

Q2 | 2022

Grøntvedt AS | Group Quarterly Report

29 August 2022



Klädesholmen, summer 2022



Highlights for the second quarter 2022

- Successful mid-summer sales and further strengthened market positioning for Klädesholmen Seafood in the Swedish market.
- FOOD raw material landing volume of 3,578 tonnes for the second quarter, which is a reduction from 6,441 tonnes in the second quarter of last year.
- Production has been efficient. However, the low landed volumes give a negative impact on EBITDA for the quarter.
- Negative EBITDA for the quarter of NOK 52.4m and positive EBITDA for the first half year of NOK 18.8m.

Consolidated key figures¹

NOK 1 000	Q2 2022	Q2 2021	YTD 2022	YTD 2021	2021
Revenues	271 981	n/a	550 036	n/a	811 764
EBITDA	-52 359	n/a	18 831	n/a	18 433
EBITDA margin (%)	-19 %	n/a	3 %	n/a	2 %
EBIT	-74 930	n/a	-32 630	n/a	-43 583
Profit/loss before tax	-92 875	n/a	-70 277	n/a	-88 857
Net nominal interest bearing debt	671 398	n/a	671 398	n/a	748 162
Equity ratio	47,3 %	n/a	47,3 %	n/a	44,4 %
Raw material FOOD	3 578	6 441	29 637	31 568	77 568

¹ Grøntvedt Group was established with financial effect from 1st July 2021, in relation to the acquisition of Klädesholmen Seafood AB and the restructuring of the companies prior to the bond issue in September 2021. Consequently, there are no comparable numbers for Q2 2021



Profit and loss

Second quarter and first half of 2022

Introduction: Raw material volumes for the FOOD segment were 3,578 tonnes for the quarter, down from 6,441 tonnes in the corresponding quarter in 2021. The reduction is mainly explained by geographical access to catch volume and size of fished loads, circumstances which made it more favourable for the fishery boats to deliver its catch further south in Norway this season. For the first half year the Raw material volume for the FOOD segment was 29,637 tonnes, down from 31,568 tonnes in the first half year in 2021.

All Grøntvedt's revenue generating activities have seasonal variations due to harvesting seasons, with the fourth and first quarters being peak seasons.

Revenues for the second quarter of 2022 amounted to NOK 272.0 million, of which NOK 260.5 million related to the FOOD segment and NOK 11.5 million to the FEED segment. In the first half of 2022 revenues amounted to NOK 550.0 million, of which NOK 472.1 million related to the FOOD segment and NOK 60.3 million related to the FEED segment. Other revenues in the first half year of NOK 17.5 million is related to sales of properties.

Cost of goods sold amounted to NOK 254.9 million for the second quarter and NOK 389.0 million for the first half year. The Cost of goods sold in the second quarter mainly arose from the sales and delivery of goods from inventory, i.e. goods which were produced in the two prior quarters.

EBITDA amounted to NOK 52.4 million negative for the second quarter. This is mainly explained by the low production volumes in the period, combined with high transportation costs for goods sold. Overhead costs in low production periods such as the second quarter, give an unfavorable EBITDA for the period viewed on an isolated basis. For the first half year the EBITDA amounted to NOK 18.8 million, reflecting the total of two quarters with highly different production capacity utilization due to natural seasonal variations.

The underlying margins in the FOOD segment are considered stable. For the group, margins are expected to increase when revenues from the FEED segment increase, due to higher margins in this segment and a favorable market sentiment.

EBIT came in at NOK 74.9 million negative for the second quarter and NOK 32.6 million negative for the first half year, with the main difference between EBITDA and EBIT being amortization of goodwill of NOK 33.5 million for the first half year.

Net financial items amounted to a negative NOK 17.9 million for the second quarter and negative NOK 37.6 million for the first half year. Net financial items fluctuates with the seasonal pattern of the business and corresponding changes in working capital, as well as changes to interest rates. A value adjustment related to shares in a listed company was made with a negative effect of NOK 7.5 million in the second quarter.

Tax expenses of negative NOK 15.1 million were recorded in the second quarter and negative NOK 6.4 million for the first half year.

Net result for the second quarter ended at a negative NOK 77.8 million, while the full first half year recorded a negative net result of NOK 63.8 million.

Financial position and liquidity

Consolidated financial position

Total assets amounted to NOK 1 692.7 million on 30 June 2022, down from NOK 1 800.6 million on 31 December 2021. The decrease mainly relates to decrease in inventories and sale of properties.

Property, plant, and equipment amounted to NOK 401.1 million on 30 June 2022, down from NOK 482.6 million at year-end 2021. The reduction relates to the sale of properties in Klädesholmen.

Inventories were NOK 423.0 million at the end of the second quarter, down from NOK 523.4 million at the end of last year. The group experience variations in its level of inventories, related to catch seasonality for mackerel and herring in Norway. The group will normally have a build-up of inventory in the peak production season, i.e. the fourth and first quarters of the year. Inventories mainly consist of products made by order to customers.



Accounts receivables amounted to NOK 105.2 million on 30 June 2022, almost at the same level as NOK 105.6 million at year-end 2021.

Cash and cash equivalents were NOK 113.2 million at the end of the second quarter, compared to NOK 26.8 million at year-end 2021. The increase is mainly driven by a share issue at NOK 65.0 million and sales of goods which were part of inventory at the beginning of the reporting period. In addition to this, the group has an unutilized RCF facility of NOK 40 million.

Total equity amounted to NOK 800.7 million on 30 June, representing an equity ratio of 47 per cent. At year-end 2021 total equity was 798.9 million. The change in equity comes from a share issue of NOK 65.0 million and the negative net result of NOK 63.8 million.

Net interest-bearing debt amounted to NOK 671.4 million on 30 June 2022, compared to NOK 748.2 million at year-end 2021.

Consolidated cash flow Cash flow from operating activities amounted to NOK 61.3 million positive for

the second quarter and NOK 51.5 million negative for the first half year. This includes changes to the working capital (inventory and trade payables) and follows normal seasonality, with net build-up of inventories in the fourth and first quarters, and net realization of inventories in the second quarter.

Cash flow used for investing activities amounted to NOK 7.0 million in the second quarter, related to ordinary business-related equipment. For the first half year there was a net incoming cash flow related to the investment activities of NOK 52.8 million, where the incoming cash flow is related to the sales of property in Klädesholmen in the first quarter.

Cash flow from financing activities came in at a positive NOK 25.0 million for the quarter, from the share issue of NOK 65 million and settlement of NOK 40.0 million of the RCF during the quarter. For the first half year the cash flow from financing activities was NOK 85.0 million, including the share issue of NOK 65.0 million and net increase in utilization of the RCF of NOK 20.0 million.

Important events in the second quarter

- Around 55 % of the North Sea Herring fisheries, which in total was around 100,000 tons, were used directly for fish meal and fish oil production. Further, small unitary catches, made the fish vessels prioritize to land its catch in the Southern region of Norway, giving less production volumes for Grøntvedt than planned.
- The 2022 quotas for mackerel were set in late June, at close to 300,000 tons for the year for fisheries in Norway. These fisheries will take place in mainly August and September.

Important events after the balance sheet date

There have been no important events after the balance sheet date.



Risk factors and future outlook

The ongoing war in Ukraine, geopolitical tensions, global supply chain disruptions and the energy crisis in Europe, combined with high inflation rates, create a generally increased uncertainty for businesses worldwide, including Grøntvedt. The main expected adverse effects from this are higher transportation cost as compared to prior years and increased interest charges for Grøntvedt. At the same time, this situation described above has increased the pressure on prices of fish feed ingredients such as wheat and soy. High prices on such feed ingredients, affect prices on fish meal and fish oil favorably for Grøntvedt Nutri and the group, giving positive margin outlooks for the second half of 2022.

The Grøntvedt Pelagic business is highly seasonal, driven by the size of fishery quotas and timing of fisheries for different species, mainly herring and mackerel. Whereas the second quarter and the summer holiday season was a calm period due to seasonality, the last part of the third quarter will give a much higher activity. Then the peak fishery season is expected to be in the fourth quarter of this year and the first quarter of next year. This period is expected to give high production volumes and value creation at Grøntvedt Pelagic.

The integration of Klädesholmen Seafood and the development of value-added business and consumer products will continue and give rise to further scale benefits in these operations. The value-added business is far less seasonal than the fishery driven production at Grøntvedt Pelagic and Grøntvedt Nutri, giving rise to a more balanced value creation for the group going forward.

With the continued upscaling of Grøntvedt Nutri, the group can utilize more of the fish trimmings from its raw material processing in Grøntvedt Pelagic, hence take a larger part of the value creation across the value chain. Under the favorable fish meal and fish oil market conditions described above, we expect this to strengthen the financial performance in the next quarters.

Brekstad, Norway, 29 August 2022

The Board of Directors and CEO
Grøntvedt AS

Otto Gregussen
Chair

Helge Gåsø
Board member

Hege Veiseth
Board member

Annika Fogelström Helmer
Board member

Anne-Sofie Utne
Board member

Bjørnar Grøntvedt
CEO



Consolidated financial statements

Consolidated statement of income	Note	Q2 2022	YTD	2021
			30.06.2022	
NOK thousand		<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>
Revenues	2	271 981	532 447	810 118
Other revenues		0	17 589	1 646
Total revenues		271 981	550 036	811 764
Cost of goods sold	4	-254 906	-389 030	-582 109
Salaries and personnell expenses		-21 650	-58 233	-92 412
Depreciation	3	-22 571	-51 461	-62 017
Other operating expenses		-47 784	-83 942	-118 810
Operating profit (EBIT)		-74 930	-32 630	-43 583
Net finance	5	-17 945	-37 647	-45 273
Profit before taxes		-92 875	-70 277	-88 857
Income tax expense		15 093	6 430	11 475
Net profit		-77 782	-63 847	-77 381
Profit/ loss attributable to:				
Shareholders of the parent company		-77 782	-63 847	-77 381
Total		-77 782	-63 847	-77 381



Consolidated statement of financial position

NOK 1 000	Note	30.06.2022 <i>unaudited</i>	31.12.2021 <i>audited</i>
ASSETS			
Non-current assets			
Brand		702	667
Goodwill	3	604 030	637 587
Deferred tax asset		5 276	0
Total intangible assets		610 007	638 254
Land, buildings and other real property		26 042	119 195
Machinery and equipment		375 011	363 412
Total property, plant and equipment		401 053	482 607
Investments in shares and units		22 051	118
Other receivables		253	1 251
Total financial non-current assets		22 304	1 369
Total non-current assets		1 033 365	1 122 230
Current assets			
Inventory	4	422 975	523 439
Accounts receivables		105 244	105 640
Other current receivables		17 939	22 411
Cash and cash equivalents		113 157	26 835
Total current assets		659 315	678 325
Total assets		1 692 680	1 800 555



Consolidated statement of financial position

NOK 1 000	Note	30.06.2022 <i>unaudited</i>	31.12.2021 <i>audited</i>
Equity			
Share capital		76	69
Share premium		1 168 800	1 103 790
Other equity/Loss carried forward		-368 187	-304 950
Total equity		800 689	798 909
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		0	3 760
Long term leasing liabilities		49 452	60 475
Bond loan	5	585 743	582 575
Other long-term liabilities		0	0
Total non-current liabilities		635 195	646 810
Loans from credit institutions		110 000	90 000
Accounts payables		89 093	145 608
Current tax liabilities		0	13 150
Dividends		1 500	1 500
Other current liabilities		56 203	104 578
Total current liabilities		256 796	354 836
Total liabilities		891 991	1 001 646
Total equity and liabilities		1 692 680	1 800 555

Consolidated Statement of Changes in Equity

NOK 1 000	Note	Share capital	Share premium	Retained earnings	Total equity
Total equity at 31.12.2021		69	1 103 790	-304 950	798 909
Share issue		7	65 010		65 017
Profit /(loss) for the period				-63 847	-63 847
Foreign currency translation differences				610	610
Total equity at 30.06.2022		76	1 168 800	-368 187	800 689



Consolidated statements of cash flows

NOK 1 000	Note	Q2-2022	YTD	31.12.2021
Cash flows from operating activities				
Earnings before tax		-92 875	-70 277	-88 857
Depreciation of assets and amortization of goodwill		22 571	51 461	62 017
Gains from sales of assets		0	-17 606	0
Value adjustment of shares		7 491	7 491	0
Change in working capital:				
- change in inventory		196 142	100 464	-54 153
- change in trade and other receivables		-389	5 866	6 479
- change in trade and other payables, excl. corporate tax		-71 634	-125 520	10 071
Taxes paid		0	-3 367	900
Net cash flow from operating activities		61 306	-51 489	-63 544
Cash flows from investment activities				
Purchase of shares		0	-29 424	0
Investment in tangible assets		-6 989	-8 341	-11 771
Sale of tangible assets		0	90 560	0
Long term receivables net of cash		0	0	22 750
Interest received		0	0	0
Net cash flow from investment activities		-6 989	52 795	10 979
Cash flows from financing activities				
Capital increase from issue of shares		65 016	65 016	0
Bond issue	5	0	0	582 575
New current loans from credit institutions		0	60 000	90 000
Settlement of current loans from credit institutions		-40 000	-40 000	0
Settlement of other long term debt		0	0	-555 806
Dividends		0	0	-38 450
Net cash flow from financing activities		25 016	85 016	78 318
Effects of exchange rate changes on cash and cash equivalents		0	0	0
Net change in cash and cash equivalents		79 333	86 322	25 754
Cash and cash equivalents at beginning of period		33 824	26 835	1 081
Cash and cash equivalents at end of period		113 157	113 157	26 835



Notes to the financial statements

Note 1 | Summary of accounting policies

General information

Grøntvedt is a group within production, sale and distribution of fish meal and fish oil and pelagic fish for consumption. Grøntvedt is a significant party within the pelagic sector in the North Atlantic. The main office is located in Uthaug.

Grøntvedt Group was established with financial effect from 1st July 2021, in relation to the acquisition of Klädesholmen Seafood AB and the restructuring of the companies prior to the bond issue in September 2021. Consequently, there are no comparable numbers for Q2 2021.

The quarterly report was approved by the Board of Directors on the 29 of August 2022. The interim report has not been subject to audit.

All amounts are in NOK 1 000 unless otherwise stated.

Accounting policy

The quarterly report has been prepared in accordance with Generally Accepted Accounting Principles of Norway ("NGAAP") and the accounting standard NRS 11 for Interim Financial Reporting.

The accounting policies adopted in preparing the financial statements for the quarter are consistent with those followed in preparing the group's annual financial statements for 2021.

Going Concern

The quarterly report has been prepared under the going concern assumption.



Segment information

Grøntvedt group's activities are currently reported in two segments: FOOD and FEED

Consumption (FOOD)

The consumption activity involves landing, processing and sales of pelagic fish for consumption. Pelagic fish for human consumption is fresh, frozen and marinated herring, mackerel and roe.

The production plant is located at Uthaug. The fish is mainly subject to global export.

Meal/oil (FEED)

The meal/oil activity contains production of fishmeal and fish oil, produced from offcuts available from the processing activity in the FOOD division.

SECOND QUARTER

NOK thousand	FOOD	FEED	Other	Q2 Total
Revenues	260 533	11 449	0	271 981
Cost of goods sold	-246 858	-8 048	0	-254 906
Contribution margin	13 675	3 400	0	17 075

YEAR TO DATE

NOK thousand	FOOD	FEED	Other	YTD Total
Revenues	472 112	60 336	17 589	550 036
Cost of goods sold	-342 718	-46 312	0	-389 030
Contribution margin	129 394	14 023	17 589	161 006



Note 3 | Goodwill

Late June 2021 Grøntvedt acquired the Swedish herring specialist Klädesholmen Seafood AB. As a result of several transactions the Grøntvedt Group was established and goodwill arose, with effect on the financial statements from 1st July 2021. The cash generating units for goodwill were both Grøntvedt Nutri and Klädesholmen Seafood. The allocation of goodwill before depreciation was NOK 671 million.

The useful life of the goodwill is assessed to be 10 years, and the goodwill is amortized on a linear basis.

	30.06.2022	31.03.2022	31.12.2021
Goodwill book value	604 030	620 808	637 587

Note 4 | Inventory

	30.06.2022	31.03.2022	31.12.2021
FOOD	420 776	612 245	516 337
FEED	2 199	6 872	7 102
Total book value	422 975	619 117	523 439

Note 5 | Financing

	30.06.2022	31.03.2022	31.12.2021
Bond Loan (book value)	585 743	584 159	582 575

Nominal value Bond Loan

The Bond Loan has a nominal value of NOK 600 million. The difference between the nominal value and the book value represents remaining amortization of establishment cost.

Interest terms

Grøntvedt's interest terms are NIBOR 3 month plus 5,25%. The interest is calculated and paid each quarter on the 23rd. (March, June, September, December). The due date of the bond is 23 September 2024.

Covenants

The main covenant terms for the Bond Loan is that Grøntvedt should have an Equity Ratio above 35 per cent and an Interest Coverage Ratio (EBITDA / Net finance charges) at no less than 2.0.

Grøntvedt is compliant with the covenant terms per 30 June 2022.

A listing of the bond on Euronext Oslo Børs is planned to take place during the fourth quarter of 2022, which is more than 12 months after the Issue date 23 September 2021.



Note 6 | Financial risk

Financial risk management

Grøntvedt is through its activities exposed to financial risks. The most material risks, and management thereof, are described below.

Market risk

Currency risk

Grøntvedt Group has only a minor currency risk since all raw materials are bought in NOK and the main sales are invoiced in NOK.

Inflation risk

Grøntvedt is exposed to inflation risk. However, the main cost is raw material, which has its business specific price risk as described below.

Price risk

The market prices of the group's products will be affected by the global supply and demand for seafood and other protein sources.

The market prices of the group's raw material will be affected by the availability and numbers of buyers. Wild-caught fish is a renewable resource, whose quantity will naturally fluctuate over time. The total legal catch will be limited to quotas set by the authorities, and the availability may change over time.

Credit risk

Pelagic industry is capital demanding due to natural seasonal fluctuations. The company's credit risk varies with the customers and the different sales agreements. This is a prioritized area for Grøntvedt, and the group is working to establish good agreements to reduce risk for both buyer and seller.

Liquidity risk

Natural seasonal fluctuations requires a sufficient access to financing during season. To support this Grøntvedt has established a bond loan and a RCF Facility at Handelsbanken. The RCF facility was effective from October 2021.

Note 7 | Transactions with related parties

Transactions with related parties take place at market conditions and consists of sales of raw materials between the group companies.