



Norcod

Q3-2023
Financial report



Q3 2023 Highlights

- 21 MNOK in revenues, up from 2 MNOK in Q3-22
- 28 MNOK in operating loss, compared to 3 MNOK in Q3-22
- Heavy investments in biomass to fortify market position - ongoing work to optimize the company
- Integration of Kråkøy Slakteri successfully completed
- 144 tons WFE harvested, up from 0 tons WFE in Q3-22
- Lower sales prices than expected in the start up of new cycle
- Obtained new production site, Bjørnvika

9M 2023 Highlights

- 186 MNOK in revenues, 56% up from 119 MNOK in Q3-22
- 188 MNOK in operating loss, compared to 91 MNOK in Q3-22
- 4 544 tons WFE harvested, up from 2 990 tons WFE 9M-22

Operational update

Strong operational performance has characterized the third quarter of the year. Feed and fish performance has been on or above budgeted targets. The interaction between dedicated operational teams at the sites and highly competent feed operators at our feed center works very well and produces good results. By the end Q3 the YoY standing biomass was up 7 %. However, continuously developing the company to secure a safe and profitable production process is detrimental. Norcod's initiated measures on lightning regime and feeding strategy will always be in the midst of the company's production strategy.

The acquisition process of the harvest facility Kråkøy Slakteri AS is completed successfully. The vertical integration of Kråkøy is an important step to create a robust and streamlined business model. Key benefits accrue from the acquisition, such as priority facility access, cost reduction and operational efficiency, enhanced process control and exploration of value-added services. This move aligns with a long-term vision of higher customer satisfaction, cost savings and market expansion.



In August, we seized the opportunity to showcase our latest advancements, innovative solutions, and strong commitment to environmentally friendly aquaculture at the Aqua Nor Exhibition. Our latest feed barge acquisition was exhibited at the fair. This was arranged in cooperation with the supplier ScaleAQ. Furthermore, we provided the opportunity to see our state-of-the-art feed center located at Norcod's headquarters.

Operational update

Site Labukta continued to stock its first production cycle. This well-equipped location is configured with the most energy efficient technology seen in Norwegian aquaculture industry and will be Norcod's third site supplied with onshore power.

Site Frosvika kicked off its second production cycle during Q3 and constitute Norcod's second stocking in 2023. Site Labukta and Frosvika will provide harvest volumes from July 2024.

Norcod received approval for a new production site, Bjørnvika, in Nesna municipality, marking our second location in the area alongside Labukta. This expansion boosts our total capacity in Nesna to an impressive 7,200 mt MAB. our commitment to responsible farming and sustainability is unwavering, with strong community relations at the heart of our mission. Bjørnvika's ideal conditions make it a perfect fit for our goal of providing premium cod sustainably. This addition of capacity brings Norcod's total number of production sites to six along the Norwegian coastline, with 17,500 mt MAB in total.

Harvest was initiated in September, and we are pleased to being able to offer the market more of our high-quality sustainably produced cod. Our devoted employees' effort has resulted in an outstanding share of Superior graded cod. By virtue of the recent harvest facility acquisition, Norcod has strengthened its ability to offer fresh cod of the highest quality all year round. Going forward, Norcod is always in season.

Market conditions

The general cod market during Q3 followed the last years tendencies with lower volumes on fresh cod available but also a weaker price point due to the hot summer in Europe.

Norcod started harvest at the end of the quarter when markets were back from “summer holidays” and thus consumption generally picking up again.

Feedback on quality has been phenomenal and yet again helping strengthen the relationship with valued customers and building the foundation for our future growth.

Norcod has positive expectations on the market outlook. In the short-term perspective, we know that customers are looking forward to having Norcod back during the next quarters as especially the retailers keep appreciating having Norcod in their stores due to predictability on the supply side.

In the longer-term perspective, significant quota cuts for the Barents Sea cod expected from 2024 and beyond implies bottlenecks on the supply side of Atlantic Cod. We are also looking towards overseas markets such as US, Japan, Korea and China, which is still considered to hold great potential as for volume and price as they value the high quality and freshness of the farmed cod.

Both Norcod and our customers are having a common view. Farmed cod is a sustainable and viable alternative for the customers, securing year-round supply and helping reduce the pressure on the wild stocks positioning farmed cod as a reliable and sustainable future protein source.

Green visions for a blue future

Norcod in a sustainable global food system

- Zero use of antibiotics
- Certified feed ingredients
- Best possible score regarding seabed surveys
- Hybrid-electric vessels and feed barges
- Highly nutritious and flavourful product good for everyone and the planet – Cod above the rest
- 90 % utilization of the cod for human consumption

Looking ahead

- Aiming to increase the survival rate to 90 % within 2030
- Targeting for 98 % utilization of the cod for human consumption
- 30 % reduction in carbon footprint by 2030 (Scope 1, 2, 3)
- Zero escape incidents
- Available tools not only to prevent and detect, but fully control maturation

Devoted to

People

Human rights
Safe work environment
Local communities
Gender equality
Aquaculture education
Customers

Cod

Fish Welfare
Production environment
Product quality
Increase yield
Food safety

Nature

The ocean
Local and global environment
Biodiversity
Responsible producer
Fish feed
Climate action

Innovation & Profit

Research and development
Year-round harvest
Market development



Outlook

Site Frosvika is completing its stocking of second production cycle and constitute Norcod's second stocking in 2023. Site Labukta and Frosvika will provide harvest volumes from July 2024.

We expect a sustained harvest rate going forward. Both harvest facilities, Kråkøy Norcod and Vesterålen Havbruk Bø, are performing well and ensure continuous deliveries of fresh high-quality cod to the market.

Norcod is continuously optimizing production skills and utilization of production capacity. The next years to come, Norcod's ambition is to increase production and harvest volume at a pace that is beneficial for the environment, our customers, and our shareholders. This ambition implies heavy investments in biomass, and Norcod is working diligently to optimize the company.

Our vision is clear, and we are standing firm. Farmed cod is a sustainable and viable alternative for the customers securing year-round supply and helping reduce the pressure on the wild stocks positioning farmed cod as a reliable and sustainable future protein source. The world is looking for pure and sustainable sources of food to serve increased human demand. Our product clearly demonstrates its market potential and naturally fits in.

Financial Update - Highlights

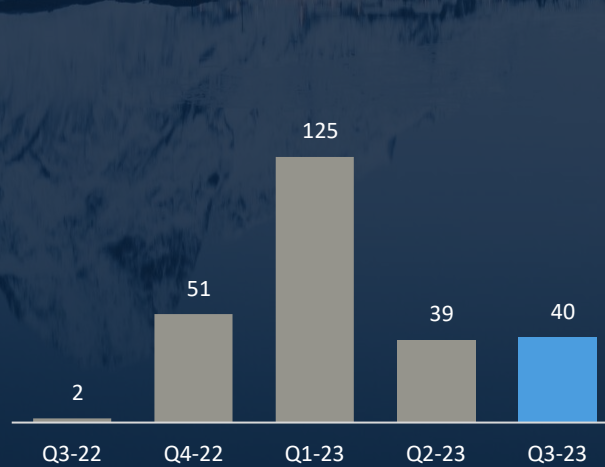
Harvest volume (tons WFE)



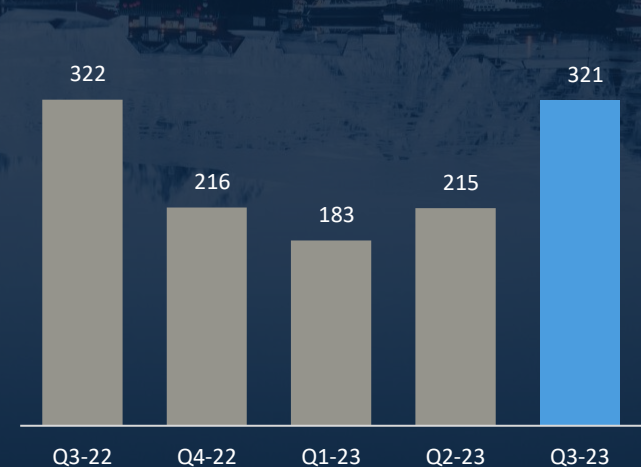
Biomass at sea (tons)



Revenues (MNOK)

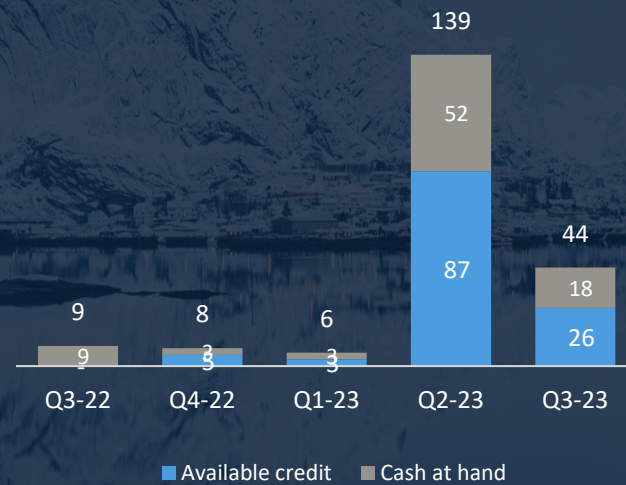


Biological assets (MNOK)

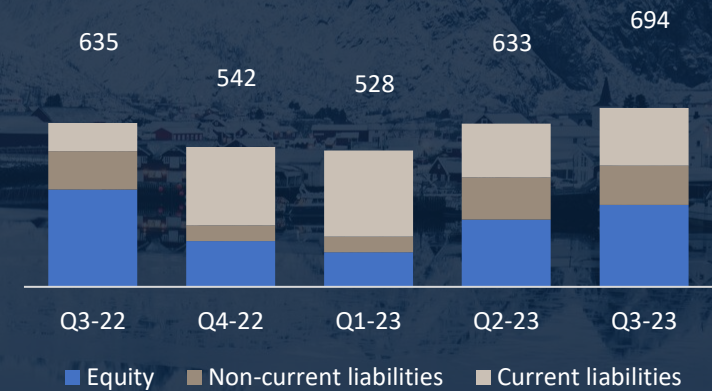


Financial Update - Highlights

Available credit and cash at hand



Balance sheet development – Equity and liabilities



Financial review

Introduction

The company is investing heavily in biomass to satisfy global demand for cod in the next 12-15 months timelapse. The biomass build is capital intensive, and there is an ongoing work to optimize the company. These efforts will continue in the coming quarters.

Profit and loss third quarter 2023

Norcod achieved Gross Sales of 21 MNOK in Q3-23, up from 2 MNOK in Q3-22 amid increased harvest compared to the corresponding quarter last year. Operating expenses for the period ended on 50 MNOK, up from 5 MNOK in Q3-22. Operating loss ended on 28 MNOK, up from 3 MNOK in the corresponding quarter last year. The increase is mainly explained by increased operating expenses, offset by increased revenues. Net loss for the period ended on 41 MNOK, up from 5 MNOK in Q3-22.

Profit and loss first nine months of 2023

Norcod achieved gross sales of 186 MNOK in the first nine months of 2023, up from 119 MNOK in 9M-22 amid increased harvest compared to the corresponding period last year. Operating expenses for the period ended on 374 MNOK, up from 210 MNOK in 9M-22. Operating loss ended on 188 MNOK, up from 91 MNOK in the corresponding period last year. The increase is mainly explained by higher operating expenses, offset by increased operating revenues. Net loss for the period ended on 136 MNOK, on the same level as in 9M-22.

Balance Sheet

Total assets ended on 712 MNOK in Q3-23, up from 634 MNOK in Q3-22. The change from last year is mainly explained by investments in biomass and property, plant and equipment. Total equity ended on 335 MNOK, down from 377 MNOK in Q3-22. The main reason for the decrease in equity is the increased operating expenses during the period.

Financial review

Total non-current liabilities ended on 153 MNOK in Q3-23, up from 149 MNOK in Q3-22. Total current liabilities ended on 224 MNOK in Q3-23, up from 109 MNOK in Q3-22. Current interest bearing debt ended on 99 MNOK in Q3-23, up from 0 in Q3-22. The increase is mainly driven by the build of biomass during the period.

Cash Flows

Net cash flows from operating activities was -102 MNOK in Q3-23 compared to -32 MNOK in Q3-22. The decrease is explained by working capital changes and heavy investments in biomass to enable the business for future growth. Net cash flows from investing activities was 24 MNOK in Q3-23 compared to -8 MNOK in Q3-22. During the quarter, Norcod divested its investment in Havlandet, which had a positive impact on cash flows from investments with 35 MNOK. Moreover, to secure sufficient harvesting capacity and integrate Norcod's value chain vertically, Norcod acquired Kråkøy slakteri during the quarter, also impacting investment cash flows negatively with 8 MNOK. Cash flows from financing activities ended on 45 MNOK in Q3-23, compared to -4 MNOK during Q3-22. The increase is mainly explained by increased bank overdraft.

Interim condensed consolidated statement of comprehensive income

Consolidated statement of comprehensive income						
(Amounts in NOK '000)	Note	Q3 2023	YTD 2023	Q3 2022	YTD 2022	FY 2022
Operating revenue		21 424	185 960	1 562	119 057	170 541
Cost of materials		6 542	240 519	-22 379	130 165	168 730
Salaries and personnel expenses		20 113	45 041	15 598	30 360	43 031
Depreciation and amortization		7 904	18 128	4 391	10 798	16 032
Other operating expenses		15 058	69 902	6 931	38 532	65 833
Operating expenses		49 617	373 589	4 541	209 856	293 626
Operating profit/ loss(-) before fair value adj. of biomass		-28 193	-187 630	-2 979	-90 799	-123 085
Fair value adjustment biomass	1	-8 743	75 588	3 841	5 920	-157 808
Operating profit/loss		-36 936	-112 042	862	-84 879	-280 892
Share of profit/ loss(-) from associates		0	1 489	-639	-1 682	1 798
Net financial items	4	-3 905	-25 265	-5 150	-13 680	-18 123
Profit/loss before tax		-40 841	-135 818	-4 926	-100 241	-297 217
Income tax expenses		0	0	0	0	0
Net profit/loss for the period		-40 841	-135 818	-4 926	-100 241	-297 217
Other comprehensive income		0	0	0	0	0
Total comprehensive income for the period		-40 841	-135 818	-4 926	-100 241	-297 217

Interim condensed consolidated statement of financial position

Consolidated statement of financial position

(Amounts in NOK '000)	Note	Q3 2023	Q3 2022	2022
ASSETS				
Non-current assets				
Concessions, patents, licenses, trademarks and similar rights	2	16 225	9 277	2 000
Property, plant & equipment		126 583	75 425	76 678
Right-of-use assets		196 136	125 286	123 846
Investment in associated companies	3	0	32 900	33 511
Other investments	3	505	1 003	502
Other non-current receivables	3	0	40 000	40 000
Deferred tax assets		1 075	0	0
Total non-current assets		340 523	283 891	276 536
Current assets				
Inventories	1	15 752	6 433	8 712
Biological assets	1	304 852	315 153	206 758
Short-term receivables		31 992	19 416	46 427
Cash and cash equivalents		18 447	9 433	3 412
Total current assets		371 043	350 435	265 310
TOTAL ASSETS		711 567	634 326	541 846

Interim condensed consolidated statement of financial position

Consolidated statement of financial position

(Amounts in NOK '000)	Note	Q3 2023	Q3 2022	2022
EQUITY AND LIABILITIES				
Equity				
Share capital		14 714	9 609	9 609
Treasury Shares		-3 706	-3 706	-3 706
Share premium		842 246	553 019	553 043
Retained earnings		-518 084	-182 399	-382 267
Total equity		335 169	376 523	176 679
Liabilities				
Non-current interest-bearing debt	4	29 357	86 226	0
Lease liabilities	4	123 441	62 526	60 939
Total non-current liabilities		152 798	148 752	60 939
Current leasing Liabilities		30 282	15 971	16 275
Current interest-bearing debt		98 565	-0	158 151
Trade payables		84 764	75 301	114 263
Other current liabilities		9 989	17 778	15 540
Total current liabilities		223 600	109 050	304 228
TOTAL EQUITY AND LIABILITIES		711 567	634 326	541 846

Interim condensed consolidated statement of changes in equity

Interim condensed consolidated statement of changes in equity

(Amounts in NOK '000)

	Paid-in equity			Other equity	
	Share capital	Treasury shares	Share premium	Retained earnings	Total equity
2022					
Equity as of 1 Jan 2022	8 516	-3 706	386 587	-82 159	309 238
Issue of shares 05.04.2022	1 094		166 455		167 549
Net profit/loss for the year				-297 217	-297 217
Other changes				-2 891	-2 891
Equity as of 31 Dec 2022	9 609	-3 706	553 043	-382 267	176 679
2023					
Equity as of 1 Jan 2023	9 609	-3 706	553 043	-382 267	176 679
Issue of shares 10.05.2023	3 175		176 065		179 240
Issue of shares 05.07.2023	289		19 592		19 881
Issue of shares 13.07.2023	164		9 350		9 514
Issue of shares 25.08.2023	1 477		84 196		85 673
Net profit/loss for the year				-135 818	-135 818
Equity as of 30 Sep 2023	14 714	-3 706	842 246	-518 084	335 169

Interim condensed consolidated statement of cash flows

Interim condensed consolidated statement of cash flows

	Note	Q3 2023	YTD 2023	Q3 2022	YTD 2022	FY 2022
(Amounts in NOK '000)						
Profit/loss before tax		-40 841	-135 818	-4 927	-100 241	-297 217
Cash flow from operating activities						
Depreciation and amortization		7 904	18 128	4 390	10 798	16 032
Change in inventory and biological assets	1	-103 393	-102 983	-96 232	-80 862	-132 554
Fair value adjustment						157 808
Share of profit/ loss(-) from associates		0	-1 489	639	1 682	-1 798
Change in accounts receivable		10 421	6 810	8 109	28 647	929
Change in accounts payable		13 772	-29 498	32 081	-12 925	26 037
Change in other current receivables and other current liabilities		9 718	19 573	23 441	21 509	28 987
Net cash flow from operating activities		-102 420	-225 278	-32 499	-131 392	-201 777
Cash flows from investing activities						
Payments for purchase of property, plant & equipment		-2 412	-16 343	-7 041	-33 394	-36 978
Proceeds from sale of property, plant & equipment		0	25 491			
Payments for licences				-465	-1 238	
Acquisition of subsidiaries		-8 912	-8 912			
Proceeds from sale of shares in associates		35 000	35 000			
Change in loans associates and others		0	40 000	0	-10 000	-10 000
Net cash flow from investing activities		23 676	75 237	-7 506	-44 632	-46 978
Cash flows from financing activities						
Net change in bank overdraft		60 141	28 421			70 144
Repayment of debt		-12 164	-12 164			
Repayment of lease liability		-5 750	-30 747	-3 109	-9 803	-12 523
Interest paid	2	-2 472	-5 340	-718	-1 707	-2 421
Proceeds from issues of shares		5 667	184 907	0	167 549	167 549
Net cash flow from financing activities		45 422	165 076	-3 827	156 039	222 749
Net (decrease)/increase in cash and cash equivalents		-33 322	15 036	-43 832	-19 985	-26 006
Cash and cash equivalents at the beginning of the period		51 770	3 412	53 265	29 418	29 418
Cash and cash equivalents at close of the period		18 447	18 447	9 433	9 433	3 412

Notes

General information and accounting principles

Norcod (the Group) consists of Norcod AS, Norcod Equipment AS, Kråkøy Norcod AS and Kråkøy Norcod Eiendom AS .

The Groups head office is located at Thomas Angells gate 22 in Trondheim, Norway.

Norcod AS is listed on the Oslo Stock Exchange Euronext Growth under the ticker NCOD.

The condensed, consolidated interim financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS), including the International Accounting Standards 34 (IAS34) for interim financial reporting and are authorized for issue by the board of directors on 8 Nov 2023. The Group's accounting principles and calculation methods used in the most recent annual accounts are described in the annual report for 2022. No accounting principles have been changed or other standards have been adopted during the period. The annual report is published on www.norcod.no.

The condensed consolidated interim financial statements have not been audited. As a result of rounding differences, numbers or percentages may not add up to the total.

All figures in the notes are in NOK 1 000, unless otherwise specified.

Notes

Note 1 Inventories and biological assets

	30.09.2023	30.09.2022	31.12.2022
Book value of inventories			
Feed and other materials	15 752	6 433	8 712
Total inventories	15 752		8 712

Book value of biological assets			
Roe and cod fry at cost	21 691	0	23 284
Biological assets held at sea farms at cost	368 425	312 278	344 327
Total Biological assets before fair value adjustment	390 117	312 278	367 611
Fair value adjustment of biological assets	-85 265	2 875	-160 853
Total biological assets	304 852	315 153	206 758

		Q3 - 2023	Q3 - 2022	FY 2022
Reconciliation of changes in carrying amount of biological assets	Statement of comprehensive income post			
Opening balance biological assets		207 213	221 618	235 919
Increase resulting from production in the period	Cost of materials	94 798	83 581	303 259
Reduction resulting from incident-based mortality		0	0	0
Fair value adjustment of biomass	Fair value adjustment biomass	-8 743	3 841	-157 808
Reduction due to harvesting in the period		11 584	6 113	-174 612
Closing balance biological assets		304 852	315 153	206 758

Volumes of biological assets in sea (1 000 kg)				
Opening balance biological assets in sea		3 973	3 884	5 377
Closing balance biological assets in sea		6 395	6 122	6 777

The group had no uninvoiced finished goods in Q3 2023.

Biological Assets

Biological assets are, in accordance with IAS 41 Agriculture, measured at fair value in accordance with IFRS 13. Biomass measured at fair value, is categorized at Level 3 in the fair value hierarchy, as the input is mostly unobservable. All cod at sea are subject to a fair value calculation, while roe and cod fry are measured at cost as cost is deemed a reasonable approximation for fair value as there is little biological transformation.





The technical model used to calculate the fair value of biomass is a present value model. Present value is calculated on the basis of estimated revenues less production costs remaining until the cod is harvestable at the individual site. The cod is harvestable when it has reached the estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the date of reporting. The expected biomass at harvest is calculated on the basis of the number of individuals held at sea farms on date of reporting, adjusted for expected mortality up until the point of harvest and multiplied by the fish's estimated weight at harvest. The price is calculated using the Group's best estimate of future prices and are not observable. The price includes the Group's best estimate of the future prices of cod liver and other products of the cod that will be sold. Prices are adjusted for expected costs related to harvesting, sales and carriage costs. The Group applies a monthly discount rate of 4 %.

Estimated remaining production costs are estimated costs that a market participant would presume necessary for the farming of fish up until they reach a harvestable weight. In the model, instead of being a separate cost element in the calculation, compensation for estimated license fees and site leasing costs is included in the discount factor, and thereby reduces the fair value of the biomass.

The fair value of the biomass is calculated using a monthly discounting of the cash flow based on an expected harvesting month according to the harvesting plan. The discount factor is intended to reflect three main components:

1. The risk of incidents that affect the cash flow.
2. The time value of money.
3. Synthetic license fees and site leasing costs.

The discount factor is set on the basis of an average for all the Group's sites and which, in the Group's assessment, provides a sensible growth curve for the fish – from cod fry to harvestable fish. The risk adjustment must take account of the risk involved in investing in live fish. Currently the Group expects a cod to spend on average 16-18 months at a sea farm, and the risk will be higher the longer the time until harvest. Biological risk, the risk of increased costs and price risk will be the most important elements to be recognized. The present value model includes a theoretical compensation for license fees and site leasing costs as a surplus to the discount factor in the model, instead of being a cost-reducing factor in the calculation.

Note 2 Financial items				
	Q3 2023	YTD 2023	Q3 2022	YTD 2022
Financial income				
Currency gains				2 262
Other financial income	661	661	0 	584
Total financial income	661	661	0	2 846
Financial expenses				
Impairment of financial assets				
Interest expenses to related companies	2 625	3 996	2 369 	7 057
Interest expenses leasing	2 160	396	718 	1 707
Currency loss	2 753	8 869	1 913	6 752
Other financial expenses	1 721	12 665	149 	1 010
Total financial expenses	9 259	25 926	5 150	16 526
Net financial items	-8 598	-25 265	-5 150	-13 680

Note 3 Intangible assets - Concessions, patents, licenses, trademarks and similar rights

The Group has previously had an accounting policy that cost incurred, in advance of granted licenses being confirmed, has been capitalized and recognized as intangible assets. The Group has evaluated that to better align with the requirements in IAS 38 all cost related to the application process, prior to licenses being granted, should have been expensed as incurred. Consequently, the Group has changed its accounting policy in this regard from 2022, and expensed capitalized cost as of 31.12.2021 of TNOK 6,039 in the 2022 financial statements as the Group considers the financial statement impact to be immaterial.

Note 4 **Associated companies and other investments**

Up until May 2023, Norcod AS had a 50 % ownership in Havlandet Norcod AS (associated company), where NOK 35 million were invested in shares. An additional NOK 40 million long-term loan was granted to Havlandet Norcod AS. In May 2023, Norcod sold its shares in Havlandet Norcod AS and the long term loan was settled in cash correspondingly. Both transactions were settled at book values.

Norcod AS holds an investment in Arctic Cod AS, book value of TNOK 502. The company offers growth facility capacity for a share of Norcod's juveniles. The contracting arrangement is based on common business terms.

Note 5 Interest-bearing liabilities

	30.09.2023	30.09.2022	31.12.2022
Non-Current interest-bearing liabilities			
Non-current interest-bearing debt	29 357	86 226	0
Non current liabilities for right-of-use assets	123 441	62 546	60 939
Non-current leasing liabilities	152 798	148 772	60 939
Current interest-bearing debt:			
Current leasing liabilities	30 282	15 951	16 275
Current interest-bearing debt	98 565	0	158 151
Total current interest-bearing debt	128 847	15 951	174 426
Total interest-bearing debt	281 645	164 723	235 365
Cash and bank deposits	18 447	9 433	3 412
Net interest-bearing debt	263 198	155 290	231 953



Contact Info:

Arne Kristian Hoset

CFO

Phone: +47 988 10 282

Email: arne.hoset@norcod.no

