



FRØY

Frøy ASA

Q2 23

August 2023

Highlights

Q2 highlights



Commercial

- Strong operations and high activity in the wellboat and the sea transport segments, somewhat slower seasonal increase in activity in the service segment
- Acquisition of Marinus Aquaservice completed April 1st
- Announced 5-year contract on the wellboat newbuild MS Frøy Saga after quarter end



Financial

- Revenues in Q2 23 of NOK 518 million, increased from NOK 507 million in Q2 22
- Revenues from fixed contracts and framework agreements flat vs. Q2 22, increased spot sales in the wellboat segment
- Q2 23 EBITDA adj. for gain on sale of assets of NOK 172 million vs. NOK 153 million in Q2 22
- Stable backlog of NOK 6.0 billion



Outlook

- Planning for future growth – Ongoing discussions with yards regarding wellboat and service vessel newbuilds.
- Two new service vessel newbuilds ordered during Q2 23 and after the end of quarter
- Compulsory acquisition of all shares in Frøy announced on August 16 2023. Mandatory offer for all shares put forward on August 17 2023.



Key figures

Key figures ¹	Q2 23	Q2 22	YTD 2023	YTD 2022
Financial (NOK 1,000,000)				
Contract revenues ²	290.9	278.4	572.5	532.3
Framework revenues	86.5	99.4	167.4	163.3
Spot revenues	61.3	51.6	123.4	102.2
Fuel & other reinvoiced revenues ³	70.7	76.9	150.3	130.4
Other revenues ⁴	8.7	0.4	23.9	9.8
Total revenues	518.1	506.7	1 037.5	938.0
EBITDA ⁵	170.8	153.6	292.6	265.2
EBITDA adjusted ⁶	172.3	153.2	268.7	255.4
EBITDA adjusted % ⁷	33%	30%	27%	28%
Net cash flow from operating activities	105.7	37.3	340.2	174.0
Net cash flow from investing activities	-301.8	-150.0	-303.5	-437.2
Net cash flow from financing activities	-49.8	-231.7	24.0	-81.1
Total assets	8 384.0	7 702.6		
Net interest bearing debt ⁸	4 388.8	3 687.6		
Cash	379.5	394.1		
Equity	3 333.8	3 147.0		
Profitability and capital structure				
ROE ⁹	7 %	9 %		
Equity ratio	40 %	41 %		
Vessels¹⁰				
Wellboats	16	16		
Large service vessels	14	12		
Small service vessels	45	41		
Transport vessels	3	3		
Total number of vessels	78	72		

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)	Q2 23	Q2 22	YTD 2023	YTD 2022
Revenue	519.6	506.2	1023.9	928.3
Other income	-1.5	0.4	13.6	9.8
Total revenue	518.1	506.7	1037.5	938.0
Direct expenses (goods/services delivered)	101.5	118.7	208.7	209.8
Employee benefit expenses	172.2	145.9	341.7	288.9
Other operating expenses	73.6	88.5	194.5	174.2
EBITDA	170.8	153.6	292.7	265.2
EBITDA %	33%	30%	28%	28%
Depreciation	106.2	99.8	211.0	191.3
Operating profit	64.6	53.8	81.6	73.9
Financial income	49.6	17.7	105.3	57.7
Financial expenses	54.5	35.2	102.5	61.1
Share of profit (loss) from associates	-	-0.4	-	0.6
Profit (loss) before tax	59.7	35.9	84.5	71.0
Taxes	-2.9	-6.4	-12.2	-2.8
Profit (loss) for the period	62.7	42.3	96.7	73.9

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

Second quarter

Total revenue in Q2 23 amounted to NOK 518.1 million (NOK 506.7 million). The increase was mainly driven by increased revenues in the service segment and the sea transport segment.

EBITDA in Q2 23 amounted to NOK 170.8 million (NOK 153.6 million). EBITDA adjusted for gain from sale of vessels (EBITDA adj.) came in at NOK 172.3 million (NOK 153.2 million). EBITDA adj. increased in the wellboat segment and the sea transport segment compared to Q2 22, while increased cost level led to a decrease in EBITDA adj. in the service segment. Marinus Akvaservice was included in the service segment figures from April 1 2023.

Operating profit in Q2 23 ended at NOK 64.6 million (NOK 53.8 million). Financial income in Q2 23 of NOK 49.6 million includes profit from positive effects from the company's fixed interest rate and currency swaps that are not booked as cash flow hedges. Financial expenses in Q2 23 of NOK 54.5 million increased vs. Q2 22 due to higher interest rate on the company's floating rate debt and an increase of NOK 687 million in gross interest-bearing debt related to the company's ongoing newbuild program.

Net profit for Q2 23 ended at NOK 62.7 million (NOK 42.3 million).

Year to date (YTD)

Revenue YTD 23 amounted to NOK 1037.5 million (NOK 938.0 million). YTD 23 EBITDA amounted to NOK 292.7 million (NOK 265.2 million). Revenues and EBITDA increased YTD 23 vs. YTD 22 due to growth in number of vessels in operation.

EBITDA margin YTD 23 ended at 28% (28%). Higher EBITDA margins in the wellboat segment and the sea transport segments were offset by lower margins in the service segment.

Cash flow and net interest-bearing debt (NIBD)

Second quarter

Frøy had positive cash flow from operations of NOK 105.7 million in Q2 23 (NOK 37.3 million). Cash flow from operating activities increased Q2 23 vs. Q2 22 due to higher profit from operations and lower working capital build-up in Q2 23 than in Q2 22.

Cash flow from investment activities ended at NOK -301.8 million in the quarter (NOK - 150.0 million). Investments in Q2 23 were related to the final instalment to the yard on MS Gåsø Odin and instalments on the other vessels under construction.

The cash flow from financing activities amounted to NOK -49.8 million in the quarter (NOK -231.7 million). Repayment of debt, interests paid and payment of dividends exceeded drawing of new debt in the quarter.

The cash position at the beginning of the period was NOK 625.4 million. Total cash flow in the quarter was negative NOK 245.9 million. Cash position at the end of the quarter at NOK 379.5 million.

At the end of the quarter Frøy had total assets of NOK 8 384.0 million (NOK 7 702.6 million). The main drivers for the increase in total assets vs. Q2 22 were investments into the ongoing newbuild program.

Gross interest-bearing debt increased to NOK 4 768.3 million (NOK 4 081.7 million). The increase in gross debt is related to new debt on the newbuilds. Net interest-bearing debt at the end of Q2 23 was NOK 4 388.8 million (NOK 3 687.6 million).

Equity ratio Q2 23 of 40% which is marginally down compared to 41% in Q2 22.

Year to date (YTD)

Frøy had positive NOK 340.2 million cash flow from operations YTD 2023 (NOK 174.0 million). Cash flow from operating activities decreased YTD 23 vs. YTD 22 due to higher profit from operations, increased finance income and positive change in working capital.

Cash flow from investment activities was NOK – 303.5 million YTD 2023 (NOK -437.1 million). Investments YTD relate to the ongoing newbuild program with wellboat newbuilds being the largest component. Investments YTD 22 were slightly higher with more payments under the newbuild program. The cash flow from financing activities YTD 2023 amounted to NOK 24.0 million. The positive cash flow from financing is mainly explained by drawing of new debt on the vessels under construction.

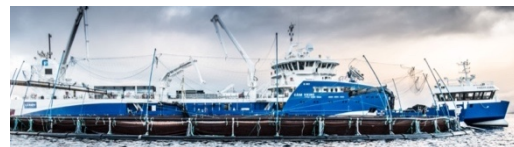
Segment overview

Frøy's segment structure

Wellboat segment

Transport of live fish and biological treatments

vessels: 18 (incl. 2 newbuilds)



Service segment

Installation, maintenance and cleaning of salmon farmers site infrastructure

vessels: 67 (incl. 8 newbuilds)



Sea transport segment

Transport of salmon feed, frozen seafood and other cargo

vessels: 3



Wellboat

Financial results

Revenues in Q2 23 amounted to NOK 258.1 million vs. NOK 270.4 million in Q2 22. Revenues from fixed contracts increased vs. Q2 22, outweighed by lower revenues from framework agreements. Spot sales came in higher compared to Q2 22 due to high demand and activity in Q2 23.

EBITDA in Q2 23 came in at NOK 109.3 million (NOK 91.4). The EBITDA margin increased to 42% (34%). Re invoiced fuel costs that carry zero margin decreased vs. Q2 22. The EBITDA margin excluding the re invoiced fuel costs came in at 53% in Q2 23 vs. 44% in Q2 22.

Frøy operated 16 wellboats at the end of the quarter, the same number as at the end of Q2 22. The 1966 built vessel MS Sørðyrøy was sold in April for a total consideration of NOK 3.7 million, while the newbuild MS Gåsø Odin came into operation during the quarter. 15 out of 16 wellboats operated on fixed contracts and framework agreements, while 1 vessel operated in the spot marked at the end of the quarter.

Seasonal increase in activity

Activity picked up during the quarter, in line with normal seasonality.

(NOK 1.000.000)	Q2 23	Q2 22
Contract revenues	172.4	165.7
Framework agreements	0.4	15.9
Spot	31.7	24.0
Fuel and other re invoiced costs	53.9	64.8
Other	-0.3	-
Total revenues	258.1	270.4
EBITDA	109.3	91.4
EBITDA %	42%	34%
Number of vessels	16	16
Number of vessels on fixed contracts	15	13



Service

Financial results

Revenues in Q2 23 amounted to NOK 226.7 million vs. NOK 212.0 million in Q2 22. Revenue from fixed contracts and framework agreements increased with NOK 9 million vs. Q2 22. The acquisition of Marinus Aquaservice was completed April 1, 2023 and the company was included in the segment figures as of this date.

EBITDA in Q2 23 amounted to NOK 64.3 million vs. Q2 22 of NOK 65.4 million. EBITDA adjusted for gain from acquisition and sale of assets amounted to NOK 59.1 million in Q2 23 vs. NOK 65.0 million in Q2 22. The lower EBITDA in Q2 23 mainly relates to increased costs and a drop in revenues within small service vessels.

Frøy operated 59 service vessels at the end of the quarter, including the three vessels in Marinus Aquaservice.

Increased activity in Q2 23

Demand for Frøy's services follow a seasonal pattern where Q1 is normally the slowest quarter. As water temperatures increase, demand for net cleaning and other services also increase. Activity increased during Q2 in line with a normal seasonal trend.

(NOK 1.000.000)	Q2 23	Q2 22
Contract revenues	98.7	95.9
Framework agreements	85.4	79.2
Spot	24.0	24.5
Fuel and other re invoiced costs	13.4	12.0
Other	5.2	0.4
Total revenues	226.7	212.0
EBITDA	64.3	65.4
EBITDA %	31%	31%
Number of large service vessels	14	12
Number of small service vessels	45	41



Sea transport

Financial results

Revenues in Q2 23 amounted to NOK 33.3 million vs. NOK 24.2 million in Q2 22. Revenues from contract and framework agreements decreased slightly Q2 23 vs. Q2 22. The increase in revenues vs. Q2 22 was primarily driven by increased spot sales and the loss of hire insurance on MS Folla following the mechanical breakdown in April.

EBITDA in Q2 23 amounted to NOK 10.1 million (NOK 5.0 million).

Frøy had all three vessels in operation at the end of the quarter.

(NOK 1.000.000)	Q2 23	Q2 22
Contract revenues	19.8	16.8
Framework agreements	0.7	4.3
Spot	5.6	3.1
Fuel and other re invoiced costs	3.4	-
Other	3.8	-
Total revenues	33.3	24.2
EBITDA	10.1	5.0
EBITDA %	30%	21%
Number of vessels	3	3

Investments

Wellboat: At 30.06.23 Frøy had two wellboats under construction.

- MS Veidnes
- MS Frøy Saga

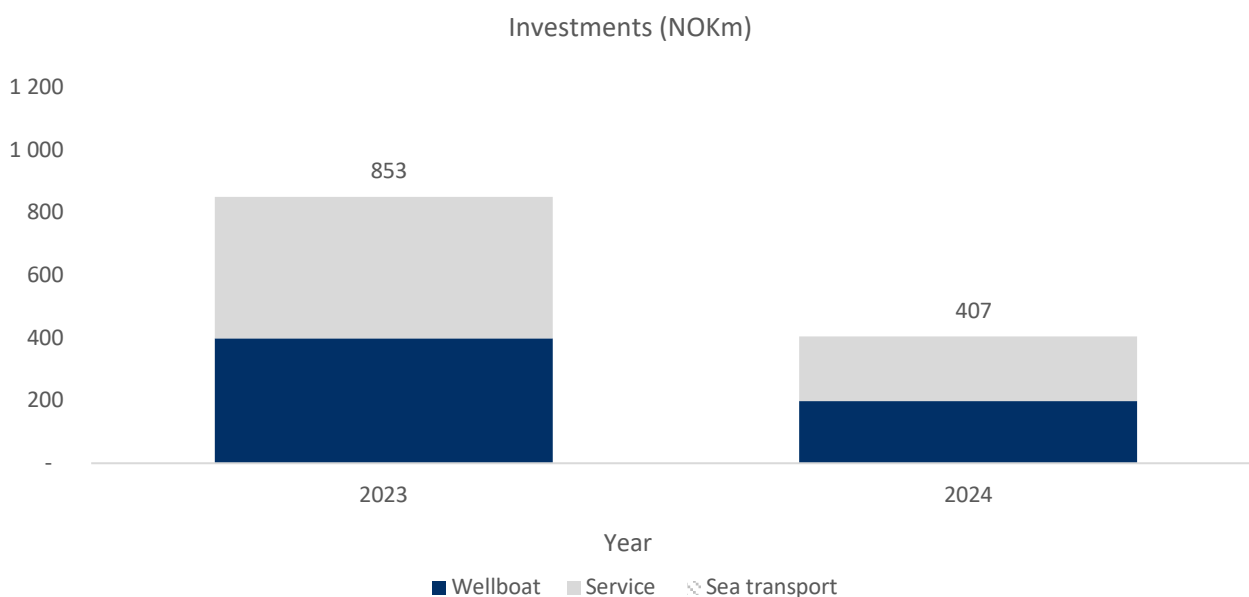
Both vessels are both booked on long term time charter contracts.

Service: At 30.06.23 Frøy had 7 service vessels under construction, with one new large service vessel ordered during Q2. In addition, one large service vessel was ordered after the end of the quarter. In total Frøy has the following newbuild program at the date of this report;

- 2 large service vessels and 3 small service vessels are scheduled for delivery from yard during 2023
- 3 large service vessels are scheduled for delivery in 2024

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 1.25 billion.



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

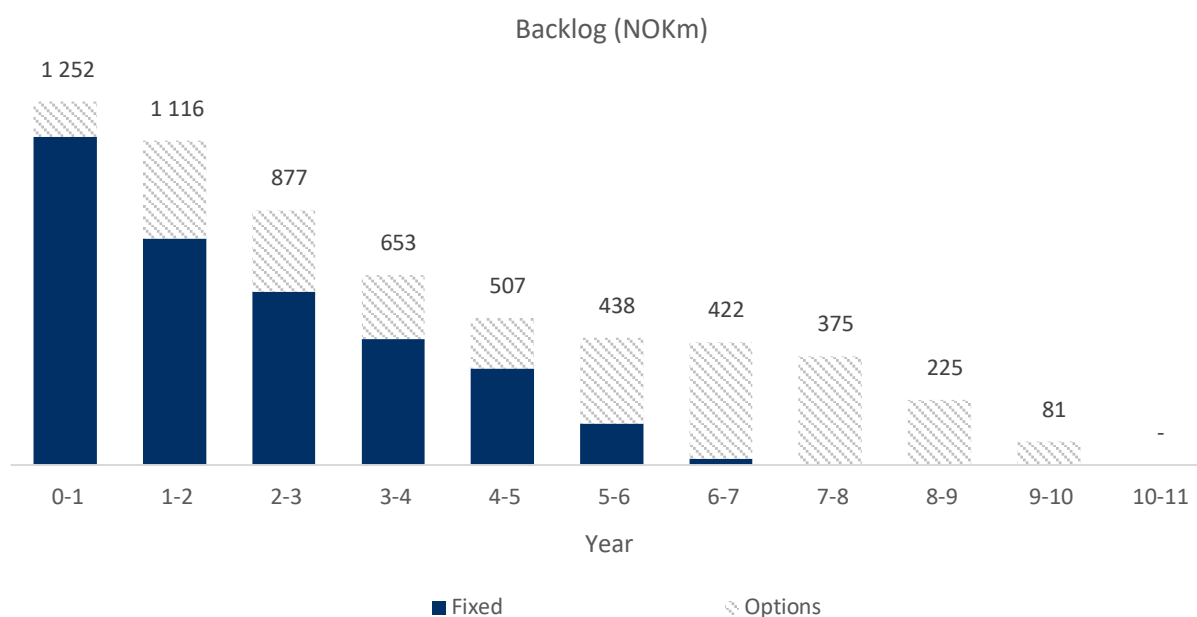
- As of 30.06.23 the total backlog amounted close to NOK 6 billion including options, which is slightly down compared to the 30.06.22 figure of 6.2 billion.

Fixed backlog

- Total fixed revenue commitments amount to approx. NOK 3.4 billion

Options

- Most fixed time charter contracts include extension options
- Total options of close to NOK 2.5 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 July 11 2023 Frøy announced that it had signed a 5-year time-charter contract for the wellboat Frøy Saga with a leading Norwegian salmon farmer.

Pursuant to the transaction agreement dated 5 June 2023 (the "Transaction Agreement") regarding (i) the sale of NTS AS' 62,269,112 shares in the Frøy (the "Share Sale") to Falcon Bidco AS (the "Buyer"), a company indirectly wholly owned by entities and infrastructure funds managed indirectly by a subsidiary of The Goldman Sachs Group, Inc, (the "Share Sale"), and (ii) subsequent mandatory offer for the remaining shares in the Company, the Board summoned an extraordinary general meeting in the company with a proposal to change the composition of the Board. An extraordinary general meeting was held on 24 July 2023 whereby a new board of directors was elected subject to the completion of the sale of shares in Frøy by SalMar to Falcon Bidco. On 20 July 2023, it was announced that all regulatory approvals required for the consummation of the Share Sale had been received by the relevant authorities, and on August 14 2023, the Share Sale was completed. In connection with the completion of the Share Sale, the Buyer procured the refinancing of the majority of the existing debt of the Company and its subsidiaries by use of proceeds of a facilities agreement entered into by the Buyer on 1 June 2023. On August 16 2023, the mandatory offer and compulsory acquisition of all shares in Frøy ASA was launched.

Outlook

Frøy continue to see positive demand for its services driven by increased volume of salmon produced and continued specialization and outsourcing of services.

Frøy’s more than 900 aqua service specialists work to deliver solutions that assist aquaculture clients deliver on their sustainability targets. Improving fish welfare and reducing risk of escapes are key priorities together with reducing the environmental footprint of operations.

On August 16, Falcon Bidco. AS, a company indirectly wholly owned by infrastructure funds managed by Goldman Sachs Asset Management carried out a compulsory acquisition of all the remaining shares in Frøy. On August 17 2023 a mandatory bid for all shares in the company was put forward.

Trondheim, 31 August 2023

Tavis Cannell
Board member

Svein Sivertsen
Chairman of the Board

Sapna Sirohi
Board member

Robert Clark
Board member

Tonje Foss
CEO

Linda Johnsen
Board member

Consolidated statement of comprehensive income

Frøy ASA

(NOK 1,000,000)	Note	Q2 23	Q2 22	YTD 23	YTD 22
Revenue		519.6	506.2	1023.9	928.3
Other revenue	3	-1.5	0.4	13.6	9.8
Total revenue		518.1	506.7	1037.5	938.0
Direct expenses (goods/services delivered)		101.5	118.7	208.7	209.8
Employee benefit expenses		172.2	145.9	341.7	288.9
Other operating expenses		73.6	88.5	194.5	174.2
Depreciation		106.2	99.8	211.0	191.3
Operating profit		64.6	53.8	81.6	73.9
Financial income		49.6	17.7	105.3	57.7
Financial expenses		54.5	35.2	102.5	61.1
Share of profit (loss) from associates		-	-0.4	-	0.6
Profit (loss) before tax		59.7	35.9	84.5	71.0
Taxes		-2.9	-6.4	-12.2	-2.8
Profit (loss) for the period		62.7	42.3	96.7	73.9
Profit or loss for the period attributable to:					
Equity holders of the parent		62.7	42.3	96.7	73.9
Non-controlling interests		-	-	-	-
Total		62.7	42.3	96.7	73.9
Other comprehensive income					
Net gain (loss) on cash flow hedges		7.6	4.4	6.8	16.7
Total comprehensive income for the period		70.2	46.7	103.5	90.5
Total comprehensive income for the period attributable to:					
Equity holders of the parent		70.2	46.7	103.5	90.5
Non-controlling interests		-	-	-	-
Total		70.2	46.7	103.5	90.5
Basic earnings per share (NOK)		0.7	0.49	1.1	0.86

Consolidated statement of financial position

Frøy ASA

(NOK 1.000.000)	Note	30.06.2023	30.06.2022	31.12.2022
ASSETS				
Non-current assets				
Goodwill and intangible assets		691.9	687.6	687.6
Vessels, property, plant and equipment		6 279.2	5 784.8	6 011.4
Right-of-use assets	4	557.3	453.1	514.6
Pension assets		-	0.5	0.5
Investments in associates		-	26.6	25.0
Other financial assets		135.6	5.5	94.7
Total non-current assets		7 664.0	6 958.0	7 333.8
Current assets				
Inventory		12.8	12.2	15.0
Trade receivables		270.0	263.9	288.0
Other receivables		57.7	74.3	70.7
Cash and cash equivalents		379.5	394.1	318.7
Total current assets		720.0	744.5	692.4
TOTAL ASSETS		8 384.0	7 702.6	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		957.7	770.9	918.9
Total retained earnings		957.7	770.9	918.9
Total equity		3 333.8	3 147.0	3 295.0
Non-current liabilities				
Non-current interest-bearing liabilities		3 788.1	3 023.6	3 609.6
Non-current lease liabilities	4	343.0	262.2	314.7
Deferred tax and other non-current liabilities		28.4	37.7	31.5
Total non-current liabilities		4 159.5	3 323.6	3 955.7
Current liabilities				
Current interest-bearing liabilities		513.6	696.7	443.1
Current lease liabilities	4	123.6	99.2	119.8
Trade payables and other current liabilities		252.3	436.0	209.8
Taxes payable		1.3	-	2.8
Total current liabilities		890.8	1 232.0	775.5
Total liabilities		5 050.3	4 555.6	4 731.2
TOTAL EQUITY AND LIABILITIES		8 384.0	7 702.6	8 026.2

Consolidated statement of cash flows

Frøy ASA

(NOK 1.000.000)	Note	Q2 23	Q2 22	YTD 2023	YTD 2022
Cash flows from operating activities					
Profit or loss before tax		59.7	35.9	84.5	71.0
Income taxes paid		-	0.0	-	-0.9
Gain/loss on disposal of vessels and PP&E	3	1.5	-0.4	-13.6	-9.8
Depreciation and impairment		106.2	99.8	211.0	191.3
Finance income		-49.6	-17.7	-105.3	-57.7
Finance expenses		54.5	35.2	102.5	61.1
Changes in working capital and other		-66.6	-115.5	61.2	-81.1
Net cash flows from operating activities		105.7	37.3	340.2	174.0
Cash flows from investing activities					
Purchase of vessels and PP&E		-305.8	-150.4	-421.3	-452.3
Proceeds from sale of financial assets		-	-	32.4	-
Proceeds from sale of vessels and PP&E		4.0	0.4	85.5	14.9
Interest received		-	0.1	-	0.3
Net cash flow from investing activities		-301.8	-150.0	-303.5	-437.2
Cash flow from financing activities					
Proceeds from borrowings		206.7	41.5	444.0	311.6
Repayment of borrowings		-71.6	-72.6	-158.0	-141.9
Payments for the principal portion of the lease liabilities		-65.5	-35.9	-94.8	-60.1
Interest paid		-54.5	-35.2	-102.5	-61.1
Payment of dividends		-64.8	-129.5	-64.8	-129.5
Net cash flow from financing activities		-49.8	-231.7	24.0	-81.1
Net change in cash and cash equivalents		245.9	-344.3	60.8	-344.3
Cash and cash equivalents, beginning of period		625.4	738.5	318.7	738.5
Cash and cash equivalents, end of period		379.5	394.1	379.5	394.2

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 30 June 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	-	-	-	73.9	-	73.9	-	73.9
Other comprehensive income	-	-	-	-	16.7	16.7	-	16.7
Total comprehensive income	-	-	-	73.9	16.7	90.5	-	90.5
Acquisition of a subsidiary	-	-	-	-	-	-	-	-
Dividends	-	-	-	-129.5	-	-129.5	-	-129.5
At 30 June 2022	86.3	2 289.8	2 376.1	758.4	12.5	770.9	-	3 147.0

Notes

NOTE 1: General information and significant accounting policies

The consolidated financial statements of the Group for Q2 23 were authorised for issue in accordance with a resolution of the Board of Directors on 31 August 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.

Q2 23 (NOK 1.000.000)	Wellboat	Service	Sea transport	Elimination and non-allocated	Total
Contract revenue	172.4	98.7	19.8	-	293.0
Framework agreements	0.4	85.4	0.7	-	86.5
Spot	31.7	24.0	5.6	-	61.3
Fuel and other invoiced costs	53.9	13.4	3.4	-	70.7
Other	-0.3	5.2	3.8	-	8.7
Total revenues	258.1	226.7	33.3	-	518.1
Depreciation	48.0	52.6	6.0	-0.4	106.2
Operating costs	149.1	162.4	23.2	12.7	347.3
Operating profit	61.0	11.7	4.2	-12.2	64.6
Financial income	24.9	1.9	0.1	22.7	49.6
Financial expenses	37.2	20.5	4.4	-7.5	54.5
Share of profit (loss) from associates	-	-	-	-	-
Earnings before tax	48.7	-7.0	-0.1	18.0	59.7
Tax	-0.1	-1.0	0.0	-1.8	-2.9
Net income	48.9	-5.9	-0.1	19.8	62.6

Q2 22 (NOK 1.000.000)	Wellboat	Service	Sea transport	Elimination and non-allocated	Total
Contract revenue	165.7	95.9	16.8		278.4
Framework agreements	15.9	79.2	4.3		99.4
Spot	24.0	24.5	3.1		51.6
Fuel and other reinvoiced costs	64.8	12.0	-		76.9
Other	-	0.4	-		0.4
Total revenues	270.4	212.0	24.2	0.0	506.7
Depreciation	48.3	45.7	5.0	0.7	99.8
Operating costs	179.0	146.6	19.2	8.1	353.0
Operating profit	43.0	19.6	0.0	-8.9	53.8
Financial income	0.5	0.8	-0.1	16.5	17.7
Financial expenses	27.3	9.0	3.2	-4.-4	35.2
Share of profit (loss) from associates	-	-	-0.4	-	-0.4
Earnings before tax	16.3	11.4	-3.8	12.0	35.9
Tax	-	-2.6	0.0	-3.8	-6.4
Net income	16.3	14.1	-3.8	15.8	42.4

YTD 23 (NOK 1.000.000)	Wellboat	Service	Sea transport	Elimination and non-allocated	Total
Contract revenue	339.2	195.2	38.1		572.5
Framework agreements	0.7	156.8	9.9		167.4
Spot	68.1	42.9	12.4		123.4
Fuel and other reinvoiced costs	117.1	24.2	9.0		150.3
Other	-	20.1	3.8		23.9
Total revenues	525.1	439.2	73.2	-	1 037.5
Depreciation	95.3	104.2	11.8	-0.3	211.0
Operating costs	339.2	326.0	51.3	28.5	744.9
Operating profit	90.6	9.1	10.1	-28.2	81.6
Financial income	52.3	2.2	7.7	43.1	105.3
Financial expenses	70.6	35.9	9.8	-13.8	102.5
Share of profit (loss) from associates	-	-	-	-	-
Earnings before tax	72.3	-24.6	8.0	28.7	84.4
Tax	-0.3	-7.7	0.0	-4.3	-12.3
Net income	72.6	-16.9	8.0	33.0	96.7

	Wellboat	Service	Sea transport	Elimination and non-allocated	Total
YTD 22 (NOK 1.000.000)					
Contract revenue	322.3	175.3	34.6		532.3
Framework agreements	21.1	127.5	14.7		163.3
Spot	42.6	46.2	12.7	0.7	102.2
Fuel and other invoiced costs	106.9	23.5	-		130.4
Other	-	9.8	-		9.8
Total revenues	492.9	382.3	62.1	0.7	938.0
Depreciation	95.3	84.8	10.0	1.3	191.3
Operating costs	334.2	282.1	43.2	13.5	672.9
Operating profit	63.5	15.5	8.9	-14.1	73.8
Financial income	0.6	0.9	0.0	56.2	57.7
Financial expenses	45.6	16.3	5.9	-6.7	61.1
Share of profit (loss) from associates	-	-	0.6	-	0.6
Earnings before tax	18.5	0.2	3.5	48.8	71.0
Tax	-	-2.3	0.0	-0.5	-2.8
Net income	18.5	2.5	3.5	49.4	73.9

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.

	Q2 23	Q2 22
Other income (NOK 1.000.000)		
Gain related to sale of PP&E	-1.5	0.4
Other	-	-
Total other income	-1.5	0.4

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

The Group's leased assets Q2 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 Q2 23

	Service vessels	Land and buildings	Other machines and equipment	Total
Right-of-use assets (NOK 1.000.000)				
Carrying amount 01.01.2023	390.9	10.7	113.0	514.6
Additions	100.8	-	6.5	107.2
Depreciations	-31.1	-2.2	-21.7	-55.1
Termination of contracts	-7.3	-	-2.2	-9.5
Gains and losses	-	-	-	-
Carrying amount 30.06.2023	453.2	8.5	95.6	557.3
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 Q2 22

Right-of-use assets (NOK 1.000.000)	Service vessels	Land and buildings	Other machines and equipment	Total
Carrying amount 01.01.2022	326.0	12.4	117.0	455.4
Additions	14.0	3.0	32.8	49.8
Depreciations	-25.3	-2.4	-21.2	-48.9
Termination of contracts	-1.9	-0.2	-0.1	-2.2
Gains and losses	-1.1	-	-0.1	-1.1
Carrying amount 30.06.2022	311.7	12.9	128.5	453.1
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 Q2 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	107.2
Total cash payments for lease liabilities	-72.7
Interest expense on lease liabilities	7.2
Termination of contracts	-9.5
Total lease liabilities at 30.06.2023	466.6
Current lease liabilities in the statement of financial position	123.6
Non-current lease liabilities in the statement of financial position	343.0
Total cash outflow during the period	-72.7

The Group's lease liabilities Q2 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	49.8
Total cash payments for lease liabilities	-54.3
Interest expense on lease liabilities	5.8
Termination of contracts	-2.2
Total lease liabilities at 30.06.2022	361.4
Current lease liabilities in the statement of financial position	99.2
Non-current lease liabilities in the statement of financial position	262.2
Total cash outflow during the period	-54.3

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 63.6 million

SalMar AS: NOK 2.8 million

SalMar farming AS: NOK 90.4 million

Refsnes Laks AS: NOK 0.9 million

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

NTS AS: NOK 1.6 million

Siholmen AS: NOK 0.1 million

NOTE 6: Major shareholders as of 30.06.23

Name of shareholder	No. of shares	%
NTS AS	62 269 112	72.11
Frøy Kapital AS	9 212 017	10.67
WSIP IV Falcon Funds JV S.A.R.L	3 207 797	3.71
Goldman Sachs International	871 969	1.01
Amble Investment AS	806 906	0.93
J.P. Morgan Securities Plc	553 055	0.64
The Bank of New York Mellon SA/NV	540 285	0.63
WSIP IV EMP Fund Aggregator	444 713	0.52
CACEIS Bank	404 804	0.47
The Bank of New York Mellon SA/NV	396 689	0.46
Gåsø Næringsutvikling AS	373 803	0.43
LIN AS	327 868	0.38
UBS Switzerland AG	246 101	0.29
The Bank of New York Mellon SA/NV	210 881	0.24
Skandinaviska Enskilda Banken AB	204 517	0.24
J.P Morgan SE	202 394	0.23
J.P Morgan SE	202 096	0.23
BNP Paribas	190 000	0.22
Slamrensing AS	172 868	0.20
Nyhamn AS	150 000	0.17
Total 20 largest shareholders	80 987 875	93.79
Total other	5 360 728	6.21
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	453	207
Sea transport		
Total	853	407

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 30.06.23.

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)	30.06.2023	30.06.2022
Fair value of interest rate swap / booked value	45.1	14.7
Increase in value of financial instruments at fair value in P&L	23.6	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)	Q2 23	Q2 22	YTD 23	YTD22
Contract revenues	293.0	278.4	572.5	532.3
Framework agreement revenues	86.5	99.4	167.4	163.3
Spot revenues	61.3	51.6	123.4	102.2
Sum revenue from contracts, framework agreements and spot	440.8	429.4	863.3	797.8
Fuel and other reinvoiced costs	70.7	76.4	150.3	130.4
Other	6.6	0.4	23.9	9.8
Total revenue	518.1	506.7	1 037.5	938.0
Direct expenses	101.5	118.7	208.7	209.8
Employee benefit expenses	172.2	145.9	341.7	288.9
Other operating expenses	73.6	88.5	194.5	174.2
EBITDA	170.8	153.6	292.7	265.2
Less gain on sale of assets	-1.5	0.4	13.6	9.8
Adjusted EBITDA	172.3	153.2	279.1	255.4
EBITDA %	33%	30%	28%	28%
Adj. EBITDA %*	34%	30%	28%	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)	30.06.2023	30.06.2022
Equity	3 333.8	3 147.0
Total equity and assets	8 384.0	7 702.6
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)	30.06.2023	30.06.2022
Non-current interest-bearing liabilities	3 788.1	3 023.6
Non-current lease liabilities	343.0	262.2
Current interest-bearing liabilities	513.6	696.7
Current lease liabilities	123.6	99.2
Cash and cash equivalents	379.5	394.1
Net interest-bearing debt	4 388.8	3 687.6

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)	30.06.2023	30.06.2022
Equity	3 333.8	3 147.0
Net profit last 12 months	246.4	266.8
ROE	7 %	9 %

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 30.06.2023 are, as follows:

Future minimum lease and customer revenues (NOK 1.000)	30.06.2023	30.06.2022
0 to 1 years	1 130 416	1 015 539
- Lease revenue share	900 831	605 736
- Customer contract share	229 585	409 803
1 to 2 years	779 180	771 764
- Lease revenue share	563 334	473 456
- Customer contract share	215 845	298 308
2 to 3 years	597 518	568 641
- Lease revenue share	371 279	345 628
- Customer contract share	226 239	223 014
3 to 4 years	432 564	505 413
- Lease revenue share	268 997	306 678
- Customer contract share	163 568	198 734
4 to 5 years	332 200	397 693
- Lease revenue share	210 187	243 065
- Customer contract share	122 014	154 627
More than 5 years	164 186	436 233
- Lease revenue share	111 276	277 881
- Customer contract share	52 910	158 353
Total lease and customer contract	3 436 064	3 695 282
Total lease revenue share	2 425 905	2 252 444