **Total** | **9 145** |

In connection with the purchase price allocation goodwill was attached to the acquisition.
No material contingent contributions or contingent liabilities are connected to the acquisition.

**Acquisition Distral S.A**

Pelagia entered into an agreement about acquisition of 67% of the shares in Distral S.A with takeover 31 October 2019. The acquisition has accounting effect from 01.11.2019. The acquisition is completed at fair value. The table below shows the contribution divided on acquired assets and liabilities.

| **Contribution** | **31.10.2019** |
|---|---|
| Cash contribution | 29 021 |
| **Total contribution for the operations** | **29 021** |
| | |
| **Carrying value of identifiable assets and liabilities as a result of the acquisition** | |
| Goodwill | 30 900 |
| Other intangible assets | 10 816 |
| Property, plant and equipment | 3 821 |
| Inventory | 299 |
| Financial assets | 695 |
| Trade receivables | 17 416 |
| Inventory | 299 |
| Other non-current receivables | 2 965 |
| Cash and cash equivalents | 787 |
| Deferred tax | -2 596 |
| Trade payables | -20 982 |
| Other current liabilities | -804 |
| **Total identifiable net assets** | **43 615** |
| | |
| Contribution for the shares (100%) | 43 315 |
| Carrying value of equity at the acquisition | 4 197 |
| **Excess values identified at acquisition** | **39 118** |
| | |
| Goodwill | 30 900 |
| Other intangible assets | 10 816 |
| Deferred tax | -2 596 |
| **Total excess values** | **39 120** |
| | |
| Equity 100% | 43 615 |
| Non-controlling owner interests (at fair value) | -14 594 |
| **Total** | **29 021** |

There are no material contingent contributions or contingent liabilities connected to the acquisitions.

| **Cash flow impact from business combinations** | |
|---|---|
| Cash contribution acquisition of shares | -122 270 |
| Cash holdings at business combination | 39 995 |
| **Total cash flow impact from business combination** | **-82 276** |

**Note 20**

**Events after the balance sheet date**

No events have occured after the balance sheet date that have material impact on the presented financial statements.
Pelagia AS has entered into an ageeement with Partrederiet Karoløs ANS and a minor shareholder about acquisition of 50% of the shares in Hordafor AS. Pelagia owns per 31.12.2020 50% of the shares in this company and will therefore own 100% of the shares in Hordafor AS from the time of implementation.

The agreement is subject to approval from the Norwegian Competition Authority. Implementation of the transaction will take place as soon as such approval is available.

# Pelagia Holding AS

## Income statement

| Amounts in NOK 1,000 (period 01.01. - 31.12) | Notes | 2020 | 2019 |
|---|---|---|---|
| Other operating expenses | 10 | -1 627 | -1 733 |
| **Operating profit** | | **-1 627** | **-1 733** |
| Income from investments in subsidiaries | 2 | 246 507 | 334 759 |
| Finance income | 8 | 41 005 | 41 380 |
| Finance costs | 8 | 69 783 | 74 406 |
| **Net finance** | | **217 730** | **301 733** |
| **Profit before tax** | | **216 103** | **300 000** |
| Income tax expense | 9 | -3 551 | - |
| **Net profit** | | **212 551** | **300 000** |
| **Total** | | **212 551** | **300 000** |
| **Attributable to:** | | | |
| Dividends | | -200 000 | -200 000 |
| Other equity | | -12 551 | -100 000 |
| **Total allocated** | 4 | **-212 551** | **-300 000** |

## BALANCE SHEET as at 31.12

| Amounts in NOK 1,000 | Notes | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| ***Non-current assets*** | | | |
| Deferred tax assets | 9 | 7 626 | 5 559 |
| **Total intangible assets** | | **7 626** | **5 559** |
| Investments in subsidiaries | 2, 5 | 2 394 012 | 2 394 012 |
| Loan to group companies | 5, 6 | 561 707 | 545 346 |
| **Total financial assets** | | **2 955 719** | **2 939 358** |
| **Total non-current assets** | | **2 963 344** | **2 944 917** |
| ***Current assets*** | | | |
| Other current receivables | 6 | 2 488 576 | 1 966 320 |
| Cash and cash equivalents | | 5 001 | - |
| **Total current assets** | | **2 493 577** | **1 966 320** |
| **Total assets** | | **5 456 921** | **4 911 237** |

## BALANCE SHEET as at 31.12

| Amounts in NOK 1,000 | Notes | 2020 | 2019 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Share capital | 3, 4 | 149 836 | 149 836 |
| Share premium | 4 | 1 314 016 | 1 314 016 |
| Other equity | 4 | 148 152 | 135 601 |
| **Total equity** | | **1 612 004** | **1 599 453** |
| ***Liabilities*** | | | |
| Bond loan | 5 | 889 380 | - |
| Liabilities to financial institutions | 5 | 2 181 977 | 805 000 |
| **Total non-current liabilities** | | **3 071 357** | **805 000** |
| First year's instalment non-current liabilities | 5 | 154 000 | 615 000 |
| Current debt to financial institutions | 5, 6 | 407 132 | 1 684 496 |
| Accounts payable | 6 | 225 | 101 |
| Tax payable | 9 | 5 618 | 5 456 |
| Dividens | 4 | 200 000 | 200 000 |
| Other current liabilities | 7 | 6 584 | 1 731 |
| **Total current liabilities** | | **773 559** | **2 506 784** |
| **Total liabilities** | | **3 844 916** | **3 311 784** |
| **Total equity and liabilities** | | **5 456 921** | **4 911 237** |

Bergen, 28 April 2021

| | | |
|---|---|---|
| Helge Singelstad<br>Styreleder | Arne Møgster<br>Styremedlem | Gustav Witzøe<br>Styremedlem |
| Egil Magne Haugstad<br>Daglig leder | Helge Arvid Møgster<br>Styremedlem | Helge Karstein Moen<br>Styremedlem |
| Arne Myklebust<br>Styremedlem | Endre Sekse<br>Styremedlem | |

## Statement of Cash Flows

| **Amounts in NOK 1,000** | **Notes** | **2020** | **2019** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 216 103 | 300 000 |
| Adjusted for: | | | |
| - Taxes paid | | -5 456 | - |
| - Income from investments in subsidiaries/associates and group contribution | 2 | -246 507 | -334 759 |
| - Interest expenses net | 8 | 62 859 | 24 724 |
| - Change in accounts payable | | 124 | -164 |
| Change in other time limit assets | | 3 937 | 1 756 |
| **Net cash flows from operating activities** | | **31 059** | **-8 442** |
| **Cash flows from investing activities** | | | |
| Dividends and group contribution received | | 334 759 | 282 441 |
| Interest received | | 41 005 | 25 458 |
| **Net cash flows from investing activities** | | **375 764** | **307 899** |
| **Cash flows from financing activities** | | | |
| Loan raising | 5 | 2 433 678 | - |
| Repayment of non-current liabilities | 5 | -628 501 | -115 000 |
| Net change bank overdraft | 5 | -1 277 363 | 243 744 |
| Change in loans to subsidiaries | 6 | -630 615 | -172 590 |
| Interest paid | 8 | -99 022 | -65 311 |
| Dividends paid to parent company's shareholders | | -200 000 | -200 000 |
| **Net cash flows from financing activities** | | **-401 822** | **-309 157** |
| **Net change in cash and cash equivalents** | | **5 001** | **-9 700** |
| Net currency gain/loss on cash and cash equivalents | | - | - |
| **Cash and cash equivalents as at 31.12** | | **5 001** | **0** |

## Note 1 Accounting policies

### General information
All amounts are in NOK 1,000 unless otherwise stated.

Pelagia Holding AS is the holding company in the Pelagia Group. Pelagia is a group within production, sale and distribution of meal/fish oil and pelagic fish for consumption. Pelagia is an important party within pelagic sector in the North Atlantic. The main office is in Bergen.

### Framework for preparation of the financial statement
The financial statement for Pelagia Holding AS have been prepared in accordance with Regulations of 21 January 2008 regarding simplified application of International Financial Reporting Standards (Simplified IFRS).

The financial statement have been prepared under the going concern assumption.

### Revenue
Revenue is recognised as they are earned.

### Classification of balance sheet items
Assets intended for permanent ownership and use are classified as fixed assets. Assets associated with the product cycle are classified as current assets. Receivables are otherwise classified as current assets if they are to be repaid within a year. For debt, analogue criterias are used as a basis. First-year instalments on long-term receivables and long-term debt are nevertheless classified as current assets and short-term debt.

### Acquisition cost
Acquisition cost for assets includes the purchase price, less bonuses, discounts and such, and with the addition of purchase expenses. For purchases in foreign currency, the asset is capitalized at the exchange rate at the time of the transaction.

### Investment in subsidiaries
The cost method is used to account for investment in subsidiaries. The cost price is increased when funds are provided through a capital increase, or when group contributions are made to subsidiaries. Dividends received are initially recognized in the income statement as revenue. Dividends that exceed the share of earned equity after the purchase are accounted for as a reduction of the acquisition cost. Dividends/group contributions from subsidiaries are accounted for in the same year as the subisidiary allocates the amount.

### Impairment of fixed assets
If there are indications that the carrying value of a fixed asset is higher than the fair value, an impairment test is performed. The test is performed for the lowest level of fixed assets that generates independent cash flows from other assets. If carrying value exceeds both the sales value and the recoverable amount (present value for continued use/ownership), a write-down of the assets to the higher value of the sales value and the recoverable amount is made.

Previous write-downs are reversed if the indicatores for the write-down no longer exists.

### Receivables
Other receivables, both current receivables and capital receivables, are accounted for at the lower of nominal and fair value. Fair value is the present value of expected future payments. Nevertheless, no discounting are made when the effect of discounting is immaterial for the financial statement. Provision for losses are assessed in the same way as trade receivables.

**Tax**

The tax expense in the income statement comprises current and deferred tax. Deferred tax is calculated at the current tax rate on the basis of the temporary differences that exist between accounting and tax values, as well as any tax losses carried forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that are reversed or can be reversed in the same period have been offset. The entry of deferred tax assets on net tax-reducing differences that have not been offset and losses carried forward are justified by assumed future earnings. Deferred tax and tax assets that can be recognized in the balance sheet are entered net in the balance sheet. Tax on any received group contribution that is entered as a reduction in cost price or directly against equity is entered directly against tax in the balance sheet (against tax payable if the group contribution has an effect on tax payable and against deferred tax if the group contribution has an effect on deferred tax). The entry of deferred tax assets on net tax-reducing differences that have not been offset and losses carried forward are justified by assumed future earnings. Deferred tax and tax assets that can be recognized in the balance sheet are entered net in the balance sheet.

**Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include bank deposits and other short-term liquid investments that can be converted immediately and with insignificant risk into cash amounts and with remaining maturity of less than three months from the acquisition date.

**Note 2 Subsidiares**

Investments in subsidiaries are accounted for using the cost method.

| Subsidiaries | Registered office | Owner-/ voting-share | Equity previous year (100 %) | Last years result (100 %) | Book value |
|---|---|---|---|---|---|
| Pelagia AS | Bergen | 100 % | 2 209 532 | 674 224 | 2 394 012 |
| **Total** | | | | | **2 394 012** |

| Income from investments in subsidiaries | 2020 | 2019 |
|---|---|---|
| Dividend received | 200 000 | 200 000 |
| Group contributions | 46 507 | 134 759 |
| **Total income from investments in subsidiaries** | **246 507** | **334 759** |

**Note 3 Share capital**

The share capital of NOK 149,835,600 consists of 149,835,600 shares of NOK 1 each.

| Shareholder structure 31.12. | Number of shares | Share of ownership |
|---|---|---|
| Austevoll Seafood ASA | 74 917 800 | 50 % |
| Kvefi AS | 74 917 800 | 50 % |
| **Sum** | **149 835 600** | **100 %** |

**Note 4 Equity**

| Movement schedule equity | Share-capital | Share-premium | Other equity | Total |
|---|---|---|---|---|
| Equity 01.01. | 149 836 | 1 314 016 | 135 601 | 1 599 453 |
| Result for the period | - | - | 212 551 | 212 551 |
| Provision for dividend | - | - | -200 000 | -200 000 |
| **Equity 31.12.** | **149 836** | **1 314 016** | **148 152** | **1 612 004** |

**Note 5 Receivables and debt**

| Receivables maturing later than a year | 2020 | 2019 |
|---|---|---|
| Loan to Pelagia AS | 561 707 | 545 346 |

The loan has an interest rate of 3% per year and is free of instalments until 31.12.2023.

**Debt**

| Non-current | 2020 | 2019 |
|---|---|---|
| Bond loan | 889 380 | - |
| Liabilities to financial institutions | 2 181 977 | 805 000 |
| **Total** | **3 071 357** | **805 000** |

| Non-current | | |
|---|---|---|
| First year's instalment non-current liabilities | 154 000 | 615 000 |
| Current debt to financial institutions | 407 132 | 1 684 496 |
| **Total** | **561 132** | **2 299 496** |

Bank loans and bond loans are accounted for at amortized cost. Transaction costs are accrued according to the effective interest method.

**Book value and fair value of long-term loans**
The book value of Pelagia's loans is approximately equal to the fair value, as the interest rate level reflects market conditions.

**Interest terms:**
Pelagia's interest rate terms are NIBOR plus margin. Margin is calculated on the basis of the equity ratio and the ratio between EBITDA divided by net interest expenses (interest coverage ratio).

**Currency:**
Pelagia's long-term debt is in NOK.
**Corporate account arrangement:**
All companies in the group participate in a multi-currency corporate account arrangement where the parent company Pelagia Holding AS is the main account holder. All participants are jointly and severally liable for the outstanding at the corporate account arrangement at any time.

The group had the following currency exposure connected to the corporate account arrangement per 31.12.2020:

| Currency | Currency amount | Foreign exchange rate 31.12 | NOK 31.12 |
|---|---|---|---|
| USD | 348 | 8,53 | 2 968 |
| JYP | 355 951 | 0,08 | 29 464 |
| **Total deposit on corporate account** | | | **32 432** |
| **Currency** | **Currency amount** | **Foreign exchange rate 31.12** | **NOK 31.12** |
| NOK | -204 455 | 1,00 | -204 455 |
| DKK | -67 296 | 1,41 | -94 692 |
| EUR | -4 963 | 10,47 | -51 968 |
| GBP | -7 595 | 11,65 | -88 449 |
| **Total debet on corporate account** | | | **-439 565** |
| | | | |
| **Net debet on corporate account arrangement** | | | **-407 132** |

Balance on corporate account is presented net in the balance sheet because debet on corporate account arrangement is considered to be one total financial instrument originating from a contract.

**Repayment profile interest bearing debt**

| | Bank loan | Bond loan | Overdraft facility | Total |
|---|---|---|---|---|
| 2021 | 154 000 | - | 407 132 | 561 132 |
| 2022 | 2 091 500 | - | - | 2 091 500 |
| 2023 | 24 000 | - | - | 24 000 |
| 2024 | 24 000 | - | - | 24 000 |
| 2025 | 24 000 | 900 000 | - | 924 000 |
| After 2025 | 24 000 | - | - | 24 000 |
| **Total** | **2 341 500** | **900 000** | **407 132** | **3 648 632** |
| Establishment fee | (5 523) | (10 620) | - | (16 142) |
| **Total capitalized** | **2 335 977** | **889 380** | **407 132** | **3 632 490** |

**Change in liabilities regarding financing**

| | Bank loan | Bond loan | Overdraft facility | Total |
|---|---|---|---|---|
| **31.12.2018** | **1 535 000** | - | **1 440 752** | **2 975 752** |
| Repayment long-term borrowing | (115 000) | - | - | (115 000) |
| Bank overdraft | - | - | 243 744 | 243 744 |
| **31.12.2019** | **1 420 000** | **-** | **1 684 496** | **3 104 496** |
| | | | | |
| Repayment of debt | (628 501) | - | - | (628 501) |
| Loan raising | 1 544 478 | 889 200 | - | 2 433 678 |
| Amortising of transaction costs | - | 180 | - | 180 |
| Net payment to corporate account | - | - | (1 277 363) | (1 277 363) |
| **31.12.2020** | **2 335 977** | **889 380** | **407 133** | **3 632 490** |

The financing consists of an amortized loan of MNOK 1 092 and a short-term overdraft facility (RCF) of MNOK 1 250. In additon a current multi-currency credit facility of MNOK 1 500 has been established that has been drawn by MNOK 407. The company also has an available seasonal credit of MNOK 200.

In addition the parent company per 31.12.2020 has entered into a bond loan of MNOK 900 with maturity in 2025. There are covenants in the bond agreement related to equity ratio (30%) and interest coverage ratio (4.0x). The loan bears interest 3M NIBOR + 3,25%.

The company is compliant with the covenants of its borrowing facilities.

| | 2020 | 2019 |
|---|---|---|
| Debt seured by mortgage | 2 743 110 | 3 104 496 |

| ***Book value of mortgaged assets:*** | **2020** | **2019** |
|---|---|---|
| Investments in subsidiaries | 2 394 012 | 2 394 012 |
| Loans to companies in the same group | 561 707 | 545 346 |
| Other receivables | 2 488 576 | 1 966 320 |
| **Total** | **5 444 294** | **4 905 678** |

**Note 6 Intercompany balances**

| | 2020 | 2019 |
|---|---|---|
| Long term loans | 561 707 | 545 346 |
| Owned dividends and group contributions | 246 507 | 334 759 |
| Balances corporate account arrangement* | 2 241 997 | 1 627 794 |
| **Total** | **3 050 211** | **2 507 899** |

*Pelagia Holding AS is the main account holder for the corporate account arrangement. Group companies' net withdrawal of overdraft facilities and bank deposits covered by the group account arrangement are presented as other receivables (short-term).

**Note 7 Specification of other current debt**

| **Other current debt** | **2020** | **2019** |
|---|---|---|
| Accrued interest cost | 6 103 | 1 260 |
| Other provision for liabilities | 481 | 471 |
| **Total** | **6 584** | **1 731** |

**Note 8 Specification of finance income and finance costs**

| **Finance income** | **2020** | **2019** |
|---|---|---|
| Interest bank deposits (corporate account arrangement) | 24 645 | 25 458 |
| Interest income, group | 16 360 | 15 884 |
| Other finance income | - | 38 |
| **Total** | **41 005** | **41 380** |

| **Finance costs** | **2020** | **2019** |
|---|---|---|
| Interest expense loans | 69 299 | 74 406 |
| Other finance costs | 484 | - |
| **Total** | **69 783** | **74 406** |

**Note 9 Tax expense**

**Calculated deferred tax asset**

| **Temporary differences** | **2020** | **2019** |
|---|---|---|
| Carry forward cut-off interest deduction | -50 334 | -24 798 |
| Other temporary differences | 15 672 | -471 |
| Net temporary differences | -34 662 | -25 269 |
| Carry forward loss for tax purposes | - | - |
| **Basis for deferred tax asset** | **-34 662** | **-25 269** |
| | | |
| Deferred tax asset 22 % in the balance sheet | -7 626 | -5 559 |

| **Basis for tax expense, change in deferred tax and tax payable** | **2 020** | **2 019** |
|---|---|---|
| Proft before tax | 216 103 | 300 000 |
| Permanent differences | -199 960 | -300 000 |
| **Basis for this year's tax expense** | 16 143 | - |
| Change in temporary result differences | 9 393 | 24 798 |
| Change in carry forward loss | - | - |
| **Basis for tax payable in the income statement** | 25 536 | 24 798 |
| ÷ Group contribution, made | - | - |
| **Taxable income (basis for tax payable in the balance sheet)** | **25 536** | **24 798** |

| Distribution of the tax cost | 2 020 | 2 019 |
|---|---|---|
| Tax payable on profit of the year | 5 618 | 5 456 |
| **Total tax payable** | **5 618** | **5 456** |
| Change in deferred tax/deferred tax asset | -2 066 | -5 456 |
| Change in deferred tax/deferred tax asset due to changed tax rate | - | - |
| **Tax expense** | **3 551** | **-** |

| Reconciliation of the year's tax expense | | |
|---|---|---|
| Profit before tax | 216 103 | 300 000 |
| Calculated tax 22 % | 47 543 | 66 000 |
| Tax in the income statement | 3 551 | - |
| **Difference** | **-43 991** | **66 000** |

| The difference consists of the following: | | |
|---|---|---|
| 22 % of permanent differences | -43 991 | -66 000 |
| Change in deferred tax/deferred tax asset due to changed tax rate | - | - |
| **Total explained differences** | **-43 991** | **-66 000** |

**Note 10 Remuneration and other benefits**

The company has no employees. The general manager is employed by the subsidiary Pelagia AS and receives salary from there.
No loan/security has been granted to the general manager and/or the chairman of the board
No remuneration have been paid to the board.

**Auditor:**

| Auditor's fees exclusive of vat. | 2020 | 2019 |
|---|---|---|
| Stautory audit | 783 | 786 |
| Tax consultancy | 40 | 62 |
| Services other than audit | 0 | 0 |
| **Total** | **823** | **848** |

**Note 11 Events after the balance sheet date**

No events have occured after the balance sheet date that have material impact on the presented financial statement.

To the General Meeting of Pelagia Holding AS

# *Independent Auditor's Report*

## *Report on the Audit of the Financial Statements*

### *Opinion*

We have audited the financial statements of Pelagia Holding AS, which comprise:

- the financial statements, which consist of balance sheet as of 31 december 2020, income statement, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Pelagia Holding AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to [https://revisorforeningen.no/revisjonsberetninger](https://revisorforeningen.no/revisjonsberetninger)

## *Report on Other Legal and Regulatory Requirements*

### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 28 April 2021
**PricewaterhouseCoopers AS**

Sturle Døsen
State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only.*