



Q2  
2022

## FINANCIAL REPORT Q2 2022



# Financial report

## Summary Q2 2022

- Revenues Q2 2022 2.270 (Q2 2021: 1.751)
- Earnings before interests, taxes, depreciations and amortisations (EBITDA) Q2 2022 262 MNOK (Q2 2021: 80 MNOK)
- Raw material volume Q2 2022 FOOD 27.417 t (Q2 2021: 31.613 t)
- Raw material volume Q2 2022 FEED 223.304 t (Q2 2021: 240.952 t)
- Profit before tax Q2 2022 111 MNOK (Q2 2021: 15 MNOK)
- Net interest bearing debt (NIBD) Q2 2022 3.756 MNOK (Q2 2021: 3.045 MNOK)
- Equity share Q2 2022 38,6% (Q2 2021: 39,9%)

Key group figures (Numbers in MNOK)	Q2-22	Q2-21	YTD-22	YTD-21	FY 2021
Revenues	2 270	1 751	4 489	4 082	9 862
EBITDA	262	80	446	213	1 018
EBIT	176	19	275	91	727
Profit before tax	111	15	185	62	649
NIBD*	3 756	3 045	3 756	3 045	3 291
Equity share	38,6 %	39,9 %	38,6 %	39,9 %	41,8 %

\* excluding leasing liabilities other than to credit institutions

Revenues for Q2 22 were 2.270 MNOK (Q2 2021: 1.751 MNOK). EBITDA was 262 MNOK in Q2 22 (Q2 2021: 80 MNOK). Profit before tax was 111 MNOK in Q2 22 (Q2 2021: 15 MNOK). YTD revenues were 4.489 MNOK in 1H 22 (1H 2021: 4.082 MNOK). EBITDA were 446 MNOK 1H 22 (1H 2021: 213 MNOK). Profit before tax was 185 MNOK in 1H 22 (1H 2021: 62 MNOK).

In Q2 22 Pelagia had some decrease in raw material volume in the FOOD division compared to Q2 2021. Overall, a small reduction of raw material is expected for 2022 due to lower quotas 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. The autumn season has therefore also started earlier in Q3 2022 while the fish resource is 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. As for other raw materials the market for the produced fish meal and fish oil has been good and the FEED division has experienced higher market prices during the year.

28 March 2022 Pelagia signed an agreement with Arne Stang AS to purchase 100% of the shares in Norsk Fiskeindustri Invest AS (NFI). NFI owns 51,05% of the stocks in Karmsund Protein AS which is a producer of fish meal and fish oil. The agreement was fulfilled in May 2022.



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The market demand for the HEALTH division is expected to remain solid also through 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. 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 division could negatively affect margins going forward, but due to the factory upgrade during the Covid-period 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. It is expected that a new long-term financing will be in place well ahead of the expiry date for the current financing.

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 same time, it could be a risk that the fisheries are impacted by climate changes long term.

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, freight and logistics.

Pelagia Holding paid out a dividend of 250 MNOK to its shareholders in May 2022.

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

We declare in good faith that the half-year financial statements for the period 1 January to 30 June 2022 have been prepared in accordance with IAS 34 - Interim Financial Reporting and that the information in the financial statements gives a true and fair view of (the company's and) the group's assets, liabilities, financial position and results as a whole. We also declare, to the best of our knowledge, that the half-yearly report provides a true and fair view of significant events in the financial period and their influence on the half-yearly financial statements, the most important risk and uncertainty factors the group faces in the next financial period and significant related party transactions.

Bergen, 23 August 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

Endre Sekse  
Board Member

Egil Magne Haugstad  
CEO

## Condensed consolidated income statement

NOK 1 000	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	2021
Revenues	2	2 269 683	1 750 608	4 488 809	4 082 296	9 862 242
Other profits		-	-	-	-	139 331
Change in inventories of finished goods		-624 761	394 044	239 933	417 885	-481 377
Raw materials and consumables used		-1 060 831	-1 817 750	-3 597 080	-3 753 081	-7 222 788
Salaries and personnell expenses		-168 230	-135 991	-383 159	-319 831	-754 662
Depreciation		-85 788	-61 102	-171 129	-121 846	-290 835
Other operating expenses		-154 000	-111 192	-302 744	-214 205	-525 072
<b>Operating profit</b>		<b>176 073</b>	<b>18 617</b>	<b>274 630</b>	<b>91 219</b>	<b>726 838</b>
Share of net result using the equity method		-	7 353	-	15 183	21 103
Net finance		-64 879	-10 574	-89 244	-44 880	-98 764
<b>Profit before taxes</b>		<b>111 194</b>	<b>15 396</b>	<b>185 386</b>	<b>61 521</b>	<b>649 177</b>
Income tax expense		-20 289	-3 217	-35 554	-10 510	-84 555
<b>Net profit</b>		<b>90 905</b>	<b>12 180</b>	<b>149 832</b>	<b>51 011</b>	<b>564 622</b>
<b>Profit is attributable to;</b>						
Shareholders of the parent company		76 701	10 536	133 271	48 884	547 339
Non-controlling interests		14 204	1 643	16 562	2 127	17 283
<b>Total</b>		<b>90 905</b>	<b>12 180</b>	<b>149 832</b>	<b>51 011</b>	<b>564 622</b>

## Condensed consolidated statement of comprehensive income

NOK 1 000	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	2021
Result		90 905	12 180	149 832	51 011	564 622
Translation differences currency		52 289	-12 681	21 940	-19 596	-348
<b>Comprehensive income</b>		<b>143 194</b>	<b>-501</b>	<b>171 773</b>	<b>31 416</b>	<b>564 274</b>
<b>Allocation of comprehensive income:</b>						
Shareholders of parent company		130 586	898	156 065	29 289	546 991
Non-controlling interests		12 608	-1 400	15 708	2 127	17 283
<b>Total</b>		<b>143 194</b>	<b>-501</b>	<b>171 773</b>	<b>31 416</b>	<b>564 274</b>

## Condensed consolidated balance sheet

NOK 1 000	Note	30.06.2022	30.06.2021	31.12.2021
<b>Assets</b>				
<b>Non-current assets</b>				
Other intangible assets		141 736	44 225	125 514
Goodwill		1 205 328	814 548	1 197 752
Other receivables		13 697		1 588
<b>Total intangible assets</b>		<b>1 360 761</b>	<b>858 774</b>	<b>1 324 855</b>
Land, buildings and other real property		1 820 058	939 222	1 275 457
Machinery and plants		1 430 450	1 250 099	1 451 962
Ships		197 133	-	180 235
Operating movables, fixtures and fittings etc.		4 424	3 914	4 818
Right of use assets		24 747	39 304	30 719
<b>Total property, plant and equipment</b>		<b>3 476 813</b>	<b>2 232 539</b>	<b>2 943 192</b>
Investment in joint venture		-	366 252	-
Investments in associated companies		-	-	-
Loan to associated company		-	-	-
Investments in shares and parts		3 881	1 854	3 909
Other receivables		-	8 150	13 945
<b>Total financial non-current assets</b>		<b>3 881</b>	<b>376 256</b>	<b>17 854</b>
<b>Total non-current assets</b>		<b>4 841 455</b>	<b>3 467 568</b>	<b>4 285 900</b>
<b>Current assets</b>				
Inventories	4	2 076 306	1 971 061	1 931 410
Trade receivables		970 689	710 936	1 010 729
Derivatives		-	2 232	-
Other current receivables		98 334	88 311	138 373
Cash and cash equivalents	5	314 097	171 077	215 638
<b>Total current assets</b>		<b>3 459 426</b>	<b>2 943 617</b>	<b>3 296 150</b>
<b>Total assets</b>		<b>8 300 881</b>	<b>6 411 185</b>	<b>7 582 050</b>

## Condensed consolidated balance sheet

NOK 1 000	Note	30.06.2022	30.06.2021	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		1 359 424	1 005 901	1 488 702
Non-controlling interests		345 653	57 672	181 765
<b>Total equity</b>		<b>3 202 527</b>	<b>2 561 023</b>	<b>3 167 918</b>
<b>Liabilities</b>				
Deferred tax		162 336	27 993	66 772
Pension liabilities		2 126	1 792	2 235
<b>Total provision for liabilities</b>		<b>164 462</b>	<b>29 784</b>	<b>69 007</b>
<b>Debt to credit institutions</b>	<b>5</b>	<b>413 057</b>	<b>1 856 260</b>	<b>259 305</b>
Other long-term, non-interest-bearing debt		4 017	2 647	2 497
Bond loan	5	892 620	890 460	891 540
Leasing liabilities	5	5 239	16 602	16 909
<b>Total other non-current liabilities</b>		<b>1 314 933</b>	<b>2 765 969</b>	<b>1 170 215</b>
First year's instalment non-current liability	5	1 761 381	154 475	1 365 570
Current part of leasing liabilities	5	19 035	36 654	16 165
Current liabilities to credit institutions	5	1 002 973	314 490	990 715
Trade payables		497 235	375 945	332 444
Payable tax		67 513	-31 806	113 828
Public duties owing		73 230	43 263	40 703
Other current liabilities		197 592	161 387	315 450
<b>Total current liabilities</b>		<b>3 618 959</b>	<b>1 054 408</b>	<b>3 174 874</b>
<b>Total liabilities</b>		<b>5 098 354</b>	<b>3 850 162</b>	<b>4 414 132</b>
<b>Total equity and liabilities</b>		<b>8 300 881</b>	<b>6 411 185</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
Total result	-	-	515 617	-	515 617	48 657	564 274
Addition non-controlling interests through group establishment	-	-	-	-	-	74 036	74 036
Dividend paid	-	-	-200 000	-	-200 000	-	-200 000
Total transactions with owners and non-controlling interests	-	-	-200 000	-	-200 000	74 036	-125 964
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	-	-	133 271	-	133 271	16 562	149 832
Comprehensive result for the year	-	-	22 794	-	22 794	-854	21 940
Total result	-	-	156 065	-	156 065	15 708	171 773
Addition non-controlling interests through group establishment	-	-	-285 343	-	-285 343	148 180	-137 163
Dividend paid	-	-	-	-	-	-	-
Total transactions with owners and non-controlling interests	-	-	-285 343	-	-285 343	148 180	-137 163
Equity per 30 June 2022	149 836	1 347 615	1 359 424	-	2 856 874	345 653	3 202 527

## Condensed consolidated cash flow statement

NOK 1 000	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	2021
<b>Cash flows from operating activities</b>						
Result before tax expense		111 194	15 396	185 386	61 521	649 177
Adjusted for:						
- Depreciations		85 788	61 102	171 129	121 846	290 835
- Taxes paid		36 379	19 463	20 210	38 926	-53 422
- Share of profit using the equity method		-	-7 353	-	-15 183	-21 103
- Interest expenses net		26 723	21 511	51 550	42 945	94 045
- Profit from sale of property, plant and equipment		-	-	-	-	-
- Other profits		-	-	-	-	-139 331
- Change in working capital		-89 852	497 639	-156 867	578 761	475 802
<b>Net cash flows from operating activities</b>		<b>170 232</b>	<b>607 759</b>	<b>271 407</b>	<b>828 816</b>	<b>1 296 003</b>
<b>Cash flows from investing activities</b>						
Cash flow impact of business combinations		-47 754	-	-47 754	-	-454 104
Other profits		-	-	-	-	-
Purchase of property, plant and equipment		-124 356	-67 962	-189 557	-147 930	-350 447
Purchase of other intangible assets		-	-	-17 431	-	-
Sale of property, plant and equipment		-	-	-	-	152
Interest received		9 419	6 579	16 384	12 989	25 596
Dividend received		-	-	-	-	15 183
<b>Ne cash flows from investing activities</b>		<b>-162 691</b>	<b>-61 382</b>	<b>-238 358</b>	<b>-134 941</b>	<b>-763 620</b>
<b>Cash flows from financing activities</b>						
Borrowings	5	539 000	-	674 166	-	583 583
Repayment on debt	5	-161 698	-294 044	-286 301	-423 812	-717 416
Repayment lease liabilities	5	-241	-4 694	-4 520	-14 301	-34 520
Interest paid		-36 142	-28 090	-67 934	-55 934	-119 641
Dividends paid to parent company's shareholders		-250 000	-200 000	-250 000	-200 000	-200 000
<b>Net cash flows from financing activities</b>		<b>90 918</b>	<b>-526 829</b>	<b>65 410</b>	<b>-694 047</b>	<b>-487 994</b>
<b>Change in net cash and cash equivalents</b>		<b>98 459</b>	<b>19 548</b>	<b>98 459</b>	<b>-172</b>	<b>44 390</b>
Net cash and cash equivalents per beginning of period		215 638	151 529	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>314 097</b>	<b>171 077</b>	<b>314 097</b>	<b>171 077</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 23 August 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.

#### 2nd quarter 2022

NOK 1 000	Food	Feed	Health	Total
Operating revenues	831 773	1 267 317	170 593	2 269 683
Total operating revenues	831 773	1 267 317	170 593	2 269 683
Cost of goods	702 608	955 161	96 161	1 753 931
Contribution margin	129 165	312 156	74 431	515 752
Indirect wages	39 454	46 253	14 183	99 891
Indirect operating expenses excl. depreciations	46 888	96 033	11 079	154 000
Operating result before depreciations EBITDA	42 823	169 869	49 169	261 861
Income recognition related to acquisition	-	-	-	-
Depreciations	30 923	49 145	5 720	85 788
Operating result EBIT	11 900	120 724	43 449	176 073
Share of net result using the equity method	-	-	-	-

#### 2nd quarter 2021

NOK 1 000	Food	Feed	Health	Total
Operating revenues	774 754	858 178	117 677	1 750 608
Other profits	-	-	-	-
Total operating revenues	774 754	858 178	117 677	1 750 608
Cost of goods	685 265	746 080	58 072	1 489 418
Contribution margin	89 488	112 098	59 605	261 191
Indirect wages	33 280	23 552	13 447	70 279
Indirect operating expenses excl. depreciations	46 255	56 708	8 229	111 191
Operating result before depreciations EBITDA	9 953	31 838	37 928	79 720
Income recognition related to acquisition	-	-	-	-
Depreciations	31 389	27 229	2 484	61 102
Operating result EBIT	-21 437	4 609	35 444	18 617
Share of net result using the equity method	-	7 353	-	7 353

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

YTD 2022

NOK 1 000	Food	Feed	Health	Total
Operating revenues	2 112 274	2 061 766	314 769	4 488 809
Other profits	-	-	-	-
<b>Total operating revenues</b>	<b>2 112 274</b>	<b>2 061 766</b>	<b>314 769</b>	<b>4 488 809</b>
Cost of goods	1 861 587	1 490 929	160 596	3 513 113
<b>Contribution margin</b>	<b>250 687</b>	<b>570 836</b>	<b>154 172</b>	<b>975 696</b>
Indirect wages	88 314	104 538	34 341	227 193
Indirect operating expenses excl. depreciations	96 416	182 669	23 659	302 744
<b>Operating result before depreciations EBITDA</b>	<b>65 957</b>	<b>283 630</b>	<b>96 172</b>	<b>445 759</b>
Income recognition related to acquisition	-	-	-	-
Depreciations	62 923	96 788	11 419	171 129
<b>Operating result EBIT</b>	<b>3 035</b>	<b>186 842</b>	<b>84 753</b>	<b>274 630</b>
Share of net result using the equity method	-	-	-	-

YTD 2021

NOK 1 000	Food	Feed	Health	Total
Operating revenues	2 155 519	1 648 940	277 836	4 082 296
Other profits	-	-	-	-
<b>Total operating revenues</b>	<b>2 155 519</b>	<b>1 648 940</b>	<b>277 836</b>	<b>4 082 296</b>
Cost of goods	1 887 367	1 445 439	154 007	3 486 813
<b>Contribution margin</b>	<b>268 152</b>	<b>203 501</b>	<b>123 829</b>	<b>595 482</b>
Indirect wages	78 163	56 264	33 786	168 213
Indirect operating expenses excl. depreciations	86 118	109 998	18 089	214 205
<b>Operating result before depreciations EBITDA</b>	<b>103 872</b>	<b>37 240</b>	<b>71 953</b>	<b>213 065</b>
Income recognition related to acquisition	-	-	-	-
Depreciations	63 770	54 362	3 714	121 846
<b>Operating result EBIT</b>	<b>40 102</b>	<b>-17 122</b>	<b>68 239</b>	<b>91 219</b>
Share of net result using the equity method	-	15 183	-	15 183

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

### 2nd quarter 2022

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	23 400	638 639	60 491	722 530
Europe Rest	45 382	372 246	5 307	422 935
Europe EU	321 278	149 808	16 544	487 630
Asia	324 958	100 446	28 834	454 237
Africa	56 444	-	-	56 444
North America	60 311	4 801	57 116	122 228
Other	-	1 378	2 302	3 679
<b>Total</b>	<b>831 773</b>	<b>1 267 317</b>	<b>170 593</b>	<b>2 269 683</b>

### 2nd quarter 2021

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	99 581	464 605	25 828	590 014
Europe Rest	48 268	163 203	9 898	221 369
Europe EU	311 669	230 523	13 198	555 391
Asia	224 952	6 154	32 037	263 144
Africa	41 761	-	-	41 761
North America	32 112	9 158	36 044	77 313
Other	945	-	672	1 617
<b>Total</b>	<b>759 288</b>	<b>873 644</b>	<b>117 677</b>	<b>1 750 608</b>

### YTD 2022

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	62 520	873 512	94 159	1 030 191
Europe Rest	137 937	605 869	16 817	760 623
Europe EU	752 213	341 416	45 252	1 138 882
Asia	891 940	220 817	59 056	1 171 813
Africa	114 718	-	-	114 718
North America	152 946	18 774	95 512	267 231
Other	-	1 378	3 973	5 351
<b>Total</b>	<b>2 112 274</b>	<b>2 061 766</b>	<b>314 769</b>	<b>4 488 809</b>

### YTD 2021

Sales revenues distributed on geographical markets	Food	Feed	Health	Total
Norway	118 463	927 891	73 819	1 120 174
Europe Rest	136 422	332 089	16 023	484 534
Europe EU	714 844	350 861	39 174	1 104 879
Asia	912 946	19 982	68 239	1 001 166
Africa	166 736	-	-	166 736
North America	104 633	18 118	79 266	202 017
Other	1 475	-	1 315	2 789
<b>Total</b>	<b>2 155 519</b>	<b>1 648 940</b>	<b>277 836</b>	<b>4 082 296</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	30.06.2022	30.06.2021	31.12.2021
Raw materials	219 554	72 082	68 892
Goods in progress	2 235	181 941	235 622
Packaging and auxiliaries	291 227	64 209	273 043
Finished goods	1 628 006	1 718 096	1 409 886
Impairment of finished goods to net realisable value.	-64 716	-65 267	-56 033
<b>Total</b>	<b>2 076 306</b>	<b>1 971 061</b>	<b>1 931 410</b>
Cost of inventory impaired to net realisable value	534 906	661 721	769 872

## Note 5 – Financing

NOK 1 000	30.06.2022	30.06.2021	31.12.2021
<b>Non-current liability including first year's instalment</b>			
Bank loan	2 174 438	2 011 120	1 624 875
Bond loan	892 620	890 460	891 540
Bank overdraft	1 002 973	314 490	990 715
Leasing liabilities	24 273	57 731	33 074
<b>Total</b>	<b>4 094 304</b>	<b>3 273 801</b>	<b>3 540 204</b>
<i>Non-current portion in the balance sheet</i>	<i>1 404 508</i>	<i>2 750 960</i>	<i>1 186 216</i>
<i>Current portion in the balance sheet</i>	<i>2 689 796</i>	<i>522 841</i>	<i>2 353 988</i>
<b>Net interest bearing debt</b>			
Total interest bearing debt	4 094 304	3 273 801	3 540 204
Cash and cash equivalents	-314 097	-171 070	-215 638
<b>Total net interest bearing debt</b>	<b>3 780 207</b>	<b>3 102 731</b>	<b>3 324 566</b>
Leasing liabilities	-24 273	-57 731	-33 074
<b>Total net interest bearing debt exclusive of leasing liabilities</b>	<b>3 755 934</b>	<b>3 045 000</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

#### Repayment profile interest bearing debt NOK 1 000

	Non-current bank loan	Bond loan	Bank overdraft	Leasing liabilities	Total
2022	1 679 327	-1 080	1 002 973	7 365	2 688 585
2023	82 054	-2 160	-	11 670	91 564
2024	151 637	-2 160	-	4 872	154 349
2025	230 115	898 020	-	367	1 128 502
2026	31 305	-	-	-	31 305
After 2026	-	-	-	-	-
Total	2 174 438	892 620	1 002 973	24 274	4 094 306

#### Change in liabilities related to financing NOK 1 000

	Non-current bank loan	Bond loan	Bank overdraft	Leasing liabilities	Total
31.03.2022	1 500 272	892 080	1 125 881	28 794	3 547 028
Cash flows	-	-	-	-4 520	-4 520
Repayment of debt	-	-	-122 908	-	-122 908
Raising of debt	674 166	-	-	-	674 166
Non-cash movement	-	540	-	-	540
Net repayment bank overdraft	-	-	-	-	-
30.06.2022	2 174 438	892 620	1 002 973	24 274	4 094 305

## 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.



It's all  
about  
the fish



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