Annual and Sustainability Report 2022

Vortex® semi-closed system

Content

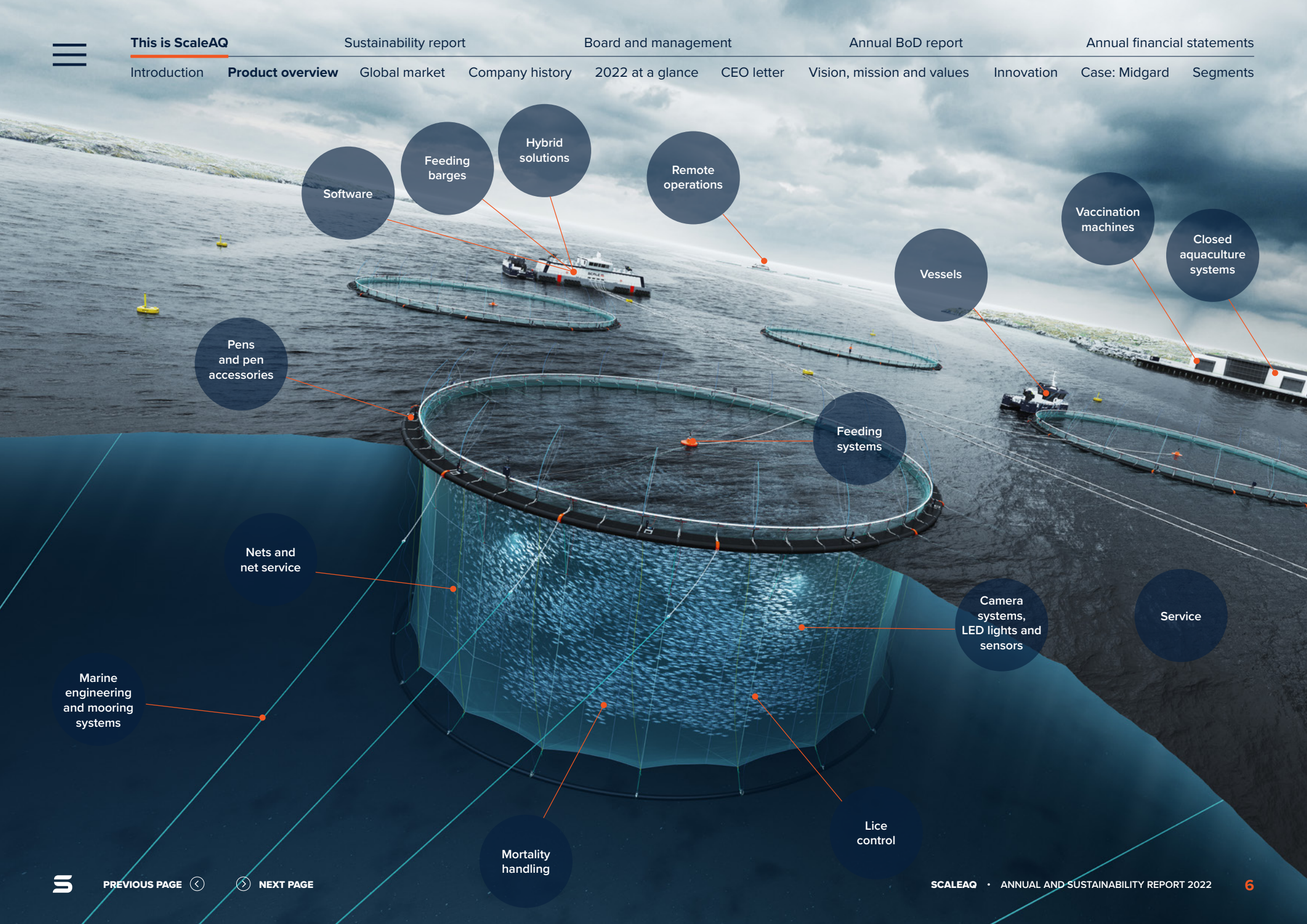
This is ScaleAQ

A small selection of the amazing people of ScaleAQ

ScaleAQ is a leading global technology provider that supplies and manufactures complete sites for the aquaculture industry in more than 40 countries. The company has approximately 900 employees and offices in Norway, Scotland, Poland, Iceland, Chile, Canada, Tasmania and Vietnam.

Through focus on sustainability and biology, ScaleAQ has taken a clear role in ensuring the development of technology on the terms of biology and the environment. We do this by producing and delivering technology, infrastructure and services in a solid, sustainable and innovative way. Our people represent the core of our brand. We employ 900 experienced and skilled workers, engineers, scientists and other staff, who are among the most competent and innovative in aquaculture. Solid people make solid and sustainable business, for our customers and for ScaleAQ. Local presence means close and lasting relations, first-hand knowledge of customer needs and requirements, and ability to solve challenges hands-on.

Read more about our corporate responsibility in our Sustainability report.


Software
Feeding barges
Hybrid solutions
Remote operations
Vessels
Vaccination machines
Closed aquaculture systems
Pens and pen accessories
Feeding systems
Nets and net service
Camera systems, LED lights and sensors
Service
Marine engineering and mooring systems
Mortality handling
Lice control

Serving the global aquaculture market

ScaleAQ's locations and main markets

NORWAY

Trondheim
Alta
Skjervøy
Tromsø
Finnsnes
Harstad
Tovik
Bodø
Sandnessjøen
Herøy
Rørvik
Stjørdal
Frøya
Hitra
Skodje
Florø
Bergen
Austevoll
Bømlo
Haugesund

CANADA

Campbell River
Saint John
Newfoundland

UK & IRELAND

Fort William
Shetland

ICELAND

Reykjavik

TASMANIA

Hobart
Huonville

CHILE

Puerto Natales
Puerto Varas

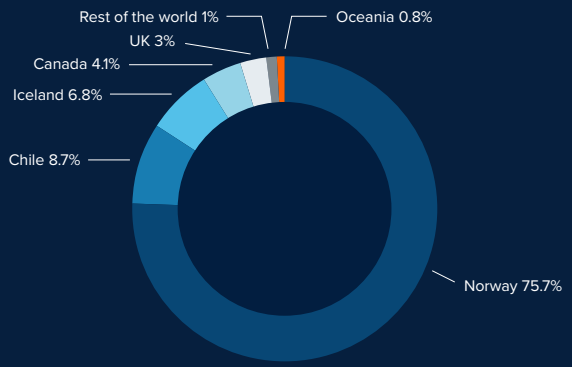
POLAND

Gdynia

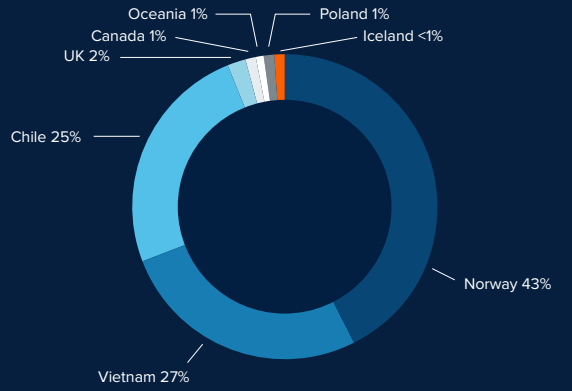
VIETNAM

Nha Trang
Hanoi

Revenue by geography



Employees by geography



1980s

1980 Launched first pen

1985 Launched first central feeding system

1990s

1996 First delivery of underwater cameras

1999 Delivered first feeding barge

2000s

2008 Opened office in Chile and Moen Marin delivered first vessel

2009 Developed the world's first thermal delicer

2010s

2010 Opened office in Scotland

2011 Maskon delivered first automated vaccination machine

2012 Collaboration with Marintek to test pen systems

2013 Launched Midgard®, the world's first escape-proof net pen

2014 Opened new factory in Vietnam and office in Tasmania

2015 Opened office in Canada

2018 Opened 120 decare facilities at Frøya and an office in Iceland

2019 Launched ScaleAQ at AquaNor, acquired Moen Marin and delivered first hybrid vessel

2020s

2020 Launched hybrid feed barges for reducing fuel consumption and emissions

2021 Launches: Cameras, Water feeding, Mercatus, SmartSpreader

2022 New production, stock and service hub opened at Bømlo, in addition increased production capacities with new sites in Scotland and Rørvik, established service center at Finnsnes

2023 Acquired Maskon

2022 at a glance

2022 delivered a solid result. This is a direct result of positioning the Group as the preferred technology partner for its key customers in the global fish farming industry.

ScaleAQ recorded revenues of NOK 2,720 million in 2022, with a corresponding operating profit of NOK 84 million. The backlog of project orders was NOK 1,857 million, which is record high for the Group. The revenue represents a decrease of 1.7 per cent from 2021.

During 2022 the Group continued to increase investments in structural capital, strengthening the capacities in sales, project management, supply chain, engineering and ESG. Further, our service and after sales activities also increased.

Our work with sustainability had a high priority in 2022. To solve the biological challenges that our industry faces, we maintain a high pace of innovation and development to improve the fish welfare and overall footprint. To succeed in this work, we have increased our internal capacities as well as entered into strategic partnerships.

Furthermore, we have launched new and important products, and we are well underway in launching tomorrow's solutions within both subsea and semi-closed systems for improved fish welfare.

Our sustainability ambassadors have worked across borders and business areas to identify areas of improvement that build on the sustainability goals we are committed to. We launched our first sustainability report last year, and it is gratifying that this year we can further specify our goals. You can read more about this in the sustainability chapter. We have maintained the pressure in the green shift. We have launched new products and we have implemented the new transparency law in 2022.

2022 has also been a year in which, for the first time in history, we have experienced dramatic negative implications on our value chain as a result of political work from the current government. A proposed new resource tax in aquaculture has created high uncertainty and an investment stop in our domestic market, which is our biggest and most important market. Both the process, the proposal and the time of introduction have been, and continues to be, very harmful to the development of both the aquaculture and the supplier industries in Norway.

900 employees

2.7 billion NOK revenues

1.9 billion NOK order backlog

34 locations in 8 countries

Key figures

(Amounts in NOK million)	**2022**	2021	2020
Operating income	2 720	2 766	2 468
EBITDA	205	237	-69
Operating profit (EBIT)	84	130	(247)
Operating profit (EBIT) margin	3.1%	4.7%	-10.01%
Profit before tax	73	87	(279)
Total assets	3.161	2.902	2.796
Net interest-bearing debt	886	642	447
Equity ratio	42.3%	41 %	37 %
Order backlog	1 858	1 281	1 250

Both level and arrangement create very negative consequences for investments, our total value creation, and our ongoing green transformation in the aquaculture industry.

The result has been that investments in conventional equipment has significantly decreased from September, and the same has affected high risk investments in new products and technologies.

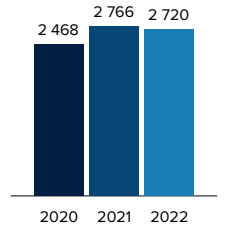
For ScaleAQ this has resulted in implementing cost-reducing measures as a way of handling the reduced activity, that among other things has led to several new development initiatives being paused or cancelled.

For our industry this means a significant delay in the green shift and a reduction in sustainability-initiatives within our industry, an industry that has been in the forefront of sustainability compared to other methods of producing food for a growing population.

With the challenges in Norway, we are looking abroad to strengthen our position and support the growth in other regions.

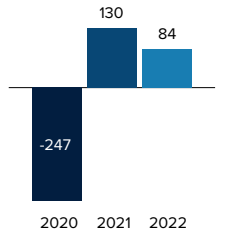
Operating income

Amounts in NOK million



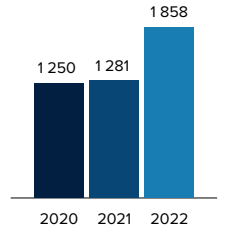
Operating profit (EBIT)

Amounts in NOK million



Order backlog

Amounts in NOK million



CEO LETTER

Ready for growth

In ScaleAQ we have an ambition to create growth in aquaculture by providing high quality products and solutions. Being a reliable partner to our customers around the world is essential. We are a proud team of 900 competent and innovative brains with a broad range of expertise in aquaculture.

We have used 2022 to prepare for further growth. In Q1 2023, our strategic acquisition of Maskon was realized and the Group now has broadened its offerings. We are now a complete partner for our customers in Norway and internationally. With service and products for both sea-based fish farming, vessels, and automated vaccination, we are now a complete partner for the aquaculture industry. Over the past year, we have invested a lot of time and resources in developing new technology and new products that will solve the industry's overall challenges. Game changing products will be ready for launch in 2023.

Maskon represents unique competence and world class products within its niche. The company has over the last 10–15 years, brought new technology to the industry, improving fish health and increasing efficiency by making automated technical solutions for land-based part of the fish farmer's value chain. We see clear synergies on the back of the strong geographical footprint of the Group and product development across segments. Maskon had revenues of 128 million and an operating result of 35 million.

With a solid and broad platform with integrated technical solutions, we have become a qualitative and comprehensive partner for our customers. Sustainability permeates all our business areas and our structured sustainability work is done across divisions and national borders. By the end of 2022 we received together with partners a grant from the Norwegian government's Green Platform support scheme. This grant has put us in the driver's seat for more circularity in the Norwegian aquaculture. We are a proud leader of the consortium which has been named SirkAQ. You can read more about this in the sustainability report and on the project webpage: sirkaq.com.

As a global technology supplier, we can make a difference and change the premise for the aquaculture industry. New products and solutions should be developed on the back of biology and the environment.

We believe in building trust through strong and close relationships with our customers and partners. From offices and facilities in eight countries, we take responsibility – always trying to understand and solve the challenges that our customers face. We go beyond, daring to be clear, vigorous, curious, visionary, and innovative on behalf of the entire aquaculture community.

ScaleAQ is becoming a robust company. Our products, technology, our culture, and our ability to innovate are strong pillars that support our further growth. We have continued to strengthen our position in Norway, our home base and main market for many years, and we are gradually extending our reach. We have won important contracts in the UK and in Iceland, and as the Chilean

market now is in revival mode, our operations there are well prepared to support. We are all ready to take new important steps.

New frontiers

Aquaculture and salmon farming enjoy a unique position as a highly efficient and sustainable way to produce healthy food for people. Historically, most of the production has been conventional fish farming in protected waters, which has also been ScaleAQ's main markets.

Now, the industry is exploring new ways to meet increasing demand for food. The fish farmers are looking for new areas, new acreage, more efficient production, better fish welfare and less environmental footprint. We are committed to support. We are committed to lead with new technology.

New solutions

In ScaleAQ we are continuously tweaking and optimizing existing products, chasing incremental improvements in all we do. In addition, we do targeted development of new products based on existing solutions and long-term projects that bring brand new concepts to the aquaculture industry.

Our current strategic development initiatives are focused to solve the main challenges for the industry, improving animal welfare, reduce the lice issues, as well as enable the aquaculture going into more exposed waters. Semi-closed systems and subsea technology are our main strategic ongoing initiatives to solve these challenges. In each of these areas, we are investing capital and deploying special competence and expertise to ensure that we continue to lead.

Digitalisation

Modern aquaculture is high-tech industry. Integrated software and intelligent systems that provide control and support for decisions are important now and will be essential in the future. We supply own proprietary software and offer software with open APIs, giving fish farmers the opportunity to integrate our solutions in a seamless environment with other systems and third-party solutions. We believe in openness and freedom of choice.

Our wide range of digital products covers management of physical components at sea and landbased aquaculture facilities. Further, registration and analysis of large amounts of biological, environmental and production data, as well as digital infrastructure for modern remote operations centres and local area networks add to our total offering.

Sustainability

Equally essential now and in the future is the industry's ability to operate sustainably and in line with widely accepted social development goals. Our greatest contribution to achieve these goals is to supply technological products and services that safeguard fish welfare, reduce harmful greenhouse gas and environmental emissions, as well as ensuring a safe place to work.

> ***As a global technology supplier, we can make a difference and change the premise for the aquaculture industry. New products and solutions should be developed on the back of biology and the environment.***

In 2021 we decided to further strengthen our commitment to sustainability by becoming a member of UN Global Compact. We have since 2021 been reporting annually on our work with the UN's social development goals and the UN Global Compact's ten principles for sustainable business operations. You can read more about this in our sustainability section of this annual report.

Collective achievements

As a company we want to use our position and our insight to create products and technology for tomorrows sustainable fishfarming industry. We believe in collecting ideas from our organization, as well as from our customers and suppliers. In addition, competence and technology from academia, other industries and the authorities are key contributors.

Our customers should know that when they engage with us, they connect with the best knowledge and expertise, supplying proven and tested products with the quality and robustness needed for now and for the future. That is how we want to make a difference. That is how we create the most value.

There have been some challenges for our industry in 2022. Unpredictable framework conditions, in an increasingly troubled world, have created challenges. The proposal to implement a resource tax in Norway has resulted in negative reactions from the fish farmers who have been holding back investments. Russia's ongoing invasion of Ukraine, and the tail-end of the pandemic led to increased prices and some disturbances in the supply chains.

Taking this into account, we have managed to navigate steadily and profitably through a demanding time.

In the short term, the proposed resource tax regime will have a negative impact on sales, but we are still confident in the market outlook, and in the long-term demand and growth in the aquaculture sector.

In ScaleAQ we believe in solving the big challenges together. We will do our part and thank all of you, our customers, employees, suppliers and partners for your continued support and cooperation.

Geir Myklebust
CEO

Vision

ScaleAQ = Aquaculture.
WE ARE AQUACULTURE.
We want to be synonymous with the aquaculture of the future.

Mission

ScaleAQ creates growth in aquaculture. We do that by establishing, optimizing and upgrading the industry.

Values

Our values are based on three simple concepts providing guidelines for how we want to act internally and externally. Together, they permeate everything that we do and help to clarify our identity and our goal, which is to ensure sustainable growth in the aquaculture of the future.

Build trust

Employees mandated to make their own decisions are crucial for an organization that is dependent on close customer relationships and quick actions. Trust creates a strong ScaleAQ team.

Take responsibility

We take responsibility for both our own work and our collective responsibility for the environment. We create sustainable solutions that are based on insights from our customers and partners.

Go beyond

We must dare to be clear, vigorous, curious, visionary and innovative on behalf of the entire aquaculture community. We will share our knowledge to make a difference in the aquaculture industry.

Innovation and technology for sustainable growth

In response to an ever-increasing demand for healthy food for a growing population, the aquaculture industry is constantly looking for ways to grow production in an even more sustainable way. Technology and experience-based innovation are important levers to achieve this goal, and ScaleAQ is committed to play a key role.

ScaleAQ delivers advanced products and services built on experience, excellent innovation, and engineering capabilities. The company is convinced that increased precision in aquaculture will mean a paradigm shift that will enable sustainable growth.

The industry faces many fundamental and specific challenges. Production will move to new areas at sea and on land, requiring new production methods, such as closed aquaculture systems. Sea lice must be controlled, mortality reduced, and control and documentation improved. Other challenges are more generic: digitalization, fish welfare, climate and environmental footprint, cost reduction and efficiency.

Collaboration is key

ScaleAQ is a keen advocate of increased collaboration between the various parties in the value chain. The company takes an active role in building relations with service suppliers, feed producers, government, and regulators as well as research institutes and universities.

Efficient sharing of knowledge, available technology, and data will ultimately result in improved collective learning and better solutions. One concrete example of ScaleAQ's approach to collaboration is the assignment of four of its Innovation and technology for sustainable growth experts to part-time positions in academia, inspiring sharing of new knowledge and flow of ideas.

Components and total solutions

From the outset, the aquaculture industry developed new solutions and practices by means of experience-based reasoning and understanding of biology and animal welfare, equipment and technology, and the forces of nature.

This is still the case, and it has led ScaleAQ to design and deliver advanced and robust quality products, as separate components or in total solutions. The Midgard® net pen

Illustration showing the components of the water feeding system.

system is an excellent example of how a wide range of components are brought together in one system to protect the fish as well a personnel (see page 17).

Automation and integrated operations

Strategic growth areas for the industry and for ScaleAQ, such as landbased and sea-based farming, share a number of common technologies. Equipment such as lights, feeding systems, cameras, CO_2 degassers, particle removal and silage systems, all come with sensors which can be deployed to feed data to increasingly intelligent systems. This is equipment which improves the industry's ability to observe, interpret, make decision – and ultimately move towards greater automation and integrated operations.

Water feeding for a sustainable aquaculture

The development of a new water-based feeding system is one recent example of ScaleAQ's approach to collaboration and innovation. When fish farming ventures into more exposed areas and submerged pens, conventional feeders are no longer an option. Precision feeding under these circumstances requires a different approach.

We launched our first water-based feeder in 2021. Development now continues in close collaboration with one of the leading fish feed providers which has developed a new type of feed pellet for water-based feeding. Precision feeding, water quality monitoring, control of fish health and growth, automated light regulation and cleaning are key parameters for the fish farmer.

This way of transporting the feed from barge to the fish has several benefits compared to air-transportation. For example:

- Significantly lower energy consumption
- Reduced microplastic-emissions and prolonged life-time expectancy for feeding-pipes
- Significant reduction in feed-breakage
- Increased feeding capacities
- Lower noise levels for the people working at the site and its surroundings
- Accommodates feeding at deeper depths

Our water feeding system has been developed by maintaining the qualities that we have optimized over time with our traditional air systems, but also through new innovations and through cooperation with external expertise.

This has ensured that areas of focus such as ease of use, secure installations, easy maintenance, and operational stability are achieved on both our new and existing barges, when water feeding is implemented as the preferred feeding solution.

New production technologies

The main biological challenge since the early beginning of the fish farming industry started has been sea-lice, which can affect the health of the fish, both within the site and in the wild.

Several technologies have been developed to combat the parasite, both in terms of preventive solutions installed on the sites and different de-licing treatments such as chemical, mechanical, freshwater or a combination of these treatments.

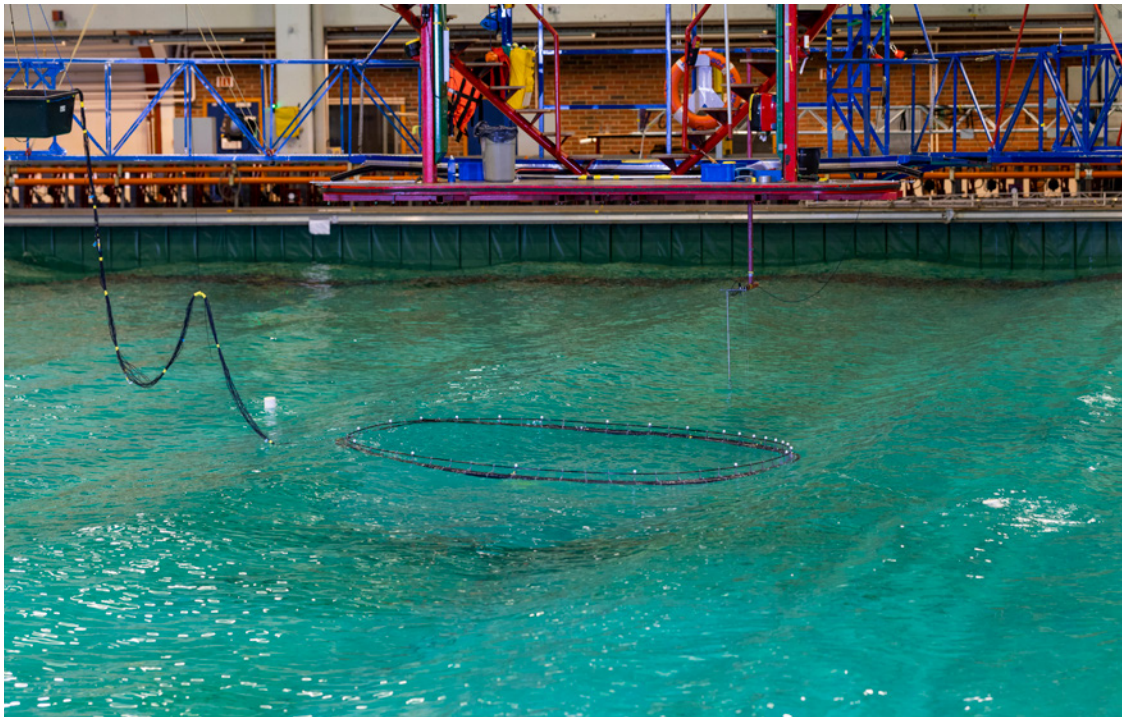
ScaleAQ is more than ever before increasing our efforts

on developing new production technologies that will contribute to significantly reduce the challenges with sea lice, by separating the fish from the sea lice using several different technical solutions.

In the development of these solutions, we have utilized our own industry-leading expertise within technical integrity, biological- and environmental understanding, sustainability and surveillance and feeding technology. Our own expertise is then additionally enforced by our cooperation with external parties such as our clients and different research institutes.

Different sites, both domestic and internationally, have different prerequisites as to which technologies and systems can be implemented. In the light of this we are working on developing different types of solutions that can be implemented in a variety of different environments on the sea. This will give our customers the ability to establish a virtually lice-free production strategy for their different sites, by being able to choose between several different solutions.

We expect the launch of all these solutions in 2023.



Model-scale testing in the Marintek laboratory.

Model-scale testing

The Midgard® System has since its launch in 2013 been a success for our clients. We have done extensive tests on different net-systems at the Marintek lab, where the focus has been to understand the interplay between the floating collar, net, suspension-system and moorings, to better define the pros and cons of each of the different systems.

This form of model-scale testing is extensive in the level of details and as a result also costly, but we firmly believe that this work is completely necessary and crucial, if we are to be the best possible partner for creating a safe, profitable and sustainable fish farming industry.

The test results have been the basis for further analysis and assessment of each individual net-system, which has then resulted in our own fully developed Net-Matrix.

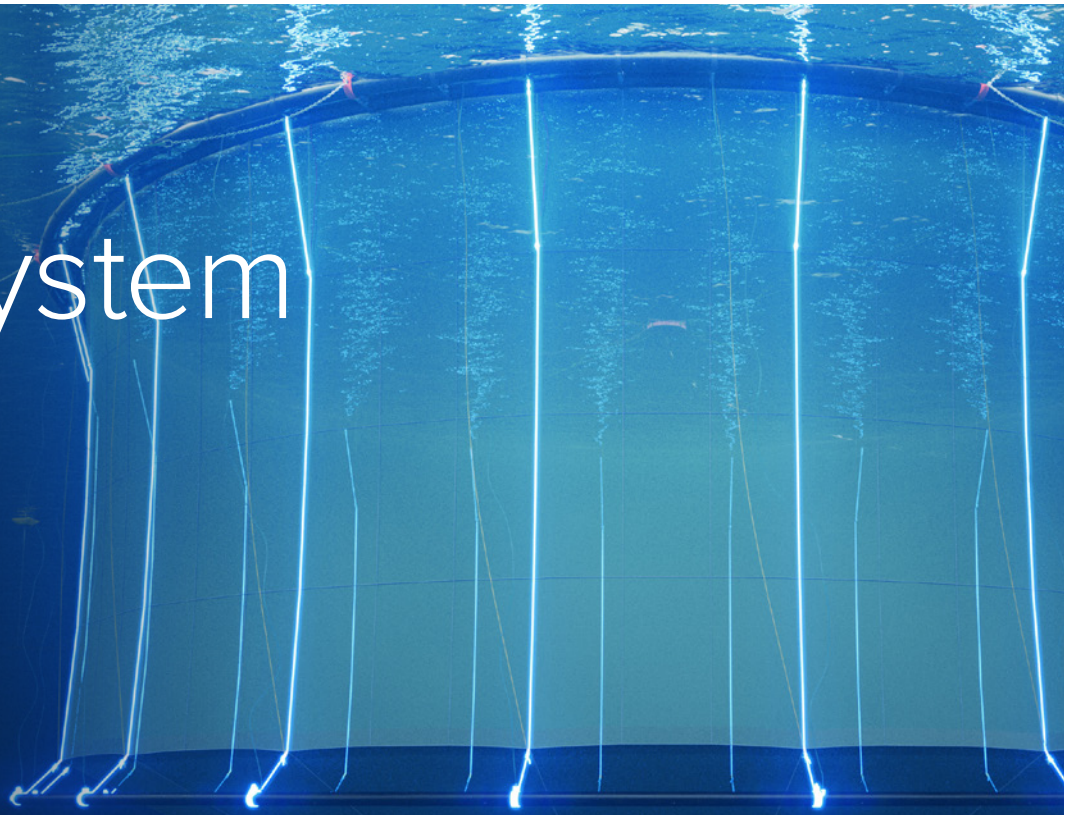
The Net-Matrix describes the most common net-systems used today, how they will perform in given waves and sea-current scenarios in terms of these different elements of risk:

- Level of contact between net, floating collar/sinkertube and mooring
- Levels of volume-reductions when elevating waves and/or currents

By using our new innovated matrix as a planning tool, we identify appropriate systems for the specified site, always considering risks of contact and volume-reduction that can affect fish-welfare. This type of work is aligned with our value “Go Beyond”.

Case:

The Midgard® System



The ScaleAQ Midgard® System is the result of several years of hard work to find new, improved solutions within net pen technology – including pens, sinker tubes and nets.

During development of the concept, and in line with ScaleAQ's collaborative approach, the company worked closely with leading aquaculture companies Lerøy, Mowi and SalMar. Extensive model tests were undertaken at the Marintek Marine Laboratory in Norway. In addition, the system underwent a number of full scale tests at exposed locations.

The overarching objectives were to prevent escapes, improve fish welfare and boost health and safety conditions for workers. This resulted in a ScaleAQ Midgard® System, which satisfies most requirements for the salmon farming industry of the future.

Launched in 2013 and since then fully commercialised, the system features a sinker tube with the correct weight and rigidity to provide optimum interplay throughout the net pen system. The sinker ring is suspended directly from the net baseline rope. During normal operations, the lifting and lowering ropes are kept completely slack and independent of the rest of the system. This means that the ropes are in no danger of coming in contact with the net.

When deployed, the Midgard® Winch system raises and lowers the sinker tube evenly around the entire ring, safely and without problems. This allows for fast, efficient manoeuvring of the sinker tube, with no risk for personnel, and without having to use a crane boat for the operation.

The Midgard® system provides stable, predictable pen net volume, even under the most extreme environmental conditions. The constant cylindrical shape means the fish can swim deeper into the pen net without increasing the stocking density, a massive advantage for rearing fish below the louse belt.

Currently, there are hundreds of installations in operation. The relationship between net, sinker tube and collar has proven to work extremely well, in any weather condition and even in the most exposed locations.

Segment information:

Fish farming technology

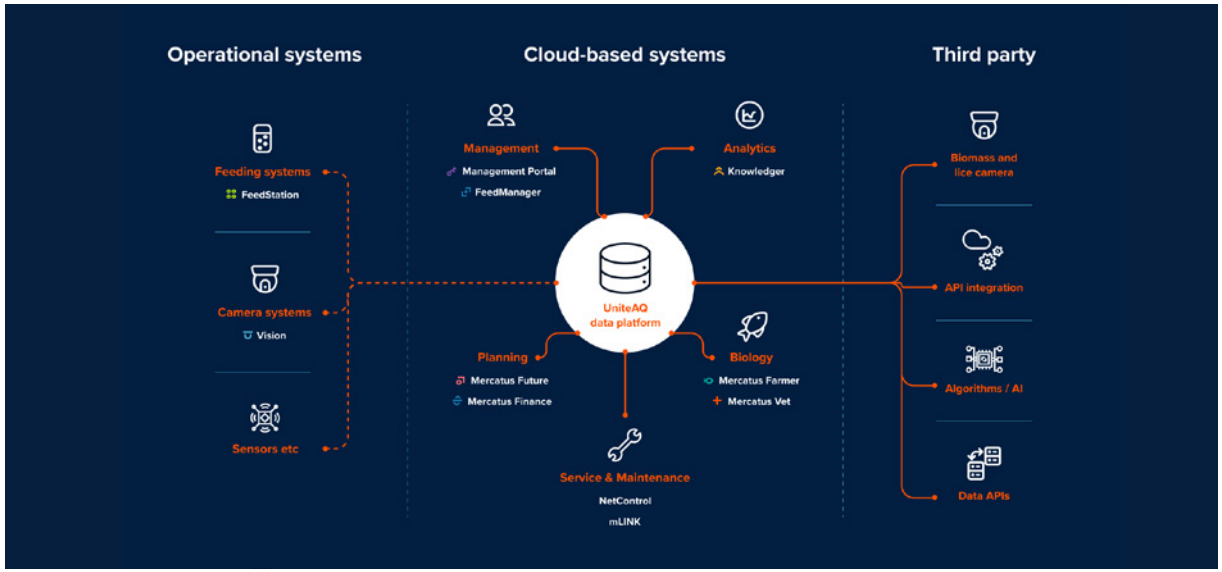
The segment includes all activities related to the products, services and software for fish farming in open and closed systems both at sea and on land.

For fish farming in open systems at sea, the product range includes products such as feeding barges, camera systems, pens and accessories, feeding and mooring systems, nets, services for marine engineering, lighting systems, sensors, sea lice control and relevant software solutions.

ScaleAQ's closed systems are delivered both at sea and land. The company supplies several products for closed systems, such as monitoring technology, digitization, software, feeding systems, and dead fish handling systems. The company is leading the way in developing new and innovative systems and solutions, as a response to new and increased demands in the market.

Service and after sales are also a key part of the fish farming technology segment. As a world class producer and supplier to the aquaculture industry, it is important for the company to offer reliable services to its customers worldwide. The company has service technicians located close to its customers.

Modern aquaculture is a high-tech industry, and ScaleAQ has a wide range of software solutions and digital products. The company's various software products communicate via open APIs, giving fish farmers the opportunity to integrate solutions in a seamless environment with other systems.



Data flow through UniteAQ

Proven software and cutting-edge digital services ensure that biological production is in line with industry requirements for control, fish health, monitoring, planning and data flow. The solutions cover management of physical components at sea and landbased aquaculture facilities, registration, and analysis of large amounts of biological-, environmental, and production data, as well as digital infrastructure for modern remote operations centres and local area networks.

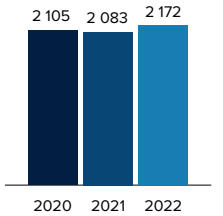
Biological planning, harvest optimization and feeding precision are keys to future profit

Digitalization has been a buzzword in the aquaculture industry for a long time, and 2022 was no exception. An increasing number of startups and new digital products have seen the light of day; some of them are replacing manual processes while others are focusing on data driven decision support and AI-based recommendations or actions. Moving away from old, proprietary solutions and into a new era with open interfaces and cloud integrations will provide unprecedented opportunities for data flow, analytics, new insights, autonomous decisions, and increased production efficiency.

Among the big suppliers, ScaleAQ was a first mover in this respect, providing open interfaces on all new digital products since 2018 by creating a cloud-based integration platform and building a robust digital infrastructure on feeding barges and between ROCs and operational units. Getting a solid head start on our competitors, we estimate that sensor-data, feeding data and biology data from approx. 75% of all salmon farms in the world are completely or partly handled by our systems. This puts ScaleAQ in a unique position to further develop and deploy new, robust, and efficient digital solutions, building on our existing digital infrastructure.

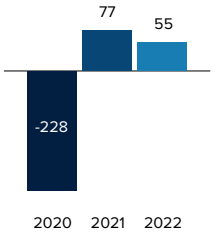
Operating revenues

Amounts in NOK million



Operating profit (EBIT)

Amounts in NOK million



Increased revenues were driven by higher sales in Norway, Canada and Iceland combined with inflation based price adjustments.

Investments in higher capacity to take on further growth returned lower EBIT in 2022 compared to the year before.

SmartSpreader; a motorized and software-controlled spreader that allows for precise feed distribution in the pen and reduced feed breakage

Key figures

(Amounts in NOK million)	**2022**	2021	2020
Operating revenues	2 172	2 083	2 105
Operating profit (EBIT)	55	77	-228
EBIT margin	2.5%	3.7%	-10.9%
Order backlog	915	651	720

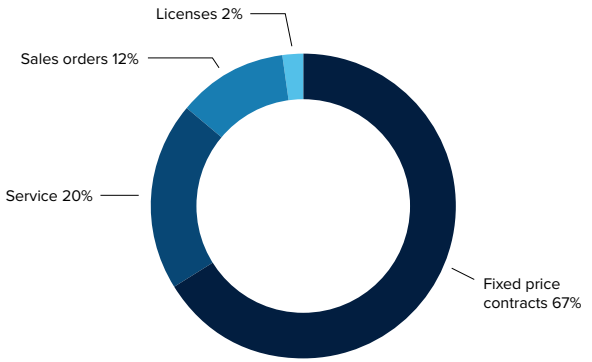
Utilizing our cloud-based integration platform, we have made sure that data flows between feeding systems, cameras, environmental sensors, and biological planning tools. With data collection, storage and distribution as a central task, the integration platform also makes our customers able to access their data through API's, allowing for further analysis or integration with systems from other vendors.

Our ability to utilize data and connect different devices enable us to move towards our vision of precision feeding: 2022 saw the commercial breakthrough of our SmartSpreader; a motorized and software-controlled spreader that allows for precise feed distribution in the pen and reduced feed breakage. Also, 2022 saw the delivery of ScaleAQs first water feeding system, using water as opposed to moving air as the medium to move feed from the silos to the pens.

Like all production processes, salmon farming consists of multiple chronological tasks of varying complexity. The digitalization of salmon farming aims at providing actionable quality data from each of these tasks, all the way from biological production planning, through the production phase and all the way to harvest. Having created a robust data acquisition architecture, open interfaces on all devices and a cloud-based integration platform for data storage and data access, ScaleAQ aims at maintaining the lead position in the digital transformation of salmon farming.

Revenues per revenue stream

Fish farming technology



Moen Marin
A PART OF SCALEAQ

Segment information:

Vessels

The segment includes all activities in Moen Marin, a wholly owned subsidiary based in Trondheim, Norway.

2022 has been a year with high activity in all business areas for Moen Marin. The company is still growing and has a positive development. There are now 41 employees in Moen Marin. 2022 has been a year of increased focus on digitalization to optimize operations and to maintain a steady course in the green shift.

The company was established in 2008 and has since then delivered a total of 250 specialised support vessels for fish farming around the world. Moen Marin became part of ScaleAQ in 2019.

Moen Marin makes ScaleAQ the world's largest supplier of working boats to the aquaculture industry. The company leads the way in electrification and digitisation of the fishing and aquaculture fleet.

The product range includes large catamarans, single hulls, green vessels, harvest vessels, fishing boats and combination vessels. In addition, the company offers feed hatch systems, washing and disinfection, and delousing equipment.

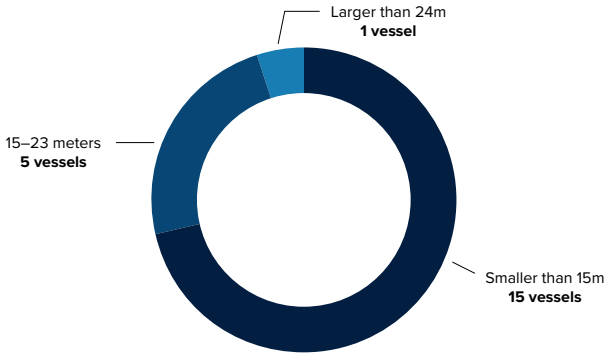
Moen Marin has established long standing relationships with selected shipyards in Croatia and China with locally employed construction supervisors. The design and project management teams are in Norway.

Key figures

(Amounts in NOK million)	**2022**	2021	2020
Operating revenues	548	684	363
Operating profit (EBIT)	41	71	-18
EBIT margin	7.5%	10.4%	-5.1%
Order backlog	943	630	530

Number of vessels sold

In 2022 – by size



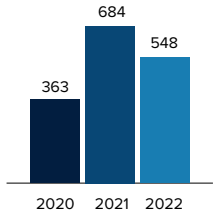
A true leader in environmental solutions, Moen Marin developed and has delivered around 40 green boats. All its designs can be delivered with electric and hybrid operation, and the company is involved in developing a next generation of hydrogen-hybrid vessels.

Electric and various hybrid power solutions contribute to significantly less climate emissions and local pollution. In addition, working conditions for the crew improve as noise and vibrations on board are significantly reduced.

Moen Marin also leads the way in digitisation, and all its boats are now delivered with an optimised maintenance programme and electronic documentation as an integral part. Moreover, the company offers a cloud-based collaboration platform for operational management in the aquaculture and fisheries industries. This solution provides a complete overview and control at every level, from individual equipment and up to the corporate level.

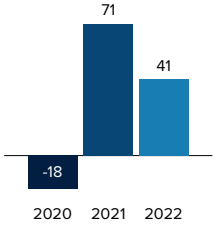
Operating revenues

Amounts in NOK million



Operating profit (EBIT)

Amounts in NOK million



The decrease in revenue is first and foremost a result of shifts in periodisation of sales. Sales in 2020 was negatively impacted by the covid pandemic and a significant part of the volume was pushed into 2021 resulting in high Y-o-Y comparables for 2022.

Lower revenues, changes in product mix and costs related to a structural build up of the capacity to deliver the record high order backlog and continue to grow the business, explains the reduction in EBIT margin.

Sustainability Report

This is our second corporate sustainability report. The aim of the report is to provide relevant information on how ScaleAQ works with ESG (Environmental, Social, Governance) topics.

The report covers the required information and disclosures under the Accounting Act and the WEF (World Economic Forum) 'Measuring Stakeholder Capitalism' framework. It addresses topics that are important for our external stakeholders and our employees. All figures are related to the financial year 2022.

In 2022 we developed our strategy and defined goals and KPI's that we report on in this year's report. In the following years ScaleAQ will further develop our integration of sustainability as a core concern and commitment for the entire company. The next years we will integrate the Corporate Sustainability Reporting Directive[1]. This directive entered into force on the 5th of January 2023, and will apply for ScaleAQ from the financial year 2025, for reports published in 2026.

We attempt to transparently demonstrate how we work with our long-term sustainability commitments. In this report, we highlight material challenges we need to address and actions that have been taken to contribute to improvements and new solutions.

ScaleAQ is a global company, and, as a result, this report has a worldwide scope. In this year's report the daughter company, Moen Marin, is included. The environmental data includes all our Norwegian units, and, as far as possible, also offices and production sites around the world. Accuracy and data quality in our reporting are areas of continuous improvement for ScaleAQ. Although complete and correct information is our target, some of the information will be based on estimates.

We continue to identify gaps and areas that need our further attention in terms of better performance and reporting. In the years to come, we will use this insight to ensure that ScaleAQ improves both our positive contributions towards sustainability and our ability to report consistently on all relevant ESG aspects.

Hanne Digre
Chief Sustainability Officer

[1] Corporate Sustainability Reporting Directive

Our work with sustainability

The world faces major challenges in finding sustainable food sources for its rapidly growing global population. Worldwide demand for seafood is growing. Sustainable aquaculture is part of the solution, even though there are several challenges in existing aquaculture value-chains that need to be resolved.

At ScaleAQ, we see ourselves as an active partner in the process of building a sustainable aquaculture sector for the future. We provide and develop solutions, technology, products, and services that are designed to safeguard eco-systems and animal welfare, reduce harmful climate and environmental emissions, and improve health and safety of the employees across the aquaculture industry.

During the past few years, ScaleAQ has taken steps to strengthen our control and management of sustainability. In 2022 we introduced our sustainability ambassadors' program, which is a multidisciplinary group that represents different parts of our business and locations. Today this group comprise of eight dedicated employees, that are updated on all our sustainability work and showcase these initiatives to the ScaleAQ organisation, in order to implement and increase the knowledge about our work in sustainability throughout our organization.

To us, it is obvious that people, planet, and profit needs to go hand-in hand. We believe in what we are doing and the industry we are part of, but we also recognise that change and improvement are necessary. ScaleAQ has a long-term commitment to sustainability.

Our sustainability commitments are broad:

Our own value chain

We will limit our own environmental footprint and strive towards increased circularity throughout our value chain.

Our customers

We will help our customers to become more sustainable through our new and existing products and solutions, as well as by providing advice.

Our industry and society

We will assume a clear industry role and drive sustainability in the aquaculture sector.

Stakeholder engagement

Our success depends on our ability to build trust and maintain an open and transparent dialogue with our stakeholders. In 2021 we carried out a full analysis and identified material aspects of sustainability for our company and stakeholders. We maintained a close dialogue with our stakeholders in 2022 and have updated the table with their input. In 2023, we will conduct a thorough stakeholder analysis which will be presented in the next year report. Key findings in our stakeholder dialogue are shown in the table to the right.

Stakeholders	Key topic	Methodology and areas for dialogue
Own employees	Anchoring and active communication/training internally, re-use, life extension and the use of recycling material, reducing waste, reducing GHG emissions, choosing subcontractors with a focus on ESG, and life cycle analyses on our products (EPDs), focus on fish welfare in developing technological solutions for the aquauculture industry	Questionnaires for all employees conducted in 2021. Workshop for employees with a focus on sustainability. This continues in 2023. Information on intranet and seminars
Business partners	Recycling of materials, reducing kg copper in nets, fish welfare issues	One-on-one meetings, joint projects
Customers	Reductions in greenhouse gas emissions, compliance with transparency act, fish health, and fish welfare, reducing microplastic, reuse and recycling of materials	One-on-one meetings, workshops, joint projects
Authorities	Extended Producer Responsibility scheme on plastic equipment from the aquaculture industry, action plan for reducing plastics emissions, biological documentation and risk assessments	The Norwegian Directorate of Fisheries, the Norwegian Food Safety Authority and the Norwegian Environment Agency. Member in the reference group for marine litter from fisheries and aquaculture
Industry associations	Plastics strategy for the industry, EPD at product level, fish health, and welfare issues, standards for circular design of aquaculture equipment	The Norwegian Seafood Federation – member in the working group “Handling of plastics in the aquaculture value chain”. Membership in NCE Aquatech, Ocean Autonomy and Stiim Aqua. Member in several comitees developing standard for the aquaculture industry
NGOs	Optimal feeding and feeding technology, avoid marine littering, electrification of vessels, sludge collection and utilization	One-on-one meetings, workshops
Local communities	Dialogue concerning the impact on indigenous people, marine littering, the impact on the suggested Norwegian resource tax	Dialogue and participation in forums with business and local people, contributing to cleaning ocean and beaches
Media	Circular economy, fish welfare, lice, aquaculture technology	ScaleAQ follows closely the aquaculture industry in the media both nationally and globally. We continue to have initiatives addressing sustainability issues for the aquaculture industry
R&D partners	Innovation and technological solutions for sustainable aquaculture, circular economy, digitalization, fish welfare	Close collaboration with the universities NTNU, UiT and Nord University (3 employees have II’er positions). R&D collaboration with several R&D institutes, both national and international. Testing of our aquaculture constructions in the marine technical laboratories at Tyholt

Table: Stakeholder dialogue

Materiality assessment

A full materiality assessment was conducted in 2021 and completed in February 2022. Work started with an internal assessment based on input from internal stakeholders, which was presented to the management team. We also interviewed external stakeholders to confirm and align expectations set by our customers and partners. The work involved an assessment of macro trends, as well as a benchmark against peers and leaders and an overview of key regulatory reporting requirements.

The findings were systematised and subsequently discussed and prioritised in several workshops with our management and anchored by the Board of Directors. For this year's report, the materiality assessment was updated by our management team in March 2023. There are some notable changes from last year's report. The competence development of our employees is considered even more important than through the initial assessment. Our employees are our most important resource, and we are totally dependent on their motivation and working satisfaction. Additionally, adjustments were made in our assessment of ScaleAQ's responsibility for and ability to influence the greenhouse gas emissions of the aquaculture industry. For the salmon farming industry specifically, the largest emission drivers are air freight and feed production, which represents 75% of the total farmgate emissions[2]. Through ScaleAQ's role in the value chain, as a technology supplier of aquaculture equipment, we consider our impact on the source of greenhouse gas emissions in the industry as somewhat lower and less material. We've therefore decided to reduce the level of materiality of the aspect accordingly.

Moen Marin completed their first materiality assessment in March 2023 and is integrated in the overview on the next page. The results were very similar to those related to other ScaleAQ business areas. However, some aspects emerged as more material to Moen Marin and its stakeholders. 'Reduction of greenhouse gas emissions in own value chain and the aquaculture industry' stand out as Moen Marin's number one priority and strategic target area. On the flip side, the aspect 'Plastic emissions' is assessed to be low in materiality and is not a priority target for the business area.

Continuous identification and prioritisation of relevant stakeholders and their topics of interest are of outmost importance to ScaleAQ. For next year's report we will update our materiality analysis including all the recently established divisions in ScaleAQ Group. The update will meet the applicable reporting requirements of the Global Reporting Initiative (GRI) and follow the double materiality framework as it's prescribed through the EU's new reporting directive, CSRD. Such a double materiality assessment will include an assessment of the impacts of ScaleAQ products and operations on people, environment and society including an analysis of sustainability-related commercial risks and business opportunities for ScaleAQ.

Our strategic priorities, including goals and KPIs, and our reporting are based on this analysis. The resulting material topics are provided in the figure on the next page.

[2] Greenhouse gas emissions of Norwegian salmon products

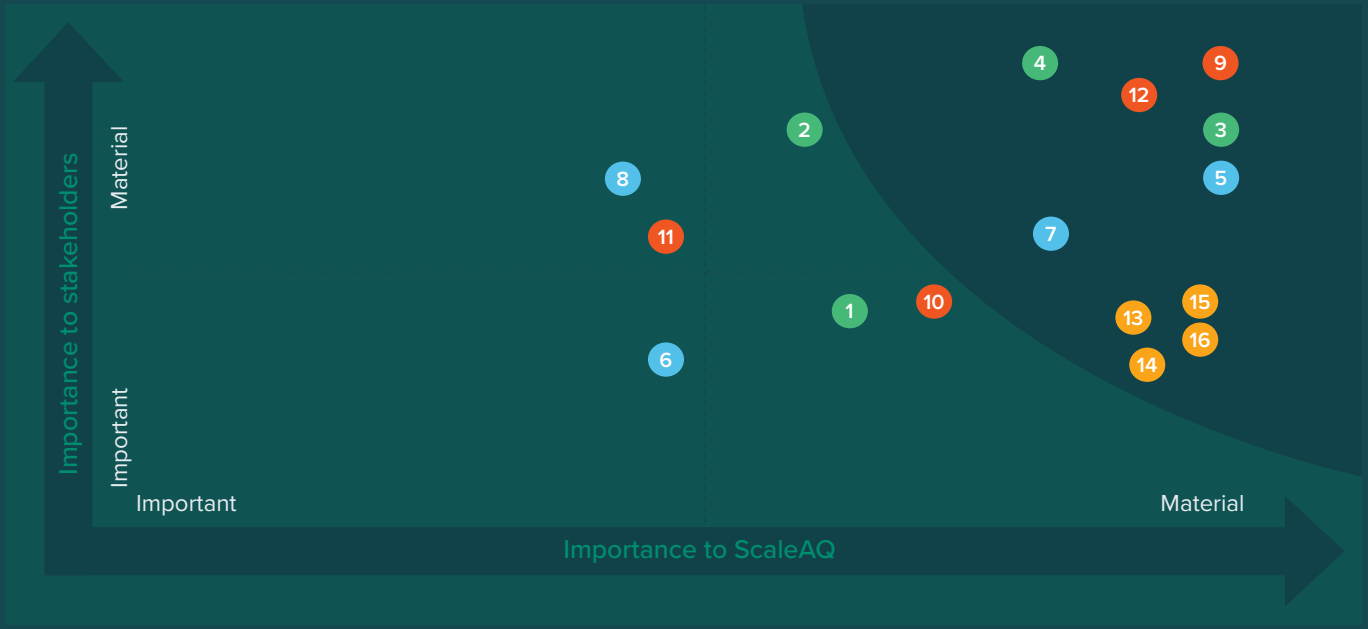


Figure: ScaleAQ most important value drivers. Moen Marin has included No 1, 2, 6 and 10 as the most important value drivers in addition to 5, 9 and 13 which is similar to ScaleAQ.

Climate and environment

1. Reduction of greenhouse gas emissions in own value chain
2. Reduction of greenhouse gas emissions in the aquaculture industry
3. Reduction of plastic emissions
4. Protect biological diversity, ecosystems and fish welfare

People and society

5. Employees health and safety
6. Employees diversity and inclusion
7. Competence development of employees
8. Local community involvement

Products and customer

9. Product quality, lifetime and safety
10. Product design, material use and circularity
11. Environmental documentation at product level
12. R&D and technology development

Governance

13. Further development of business model
14. Systematic risk management
15. Compliance with supplier requirements
16. Transparency and ethics

Value chain mapping

As an extension to performing a materiality assessment, ScaleAQ has also conducted a mapping of the identified material aspects throughout our value chain, in order to pin-point more clearly where impact is significant, and attention should be directed. This mapping was updated for 2022 and details where the different material aspect have an impact according to a high, medium or low scoring level. In the chart below, we have detailed each material aspect for each step in our value chain and whether the aspect has a high, medium or low impact:

Steps in ScaleAQ's value chain	ScaleAQ Global Services	Raw materials	Our suppliers	ScaleAQ production	Freight and logistics	Customers	End of life
1. Reduction of GHG emissions in own value chain	●	●	●	●	●	○	●
2. Reduction of GHG emissions in aquaculture industry	○	●	●	●	●	●	●
3. Reduction of plastic emissions	○	●	●	●	○	●	●
4. Protection of biological diversity, ecosystems and fish welfare	●	○	○	●	○	●	●
5. Employees' health and safety	●	○	●	●	○	●	●
6. Employees' diversity and inclusion	●	○	○	●	○	○	○
7. Development of employees' competencies	●	○	●	●	●	●	●
8. Local community involvement	●	○	○	●	○	●	●
9. Product quality, lifetime and safety	●	●	●	●	●	●	●
10. Product design, material use and circularity	○	●	●	●	●	●	●
11. Environmental documentation at product level	●	●	●	●	●	●	●
12. R&D technology development	●	●	●	●	●	●	●
13. Further development of business model	●	●	●	●	○	●	●
14. Systematic risk management	●	●	●	●	●	●	●
15. Compliance with supplier requirements	●	●	●	●	●	●	●
16. Transparency and ethics	●	●	●	●	●	●	●

Table: ScaleAQ Material aspects impacting different parts of our value chain

Impact: ● High level of materiality ● Medium level of materiality ○ Low level of materiality

Our goals and KPI's

Based on the materiality assessment, a sustainability strategy was developed for ScaleAQ Group during 2022, centred around three pillars of sustainability. For each of these pillars, specific targets, key performance indicators (KPIs), and measures have been established to enhance the Group's sustainability efforts. The table below shows an overview of a set of ambitions, goals and defined key performance indicators (KPI) for our three focus areas where we measure our own performance.

Focus areas	Ambition	Goal	KPI	Baseline 2022	Goal 2025	Goal 2030
Circular economy	We will become circular in order to reduce climate emissions, the use of virgin raw materials, and increase value creation	Contribute to reducing the amount of waste from the aquaculture industry	Proportion of waste that goes to material recycling/ proportion of total waste	62 %	>70 %	>90 %
		Contribute to accelerating reuse in the aquaculture industry	Share of products used to material recycling/ total share	42 % (2021)	>70 %	100 %
		Increase the proportion of plastic products (PE) containing recycled materials or non-fossil raw materials to 100% by 2030	Proportion of products with recycled or non-fossil raw materials/proportion of product range (feed pipes, handrails etc)	3 products	>50 %	100 %
			Proportion of products with recycled or non-fossil raw materials/proportion of product range (pens, sinker tubes)	0	>10 %	100 %
		Take a leadership role in 'Rethink and redesign'	Share of our customers who experience ScaleAQ as a driver for circular product development	NEW	>50 %	>80 %
		Reduce our climate emissions	Measure scope 1 (direct emissions, scope 2 (energy) and scope 3 (indirect emissions) for the entire ScaleAQ Group	Partly	All is included	
			Set specific targets for scope 1, 2 and 3 (science-based targets)	Starting 2023	Target is defined	
Technology for zero emissions and good animal welfare	We will contribute to reducing emissions, protect biological diversity, ecosystems and ensure animal welfare	Contribute to reducing climate emissions from the aquaculture industry	Investment in “green” project/ total development costs	31 MNOK (30 %)	60 %	80 %
			Number of products with EPD (Environmental declarations)	0	10	All
			Share of zero-emission vessels/total share of units sold	Today: hybrid vessels	20 %	70 %
		Protect bio-diversity, ecosystem and fish welfare	Number of notified and registered incidents of escapes that can be traced back to equipment/delivery errors	0	0	0
			Number of lice treatments in ScaleAQ's new production systems such as Vortex® and subsea	NEW	<3 per production	0
			Amount of copper impregnation used at our service station/ total impregnation used	53 %	<30 %	<10 %
People and interaction	People at the center – we will work long-term and systematically with our sustainability commitments	Ensure a safe, inclusive, developing and diverse workplace	% of employees who completed mandatory HSE courses	75 % (Norway)	100 %	100 %
			TRIF (total injury frequency) global	18.8 (Norway)	5	3
			Total sick leave, long and short term	3 %	<3.5 %	<3 %
			Number of women/ total number of employees (in leading positions)	24 %	30 %	40 %
			Number of women/ total number of employees	17 %	25 %	35 %
		Take a leadership role in making the industry safer	% of our barges and collars that are sold with our safety package	NEW	25 %	50 %
			Joint industry initiatives on safety that are implemented in ScaleAQ	NEW	3	5
		Control of the value chain and compliance with requirements	Number of compliance breaches	0	0	0
			Proportion of locations certified/degree of certification (ISO 9001 & 14001)	Production Vietnam, HQ	HQ and production	ScaleAQ Group
			% of employees who have completed Code of Conduct course	Planned 2023	100 %	100 %
			Proportion of responses to Questionnaire/ 100 prioritized suppliers (with regards to the Transparency Act)	0.36	100 %	100 %

Table: Overview of ambitions, goals and KPIs for ScaleAQ Group.

Key achievements in 2022

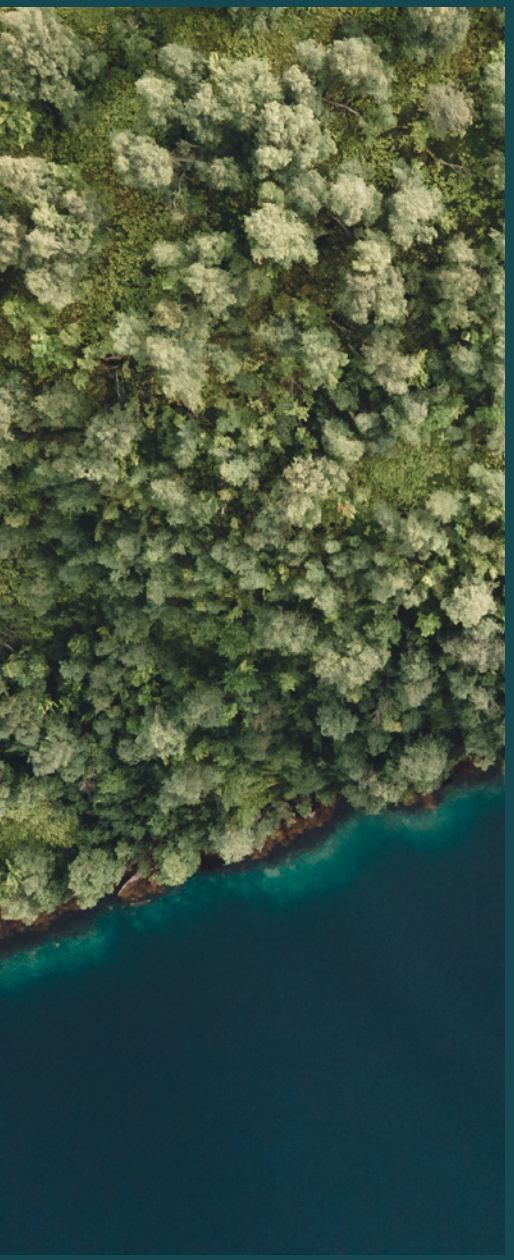
		Reported on: Way forward 2022	Actions taken in 2022
Planet	Greenhouse gas emissions	More inclusive and comprehensive climate balance sheet which includes more business units.	Several additonal emission sources have been identified and included in the climate balance sheet for the Norwegian business unit. All business units are now included in ScaleAQ's climate accounting, but data access and quality is still work in progress.
		Set relevant and ambitious goals and KPIs for GHG emission reductions, short term and long term.	Goals and KPI are set, see list of KPIs.
		Establish an action plan for emissions reductions throughout our value chain.	We have initiated concrete reduction measures throughout our value chain, i.e. by prolonging the lifespan of our floating collars. Meassures to reduce the use of virgin plastic are set in motion. Several goals and KPI established.
	Plastic and circular economy	Include more business units to track our waste stream.	Our internal location screening to assess where we have adequate waste handling has been initiated and will be finalised shortly.
		Set relevant and ambitious goals and KPIs for reducing solid waste, increased circularity and reduced plastic emissions, short term and long term.	Focus area on circular economy includes several ambitious KPIs on reducing solid waste. See list of KPIs.
		A huge milestone; offer products with increased proportion of recycled material.	Our project SPARE showed great results, where we in 2022 delivered feeding pipes, handrails and walk way pipes made of recycled material from old floating collars.
		Continuing the work on implementing robust return systems for our products.	Establishment of a return system for our products started in 2022.
	Protect biodiversity, ecosystems and fish welfare	Further development of our biological performance documentation programme.	Program expanded to include camera based group-OVI's based on an in-house developed algorithm incorporated in our newly upgraded camera systems. This system was implemented in development of the Vortex® semi-closed production system.
		Work on finding appropiate alternatives to copper as an antifouling agent for nets, and improving net design and quality.	Scale AQ is an active participant in the FHF-project SMARTER, wherer funding was secured in 2022. Through this project we will test alternative coatings/impregnation on our net products and test for durability and net-washing properties. This research work will build the knowledge base for potentially future reductions of copper use in nets and ropes.
		Establish relevant KPI framework.	This area of work has been structured into an own pillar within our sustainability strategy. KPIs have been established (under the focus area "Technology for zero emissions and good animal welfare").
People & society	Employees health and safety	Increased HSE awareness and culture in all aspects of our business, HSE as an agenda on existing meeting points.	Increased our overall reporting rate, we know more and therefore can act adequately. Overall raised HSE competency through specific HSE courses and training. Greater efforts on first line emergency preparedness on our sites. Taken the initiative of gathering the industry (Norway) around the topics of HSE (HSE Forum).
		Sustained operational HSE focus through priority towards the most risk-exposed part of our business.	Mandatory safety course tailored for the aquaculture industry for our most operational personnel. De-risking through risk analysis, new routines and PPE – the most safety critical operations. A special attention to electrical aspects of our operations.
		More uniform HSE approach across the business, including sharing and implementing common good practice and basics requirements.	Started the sharing of best practices through One Point Lessons. Firsts lessons established. A common HSE minimum requirement for ScaleAQ construction sites.
Products & customers	R&D and technology development	Establish environmental documentation of our products using Life Cycle Assessment Analysis (LCA).	Started producing environmental product declarations (EPD) on our products.
		Increased investments in R&D.	Increased from 18.5 MNOK to 31 MNOK.
		Define KPIs that will help us ensure that we meet our ambitions in this area.	Several KPI's established to ensure progress towards our ambitions.
Corporate Governance	Corporate Governance	Integrate standards and obligations for our companies and their suppliers, making them comply with the expectations and regulations of the Transparency Act.	Our ethical guidelines have been revised in accordance with good practice, international conventions, and updated legislation requirements in Norway. Updated Code of Conduct / Business ethics.
		In order to follow up both Code of Conduct areas and sustainability requirements, we will prepare questionnaires for suppliers to help us get a better understanding of their status.	We conducted a deep dive into a selected number of suppliers to map various areas which goes beyond adverse impacts on human rights or decent working conditions.
		ESG responsibility as detailed in the contracts will be monitored more closely.	Our supplier contracts include ESG responsibility and suppliers shall, upon request, document their work within these areas. The Code of Conduct is a mandatory document in the tender process and also a standard document in all our contracts.

Table: Key achievements in 2022

Addressing the UN SDGs

The UN Sustainable Development Goals (SDGs) were established in 2015, setting the agenda for where humanity needs to be in 2030. The 17 SDGs cover the entire ESG agenda and deal with issues far beyond the environment and climate. Challenges related to poverty, gender, health, nutrition and inequality are in many countries just as pressing as the ongoing climate crisis. For us, emphasis on the environment is natural as we are part of an industry that is embedded in our common blue eco-systems and reliant on sound natural resource management. The following goals are considered particularly important to ScaleAQ's business and how we operate. Beyond our primary contribution, through the jobs we create and the taxes we pay, we believe we can support social and economic development and lasting positive change by considering our impact and collaborating across sectors to scale positive contributions.

Figure: ScaleAQ UNs Sustainability Goals



Action and performance in 2022

This year's report will be structured according to our sustainability strategy, focusing on our achievements and performance around the three identified strategic pillars for our work in the ESG area: *Circular Economy*, *Technology for Zero Emissions and Good Animal Welfare* and *People and Interaction*. These are presented on page 34–56 of this report. The strategic pillars correspond with the ESG-topics that were identified through the materiality assessment we conducted in 2022.

ScaleAQ management and board are both committed to concentrate our improvement, development and reporting efforts around these selected topics, as they are of the highest strategic importance to the company and our stakeholders. In the following pages, actions and performance related to each of these topics are presented in further detail.

WEF framework

The reporting also contains disclosures from the World Economic Forum (WEF) Stakeholder Capitalism's core set of environmental, social and governance metrics (ESG), to the extent that they match our sustainability efforts. The WEF metrics, which are aligned with the UN Sustainability Development Goals, are drawn from existing standards e.g. Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate related Financial Disclosures (TCFD).

The WEF framework consists of 21 core and 34 expanded indicators. ScaleAQ has decided to report on the 21 core indicators. See table on page 58 for further detail.

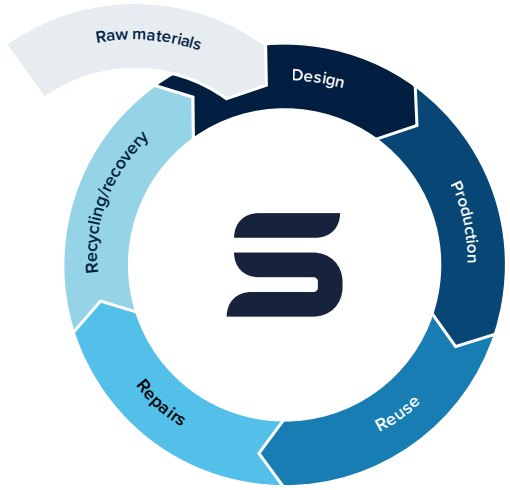
Circular economy

Circular economy has been identified as a strategic focus area both with regards to business development and to reducing the footprint of our products and activities. Our material sustainability impact within the area of circular economy is predominantly connected to the following aspects:

- Reduction of plastic emissions
- Product design, material use and circularity
- Reduction of greenhouse gas emissions

ScaleAQ will systematically work to become circular in order to reduce climate emissions, to reduce the use of virgin raw materials, and to increase our value creation.

ScaleAQ – a global driver of circular economy in aquaculture technology



Why it matters

ScaleAQ is convinced that the world needs to shift our global value chains from linear to circular! Today, the world economy is only 8.6% circular, while the corresponding figure for Norway is 2.4%[3]. The potential for reuse, repair and the increased use of recycled material in fish farming equipment is massive. In total, it is estimated that there are 5,500 cages/floating collars with nets in use in Norway today[4], which accounts for about 192,000 tonnes of plastic. About 16,000–29,000 tonnes of this volume becomes waste each year[5]. Furthermore, the EU's plastic waste directive (2019/904), includes a requirement for producer responsibility schemes that ensure circular solutions for equipment within fisheries and the aquaculture industry. The potential for increasing the recycling rate is great, as much of the equipment is expected to be well suited for material recycling – and the industry has a responsibility to find solutions together.

Each year, almost 600–700 vessels worldwide are discarded and ends up in a 'graveyard'. To produce an average workboat under 15 meters the estimated use of aluminium cause 500 tonnes CO_2e. Consequently, circular solutions and the potential for reuse are pertinent in all aspects of production and usage. Circular solutions for handling hull, interior, and batteries and other components that have reached the end of their lifetime from the vessels is important.

What we are doing

ScaleAQ's strategic focus on circular economy is fundamental both to reduce our footprint and to position the company for future growth and competitiveness. We are doing this by developing solutions and products that both reduce the amount of waste from and accelerate reuse within the aquaculture industry.

We are tracking our performance through the following KPIs:

- Proportion of waste that goes to material recycling / proportion of total waste
- Share of products used to material recycling / total share
- Proportion of PE- products with recycled or non-fossil raw materials / proportion of product range (feed pipes, handrails etc.)

[3] Circularity GAP Report Norway (Norwegian)

[4] Underlag for å utrede produsentansvarsordning for fiskeri- og akvakulturnæringen (Norwegian)

[5] Avfallshåndtering fra sjøbasert havbruk (Norwegian)

First SirkAQ meeting at Hitra and Frøya with all the partner companies.

- Proportion of PE products with recycled or non-fossil raw materials / proportion of product range (pens)
- Share of our customers who experience ScaleAQ as a driver for circular product development

In 2022 we had several initiatives in becoming more circular in our business:

Life-extension of floating collars

ScaleAQ offers life extension of floating collars used with the pens. In practice, life extension means that the floating collar made of polyethylen is reused, together with both the handrail and the walkways. Wear parts such as steel components are renewed in order for the pen to be certified for 15 new years. All plastics are in good condition, and there are only small wear parts that need to be renewed. A life-extended floating collar including handrail will save approx. 18 tons of virgin plastic and reduce the CO_2 emissions by 44.2 tons. Watch our work with life-extension of floating collars.

Recycled material into new products

We work to recycle as much material as possible from our equipment. The material from floating collars and sinker tubes is very suitable for recycling and for use in suitable farming equipment. Today, we offer handrails, walkway pipes and feeding tubes made from recycled PE material. By having control throughout the value chain, we see that the quality of the recycled material is almost as good as virgin plastic. Microscopy analyzes show a very good homogeneity and purity in tubes with recycled material and do not differ from tubes with virgin material. This breakthrough opens up significant opportunities for the industry to make use of recycled HDPE plastic. However, due to the strict safety and material strength requirements for floating collars exposed to strong forces, it can be challenging to use recycled materials in constructing these large structures, as stipulated in NS9415 guidelines. Still, to use recycled material in these large constructions is one of the key goals in the Green platform project SirkAQ (see below).

Green platform project SirkAQ – Circular solutions for the aquaculture industry

In December 2022, the SirkAQ project was awarded a grant of almost NOK 70 million from the Norwegian government's Green Platform support scheme, which ScaleAQ is the head of and partner together with seven other companies (Hallingplast AS, SinkabergHansen AS, Oceanize AS, OsloMet, Norner Research AS, SINTEF Ocean AS, and Future Materials AS). The goal of the SirkAQ project is to

Life-extension of floating collars at our production site on Bømlo

Table: overview of the solid waste in our production facilities

Solid waste *(tonne)*	Total amount	Material recycling	Energy recycling	Rest
Total (tonne)	12 224.907	764.345	432.376	28.186
Total (%)		**62 %**	**35 %**	**2 %**

promote the transition from a linear to circular economy in aquaculture by establishing and implementing sustainable circular value chains for plastics from discarded equipment from the aquaculture industry through reuse, repair, lifetime extension and the use of recycled materials in new products. The purpose is to optimize resource use as well as reduce the environmental and climate footprint of aquaculture, where the vision is "zero plastic waste by 2030." The project has its own webpage: sirkaq.com/.

Other R&D-project within Circular Economy

ScaleAQ participates in several ongoing R&D projects funded in 2022 by the Norwegian Seafood Research Fund (FHF) and the Norwegian Retailers' Environment fund. The overarching theme of these projects relates to sustainability and plastic products, ranging from quantifying release of microplastic from nets and ropes, improving what materials that should be promoted for reducing emissions and to get a better understanding of how to proceed to obtain increased lifespan, reuse and recirculation of these products.

Reducing waste in our production facilities

We have several initiatives for reducing waste at our production facilities. Waste from our fish pen production is being returned to our pipe producer to be reused into new pipes. In total, we increased the amount of waste that was used for material recycling from 244 tons in 2021 to 764 tons in 2022. The amount of sludge and inorganic waste from our net service station was 182 ton (not included in the table above).

Way forward

In 2023, ScaleAQ will expand our efforts to reduce the amount of waste generated from our production facilities. In addition to implementing initiatives that reduce the amount of waste, a particular focus will be on securing and improving data quality and management. One concrete priority will be to introduce a plastic calculator, which tracks the amount of material we return to our pipe suppliers. Furthermore, we will continue the work we have started with increasing the amount of recycled material in our fish farming equipment.

Reducing climate emissions in our own value chain

ScaleAQ efforts to reduce our GHG-emissions are still in their early stages. A fundamental prerequisite to effectively reducing emissions, is to understand where in our value chain they occur – and then to measure them appropriately. Our mapping and measuring of emissions in the full value chain, including Scope 3, is still a work in progress. However, we already know that a considerable share of our total emissions will be hard to address without a systematic introduction of circularity in our products and processes. This realisation lies behind our decision to approach our climate emission reductions as logically belonging to our work on circular economy. For us these two are interconnected and aligned priorities.

Why it matters

Rapid and sustained reductions in Greenhouse gas emissions (GHG) can lead to a discernible slowdown in global warming. Given the climate crisis we are now living in, where 1.5 degrees will be surpassed within 10 years, all industrial sectors and all businesses must take responsibility and act.

As a global technology supplier to the aquaculture industry, we are facing our duty to contribute to reduce the emissions in all parts of the value chain.

What we are doing

Since 2020 we have been working with our climate accounting, where 2021 was the first year we reported on our GHG emissions, making it our base year.

Table: overview of ScaleAQ's Greenhouse Gas emissions

Greenhouse Gas (GHG) emissions *(tonne CO_{2e})*	Norway		Moen Marin		Vietnam		Chile		Iceland		Scotland		Canada		Oceania	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Scope 1 (Direct energy consumption)	458	524	N/A	115	171	214	615	432	N/A	16	N/A	123	N/A	5 276	N/A	16 575
Scope 2 (Indirect energy emission)	44	120	N/A	13	713	512	304	172	N/A	1	N/A	26	N/A	–	N/A	–
Scope 3 (Indirect energy emission)	42 285	49 968	N/A	N/A	N/A	2	N/A	189	N/A	0,1	N/A	0,1	N/A	113	N/A	–
Total GHG emissions Scope 1 and 2 (tonne CO_{2e})	**502**	**644**	**–**	**128**	**884**	**726**	**919**	**604**	**–**	**17**	**–**	**149**	**–**	**5 276**	**–**	**16 575**
Total GHG emissions Scope 1, 2 and 3 (tonne CO_{2e})	**42 787**	**50 612**	**–**	**–**	**–**	**728**	**–**	**793**	**–**	**17**	**–**	**149**	**–**	**5 389**	**–**	**16 575**

Direct energy consumption (scope 1) comes from the use of fossil fuels, such as diesel and fuel oil. Indirect GHG emissions calculated in scope 2 originate from electricity consumption and indirect heating. Scope 3 originates from the purchase of goods. The methodology used for carbon accounting is the Klimakost model developed by Asplan Viak in Norway. The Klimakost model is a tool that combines LCA dn Environmental extended and the input-output analysis to assess the carbon footprint of organisations. Combining physical and economic data ensures complete systems boundaries and covers scope 1, 2 and 3 emissions.

The Norwegian part of the company compiles up to 64% of our activities and has been our focus when working on making the accounting even more complete from our basis year. This year all our international business units is partially included in our accounting, together with Moen Marin which is included in scope 1 and 2.

Our climate accounting is based on The Greenhouse Gas Protocol (GHG protocol). The protocol is the most recognized standard framework to measure and manage GHG emissions. Emissions is categorized into three different scopes (Scope 1, 2 and 3) based on the source of emission.

Scope 1 is greenhouse gas emissions emitted directly from the company. For ScaleAQ this includes diesel and petrol generators, and gas. Our overview of scope 1 includes all our business units, included Moen Marin. The data input varies between the business units, based on their activities and available data from last year. Scope 1 is the scope where Moen Marin has their majority of emissions (89%) compiled from direct emissions, transportation and traveling, this based only on comparing scope 1 and 2.

Scope 2 is indirect emissions from purchased energy used by the company. For ScaleAQ this includes electricity used in production and offices. Our overview of scope 2 includes all our business units, included Moen Marin Norway.

Scope 3 includes upstream emissions from input factors such as purchased products and services, in addition to including downstream emissions, such as sold goods and services. Our scope 3 includes upstream emissions. Our overview of scope 3 includes all our business units. The data input for the Norwegian part has a good coverage, and is more comprehensive than our accounting for 2021, reflecting our work on the granularity. For our business units we have included data inputs on employees' flights, and travels with bus and taxi. This marks the start of a scope 3 accounting for all our business units. Our focus has been on scope 3 as it is the main source of greenhouse gas emissions in ScaleAQ, where the purchases of goods for production represent the vast majority of these emissions (91%). As for 2021, our main GHG emissions in 2022 are also from procurement and sourcing (plastic, concrete and steel). Scope 3 shows a higher emission than for 2021, but with a more inclusive accounting this was expected.

With the ambition of setting science-based targets within the next few years, we are currently tracking our performance through the following KPIs:

- Measure scope 1 (direct emissions), scope 2 (energy) and scope 3 (indirect emissions) for the entire ScaleAQ Group
- Set specific targets for scope 1, 2 and 3 in accordance with the Science-Based Targets Initiative (SBTi) net-zero standard.

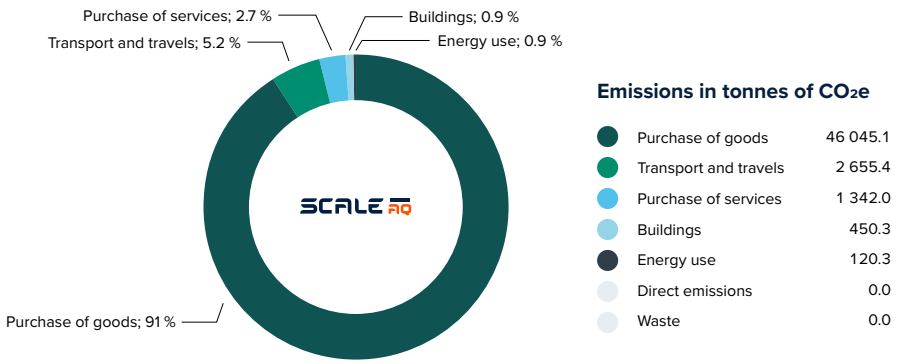


Figure: Climate accounting for ScaleAQ Norway

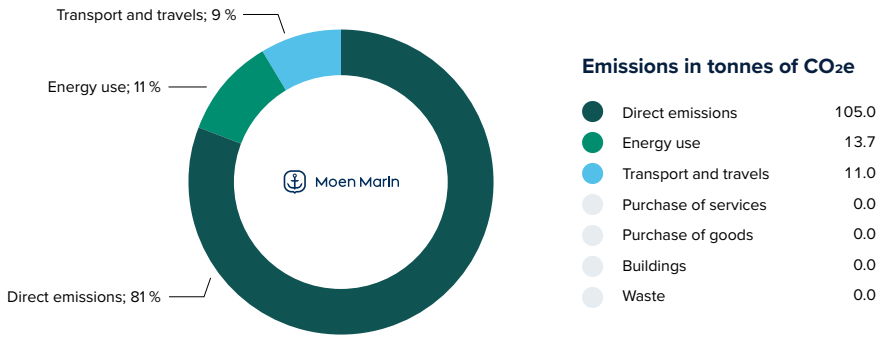


Figure: Climate accounting for Moen Marin

Way forward

Increasing the quality and consistency in our mapping and measuring of emissions in the full value chain is a priority for ScaleAQ in 2023. We still have some work before our climate accounting tells the complete story, but we are on the right track. We are continuing the work on increasing the granularity and data quality of our climate balance sheet for all our business units.

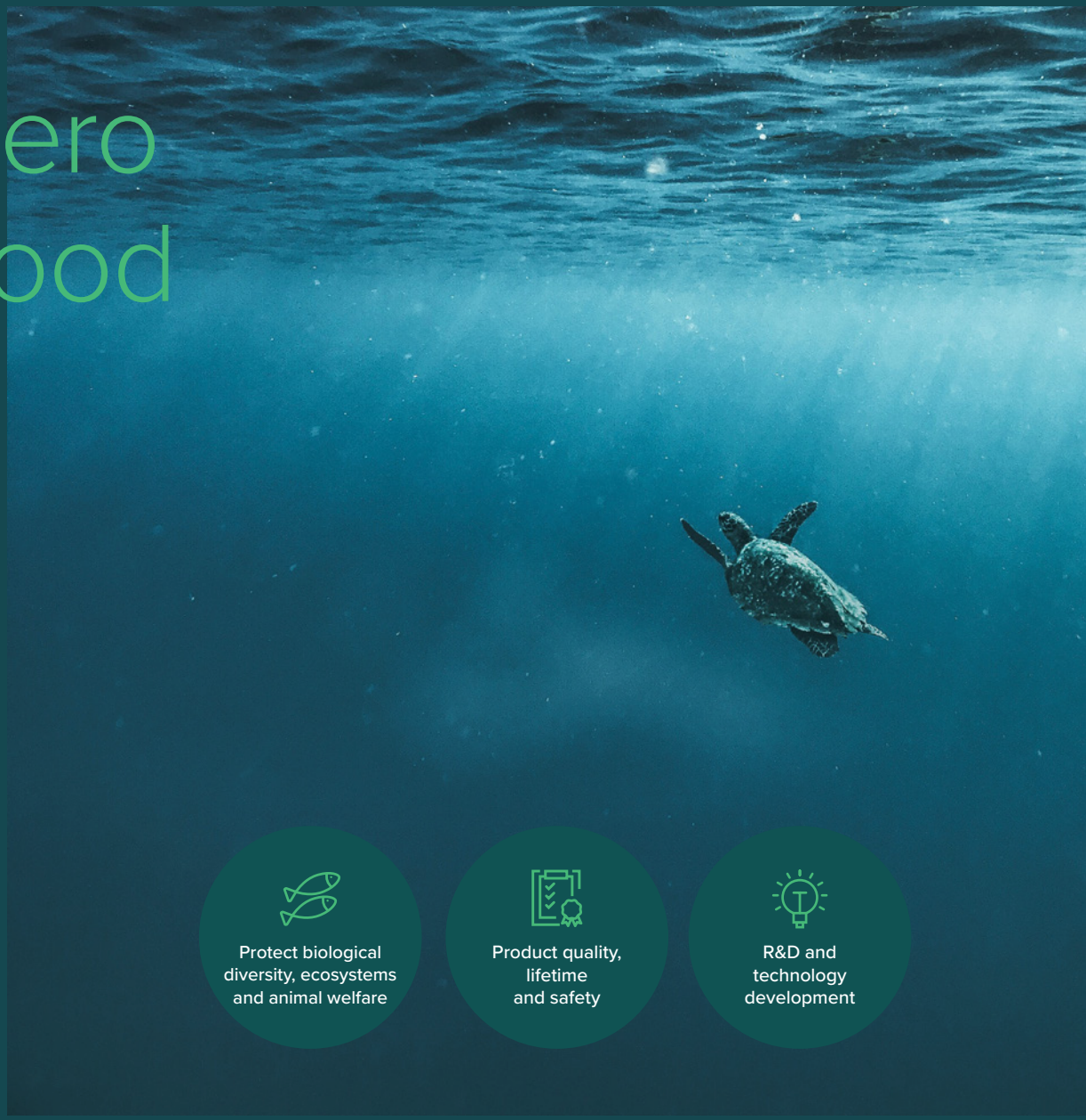
Making absolute reductions to our climate footprint is further also a priority, and not something that can wait until our accounting and overview is complete. Through reducing the direct emissions in our own production, we are making important contributions also to our customers' efforts to reducing their indirect (scope 3) emissions. This interdependency within the value chain creates fertile ground for a joint commitment and shared responsibility with our customers and suppliers to reducing the carbon intensity of the value chain. By identifying circular potential in production, transportation, and material use, we believe we can increase the momentum in this joint process and enable both ScaleAQ and our customers to reach ambitious net-zero climate targets.

ScaleAQ has an overall goal on reducing our emissions in all three scopes throughout the value chain. To ensure this work is accountable and comprehensive, we will set targets and commit to the SBTi net-zero standard, as this provides a defined pathway to reduce GHG emissions in accordance with the Paris agreement. SBTi alignment is an extensive process and requires a good overview of both direct and indirect emissions. With our ongoing work on the granularity of our climate accounting we believe the time is right to start the process and commit to this gold standard for zero emission targets.

Technology for zero emissions and good animal welfare

Building a sustainable aquaculture industry goes beyond the efforts to ensure circularity. Transitioning towards a truly sustainable aquaculture is a long-term ambition we aim to contribute towards by enabling the producers to reduce energy consumption and adopt non-fossil energy solutions, avoiding negative impact and pollution to local ecosystems and protecting animal welfare. Strengthening our focus on animal welfare will not only ensure that key ethical issues are resolved. Investing in increased health, growth and survival of our animals also has immense impact on the overall footprint and financial viability of the industry. We recognize a large potential for improvement in this area that may benefit all aspects of sustainability.

Our material sustainability impact in this strategic focus has been identified within the following aspects:



Protect biological diversity, ecosystems and animal welfare

Illustration showing the components of the water feeding system.

Why it matters

Existing technological and operational solutions does not address the main sustainability challenges in global aquaculture sufficiently. Key issues such as combating or avoiding sea lice epidemics, reducing fish mortality rates, and reducing the negative impact of aquaculture on wild populations of salmonids by preventing fish escapees are all contentious issues and obvious areas where new solutions are required. In addition, there is a need for new solutions to reduce overfeeding and feed-waste, and to make circularity possible both for products and materials. Efforts to reduce the release of harmful substances such as copper and microplastics are additional priorities that would also be described as urgent issues. Solving these challenges requires concerted efforts, collaboration and targeted R&D. As a developer and technology supplier to some of the biggest players in global aquaculture, we need to take responsibility for ensuring optimized solutions, and optimal construction and use.

What we are doing

For ScaleAQ, the commitment to deliver technological solutions that safeguard animal welfare and that reduce the environmental footprint of our customers has a high priority. In 2022 we introduced animal welfare risk assessments and biological user-manuals as a standard in our work on developing new production systems, thus ensuring that animal welfare considerations become systematically integrated in our work. In all our R&D projects, as well as in continuous improvement efforts, protecting biological diversity, ecosystems and animal welfare is central. Our focus areas align with major challenges outlined by research institutions and government priorities. With the ambition to contribute to protecting biological diversity, ecosystems and reducing climate emissions for the aquaculture industry we are tracking our performance through the following KPIs:

- Number of notified and registered incidents of escapes that can be traced back to equipment/delivery errors.
- Number of lice treatments in ScaleAQ's new production systems such as Vortex® and subsea.
- Amount of copper impregnation used at our service station / total impregnation used.

ScaleAQ focuses on developing high-value solutions to protect biological diversity, ecosystems and animal welfare, which include the highest possible quality, safety and redundancy, including documentation.

This has been manifested in several development activities last year:

- Waterborne feeding systems
- Submerged production systems
- Semi-closed fish farming systems
- Camera-based animal welfare monitoring

Waterborne feeding systems

For a typical farmed Atlantic salmon, more than 70% of the climate impact per kg of salmon harvested originates from the production of the feed. The optimisation of feeding and the minimization of feed waste are, therefore, a critical part of sustainable aquaculture, and feeding technology is a top priority for ScaleAQ. Traditional feeding systems are further the primary energy consumption drivers on feeding barges, and introducing waterborne feeding systems will hence substantially reduce energy consumption as well as

reduce microplastic release due to reduced friction strain on feeding pipes. A considerable reduction in the loss of feed pellets due to disintegration during transport is also a beneficial aspect of waterborne feeding systems.

Submerged production systems

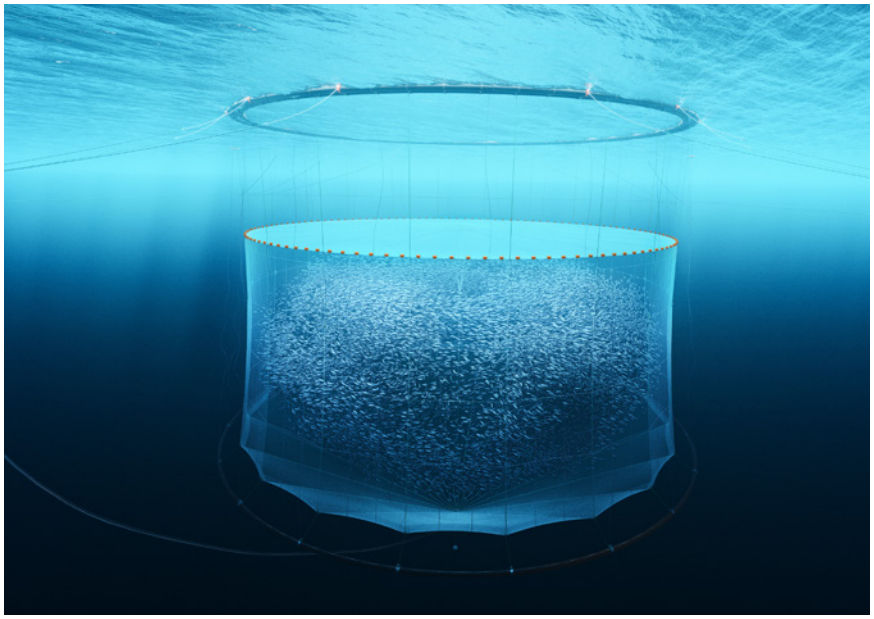
Avoiding sea lice infections and the subsequent release of infectious sea lice larvae that impacts wild salmonid populations is a major concern throughout the salmon producing regions of the northern hemisphere. Aside from ecosystem impacts, we further see that the animal welfare of aquaculture animals may be compromised by the need for repeated treatments against sea lice, as observed in Chile. Avoiding infections through separation between the salmon and the sea lice is therefore an emerging strategy. Throughout 2022 we have worked on the design and prototyping of a submerged production system that will maintain separation through enabling seasonal or constant production at 20 to 50 m depths. Maintaining animal welfare in submerged production systems, as well as increased focus on automation and on persistent environmental monitoring are key elements of this work.

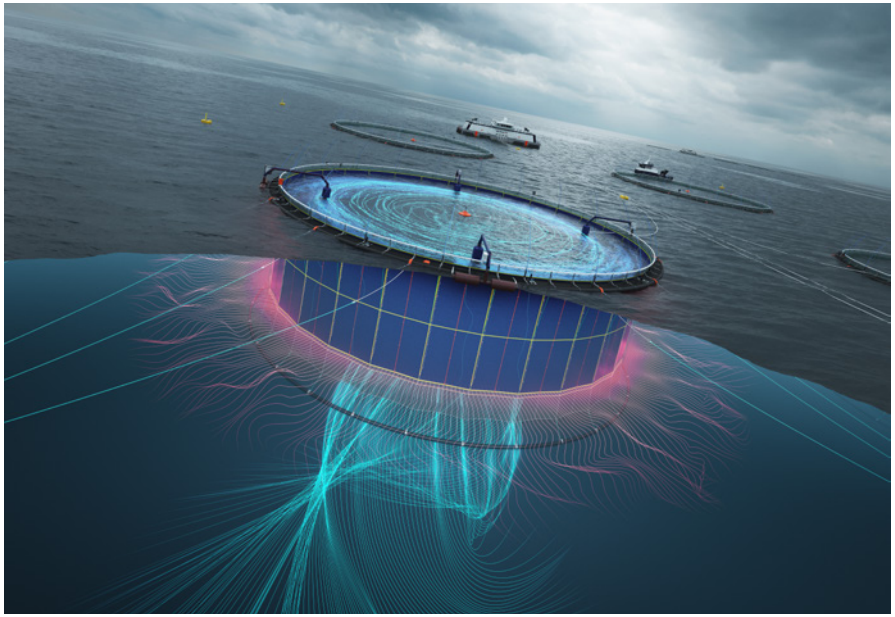
Semi-closed production system

Semi-closed systems target the prevention of sea lice infections through physical barriers. The first prototype developed and tested in 2021, Vortex®, aims at achieving this while maintaining a low footprint. Importantly, pilot testing and further work through 2022 have resulted in two commissioned improved units produced and put to sea during spring 2023. In addition to mitigating sea lice issues, the system aims at maintaining an optimal production environment with regards to temperature and oxygen content, which also provides an environment with an optimal potential for animal welfare improvements.

Camera-based animal welfare monitoring

Improved camera technology with the possibility of onboarding computing capabilities (edge computing) has





Submerged production system (top left), camera technology (top right), and Vortex® semi-closed production system (bottom left).

Figure: Copper-free and copper-based ratio used at our net station in 2022.

been added to the ScaleAQ portfolio in 2022. Combined with improved optical properties and logging of environmental variables such as oxygen content, temperature and salinity, the camera systems that traditionally was used for the monitoring of feeding now offers the opportunity to become an operational animal welfare monitoring platform. ScaleAQ is here incorporating an algorithm which will enable the system to analyse group behaviour as an operational welfare indicator. We are testing new features in both our new production systems as well as in more traditional production systems.

Biofouling

Biofouling in marine aquaculture is one of the main barriers to efficient and sustainable production. Traditionally, nylon and HDPE nets are used in the fish farming industry, and it has been common to use copper oxide to reduce the biofouling on the nets. Copper (Cu) is an essential micronutrient and is necessary for a wide range of metabolic processes in animals and plants. However, at elevated levels, copper becomes toxic. In 2022, the use of copper (Cu) containing antifoulants remained at similar levels as 2021, despite efforts to advocate for replacement solutions.

Way forward

A rigorous testing and evaluation scheme is ongoing and will continue through 2023 for our new production and welfare monitoring systems. This is a vital part of R&D development in an industry that have to safeguard and continuously improve animal welfare. We also expect to quantify effects on animal welfare through reduced or eliminated need for sea lice treatment operations in our new production systems, as well as a substantial reduction on impact on wild salmonid populations once such systems become widely implemented.

As new production systems are introduced during 2023 and onwards, we need to keep a continuous focus on documenting the effects of our technology on animal welfare, ecosystems and biodiversity. Incremental improvements should be identified and implemented continuously, while we maintain a parallel focus also on further reductions of pollution and addressing issues such as Cu antifoulant, sludge collection and microplastic emission reductions.

Contribute to reducing climate emissions from the aquaculture industry

Why it matters

Aquaculture in general, and salmon farming more specifically, are essential components in a global, sustainable food system. In a world that needs to tackle climate change and in parallel find solutions to global food security and the resource scarcity, salmon farming can contribute with vital input while also having a positive impact on human health and nutrition. In order for aquaculture to deliver on this potential, cutting-edge technology and improved solutions are needed – many of which are solutions we believe ScaleAQ can offer. We aim to make significant contributions greenhouse gas emissions reductions within the aquaculture sector.

The Norwegian government has committed to a national target of 50 % reduction in CO_2e by 2030. At the same time the Norwegian aquaculture industry is aiming to make investments that will increase the production of fish by around a fivefold within 2050.

The Norwegian government has further announced that regulations will be enforced from 2024, with the aim to promote or introduce low- and zero-emission solutions for aquaculture barges and work- and service vessels. Norway further has a national carbon pricing policy, with an in-built annual price increase from 766 NOK/tCo_2e until reaching 2083 NOK/tCo_2e in 2030. As both Norway and the EU are intensifying regulatory responses in an attempt to mitigate climate change, similar and additional policies will force companies to choose low or zero emission solutions for all future vessels. Although it is still uncertain how the Government will set up its planned regulation or what it will look like, ScaleAQ and Moen Marin are prepared to meet the foreseen increased demand for such solutions. We have so far delivered or planned 60 low-emission hybrid vessels, 12 low-emission barges and are currently developing our first zero-emission hydrogen boat.

The main challenge for the sector is in this respect not in vessel or barge design, but rather in the connected external infrastructure. Regardless of whether vessels and barges are fully electric, hydrogen-powered or are operating with other solutions, there is an urgent need to improve the charging capacity and infrastructure all along the Norwegian coastline.

What we are doing

We strive to become one of the leading suppliers of tomorrow's technology in aquaculture. We believe that by adopting innovative solutions and leveraging advanced technology, we can effectively serve the industry with solutions that reduce emissions and promote a more sustainable approach to aquaculture.

With the ambition to contribute to reducing climate emissions for the aquaculture industry we are tracking our performance through the following KPIs:

- Share of zero-emission vessels / total share of units sold.
- Number of products with environmental declarations (EPD).
- Investment in "green" development projects / % of development costs.

In 2022 we had several initiatives that contribute to increasing energy efficiency and the role our of zero-emission solutions in the aquaculture industry:

Hybrid solutions

Through Moen Marin, ScaleAQ has almost exclusively delivered hybrid vessels to our customers since 2019. In total, 60 vessels have been delivered or are under production, with a total battery pack storage capacity of almost 40 MWh. On an annual basis, this will save the use of 4,4 million liters of fossil fuel and avoid the emission of almost 12 000 tonnes of CO_2e.

In addition to delivering battery capacity in all newbuilds, we also offer retrofitting solutions for existing vessels. This is battery boxes and containers that can eliminate idling on main engines when the vessel is tied to pen/barge. Reduction of fuel consumption and CO_2 emissions, will extend the life of main engines and will save cost of engine maintenance.

Key features for all hybrid solutions will give a reduction of noise, exhaust and vibrations during operations. This will give huge benefits for employees, animal welfare and surrounding environment. Science reports give clear indications that fish that are exposed to high noise have an increase in stress-related blood parameters (Buscaino et al 2010[6]) and cortisol levels (Sierra-Flores et al. 2015[7]), and up to 40 % reduction in fertility.

Hydrogen vessel

One of the Moen Marin zero emission projects that we are particularly excited about is the development of the world's first hydrogen-electric vessel for the aquaculture industry. The vessel is built in Norway and is estimated to be completed during 2023. The vessel will be operated by Salmonor/NRS in Nærøysund. The vessel is 15 meters long and 9 meters breadth.

eBox shown on the deck of a Moen Marin vessel

[6] Impact of an acoustic stimulus on the motility and blood parameters of European sea bass (Dicentrarchus labrax L.) and gilthead sea bream (Sparus aurata L.)

[7] Stress response to anthropogenic noise in Atlantic cod Gadus morhua L.

Environmental documentation

As a supplier of technology and equipment to the aquaculture industry, environmental documentation is becoming more and more relevant and is a prerequisite for the work we do to limit the environmental footprint of both our own activities and our clients operations.

As a basis for assessing the environmental impact and footprint of our products we are currently in a process towards producing Environmental Product Declaration (EPD) for all our equipment. An EPD is a concise document describing the environmental impact of a product or service. This documentation gives essential insight into a given product's life cycle and a better understanding of where in its cycle we can set measures to reduce emissions and resource use. It further establishes a basis for decision-making both for our own processes related to product development and adjustment, as well as for our customers' procurement.

Furthermore, this documentation is increasingly required by our customers, because the life-cycle resource and energy use of the equipment we deliver to our customers are key elements of their climate accounting under scope 3.

R&D investment

R&D has always been a backbone of what we do at ScaleAQ, and essential for our value creation. It is similarly essential for achieving our ambitions in the area of sustainability. Research and development involve a broad spectrum of activities, from basic research work, experimental development and testing, and documentation of acquired knowledge and results. Our starting point is our role as a company that designs, builds and installs the infrastructure necessary for establishing and expanding sustainable and resource-efficient food production in our oceans.

In 2022 we used 31 MNOK (30% of our total development costs), on R&D activity which we define as "green", which are within our key strategic focus areas in sustainability as circular economy and technology for zero emissions and good animal welfare. Our efforts have yet to reach the level we are aiming for but will increase in the years to come.

Way forward

ScaleAQ will continue our work with establishing environmental documentation of our products using Life Cycle Assessment Analysis (LCA) to ensure transparency and accountability in our environmental impact. We have decided to further focus our investments on "green" development projects that promote sustainable practices, including circular economy, and contribute to reducing emissions. Our team at Moen Marin is dedicated to further develop zero emission vessels to reduce carbon footprint and pave the way for a more sustainable future. By actively contributing to reducing both climate emissions and negative biodiversity impacts from the aquaculture industry, we hope to make a positive contribution and be part of the solution in building a sustainable approach to aquaculture.

People and interaction

Our material sustainability impact in this strategic focus has been identified within the following aspect:

- Employees health and safety
- Competence development of employees
- Business model, risk management, compliance, transparency and ethics

Taking a lead in building a safe and responsible aquaculture industry

ScaleAQ's has dual approach in our Health, Safety and Environment (HSE) work and address this responsibility with both an internal and an external ambition. We aim to ensure a safe, inclusive, developing and diverse work-place within ScaleAQ itself. Further, we aim to take a lead-ership role in making the industry safer through common industry initiatives on HSE and through our robust, safe and secure solutions and products. Central to this dual ambition is our focus on building a shared and solid HSE culture, and to ensure equal gender distribution in roles and positions across the company.

We are tracking our performance through the following KPIs:

- % of employees who completed mandatory HSE courses
- TRIF global
- Total sick leave, long and short term
- Number of women / total number of employees (in leading positions)
- Number of women / total number of employees
- % of our barges and collars that are sold with our safety package
- Joint industry initiatives on safety that are implemented in ScaleAQ

In 2022 we had several initiatives in building a safe, inclu-sive, developing and diverse workplace in our business.

Table: Overview of employment, gender balance, age distributions and health and safety

Category	Norway	Chile	Vietnam	Canada	Oceania	UK	Iceland	Poland	Panlogica	Moen Marin	Total
Employment											
Total number of employees	351	227	202	8	7	14	4	5	4	39	861
Number of temporary employees	25	6	0	1	1	1	0	0	0	1.6	35.6
Total management positions	25	7	11	2	1	1	1	4	1	6	59
Gender balance											
Percentage of women	23%	12%	15%	38%	0%	30%	0%	0%	25%	10%	17%
Percentage of women in management positions	20%	29%	27%	100%	0%	90%	0%	0%	0%	16.70%	23.51%
Age distributions											
Age <30	67	64	90	1	2	2	2	1	0	3	232
Age 30–50	214	135	107	6	3	10	1	4	3	29	512
Age >50	70	28	5	1	2	2	1	0	1	7	117
Health and safety											
Sick leave	3.76%	5%	0.49%	2%	3.30%	4%	2%	3.42%			3.03%
Total number of work-related injuries (WRI), incl. LTI	10	39	1	0	0	1	0	0		0	
Number of lost time injuries (LTI)	10	34	1	0	0	1	0	0		0	
Fatalities	0	0	0	0	0	0	0	0		0	
Total recordable injury frequency	18.8	94.6	2.57	0	0	32.4	0	0		0	

Why it matters

No sustainability in injuring people! A safe and de-risked working environment, combined with healthy work conditions are the basis for sustained growth. ScaleAQ re-affirms its “zero accident” commitment. That commitment engages everyone at every time. Guided by our values we work every day to build a culture where we trust each other, are obliged to stop dangerous work, see the value of reporting, and share learning.

In addition, we believe that a good gender repartition combined with skilled, trained and motivated people is the key to our sustainability success. Furthermore, we are convinced that cooperation is a catalyst to solving the industry’s HSE challenges and grasping its opportunities and from our side providing safer solutions and products will be a strong contribution to a sustainable industry.

What we are doing

We report and track

In 2022, we have seen a record high contribution to the overall reporting rate (Norwegian business) in line with expectations from 2021. With that comes a more representative picture of the personal safety risk at stake. Meaning we uncover more and therefore we can to a larger extent understand, prevent and mitigate undesired incidents. With that higher reporting combined with a higher activity year also comes an overall higher Total Recordable Injury Rate in 2022 compared to 2021. It is reasonable to imagine that some of the reported injuries are injuries that would not have been reported previously. We therefore do not assume that our work operations have become any riskier (but the figures are still too high and above target). A clear objective is to reduce the injury rate overall in all parts of the business in 2023 to a target of 5 by 2025.

We provide good working conditions

Overall, ScaleAQ has a low rate of sick leave to be an industrial company. We have an average absence due to illness across all national borders of 2.9%. Sickness absence in Norway is 3.7%. Here we find both production, net service, administration and market. Sickness absence is highest in parts of net service and production. We now have a structured follow-up through closer dialogue and more adaptation high on the agenda in these departments. The goal is to reduce sickness absence Norway to 3.5% by the end of 2025 and to 3 % by 2030.

We set expectations and requirements around our working environment

In ScaleAQ, we have a personnel policy and a management policy that underpin our expectations that all our employees are working in a working environment that is equal, free from harassment, sexual harassment and gender-based violence. We expect equal pay for equal work, and in 2022 we have put in place new structures that will give us better insight into employees' salary developments. Through cooperation with employee representatives, working environment committees and employee surveys, we investigate and map the employees' perception of their conditions and working environment. For ScaleAQ, it is a goal to achieve a sustainable work life balance, where employees can combine an active professional life with an active family life. Leaders and our sustainability ambassadors have been involved in this work to create a structure and a culture that encourage good work-life balance. This is also part of the management development training in ScaleAQ.

Our recruitment processes are built on a structure that supports our defined goal of an equal and diverse working environment. We have also set specific goals to increase the proportion of women in senior positions and improve the overall gender balance in the company. By 2025, the gender distribution in leading positions and the gender balance should be at least 30% women, and by 2030 it should be 40%.

Our leadership training and our leadership handbook states the following:

"In our business, there should be real equality, and we want diversity among our employees. This means that women, men and employees from other cultures should have the same rights and opportunities to get work and development in their jobs. We value diversity and work actively towards a better gender balance and more women in leading positions.

Gender equality and diversity shall apply in all aspects of the employment relationship:

- *Recruitment*
- *Tasks*
- *Training and further development*
- *Wage- and working conditions*
- *Downsizing*

As a leader, you will work actively to create positive attitudes towards gender equality and diversity. Part-time work, carer's leave or other absences pursuant to legislation and internal guidelines shall not be an obstacle to employment, advancement or development in pay and working conditions. All employees must be made aware of our attitude to gender equality and diversity".

We de-risk operations and train on emergency preparedness

Trough more systematic work around risk management we have strengthened our ability to assess the underlying causes of the events and are able to take out learning to a greater extent. The case-to-case causal relationships are clear and on a high level summed-up they can be linked to a combination of management (visibility and clarity around expectations), tools/routines (risk analyses and work environment) and personal behaviour (allow unsafe practice/ don't know about unsafe practice).

In 2022 – we've also put our efforts into first line emergency preparedness on our sites. Meaning facilities and equipment and equally important training of staff and organization to emergency situations. In 2023 we will emphasize a greater integration between first- and second-line emergency preparedness in the organization and plan on common training practices.

A common HSE minimum requirement for ScaleAQ construction sites has been published and forms the basis for the set-up of our pen construction sites when it comes to HSE.

We work on increased HSE awareness and culture of sharing

On the HSE culture and training side, we see a clear improvement in Personal Protective Equipment (PPE) adoption and more in line with findings from risk assessments. 1st of May is as per 2022 and looking forward, allocated as the date for mandatory check and replacement of PPE (Norwegian business).

We train our people

ScaleAQ is a company based on competence. Our products and services require continuous improvement and development. Our employees represent different core competences and are further developed in different areas. Some development courses are individual, while others related to onboarding, management development and HSE are mandatory. As an example – all personnel (Norwegian business) have been provided with first aid course. In addition, we have implemented for our most operative personnel (production sites and service) a mandatory safety course tailored for the aquaculture industry – covering aspects such lifesaving, effects of hypothermia and the importance of proper PPE, techniques for getting out of the water, etc.).

A revised set of instructions updated protective equipment and the above-mentioned training constitute a stronger package in terms of solving the tasks in a more efficient and safe way.

Updated risk analyses of new and more operations help to highlight some of the potential and drive forward new ways of solving the tasks and eliminate the most hazardous operations out of the portfolio. A particular focus in 2022 on our skilled service technicians and the field of electrical operations. Focus on electrical safety with review, revision and update of instructions, procedures, risk assessments and software, as well as an overall structure around information sharing. Also, a particular attention to experience transfer by clustering people with various experience in office spaces. And finally, the introduction of electro mandatory checklists and documentation when carrying out service assignments has improved the overall delivery and safety to people.

We have also, through 2022 had a special focus on sharing best practice across our business. That initiative has been supported by dedicated resources and the introduction of so-called one-point lessons ("EPL" – Norwegian).

We take a lead in gathering the industry around the topic of HSE

We also recognize the need for a more common business approach to HSE. Therefore in 2022, ScaleAQ has taken the initiative for an industry gathering (Norwegian business) with the subject of HSE, called HSE-forum. With over 40 participants from the entire industry, it showed us that this meeting point is important and in-demand. The feedback was very positive. The hypothesis is that collaboration, sharing of information and good practice as well as common solutions (routines, knowledge, training etc.) will support the zero vision to a greater extent. The initiative will be re-iterated in 2023.

We provide safe and secure solutions and products to the market

We de-risk our solutions from an HSE-user point of view (production and operation phase). HSE is one of the dimensions we evaluate during risk assessment in the design phase of our solutions and products. For some aspects and products, we are working the specific integration of safety features into the product and solutions themselves (safety ladders, barge configurations, etc.)

Way forward

We will continue to strengthen the company's general competence base, HSE awareness and culture. It is important to us to ensure a more uniform, aligned and raised HSE basis and approach towards safe practice, HSE competence/training, minimum HSE requirements (practices and sites) and more of the good practice and lessons learned sharing across the business units so fewer gets injured at work. We will continue, in dialogue with stakeholders to bring the industry together and develop common good practices and raised standards on safety.

We take a stand on social responsibility

Case examples from ScaleAQ Chile:

Visit from Duoc UC Students

On November 2022, ScaleAQ received students from the electrical engineering degree. The objective of this visit was for the students to learn about the industry.

Civil and Criminal liability training

On June 2022 our leaders from different areas participated in civil and criminal liability training. The objective of this training was to learn about our responsibilities with our workers in terms of labour safety.

Training on 1821 resolution issued by Undersecretary of Fisheries

This resolution stablishes a methodology to process information and engineering calculations for fish farming structures. Key people in ScaleAQ participated of this training which it is relevant to improve our position in the industry accomplishing the regulations by laws.

Control of the value chain and compliance with requirements

It's essential for ScaleAQ to actively engage with our value chain to ensure we have control of our own footprint and impact – and remain compliant towards all relevant regulations and requirements. Upskilling our own staff and ensuring internal routines are appropriate and up to date is a key component of this.

We are tracking our performance through the following KPIs:

- Compliance with regulations
- ISO certification (9001 and 14001)
- Compliance with our Code of Conduct for employees
- The Transparency Act – secure information about the value chain

Why it matters

Operating legally and transparently are fundaments in building trust (one of our value). We acknowledge at the same time the importance of working beyond compliance as off voluntary certification scheme and third party auditing supporting continuous improvement.

What we are doing

We work beyond compliance

Many external audits have been carried out by both customers and certification bodies. The feedback received from these audits has been overall positive, with findings of less criticality. Additionally, internal and external audits conducted by customers, third parties, and authorities have provided a picture of the company that largely conforms to both external and internal requirements that are set. This conformity is further validated by product certification.

We operate within well-known standards for quality and environmental management, and the core aspects of our company is ISO 9001:2015 certified. ScaleAQ (as per sites/business units dependent) has, in addition, been declared Global GAP compliant and certified as per ISO14001:2025. Two milestones towards our commitment to sound and environmentally friendly practices and solutions.

Transparency and ethics

We maintain the highest ethical standards in our business, where integrity is paramount. We believe that there is a clear connection between the high ethical business standards set out in our Code of Conduct, and good financial performance. Our ethical guidelines have been revised in 2022 in accordance with good practice, international conventions, and updated legislation requirements in Norway – The Transparency Act.

A mandatory review of the updated Code of Conduct is being pushed through the organization in 2023 and the whistleblowing channels are active.

The Norwegian Transparency Act was passed on June 10th to help businesses promote respect for basic human rights and decent working conditions in relation to the production of goods and services. This law enters into force on July 1st, 2022.

At ScaleAQ, we are positive about the rules and guidelines being introduced to ensure these values are safeguarded in our value chains. We are a key stakeholder in our industry, and it is our strategy to assume a leading

position through a sustainable value chain and good working conditions, where safety, HSE, training and development are all central pillars of our work.

The Transparency act commands more openness, awareness, and documentation around the subjects of ethical business conduct all that along the entire value chain. That in turn has triggered a more stringent selection and follow-up of our supplier mass and led to the main following steps into supplier management. The Norwegian Transparency Act requires ScaleAQ to carry out due diligence assessments and report on these assessments on a regular basis. This means, among other things, that we must examine and control risk in relation to negative impacts on human rights and decent working conditions throughout our supply chain.

No cases of whistleblowing have been registered in 2022.

Compliance – managing a sustainable supply chain

We have a substantial number of suppliers in various countries around the world. As we have stated in our due diligence assessment related to the Transparency Act (which can be found on our web-page) we promote both fundamental human rights, sustainability in our value chain and the highest standards of business ethics from our suppliers, including sub-suppliers.

All suppliers and any subcontractors shall comply with the business ethics as stated in the Code of Conduct for suppliers, which is based on the same standards as for Scale Aquaculture AS.

Our supplier contracts include ESG responsibility and suppliers shall, upon request, document their work within these areas. The Code of Conduct is a mandatory document in the tender process and also a standard document in all our contracts. During 2022, as part of our due diligence assessment – based on OECD Due Diligence Guidelines for Responsible Business Conduct, we conducted a deep dive into a selected number of suppliers to map various areas which goes beyond adverse impacts on human rights or decent working conditions. The Questionnaire included questions related to governance, planet, people / HSEQ (Health, Safety, Environment and Quality) and our supplier's supply chain – giving us a rather detailed picture of the status on sustainability focus in our value chain.

Business model

Our business model is cored around providing solutions addressing the fundamentals of the aquaculture industry, from lice and fish-welfare, to optimized growth and efficient and circular use of our common resources. Responding to that with new technological solutions, new delivery model and a strengthen focus and contribution to our sustainability commitment.

Risk management

Corporate risk management is an integrated part of our annual reporting cycle. The purpose is to identify, document and handle business critical risk and opportunity areas. Part of the risk management process is identification of the main changes to the business framework and our response to that.

Way forward

We will, based on our materiality assessment, continue our due-diligence work towards our supply chain and ensure full compliance at all times. The scheme of voluntary certification will be maintained and our process for risk management will ensure we put in place adequate measures.

The following are the main highlighted topics identified in the 2022 risk assessment:

- Increased focus and push, from both customers and 3. parties/stakeholders, on the Biological and Sustainability fundamentals of the business. The fundamentals challenge the overall growth potential of the industry. Associated challenges and opportunities met through specific in-house and M&A solutions.
- Disruptive technologies/ environments and/or business models. New solutions mean a shift in the overall technical risk picture met by increased quality control of our product development processes and overall quality control of our deliveries.
- Uncertain/impaired customer willingness/ability to invest in relation to the Norwegian taxation regime changes.

Key partnerships

Sjømat Norge
UN Global Compact
Salmon Scotland
Lochaber Chamber of Commerce – Working for business in the outdoor capital of the UK
BC Salmon Farmers Association
Hold Norge Rent
SIRKAQ
Klimapartnere
RENERGY – Renewable Energy Cluster
Global Maritime Forum
NCE Aquatech Cluster
stiim – Aqua Cluster
Ocean Autonomy Cluster

Certifications

ISO 9001

ISO 14001

GLOBALG.A.P.

**ScaleAQ has been declared Global GAP compliant*

World Economic Forum (WEF) matrix

WEF-index: A table summarizing the WEF-metrics and completeness.

	Theme	Metric	WEF Criteria	Reference
WEF Metric: Governance	**Governing purpose**	**Setting purpose**	The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	CEO letter, This is ScaleAQ, BoD report
	Quality of governing body	**Board composition**	Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	Our team, board composition, vision, mission and values. BoD report
	Stakeholder engagement	**Impact of material issues on stakeholders**	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	ScaleAQ materiality assessment
	Ethical behaviour	**Anti-corruption**	1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region; 2. a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; b) Total number and nature of incidents of corruption confirmed during the current year, related to this year; 3. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	Chapter: People and interaction
		Protected ethics advice and reporting mechanism	A description of internal and external mechanisms for: 1. Seeking advice about ethical and lawful behaviour and organizational integrity; 2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.	Chapter: People and interaction
	Risk and opportunity oversight	**Integrating risk and opportunity into business processes**	Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	Chapter: People and interaction, BoD report, Annual financial statements

	Theme	Metric	WEF Criteria	Reference
WEF Metric: Planet	**Climate change**	**Greenhouse gas (GHG) emissions**	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tons of carbon dioxide equivalent (tCO_2e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Chapter: Circular economy – Reducing climate emissions in our own value chain
		TCFD implementation	Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most 3 years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	We had to postpone the implementation of TCFD to 2025
	Nature loss	**Land use and ecological sensitivity**	Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or Key Biodiversity Areas (KBA).	Considered insignificant
	Fresh water availability	**Water consumption and withdrawal in water-stressed areas**	Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	Considered insignificant
	Solid waste	**Impact of solid waste disposal**	1. Report wherever material along the value chain: estimated metric tons of single-use plastic consumed.Disclose the most significant applications of single-use plastic identified, the quantification approach used and the definition of single-use plastic adopted. 2. Report wherever material along the value chain, the valued societal impact of solid waste disposal, including plastics and other waste streams.	Chapter: Circular economy

	Theme	Metric	WEF Criteria	Reference
WEF Metric: People	**Dignity and equality**	**Diversity and inclusion (%)**	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	Chapter: People and interaction
		Pay equality (%)	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Planned to be reported in the years to come
		Wage level (%)	1. Ratios of standard entry level wage by gender compared to local minimum wage. 2. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	Planned to be reported in the years to come
		Risk of incidents of child, forced or compulsory labour	An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to a) type of operation (such as manufacturing plant) and type of supplier or b) countries or geographic areas with operations and suppliers considered at risk.	Chapter: People and interaction – Control of the value chain and compliance with requirements
	Health and well-being	**Health and safety (%)**	1. The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked. 2. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	Chapter: People and interaction, BoD report
	Skills for the future	**Training provided (#,$)**	1. Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees). 2. Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	Chapter: People and interaction

	Theme	Metric	WEF Criteria	Reference
WEF Metric: Prosperity	**Employment and wealth creation**	**Absolute number and rate of employment**	1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. 2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	Chapter: People and interaction
		Economic contribution	1. Direct economic value generated and distributed (EVG&D) – on an accruals basis, covering the basic components for the organization's global operations, ideally split out by: • revenues, • operating costs, • employee wages and benefits, • payments to providers of capital, • payments to government, and • community investment. 2. Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.	BoD report, Annual financial statements
		Financial investment contribution	1. Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy. 2. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.	BoD report, Annual financial statements
	Innovation of better products and services	**Total R&D expenses ($)**	Total costs related to research and development.	Chapter: Technology for zero emissions and good animal welfare, BoD report, Annual financial statements
	Community and social vitality	**Total tax paid**	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	BoD report, Annual financial statements

Board and management

Board of directors

ATLE S. EIDE

Chair of the Board

Atle Eide is a private investor and non-executive director in several Norwegian startups and major seafood / aquaculture companies. He has been CEO in several companies like MOWI, Skretting, Pan Fish, Kverneland Group, Hydro Seafood. Eide was senior partner in HitecVision for more than 12 years, before he retired from that position in 2021.

TOR JAKOB RAMSØY

Director

Tor Jakob Ramsøy is the founder and chairperson of Arundo Analytics. Previously a senior partner in McKinsey & Company's Business Technology Office (BTO), he led McKinsey's technology service lines in the Global Energy and Material Practice and the EMEA Big Data/ Advanced Analytics, and was also country manager for McKinsey Norway and led the BTO office in Scandinavia. Prior to joining McKinsey, Ramsøy worked as a senior partner in Accenture.

MORTEN GRONGSTAD

Director

Morten Grongstad is a board member of several industrial companies in Norway. He was Chief Executive Officer for AF Gruppen from 2015–2020, and before that Executive Vice President for Property and Building for three years. Before joining AF Gruppen, Grongstad was CEO of Fornebu Utvikling. He has also worked for Orkla Eiendom and McKinsey. Grongstad has an MSc in Economics from BI Norwegian Business School.

Board of directors

TRINE LOTHERINGTON DANIELSEN

Director

Trine Danielsen is the CEO of Stiim Aqua Cluster. Previously CEO and CCO of BluePlanet Academy. She has extensive experience from global aquaculture industry and has held public offices as mayor of Hjelmeland kommune (2011-2015), and deputy minister in the Ministry of Industry and Fisheries (2020-2021). Danielsen has a Master of Science in Zoology from NTNU, the Norwegian University of Science and Technology.

GUNNHILD ØDEGÅRD THORSEN

Director

Gunnhild Thorsen is Director of Sourcing & Production in Stokke AS, a Norwegian manufacturer of children's furniture and accessories. Before joining Stokke in 2009, she worked for many years in German manufacturing companies in Germany and China. Thorsen has an engineering education (Dipl.-Ing.) focused in Sustainable Product Development and Quality Management from TU Bergakademie Freiberg, Germany.

GEIR FURBERG

Director

Geir Furberg is special advisor in ScaleAQ and part of the Group management. He is also shareholder in Frøyaringen AS which holds 9.9 % of the shares in Scale Aquaculture Group AS. Furberg has extensive experience from the fish farming industry both as fish farmer and supplier of equipment. In 1997 he founded Frøyaringen which subsequently acquired Aqualine. Aqualine was sold to Kverva in 2018.

Management

GEIR MYKLEBUST

Chief Executive Officer

- Broad background in leading international teams, organizational and business development
- Nycomed, Takeda, Acino
- Norwegian Business School – MBA Business Economics
- Joined ScaleAQ in 2018

SVEIN VESTERMO

Chief Financial Officer

- Broad experience from both finance and line management
- Saferoad, Lade Metall, Mo Industripark
- Master of Science business & adm (Siviløkonom), Nord University
- Joined ScaleAQ in 2020

NINA OLUFSEN

Chief Commercial Officer

- Broad experience from various commercial roles in the private sector
- Credo, Broadnet, Norrøna, Mestergruppen
- Master of Business Administration from BI, several years of law studies from UiO
- Joined ScaleAQ in 2022

STÅLE SÆTHER

Chief Operating Officer

- Over the years managing most of the positions in Aqualine
- Various studies within finance
- Joined ScaleAQ in 2001

LUCIE KATRINE EIDEM

Chief HR and Communication Officer

- Broad insight in strategic management, communication, politics, organizational development.
- BcS Psychology NTNU, various studies in management and communication
- Joined ScaleAQ in 2021

Management

AUDUN S. FJELDVÆR

Chief Technology Officer

- Wide experience with sales, innovation and technology- and product development for the aquaculture sector.
- Extensive biological and technical knowledge from practical experience in seabased farming
- Joined ScaleAQ in 2013

HANNE DIGRE

Chief Sustainability Officer

- Broad experience from various positions within the fisheries and aquaculture sector over the past 22 years, research, development and project management
- PhD Biotechnology / Aquaculture from NTNU
- Joined ScaleAQ in 2020

PER IVAR LUND

VP Digital

- Broad international management experience mainly wihtin health and technology.
- Dell, Rieber & Son
- Master of Marketing from BI, MBA from Berkley
- Joined ScaleAQ in 2018

KAI KARSTENSEN

VP Corporate Projects & Floating Constructions

- Inspector shipping, head of maritime operations seismic
- Trico Supply, GeoServices, Boa offshore
- Various studies within tech and mechanical, Maritime engineering
- Joined ScaleAQ in 2018

TERJE ANDREASSEN

General Manager Moen Marin

- Various experience in finance and as managing director including starts ups
- EY, Danske Bank, Biomar, Skamik
- Master of Science business & adm (Sviliøkonom), Nord University

Annual Board of Director's report

Report of the Board of Directors

ScaleAQ recorded revenues of NOK 2,720 million in 2022, with a corresponding operating profit of NOK 84 million. The backlog of project orders was NOK 1,857 million, which is record high for the Group. The revenue represents a decrease of 1.7 per cent from 2021. The Group's profitability is a direct result of positioning the Group as the preferred technology partner for its key customers in the global fish farming industry.

During 2022 the Group continued to invest in its structural capital, strengthening the capacities in sales, project management, supply chain, engineering and ESG to meet expected growth. Further, our service and after sales activities also increased. The Board of Directors remains confident in the market outlook, the long-term demand and growth in the aquaculture sector and the Group's position to play a key role in the fish farming industry.

Business and strategy

ScaleAQ is an international group of companies (the Group) wholly owned by Scale Aquaculture Group AS, the parent company. The Group operates within aquaculture, and provides innovation, technology, services and equipment to customers globally. Its customers are among the leading aquaculture companies and salmon farmers of the world. ScaleAQ's strength is based on the combined competence and experience of its people and organization. As of today, the Group employs around 860 employees. Constant development is required at all levels of the organization. ScaleAQ is continually tweaking and optimizing its existing products. At the same time, targeted development of new products based on existing solutions and long-term projects to bring brand new concepts to the aquaculture industry is ongoing.

ScaleAQ's insight into the industry means that it will contribute on all levels together with its customers and partners. The Group's R&D department collects ideas across its entire organization as well as from customers to establish strong development projects, often in collaboration with academic institutions. From strategically located offices and facilities in nine countries, ScaleAQ experts work together across all areas within aquaculture to support the Group's customers.

Key events in 2022

- A new stock and service hub was opened at Bømlo in March.
- The total capacity for assembly of pens was increased by the opening of new sites in Scotland, Bømlo and Rørvik.
- The first delivery of the water-feeding system took place during the year.
- A sale-leaseback agreement was entered and executed for the property at Frøya.
- An agreement to acquire 100 % of the shares in Skala Maskon AS was signed January 4, 2023. Maskon broadens the total offering for the Group. The company is the global market leader for fully automated vaccination systems. The company also offers automated roe sorting machines and automated fish pumps.
- The project "Circular solutions for the aquaculture industry (SirkAQ)" was awarded a grant of almost NOK 70 million from the government's Green Platform support scheme, where the Group is the project manager and lead partner. The goal of the SirkAQ project is to promote the transition from a linear to circular economy in aquaculture. Scale has teamed up with key industry and research partners (for further information see page 36).
- Scale Circular was introduced in 2021 and taken one step further in 2022. Scale Circular includes a systematic program to increase circularity in our value chains. We are currently offering life extension of floating collars and using recycled plastic in our handrails, walkway- and feed tubes.
- The Norwegian government proposed in September 2022 to implement a resource tax on fish farming at sea. The industry has taken a negative stand to the proposal. A final resource tax scheme will most likely be decided by the Norwegian Parliament in May / June 2023.
- The Norwegian Transparency act, was effective from July 1, 2022. The Group has structurally worked to implement the Transparency Act in 2022 and now conducts relevant risk and due diligence assessments on an ongoing basis.

Financial performance

Going concern

The consolidated financial statements for the Group and the separate financial statements for Scale Aquaculture Group AS, have been prepared and presented based on the going concern assumption, and in accordance with section 3-3 of the Accounting Act. The Board of Directors confirms that the use of the going concern assumption is appropriate.

Consolidated Income Statement

The Group generated operating revenues of NOK 2,720 million in 2022, compared to NOK 2,766 million in 2021. This represents a decrease of 1.7 per cent. The Group ended the year with a record high order backlog of NOK 1,858 million

The Group had payroll costs of NOK 394 million in 2022, compared with NOK 369 million in 2021. The number of full-time equivalents (FTEs) in the Group increased by 12.4 per cent in 2022, from 760 FTEs at the close of 2021 to 854 FTEs at the close of 2022.

The Group had other operating expenses of NOK 207 million in 2022 compared to NOK 158 million in 2021. Higher operating expenses are mainly due to increased capacity, implementation of a new ERP system, increased travel post-COVID to engage with customers and suppliers, and the impact of high inflation rates.

The Group made an operational profit of NOK 84 million in 2022, compared to NOK 130 million in 2021. The decrease is largely attributable to scaling the Group for growth, building structural capital and strengthening the service and aftermarket capacities.

Net financial items in 2022 totaled minus NOK 11 million compared with minus NOK 43 million in 2021. The change

is largely due to net positive change in currency effects and fair value change in financial instruments.

The Group's profit before tax in 2022 totaled NOK 73 million, down from NOK 87 million in 2021. A tax expense of NOK 8 million has been calculated for 2022, down from NOK 16 million in 2021. The Group's net profit for the year totaled NOK 66 million in 2022, compared to NOK 72 million in 2021.

Consolidated Statement of Cash Flows

In 2022, the Group had negative cash flow from operating activities of NOK 73 million and an operating profit before depreciations and amortizations (EBITDA) of NOK 205 million. Lower realized cash flow from operations than reported EBITDA is mainly related to increased working capital, driven among other things by higher prices on material at stock, buy-back of a fishing vessel and short-term lease of a barge to a customer.

ScaleAQ achieved a positive cash flow of NOK 4 million in 2021. ScaleAQ made an EBITDA of NOK 237 million in 2021. Cash flow from investing activities was NOK 18 million in 2022, compared to minus NOK 66 million in 2021. Divestment of the shares in Aqualine Eiendom AS in 2022 explains a major part of the change from negative to positive cash flow from investing activities.

Net cash flow from financing activities totaled minus NOK 11 million in 2022, compared to NOK 13 million in 2021. Settling of an early termination of a long-term lease agreement and higher interest paid together with increased bank overdraft explains the change. In total, this results in a negative cash flow for 2022 of NOK 65 million, which decreased ScaleAQ's cash and cash equivalents to NOK 53 million as of 31 December 2022.

Consolidated Statement of Financial Position

As of 31 December 2022, ScaleAQ had a total balance of NOK 3,161 million, an increase of NOK 259 million since the close of 2021. The total booked equity at 31 December 2022 was NOK 1,336 million, an increase of NOK 146 million, leaving a healthy equity ratio of 42.3 per cent.

At the close of the year, the value of the Group capitalized intangible assets stood at NOK 1,062 million.

The book value of the Group's property, plant and equipment was NOK 145 million on 31 December 2022, down from NOK 223 million at year end 2021. The decrease is mainly due to sale-leaseback of the property at Frøya.

The right of use assets has increased from NOK 116 million to NOK 238 million. The lease liability has increased from NOK 171 million to NOK 250 million. The company's right to use assets and liabilities has been increased as a result of the sale-leaseback agreement for the property at Frøya.

The total net interest bearing debt has increased from NOK 642 million to NOK 886 million. The primary reason for the increase in other assets and liabilities is higher working capital. Current assets have gone up from NOK 1,281 million to NOK 1,494 million, largely due to an increase in inventories to meet the demands of the high order backlog and the impact of higher prices. Current liabilities have increased from NOK 997 million to NOK 1,036 million.

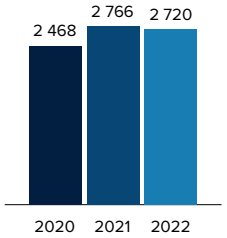
The Parent Company

Income Statement

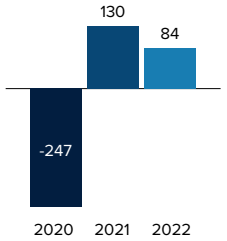
The company had other operating expenses of NOK 12 million in 2022, compared with NOK 18 million in 2021. The decrease is due to the parent company being charged with additional ownership costs.

Net finance amounts to minus NOK 12 million against minus 369 million in 2021. The decrease is mainly due to

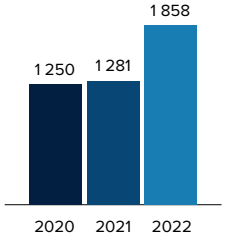
Revenues



EBIT



Order backlog



gain from the sale of Aqualine Eiendom AS and reduced amount related to write-down of subsidiaries in 2022. Net profit has therefore changed from NOK -382 million to NOK -21 million.

Statement of Cash Flows

The company achieved a negative cash flow from operating activities of NOK 13 million in 2022. In the same period the company made an operating profit of negative NOK 12 million.

Net cash flow from investment activities totalled NOK 100 million in 2022, compared to NOK –2 million in 2021. The sale of the shares in Aqualine Eiendom AS as a part of a sale-leaseback agreement is the reason for the increased cash flow from the investment activities.

The net cash flow from the financing activities was NOK – 87 million, which is down from NOK 26 million in 2021, where the Group refinanced its debt. The cash flow from financing activities is related to intra-group financing.

In total, this results in a negative cash flow for 2022 of NOK -49 thousands. The company's cash and cash equivalents where NOK 0 as of 31 December 2022.

Statement of Financial Position

As of 31 December 2022, the company had a total balance of NOK 2,035 million, an increase of NOK 221 million since the close of 2021. The total booked equity at 31 December 2022 was NOK 1,179 million an increase of NOK 27 million, leaving a healthy equity ratio of 58 per cent.

The company has received significant capital contributions from the parent company and made significant capital contributions to subsidiaries.

Allocation of net profit and dividends

Scale Aquaculture Group AS made a loss for the year of NOK 21 million for the year ending 31 December 2022. The board proposes to cover the loss for the year with other equity. The Board of Directors proposes not to pay any dividends for 2022.

Reporting Segments

Vessels

In 2022, the Vessels segment recorded operating revenues of NOK 548 million, a decrease of NOK 135 million. This decline is due to fewer delivered vessels compared to 2021, which was positively impacted by postponed deliveries of signed vessel due Covid. However, 2022 had record high sales, leading to a 50% increase in order backlog, totaling NOK 943 million at year end. This growth was driven by high market interest in hybrid solutions (diesel/electric) and a shift towards larger boats. In 2022 100 % of the delivered boats were equipped with hybrid or electric power, thus contributing to the green shift in the fish farming industry.

Operating profit (EBIT) for 2022 was NOK 41 million, a decrease of NOK 21 million compared to 2021 resulting in an EBIT margin of 7.5 per cent, down from 9.1 per cent in 2021. The decline is due to fewer delivered vessels combined with higher capacity cost to meet future demand and deliver the record high order backlog.

Fish Farming Technology

The segment Fish Farming Technology had total operating revenues of NOK 2,171 million in 2022, up from NOK 2,083 million in 2021. Higher revenues in all markets, except for a slight decrease in Chile. Revenues increased year over year on most major product groups as a result of strong sales and high buildup of order backlog in Norwegian market the first half of the year and the year over all for other markets. The order backlog at the year end was NOK 915 million which is the highest recorded order backlog for this segment.

EBIT for 2022 was NOK 57 million, NOK 30 million lower than in 2021. The reduction is mostly driven by increased capacity cost to position the segment to drive future growth, in combination with high inflation rates and absence of travel cost in 2021 due to Covid.

Risk and risk management

The Board and executive management are continuously monitoring the Group's risk exposure and the Group constantly strives to improve its internal control processes. The Group has systems and routines in place to monitor important risk factors in all business areas.

Risk management is a key function of the management team. It is the CEO's overall responsibility to ensure that the Group operates in compliance with all relevant legislation and operating guidelines for group entities. Follow-up and control of risk factors, as well as compliance with the Group's values and code of conduct, are carried out in the line organisation as part of day-to-day operations. The Group is subject to several risks, including operational and financial risks, which are summarized below.

Operational risk

Like other companies involved in the aquaculture industry, ScaleAQ is exposed to market risk, and the entire industry is subject to certain cyclicality. The Group aims to reduce the risks through diversification of its products and technologies to various geographical regions and by increasing revenues from recurring service and after sales.

The Group is exposed to changes in cost of goods and availability of raw materials used for some of the main products. This potentially impacts margins on fixed price contracts with the customers, longer delivery times pushing expected delivery date for some contracts from 2022 to 2023 and shortage of key components. The Covid pandemic and the war in Ukraine, are examples where this risk has materialized over the last two-three years. Overall,

the situation has improved during 2022, both in terms of availability and cost of goods stabilizing on a high level. Such risks are being carefully monitored and managed through general and continual awareness and specific attention during major contract negotiation. The Group seeks to agree the cost of goods and raw materials with the suppliers as soon as possible after signing contracts with the customers, thus mirroring prices and terms to the largest possible extent. Further, to include contractual rights to pass on cost price increase driven by pandemic, war and other non-ordinary situations to the customers.

Further, the Group is exposed to changes in demand driven by the overall economic climate for the fish farmers. Changes in market prices for the farmed fish, biological issues, increased production costs and changes in taxation, are examples of drivers that ultimately can impact the willingness and ability for the fish farmers to renew the equipment and increase production capacity. In September 2022, the Norwegian government proposed a resource tax on fish farming at sea. If implemented, this will result in expected lower cash flow from the existing business for the fish farmers. Awaiting the final approval in the parliament (No. Stortinget) fish farmers have cut back on the investments in new equipment. If the situation continues after the final approval, this will have a negative impact on the Group.

ScaleAQ is exposed to various risks related to environment and climate. These are further explained in the company's 2022 Sustainability report, see page 23.

Financial risk

Through its operations the most significant risks that the Group is exposed to are credit risk, liquidity risk and market risk as it relates to interest rate risk and foreign exchange risk. Management evaluates these risks and related risk management processes on an on-going basis. These risks are briefly commented on below and further detailed in note 24.

Credit risk is the risk of a counterparty defaulting. The Group sells the vast majority of services and products to other businesses on credit terms and is hence exposed to credit risk. The carrying value of trade and other receivables represent the Group's maximum exposure to credit risk at the balance sheet date.

The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group has debt service obligations and depends on continuous cash conversion of its revenue. The Group seeks to manage liquidity to ensure that it has sufficient liquidity to meet its financial obligations under any circumstances without incurring unacceptable losses or risk damage to its reputation.

The Group is exposed to interest rate risk, as its interest-bearing borrowings carry floating interest rates. The Group has not entered into hedge arrangements at this time (both 2022 and 2021).

The Group undertakes business across countries in foreign currencies and is consequently exposed to fluctuations in exchange rates, particularly EUR, GBP, PLN, AUD, CAD, CLP and VND. Foreign exchange risk arises from transactions related to operations conducted, and financial assets and financial liabilities arising in foreign currencies. Revenue and cost transactions within foreign subsidiaries are normally carried out in the same currency, which reduces the currency risk.

The Group's objectives for capital management are to ensure that it maintains sufficient free liquidity with regards to cash and cash equivalents in order to support its business and obligations as well as having sufficient flexibility to invest in attractive investment opportunities. The Group manages its capital in light of changes in the economic conditions and developments in the underlying business.

Research & Development

Being a technology supplier, ScaleAQ is always focused on constant development – both in the products and solutions that are offered to its customers, and at all levels of the organization. The Group continuously optimizes its current and existing product portfolio. In addition, targeted development programs are executed to meet long-term market needs and to create innovative and new solutions to the aquaculture industry.

It is the Board of Directors' view that the aquaculture industry is set for steady growth the coming years, which is also substantiated by the recent years' industry outlook towards new production methods, including exposed (and offshore) farming, submerged cages, and closed farming at sea and on land. These form the basis for ScaleAQ's R&D strategy, and the company is working extensively on solutions for such new production methods. Important contributions were launched the past year, including an exposed barge, water-borne feeding and updated camera models, as further elaborated below.

Updated camera models

Several camera upgrades have been launched. These include: The underwater cameras, Orbit-3450 and -3650; Surface camera for cages and barges, Orbit-360; New infrastructure for cages; An updated hand-held camera, MB-3100, ideal for landbased facilities and customers who like to buy and try our image quality before deciding to buy a full camera system from Scale.

Water-borne feeding system

After four years of prototypes and development, our new

water feeding system was completed in December 2022, including associated software and control system. Waterborne transport ensures that the feed is transported without the formation of dust/crumbs and microplastics, and with lower energy consumption and noise levels. Several contracts were signed for water feeding systems in 2022, with deliveries expected from Q1 2023.

Aasgard – exposed barge

ScaleAQ has a clear ambition to enable exposed farming, and Aasgard is a central contribution to this. The barge was developed in 2021–2022, and a contract was signed in 2022 with expected delivery in Q2 2023.

Focus and priority on strategic growth areas

As a consequence of the new resource tax and market uncertainty, ScaleAQ has taken measures to actively de-risk its project portfolio and only prioritize projects that are strongly rooted in our strategic growth areas; Exposed areas, (semi-) closed farming at sea, and sustainability. Scale has been fully focused on providing the resources needed to succeed. Launches of two new cage concepts – Vortex® and Subsea – are expected at the AquaNor summit in August 2023, as well as a new dead fish collection system for exposed farming.

Corporate responsibility

ScaleAQ is required to report on its corporate responsibility and selected related issues under Section 3-3a and 3-3c of the Norwegian Accounting Act. The detailed reporting on all relevant topics can be found in the Sustainability report, which is included in this Annual Report on page 55.

Equality and anti-discrimination

ScaleAQ is committed to provide equal opportunities for all employees in an inclusive work culture. The Group appreciates and recognises that every individual is unique and valuable and should be respected for his or her individual abilities and does not accept any form of harassment or discrimination based on gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age, or political opinion.

The Group seeks to provide equal employment opportunities and treat all employees – and job seekers fairly. The company has well-established policies and practice to ensure that there is no discrimination. The policy and established practices include code of conduct, Human Rights policy, recruitment, compensation, and benefits, working conditions, possibilities for promotion, development, and protection against harassment.

ScaleAQ is subject to report an annual statement on its efforts to secure equal opportunities under §26-a in the "Equality and Anti-discrimination Act of Norway". The annual statement on equality is included as part of the Sustainability report on page 49 in this annual report.

Employees, health, and safety

At the end of 2022, the Group had 854 full time equivalents (FTE) in total in Norway, Chile, Vietnam, Canada, Oceania, UK, Poland and Iceland, of which 17 per cent are women.

During 2022, a total of thirty-six loss time injuries were recorded in the Group (excl. Moen Marin). In the Group's Norwegian operation, ten lost time injuries were reported, and the Total Recordable Injury Frequency (TRIF) for Norway was 18.8 per one million work hours. This is far above the Group's target. Sick leave in the Group's Norwegian business was 3.03 per cent.

In 2022, we have seen a record high contribution to the overall reporting rate of injuries (Norwegian business) in line with expectations from 2021. With that comes a more representative picture of the personal safety risk. Meaning we uncover more and therefore we can to a larger extent understand, prevent and mitigate undesired incidents. The improved reporting gives a higher Total Recordable Injury Rate in 2022 compared to 2021. Therefore, it is reasonable to imagine that some of the reported injuries are injuries that would not have been reported previously. Consequently, we do not assume that our work operations have become any riskier. Regardless, the figures are still too high and above target. A clear objective is to reduce the injury rate overall in all parts of the business in 2023 to a target of 5 by 2025.

A detailed overview of employment statistics, gender balance, age distribution, and health and safety is included in the 2022 Sustainability Report on page 50.

Shares and shareholders

As at the end of 2022, Scale Aquaculture Group AS has 13,861,443 shares outstanding at NOK 2 nominal value per share. The shares are held by Kve-en AS, Frøyaringen AS and Board of Directors, holding 12,489,160, 1,303,317 and 68,966 shares, respectively.

Corporate governance

The Board of Directors of Scale Aquaculture Group AS is elected by shareholders at the general meeting and shall consist of two to seven members. Currently, the board comprises six (6) members elected. Two of the board members are women.

The Board of Directors of the company comprises the following members: Atle S. Eide, Chair (elected for the term of two years, Tor Jakob Ramsøy (two years), Morten Grongstad (two years), Trine Lotherington Danielsen (two years), Gunnhild Ødegård Thorsen (two years) and Geir Furberg (two years).

The management team consists of among others Geir Myklebust (Chief Executive Officer) and Svein Vestermo

(Chief Financial Officer). The Board of Directors and full management are presented on page 63–66 of this Annual Report.

The company has a board liability insurance which applies to the entire board and leading officers including the CEO related to the execution of their board and management responsibilities. The insurance is covered through an international insurance company with a solid rating on market terms.

ScaleAQ is not listed and is as such not required to comply with the legislation, regulations, and recommendations to which a public limited company is subject, including Section 3-3b of the Norwegian Accounting Act on corporate governance.

Outlook

Mid and long term, there is an underlying increase in demand driven by growth in population and corresponding need for healthy food. In order for the fish farming industry to meet this demand and grow accordingly, certain issues must be addressed. Among other things, this includes more sustainable farming methods improving fish health, hereunder finding solutions to the sea-lice problem and reduce the mortality rate. New technology, ensuring a sea-lice free environment or less sea-lice pressure, will play an important part of the solution. This will open opportunities for further growth for the Group.

Short term, the proposal to implement resource tax on fish farming at sea has raised concern in the industry, potentially impacting the ability and willingness to make the investments needed in new farming technology short term. Until the final decision of the full resource tax scheme has been made by the Norwegian parliament, fish farmers seem to reduce investments to a bare minimum. This could have a negative impact on the Group for the coming year.

Declaration by the board of directors and CEO

We hereby confirm that, to the best of our knowledge, the consolidated annual financial statements for 1 January to 31 December 2022 have been prepared in accordance with applicable accounting standards and that the information in the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. We confirm that the financial statements give an accurate and fair view of the development, profit, and position of the company, as well as a description of the principal risks and uncertainties it is facing.

Kverva, 15 May 2023

The Board of Directors and CEO of Scale Aquaculture Group AS

Atle S. Eide
Chair of the Board

Tor Jakob Ramsøy
Director

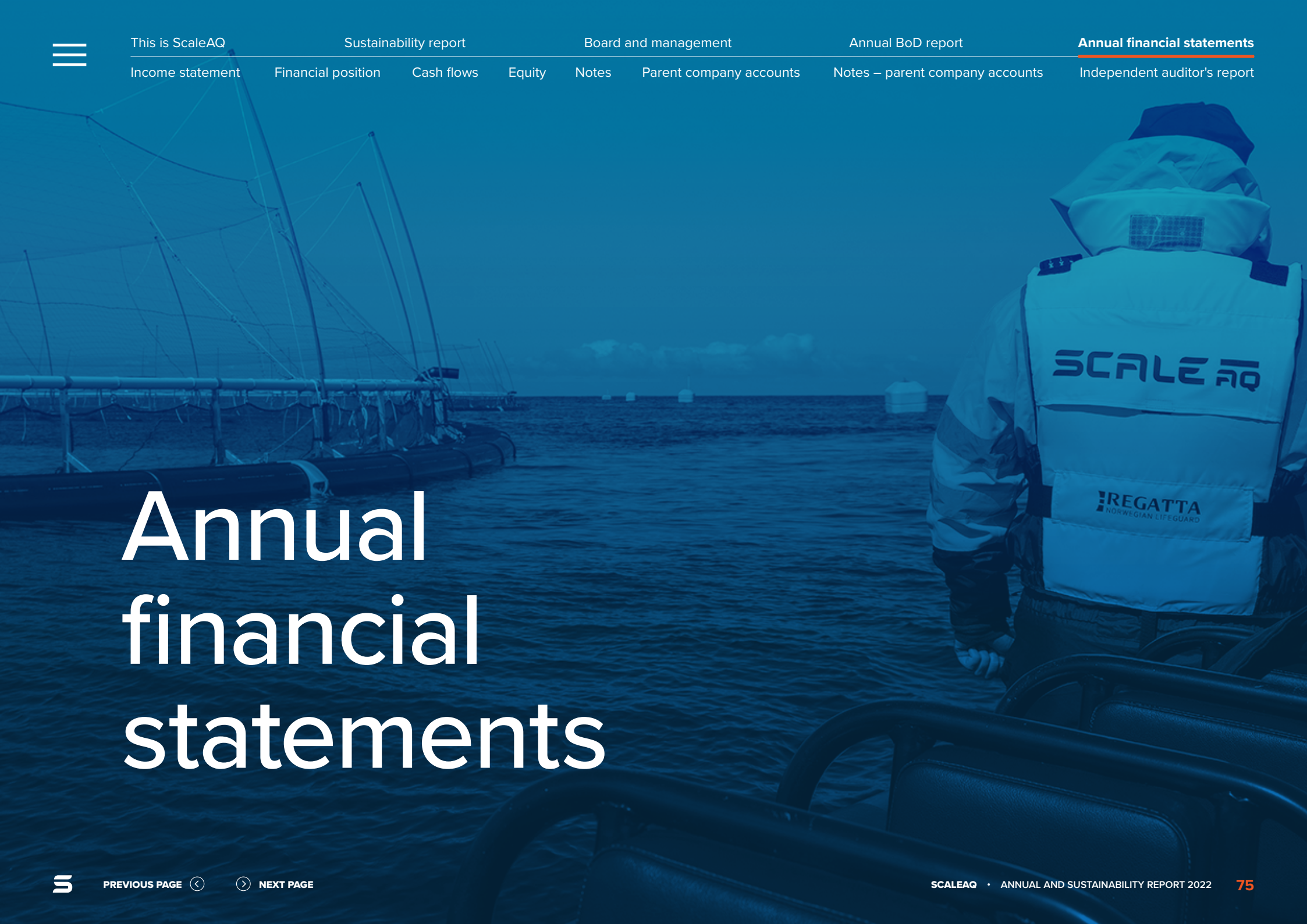
Morten Grongstad
Director

Trine Lotherington Danielsen
Director

Gunnhild Ødegård Thorsen
Director

Geir Furberg
Director

Geir Myklebust
CEO



Annual financial statements

SCALE AQUACULTURE GROUP AS

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December

Amounts in NOK '000	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	27	2 654 309	2 713 107
Other operating income		65 544	53 222
Operating income	6, 12	**2 719 853**	**2 766 330**
Cost of materials	12, 17	1 913 168	2 002 194
Salaries and personnel cost	8	394 381	369 392
Depreciation and amortisation	7, 13, 14, 15	116 168	110 888
Impairment losses	7, 15	4 884	-4 217
Other operating expenses	9, 12, 27	207 214	157 738
Operating expenses		**2 635 814**	**2 635 995**
Operating profit (loss)		**84 038**	**130 335**
Finance income	10, 27	82 616	59 495
Finance expense	10, 27	93 212	102 438
Profit (loss) before tax		**73 442**	**87 392**
Income tax expense	11	7 650	15 632
Profit (loss) for the year		**65 792**	**71 760**
Other comprehensive income for the year			
Items that may be reclassified subsequently through profit or loss:			
Foreign currency translation		8 071	1 211
Other comprehensive income for the year, net of tax		**8 071**	**1 211**
Total comprehensive income for the year		**73 863**	**72 970**
Profit (loss) for the year attributable to:			
– Owners of the parent company		65 832	72 832
– Non-controlling interest		-40	-1 072
Total comprehensive income attributable to:			
– Owners of the parent company		8 071	1 211
– Non-controlling interest		-	-

SCALE AQUACULTURE GROUP AS

Consolidated statement of financial position

as at 31 December

Amounts in NOK '000	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Goodwill	13	690 757	690 619
Other intangible assets	14	371 346	365 725
Deferred tax assets	11	104 457	119 231
Total intagible assets		**1 166 560**	**1 175 575**
Property, plant and equipment	15	145 014	222 521
Right-of-use assets	7	238 392	116 482
Non-current financial assets	12, 16, 21, 27	117 503	106 216
Total tangible assets		**500 909**	**445 219**
Total non-current assets		**1 667 469**	**1 620 794**
Current assets			
Inventories	17	812 938	636 236
Contract assets	6, 28	123 668	107 995
Trade receivables	12, 18, 21	435 408	391 467
Other current receivables	12, 21	68 860	26 594
Cash and cash equivalents	19, 21	53 084	118 894
Total current assets		**1 493 959**	**1 281 186**
Total assets		**3 161 427**	**2 901 980**

Amounts in NOK '000	Notes	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	20	27 723	25 778
Share premium		1 215 087	1 128 032
Share capital not registered		-	89 000
Currency translation reserve		9 102	1 031
Retained earnings		84 064	-51 273
Non-controlling interest		-	-2 503
Total equity		**1 335 975**	**1 190 065**
Liabilities			
Non-current liabilities			
Borrowings	21, 22, 23, 27	572 940	591 352
Deferred tax liabilities	11	1 306	23 643
Lease liability	7, 21	214 657	95 474
Other non-current liabilities	12	120	4 725
Total non-current liabilities		**789 023**	**715 195**

Amounts in NOK '000	Notes	31 December 2022	31 December 2021
Current liabilitites			
Borrowings	21, 22, 23	194 886	76 302
Provisions	26	43 313	53 838
Contract liabilities	6, 28	175 758	172 419
Trade payables	12, 21, 25	268 697	212 165
Income tax payable	11	11 291	72 388
Lease liability	7, 21	35 197	75 851
Other current liabilities	12, 21, 25, 28	307 287	333 757
Total current liabilities		**1 036 429**	**996 720**
Total liabilities		**1 825 452**	**1 711 915**
Total equity and liabilities		**3 161 427**	**2 901 980**

Kverva, 15 May 2023
The Board of Directors and CEO of Scale Aquaculture Group AS

Atle S. Eide
Chair of the Board

Tor Jakob Ramsøy
Director

Morten Grongstad
Director

Trine Lotherington Danielsen
Director

Gunnhild Ødegård Thorsen
Director

Geir Furberg
Director

Geir Myklebust
CEO

SCALE AQUACULTURE GROUP AS

Consolidated statement of cash flows

for the year ended 31 December

Amounts in NOK '000	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
Cash flows from operating activities			
Profit/(loss) before tax		73 442	87 392
Income tax paid	11	-2 883	0
Gain (loss) from sale of assets	15	-21 922	433
Net interest expense	10, 27	49 746	14 957
Interest received	10, 27	-19 872	-2 759
Depreciation and amortisation	7,13,14,15	116 168	110 888
Impairment losses	7	4 884	-4 217
Change in inventories	17	-176 702	-77 347
Change in trade receivables	18	-43 941	-78 641
Change in trade payables	25	56 532	-32 524
Change in contract assets and contract liabilities	6, 28	-12 334	97 505
Change in other receivables and payables	18, 25, 26	-95 725	-58 757
Net cash flow from operating activities		**-72 607**	**56 929**
Cash flow from investing activities			
Receipts from sale of property, plant and equipment	14, 15	108 744	15 231
Payments for property, plant and equipment	15	-37 521	-23 784
Payment for aquisition of subsidiaries, net of cash	26	-2 129	-4 499
Receipt from sale of intangible assets	14	-582	1 177
Payment for development of intangible assets	14	-50 328	-54 134
Net cash flow from investing activities		**18 184**	**-66 009**

Amounts in NOK '000	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
Cash flow from financing activities			
Receipts from borrowings	22, 23, 27	18 763	539 035
Repayment of borrowings	22, 23, 27	-23 036	-545 279
Change in bank overdraft and short-term borrowings	22, 23, 27	103 862	58 410
Principal elements of lease payments	7	-80 283	-35 871
Issue of ordinary shares	20	0	8 811
Interest paid	10, 27	-29 874	-12 198
Net cash flow from financing activities		**-10 568**	**12 908**
Net change in cash and cash equivalents	19	-64 991	3 829
Net foreign currency translation difference		-818	123
Cash and cash equivalents as at 1 January		118 894	114 942
Bank deposits, cash and equivalents as at 31 December		**53 084**	**118 894**

SCALE AQUACULTURE GROUP AS

Consolidated statement of changes in equity

for the year ended 31 December

Amounts in NOK '000	Share capital	Share premium	Share capital increase not registered	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2021	25 778	1 128 032	0	-180	-124 105	1 029 525	-1 431	**1 028 094**
Profit (loss) for the year					72 832	72 832	-1 072	**71 760**
Other comprehensive income for the year, net of income tax				1 211		1 211	0	**1 211**
Total comprehensive income for the year	**0**	**0**	**0**	**1 211**	**72 832**	**74 043**	**-1 072**	**72 970**
Issue of ordinary shares			89 000			89 000		**89 000**
Balance at 31 December 2021	**25 778**	**1 128 032**	**89 000**	**1 031**	**-51 273**	**1 192 568**	**-2 503**	**1 190 065**
Balance at 1 January 2022	**25 778**	**1 128 032**	**89 000**	**1 031**	**-51 273**	**1 192 568**	**-2 503**	**1 190 067**
Profit (loss) for the year					65 832	65 832	-40	**65 792**
Other comprehensive income for the year, net of income tax				8 071		8 071	0	**8 071**
Total comprehensive income for the year	**0**	**0**	**0**	**8 071**	**65 832**	**73 903**	**-40**	**73 863**
Issue of ordinary shares	1 945	87 055	-89 000			0		**0**
Group contribution					69 505	69 505		**69 505**
Equity effect divestment of non-controlling interest						0	2 543	**2 543**
Balance at 31 December 2022	**27 723**	**1 215 087**	**0**	**9 102**	**84 064**	**1 335 975**	**0**	**1 335 975**

Reference is made to note 20 for information related to share capital.

Notes to the financial statements

For the period ended 31 December 2022

NOTE 1 General information

Scale Aquaculture Group AS is a limited liability company founded in 2017, which controls the shares in Scale Aquaculture AS, Steinsvik Group AS, Moen Marin AS, Scale Aquaculture Rental AS and subsidiaries. Scale Aquaculture Group AS is incorporated and domiciled in Norway, and the address of the registered office is Nordskag, 7266 Kverva, Norway.

These consolidated financial statements were approved for issue by the Board of Directors on 15 May 2023. Minor rounding differences may exist and the total may deviate from the total of the individual amounts. This is due to the rounding of whole amounts to thousands for presentation purposes.

The Group provides technology and equipment to customers in the aquaculture industry globally.
The Group's subsidiaries as at 31 December 2022 are listed below:

Company name	Owned by	Location	Ownership and voting share interest
Moen Marin AS	Scale Aquaculture Group AS	Kolvereid, Norway	100%
Moen Marin Inc	Moen Marin AS	Campell River, Canada	100%
Scale Aquaculture AS	Scale Aquaculture Group AS	Frøya, Norway	100%
Aqualine Chile LTD	Scale Aquaculture AS	Puerto Varas, Chile	100%
Aqualine Australasia Pty Ltd	Scale Aquaculture AS	Tasmania, Australia	100%
Aqualine AS	Scale Aquaculture AS	Trondheim, Norway	100%
ScaleAQ Iceland ehf	Scale Aquaculture AS	Hafnarfjördur, Iceland	100%
Panlogica Pty Ltd	Scale Aquaculture AS	Tasmania, Australia	100%
Scale Aquaculture North America Inc.	Scale Aquaculture AS	Campbell River, Canada	100%
Steinsvik Poland S.A	Scale Aquaculture AS	Gdynia, Poland	100%
Steinsvik Oceania Pty Ltd	Scale Aquaculture AS	Huonville, Australia	100%
Scale Aquaculture UK Ltd	Scale Aquaculture AS	Fort William, Scotland	100%
Scale Aquaculture Rental AS	Scale Aquaculture Group AS	Tysvær, Norway	100%
Steinsvik Group AS	Scale Aquaculture Group AS	Tysvær, Norway	100%
Steinsvik AS	Steinsvik Group AS	Tysvær, Norway	100%
Steinsvik Mediterranean Ltda	Steinsvik AS	Alicante, Spain	100%
Steinsvik Diamond AS	Steinsvik Group AS	Tysvær, Norway	100%
Steinsvik Chile Holding AS	Scale Aquaculture AS	Trondheim, Norway	100%
ScaleAQ Chile SPA	Scale Aquaculture AS	Puerto Varas, Chile	4%
ScaleAQ Chile SPA	Steinsvik Chile Holding AS	Puerto Varas, Chile	96%
ScaleAQ CO Ltd	Steinsvik Group AS	Cam Lam, Vietnam	100%
Aquaoptima Holding AS	Steinsvik Group AS	Trondheim, Norway	100%
Aquaoptima AS	Aquaoptima Holding AS	Trondheim, Norway	100%

NOTE 2 Summary of significant accounting policies

2.1 Basis for preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The going concern basis for accounting has been adopted in preparing these consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in applying the Group's accounting policies. Areas involving a high degree of judgment or complexity, and areas in which assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements have been prepared on a going concern basis. The proposal to implement resource tax on fish farming at sea has raised concern in the industry, potentially impacting the ability and willingness to make the investments needed in new farming technology. Until the final decision of the full resource tax scheme has been made by the Norwegian parliament, fish farmers seem to reduce investments to a bare minimum. This could have a negative impact on the Group for the coming year.

The presentation currency for the consolidated financial statements is Norwegian kroner (NOK), which is also the functional currency of the Company.

2.2 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, which are entities controlled by the Company. Control is achieved when the Group has power over the investee, is exposed, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control noted above. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company and consistent accounting policies are applied. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the date when control is obtained and until control ceases, respectively. Intercompany transactions, balances, revenues, expenses and unrealised Group internal gains or losses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation are initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group ceases to consolidate an investee because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in the carrying amount recognised in profit or loss. The fair value of the retained interest becomes the initial carrying amount for the purposes of subsequent accounting for the investment.

2.3 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred and all the identifiable assets and liabilities of acquired entities are measured at fair values at the date of acquisition, except deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements, which are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured at the amount by which the total consideration transferred exceeds the net fair value of assets acquired. Goodwill is not amortised, but its value is tested for impairment at least annually, or more frequently when there is an indication that the cash-generating unit to which goodwill has been allocated, may be impaired. Goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangements, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value

of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments recognised in goodwill. Measurement period adjustments arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Revenue recognition

The Group provides technology and equipment to aquaculture customers globally. The Group has subsidiaries in Norway, Iceland, UK, Poland, Canada, Chile, Vietnam, and Oceania (Australia). Additionally the Group has agents in the Faroe Islands and Turkey. The Group divides its business into three product areas; seabased (79.8% of total revenue), landbased (0.0% of total revenue) and boats (22.7% of total revenue).

Revenue is recognised when goods and services are rendered and measured based on the consideration to which the Group expects to be entitled in a contract with a customer net of discounts and sales related taxes. The Group recognises revenue when it transfers control of a product or service to a customer.

The goods and service rendered are split into the following groups:

Type of good or service	Performance obligation and timing of recognition	Measurement of revenue
Seabased project sale	Seabased project sales include the product lines Thermolicer, Seaculture equipment, nets, feeding systems, mooring, barge and cages. Under this type of contracts, The Group offers seabased project sale that are customised to meet the customer's needs. To be able to make these projects available to other customers this will create significant costs that the Group would otherwise not have incurred in relation to that contract. Revenue from sale of seabased projects are recognised over time on a monthly basis over the contract period.	The revenue is based on the price specified in the contract, net of discount and value added tax.
Seabased sale of products, including short-term small projects (camera)	The Group promises to transfer products to the customer including short-term small projects, as sale of camera that are standardised products. Revenue from sale of these products and projects is recognised at point in time when control is transferred.	The revenue is based on the price specified in the contract, net of discount and value added tax.
Service agreement contracts – full-service or standard service agreements	The Group offers both full-service agreements and standard agreements on equipment. Included in these service agreements are free use of support, help desk, software upgrade and remote assistance. Revenue from these service agreement contracts are recognised over time, on a monthly basis over the contract period.	The revenue is based on the price specified in the contract, net of discount and value added tax.
Services on demand	The Group delivers services for customers on demand. This service include maintenance, help desk services etc. Revenue from sale of service on demand is recognised as the services are performed.	The revenue is based on the price specified in the contract, net of discount and value added tax.
Software/Digital	The Group offers software and digital solutions for mostly sea-based aquaculture facilities. These digital solutions include registration and analysis of biological data, environmental data, production data, digital infrastructure for remote operations centres and local area networks. Revenue from sale of right to access the software is satisfied over time and is recognised on a monthly basis.	The revenue is based on the price specified in the contract, net of discount and value added tax.

Boats	The Group offers supply working boats to the aquaculture industry. All vessels are standardised and can easily be sold to another customer. Revenue from contracts for sale of vessels including any added equipment or software, sale of stand-alone equipment, software sale and sale of spare parts are recognised at point of time.	The revenue is based on the price specified in the sales contract, net of discounts and value added tax
Landbased project sale	The Group designs facilities for landbased aquaculture and delivers turnkey systems with several different components within the concept of OptiFarm. The projects are manufactured on-site at the customer premises, and the customer controls the assets as it is created, with the delivery being in a number of different stages. Revenue from OptiFarm contracts for sale of landbased aquaculture projects is recognised over time.	The revenue is based on the price specified in the sales contract, net of discounts and value added tax

Contract assets
If recognised revenue exceeds amounts received or receivable from a customer, a contract asset is recognised.

Contract liabilities
When a customer pays consideration in advance, or an amount of consideration is due contractually before transferring of the services, the amount received in advance is presented as a liability. Contract liabilities represent prepayment from clients for partially satisfied performance obligation in relation to subscription and maintenance services.

2.5 Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as separate line items (current and non-current) in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group has made such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless

those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described under "Impairment of non-financial assets" in section 2.12 below.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

2.6 Foreign currency translation

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognised as a reduction of the expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is presented on the statement of financial position by deducting the grant to the carrying amount of the asset. The grant is recognised in the income statement over the useful life of a depreciable asset as a reduced depreciation expense.

2.8 Employee benefits

The Group operates defined contribution plans for the majority of the group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions to separate entity (insurance company). The Group has no legal or constructive obligations to pay further contributions to the pension plan for benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.9 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considredprobable that there will be a future outflow of funds to a tax authority. The provisions are measured at thebest estimate of the amount expected to become payable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying

amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.10 Intangible assets

Goodwill
Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination that have definite estimated useful lives are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Separately acquired intangible assets
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Subsequent to initial recognition, separately acquired intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired in a business combination.

Internally generated intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development of the Group's technical platforms and software is recognised if, and only if, all the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired in a business combination.

2.11 Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost, which includes the purchase price (including duties and non-refundable purchase taxes) and any directly attributable costs of bringing the asset to the location and condition necessary for it to be able to operate in the intended manner. Property, plant and equipment are subsequently recognised at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised so as to reduce the cost of assets less their residual values over their useful lives, using the straight-line method. Depreciation commences when the assets are ready for their intended use.

Estimated useful life, depreciation method and residual values are reviewed at least annually. The straight-line depreciation method is used as this best reflects the consumption of the assets, which often is the passage of time. Residual value is estimated to be zero for each of the assets.

Repair and maintenance are expensed as incurred. If new parts are capitalised, replaced parts are derecognised and any remaining net carrying amount is recognised in operating profit (loss) as loss on disposal.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is presented as other income or other expenses in the income statement.

2.12 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Goodwill is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Goodwill has been allocated to a group of cash generating units that constitute an operating segment and is tested for impairment at this level.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

2.13 Financial Instruments

Financial assets and financial liabilities are initially measured at fair value except for trade receivables that do not have a significant financing component, and which are measured at their transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The categorisation of financial instruments (financial assets and liabilities) for measurement purposes is based on the nature and purpose of the financial instrument and is determined on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial asset. Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets, which primarily consist of trade receivables and other current receivables are measured at amortised cost.

Impairment of financial assets

The Group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

The Group does not have financial liabilities held-for-trading or liabilities designated as at fair value through profit or loss.

Trade and other payables include trade payables and other current and non-current financial liabilities. Borrowings (long term and short term) include loans from financial institutions and bank overdrafts. These liabilities are initially recognised in the statement of financial position at fair value (net of any transaction costs), and subsequently measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. Any difference between the carrying amount of the financial liability derecognised, and the consideration paid and payable is recognised in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits.

2.15 Cash Flow statement

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash line items. Interest received and paid, and dividends distributed are reported as a part of financing activities. Value Added Tax and other similar taxes are regarded as collection of tax on behalf of authorities.

NOTE 3 Adoption of new and revised International Financial Reporting Standards and Interpretations

3.1 Standards and Interpretations affecting amounts reported in the current period

All relevant new and revised IFRSs and IFRIC interpretations that are mandatory for periods commencing 1 January 2022 and earlier have been adopted for all periods presented in these consolidated financial statements.

3.2 Standards and Interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations had been issued by the IASB but were not effective for the financial year ended 31 December 2022.

Management anticipates that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning 1 January 2023 or later. Management considers that the impact of the adoption of these new and revised/amended Standards and Interpretations on the Group will not be significant.

Standard/ Interpretation	**Title**	**Date of issue**	**Applicable to accounting periods commencing on**
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors[1]	*Definition of Accounting Estimates*	February 2021	1 January 2023
Amendments to IAS [1] Presentation of Financial Statements and IFRS Practice Statement 2[1]	*Disclosure of Accounting policies*	February 2021	1 January 2023
Amendments to IAS 12 Income taxes	*Deferred tax related to Assets and Liabilities arising from a Single Transaction*	August 2022	1 January 2023

[1] The standard/revised standard/amendment has as at the date of issue of these financial statements not yet been adopted by the EU. Applicable accounting periods are IASB effective dates.

NOTE 4 Critical accounting judgments and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant including expectations of future events that are deemed to be reasonable under the current circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates, assumptions and management judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Leases

The Group has entered into a number of lease arrangements as a lessee. Judgement has been applied in assessing the lease terms and the discount rates used in determining the right-of-use assets and lease liability. Estimates have been made by management with regards to the interest rate level as well as the probability of whether the group companies are reasonably certain to exercise the options. Refer to note 7 for further information.

Amortisation of intangible assets

The Group's most significant accounting estimates are related to amortisation of intangible assets, the most significant being capitalised technology, customer relationships and trade names identified and valued in business combinations. Management estimates the useful life of technology to be 10 years based on the expected technical obsolescence of such assets. Customer relationships are also estimated to have a useful life of 10 years, based on historical experience of customer retention and best estimate. However, the actual useful life may be shorter or longer, depending on e.g. technical innovations and competitor actions. Trade names are considered to have an indefinite useful life and are not amortised, but subject to impairment testing at least annually. More information on intangible assets can be found in note 14.

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the operating segments (group of cash-generating units) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and business plans approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 13. These growth rates are consistent with industry growth expectations.

Revenue from contracts with customers

When the Group transfers control of a good or service over time, revenue is recognised by measuring the progress towards complete satisfaction of that performance obligation. The Group applies a single method of measuring progress to depict its performance in transferring control of goods or services, using an input method. The Group uses cost incurred as a percentage of expected total costs and estimate the total expected inputs that will be needed to satisfy the performance obligation. This requires that estimates are made by management and actual outcome may differ from these esitmates. More information on revenue from contracts with customers can be found in note 6.

Deferred tax assets

Management judgment is required in determining provisions for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. The Group is also subject to income taxes in various jurisdictions. Judgement is required in determining the Group's provision for income taxes. There may be transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax liability and expense in the period in which such determination is made.

NOTE 5 Business combinations

(Amounts in NOK'000)

There were no business acquisitions during 2022 and 2021. In June 2022, the Group sold Aqualine Eiendom AS. Aqualine Eiendom AS owns the property at Frøya and the Group entered into a lease agreement of the property from the new owners. Until the date of divestment, the company contributed NOK 0 to the Group's net sales since only intercompany sales, NOK -2 075 to operating profit (loss) in 2022.

Aqualine Eiendom AS

Total consideration received comprises the following:

	Aqualine Eiendom AS
Cash consideration	106 323
Total consideration	**106 323**

Identifiable assets and liabilities recognised on the date of the business combination:

Property, plant and equipment	75 255
Current receivables	3 494
Deferred tax liability	440
Current liabilities	(1 849)
Total identifiable net assets	**77 340**
Cash and cash equivalents in sold business	4 678
Total cash inflow from sale of business	101 645

NOTE 6 Revenue

(Amounts in NOK'000)

The Group derives its revenue from contracts with customers for the transfer of goods and services as described in the table provided in note 2 to the financial statements.

Revenue per product line	Year ended 31 December 2022	Year ended 31 December 2021
Seabased project sale	1 763 815	1 595 277
Seabased camera	132 042	212 130
Service	197 502	158 549
Software/Digital	43 777	46 681
Landbased	1 083	67 131
Other	33 541	3 002
External revenue by timing of revenue		
Services transferred over time	2 006 177	1 867 638
Services transferred at a point in time	713 676	898 692
Revenue by Geographical distribution		
Norway	2 058 874	2 193 992
Chile	237 785	248 627
UK	81 326	61 113
Canada	110 973	61 931
Iceland	184 542	148 200
Oceania	20 413	27 811
Rest of world	25 940	24 656

Assets and liabilities related to contracts with customers
The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2022	31 December 2021
Contract assets – accrued income	123 668	107 995
Contract liabilities – prepaid customer contracts	175 758	172 419

Revenue recognised in the period from:	Year ended 31 December 2022	Year ended 31 December 2021
Amounts included in the contract liability at the beginning of the period	172 419	95 068

The Group receives payments from customers based on a billing schedule, as established in our contracts. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) the Group perform under the contract.

NOTE 7 Leases

(Amounts in NOK'000)

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period.

Right-of-use assets

Year ended 31 December 2022	Land and buildings	Vehicles	Equipment	Sum
Cost at 1 January 2021	90 539	5 905	20 039	116 483
Additions in the year	152 916	2 706	3 161	158 783
Reclassifications	0	0	0	0
Disposals in the year	0	0	0	0
Depreciation in the year	-24 954	-3 525	-8 423	-36 903
Impairment loss	0	0	0	0
Exchange rate differences	28	0	0	28
Net carrying amount at 31 December 2022	**218 530**	**5 085**	**14 777**	**238 392**

Year ended 31 December 2021	Land and buildings	Vehicles	Equipment	Sum
Cost at 1 January 2021	132 382	7 701	28 108	168 190
Additions in the year	9 860	2 627	2 537	15 024
Reclassifications	1 506	0	-1 506	0
Disposals in the year	-38 127	83	-92	-38 136
Depreciation in the year	-20 383	-4 505	-9 008	-33 897
Impairment loss	5 302	0	0	5 302
Net carrying amount at 31 December 2021	**90 539**	**5 905**	**20 039**	**116 483**

Lower of remaining lease term or useful life			
Depreciation method	Straight-line	Straight-line	Straight-line

A sale-leaseback agreement was entered and executed for the property at Frøya in 2022 with the amount of NOK 80 049. In addidion, we have entered into a new long term lease agreement in Trondheim with the amount of NOK 31 111. Other addidions consist of adjustment of excisting lease agreement.

A reversal of an impairment loss of NOK 5 302 has been recognised in 2021 on the right-of-use assets related to a property lease expiring in 2034 according to the original lease contract. The Group has terminated this property lease contract in 2021. According to the termination contract, the Group will pay a termination fee and the new expiring date of the property lease contract is November 2022. The recoverable amount of the right-of-use asset is NOK 0 (2021: NOK 1 138) and is based on a value-in-use calculation for the asset, calculating the difference between expected future cash inflows and the cash outflows associated with the lease, utilising a pre-tax discount rate of 6.8%.

Lease liabilities

Maturity analysis of lease liabilities	31 December 2022	31 December 2021
Within 1 year	35 197	75 851
1-4 years	109 781	72 265
Over 5 years	104 876	23 209
Total	**249 854**	**171 325**

Amounts recognised in profit and loss	Year ended 31 December 2022	Year ended 31 December 2021
Deprecation expense on right-of-use assets	36 903	33 897
Impairment expense on right-of-use assets	0	-5 302
Interest expense on lease liabilities	4 664	11 366
	41 566	**39 961**

Carrying amounts of lease liabilities and the movements during the period:

	Year ended 31 December 2022	Year ended 31 December 2021
Lease liability as at 1 January	171 325	230 309
Additions during the year	158 490	15 007
Disposals	0	-39 093
Repayments during the year	-84 624	-46 264
Interest	4 146	11 428
Currency effects	518	-62
Other	0	0
Lease liability as at 31 December	**249 854**	**171 325**

Extension and purchase options

The Group's lease of land and buildings have lease terms that vary from 2 to 15 years, and some agreements involve a right of renewal which may be exercised during the last period of the lease terms. The Group assesses at the commencement date whether it is reasonably certain to exercise the renewal right. The Group's potential future lease payments not included in the lease liabilities related to extension options are NOK 37 465 at 31 December 2022 (2021: NOK 39 429).

One of the leased properties is a leasehold land ("festekonktrakt"). This is included with a 10 year duration.

Sensitivity analysis

The below table summarises the impact a change in discount rates of 1 percentage point would have on the lease liability as at 31 December 2022.

		Sensitivity (increase/ decrease percentage point)	Sensitivity (increase) amount in NOK	Sensitivity (decrease) amount in NOK
Lease liability at 31 December 2022	249 854	+/- 1%	-8 094	8 734
Interest	4 146	+/- 1%	1 427	-1 553

NOTE 8 Payroll and related expenses

(Amounts in NOK'000)

Salaries and personnel costs	Year ended 31 December 2022	Year ended 31 December 2021
Salaries	337 522	299 334
Director's remuneration	1 340	-
Social security tax	34 323	34 612
Pension costs	14 607	17 152
Other allowances	21 290	18 293
Own work capitalised	(14 701)	-
Total	**394 381**	**369 391**
Number of FTE	854	760
Average number of FTE	807	766

The pension plans in the Group comply with the pension legislation enacted in respective countries. The pension plans require that the Group pays premiums to public or private administrative pension plans on a mandatory, contractual or voluntary basis. There are no further obligations once the annual premiums are paid. The premiums are accounted for as personnel expenses as soon as they are incurred. Pre-paid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

Remuneration to key group employees during the year ended 31 December 2022
Key group employees are defined as employees who are part of group management. Some of these individuals are employed by Kve-en AS and remuneration to the management group and CEO is not included in total salaries and personnel cost.

Year Ended 31 December 2022

Salary	Pension contribution	Other benefits	Total
16 805	**800**	**364**	**17 969**

Year Ended 31 December 2021

Salary	Pension contribution	Other benefits	Total
17 418	**620**	**688**	**18 726**

Remuneration to Board of Directors during the year ended 31 December 2021
Remuneration has been paid to the Board of Directors of Scale Aquaculture Group AS in 2022 totaling NOK 1 100 (2021: 0).

The Group purchases management services from Kve-en AS to a amount of NOK 13 851 (2021: 16 100).

NOTE 9 Other operating expenses

(Amounts in NOK'000)

	Year ended 31 December 2022	Year ended 31 December 2021
Maintenance expenses	11 193	7 059
Equipment expenses	10 884	10 130
External services	83 258	60 814
Rental of machinery, fixtures, fittings, premises	16 464	8 845
Travel costs	25 549	10 401
Licenses	24 980	15 822
Marketing	10 386	9 425
Insurance	4 416	3 491
Impairment of trade receivables	-5 801	7 187
Other operating expenses	25 885	24 563
Total other operating expenses	**207 214**	**157 738**

Auditor's fees
The remuneration breakdown (excl. VAT) paid to the Group's auditor is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Statutory auditing services	2 596	1 513
Other attestation services	322	28
Tax advisory services	692	674
Other services	806	73
Total fee to auditor	**4 416**	**2 288**

NOTE 10 Finance income and finance expense

(Amounts in NOK'000)

	Year ended 31 December 2022	Year ended 31 December 2021
Finance income		
Interest income	6 115	2 759
Interest income on other financial assets	13 757	5 371
Currency gains	53 855	45 950
Fair value change in financial instruments (note 21)	7 355	-
Other financial income	1 534	5 415
Total	**82 616**	**59 495**
Finance expense		
Interest expense	15 196	14 957
Interest expense on debt to financial institutions	34 550	20 156
Currency losses	42 636	59 422
Fair value change in financial assets (note 16)	-	2 000
Fair value change in financial instruments (note 21)	-	5 517
Other financial expense	830	386
Total	**93 212**	**102 438**

Interest expense include primarily interest expense on leasing liability and financial liability related to sale and forward lease.

NOTE 11 Deferred tax and tax expense

(Amounts in NOK'000)

Specification of income tax expense
The tax benefit/(expense) is calculated based on income before tax and consists of current tax and deferred tax.

	Year ended 31 December 2022	Year ended 31 December 2021
Current income tax payable	11 291	72 388
Change in deferred tax	-3 641	-56 756
Income tax expense	**7 650**	**15 632**
The foreign part of the tax expense amounts to	-1 678	-2 760

Income tax payable (balance sheet)
The income tax payable on this year's result is calcuated as follows:

	2022	2021
Profit before tax	73 442	87 392
Permanent and temporary differences	-19 475	212 721
Basis for tax payable	53 967	300 113
Total tax payable on the year's result	11 291	72 388

Effective Tax Rate
The difference between income tax calculated at the applicable income tax rate and the income tax expense attributable to loss before income tax was as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Profit/(loss) before income tax	73 442	87 392
Statutory income tax rate	22 %	22 %
Expected income tax expense/(benefit)	16 157	19 226
Tax effect non deductible expenses	5 278	16 732
Tax effect non-taxable income	-13 866	-16 057
Difference in tax rules and rates	790	-863
Change in deferred tax asset not recognised	-709	-3 406
Income tax expense/income for the year	**7 650**	**15 632**
Effective tax rate	10 %	18 %

Deferred tax asset are not recognized for carry forward of unused tax losses when the Group cannot demonstrate that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Tax losses carried forward
Tax effect of losses carried forward in selected countries expire as follows:

	Expires within 5 years	Expires within 5–10 years	More than 10 years	Indefinite	Total
Norway	-	-	-	82 424	**82 424**
Chile	-	-	-	24 053	**24 053**
UK	-	-	-	868	**868**
Vietnam	-	-	-		**-**
Canada	-	-	8 404	-	**8 404**
Iceland	1 495	-	-		**1 495**

Specification of the tax effect of temporary differences and losses carried forward
The tax effects of temporary differences and tax losses carried forward at 31 December are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Non-current assets	-8	-
Property, plant and equipment	-9 910	-9 422
Trade receivables	19 888	5 095
Inventory	3 952	6 412
Other temporary differences	-17 073	53 069
Current assets	-340	-
Tax losses carried forward	82 424	21 077
Tax losses carried forward abroad	34 821	31 533
Total	**113 754**	**107 764**
Deferred tax assets / Deferred tax liabilities		
Deferred tax assets / Deferred tax liabilities not recognized	-10 602	-12 176
Recognized Deferred tax assets / Deferred tax liabilities	103 152	95 588

NOTE 12 Transactions with related parties

(Amounts in NOK'000)

Balances and transactions between Scale Aquaculture Group AS and its subsidiaries, which are related parties of Scale Aquaculture Group AS, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following trading transactions with related parties:

	Sale		Purchase	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Arnarlax Ehf	86 342	47 267	45	-
Kve-en AS	403	-	13 851	8 729
Kvarv AS	-	-	137	-
Kverva AS	-	-	20	-
Kverva Eiendom AS	-	25	-	25
Kverva Industrier AS	-	455	-	-
Ocean Farm Ltd	-	80	-	-
Ocean Farming AS	208	-	-	-
Salmar AS	1 304	1 843	-	-
Salmar ASA	-	381	-	-
Salmar Farming AS	312 050	255 871	-	-
Salmar Settefisk AS	1 034	-	-	-
Salmar Aker Ocean AS	9	-	-	-
Refsnes Laks AS	1 641	-	-	-

Most of the sales to group companies relate to operating equipment for the aquaculture industry.

The group purchases management services from Kve-en AS.

At 31 December, the Group had the following outstanding balances with related parties:

	Amounts owed by related parties (included in other receivables)		Amounts owed to related parties (included in other current liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Arnarlax Ehf	14 343	5 511	-	-
Kve-en AS	1 255	-	21 781	5 827
Kvarv AS	-	-	171	-
Kverva Eiendom AS	-	-	-	25
Kverva Industrier AS	-	44	-	-
Ocean Farming AS	168	80	-	-
Salmar AS	-	5	-	-
Salmar Farming AS	18 672	20 025	2	229

	Loans to related parties		Borrowings from related parties	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Kve-en AS	4 623	268	-	1 878
Kveto AS (merged with Kve-en AS in 2022)	-	-	-	4 605

NOTE 13 Goodwill

(Amounts in NOK'000)

31 December 2022	Goodwill
Carrying value at 1 January 2022	690 620
Additions in the year	0
Disposals in the year	0
Exchange rate differences	137
Impairment loss during the year	0
Carrying value at 31 December 2022	**690 757**

31 December 2021	Goodwill
Carrying value at 1 January 2021	690 620
Additions in the year	0
Disposals in the year	0
Impairment loss during the year	0
Carrying value at 31 December 2021	**690 620**

Goodwill originating from the business combinations during the year are primarily related to anticipated growth prospects for the acquired businesses.

Goodwill is not amortised but tested for impairment on an annual basis at a cash generating unit level, and more frequently if there are indications that amounts may be impaired. In accordance with IAS 36 Impairment of assets, the carrying amount of the cash-generating unit (CGU) to which the goodwill has been allocated is compared with the recoverable amount of the cash generating unit. The recoverable amount is determined based on value-in-use calculations. These calculations use cash flow projections approved by management covering a five year period. Subsequently a growth rate of 1% is used for the purpose of determining the terminal value. The pre-tax discount rates applied to the cash flows for both CGUs is calculated based on the weighted average cost of capital (WACC) is 10.9% (2021: 9.6%).

A sensitivity analysis has been performed for key assumptions, which are the terminal growth rate and the discounts rates. Any reasonable possible change in the key assumptions (1% increase in discount rate or 1% decrease in the terminal growth rate) would not cause a requirement for an impairment charge. Based on the calculations referred to above, it has been concluded that the recoverable amount exceeds the carrying amount of the CGUs. Consequently, no impairment charge has been recognised for 2022, nor in 2021.

Goodwill has been allocated to relevant operating segments (groups of CGUs) as included in the table below:

	31 December 2022	31 December 2021
Seabased	610 781	610 644
Boats	79 976	79 976
Total	**690 757**	**690 620**

NOTE 14 Intangible assets

(Amounts in NOK'000)

31 December 2022	Customer relationships	Customer contracts	Technology	Trade name	Capitalized development cost	Other intangible assets	Total
Cost at 1 January 2022	305 200	12 500	48 752	89 501	54 681	17 448	528 082
Additions in the year					17 232	33 096	50 328
Additions through business combinations							0
Exchange rate differences						685	685
Disposals in the year						-260	-260
Cost at 31 December 2022	**305 200**	**12 500**	**48 752**	**89 501**	**71 913**	**50 969**	**578 835**
Accumulated amortisation and impairment at 1 January 2022	123 737	12 500	20 527	0	2 170	3 423	162 357
Amortisation in the year	30 520		4 875		5 764	4 130	45 289
Impairment loss in the year							0
Exchange rate differences						277	277
Disposals in the year						-434	-434
Accumulated amortisation and impairment at 31 December 2022	154 257	12 500	25 402	0	7 934	7 396	207 489
Net carrying amount at 31 December 2022	**150 943**	**0**	**23 350**	**89 501**	**63 979**	**43 573**	**371 346**

For 2021, see next page

31 December 2021	Customer relationships	Customer contracts	Technology	Trade name	Capitalized development cost	Other intangible assets	Total
Cost at 1 January 2021	305 200	12 500	48 752	89 501	5 726	88 707	550 386
Additions in the year					48 955	5 179	54 134
Additions through business combinations						0	0
Exchange rate differences						99	99
Disposals in the year						-76 537	-76 537
Cost at 31 December 2021	**305 200**	**12 500**	**48 752**	**89 501**	**54 681**	**17 448**	**528 082**
Accumulated amortisation and impairment at 1 January 2021	93 217	12 500	15 652	0	0	78 086	199 455
Amortisation in the year	30 520		4 875		2 170	598	38 163
Impairment loss in the year							0
Exchange rate differences						99	99
Disposals in the year						-75 360	-75 360
Accumulated amortisation and impairment at 31 December 2021	123 737	12 500	20 527	0	2 170	3 423	162 357
Net carrying amount at 31 December 2021	**181 463**	**0**	**28 225**	**89 501**	**52 511**	**14 025**	**365 725**

Estimated useful life and amortisation plan is as follows:					
Estimated useful life	10 years	1 year	10 years	Indefinite	5–10 years
Amortisation plan	Straight-line	Straight-line	Straight-line	Not amortised	Straight-line

Customer relationships
Customer relationships identified and valued in business combinations are expected to have a useful life of 10 years. This estimate is made by management based on prior experience related to customer attrition.

Technology
For technology acquired through business combinations the amortisation period is 10 years based on an evaluation of the type of technological solution.

Trade name
Trade names acquired through business combinations are considered to have an indefinite useful life and are not amortised. Trade names are subject to impairment testing at least annually, or more frequently if there are indicators of impairment. Reference is made to note 13 for details of impairment testing. No impairment losses have been incurred in relation to trade names.

Other intangible assets
The carrying amount of other intangible assets comprises mainly of software of NOK 39 016. The Group has implemented an ERP system in 2022 and activated NOK 28 497 in 2022. The Group has made an assessment that these costs meets the requirements regarding intangible assets related to Cloud Computing Arrangement according to IFRIC.

NOTE 15 Property, plant and equipment

(Amounts in NOK'000)

31 December 2022	**Land and buildings**	**Plant and machinery**	**Total**
Cost at 1 January 2022	215 169	220 834	436 003
Additions in the year	15 417	22 104	37 521
Additions/disposal through business combinations	-81 501	0	-81 501
Exchange rate differences	4 044	9 819	13 863
Disposals in the year	-20 371	-45 878	-66 249
Cost at 31 December 2022	**132 758**	**206 879**	**339 637**
Accumulated depreciation and impairment at 1 January 2022	59 153	154 329	213 482
Depreciation in the year	7 277	26 699	33 976
Impairment loss in the year	417	4 467	4 884
Exchange rate differences	1 182	6 910	8 092
Additions/disposal through business combinations	-6 246	0	-6 246
Reversed depreciation	0	0	0
Disposals in the year	-17 319	-42 247	-59 566
Accumulated depreciation and impairment at 31 December 2022	44 464	150 158	194 622
Net carrying amount at 31 December 2022	**88 294**	**56 721**	**145 015**

For 2021, see next page

31 December 2021	Land and buildings	Plant and machinery	Total
Cost at 1 January 2021	219 624	237 417	457 041
Additions in the year	5 638	18 146	23 784
Additions/disposal through business combinations	0	0	0
Exchange rate differences	-1 075	-10 190	-11 265
Disposals in the year	-9 018	-24 539	-33 557
Cost at 31 December 2021	**215 169**	**220 834**	**436 003**
Accumulated depreciation and impairment at 1 January 2021	50 302	149 406	199 708
Depreciation in the year	14 375	24 453	38 828
Exchange rate differences	-1 230	-5 932	-7 162
Disposals in the year	-4 294	-13 598	-17 892
Accumulated depreciation and impairment at 31 December 2021	59 153	154 329	213 482
Net carrying amount at 31 December 2021	**156 016**	**66 505**	**222 521**

Estimated useful life and depreciation plan is as follows:		
Useful life	25–50 years	3–10 years
Depreciation plan	Straight-line	Straight-line

A sale-leaseback agreement was entered and executed for the property at Frøya in 2022 with a profit of NOK 24 305.

Right-of-use assets are presented separately in note 7 – Leases.

Land, property, plant and equipment is pledged as security for liabilities, refer to note 27 – Collateral and guarantees.

NOTE 16 Non-current financial assets

(Amounts in NOK'000)

Non-current financial assets	31 December 2022	31 December 2021
Investments in associated companies	7 628	1 100
Investments in shares	103	104
Sublease to end customer	93 160	92 237
Other non-current financial assets	19 746	12 775
Total	**120 637**	**106 216**

A fair value change of NOK 0 has been recognised in 2022 (2021: -2 000) on investments in shares, reference is made to note 10.

The sale and leaseback transaction within the Group against the financing institutions is treated as a financing agreement, and not a sale with regards to IFRS 15 and a lease(back) with reference to IFRS 16. The sublease to end customer is a financial lease for lessors, and a manufacturing lessor, where the normal revenue is recorded for the sale.

Other non-current financial assets consists of receivables.

As at 31 December 2022 the Group has investments in the following associated companies:

Company name and location	Ownership share	Shares owned by
Marine Globe d.o.o. (Sibenik, Croatia)	40,0 %	Moen Marin AS
Rørvik Marina AS (Rørvik, Norway)	33,3 %	Scale Aquaculture Group AS

All associated companies are recognised according to the equity method.

Non-current financial assets	Rørvik Marina AS	Marine Globe d.o.o	Total
Book value at 1 January 2022	-	1 100	1 100
Share of profit after tax 2022	24		24
Currency adjustments		504	504
Investment / disposals	6 000		6 000
Book value at 31 January 2022	**6 024**	**1 604**	**7 628**

The interest of Rørvik Marina AS was acquired during 2022. The interest of 50% in Kolbeinsvik Kai AS was sold during 2021. A gain on disposal of NOK 75 was recognised in profit or loss in 2021.

NOTE 17 Inventory

(Amounts in NOK'000)

Inventory	**31 December 2022**	**31 December 2021**
Raw materials and work in progress	665 559	511 555
Finished goods	147 379	124 681
Total	**812 938**	**636 236**
Inventories at cost	833 564	645 850
Inventory write-down to net realisable value	-20 626	-9 615
Total	**812 938**	**636 236**
Carrying amount as at 1 January	636 236	558 890
Purchase of inventory	2 100 881	2 077 904
Recognised as expense	-1 913 168	-2 002 194
Impairment of obsolete inventory	-20 626	-9 615
Reversal of impairment of obsolete inventory	9 615	11 250
Carrying amount as at 31 December	**812 938**	**636 236**

There are securities pledged over inventories.

NOTE 18 Trade and other receivables

(Amounts in NOK'000)

	31 December 2022	31 December 2021
Trade receivables	450 884	412 744
Allowances for impairment (analysed below)	15 476	21 277
Total trade receivables	**435 408**	**391 467**
Prepayments	23 735	8 162
Accrued revenue	16 018	102
Value Added Tax (VAT) to be reclaimed	10 016	3 929
Financial instruments	4 432	0
Other receiveables	14 659	14 401
Total other receivables	**68 860**	**26 594**
Total trade and other receivables	**504 268**	**418 061**

Ageing of trade receivables	31 December 2022	31 December 2021
Not past due date	277 945	300 856
0-30 days	53 876	46 185
31-60 days	32 564	19 468
61-90 days	4 618	2 554
Over 90 days	81 881	43 681
Total	**450 884**	**412 744**

Movements in the provisions for impairment of trade receivables	31 December 2022	31 December 2021
Opening balance provision for bad debt as at 1 January	21 277	14 090
Change in provision for the year	2 264	11 541
Receivables written off during the year	-8 065	-4 354
Translation differences	0	0
Closing balance provision for bad debt as at 31 December	**15 476**	**21 277**

The Group is involved in a dispute at the balance sheet date or at the date of the approval of these financial statement. The disputed amount of NOK 60 379 are included in ageing of trade receivables passed due over 90 days. The Group have recognised a liability to limit the risk regarding the disputed amount and presented this mainly as accrued other expenses and not as allowances for impairment. See note 26 for further information.

NOTE 19 Cash and cash equivalents

(Amounts in NOK'000)

	31 December 2022	31 December 2021
Bank deposits, cash and cash equivalents	53 084	118 894
of which restricted cash	**15 008**	**14 246**

Cash and cash equivalents include amounts that is restricted due to regulatory requirements.

NOTE 20 Share capital and shareholders

(Amounts in NOK'000)

The share capital of Scale Aquaculture Group AS consisted of 13 861 443 shares as at 31 December 2022, each with a nominal value of NOK 2 (amount in whole NOK). All shares have equal voting rights. Share capital increase in 2021 totaling NOK 89 000 was registered in 2022.

Ownership structure

The largest shareholders in % per 31 December 2022:	**Organization number**	**Organization number**	**Owner interest**	**Share of votes**
Kve-en AS	990 996 830	12 489 160	90,1 %	90,1 %
Frøyaringen AS	977 374 677	1 303 317	9,4 %	9,4 %
Board of Directors		68 966	0,5 %	0,5 %
Total numbers of shares		**13 861 443**	**100,0 %**	**100,0 %**

NOTE 21 Categories of financial assets and liabilities

(Amounts in NOK'000)

Financial assets	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	31 December 2022
Financial assets at amortised cost:					
Cash and equivalents (note 19)	53 084	-	-	-	53 084
Trade receivables	435 408	-	-	-	435 408
Sublease to end customer	93 160	-	-	-	93 160
Other financial assets	88 667	103	-	-	88 770
Total	**670 320**	**103**	**-**	**-**	**670 423**
Financial assets at fair value:					
Financial instruments	-	4 432			4 432
Total financial liabilities at fair value	**-**	**4 432**			**4 432**

Financial liabilities	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	31 December 2022
Financial liabilities at amortised cost:					
Debt to financial institutions	767 826	-	-	-	767 826
Trade payables	268 697	-	-	-	268 697
Lease liability (note 7)	249 854	-	-	-	249 854
Accrued project expense	52 039	-	-	-	52 039
Other liabilities	252 862	-	-	-	252 862
Total financial liabilities at amortised cost	**1 591 277**	**-**	**-**	**-**	**1 591 277**
Financial liabilities at fair value:					
Financial instruments	-	2 506	-	-	2 506
Total financial liabilities at fair value	**-**	**2 506**	**-**	**-**	**2 506**

(Amounts in NOK'000)

Financial assets	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	31 December 2021
Financial assets at amortised cost:					
Cash and equivalents (note 19)	118 894	-	-	-	118 894
Trade receivables	391 467	-	-	-	391 467
Sublease to end customer	92 237	-	-	-	92 237
Other financial assets	40 469	104	-	-	40 573
Total	**643 067**	**104**	**-**	**-**	**643 170**

Financial liabilities	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	31 December 2021
Financial liabilities at amortised cost:					
Debt to financial institutions	667 654	-	-	-	667 654
Trade payables	212 165	-	-	-	212 165
Lease liability (note 7)	171 325	-	-	-	171 325
Accrued project expense	114 586	-	-	-	114 586
Other liabilities	218 379	-	-	-	218 379
Total financial liabilities at amortised cost	**1 384 109**	**-**	**-**	**-**	**1 384 109**
Financial liabilities at fair value:					
Financial instruments	-	5 517	-	-	5 517
Total financial liabilities at fair value	**-**	**5 517**	**-**	**-**	**5 517**

Most of the financial assets held by the Group are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and are thus measured subsequently at amortised cost less loss allowances. There are some minor investments in shares that are measured at fair value through profit or loss (see note 16).

Most of the financial liabilities are measured at amortised cost. The Group does not have financial liabilities held-for-trading or designated at fair value through profil or loss, except for financial instruments that are measured at fair value through profit or loss.

The carrying amounts of financial assets and liabilities approximate their fair value as at 31 December 2022. Arrangements with financial institutions are entered into on market terms, and the carrying value at the reporting date has been assessed as approximating fair value.

The levels in the fair value hierarchy are based on the extent to which fair values are observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable input).

Fair value of the arrangements with financial institutions fall within level 3 of the fair value hierachy.

NOTE 22 Borrowings

(Amounts in NOK'000)

Interest-bearing liabilities are measured at amortised cost

	31 December 2022	31 December 2021
Non-current financial liabilities		
Debt to financial institutions	479 780	499 115
Financial liability related to sale and forward lease	93 160	92 237
Total borrowings	**572 940**	**591 352**
Current liabilities		
Debt to financial institutions*	194 886	76 302
Total borrowings	**194 886**	**76 302**

*Installments falling due within 12 months after the reporting date are classified as current.
This includes capitalised interest.

The Group's interest bearling liabilities consists of:

	Maturity	Interest rate terms	Currency	Nominal value	31 December 2022	31 December 2021
DNB (Revolving Credit Facility)	28.06.2024	NIBOR + 2,20% margin	NOK	500 000	500 000	500 000
DNB (Overdraft Facility)*	20.07.2023	NOWA + 1,50 % margin	NOK	370 000	162 272	58 410
DNB (Financial liability related to sale and forward lease)	01.10.2025 – 01.11.2027	Nibor + variable margin	NOK		6 758	0
Nordea (Financial liability related to sale and forward lease)	28.01.2022 – 28.07.2028	Nibor + variable margin	NOK		86 402	92 237
Banco Santander 1 USD	07.12.2023	4,56 %	USD	500 000	1 264	2 336
Banco Santander 2 USD	28.09.2022	3,48 %	USD	3 000 000	0	16 129
Banco Santander 3 USD	31.05.2024	10,56 %	USD	1 361 000	12 005	0
Other					0	0
Total					768 701	669 112
Unamortised portion of loan cost					875	1 458
Total borrowings					**767 826**	**667 654**

* The Overdraft Facility is renewed annually.

The Group has entered into a new financing agreement made by Scale Aquaculture Group AS with DNB for 3 years.
This is adapted to the company's financial goals and strategies. The effective interest rates of selected facilities with DNB are dependent on the leverage ratio.

The table below shows the cash and non-cash changes in liabilities arising from financing activities during the year.

2022	1 January 2022	Net cash flows	New liabilities	Disposals	31 December 2022
Borrowings	667 654	69 526	30 646	0	767 826
Lease liabilities (note 7)	171 325	-79 961	158 490	0	249 854

2021	1 January 2021	Net cash flows	New liabilities	Disposals	31 December 2021
Borrowings	615 488	52 166	0	0	667 654
Lease liabilities (note 7)	230 309	-34 898	15 007	-39 093	171 325

Debt covenants as of 31 December 2022

The Group has a NIBD/EBITDA and Equity Ratio covenant on its loan agreements.

The effective interest rate of borrowings are dependent if the Groups leverage ratio is above or below 3,00 or less than 1,50.

The Group was marginal above its original NIBD/EBITDA loan covenants as of 31 December 2022, but a waiver was agreed and signed with DNB in December 2022, resulting in a necessary headroom to the covenant. Thus, the Group was compliant with covenants according to the waiver given.

NOTE 23 Maturity analysis financial liabilities

(Amounts in NOK'000)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities except for overdraft facility. The overdraft faciltiy is renewed annually, but follows the maturity of the loan agreement in the maturity analyses. The amount disclosed in the table are the contractual undiscounted cash flows. The maturity profile of the Group's leasing liabilities can be found in note 7.

As at 31 December 2022	Total cash flow	Carrying value	Current		Non-current		
			1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Debt to financial institutions	830 754	767 826	36 361	35 836	708 275	46 824	3 458
Trade payables and other payables	576 104	576 104	517 666	58 438	-	-	-
Total liabilities	**1 406 858**	**1 343 930**	**554 027**	**94 274**	**708 275**	**46 824**	**3 458**

As at 31 December 2021	Total cash flow	Carrying value	Current		Non-current		
			1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Debt to financial institutions	711 253	667 654	28 902	24 588	36 934	613 777	7 053
Trade payables and other payables	550 647	550 647	412 985	137 662	-	-	-
Total liabilities	**1 261 900**	**1 218 302**	**441 887**	**162 250**	**36 934**	**613 777**	**7 053**

The sale and leaseback transaction within the Group against the financing institutions is treated as a financing agreement, and not a sale with regards to IFRS 15 and a lease(back) with reference to IFRS 16. The sublease to end customer is a financial lease for lessors, and a manufacturing lessor, where the normal revenue is recorded for the sale.

NOTE 24 Financial instruments risk management objectives and policies

This note explains the Group's exposure to financial risks and how these risks could affect the group's future financial performance. Through its operations the most significant risks that the Group is exposed to are credit risk, liquidity risk and market risk as it relates to interest rate risk and foreign exchange risk. Management evaluates these risks and related risk management processes on an on-going basis.

Credit risk

Credit risk is the risk of a counterparty defaulting. The Group sells the vast majority of services and products to other businesses on credit terms and is hence exposed to credit risk. In 2022, the company expensed bad debts corresponding to approximately 0.3% of revenue (2021: 0.2%) and has made impairment allowances for approx. 3% of total accounts receivable (2021: 5%).

The carrying value of trade and other receivables represent the Group's maximum exposure to credit risk at the balance sheet date.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group has debt service obligations and depends on continuous cash conversion of its revenue. The Group seeks to manage liquidity to ensure that it has sufficient liquidity to meet its financial obligations under any circumstances without incurring unacceptable losses or risk damage to its reputation. We refer to note 22 and 23 for information regarding borrowings.

Interest rate risk

The Group is exposed to interest rate risk, as its interest-bearing borrowings carry floating interest rates. The Group has not entered into hedge arrangements at this time (both 2022 and 2021).

The sensitivity analysis below is based on the exposure to changes in interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount outstanding at reporting date was outstanding for the whole year. An increase/decrease of one percentage point represents management's assessment of the reasonably possible change in interest rates.

Amounts in NOK '000	2022	2021	2022	2021
	Effect on income (loss) after tax/equity if 1% increase in interest rate	Effect on income (loss) after tax/equity if 1% increase in interest rate	Effect on income (loss) after tax/equity if 1% decrease in interest rate	Effect on income (loss) after tax/equity if 1% decrease in interest rate
Interest bearing liabilities	-5 598	-5 004	5 598	5 004
Interest on cash and cash equivalents	671	912	-671	-912

Foreign exchange rate risk

The Group undertakes business across the global in foreign currencies and is consequently exposed to fluctuations in exchange rates, particularly EUR, GBP, AUD, CAD, CLP and VND. Foreign exchange risk arises from transactions related to operations conducted, and financial assets and financial liabilities arising in foreign currencies. Revenue and cost transactions within foreign subsidiaries are normally carried out in the same currency, which reduces the currency risk.

However, as the Group's overall financial reporting is presented in NOK, changes in foreign exchange rates in relation to NOK affect the Group's overall revenue, profit or loss and financial position. Based on exposure throughout the year and balances at the year-end, the Group assesses that fluctuations in CLP/NOK, VND/NOK and GBP/NOK have the most significant impact on the financial reporting of financial assets and liabilities. The table below summarises the impact a change in these currencies will have on profit after tax and on equity as at 31 December 2022 and 31 December 2021. The analysis is based on the assumption that the foreign exchange rates increase or decrease by 10%, all other variables held constant. Positive numbers indicate an increase in profit and other equity where NOK strengthens against the relevant currency and negative numbers indicate a decrease. For a weakening of NOK against the relevant currency there would be a reverse impact.

	31 December 2022			31 December 2021		
Amounts in NOK '000	CLP/NOK impact	VND/NOK impact	GBP/NOK impact	CLP/NOK impact	VND/NOK impact	GBP/NOK impact
Trade receivables	4 207	256	343	3 562	545	420
Trade payables	-1 975	-688	-106	-2 527	-598	-21
Borrowings	-1 187	0	0	-1 487	0	0

Capital management

The Group's objectives for capital management is to ensure that it maintains sufficient free liquidity with regards to cash and cash equivalents in order to support its business and obligations as well as having sufficient flexibility to invest in attractive investment opportunities. The Group manages its capital in light of changes in the economic conditions and developments in the underlying business.

There were no changes to objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2022.

NOTE 25 Accounts payable and other liabilities

(Amounts in NOK'000)

	31 December 2022	31 December 2021
Trade payables	259 148	206 084
Trade payables to group companies	9 549	6 081
Total trade payables	**268 697**	**212 165**
Payroll tax, social security, VAT	64 677	77 893
Liabilities to group companies	12 405	-
Salary	42 227	31 374
Advance payment from customers	41 930	16 371
Accrued project expense	52 039	114 586
Accrued other expense	71 103	25 844
Other current liabilities	22 906	67 689
Total other current liabilities	**307 287**	**333 757**

The Group is involved in a dispute at the balance sheet date or at the date of the approval of these financial statement. The disputed amount is presented under trade receivables and the provision regarding the risk of the disbuted amount are presented mainly as accrued other expenses. See note 26 for further information.

NOTE 26 Provisions and contingent liabilities

(Amounts in NOK'000)

In 2022 the Group has been involved in a legal dispute which led to a court hearing. In January 2023, the "Tingretten" cleared the Group for any claim raised from the claiming party. The claiming party has appealed the case to "Lagmannsretten", thus the case is still pending. Based on the ruling in "Tingretten" and the Group's best assessment of our legal position, no provision has been made in the 2022 accounts.

In addition, the Group is involved in a dispute at the balance sheet date and have recognised a liability to limit the risk regarding the disputed amount. Management and the Board are aware of the dispute, and at the date of the approval of these financial statement, the estimated provision is the best estimate based on the Groups assessment of our position. Final settlement of this dispute can lead to higher or lower costs than estimated. This could potentially have a negative impact for 2023.

The Group has recognised the following provisions:

Provisions 2021	**Restructuring**	**Warranties**	**Earnout**	**Total**
Balance as of 1 January, 2021	3 338	33 558	4 271	41 167
Provisions changed during the year	-2 438	17 507	-2 129	12 940
Currency translation differences	0	-269	0	-269
Balance as of 31 December 2021	899	50 796	2 143	53 838
Current portion	899	50 796	2 143	53 838
Non-current portion	0	0	0	0
Total	**899**	**50 796**	**2 143**	**53 838**

Provisions 2022	**Restructuring**	**Warranties**	**Earnout**	**Total**
Balance as of 1 January, 2022	899	50 796	2 143	53 838
Provisions changed during the year	270	-9 004	-2 143	-10 876
Currency translation differences	0	351	0	351
Balance as of 31 December 2022	1 170	42 144	0	43 313
Current portion	1 170	42 144	0	43 313
Non-current portion	0	0		0
Total	**1 170**	**42 144**	**0**	**43 313**

Regarding to the change in the earnout obligation, NOK 2 143 consists of payments.

NOTE 27 Collateral and guarantees

(Amounts in NOK'000)

Liabilities secured by mortgages etc.	31 December 2022	31 December 2021
Non current liabilities to financial institutions	572 940	591 352
Current liabilities to financial institutions	194 886	76 302
Total	**767 826**	**667 654**

Book value of assets that form the basis of issued security	31 December 2022	31 December 2021
Shares in subsidiaries	1 303 428	1 267 511
Intra Group receivables	244 441	12 577
Land and buildings	32 664	20 010
Fixtures and office machinery	16 908	39 614
Inventories	655 563	498 158
Contract assets	123 668	20 863
Accounts receivable	384 613	300 014
Cash and cash equivalents	-	41 014

All the Group's shares in any material subsidiary which have acceded as Guarantor to the cash-pool and loan agreement are held as collateral.

All the Guarantor's bank account claims, hedging claims, insurance claims, intercompany claims, inventory, operating assets and trade receivables are held as collateral.

As security for the loans and credit lines (limit NOK 1 550 (2020: NOK 548 290)) the Group has the following mortgages per asset type with a total limit of NOK 1 750 per material subsidiary defined as Guarantor to the cash-pool and loan agreement.

Company	Mortgages	Priority	Amount
Guarantor	Bank account claims	First	1 750
Guarantor	Hedging claims	First	1 750
Guarantor	Insurance claims	First	1 750
Guarantor	Intercompany claims	First	1 750
Guarantor	Operating assets	First	1 750
Guarantor	Inventory	First	1 750
Guarantor	Trade Receivables	First	1 750
Steinsvik AS	Intercompany claims	First	
Kve-en AS	Shareholder claims	First	
Kverva Industrier AS	Shareholder claims		
Scale Aquaculture Group AS	Shares in Moen Marin AS, Steinsvik Group AS and Scale Aquaculture AS.	First	
Steinsvik Group AS	Shares in Scale Aquaculture Rental AS	First	

Guarantees secured by mortgages
The Group optains bank guarantees given to their customers, primarily for long-term projects and rental guarantees. As of 31 December 2022 the amount of guarantees is NOK 26 623 (2021: NOK 107 401).

Parent guarantees issued by Kve-en AS
The Group optains parent guarantees to their customers, primarily for long-term projects. As at 31 December the amount of parent guarantees issued by Kve-en AS is NOK 35 000 (2021: NOK 25 000).

NOTE 28 Events after the reporting date

Russia's ongoing invasion of Ukraine and the tail-end of the pandemic led to increased prices and some disturbances in the supply chains.

The proposal to implement resource tax on fish farming at sea has raised concern in the industry, potentially impacting the ability and willingness to make the investments needed in new farming technology. Until the final decision of the full resource tax scheme has been made by the Norwegian parliament, fish farmers seem to reduce investments to a bare minimum. This could have a negative impact on the Group for the coming year.

An agreement to acquire 100 % of the shares in Skala Maskon AS was signed January 4, 2023. Skala Maskon broadens the total offering for the Group. The company is the clear market leader for fully automated vaccination.

Parent company accounts

Scale Aquaculture Group AS

SCALE AQUACULTURE GROUP AS

Revenue statement

Amounts in NOK '000	Notes	2022	2021
Operating income and operating expenses			
Employee benefits expense	1	1 255	0
Other expenses	1	10 883	18 006
Total expenses		**12 138**	**18 006**
Operating profit		**-12 138**	**-18 006**
Financial income and expenses			
Income from subsidiaries	4	60 179	0
Interest income from group companies		20 814	11 026
Other interest income		1 139	0
Other financial income		35	0
Write-down of financial assets	5	68 623	366 031
Interest expense to group companies		0	2 935
Other interest expenses	8	25 285	11 180
Other financial expenses		208	0
Net financial items		**-11 949**	**-369 121**
Net profit before tax		-24 087	-387 127
Income tax expense	2	-3 435	-4 641
Net profit after tax		**-20 653**	**-382 486**
Net profit or loss		**-20 653**	**-382 486**
Attributable to			
Other equity	3	-20 653	-382 486
Total		**-20 653**	**-382 486**

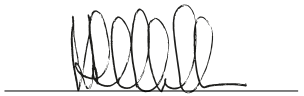
SCALE AQUACULTURE GROUP AS

Balance sheet

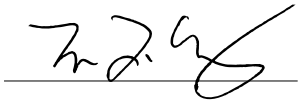
Amounts in NOK '000	Notes	2022	2021
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets	2	7 907	4 472
Total intangible assets		**7 907**	**4 472**
Non-current financial assets			
Investments in subsidiaries	4	1 303 428	1 349 571
Loan to group companies	5	657 552	138 105
Investments in associated companies		6 000	0
Other long-term receivables		1 366	0
Total non-current financial assets		**1 968 345**	**1 487 676**
Total non-current assets		**1 976 253**	**1 492 149**
Current assets			
Debtors			
Other short-term receivables		2 351	4 583
Receivables from group companies	5	56 191	317 271
Total receivables		**58 542**	**321 854**
Cash and cash equivalents	6	0	49
Total current assets		**58 542**	**321 903**
Total assets		**2 034 795**	**1 814 051**

Amounts in NOK '000	Notes	2022	2021
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	3, 7	27 723	25 778
Share premium reserve	3	1 215 087	1 128 032
Other paid-in equity	3	364 079	315 930
Share capital not registered	3	0	89 000
Total paid-in equity		**1 606 889**	**1 558 740**
Retained earnings			
Other equity	3	-427 818	-407 166
Total retained earnings		**-427 818**	**-407 166**
Total equity		1 179 070	1 151 574
Liabilities			
Other non-current liabilities			
Liabilities to financial institutions	8	500 000	500 000
Non-current liabilities to group companies	5	0	4 605
Total non-current liabilities		**500 000**	**504 605**
Current liabilitites			
Liabilities to financial institutions		162 272	58 328
Trade payables		364	273
Liabilities to group companies	5	186 423	93 850
Other current liabilities		6 665	5 421
Total current liabilities		**355 724**	**157 872**
Total liabilities		**855 724**	**662 477**
Total equity and liabilities		**2 034 795**	**1 814 051**

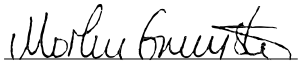
Kverva, 15 May 2023
The Board of Directors and CEO of Scale Aquaculture Group AS



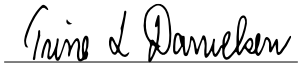
Atle S. Eide
Chair of the Board



Tor Jakob Ramsøy
Director

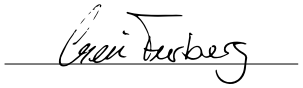


Morten Grongstad
Director

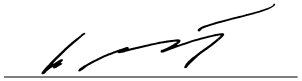


Trine Lotherington Danielsen
Director

Gunnhild Ødegård Thorsen
Director



Geir Furberg
Director



Geir Myklebust
CEO

SCALE AQUACULTURE GROUP AS

Indirect cash flow

Amounts in NOK '000	Notes	2022	2021
Cash flows from operating activities			
Profit/loss before tax		-24 087	-387 127
Change in accounts payable		91	-4 909
Items classified as investment or financing activities	5	8 444	366 031
Change in other accrual items		2 111	1 622
Net cash flows from operating activities		**-13 441**	**-24 383**
Cash flows from investment activities			
Proceeds from sale of shares and participations in other companies	4	106 323	0
Payments to buy shares and participations in other companies	4	6 000	2 135
Net cash flows from investment activities		**100 323**	**-2 135**
Cash flows from financing activities			
Proceeds from the issuance of new long-term liabilities	8	0	500 000
Net change in bank overdraft		103 944	-353 136
Changes in group receivables/liabilities		-190 875	-120 422
Net cash flows from financing activities		**-86 931**	**26 442**
Net change in cash and cash equivalents		-49	-76
Cash and cash equivalents at the start of the period		49	125
Cash and cash equivalents at the end of the period		**0**	**49**

Notes to the parent company accounts

Scale Aquaculture Group AS

Accounting principles
The annual accounts have been prepared in conformity with the provisions of the Accounting Act and good accounting practice.

Use of estimates
In the preparation of the annual accounts estimates and assumptions have been made that have affected the profit and loss account and the valuation of assets and liabilities, and uncertain assets and liabilities on the balance sheet date in accordance with generally accepted accounting practice. Areas which to a large extent contain such subjective evaluations, a high degree of complexity, or areas where the assumptions and estimates are material for the annual accounts, are described in the notes.

Revenues
Income from the sale of goods is recognised on the date of delivery. Services are posted as income as they are delivered. Income from the sale of services and long-term manufacturing projects (construction contracts) are posted to the profit and loss account in line with the project's degree of completion, when the outcome of the transaction can be estimated in a reliable manner. When the transaction's outcome cannot be estimated reliably, only income corresponding to a projects' incurred costs can be posted as revenue. At the time when it is identified that the project will give a negative result, the estimated loss on the contract is posted in full to the profit and loss account.

Tax
The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and taxincreasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilised.

Classification and valuation of current assets
Current assets and short-term liabilities consist normally of items that fall due for payment within one year of the balance sheet date, as well as items related to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Subsidiaries and associated companies
Subsidiaries and associated companies are valued using the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made when a fall in value is due to reasons that cannot be expected to be temporary and such write-down must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present. Dividends, group contributions and other distributions from subsidiaries are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/ group contributions exceed the share of profits earned after the date of acquisition, the excess amounts represents a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the parent company.

Receivables
Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. In addition an unspecified provision is made to cover expected losses on claims in respect of customer receivables.

Cash flow statement
The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.

NOTE 1 Salary costs and benefits

(Amounts in NOK'000)

Scale Aquaculture Group AS has no employees registered, hence there are no salary costs or other benefits paid in 2022.

Renumeration paid to the Board of Directors in 2022 amounts to NOK 1 100.

The remuneration breakdown (excl. VAT) to the auditor for the year 2022 is as follows:

	2022	2021
Statutory auditing services	434	142
Other services	46	40
Total	**479**	**182**

NOTE 2 Tax

(Amounts in NOK'000)

This year's tax expense	**2022**	**2021**
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax assets	-3 435	-4 641
Tax expense on ordinary profit/loss	**- 3 435**	**-4 641**
Taxable income:		
Result before tax	-24 087	-387 127
Permanent differences	8 474	382 881
Changes in temporary differences	0	-16 850
Received intra-group contribution	0	766
Taxable income	**-15 613**	**-20 329**
Payable tax in the balance:		
Payable tax on this year's result	0	-169
Payable tax on received Group contribution	0	169
Total payable tax in the balance	**0**	**0**
Calculation of effective tax rate:		
Profit before tax	-24 087	-387 127
Calculated tax on profit before tax	-5 299	-85 168
Tax effect of permanent differences	1 864	84 234
Total	**-3 435**	**-934**
Effective tax rate	14.3 %	0.2 %

The tax effect of temporary differences and losses carried forward which have formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

	2022	**2021**	**Difference**
Accumulated loss to be brought forward	-35 943	-20 329	15 613
Changes in deferred tax assets	**-35 943**	**-20 329**	**15 613**
Deferred tax assets (22 %)	**-7 907**	**-4 472**	**3 435**

NOTE 3 Equity capital

(Amounts in NOK'000)

	Share capital	Share premium reserve	Other paid-in equity	Other equity	Unregistered capital increase	Total equity
As at 1 January 2022	25 778	1 128 032	315 930	-407 166	89 000	1 151 574
Profit (loss) for the year				-20 653		-20 653
Group contributions received			48 149			48 149
Issue new shares	193	8 618			-8 811	0
Debt conversion	1 753	78 436			-80 189	0
As at 31 December 2022	**27 723**	**1 215 087**	**364 079**	**-427 818**	**0**	**1 179 070**

NOTE 4 Subsidiaries, associates, joint ventures

(Amounts in NOK'000)

	Municipality	Owner interest	Book value	Equity	Net profit or loss
Moen Marin AS	Nærøysund	100 %	216 819	76 259	35 074
Scale Aquaculture AS	Frøya	100 %	909 320	242 350	25 960
Scale Aquaculture Rental AS	Tysvær	100 %	30	5 135	1 579
Steinsvik Group AS	Tysvær	100 %	177 258	77 091	-31 969
Rørvik Marina AS	Nærøysund	33 %	6 000	18 953*	1 625*
Total			**1 309 428**	**419 788**	**32 270**

Historically the investment in Steinsvik Group AS has been written down by MNOK 221. Based on the overall impairment assessment for the year ending 31 December 2022 there are no indications of an additional need for write-down of the investments.

The shares in Aqualine Eiendom AS has been sold in 2022.

*Amounts based on preliminary financial reports for 2022 as reported by the company.

NOTE 5 Intercompany items between companies in the same group

(Amounts in NOK'000)

	2022	2021
Receivables		
Loans to companies in the same group	657 552	138 105
Debt to suppliers within the group	0	0
Other short-term receivables withing the group	56 191	317 271
Total	**713 743**	**455 376**
Liabilities		
Loans from companies in the same group	0	4 605
Debt to suppliers within the group	0	0
Other short-term liabilities within the group	186 423	93 850
Total	**186 423**	**98 455**

The company has written down long-term receivables from group companies by NOK 230 505 in total, of which NOK 68 623 is related to write-down in 2022.

NOTE 6 Bank deposits

Restricted funds are NOK 0.

The company is included in the group account scheme.

NOTE 7 Shareholders

(Amounts in NOK'000)

The share capital in Scale Aquaculture Group AS pr. 31 December:

	Total	Face value	Entered
Ordinary shares	13 861 443	2	27 723
Total	**13 861 443**		**27 723**

Ownership structure
The larges shareholders in % pr. 31 December:

Ownership structure	**Ordinary**	Owner interest	Share of votes
Kve-en AS	12 489 160	90,1	90,1
Frøyaringen AS	1 303 317	9,4	9,4
Board members	68 966	0,5	0,5
Total number of shares	**13 861 443**	**0**	**0**

NOTE 8 Other long-term liabilities

(Amounts in NOK'000)

The company`s total long term dept, NOK 500 000, comes to maturity in 2024. Interests are paid ongoing throughout the year.

In 2021 Scale Aquaculture Group AS entered into a new long-term financing agreement with DNB. Scale Aquaculture Group AS and subsidiaries have provided collateral for up to MNOK 1,750 in bank accounts other than DNB, insurance claims, intragroup receivables, operating assets, inventories and accounts receivable.

Book value of assets held as collateral for the group`s financing agreement:

	Mortgage	Book value 31 December 22	Book value 31 December 21
Subsidiaries	MNOK 1 750	1 303 428	1 349 571
Receivables from group companies	MNOK 1 750	713 912	455 376
Bank	MNOK 1 750	0	49
Total		**2 017 340**	**1 804 996**

Independent auditor's report

Independent Auditor's Report

Opinion

We have audited the financial statements of Scale Aquaculture Group AS, which comprise:

- the financial statements of the parent company Scale Aquaculture Group AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Scale Aquaculture Group AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors (management) is responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the

Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: https://revisorforeningen.no/revisjonsberetninger

Trondheim, 15 May 2023
PricewaterhouseCoopers AS

Marius Fevaag Larsen
State Authorised Public Accountant
(This document is signed electronically)

Revisjonsberetning

Securely signed with Brevio

Signers:

Name	*Method*	*Date*
Larsen, Marius Fevaag	BANKID_MOBILE	2023-05-15 21:09

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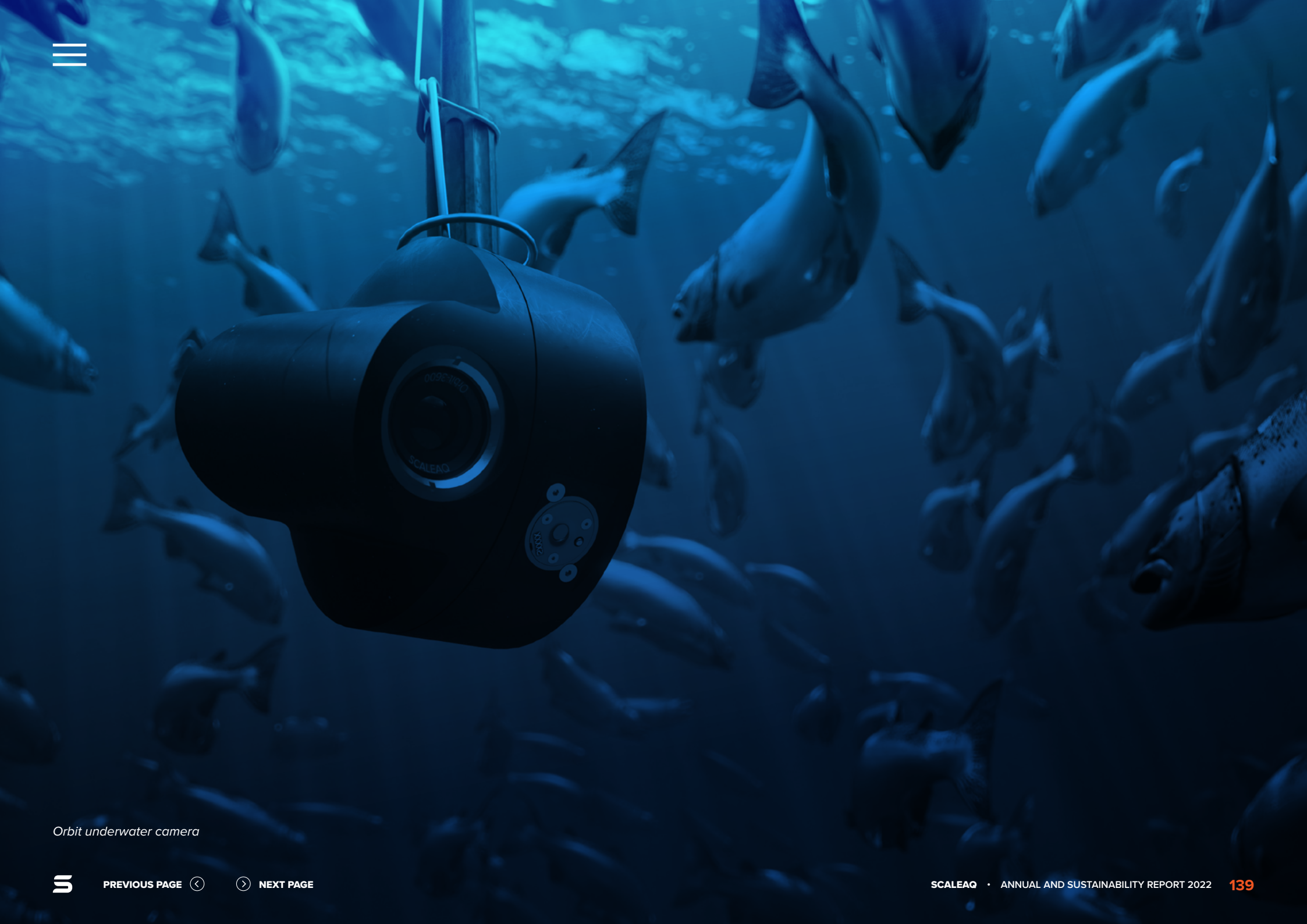

Orbit underwater camera

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