



FRØY

Frøy ASA

Q1 23

May 2023

Highlights

Q1 highlights



Commercial

- Strong operations and high activity in the wellboat segment, high maintenance cost and weather downtime impacting results in the service segment
- Multiple contract discussions and incoming requests for Frøy's solutions
- Strengthened position in the south-west of Norway through acquisition of Marinus Aquaservice AS
- Expansion into new international markets - Two wellboats to operate on Iceland in 2023, strategic partnership in Eastern Canada announced in April
- Ongoing reorganization of the services segment, streamlining organization and reporting structure.



Financial

- Revenues in Q1 23 of NOK 519 million, increased from NOK 431 million in Q1 22
- Revenues from fixed contracts and framework agreements up 11% vs. Q1 22
- Q1 23 EBITDA adj. for gain on sale of assets of NOK 107 million vs. NOK 102 million in Q1 22
- Increased maintenance cost of NOK 9 million driven by combination of regular maintenance on the fleet and technical challenges on two service vessels
- Stable backlog of NOK 6.0 billion



Outlook

- Planning for future growth – Ongoing discussions with yards regarding wellboat and service vessel newbuilds.
- Delivery of MS Gåsø Odin, 4.500m3 wellboat in April
- High inflation and increasing energy cost expected to increase demand for new and more efficient solutions.
- As announced on 13 January 2023, Frøy's largest shareholder SalMar decided to explore strategic alternatives in Frøy. Several parties have expressed an interest in engaging in a transaction including potential offers for the company's shares.



Key figures

Key figures ¹	Q1 23	Q1 22
Financial (NOK 1,000,000)		
Contract revenues ²	285.2	253.9
Framework revenues	68.1	63.9
Spot revenues	72.8	50.6
Fuel & other reinvoiced revenues ³	78.2	53.6
Other revenues ⁴	15.1	9.3
Total revenues	519.4	431.4
EBITDA ⁵	121.8	111.6
EBITDA adjusted ⁶	106.7	102.3
EBITDA adjusted % ⁷	25%	28%
Net cash flow from operating activities	233.8	136.7
Net cash flow from investing activities	-0.9	-287.3
Net cash flow from financing activities	73.8	150.6
Total assets	8 269.3	7 820.3
Net interest bearing debt ⁸	4 012.7	3 590.9
Cash	625.4	738.5
Equity	3 328.3	3 237.0
Profitability and capital structure		
ROE ⁹	7 %	11 %
Equity ratio	40 %	41 %
Vessels¹⁰		
Wellboats	16	16
Large service vessels	13	11
Small service vessels	41	41
Transport vessels	3	3
Total number of vessels	73	71

1) This report is unaudited. Please refer to the appendix in this quarterly report for descriptions and reconciliations of alternative performance measures (non-IFRS measures) including definitions of key figures.

2) Contract revenues include time charter revenues, bareboat revenues, and other fixed contract revenues

3) The Group reinvoice fuel and other costs to clients when operating on time charter contracts

4) Other revenues include revenue related to sale of vessels and other non-allocated revenues

5) EBITDA: Operating profit plus depreciations and amortizations

6) EBITDA adjusted: EBITDA adjusted for gain on sale of assets

7) Adjusted EBITDA % is calculated by dividing adjusted EBITDA by the sum of revenues from contracts, framework agreements and spot.

8) Net interest-bearing debt: Total non-current interest-bearing liabilities, plus current interest-bearing liabilities, less cash

9) Annualized return on equity (ROE) calculated as net profit last 12 months / average equity

10) Number of vessels at end of period

Financial results in the quarter and year to date

Group financial review

Profit and loss

(NOK 1.000.000)	Q1 23	Q1 22
Revenue	504.3	422.0
Other income	15.1	9.3
Total revenue	519.4	431.4
Direct expenses (goods/services delivered)	107.2	91.1
Employee benefit expenses	169.5	143.0
Other operating expenses	120.9	85.7
EBITDA	121.8	111.6
EBITDA %	23%	26%
Depreciation	104.8	91.5
Operating profit	17.0	20.1
Financial income	55.6	40.0
Financial expenses	47.9	26.0
Share of profit (loss) from associates	-	1.0
Profit (loss) before tax	24.7	35.1
Taxes	9.3	3.6
Profit (loss) for the period	34.0	38.7

(Figures in parenthesis refer to the same period previous year.)

First quarter

Total revenue in Q1 23 amounted to NOK 519.4 million (NOK 431.4 million). Total revenue includes NOK 15.1 million gain from sale of vessels (NOK 9.3 million). Revenue excluding gain from sale of assets in Q1 23 amounted to NOK 504.3 million (NOK 422.0 million). The increase in revenues ex. gain from sale of assets was mainly driven by increased capacity and revenues in the service and wellboat segment and a NOK 25 million increase in reinvoiced fuel costs to clients.

EBITDA in Q1 23 amounted to NOK 121.8 million (NOK 111.6 million). EBITDA adjusted for gain from sale of assets came in at NOK 106.7 million (NOK 102.3 million). Increased maintenance cost impacted EBITDA in Q1 23 negatively with approx. NOK 9 million vs. Q1 22. Consultancy and legal fees related to internal restructuring initiatives, acquisition of Marinus Aquaservice and assistance related to the tonnage tax amounted to approx. NOK 3 million in the quarter.

Operating profit in Q1 23 ended at NOK 17.0 million (NOK 20.1 million). Financial income in Q1 23 of NOK 55.6 million includes profit from sale of financial asset of associated company, positive effects from the company's fixed interest rate and currency swaps that are not booked as cash flow hedges. Financial expenses in Q1 23 of NOK 47.9 million increased vs. Q1 22 due to higher interest rate on the company's floating rate debt and an increase of NOK 309 million in gross interest-bearing debt related to the company's ongoing newbuild program.

Net profit for Q1 23 ended at NOK 34.0 million (NOK 38.7 million).

Cash flow and net interest-bearing debt (NIBD)

First quarter

Frøy had positive cash flow from operations of NOK 233.8 million in Q1 23 (NOK 136.7 million). Cash flow from operating activities increased Q1 23 vs. Q1 22 mainly due to higher working capital release in Q1 23 than in Q1 22.

Cash flow from investment activities ended at NOK -0.9 million in the quarter (NOK - 287.3 million). Investments in Q1 23 were mainly related to instalments on vessels under construction. Q1 23 NOK 32.4 million sale of financial assets relates to sale of a minority stake in Halten AS, a company owning 5 dry bulk carriers. Proceeds from sale of property plant and equipment of NOK 81.5 million includes the sale of two older service vessels and financial leasing of a new service vessel that was acquired during Q4 22.

The cash flow from financing activities amounted to NOK 73.8 million in the quarter (NOK 150.6 million). The positive proceeds from borrowing in Q1 23 was related to refinancing of bank debt on a wellboat and new financing of unencumbered service vessels. The high positive cash flow from financing in Q1 22 related to drawing on new debt on vessels under construction during the quarter.

The cash position at the beginning of the period was NOK 318.7 million. Total cash flow in the quarter was positive NOK 306.7 million. Cash position at the end of the quarter at NOK 625.4 million.

At the end of the quarter Frøy had total assets of NOK 8 269.3 million (NOK 7 820.2 million). The main drivers for the increase in total assets vs. Q1 22 were related to investments into the ongoing newbuild program.

Gross interest-bearing debt increased to NOK 4 638.1 million (NOK 4 329.4 million). The increase in gross debt is related to new debt on the newbuilds. Net interest-bearing debt at the end of Q1 23 was NOK 4 012.7 million (NOK 3 590.9 million).

Equity ratio Q1 23 of 40% which is slightly down compared to 41% in Q1 22.

Segment overview

Frøy's segment structure

Wellboat segment

Transport of live fish and biological treatments

vessels: 19 (incl. 3 newbuilds)



Service segment

Installation, maintenance and cleaning of salmon farmers site infrastructure

vessels: 62 (incl. 8 newbuilds)



Sea transport segment

Transport of salmon feed, frozen seafood and other cargo

vessels: 3



Wellboat

Financial results

Revenues in Q1 23 amounted to NOK 277.5 million vs. NOK 222.6 million in Q1 22. Revenues from fixed contracts increased vs. Q1 22, partly outweighed by somewhat lower revenues from framework agreements. Spot sales came in clearly higher compared to Q1 22 due to high demand and activity in Q1 23.

EBITDA in Q1 23 came in at NOK 86.4 million (NOK 67.4). The EBITDA margin increased to 31% (30%). Re invoiced fuel costs that carry zero margin increased vs. Q1 22. The re invoiced fuel costs are re invoiced to clients without any margin. The adj. EBITDA margin excluding the re invoiced fuel costs came in at 40% in Q1 23 vs. 37% in Q1 22.

Frøy operated 16 wellboats at the end of the quarter, the same number as at the end of Q1 22. 14 out of 16 wellboats operated on fixed contracts and framework agreements, while 2 vessels operated in the spot market at the end of the quarter.

Seasonal slowdown

Demand for transportation services and removal of sea lice follow sea temperatures and usually bottom out during Q1. Compared to Q1 22, the activity level was high throughout the quarter.

(NOK 1.000.000)	Q1 23	Q1 22
Contract revenues	171.3	156.7
Framework agreements	0.8	5.2
Spot	42.6	18.6
Fuel and other re invoiced costs	62.8	42.1
Other	-	-
Total revenues	277.5	222.6
EBITDA	86.4	67.4
EBITDA %	31%	30%
Number of vessels	16	16
Number of vessels on fixed contracts	14	13



Service

Financial results

Revenues in Q1 23 amounted to NOK 202.0 million vs. NOK 170.3 million in Q1 22. Revenue from fixed contracts and framework agreements increased 22% vs. Q1 22.

EBITDA in Q1 23 amounted to NOK 40.6 million vs. Q1 22 of NOK 35.0 million. EBITDA adjusted for gain from sale of assets amounted to NOK 25.5 million in Q1 23 vs. NOK 25.7 million in Q1 22.

Repair and maintenance cost increased with approx. NOK 5 million vs. Q1 22, where approx. NOK 3 million was related to mechanical breakdowns on two vessels.

Frøy operated 54 service vessels at the end of the quarter, two small service vessels were sold during Q1 23. Total gain from sale of assets was NOK 15.1 million in Q1 23 (NOK 9.3 million)

Increased activity in Q1 23

Demand for Frøy's services follow a seasonal pattern where Q1 is normally the slowest quarter. As water temperatures drop, demand for net cleaning and other services also drop. Activity remained high relative to Q1 22, with continued demand for Frøy's services. Challenging weather conditions was a key limiting factor for utilization in the latter end of the quarter.

(NOK 1.000.000)	Q1 23	Q1 22
Contract revenues	95.8	79.5
Framework agreements	59.8	48.3
Spot	20.7	21.7
Fuel and other invoiced costs	10.6	11.5
Other	15.1	9.3
Total revenues	202.0	170.3
EBITDA	40.6	35.0
EBITDA %	20%	21%
Number of large service vessels	13	12
Number of small service vessels	41	41



Sea transport

Financial results

Revenues in Q1 23 amounted to NOK 39.9 million vs. NOK 37.8 million in Q1 22. Revenues from contract and spot were flat, while revenue from framework agreements dropped by NOK 2.8 million Q1 23 vs. Q1 22.

EBITDA in Q1 23 amounted to NOK 10.7 million (NOK 13.9 million).

Frøy had all three vessels in operation at the end of the quarter. The vessels MS Folla, MS Rotsund and MS Rubin all operate on long term contracts for transport of feed and frozen seafood.

(NOK 1.000.000)	Q1 23	Q1 22
Contract revenues	18.1	17.8
Framework agreements	7.5	10.3
Spot	9.5	9.7
Fuel and other re invoiced costs	4.7	-
Other	-	-
Total revenues	39.9	37.8
EBITDA	10.7	13.9
EBITDA %	27%	37%
Number of vessels	3	3

Investments

Wellboat: As of 31.03.23 Frøy had three wellboats under construction.

- MS Gåsø Odin was delivered mid-April 2023
- MS Veidnes is expected to be delivered autumn 2023
- The third newbuild, a 4,500 m³ wellboat, which will be named Frøy Saga is scheduled for delivery autumn 2024

MS Gåsø Odin and MS Veidnes are both booked on long term time charter contracts.

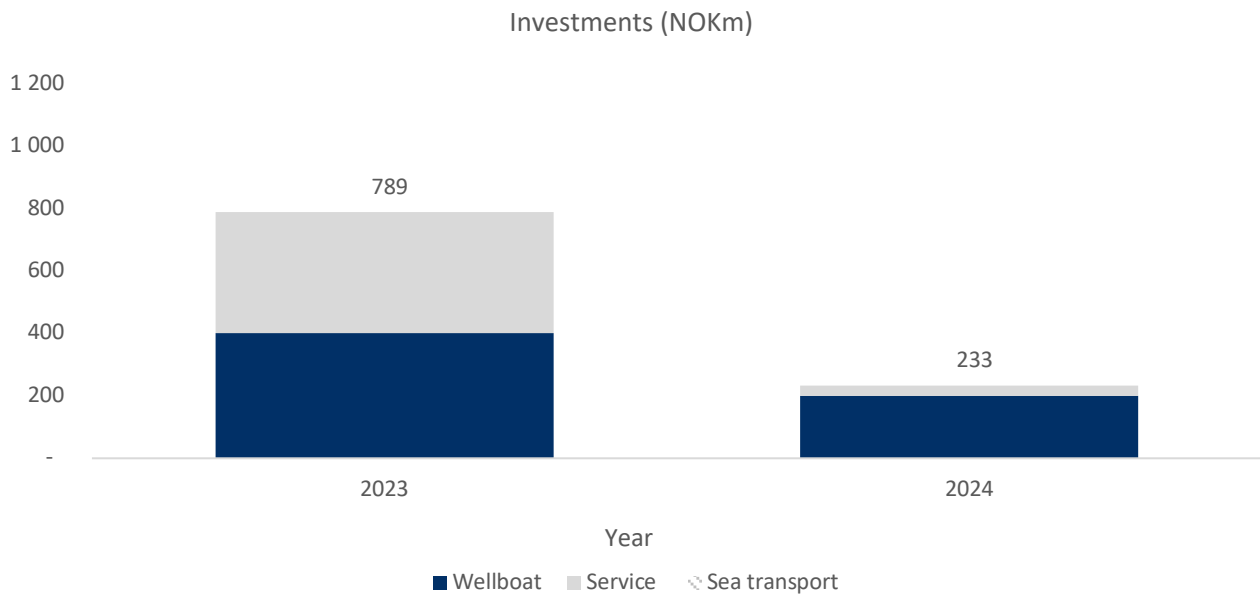
Service: As of 31.03.23 Frøy had 8 service units under construction.

- Three net cleaning vessels, one pen cleaning barge and one diving vessel are scheduled for delivery during Q2 and Q3 23
- Two large service vessels are scheduled for delivery during 2023, and one large service vessel is scheduled for delivery 2H 24

In addition to the ongoing newbuild program, Frøy plan to rebuild vessels, acquire additional equipment and build a new land base with a total combined capex of approx. NOK 80 million.

The two large service vessel newbuilds scheduled for delivery during 2023 are both booked on long term time charter contracts. The small service newbuilds are expected to be used on Frøy's framework agreements.

Total investments 2023-2024 are estimated to close to NOK 1 billion.



Financing

Frøy finances its fleet and equipment with bank debt and leasing.

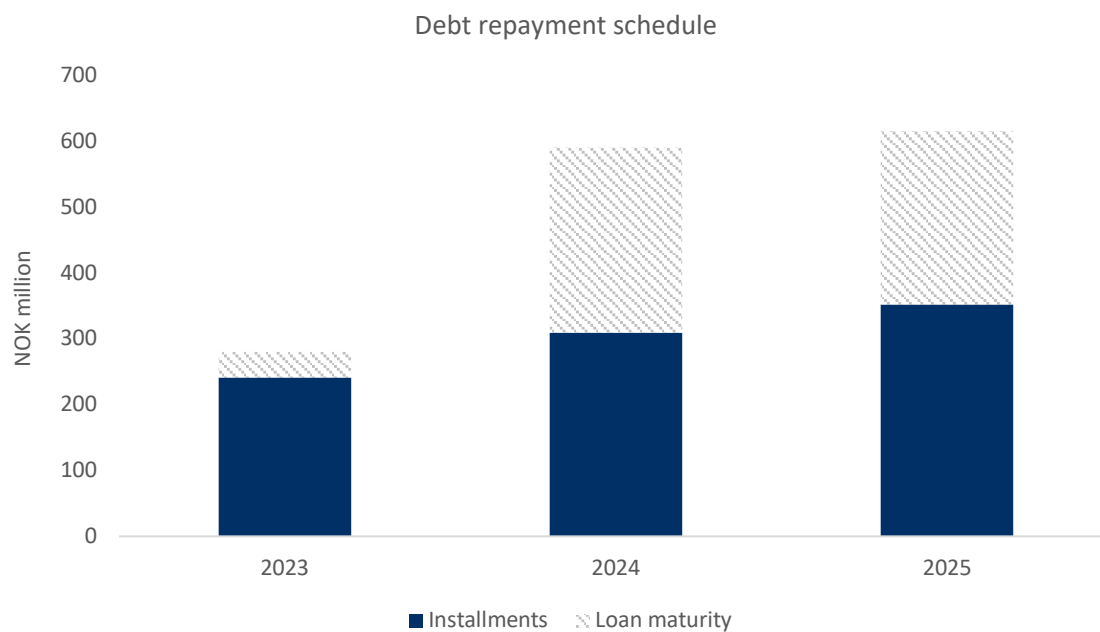
Wellboats: All vessels in the newbuild program are funded by bank loans.

Service: The company finance smaller service vessels mainly with leasing facilities, while large service vessels are mainly financed with long term bank facilities. All newbuilds under construction are fully financed.

Mid 2021 Frøy entered into interest rate swaps until 2030 for two facilities totalling NOK 860 million related to the two wellboats, MS Gåsø Odin that was delivered April 2023 and MS Veidnes that is expected to be delivered during the autumn 2023. In addition, the group has fixed interest rate swaps for a total of NOK 224 million.

Bank debt - repayment schedule

The repayment profile on the bank debt is shown for the period 2023 to 2025 below.



Order backlog

Order 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 as it provides an indication of the amount of committed activity in the coming period.

Total backlog

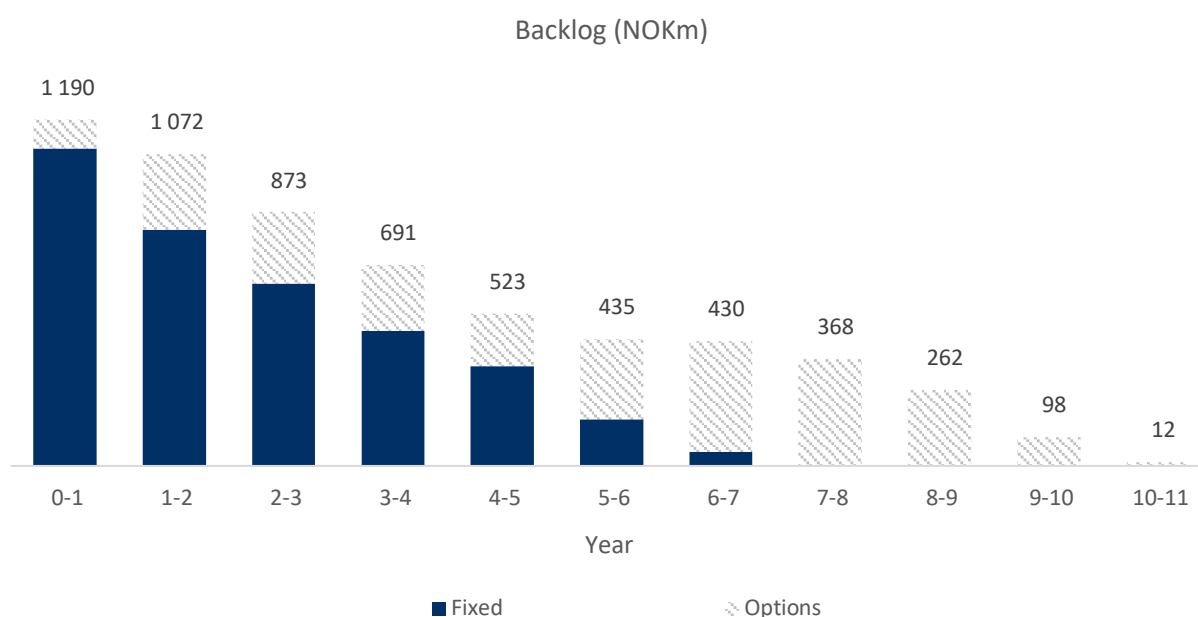
- As of 31.03.23 the total backlog amounted close to NOK 6.0 billion including options, which is flat compared to 31.12.22

Fixed backlog

- Total fixed revenue commitments amount to approx. NOK 3.6 billion

Options

- Most fixed time charter contracts include extension options
- Total options of close to NOK 2.4 billion



Risk factors

Frøy has not identified any additional risk exposure beyond the risks described in the 2022 annual report. Frøy operates primarily in marine environments, which represents a continual risk of damage to, loss of, or suspension of operation by the Group's vessels due to the forces of nature and climatological risk factors. Frøy is also subject to risks related to laws, regulations, changes in taxation and market risk including interest and currency risk. The war in Ukraine and high inflation provides increased uncertainty regarding the future global economic outlook and the economic development for all companies. Access to and prices for critical input factors may impact Frøy depending on the future development of the war and sanctions. The recently proposed resource tax increases the uncertainty regarding future volume growth and future development of Norwegian salmon farming which may also impact demand for Frøy's services in Norway. The proposed tax will need to be approved by the Norwegian Parliament and the final structure of the resolution is still uncertain. The Company has received a notification from the Norwegian tax authorities of a potential change in the tax assessment for 2019 and 2020 regarding the tonnage tax scheme. Although the Company disagrees with the Norwegian tax authorities' interpretation of the regulation, the matter is still pending and there is uncertainty to which final conclusions might be drawn up in an appeals case before the administrative authorities and potentially the ordinary courts of law.

Events after the close of the quarter

On January 6th Frøy announced that it had entered into an agreement to acquire 100% of the shares of Marinus Aquaservice AS. The transaction valued Marinus at a total enterprise value of NOK 101 million, subject to certain closing conditions. Closing of the acquisition took place beginning of April and Marinus will be included in Frøy ASA consolidated accounts from 01.04.2023.

In April Frøy sold the 1966 built wellboat MS Sørdyrøy for a total consideration of NOK 3.7 million. The vessel was sold to a company outside of the wellboat industry.

On April 16 MS Folla experienced a mechanical breakdown which is expected to result in a 6–7-week yard stay. The cost of repair is expected to be covered by guarantees. The vessel has a loss of hire insurance that will partly compensate for the loss of income during the yard stay.

Outlook

Fish welfare and biodiversity are fundamentally important aspects for all stakeholders in the aquaculture value chain. Frøy consider reducing the risk of escapes and improving fish welfare to be pre-requisites for growth and key to position as a preferred supplier to fish farmers.

Since the IPO in 2021, Frøy has invested close to NOK 3 billion in new efficient and more environmentally friendly vessels to reduce fuel consumption and improve fish welfare. This has enabled Frøy's crews to deliver better, more efficient and more sustainable solutions to fish farming clients. For 2023 and 2024 Frøy has a committed investment program of close to NOK 1 billion. The company is exploring further growth and have initiated dialogues with yards for additional newbuilds in the wellboat and service vessel segments.

Frøy's strategy is to grow and support its core clients in the regions where they choose to operate and grow. Frøy will operate two wellboats in Iceland during 2023 and are also considering expanding into other geographical regions. In April Frøy entered into a strategic partnership for the exchange of aquaculture specialists, vessels, and equipment in Eastern Canada with NL Marine Services. The agreement gives Frøy yet another strategic foothold in a fast-growing salmon farming region together with a local well reputable partner.

In Q1 23, Frøy Rederi, a subsidiary of Frøy ASA owning and operating 5 wellboats, received from the Norwegian Tax Administration ("NTA") a draft decision stating that Frøy Rederi's delousing activities are not covered by the special tonnage tax regime and that there is basis for amending its tax assessment for the income years 2019 and 2020. Frøy Rederi disagrees with the NTA's preliminary position, delousing activity has been a well-known and common activity for wellboats since the 1990s, and the company will object to any such amendment and defend its legal position.

As announced on 13 January 2023, Frøy's largest shareholder SalMar decided to explore strategic alternatives in Frøy. Several parties have expressed an interest in engaging in a transaction including potential offers for the company's shares. Frøy will update the market further on the Strategic Review in accordance with applicable regulations.

Frøy has 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. The Board of Directors believe that the company is well positioned to continue investing in new vessels and to pay a regular stream of dividends. As such, the Board of Directors will propose to the Annual General Meeting to introduce half-yearly dividend payments going forward.

Trondheim, 10 May 2023

Rune Juliussen
Board member

Svein Sivertsen
Chairman of the Board

Pernille Skarstein Christensen
Board member

Morten Loktu
Board member

Tonje Foss
CEO

Linda Johnsen
Board member

Consolidated statement of comprehensive income

Frøy ASA

(NOK 1,000,000)

	Note	Q1 23	Q1 22
Revenue		504.3	422.0
Other revenue	3	15.1	9.3
Total revenue		519.4	431.4
Direct expenses (goods/services delivered)		107.2	91.1
Employee benefit expenses		169.5	143.0
Other operating expenses		120.9	85.7
Depreciation		104.8	91.5
Operating profit		17.0	20.1
Financial income		55.6	40.0
Financial expenses		47.9	26.0
Share of profit (loss) from associates		-	1.0
Profit (loss) before tax		24.7	35.1
Taxes		9.3	3.6
Profit (loss) for the period		34.0	38.7
Profit or loss for the period attributable to:			
Equity holders of the parent		34.0	38.7
Non-controlling interests		-	-
Total		34.0	38.7
Other comprehensive income			
Net gain (loss) on cash flow hedges		-0.7	12.3
Total comprehensive income for the period		33.3	51.0
Total comprehensive income for the period attributable to:			
Equity holders of the parent		33.3	51.0
Non-controlling interests		-	-
Total		33.3	51.0
Basic earnings per share (NOK)		0.4	0.4

Consolidated statement of financial position

Frøy ASA

(NOK 1.000.000)	Note	31.03.2023	31.03.2022	31.12.2022
ASSETS				
Non-current assets				
Goodwill and intangible assets		687.6	687.6	687.6
Vessels, property, plant and equipment		6 010.0	5 677.0	6 011.4
Right-of-use assets	4	529.9	431.9	514.6
Pension assets		-	0.5	0.5
Investments in associates		-	29.0	25.0
Other financial assets		112.2	4.2	94.7
Total non-current assets		7 339.7	6 830.2	7 333.8
Current assets				
Inventory		13.3	11.1	15.0
Trade receivables		243.6	177.6	288.0
Other receivables		47.4	62.9	70.7
Cash and cash equivalents		625.4	738.5	318.7
Total current assets		929.6	990.1	692.4
TOTAL ASSETS		8 269.3	7 820.3	8 026.2
EQUITY AND LIABILITIES				
Equity				
Paid-in equity				
Share capital	6	86.3	86.3	86.3
Share premium		2 289.8	2 289.8	2 289.8
Total paid-in equity		2 376.1	2 376.1	2 376.1
Other equity		952.2	860.9	918.9
Total retained earnings		952.2	860.9	918.9
Total equity		3 328.3	3 237.0	3 295.0
Non-current liabilities				
Non-current interest-bearing liabilities		3 723.0	3 281.3	3 609.6
Non-current lease liabilities	4	323.1	248.6	314.7
Deferred tax and other non-current liabilities		26.9	34.2	31.5
Total non-current liabilities		4 073.0	3 564.0	3 955.7
Current liabilities				
Current interest-bearing liabilities		466.3	707.9	443.1
Current lease liabilities	4	125.7	91.6	119.8
Trade payables and other current liabilities		274.5	221.6	209.8
Taxes payable		1.5	-1.9	2.8
Total current liabilities		868.0	1 019.2	775.5
Total liabilities		4 941.0	4 583.2	4 731.2
TOTAL EQUITY AND LIABILITIES		8 269.3	7 820.2	8 026.2

Consolidated statement of cash flows

Frøy ASA

(NOK 1.000.000)	Note	Q1 23	Q1 22
Cash flows from operating activities			
Profit or loss before tax		24.7	35.1
Income taxes paid		-0.1	-0.9
Gain/loss on disposal of vessels and PP&E	3	-15.1	-9.3
Depreciation and impairment		104.8	91.5
Finance income		-55.6	-40.0
Finance expenses		47.9	26.0
Changes in working capital and other		127.2	34.4
Net cash flows from operating activities		233.8	136.7
Cash flows from investing activities			
Purchase of vessels and PP&E		-115.5	-301.9
Proceeds from sale of financial assets		32.4	-
Proceeds from sale of vessels and PP&E		81.5	14.4
Interest received		0.8	0.2
Net cash flow from investing activities		-0.9	-287.3
Cash flow from financing activities			
Proceeds from borrowings		237.3	270.1
Repayment of borrowings		-86.4	-69.3
Payments for the principal portion of the lease liabilities		-29.2	-24.2
Interest paid		-47.9	-26.0
Payment of dividends		-	-
Net cash flow from financing activities		73.8	150.6
Net change in cash and cash equivalents		306.7	-0.0
Cash and cash equivalents, beginning of period		318.7	738.5
Cash and cash equivalents, end of period		625.4	738.5

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

Consolidated statement of changes in equity

(NOK 1.000.000)	Attributable to the equity holders of the parent					Other Equity	Non-controlling interests	Total Equity
	Share capital	Share premium	Total paid-in equity	Retained earnings	Net gain (loss) on cash flow hedges			
At 01.01.2023	86.3	2 289.8	2 376.1	908.2	10.7	918.9	-	3 295.0
Profit or loss for the period	-	-	-	34.0	-	34.0	-	34.0
Other comprehensive income	-	-	-	-	-0.7	-0.7	-	-0.7
Total comprehensive income	-	-	-	34.0	-0.7	33.3	-	33.3
Dividends	-	-	-	-	-	-	-	-
At 31 March 2023	86.3	2 289.8	2 376.1	942.2	10.0	952.2	-	3 328.3
At 01.01.2022	86.3	2 289.8	2 376.1	814.1	-4.2	809.9	-	3 186.0
Profit or loss for the period	-	-	-	38.7	-	38.7	-	38.7
Other comprehensive income	-	-	-	-	12.3	12.3	-	12.3
Total comprehensive income	-	-	-	38.7	12.3	51.0	-	51.0
Acquisition of a subsidiary	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
At 31 March 2022	86.3	2 289.8	2 376.1	852.8	8.1	860.9	-	3 237

Notes

NOTE 1: General information and significant accounting policies

The consolidated financial statements of the Group for Q1 23 were authorised for issue in accordance with a resolution of the Board of Directors on 10 May 2023. 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") and interpretations approved by the EU, including IAS 34. The report does not include all information required in a complete annual report and should therefore be read in conjunction with the Group's recent financial statements for 2022. The financial report for first quarter 2023 is unaudited. Frøy has not applied any new standards or interpretations after 1 January 2023 that have a significant impact on the Group's accounts.

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.

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.

NOTE 2: Operating segments

The Group operates within three main segments: wellboats, service and sea transport. The remaining of the Group's activities and business are shown in "Elimination and non-allocated" column below. These activities are mainly related to the administrative and financial components of the entity's revenue generating segments.

Q1 23 (NOK 1.000.000)	Wellboat	Service	Sea transport	Elimination and non-allocated	Total
Contract revenue	171.3	95.8	18.1	-	285.2
Framework agreements	0.8	59.8	7.5	-	68.1
Spot	42.6	20.7	9.5	-	72.8
Fuel and other invoiced costs	62.8	10.6	4.7	-	78.2
Other	-	15.1	-	-	15.1
Total revenues	277.5	202.0	39.9	0.0	519.4
Depreciation	47.3	51.5	5.9	0.1	104.8
Operating costs	191.1	161.4	29.2	15.8	397.5
Operating profit	39.1	-11.0	4.8	-15.9	17.0
Financial income	27.4	0.4	7.6	20.3	55.6
Financial expenses	33.4	15.4	5.4	-6.3	47.9
Share of profit (loss) from associates	-	-	-	-	-
Earnings before tax	33.1	-26.0	6.9	10.7	24.8
Tax	0.2	6.7	0.0	2.5	9.3
Net income	33.2	-19.3	6.9	13.2	34.1

Q1 22 (NOK 1.000.000)	Wellboat	Service	Sea transport	Elimination and non-allocated	Total
Contract revenue	156.7	79.5	17.8		253.9
Framework agreements	5.2	48.3	10.3		63.9
Spot	18.6	21.7	9.7	0.7	50.6
Fuel and other invoiced costs	42.1	11.5	-		53.6
Other	-	9.3	-		9.3
Total revenues	222.6	170.3	37.8	0.7	431.4
Depreciation	46.9	39.0	5.0	0.5	91.5
Operating costs	155.2	135.3	24.0	5.4	319.8
Operating profit	20.5	-4.0	8.9	-5.2	20.1
Financial income	0.1	0.1	0.1	39.7	40.0
Financial expenses	18.3	7.3	2.7	-2.3	26.0
Share of profit (loss) from associates	-	-	1.0	-	1.0
Earnings before tax	2.2	-11.2	7.3	36.8	35.1
Tax	-	0.3	0.0	3.3	3.6
Net income	2.2	-10.9	7.3	40.1	38.7

NOTE 3: Other income

Gains or losses that arise from sale of property, plant and equipment are calculated as the difference between net sales price and book value of the asset.

Other income (NOK 1.000.000)	Q1 23	Q1 22
Gain related to sale of PP&E	15.1	9.3
Other	-	-
Total other income	15.1	9.3

NOTE 4: Right-of-use assets and lease liabilities – IFRS 16

The Group's leased assets Q1 23

The Group leases several assets, mainly service vessels. Leases of land and buildings generally have lease terms between 5 and 10 years, while motor vehicles and other equipment generally have lease terms between 3 and 7 years.

The Group's leased assets Q1 23

Right-of-use assets (NOK 1.000.000)	Service vessels	Land and buildings	Other machines and equipment	Total
Carrying amount 01.01.2023	390.9	10.7	113.0	514.6
Additions	46.7	-	4.9	51.7
Depreciations	-16.3	-1.1	-10.9	-28.3
Termination of contracts	-7.3	-	-0.8	-8.1
Gains and losses	-	-	-	-
Carrying amount 31.03.2023	414.0	9.7	106.3	529.9
Remaining lease term or useful life	10 years	10 years	3-7 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	

The Group's leased assets Q1 22

Right-of-use assets (NOK 1.000.000)	Service vessels	Land and buildings	Other machines and equipment	Total
Carrying amount 01.01.2022	326.2	12.2	117.0	455.4
Additions	-	-	2.8	2.8
Depreciations	-12.9	-1.2	-10.4	-24.5
Termination of contracts	-0.6	-	-0.1	-0.7
Gains and losses	-1.1	-	-0.1	-1.1
Carrying amount 31.03.2022	311.7	11.1	109.1	431.9
Remaining lease term or useful life	10 years	10 years	3-7 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	

The Group's lease liabilities Q1 23

Changes in the lease liabilities (NOK 1.000.000)	Total
Total lease liabilities at 01.01.2023	434.4
New leases recognised during the period	51.7
Total cash payments for lease liabilities	-32.7
Interest expense on lease liabilities	3.5
Termination of contracts	-8.1
Total lease liabilities at 31.03.2023	448.8
Current lease liabilities in the statement of financial position	125.7
Non-current lease liabilities in the statement of financial position	323.1
Total cash outflow during the period	-32.7

The Group's lease liabilities Q1 22

Changes in the lease liabilities (NOK 1.000.000)	Total
Total lease liabilities at 01.01.2022	362.3
New leases recognised during the period	2.8
Total cash payments for lease liabilities	-27.2
Interest expense on lease liabilities	2.9
Termination of contracts	-0.7
Total lease liabilities at 31.03.2022	340.2
Current lease liabilities in the statement of financial position	91.6
Non-current lease liabilities in the statement of financial position	248.6
Total cash outflow during the period	-27.2

NOTE 5: Related party transactions

All transactions within the Group or with other related parties are based on arm's length principles. The following overview provides the total amount of transactions, where the total value exceeds NOK 0.1 million, that have been entered into with related parties for the relevant financial period.

Sales to related parties:

Salmonor AS (entity under common control): NOK 33.8 million

SalMar ASA: NOK 22.2 million

SalMar AS: NOK 0.6 million

SalMar farming AS: NOK 39.6 million

Refsnes Laks AS: NOK 0.4 million

Purchases from related parties (incl. mgmt. fees):

NTS AS: NOK 1.1 million

Siholmen AS: NOK 0.1 million

NOTE 6: Major shareholders as of 31.03.23

Name of shareholder	No. of shares	%
NTS AS	62 269 112	72.11
Frøy Kapital AS	9 212 017	10.67
DNB Bank ASA, Meglerkonto Innland	1 035 142	1.20
HSBC Bank Plc	861 148	1.00
Riiber Holding AS	840 661	1.01
Amble Investment AS	805 171	0.93
Verdipapirfondet Fondsfinans Norge	604 759	0.70
BNP Paribas	571 378	0.66
Furberg & Sønn A/S	433 214	0.50
LIN AS	327 868	0.38
UBS Switzerland AG	247 123	0.29
GH Holding AS	227 868	0.26
Gåsø Næringsutvikling AS	222 750	0.26
Refsnes Fiskeindustri AS	196 290	0.23
Jaco Nor AS	160 000	0.19
HMH Invest AS	159 667	0.18
Cjnk AS	156 767	0.18
Nyhamn AS	150 000	0.17
Ek-Holding AS	130 000	0.15
Lindvard Invest AS	112 295	0.13
Total 20 largest shareholders	78 723 230	91.17
Total other	7 625 373	8.83
Total number of shares	86 348 603	100.00

At the end of the quarter Frøy ASA had 86 348 603 shares outstanding

NOTE 7: Overview of commitments related to newbuilds and equipment

Frøy's newbuild program consists of new vessels with equipment and rebuilding of vessels in the wellboat, service and sea transport segments. The overview shows Frøy's total commitments related to the newbuild program for the full financial years.

(NOK 1.000.000)	2023	2024
Wellboat	400	200
Service	389	33
Sea transport		
Total	789	233

NOTE 8: Financial instruments

At the end of the quarter the Group had three interest rate swap agreements qualifying and booked as cash flow hedges. The fair value of the agreements is calculated as the discounted value of the derivatives future cash flows with the market rate as of 31.03.23.

The Group also had interest rate swap agreements and currency hedge agreements that does not qualify as cash flow hedges. The fair value of these are recognized through profit and loss.

(NOK 1.000.000)	31.03.2023	31.03.2022
Fair value of interest rate swap / booked value	13.9	10.3
Increase in value of financial instruments at fair value in P&L	21.3	39.7

Appendix: Non-IFRS financial measures / Alternative performance measures

To enhance investors' understanding of the Group's performance, the Group presents certain measures that might be considered as alternative performance measures ("APM") as defined by the European Securities and Markets Authority ("ESMA") in the ESMA Guidelines on Alternative Performance Measures 2015/1057.

An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in IFRS. The Group is of the view that the APMs provide investors relevant and specific operating figures which may enhance their understanding of the Group's performance.

The non-IFRS financial measures/APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with IFRS or other generally accepted accounting principles), as a measure of the Group's operating performance; or (b) any other measures of performance under generally accepted accounting principles. The non-IFRS financial measures/APMs presented herein may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results.

The Company believes that the non-IFRS measures/APMs presented herein are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortisation and impairment, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), business practice or based on non-operating factors. Accordingly, the Group discloses the non-IFRS financial measures/APMs presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies and across periods, and of the Group's ability to service its debt. Because companies calculate the non-IFRS financial measures/APMs presented herein differently, the Group's presentation of these non-IFRS financial measures/APMs may not be comparable to similarly titled measures used by other companies.

The non-IFRS financial measure/APMs are not part of the Company's consolidated financial statements and are thereby not audited. The Company can give no assurance as to the correctness of such non-IFRS financial measures/APMs and investors are cautioned that such information involve known and unknown risks, uncertainties and other factors, and are based on numerous assumptions. Given the beforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these non-IFRS financial measures/APMs.

The Group has defined and explained the purpose of the following APMs:

EBITDA AND ADJUSTED EBITDA

EBITDA is defined as total revenue less operating expenses (direct expenses, employee benefit expenses and other operating expenses).

Adjusted EBITDA is defined as total revenue less operating expenses (direct expenses, employee benefit expenses and other operating expenses), IPO costs and gain on sale of assets.

EBITDA is used by the management as measure the Group's ability to service debt and finance investments. Segment result is defined as adjusted EBITDA. Management believes the measure enables an evaluation of operating performance and a basis to allocate resources to the segment.

The adjusted EBITDA % is calculated by dividing adjusted EBITDA by the sum of revenues from contracts, framework agreements and spot. Management believes the measure enables an evaluation of the underlying operating performance.

Reconciliation of adjusted EBITDA and adjusted EBITDA %

(NOK 1.000.000)	Q1 23	Q1 22
Contract revenues	285.2	253.9
Framework agreement revenues	68.1	63.9
Spot revenues	72.8	50.6
Sum revenue from contracts, framework agreements and spot	426.1	368.4
Fuel and other reinvoiced costs	78.2	53.6
Other	15.1	9.3
Total revenue	519.4	431.4
Direct expenses	107.2	91.1
Employee benefit expenses	169.5	143.0
Other operating expenses	120.9	85.7
EBITDA	121.8	111.6
Less gain on sale of assets	15.1	9.3
Adjusted EBITDA	106.7	102.2
 EBITDA %	 23%	 26%
Adj. EBITDA %*	25%	28%

EQUITY RATIO

Equity ratio is defined as total equity divided by total assets. Equity ratio is used by the management to measure the Group's solidity.

(NOK 1.000.000)	31.03.2023	31.03.2022
Equity	3 328.3	3 237.0
Total equity and assets	8 269.3	7 820.2
Equity ratio	40 %	41 %

Net interest-bearing debt

Net interest-bearing debt is defined as non-current interest-bearing liabilities + non-current lease liabilities + current interest-bearing liabilities + current lease liabilities – cash and cash equivalents.

(NOK 1.000.000)	31.03.2023	31.03.2022
Non-current interest-bearing liabilities	3 723.0	3 281.3
Non-current lease liabilities	323.1	248.6
Current interest-bearing liabilities	466.3	707.9
Current lease liabilities	125.7	91.6
Cash and cash equivalents	625.4	738.5
Net interest-bearing debt	4 012.7	3 590.9

ROE- Return On Equity

Return on equity (ROE) is calculated as net profit last 12 months / average equity. ROE is used by the management to measure the Group's profitability.

(NOK 1.000.000)	31.03.2023	31.03.2022
Equity	3 328.3	3 237.0
Net profit last 12 months	218.9	330.2
ROE	7 %	11%

Order backlog

Frøy's operating revenues consist of time charter agreements, bareboat agreements and spot agreements that normally include the rental of vessels and crew. The time charter agreements include an agreed vessel capacity for a defined period, as well as manning of vessels.

The future minimum contract revenues under non-cancellable customer contracts as of 31.03.2023 are, as follows:

Future minimum lease and customer revenues (NOK 1.000)	31.03.2023	31.03.2022
0 to 1 years	1 091 849	959 908
- Lease revenue share	689 211	566 601
- Customer contract share	402 638	393 307
1 to 2 years	812 316	760 915
- Lease revenue share	512 079	470 314
- Customer contract share	300 237	290 601
2 to 3 years	628 333	508 030
- Lease revenue share	389 354	313 048
- Customer contract share	238 980	194 982
3 to 4 years	465 338	405 010
- Lease revenue share	288 629	250 642
- Customer contract share	176 709	154 368
4 to 5 years	344 248	395 907
- Lease revenue share	215 348	242 319
- Customer contract share	128 900	153 588
More than 5 years	208 643	490 949
- Lease revenue share	140 078	311 513
- Customer contract share	68 564	179 436
Total lease and customer contract	3 550 727	3 520 720
Total lease revenue share	2 234 700	2 154 438