

INTERIM
REPORT –
HALF-YEAR
2023

ANDFJORD SALMON





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ABOUT ANDFJORD SALMON™

Located on the island of Andøya in the Arctic archipelago of Vesterålen, Norway, Andfjord Salmon has developed an innovative aquaculture concept for shore-based farming of Atlantic salmon, based on its patented flow-through technology. The concept represents the best of traditional sea-based salmon farming, combined with the advantages of being land-based.

Andfjord Salmon's ambition is therefore to build and operate the world's most sustainable aquaculture facility of its kind. The nearby Gulf Stream provides oxygen-rich water at an ideal temperature, unaffected by other salmon farms, which contributes towards a lower risk of infectious diseases. In addition, Andfjord Salmon avoids problems with salmon lice and poisonous algae as it sources seawater below the level where these organisms live.

The pools are escape-proof and are equipped with an innovative cleaning system that utilises biological waste as a resource, while preventing the pollution of marine life. Andfjord Salmon AS is listed on Euronext Growth in Oslo under the ticker "ANDF".

For more information, see andfjordsalmon.com

Andfjord Salmon™ is taking salmong farming into the future. With its combined experience from both traditional ocean-based farming and land-base aquaculture, Andfjord benefits from the best of both worlds. The result is optimal salmon welfare and sustainable production in Arctic waters at a latitude of 69 degrees north.

The brand name of our technology is Natural Flow System.

69°N | ANDØYA
VESTERÅLEN
NORWAY

HIGHLIGHTS HALF-YEAR 2023



APRIL – OUR THIRD SUSTAINABILITY REPORT IS PUBLISHED

Andfjord Salmon has continued to strengthen its ESG efforts. “2022 marked the start of fish farming operations for Andfjord Salmon, after having spent the past couple of years developing our first land-based pool. This meant that we could finally start to properly document and prove why we have set an ambition of developing the most fish-friendly and sustainable salmon farming facility of its kind”, says CEO Martin Rasmussen.

JUNE – COMMITMENT FOR NOK 825 MILLION BANK FINANCING SECURED – ROADMAP TO 40,000T AT KVALNES

At a capital markets update on 13 June, Andfjord Salmon shared details of the company’s build-out plan to reach a total production volume of 40,000 tonnes (HOG) at Kvalnes, Andøya. In addition, the company also secured a commitment for a NOK 825 million bank loan for its expansion at Kvalnes.

JUNE – CFLOW AND ANDFJORD SALMON FORGE STRATEGIC PARTNERSHIP TO ADVANCE LAND-BASED AQUACULTURE FACILITY

Cflow, a leading fish handling technology provider, and Andfjord Salmon, a pioneering company in land-based aquaculture, announced a strategic partnership to further develop the groundbreaking land-based aquaculture facility at Andøya.

JUNE – PRIVATE PLACEMENT SUCCESSFULLY PLACED

Andfjord Salmon successfully completed a private placement of new shares that raised gross proceeds of approximately NOK 615 million. Several of Andfjord Salmon’s largest shareholders subscribed to new shares in the private placement.

JULY – SUCCESSFUL FIRST HARVEST WITH STRONG RESULTS AND EXCEPTIONAL SURVIVAL RATE

Andfjord Salmon announced the successful completion of its inaugural harvest of Atlantic salmon from the company’s first pool located at Kvalnes, Andøya. The harvest has yielded strong results with an industry leading survival rate of 97.5% and superior share of 91.1%.

LETTER FROM THE CEO



DELIVERING AND PROGRESSING AS PLANNED

Andfjord Salmon has delivered as planned during the first half of 2023. We are fully dedicated to doing the same going forward.

Just over one year ago, after having released smolt in our first pool on 25 June 2022, my colleagues and I immediately started receiving an increasing number of questions, such as “what are your plans”, “when will you build the next pools?” and “when will you raise more funds?”.

Our answer to those questions was always the same: We will use the first production cycle to prove the biological and economic advantages of applying our flow-through technology for salmon farming at Andøya. Then we will use this knowledge as a foundation for the build-out plan at Kvalnes and subsequently raise funds, which we indicated would be a combination of debt and equity.

Fast forward one year, and I am very proud that my colleagues and I, supported by the board of directors, have managed to deliver on this plan. During the second quarter of 2023 and subsequent months, we have taken significant steps towards realizing our long-term ambition of achieving a total production capacity of 40,000 tonnes (HOG) at Kvalnes, Andøya.

Successful financing

In June, at our capital markets update in Oslo, we announced that we had secured a commitment for bank financing of NOK 825 million to help fund our expansion at Kvalnes. We also shared the details of our plan to reach a total production capacity of 40,000 tonnes through a gradual increase in volume between 2025 and 2030. An initial volume of 8,000 tonnes is anticipated for 2025.

LETTER FROM THE CEO

Subsequently, we completed a private placement of new shares that raised gross proceeds of approximately NOK 615 million. Several of Andfjord Salmon’s largest shareholders subscribed to new shares in the private placement.

The combination of debt and equity financing is in line with what we had earlier communicated.

First harvest

The key to this financing was our first production cycle, which was a success from a biological, technical and commercial viewpoint.

The cycle culminated in July, when we completed our inaugural harvest of Atlantic salmon with strong results including an industry-leading survival rate of 97.5% and superior share of 91.1%. The total biomass of Atlantic salmon reached 646 tonnes, translating to approximately 530 tonnes HOG, with an average weight of approximately 3.4 kilograms per fish. The timing of the harvest was chosen to mitigate project execution risk for Andfjord Salmon’s expansion plan at Kvalnes.

After a safely executed harvest, our salmon was sold to strategically selected seafood distributors in several European countries. Their feedback was very positive, particularly regarding the yield and colour of the fish. We firmly believe that the positive response from customers in Norway and international markets underlines the conceptual advantages of Andfjord Salmon’s farming method.

Eying the future

However, the first production cycle is history. Our eyes are now firmly fixed on the next build-out phase at Kvalnes. In the initial construction stage, our plan is to increase its production capacity to 8,000 tonnes and develop major shared infrastructure such as waterways and a port area that support future production of 40,000 tonnes at Kvalnes.

I am pleased to see that the construction work is off to an excellent start, following successful preparatory efforts and deployment of personnel and equipment during the summer period. The solid start has been partly enabled by the extensive groundworks we have conducted during the past two years. My team’s ability to look ahead, while simultaneously managing short term assignments and challenges associated with the first production cycle, is something I value highly.

“Someone’s sitting in the shade today because someone planted a tree a long time ago,” iconic investor Warren Buffet once said.

We at Andfjord Salmon have planted our ‘tree’. Now we are going to make it grow. I look forward to updating you on this progress.

–

Martin Rasmussen

CEO of Andfjord Salmon

OPERATIONAL REVIEW

During the first half of 2023, Andfjord Salmon's primary focus was to secure a successful first production cycle. Throughout this period, Andfjord Salmon has reported strong biological conditions in the pool, good fish health, strong growth and a high survival rate.

Early in 2023 a welfare documentation report written by scientists at the Norwegian food research institute Nofima concluded that "overall, the welfare of fish in the system for the first six months of the documentation project has been good in relation to, for example, the Laksvel scoring scheme for input and outcome-based indicators for salmon".

Regarding the growth of the fish, Nofima wrote: "The growth has been higher throughout the period than indicated for fish in this weight and temperature range (4 to 14°C) by reference growth tables. It is also in the upper range of values reported in several previous studies, overall". Nofima also studied a large number of operational welfare indicators for the salmon, including water quality and the salmon's physical environment, and fish behaviour.

The fish health and welfare remained good in the pool throughout the first six months of the year. Independent fish health experts Åkerblå conducted examinations every month. These reports consistently showed good results.

In June, Andfjord Salmon shared details of the company's build-out plan to reach a total production volume of 40,000 tonnes (HOG) at Kvalnes, Andøya. In addition, the company announced that it had secured a commitment for a NOK 825 million bank loan for its expansion at Kvalnes.

Subsequently, Andfjord Salmon raised equity financing of NOK 615 million through a private placement of new shares. Several of the company's largest shareholders participated in the private placement.

The new production capacity, up to 40,000 tonnes (HOG), will gradually be added between 2025 and 2030, with 8,000 tonnes (HOG) of production capacity expected to be added in 2025. In this upcoming construction stage, Andfjord Salmon is planning to establish major infrastructure such as waterways and a port area to support 40,000 tonnes of production at Kvalnes.

Andfjord Salmon's plan has always been to utilise the first pool to prove the value of its flow-through technology and the biological performance it enables, before financing and progressing with the next build-out stage.

On 20 June 2023, Andfjord Salmon stopped feeding the fish in its first pool, in preparation for its first harvest. The harvest started in late June and was concluded in July. The timing of the first harvest was chosen to mitigate construction risk for the next build-out phase at Kvalnes.

The first harvest was successful, showing strong results with an industry-leading survival rate of 97.5% and superior share of 91.1%. The total biomass of Atlantic salmon reached 646 tonnes translating to approximately 530 metric tonnes HOG (Head-On-Gutted), with an average weight of approximately 3.4 kilograms per fish. The fish was in the pool for 12 months. During this period, the growth was approximately 40 percent ahead of Andfjord

Salmon's original estimates, which were based on expected seawater temperatures and Skretting's growth table for ocean net pen farming.

As a consequence of the biological conditions in the pool, which translates to the high survival rate of 97.8% prior to transfer of fish to wellboats, Andfjord Salmon believes that the company has harvested fish that may not have survived in other fish farming facilities. Statistically, this affects the average weight and the superior share after slaughter. However, a high survival rate is most valuable from a financial perspective as the company receives payment for every fish that goes to slaughter.

In parallel with the first slaughter, and during July, Andfjord Salmon's construction partners made preparatory efforts and started deploying personnel and equipment that will be used for the next stage of construction. Preparatory work included injecting concrete to stabilize the sections surrounding the 12 pools that constitute the upcoming construction phase at Kvalnes. This preparatory work will help speed up blasting and excavation, contributing to an economically efficient development process.

Excavation work at Kvalnes is currently in full swing. A mass balance approach is being adopted, whereby excavated masses from pool pits and waterways are being utilised for port and quay development at Kvalnes. Pre-cutting of waterways commenced in early September.

FINANCIAL REVIEW

Income statement

Andfjord Salmon's first production cycle was completed in June/July 2023 and the company generated its first sales income in the second quarter. The first harvest was completed during July 2023, and total sales income will therefore not be visible in the accounts until the third quarter. Total sales income from the first production cycle amounted to NOK 37.1 million, whereof NOK 9.6 million was accounted for in the first half of the year.

For the first half of 2023, Andfjord Salmon reported an operating loss of NOK 32.3 million, compared to a loss of NOK 20.6 million in the same period in 2022. The change is mainly related to increased depreciation and amortization expenses and other operating expenses, as the company's first pool has been producing salmon for the entire first half of 2023. In the first half of 2022, the pool was undergoing final testing and preparations before smolt was released on 25 June 2022. The company also has income and builds up the value of biomass in the balance sheet, but production will become more profitable when a larger volume is produced in several pools at the same time.

Net financial expenses were NOK 0.3 million in the first half of 2023, which is at the same level as in the same period last year. Interest expenses are mainly accounted for as investment.

Financial position and cash flow

During the first half year of 2023, Andfjord Salmon has carried out investments in phase 2 of the construction at Kvalnes, where the first pool was completed and put into operation in late June 2022. The investments during the first half of 2023 are mainly related to the planning phase with potential construction partners. Book value of property, plant and equipment at the end of the first half of 2023 was NOK 521.1 million, up from NOK 498.4 million at year-end 2022.

At the end of June 2023, the company had started harvesting the salmon that was produced during the first production cycle. Some of the salmon was harvested at the end of June, however the majority of the biomass was harvested in the subsequent quarter. The value of biological assets was NOK 29.8 million at the end of June, compared to NOK 14.3 million at year-end 2022.

Cash and deposits were NOK 94.7 million as of 30 June 2023, an increase from NOK 82.9 million at year-end 2022. In addition, the company has trade receivables of NOK 11 million as of 30 June 2023. At year-end 2022 the company did not have any trade receivables.

The Board of Andfjord Salmon approved the first tranche of a share issue in June 2023. The capital increase related to this was NOK 228 million, of which NOK 90 million was paid in by the end of June 2023. The remaining NOK 138 million is included in other current assets in the balance sheet. In total, other current assets amounted to NOK 152.1 million at the end of June, up from NOK 7.8 million at year-end 2022.

The company's assets at the end of June 2023 are financed with 76.5% equity. The company had interest-bearing debt of NOK 122.8 million and trade payables of NOK 45.5 million.

Andfjord Salmon completed the first and second tranches of the above-mentioned capital increase during July 2023, raising new equity of NOK 615 million in total. Together with a loan commitment for a construction loan of NOK 825 million from Sparebank 1 Nord-Norge and alliance partners, this constitutes financing for the next construction phase at Kvalnes. The company expects to have four new pools ready for production in mid-2025, in addition to major infrastructure such as waterways and port area that will serve the entire Kvalnes site, targeting total production capacity of 40 000 tonnes HOG annually.

Net cash flow from operating activities was NOK -41.6 million in the first half of 2023. Cash flow from investing activities was NOK -33.5 million. Net cash flow from financing activities was NOK 86.9 million, of which NOK 90 million was related to paid-in equity in connection the first tranche of the capital increase mentioned above.

STATEMENT OF THE BOARD

We confirm, to the best of our knowledge, that the interim financial statements for the period January 1 to June 30, 2023, have been prepared in accordance with IAS 34 Interim Financial Reporting and provide a true and fair view of the company's assets, liabilities, financial positions and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the first six months of the financial year and major related party transactions.

Sign.
Roger Brynjulf Mosand
Chair

Sign.
Roy Bernt Pettersen
Director

Sign.
Antonio Serrano
Director

Sign.
Tore Traaseth
Director

Sign.
Knut Roald Holmøy
Director

Sign.
Bettina Flatland
Director

Sign.
Kim Strandenæs
Director

Sign.
Gro Skaar Knutsen
Director

Sign.
Martin Rasmussen
CEO

Kvaldsnes, Andøy
14.09.2023

RICE CHIPS AND ANDFJORD SALMON A LA TIKTOK

"I have to admit that I don't think every dish on TikTok is exciting, but it's fun when something really takes off. I thought this TikTok sensation with rice chips and creamy salmon looked very intriguing and decided to test it out with a delicious piece of back loin of fresh Andfjord Salmon," says chef and photographer Finn-Erik Rognan.

"IT'S EXTREMELY IMPORTANT THAT THE TEMPERATURE OF THE OIL IS HOT ENOUGH WHEN FRYING. I HEAT IT TO 180-190 DEGREES CELSIUS, WHICH GIVES ME CRISPY CHIPS IN A FEW SECONDS," SAYS ROGNAN, SHOWING HOW THE RICE PAPER IMMEDIATELY SHRINKS IN THE OIL. IF THE OIL ISN'T HOT ENOUGH, THE RICE PAPER WILL BECOME CHEWY INSTEAD, THE CHEF WARNS.

RICE PAPER CHIPS AND SALMON

In this dish, Rognan uses rice paper of the type from which soft spring rolls are made. But for this recipe, the rice paper should be divided into pieces and deep-fried into crispy chips. Here, temperature plays an essential role.

For more recipes:
andfjordsalmon.com

INGREDIENTS (SERVES 4):

- 12 sheets of rice paper
- 500 grams back loin of Andfjord Salmon
- 2 tablespoons roe
- 100 ml mayonnaise
- 50 ml sriracha sauce
- 50 ml sweet chili sauce
- 1 teaspoon salt
- 1 teaspoon sesame oil
- 1 small bunch of chives
- 1 red onion
- 1/2 cucumber
- Black or white sesame seeds



STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK thousand	Notes	HY 2023	HY 2022	2022
		Unaudited	Unaudited	
Revenue from contracts with customers	5	9 625	-	-
Other operating income		-	32	113
Total revenue		9 625	32	113
Changes in biological assets at cost and other inventories		(1 864)	-	700
Cost of materials		(22 047)	-	(12 704)
Fair value adjustments of biological assets	6	25 707	-	14 285
Employee benefit expenses		(12 389)	(8 018)	(23 211)
Depreciation and amortisation expenses	8	(12 317)	(1 600)	(13 603)
Other operating expenses		(18 748)	(10 753)	(21 691)
Operating profit/(loss)		(32 032)	(20 340)	(56 111)
Financial income		-	-	1 836
Net financial costs		(283)	(304)	(2 402)
Financial income/(expenses), net		(283)	(304)	(566)
Profit/(loss) before income tax		(32 315)	(20 644)	(56 677)
Income tax expense		-	-	-
PROFIT/(LOSS) FOR THE PERIOD		(32 315)	(20 644)	(56 677)
Net other comprehensive income/(loss)		-	-	-
COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		(32 315)	(20 644)	(56 677)
Earnings per share (in NOK):				
Basic earnings per share		(0.80)	(0.57)	(1.48)
Diluted earnings per share		(0.80)	(0.57)	(1.48)

STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousand	Notes	30 June	31 December	30 June
		2023	2022	2022
		Unaudited		Unaudited
ASSETS				
Non-current assets				
Intangible assets		12 570	8 556	3 599
Property, plant and equipment	8	521 109	498 386	481 911
Right-of-use assets	9	19 496	22 539	24 104
Other non-current assets		71	89	106
Total non-current assets		553 246	529 570	509 720
Current assets				
Biological assets	6	29 836	14 285	6 673
Other inventories	7	-	1 162	-
Trade and other receivables		10 987	-	-
Other current assets	12	152 157	7 803	8 922
Cash and cash equivalents		94 698	82 911	191 191
Total current assets		287 678	106 161	206 787
TOTAL ASSETS		840 924	635 731	716 507
Amounts in NOK thousand	Notes	30 June	31 December	30 June
		2023	2022	2022
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	46 961	41 039	41 039
Share premium	12	748 286	557 413	563 665
Retained earnings		(157 752)	(125 438)	(89 405)
Other reserves		5 566	2 690	-
Total equity		643 061	475 704	515 300
LIABILITIES				
Borrowings	10	63 417	67 375	122 562
Lease liabilities	9	11 027	13 296	14 517
Total non-current liabilities		74 444	80 671	137 079
Borrowings	10	59 417	56 168	3 166
Lease liabilities	9	4 514	4 683	3 520
Trade payables		45 461	10 361	56 023
Other current liabilities		14 027	8 144	1 419
Total current liabilities		123 419	79 356	64 128
Total liabilities		197 863	160 027	201 207
TOTAL EQUITY AND LIABILITIES		840 924	635 731	716 507

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK thousand	Notes	Share Capital	Share premium	Retained earnings	Other reserves	Total equity
Balance at 1 January 2022		35 943	357 226	(68 761)	-	324 399
Loss for the period		-	-	(20 644)	-	(20 644)
Capital increase		5 105	206 439	-	-	211 544
Purchase of own shares		-	-	-	-	-
Balance at 30 June 2022		41 039	563 655	(89 405)	-	515 300
Balance at 1 January 2023		41 039	557 413	(125 438)	2 690	475 704
Loss for the period		-	-	(32 315)	-	(32 315)
Capital increase	12	5 922	222 077	-	-	227 999
Transaction costs in capital increase	12	-	(31 204)	-	-	(31 204)
Share based payments to employees		-	-	-	2 875	2 875
Balance at 30 June 2023		46 961	748 286	(157 752)	5 566	643 061

STATEMENT OF CASH FLOWS

Amounts in NOK thousand	Notes	HY 2023 Unaudited	HY 2022 Unaudited	2022
CASH FLOW FROM OPERATING ACTIVITIES:				
Profit/(loss) before income tax		(32 315)	(20 644)	(56 677)
Adjustments to reconcile profit/loss before tax to net cash flow:				
Depreciation and amortisation		12 317	1 600	13 603
Finance income/(expense), net		283	304	566
Share-based payment expense		2 875	-	2 690
Fair value adjustments of biological assets	6	(15 551)	(6 673)	(14 285)
Working capital changes:				
Increase in other inventories and biological assets at cost		1 162	-	(1 162)
Change in trade and other receivables		(10 987)	-	-
Change in trade payables		11 896	6 334	(39 329)
Change in other current assets and liabilities		(8 454)	2 310	9 891
Interests received		824	130	1 836
Interests paid		(3 662)	(1 744)	(5 576)
Net cash flow from operating activities		(41 612)	(18 383)	(88 443)
CASH FLOW FROM INVESTMENT ACTIVITIES:				
Payment for property, plant and equipment	8	(29 206)	(62 546)	(89 497)
Proceeds from sale of property, plant and equipment	8	-	-	-
Payment for intangible assets		(4 249)	(1 040)	(6 204)
Receipt of government grants		-	-	5 000
Net cash flow from investing activities		(33 455)	(63 586)	(90 702)
CASH FLOW FROM FINANCING ACTIVITIES:				
*Equity received	12	90 000	211 545	205 292
Proceeds from borrowings	10	-	46 698	45 000
Repayment of borrowings	10	(709)	-	(1 958)
Payment of principal portion of lease liabilities		(2 438)	-	(1 958)
Net cash flow from financing activities		86 853	258 243	247 139
Net increase/(decrease) in cash and cash equivalents		11 787	176 273	67 993
Cash and cash equivalents at the beginning of the period		82 911	14 918	14 918
Cash and cash equivalents at the end of the period		94 698	191 191	82 911

*'Equity received' during this reporting period constituted restricted cash at 30 June 2023, from unregistered share capital increase. See Note 12 for further details.



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1. GENERAL INFORMATION

These interim financial statements of Andfjord Salmon AS, for the period ending 30 June 2023 and the comparable financial statements for the period ending 30 June 2022, were recognized for issue on 13 September 2023 by resolution of the Board of Directors.

Andfjord Salmon AS (the 'Company' or 'Andfjord Salmon') is a limited liability company incorporated and domiciled in Norway, with shares currently traded on Euronext Growth Oslo. The Company was established in 2014 and the registered office is located at Kvalnesveien 69, Andøy.

Andfjord Salmon's business is to farm salmon with the aim of selling to third parties when the fish has reached a mature state. The Company owns and operates a land-based salmon farming facility located in the intertidal zone on the eastern shores of Andøya, in Andøy municipality. The Company currently operates one salmon pool facility and is in the process of developing further facilities in the same geographical area. The facility uses a seawater flow-through system that avoids issues with salmon lice and poisonous algae, prevents salmon escape and also reduces feed waste.

As at 30 June 2023, Andfjord Salmon AS has no subsidiaries or affiliated companies. The financial statements for the year ended 31 December 2022 are available at www.andfjordsalmon.com

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. The Company has prepared these interim financial statements based on the going concern assumption, as Management has identified no material uncertainties related to events or conditions

that may cast significant doubt upon the Company's ability to continue as a going concern.

This interim report does not include all the information and disclosures required by other standards within the International Reporting Financial Reporting Standards (IFRS). Therefore, this report should be read in conjunction with the annual report for the year ended 31 December 2022.

These interim financial statements are unaudited.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its financial statements for the year ended 31 December 2022, and no amendments applicable for the first time in 2023 had an impact on the interim financial statements of the company.

In these interim financial statements, the half-year is defined as the reporting period from January 1st to June 30th.

All amounts are presented in NOK thousand (TNOK) unless otherwise stated. Because of rounding differences, numbers or percentages may not add up to the sum totals.

Significant assumptions and estimates

The preparation of financial statements requires Management and the Board of Directors to make assessments and assumptions that affect recognized assets, liabilities, income and expenses and other information provided, such as contingent liabilities. For further information concerning these, please refer to the Andfjord Salmon AS 2022 annual report.

Specifically, the Group measures its biological assets in accordance with IAS 41, which requires biological assets to be measured at fair value less costs to sell, unless that fair value cannot be measured reliably.

Disclosures on judgements and estimates were included in the annual report for 2022. Specific disclosures, including main assumptions are included in Note 6 of this interim report.

3. SIGNIFICANT CHANGES, EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

During the first half-year of 2023, the Group has entered into the following significant transactions:

- The Group sold the first salmon produced in its facilities in June 2023. Further disclosures are provided in Note 5.
- The Group completed the first of the two tranches to raise capital through a private placement. Further disclosures are provided in Note 12.
- The Company has entered into a new loan commitment, and has modified some of its borrowings. Further disclosures are provided in Note 10 and 14.

The financial position and the performance of the Group was not, other than mentioned above, particularly affected by any significant events or transactions during the first half year of 2023.

4. PROFIT AND LOSS INFORMATION

Seasonality of operations

The salmon industry is subject to certain seasonality. Salmon growth is impacted by changes in water temperature. Salmon grows at a higher rate during summer and autumn as compared to winter and spring when the seawater temperatures are lower. Additionally, the industry is subject to some degree of seasonal price variation due to seasonal demand shifts.

However, Management has concluded that the business is not considered as 'highly seasonal' in accordance with IAS 34.

5. REVENUE

REVENUE

Amounts in NOK thousand	HY 2023	HY 2022
Sales of salmon	9 625	-
Other operating income	-	32
Total revenue	9 625	32

The company sold the first salmon produced in its facilities in June 2023. Revenue was recognised at the time at which it was shipped to customers.

All remaining biological assets at 30 June 2023 were harvested and sold in the first days of July. See note 14 for further details on this event after the reporting period.

6. BIOLOGICAL ASSETS

As at the end of each reporting period, the company had the following biological assets:

	30 June 2023	31 December 2022
Volumes of biomass		
(Tonnes)		
Volume of roe-fry and smolt measured at cost	-	-
Volume of biomass held in the pool (live weight) (measured at fair value)	532	233
Volume of harvested biomass (gutted weight equivalent) (measured at cost)	-	-
Total biological assets held	532	233

6.1. MOVEMENTS IN BIOLOGICAL ASSETS MEASURED AT FAIR VALUE LESS COSTS TO SELL

The biological assets measured at fair value less costs to sale present the following movements in the periods presented:

Change in biological assets	Tonnes	Carrying amount NOK thousand
Biological assets at 1 January 2022	-	-
Fair value adjustment	-	14 285
Biological assets at 31 December 2022	233	14 285
Fair value adjustment	-	25 707
Increase due to production	480	-
Increase due to additions of new smolt	-	-
Decrease due to incident based mortality	-	-
Decrease due to sale/ harvesting	(181)	(10 156)
Biological assets at 30 June 2023	532	29 836

Decreases in biological assets mainly relate to the sale of salmon, as disclosed in Note 5, and have been presented within cost of materials in the 'statement of comprehensive income'.

The sale price achieved (NOK 9 625 thousand) was lower than the fair value at harvest date (NOK 10 156 thousand). The main reason for this difference is that the harvest of salmon was made before the salmon reached its optimal weight,

to align the salmon production activities with the subsequent construction of the next pools (see Note 8 for additional information in this regard).

All remaining biological assets at 30 June 2023 were harvested and sold in the first days of July. See Note 14 for further details on this event after the reporting period.

6.2. MAIN ASSUMPTIONS

The following forward price obtained from Fish Pool have been utilised by the Company for the valuation of its biomass:

Expected harvesting period	Forward price at 30.06.2023	Forward price at 31.12.2022
(Amount in NOK per kg)		
Q3-2023	77,5	75,5

The price used at 30 June 2023 corresponds to the forward price in August 2023, which is when the fish would be expected to reach their optimal weight. However, the Company completed its harvest during June and July. See Note 14 for further disclosures on events after the reporting period.

For a description of main judgements and assumptions please refer to the 2022 annual report.

7. OTHER INVENTORIES

Other inventories	30 June 2023	31 December 2022
(Amounts in NOK thousand)		
Harvested biomass	-	-
Feed and packaging material	-	1 071
Others	-	91
Total other inventories	-	1 162

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Land and buildings	Machinery and plant	Furniture, tools and others	Facilities for farming	Assets under construction	Total
Amounts in NOK thousand						
At 31 December 2022						
Cost	98 973	32 113	6 660	299 267	73 429	510 442
Accumulated depreciation	(423)	(1 359)	(1 337)	(8 937)	-	(12 056)
Net book amount	98 550	30 754	5 323	290 330	73 429	498 386
Period ended 30 June 2023						
Opening net book amount	98 550	30 754	5 323	290 330	73 429	498 386
Additions	2 028	1 087	646	7 681	29 113	38 526
*Other movements	-	(1 662)	-	(6 838)	-	(8 500)
Transfers	-	-	-	42	(42)	-
Depreciation	(193)	(1 449)	(756)	(6 934)	-	(9 139)
Closing net book amount	100 385	28 730	5 213	284 281	102 500	521 109

Property, plant and equipment	Land and buildings	Machinery and plant	Furniture, tools and others	Facilities for farming	Assets under construction	Total
At 30 June 2023						
Cost	101 001	31 538	7 306	300 152	102 500	542 496
Accumulated depreciation	(616)	(2 808)	(2 093)	(15 871)	-	(21 387)
Net book amount	101 385	28 730	5 213	284 281	102 500	521 109

Property, plant and equipment	Land and buildings	Machinery and plant	Furniture, tools and others	Facilities for farming	Assets under construction
Buildings: straight-line.					
Land not depreciated					Not applicable
Depreciation method		Straight-line	Straight-line	Straight-line	Not applicable
Useful life	50 years	5-20 years	3 - 10 years	5 - 50 years	Not applicable

*Other movements mainly relate to some credit notes received for the PPE suppliers adjusting the cost machinery supplied and the works performed in the land facilities for farming.

8.1. SIGNIFICANT MOVEMENTS

Kvalnes land-based pool – Phase I

The first pool has been in operation for the past year. are no significant changes.

Kvalnes land-based facility – Phase II and Phase III

Throughout the first half of the year, preliminary design and planning for construction of the expansion to a production capacity of 19,000 tonnes HOG has been ongoing. Groundwork started in July and there will be major activity in the second half of 2023 and beyond.

Fiskenes and Breivik

The development of Fiskenes and Breivik is currently focused on formalities relating to properties and regulation.

9. LEASES

The Group has entered into new lease agreements during the first half of the 2023 reporting period. These leases mainly relate to technical equipment related to operation. This resulted in additions to the right-of-use-assets and lease liabilities of NOK 1 494 thousand and NOK 1 494 thousand respectively. Depreciation of right-of-use assets for the period is NOK 2 732 thousand.

10. BORROWINGS

	30 June 2023	2022
Overview of borrowings		
Amounts in NOK thousand		
Non-current		
Debt to credit institutions	51 750	54 875
Debt to related parties	-	-
Debt to other entities	11 667	12 500
Total non-current borrowings	63 417	67 375
Current		
Debt to credit institutions	6 500	4 000
Debt to related parties	51 251	50 501
Debt to other entities	1 666	1 667
Total current borrowings	59 417	56 168
Total borrowings	122 834	123 543

The company has entered loan commitments related to construction of increased production capacity at Kvalnes. These loan commitments include the refinancing of the current bank debt. See Note 14 for additional information on this.

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following transactions were held with related parties:

Transactions with related parties	Relationship	HY 2023	HY 2022
Amounts in NOK thousand			
Financial advisory	Board members	335	246
Other operating expenses	Andfjord Holding AS	-	2
Interest expense	Majority shareholders	750	750
Total related party profit or loss items		1 085	998

At 30 June 2023, the Company continued to hold a loan agreement with its shareholders amounting to NOK 50 000 thousand.

12. SHARE CAPITAL

12.1. SHARE CAPITAL AND SHARE PREMIUM

As at 30 June 2023, the share capital consists of 46 961 005 ordinary shares, with a par value of NOK 1.00 each. All shares are entitled to equal rights with respect to dividends, voting rights and other rights in accordance with Norwegian corporate law.

Movements in ordinary shares	Number of shares	Par value per share (NOK)	Share premium total (TNOK)	Total (TNOK)
At 31 December 2022				
Opening balance	41 038 927	1,00	557 413	598 452
Capital increase	5 922 078	1,00	222 077	227 999
Transaction costs	-	-	(31 204)	(31 204)
Closing balance at 30 June	46 961 005	1,00	748 286	795 247

12.2. MOVEMENTS IN ORDINARY SHARES

The Company completed the first tranche of a private placement on 29 June 2023. As a consequence, the total share capital and premium increased by NOK 228 million, and the number of shares by 5 922 978. This share capital increase was reduced by an amount of NOK 31.2 million, corresponding to the incremental directly attributable costs from this increase in capital. Those costs also include the costs related to the second tranche in the capital increase, which was approved on 6 July and registered in the Norwegian Register of Business Enterprises on 14 July. See Note 14 for additional information.

Registration of share capital increase

The share capital increase was completed in the first days of July 2023. By 30 June 2023, part of the capital increase was received in cash (NOK 90 million), which was considered to be restricted and presented as 'cash and cash equivalents' in the statement of financial position. The rest of the payment, NOK 138 million, was withheld until the share capital increase was registered in the Norwegian Register of Business Enterprises ('NRBE'), and presented as a receivable within the line item 'trade and other receivables'.

13. COMMITMENTS

The following significant contractual commitments are present at the interim reporting period:

Capital commitments	30 June 2023	31 December 2022
(Amounts in NOK thousand)		
Property, plant and equipment	67 220	-
Total capital commitments	67 220	-

As at end of June 2023 the company was committed to early phase construction work at Kvalnes, as part of groundwork for construction of new pools to increase production capacity to 19,000 tonnes HOG.

14. EVENTS AFTER THE REPORT PERIOD

The following events took place after the end of the current reporting period:

Harvest of fish

Harvest and sale of the second batch of salmon was completed during July 2023. The sale price achieved (NOK 27.5 million) was lower than the fair value at harvest date (NOK 29.8 thousand). The main reason for this difference is that the harvest of salmon was made before the salmon reached its optimal weight, to align the salmon production activities with the subsequent construction of the next pools (see Note 8 for additional information in this regard).

Second tranche of capital increase successfully completed

The Company successfully completed the second tranche of its capital increase (see Note 12 for further information on the first tranche). This was approved by the extraordinary general meeting held by the Company on 5 July, and finally settled later in July. The number of shares issued for the second tranche amounted to 10 051 948 shares, resulting in a capital increase of NOK 387 million.

Cancellation of current loans and entering into new financing facility

The Company entered into a new financing agreement with SpareBank 1 Nord-Norge and bank alliance partners, including Eksfin, for the construction of the next expansion stage at Kvalnes. The total amount of the loan commitment is NOK 825 million.

The loan commitments include a construction loan of NOK 825 million that will be converted to a term loan upon production start in new pools in 2025. Repayment will then start after a 24-month amortization holiday with a repayment period of 10 years. In addition, the loan agreements include refinancing of the current bank debt. In total the term loan will amount to approximately NOK 900 million.

This financing facility is subject to several financial covenants applicable as from 31 December 2027 and an equity ratio of 35% at each financial year-end.

Other events

The Board of Directors is not aware of any other events that occurred after the balance sheet date, or any new information regarding existing matters, that can have a material effect on the 2023 first half-year interim financial report for the company.

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