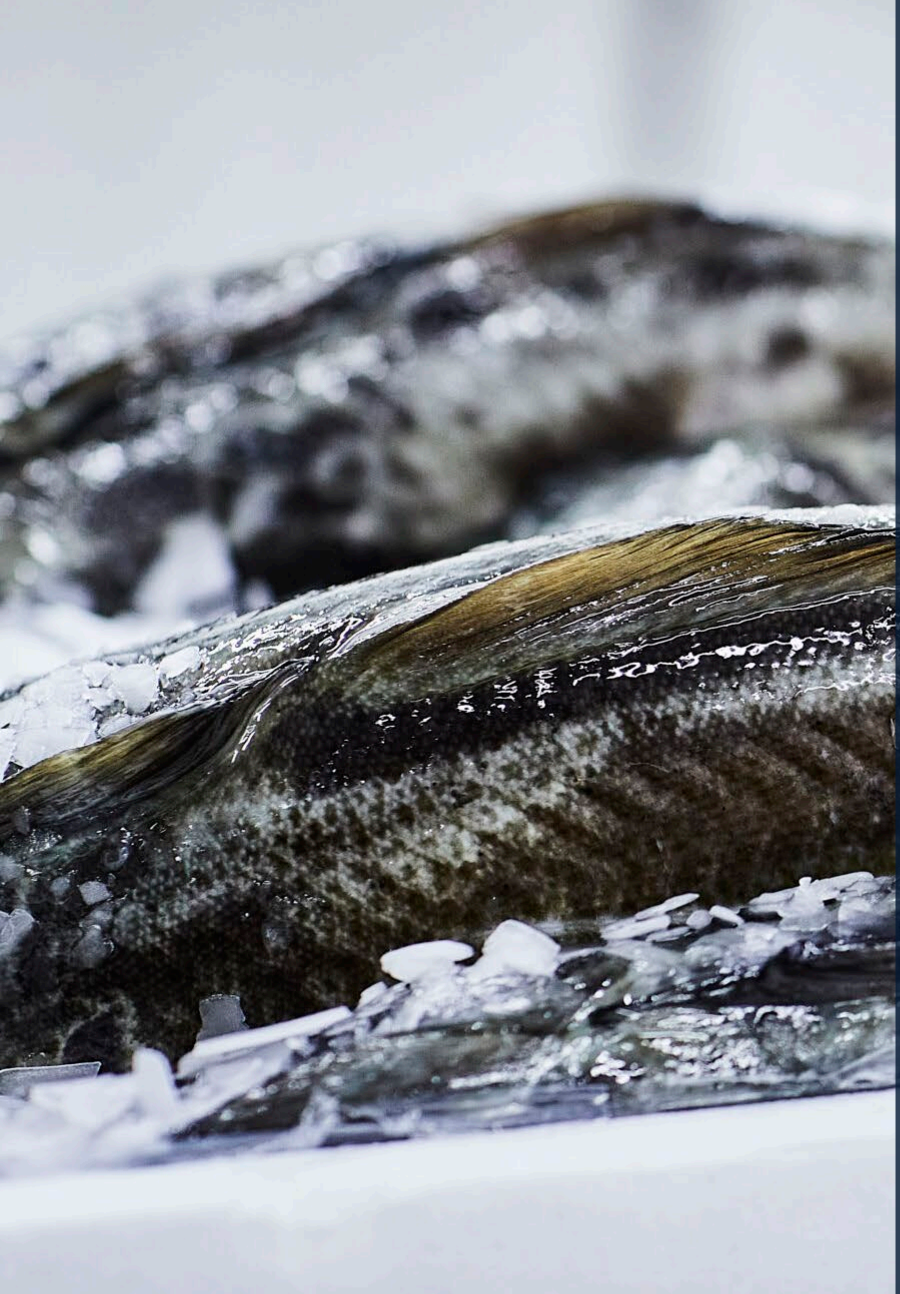
# Norcod Presentation Q2-2023

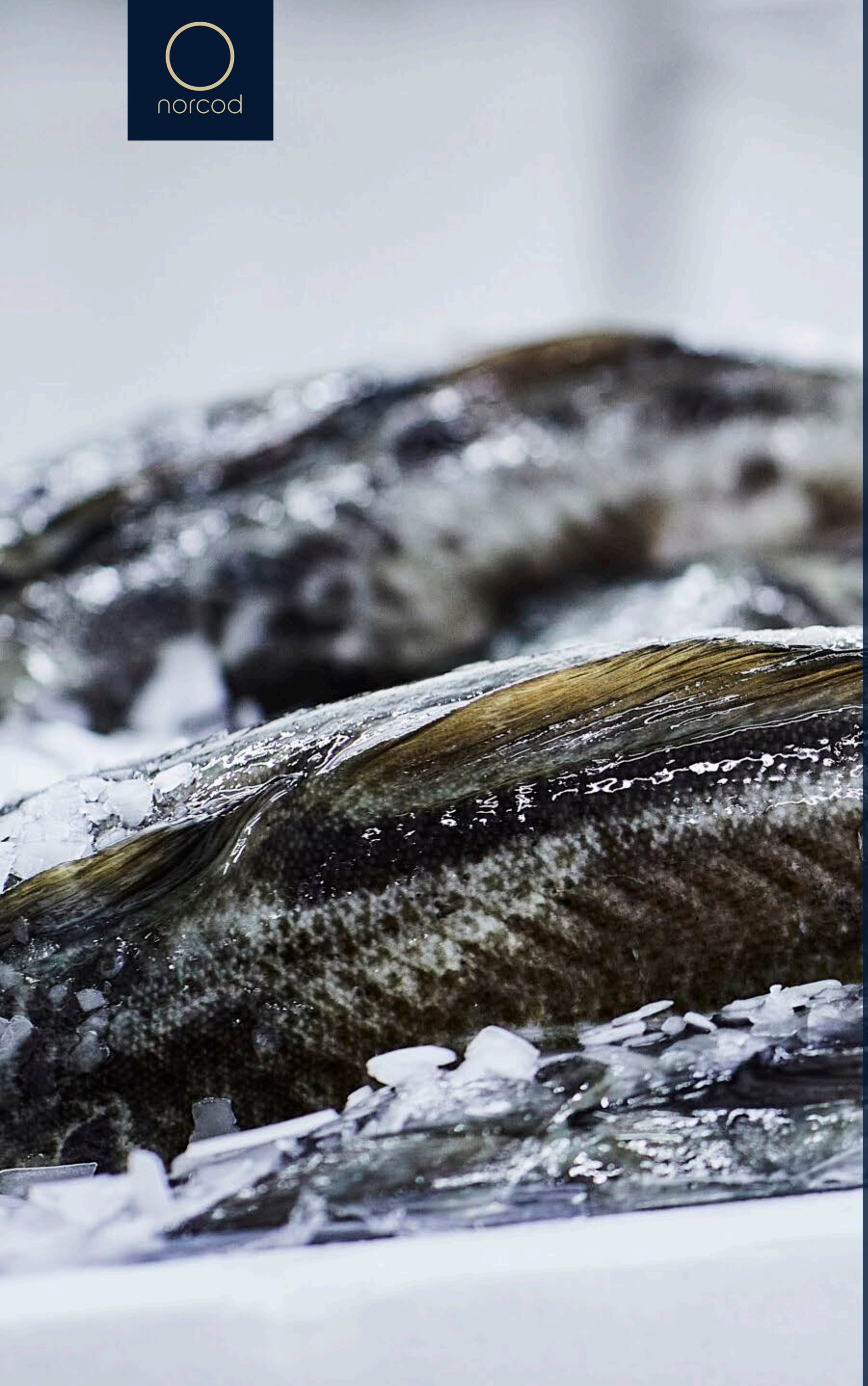
CEO: **Christian Riber**

CFO: **Arne Kristian Hoset**



# Agenda

- Q2 2023 Highlights
- Operational update
- Market conditions
- Green visions for a blue future
- Financial update
- Outlook
- Q&A

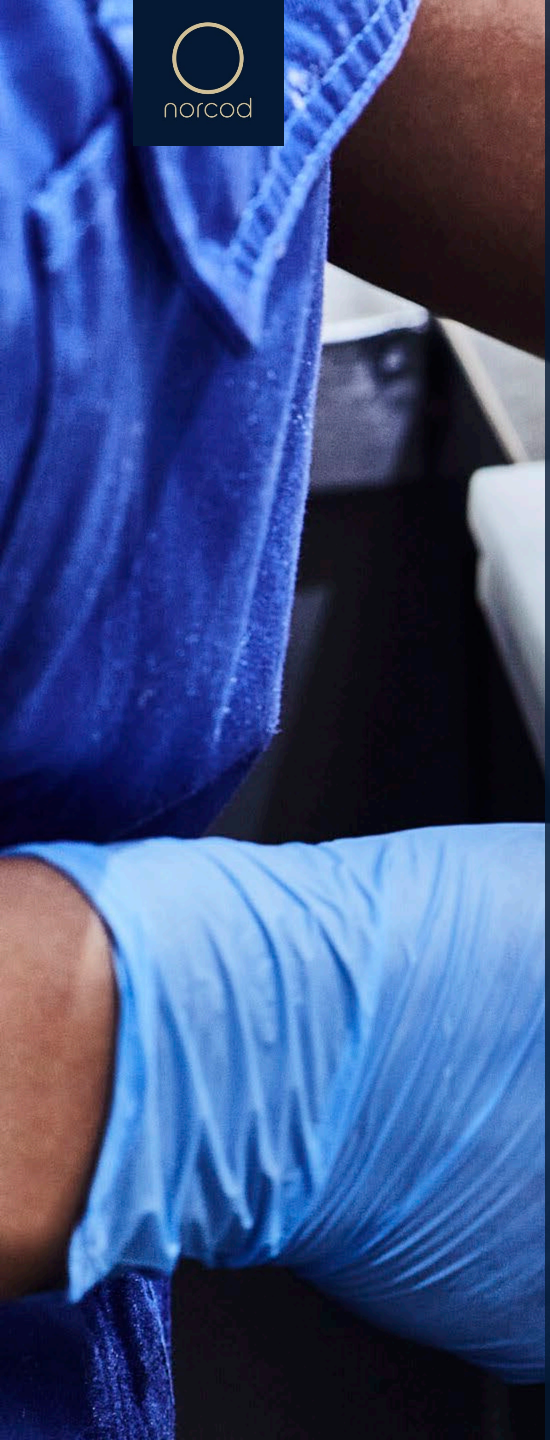


# Q2 2023 Highlights

- 39 MNOK in revenues, up 39% from Q2-22 driven by increased harvesting
- 47 MNOK in operating loss, compared to 41 MNOK in Q2-22
- -131 MNOK in cash flows from operations, down from -88 MNOK in Q2-22
- 1 038 tons WFE harvested, up from 963 tons WFE in Q2-22
- Entering agreement on acquisition of Kråkøy Slakteri AS
- First cycle initiated at site Labukta – 2.6 mill fish set into sea
- Executed measures to improve financial robustness

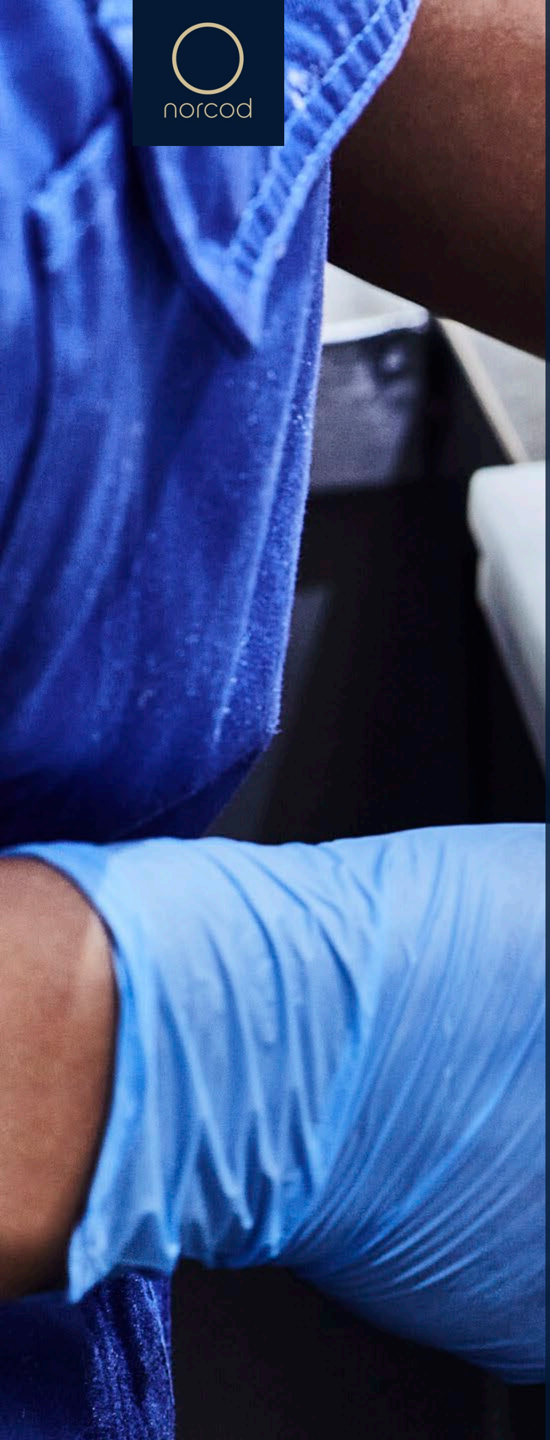
# H1 2023 Highlights

- 165 MNOK in revenues, up 41% YoY
- 75 MNOK in operating loss, compared to 86 MNOK in H1-22
- -123 MNOK in cash flows from operations, down from -99 MNOK in H1-22
- 4 400 tons WFE harvested, up from 2 990 tons WFE in H1-22



# Operational update

- Norcod harvested the remainder of the stock that was subject to accelerated harvesting imposed by the Directorate of Fisheries in the first quarter
- All the harvested fish is sold in the market and YoY revenue growth is 41 per cent
- Total harvest volume ended on 1 038 tons WFE, up 8 % from Q2 previous year
- Good cooperation with available facilities made it possible for all harvest capacity to be used and all the fish reached the end user
- Our fifth production site, Labukta, kicked off its first production cycle. The location has the most energy efficient technology seen in Norwegian aquaculture industry and is Norcod's third site supplied with onshore power.
- Norcod entered into an agreement to purchase 100 percent of the shares in harvest facility Kråkøy Slakteri AS. This is an important step to create a robust and streamlined business model. Numerous benefits accrue from this 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 cost savings, market expansion, and higher customer satisfaction.



# Operational update

- Norcod completed its efforts to improve its financial capacity and establish a robust equity base to enable further growth. In April, Norcod successfully increased its operational liquidity by 265 million NOK from sale of assets and private placement. At the same time, the company improved the equity situation by securing appx. 90 million NOK in debt restructuring, efficient from Q3-23 onwards. In May, Norcod extended its credit line with the main bank, utterly securing 75 million NOK in liquid funds. In June, Norcod was granted 50 million NOK in additional credit from Export Finance Norway.
- During the quarter, Norcod has continued its diligent work on measures to reduce risk and meet biological challenges during the quarter. Norcod continues to lead the development of Norwegian cod farming and recognizes the responsibility it entails.
- Norcod received the good news of achieved GlobalG.A.P. recertification. It is of great importance for Norcod to adhere to transparency and be able to refer to a third-party assessment.

# Market conditions

- The accelerated harvest plan continued to put pressure on the market and sales situation. Our already established relations with several European retailers prooved valuable. Norcod’s sales and distribution partner Sirena managed to do several promotions during the quarter, materializing in a price premium on farmed compared to shiny cod, thus minimizing the volume that had to be sold on spot level. The market absorbed the volumes of farmed cod that came from Norcod and other farmers during the quarter.
- 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 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

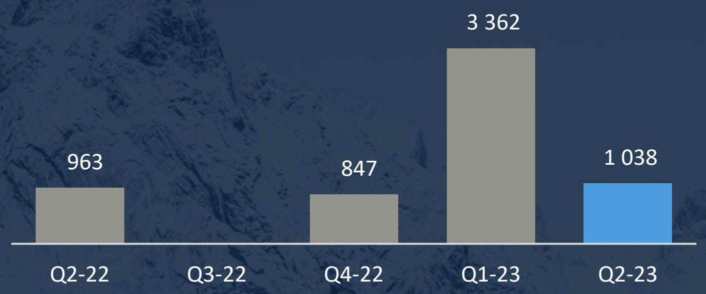
- Aiming to increase the survival rate to 90 % within 2030
- Targeting for 98 % utilization of the cod for human consumption
- 30 % reduction in carbon footprint by 2030 (Scope 1, 2, 3)
- Zero escape incidents
- Available tools not only to prevent and detect, but fully control maturation

## Devoted to

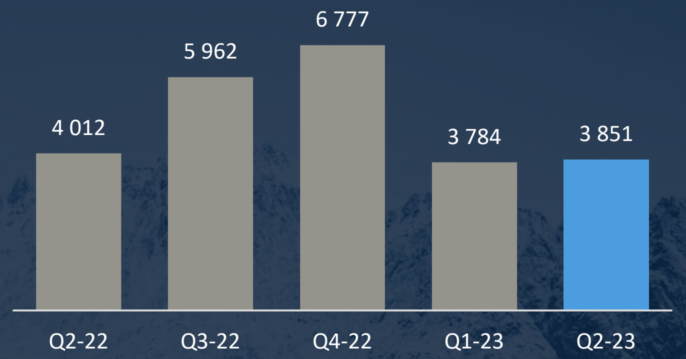
| People | Cod | Nature | Innovation & Profit |
|---|---|---|---|
| Human rights | Fish Welfare | The ocean | Research and development |
| Safe work environment | Production environment | Local and global environment | |
| Local communities | Product quality | Biodiversity | Year-round harvest |
| Gender equality | Increase yield | Responsible producer | |
| Aquaculture education | Food safety | Fish feed | Market development |
| Customers | | Climate action | |

# Financial Update - Highlights

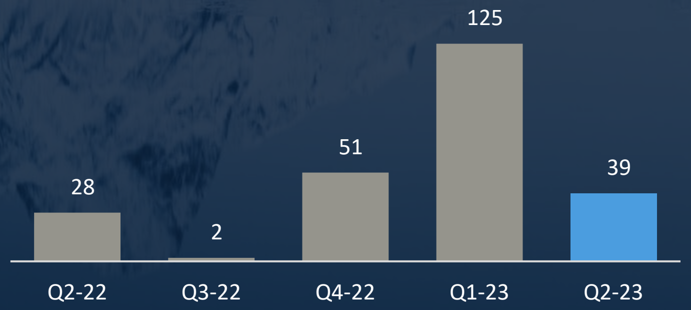
## Harvest volume (tons WFE)



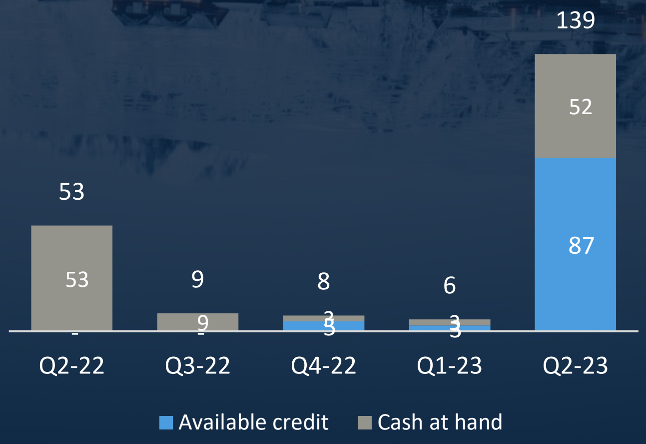

## Biomass at sea (tons)




## Revenues (MNOK)

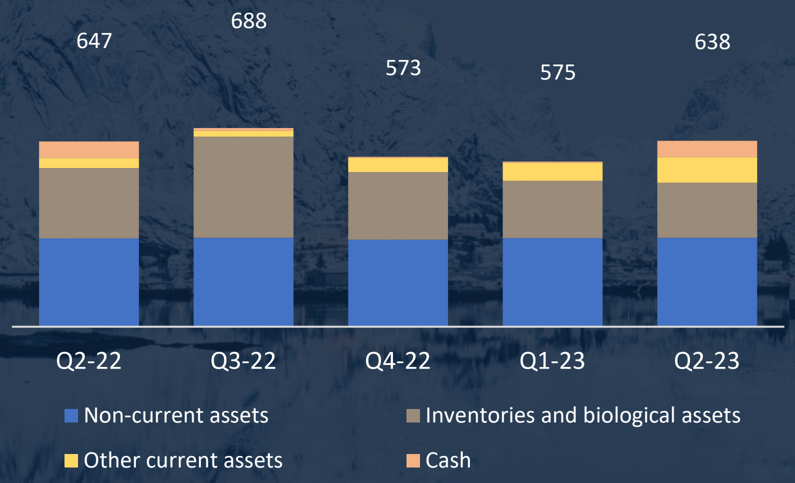



## Available credit and cash at hand

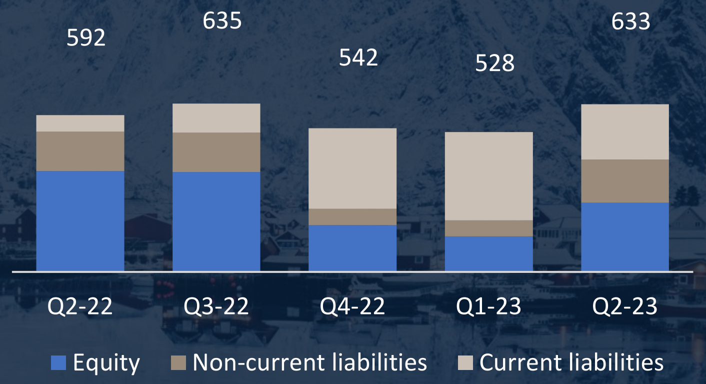


# Financial Update - Highlights

## Balance sheet development - Assets




## Balance sheet development – Equity and liabilities



# Interim condensed consolidated statement of comprehensive income

| Consolidated statement of comprehensive income | | | | | | |
|---|---|---|---|---|---|---|
| (Amounts in NOK '000) | Note | Q2 2023 | YTD 2023 | Q2 2022 | YTD 2022 | FY 2022 |
| **Operating revenue** | | **39 429** | **164 536** | **34 444** | **117 494** | **170 541** |
| Cost of materials | | 69 489 | 233 976 | 53 748 | 152 544 | 168 730 |
| Salaries and personnel expenses | | 11 429 | 24 928 | 6 573 | 14 762 | 43 031 |
| Depreciation and amortization | | 5 226 | 10 224 | 3 677 | 6 407 | 16 032 |
| Other operating expenses | | 24 690 | 54 844 | 14 200 | 31 601 | 65 833 |
| **Operating expenses** | | **110 835** | **323 972** | **78 198** | **205 315** | **293 626** |
| **Operating profit/ loss(-) before fair value adj. of biomass** | | **-71 406** | **-159 436** | **-43 754** | **-87 820** | **-123 085** |
| Fair value adjustment biomass | 1 | 24 104 | 84 331 | 3 022 | 2 079 | -157 808 |
| **Operating profit/loss** | | **-47 302** | **-75 105** | **-40 732** | **-85 741** | **-280 892** |
| Share of profit/ loss(-) from associates | | 3 690 | 1 489 | -581 | -1 043 | 1 798 |
| Net financial items | 4 | -8 598 | -21 360 | -7 576 | -8 530 | -18 123 |
| **Profit/loss before tax** | | **-52 209** | **-94 976** | **-48 889** | **-95 314** | **-297 217** |
| Income tax expenses | | 0 | 0 | 0 | 0 | 0 |
| **Net profit/loss for the period** | | **-52 209** | **-94 976** | **-48 889** | **-95 314** | **-297 217** |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the period** | | **-52 209** | **-94 976** | **-48 889** | **-95 314** | **-297 217** |

# Interim condensed consolidated statement of financial position

| Consolidated statement of financial position | | | | |
|---|---|---|---|---|
| (Amounts in NOK '000) | Note | Q2 - 2023 | Q2 - 2022 | 2022 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Concessions, patents, licenses, trademarks and similar rights | 2 | 2 000 | 8 814 | 2 000 |
| Property, plant & equipment | | 86 288 | 70 143 | 76 678 |
| Right-of-use assets | | 195 346 | 127 943 | 123 846 |
| Investment in associated companies | 3 | 0 | 33 539 | 33 511 |
| Other investments | 3 | 502 | 1 003 | 502 |
| Other non-current receivables | 3 | 0 | 40 000 | 40 000 |
| Deferred tax assets | | 0 | 0 | 0 |
| **Total non-current assets** | | **284 135** | **281 442** | **276 536** |
| **Current assets** | | | | |
| Inventories | 1 | 7 847 | 3 736 | 8 712 |
| Biological assets | 1 | 207 213 | 221 618 | 206 758 |
| Short-term receivables | | 81 827 | 31 731 | 46 427 |
| Cash and cash equivalents | | 51 770 | 53 265 | 3 412 |
| **Total current assets** | | **348 657** | **310 350** | **265 310** |
| **TOTAL ASSETS** | | **632 792** | **591 792** | **541 846** |

# Interim condensed consolidated statement of financial position

## Consolidated statement of financial position

| (Amounts in NOK '000) | Note | Q2 - 2023 | Q2 - 2022 | 2022 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | | 12 784 | 9 609 | 9 609 |
| Treasury Shares | | -3 706 | -3 706 | -3 706 |
| Share premium | | 729 108 | 553 019 | 553 043 |
| Retained earnings | | -477 243 | -177 472 | -382 267 |
| **Total equity** | | **260 942** | **381 450** | **176 679** |
| **Liabilities** | | | | |
| Non-current interest-bearing debt | 4 | 38 424 | 81 943 | 0 |
| Lease liabilities | 4 | 124 445 | 65 635 | 60 939 |
| **Total non-current liabilities** | | **162 868** | **147 578** | **60 939** |
| Current leasing liabilities | | 30 667 | 15 971 | 16 275 |
| Current interest-bearing debt | | 103 683 | 0 | 158 151 |
| Trade payables | | 70 992 | 43 220 | 114 263 |
| Other current liabilities | | 3 640 | 3 573 | 15 540 |
| **Total current liabilities** | | **208 981** | **62 764** | **304 228** |
| **TOTAL EQUITY AND LIABILITIES** | | **632 792** | **591 792** | **541 846** |

# Interim condensed consolidated statement of cash flows

**Interim condensed consolidated statement of cash flows**

| (Amounts in NOK '000) | Note | Q2 2023 | YTD 2023 | Q2 2022 | FY 2022<br>Audited |
|---|---|---|---|---|---|
| **Profit/loss before tax** | | **-52 209** | **-94 976** | **-50 293** | **-297 217** |
| **Cash flow from operating activities** | | | | | |
| Depreciation and amortization | | 5 226 | 10 224 | 3 677 | 16 032 |
| Change in inventory and biological assets | 1 | -31 942 | 410 | -9 383 | -132 554 |
| Fair value adjustment | | | | | 157 808 |
| Share of profit/ loss(-) from associates | | -3 690 | -1 489 | 1 043 | -1 798 |
| Change in accounts receivable | | 10 820 | -3 611 | 19 929 | 929 |
| Change in accounts payable | | -48 133 | -43 271 | -25 557 | 26 037 |
| Change in other current receivables and other current liabilities | | -11 530 | 9 855 | -26 974 | 28 987 |
| **Net cash flow from operating activities** | | **-131 459** | **-122 858** | **-87 558** | **-201 777** |
| **Cash flows from investing activities** | | | | | |
| Payments for purchase of property, plant & equipment | | -6 548 | -13 930 | -23 517 | -36 978 |
| Proceeds from sale of property, plant & equipment | | 25 491 | 25 491 | | |
| Payments for licences | | | | -514 | |
| Change in loans associates and others | | 40 000 | 40 000 | -10 000 | -10 000 |
| **Net cash flow from investing activities** | | **58 943** | **51 561** | **-34 031** | **-46 978** |
| **Cash flows from financing activities** | | | | | |
| Net change in bank overdraft | | -36 018 | -31 720 | | 70 144 |
| Repayment of lease liability | | -21 061 | -24 997 | -3 689 | -12 523 |
| Interest paid | 2 | -2 160 | -2 868 | -301 | -2 421 |
| Proceeds from issues of shares | | 179 240 | 179 240 | 167 549 | 167 549 |
| **Net cash flow from financing activities** | | **120 001** | **119 655** | **163 559** | **222 749** |
| Net (decrease)/increase in cash and cash equivalents | | 47 485 | 48 358 | 41 970 | -26 006 |
| Cash and cash equivalents at the beginning of the period | | 4 284 | 3 412 | 11 295 | 29 418 |
| **Cash and cash equivalents at close of the period** | | **51 770** | **51 770** | **53 265** | **3 412** |

# Outlook

- Both internally and in collaboration with industry colleagues and other stakeholders, we work on strategy and plans to prevent and eliminate risk.
- In order to postpone and reduce gonad development in our cod, new light regimes are set up on a large scale.
- Furthermore, measures such as sorting of fish during the cycle will be carried out.
- Further development of ultrasound monitoring with regard to gonad development and for possible gender sorting will be a measure which it is realistic to assume can contribute to a long-term solution.
- The possibility of producing sterile cod is also being looked at and is a measure that is placed somewhat in the future.
- The main goal is to establish best practices in cod farming to safeguard a predictable and holistic context for everyone involved.
- Site Frosvika kicks 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.
- Next harvest period will be initiated in September. We look forward to being able to offer the market more of our high-quality sustainably produced cod. Our employees in operations and newly acquired slaughterhouse, Kråkøy Norcod, are ready to handle the fish gently throughout the entire process.
- Norcod is continuously investing in its resources to optimize production skills and production capacity. During the next years, Norcod’s ambition is to increase production and harvest volume at a pace that is beneficial for the environment, our customers, and our shareholders.
- Our vision is clear – and we are standing firm on it. 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.

# Q&A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