



**Q3  
2022**

**FINANCIAL REPORT Q3 2022**



**PELAGIA<sup>®</sup>**

# Financial report

## Summary Q3 2022

- Revenues Q3 2022 2.994 (Q3 2021: 2.898)
- Earnings before interests, taxes, depreciations and amortisations (EBITDA) Q3 2022 597 MNOK ( Q3 2021: 455 MNOK)
- Raw material volume Q3 2022 FOOD 116.752 t (Q3 2021: 108.850 t)
- Raw material volume Q3 2022 FEED 161.559 t (Q3 2021: 147.960 t)
- Profit before tax Q3 2022 450 MNOK (Q3 2021: 348 MNOK)
- Net interest bearing debt (NIBD) Q3 2022 3.706 MNOK (Q3 2021: 3.241 MNOK)
- Equity share Q3 2022 36,9% (Q3 2021: 38,6%)

Key group figures (Numbers in MNOK)	Q3-22	Q3-21	YTD-22	YTD-21	FY 2021
Revenues	2 994	2 898	7 483	6 980	9 862
EBITDA	597	455	1 043	668	1 018
EBIT	507	379	782	470	727
Profit before tax	450	348	635	410	649
NIBD*	3 706	3 241	3 706	3 241	3 291
Equity share	36,9 %	38,6 %	36,9 %	38,6 %	41,8 %

\* excluding leasing liabilities other than to credit institutions

Revenues for Q3 22 were 2.994 MNOK (Q3 2021: 2.898 MNOK). EBITDA was 597 MNOK in Q3 22 (Q3 2021: 455 MNOK). Profit before tax was 450 MNOK in Q3 22 (Q3 2021: 348 MNOK). YTD revenues were 7.483 MNOK as per Q3 22 (Q3 2021: 6.980 MNOK). EBITDA were 1.043 MNOK YTD 22 (YTD 2021: 668 MNOK). Profit before tax was 635 MNOK in YTD 22 (YTD 2021: 410 MNOK). Q3 2021 figures included a one-off gain of 139 MNOK related to the purchase of Hordafor.

In Q3 22 Pelagia had some increase in raw material volume in the FOOD division compared to Q3 2021. Overall, a small reduction of raw material is expected for 2022 due to lower quota of Norwegian Spring Spawning Herring and Mackerel. There is still no fishing agreement between UK and Norway in place after Brexit. The Norwegian fishing fleet do not have the usual access to fish Mackerel in the UK fishing zone neither in 2022. As in 2021, the autumn season started earlier than normal while the fish resource was available in the Norwegian fishing zone. Normally, this will also reduce the quality of the raw material and lower the price to the fishing fleet.

Pelagia generates revenue worldwide and, for the FOOD division in particular, Eastern Europe remains an important market. The current war in Ukraine increases the risk related to the operations in the FOOD division somewhat. Further, due to the world economy challenges in 2022 it seems to be an increasing challenge in several countries to have access to f.ex USD for international payments.

For the FEED division the increase in the Capelin quota has only partly compensated for the reduction in Blue whiting and Sandeel raw material, but higher market share increases the volume in Q3 vs Q321. A significant increase in the quota for blue whiting is expected in 2023. The margins for the FEED division has increased during 2022 due to the increasing prices of fish meal and fish oil.

The market demand for the HEALTH division products has remained solid also through Q3 2022. In 2H 2021, the HEALTH division completed a major milestone in its project to increase overall production capacity. We expect the effects of this increase will be seen gradually through 2022 and 2023. Challenges with logistics, in particular, associated with the US market, remain a risk factor. A significant price increase for the raw material in the Health

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division could negatively affect margins going forward, but due to the factory upgrade the Health division should be well prepared to compete in the market.

The majority of the long-term bank financing of Pelagia is due in December 2022. From 31 of December 2021 this financing has therefore been classified as short-term. Pelagia completed a new 5-year bank financing agreement 10 November 2022.

The Group's ability to utilise 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 which have a share of these fish resources. The prospects for the fisheries on which the group bases its operations in total remain stable going forward. The long-term goal of Pelagia is to favour the sustainable management of the main fish stocks. At the moment Pelagia do not see a significant climate risk that should affect the fisheries and the related value of its assets. Still, long-term it could be a risk that the fisheries in the North Atlantic are impacted by climate changes.

As for many other companies, the Covid-19 situation has presented challenges for Pelagia. The employees of Pelagia have made a great effort to maintain normal operations in all our locations. Pelagia, as a producer of food, health related ingredients and raw materials to fish and animal feed production, has so far not experienced a significant change in the demand for its products. In common with many others in the industry, we have experienced higher costs related to energy and also associated with our international freight and logistics. These costs challenges seem to remain through 2022.

No events have occurred after the balance sheet date that have material impact on the presented quarterly report.

Bergen, 14 November 2022

Board of Directors and General Manager  
Pelagia Holding AS

Helge Singelstad  
Chairman of the Board

Arne Møgster  
Board Member

Helge Møgster  
Board Member

Gustav Witzøe  
Board Member

Helge Karstein Moen  
Board Member

Arne Myklebust  
Board Member

Ragnhild Skaara  
Board Member

Egil Magne Haugstad  
CEO

## Condensed consolidated income statement

NOK 1 000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Revenues	2	2 994 323	2 897 907	7 483 131	6 980 202	9 862 242
Other profits		-	139 331	-	139 331	139 331
Change in inventories of finished goods		650 473	-263 828	-410 540	154 058	-481 377
Raw materials and consumables used		-2 646 403	-1 946 992	-4 942 537	-5 700 074	-7 222 788
Salaries and personnell expenses		-238 013	-200 460	-621 172	-520 291	-754 662
Depreciation		-89 745	-75 721	-260 874	-197 567	-290 835
Other operating expenses		-163 330	-171 399	-466 074	-385 604	-525 072
<b>Operating profit</b>		<b>507 304</b>	<b>378 837</b>	<b>781 934</b>	<b>470 056</b>	<b>726 838</b>
Share of net result using the equity method		-	720	-	15 903	21 103
Net finance		-57 292	-31 070	-146 536	-75 950	-98 764
<b>Profit before taxes</b>		<b>450 013</b>	<b>348 487</b>	<b>635 399</b>	<b>410 008</b>	<b>649 177</b>
Income tax expense		-99 943	-43 135	-135 496	-53 645	-84 555
<b>Net profit</b>		<b>350 070</b>	<b>305 352</b>	<b>499 902</b>	<b>356 363</b>	<b>564 622</b>
<b>Profit is attributable to;</b>						
Shareholders of the parent company		303 730	294 352	437 001	347 491	547 339
Non-controlling interests		46 340	10 999	62 902	8 872	17 283
<b>Total</b>		<b>350 070</b>	<b>305 352</b>	<b>499 902</b>	<b>356 363</b>	<b>564 622</b>

## Condensed consolidated statement of comprehensive income

NOK 1 000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Result		350 070	305 352	499 902	356 363	564 622
Translation differences currency		9 617	18 518	31 557	-1 077	-348
<b>Comprehensive income</b>		<b>359 686</b>	<b>323 870</b>	<b>531 459</b>	<b>355 286</b>	<b>564 274</b>
<b>Allocation of comprehensive income:</b>						
Shareholders of parent company		309 596	328 606	465 661	357 895	546 991
Non-controlling interests		50 091	-4 736	65 799	-2 609	17 283
<b>Total</b>		<b>359 686</b>	<b>323 870</b>	<b>531 459</b>	<b>355 286</b>	<b>564 274</b>

## Condensed consolidated balance sheet

NOK 1 000	Note	30.09.2022	30.09.2021	31.12.2021
<b>Assets</b>				
<b>Non-current assets</b>				
Other intangible assets		122 170	43 106	125 514
Goodwill		1 206 820	1 259 689	1 197 752
Other receivables		13 697		1 588
<b>Total intangible assets</b>		<b>1 342 687</b>	<b>1 302 795</b>	<b>1 324 855</b>
Land, buildings and other real property		1 807 064	1 180 847	1 275 457
Machinery and plants		1 418 492	1 401 530	1 451 962
Ships		229 383	189 988	180 235
Operating movables, fixtures and fittings etc.		4 086	3 713	4 818
Right of use assets		21 857	33 705	30 719
<b>Total property, plant and equipment</b>		<b>3 480 882</b>	<b>2 809 784</b>	<b>2 943 192</b>
Investment in joint venture		-	0	-
Investments in associated companies		-	-	-
Loan to associated company		-	-	-
Investments in shares and parts		5 887	13 960	3 909
Other receivables		-	7 502	13 945
<b>Total financial non-current assets</b>		<b>5 887</b>	<b>21 462</b>	<b>17 854</b>
<b>Total non-current assets</b>		<b>4 829 457</b>	<b>4 134 041</b>	<b>4 285 900</b>
<b>Current assets</b>				
Inventories	4	2 486 846	1 817 004	1 931 410
Trade receivables		1 839 320	1 271 607	1 010 729
Derivatives		-	3 623	-
Other current receivables		141 609	145 788	138 373
Cash and cash equivalents	5	224 805	106 742	215 638
<b>Total current assets</b>		<b>4 692 580</b>	<b>3 344 763</b>	<b>3 296 150</b>
<b>Total assets</b>		<b>9 522 037</b>	<b>7 478 805</b>	<b>7 582 050</b>

## Condensed consolidated balance sheet

NOK 1 000	Note	30.09.2022	30.09.2021	31.12.2021
<b>Equity and liabilities</b>				
Share capital		149 836	149 836	149 836
Premium		1 347 615	1 347 615	1 347 615
Other equity		1 609 867	1 330 980	1 488 702
Non-controlling interests		406 512	56 463	181 765
<b>Total equity</b>		<b>3 513 830</b>	<b>2 884 893</b>	<b>3 167 918</b>
<b>Liabilities</b>				
Deferred tax		195 825	105 448	66 772
Pension liabilities		2 126	1 882	2 235
<b>Total provision for liabilities</b>		<b>197 951</b>	<b>107 331</b>	<b>69 007</b>
Debt to credit institutions	5	344 466	2 015 803	259 305
Other long-term, non-interest-bearing debt		2 455	4 111	2 497
Bond loan	5	893 160	891 000	891 540
Leasing liabilities	5	5 239	14 082	16 909
<b>Total other non-current liabilities</b>		<b>1 245 321</b>	<b>2 924 996</b>	<b>1 170 215</b>
First year's instalment non-current liability	5	1 213 189	188 937	1 365 570
Current part of leasing liabilities	5	15 850	25 886	16 165
Current liabilities to credit institutions	5	1 481 935	239 670	990 715
Trade payables		1 196 918	791 044	332 444
Payable tax		11 012	-22 409	113 828
Public duties owing		137 246	42 651	40 703
Other current liabilities		508 787	295 806	315 450
<b>Total current liabilities</b>		<b>4 564 936</b>	<b>1 561 584</b>	<b>3 174 874</b>
<b>Total liabilities</b>		<b>6 008 207</b>	<b>4 593 912</b>	<b>4 414 132</b>
<b>Total equity and liabilities</b>		<b>9 522 037</b>	<b>7 478 805</b>	<b>7 582 050</b>

## Condensed statement of changes in equity

NOK 1 000	Share capital	Premium	Other equity	Retained earnings	Total	Non-controlling interests	Total Equity
Equity 1 January 2021	149 836	1 347 615	1 173 085	-	2 670 535	59 072	2 729 608
Result for the year	-	-	547 339	-	547 339	17 283	564 622
Comprehensive result for the year	-	-	-31 722	-	-31 722	31 374	-348
<b>Total result</b>	-	-	<b>515 617</b>	-	<b>515 617</b>	<b>48 657</b>	<b>564 274</b>
Addition non-controlling interests through group establishment	-	-	-	-	-	74 036	74 036
Dividend paid	-	-	-200 000	-	-200 000	-	-200 000
<b>Total transactions with owners and non-controlling interests</b>	-	-	<b>-200 000</b>	-	<b>-200 000</b>	<b>74 036</b>	<b>-125 964</b>
Equity per 31 December 2021	149 836	1 347 615	1 488 702	-	2 986 152	181 765	3 167 918
Equity 1 January 2022	149 836	1 347 615	1 488 702	-	2 986 152	181 765	3 167 918
Result for the year	-	-	437 001	-	437 001	62 902	499 902
Comprehensive result for the year	-	-	28 660	-	28 660	2 897	31 557
<b>Total result</b>	-	-	<b>465 661</b>	-	<b>465 661</b>	<b>65 799</b>	<b>531 459</b>
Addition non-controlling interests through group establishment	-	-	-94 496	-	-94 496	158 948	64 453
Dividend paid	-	-	-250 000	-	-250 000	-	-250 000
<b>Total transactions with owners and non-controlling interests</b>	-	-	<b>-344 496</b>	-	<b>-344 496</b>	<b>158 948</b>	<b>-185 547</b>
Equity per 30 June 2022	149 836	1 347 615	1 609 867	-	3 107 317	406 512	3 513 829

## Condensed consolidated cash flow statement

NOK 1 000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
<b>Cash flows from operating activities</b>						
Result before tax expense		450 013	348 487	635 399	410 008	649 177
Adjusted for:						
- Depreciations		89 745	75 721	260 874	197 567	290 835
- Taxes paid		-	-	20 210	38 926	-53 422
- Share of profit using the equity method		-	-720	-	-15 903	-21 103
- Interest expenses net		35 172	23 088	86 722	66 033	94 045
- Profit from sale of property, plant and equipment		-	-	-	-	-
- Other profits		-	-139 331	-	-139 331	-139 331
- Change in working capital		4 260	136 064	-251 066	714 825	475 802
<b>Net cash flows from operating activities</b>		<b>579 190</b>	<b>443 309</b>	<b>752 138</b>	<b>1 272 126</b>	<b>1 296 003</b>
<b>Cash flows from investing activities</b>						
Cash flow impact of business combinations		-	-454 104	-47 754	-454 104	-454 104
Other profits		-	-	-	-	-
Purchase of property, plant and equipment		-126 315	-120 309	-315 872	-268 239	-350 447
Purchase of other intangible assets		-	-	-17 431	-	-
Sale of property, plant and equipment		-	-	-	-	152
Interest received		15 297	5 906	31 681	18 894	25 596
Dividend received		-	-	-	-	15 183
<b>Net cash flows from investing activities</b>		<b>-111 018</b>	<b>-568 508</b>	<b>-349 376</b>	<b>-703 449</b>	<b>-763 620</b>
<b>Cash flows from financing activities</b>						
Change in non-current debt	5	-923 188	-	-249 022	-	583 583
Change in current debt	5	513 316	103 183	227 015	-320 629	-717 416
Repayment lease liabilities	5	1 335	-13 326	-3 185	-27 627	-34 520
Interest paid		-50 470	-28 993	-118 403	-84 927	-119 641
Dividends paid to parent company's shareholders		-	-	-250 000	-200 000	-200 000
<b>Net cash flows from financing activities</b>		<b>-459 006</b>	<b>60 864</b>	<b>-393 596</b>	<b>-633 183</b>	<b>-487 994</b>
<b>Change in net cash and cash equivalents</b>		<b>9 167</b>	<b>-64 335</b>	<b>9 167</b>	<b>-64 507</b>	<b>44 390</b>
Net cash and cash equivalents per beginning of period		215 638	171 077	215 638	171 249	171 249
Supply of cash from acquisition of subsidiary		-	-	-	-	-
<b>Net cash and cash equivalents per end of period</b>		<b>224 805</b>	<b>106 742</b>	<b>224 805</b>	<b>106 742</b>	<b>215 638</b>



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## Note 1 - Summary of 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 the pelagic sector in the North Atlantic. The main office is located in Bergen.

The quarterly report was approved by the Board of Directors on 14 November 2022. The interim report has not been subject to audit.

### Basis for preparation and policies used

This report has been prepared in accordance with standard for interim reporting (IAS 34). This interim report does not contain all necessary information required by International Financial Reporting Standards (IFRS) in the financial statements and should therefore be read in conjunction with the group's financial statements for 2021.

The accounting policies are in accordance with those of the consolidated financial statements of Pelagia Holding AS for 2021. The consolidated financial statements of Pelagia Holding AS have been prepared in accordance with international accounting standards (IFRS) and interpretations from the IFRS Interpretation Committee (IFRIC), as adopted by EU. For the presented consolidated financial statements there are no differences between IFRS as adopted by EU and IASB.

### Continued operations

The interim report has been prepared under the going concern assumption. This assumption is based on an assessment of all available information about the future. This involves information about net cash flows from existing customer contracts, debt service and other liabilities. Based on this assessment the management has concluded that the preparation of the financial statements can be based on the going concern assumption.

### The use of estimates

In the preparation of this interim report the significant assessments made by management related to the group's accounting policies and uncertainty in key estimates have been the same as those applied in the consolidated financial statements for 2021.

## Note 2 - Sales revenues and segment information

### Segment information

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

#### Meal/oil (Feed)

The meal- and oil activity involves production of fish meal, fish oil and fish protein concentrate. The products are mainly sold to FEED production for fish farming industry.

#### Consumption (Food)

The consumption activity involves receipt and processing of pelagic fish for consumption. Pelagic fish for human consumption is mainly frozen mackerel, herring and capelin caught with 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 involves production of highly concentrated omega-3 ingredients. The product is used as ingredients for leading brands within food supplement and pharmaceutical products. The activity has production plant in Ålesund. The product is mainly subject to global export.

#### 3rd quarter 2022

NOK 1 000	Food	Feed	Health	Total
Operating revenues	1 180 528	1 629 311	184 483	2 994 323
<b>Total operating revenues</b>	<b>1 180 528</b>	<b>1 629 311</b>	<b>184 483</b>	<b>2 994 323</b>
Cost of goods	988 814	1 024 507	82 199	2 095 520
<b>Contribution margin</b>	<b>191 714</b>	<b>604 804</b>	<b>102 284</b>	<b>898 803</b>
Indirect wages	53 996	63 604	20 823	138 423
Indirect operating expenses excl. depreciations	50 407	101 631	11 292	163 330
<b>Operating result before depreciations EBITDA</b>	<b>87 311</b>	<b>439 570</b>	<b>70 169</b>	<b>597 050</b>
Income recognition related to acquisition	-	-	-	-
Depreciations	31 386	52 601	5 758	89 745
<b>Operating result EBIT</b>	<b>55 925</b>	<b>386 969</b>	<b>64 410</b>	<b>507 304</b>
Share of net result using the equity method	-	-	-	-

#### 3rd quarter 2021

NOK 1 000	Food	Feed	Health	Total
Operating revenues	1 215 752	1 546 352	135 803	2 897 907
Other profits	-	-	-	-
<b>Total operating revenues</b>	<b>1 215 752</b>	<b>1 546 352</b>	<b>135 803</b>	<b>2 897 907</b>
Cost of goods	1 013 769	1 194 441	76 127	2 284 337
<b>Contribution margin</b>	<b>201 984</b>	<b>351 911</b>	<b>59 675</b>	<b>613 570</b>
Indirect wages	49 056	58 849	19 038	126 944
Indirect operating expenses excl. depreciations	45 273	116 411	9 713	171 398
<b>Operating result before depreciations EBITDA</b>	<b>107 654</b>	<b>176 651</b>	<b>30 924</b>	<b>315 228</b>
Income recognition related to acquisition	-	-	-	-
Depreciations	31 277	42 380	2 065	75 721
<b>Operating result EBIT</b>	<b>76 376</b>	<b>134 271</b>	<b>28 859</b>	<b>239 506</b>
Share of net result using the equity method	-	720	-	720

## Note 2 - Sales revenues and segment information (continued)

NOK 1 000	YTD 2022			
	Food	Feed	Health	Total
Operating revenues	3 292 803	3 691 077	499 252	7 483 131
Other profits	-	-	-	-
<b>Total operating revenues</b>	<b>3 292 803</b>	<b>3 691 077</b>	<b>499 252</b>	<b>7 483 131</b>
Cost of goods	2 850 401	2 515 436	242 795	5 608 633
<b>Contribution margin</b>	<b>442 401</b>	<b>1 175 641</b>	<b>256 456</b>	<b>1 874 499</b>
Indirect wages	142 310	168 142	55 165	365 616
Indirect operating expenses excl. depreciations	146 824	284 300	34 951	466 074
<b>Operating result before depreciations EBITDA</b>	<b>153 268</b>	<b>723 200</b>	<b>166 341</b>	<b>1 042 808</b>
Income recognition related to acquisition	-	-	-	-
Depreciations	94 309	149 389	17 177	260 874
<b>Operating result EBIT</b>	<b>58 959</b>	<b>573 811</b>	<b>149 164</b>	<b>781 934</b>
Share of net result using the equity method	-	-	-	-

NOK 1 000	YTD 2021			
	Food	Feed	Health	Total
Operating revenues	3 371 272	3 195 292	413 638	6 980 202
Other profits	-	-	-	-
<b>Total operating revenues</b>	<b>3 371 272</b>	<b>3 195 292</b>	<b>413 638</b>	<b>6 980 202</b>
Cost of goods	2 901 136	2 639 880	230 134	5 771 150
<b>Contribution margin</b>	<b>470 136</b>	<b>555 412</b>	<b>183 504</b>	<b>1 209 052</b>
Indirect wages	127 219	115 113	52 825	295 157
Indirect operating expenses excl. depreciations	131 392	226 408	27 803	385 604
<b>Operating result before depreciations EBITDA</b>	<b>211 524</b>	<b>213 890</b>	<b>102 877</b>	<b>528 292</b>
Income recognition related to acquisition	-	-	-	-
Depreciations	95 046	96 741	5 779	197 567
<b>Operating result EBIT</b>	<b>116 478</b>	<b>117 149</b>	<b>97 098</b>	<b>330 725</b>
Share of net result using the equity method	-	15 903	-	15 903

## Note 2 - Sales revenues and segment information (continued)

### 3rd quarter 2022

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	15 601	672 477	51 579	726 902
Europe Rest	72 450	486 336	7 231	566 017
Europe EU	256 640	319 624	27 980	604 243
Asia	374 375	133 159	33 134	540 667
Africa	394 959	-	-	407 714
North America	65 566	16 412	58 431	140 409
Other	938	1 304	6 128	8 371
<b>Total</b>	<b>1 180 528</b>	<b>1 629 311</b>	<b>184 483</b>	<b>2 994 323</b>

### 3rd quarter 2021

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	43 458	883 666	45 378	972 502
Europe Rest	100 296	194 994	1 802	297 092
Europe EU	281 945	357 323	14 739	654 007
Asia	539 348	107 361	30 872	677 580
Africa	186 921	-	-	186 921
North America	62 799	2 091	40 343	105 233
Other	986	916	2 669	4 571
<b>Total</b>	<b>1 215 752</b>	<b>1 546 352</b>	<b>135 803</b>	<b>2 897 907</b>

### YTD 2022

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	65 366	1 545 989	145 738	1 757 093
Europe Rest	210 387	1 092 205	24 048	1 326 640
Europe EU	1 008 853	661 040	73 231	1 743 124
Asia	1 266 315	353 975	92 190	1 712 481
Africa	522 432	-	-	522 432
North America	218 512	35 186	153 942	407 640
Other	938	2 682	10 101	13 721
<b>Total</b>	<b>3 292 803</b>	<b>3 691 077</b>	<b>499 252</b>	<b>7 483 131</b>

### YTD 2021

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	161 921	1 811 557	119 197	2 092 676
Europe Rest	236 718	527 083	17 825	781 626
Europe EU	996 789	708 184	53 913	1 758 886
Asia	1 452 294	127 342	99 110	1 678 746
Africa	353 657	-	-	353 657
North America	167 433	20 209	119 609	307 251
Other	2 460	916	3 984	7 360
<b>Total</b>	<b>3 371 272</b>	<b>3 195 292</b>	<b>413 638</b>	<b>6 980 202</b>

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## Note 3 - Financial risk

### Financial risk management

The group's activities expose it to a variety of financial risks: market risk (mainly currency risk, price risk, cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on minimising the potential adverse effects that unpredictable changes in the capital markets may have 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

Over time there is a correlation between market prices translated into the functional currency and the prices of raw materials for the individual entity. Changes in market prices translated into the functional currency 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, EURO and GBP.

##### ii) Price risk and other operational risk

The group is operating in a globalized market where a significant part of the products is subject to export. The market prices of the group's products will therefore be affected by the global offer and demand for seafood.

Wild-caught fish is a renewable resource, whose quantity, however, will naturally fluctuate over time. The total legal catch will be limited to quotas set by the authorities in Norway, UK and Ireland (EU) and the availability may geographically change over time. Variations in biomass and quotas may therefore also cause unexpected variations in production volume and the price of raw materials.

The Covid-19 situation may increase the risk around the group's operations among other things related to challenges with logistics and freight, availability of foreign seasonal labour, exchange rate changes and credit insurance costs. The situation may also cause market related challenges, but so far these have been limited for the group. The company cannot rule out that there will be increased challenges related to this ahead.

##### 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 use 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.

#### 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 guaranteed 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 through 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.

### 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. See note 5 for repayment profile on interest bearing debt.

## Note 4 – Inventory

NOK 1 000	30.09.2022	30.09.2021	31.12.2021
Raw materials	419 034	342 019	68 892
Goods in progress	79 407	8 454	235 622
Packaging and auxiliaries	247 161	216 287	273 043
Finished goods	1 821 316	1 311 314	1 409 886
Impairment of finished goods to net realisable value.	-80 072	-61 070	-56 033
<b>Total</b>	<b>2 486 846</b>	<b>1 817 004</b>	<b>1 931 410</b>
Cost of inventory impaired to net realisable value	1 061 751	850 994	769 872

## Note 5 – Financing

NOK 1 000	30.09.2022	30.09.2021	31.12.2021
<b>Non-current liability including first year's instalment</b>			
Bank loan	1 555 345	2 216 751	1 624 875
Bond loan	893 160	891 000	891 540
Bank overdraft	1 481 935	239 670	990 715
Leasing liabilities	21 089	39 967	33 074
<b>Total</b>	<b>3 951 528</b>	<b>3 387 388</b>	<b>3 540 204</b>
<i>Non-current portion in the balance sheet</i>	<i>1 262 924</i>	<i>2 938 660</i>	<i>1 186 216</i>
<i>Current portion in the balance sheet</i>	<i>2 688 604</i>	<i>448 728</i>	<i>2 353 988</i>
<b>Net interest bearing debt</b>			
Total interest bearing debt	3 951 528	3 387 388	3 540 204
Cash and cash equivalents	-224 805	-106 742	-215 638
<b>Total net interest bearing debt</b>	<b>3 726 723</b>	<b>3 280 646</b>	<b>3 324 566</b>
Leasing liabilities	-21 089	-39 967	-33 074
<b>Total net interest bearing debt exclusive of leasing liabilities</b>	<b>3 705 635</b>	<b>3 240 679</b>	<b>3 291 492</b>

## Interest terms

Pelagia's interest terms are NIBOR plus margin. Margin is calculated based on the ratio between EBITDA divided by net finance expenses (interest coverage ratio).

## Covenants

Equity ratio above 30% and interest coverage ratio (EBITDA/Net Finance Charges) no less than 4.

## Available overdraft facilities

1.500 MNOK

	Non-current bank loan	Bond loan	Bank overdraft	Leasing liabilities	Total
2022	1 155 135	-540	1 481 935	4 180	2 640 709
2023	58 054	-2 160	-	11 670	67 564
2024	129 947	-2 160	-	4 872	132 659
2025	175 990	898 020	-	367	1 074 377
2026	21 218	-	-	-	21 218
After 2026	15 000	-	-	-	15 000
<b>Total</b>	<b>1 555 344</b>	<b>893 160</b>	<b>1 481 935</b>	<b>21 089</b>	<b>3 951 528</b>

## Change in liabilities related to financing

NOK 1 000

	Non-current bank loan	Bond loan	Bank overdraft	Leasing liabilities	Total
30.06.2022	2 174 438	892 620	1 002 973	24 274	4 094 306
Cash flows	-	-	-	-3 185	-3 185
Change in current debt	-	-	478 961	-	478 961
Change in non-current debt	-619 094	-	-	-	-619 094
Non-cash movement	-	540	-	-	540
Net repayment bank overdraft	-	-	-	-	-
30.09.2022	1 555 344	893 160	1 481 935	21 089	3 951 528

## Note 6 - Transactions with related parties

Transactions with related parties take place at market conditions. Types of transactions are further described in the annual report for 2021.

## Note 7 - Events after the balance sheet date

Pelagia completed a new 5-year bank financing agreement 10 November 2022.

It's all  
about  
the fish



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