

Letter to Investors, November 2022.

Dear investor,

We are honored that you trusted us by investing in Villa Seafood Group AS. With the share issue our investor base grew from 10 to 127 owners and you have now joined all the employees in Villa Seafood Group AS and Villa Seafood AS as well as the whole board of directors as owners. Some of those who took part in the share issue know us from before, but we are especially glad to see that so many with no relations to the company and our employees also have become part of our extended family.

The Villa Way

We have a saying that we do things "*The Villa Way*" - we work differently. Our intention is to bring this way of thinking with us in the way we handle our investor base as well, implying that we will be an open company that will share insight from our industry with our investors and keep you updated on our development throughout the year. At the same time, we recognize that handling a larger investor base is new to us and we will need time to find our way and create the support systems needed. We will strive to treat every shareholder equally by providing all investors with consolidated information simultaneously, and to ensure all shareholders have the same rights.

Please be a little patient about reporting as we have not yet developed all systems to start reporting. This investor letter is therefore a soft start, hoping this will update you on our development and maybe shed some light on how the latest development in the seafood industry is affecting us. In the report, we have included some key financials and operational highlights. With reporting of Q4 figures, we also plan on doing a webcast with Q&A session where you will be invited to ask questions.

Your contribution has been important for Villa Seafood Group AS, enabling us to accelerate our development. We are now working on several growth projects and we look forward to share insights at the Q4 update. In addition to expanding our cash base, the share issue has also led to greater visibility towards banks, investment banks, law firms, auditors, and various corporate services.

IPO ready

As stated in the prospectus, we are developing the Villa Seafood Group AS into an IPO ready company. This means that we, when conditions are right and on the request of the owners, will be able to list the company on a short time span. The share issue in September was an important step into making this reality as a large number of shareholders is important to create liquidity on a stock exchange. Liquidity is important for shares to be trading at their true value and for investors to not demand a liquidity premium to hold shares they might have difficulty in selling.

Organizational updates

Inger Hole started as our group accounting manager November 1st, bringing important competence and experience in accounting and reporting to our team. Inger holds a master's degree in Audit and accounting from the Norwegian School of Economics and Business Administration (NHH) and is a certified public accountant.

Having worked more than 16 years at KPMG and Veidekke ASA she has extensive experience in group accounting and financial reporting for public companies.

As part of our commitment to operate responsibly, Villa Seafood Group AS are proud to report that we have joined UN Global Compact as one of very few Norwegian seafood companies. By this, we have made a commitment towards the 10 UNGC principles on human rights, labor, environment and anti-corruption. We also have committed to reporting annually on our progress to UN Global Compact.

On November 17th our CFO Anders Hagestande presented the company at a Nordic investor conference in Stockholm. The presentation and a video will be available on Dagens Industri from week 48 and we will share link so you can watch if you are interested.

We will shortly open up for trading in shares in Villa Seafood. If you are interested in buying more, or you would like to sell shares, you can list your interest to our CFO Anders Hagestande who will put you in contact with buyers and sellers. We are not allowed to work as a brokerage firm and thus the buyer and seller will have to settle the deal and report to either Dealflow or Anders Hagestande on the price and settlement. Dealflow demands a compensation of 2,5% that will be charged the seller.

You can contact Anders Hagestande by phone +47 415 82 138 or email anders.hagestande@villaseafood.com.

Operational highlights:

Villa Seafood:

Villa Seafood reports a record high activity level in Q3. Salmon raw material prices have been seasonal lower in Q3, while prices are expected to be very high in first half of 2023. We have informed our customers on the price expectations and encourage them to use this situation to build inventory if possible. To ensure we meet demand, we have rented extra processing capacity at plants in Poland and Norway. In the financials you will see Villa Seafood AS reporting a record strong revenue and results in Q3 because of this. The level of activity is expected to last until November, and from then on we expect to produce more at a normal level.

In September and only two weeks ahead of the resource tax proposal in Norway, Villa Seafood AS was able to sign a major fix price contract of salmon filets with an major supermarket chain, and buying raw material at fixed prices from a Norwegian salmon farmer. This contract provides visibility of activity going forward and had very fortunate timing. It would have been very difficult in the uncertainty on fixed price contracts after the resource tax proposal which has been unclear about prices. You will find more details on the resource tax and the implication for our business in its own appendix.

Villa Seafood AS mil NOK	2018	2019	2020	2021	2022 pr Q3
Revenue	557	595	645	955	747,26
EBIT	10,4	11,1	13,7	9,9	18,99
Net result	6,8	6,4	10,9	6,4	14,06
Equity	11,4	13,8	17,3	23,7	23,713
Assets	86,1	91,8	109,7	149,7	183,36
ROE annualized	60 %	46 %	63 %	27 %	61 %

Organic Sea Harvest:

In Scotland, Organic Sea Harvest LTD harvested the last fish of the S0 2020 generation in August. Unfortunately, this generation have had a slow growth rate and have been harvested at a relatively high production cost. On the positive side, the quality of the fish has been astonishing, and the organic salmon has been well received in the market. Organic Sea Harvest LTD is a new organization, and we continuously work to improve and optimize production.

Production of S0 2021 and S1 2022 generation have been difficult in Q3. The whole salmon farming community in Scotland have been harmed by naturally occurring micro jelly that affect the gills of the fish. The last major incident of micro jelly was in 2002, some scientists believe its correlated with the heat wave in Europe.

As a result, we see elevated mortality on Invertote while the newly ponded fish on Culnacnoc have been unaffected. There have been periods when it has not been possible to feed the fish, because the fish is struggling with its gill issues. The issue with micro jelly has been a problem for most salmon farmers in Scotland and some sites at other companies have been totally wiped out.

Kontali estimate that the supply growth of salmon will stagnate next year, which leads to expectations of very high prices for conventional salmon next year. Organic salmon prices, which are mostly a contract market, have increased compared to this year.

Organic Sea Harvest 100%	2021	2022 pr Q3
Harvest ton GWE	201	2 280
Revenue mil £	1 393	16 554
EBIT pr kg £	-2,67	0,86
Net result mil£	-2,56	1,79
Equity mil£	11,542	14,33
Assets ml£	23,038	20,915
Roe annualized	negative	18,40 %

Villa Seafood INC

Villa Seafood Inc have delivered very strong results with the full implementation of the Icelandic groundfish business and solid salmon programs. Villa Seafood Inc is reporting a positive margin trend and sees expansion opportunities in the market.

Villa Seafood INC 100% mil \$	2018	2019	2020	2021	2022 pr Q3
Revenue	14,88	13,21	13	13,78	15,3
EBIT	0,25	0,39	0,42	0,29	0,778
Net result	0,17	0,26	0,25	0,33	0,59
Equiy	0,3	0,5	0,77	1,1	1,69
Assets	2,5	2,8	2,1	3,6	
ROE annualized	68,0 %	51,0 %	33,0 %	30,0 %	39,6 %

Filetfabrikken:

The construction of Filetfabrikken AS, our new value adding processing plant, is progressing according to plan. The latest estimate is that the facility will be operational from the start of Q2 2023.

We see current and prices on traded future electricity prices in NO1 which is the electricity supply area for Filetfabrikken AS coming down to more normalized levels since august.

Seafood Brands:

Seafood Brands is launched and have initiated recruiting staff. We expect the company to be operational during Q1 2023.