



ANNUAL  
REPORT  
2022



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## THIS IS FRØY

Frøy is an integrated aqua service company, delivering a wide range of day-to-day farming services to aquaculture companies. Frøy install fish farms and perform regular maintenance on farming sites at sea, carry out biological treatments and deliver transportation of live fish and fish feed. Frøy has operational track-record of more than 20 years and a modern and well invested fleet.

The Frøy team include 940 specialized aqua service professionals, of which 722 are full time workers. As of 31.12.22 the fleet consisted of 19 wellboats, 64 aqua service vessels, 3 feed transport vessels and 9 local offices along the Norwegian coast.

Frøy ASA is a holding company with headquarters at Frøya, Norway, and with operating subsidiaries along the Norwegian coast. Frøy ASA deliver administrative functions to the operating subsidiaries. All vessels and crew are owned and operated out of the operating subsidiaries of the group. Frøy ASA was listed on Oslo Stock Exchange in March 2021. NTS AS is the majority shareholder, holding 72.11% of the shares as of 31 December 2022.

Frøy's geographical footprint:

● Head Quarters

● Offices



# LETTER FROM THE CEO

*Dear shareholders,*

We are pleased to present Frøy's Annual Report for 2022. A report that shows how the company has taken important steps towards our goal to be the preferred and leading supplier of aquaservices.

The war in Europe creating a global energy crisis, general inflation and consequently increasing interest rates had an impact on our business in 2022. Despite this, Frøy has delivered good results throughout the year, and at the same time developed the company in accordance with the growth strategy set out in 2020.

In Frøy we work systematically with three main objectives: build competence and culture in the organization, develop better fishwelfare solutions, and offer a green and modern fleet.

We have strengthened our competency by hiring +15% new employees during 2022. An important contributor to this our focus on the apprenticeship scheme. In 2022 Frøy was awarded maritime apprenticeship of the year. A solid recognition of many years of work on making the industry an interesting working place for young people. We are also pleased to see a 20% increase in female cadets and trainees on our vessels.

Good fishwelfare solutions will be our driving force for future growth. The transport and handling of live fish are increasingly complex processes, as the industry regula-

tions on how to manage mortality, escape and disease are changing. Frøy consider good fishwelfare and biosecurity a competitive advantage. We will continue to uphold regulations and requirements from both the government and our customer by adding specialist inhouse competence on water chemistry and veterinary, investing in data platform and systems, as well as participate in industry projects together with research institutes.

We continue to invest in green technology on our vessels. This is important for our customers, but also to Frøy, as reducing CO2 emissions requires a collective effort from the entire industry. As an example we have signed an agreement to retrofit Frøy Valkyrien with batteries and power banks, reducing the fuel consumption with 50%.

2022 was a also year were we took multiple growth initiatives. We ordered a 4500 m3 wellboat with delivery in 2024. We signed several multi-year time charter agreements in the service segment and took delivery of several newbuilds, including the Frøy Challenger, a rebuilt PSV designed for efficient and gentle delousing operations. We increased the number of framework agreements with small and medium sized customers along the Norwegian coast, and carried out the acquisition of Marinus Aquaservice AS – increasing Frøy's geographical foothold in South-West Norway.



Frøy is a pioneer in the Norwegian aqua service industry, with more than 25 years history of continuous improvements in cooperation with global leading salmon farmers. That position is something to be proud of, and more importantly to protect in the years ahead. We believe Frøy has a solid platform for further growth both in Norway and abroad, with a competent organization, solutions that secure the welfare of the fish, and a green and modern fleet.

Lastly, I would like to thank you all for the trust you have placed in Frøy. We remain optimistic about the outlook for the industry and are confident that Frøy is well positioned to deliver value for all stakeholders in the years to come.

**Tonje Foss**  
*Chief Executive Officer*









Frøy's business and service offering has gradually developed together with the industrialization of the Norwegian fish farming industry. Today, Frøy assist fish farmers throughout the full production cycle at sea. Our service offerings range from installation of new farming sites, transport of live fish from smolt facilities to fish farming sites at sea, inspection and maintenance, biological treatments, transport of live fish from the farming sites to the processing facilities and disinfection of the farming site after the production cycle is finished.







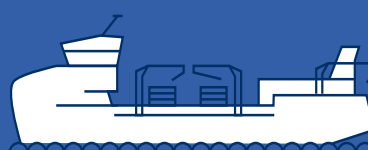
**SEA TRANSPORT VESSEL**  
Feed and cargo transport



**DELOUSING  
TREATMENT VESSEL**  
Sea lice removal



**WELL-BOAT**  
Transport of smolt to fish farms



**WELL-BOAT**  
Transport of live fish to  
processing facilities

# OUR PEOPLE ARE OUR GREATEST STRENGTH

The Frøy family includes 940 specialized aqua service professionals, each essential to the successful delivery of our strategy and ensuring sustained business performance. Our people play a critical

role in developing and delivering solutions that have a significant impact on fish farmers' performance and results in challenging environments with advanced machinery.

Competing effectively and sustainably in the ever-evolving aqua service landscape requires competent and empowered individuals who work safely together as a team. Our team comprises of individuals



**Director of Fish Welfare,**  
**Solveig Gåsø,**  
27 years of experience

The ongoing improvement of fish welfare standards and practices At Frøy, we're constantly striving to deliver the best possible solutions for our clients. Each day we assist fish farmers with planning and executing complex farming operations. The welfare of the fish is of the utmost importance of our work. Our experienced staff on board the vessels bring valuable expertise to the operations of fish farmers with their unique hands-on experience from farming sites along the Norwegian coastline. We work together with local expert teams ensuring that they are equipped with the necessary analytics and fish health competence to deliver high-quality fish welfare solutions. Through a focus on continuous learning and uniform application of best practices, we strive to provide that the fish in our care are healthy, happy and thriving.



**Captain on board diving vessel,**  
**Jonas Tobiassen,**  
16 years of experience

The Frøy gathering and uniting as One Frøy The Frøy family has grown to host over 900 aqua service professionals all along the Norwegian coastline, from the south-west to the far north. Despite our broad reach and diverse operations, I truly feel like we are united under one Frøy, sharing the same strong culture, values, and vision for the ocean space. Knowing each other and building strong relationships is important for teamwork and further development. Our shared dedication to the welfare of the fish, the fleet, and our folks drives us forward as we continue to grow and evolve. I am proud to be part of the team.



**Director of maritime staffing,**  
**Kristin Sugustad,**  
3 years of experience

Awarded Maritime Apprentice Company of the Year At Frøy, we believe that competence is the foundation for delivering exceptional services to our clients. Our commitment to attracting top young talent and investing in their development through internal training has enabled us to assemble teams with complementary strengths and experiences, which is fundamental to delivering sustained high-quality services and preserving our strong Frøy culture. We are proud to have been honored with the Norwegian Maritime Competence award by the Foundation for Norwegian Maritime Competence (SNMK), which is a testament to our team's unwavering dedication to excellence in the maritime industry.



**Captain on board small service boat,**  
**Martin Lindgren,**  
6 years of experience

The establishment of the Frøy School The Frøy School has enabled us to share our knowledge and experience across the organization, fostering a culture of continuous learning and improvement of our skills. It's a testament to Frøy's commitment to excellence and investing in its people, which enables us to provide even better services to our clients. The sense of camaraderie and shared purpose among my colleagues makes Frøy a truly special place to work.



with a range of complementary strengths, from fish welfare to risk management, technical and maritime competence.

Through close collaboration and specialist know-how, our employees strive every day to make an impact for our customers. At Frøy, we call this “teamwork at sea”.



**Wellboat director,  
Andreas Moe,**  
11 years of experience

The fifth new-built wellboat is under construction. Another contract for a new-built wellboat has been signed, which is a reflection of the renewed trust from our clients. I am happy to see that our team's efforts have been recognized. The new wellboat will be equipped with the latest in fish welfare technology, including an advanced de-icing system, as well as DP, battery, and diesel-electric propulsion systems for optimal environmental safety and efficiency.



**Cadet on board Folla,  
Inger Johanne Svartemyr,**  
5 years of experience

Awarded Maritime Company of the Year. Frøy shall be the leading competence-hub for aqua services globally. We are committed to building a diverse and inclusive team as we believe this leads to better outcomes. I am proud to be part of a company that has increased the number of female cadets by 25% in the past year and honored that our efforts have been recognized by being awarded the title of Maritime Company of the Year by The Seafood Network.



**Crew Manager,  
Jan Are Nordheim,**  
14 years of experience

Completed the Leadership Development Program. I had the privilege of participating in the Internal Leadership Development Program, which helped me enhance my leadership skills and collaborate effectively with my colleagues. The program provided us with valuable tools and insights on how to lead and inspire a diverse team while maintaining a positive and innovative work environment. It is encouraging to be part of an organization that invests in the development of its employees and encourages them to be the best leaders they can be.



**Founder and operation  
manager, Dave Ole Eidet,**  
20 years of experience

The Aquisition of Marinius Aqua Service. I am proud to have built a company that over the past 15 years has delivered high-quality solutions and strong financial results. When the opportunity to join Frøy arose, it was an easy decision for us. Frøy shares our values for both our people, the welfare of the fish, and our fleet. Joining the Frøy family was a natural fit, and we are excited to continue working together as one. With our combined expertise and resources, I am confident that we will expand and strengthen our services in the southwestern part of Norway.

# FLEET OVERVIEW

Modern and effective tools are pre-requisites to deliver efficient and sustainable solutions. Frøy has a modern and well invested fleet of vessels with large capacity which facilitates efficient operations combined with gentle fish handling.

As the operator of the largest maritime service fleet for the fish farming sector, it is essential for Frøy to deliver sustainable and cost-efficient solutions for their customers. Reduction of carbon footprint is a key consideration in Frøy's fleet management

plan. Frøy target to reduce carbon footprint and reduce the longer term risk related to its fleet by ordering new vessels with diesel electric or hybrid propulsion machinery. New initiatives are constantly being considered to further bring down emissions. Frøy is also

## SERVICE SEGMENT

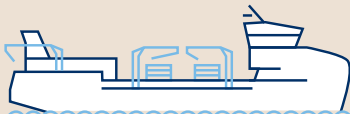
	Fleet overview	Technical info	Key operations
	<b>13 large service vessels</b> (including newbuilds) Average age 4 years	Vessel length: 16-25 meters Fitted with cranes for heavy duty operations & ROV's for underwater operations Some fitted with mechanical delousing equipment	Towing and installation of new sites including mooring, nets, pens and other site infrastructure. Biological treatments and removal of sea lice using mechanical or thermal delousing equipment.
	<b>3 large delousing vessels</b> Average age 8 years (age based on rebuild date)	Vessel length: 40-80 meters Mechanical delousing equipment	Biological treatments and removal of sea lice using mechanical delousing equipment
	<b>24 small service vessels</b> (including newbuilds) Average age 6 years	Vessel length: < 15 meters Fitted with cranes for lighter duty operations	Installation and maintenance of sea based farming sites, including mooring, nets, pens and other site infrastructure Disinfection of sites after the end of the production cycle
	<b>17 net cleaning vessels</b> Average age 5 years	Vessel length: < 15 meters Fitted with single or double net cleaning ROV systems	Regular cleaning of fish farming nets to remove marine fouling is done to maintain high flow through of water and optimal living conditions for the fish
	<b>9 diving vessels</b> (including newbuilds) Average age 5 years	Vessel length: < 15 meters Combination of fast moving and regular diving vessels Equipped with diving equipment	Installation and maintenance of salmon farming sites, including mooring, nets, pens and other site infrastructure



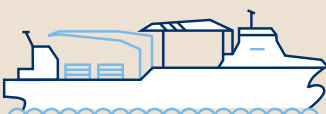
investing in infrastructure and technological solutions, such as battery packs and shore power on its fleet. As of 2022 27% of the wellboats and cargo vessels have diesel electric or hybrid propulsion machinery. Furthermore 58% of the large service vessels and

14% of the smaller service vessels have the same features installed. Over time Frøy seek to reduce the carbon footprint of the fleet both by setting higher goals for efficiency for new build vessels and by installing new technology solutions on existing vessels.

## WELLBOAT SEGMENT

	Fleet overview	Technical info	Key operations
	19 wellboats (incl. newbuilds and one vessel on bareboat) Average age 7 years (owned vessels)	6 small wellboats > 3000 m3 well capacity 11 medium sized wellboats 3000-5000 m3 well capacity 2 large wellboats < 5000 m3 well capacity	Facilitating the transport of smolt from onshore facilities to pens at sea. Transport of matured fish from the pens at sea to the harvest sites onshore.

## SEA TRANSPORT SEGMENT

	Fleet overview	Technical info	Key operations
	3 Sea transport vessels Average age 14 years	2500 – 3200 DWT 2 multi-purpose vessels fitted with cranes and freezing capabilities 1 specialized feed transport vessel	Transport of fish feed from feed suppliers to salmon farmers Transport of frozen seafood

## FRØY BUSINESS SEGMENTS

### Wellboat

Transport of live fish and biological treatment

**19 vessels** (incl. 3 newbuilds)



### Service

Installation, maintenance and cleaning of salmon farmers site infrastructure

**64 vessels** (incl. 8 newbuilds)



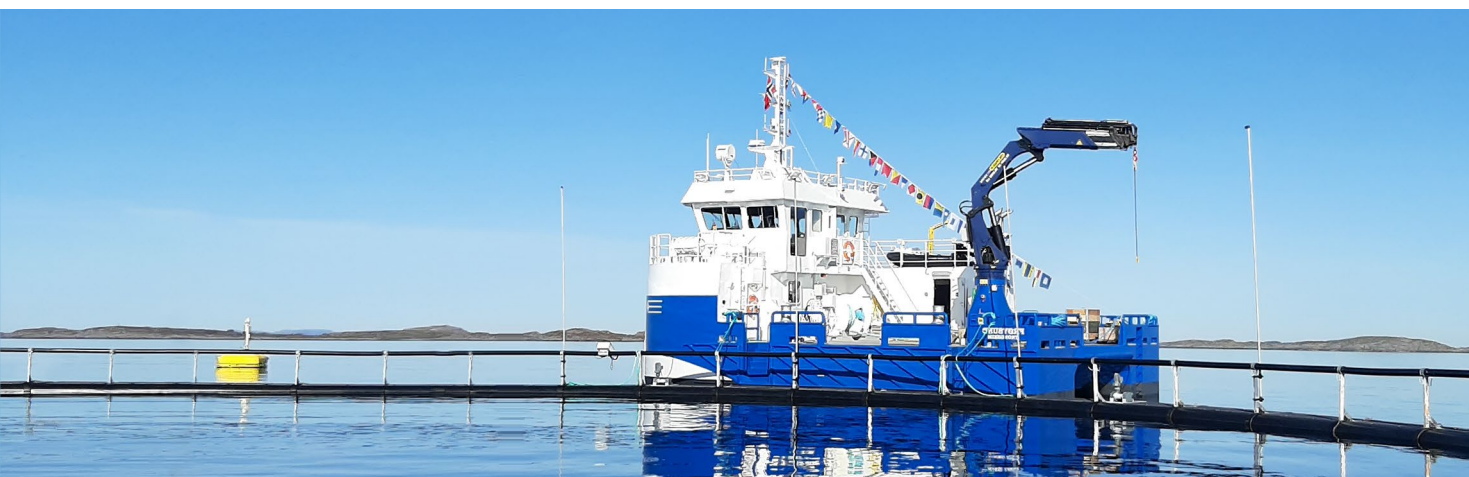
### Sea transport

Transport of salmon feed, frozen seafood and other cargo

**3 vessels**







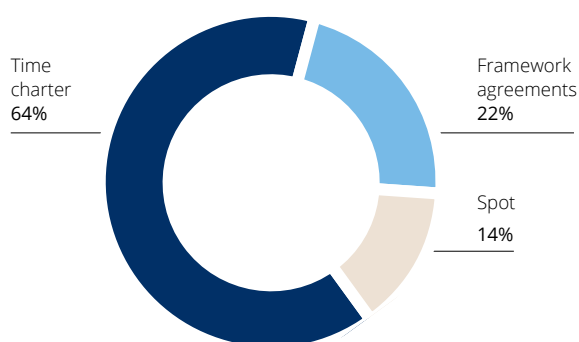
# REVENUE MODEL AND BACKLOG

## REVENUE MODEL

Frøy offer specialized aqua service personnel and specialized aqua service vessels on a combination of long-term time charter agreements, framework agreements and spot agreements. Frøy target a high share of long-term contracts and framework agreements to maximize visibility and to reduce volatility of earnings. Close to 100% of Frøy's vessel time charter contracts have annual price adjustment mechanisms to hedge against inflation.

## 2022 REVENUE SPLIT

(excluding reinvoiced costs and other revenues)



## CONTRACT BACKLOG

Contract backlog is defined as the aggregate value of work on signed customer contracts, including options. Framework agreements and other agreements without fixed commitments or minimum value clauses are not included in the backlog figures. Management believes that the order backlog is a useful measure in that it provides an indication of the amount of committed activity in the coming period.

### Total backlog

- As of 31.12.22 the total backlog amounted to approx. NOK 6.0 billion including options.

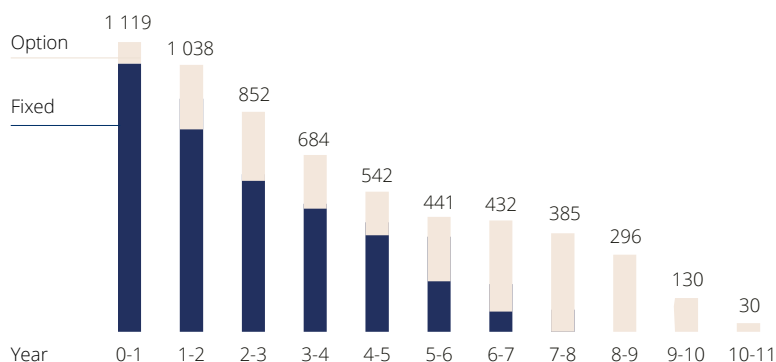
### Fixed backlog

- Total fixed revenue commitments of approx. NOK 3.6 billion.

### Options

- Most fixed time charter contracts include extension options.
- Total options of approx. NOK 2.4 billion.

## BACKLOG (NOKm)







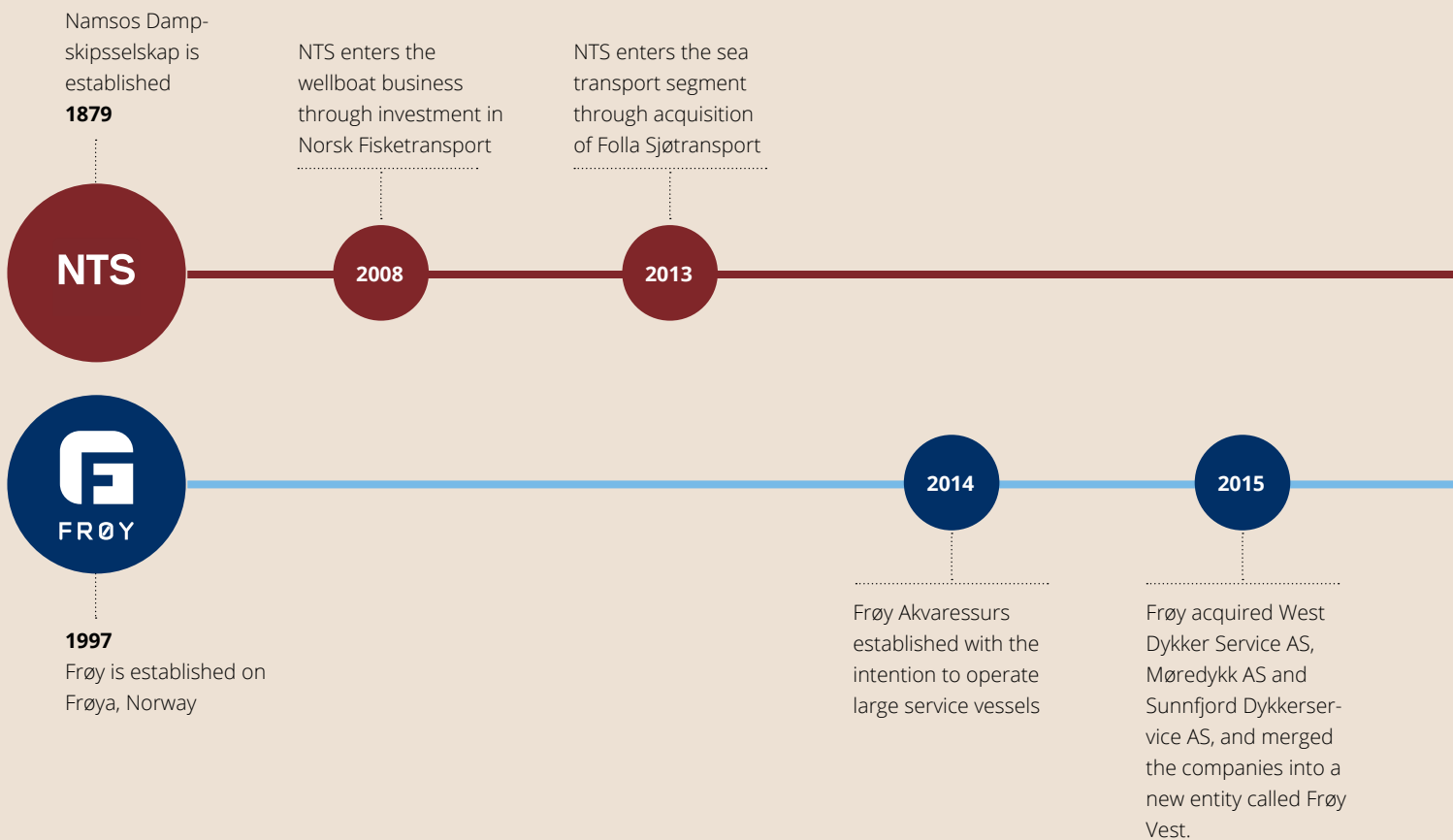
# OUR HISTORY

– from local service provider to leading national provider of fish farming solutions

Frøy ASA was created in 2020 through a combination of the aqua service entities in NTS ASA and Frøygruppen AS.

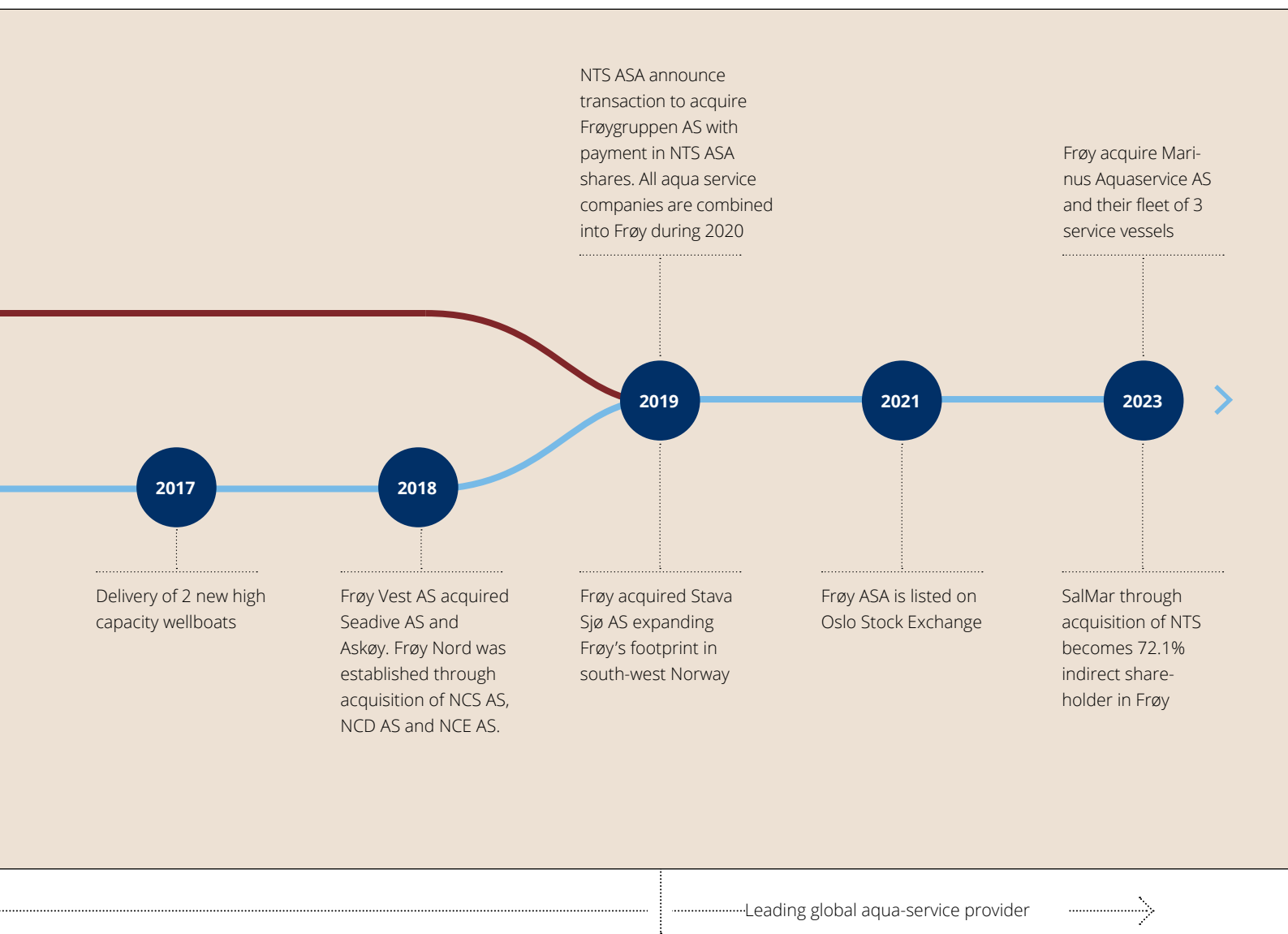
The first Frøy company was created in 1997. Originating from the aquaculture hub around Frøya, the group expanded its operations through a combination of organic growth and M&A. NTS ASA entered

into the wellboat business in 2008 through an investment into Norsk Fisketransport AS. Norsk Fisketransport was built out of the aquaculture hub in the Namdal-Helgeland area in mid-Norway.



Expansion from local to regional service provider





# BOARD OF DIRECTORS

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## SVEIN SIVERTSEN

### Chairman

The Chairman of the Board, Svein Sivertsen (1951), was elected to the Board by the extraordinary general meeting on 26 February 2021.

Mr. Svein Sivertsen has extensive experience from board positions within maritime fields, covering sectors of aquaculture, oil service, construction and shipping, amongst others. Mr. Sivertsen holds a degree in Master of Science, Chemical Engineering from the Norwegian University of Science and Technology. Mr. Sivertsen is currently chairman in Aalesundfisk Holding AS and Arctic Fish (Iceland). Previous board positions include Axess AS, Aker Yards ASA and Hydrotech Gruppen AS. Mr. Sivertsen has also held executive positions as CEO of Fokus Bank AS and CEO of Nidar Bergene AS, as well as served as Deputy CEO of SINTEF Gruppen.

Mr. Sivertsen owns 20.000 shares or options in Frøy ASA.

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## MORTEN LOKTU

### Board Member

Morten Loktu (1960), was elected to the Board of Directors by the extraordinary general meeting on 20 December 2022.

Mr. Morten Loktu has experience from multiple board positions within aquaculture, finance and others.

Mr. Loktu is currently a member of the Board in SalMar ASA and SalMar Aker Ocean AS. Previous board positions include IOGP (International Association of Oil & Gas Producers), EIT (European Institute of Innovation & Technology) and the Norwegian University of Science and Technology. Mr. Loktu has previously held executive positions as CEO of Sintef Gruppen and several executive positions in Statoil ASA and Equinor ASA.

Mr. Loktu holds a degree in Master of Science, physics and economics from the Norwegian University of Science and Technology.

Mr. Loktu owns 0 shares in Frøy.

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## PERNILLE SKARSTEIN CHRISTENSEN

### Board Member

Board member Pernille Skarstein Christensen (1966) was elected to the Board of Directors by the extraordinary general meeting on 20. December 2022.

Mrs Skarstein Christensen has broad experience from the financial markets and extensive background as Head of Investments from Alfred Berg Asset Management, Carnegie Asset Management and C WorldWide Asset Management. She holds a MA in Economics from the Norwegian School of Economics & Business Administration (NHH), Norway.

Mrs. Skarstein Christensen is currently Investment Director of Kverva AS. In addition, she holds a board position in the seafood company NTS AS. She owns 0 shares in Frøy ASA.

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#### LINDA JOHNSEN

##### Board Member

Mrs. Johnsen has 20 years of experience from tax authorities, including as tax assessor for Nærøy, Vikna and Leka municipality.

She also has experience from BDO, with special focus on the fisheries sector. Mrs. Johnsen is currently working as a financial consultant in Williksen Fangst AS.

Mrs. Johnsen owns 0 shares in Frøy.

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#### RUNE JULIUSSEN

##### Board Member

Board member Rune Juliussen (1977) was elected to the Board of Directors by the extraordinary general meeting on 20. December 2022.

Mr. Juliussen is currently Investment Director of Kverva AS. He holds a MSC in Business from the Norwegian Business School (BI), Norway, and has over 10 years' previous experience from Investment Banking in Carnegie and Pareto until 2010.

He holds a board position in among others Salvesen & Thams and Sparebank1 Markets and was until February 2023 chairman of the processing vessel company Napier Holding.

Mr. Juliussen owns 0 shares in Frøy.

# EXECUTIVE MANAGEMENT



**TONJE FOSS**  
CEO

Tonje Foss (1971) is the CEO of Frøy ASA, a role she has had since January 2022. Before this, she held the position as Strategy Director at Enova, and Regional Director of Atea from 2017 to 2020. Mrs. Foss has 19 years of experience from various positions and companies in the oil industry, including Kværner, Schlumberger and Aker BP. Foss has been board member of Det norske oljeselskap and SalMar, and are currently holding a board member seat of Sparebank 1 SMN.

Tøff AS, a close associate to Tonje Foss owns 10.000 shares in Frøy ASA.



**SONDRE VEVSTAD**  
CFO

Sondre Vevstad (1983) has been engaged by Frøy since 2020 and assumed the position as CFO June 2022. Prior to his current position Vevstad assisted the Company with IPO preparations, investor relations and corporate strategy services. Vevstad has more than 10 years' experience from investment banking, covering the seafood and aqua services sector and holds a master's degree within finance from NHH – Norwegian School of Economics.

Ocean Capital Advisers AS, a close associate to Sondre Vevstad owns 8.196 shares in Frøy ASA.



**ANDERS GÅSØ**  
Head of Service and Sea Transport

Anders Gåsø (1986) joined Frøy in 2017 and has today the position as the Head of the Service and Sea Transport. Prior to joining the Group, Mr. Gåsø held a leading position at Sparebank 1 SMN, the largest bank in region of Middle Norway. Mr. Gåsø holds different board positions and has been board member of NTS ASA.

Mr. Gåsø holds a non-controlling ownership position in Gåsø Næringsutvikling AS, a major shareholder in Frøy Kapital AS that owns 9 212 017 shares in Frøy ASA





**ANDREAS MOE**  
Head of wellboat

Andreas Moe started his current position as Head of Wellboats in January 2023. Mr. Moe joined Norsk Fisketransport in 2012 and has sailed on several wellboats until 2018 when he moved onshore for a position in the quality department in NTS Management. Prior to his current position Mr Moe served as Head of the QA department in Frøy ASA.

Mr. Moe owns 0 shares in Frøy.



**ANDREAS KROGSTAD**  
Head of Sales

Andreas Krogstad (1976) holds the position as Head of Sales at Frøy ASA. Prior to this position he has been working as a Sales & Marketing manager of service vessels in Frøy, and as operations coordinator for service vessels since he was first recruited to Frøy in April 2013. Mr. Krogstad has studied Market Economics & Business Economics at BI Norwegian Business School. Mr. Krogstad holds several board memberships, and acted amongst others as a Deputy Board Member of NTS ASA from 2021 -2022.

Mr. Krogstad holds 19.286 shares in Frøy.



**LINN HOLMEN**  
Head of Operational Support

Linn Holmen holds the position as Head of Operational Support. Mrs. Holmen started at the QA division at Frøy during 2016 where she acted as Head of the QA department and Chief Sustainability Officer. Before joining Frøy Mrs. Holmen worked as Operating Manager offshore at Statoil ASA.

Mrs. Holmen owns 1.739 shares in Frøy.



**KRISTIN SUGUSTAD**  
Director Maritime Staffing

Kristin Sugustad (1979) joined Frøy in 2019 and has today the position as Director Maritime Staffing. Prior of joining Frøy, Ms. Sugustad worked 12 years as a financial advisor at Sparebank 1 SMN and Nordea Bank ASA. Ms. Sugustad acquired her Bachelor of Economics from Trondheim Økonomiske Høyskole and executive master of management at BI Norwegian Business School.

Mrs. Sugustad owns 0 shares in Frøy.



**TOVE TORSTAD**  
Director HR

Tove Torstad (1969) started her current position as Director of HR following the merger between NTS and Frøy in April 2020. Prior to her current position, Torstad acted as interim CEO in NTS Mangement. Before starting at Frøy, Torstad worked Eidshaug Rederi and the local government administration in Nærøy.

Mrs. Torstad owns 1.928 shares in Frøy.



**ARNT SOLEM**  
Director Business Development and Innovation

Arnt Solem (1967) started his position as Director of Business Development and Innovation in January 2023. Prior to joining Frøy, Mr. Solem worked 11 years as CEO of Fosenkraft AS. Before that, he had a significant career and experience from various management positions and companies in the oil industry, including Altera Infrastructure (formerly known as Teekay) and PGS.

ASAP Invest AS, a close associate to Mr. Solem, owns 17899 shares in Frøy ASA.





# TARGETS AND POLICIES

Frøy's financial targets and capital allocation strategy provides a framework for allocation of capital to new investments, dividends and debt.

## PROFITABILITY:

Frøy targets return on equity of minimum 10-18% depending on client, project structure and contract length (risk)

## GROWTH:

Frøy has disciplined focus on long-term contracts for new vessels. New growth projects are subject to satisfactory return profile in line with or above the targeted profitability level.

## CAPITAL STRUCTURE:

Frøy's primary source of debt financing is long term bank loans.

Frøy has a strategy of financing its vessels and equipment with 5-year term loans with repayment profiles depending on vessel or equipment and contract coverage.

## DIVIDEND POLICY:

Frøy's ambition is to maximize long term value for its shareholders through positive share price development and a growing dividend based on long term earnings.

Frøy intend to pay out minimum 50% of net profit as dividend. In its dividend proposal, the Board will take into account future gearing level and liquidity requirements.





# SHAREHOLDER INFORMATION

## SHAREHOLDER INFORMATION

Frøy intends to communicate actively and openly with shareholders, potential investors, analysts and other participants in the financial market.

Frøy intends to follow the Oslo Stock Exchange's recommendation on reporting IR-information. Our goal is to ensure that all participants in the financial markets are treated equally with regards to access to financial and other information.

## DIVIDEND

The Frøy Board of Directors will propose a total dividend of NOK 1.50 per share for the financial year 2022 to the Annual General Meeting in June 2023. The dividend will be split into two tranches of NOK 0.75 per share to be paid in June and November 2023. Furthermore, the Board of Directors will propose to the Annual General Meeting to introduce half-yearly dividend payments going forward.

## SHARES AND SHARE CAPITAL

As of 31 December 2022, Frøy ASA has 86 348 603 ordinary shares; each share has a par value of NOK 1. As of 31 December 2022, Frøy had 4 114 shareholders. 3.3% of the total share capital were owned by non-Norwegian shareholders. Frøy has a single share class. Each share is entitled to one vote. Frøy does not hold any treasury shares as of 31 December 2022.

## STOCK EXCHANGE LISTING

Frøy ASA was listed on Oslo Stock Exchange on 29 March 2021 (ticker: FROY). The Frøy shares are registered in the Norwegian Central Securities Depository. The shares have the securities registration number ISIN NO0010936792. Nordea Bank Abp, Norway Branch is Frøy's registrar.

## MAJORITY SHAREHOLDER

Frøy's majority shareholder is NTS AS, a wholly owned subsidiary of SalMar ASA. Companies that are a part of SalMar ASA are legally and financially independent units. SalMar ASA exercise active ownership in order to systematically create value for all Frøy shareholders.

Frøy have entered multiple agreements with companies owned by SalMar ASA. The Board of Directors and management of Frøy are all critically aware of the need to handle such matters in the best interest of the involved companies, in accordance with good corporate governance practice.

## INVESTOR RELATIONS

Frøy intends to communicate actively and openly with shareholders, potential investors, analysts and other participants in the financial market.

Frøy investor relations information, including financial calendar, quarterly and annual reports, investor presentations, articles of association, investor relations policy and corporate governance policies are available at the Company's website [www.froygruppen.no/investor](http://www.froygruppen.no/investor).

Shareholders can contact the Company at [ir@froygruppen.no](mailto:ir@froygruppen.no)

## ELECTRONIC INTERIM AND ANNUAL REPORTS

Annual reports are published on the Company's website at the same time as they are made available via website release by the Oslo Stock Exchange: [www.newsweb.no](http://www.newsweb.no) (ticker: FROY). Subscribers to this service receive annual reports in PDF format by email. Shareholders, who are unable to receive the electronic version of interim and annual reports, may subscribe to the printed version by contacting Frøy's investor relations staff.

## NOMINATION COMMITTEE

The Company's Articles of Association provide for a nomination committee elected by the general meeting. The nomination committee shall at the outset consists of minimum two members, elected for a term of two years.

Shareholders who wish to contact Frøy's nomination committee may do so using the following address:

Nomination Committee of Frøy ASA  
Siholmen 34  
N 7260 Sistranda, Norway

## ANNUAL SHAREHOLDERS' MEETING

A written notification will be sent to all shareholders individually or to shareholders' nominees.

## 20 LARGEST SHAREHOLDERS AT 31.12.22

Name	Number of shares held	Ownership %
NTS ASA	62 269 112	72.11
Gåsø Næringsutvikling AS	3 019 800	3.50
HSBC Bank Plc	1 185 494	1.37
ABG Sundal Collier ASA	1 185 000	1.37
Verdipapirfondet Fondsfinans Norge	875 000	1.01
Trøndelag Helgeland Invest AS	702 411	0.81
BNP Paribas Securities Services	656 820	0.76
Amble Investment AS	654 417	0.76
Riiber Holding AS	644 490	0.75
DNB Bank ASA	591 146	0.69
Verdipapirfondet Alfred Berg Norge	574 208	0.66
Torghatten Aqua AS	570 000	0.66
Verdipapirfondet Alfred Berg Norge	510 500	0.59
Verdipapirfondet Alfred Berg Aktiv	444 939	0.52
GH Holding AS	427 868	0.50
Furberg & Sønn A/S	400 000	0.46
HMH Invest AS	365 787	0.42
LIN AS	327 868	0.38
Verdipapirfondet Alfred Berg Norge	298 887	0.35
The Bank of New York Mellon SA/NV	284 396	0.33
<b>Total 20 largest shareholders</b>	<b>75 991 805</b>	<b>88.01</b>
Total other	10 356 798	11.99
<b>Totale number of shares</b>	<b>86 348 603</b>	<b>100.00</b>

## SHARE PRICE DEVELOPMENT

Share price data from the first day of listing January 2022 - December 2022.

60 NOK per share





# BOARD OF DIRECTORS' REPORT

Frøy ASA is a public limited company whose purpose is to provide services to the aquaculture industry, such as wellboat services, service vessel and transport of fish feed and frozen seafood. The Company's headquarter is located at Sistranda in Frøya municipality. Frøy ASA was listed on Oslo Børs Euronext in April 2021 under the ticker FROY.

Frøy's vision is Solutions for the Ocean Space. Frøy shall be the leading and preferred provider of sustainable aquaculture services. Taking good care of the fish and people has been core focus in Frøy for more than 20 years. Delivering solutions that improve efficiency and sustainability for clients is both a prerequisite to operate and a key driver for Frøy's growth going forward.

Frøy's business and service offering has gradually developed together with the industrialization of the Norwegian fish farming industry. Today, Frøy assist fish farmers throughout the full production cycle at sea, in all Norwegian farming regions and with an increasing international footprint.

With its more than 900 aqua service specialists, Frøy has a unique competence base, vital to deliver continuous improvement in fish welfare and efficiency to fish farmers across all international production regions.

Frøy's service offering is reported through three operating segments:

**Wellboat:** Frøy is a leading provider of wellboat services. Frøy has operations in Norway and Iceland and target all the large salmon farming markets in the North Atlantic Ocean; Norway, UK, Canada and Iceland.

**Service:** Frøy is the largest provider of service vessels in the North Atlantic basin. The Frøy fleet primarily operates along the Norwegian coast from Rogaland in the south to Finnmark in the north, providing a wide range of services to the aquaculture industry. Frøy's market focus includes all the large salmon farming regions in the North Atlantic Ocean, Norway, UK, Iceland and Canada.

**Sea transport:** Frøy's sea transport vessels provide transport services mainly on the Norwegian coast, as well as transport of refrigerated cargo to the Baltics and Poland.

## 2022 HIGHLIGHTS

The soaring inflation, increased fuel prices and increasing interest rates all impacted Frøy's business in 2022.

Profitability in the company's long term charters were to a large degree protected through CPI adjustments and re invoicing of fuel costs. For the fleet operating on framework agreements and spot the increased fuel prices had a negative impact of approx. NOK 50 million in 2022 compared to 2021.

During 2022, the high inflation and weakened NOK pushed newbuild prices higher. Frøy has fixed prices on its newbuilds under construction. During the year Frøy placed several new newbuild orders, including one new wellboat and seven new service vessels. Frøy experienced high demand for its new vessels and competent crews that contribute with improved solutions, increased operational efficiency and improved fish welfare. At the end of 2022 all newbuilds ordered except for two were placed on contracts with clients, well in advance of delivery from yard.

## 2022 - WELLBOAT SEGMENT

At the end of 2022, Frøy owned a total of 15 wellboats, and leased one wellboat on a bareboat agreement. During 2022 Frøy ordered one new wellboat, increasing its newbuild program to three vessels, of which two will be delivered in 2023 and one in 2024.

Key services offered in Frøy's wellboat segment are transportation and biological services. The Group's wellboats are used for gentle and safe transportation of smolts (juvenile salmon) from smolt facilities on shore to farming sites in sea, and of live harvest ready salmon from production sites to harvesting facilities.

Furthermore, wellboats are used as supportive infrastructure for salmon farmers under biological operations during the production phase at sea. Wellboats can perform a wide range of different sea lice treatments such as flushing, thermal wash and freshwater bath. The fish is pumped into the wellboat and treated in a closed and controlled environment which minimize risk of emissions to sea and cross contamination of sea lice from one pen to another. After biological treatments the sea lice is contained and disposed in accordance with regulatory requirements.

The majority of Frøy's fleet is employed on long-term contracts. Activity in 2022 followed a normal seasonal trend. The beginning of 2022 started slowly with low sea lice levels and low harvesting activity. Activity picked up during summer, with high activity across all vessels well into December. The wellboat segment generated total revenues of NOK 1107.6 million (2021: NOK 876.0 million) and an operating profit of NOK 212.5 million (2021: NOK 244.7 million including gain from sale of assets of NOK 52.1 million).

## 2022 - SERVICE SEGMENT

Frøy operates 56 service vessels of different sizes. Frøy service segment offers diving, inspection, biological risk mitigation services and infrastructure integrity services to salmon farmers. With specialized aqua service professionals and modern service vessels, Frøy assist salmon farmers with maintenance of the salmon farming site infrastructure and assistance with removal of sea lice and other biological challenges.

The 13 large service vessels mainly operate on time charter contracts, while the smaller service vessels generally operate on framework agreements.

During 2022, Frøy put four newbuilds into operation and sold two vessels in line with its fleet optimization strategy of selling older and less efficient vessels. In 2023 Frøy is scheduled to take delivery of seven new service vessels. One additional vessel is scheduled for delivery in 2024.

Activity in the service segment followed a normal seasonal trend in 2022, with a slow seasonal activity level in the first quarter of 2022. As sea temperatures increased the activity level picked up. In the fourth quarter activity level remained high, with high demand for sea lice removal services and net cleaning well into December. Fuel prices increased materially in first half of 2022, impacting margins negatively. The increased cost of fuel had a negative impact of approximately NOK 50 million in 2022 compared to 2021. The Service segment generated total revenues of NOK 879.3 million (2021: NOK 774.6 million) and an operating profit of NOK 72.7 million (2021: NOK 132.4 million).

## 2022 - SEA TRANSPORT SEGMENT

Frøy operates three vessels in the sea transport segment, of all operate on time charter and framework agreements.

The sea transport segment has improved its contract coverage and utilization compared to 2021.

The Sea transport segment generated total revenues of NOK 143.3 million (2021: NOK 134.2 million) and an operating profit of NOK 24.3 million (2021: NOK 19.3 million).

## EMPLOYEES

As of 31.12.2022, there were a total of 940 employees (including temporary employees) in Frøy. These are divided into 315 (285) employees in the wellboat segment, 501 (426) employees in the service segment, 65 (58) employees in the maritime transport segment and 59 (45) employees in Frøy ASA. The proportion of women per 31.12.2022 was 7% (5%).

At the end of 2022, Frøy's executive management group consisted of 44 % women, while the expanded management group consisted of 33 % women. The group has a continuous focus on equality and providing equal opportunities for all employees regardless of gender, pregnancy, maternity leave or adoption, care tasks, ethnicity, religion, outlook

on life, disability, sexual orientation, gender identity and gender expression.

About 23% of all employees per 31.12.2022 are temporary employees. Of these, 44 % are apprentices/cadets who are on a time-limited training agreement. The remaining temporary employees cover for employees on sick leave.

The average number of weeks of parental leave in 2022 was 9.7 weeks for men and 29.3 weeks for women.

Frøy's principles, procedures and standards for equality are rooted in Frøy's various strategies, tools and policies. All Frøy policies can be found at [www.froygruppen.no](http://www.froygruppen.no).

A separate report has been prepared, Equality Statement, which describes Frøy's work on gender equality and diversity in more detail. The report is provided in a separate section of the Annual Report.

## SUSTAINABILITY

Frøy intends to communicate actively and openly with investors, customers, government institutions and other stakeholders regarding our sustainability focus and strategy. During 2021, Frøy took its first steps towards a structured reporting on how we integrate sustainability into the overall business strategy. This reporting has been further refined during 2022.

In 2019 Frøy made a strategic decision to reduce greenhouse gas emissions from its fleet by investing in more climate friendly vessels. Since 2019 all wellboat newbuilds have been ordered with either diesel electric or hybrid propulsion machinery. At the end of 2022, 25 % (21%) of the wellboats and sea transport vessels have diesel electric or hybrid propulsion machinery installed, 58% (45%) of the larger service vessels have diesel electric or hybrid propulsion machinery, and 7% (3 %) of the smaller service vessels have diesel electric or hybrid propulsion machinery. The goal is to increase the percentage of vessels with

technology contributing to lower carbon emissions.

A separate Sustainability Report has been prepared which describes Frøy's work and priorities on sustainability in more detail. The report has been prepared in line with the World Economic Forums reporting framework for Measuring Stakeholder Capital; WEF IBC Common Metrics.

The report is provided in a separate section of the Annual Report.

## HEALTH AND SAFETY

The average sickness absence for the group was 5.3% in 2022, compared to 5.1% in 2021. 4.6% of the absence is long-term absence. We observe an increase in LTI-frequency in 2022 of 9.7 from the previous year of 8.5. Most lost-time injuries is however short term.

Follow-up of sick leave and facilitation for people on sick leave including lost-time injuries has been a focus area in 2022. Routines and procedures are reviewed, and each individual injury case is used for training and learning. The working environment in the group is considered satisfactory.

## FINANCIAL REVIEW AND KEY RISK FACTORS

Frøy's business largely consists of service deliveries to the aquaculture industry. The demand for the services provided by the group will therefore to a large extent be linked to the level of activity in the aquaculture industry. Furthermore, demand may be affected by natural variations in weather, sea temperature and fish health in the aquaculture industry.

The operations in Frøy are capital intensive, and the focus on employment of each individual vessel in the group's fleet is crucial for achieving a satisfactory return on invested capital.

Variable operating costs mainly consist of personnel costs, fuel costs and costs for repair and maintenance of the fleet.

### Credit risk

Frøy's credit risk represents the risk for counterparties not being able to fulfil their obligations to the group as they fall due. The credit risk is considered low and stable in the markets in which the group operates. Losses on receivables were insignificant in both 2022 and the year before.

No set-off agreements or other financial instruments have been entered into to reduce the credit risk in the group.

### Market risk

Frøy's income and operating expenses are mainly denominated in Norwegian kroner and are therefore to a small extent directly exposed to currency risk. The Sea Transport segment has a significant part of its revenues in EUR and USD. This currency exposure is partially offset by bunker costs nominated in USD. When contracting new vessels at shipyards abroad, the contract price will be denominated in a foreign currency. Frøy's cost price for newbuilds - and subsequent depreciation costs after the vessel has been delivered will therefore be exposed to currency risk.

Currency risk associated with newbuilds is continuously monitored and currency derivatives have been applied to reduce the risk. Frøy has entered into currency swaps related to the scheduled payments on the newbuilds under construction in Turkey.

The company is exposed to changes in interest rates, as parts of the group's debt have floating interest rates. Furthermore, changes in interest rates may affect investment opportunities in future periods.

Long-term interest rate hedging agreements have been entered into for parts of the debt to reduce interest rate risk.

### Tax risk

Frøy Rederi has received from the Norwegian Tax Authorities ("NTA") a draft decision stating that Frøy Rederi's activities are not

covered by the tonnage tax scheme and that there is basis for amending its tax assessment for the income years 2019 and 2020. Frøy disputes the tax authorities' views and the case is unresolved on the date of publication of this report. Refer to note 5.1 in the consolidated financial statement for further details.

### Liquidity risk

Liquidity risk is a risk that Frøy will not be able to service its financial obligations as they fall due. In 2022, Frøy had a positive cash flow from operating activities of NOK million 621 (2021: NOK million 499). The group's investments in newbuilds are financed with equity and long-term loan facilities from credit institutions before

newbuilds are committed. Furthermore, Frøy has a portfolio of cash and cash equivalents at the end of 2022 of NOK 319 million (2021: NOK 738 million) and available credit facilities of NOK 30 million (2021: NOK 39 million).

The group's liquidity on the balance sheet date is considered satisfactory.

### SHAREHOLDER INFORMATION

The company's largest shareholder is NTS ASA, a subsidiary of SalMar ASA, which as of 31.12.2022 owns 72.1% of the shares in Frøy ASA.

The 20 largest shareholders at the end of 2022 were as follows:

Shareholder	No. of shares	Ownership %
NTS ASA	62 269 112	72.11
Gåsø Næringsutvikling AS	3 019 800	3.50
HSBC Bank Plc	1 185 494	1.37
ABG Sundal Collier ASA	1 185 000	1.37
Verdipapirfondet Fondsfinans Norge	875 000	1.01
Trøndelag Helgeland Invest AS	702 411	0.81
BNP Paribas Securities Services	656 820	0.76
Amble Investment AS	654 417	0.76
Riiber Holding AS	644 490	0.75
DNB Bank ASA	591 146	0.69
Verdipapirfondet Alfred Berg Norge	574 208	0.66
Torghatten Aqua AS	570 000	0.66
Verdipapirfondet Alfred Berg Norge	510 500	0.59
Verdipapirfondet Alfred Berg Aktiv	444 939	0.52
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Total other	10 356 798	11.99
<b>Totale number of shares</b>	<b>86 348 603</b>	<b>100.00</b>

The number of shareholders as of 31.12.2022 was 4,114 compared to 4,398 shareholders as of 31.12.2021.

### COMPOSITION OF THE BOARD

The board consists of five board members including the chairperson – two women and three men.

### CORPORATE GOVERNANCE

Frøy complies in all material respects with the Norwegian Code of Practice for Corporate Governance (NUES). In the assessment of the board of directors (the "Board"), Frøy has the two deviations from NUES:

- The general meeting is chaired by the chairperson of the Board, which constitutes a deviation from NUES section 6, last bullet point. It is the opinion of Frøy that the chairperson of the Board is deemed to be most well informed of the Company's activities and is therefore best suited to chair the general meeting.
- Two of the five shareholder-elected Board members are independent of the Company's executive management and material business relationships, while NUES recommends that the majority of the Board members are independent of the Company's executive management and material business relationships. By having an independent chairperson, it is the opinion of Frøy that this balances the deviation from NUES and secures the common interests of all shareholders, including the minority shareholders."

A separate Corporate Governance Report has been prepared which describes Frøy's priorities on corporate governance in more detail. The report is provided in a separate section of the Annual Report.

### THE ANNUAL ACCOUNTS

The group's operating revenues amounted to NOK 2,132 million in 2022 compared to NOK 1,787 million in 2021. In 2022, the group had an operating profit of NOK 267 million compared to NOK 378 million in 2021. The

growth in revenues is primarily attributable to the increase in Frøy's fleet of vessels and increase in reinvoiced fuel costs during 2022. In 2021, Frøy sold vessels with a total gain of NOK 91 million vs. NOK 16 million in 2022, which explains the majority of the drop in operating profit in 2022 vs. 2021. These sales were carried out as part of the group's strategy for continuous renewal of the fleet.

Ordinary profit before tax ended at NOK 221 million compared to NOK 300 million in 2021. Annual profit for continuing operations ended at NOK 224 million compared to NOK 284 million in 2021.

Total assets increased from NOK 7,657 million at the end of 2021 to NOK 8,026 million at the end of 2022. The equity ratio of the group as of 31.12.2022 was 41% compared to 42% the previous year. The equity ratio remained flat despite an increase in total assets.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which have been adopted by the EU.

In the parent company, the operating profit was NOK -40.4 million compared to NOK -21.6 in 2021. Profit before tax ended at NOK 261.3 million compared to NOK -0.3 million in 2021. Financial income in 2022 was positively impacted by share dividends and group contributions.

The parent company accounts have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway.

### INVESTMENTS

Investments are mainly related to the group's newbuild and rebuild program. In 2022, NOK 615 million has been invested in the wellboat segment, NOK 126 million in the service segment, NOK 65 million in the maritime transport segment. In addition, NOK 64 million has been invested in other investments which includes periodic maintenance and development of the company's data platform.

At the end of 2022, remaining investments under the current investment program amounts to approx. NOK 1 billion. These investments are expected to accrue with NOK 744 million in 2023 and NOK 232 million in 2024.

### GOING CONCERN

The annual accounts have been prepared under the going concern assumption. There are no circumstances that indicate that this assumption is not present. The board therefore confirms that the precondition for going concern is present.

### OUTLOOK

Frøy is a leading integrated service provider to the Norwegian aquaculture industry. The group has adopted an investment program to build additional capacity, primarily within the wellboat and service segments.

The wellboat segment has three new vessels under construction. MS Gåsø Odin is expected to be delivered in April 2023, MS Veidnes is expected to be delivered during the summer of 2023 and Frøy Saga is expected to be delivered third quarter 2024.

During 2023, the Service segment will put six vessels and one pen cleaning barge into operation. Furthermore, the segment has one large service vessels under construction with planned delivery in 2024.

The aqua service industry is expected to continue growing in the years to come. To date Frøy has yet to experience any direct demand effects following the Norwegian Government's proposal to introduce a new resource rent tax on salmon farming. Frøy will adapt its operations based on the competitiveness of the Norwegian framework conditions and prioritize to grow and support salmon farmers in the regions where they choose to grow and operate. In 2023, Frøy will operate two wellboats in Iceland and will seek to diversify further through growth opportunities in geographical regions outside its current core areas.



High inflation and weakened NOK continue to push the price of newbuilds higher. Newbuild prices have increased with more than 20% the last 12 months. Frøy has a well-maintained fleet and fixed prices on its newbuilds under construction. The Frøy fleet has been built at low newbuild prices compared to the newbuild prices seen today. Over time, Frøy expect that the increased prices for newbuilds will push time charter rates and prices on framework agreements higher also for the existing fleet of vessels.

### CORPORATE SOCIAL RESPONSIBILITY

Frøy defines social responsibility as achieving business profitability in line with basic ethical and sustainable values and with respect

for people, the environment and society. Business profitability is a prerequisite for the group to be able to focus on development and at the same time make a positive contribution to society in general.

Frøy has a set of ethical guidelines, and these are communicated in the organization through managers in subsidiaries and are available to all employees through the group's management systems.

The group strives to comply with the following core values for work ethic and sustainability:

- **Safe:** In Frøy we talk to each other, not about each other. We have respect and humility towards our customers, employees and surroundings - and we have HSE in focus.
- **Flexible:** In Frøy we are agile and willing to change. We will always contribute with solutions for the customer's best.
- **Engaged:** In Frøy, we care about both employees and customers. We are forward-looking and create ownership.
- **Responsible:** In Frøy, we are concerned with and live up to our sustainability strategy.

The core values are the basis for our ethical guidelines, which focus on how the group's employees treat each other and society in general.

The group has implemented internal control routines aimed to uncover corruption.

In 2022, the group has also been an important supporter and contributor to teams and associations in the local communities of which the companies are a part.

### RESEARCH AND DEVELOPMENT

Throughout 2022, Frøy has collaborated with external actors on research and development projects that are relevant to the group's activities, including:

- Development of an inhouse data platform for efficient collection, sharing and analysis of operational data
- Testing of new methods for removal of sea lice, including the newly approved method of combining fresh water and mechanical delousing
- Machine learning to improve hole detection under net inspection.
- Continuous development of next generation wellboats and service vessels
- Future service scope related to seaweed production.

### LIABILITY INSURANCE FOR THE CEO AND BOARD MEMBERS

Frøy has taken out a board and management liability insurance. The insurance applies to members of the board, members of Frøy's management team or other employees who have been assigned independent management responsibilities. The insurance covers the insured's personal liability for economic loss caused to someone in their capacity as a director or an employee.

### NORWEGIAN TRANSPARENCY ACT

An account of our due diligence assess-

ments carried out in accordance with the Norwegian Transparency Act (in force from 1 July 2022) will be published on [www.froy-gruppen.no](http://www.froy-gruppen.no) within 30 June 2023.

### EVENTS AFTER THE BALANCE SHEET DATE

On January 6th Frøy announced that it had entered into an agreement to acquire 100% of the shares of Marinus Aquaservice AS. The transaction values Marinus at a total enterprise value of NOK 101 million, subject to certain closing conditions. The acquisition of Marinus strengthens Frøy's position in the southwest of Norway, a region where Frøy has limited foothold today. Marinus operates three modern and well-maintained vessels and has a particular strong position within ROV services, a fast-growing subsegment of the aqua service industry.

On January 13th SalMar ASA announced a strategic review of its indirect holding in Frøy. Based on incoming interest regarding Frøy, NTS AS, a wholly owned subsidiary of SalMar ASA, has decided to explore strategic alternatives in Frøy with the aim of maximizing value for its shareholders. NTS currently holds 62,269,112 shares in Frøy representing approximately 72.11% of the shares and votes in Frøy. The strategic review is expected to be concluded within 2023. No decisions have been taken and a transaction, if any, remains subject to market conditions.

In February 2023 Frøy Rederi was notified by the Norwegian Tax Administration (the "NTA") of a possible amendment of its tax assessments for income years 2019 and 2020. Frøy Rederi disagrees with the NTA's preliminary position and will object to and defend its legal position. Should the NTA rule in line with the draft decision received and this is upheld in a final and binding ruling, the Company's assessment is that there will be limited changes in taxes to be paid for income years 2019 to 2022.

Operations in Frøy have proceeded as normal after the balance sheet date. The board is therefore not aware of any other

significant events in the period from 1 January 2023 to the date of this report.

#### PROFIT ALLOCATION

The board has proposed a dividend for 2022 of NOK 1.50 per share. The dividend will be split into two tranches of NOK 0.75 per share to be paid in June and November 2023.

The total ordinary dividends proposed for the financial year 2022 is approx. NOK 130 million. The two tranches will have separate ex. dividend and record dates.

Profit after tax in the parent company, Frøy ASA, ended at NOK 257 million which the board proposes to allocate as follows (numbers in NOK):

Dividend	129 522 905
Transferred to other equity	127 195 068
Total profit allocation:	256 717 973

#### RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that the consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU") and give a true and fair view of Frøy's assets, liabilities, financial position and profits and loss for the period.

Furthermore, we confirm, to the best of our knowledge, that the consolidated financial statements include a fair view of important events that have occurred during the financial year and their impact on the financial statements, a description of the principal risks and uncertainties, and major related party transactions.

The board wishes to thank all employees for their good work in 2022.

Frøya, 28 April 2023

Board of Directors Frøy ASA



Svein Sivertsen  
Chairman



Pernille Christensen  
Board Member



Rune Juliussen  
Board Member



Morten Loktu  
Board Member



Linda Johnsen  
Board Member



Tonje Foss  
Chief Executive Officer







# SUSTAINABILITY IN FRØY

Frøy's vision is solutions for the ocean space. Our ambition is to be the leading and preferred provider of sustainable aquaculture services. Delivering solutions that improve fish welfare and reduce the risk of escapes has been at the core for Frøy for more than 20 years. Taking good care of the fish and our people are our key priorities. Both are prerequisites to operate and key drivers for our growth.

## OUR CORE VALUES FORMS THE BASIS FOR HOW WE SHALL CONDUCT OUR BUSINESS:

**Safe** – The safety of our people, and the integrity of our operations, are our top priorities

Natural forces, harsh weather conditions and operation of complex equipment are key risks to the safety of our staff. Safe and healthy working conditions that is adapted to the physical environment in which we operate are fundamental requirements in all our operations.

**Flexible** – We strive to be agile in everything we do for the benefit of Frøy and our stakeholders

Through our activities, we shall contribute to sustainable food production. Key focus areas for sustainable production of farmed fish are fish welfare, avoidance of fish escapes and continuous reduction of the carbon footprint. As an integrated provider of solutions to fish farmers, Frøy is in close contact with all these factors and thus has the potential to make a significant impact on the sustainability of the final product.

**Committed** – We are committed to provide continuous improvements

For Frøy, sustainability means to always improve and work to become better at what we do. We seek to develop our strategies and operations to ensure that our financial success does not come at the expense of the wellbeing of people, marine life, and the environment.

**Responsible** – We act responsibly in the environment and the communities we are a part of

Frøy acknowledges that we have a responsibility to reduce our environmental footprint and climate gas emissions, and we continually invest in new vessels and equipment that are more energy efficient.

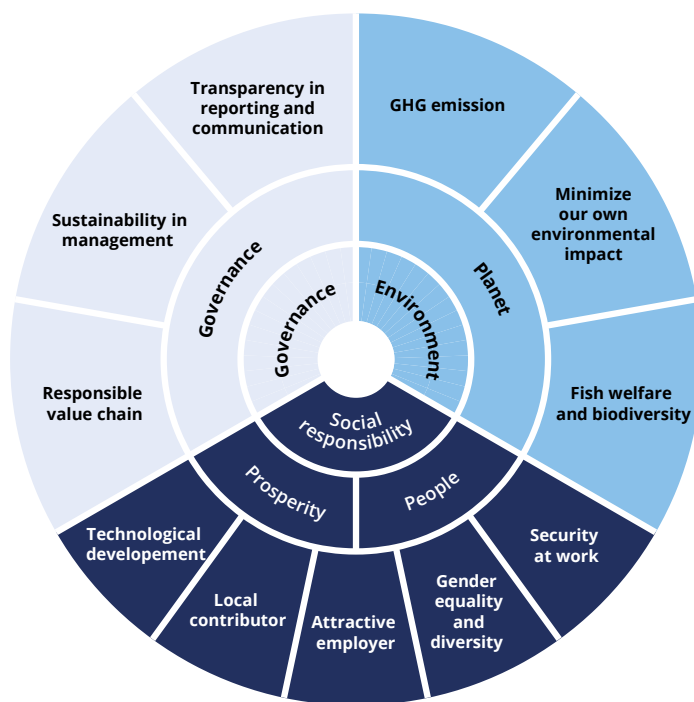


Illustration 1: Sustainability in Frøy

An important aspect of our sustainability work is to improve our routines to collect and communicate our non-financial data to our stakeholders and the general public. During the course of 2022 we have taken a big step forward in this aspect.

## COMMITMENT TO THE UN'S AND NORWAY'S CLIMATE GOALS

Frøy is committed towards the UN's Climate Goals for 2050, aiming to prevent global warming from exceeding 1,5 °C by reducing worlds GHG emissions by 2050 to a net-zero. We are also committed to Norway's Climate Goal towards 2030, which state that Norway's GHG emissions aim to be reduced by 55 % by 2030.

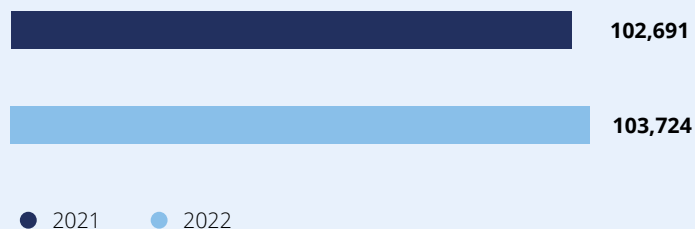
Our most important contribution towards these goals is our commitment of electrifying our fleet, making them more energy efficient, and being an important contributor in sustainable production of fish for food consumption. Additionally, we have taken measures to reduce food waste generated from our vessels by having a more sustainable approach towards food consumption since food waste contributes to almost ten per cent of global man-made greenhouse gas emissions and is one of the Norwegian Government's focus areas towards 2030.

Sustainable development of the industry is the "license to operate" and a key factor for long-term growth. Frøy are committed to contribute with our share as an important part of the farmers value chain. Out of our key operating areas, we have identified aspects where sustainability has a material impact on how we work. These aspects are identified and sorted under the ESG umbrella-topics of Governance, Environment, and Social responsibility. In this report, we will highlight how we in Frøy work towards adapting and improving our operations to reach these goals.

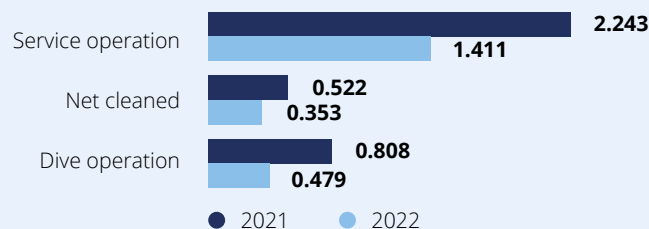
# SUSTAINABILITY AT A GLANCE



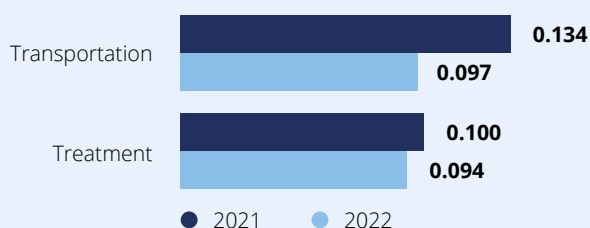
## TOTAL TONS CO<sub>2</sub> EMISSION



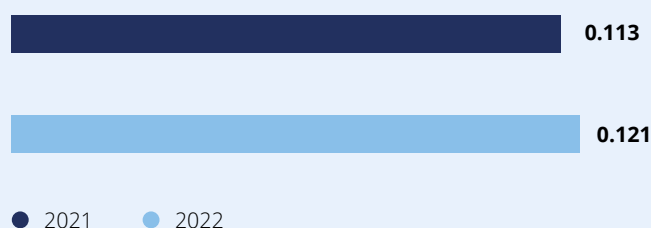
## SERVICE: TONS CO<sub>2</sub> EMISSION FOR EACH



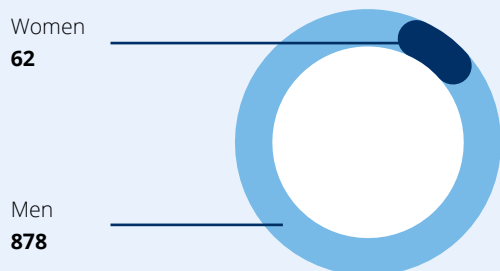
## WELLBOAT: TONS OF CO<sub>2</sub> FOR EACH TON BIOMASS



## FREIGHT VESSELS: TONS CO<sub>2</sub> PER NAUTICAL MILE



## PROPORTION OF WOMEN: 6.6%



## OUR EMPLOYEES (940) CONSIST OF 12 DIFFERENT NATIONALITIES

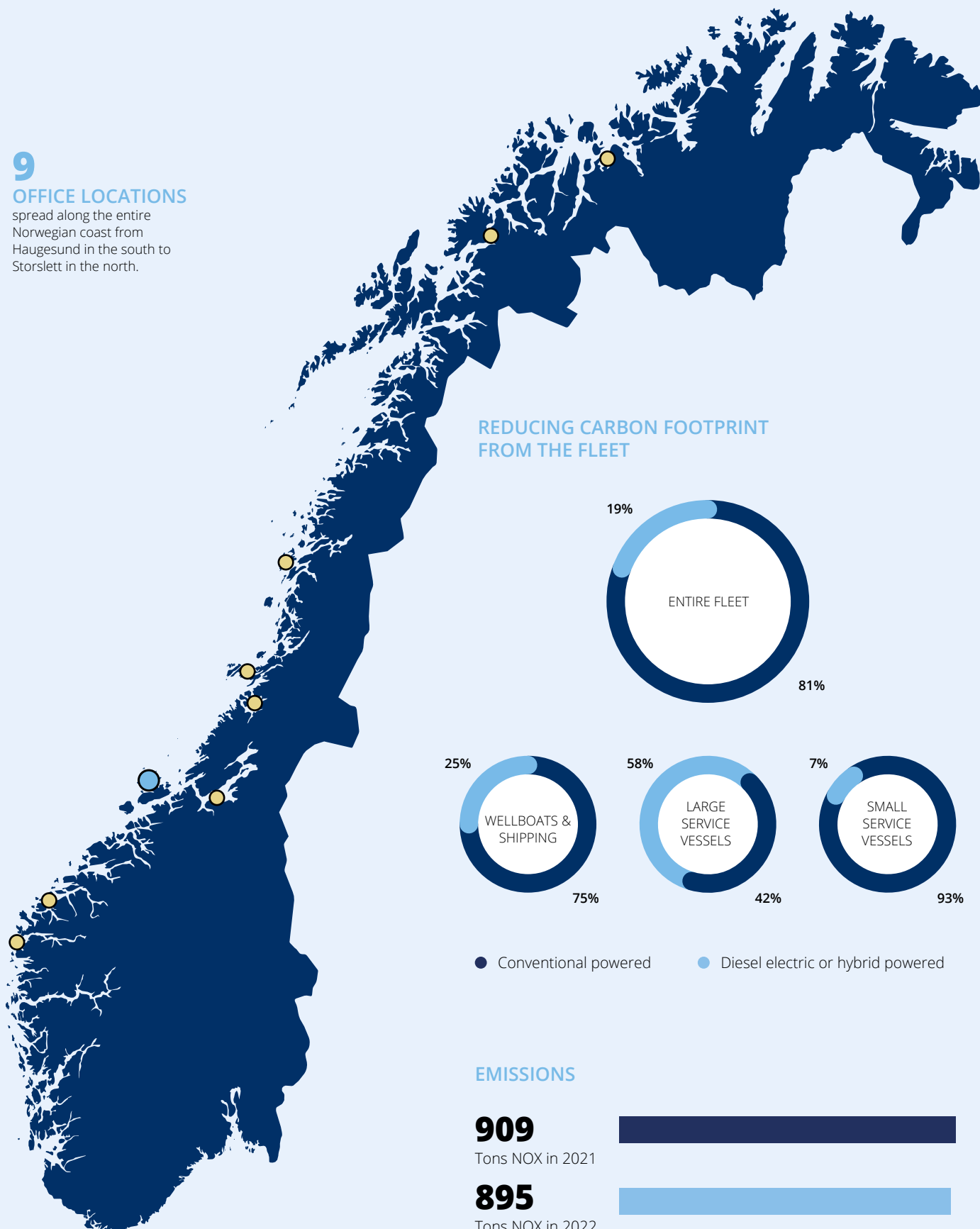


ESG KPI's	2021	2022
Tons CO <sub>2</sub> emission per ton biomass treated	0.100	0.094
Tons CO <sub>2</sub> emission per ton biomass transported	0.134	0.097
Tons CO <sub>2</sub> emission per net cleaned	0.522	0.353
Tons CO <sub>2</sub> emission per service operation	2.243	1.411
Tons CO <sub>2</sub> emission per dive operation	0.808	0.479
Tons CO <sub>2</sub> emission per nautical mile for freight vessels	0.113	0.121
Vessels with SCR [%]	25%	26%
Reportable incidents of poor fish welfare	5	5
Incidents of fish escaping	2	4
Biosafety incidents with serious consequence	0	0

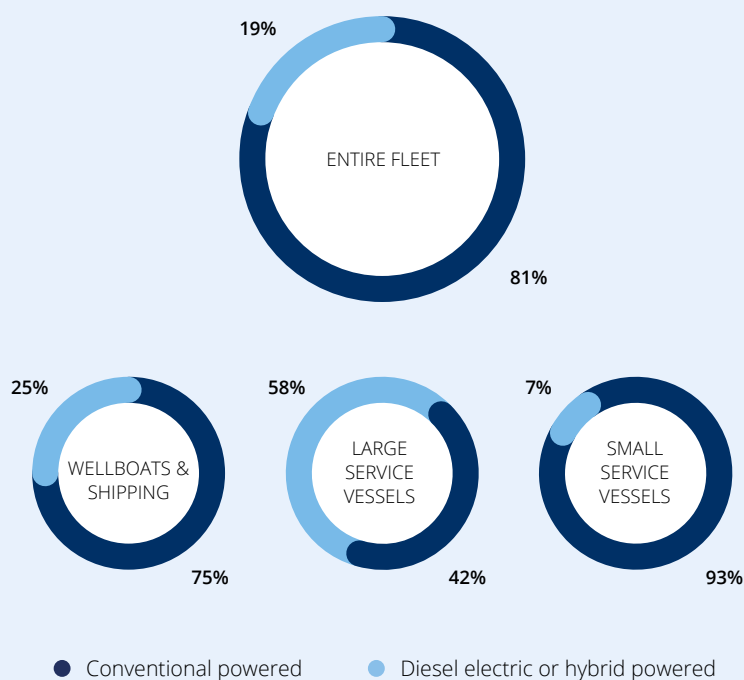
HSE KPI's	2021	2022
Lost Time Injury frequency	8.49	9.71
Oil spillage to sea	3	9

## 9 OFFICE LOCATIONS

spread along the entire Norwegian coast from Haugesund in the south to Storslett in the north.



## REDUCING CARBON FOOTPRINT FROM THE FLEET



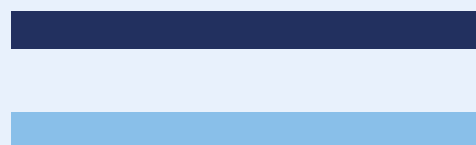
## EMISSIONS

**909**

Tons NOX in 2021

**895**

Tons NOX in 2022



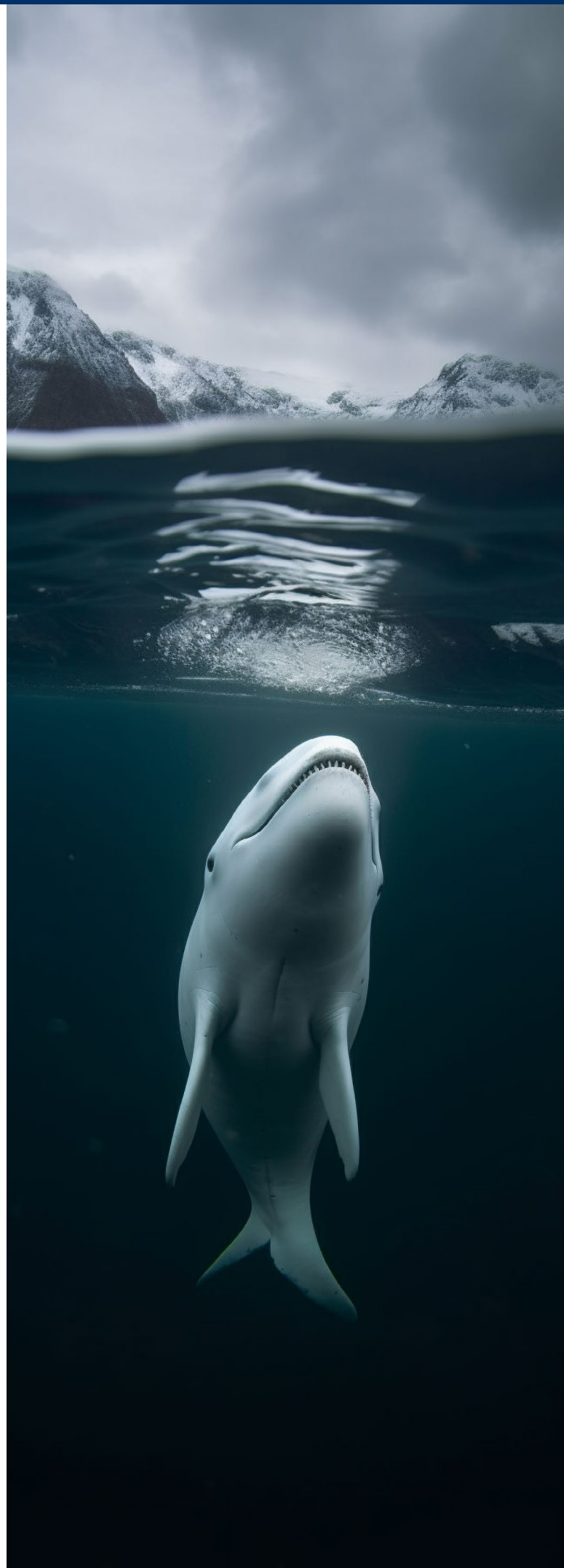
# ABOUT THE REPORT

## ABBREVIATIONS

The report has been prepared in line with the World Economic Forums reporting framework for Measuring Stakeholder Capital; WEF IBC Common Metrics. The reporting period is from January 1<sup>st</sup>, 2022, to December 31<sup>st</sup>, 2022.

The WEF-framework includes 21 indicators divided into four sustainability aspects: governance, people, planet, and prosperity. Each aspect is covered by a separate chapter in the report. The WEF-indicators are in line with key indicators from leading reporting standards within sustainability, which as the GRI and SASB standards.

<b>ASC</b>	Aquaculture Stewardship Council
<b>BOD</b>	Board of Directors
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>DNV</b>	Det Norske Veritas
<b>DOC</b>	Declaration of Compliance (third party subcontractor assessment) or Document of Compliance (certification of compliance to standard)
<b>DOF</b>	Directorate of Fisheries
<b>ESG</b>	Environment, Social, Governance
<b>EU</b>	European Union
<b>FHF</b>	Norwegian Seafood Research Fund
<b>GHG</b>	Greenhouse Gases
<b>GRI</b>	Global Reporting Initiative
<b>HSE(Q)</b>	Health, safety, environment, quality.
<b>IMO</b>	International Maritime Organization
<b>ISM</b>	International Management Code for the Safe Operations of Ships and for Pollution Prevention
<b>ISO</b>	International Organization for Standardization
<b>ISPS</b>	International Code for the Security of Ships and of Ports facilities
<b>KPI</b>	Key Performance Indicator
<b>LTI</b>	Lost Time Injury
<b>MLC</b>	Maritime Labour Convention
<b>NFSA</b>	Norwegian Food Safety Authority
<b>NHO</b>	Norwegian Trade Organization
<b>NMA</b>	Norwegian Maritime Authority
<b>NTNU</b>	Norwegian University of Science and Technology
<b>NTS ASA</b>	Namsos Trafikkselskap ASA
<b>NUI</b>	Norsk Undervannsintervensjon AS
<b>QA</b>	Quality Assurance
<b>R&amp;D</b>	Research and Development
<b>ROV</b>	Remotely Operated Vehicle
<b>SASB</b>	Sustainability Accounting Standards Board
<b>SCR</b>	Selective Catalytic Reduction
<b>SNMK</b>	Norwegian Maritime Competence Foundation
<b>UN</b>	United Nations
<b>WEF IBC</b>	World Economic Forum's International Business Council





# GOVERNANCE - SUSTAINABILITY GOVERNANCE

A sustainable corporate governance can be manifested in many ways. In Frøy, we manifest it through maintaining an open and active dialogue with our investors, customers, national authorities, and other stakeholders about our strategies and focus areas on sustainability. We believe this is a key prerequisite in the long-term growth and value creation of Frøy.

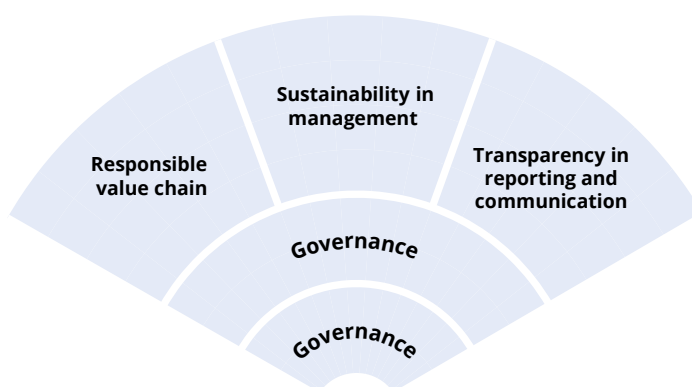
## SUSTAINABILITY IN MANAGEMENT

The CEO is responsible for the sustainability governance and implementation in Frøy. The practical implementation of our sustainability goals is delegated to the executive directors, with the support from the QA-department and other management resources. Promoting and ensuring sustainability at all levels is a considerable investment, and Frøy acknowledge that more dedicated resources will be necessary to reach our goals.

Frøy management systems is certified to comply with the Management System Requirements of the ISO 9001:2015 and 14001:2015 standards by the accredited certification company Kiwa AS.

Frøy complies with the Norwegian Code of Practice for Corporate Governance for the financial year 2022. The company has adopted the «follow or explain principle» with respect to the Code's application in the Frøy Code of Practice of Corporate Governance.

Please find Frøy's corporate governance policy in the chapter "**Corporate Governance**" in the annual report.



## MATERIAL ASPECTS AND STAKEHOLDER ENGAGEMENT

In 2021 we carried out a materiality analysis with the aim of identifying material aspects within the areas of Planet, People, Governance and Prosperity. Some of the aspects are operational, while other are more strategic. Furthermore, some of the aspects were identified as especially important and labeled "leading" to establish Frøy's key sustainability focus. The aspects identified in the 2021 analysis is equally relevant for 2022 and is thus continued.

The material aspects are listed in the table below and the color codes show within which category and chapter the individual aspects will be discussed in more detail later in the report:

As an integrated service and solutions provider to the aquaculture industry, Frøy engages with fish farmers, equipment manufacturers and government bodies actively throughout the year. It is important for Frøy to understand our stakeholders' priorities, and how our business impact them. Other important stakeholder groups include our employees, shareholders, and the communities in which we operate.

Frøy's leading material aspects, which are at the forefront of our business' sustainability focus, are fish welfare and biodiversity, technological development, and to be an attractive employer.

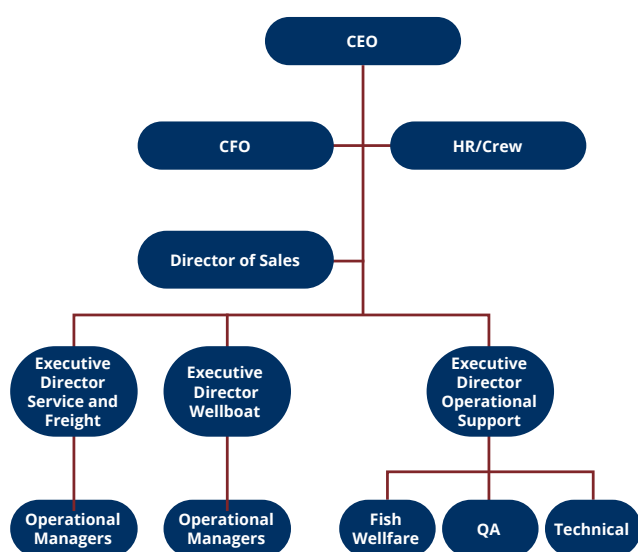


Illustration 3: Organization Chart Frøy management

### Operational

GHG emission  
Minimize our own environmental impact  
Security at work  
Responsible value chain

### Strategic

Gender equality and diversity  
Local Contributor  
Sustainability in management  
Transparency in reporting and communication

### Leading

Fish welfare and biodiversity  
Technological development  
Attractive employer

Table 1: Frøy's material aspects within the pillars of Planet, People, Governance and Prosperity

## Fish welfare and biodiversity

Fish welfare and biodiversity are fundamentally important aspects for all stakeholders in the aquaculture value chain. Reducing the risk of escapes and maintaining good fish welfare is vital in all of Frøy's services. Frøy regards taking good care of the fish and the surrounding environment as prerequisites to our operations, and key growth drivers for our business.





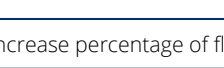
## Technological development

A determined focus on innovation, development of equipment, digitalization, and making use of data is key to improve sustainability in the aqua service industry. Reducing our carbon footprint requires investments in new vessels with lower carbon emissions, eventually zero carbon vessels. Delivering new solutions that reduce the risk of escapes and improve fish welfare, require sharing of best practice across the organization, between Frøy and our customers and suppliers.

## Attractive employer

Frøy's most important stakeholders are our employees. The competence and experience of our employees are fundamental to deliver continuous quality services, and to maintain the position as the leading and preferred provider of aquaculture services.

Our ESG KPIs:

Key Performance Indicator	Goals	Measures
Reduction in CO <sub>2</sub> emissions	 <b>Wellboats</b> Reduction of CO <sub>2</sub> emissions per ton transported or treated fish	<ul style="list-style-type: none"> <li>■ Electrification</li> <li>■ Collection of data of fuel consumption from vessels</li> <li>■ Benchmarking of fuel efficiency throughout fleet</li> </ul>
	 <b>Net cleaning vessels</b> Reduction of CO <sub>2</sub> emissions per net cleaned	
	 <b>Diving vessels</b> Reduction of CO <sub>2</sub> emissions per diving job executed	
	 <b>Service vessels</b> Reduction of CO <sub>2</sub> emissions per service job executed	
	 <b>Freight vessels</b> Reduction of CO <sub>2</sub> emissions per nm sailed	
Reduction in NO <sub>x</sub> emissions	Increase percentage of fleet with SCR-system	<ul style="list-style-type: none"> <li>■ Installation of SCR-system</li> </ul>
Electrification of fleet	Increase percentage of fleet with electric power utilization	<ul style="list-style-type: none"> <li>■ All newbuilds to be diesel electric or hybrid powered</li> </ul>
Serious incidents of poor fish welfare	0	<ul style="list-style-type: none"> <li>■ Training</li> <li>■ Use of Viability Assessment prior to transport or treatment</li> </ul>
Incidents of fish escape	0	<ul style="list-style-type: none"> <li>■ Training</li> <li>■ Installation of escape preventive barriers on vessels that carry or handle fish</li> <li>■ Internal control of net inspections</li> </ul>
Biosafety incidents with serious consequence	0	<ul style="list-style-type: none"> <li>■ Training of crew</li> <li>■ Internal control of biosafety routines</li> </ul>

## Sustainability Risk Management

To achieve our commitment to be a sustainable service provider and meet our stakeholders' expectations we must manage the sustainability risk. A sustainability risk can be environmental, social, or governance events or conditions that could cause actual or potential material negative impact on the value of the investment<sup>1</sup>. These investment-impacting risks are implemented by the EU through the new taxonomy, as a tool to discourage investment in non-sustainable activity. As a stock exchange listed company, Frøy is subject to such risks. We are also a company in a sector defined by high competition and rapid changes in technology, expertise, and legislation. The technological developments may lead the industry to be a completely different market in the 25-30 years our vessels are built to last. We in Frøy believe that our willingness to adapt and invest in new technology along with our customers' increased demands for more sustainable and greener solutions, are important measures to manage these risks.

## SUSTAINABILITY STRATEGY

Frøy sustainability strategy is an integrated part of the company's overall business strategy. For 2022, each operational area had the following KPIs:

Our HSE KPIs:

Key Performance Indicator	Goal	Measures
Lost Time Injury frequency	Improvement from 2021	<ul style="list-style-type: none"> <li>■ Risk Management</li> <li>■ Training</li> <li>■ Experience transfers of important lessons from non-conformities and near misses</li> <li>■ HSE campaigns</li> <li>■ Internal control of HSE routines</li> </ul>
Days since last incident with absence	The number to increase from day to day	
Severe incidents or near miss incidents with potential	0	
Oil spillage to sea	0	

The key figures will be systematically followed up in regular meetings throughout the organization and measures will be taken when necessary to adjust the course to achieve our goals.

## SUSTAINABILITY GOVERNANCE POLICIES

### Code of Conduct

For Frøy to be recognized as company with high ethical standard, we depend on sound and responsible actions from all our employees. Hence, we have established a Code of Conduct that we expect everyone associated with Frøy to follow. Frøy Code of Conduct are based on the requirements set out in SA8000:2014 and describe how Frøy as an employer and our employees should conduct in business. The guidelines cover several topics connected to work environment, health and safety, discrimination, child labor, environmental impact, use of social media, animal welfare, and confidentiality and information processing. The guidelines are available to all employees through our management systems.

Frøy has established channels for internal whistleblowing that allow employees to remain anonymous when reporting concerns. The cases can be handled by an independent third party if they cannot be resolved at the lowest possible level. How different cases are followed up will depend on the type of case, scope and severity. Various matters will be followed up with relevant resources such as designated person, immediate manager, area manager, operations director for the segment, CEO or in special cases by the board. Whistleblowing cases are reported to group management and the board of directors.

In, 2022 zero complaints were filed through our whistleblower channels.

### Anti-corruption policy

Frøy opposes all forms of corruption, and we work actively to ensure that corruption does not occur in our business activities. All personnel are prohibited from planning, performing, or facilitating any corrupt activity, in the public or private sector. This also includes cases where Frøy or its personnel do not benefit directly. In line with the listing of the company's shares on Oslo Stock Exchange in March 2021, there were prepared guidelines for anti-corruption, "*Frøy Group: Policy for anti-corruption and sanctions compliance*". The Policy provides key principles and requirements to reflect and implement Frøy's zero tolerance against corruption and breach of

sanctions requirements. All permanent and temporary employees of Frøy, members of Frøy's Board of Directors, as well as hired personnel, consultants and any other party who have authority to act on Frøy's behalf, are responsible for complying with this policy. This applies regardless of geographical location. Frøy's top management members are responsible for ensuring implementation of this policy in each group company. All members of the Board of Directors have been trained in these guidelines.

No incidents related to corruption were registered in Frøy in 2022.

### Ethical business conduct

It is essential for Frøy to promote ethical business conduct across all levels of our organization. This will both ensure good working conditions and cooperation internally, as well as a good reputation amongst our stakeholders. We have established several policies and guidelines for ethical conduct, which we continuously adapt and take active steps to ensure our operations complies with national and international regulations and standards. These policies and guidelines describe how to convey strategies and measures decided by the BoD and management team to all employees. Our guidelines and policies are published on our [website](#):

- Climate change
- Environmental impact and biodiversity
- Fish welfare and biosecurity
- Food safety
- Food waste
- Freshwater management
- HSE-policy
- Human rights policy
- Marketing policy
- Mental health
- Non-discrimination policy
- Plastics policy
- Political involvement
- Procurement policy
- Substance abuse and gambling
- Whistleblowing

## TRANSPARENCY IN REPORTING AND COMMUNICATION

Transparency in reporting and communication are identified as important aspects in our sustainability work. This relates both to areas where we have room for improvements and to incidents that occur in connection with our operations. We intend to make information of interest accessible and communicate it to all stakeholders. Especially important is our shareholders, to whom we seek to provide comprehensive and fully updated information. The sustainability report is an important step for making non-financial disclosures more accessible and transparent, and in 2022 we proceeded with several measures to rig the company for data collection and data management throughout our value chain. We have invested in a data platform for data collection and structuring of data for analysis and reporting purposes, and we have run a thorough process for assess and choose the correct system supplier for data collection from our fleet. This process continues into 2023 and the implementation of the system will start during Q2 2023.

Since this work is not completed by the end of this reporting period, we will still have uncomplete data in all areas, including historical data. The data platform has given us a higher detail level than what was possible for our first ESG-report in 2021 and explains why some numbers differ from last year. Frøy look forward to increasing the level of detail and accuracy going forward.

## RESPONSIBLE VALUE CHAIN

Frøy is part of a comprehensive value chain, and we depend on a wide set of suppliers. To ensure that our products and services are sustainable, considering both the social and environmental impact, we are gradually increasing our supply chain management. The wellboat and freight vessel departments have partly implemented purchase order systems that impose requirements to our subcontractors related to social responsibility, and we plan to implement an equivalent purchase order system for the service vessel segment with similar requirements.

Both nationally and internationally, new regulations and requirements for transparency of the supply chain are developed and established, which will affect how we work with risk management and due diligence going forward. Frøy has a large number of subcontractors. We have established a data platform to gather facts about them and what they deliver. Based on this, we selected more than 30 subcontractors, asking them to reply to a survey related to the Transparency Act. The survey covered topics such as sustainability and climate, health and security, fundamental human rights, decent working conditions and anti-corruption. The survey focused on behavior, i.e., what they actually do, rather than awareness and intentions. Our subcontractors have already shown their commitment with a 100% response rate on the survey, which is very positive. The survey will be distributed annually. When it comes to the results from the survey, there are areas of improvement. As an example, we found that 2 out of 3 of our subcontractors didn't know whether their subcontractors were working actively with ESG reporting and ESG measures. This is something Frøy will actively follow up with our subcontractors.

Late 2022 we finalized the process of recruiting a Purchasing Manager which will have supply chain management as one of the main responsibilities focusing on transparency when entering new supplier agreements.

## THE WAY FORWARD – PLANS FOR 2023

The most important step forward in 2023 is the further development of Frøy's data platform and the implementation of data collection directly from the vessels. The data platform will provide important management tools in the form of reports and dashboards that can be used throughout the organization to measure how we are doing in relation to the KPIs that have been established, from the individual vessel all the way up to the top management. This will take us closer to our strategic goal to be more data driven and give us the opportunity to utilize this data for optimization, market development, innovation or other strategic or operational measures. This is also important in the context of sustainability and implementing transparency as a key principle in our corporate governance policy, as this work is entirely dependent on a high-quality data base.

We will also establish a digital channel for both internal and external anonymous whistleblowing.



## ENVIRONMENT - PLANET

As part of the aquaculture industry, Frøy faces similar challenges as fish farming companies regarding the climate and environmental footprint. Our operations are carried out at sea, and our vessels emit greenhouse gases in connection with the transport, processing, and execution of various service assignments for our customers. It is important for us that our services contribute to a sustainable industry.

Based on the relatively low CO<sub>2</sub> emissions, low water consumption and limited extent of land use, farmed fish is one of the most energy efficient and environmentally friendly ways to produce healthy animal protein. However, the fact remains that food production overall is estimated to account for almost 40 % of the world's greenhouse gas emissions<sup>2</sup>. Frøy is therefore committed to contributing to reduce greenhouse gas emissions associated with fish farming through investing in new vessels and equipment that contribute to lower carbon footprint.

Fish welfare is the key driver for all development and industry growth. Research shows that during their life cycle, farmed fish are exposed to the most stress and negative influence during transport, delousing and other treatments, as well as the various activities in the farming cages. As an integrated service provider, Frøy wants to actively contribute to continuously improve upon the fish welfare during these activities.

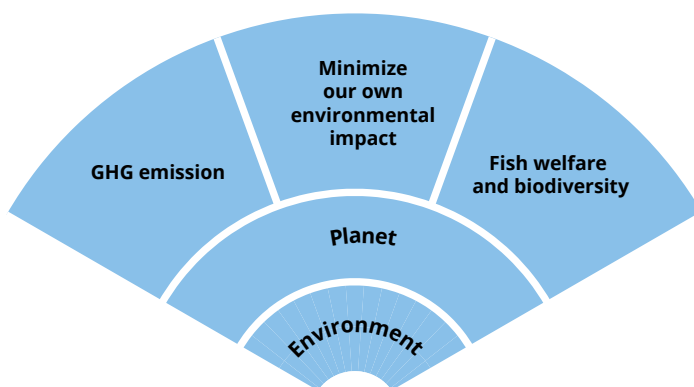
Through delivering net inspection and cleaning services, Frøy contributes to reduce the risk of escapes, and thereby ensuring and safeguarding the ocean's biodiversity. Frøy's inspection services and documentation are key in maintaining the integrity of the farming site and to reduce risk if an incident occurs. Escaped farmed salmon and trout have a negative impact on Norwegian wild salmon populations through genetic crossing, and measures to prevent escapes have a high focus in Frøy and in the industry.

Frøy is aware of the importance to minimize any other environmental impact on marine life from our activities.

### FISH WELFARE AND BIODIVERSITY

Despite a high awareness to ensure that our operations are executed in a manner that ensures good fish welfare and no escapes, incidents may still happen. In 2022, we experienced the following incidents with respect to poor fish welfare and escapes.

Category	2020	2021	2022
Incidents of poor fish welfare with serious consequence <sup>3</sup>	-	5	5
Incidents of fish escaping or near miss	-	2	4
Biosafety incidents with serious consequence <sup>4</sup>	-	0	0



When increased mortality with undetermined cause occurs, or conditions that have led to serious welfare consequences for the farmed fish, the fish farmer is required to notify the NFSA immediately. If the elevated mortality rate or welfare consequences may be due to conditions on board one of our wellboats or delousing vessels, the NFSA will request documentation from Frøy to clarify cause of causalities. In 2022, documentation was requested from us in connection with 5 cases of elevated mortality subsequent of transports or delousing missions carried out by Frøy. None of the incidents have resulted in any formal sanctions being made against the company or any of its underlying companies from the NFSA.

There have been three cases where fish have escaped from our vessels in 2022. One of the incidents resulted in the escape of a minor number of farmed salmon, but the other two incidents resulted in a major number of farmed salmon escaping.

Both incidents referred to in the former paragraph were notified to the DoF, and they have completed their proceedings and concluded that Frøy implemented adequate measures to prevent and avoid future similar incidents and found no basis for deciding on injunction and considers the case closed. Frøy, however, consider escape of fish as serious incidents, which should not under any circumstances occur in connection with our operations. We have therefore taken measures, both organizational and operational, by training and emergency preparedness measures, in order to prevent further escapes. One of the measures taken is that we have developed our own internal e-learning courses in escape prevention.

There have also been one near miss incidents where fish could have escaped in connection with our services under a minor change in circumstances.

In addition, we had one incident from 2021 concerning inadequate inspection of nets and a lack of documentation by one of Frøy's service vessels which were investigated by the DoF to be the cause of a major escape incident from a fish farm. The directorate completed their investigation of the case in 2022 and gave Frøy a notice of decision of imposing a violation fee in the matter. The fee is still to be imposed.



## FISH WELFARE

Frøy has a dedicated Fish Welfare Manager with veterinary background, who support our crews with analytics and fish health competence. Our Fish Welfare Manager works across the organization to share best practices and to ensure experience sharing and training throughout the organization. Effective sharing of best practice and veterinary support is key to uniformly deliver high quality fish welfare solutions and to build fish health competence across the organization.

Frøy's goal is for all employees on board our vessels to have theoretical and practical training in fish welfare, through attending "Fish welfare courses" according to NFSA requirements. The training will ensure that our crew understands which factors are important in their line of work to execute the activities ensure a good fish welfare. This training is to be repeated every five years.

### Wellboats and delousing vessels

Frøy provides services covering several delousing methods, both medicinal and non-medicinal, and different combination methods. Delivering solutions that ensure that the delousing is carried out efficiently and with good fish welfare is key for the client, and business critical for Frøy. Fish welfare competence and efficient tools (equipment and vessels) are prerequisites to operate efficiently and sustainably. More information about the delousing methods Frøy provides can be found on our [website](#).

Frøy works closely with equipment suppliers to develop new equipment that support Frøy with improving fish welfare. Gentle handling of fish from the farming pens through Frøy's vessels and efficient monitoring and control of the water chemistry are key focus areas. In the summer of 2022, Frøy hired a trainee in fish welfare and water chemistry to assist the Head of Fish Welfare with this work.

In 2021 Frøy took delivery of the world's largest wellboat Gåsø Høvdning, which is equipped with a range of new equipment and technology that contribute to improved fish welfare. As an example, the vessel is equipped with a freshwater production unit on board which enables the reuse of freshwater up to 10 times. Reusing the water multiple times without compromising on fish welfare requires the right equipment and skilled crew with fish welfare competence and knowhow how to optimize the equipment. Removal of sea lice with the use of freshwater is time consuming and entails repeated handling of the fish. The onboard production of freshwater on Gåsø Høvdning may significantly reduce cost and time spent on the delousing operation, as well as contributing to better fish welfare. The large size of the vessel also contributes to quicker delousing which reduce the risk of cross contamination across the farming pens. Throughout 2022, we have gained many valuable and useful experiences in utilizing the opportunities a vessel like Gåsø Høvdning provides in terms of improved fish welfare.

Frøy also contribute with keeping the population of sea lice down by reducing the release of residual material after delousing which can contain live sea lice. Residual material and sea lice are collected on all wellboats and delousing vessels, and handled according to national regulations. In this way, we reduce the spread of live sea lice to other nearby fish farms or wild salmon.

### Service vessels

Our vessels contribute to good fish welfare while the fish are in the pens. Our net washing vessels flush the nets clean of algae-growth, as a clean net is crucial to ensure optimal flow of water through the pens. Net cleaning is carried out in a gentle manner by using double systems<sup>5</sup> extensively to reduce the time the net cleaner stays in nets and lessen the time spent disturbing the fish. Where possible, we equip our net washing vessels with battery-driven aggregates to reduce noise in and around the cages, which again leads to less disturbance of the fish.

Our procedures also describe measures to ensure good fish welfare for cleaner fish in connection with operations in cages.

### Biosecurity

Frøy's Fish welfare Manager is available for consultation by the vessels in case of doubt regarding applicable regulations for biosecurity, or if there is need of fish health personnel to confirm that the cleaning carried out on board is in accordance with the requirements. The in-house veterinarian regulates the vessels' cleaning plans. These plans describe how cleaning and disinfection routines of vessel and equipment shall be carried out in order to comply with the regulations. Our veterinarian also provides the necessary training to the crew in how to perform cleaning and disinfection when in demand. Through these measures Frøy reduce the risk of spreading infectious fish diseases. Frøy operate both under the NFSA regulations and the customers' internal biosecurity regulations.

All vessels in Frøy use disinfectants approved by the NFSA as primary disinfection of vessels and equipment between assignments and for disinfecting aquaculture equipment (for example rings and fleets for the fish farmers). Disinfectants approved by the NFSA have documented sufficient efficacy to kill bacteria and viruses that can cause disease in fish.

In some cases, we carry out so-called cross-disinfection at the requirements of our customers. In case of cross-disinfection, a primary disinfectant is used in combination with a secondary disinfectant. In those cases, it is not a requirement that the secondary disinfectant should be on the NFSA's list of approved disinfectants since the primary disinfectant are approved.





### Escape of fish

Through escape-prevention measures during operations when working at our customers' fish farms, Frøy contributes to ensuring biodiversity in the ocean. Escaped farmed salmon and trout have a negative impact on Norwegian wild salmon populations through genetic crossing, and due to this, measures to prevent escapes have a high focus in Frøy and in the industry.

Frøy is represented in the Norwegian authorities' escape forum, established in 2019 by the then Norwegian Minister of Trade, Industry and Fisheries, "**Forum for Escape Safety in the Aquaculture Industry**". The forum consists of representatives from relevant trade associations affiliated with the aquaculture industry. The forum has received clear orders from the Ministry:

- 1 Be a forum for discussing strategy and priorities in the escape safety work
- 2 Discuss and follow up on current escape questions
- 3 Facilitate good cooperation between the business organizations and the authorities.
- 4 Be an information arena for new projects that are, or are planned to be initiated by the industry or the authorities
- 5 Identify key issues jointly, based on experiences and trends, and find solutions to these
- 6 Actively contribute to disseminating knowledge and experiences across the industry

Frøy also provided input in connection with the revision of the standard for floating aquaculture facilities NS 9415:2009 and has improved changes after the revised standard NS 9415:2021 came into force in the autumn of 2021. Together with the NYTEK Regulations, NS 9415:2021 regulates the construction, installation, operation, and maintenance of floating aquaculture facilities to prevent the escape of farmed fish.

As an important measure to increase the awareness and competence regarding the risk for and the measures to prevent the escape of fish in connection with our operations, Frøy started in the fall of 2022 the job of developing internal e-learning courses on this subject. The courses will be deployed among our crew members during the first quarter of 2023.

### Wellboat and delousing vessels

According to the FHF-funded SINTEF project "*Knowledge and methods for preventing escapes*", the escape of fish from wellboats or delousing vessels is mainly caused by:

- Propeller in net when mooring
- Hit-and-run (fault navigation or strong current/wind)
- Failure of hoses or hose couplings
- Grating flooding
- Pumping of fish to deck or to sea



Thorough risk analyses, risk-reducing measures and barriers have been identified to prevent escapes caused by or from any of our vessels. Examples include:

- Instrumental barriers in the control system of the fish handling systems
- Net at the end of all fish handling pipes and hoses when not in use
- Use of nets or grating in front of scuppers to ensure that fish that end up on deck do not fall into the sea
- Map of the location with marked sailing rout to the cage, as well as contacting the location manager if unfamiliar with current conditions at the location

#### Service vessels

According to the same project referred to at the last paragraph, the escape of fish from fish farms mainly is caused by:

- Holes in the net
- Net under sea level
- Handling of fish
- Environmental and weather conditions
- Various working operations

Frøy is a service provider with proficiency in inspecting nets, cages, and mooring systems to uncover possible holes or defects of the components. Inspections are carried out either by divers, by ROV, or by net cleaning robot (when inspection are carried out as an integrated part of the net cleaning). Frøy is investing in new technology in the form of machine learning to support our operators who carry out inspections in the work on detecting holes.

Frøy also works closely with suppliers of net cleaning robots to reduce net line wear, which could lead to holes in connection with washing. In addition, Frøy works closely with subcontractors to develop better camera technology to better uncover any deviations for all types of inspection (ROV/diver/net cleaner).

If holes are uncovered in connection with inspection carried out by divers, all holes will be immediately corrected by divers with expertise in net repair in accordance with the net user manual.

Frøy also offers installation of mooring equipment for floating aquaculture facilities. Our employees' expertise in this area helps to ensure that facilities are moored correctly according to the plant certificate, and thus helps prevent the escape of fish.

Frøy is certified by the accredited certification company Aquastructures AS as an organization that performs the following services in accordance with requirements of the NYTEK Regulations and NS 9415:2009:

- Installation of mooring for floating aquaculture facilities
- Temporary repair of nets (repair of nets in the sea)

#### FOOD SAFETY

In connection with all contact with fish that are part of food production, Frøy is concerned that our business should not contribute to deteriorating the quality of the product, and thus ensure good food safety. Cleaning chemicals are stored in accordance with government and customer requirements, and cleaning of vessels is carried out at a reassuring distance from aquaculture sites where there are fish.

Frøy started in 2021 transitioning to food-approved hydraulic oils on our vessels where any leakage of the hydraulic oil may come into contact with fish. Any spillage of hydraulic oil that is not food-approved which come in contact with the fish could contaminate the entire stock, and the end product would not be approved for human consumption. This is an extensive process and will be carried out successively by scheduled replacement of hydraulic oil in accordance with the vessel's maintenance programs. During the course of 2022 there were no progress in the replacement plan, but the percentage of vessels with food-approved hydraulic oils have increased through fleet renewal.

Our routines are intended to ensure that there will be no emissions of diesel fuel or oil when operating in and around aquaculture sites.

Frøy is a verified supplier according to the Global G.A.P. Aquaculture standard and holds a Declaration of Compliance issued by DNV. This means that our entire business is audited annually by an independent third party to ensure that we comply with the elements of the standard relevant to our business. Annual revisions ensure our Global G.A.P certified customers that use of our services will be in compliance with the requirements of the standard. Global G.A.P is an internationally recognized standard for farm production and have a sub-standard aimed at aquaculture, the GLOBAL G.A.P. Aquaculture Standard. The standard sets strict criteria for:

- Legal compliance
- Food safety<sup>6</sup>
- Workers' occupational health & safety
- GLOBAL G.A.P. Risk Assessment on Social Practice (GRASP)
- Animal welfare
- Environmental and ecological care<sup>7</sup>

Frøy is also regularly audited by a selection of customers according to relevant elements within the ASC standard. The standard focus on both the environmental and social impact of farming:

- **Environmentally:** farms must show that they actively minimize their impact on the surrounding natural environment. This extends to careful management of the fish health and resources.
- **Socially:** farms must be a good and conscientious neighbor; that means operating their farm in a socially responsible manner, caring for their employees and working with the local community.

In connection with the 2023 annual audit of an independent third party the Global G.A.P. scope will be expanded to include relevant ASC checkpoints so that the DoC will include supplier verification according to the ASC standard as well. This will make customer audits unnecessary.

## GREENHOUSE GAS EMISSIONS

We recognize the impact our operations have on the climate and aim to reduce our carbon footprint. As a first step in this process, we have started mapping out climate emissions inspired by the GHG Accounting Protocol.

The climate account presents a general overview of the company's greenhouse gas emissions in the form of the greenhouse gas CO<sub>2</sub> in relation to Scope 1 and 2 (i.e., the parts of the business where Frøy has operational control) and in relation to Scope 3 (i.e., the parts of the business where Frøy hasn't operational control).

### GHG EMISSIONS

TOTAL CO <sub>2</sub> EMISSIONS	2020	2021	2022
<b>Scope 1<sup>8</sup></b>			
CO <sub>2</sub> emissions [tonnes]	-	102,339	102,782
<b>Scope 2<sup>9</sup></b>			
Electrical power consume [kWh]	-	1,330,285	1,219,714
CO <sub>2</sub> e [tonnes]	-	14.63 <sup>10</sup>	46.35 <sup>11</sup>
<b>Scope 3<sup>12</sup></b>			
CO <sub>2</sub> emissions [tonnes]	-	337.5	895.2
<b>Total (Scope 1 + scope 2 + scope 3)</b>			
CO <sub>2</sub> + CO <sub>2</sub> e [tonnes]	-	102,691	103,724

RELATIVE CO <sub>2</sub> EMISSIONS <sup>13</sup>	2020	2021	2022
<b>Wellboats</b>			
CO <sub>2</sub> emissions per ton transported fish [tonnes]	-	0.134	0.097
CO <sub>2</sub> emissions per ton treated fish [tonnes]	-	0.100	0.094
<b>Net cleaning vessels</b>			
CO <sub>2</sub> emissions per net cleaned [tonnes]	-	0.533	0.353
<b>Diving vessels</b>			
CO <sub>2</sub> emissions per diving job executed [tonnes]	-	0.808	0.479
<b>Service vessels</b>			
CO <sub>2</sub> emissions per service job executed [tonnes]	-	2.243	1.411
<b>Freight vessels</b>			
CO <sub>2</sub> emissions per nm sailed [tonnes]	-	0.113	0.121 <sup>14</sup>

ELECTRIFICATION OF VEHICLES	2020	2021	2022
<b>Vessels - Wellboat and Shipping</b>			
Vessels with diesel power [%]	-	79 %	75 %
Vessels with diesel-electrical power [%]	-	16 %	20 %
Vessels with hybrid power [%]	-	5 %	5 %
<b>Vessels - Larger service-vessels</b>			
Vessels with diesel power [%]	-	55 %	42 %
Vessels with diesel-electrical power [%]	-	27 % <sup>15</sup>	33 %
Vessels with hybrid power [%]	-	18 %	25 %
<b>Vessels - Smaller service-vessels</b>			
Vessels with diesel power [%]	-	97 %	93 %
Vessels with diesel-electrical power [%]	-	0 %	2 %
Vessels with hybrid power [%]	-	3 %	5 %
<b>Company cars</b>			
Company cars with diesel power [%]	-	100%	97 %
Company cars with hybrid power [%]	-	0%	0 %
Company cars with electrical power [%]	-	0%	3 %

### REDUCED GREENHOUSE GAS EMISSIONS THROUGH ELECTRIFICATION OF THE FLEET

The largest contributor to Frøy's carbon footprint is the emission of greenhouse gases from our fleet. In 2019, Frøy made a strategic decision to reduce greenhouse gas emissions from the fleet by investing in more climate friendly vessels, and from then, all wellboat newbuilds have been ordered with either diesel electric or hybrid propulsion machinery. At the end of 2022, 25 % of our wellboats and cargo vessels, 58 % of our larger service vessels, and 7 % of our smaller service vessels have diesel electric or hybrid propulsion machinery installed, which represent an improvement at all areas.

### REDUCED GREENHOUSE GAS EMISSIONS THROUGH GREATER OPERATIONAL UTILIZATION

Carefully planned logistics is Frøy's definition of great operational utilization. Greater operational utilization leads to a reduced energy and fuel consumption, which lessen our greenhouse gas emissions.

One example of operational utilization to reduce greenhouse gas emissions is logistics managers to focus on achieving as good a level of coverage as possible for any transport assignment for our sea transport vessels. A proactive approach to increase the utilization of the fleet with transport of additional goods, will reduce fuel consumption per ton freight transported.

Replacement of freshwater in connection with freshwater delousing will be reduced by building well boats with larger well volumes. Fewer transport stages lead to reduced fuel consumption per delousing operation. In addition, a larger proportion of the fish in cages can be processed per assignment, which again reduces the total energy consumption for the delousing operation. In cases where fresh water is produced on board the wellboat, the need for transport will be further reduced.

Improved utilization of battery packages on vessels with hybrid power systems will also contribute to the reduction of greenhouse gas emissions. In collaboration with one of our customers, Frøy has explored the possibility of using power banks for charging batteries during operations. The empty power bank is returned to an onshore charging station for recharging and a fully charged bank could be brought back to the fish farm for further operations.

As mentioned earlier, Frøy started in 2022 the work on choosing a supplier for systems for data capture from vessels. Such a system will give the individual master an overview of fuel consumption and engine load during transfer or operations, and thus be able to optimize driving patterns with regard to greenhouse gas emissions.

### REDUCED GREENHOUSE GAS EMISSIONS THROUGH INCREASED USE OF REMOTE INSPECTIONS

Remote inspections will contribute to a reduction in greenhouse gas emissions generated from transport to and from land. There are clearly defined requirements for cleaning, washing and disinfection of vessels and equipment used at aquaculture sites. The requirements have different levels depending on the status of the fish



and are defined in the Aquaculture Operations Regulations and the various disease regulations. Where there are requirements for control of the object before further operation, it is authorized fish health personnel (veterinarians and fish health biologists) who carry out such inspections. Cleaning inspection can be carried out either “on site” or by “remote” inspections. Remote inspections are carried out by crew performing the physical part of the inspection while being monitored by an inspector in real time. In addition to saving transport time, remote inspections reduce time for the inspection subject and for the inspector. Frøy uses to some extent remote inspections and aims to use it to a greater extent in the future. As the regulations allowed for further use of remote inspections during the course of 2022, Frøy signed an extended agreement with a company approved by the Norwegian Food Safety Authority for this type of inspection.

### MINIMIZE OUR ENVIRONMENTAL IMPACT

As reflected in our Code of Conduct, Frøy's goal is that the environmental impact from our activities is to be kept to a minimum and we have a zero tolerance for oil spillage at sea.

Pollution from ships is regulated by the International Convention for the Prevention of Pollution from Ships (MARPOL 73/76). The MARPOL regulations consist of six annexes that regulate various forms of pollution from ships.

All our vessels are equipped with oil collection equipment in accordance with MARPOL - Annex I. Several of our vessels participate in the oil spill preparedness drills along the entire Norwegian coast, either under the direction of the Norwegian Coastal Administration or the Norwegian Clean Seas Association for Operating Companies (NOFO), in order to ensure good handling of potential major oil spills that could threaten our coastline.

Pollution to air is regulated by MARPOL – annex VI which sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances; designated emission control areas set more stringent standards for SO<sub>x</sub>, NO<sub>x</sub> and particulate matter. A chapter adopted in 2011 covers mandatory technical and operational energy efficiency measures aimed at reducing greenhouse gas emissions from ships. As a measure to accommodate these regulations and contribute to reducing the environmental impact from exhaust gases, Frøy has installed SCR equipment on several of our vessels.

None of Frøy's operations in 2023 were subject to any emission permit requirements.

POLLUTION	YEAR		
	2020	2021	2022
<b>Oil pollution</b>			
Oil spillage to sea [number of incidents]	-	3	9
<b>Air pollution</b>			
NO <sub>x</sub> emissions [kg]	-	909,105	895,392
Vessels with SCR [%]	-	25 %	26 %

There have been 9 cases of oil spills to sea registered in 2022. Of these, 5 cases relate to spillage of diesel and 4 cases to spillage of hydraulic oil.

In connection with diesel emissions, 3 of the cases were due to non-compliance to the diesel filling procedure. These events are defined as highly severe in Frøy, and special measures have been implemented to prevent this from happening again and to reverse this negative trend.

There have been 4 cases where hydraulic oil has ended up at sea due to damage or leakage to the hydraulic system. All these cases have occurred in the vicinity of cages with fish, which is unfortunate in terms of food safety and contamination of food fish. None of the cases resulted in contamination of fish.

### WASTE DISPOSAL

All our vessels have prepared their own Waste Management Plan describing procedures for handling different types of waste. Handling of waste from our ships at operation is mainly regulated by Annex V of the MARPOL regulations which deals with different types of garbage and specifies the distances from land and the way they may be disposed of. Annex V completely bans the disposal of all forms of plastics into the sea.

### Measures to prevent microplastics in the ocean

As mentioned above, the MARPOL – annex V regulates a complete ban on the disposal of all forms of plastic to the sea. All forms of plastic must therefore be sorted on board and disposed of through approved waste disposal facilities ashore. Concerning the disposal of parts from the farm, such as rings, nets, and moorings, are the farmers' responsibility to dispose of through disposal facilities. These components often contain plastic materials and therefore required by MARPOL to be collected, and if possible, recycled.

A large part of Frøy's shipping department's transport assignments are based on the transport of fish feed. Fish feed is delivered in large plastic bags, and these are delivered for recycling when they are empty. In addition, all plastic barrels and IBC plastic containers are delivered for recycling from all parts of our business.

### WATER CONSUMPTION

Freshwater has become a resource under pressure. Due to this, more detailed data on the consumption of freshwater will be required in the upcoming years. Frøy has therefore begun gathering data on our consumption of water bunkered from onshore facilities, and investing in solutions that produce water on board. A reverse osmosis plant has been installed on board the wellboat Gåsø Høvding to produce fresh water from seawater, which is a measure to reduce the freshwater consumption from land in connection with freshwater delousing operations. This initiative will be implemented on other new builds in the future if appropriate.



## FRESH WATER FOR DELOUSING OPERATIONS

	YEAR		
	2020	2021	2022
Fresh water bunkered from onshore facility [m3]	-	-	1,379,175
Fresh water produced by RO [m3]	0	0	292,400

In addition to the use of freshwater for delousing operations, we need access to freshwater in the form of drinking water. Drinking water is supplied from approved drinking water facilities in our areas of operation.

Frøy only uses fresh water from areas with a low or low-medium risk of water shortages or poor water quality as shown in the figure below.

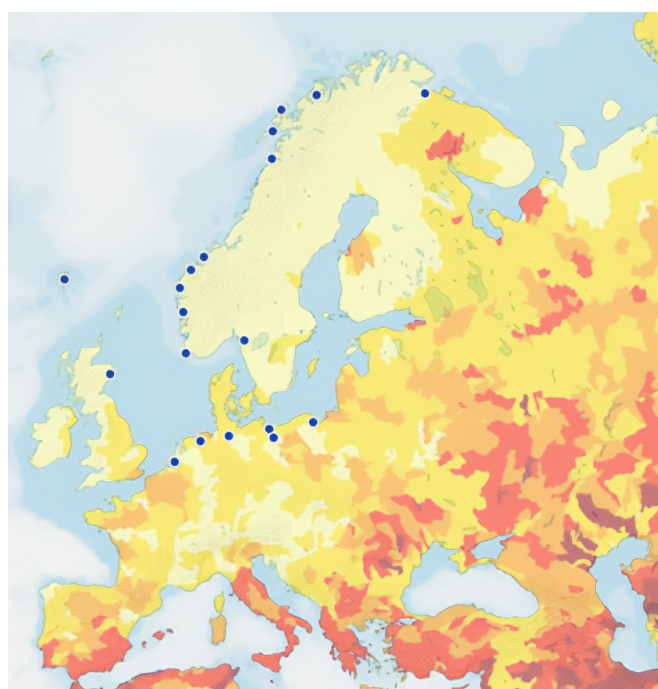


Figure 2: Origin of fresh water bunkered in 2022 – locations marked with dots (shown in cutouts from Water Risk Atlas, [www.wri.org](http://www.wri.org))

## IMPACT ON OTHER MARINE LIFE

As mentioned, gentle flushing of nets is an important focus area for Frøy regarding fish welfare, but gentle flushing is also important in terms of reducing the discharge of Cu-holding impregnation to sea. Our washing robots meet the maximum permissible flushing pressure requirements for ASC certified locations.

All vessels in Frøy that fall under the ballast water treatment regulations have facilities for treatment of ballast water that meet the requirements of the IMO's Ballast Water Management Convention. Treatment of ballast water is an important measure to prevent the undesirable spread of marine organisms. The transferred species may survive to establish a reproductive population in the new host environment, becoming invasive, out-competing native species and multiplying into pestilent proportions.

All wellboats in Frøy, with exception of one, comply with the regulations on disinfection of transport water in accordance with Section 22 of the Transport Regulations. The vessel that has not approved facilities for disinfection of transport water has a limited transport permit in Norway and has mainly carried out assignments outside Norway in 2022. The vessel was sold in beginning of 2023. Disinfection of transport water is a measure to prevent the spread of infectious fish diseases between farms and production zones along the Norwegian coast. The wellboats in Frøy use UV illumination as a method for disinfecting the transport water.

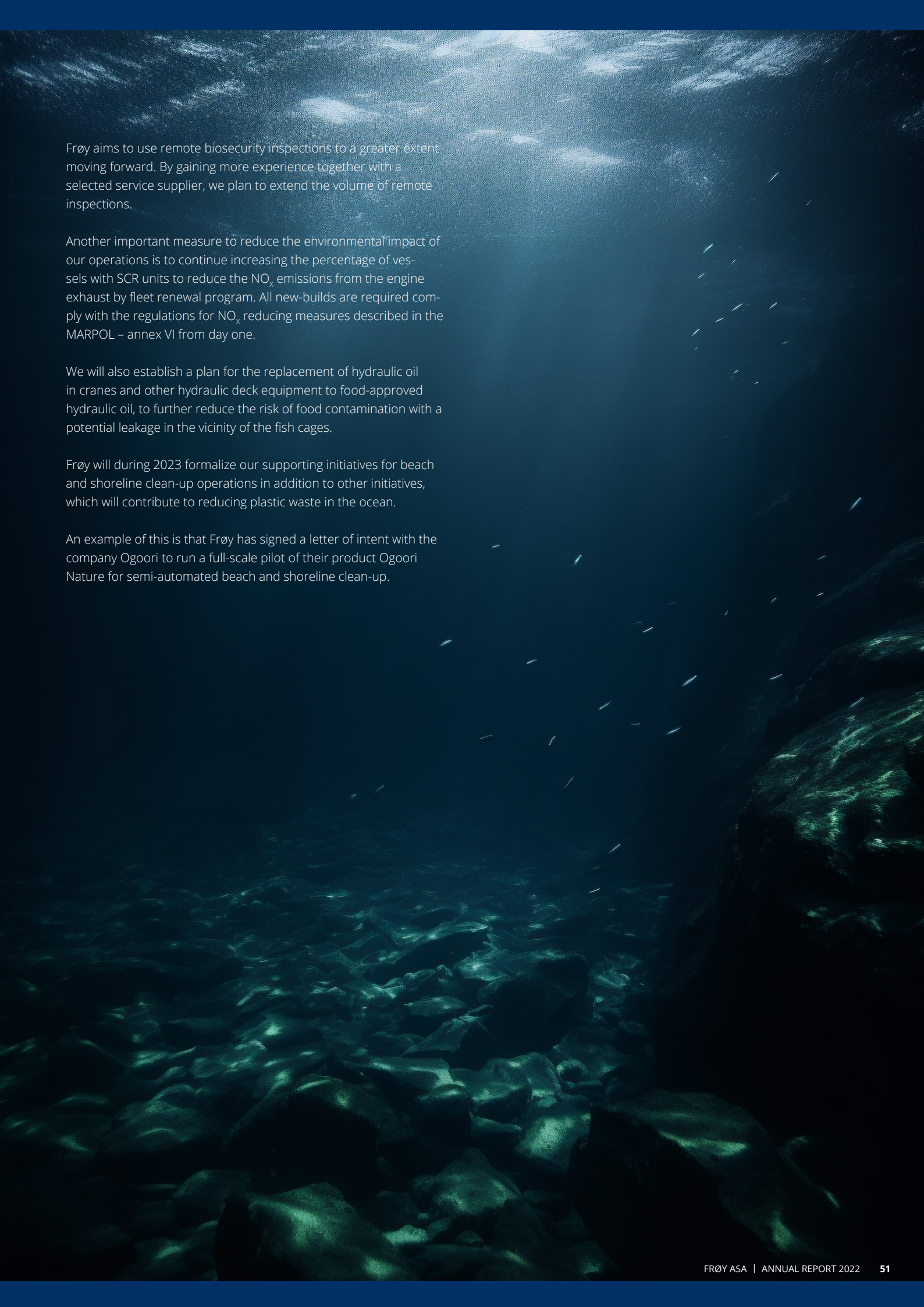
When using medicines for the treatment of fish against sea lice on board our wellboats, we comply with the requirements of the Transport Regulations that the treatment water consisting of medicine residue should not be emptied closer than 500 meters from shrimp fields or spawning grounds specified in the Directorate of Fisheries' online mapping tool.

## THE WAY FORWARD – PLANS FOR 2023

Going forward, we aim to expand our GHG reporting, as we are able to collect more data from our operations and our value chain. With the implementation of a system for data collection from our vessels, we will get more accurate data directly from engines, equipment and sensors, and reduce the need for reporting and retrieving data manually. This system will also give us more accurate data for fresh-water consumption and other important operational data.

Parallel with implementing the system for data collection from our vessels, we will continue the job of developing and adjusting our data platform for data management and analysis. This will, as mentioned earlier, give us an overview of fuel consumption and engine load during transfer or operations, which we will actively use as a measure to reduce our GHG footprint. The data platform will also enable easy access to customer specific GHG-data which can be provided in monthly or quarterly reports giving them better documentation of their scope 3 emissions.

An important measure to reduce the climate footprint and specifically the GHG emissions from our operations, is the shift to more environmentally friendly vessels. The goal is to increase this percentage of vessels with either diesel electric or hybrid power over the coming year through fleet renewal.



Frøy aims to use remote biosecurity inspections to a greater extent moving forward. By gaining more experience together with a selected service supplier, we plan to extend the volume of remote inspections.

Another important measure to reduce the environmental impact of our operations is to continue increasing the percentage of vessels with SCR units to reduce the NO<sub>x</sub> emissions from the engine exhaust by fleet renewal program. All new-builds are required comply with the regulations for NO<sub>x</sub> reducing measures described in the MARPOL – annex VI from day one.

We will also establish a plan for the replacement of hydraulic oil in cranes and other hydraulic deck equipment to food-approved hydraulic oil, to further reduce the risk of food contamination with a potential leakage in the vicinity of the fish cages.

Frøy will during 2023 formalize our supporting initiatives for beach and shoreline clean-up operations in addition to other initiatives, which will contribute to reducing plastic waste in the ocean.

An example of this is that Frøy has signed a letter of intent with the company Ogoori to run a full-scale pilot of their product Ogoori Nature for semi-automated beach and shoreline clean-up.



# SOCIAL RESPONSIBILITY – PEOPLE AND PROSPERITY



Skilled employees are Frøy's most important resource. Their hard work and competence are crucial for delivering services with high quality, and for the continuous development of our company. Employee motivation and engagement are important for achieving our strategic goals and implementing sustainability in our daily operations. For Frøy, it is particularly important to ensure the safety of all our staff. There are considerable risks connected to many of the services our team execute every day. Research conducted by both SINTEF and the NMA show that workers at sea and in the aquaculture industry is one of the most at-risk occupational groups in Norway. The aquaculture industry is one of industries in the Norway with high risk of personal injuries and accidents, while at the same time, it is an industry with a high proportion of work-related sickness absence as a result of musculoskeletal disorders.

Prosperity relates to Frøy's role in local communities and other societal contributions. For Frøy, prosperity involves securing the best people, local value creation through job creation and activities in coastal communities, payment of taxes to local governments and fair payment of dividends to shareholders. Furthermore, to ensure we stay up to date and ahead of the curve, we actively engage in projects relating to technological development.

Please find the complete overview of financial figures within the annual accounts section in our annual report.

## SECURITY AT WORK

At Frøy, the safety of our employees is our main priority, and all our vessels have a Safety Management System to ensure safe operations at sea. All vessels in Frøy covered by certification requirements have valid ISM/MLC/ISPS certificates and underlie a shipping company with a valid Document of Compliance in accordance with the ISM code. Vessels that are not covered by certification requirements, meet the Safety Management System requirements issued by the NMA.

CATEGORY	YEAR		
	2020	2021	2022
<b>Work related injuries</b>			
Number of hours worked	-	1,649,432	1,853,826
Lost time injuries frequency (LTI) <sup>16</sup>	-	8.49	9.71
High-consequence LTI <sup>17</sup>	-	0	0
Number of work-related fatalities	-	0	0
Main categories of work related injuries	-	Fall injuries (33 %)	Fall injuries (35 %)
		Crush injuries (23 %)	Crush injuries (25 %)
		Cut injuries (13 %)	Cut injuries (10 %)
<b>Other safety related incidents</b>			
Damage to vessel or critical equipment	-	3	8
Groundings or collisions with potential	-	1	1
Near miss incidents with potential	-	5	0

We observe an increase in LTI-frequency in 2022 from the previous year. Most lost-time injuries resulted in absence during the employer period (< 16 dg), but we see an increasing trend in falls and cuts that result in absence. Fall injuries are also a focus area from the Norwegian Maritime Authority for 2022 after a fall accident with fatal outcome on one of our competitors' vessels at the beginning of the year. The lessons learned from the AIBN's investigation report have been communicated to all vessels, and a review of our vessels has been carried out to identify where there is a need for improvements as recommended in the AIBN's investigating report.

In 2022, we had 8 incidents that resulted in damage to either vessels or critical equipment. None of the incidents suffered a more serious outcome than damage to vessels or equipment.

Unfortunately, we experienced a negative trend in the number of ground touches or minor groundings without water intrusion in 2022. We have taken a number of measures with regard to navigation and safe sailing among our masters. However, we are pleased that we had no serious near misses in 2022, while at the same time observing that near miss incidents with lower severity are still being registered. All near miss incidents with potential are analyzed to uncover causalities and necessary measures are taken to avoid similar incidents.

Frøy also received notification of a decision on a violation fee from the NMA in connection with a case where violations of the rest period regulations on board one of our wellboats were uncovered in connection with certificate renewal and MLC supervision. At the end of 2022, the case was still being processed by the NMA. Frøy

has clear procedures for recording and certifying rest periods, and the conditions uncovered by the NMA were clear violations of our procedures as well as the rest period regulations. We have subsequently tightened routines for internal control of rest hour registrations, as well as had a review of the regulations with all vessels where the importance of compliance were emphasized.

### Internal experience transfer

Frøy observes that the number of personal injuries increase in correlation with the activity level and especially the number of minor injuries that do not lead to absence, such as fall, crush and cut injuries. These are injuries that with small margins could lead to more severe injuries in our line of work, so we work systematically with improvement and experience sharing across the organization to prevent similar incidents.

In addition to the continuous preventive work to reduce the number of personnel injuries during high season, we observe that throughout 2022 there was a significant increase in other categories of incidents compared to earlier years. We observe an increase in the number of groundings, escaped fish, and number of incidents with oil spill to sea. Such an increase in unwanted incidents could correlate to a deterioration in the company's overall safety culture, and extra measures have been taken to identify the root cause of this increase, ensuring that the organization as a whole, learn from these incidents through experience transfer.

Review of nonconformities last period is a fixed agenda item in all operational meetings, from safety and security meetings on board the vessels, to reviews in board and management meetings. In addition, all incidents are reviewed weekly by the HSQA-department, to identify if immediate or preventive measures need to be taken throughout the organization to prevent similar incidents down the line. Based on cause analysis and preventive measures identified, experience transfer is sent out to all relevant vessels either via monthly HSE newsletter, or by using the internal "Experience Report" form. In the event of high-consequence incidents, in-depth internal investigations are carried out.

Based on the increase of unwanted incidents of higher severity degrees, for example the escape of farmed fish, groundings and oil spills to sea, and the repetitive matter of the incidents, we carried out a comprehensive investigation of our systems and routines for experience transfer and learning from incidents in the autumn of 2022. Measures were implemented to improve upon our internal routines for experience transfer and learning from incidents.

### Knowledge transfer and dialogue with the industry

There are several arenas for experience transfer and dialogue with the industry, such as the Maritime Safety Conference arranged by the NMA, the Professional Diver Conference arranged by NUI, an organization owned by the subsea industry and a local HSE forum facilitated by the ScaleAQ.

In 2022, several people from Frøy's administrative staff attended the Professional Diver Conference for important knowledge transfer

regarding our diving services with both the authorities, interest organizations and other businesses in the industry. One of our staff members also spoke at the conference addressing the topic "[Accidents and incidents – experience transfer and improvement](#)".

Frøy also participated in a local HSE forum facilitated by the ScaleAQ. The forum is initiated to achieve the goal of zero injuries and deaths across the aquaculture industry. To achieve that, cooperation is essential and allows progress to be achieved faster. By learning from each other and sharing experiences, a best practice standard can be developed throughout the value chain, and avoidable accidents and deaths can be prevented.

Frøy also actively use different digital channels for experience transfer and learning, such as the [NMA's Safety investigations and reports](#) and [SINTEF's Safety and risk management](#) in aquaculture.

### HSE-training of new employees

As part of our on-boarding, all new crew members must review the safety checklists for familiarization before they can start work. The familiarization checklist consists of checkpoints for the placement of emergency and rescue equipment, muster point, the alarm instructions, and the general review of the company's safety management system. They will also have a review by one of their senior crew members of HSE procedures including procedures for use and handling of chemicals, in addition to risk assessments for relevant job operations they are to carry out in their job. The HSE training also includes training in the use of equipment with risk of injury.

At the end of 2022 we started the process of recruiting a dedicated training responsible in Frøy, which started work early 2023. The training responsible will have developing of corporate specific training material, both in the form of e-learning and other forms of training material. Among the prioritized areas of training material is HSE training, where we have for example developed an e-learning course in chemical handling.

The work towards full digitalization of documentation of the training for all employees were intensified during 2022 and towards the end of the year we started the assessment process of systems for an internal digital training and development platform. The portal platform be implemented in 2023.

### Facilitation in Frøy

All employees, with the exception of a segment of crew on some smaller service boats, have Safety Insurance in accordance with NHO Shipping. As a result of mergers, there are differences between employees within the different companies. For example, treatment insurance currently applies only to parts of the organization. The treatment insurance allows the usage of various private services are used to get employees back to work faster, which is an important measure in sickness absence follow up.



## GENDER EQUALITY AND DIVERSITY

The Frøy Group has announced clear attitudes towards safeguarding diversity and gender equality in our ethical guidelines. We want all our employees to feel included and respected for who they are, and Frøy has a zero-discrimination policy. The policy established

clear guidelines for limiting discrimination in our company and is based on The Equality and Anti-Discrimination Act.

If incidents occur, it can be reported through our whistleblower channel. No discrimination cases were received in 2022.

	YEAR					
	2020		2021		2022	
	Women	Men	Women	Men	Women	Men
<b>Number of employees</b>						
Total number of employees	32	810	36	768	62	878
<b>Age group</b>						
16-30 years <sup>18</sup>	11	300	16	317	32	375
30-40 years	4	213	3	184	9	222
40-50 years	5	126	5	125	6	141
50-60 years	8	116	8	98	11	95
60-70+ years	1	54	2	44	3	45
<b>Occupational groups<sup>19</sup></b>						
Not placeable at level	-	-	-	-	13	173
Level 1	-	-	1	4	1	3
Level 2	-	-	17	305	25	254
Level 3	-	-	14	383	19	403
Level 4	-	-	6	84	6	50
<b>Women's average salary as a percentage of men's average salary per occupational group<sup>20</sup></b>						
Not placeable at level	-	-	-	-	31 %	
Level 1	-	-	81 %		70 %	
Level 2	-	-	74 %		82 %	
Level 3	-	-	85 %		61 %	
Level 4	-	-	57 %		54 %	
<b>Women's average salary as a percentage of men's average salary overall<sup>21</sup></b>						
Frøy ASA overall	-	-	-	-	91 %	
<b>Parental leave</b>						
Percentage number of persons on parental leave	-	-	2 %	4.6 %	3 %	5 %
Average number of weeks of parental leave	-	-	28	9.4	29.3	9.7

Our employees consist of 12 different nationalities. Our management systems are mainly available in Norwegian as it is a requirement from our customers that our employees should be able to communicate in Norwegian. Measures have therefore been taken to offer Norwegian language courses to employees which do not have Norwegian as their first language.

### Gender Equality

The proportion of women in Frøy overall is 6.6 % as of 31.12.2022 (ref. Table 1). This is almost 2 % more than at the same time last year. There are generally few women represented in all companies with operations at sea, between 0 and 5%. This is considered to have several reasons, where culture, tradition, working hours, and shift work are important factors. In Frøy ASA, which consists of onshore employees, there is a female share of 45.8 %. Actions has been taken increase the proportion of women, including in senior and management positions.

The Board of Directors of Frøy consists of representatives with broad experience and competence and has a female share of 43 %. The board is aware of the gender equality obligations that are incumbent on the company. Frøy's executive management consisted at the end of 2022 of 8 employees, 4 of which are women, including the CEO.

In line with the duty of activity and reporting, an *"Gender Equality Statement for Frøy ASA"* has been issued. We refer to this for a more detailed description of how Frøy works for gender equality, and against discrimination related to gender, pregnancy, maternity leave or adoption, care taking tasks, ethnicity, religion, beliefs, disability, sexual orientation, gender identity and gender expression and combinations of these foundations.

## ATTRACTIVE EMPLOYER

### Employees

In 2022 Frøy had 940 employees, and there are limited number of employees in part-time positions in Frøy's companies. Approximately 23 % of all employees as of 31.12.22 are temporary employees. Of these, 44 % are apprentices/cadets who are on a time-limited training agreement and the remainder mainly sick leave. During 2022, Frøy welcomed 122 new employees to our team, and although we have some internal turn-over in that employees change jobs within the company, the average external turn-over is 3% for 2022.

	YEAR		
	2020	2021	2022
Number of employees	-	814	940
Full-time employees [%]	-	100 %	100 %
Part-time employees [%]	-	0 %	0 %
Number of substitutes <sup>22</sup>	-	81	184
Number of new hires	-	200	122
Turnover rate	-	15 %	3 %

We experienced a slight improvement in the job market in 2022 compared to 2021. We had good access to applicants when we advertise positions, while at the same time low turnover.

### Employee wellbeing and engagement

For Frøy, it is very important to be an attractive employer for our employees. Our employees shall experience that Frøy is a safe and responsible employer who cares about them and their mental and physical health. We offer competitive wages and facilitate to provide good working conditions for all our employees, where they are allowed to thrive and develop professionally.

An important part of our wellbeing work is the continuous focus on our *"Mental Health Strategy"*. This initiative was developed in 2021 to facilitate an inclusive and safeguarding culture, thereby contributing to wellbeing and community. In addition, a *"Policy for drug and*

*alcohol use and gambling"* was also drawn up in 2021 to maintain a drug and alcohol free and good working environment. In this work we cooperate with the local "Follow-up Service", which is a service under the direction of the municipal Health and Care Services for people who, for mental reasons and/or because of drug or alcohol problems, need assistance in everyday life.

Frøy considers sobriety at sea as an essential safety measure, and therefore have intensified the use of un-announced drug-testing among crew members on our vessels. In 2022 we executed 180 un-announced drug tests among crew members on our vessels distributed on 27 test visits. We will further intensify our un-announced drug test and our preventive work in 2023.

Following the merger with NTS ASA, the companies Norsk Fisketransport AS, NTS Shipping AS and NTS Management AS, a work-group was established to work actively on measures to ensure a common corporate culture and a sense of unity among all employees of the new combined company. In 2022, the Covid-19 regulations were finally lifted, and we were able to gather employees for a corporate team building, as well as team buildings for selected groups (for example gatherings of ship masters) to build team spirit and work with the "One Frøy" culture.

In 2022, we sent out an employee survey among all our employees with questions in the following categories:

- HSE
- Management
- Organization and cooperation
- Job requirements
- Job organizing and content
- Relations and leadership
- Individual and job interaction
- Social capital
- Health and well-being

The survey showed that 94 % were proud to work in Frøy and 91 % feel that their efforts are important for Frøy's results. The survey also identified some areas where there was room for improvement, and we will through 2023 implement measures to work to preserve our forces as well as improve our development areas.

Frøy ASA has become a large corporation, with several hundred employees. To ensure a good flow of information across our organization, newsletters are sent out from the administration to all employees every two months with updates in large and small matters since the last time. In addition, separate letters of information are sent out in special news stories. Once every quarter of the year, a digital assembly of all employees is gathered, where information on the status of the company is shared.

More informal channels internally in Frøy is our closed internal Facebook group, used for informal information sharing to our employees, which is also used as a channel for community building and communication between crews on the different vessels.



### Training and development

We have competence matrices for all positions at sea in Frøy. These matrices describe both legal requirements in relation to qualifications expected for each position, as well as Frøy's standard for qualifications for the position beyond regulatory requirements.

#### TRAINING COSTS [MNOK]

	YEAR		
	2020	2021	2022
Total training costs	-	4,054	6,509

During onboarding of new employees, they get an introduction to the company's quality systems incl. safety management systems. In connection with this review, they will be introduced to Frøy's "*Code of Conduct*", as well as the shipping company's "*Policy for Safety and Environmental protection*". Frøy's sustainability practices is an integral part of the company's management systems and employees will be introduced into this in the same way as other management documents and procedures.

Historically, there have been few formal competence requirements for crew members on our service vessels related to the tasks they perform. In the last years, the operations have become more complex, and in general the industry has become professionalized through introduction of more regulations both from the authorities and our customers. In the revision of the NYTEK-Regulations and the associated standard NS 9415:2021, the competence requirements regarding inspections of nets, repair of net when in sea and installation of mooring for aquaculture facilities have now become more formalized. As per today, there is no specialized public educational program that meets these competence requirements. Frøy has therefore taken measures to ensure on-the-job training, consisting of both theoretical and practical training on board. The preparation of e-learning courses has been initiated for the most important tasks as part of a training plan for the given work task.

#### Frøys internal education programs

The expertise and experience of our employees are some of our most important assets. It is therefore important for Frøy to give our employees good opportunities for professional development and advancement internally in Frøy. In 2021, we established Frøy's internal education program. The goal is to ensure that all employees at all levels, through a tailor-made program, have a good basic knowledge of Frøy's operations, management, and culture. The program is built around the following structure for leadership development and culture building:

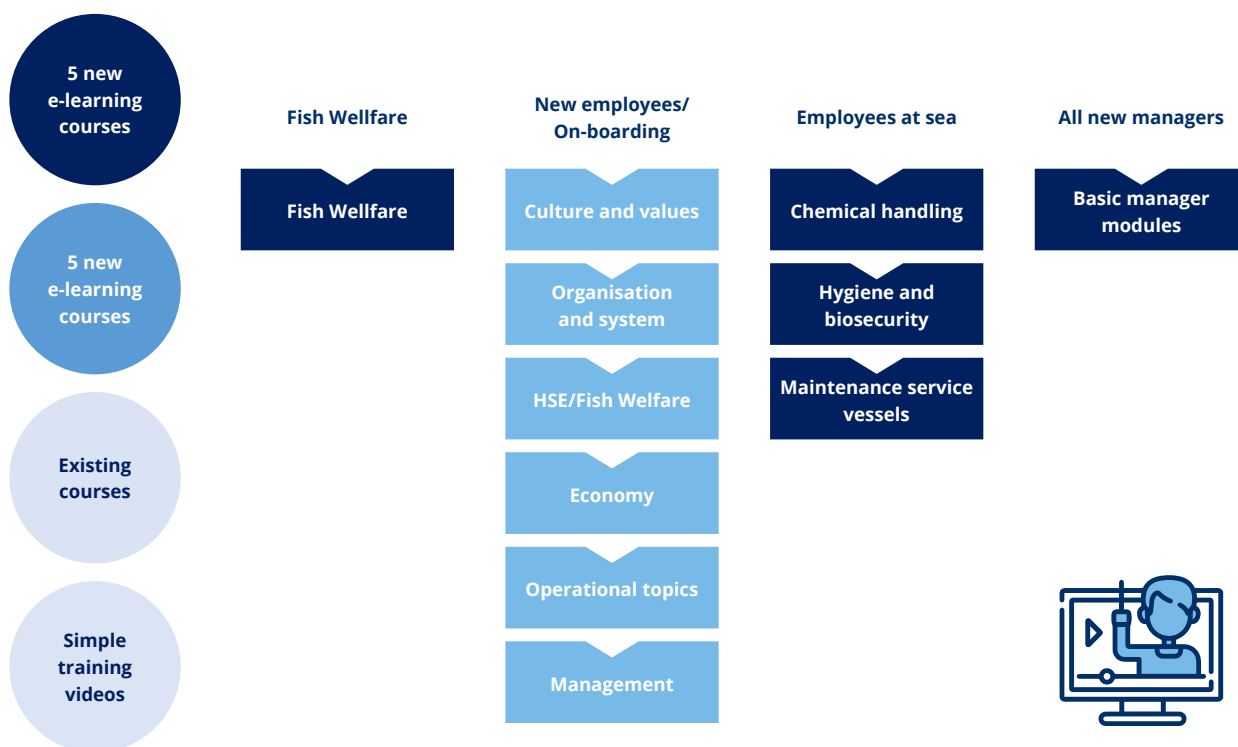
- Middle management (operational managers + their managers):
  - Follow-up of the management program - 2 sessions per year
  - The topic/content is determined by group management, in line with strategy and needs.
  - External assistance for professional replenishment

- Masters:
  - 1 session per year, conducted in two rounds to include both shifts.
  - The relevant topic/content is determined by the extended management team, in line with company strategy.
- On shore employees:
  - 1 team-building event per year
  - The relevant topic/content is determined by the extended management team, in line with company strategy.
  - External assistance for professional replenishment
- All employees:
  - Frøy corporate team-building event for all employees (conducted every other year (2022 – 2024 – etc.)
  - Culture building/Professional content in line with strategy and needs.

In 2022 we completed the middle management program for all our operation managers.

As mentioned earlier, we started at the end of 2022 the process of assessing which system Frøy should use as an internal digital training and development platform for their employees. This platform will also provide an e-learning module for distribution of both internally and externally developed training material. Frøy specified these set goals for this digital platform:

- Develop a minimum of 5 new e-learning courses:
  - Chemical courses (all sea employees)
  - Basic management modules (all new managers at all levels)
  - Maintenance service vessels (all employees on service boats)
  - Hygiene and Biosafety (all sea employees)
  - Fish welfare (all employees)
- In addition to these, we will continuously prioritize establishing:
  - Onboarding package
  - Simple training videos on individual operations (Frøy practice)
  - Existing courses in escape protection and on inspection of nets come in addition. We are trying to find a technical solution to get these onto a new platform



### Collaborations with educational institutions

Frøy actively contributes towards educating skilled workers, and hire several apprentices and cadets every year. We attend apprentices' conferences to recruit new apprentices to our organization. In 2022 Frøy had a total of 66 apprentices and 16 cadets distributed on our vessels. Every year, the SNMK hand out the "Maritime Training Company of the Year" award. The award is handed out to companies that make a special effort to recruit to the seafaring profession, and Frøy is proud to be awarded this prestigious title in 2022.

In addition to being an attractive employee for apprentices and cadets we welcome internship students on our vessels.

We cooperate with the "blue" educations at both upper secondary and university college level, with Ungt Entreprenørskap (Young Entrepreneurship), Blått Kompetansesenter (Center for Blue Competence), NTNU and SINTEF. These initiatives are further described in the chapter about 'Technological Development and R&D'.



## LOCAL CONTRIBUTOR

As an active industry player in Norwegian coastal areas, Frøy is a major contributor in local communities through job creation that contribute to upholding sustainable coastal communities in areas that are generally seeing a population decline.

### ECONOMIC CONTRIBUTION [MNOK]

	YEAR		
	2020	2021	2022
Total contributions	-	0.394	0.679

Frøy employs more than 900 people, who all reside in communities along the entire Norwegian coast. We create important jobs for these communities, and we contribute significant tax revenues to local governments.

In Seafood Norway's report "*Aquaculture 2030*", they have analyzed the aquaculture industry's impact on local value creation in coastal communities along the Norwegian coast. In the report, they conclude that Norwegian value creation related to aquaculture will double by 2030. This will contribute to increased tax revenues and more jobs, and that the aquaculture industry will have dialogue at the local level to ensure that the needs and concerns of the communities are taken care of as much as possible. As a leading supplier to the aquaculture industry along the Norwegian coast, these factors will also apply extensively to Frøy's activities.

In addition, we contribute by supporting local initiatives in the form of children's sports and cultural activities in the communities in which we operate. We also work with local upper secondary schools to maintain and grant local vocational education programs, in addition to supporting initiatives that ensure higher education in aquaculture-related education.

## TECHNOLOGICAL DEVELOPMENTS

Frøy wants to be a leader in the development of technology and services that contribute to more sustainable development. As part of this work, we collaborate in R&D projects with suppliers, customers, universities, and research communities that stimulate the creation of more sustainable solutions to the industry's challenges.

### R&D COSTS [MNOK]

	YEAR		
	2020	2021	2022
Total R&D costs	-	8,242	8,003

In 2022, Frøy signed a partnership agreement with NCE Aquatech Cluster, which is a technology cluster with the following overall goals towards 2024:

- Cooperation on the development of technology and solutions that enable sustainable growth in aquaculture-based food production.
- Strengthen the cluster's common resource and competence base.
- Stimulate increased international demand through collaborative marketing activities.
- Stimulate the cluster's entrepreneurship and capital environment.

NCE Aquatech Cluster is a part of the Norwegian Innovation Cluster program.

## IN-HOUSE PROJECTS

### Field trials

Frøy field trials with fish were approved in August 2020. The Norwegian Food Safety Authority states that: "*Farmed fish are entitled to good welfare. Therefore, the consequences and suitability of methods and equipment must be documented before they can be used*". There is a great need for laboratory animal enterprises that have expertise in the use of equipment for non-drug delousing and other similar operations that involve handling live fish in the Norwegian aquaculture industry. With the laboratory animal activities, Frøy, together with our customers, have the tools to further develop and initiate new methods for fish welfare-prudent handling (delousing, sorting, displacement) of live fish, in line with the Norwegian regulations.

In 2022 we have continued with implementation of the new methods for better efficacy and improved fish welfare. This important work will be ongoing in close cooperation with our customers.

## COLLABORATION PROJECTS

### Coastal Preparedness

The project "Coastal Preparedness" is an innovation project for the business sector, part-funded by the Research Council of Norway which extends from 2020 to 2022. The project's vision is "Increased safety in coastal waters through strengthened operational preparedness" and is a collaborative project between various actors in the business sector and the research institution SINTEF Ocean. Frøy have the role as project owner on behalf of its primary owner NTS ASA. The background for the project is that aquaculture at sea requires significantly greater focus on emergency preparedness and has the following themes:

- GAP analysis risk and emergency preparedness
- Emergency response vessel
- Environmental and algae monitoring
- Operational emergency response support/operations center
- Simulator-based training

Frøy primary contribute in connection with the development of an emergency vessel and operational emergency response support.

The project was completed in 2022, and some of the other parts of the project will be continued into other ongoing projects through some of the project partners.

### Improved hole detection in connection with net inspections

In 2022 Frøy continued their collaborative pilot project with ABB, and supplied the machines with material for further developing the algorithms for improving hole detection and reducing margin of error under difficult conditions of real-time net inspections. The goal of the project is to develop a tool that can assist the net inspector to detect holes in the net during net inspections, and contribute to better quality in our inspections. This technology will supply the fish farmer with a better overview of their plant's integrity, and thus lead to fewer incidents of fish escapes.

### Innovation projects aimed at the education and research sector

Frøy also participates in innovation projects aimed at both lower secondary school, upper secondary school, universities, and research institutions. In Trøndelag, we work closely with The Center for Blue Competence on Frøya in relation to both "Blue Innovation Camp" and the "Bridgehead Conference".

"Blue Innovation Camp" is an aquaculture-oriented innovation camp, focusing on the blue industry that is part of the Trøndelag UE (Young Entrepreneurship) initiative. Here, pupils in 10<sup>th</sup> grade at junior high schools come up with proposals for solutions to some of the industry's issues, and in 2022 Frøy participated for the second year in a row alongside two other companies from the blue industry and contributed with a problem from our every-day work.

"The Bridgehead Conference" is a meeting place for businesses, students, researchers, pupils, teachers and committed social actors, that is held twice a year. Frøy participated at the conference during the fall of 2022 and held a presentation on the topic *"Are the providers of services to coastal aquaculture in a time of upheaval?"*. The conference is also a great arena to connect with researchers and students who could be potential future collaboration partners with Frøy.

Both these initiatives are important arenas to ensure sustainable research and innovation in an ever-evolving industry.

In addition, Frøy have a collaboration with the Rørvik Vocational School, where Frøy's Fish Welfare Manager have lectures in fish welfare.

### Student thesis

Towards the end of 2022 we started the initial conversations with a group of bachelor students, to define hypothesis and content for a bachelor's thesis in collaboration with Frøy. The aim of the thesis is to investigate how the appetite and behavior of the fish is influenced by the amount of net fouling and frequency of net cleaning. The work includes analysis of relevant historical data and collection of experience-based knowledge, aiming to suggest a net cleaning strategy for optimal feeding and fish welfare. The thesis will be completed during the first half of 2023.

### THE WAY FORWARD – PLANS FOR 2023

The continuous work to improve upon our HSE results and ensure that all our workers have a safe and secure workplace will continue into the coming years. Frøy will participate in important meeting arenas such as the Maritime Safety Conference and HSE forums, to draw on the experience of others in the same industry and contribute with the experience we have gained. Increased staffing will strengthen the HSEQ department to improve routines for internal control and audits.

In 2023, we will continue our efforts to ensure at greater degree of gender diversity among our crew members, especially among the officers, and in middle management the level on shore.

We will also intensify our efforts to produce internal training materials to better ensure adequate training among our employees in relation to the tasks they perform. Better systems will also ensure better documentation of the training, by establishing a common training portal for our employees. The work to further develop competence matrices for each job category continues, and we will conduct regular gap analyses to map the organization's competence needs.

The work of ensuring a common corporate culture will continue in 2023. Team buildings for further developing our management levels will proceed, and Frøy's talent development program will be formalized within the next year. An important measure to secure a common corporate culture is to harmonize collective agreements and benefits, and the goal is to complete negotiations with employee representatives during Q1 2023.

The delivery of the wellboat MS Gåsø Odin was planned in 2022 but is delayed to Q2 2023. In addition is the vessel MS Veidnes scheduled for delivery during 2023. Both vessels will be built with battery packages and diesel-electric propulsion, equipped with technology which will reduce energy consumption further. MS Gåsø Odin will be equipped with a RO unit for production of fresh water, and MS Veidnes will be built with a DC plant that may reduce the total energy consumption with up to 8% and a heat recovery system from cooling water and exhaust.

In the service segment Frøy will plan to delivery of 7 new vessels in 2023. All of the vessels will be installed with battery hybrid propulsion systems.

In 2023, Frøy will continue all our initiatives where we are contributing to local growth and development. We will participate at both the "Blue innovation Camp" and the "Bridgehead Conference" in 2023, to encourage pupils to take an interest to the blue industry and help us solve our future problems with sustainability at mind. We will also continue to seek opportunities to cooperate with higher level students for future student assignments.

As a part of the ongoing development of an overall sustainability strategy, Frøy will also strengthen and bring together the company's innovation processes to ensure that the necessary means are taken to find good sustainable solutions to the issues we meet in our day-to-day line of work.

## END NOTES

1. Source: Article 2(22) in <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088>
2. Source: <https://www.newscientist.com/article/2290068-food-production-emissions-make-up-more-than-a-third-of-global-total/>
3. Defined as an incident where a significant number of injured or dead fish in cargo which have to be reported to the Norwegian Food Safety Authority
4. Defined as an incident where violation of biosecurity measures leads to the spread of ILA-virus or "stamping out" disease
5. Use of 2 washing robots at the same time in the net
6. The GLOBALG.A.P. Aquaculture Standard has been successfully assessed against the Global Food Safety Initiative (GFSI) Benchmarking Requirements and achieved GFSI recognition for scope A2 farming of Fish - the ONLY Aquaculture farming standard to have achieved this.
7. The Standard has also been benchmarked against the Global Sustainable Seafood Initiative's Global Benchmark Tool Version 1 and are recognized by the GSSI Steering Board. A seafood certification scheme is recognized after successfully completing the 7-step Benchmark Process. The expert-led process involves objective assessments made against the Benchmark Framework.
8. Scope 1 includes CO<sub>2</sub> emissions from vessels and vehicles owned or operated by Frøy ASA or underlying companies. The emissions mainly stem from the combustion of either diesel or MGO (Maritime Gas Oil) which has a CO<sub>2</sub> factor of 3.17 kg CO<sub>2</sub>/kg fuel. It does not include CO<sub>2</sub>, (eq) emission data from other climate gases as methane, nitrous oxide, etc. We will however aim to include this data in next year's report
9. Scope 2 includes CO<sub>2</sub> (eq) emissions from use of electric power to heat company buildings as offices or workshops, or electric power to supply vessels with shore power from the national electric grid
10. Based on a CO<sub>2</sub> factor of 11 grams CO<sub>2</sub>,(eq) /kWh for electric power produced in Norway in 2021. Source: Hvor kommer strømmen fra? - NVE
11. Based on a CO<sub>2</sub> factor of 38 grams CO<sub>2</sub>,(eq) /kWh for electric power produced in Norway in 2022. Source: Live-data: Strøm og CO<sub>2</sub> – Energi og Klima
12. Scope 3 includes CO<sub>2</sub> emissions in connection with work travel, either by plane or using private car. Scope 3 does not include CO<sub>2</sub> emissions where public transport was used since we were not able to retrieve data for this for 2022. We will however aim to include this data in next year's report as well as emission data from our sub-contractors
13. CO<sub>2</sub> emissions includes transport to and from missions
14. The increase is due to a more extensive use of DP in connection with the delivery of feed, which is more energy-intensive
15. Comparing with the 2021 data reported last year this year's number are smaller. This can be explained by more accurate data collection this year
16. Rate of recordable work-related injuries = [Number of recordable work-related injuries/Number of hours worked]x1.000.000
17. Rate of high-consequence work-related injuries = [Number of high-consequence work-related injuries (excluding fatalities)/Number of hours worked]x1.000.000
18. Including apprentices
19. The employee level is based on a weight of criteria within competence, responsibility, and working conditions and efforts related to the position:  
Level 1: CEO, Directors  
Level 2: Group Managers, Staff Functions, Operational Managers, Officers (Machine/Bridge), Vessel Managers  
Level 3: Deck personnel with and without a certificate  
Level 4: Cadets and apprentices
20. Changes in women's percentage pay compared to men's from 2021 to 2022 are partly due to reorganization effective from 01 July 2022 where the distribution of employees in wage levels was changed, and partly due to the fact that we were not able to place the total of 190 employees in a wage level. This represents a margin of error in our statistics, and we will correct this in next year's report.  
  
All employees in pay group 1 and a large proportion of employees in pay group 2 are individually paid. Salaries are determined on the basis of criteria such as the experience and competence the employee has that is relevant to the position, the number of employees for whom the employee has management responsibility and the total responsibility assigned to the position.  
  
In wage level 3 and 4, women generally have lower percentage pay compared to men on the basis that they have a lower seniority to a greater extent than men, and based on tariff-based pay, this will result in wage differences. Tariffs, on the other hand, provide equal pay regardless of gender with equal seniority.
21. Based on average salaries for men and women in Frøy ASA and all of its underlying companies
22. Substitutes as a result of absence, or apprentices/cadets, who are on a time-limited training agreement







# CORPORATE GOVERNANCE

This chapter provides an overview of the manner in which Frøy ASA ("Frøy" or the "Company") complies the Norwegian Code of Practice for Corporate Governance of 2021 ("NUES"), as well as the information which Frøy is required to provide under the Norwegian Accounting Act Section 3.3b.

## Deviations from the Norwegian Code of Practice for Corporate Governance

In the assessment of the board of directors (the "Board"), Frøy has the following deviations from NUES:

- The general meeting is chaired by the chairperson of the Board, which constitutes a deviation from NUES section 6, last bullet point. It is the opinion of Frøy that the chairperson of the Board is deemed to be most well informed of the Company's activities and is therefore best suited to chair the general meeting.
- In compliance with NUES, two of the shareholder-elected Board members are independent of the Company's main shareholder (including the chairperson). Two of the five shareholder-elected Board members are independent of the Company's executive management and material business relationships, while NUES recommends that the majority of the Board members are independent of the Company's executive management and material business relationships. By having an independent chairperson, it is the opinion of Frøy that this balances out the deviation from NUES and seeks to secure the common interests of all shareholders, including the minority shareholders."

## 1. STATEMENT OF CORPORATE GOVERNANCE

Frøy complies with the Norwegian Code of Practice for Corporate Governance for the financial year 2021 with such deviations as set out herein.

## 2. FRØY'S BUSINESS

Frøy is a Norwegian provider of business-critical aquaculture services.

Frøy assists fish farmers with maintaining efficient day-to-day farming operations at sea. The service of Frøy includes transportation of fish, sorting, counting, cleaning, treatment, inspection, installation and maintenance of sites. Frøy's team includes 940 specialised aqua service professionals and 9 local offices along the Norwegian coast. The fleet is modern and well invested and consists of wellboats, service and transport vessels. Frøy has a management and organisation with seafood sector background and proven aqua service track record. Frøy is positioned as the largest fully integrated provider of competence and infrastructure services to the Norwegian aquaculture industry.

The key services provided by Frøy are: a) Installation and maintenance of fish farming sites b) Safe and efficient transportation of smolt and feed c) Sorting, counting and biological treatment of salmon, and d) Harvest and transport of fish.

The Company's objectives, as stated in its articles of association, is to own shares in companies within fisheries and aquaculture services, as well as anything related to the foregoing, including business and development assistance activities. The Company may also participate in other companies through share ownership or in other ways. The Board evaluates the Company's objectives, strategies and risk profile at least annually and reports on these matter in the Board report.

## 3. EQUITY AND DIVIDEND

In the opinion of the Board, Frøy's equity capital is appropriate to the Company's objectives, strategy and risk profile.

The Board's ambition is that the Company shareholders will achieve a competitive return on their investment over time through a combination of dividends and an appreciation of the value of the company's shares. The Board has defined the following long-term dividend policy:

The Company has an intention to pay out minimum 50% of net profit as dividend. In its dividend proposal, the Board will take into account future gearing level and liquidity requirements.

The Board of Directors will propose to the Annual General Meeting in 2023 to introduce half-yearly dividend payments going forward.

The Board may obtain authorisation from the general meeting of shareholders to buy back Frøy shares in the market. In such cases, the Board will normally request that

the shares are acquired in the open market, and that the authority lasts no longer than until the next general meeting.

When the general meeting of shareholders considers whether or not to authorise the Board to carry out share capital increases for different purposes, the specific purpose must be considered separately by the meeting. Such authorisation will be limited in time and will last no longer than until the date

of the next general meeting. Authorisation granted to the Board is restricted to specific purposes.

See also item 4.

## 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Frøy has one share class. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. The Company emphasises that the interests of the shareholders is advanced and that all sharehold-

ers, in accordance with the requirements of the Norwegian Securities Trading Act, is treated on an equal basis, unless there is a factual and legal basis for discrimination. Should it be necessary to waive the pre-emption rights of existing shareholders when increasing the share capital, such waiver must be justified by the common interest of the Company and the shareholders and explained by the Board in a separate stock exchange notice. Transactions involving own shares are normally executed on Oslo Børs. Buybacks of own shares will ordinarily be carried out at prevailing market prices.

Shareholders who are registered in the Norwegian Central Securities Depository (VPS) may vote in person or by proxy at the general meeting of shareholders. Invitations are sent to the shareholders or to the bank/broker where the shareholder's securities account is held.

Any transaction which is not immaterial between the Company and any shareholder, Board member, leading employees or any closely related party of such persons should be examined by an external third party before they are entered into. This does not apply for any agreement approved by the Board according to the Norwegian Public Limited Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same Group where any of the companies involved have minority shareholders.

The Company has implemented guidelines to ensure that the members of the Board and executive personnel shall notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Sales of shares to employees in Norway may be conducted at a discount to market prices. See also item 6.

Contact between the Board and the investors is normally conducted via the management. Under special circumstances the

Board, represented by the chairperson, may conduct dialogue directly with investors.

## 5. FREELY NEGOTIABLE SHARES

The shares of Frøy are listed on the Oslo Børs and are freely tradable. There is no form of restriction on negotiability included in the Company's articles of association. The Board is not aware of any agreements which may secure any shareholder beneficial rights to own or trade shares at the expense of other shareholders.

The shares of Frøy are registered in the Norwegian Central Securities Depository (VPS).

## 6. GENERAL MEETING OF SHAREHOLDERS

Notice of a general meeting of shareholders with supporting information is normally published on [www.froygruppen.no](http://www.froygruppen.no) no more than 21 days in advance, and is sent to the shareholders at least 21 days before the meeting is held. The Company can call for an extraordinary general meeting with two weeks' notice, provided that the shareholders can participate electronically.

Notice of a general meeting of shareholders provides information on the procedures which shareholders must observe in order to participate in and vote at the meetings. Such notice also details:

- the procedure for representation by proxy, including the use of a form of proxy
- the right of shareholders to propose resolutions for consideration by the general meeting of shareholders
- the website where the notice of the meeting and other supporting documents will be made available

The following information is available at [www.froygruppen.no](http://www.froygruppen.no):

- information on the right of shareholders to propose matters for consideration by the general meeting of shareholders

- how to make proposals for resolutions for consideration by the general meeting or how to comment on matters for which no resolution is proposed

- form of proxy

Our aim is that proposals for resolutions and supporting information that are distributed are sufficiently detailed and comprehensive to enable shareholders to reach decisions on the matters to be considered at the meeting.

The notification deadline for shareholders wishing to attend the general meeting of shareholders is maximum five days prior to the meeting. The notification deadline may be extended or shortened and will in all cases be evident from the notice of the general meeting. In accordance with the Company's articles of association, shareholders that do not provide a notification of attendance to the general meeting within the deadline are not entitled to vote over matters raised in the general meeting.

In general, only shareholders registered in the VPS are entitled to voting rights. Beneficial owners of shares that are registered in the name of a nominee, are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such Shares as nominees. Although there are varying opinions as to the interpretation of the right to vote on nominee registered shares, the Company maintains that if shares are registered in the VPS through a nominee on a nominee account, cf. Section 4-10 of the Norwegian Public Limited Companies Act, and the beneficial owner wishes to attend and vote at a general meeting, in person or by proxy, the beneficial owner must provide written confirmation from the nominee that he or she is the real shareholder, as well as declaration from the beneficial owner themselves, that they are the rightful owner of such shares.

If such documentation cannot be provided, shares registered in a nominee account

must be re-registered in the Norwegian Central Securities Depository (VPS) and be registered in the VPS on the fifth working day before the general meeting of shareholders in order to obtain voting rights.

Shareholders who are unable to attend in person may vote by proxy. Frøy will nominate a person who will be available to vote on behalf of shareholders as their proxy or facilitate that each shareholder can nominate a person to vote on behalf of the shareholder as their personal proxy.

The Company shall facilitate that the general meeting of shareholders votes for each candidate nominated for election to the Company's Board and nomination committee.

To the extent possible, the form of proxy will facilitate separate voting instructions for each matter to be considered by the meeting and for each of the candidates nominated for election. It is possible to vote electronically in advance.

The general meeting of shareholders is chaired by the chairperson of the Board. This is a deviation from the NUES, but it is in the opinion of Frøy that the chairperson of the Board is deemed to be most well informed of the Company's activities and is therefore best suited to chair the general meeting. The chairperson of the Board, minimum one nomination committee representative, and the CEO, and the auditor shall attend the general meeting.

## 7. NOMINATION COMMITTEE

In accordance with Frøy's articles of association, the Company has appointed a Nomination Committee. This Nomination Committee is comprised of minimum two members, maximum four who are either shareholders or shareholder representatives. The Nomination Committee's chairperson and members are appointed by the general meeting of shareholders. If the chairperson resigns as member of the Nomination Committee during the electoral period, the Nomination Committee shall elect among its members

a new chairperson for the remainder of the new chairperson's electoral period.

The guidelines for the Nomination Committee have been approved by the general meeting of shareholders, which also determines the remuneration of the Nomination Committee. All shareholders may propose candidates for the Nomination Committee at any time. In order to be considered at the next ordinary election, proposals must be submitted by the end of November in the year before the election year.

The Nomination Committee shall prepare for the general meeting of the shareholders appointment of shareholder-elected Board members. The recommendations of the Nomination Committee shall include details on the candidates' background and independence.

The Nomination Committee ensures that due attention is paid to the interests of the shareholder community and the Company's requirements for competence, capacity and diversity. The Nomination Committee also takes account of relevant statutory requirements regarding the composition of the Company's governing bodies.

According to its mandate, the Nomination Committee shall be receptive to external views and shall ensure that any deadlines for proposals regarding members of the Nomination Committee and the Board are published well in advance on the Company's website. In carrying out its duties the Nomination Committee should actively maintain contact with the shareholder community and should ensure that its recommendations are anchored with major shareholders.

The current members of the Nomination Committee are Gustav Witzøe, Tor Lønnum and Magnus Dybwad. None of the members are executive personnel or board members in Frøy ASA. Gustav Witzøe and Tor Lønnum, are both members of the board of SalMar ASA, and Magnus Dybwad is executive personnel in Kverva AS. Kverva AS is a significant

shareholder of SalMar ASA, and SalMar is Frøy's largest shareholder through its wholly owned subsidiary NTS AS.

## 8. BOARD: COMPOSITION AND INDEPENDENCE

Pernille Skarstein Christensen and Rune Juliussen are both investment Directors of Kverva AS, a significant shareholder of SalMar ASA. Morten Loktu is board member of SalMar ASA. SalMar is Frøy's largest shareholder through its wholly owned subsidiary NTS AS. SalMar is also a major customer of Frøy.

The two remaining Board members, including the Chairman, are considered to be independent of the Company's executive management and material business relationships.

The nomination committee aims to achieve a board composition whereby the members complement each other professionally and the Board is able to function as a corporate body.

## 9. THE WORK OF THE BOARD

The Board endeavours to schedule in advance a number of regular physical meetings to be held during the calendar year, minimum four meetings per year, depending on the level of activity of the Company. Interim meetings may be convened if a director, or the administration, so requires. The Board meetings are chaired by the Chairman unless otherwise agreed by a majority of the directors attending. If the Chairman is not present or cannot lead the meeting, the meeting will be chaired by a board member elected by and among the directors present.

The work of the Board includes, without limitation:

- identifying and establishing the Company's overriding goals, objectives and strategies, including approval and endorsement of plans and budgets;



- determining policies, monitoring and supervising the day-to-day management of the Company and the business carried out by the Company;
- ensuring that the business of the Company, the accounts and the management of the assets of the Company are subject to adequate supervision and are conducted in accordance with applicable legislation.
- monitoring and reviewing the annual and interim financial reporting, assessing the performance of internal control and external auditors and overseeing legal and regulatory compliance; taking decisions, endorsing decisions or authorising decisions to be taken, as appropriate, in matters that are of an unusual nature or of importance to the Company; and
- assessing the effectiveness of the Company's policies on ethics, conflicts of interest and compliance with competition law.

The Board has established procedures for its own work and that of the Company's management, with particular emphasis on clear internal division of responsibilities whereby the board has responsibility for supervising and administering the Company, and the Company's management has responsibility for the general operation of the group.

Frøys Board of directors' instruction contains guidelines for, among other things, how conflicts of interests that may arise should be dealt with. The instruction applies to all Board members of Frøy.

If the chairperson of the Board is or has been actively involved in a given case, for example in negotiations on mergers, acquisitions etc. and another board director will normally lead discussions concerning that particular case.

The Board conducts an annual self-assessment of its work, competence and cooperation with management and a separate

assessment of the chairperson of the Board. In addition, the Audit Committee performs a self-assessment. The assessment results are submitted to the Nomination Committee, which in turn assesses the Board's composition and competence.

#### 10. AUDIT COMMITTEE

The Audit Committee has 2 members, Morten Loktu and Linda Johnsen. Johnsen is considered independent of the main shareholder of the Company.

In the opinion of the Board, the Audit Committee met the Norwegian requirements regarding independence and competence.

The Audit Committee shall function as an advisory and preparatory working committee to the Board. The Audit Committee shall

- inform the Board of the results of the audit, and explain how the audit process impacted upon the Company's accounting reports and their integrity, as well as inform on the Audit Committee's role in terms of preparation of the accounting reports;
- prepare the Board's follow-up of the process with accounting reporting;
- monitor and supervise the Company's systems for internal control and risk management;
- regularly be in contact with the Company's auditor regarding audit of the annual accounts;
- supervise and review the auditor's independence and
- prepare for the Company's election of its auditor, and provide a recommendation in this respect.

#### 11. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board ensures that the Company has sound internal controls and appropriate risk management systems through, for example,

an annual review of the key risk areas and the Company's internal controls.

Internal audit corporate reports directly to the Board but is for administrative purposes placed under the purview of the chief financial officer.

Frøy's internal control system includes all parts of our corporate directives, HSE and corporate social responsibility requirements.

#### 12. REMUNERATION OF THE BOARD

The board directors elected by the shareholders perform no duties for the Company other than their board duties.

Remuneration is determined by the general meeting of the shareholders, based on the recommendation of the Nomination Committee. The Nomination Committee recommends compensation with the intention that it should reflect the board's responsibility, competence and time commitment as well as the Company's complexity and global activities compared with the general level of directors' fees in Norway. Remuneration of the Board is based neither on performance nor on shares or share options.

The remuneration of the directors are disclosed in the notes to the annual accounts. If directors receive other compensation from the Company on an exceptional basis, detailed information will be provided in the financial statement.

#### 13. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board has established guidelines for remuneration of members of the executive management, including the CEO, other members of the management and employees who are members of the Board.

The guidelines are binding for the Board. The Board can only deviate from the guidelines under special circumstances.

The guidelines shall be approved by the ordinary general meeting of the shareholders

at least every fourth year and in any event if a significant change to the guidelines. The current guidelines were approved by the extraordinary general meeting in 2021.

The guidelines for determining remuneration of the executive management are based on the main principles for Frøy's remuneration policy, which is that Frøy shall pay its employees a total compensation package that is competitive, but not among the highest, and in line with good industry standards locally. Where appropriate, compensation packages should also include a performance-based component, and the basic salary should reflect individual performance.

The guidelines are also intended to contribute to long-term value creation for the Company's shareholders. A ceiling has been set on performance-based compensation. The general meeting approved a share-based bonus program for its executive management in 2021, in order to ensure that the executive personnel and shareholders have convergent interests. The board members are not covered by this bonus program. More detailed information on the remuneration of the executive management for 2022 can found in note 7.1 to the annual accounts

The Company will prepare a report on salaries and remuneration to the management. This report shall be presented at the ordinary general meeting of the shareholders for an advisory vote. The report shall contain a comprehensive overview of paid and outstanding salaries and remuneration to the management. The report shall be published on the webpages of Frøy. The Board has established a remuneration committee.

#### 14. INFORMATION AND COMMUNICATION

Frøy has established guidelines for the Company's reporting of financial and extra-financial information based on transparency and with regard to the requirement of equal treatment of all parties in the securities market. This also pertains to contact with shareholders outside of the general meeting of shareholders.

Shareholder information is available at [www.froygruppen.no](http://www.froygruppen.no). The financial statements and annual report are sent free of charge to shareholders on request. Notice of general meeting of shareholders is sent directly to shareholders with known addresses unless they have consented to receive these documents electronically. All information sent to the shareholders is made available at [www.froygruppen.no](http://www.froygruppen.no) when distributed. Presentation of the quarterly reports as well as the annual shareholder meeting are simultaneously broadcasted through web casts. All relevant information is sent to Oslo Børs

Shareholder information is available at [www.froygruppen.no](http://www.froygruppen.no). The financial statements and annual report are sent electronically for public storage.

#### 15. TAKEOVERS

In the event of a take-over bid being made for the Company, the Board will follow the overriding principle of equal treatment for all shareholders and will seek to ensure that the Company's business activities are not disrupted unnecessarily. The Board will strive to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Corporate Governance Policy provides that the Board shall not seek to prevent or obstruct takeover bids for the Company's activities or shares, unless there are particular reasons for such actions. In the event of a takeover bid for the shares in the Company, the Board shall not exercise mandates or pass any resolutions with the intention of obstructing the takeover bid unless this it believes that the interests of the Company and the shareholders justify such actions. The Board will not execute mandates or pass any resolutions with the intention of obstructing any take-over bid unless this is approved by the general meeting following the announcement of the bid. Any transaction that is in effect a disposal of the Company's activities will be submitted to the general meeting for its approval. During the course of a takeover process, the Board will

use their best efforts to ensure that all the shareholders of the Company are treated equally. The Board shall also use its best efforts to ensure that sufficient information to assess the takeover bid is provided to the shareholders.

Pursuant to the Norwegian Securities Trading Act, any person who through acquisition becomes the holder of shares representing more than one-third of the voting rights in the capital of the Company is obliged to make an unconditional offer at a fair price for the purchase of the balance of the issued shares in the capital of the Company. The mandatory offer must be made within four weeks after the threshold was passed. If an offer is made for the shares in the Company, the Board shall issue a statement evaluating the offer and make a recommendation as to whether the shareholders should accept the offer. If the Board finds itself unable to provide such a recommendation, it shall explain the background. The Board's statement on a bid shall make clear whether the views expressed are unanimous, and if this is not the case, it shall explain the basis on which members of the Board have excluded themselves from the Board's statement.

In the event of a take-over bid, the Board will obtain a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board statement, or the independent statement mentioned above. If any member of the Board or the management, or close associates of such persons, or anyone who has recently held such a position, is either the bidder or has a similar particular interest in the bid, the Board shall in any case arrange an independent valuation. This shall also apply if the bidder is a major shareholder in the Company. Any such valuation should be either attached to the Board's statement, be reproduced in the statement or be referred to in the statement.

Any agreement with the bidder that acts to limit the Company's ability to arrange other

bids for the Company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the Company and the shareholders. The same applies to any agreement on payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

#### 16.AUDITOR

The auditor participates in Board meetings for approval of the annual accounts.

The Company's auditor shall present an annual plan for its audit work to the audit committee. The external auditor shall participate in relevant agenda points at all meetings of the audit committee.

In addition, the auditor shall present a review of the Company's internal control procedures, with identification of weaknesses and proposals for improvement. The Board shall at least yearly have a meeting with the auditor without presence of corporate management



# EQUALITY STATEMENT

We work for equality and against discrimination related to gender, pregnancy, leave of absence at birth or adoption, caregiving tasks, ethnicity, religion, beliefs, disability, sexual orientation, gender identity and gender expression, and combinations of these foundations



The report includes Frøy ASA and its subsidiaries, hereby referred to as Frøy. Frøy has a line/staff organization, where the staff functions in Frøy ASA serve all Frøy's companies. The work we describe below will therefore apply to all Frøy companies.



## PART 1: ACTUAL STATE – GENDER EQUALITY

Contract type		Frøy Akvaservice AS					Frøy ASA	Frøy Rederi AS			Frøy Shipping AS	Norsk Fisketransport AS	Total
Company	Legal Entity	Total	Frøy AkvaRessurs AS	Frøy Akvaservice AS	Frøy Nord AS	Frøy Vest AS	Total	Total	Fisketransport AS	Frøy Reder AS	Total	Total	
1 - Permanent employee	Men	375	123	121	55	76	23	104	5	99	39	137	678
	Women	12	4	3	1	4	22	6	0	6	0	3	43
	Total	387	127	124	56	80	45	110	5	105	39	141	722
	% women	3.1%	3.1%	2.4%	1.8%	5.0%	48.9%	5.5%	0.0%	5.7%	0.0%	2.1%	6.0%
2 - Substitute/ temporary	Men	103	13	47	21	22	2	7	2	5	11	46	169
	Women	5	1	1	3	0	1	0	0	0	2	5	13
	Total	108	14	48	24	22	3	7	2	5	13	51	184
	% women	4.6%	7.1%	2.1%	12.5%	0.0%	33.3%	0.0%	0.0%	0.0%	15.4%	9.8%	7.1%
3 - Extra/ commitment	Men	6		5	1		7				3	4	20
	Women	0		0	0		4				1	1	6
	Total	6		5	1		11				4	5	26
	% women	0.0%		0.0%	0.0%		36.4%				25.0%	20.0%	23.1%
	Undefined							1		1	9		10
Total	Men	484	136	173	77	98	32	112	7	105	62	187	877
	Women	17	5	4	4	4	27	6	0	6	3	9	62
	Unknown	0	0	0	0	0	0	0	0	0	0	1	1
	Total	501	141	177	81	102	59	118	7	111	65	197	940
	% women	3.4%	3.5%	2.3%	4.9%	3.9%	45.8%	5.1%	0.0%	5.4%	4.6%	4.6%	6.6%

Table 1 shows an overview of the proportion of women in the Group by company, as well as the number of temporary employees/temporary workers.

### POSITION LEVELS AND SALARIES:

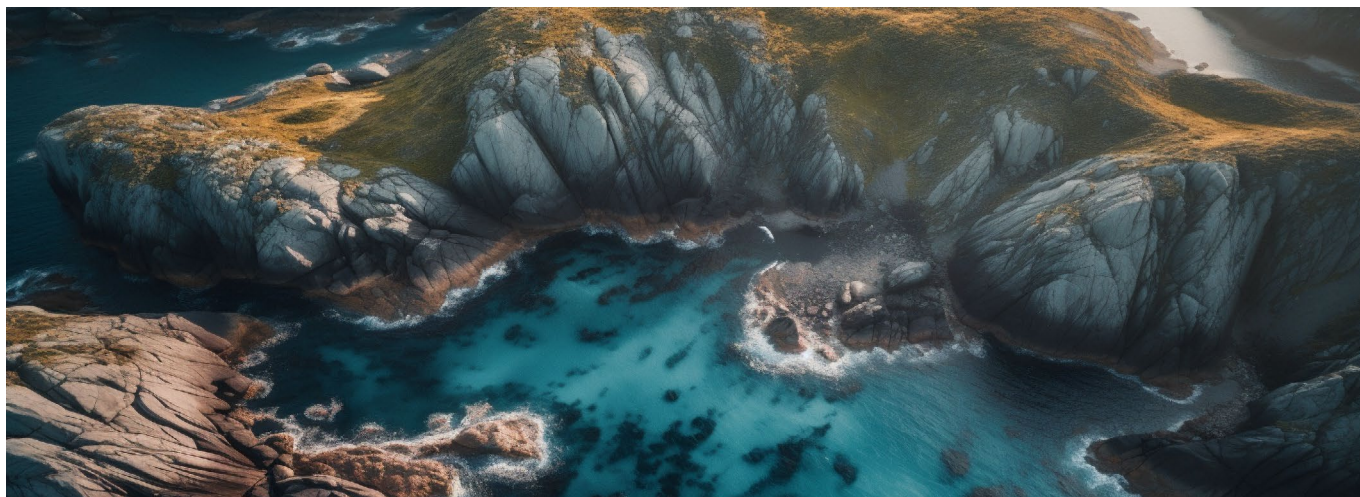
To calculate the pay gap, we have separated regular salaries and additional income, such as bonuses, for the budget year of 2022. We have also considered equal work **and work of equal value** in the design of the position levels. The design of the position levels is based on existing job categories in the company and an assessment of which positions are included in the different levels.

### Involuntary part-time:

Due to the fact that there are very few part-time employees in our companies, we have chosen to carry out the survey without much involvement from employees.

### Findings from the survey:

A review of salary levels in Frøy shows that women in the company on average have a salary of about 91 % of the average men's salary.



Corporation	Company	Legal Entity	Men	Women	Total	% women	Fixed salary (women)	Fixed salary (men)	Fixed salary (total)	Womens salary in % of mens salary
		Frøy AkvaRessurs AS	136	5	141	3.5 %	372402	695975	535519	54 %
		Frøy Akvaservice AS	173	4	177	2.3 %	579473	652174	455031	89 %
	Frøy Akvaservice AS	Frøy Nord AS	77	4	81	4.9 %	603183	600232	396407	100 %
		Frøy Vest AS	98	4	102	3.9 %	559252	643393	441511	87 %
		Total	484	17	501	3.4 %	519391	654440	465779	79 %
	Frøy ASA	Total	32	27	59	45.8 %	812292	916422	705876	89 %
		Total	112	6	118	5.1 %	514324	716314	613141	72 %
	Frøy Rederi AS	Fisketransport AS	7	0	7	0.0 %	NaN	740177	592676	NaN
		Frøy Rederi AS	105	6	111	5.4 %	514324	714723	614443	72 %
	Frøy Shipping AS	Total	62	3	65	4.6 %	118555	487813	501640	24 %
	Norsk Fisketransport AS	Total	187	9	197	4.6 %	286201	607079	617205	47 %
<b>Total</b>			<b>877</b>	<b>62</b>	<b>940</b>	<b>6,6 %</b>	<b>593209</b>	<b>650023</b>	<b>532921</b>	<b>91 %</b>

Table 2 shows women's fixed salary as a % of men's fixed salary total in Frøy

**The proportion of women** in Frøy overall is 6.6 % as of 31.12.2022 (ref. Table 1). This is almost 2 % more than at the same time last year. There are generally few women represented in all companies with operations at sea, between 0 and 5%. This is considered to have several reasons, but culture/tradition, working hours and shift work are important factors. In Frøy ASA, which consists of onshore employees, there is a female share of 45.8 %. Active efforts have been made to increase the proportion of women, including in senior positions.

The Board of Directors of Frøy ASA consists of 5 members of which 2 board members are women. The board is aware of the gender equality obligations that are incumbent on the company. Frøy's group management, which consists of 9 employees, 4 are women. Frøy ASA also has a female CEO.

There are essentially no employees in **part-time positions** in Frøy's companies. Approximately 23% of all employees as of 31.12.22 are **temporary** employees. Of these, 44 % are apprentices/cadets who are on a time-limited training agreement and the remainder mainly sick leave.

The average number of weeks of **parental leave** in 2022 is 9,7 weeks for men and 29,3 weeks for women respectively.



## PART 2: FRØY'S WORK FOR EQUALITY AND AGAINST DISCRIMINATION

### DESCRIPTION OF FRØY'S PRINCIPLES, PROCEDURES AND STANDARDS

- Our gender equality work is rooted in Frøy's various strategies, tools and guidelines.
- Frøy has its own guide for dealing with discrimination.
- Frøy has a routine for handling sexual harassment.
- There is a routine for internal notification of censurable conditions.
- The consideration of equality and non-discrimination is otherwise included in the rest of the personnel policy.

### THE STRUCTURE OF GENDER EQUALITY WORK IN FRØY:

- Frøy's staff department for HR/staffing (crew dept), which consists of 7 employees, will ensure that managers at all levels take care of Frøy's gender equality work, as well as provide advice and guidance related to this. The department has weekly meetings, and works with both prevention and possible incidents related to this topic. The department works directly with all Frøy's companies in general, and more specifically with an internal division of labor in relation to each company. The department is headed by Group Manager Maritime Staffing, who is also a permanent member of the Group's management team. The Group Manager HR/CEO is also actively involved in the group, and a participant in the Group's management team.
- Group Manager Maritime Staffing conducts meetings with employee representatives, where gender equality is the topic.
- Group management meetings are held weekly, where gender equality efforts are up for discussion as needed.
- The crew department's employees regularly participate in meetings with operations managers in the various companies where, among other things, recruitment and employee follow-up are topics.

### FRØY'S WORK TO INVESTIGATE DISCRIMINATION RISKS AND EQUALITY BARRIERS.

- Frøy's guidelines in the various personnel policy areas are, if necessary, subject to continuous improvement throughout the year.
- Mapping of gender equality and pay conditions was carried out for 2022
- Gender equality and non-discrimination were raised at several departmental meetings throughout the year, as well as in meetings with operations managers in the various companies.

### DESCRIPTION OF RISKS

In Frøy, the vast majority of our employees work shifts at sea. This means that work is carried out on a boat for 2, 3 or 4 consecutive weeks (somewhat different rotation schemes), with corresponding periods of time off. This makes it possible to combine work and family life in the form of longer periods of time off. On the other hand, it is difficult to facilitate being able to work shorter days, or a reduced working week, as a result of the shift work. Nevertheless, there are good opportunities to take parental leave in accordance with regulations.

To work at vessels it requires an approved health certificate. This means that there is little room for facilitation for disabled people at our sea-related jobs.

No survey of ethnicity, religion and beliefs has been conducted among our employees.

In the wage survey, we found some difference between women's and men's wages. This shows a risk of discrimination in our wage policy.

For employees at sea, wages are regulated by collective agreements, and there should therefore be no room for discrimination between women and men. Shipping company allowances, which are negotiated in local negotiations, are based on position and are not individual.

For employees of Frøy ASA, there are no collective agreements that regulate wages. As a result of the fact that Frøy today consists of several merged companies, one sees a certain difference in salaries in equal positions. A wage policy has been drawn up for Frøy's onshore employees in 2022. Here it is stated, among other things, that individual remuneration is practiced, that the wage system should contribute to high performance/effort paying off and that there should be no different remuneration due to gender.

### DIFFERENT CAUSES OF RISKS AND OBSTACLES:

- Shift work may be one reason for the low number of women among sea employees
- Guidelines against harassment and discrimination must be part of onboarding, to a greater extent than it is today.
- Norwegian as a working language on our boats can be an obstacle to a diverse workplace, especially for foreign job seekers.
- We will continue to work on establishing good culture, attitudes and jargon in the workplace.

## MEASURES 2022 – EVALUATION:

Personnel area	Description of measures	Targets	Responsible	Deadline / Status	Result
<b>Recruitment</b>	Honour active at educational fairs etc. for pupils and students, and work particularly actively to attract female apprentices and cadets	More female employees	Employees of the Crew Department	Continuous	We have participated in various fairs / gatherings for students throughout the year.  A total of 86 apprentices, of which 9 girls.  A total of 16 cadets, of which 3 girls.
<b>Recruitment</b>	Vi will work actively to have female employees at all levels of the organization, and through that ensure good role models for young newly qualified women.	Visible female characters will make a positive contribution	Recruiting managers	Continuous	Female cadets are followed up separately and presented in internal and external publications.  Female apprentices are deliberately highlighted in presentations and advertisements throughout the year.
<b>Promotion and development opportunities</b>	In 2022, a management program will be implemented for the middle management level in Frøy, in collaboration with "Senter for Ledelse". Central themes are recruitment and corporate culture	Good managers who contribute to good recruitment processes	Head of Operation together with HR	December 2022	All operations managers have completed the program and passed the exam. Provides evidence about the leadership role's responsibility for good recruitment in line with strategies.
<b>Work environment</b>	An employee survey will be conducted for all employees during 2022, in collaboration with the Centre for Management (SFL)	Identify challenges that contribute negatively to gender equality efforts	HR in collaboration with (SFL) PWC	December 2022	The survey was conducted, and emphasis has been placed on good action work from all managers to follow up the results,
<b>Workplace culture</b>	Frøy culture and desired attitudes must be clarified in our onboarding routines.	Create a good environment and good attitudes	Personal managers/ crew. dept. /HR	Continuous	Meetings have been held for all commanders in Frøy, with emphasis on attitudes, culture and leadership roles.  There has also been held a group gathering for all the staff in Frøy.
<b>Harassment, sexual harassment and gender-based violence</b>	We will focus on and put the same team / shift on board our vessels that make it more attractive for women, e.g. by having more than one woman on the same team / shift.	Contribute to a good and safe working environment for everyone	Operation managers in cooperation with Crew Dept.	Continuous	This is a long-term work, which crew managers and operations managers work continuously with.
<b>Pay and working conditions</b>	Collective agreements and any local wage agreements shall be harmonized within the segment	Equal terms for everyone within the same segment	Head of operation / operation manager/ HR	December 2022	A demanding work, which has been led by Director Maritime staffing. Negotiations are conducted in all segments, and at the end of the year in the final phase before the conclusion of the agreement.

## MEASURES WE ARE PLANNING FOR 2023:

- Establish a common learning platform for all Frøy employees – to ensure a good onboarding of new employees and ensure Frøy standards for all services through adapted e-learning courses for all employees.
- Establish the Personnel Handbook also for all employees operating at sea.
- Continue the measures from 2022 (apart from middle manager program)







# FRØY GROUP 2022 FINANCIAL STATEMENTS

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK thousands	Note	2022	2021
Revenue	2.2	2 115 102	1 695 789
Other income	2.3	16 402	90 777
<b>Total revenue</b>		<b>2 131 504</b>	<b>1 786 566</b>
Direct expenses (goods/services delivered)	2.4	507 587	287 211
Employee benefit expenses	2.5	617 464	499 830
Other operating expenses	2.6	343 087	307 975
Depreciation	3.1	396 289	313 793
<b>Operating profit</b>		<b>267 076</b>	<b>377 758</b>
Financial income	4.5	103 506	7 737
Financial expenses	4.5	-150 893	-89 292
Share of profit (loss) from associates	6.3	1 588	3 341
<b>Profit (loss) before tax</b>		<b>221 278</b>	<b>299 544</b>
Taxes	5.1	2 331	-15 991
<b>Profit (loss) for the period</b>		<b>223 609</b>	<b>283 553</b>
Profit or loss for the period attributable to:			
Equity holders of the parent		223 609	283 553
Non-controlling interests		-	-
<b>Total</b>		<b>223 609</b>	<b>283 553</b>
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent (NOK)	4.9	2.59	4.27
Diluted, profit for the year attributable to ordinary equity holders of the parent (NOK)	4.9	2.59	4.27
Other comprehensive income			
Net gain (loss) on cash flow hedges	4.10	14 909	11 595
<b>Total comprehensive income for the period</b>		<b>238 518</b>	<b>295 148</b>
Total comprehensive income for the period attributable to:			
Equity holders of the parent		238 518	295 148
Non-controlling interests		-	-
<b>Total</b>		<b>238 518</b>	<b>295 148</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

Amounts in NOK thousands	Note	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and other intangible assets	3.2, 4.2	687 612	687 612
Property, vessel and equipment	3.1, 4.2	6 011 351	5 447 138
Right-of-use assets	3.3, 4.2	514 619	455 410
Pension assets	2.5	498	586
Investments in associates	6.3	24 967	28 053
Other financial assets	4.1	94 728	16 464
<b>Total non-current assets</b>		<b>7 333 776</b>	<b>6 635 262</b>
<b>Current assets</b>			
Inventory	2.4	14 966	11 488
Trade receivables	2.7, 4.2	287 982	187 908
Other receivables	2.7	70 747	83 706
Cash and cash equivalents	4.4	318 705	738 463
<b>Total current assets</b>		<b>692 400</b>	<b>1 021 564</b>
<b>TOTAL ASSETS</b>		<b>8 026 175</b>	<b>7 656 827</b>

Amounts in NOK thousands	Note	2022	2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in equity</b>			
Share capital	4.8	86 350	86 350
Share premium	4.8	2 289 751	2 289 751
<b>Total paid-in equity</b>		<b>2 376 101</b>	<b>2 376 101</b>
Other equity		918 875	809 880
Total retained earnings		918 875	809 880
<b>Total equity</b>		<b>3 294 976</b>	<b>3 185 981</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	4.1, 4.2, 4.3, 4.7	3 609 570	3 370 397
Non-current lease liabilities	3.3	314 670	269 423
Deferred tax liabilities	5.1	31 474	40 528
<b>Total non-current liabilities</b>		<b>3 955 714</b>	<b>3 680 349</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	4.1, 4.2, 4.3, 4.7	443 142	474 259
Current lease liabilities	3.3	119 780	92 918
Trade payables and other current liabilities	2.8	209 800	223 259
Taxes payable	5.1	2 763	61
<b>Total current liabilities</b>		<b>775 485</b>	<b>790 497</b>
<b>Total liabilities</b>		<b>4 731 199</b>	<b>4 470 846</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8 026 175</b>	<b>7 656 827</b>

Frøya, 28 April 2023  
Board of Directors Frøy ASA

 Svein Sivertsen Chairman	 Pernille Christensen Board Member	 Rune Juliussen Board Member	 Morten Loktu Board Member	 Linda Johnsen Board Member	 Tonje Foss Chief Executive Officer
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# CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousands	Note	2022	2021
<b>Cash flows from operating activities</b>			
Profit or loss before tax		221 278	299 544
Income taxes paid	5.1	-61	-8 625
Gain/loss on disposal of property, vessels and equipment	2.3	-16 402	-90 777
Depreciation and impairment	3.1, 3.3	396 289	313 793
Finance income	4.5	-103 506	-7 737
Finance expenses	4.5	150 893	89 292
Changes in inventories, trade receivables, trade payables and other current liabilities	2.4, 2.7, 2.8	-27 530	-96 660
<b>Net cash flows from operating activities</b>		<b>620 961</b>	<b>498 830</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3.1	-876 663	-2 089 528
Purchase of intangible assets	3.2	-	-250
Purchase of financial assets	4.1	-	-62
Proceeds from sale of property, vessels and equipment	3.1, 3.3	17 195	162 349
Dividends	6.3	2 673	-
Interest received	4.5	5 033	6 535
<b>Net cash flow from investing activities</b>		<b>-851 762</b>	<b>-1 920 956</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	4.3	1 005 537	2 488 785
Repayment of borrowings	4.3	-797 481	-1 124 460
Issue of Share Capital	4.8	-	1 000 000
Transactions cost	4.8	-	-22 433
Acquisition of non-controlling interest	6.1	-	-86 000
Payments for the principal portion of the lease liability	4.3	-116 596	-131 914
Interest paid	4.5	-150 893	-81 555
Payments of dividends	4.8	-129 523	-30 646
<b>Net cash flow from financing activities</b>		<b>-188 957</b>	<b>2 011 778</b>
<b>Net change in cash and cash equivalents</b>		<b>-419 758</b>	<b>589 652</b>
Cash and cash equivalents, beginning of period	4.4	738 463	148 811
<b>Cash and cash equivalents, end of period</b>		<b>318 705</b>	<b>738 463</b>

The consolidated statements of cash flows are prepared using the indirect method.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holders of the parent						Non con- trolling interest	Total equity
		Share capital	Share premium	Total paid-in equity	Retained earnings	Net gain (loss) on cash flow hedges	Other equity		
Amounts in NOK thousands	Note								
Equity as at 01.01.2022		86 350	2 289 751	2 376 101	814 071	-4 191	809 880	-	3 185 981
Profit or loss for the period				-	223 609		223 609		223 609
Other comprehensive income				-		14 909	14 909		14 909
Total comprehensive income		-	-	-	223 609	14 909	238 518	-	238 518
Dividends	4.8			-	-129 523		-129 523		-129 523
Equity as at 31.12.2022		86 350	2 289 751	2 376 101	908 157	10 718	918 875	-	3 294 976

			Attributed to the equity holders of the parent						
	Note	Share capital	Share premium	Total paid-in equity	Retained earnings	Net gain (loss) on cash flow hedges	Other equity	Non controlling interest	Total equity
Amounts in NOK thousands									
Equity as at 01.01.2021		69 955	1 328 578	1 398 533	563 096	-15 786	547 310	25 568	1 971 411
Profit or loss for the period				-	283 553		283 553		283 553
Other comprehensive income				-		11 595	11 595		11 595
Total comprehensive income		-	-	-	283 553	11 595	295 148	-	295 148
Acquisition of non-controlling interests	6.2			-	-2 578		-2 578	-24 922	-27 500
Issue of Share Capital	4.8	16 395	983 605	1 000 000			-		1 000 000
Transaction cost			-22 433	-22 433			-		-22 433
Group Contribution				-	-30 000		-30 000		-30 000
Dividends paid to minority in subsidiary				-			-	-646	-646
Equity as at 31.12.2021		86 350	2 289 751	2 376 101	814 071	-4 191	809 880	-	3 185 981

# NOTES TO THE FINANCIAL STATEMENTS

## 1.1 SIGNIFICANT ACCOUNTING POLICIES

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### Corporate information

Frøy ASA and its subsidiaries (collectively "the Group", or "the Frøy Group") is a Euronext listed company at the Oslo Stock Exchange, and one of the leading providers of services to the Norwegian fish-farming industry. The Group operates a fleet of vessels which it uses to serve its clients, primarily along the Norwegian coastline.

The consolidated financial statements of the Group for 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 26 April 2023 and will be presented to the general meeting for decision on 6 June 2023.

Frøy ASA is incorporated in Norway with headquarters in Sistranda, Frøya. The address of its registered office is Siholmveien 34, 7260 Sistranda, Norway.

### Basis of preparation

The consolidated financial statements of the Group comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU").

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through P&L or OCI (note 4.1). Further, the financial statements are prepared based on the going concern assumption. All figures are presented in NOK thousands (000), except when otherwise indicated.

### Presentation currency and functional currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the functional currency of the parent company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

### Financial statement period

The financial statement is covering the period 1. January 2022 to 31 December 2022.

### Other accounting policies

#### Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

#### An asset is current when it is:

Expected to be realised or intended to be sold or consumed in the normal operating cycle,

- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

#### A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgements that may have the most significant effect on the amounts recognised in the financial statements, are summarised below:

#### *Estimates and assumptions:*

Useful lives and methods of depreciation considerations of property, vessels and equipment (note 3.1)

Impairment considerations of property, vessels and equipment and goodwill (note 3.4)

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A detailed description of the significant estimates and assumptions are included in the individual note where applicable.

#### *Accounting judgements:*

A detailed description of the significant accounting judgements are included in the individual note where applicable.

#### *Ongoing case with Norwegian Tax Authorities*

In 2019 the NTA (the Norwegian Tax Administration) initiated a coordinated effort to verify whether vessels used in the fish farming industry qualified under the tonnage tax regime. On 5 November 2019, Frøy Rederi was notified that the NTA considered a reassessment for the income year 2018, claiming that Frøy Rederi did not fulfill the requirement for a distance sailed of at least 30 nautical miles for more than 2/3 of the sailing days. On 10 December 2018, Frøy Rederi submitted a response, claiming inter alia that the requirement regarding a qualified number of sailing days were fulfilled.

On 24 August 2021 Frøy Rederi was notified that the NTA considered a reassessment for the income years 2019 and 2020, claiming that the use of well boats for delousing of farmed fish is not a permitted activity for a company within the Tonnage Tax system. Consequently, Frøy Rederi must exit the special Tonnage Tax system and be taxed according to the general rules of the Tax Act. On 12 October 2021 Frøy Rederi submitted a response, claiming inter alia that the use of well boats for delousing of farmed fish was indeed a permitted activity for a company within the Tonnage Tax system.

On 22 February 2023 Frøy Rederi received a draft decision of amended tax assessments for the income years 2019 and 2020. The NTA's reasoning continues to be that that Frøy Rederi's use of well boats for delousing of farmed fish is not a permitted activity within the Tonnage Tax system. In addition, the NTA claims that the SkatteFunn R&D project no. 307979 is not permitted activity.

It follows from a cover note to the draft decision that the NTA has decided not to proceed with a reassessment for the income year 2018. The NTA has on the other hand requested Frøy Rederi to submit a detailed overview of activities for the vessels Gåsø Viking and Gåsø Jarl on a day-by-day basis, including sailing distance in 2019 and 2020.

In short Frøy Rederi's position is:

- i. the use of wellboats for delousing of farmed fish is a permitted activity for a company within the Tonnage Tax system. In short, the NTA's view is not supported by the wording of the law or the preparatory works. Furthermore, ESA has, in its approval of the Norwegian special tonnage tax system for the period 2018-2027, openly discussed and approved up to 50% income from other activities than core boat transport.
- ii. SkatteFunn R&D project no. 307979, a project related to cleaner fish grade separators, is a permitted activity within the Tonnage Tax Regime.

Even if the requirement of a certain minimum sailing distance is not part of the NTA's reasoning in the current case concerning income years 2019 and 2020, the NTA has still requested additional information, ref. above. Frøy Rederi's position regarding this is that the required minimum sailing distance and days is 30 nautical miles for a minimum of 50% of the sailing days, not 2/3 as the NTA takes for its basis. This is supported e.g. by remarks in the notification letter from Ministry of Finance to ESA 24 May 2017. Hence Frøy Rederi is of the opinion that the requirements regarding sailing distance and days are fulfilled for Gåsø Viking and Gåsø Jarl in 2019 and 2020.

Considering how the case appears in the draft decision on changes to the tax assessment for 2019 and 2020 from the NTA, dated 22 February 2023, and based on the assessments that has been made, it is Frøy's clear opinion that it is more likely that Frøy Rederi AS will prevail with its view in the tax case than that they do not.



## 2.1 OPERATING SEGMENTS

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### ACCOUNTING POLICIES

An operating segment is a component of an entity:

- a) that engages in business activities from which it may earn revenues and incur expenses
- b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- c) for which discrete financial information is available.

The operating segments represent the business units for which the chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group operates within three main segments; wellboats, service and sea transport.

#### Wellboat

The wellboat segment is characterised by contracts ranging from five to eight year fixed term TC contracts with salmon farmers. The wellboats are mainly utilized for transportation of live fish and de-licing of fish in the breeding cages. As of 31 December 2022, the Group had 16 wellboats in operations. In addition, the Group has three vessels under construction scheduled for delivery in 2023 and 2024.

#### Service

The Group has 56 service vessels in operation, and eight service vessels under construction scheduled to be delivered during 2023 and 2024. The service vessels operate under TC contracts, bareboat contracts, frame agreements and in the spot market. The share of the fleet that operates under the different contract structures varies over time. The service vessels are performing a wide range of operations including diving, inspection, net cleaning and installation of infrastructure.

#### Sea transport

In 2022, the sea transportation segment included three vessels engaged in transportation of feed to the salmon facilities and frozen fish. All three vessels operated under a TC contract.

The remaining of the Group's activities and business are shown in the "non-allocated & financial" column below. These activities are mainly related to the administrative and financial components of the entity's revenue generating segments.

Transactions between the segments are made as a part of the day-to-day operating business under applicable business terms. Group management monitors the segments' operating profit regularly and is using the information to generate analyzes of the different segments' performance as well as making decisions with regards to allocation of resources.

#### Geographical markets

In 2022, the Group recognised revenue from customers in the following geographical markets: Norway, UK, Iceland, Lithuania and Turkey.

#### Information about major customers

Three of the Group's external customers amounted to 10% or more of the Group's total revenues (2021: Three). Revenue from these customers amounted to MNOK 1196 for 2022.

## 2.1 OPERATING SEGMENTS

	Wellboat	Service	Sea transport	Elimination and non-allocated	2022
Revenues from external customers					-
Contract revenue	618 040	400 610	87 650		1 106 300
Framework agreements	56 600	322 200	970		379 770
Spot	141 20 8	86 571	17 370	1 264	246 413
Fuel and other invoiced costs	286 800	58 509	37 310		382 619
Other	4 973	11 428	-		16 402
<b>Total revenues</b>	<b>1 107 621</b>	<b>879 319</b>	<b>143 300</b>	<b>1 264</b>	<b>2 131 504</b>
Depreciation	189 839	183 692	21 435	1 322	396 289
Operating costs	705 233	622 905	97 556	42 444	1 468 138
<b>Operating profit</b>	<b>212 549</b>	<b>72 721</b>	<b>24 309</b>	<b>-42 502</b>	<b>267 076</b>
Financial income	12 796	1 655	793	88 263	103 506
Financial expenses	118 218	41 065	13 660	-22 049	150 893
Share of profit (loss) from associates (note 6.3)			1 781	-193	1 588
<b>Earnings before tax</b>	<b>107 127</b>	<b>33 311</b>	<b>13 223</b>	<b>67 617</b>	<b>221 278</b>
Tax	208	6 816	11	-9 366	-2 331
<b>Net income</b>	<b>106 919</b>	<b>26 495</b>	<b>13 212</b>	<b>76 983</b>	<b>223 609</b>

<b>Balance sheet items</b>					<b>31/12/2022</b>
Assets	5 531 337	1 530 606	446 200	518 031	8 026 175
Liabilities	3 733 170	1 020 557	316 150	-338 678	4 731 199
Equity	1 798 167	510 049	130 051	856 709	3 294 976
<i>Other disclosures</i>					
Investments in associates (note 6.3)			24 968	-	24 968
Capital expenditure	760 317	395 190	78 505	-22 049	1 211 962

<b>Revenue from external customers</b>					<b>2022</b>
Norway	1 046 979	879 319	101 552	1 264	2 029 114
United Kingdom	25 122		38 261		63 383
Iceland	35 117		3 043		38 160
Other	403		444		847
<b>Total revenue from external customers</b>	<b>1 107 621</b>	<b>879 319</b>	<b>143 300</b>	<b>1 264</b>	<b>2 131 504</b>

The revenue information above is based on the locations of the customers.

<b>Revenue from major customers</b>					<b>2022</b>
Major customer 1	397 790	98 802			496 592
Major customer 2	189 410	277 602		96	467 108
Major customer 3	13 724	218 655			232 379
Other customers	506 697	284 260	143 300	1 168	935 425
<b>Total revenue from external customers</b>	<b>1 107 621</b>	<b>879 319</b>	<b>143 300</b>	<b>1 264</b>	<b>2 131 504</b>

## 2.1 OPERATING SEGMENTS

	Wellboat	Service	Sea transport	Elimination and non-allocated	2021
Revenues from external customers					
Contract revenue	509 700	338 500	56 100		904 300
Framework agreements	56 600	294 200	7 400		358 200
Spot	113 900	85 723	66 100	1 766	267 489
Fuel and other invoiced costs	143 700	20 500	1 600		165 800
Other	52 100	35 677	3 000		90 777
<b>Total revenues</b>	<b>876 000</b>	<b>774 600</b>	<b>134 200</b>	<b>1 766</b>	<b>1 786 566</b>
Depreciation	149 502	139 050	19 630	5 611	319 404
Operating costs	481 820	503 151	95 282	14 763	1 141 568
<b>Operating profit</b>	<b>244 678</b>	<b>132 399</b>	<b>19 288</b>	<b>-18 607</b>	<b>377 758</b>
Financial income	749	2 182	697	4 110	7 737
Financial expenses	48 272	24 936	9 765	6 318	89 292
Share of profit (loss) from associates (note 6.3)			2 548	793	3 341
<b>Earnings before tax</b>	<b>197 154</b>	<b>109 644</b>	<b>12 768</b>	<b>-20 023</b>	<b>299 544</b>
Tax	155	15 838	11		15 991
<b>Net income</b>	<b>196 999</b>	<b>93 806</b>	<b>12 758</b>	<b>-20 023</b>	<b>283 553</b>

<b>Balance sheet items</b>					<b>31/12/2021</b>
Assets	4 456 845	1 462 594	422 338	1 315 050	7 656 827
Liabilities	3 340 483	1 027 575	303 778	-200 990	4 470 846
Equity	1 116 361	435 019	118 560	1 516 040	3 185 981
<i>Other disclosures</i>					
Investments in associates (note 6.3)			25 860	2 193	28 053
Capital expenditure	1 735 484	444 654	138 756	6 318	2 325 213

<b>Revenue from external customers</b>					<b>2021</b>
Norway	809 972	762 517	94 445	1 766	1 668 700
Russia	52 100				52 100
Scotland			21 993		21 993
United Kingdom (excl. Scotland)	9 457		11 634		21 091
Iceland	4 471	12 083	38		16 592
Other			6 091		6 091
<b>Total revenue from external customers</b>	<b>876 000</b>	<b>774 600</b>	<b>134 200</b>	<b>1 766</b>	<b>1 786 566</b>

The revenue information above is based on the locations of the customers. Revenue from Russia is in its entirety a sale of an older wellboat

<b>Revenue from major customers</b>					<b>2021</b>
Major customer 1	155 391	226 963	4 962		387 317
Major customer 2	251 974	103 690			355 664
Major customer 3	7 197	236 419			243 616
Other customers	461 438	207 528	129 238	1 766	799 970
<b>Total revenue from external customers</b>	<b>876 000</b>	<b>774 600</b>	<b>134 200</b>	<b>1 766</b>	<b>1 786 566</b>



## 2.2 REVENUE

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### Source of revenue

The Group has three main sources of revenue consisting of the sale of service vessel capacity, wellboat and sea transport to the fish-farming industry.

### ACCOUNTING POLICIES

#### General

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is presented net of VAT and variable considerations

The Group considers whether there are other contract obligations in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

#### Revenue from wellboats, services and sea transport

Revenues from wellboats, service and sea transport are primarily obtained from bareboat and TC-contracts (leasing of vessels and crew).

TC contracts are accounted for as operating leases, and the revenue from these contracts are separated into two different elements: lease revenues (IFRS 16) and delivery of services (IFRS 15).

Bareboat contracts are accounted as operating leases (IFRS 16).

Revenues from rental of service vessels and wellboats (IFRS 16) are recognized on a straight-line basis throughout the lease term. The revenues are recognized from the delivery day of the service vessel until the end of the tenancy.

Revenues from sale and delivery of services (in relation to IFRS 15) are recognized over time (as the service is performed), which normally would match the accrual of such income.

When allocating the contract consideration between leasing of vessels and sale of other services the Group determines, upon signing of the contract the value of the stand-alone parts included in the delivery of services to the customer. The stand-alone value is the actual price of a good or service the Group would charge the customer if sold separately. The best way of calculating the stand-alone value of the good or service is to observe comparable transactions with comparable customers on a stand-alone basis.

Service elements, which primarily consist of services conducted by the crew onboard the vessels, is regulated by IFRS 15 and is considered to be a performance obligation.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract applying the principles in IFRS 16 Leases.

Revenues from vessels that operate on spot-agreements are recognised over time (as the service is performed in accordance with rates agreed). Expenses are recognised on an ongoing basis as the principle of "load to discharge" is used.

#### SIGNIFICANT ACCOUNTING JUDGEMENTS

For contracts where the Group acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

## 2.2 REVENUE

	2022	2021
Revenue from contracts from customers	1 510 672	1 206 468
Lease revenues	604 431	489 321
Other	16 402	90 777
<b>Total revenue</b>	<b>2 131 504</b>	<b>1 786 566</b>

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2022	2021
Wellboat	737 760	542 207
Service	684 066	570 576
Sea transport	87 582	91 919
Non-allocated	1 264	1766.46
<b>Total revenue</b>	<b>1 510 672</b>	<b>1 206 468</b>

### Geographical markets

Norway	1 436 106	1 152 485
United Kingdom	43 859	31 695
Iceland	29 860	16 198
Other	847	6 091
<b>Total revenue</b>	<b>1 510 672</b>	<b>1 206 468</b>

Payment is generally due within 14 days after delivery.

Future minimum lease payments (lease revenues) under non-cancellable operating leases as at 31 December are, as follows:

	2022	2021
Within one year	627 129	557 616
After one year but no more than five years	1 376 171	1 340 023
More than five years	184 167	370 513
<b>Total</b>	<b>2 187 466</b>	<b>2 268 152</b>

### Timing of revenue recognition

	2022	2021
Point in time	246 413	267 489
Services transferred over time	1 264 258	938 979
<b>Total</b>	<b>1 510 672</b>	<b>1 206 468</b>

## 2.3 OTHER INCOME

### ACCOUNTING POLICIES

Other income is recognized when control is transferred, where its probable that economic benefits will be controlled by the Group and the consideration can reliably be estimated. Gains or losses that arise from sale of property, vessels and equipment are calculated as the difference between net sales price and the booked value of the asset.

Other income	2022	2021
Gain related to sale of PV&E	11 428	90 777
Other	4 973	-
<b>Total other income</b>	<b>16 402</b>	<b>90 777</b>

## 2.4 DIRECT EXPENSE AND INVENTORY

### ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realisable value. Purchase cost is allocated using the FIFO method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of materials are recognized as expenses in the period in which they occur.

Direct expenses	2022	2021
Marine gas oil	119 947	110 984
Hire of external boat and crew	1 643	2 962
Reimbursable cost by customers, included fuel and chemicals	382 619	165 800
Other	3 378	7 465
<b>Total direct expenses</b>	<b>507 587</b>	<b>287 211</b>

Inventories	2022	2021
Bunkers	10 373	7 067
Spare parts and other equipment	4 592	4 422
<b>Total inventories (gross)</b>	<b>14 966</b>	<b>11 488</b>
Write down of inventories		
<b>Total inventories at the lower of cost and net realisable value</b>	<b>14 966</b>	<b>11 488</b>

## 2.5 EMPLOYEE BENEFIT EXPENSES

### ACCOUNTING POLICIES

Employee benefit expenses comprise of all types of remuneration to personnel employed by the Group (ie. not contracted manpower) and are expensed when incurred. Ordinary salaries can be both fixed pay and hourly wages and are earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pension contributions are earned on a monthly basis.

#### *Government grants related to the net salary scheme*

Government grants related to the net salary scheme for sailors are recognized as a reduction of salary expenses in the same year as the corresponding employee benefit expenses.

#### *Pensions*

The Group has a defined contribution pension plan for its employees which satisfies the statutory requirements under the Norwegian law on required occupational pension ("lov om obligatorisk tjenstepensjon").

The scheme is a defined contribution plan where contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Employee benefit expenses	2022	2021
Salaries	521 728	425 122
Social security costs	49 854	39 895
Pension costs	16 464	18 503
Other employee expenses	29 418	16 311
<b>Total employee benefit expenses</b>	<b>617 464</b>	<b>499 830</b>
Average number of full time employees (FTEs)	940	814

For information on remuneration to key management personnel, see note 7.1.

The Group has received government wage support of MNOK 84.179 during 2022 under the net salary scheme (2021: MNOK 97.509).

At the end of the year, the total pension funds for the Group amounts to NOK 498.000



## 2.6 OTHER OPERATING EXPENSES

### ACCOUNTING POLICIES

Other operating expenses are recognized as they occur and represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified as cost of materials, employee benefit expenses, depreciation or amortization.

Other operating expenses	2022	2021
Freight	1 923	1 768
Harbour and cleaning cost	15 020	14 948
Maintenance cost and repairs	188 048	163 385
Travel expenses	43 147	36 039
Consulting expenses and insourcing	24 100	30 696
Marketing expenses	1 981	5 748
Insurance	23 193	19 760
Other	45 676	35 630
<b>Total other operating expenses</b>	<b>343 087</b>	<b>307 974</b>

Auditor related fees	2022	2021
Audit fee	2 449	2 094
Audit related services	357	702
Other advisory services	439	968
<b>Total auditor fees (excl. VAT)</b>	<b>3 246</b>	<b>3 764</b>

The audit fees presented above are related to the Group, including the parent company and subsidiaries. All amounts are excl. VAT.

## 2.7 TRADE AND OTHER RECEIVABLES

### ACCOUNTING POLICIES

#### Trade and other receivables

Trade receivables are assets that, at initial recognition should be valued at their transaction price. Trade and other receivables are subject to impairment by recognizing an allowance for Expected Credit Losses (ECLs). For details regarding the Group's accounting policies and procedures on managing credit risk (including ECLs), reference is made to note 4.7.

The information about ECLs on the Group's trade receivables is disclosed below.

Trade receivables	31/12/2022	31/12/2021
Trade receivables from revenue contracts with customers at nominal value - external	288 052	187 978
<b>Total trade receivables (gross)</b>	<b>288 052</b>	<b>187 978</b>
Allowance for expected credit losses	-70	-70
<b>Total trade receivables (net)</b>	<b>287 982</b>	<b>187 908</b>

Other receivables	31/12/2022	31/12/2021
Prepaid rent and other expenses	35 138	29 833
Receivable government wage support	11 328	16 382
Other	24 281	37 491
<b>Total other receivables (net)</b>	<b>70 747</b>	<b>83 706</b>

Allowance for expected credit losses	31/12/2022	31/12/2021
At the beginning of the period		
Provision for expected credit losses	-70	-70
<b>At the end of the period</b>	<b>-70</b>	<b>-70</b>

The credit risk of financial assets has not increased significantly from initial recognition.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

			Trade receivables				
			Days past due				
31/12/2022	Contract assets	Current	< 30 days	31-60 days	61 - 90 days	over 90 days	Total
Trade receivables		203 210	43 016	8 388	11 000	22 369	287 982

			Trade receivables				
			Days past due				
31/12/2021	Contract assets	Current	< 30 days	31-60 days	61 - 90 days	over 90 days	Total
Trade Receivables		131 217	46 535	6 711	1 772	1 674	187 908

## 2.8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

### ACCOUNTING POLICIES

Trade payables and other current liabilities are present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment).

Trade payables and other current liabilities are measured at fair value of their transaction price upon initial recognition and subsequently at amortized cost. Trade payables and other current liabilities are expected to be settled within the normal operating cycle within twelve months after the reporting period.

Trade payables and other current liabilities	31/12/2022	31/12/2021
Trade payables - external	96 885	110 731
Payroll tax, VAT payable and social security	72 547	70 004
Other current liabilities	40 368	42 524
<b>Trade payables and other current liabilities</b>	<b>209 800</b>	<b>223 259</b>

Trade payables and other current liabilities are non-interest bearing on general due dates between 10-40 days. For an overview of the term date of trade payables and other current liabilities see note 4.3.

## 3.1 PROPERTY, VESSELS AND EQUIPMENT

### ACCOUNTING POLICIES

Property, vessels and equipment ("PV&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the PV&E and borrowing costs for similar construction projects if they meet the recognition criteria. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset. When significant parts of PV&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives and methods of depreciation of PV&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

Ships are decomposed into vessels and periodic maintenance and vessels are depreciated on a straight-line basis over the defined useful life. The depreciation period is 16-25 years for wellboats, 10-20 years for service vessels, 15-25 years for sea transport vessels, 20 years for buildings, 3-5 years for other machines and equipment. Periodic maintenance is depreciated over the period until the next maintenance, usually 5 years. Periodic maintenance only applies for owned vessels.

No impairments of property, plant and equipment were made in 2022. For the Group's principles related to impairment of property, plant and equipment, see note 3.4.

### SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The economic life of vessels and other property and equipment, as well as the carrying amounts and depreciation of periodic maintenance for vessels, are based on estimates by management. Uncertainty in the use of accounting principles are primarily related to the determination of economic life of vessels and other property and equipment.

### 3.1 PROPERTY, VESSELS AND EQUIPMENT

	Wellboats	Service vessels	Sea Transport	Periodic Maintenance	Land and buildings	Other machines and equipment	Total
<b>Acquisition cost 01.01.2022</b>	<b>4 418 654</b>	<b>842 045</b>	<b>402 327</b>	<b>44 658</b>	<b>24 016</b>	<b>108 867</b>	<b>5 840 567</b>
Additions	614 537	126 264	64 720	27 562	8 664	27 654	869 401
Disposals	-	-11 661					-11 661
<b>Acquisition cost 31.12.2022</b>	<b>5 033 191</b>	<b>956 648</b>	<b>467 047</b>	<b>72 220</b>	<b>32 680</b>	<b>136 521</b>	<b>6 698 307</b>
Accumulated depreciation and impairment 01.01.2022	223 944	66 194	33 125	14 330	2 877	52 959	393 429
Depreciation for the period	164 919	45 399	21 029	12 017	1 549	48 613	293 526
<b>Accumulated depreciation and impairment 31.12.2022</b>	<b>388 863</b>	<b>111 593</b>	<b>54 154</b>	<b>26 347</b>	<b>4 426</b>	<b>101 572</b>	<b>686 955</b>
<b>Carrying amount PV&amp;E 31.12.2022</b>	<b>4 644 328</b>	<b>845 055</b>	<b>412 893</b>	<b>45 873</b>	<b>28 254</b>	<b>34 949</b>	<b>6 011 352</b>
Economic useful lives	16-25 years	10-20 years	15-25 years	5 years	20 years	3-5 years	
Depreciation method	Straight-line method						
	Wellboats	Service vessels	Sea Transport	Periodic Maintenance	Land and buildings	Other machines and equipment	Total
<b>Acquisition cost 01.01.2021</b>	<b>2 790 472</b>	<b>566 889</b>	<b>284 445</b>	<b>33 429</b>	<b>23 778</b>	<b>81 696</b>	<b>3 780 709</b>
Additions	1 675 983	275 156	128 866	11 229	238	27 171	2 118 643
Disposals	-47 801		-10 984		-		-58 785
<b>Acquisition cost 31.12.2021</b>	<b>4 418 654</b>	<b>842 045</b>	<b>402 327</b>	<b>44 658</b>	<b>24 016</b>	<b>108 867</b>	<b>5 840 567</b>
Accumulated depreciation and impairment 01.01.2021	89 313	31 054	13 663	8 009	1 101	20 023	163 163
Depreciation for the period	134 631	35 140	19 462	6 321	1 776	32 936	230 266
<b>Accumulated depreciation and impairment 31.12.2021</b>	<b>223 944</b>	<b>66 194</b>	<b>33 125</b>	<b>14 330</b>	<b>2 877</b>	<b>52 959</b>	<b>393 429</b>
<b>Carrying amount PV&amp;E 31.12.2021</b>	<b>4 194 710</b>	<b>775 851</b>	<b>369 202</b>	<b>30 328</b>	<b>21 139</b>	<b>55 908</b>	<b>5 447 138</b>
Economic useful lives	16-25 years	10-20 years	15-25 years	5 years	20 years	3-5 years	
Depreciation method	Straight-line method						



## 3.2 GOODWILL

### ACCOUNTING POLICIES

#### Nature of the Group's intangible assets

The Group's intangible assets comprise of goodwill and trade marks.

#### Goodwill

Goodwill arises in a business combination when the fair value of consideration transferred exceeds the fair value of identifiable assets acquired less the fair value of identifiable liabilities assumed. Goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units, and tested subsequently for impairment.

The value of goodwill is primarily related to synergies, assembled workforce and their competency. Goodwill also arises due to the requirement to recognise deferred tax liabilities for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

For the Group's principles related to impairment of goodwill, see note 3.4.

	Trade Marks	Goodwill	Total
<b>Acquisition cost 01.01.2022</b>	250	687 361	687 612
Additions			0
<b>Acquisition cost 31.12.2022</b>	<b>250</b>	<b>687 361</b>	<b>687 612</b>
Impairment for the period		-	-
<b>Accumulated impairment 01.01.2022</b>	<b>-</b>	<b>-</b>	<b>-</b>
Amortization for the period		-	-
Impairment for the period		-	-
<b>Accumulated impairment 31.12.2022</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount 01.01.2022</b>	<b>250</b>	<b>687 361</b>	<b>687 612</b>
<b>Carrying amount 31.12.2022</b>	<b>250</b>	<b>687 361</b>	<b>687 612</b>
	Trade Marks	Goodwill	Total
<b>Acquisition cost 01.01.2021</b>	-	687 361	687 361
Additions	250		250
<b>Acquisition cost 31.12.2021</b>	<b>250</b>	<b>687 361</b>	<b>687 612</b>
Accumulated impairment 01.01.2021		-	-
Impairment for the period		-	-
<b>Accumulated impairment 31.12.2021</b>		<b>-</b>	<b>-</b>
<b>Carrying amount 01.01.2021</b>	<b>-</b>	<b>687 361</b>	<b>687 361</b>
<b>Carrying amount 31.12.2021</b>	<b>250</b>	<b>687 361</b>	<b>687 612</b>

### 3.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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#### ACCOUNTING POLICIES

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

At the commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which the Group is the lessee.

#### *Measuring the lease liability*

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

Fixed lease payments, less any lease incentives received

Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

#### *Measuring the right-of-use asset*

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, vessels and equipment (Note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

#### *Maturity of lease liabilities*

For undiscounted lease liabilities and maturity of cash outflows, see note 4.3

#### The Group's leased assets

The Group leases several assets, mainly ships and vessels. Leases of land and buildings generally have lease terms between 5 and 10 years, vessels have lease terms between 7- 10 years, while motor vehicles and other equipment generally have lease terms between 3 and 7 years. The Group also leases some machinery and equipment that are expensed as incurred as they are either considered short term or of low value, the total expense for these leases amounts to MNOK 8.112 in 2022 (2021: 7.356).

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 3.31% for 2022 (2021: 3.46%).

No impairments of right-of-use assets were made in neither 2021 or 2022.

### 3.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets	Service vessels	Land and buildings	Other machines and equipment	Total
<b>Carrying amount 01.01.2022</b>	<b>325 976</b>	<b>12 435</b>	<b>116 999</b>	<b>455 410</b>
Additions	148 347	3 212	40 109	191 668
Adjustment	-25 349			-25 349
Depreciations	-54 481	-4 747	-43 535	-102 763
Termination of contracts	-3 667	-157	-522	-4 346
Termination of contracts - gains and losses	53	0	-53	-0
<b>Carrying amount 31.12.2022</b>	<b>390 879</b>	<b>10 743</b>	<b>112 998</b>	<b>514 619</b>
Remaining lease term or useful life	10 years	10 years	3-5 years	
Depreciation plan		Straight-line		

#### The Group's lease liabilities

Changes in the lease liabilities	Total
<b>Total lease liabilities at 01.01.2022</b>	<b>362 342</b>
New leases recognised during the period	191 668
Cash payments for the principal portion of the lease liability	-129 433
Interest expense on lease liabilities	12 837
Termination of contracts	-2 963
<b>Total lease liabilities at 31.12.2022</b>	<b>434 450</b>
Current lease liabilities in the statement of financial position	119 780
Non-current lease liabilities in the statement of financial position	314 670
<b>Total cash outflow during the period</b>	<b>-129 433</b>

### 3.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets	Service vessels	Land and buildings	Other machines and equipment	Total
<b>Carrying amount 01.01.2021</b>	<b>415 671</b>	<b>16 715</b>	<b>104 028</b>	<b>536 414</b>
Additions	62 808	552	53 918	117 278
Depreciations	-39 066	-4 832	-39 629	-83 527
Termination of contracts	-96 729	-	-1 358	-98 087
Termination of contracts - gains and losses	-16 708		40	-16 668
<b>Carrying amount 31.12.2021</b>	<b>325 976</b>	<b>12 435</b>	<b>116 999</b>	<b>455 410</b>
Remaining lease term or useful life	10 years	10 years	3-5 years	
Depreciation plan		Straight-line		

#### The Group's lease liabilities

Changes in the lease liabilities	Total
<b>Total lease liabilities at 01.01.2021</b>	
New leases recognised during the period	475 064
New leases recognised during the period from acquisitions (note 6.2)	117 279
Cash payments for the principal portion of the lease liability	-146 082
Interest expense on lease liabilities	14 168
Termination of contracts	-98 087
<b>Total lease liabilities at 31.12.2021</b>	<b>362 342</b>
Current lease liabilities in the statement of financial position	92 918
Non-current lease liabilities in the statement of financial position	269 423
<b>Total cash outflow during the period</b>	<b>-146 082</b>

#### Lease commitments not included in the lease liabilities

##### Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the Group's business needs. Management applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive to exercise either renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group has not included the renewal period for leases of vessels as part of the lease term because management was not reasonably certain to exercise the option to renew the leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

##### Purchase options

The Group does not have any lease contracts that includes purchase options.



### 3.4 IMPAIRMENT CONSIDERATIONS

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#### ACCOUNTING POLICIES

##### Property, vessels and equipment and right-of-use assets

Property, vessels and equipment (and intangible assets that are subject to depreciation) and right-of-use assets are tested for impairment when there are indications that the recoverable amount does not exceed the carrying amount. The recoverable amount of an asset is defined as the higher of fair value less costs to sell and the value in use.

##### Goodwill

Goodwill is not amortized, but subject to impairment testing. The testing is performed annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

#### SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

##### Basis for determining the recoverable amount

The CGUs' recoverable amounts have been determined based on their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from budgets for each individual vessel for 2023, with assumption for increase in sales price linked to CPI and an estimate of wage increase for the following 4 years, in line with a historic performance. There is also an element for capex for periodic maintenance of the vessel every 5 years. Restructuring activities and significant future investments are excluded from the budgets.

##### Key assumptions applied to determine the recoverable amount

The calculation of value in use for the service vessels and wellboat CGU is most sensitive to the following assumptions:

- Pre-tax discount rate
- Future price development

##### *Pre-tax discount rate:*

The discount rate reflects the current market assessment of the risks specific to the CGU. The discount rate for the Group is estimated based on the weighted average cost of capital (WACC). The main components of the WACC are the risk-free rate, the market equity premium, the CGU's Beta, interest cost of debt, expected debt/enterprise value ratio and the corporate tax rate. The pre-tax discount rate is determined by an iterative computation so that value in use determined using pre-tax cash flows and a pre-tax discount rate equals value in use determined using post-tax cash flows and a post-tax discount rate (WACC).

##### *Future contract price:*

The market for aquaservices, including service vessels and wellboats, is a quite young market. Future price development is therefore hard to assess with high accuracy. For the forecast period, there is a mix of firm contracts and expected income, mostly for the service vessel fleet. The future contract price is an uncertain factor when predicting revenues. Management assumes that the price will be adjusted following a normal consumer-price index, and therefore a factor of 1.02 has been added to the 2022 prices.

### 3.4 IMPAIRMENT CONSIDERATIONS

The key assumptions used to determine the recoverable amount for the CGU are presented below:

Key assumptions used to determine the recoverable amount for the CGU, 31.12.2022	Service vessel	Wellboats
Pre-tax discount rate	7.99%	6.75%
Annual increase in free cashflow	2.00%	2.00%
<b>Carrying amount of the intangible assets allocated to the CGU, 31.12.2022</b>	<b>Service vessel</b>	<b>Wellboats</b>
Carrying amount of goodwill	246 075	441 286
<b>Total carrying amount</b>	<b>246 075</b>	<b>441 286</b>

The recoverable amount of the cash generating unit is significantly higher than its carrying amount and no impairment loss is recognised in the period. Headroom for service vessel CGU will according to the test results be depleted if future aggregated contract revenues over the 16 year analyses period decreases by 13% (ceteris paribus), or the discount rate increases to 9,99% (2021: 11.2%). The corresponding sensitivity for the wellboat CGU are 15% decrease in revenue and discount rate increased to 8,75% (2021: 9.3 %).

Key assumptions used to determine the recoverable amount for the CGU, 31.12.2021	Service vessel	Wellboats
Pre-tax discount rate	6.80%	5.63%
Annual increase in free cashflow	2.00%	2.00%
<b>Carrying amount of the intangible assets allocated to the CGU, 31.12.2021</b>	<b>Service vessel</b>	<b>Wellboats</b>
Carrying amount of goodwill	246 075	441 286
<b>Total carrying amount</b>	<b>246 075</b>	<b>441 286</b>

## 4.1 OVERVIEW OF FINANCIAL INSTRUMENTS

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### ACCOUNTING POLICIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Classification of financial instruments

The Group's financial instruments are grouped in the following categories:

##### Financial Assets

- Financial assets measured subsequently at amortized cost: Includes mainly trade receivables and cash and cash equivalents.
- Financial assets measured subsequently at fair value through profit and loss: Includes non-listed equity investments.

All the Group's financial assets are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortized cost.

##### Financial Liabilities

- Financial liabilities measured subsequently at amortized cost: Represent the Group's interest-bearing liabilities as well as non-interest bearing liabilities such as trade payables.
- Financial liabilities measured subsequently at fair value through OCI: Represents the Group's derivative financial instruments, see separate disclosures in note 4.10.

#### Initial recognition and subsequent measurement

The Group's financial assets and liabilities are initially recognized at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortized cost using the effective interest method (EIR). Gains and losses are recognized in profit or loss upon impairment, when the instruments are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of comprehensive income.

#### *Impairment of financial assets*

Financial assets measured at amortized cost are considered for impairment by recognizing an allowance for expected credit losses (ECLs). The Group applies a simplified approach in calculating ECLs for trade receivables and lease receivables, where the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.7 for further information related to management of credit risk.

#### *Derecognition of financial instruments*

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Group has transferred its rights to receive cash flows from the asset or the Group has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### 4.1 OVERVIEW OF FINANCIAL INSTRUMENTS

31/12/2022	Note	Financial instruments at amortized cost	Financial instruments at FV through P&L	Financial instruments at FV through OCI	Total
<b>Assets</b>					
Other financial assets	2.3, 4.6	6 985	87 743		94 728
Trade receivables	2.7	287 982			287 982
Other receivables	2.7	70 747			70 747
Cash and cash equivalents	4.4	318 705			318 705
<b>Total financial assets</b>		<b>684 419</b>	<b>87 743</b>	<b>-</b>	<b>772 162</b>
<b>Liabilities</b>					
<i>Interest-bearing loans and borrowings</i>					
Non-current interest-bearing liabilities	4.2, 4.6, 4.10	3 622 537		-12 967	3 609 570
Non-current lease liabilities	3.3	314 670			314 670
Current interest-bearing liabilities	4.2	443 142			443 142
Current lease liabilities	3.3	119 780			119 780
<i>Other financial liabilities</i>					
Trade payables and other current liabilities	2.8	209 800			209 800
<b>Total financial liabilities</b>		<b>4 709 929</b>		<b>-12 967</b>	<b>4 696 962</b>
31/12/2021	Note	Financial instruments at amortized cost	Financial instruments at FV through P&L	Financial instruments at FV through OCI	Total
<b>Assets</b>					
Other financial assets	2.3, 4.6	14 602	1 863		16 464
Trade receivables	2.7	187 908			187 908
Other receivables	2.7	83 706			83 706
Cash and cash equivalents	4.4	738 462			738 462
<b>Total financial assets</b>		<b>1 024 678</b>	<b>1 863</b>	<b>-</b>	<b>1 026 541</b>
<b>Liabilities</b>					
<i>Interest-bearing loans and borrowings</i>					
Non-current interest-bearing liabilities	4.2, 4.6, 4.10	3 367 799		2 598	3 370 397
Non-current lease liabilities	3.3	269 423			269 423
Current interest-bearing liabilities	4.2	474 259			474 259
Current lease liabilities	3.3	92 918			92 918
<i>Other financial liabilities</i>					
Trade payables and other current liabilities	2.8	223 259			223 259
<b>Total financial liabilities</b>		<b>4 427 659</b>		<b>2 598</b>	<b>4 430 257</b>

There are no changes in classification and measurement for the Group's financial assets and liabilities. Other financial assets mainly consist of lease receivables and shares in a non-listed equity investment. Significant finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.5.



## 4.2 INTEREST-BEARING LIABILITIES

Non-current interest-bearing loans and borrowings	31/12/2022	31/12/2021
Loan from credit institutions	3 609 570	3 370 397
Non-current lease liabilities	314 670	269 423
<b>Total non-current interest-bearing loans and borrowings</b>	<b>3 924 240</b>	<b>3 639 821</b>
Current interest-bearing loans and borrowings	31/12/2022	31/12/2021
Loan from credit institutions, due within 12 months	443 142	474 259
Current lease liabilities	119 780	92 918
<b>Current interest-bearing loans and borrowings</b>	<b>562 922</b>	<b>567 177</b>

For reconciliation of changes in liabilities incurred as a result of financing activities, see note 4.3.

For undiscounted liabilities and maturity of cash outflows, see note 4.3.

### Overdraft facility

The Group has overdraft facilities in place which may be drawn at any time up to MNOK 38.5 (2021: MNOK 38.5). The Group has pledged assets as security for its liabilities, presented in the table below:

Assets pledged as security for interest bearing loans and borrowings	31/12/2022	31/12/2021
Secured balance sheet liabilities:		
Non-current interest-bearing liabilities	3 924 240	3 639 821
Current interest-bearing liabilities	562 922	567 177
<b>Total</b>	<b>4 487 162</b>	<b>4 206 998</b>
Carrying amount of assets pledged as security for secured liabilities:		
Trade and other receivables	246 061	118 041
Right-of-use assets	514 619	455 410
Property, vessels and equipment	5 913 529	5 341 687
Other	24 967	77 685
<b>Total</b>	<b>6 699 176</b>	<b>5 992 823</b>

### Covenant requirements

Subsidiaries in the Group are obligated to adhere to the following covenant requirement for their interest-bearing liabilities:

- Equity Ratio >20% -25%
- Market value / loan value > 125-140%
- EBITDA/(net interest and repayment) >1.5
- NIBD/EBITDA < 3-6.0

Interest-bearing loans and borrowings are provided by five Norwegian credit institutions. The relevant loan agreements contain cross default provisions which might result in the relevant borrowings becoming payable on demand if an entity controlled by Frøy ASA breaches a significant provision in another loan agreement with the same issuer (Danske Bank) or any other significant financial obligation (Nordea).

The Group is compliant with its covenants at year end 2022.

### 4.3 AGING OF FINANCIAL LIABILITIES

Contractual undiscounted cash flows from financial liabilities, including interest payments are presented below:

31/12/2022	Remaining contractual maturity						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
<b>Financial liabilities</b>							
Loans from credit institutions	486 498	565 967	499 347	1 663 944	584 216	310 225	4 110 197
Trade payables and other current liabilities	212 563						212 563
Lease liabilities	121 343	102 974	81 941	57 020	34 166	72 429	469 872
<b>Total financial liabilities</b>	<b>820 404</b>	<b>668 941</b>	<b>581 288</b>	<b>1 720 964</b>	<b>618 382</b>	<b>382 654</b>	<b>4 792 632</b>

Several of the Group's current loan agreements contain change of control and ownership change clauses. The Group will obtain consents prior to any ownership changes or change of control events.

#### Reconciliation of changes in liabilities incurred as a result of financing activities:

	01/01/ 2022	Repay-ment of borrow-ings	Pay-ments for principal portion of the lease liability	Proceeds from bor-rowings	Non-cash changes			31/12/ 2022
					New leases	Reclas-sified	Termi-nation of leasing con-tracts	
Loans from credit institutions non-current	3 370 397	-766 364		1 005 537				3 609 570
Lease liabilities non-current	269 423		-1 624		49 834		-2 963	314 670
<b>Non-current interest-bearing liabilities</b>	<b>3 639 821</b>	<b>-766 364</b>	<b>-1 624</b>	<b>1 005 537</b>	<b>49 834</b>	<b>-</b>	<b>-2 963</b>	<b>3 924 240</b>
Loans from credit institutions current	474 259	-31 117						443 142
Lease liabilities current	92 919		-114 973		141 834	-		119 780
<b>Current interest-bearing liabilities</b>	<b>567 178</b>	<b>-31 117</b>	<b>-114 973</b>	<b>-</b>	<b>141 834</b>	<b>-</b>	<b>-</b>	<b>562 922</b>
<b>Total liabilities from financing</b>	<b>4 206 998</b>	<b>-797 481</b>	<b>-116 597</b>	<b>1 005 537</b>	<b>191 668</b>	<b>-</b>	<b>-2 963</b>	<b>4 487 161</b>

#### 4.3 AGING OF FINANCIAL LIABILITIES

Contractual undiscounted cash flows from financial liabilities, including interest payments are presented below:

31/12/2021	Remaining contractual maturity						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
<b>Financial liabilities</b>							
Loans from credit institutions	553 075	502 666	906 120	2 160 962	79 508	2 494	4 204 825
Trade payables and other current liabilities	223 300						223 300
Lease liabilities	103 441	92 371	73 260	51 999	32 503	39 175	392 749
<b>Total financial liabilities</b>	<b>879 816</b>	<b>595 037</b>	<b>979 380</b>	<b>2 212 961</b>	<b>112 011</b>	<b>41 669</b>	<b>4 820 874</b>

Reconciliation of changes in liabilities incurred as a result of financing activities:

	01/01/2021	Repayment of borrowings	Payments for principal portion of the lease liability	Proceeds from borrowings	Non-cash changes			31/12/2021
					New leases	Reclassified	Termination of leasing contracts	
Loans from credit institutions non-current	1 831 656	-950 044		2 488 785				3 370 397
Lease liabilities non-current	371 571		-41 595		30 347	8 489	-99 389	269 423
<b>Non-current interest-bearing liabilities</b>	<b>2 203 227</b>	<b>-950 044</b>	<b>-41 595</b>	<b>2 488 785</b>	<b>30 347</b>	<b>8 489</b>	<b>-99 389</b>	<b>3 639 821</b>
Loans from credit institutions current	648 675	-174 416						474 259
Lease liabilities current	103 493		-90 319		86 932	-8 489	1 302	92 919
<b>Current interest-bearing liabilities</b>	<b>752 168</b>	<b>-174 416</b>	<b>-90 319</b>	<b>-</b>	<b>86 932</b>	<b>-8 489</b>	<b>1 302</b>	<b>567 178</b>
<b>Total liabilities from financing</b>	<b>2 955 395</b>	<b>-1 124 460</b>	<b>-131 914</b>	<b>2 488 785</b>	<b>117 279</b>	<b>-</b>	<b>-98 087</b>	<b>4 206 998</b>

#### 4.4 CASH AND CASH EQUIVALENTS

##### ACCOUNTING POLICIES

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Cash and cash equivalents	31/12/2022	31/12/2021
Bank deposits, unrestricted	289 526	714 112
Bank deposits, restricted	29 179	24 350
<b>Total in the statement of financial position</b>	<b>318 705</b>	<b>738 462</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For more information on the Group's credit facilities see note 4.2. There are no restrictions on the use of these funds.

The amount of included in "Bank deposits, restricted" consists of payroll tax withholdings.



## 4.5 FINANCIAL INCOME AND EXPENSES

### ACCOUNTING POLICIES

Interest income and interest expenses on loans and receivables are calculated using the effective interest method.

Foreign currency gains or losses are reported as gain or loss on foreign exchange in finance income or finance expense.

Interest expenses on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognized in the statement of financial position.

Financial income	Note	2022	2021
Interest income		5 033	6 535
Gain on sale of other financial assets		-	-
Other finance income	4.1	98 473	1 203
<b>Total finance income</b>		<b>103 506</b>	<b>7 737</b>

Financial expenses	Note	2022	2021
Interest expenses		-133 747	-66 362
Interest expense on lease liabilities		-12 837	-14 168
Other finance expenses		-4 310	-8 762
<b>Total Financial expense</b>		<b>-150 893</b>	<b>-89 292</b>

### Interest income and expenses

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on external financing, measured and classified at amortised cost in the statement of financial position.

### Newbuilds:

In 2022 we have capitalized financial expenses for MNOK 23.

## 4.6 FAIR VALUE MEASUREMENT

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### ACCOUNTING POLICIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### Fair value disclosures

Management has assessed that the fair values of cash and short-term deposits, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments and the current risk-free interest rates.

The fair values of the Group's interest-bearing loans and borrowings are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair values of the Group's interest-bearing loans and borrowings are in most cases similar to carrying amount, as the interest rates are floating and the non-performance risk as at 31.12.22 was assessed to be insignificant.

The fair values of the Group's hedge accounted interest swaps are based on future cash flow using the market values mid-rates on the 31.12.2022. Because most of the input is observable prices, the hedge accounted interest swaps are assessed to be on level 2 in the fair-value hierarchy.

In 2022, the Group acquired shares in Campus Blå AS, a non-listed equity investment measured to fair value of MNOK 2.0 at the acquisition date. Management has determined that the fair value of the investment in all material aspects is similar to the carrying amount at the balance sheet date.

#### 4.6 FAIR VALUE MEASUREMENT

Information on fair value for the Group's financial assets and liabilities:

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Assets disclosed at fair value</b>						
Non-listed equity investments	31/12/2022	2 000	2 000			x
Hedge accounted interest swaps	31/12/2022	12 967	12 967		x	
Interest swaps	31/12/2022	85 741	85 741		x	
<b>Liabilities disclosed at fair value</b>						
Loan from credit institutions	31/12/2022	3 609 570	3 609 570			x

There were no transfers between the levels during the current period.

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Assets disclosed at fair value</b>						
Non-listed equity investments	31/12/2021	1 863	1 863			x
<b>Liabilities disclosed at fair value</b>						
Hedge accounted interest swaps	31/12/2021	3 639	3 639		x	
Loan from credit institutions	31/12/2021	3 841 920	3 841 920			x

There were no transfers between the levels during the current period.

## 4.7 CAPITAL MANAGEMENT AND FINANCIAL RISK

### Capital management

The primary objective of the Group's capital management is to maximize value creation over time. The Group seeks to optimize the capital structure by balancing risk and return on equity against collateral for lenders, requirements for liquidity and investment capacity.

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. The Group considers a solid equity ratio to be important to achieve its strategic goals in the future. Management regularly uses the ratio between net interest-bearing debt / earnings before interest, tax and depreciation and amortization (NIBD / EBITDA) to assess the Group's financial flexibility, as well as the ability to assume new debt. This key ratio and the equity ratio also constitute the Group's financial covenants to the banks. See note 4.2 for further information on the Group's covenant requirements.

Net interest-bearing debt (NIBD) corresponds to the sum of "Non-current interest bearing liabilities", "Current interest bearing liabilities" and "Cash and cash equivalents" in the statement of financial position. The equity ratio corresponds to the carrying amount of "Total equity" divided by the "total equity and liabilities" in the consolidated statement of financial position.

The Group's equity ratio was 41.1% as of 31.12.2022 (2021: 41.6%). The NIBD / EBITDA ratio was 6.28 as of 31.12.2022 (2021: 5.02).

The Group is not in breach with any covenants.

### Financial risk management

The Group's principal financial liabilities comprise interest-bearing liabilities, and trade and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations and investments. The Group's principal financial assets include trade and other receivables, other financial assets (mainly lease receivables) and cash and short-term deposits that derive directly from its operations. The Group does not hold derivative financial instruments.

The Group is exposed to a range of risks affecting its financial performance, including market risk, financial risk and credit risk. The Group seeks to minimize potential adverse effects of such risks through sound business practice, risk management and hedging. At the current time the liquidity risk of the Group is assessed to be low based on the operating cash flows, scheduled repayments of debt and the availability of credit facilities.

Risk management is carried out by Group management under policies approved by the Board. The Board reviews and agrees policies for managing each of these risks, which are summarized below.

#### (i) CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables). As the counterparty to cash and cash equivalents is reputable banks the credit risk associated is considered to be small.

The Group manages its credit risks by trading with creditworthy third parties only. It is the Group's policy that customers that want to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating and review of prior payment issues. The Group obtains sufficient collateral (where appropriate) from customers and ensures that the outstanding amounts do not exceed the set credit limits as means of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis. As a result, the risk that counterparties do not have the financial ability to meet their obligations is considered low in the markets in which the Group operates.

The Group does not have significant credit risk related to a single counterparty or several counterparties with similar credit risk. Further, the Group did not provide any guarantees to or on behalf of third-party liabilities.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 4.1

No agreements have been entered into for set-off/netting of financial instruments.



## 4.7 CAPITAL MANAGEMENT AND FINANCIAL RISK

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

### (ii) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include interest bearing loans and borrowings and cash and cash equivalents. Currency risk represents the risk for fluctuation of future cash flows due to fluctuations in foreign currencies.

#### Interest rate risk

The Group is exposed to changes in the market interest rate, as the Group's interest-bearing loans and borrowings have a floating interest rate. Furthermore, changes in market interest rates may affect investment opportunities in future periods.

The Group utilises interest rate swaps to hedge its interest rate risks for parts of its non-current interest-bearing liabilities see further description in note 4.10.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Interest rate sensitivity	Increase / decrease in basis points	Effect on profit before tax (+/-)
31/12/2022	+/- 100	37 594
31/12/2021	+/- 100	38 234

Interest-bearing liabilities	31/12/2022	31/12/2021
Interest-bearing loans and borrowings	4 110 196	3 840 162
Lease liabilities	434 450	362 300

Foreign currency instruments are primarily used to fix budgeted cash outflows related to investments denominated in foreign currencies. These cash outflows are capitalised when incurred, and will affect the income statement in future periods through depreciations.

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds by monitoring its working capital, overdue trade receivables and establishing credit facilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and bank loans to finance working capital and capital investments, without incurring any significant economical losses. The Group has flexible financing through an overdraft facility which may draw funds (see note 4.2). Additionally, the Group has a positive cash flow from operating activities which limits its liquidity risk.

For overview of ageing of financial liabilities refer to note 4.3.

## 4.8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

### ACCOUNTING POLICIES

#### Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying economic substance. Share capital and share premiums are classified as equity.

#### Costs related to equity transactions

Transaction costs are deducted from equity, net of associated income tax.

#### Distribution to shareholders

The Group recognises a liability to make distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

	31/12/2022	31/12/2021
Ordinary shares, par value 1 NOK per share	86 348 603	86 348 603
<b>Total ordinary shares issued and fully paid</b>	<b>86 348 603</b>	<b>86 348 603</b>

All shares are ordinary and have the equal voting rights and rights to dividends.

Changes in share capital	Number of shares		Share capital	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Beginning of period	86 348 603	69 955 181	86 348 603	69 955 181
Issuance of share capital	-	16 393 422	-	16 393 422
<b>End of period</b>	<b>86 348 603</b>	<b>86 348 603</b>	<b>86 348 603</b>	<b>86 348 603</b>

#### Dividends

The Board has proposed to distribute dividend of MNOK 129 523 for 2022.

The dividend per share is NOK 1.5. The dividend for 2022 is proposed to be paid in two tranches, NOK 0.75 in June and NOK 0.75 in November.

#### The Group's major shareholders:

Name	Ownership
NTS ASA	72.1 %
Gåsø Næringsutvikling AS	3.5 %
HSBC Bank Plc	1.37 %
ABG Sundal Collier	1.37 %
Verdipapirfondet Fondsfinans Norge	1.01 %
Trøndelag Helgeland Invest AS	0.81 %
BNP Paribas Securitites Services	0.76 %
Amble Investment AS	0.76 %
Riiber Holding AS	0.75 %
DNB Bank ASA	0.69 %

## 4.9 EARNINGS PER SHARE

### Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

	31/12/2022	31/12/2021
Profit or loss attributable to ordinary equity holders - for basic EPS	223 609	283 553
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution	223 609	283 553
Weighted average number of ordinary shares - for basic EPS	86 348 603	82 565 506
Weighted average number of ordinary shares adjusted for the effect of dilution	86 348 603	82 565 506
Basic EPS - profit or loss attributable to equity holders of the parent	2.59	3.43
Diluted EPS - profit or loss attributable to equity holders of the parent	2.59	3.43

## 4.10 DERIVATIVE FINANCIAL INSTRUMENTS

### ACCOUNTING POLICIES

The Group uses derivative financial instruments, specifically interest rate swaps to hedge its interest rate risks for parts of its non-current interest-bearing liabilities. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

#### Interest rate swaps

At 31 December 2022 the Group had interest rate swap agreements in place whereby the Group pays a fixed rate of interest between 0.99%-3.55% and receives interests at a variable rate on the notional amount linked to NIBOR. This is accounted for as a cash flow hedging instrument.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

For information on fair value and principles related to valuation of derivatives, see note 4.6.

#### 4.10 DERIVATIVE FINANCIAL INSTRUMENTS

The impact of the hedging instruments on the statement of financial position is, as follows:

	Balance sheet date	Notional amount of interest rate swap	Line item in the statement of financial position	Change in fair value applied when measuring ineffectiveness
Interest rate swap	31/12/2022	1 133 125	Other non-current liabilities	-
Interest rate swap	31/12/2021	1 238 641	Other non-current liabilities	-
Currency swap	31/12/2022	301 644	Other non-current liabilities	-

The impact of the hedged items on the statement of financial position is, as follows:

	Balance sheet date	Fair value of interest rate swap	Line item in the statement of financial position	Change in fair value applied when measuring ineffectiveness
Interest-bearing liabilities	31/12/2022	85 741	Other non-current liabilities	-
Interest-bearing liabilities	31/12/2021	2 598	Other non-current liabilities	-

The effects on the consolidated statement of profit and loss and comprehensive income for 2022 is as follows:

	Total hedging gain (loss) recognized in OCI	Total hedging gain (loss) recognized in P&L	Ineffectiveness recognized in the profit or loss
Interest rate swap agreements	14 909	85 771	-

The effects on the consolidated statement of profit and loss and comprehensive income for 2021 is as follows:

	Total hedging gain (loss) recognized in OCI	Total hedging gain (loss) recognized in P&L	Ineffectiveness recognized in the profit or loss
Interest rate swap agreements	11 595	-	-



## 5.1 TAXES

### ACCOUNTING POLICIES

#### Income tax expense

Income tax expense consists of current income tax and change in deferred tax.

#### Current income tax

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognized directly in equity is recognized in equity (OCI) and not in the statement of profit or loss.

#### Deferred tax

Deferred tax assets and deferred tax liabilities are calculated based on the differences between the basis for tax assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, with the exception of:

- Initial recognition of goodwill, initial recognition of an asset or liability in a transaction which is not a business combination, and is not at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- Taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Shipping taxation

The Groups' shipping business is subject to the Norwegian tonnage tax regime. The Norwegian tonnage tax scheme practically results in zero tax on profit from operations, and only a fee/tax based on each ships/vessels net tonnage. Net finance income is subject to 22% tax. The Group does not recognize a deferred tax asset related to net finance losses in the subsidiaries where shipping taxation is relevant. Net tonnage tax is classified as other operating expenses.

Current income tax expense:	31/12/2022	31/12/2021
Tax payable	10 955	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-13 286	15 991
<b>Total income tax expense</b>	<b>-2 331</b>	<b>15 991</b>

Reconciliation of income tax expense:	31/12/2022	31/12/2021
Profit before tax	221 278	299 544
Profit from business subject to Norwegian tonnage tax	-234 171	-229 113
Permanent differences	2 297	2 256
<b>Basis for income tax expense</b>	<b>-10 596</b>	<b>72 687</b>
Income tax expense (22%)	-2 331	15 991
<b>Total income tax expense</b>	<b>-2 331</b>	<b>15 991</b>

## 5.1 TAXES

Current tax liabilities consist of:	31/12/2022	31/12/2021
Income tax payable for the period as above	10 955	-
Tax effect of group contribution	-8 255	-
Tonnage tax	63	61
<b>Current tax liabilities</b>	<b>2 763</b>	<b>61</b>
<b>Deferred tax liabilities</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Property, plant and equipment	84 540	150 532
Right-of-use assets and lease liability	78 236	66 786
Other current assets	-70	-70
Untaxed profit	29 435	23 937
Accounting provisions	-	-230
Losses carried forward (including tax credit)	-49 077	-56 737
<b>Basis for deferred tax liabilities</b>	<b>143 064</b>	<b>184 218</b>
Calculated deferred tax liabilities	31 474	40 528
<b>Deferred tax liabilities recognised in balance sheet</b>	<b>31 474</b>	<b>40 528</b>
<b>Changes in deferred tax liabilities</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
<b>Deferred tax liabilities opening balance</b>	<b>40 528</b>	<b>22 516</b>
Recognized in the statement of profit and loss	-13 286	15 991
Other changes	4 232	2 021
<b>Deferred tax liabilities closing balance</b>	<b>31 474</b>	<b>40 528</b>

### Ongoing case with Norwegian Tax Authorities

At the balance sheet date, there is an ongoing case with the Norwegian Tax Administration (the "NTA") concerning the tonnage tax scheme. Please see note 1.1.

Should the NTA rule in line with the draft decision received and this is upheld in a final and binding ruling, Frøy's ("the Company") preliminary assessment is that there will be limited changes in taxes to be paid for Frøy Rederi in the income years 2019 and 2020. This is mainly due to the fact that the new tax basis in the ordinary tax regime will equal the market values of the vessels and that the vessels would be depreciable on a declining basis with 14 % annually. As a consequence Frøy expects that there will be no incremental tax payable even if the taxable income is computed in the ordinary tax regime. This would also apply for the 2021 and 2022 income years. If the NTA's draft decision is upheld in a final and binding ruling, the change in equity and deferred tax are summarized in the table below:

01.01.2022		Profit/loss 2022	31.12.2022	
Equity	Deferred tax asset	Tax expense	Equity	Deferred tax liability
10.8	10.8	11.7	-0.9	-0.9
01.01.2022		Profit/loss 2022	31.12.2022	
Equity	Deferred tax asset	Tax expense	Equity	Deferred tax liability
465.3	465.3	72.9	392.4	392.4

If all the remaining aqua service vessels and wellboats in the Frøy group had entered the ordinary tax regime in 2022 Frøy estimate the following effects:

### ACCOUNTING POLICIES

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated.

Non-controlling interests are presented as a separate line item within equity in the consolidated statement of financial position.

#### **Change in the ownership of a subsidiary, without a loss of control**

A change in the ownership of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognised at fair value and the difference between the consideration and the carrying amount of non-controlling interests is recognised in equity attributable to the equity holders of the parent.

#### **Loss of control of a subsidiary**

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### **Non-controlling interests**

Non-controlling interests in the consolidated financial statements constitute the non-controlling interest's share of the carrying amount of equity. Upon acquisition, non-controlling interests are measured at their proportionate share of identified assets. At the end of 2022 there is no non-controlling interests in the Group.

## 6.1 CONSOLIDATED ENTITIES

The impact of the hedging instruments on the statement of financial position is, as follows:

Consolidated entities 31.12.2022	Country of incorporation	Business	Group's ownership share	Group's vot- ing owner- ship share	Equity 31.12.2022	Profit before tax 2022
Frøy Akvaservice AS	Norway	Service Vessels	100.0 %	100.0 %	189 276	25 981
Frøy Akvaessurs AS	Norway	Service Vessels	100.0 %	100.0 %	194 986	17 174
Frøy Vest AS	Norway	Service Vessels	100.0 %	100.0 %	61 476	8 486
Frøy Nord AS*	Norway	Service Vessels	100.0 %	100.0 %	44 585	461
Frøy Rederi AS	Norway	Wellboat	100.0 %	100.0 %	536 799	53 198
Fisketransport AS	Norway	Wellboat	100.0 %	100.0 %	6 934	-3 106
Frøy Shipping AS	Norway	Shipping Vessels	100.0 %	100.0 %	131 832	13 272
NTS Management AS	Norway	Non-allocated	100.0 %	100.0 %	12 297	552
Norsk Fisketransport AS	Norway	Wellboat	100.0 %	100.0 %	467 868	5 457
MS Dønnland AS	Norway	Wellboat	100.0 %	100.0 %	24 918	9 860
MS Havtrans AS	Norway	Wellboat	100.0 %	100.0 %	93 775	2 045
MS Namsos AS	Norway	Wellboat	100.0 %	100.0 %	94 349	-6 820
MS Novatrans AS	Norway	Wellboat	100.0 %	100.0 %	54 012	4 971
MS Reisa AS	Norway	Wellboat	100.0 %	100.0 %	129 785	-348
MS Viknatrans AS	Norway	Wellboat	100.0 %	100.0 %	40 484	11 770
MS Veidnes AS	Norway	Wellboat	100.0 %	100.0 %	14 729	242
Polarfjell AS	Norway	Wellboat	100.0 %	100.0 %	101 044	12 875
MS Kristiansund AS	Norway	Wellboat	100.0 %	100.0 %	96 971	6 900
MS Åsværfjord AS	Norway	Wellboat	100.0 %	100.0 %	123 829	15 313

\* Frøy Nord AS is owned 50% by Akvaservice AS and 50% by Frøy ASA.



## 6.1 CONSOLIDATED ENTITIES

The impact of the hedging instruments on the statement of financial position is, as follows:

Consolidated entities 31.12.2021	Country of incorporation	Business	Group's ownership share	Group's vot- ing owner- ship share	Equity 31.12.2021	Profit before tax 2021
Frøy Akvaservice AS	Norway	Service Vessels	100.0 %	100.0 %	182 678	43 202
Frøy Akvaessurs AS	Norway	Service Vessels	100.0 %	100.0 %	177 811	28 511
Frøy Vest AS	Norway	Service Vessels	100.0 %	100.0 %	55 331	15 324
Frøy Nord AS*	Norway	Service Vessels	100.0 %	100.0 %	44 224	16 678
Frøy Rederi AS	Norway	Wellboat	100.0 %	100.0 %	483 601	63 415
Fisketransport AS	Norway	Wellboat	100.0 %	100.0 %	10 041	-9 009
Frøy Shipping AS	Norway	Shipping Vessels	100.0 %	100.0 %	118 560	12 676
NTS Management AS	Norway	Non-allocated	100.0 %	100.0 %	11 908	2 586
Norsk Fisketransport AS	Norway	Wellboat	100.0 %	100.0 %	462 438	13 661
MS Dønnland AS	Norway	Wellboat	100.0 %	100.0 %	35 058	12 493
MS Havtrans AS	Norway	Wellboat	100.0 %	100.0 %	91 730	8 814
MS Namsos AS	Norway	Wellboat	100.0 %	100.0 %	101 172	17 443
MS Novatrans AS	Norway	Wellboat	100.0 %	100.0 %	49 042	14 808
MS Reisa AS	Norway	Wellboat	100.0 %	100.0 %	130 224	510
MS Viknatrans AS	Norway	Wellboat	100.0 %	100.0 %	43 715	7 127
MS Veidnes AS	Norway	Wellboat	100.0 %	100.0 %	89 624	62 362
Polarfjell AS **	Norway	Wellboat	100.0 %	100.0 %	133 172	14 496
MS Kristiansund AS	Norway	Wellboat	100.0 %	100.0 %	90 074	1 126
MS Åsværfjord AS	Norway	Wellboat	100.0 %	100.0 %	108 516	667

\* Frøy Nord AS is owned 50% by Akvaservice AS and 50% by Frøy ASA.

\*\* In 2021, the group acquired the remaining 21.5% of the voting shares for MNOK 86, increasing the group ownership to 100%.

### ACCOUNTING POLICIES

A business combination is as a transaction or other event in which an acquirer obtains control of one or more businesses. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for according to IFRS 3 using the acquisition method, also called purchase price allocation (PPA). The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value according to IFRS 13, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Classification, is measured at fair value with the changes in fair value recognised in the statement of comprehensive income.

Goodwill arises in a business combination when the fair value of consideration transferred exceeds the fair value of identifiable assets acquired less the fair value of identifiable liabilities assumed. Goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units, and tested subsequently for impairment. Reference is made to note 3.2 for an overview of the Group's goodwill and note 3.4 gives an overview of the Group's CGUs and annual impairment testing of the CGU to which goodwill is allocated.

### SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In a business combination, the assets acquired and liabilities assumed are valued at fair value at the time of acquisition. The various assets and liabilities are valued on the basis of different models, requiring estimates and assumptions to be made. Goodwill is the residual in this type of purchase price allocation. Errors in estimates and assumptions can lead to an error in the split of the value between the various assets and liabilities incl. goodwill, but the sum of the total excess values will always be consistent with the purchase price paid.

The useful lives of the intangible assets acquired in a business combination are assessed as either finite or indefinite and may in some cases involve considerable judgements. Intangible assets with indefinite useful lives are initially measured at fair value and subsequently tested for impairment by assessing the recoverable amount of each CGU (or group of CGUs) to which the intangible assets relates. Reference to note 3.4.

Intangible assets acquired with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

According to IFRS 3, goodwill is to be allocated at the acquisition date, to each of the acquirers CGU's, or groups of CGU's, which are expected to benefit from the business combination. This can include existing CGU's of the acquirer irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

Each unit or group of units to which goodwill is allocated should;

- represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and
- not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

### Business combinations in 2023

On 6 January 2023 Frøy announced that the company had entered into an agreement to acquire 100% of the shares of Marinus Aquaservice AS ("Marinus"). The transaction values Marinus at a total enterprise value of NOK 101 million. The acquisition is conditional upon certain customary conditions and closing was initially expected to take place during the first quarter of 2023. Before closing of the acquisition can take place, the seller of Marinus should carry out a process to carve out certain non-operational assets from Marinus not included in the transaction. This process has been delayed and closing of the transaction is now expected to take place at the end of April 2023.

As a consequence of this delay, Frøy has not, as of the date of publication of this annual report, received the necessary documentation from the seller to calculate the bridge from the agreed enterprise value to the corresponding equity value. Hence, a purchase price allocation analysis ("PPA") has not been finalised.

Below is a summary of key information on the acquisition that is not dependent on the PPA:

- (a) the acquisition date: Estimated to ultimo April 2023
- (b) the percentage of voting equity interests acquired: 100%
- (c) the primary reasons for the business combination and how Frøy obtained control of the Marinus:

The strategic rationale behind the acquisition of Marinus is to strengthen Frøy's position in the southwest region of Norway, a region where Frøy has limited foothold prior to the acquisition. Marinus operates three modern and well-maintained vessels and has a particular strong position within ROV services, a fast-growing subsegment of the aqua service industry.

Frøy will obtain control of Marinus through purchase of 100% of the outstanding shares in the company. The purchase price will be settled in cash.

There has been no other business combinations during 2022.

### Business combinations in 2021

There was no business combinations during 2021.

### ACCOUNTING POLICIES

Associated entities are entities where the Group has significant influence but no control or joint control over the financial and operating policy decisions of the investee. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 6.3 ASSOCIATED ENTITIES

Associated entities 31.12.2022	Country of incorporation	Ownership share	Group's voting ownership share
Halten AS	Norway	33.4 %	33.4 %

Summarized statement of financial position as per 31.12.2022	Halten AS
<b>Assets</b>	
Current assets	34 266
Non-current assets	69 634
<b>Liabilities</b>	
Current liabilities	4 661
Non-current liabilities	24 608
<b>Total equity</b>	<b>74 631</b>

Summarized statement of profit and loss 2022	Halten AS
Total revenue	95 375
Operating expenses	-88 767
Net financial items	-1 277
<b>Profit (loss) before tax</b>	<b>5 331</b>
Income tax	-
<b>Profit (loss) for the period</b>	<b>5 331</b>

2022	Sikkerhetssentert Rørvik AS	Halten AS	SUM
<b>Group's share of profit (loss) from investments in associates</b>			
Share of profit	-193	1 781	1 588
Impairment loss		-	-
Corr. of earlier periods estimated profit (loss)			-
<b>Group's share of profit 2022</b>	<b>-193</b>	<b>1 781</b>	<b>1 588</b>

2022	Sikkerhetssentert Rørvik AS	Halten AS	SUM
<b>Group's carrying amount of investments in associates</b>			
Carrying amount 01.01	2 193	25 860	28 053
Additions			-
Additions from acquisitions			-
Share of periods profit (loss)		1 781	1 781
Dividends		-2 673	-2 673
Disposals	-2 193		-2 193
<b>Group's carrying amount of investments in associates 31.12.2022</b>	<b>0</b>	<b>24 968</b>	<b>24 967</b>

The numbers in the table above are preliminary numbers for 2022.



### 6.3 ASSOCIATED ENTITIES

Associated entities 31.12.2021	Country of incorporation	Ownership share	Group's voting ownership share	Group's share of equity
Sikkerhetssenteret Rørvik AS	Norway	23.0 %	23.0 %	793
Halten AS	Norway	33.4 %	33.4 %	3 618
<b>Total</b>				<b>4 411</b>

Summarized statement of financial position as per 31.12.2021	Sikkerhetssenteret Rørvik AS*	Halten AS*
<b>Assets</b>		
Current assets	9 988	28 854
Non-current assets	1 891	86 675
<b>Liabilities</b>		
Current liabilities	2 155	5 969
Non-current liabilities	192	32 180
<b>Total equity</b>	<b>9 533</b>	<b>77 380</b>

Summarized statement of profit and loss 2021	Sikkerhetssenteret Rørvik AS*	Halten AS*
Total revenue	16 126	79 972
Operating expenses	-12 455	-68 033
Net financial items	-41	-1 115
<b>Profit (loss) before tax</b>	<b>3 630</b>	<b>10 824</b>
Income tax	-	-20
<b>Profit (loss) for the period</b>	<b>3 630</b>	<b>10 804</b>

2021	Sikkerhetssenteret Rørvik AS	Halten AS	SUM
<b>Group's share of profit (loss) from investments in associates</b>			
Share of profit	793	3 618	4 411
Impairment loss	-	-	-
Corr. of earlier periods estimated profit (loss)	-	-1 070	-1 070
<b>Group's share of profit 2021</b>	<b>793</b>	<b>2 548</b>	<b>3 341</b>

2021	Sikkerhetssenteret Rørvik AS	Halten AS	SUM
<b>Group's carrying amount of investments in associates</b>			
Carrying amount 01.01	1 400	23 312	24 712
Additions			-
Additions from acquisitions			-
Share of periods profit (loss)	793	2 548	3 341
Dividends			-
Disposals			-
<b>Group's carrying amount of investments in associates 31.12.2021</b>	<b>2 193</b>	<b>25 860</b>	<b>28 053</b>

The numbers in the table above are preliminary numbers for 2021.

## 7.1 REMUNERATION TO MANAGEMENT AND THE BOARD

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### **Remuneration to the Board of Directors**

Remuneration for the members of the Board is determined by the Annual General Meeting (AGM) based on a proposal from the nomination committee. The remuneration is not linked to the Group's performance but reflects the Board's responsibilities, expertise, time and commitment.

### **Remuneration to executive management:**

The Board of Frøy ASA determines the principles applicable to the Group's policy for compensation of executive management. The Board is directly responsible for determining the CEO's salary and other benefits. The Group's executive management includes the CEO and the management team of each business unit.

#### *Principles for determining salary*

The main principle for determining salary for each executive management member has been a fixed annual salary with the addition of benefits in kind such as telephone, insurance, internet subscription and newspaper subscription. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

#### *Pension*

All executive management are members of the defined contribution pension scheme. Beyond this, there is no agreement on special pension schemes in the group.

#### *Other benefits*

There are no special benefits beyond ordinary salary and pension. The exception is the CFO who has a bonus based on performance/profit.

#### *Severance Arrangements*

If the CEO is terminated by the Board, he is entitled to no severance pay.

For other executive management, there will be an individual assessment of severance packages that are reasonable in relation to responsibility and seniority and the reason for the termination of the employment.

The policy regarding the determination of salaries and other remuneration to executive management has been unchanged in recent periods and is expected to remain unchanged in the future.

## 7.1 REMUNERATION TO MANAGEMENT AND THE BOARD

Remuneration to executive management		1			2	4	5
		Fixed remuneration			Variable remuneration	Pension	Total
Executive management 2022	Year	Fixed salary	Fees	Benefits			
Tonje Foss, CEO Frøy ASA. 01.01.22 ->	2022	2 531		11		51	2 593
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Helge Gåsø, CEO Frøy ASA <-31.12.21	2022	n/a	n/a	n/a	n/a	n/a	n/a
	2021	1874			8	40	1914
Sondre Vevstad, Interim CFO 01.07.22 ->	2022	n/a	1650	n/a	n/a	n/a	n/a
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Tore Helgesen, interim CFO 01.10.2021 - 30.06.22	2022	n/a	956	n/a	n/a	n/a	n/a
	2021	n/a	347	n/a	n/a	n/a	n/a
Arne J. Rødsjø*, CFO 01.01.2021 - 31.10.2021	2022	n/a	n/a	n/a	n/a	n/a	n/a
	2021	1950			9	39	1989
Anders Gåsø, Head of Service and Sea transport	2022	1 795		299		36	2 130
	2021	1474		241	4	32	1747
Oddleif Wigdahl, Head of Wellboats	2022	1 344		95		27	1 467
	2021	1184		85	13	24	1293
Svein Sivertsen, chairman of the board Frøy ASA	2022				600		
	2021						
Morten Loktu, member of the board Frøy ASA (20.12.22 ->)	2022						
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Pernille Skarstein, member of the board Frøy ASA (20.12.22 ->)	2022						
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Linda Johnsen, member of the board Frøy ASA, (23.03.22->)	2022				72.5		
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Rune Juliussen, member of the board Frøy ASA (20.12.22 ->)	2022						
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Paul Birger Torgnes, member of the board Frøy ASA (23.03.22-19.12.22)	2022				72.5		
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Ivar Sigmund Wiliksen, member of the board Frøy ASA (23.03.22-19.12.22)	2022				76.25		
	2021	n/a	n/a	n/a	n/a	n/a	n/a
Dagfinn Eliassen, member of the board Frøy ASA (<- 22.03.22)	2022				330		
	2021						
Hege Aasen Veiseth, member of the board Frøy ASA ( <- 19.12.22)	2022				443.75		
	2021						
Anne Sofie Utne, member oft the board Frøy ASA ( <- 22.02.23)	2022				330		
	2021						
Harry Asmund Bøe, member of the board Frøy ASA (<- 22.03.22)	2022				305		
	2021						

\* Employed by the Group from 1 December 2020 until 31 October 2021. The disclosed amount in the table above consists of agreed fixed yearly salary for 2021.

Pension represent the premium paid for defined contribution plans.

No loans have been granted or collateral provided to Executive Management or members of the Board.

## 7.2 RELATED PARTY TRANSACTIONS

Related parties are group companies, associates, major shareholders, members of the board and management in the parent company and the group subsidiaries. Note 6.1 provides information about the Group structure, including details of the subsidiaries and the holding company (related parties).

All transactions within the group or with other related parties are based on the principle of arm's length.

The following table provides the total amount of transactions that have been entered into with related parties (outside the Group) for the relevant financial period:

<b>Sales to related parties:</b>	<b>2022</b>	<b>2021</b>
Salmonor AS (entity under common control)	106 400	45 865
Norway Royal Salmon ASA (entity under common control)	90 530	25 956
Frøy Sjøtransport AS		711
Mnh Rederi AS	4	
SalMar AS *	100	
SalMar Farming AS *	40 010	
SalMar Aker Ocean AS *	10	
Refsnes Laks AS *	1 590	
Salmosea AS	11 621	
Gåsø Næringsutvikling AS		30
NTS ASA	500	18
<b>Purchases from related parties</b>	<b>2022</b>	<b>2021</b>
NTS ASA (parent company)	7 930	7 024
Siholmen	1 905	1267
Frøy SjøTransport AS	7 336	100
Frøy Utvikling AS	304	350
Mnh Rederi AS	23	
SS Invest AS		845
Salmonor AS	75	

\* = just November and December 2022

## 7.3 SUBSEQUENT EVENTS

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### ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

### Ongoing tax case with Norwegian Tax Authorities

See note 5.1

### Aquisition of Marinus Aquaservice AS:

See note 6.2

Management is not aware of any other subsequent events at the date of the release of this annual report.



## 8.1 CHANGES IN IFRS AND NEW STANDARDS

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### Standards issued but not yet effective

New and amended accounting standards and interpretations issued by the IASB may affect the Group's future reporting. All possible effects of the new standards have not been reviewed, but none of the published changes are assumed to have a significant effect on the group's financial statements.

Of the new standards and interpretations that are issued and, but not yet effective, the following amendments are considered most relevant to the Group's future financial reporting:

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Preliminary assessment indicates that the amendments will not have a significant impact on the Group's consolidated financial statements.

#### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Preliminary assessment indicates that the amendments will not have a significant impact on the Group's consolidated financial statements.

#### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Preliminary assessment indicates that the amendments will not have a significant impact on the Group's consolidated financial statements.

# FRØY ASA

## 2022 FINANCIAL STATEMENTS

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# INCOME STATEMENT

Amounts in NOK	Note	2022	2021
<b>Operating income and operating expenses</b>			
Revenue	1, 2	67 392 087	60 595 434
<b>Total income</b>		<b>67 392 087</b>	<b>60 595 434</b>
Employee benefits expense	3	56 868 775	49 496 300
Depreciation and amortisation expenses	4	387 332	233 333
Other expenses	2, 3, 5	50 546 476	32 486 721
<b>Total expenses</b>		<b>107 802 583</b>	<b>82 216 354</b>
<b>Operating profit/loss</b>		<b>-40 410 496</b>	<b>-21 620 920</b>
<b>Financial income and expenses</b>			
Share dividends and group contributions		278 812 602	19 593 937
Interest income from group companies		20 770 153	3 858 791
Other interest income		2 011 640	373 579
Other financial income		840 158	0
Interest expense to group companies		0	608 277
Other interest expenses		2 372	1 680 186
Other financial expenses		730 842	203 503
<b>Net financial items</b>	<b>6</b>	<b>301 701 339</b>	<b>21 334 342</b>
<b>Result before tax</b>		<b>261 290 843</b>	<b>-286 579</b>
Tax expense	7	4 572 870	-34 586
<b>Result for the year</b>		<b>256 717 973</b>	<b>-251 993</b>
<b>Allocation of result for the year</b>			
Dividends		129 522 905	129 522 905
Transfer from Share premium			-104 402 836
Transfer to/from Retained earnings		127 195 068	25 372 061
<b>Total brought forward</b>	<b>8</b>	<b>256 717 973</b>	<b>-251 993</b>




# BALANCE SHEET

as at 31 December

Amounts in NOK	Note	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Licenses, patents etc.	4	250 000	250 000
Deferred tax assets	7	1 703 404	6 276 274
<b>Total intangible assets</b>		<b>1 953 404</b>	<b>6 526 274</b>
Property, plant and equipment			
Plant and machinery	4	7 354 576	330 556
<b>Total property, plant and equipment</b>	<b>4</b>	<b>7 354 576</b>	<b>330 556</b>
Non-current financial assets			
Investments in subsidiaries	9, 10	1 620 184 775	1 620 184 775
Loan to group companies	11	361 900 000	188 126 776
Investments in shares		0	1 860 348
<b>Total non-current financial assets</b>		<b>1 982 084 775</b>	<b>1 810 171 899</b>
<b>Total non-current assets</b>		<b>1 991 392 755</b>	<b>1 817 028 729</b>
<b>Current assets</b>			
Receivables			
Accounts receivables	11	9 303 032	18 177 121
Other short-term receivables		18 707 596	19 834 143
Receivables from group companies	11	421 582 476	131 765 325
<b>Total receivables</b>		<b>449 593 103</b>	<b>169 776 589</b>
Bank deposits, cash and cash equivalents			
Bank deposits, cash and cash equivalents	12	117 231 085	457 889 316
<b>Total bank deposits, cash and cash equivalents</b>			
<b>Total current assets</b>		<b>566 824 188</b>	<b>627 665 904</b>
<b>TOTAL ASSETS</b>		<b>2 558 216 943</b>	<b>2 444 694 633</b>

Amounts in NOK	Note	2021	2020
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Paid-in equity</b>			
Share capital	8, 13	86 348 603	86 348 603
Share premium reserve	8	2 185 603 469	2 185 603 469
<b>Total paid-up equity</b>		<b>2 271 952 072</b>	<b>2 271 952 072</b>
<b>Retained earnings</b>			
Other equity	8	127 195 068	0
<b>Total retained earnings</b>		<b>127 195 068</b>	<b>0</b>
<b>TOTAL EQUITY</b>		<b>2 399 147 140</b>	<b>2 271 952 072</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		5 647 186	3 124 019
Public duties payable		3 756 735	5 400 480
Dividends		129 522 905	129 522 905
Liabilities to group companies	11	15 000 000	30 000 019
Other current liabilities	14	5 142 977	4 695 137
<b>Total current liabilities</b>		<b>159 069 803</b>	<b>172 742 560</b>
<b>TOTAL LIABILITIES</b>		<b>159 069 803</b>	<b>172 742 560</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 558 216 943</b>	<b>2 444 694 633</b>

Frøya, 28 April 2023  
Board of Directors Frøy ASA

 Svein Sivertsen Chairman	 Pernille Christensen Board Member	 Rune Juliussen Board Member	 Morten Loktu Board Member	 Linda Johnsen Board Member	 Tonje Foss Chief Executive Officer
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# CASH FLOW STATEMENT

Amounts in NOK	2022	2021
<b>Cash flows from operating activities</b>		
Profit or loss before tax	261 290 843	-286 579
Income taxes paid	0	0
Gain/loss on disposal of financial assets	-840 158	0
Depreciation and impairment	387 332	233 333
Changes in inventories, trade receivables, trade payables and other current liabilities	11 327 898	-90 496 263
Change in intercompany balances	-478 590 394	-373 735 568
<b>Net cash flows from operating activities</b>	<b>-206 424 479</b>	<b>-464 285 077</b>
<b>Cash flows from investment activities</b>		
Purchase of property, plant and equipment	-7 411 353	-250 000
Purchase of financial assets	0	-60 011
Proceeds for sales of financial assets	2 700 506	0
Acquisition of a subsidiary, net of cash acquired	0	0
<b>Net cash flow from investing activities</b>	<b>-4 710 847</b>	<b>-310 011</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	0	0
Repayment of borrowings	0	-50 000 000
Repayments of equity	0	0
Payment of dividends	-129 522 905	0
Issue of Share Capital	0	999 998 741
Transaction cost	0	-28 432 635
<b>Net cash flows from financing activities</b>	<b>-129 522 905</b>	<b>921 566 106</b>
<b>Net change in cash and cash equivalents</b>	<b>457 889 316</b>	<b>456 971 018</b>
Cash and cash equivalents, beginning of period	-340 658 231	918 298
<b>Cash and cash equivalents, end of period</b>	<b>117 231 085</b>	<b>457 889 316</b>

# NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES

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The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

### Use of estimates

The preparation of accounts in accordance with the Accounting Act requires the use of estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

### Revenue

Income from sale of goods and services are recognised at fair value, net after deduction of VAT, returns and reductions.

### Revenue from sale for services

Revenues for services are recognised when the services are performed and the company has a right to payment for performed.

### Classification and assessment of balance sheet items

Assets intended for long term ownership or use are classified as fixed assets. Assets relating to the operating cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

### Intangible assets

Intangible assets that have been acquired separately are carried at cost. Trademarks are not amortized, but subject to impairment testing. The testing is performed annually and when circumstances indicate that the carrying value may be impaired.

### Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the asset and borrowing costs for similar construction projects if they meet the recognition criteria. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives and methods of depreciation of tangible fixed are reviewed at each financial year end and adjusted prospectively, if appropriate.

Costs related to leases of fixed assets are expensed over the lease period. Prepayments are reflected in the balance sheet as a prepaid expense and are distributed over the rental period.

### Impairment of fixed assets

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent ingoing cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and the value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the value in use. Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

### Investments in other companies

The cost method is applied to investments in other companies. The carrying amount is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are generally recognised as income. Dividends/group contribution from subsidiaries are booked in the same year as the subsidiary makes the provision for the amount. Dividends from other companies are reflected as financial income when the dividends are approved. Investments are written down to fair value if the fair value is lower than the carrying amount.

### Receivables

Accounts receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables. Additionally, for accounts receivables, an unspecified provision is made to cover expected losses.

### Pensions

The company has a defined contribution pension plan for its employees which satisfies the statutory requirements under the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

### Tax

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at 22 % on the basis of the temporary differences that exist between accounting and tax values, as well as any possible taxable loss carried forwards at the end of the accounting year. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been offset and netted.

The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and tax losses varied forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

### Cash Flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short-term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

## 1 REVENUES

Amounts in NOK	2022	2021
<b>Activity distribution</b>		
Revenues from services performed	67 392 087	60 595 434
<b>Total</b>	<b>67 392 087</b>	<b>60 595 434</b>
<b>Geographical distribution</b>		
Norway	67 392 087	60 595 434
<b>Total</b>	<b>67 392 087</b>	<b>60 595 434</b>

## 2 RELATED PARTY TRANSACTIONS

### Related-party transactions

Amounts in NOK	2022	2021
<b>Sales of goods / services:</b>		
Subsidiaries	67 392 087	60 595 434
<b>Purchase of goods / services:</b>		
Subsidiaries	124 683	134 124
Associated companies	4 606 111	0

### 3 PERSONNEL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATION, LOAN TO EMPLOYEES

Amounts in NOK	2022	2021
Salaries/wages	48 813 555	43 139 147
Social security fees	3 660 833	2 421 336
Pension expenses	3 959 565	3 193 602
Other remuneration	434 823	742 216
<b>Total</b>	<b>56 868 775</b>	<b>49 496 300</b>
Average number of employees during the financial year	50	52

#### Remuneration to executive management

Amounts in NOK thousands	Position	Fees	Fixed salary	Benefits	Pension	Total remuneration
Tonje Foss	CEO		2 531	11	51	2 593
Sondre Vevstad	Interim CFO	1 650				0
01.07.2022 ->						
Tore Helgesen	Interim CFO	956				0
- 30.06.2022						
Anders Gåsø	Head of Service and sea transport		1 795	299	36	2 130
Oddleif Wigdahl	Head of Wellboats		1 344	95	27	1 466
<b>Total</b>		<b>2 606</b>	<b>5 670</b>	<b>405</b>	<b>114</b>	<b>6 189</b>

#### Remuneration to the Board of Directors

Amounts in NOK thousands	Time of service	The Board	Audit Committee	Remuneration Committee	Nomination Committee	Total Total
Svein Sivertsen	1 yr. 3 m.	563		37		600
Hege Veiseth	1 yr. 3 m.	363	81			444
Paul Birger Torgnes	9 m.	73				73
Linda Johnsen	9 m.	73				73
Ivar Sigmund Williksen	9 m.	73		3		76
Anne Sofie Utne	1 yr. 1 m.	314	16			330
Dagfinn Eliassen	1 yr. 1 m.	314	16		330	
Harry Bøe	1 yr. 1 m.	305		0		305
Are Brekk	1 yr. 3 m.				75	75
Solveig Gaasø	1 yr. 3 m.				50	50
Hans Martin Storø	1 yr. 3 m.				50	50
Morten Loktu	1 m.					0
Pernille Skarstein	1 m.					0
Rune Juliussen	1 m.					0
<b>Total</b>		<b>2 078</b>	<b>113</b>	<b>40</b>	<b>175</b>	<b>2 406</b>



### 3 PERSONNEL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATION, LOAN TO EMPLOYEES (CONTINUED)

#### Other benefits

There are no special benefits beyond ordinary salary and pension. The exception is the CFO who has a bonus based on performance/profit.

#### Pension

All executive management are members of the defined contribution pension scheme. Beyond this, there is no agreement on special pension schemes in the group.

#### Severance Arrangements

If the CEO is terminated by the Board, he is entitled to no severance pay.

For other executive management, there will be an individual assessment of severance packages that are reasonable in relation to responsibility and seniority and the reason for the termination of the employment.

#### OTP (Statutory occupational pension)

The company is required to have a pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirement of this law.

#### Audit fee

Audit fees for 2022 amount to NOK 1 376 378 excl. VAT.

Amounts in NOK	Fees
Statutory audit fee	781 800
Other assurance services	302 553
Other assistance	292 025
<b>Total audit fees</b>	<b>1 376 378</b>

### 4 NON-CURRENT ASSETS

Amounts in NOK	Under construction	Other machines and equipment	Trademark	Total
Purchase cost as of 01.01.2022	0	700 000	250 000	950 000
Inflow purchased fixed assets	5 323 246	2 088 107	0	7 411 353
<b>Acquisition cost 31.12.2022</b>	<b>5 323 246</b>	<b>2 788 107</b>	<b>250 000</b>	<b>8 361 353</b>
Accumulated depreciation 31.12.2022		-756 743		369 411
<b>Book value 31.12.2022</b>	<b>5 323 246</b>	<b>2 031 364</b>	<b>250 000</b>	<b>7 604 610</b>
This year's ordinary depreciations		387 332		387 332
Economic life		3 years		

## 5 SPECIFICATION OF OTHER EXPENSES

Amounts in NOK	2022	2021
Rent and other housing expenses	5 466 154	4 024 250
Travel expenses	5 025 256	1 260 327
Consulting expenses and insourcing	20 254 170	19 953 606
Marketing expenses	1 442 831	2 336 436
Insurance	511 176	342 727
Other	17 846 889	4 569 375
<b>Total other expense</b>	<b>50 546 476</b>	<b>32 486 721</b>

## 6 SPECIFICATION OF FINANCIAL INCOME AND FINANCIAL EXPENSES

Amounts in NOK	2021	2020
<b>Financial income</b>		
Share dividend	278 812 602	19 593 937
Interest income from group companies	20 770 153	3 858 791
Interest income	2 011 640	373 579
Other financial income	840 158	0
<b>Total financial income</b>	<b>302 434 553</b>	<b>23 826 307</b>
<b>Financial expenses</b>		
Interest expenses to group companies	0	608 277
Interest expenses	2 372	1 680 186
Other financial expenses	730 842	203 503
<b>Total financial expenses</b>	<b>733 214</b>	<b>2 491 966</b>

## 7 TAXES

Amounts in NOK	2022	2021
<b>Current income tax expense:</b>		
Entered tax on ordinary profit/loss:		
Tax payable	0	0
Changes in deferred tax assets	4 572 870	34 586
<b>Total income tax expense</b>	<b>4 572 870</b>	<b>34 586</b>

Amounts in NOK	2022	2021
<b>This year's tax expense:</b>		
Reconciliation of income tax expense:		
Profit before tax	261 290 843	-286 579
Permanent differences	-240 505 071	-28 303 268
Changes in temporary differences	-209 178	86 333
Allocation of loss to be brought forward	-20 576 593	0
<b>Basis for income tax expense</b>	<b>0</b>	<b>-28 503 513</b>

Amounts in NOK	31.12.2022	31.12.2021
<b>Current tax liabilities consist of:</b>		
Income tax payable for the period as above	0	0
<b>Current tax liabilities</b>	<b>0</b>	<b>0</b>

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax assets, specified on type of temporary differences

Amounts in NOK	31.12.2022	31.12.2021
<b>Deferred tax assets :</b>		
Property, plant and equipment	196 734	-12 444
Losses carried forward (including tax credit)	-7 939 479	-28 516 073
<b>Basis for deferred tax assets</b>	<b>-7 742 745</b>	<b>-28 528 517</b>
<b>Deferred tax assets recognised in balance sheet</b>	<b>-1 703 404</b>	<b>-6 276 274</b>

## 8 EQUITY

Amounts in NOK	Share capital	Share premium	Retained earnings	Total equity
Equity as at 01.01.2021	69 955 181	1 328 578 441	25 372 061	1 423 905 683
Profit or loss for the period			-251 993	-251 993
Issue of Share Capital	16 393 422	983 605 319		999 998 741
Transaction cost		-22 177 455		-22 177 455
Suggested dividends			-129 522 905	-129 522 905
Share premium reserve		-104 402 836	104 402 837	0
<b>Equity as at 31.12.2021</b>	<b>86 348 603</b>	<b>2 185 603 469</b>	<b>0</b>	<b>2 271 952 071</b>

Amounts in NOK	Share capital	Share premium	Retained earnings	Total equity
Equity as at 01.01.2022	86 348 603	2 185 603 469	0	2 271 952 072
Received shareholders contribution			0	0
Profit or loss for the period			256 717 973	256 717 973
Suggested dividends			-129 522 905	-129 522 905
<b>Equity as at 31.12.2022</b>	<b>86 348 603</b>	<b>2 185 603 469</b>	<b>127 195 068</b>	<b>2 399 147 140</b>

## 9 SUBSIDIARIES

Amounts in NOK	Municipality	Owner share	Share of votes	Purchase cost	Share of equity	Share of result
<b>Subsidiaries</b>						
Frøy Akvaservice AS	FRØYA	100%	100%	501 408 618	189 276 289	20 264 817
Frøy Nord AS	SENJA	50%	50%	67 888 653	44 584 899	360 657
Frøy Rederi AS	FRØYA	100%	100%	831 843 382	536 799 436	53 198 380
Frøy Shipping AS	FRØYA	98.20%	98.20%	68 506 040	132 722 051	14 211 753
Norsk Fisketransport AS	NÆRØYSUND	100%	100%	149 944 082	379 926 184	4 386 020
NTS Management AS	NÆRØYSUND	100%	100%	594 000	12 296 739	388 651
<b>Total</b>				<b>1 620 184 775</b>		

Frøy Shipping AS - Frøy ASA owns 98.2 % of the shares in Frøy Shipping. Other shares are owned by Frøy Shipping AS.

Frøy Nord AS - Frøy ASA controls 100 % of the shares in Frøy Nord AS. 50 % is owned directly and 50 % is owned by Frøy Akvaservice AS.

## 10 DEBTORS, LIABILITIES, PLEDGED ASSETS AND GUARANTEES ETC.

Frøy ASA has provided a surety bond ("Selvskyldnerkausjon") of NOK 532,000,000 to Nordea Bank for all current and future debts. This includes a credit facility related to Fisketransport AS' construction of Frøy Odin.

Amounts in NOK	2022	2021
<b>Liabilities in group companies secured by surety bonds</b>		
Liabilities to Nordea Bank	7 203 242	7 205 000
Liabilities to Nordea Bank	107 083 335	48 500 000

Frøy ASA has provided warranties of NOK 55 705 000 to Danske Bank and NOK 932 000 000 to DNB for debt to subsidiaries.

## 11 INTERCOMPANY BALANCES

Amounts in NOK	2022	2021
<b>Receivables</b>		
Long term receivables	361 900 000	188 126 776
Accounts receivables	9 303 032	18 177 121
Other receivables	351 984 978	149 065 325
<b>Total receivables</b>	<b>723 188 010</b>	<b>355 369 222</b>
<b>Liabilities</b>		
Short term liabilities	15 000 000	30 000 019
<b>Total liabilities</b>	<b>15 000 000</b>	<b>30 000 019</b>

## 12 RESTRICTED BANK DEPOSITS, CASH IN HAND ETC.

Amounts in NOK	2022	2021
Bank deposits, restricted in Frøy ASA	2 515 219	2 413 935



### 13 SHAREHOLDERS

Share capital in Frøy ASA at 31.12:

Amounts in NOK	Total	Par value	Share capital
	86 348 603	1	86 348 603
<b>Total</b>		<b>1</b>	<b>86 348 603</b>

All shares are fully paid and have the same rights.

Shareholders with more than 1 % holding at 31.12.2022:

	Number of shares	Owner interest	Share of votes
NTS AS	62 269 112	72.11%	72.00%
Gåsø Næringsutvikling AS	5 373 304	6.95%	6.95%
HSBC Bank Plc	1 185 494	1.53%	1.53%
Riiber Holding AS	800 000	1.04%	1.04%
Verdipapirfondet Fondsfinans Norge	772 744	1.00%	1.00%

The members of the board and management had the following share holdings at 31.12.2022:

Member of board / management	Number of Shares
Svein Sivertsen	20 000
Linda Johnsen	0
Morten Loktu	0
Karen Pernille Skarstein Christensen	0
Rune Andre Juliussen	0
Tonje Eskeland Foss	10 000
Sondre Vevstad	8 196
Anders Gåsø	819 672

Gåsø Næringsutvikling AS, a close associate to Anders Gåsø owns 819 672 shares in Frøy ASA and 45 516 416 shares in NTS ASA.

### 14 OTHER CURRENT LIABILITIES

Amounts in NOK	2022	2021
Others	21 550	0
Holiday pay	5 121 428	4 695 137
<b>Total</b>	<b>5 142 978</b>	<b>4 695 137</b>

# AUDITORS REPORT



Statsautoriserte revisorer  
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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Frøy ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Frøy ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2022 and the income statement, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 10 January 2020 for the accounting year 2020.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2022. These matters were addressed in the context of our audit of the

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

### Impairment assessment of goodwill

#### *Basis for the key audit matter*

The carrying amount of goodwill as 31 December 2022 was NOK 687 million, with no impairment reported in 2022. The goodwill is related to an acquisition in 2020 and is allocated to two cash generating units.

Key assumptions in the impairment assessment included the existing contracts and expected future utilization, operating cost, useful life and discount rate. Considering the degree of management's judgement in establishing the key assumptions and the potential impacts on the estimated recoverable amounts of changes in such assumptions, we considered the impairment assessment as a key audit matter.

We refer to note 3.4: Impairment considerations

#### *Our audit response*

Our audit procedures included an assessment of the key assumptions and methods used by management in the impairment assessment. We performed an assessment of the discounted cash flows projected by management through review of the underlying assumptions such as revenue growth rates, EBITDA margins and operating profit. We compared the input data used by management to supporting evidence such as actual results, agreements and budgets approved by the board of directors.

Furthermore, we involved our internal valuation experts and assessed the reasonability of the weighted average cost of capital (the discount rate) used in the discounted cash flow model by comparing the estimated beta, risk-free interest rates on government bonds, market risk premium and cost for debt to peer group data, relevant external sources and the Group's specific factors. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis on the most critical assumptions.

### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the chief executive officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, the statement



on corporate governance or the statement on corporate social responsibility, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirement

### Report on compliance with regulation on European Single Electronic Format (ESEF)

#### *Opinion*

As part of the audit of the financial statements of Frøy ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 549300U4W5TODHJ1RL14-2022-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

#### *Management's responsibilities*

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

#### *Auditor's responsibilities*

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

Independent auditor's report - Frøy ASA 2022

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As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Trondheim, 28 April 2023  
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