



Integrated Annual Report 2023

Shaping the future's
safe and sustainable
aquaculture



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ScaleAQ is an enabler for the aquaculture industry

ScaleAQ is a leading global technology partner that develops, supplies and manufactures turn-key fish farms, roe-sorting machines, vaccination machines, vessels, service and digital solutions for the aquaculture industry in more than 40 countries. We actively support our customers from roe to the fish is ready for slaughter. The company has approximately 900 skilled and competent employees and offices in Norway, Scotland, Poland, Iceland, Chile, Canada, Tasmania, and Vietnam. Our purpose is to shape a safe and sustainable aquaculture.

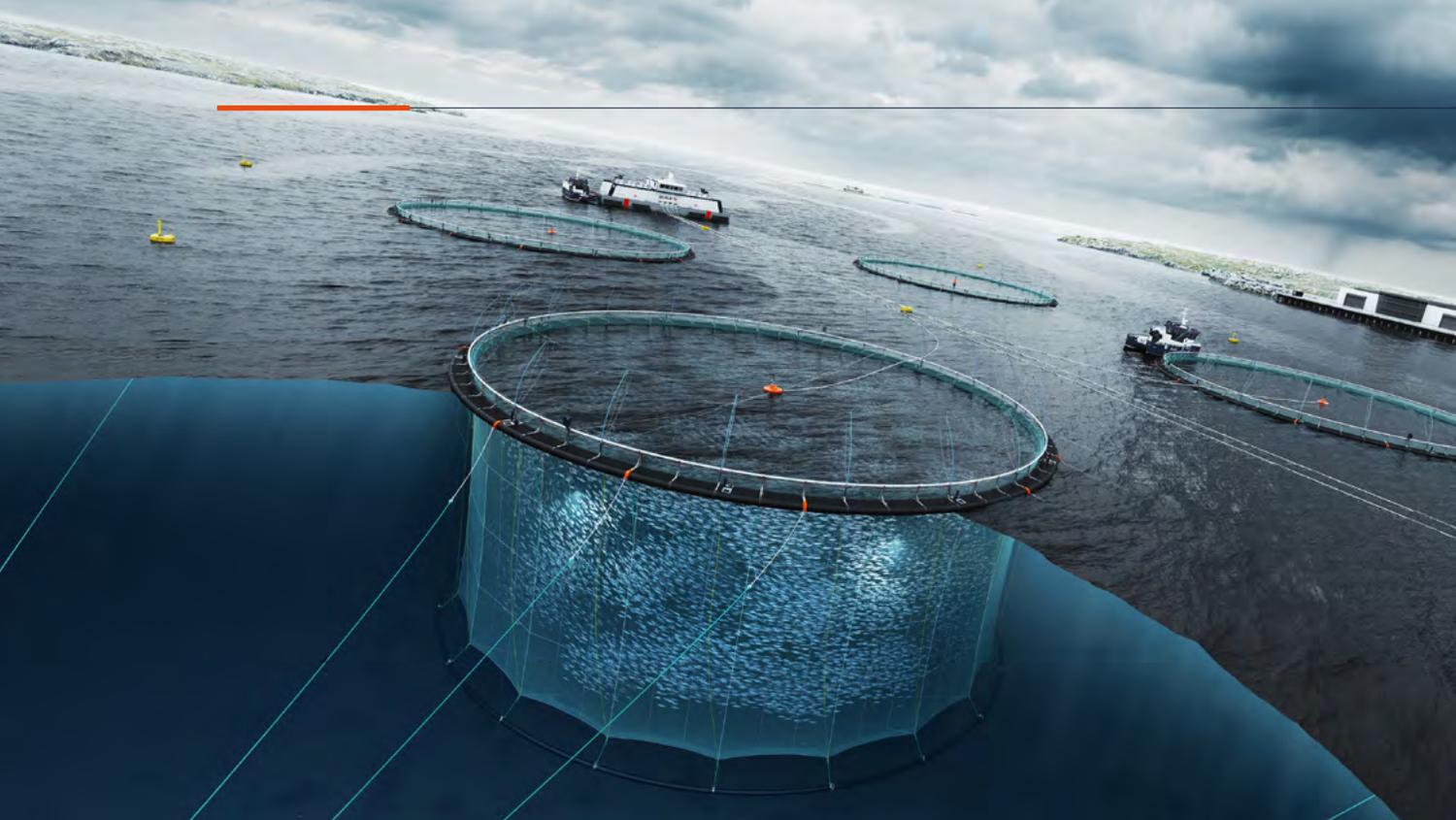
ScaleAQ offers a complete value chain of services and technology to the international aquaculture industry through our five strong divisions: Seabased Norway, Seabased Chile, Software, Moen Marin and Maskon.

Our people represent the core of our brand. Solid people make solid and sustainable business, for our customers and for ScaleAQ.

The global aquaculture industry is our customer. ScaleAQ take advantage of local presence. Local presence means close and lasting relations, first-hand knowledge of customer needs and requirements, and ability to solve challenges hands-on. Our mission is to ensure that our customers have license to operate and succeeding in making healthy and premium quality fish in an efficient and sustainable manner. We work every day to be a preferred partner to our customers.

Our integrated annual and sustainability report sets out how we do our business and describes our vision, our ambition, our successes and our improvement areas in an open and transparent way.

We are committed to shaping the future of sustainable aquaculture and we see ourselves as a key part of an important global food chain providing healthy and tasty protein with a low carbon footprint. Our aim is to stimulate growth in the sector, optimize production methods, and drive to the overall enhancement and advancement of the industry. Boasting a global team, we are well-positioned to make a significant impact on the aquaculture industry and its future.



900
employees

3.4 billion
NOK
revenues

2.3 billion
NOK
order backlog

33
locations in
8 countries

2023 at a glance

ScaleAQ achieved double digit growth and improved performance in 2023 and finished the year with an all-time high order backlog. This was a result of investments in capacity and capabilities in the recent years, with a clear operational focus while keeping the long lenses on. We are incredibly proud of this, and this shows that we have highly skilled employees who are able to adapt to changing macros.

At the start of 2023 we launched a new organizational setup and introduced five strong divisions. The main purpose was to ensure customer centric business models and to achieve synergies by sharing key competence across all business units and models, including sustainability, finance, marketing, business development, HSE, IT, HR and payroll. This move gave our five divisions a clearer operational focus.

Key figures

(Amounts in NOK million)

	2023	2022	2021
Operating income	3 318	2 720	2 766
EBITDA	295	205	237
Operating profit (EBIT)	145	84	130
Operating profit (EBIT) margin	4.4 %	3.1 %	4.7 %
Profit before tax	61.3	73	87
Total assets	3 959	3 161	2 902
Net interest-bearing debt	786	886	642
Equity ratio	40.1 %	42.3 %	41 %
Order backlog	2 274	1 858	1 281

SCALEAQ GROUP



Further, the purpose of the organizational change was, among other things, to:

- ▶ facilitate continuous improvement and a focus on customer satisfaction.
- ▶ clarify responsibility and decision-making mandate for the various divisions.
- ▶ exploit opportunities and synergies across markets and divisions.
- ▶ prepare for further growth including M&A.

Looking back at the results created in 2023, there are many indications that the move has had the desired effect, but we're still in the making of our new structure. Building teams and culture based on shared values are still high on our agenda. The solid results provides a very optimistic starting point for our further investment. 2023 was also

the start of a long-term strategy work for ScaleAQ where we have set ourselves ambitious targets.

Five strong divisions emerging

As of 1 April 2023, the ScaleAQ Group consisted of the following five different business areas:

Seabased

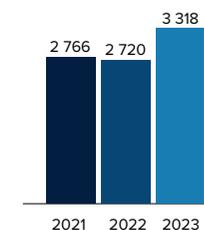
The sea-based operations in ScaleAQ consist of 650 employees and are headed by Audun Fjeldvær. In ScaleAQ's sea-based operations, we find products and services that cover the totality of sea-based fish farming. The unique portfolio of products, technology and services is designed to work together and has been tested under the toughest standards and conditions. ScaleAQ has also been a key player in designing industry standards within its product segments.

Chile

Division Chile is headed by CEO Carlos Arenas. In Chile we

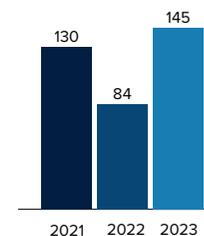
Operating income

Amounts in NOK million



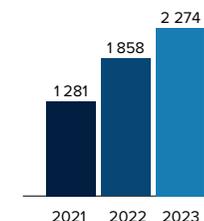
Operating profit (EBIT)

Amounts in NOK million



Order backlog

Amounts in NOK million





deliver a broad range of products and services primarily to fish farms at sea, including steel cages, cameras, feeding equipment and after-market service. We are also a niche player for land-based fish farming, where we through 2023 have introduced the Maskon fully automated vaccination machines. Chile represents a large market, and we actively seek to exploit synergies across divisions in our strive for a more sustainable industry.

Moen Marin

Moen Marin is the world's largest supplier of work vessels to the aquaculture industry. Moen Marin has clear ambitions to lead the way in sustainable development of the industry. Moen Marin mainly delivers hybrid vessels and is now developing the industry's first hydrogen-powered workboat in collaboration with Salmar (Salmonor) and Moen Gruppen. Bernt Lilliestråle is head of Moen Marin from March 1, 2024.

Maskon

Maskon is led by Jon Anders Leikvoll and is a global market leader in fully automated vaccination machines. The company sold its first egg sorting machine in 2006, and its first automatic vaccination machine to Salmar in 2011. Maskon was acquired in February 2023 and broadened the offering of the Group into the first parts of the fish farming value chain. We see clear synergies with the rest of the Group, first and foremost in utilizing the existing world-wide sales and service network.

ScaleAQ Software

In 2023, the digital business was organized as a separate division; ScaleAQ Software. This division will cultivate its deliveries towards an even larger market and is headed by Jon Arild Tørresdal. The Division offers market leading software including the Mercatus suite.

The Software division is well positioned to take part in the ongoing digitalization of the industry and to offer necessary competence and support to the other divisions.

Group management

The Group Management of ScaleAQ Group has the overall strategic responsibility for securing the totality and consists of Interim CEO and Group CFO Svein Vestermo, CSO Hanne Digre, CCO & Strategy Nina Olufsen, and HR and Communication Director Lucie Katrine Eidem. In addition, Group Division Managers are included in the extended management team.

Reporting segments

For reporting purposes, we have combined the business directly related to the fish farmers value chain in the Fish farming technology segment and the business related to working boats for fish farming and other customers into the Vessel segment. Consequently, Fish farming technology comprises the financial performance of ScaleAQ Seabased, ScaleAQ Chile, Maskon and Scale AQ Software, and Vessel comprises the financial performance of Moen Marin.

Segment information

Fish farming technology

Key figures

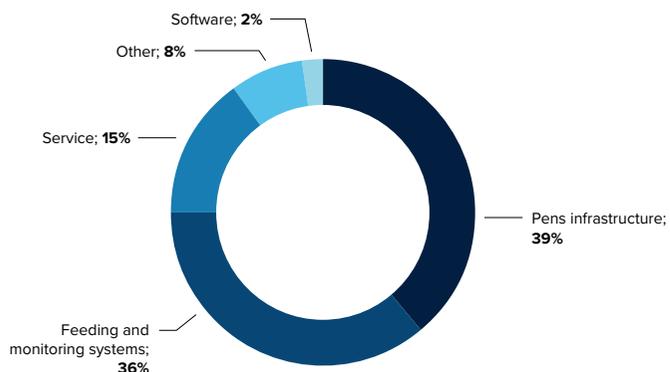
(Amounts in NOK million)

	2023	2022	2021
Operating revenues	2 677	2 172	2 083
Operating profit (EBIT)	158	55	77
EBIT margin	5.9%	2.5%	3.7%
Order backlog	837	915	651

Fish farming technology achieved a solid uptick in revenue as well as EBIT and EBIT margin. This was mainly a result of tail wind, entering the year with a solid order backlog, the inclusion of Maskon and higher gross margin due to product mix. The new organizational set-up has resulted in a lower share of Group cost allocated to the segment.

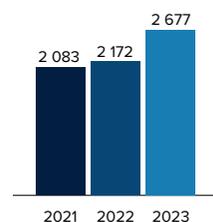
Revenue per product line

Fish farming technology



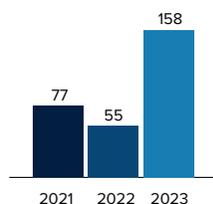
Operating revenues

Amounts in NOK million



Operating profit (EBIT)

Amounts in NOK million



Segment information

Vessels

Key figures

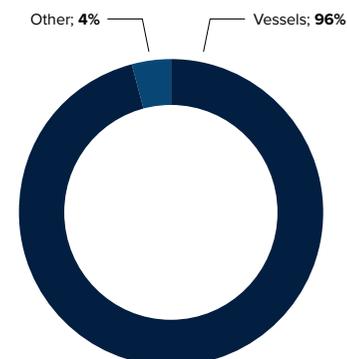
(Amounts in NOK million)

	2023	2022	2021
Operating revenues	641	548	684
Operating profit (EBIT)	29	41	71
EBIT margin	4.5%	7.5%	10.4%
Order backlog	1 437	915	651

Vessels increased the order backlog to all time high, ending the year with contracted vessels of NOK 1,4 billion. The order backlog consists of vessels to be delivered in the coming two years and forms a solid foundation for further growth. Operating revenues increased by 17 %, whereas a lower EBIT margin was achieved. Product mix and continued build up of structural capacity in order to deliver contracted vessels and to continue the growth explain the reduction in EBIT margin.

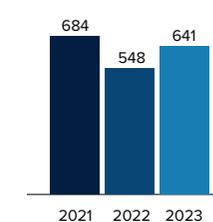
Revenue per product line

Vessels



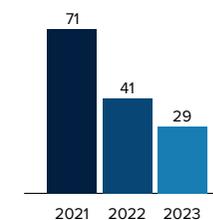
Operating revenues

Amounts in NOK million



Operating profit (EBIT)

Amounts in NOK million



Our brand

Mission

Ensuring our customers have license to operate, and succeeding in making healthy salmon and high-value species of premium quality, at low cost, in a sustainable manner

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.

Purpose

Shaping safe and sustainable aquaculture

Vision

Leading and preferred partner to the global aquaculture industry

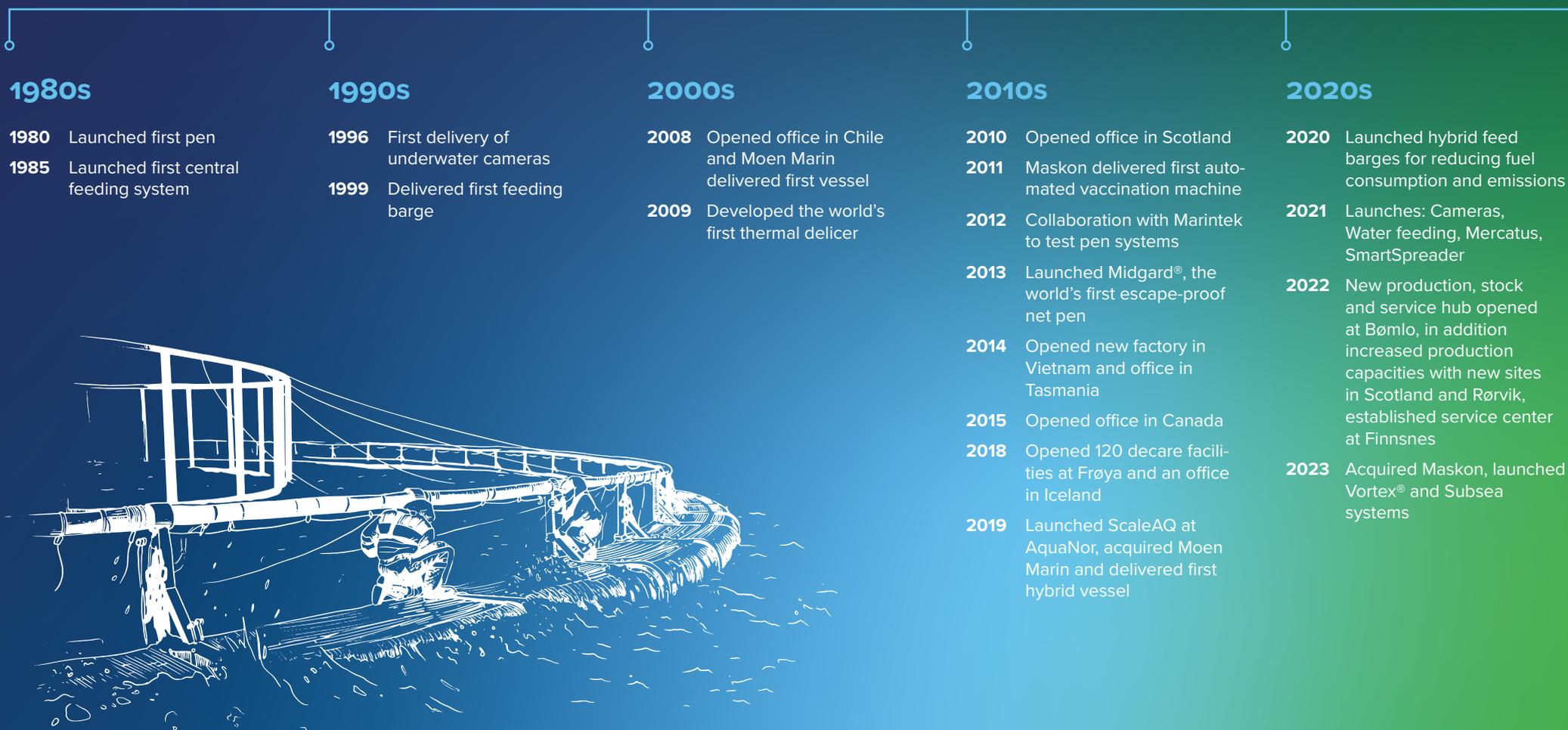
take responsibility

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.

Company history



Global market

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

Chile

- Puerto Natales
- Puerto Varas

UK & Ireland

- Fort William
- Shetland

Iceland

- Reykjavik

Poland

- Gdynia

Vietnam

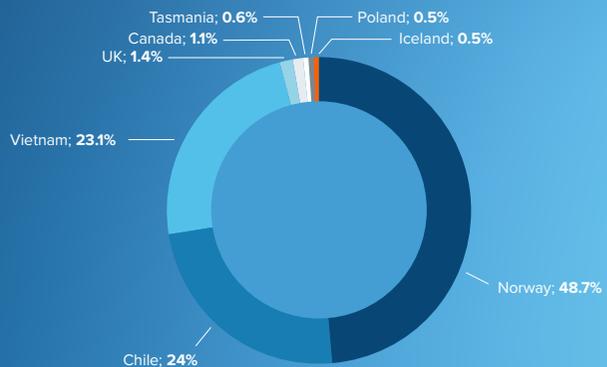
- Nha Trang
- Hanoi

Tasmania

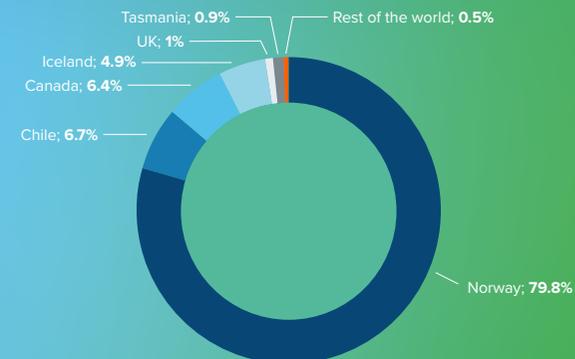
- Hobart
- Huonville



Employees by geography



Revenue by geography





CEO letter

Manoeuvring through rough seas

I am proud that we in 2023 delivered all time high revenues and result. Revenues ended at 3.4 BN and Adjusted EBITDA at 295 MNOK, driven by good performance across the Group. 2023 was marked by the proposal and implementation of the new resource tax regime in Norway, which caused uncertainty, distraction and reduction of investments in the fish farming industry. Thanks to all our 900 dedicated, talented and hard-working employees, we were able to manoeuvre ourselves through the rough seas.

We see ourselves as an enabler for the aquaculture industry. Through 2023 we kept the long lenses on, staying close to our customers and adapting to their needs and requirements combined with cost control, cautious investments and pro-active cash management. In addition, we had good tailwind entering 2023 with a healthy order backlog. The financial performance in 2023 would not have been possible without the trust from our customers.

Keeping the long lenses on also meant that we continued our strive and effort to develop new technology and

solutions, addressing the most prominent challenges in the industry, hereunder animal welfare, thus form a solid foundation for sustainable growth in the decades to come.

ScaleAQ stands for high quality products and solutions, which undergo a comprehensive testing regime in close cooperation with our high demanding customers. In 2023, we launched new technologies and operational concepts to combat sea lice, through our Vortex® and Subsea pen. We are confident that we are a credible partner for the fish farmer globally. To maintain such position, we must be humble. This means that we continuously must improve our operations, we must strive to understand the changing needs of our customers, we must solve the key challenges the industry face on the back of biology and on the terms of the fish and we must learn from others.

Predictable framework supporting sustainable aquaculture

Incentives and predictable framework that stimulate sustainable aquaculture are important prerequisites for succeeding with the transition into a greener and more sustainable aquaculture. Close cooperation between research, fish farmers and technology suppliers are

together with sufficient investment capacity crucial. We urge politicians to propose and implement concrete new regimes that will incentivise development of new technology, hereunder separate licenses for R&D. This as a direct follow up of the political pre-requisites for the decision to implement the resource tax on salmon farming.

Animal welfare and fish health requires technology development. The goal of technology development is to create tomorrow's sustainable solutions. Technology development in the aquaculture industry is depending on stable and foreseeable framework conditions that supports this overall ambition.

Staying close to our customers – rigging the Group for further growth

In February 2023, we acquired Maskon which broadened the offering of the Group. Maskon is the true global leader in fully automated vaccination machines and the profile of the business fits perfectly to the overall positioning of the Group. We also see clear synergies through the existing global service and sales network in ScaleAQ.

In April 2023, we established five divisions with their respective strategic and operational agenda. The overall purpose was to strengthen our position as a world-leading supplier to the international aquaculture industry by moving closer to our customers to emphasize operational focus. By clarifying roles and responsibilities we offer better service and a better understanding of our customers specific needs.

Our new structure utilizes key competence and capabilities in the Group across our divisions including sustainability, HR, communication, business development and finance. This allows our five divisions to have focus on their respective operations. This structure will also help us build one culture, create insight and development through synergies in common learning arenas. Through



Thanks to all our 900 dedicated, talented and hard-working employees, we were able to manoeuvre ourselves through the rough seas.

this structure, we make interdisciplinary competencies available to all divisions. This increases our flexibility and enables M&As in multiple verticals.

Building teams and culture based on shared values is still high on our agenda, and we will continue to develop our value-based leadership in a more structured manner in 2024.

Strategic direction on the way to 2030

We started a long-term strategy revision for ScaleAQ in 2023 and I am convinced the strategy will take us on an innovative and profitable journey that will create benefit to the industry, the company, employees and owners. The Norwegian aquaculture industry is still young but has

developed in a short time to become a significant industry in Norway. In just 50 years, the aquaculture industry has become the second largest export industry in Norway.

The industry will continue to grow, and we are committed to find better solutions related to sea lice, escapes, animal welfare, emissions and productivity.

As a company we want to use our position and our insight to create products and technology for tomorrow's sustainable fish farming 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.

With a solid and broad platform with integrated technical solutions, we have become a complete quality technology partner for our customers. Sustainability permeates all our business areas, and our structured sustainability work is done across divisions and national borders. We go beyond.

We have set ourselves ambitious targets towards 2030, where more than doubling the topline and achieving industry leading returns express the core of these ambitions – we have set ourselves to solve key challenges for our customers; reduce feed cost and optimize growth, improve lice and disease management, reduce waste and emissions and make monitoring, control and compliance easy. We will continue to invest and re-invest in tomorrow's solutions.

This is how we want to make a difference. This is how we create the most value for our customers.

Sustainability

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 animal welfare, reduce harmful greenhouse gas and environmental emissions, as well as ensuring a safe place to work.

Our flagship project SirkAQ – Circular solutions for the aquaculture industry, funded through the programme Green platform, has achieved important results in 2023 with regards to reuse of equipment, life extension and the use of recycled material in new products. Our new venture, "Scale Circular", represents a major step forward for sustainability in the aquaculture technology industry. With a focus on the reuse and recycling of equipment from the pens, we aim to reduce waste and promote a more sustainable use of resources.

We decided to strengthen our commitment to sustainability in 2021 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.

A good working environment creates a good bottom line

Solving the key challenges for the aquaculture industry calls for a culture where self-confidence and humbleness are ingrained, and where transparency and openness form a platform for continuous learning and safe workplaces – a high performing environment. This is essential for serving our customers and reaching our strategic goals.

In ScaleAQ, we have gathered employees from all over the world, who all possess unique professional expertise that represents the entire value chain of the aquaculture industry. It is a goal for us that all our employees interact in a safe and inspiring work environment where we can learn and develop from each other. Every year we run annual employee surveys to measure the company's performance culture. We believe in the importance of self-motivated employees who experience equality, mastery and co-determination in their everyday work. We are fortunate to have expertise that represents the diversity and breadth of the aquaculture industry's business areas.

I am very grateful that the main findings of the 2023 employee survey describe a positive work environment. Our employees highlight the positive and friendly work atmosphere. There is a strong sense of a Group that puts the customer in centre, addresses safety, togetherness, teamwork and mutual support, which creates a great place to work. We celebrate and appreciate the good result on the employee survey, but we still also have areas

to improve on and we will continue our strive to be better.

It is extremely inspiring to see that our employees appreciate our commitment to making the aquaculture industry more sustainable. This is consistent with a broader sense of responsibility, including environmental concerns and concern for employee well-being.

Priorities going forward

For 2024 the following, are targeted key achievements:

- ▶ Fine tune the new operational concepts to combat sea lice
- ▶ Launch the ScaleAcademy 2.0 – a structured program to maintain and improve a high performing business culture.
- ▶ Increase the degree of circularity in our business models – the green platform project
- ▶ Reduce the CO₂ footprint for our customers, through epower solutions for vessels and develop zero emission concepts.
- ▶ Reduce the accident rate for our employees

As a global technology supplier, we will continue having an eye on the ball by making a difference and changing the premises for the aquaculture industry – shaping a safe and sustainable aquaculture.



Svein Vestermo
Interim CEO

Innovation and technology in 2023

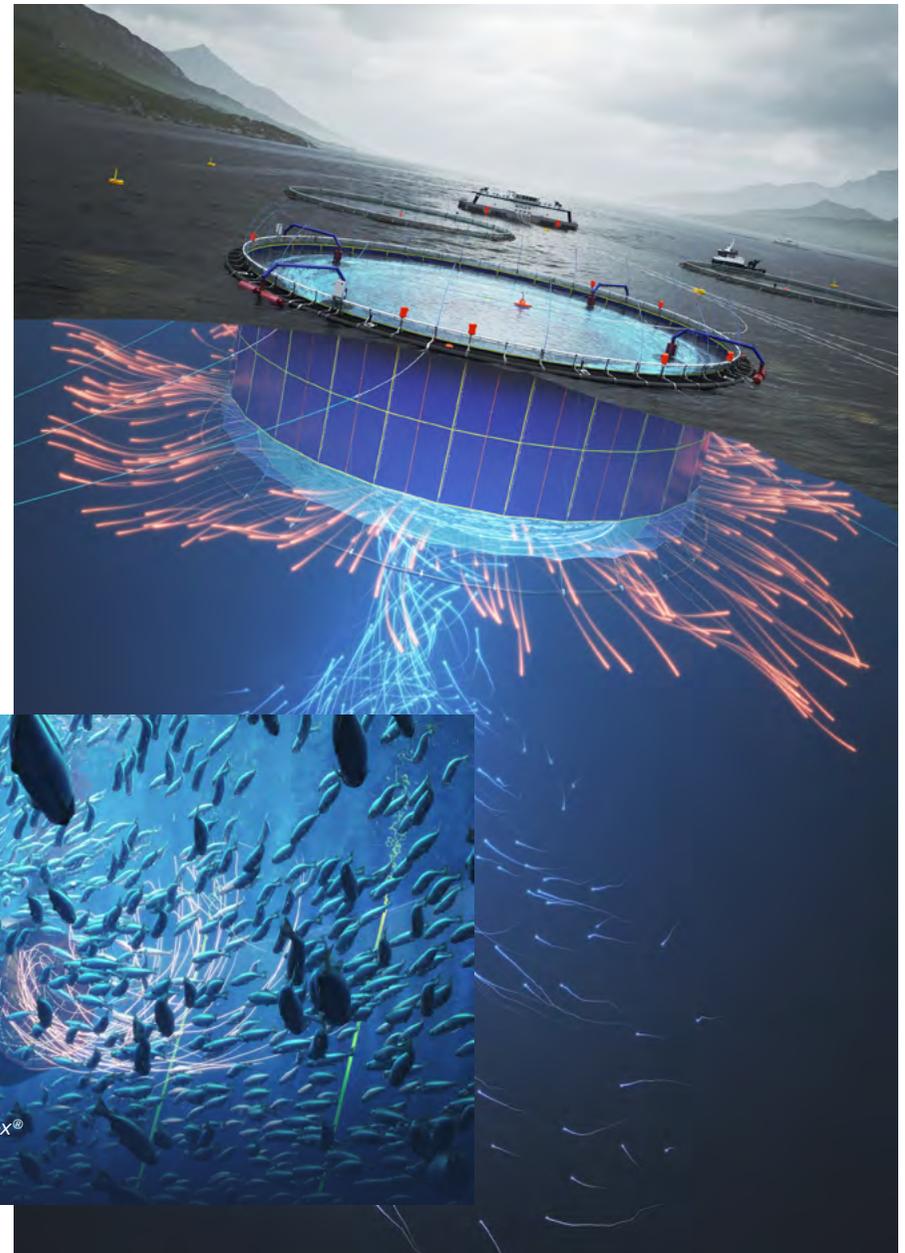
Seabased

Our seabased division in ScaleAQ launched two new groundbreaking production systems during AquaNor in 2023. These are innovations addressing the sea lice problem, and are also innovations improving general fish health while maintaining productivity at a competitive cost.

Vortex® was one of the new production systems launched under AquaNor. Through testing in the Vortex® solution, we have seen a positive development of lice reduction and growth in accordance with the production plan for the fish that have been in the Vortex®. This is a promising product dealing with many of the biological challenges the industry is facing. Testing will continue in 2024.

Vortex® is a semi-closed system that:

- ▶ Reduces lice infestation and lice treatment
- ▶ Reduces algae infestation and jellyfish
- ▶ Optimizes water exchange and ensures stable oxygen values
- ▶ Evens out seasonal temperature variations by taking in deep water
- ▶ Optimizes current conditions and swimming speed
- ▶ More even distribution of the fish in the cage



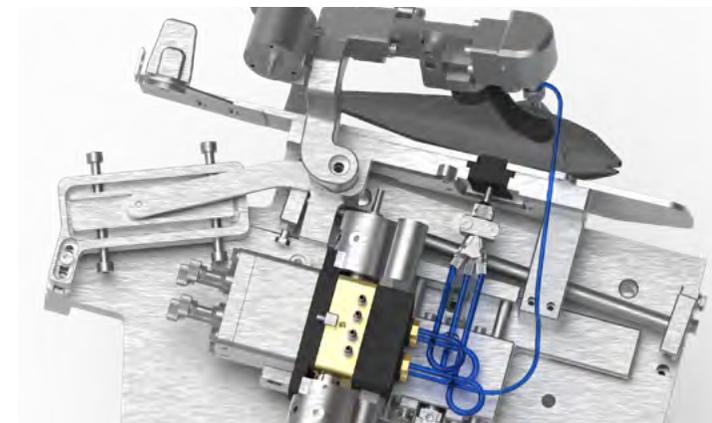
Click to watch how the Vortex® work on our website

The Subsea System was also launched during AquaNor in 2023. The Subsea System is adapted to exposed locations. This is a solution that reduces wave forces and provides stable temperatures. Further, by lowering the net below the assumed lice belt it ensures lice-free production.

The solution comes with cameras and sensors for monitoring the aquatic environment and fish behavior. Extensive testing and concept development are behind this technological solution that will make a difference for the future of aquaculture.



[Click to watch how the Subsea system work on our website](#)



Maskon creates increased productivity through innovative launches

Maskon is driven by creating increased product efficiencies for its customers. Therefore, in 2023, they launched an innovation that makes it possible to inject four different vaccines in the same operation.

New vaccines are rapidly being developed to improve fish health and the need for injecting vaccines changes in line with this. To accommodate this, Maskon launched a new dosing unit to inject all the different vaccines available on the market. This new device allows one to put all the necessary vaccines in one simple process. In other words, a small innovation improvement to make it far more gentle on the fish. The device can dispense both water-based and oil-based vaccine doses down to 0.02 ml. with great precision. The unit meets the market's requirements for accuracy and can be retrofitted to all machines, which provides the necessary flexibility.

Software

We have an ongoing commitment aimed at assisting our customers in optimizing biological performance, ensuring fish growth and health, and streamlining mandatory reporting processes.

In 2023, ScaleAQ Software concentrated on four key areas to enhance its offerings and support effectively. Firstly, a significant portion of our efforts was directed towards the refinement of our Mercatus Farmer, Future, and Finance products. Among many new abilities and features, we can mention the added support for automated lice counts from well-established equipment providers in the market.

Furthermore, we expanded our digital portfolio by laying the groundwork for three additional digital solutions. The first of these is Knowledger, ScaleAQ's innovative platform designed to provide comprehensive biological and performance insights. Knowledger empowers our customers to implement systematic improvements in production by leveraging factual data.

Closely connected with Knowledger is the ScaleAQ Cloud Service, a robust platform for data collection, processing, and distribution in the cloud. More than just a storage solution, ScaleAQ Cloud Service serves as a fully-fledged industrial IoT-enabled data processing platform. Equipped with APIs and other connectivity services, it enables seamless integration of applications and data, facilitating



efficient utilization of operational data from ScaleAQ and other sources. This platform has been instrumental in automating manual processes, thereby reducing the need for labor-intensive data entry and ultimately saving our customers considerable time and resources.

Lastly, we laid the foundation for FeedManager, a tool

providing customers with real-time visibility into feed inventory, and laying the foundation for ESG reporting for feed usage. Compatible with multiple feed types, FeedManager offers both live and historical data. When integrated with ScaleAQ FeedStation, all data is automatically updated without requiring manual input, further enhancing operational efficiency.

Moen Marin: Leading the aquaculture industry towards a greener future

Moen Marin stands as the world's leading supplier of working boats to the aquaculture industry, driven by a resolute commitment to environmental sustainability. In 2023, the company reached an all-time high backlog, signaling its trajectory of growth and organizational expansion. Presently, Moen Marin boasts a team of 48 employees, with nearly 15 % being women—a substantial increase from 2022. Notably, 95 % of the vessels delivered are hybrid, equipped with extensive battery packages, and with available charging infrastructure, many of these vessels operate entirely on electric power, significantly reducing air and sea pollution, minimizing noise for both crew and marine life, and cut fuel and maintenance costs for customers.

Established in 2008, Moen Marin has since delivered a total of 280 specialized vessels to fish farmers and service vessel companies worldwide. In 2019, the company joined the ScaleAQ family, solidifying its position in the industry. Renowned as the global leader in supplying vessels to the aquaculture sector, Moen Marin spearheads the





Above: eBox, green retrofit solution in collaboration with Zem.
Left: New line of design.

electrification and digitization of fishing and aquaculture operations. Its product portfolio encompasses a diverse range of vessels, including large catamarans, single hulls, environmentally friendly vessels, and fishing boats. Collaborating closely with selected shipyards in Croatia, China and Norway, Moen Marin ensures quality construction through locally employed supervision.

Moreover, Moen Marin has established partnerships with key industry players such as Mekon and Skamik, offering innovative washing and disinfection systems and delousing equipment, respectively.

The company remains committed to exploring new energy infrastructure to support the shift towards 0-emission vessels. In 2023, ePower solutions emerged as Moen Marin's primary focus area, culminating in the development of the mobile charging infrastructure solution, eContainer, and the industrialization of the green retrofit solution, eBox. This endeavor entails a close collaboration with Zem and their maritime type-approved battery system.

Additionally, Moen Marin commenced the construction of a vessel featuring flow bow and flow stern technology, demonstrating up to 40% improvement in efficiency

compared to standard hulls. Anticipated to debut in 2024, this vessel underscores the company's dedication to innovation and sustainability.

All Moen Marin vessels are equipped with an industrial automation solution (IAS), a data capture solution, and electronic documentation facilitated through the mLINK operation and maintenance software. This cloud-based system empowers customers to access and utilize critical operational data – including fuel consumption and maintenance schedules – in real-time, whether on the vessel or in the office.

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ESG performance highlights

Circular economy

Amount (tons) of recycled or non-fossil raw materials / Total amount produced



Proportion of waste that goes to material recycling / Proportion of total waste



Technology for zero emissions and good animal welfare

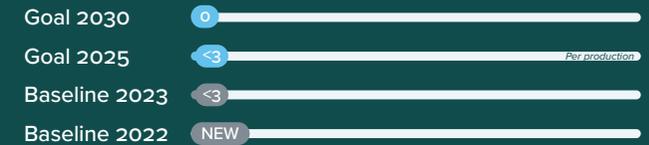
Environmental declarations on our products (EPD)



Number of notified and registered escapes incidents that can be traced back to equipment/delivery errors

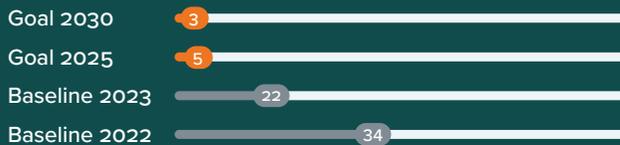


Number of lice treatments in ScaleAQ's new production systems such as Vortex® and Subsea



Health and safety

TRIF (A combined total injury frequency (TRIF) derived from the number of LTI (lost-time-injury) and WRI (Work-Related Injuries)



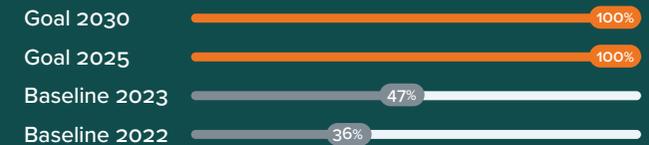
Diversity, equity and inclusion

Number of women in leading positions



Sustainable procurement

Proportion of responses to Questionnaire / 100 prioritized suppliers





The aim of this report is to provide stakeholders with updated information on our performance related to our material environmental, social and governance (ESG) topics. We attempt to transparently demonstrate how we work with our long-term sustainability commitments.

The report covers the required information and disclosures under the Accounting Act and the WEF (World Economic Forum) 'Measuring Stakeholder Capitalism' framework¹. The WEF framework are centred around four themes: People, Planet, Prosperity and Principles of Governance. All figures are related to the financial year 2023.

In 2023 ScaleAQ started working on preparation for the EU Corporate Sustainability Reporting Directive (CSRD) with a special focus on conducting the double materiality assessment for all the divisions in ScaleAQ Group. This assessment will be published in next year's report. CSRD will be mandatory for ScaleAQ from the financial year 2025, for the report published in 2026.

ScaleAQ is a global company, and, as a result, this report has a worldwide scope. In this year's report we have included for the first-time climate emissions data from all our divisions including Moen Marin, Maskon, ScaleAQ Seabased, ScaleAQ Chile and ScaleAQ Software. This is a great achievement for us! Other environmental data is first and foremost based on the Norwegian entities, but as far as possible, also offices and production sites in other parts

of the world where we operate. 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 in accordance with the coming EU-directive CSRD.

Hanne Digre
Chief Sustainability Officer

¹ 'Measuring Stakeholder Capitalism' framework



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 industry.

Sustainability commitments:

Our work with sustainability

At ScaleAQ, we actively contribute to building a sustainable aquaculture industry for the future. Our solutions, technology, products, and services are designed to protect ecosystems, enhance animal welfare, reduce harmful climate and environmental impacts, and prioritize the health and safety of aquaculture industry employees.

ScaleAQ are focusing on our long-term ESG targets, which was established in 2022, centred around three pillars: Circular economy, Technology for zero emissions and good animal welfare, and People and interaction. We continue our commitment to the principles of the United Nations' Global Compact and strive to maximize our impact toward achieving the Sustainable Development Goals (SDGs).

The sustainability ambassadors' program, which was established in 2022, is continuing. Dedicated employees representing different parts of our business and locations are making a great effort in promoting sustainable practices within our organization, both in established processes and new initiatives. Furthermore, they are contributing to raising awareness and maintaining a continuous dialogue around sustainability in the company.

Why is working on sustainability important for ScaleAQ?



"The work we do on sustainability is essential to the growth of the industry and ScaleAQ – and for ScaleAQ to continue to be the leading partner".

Conor Foster

Special Advisor Seabased, ScaleAQ



"As a key, global supplier to the aquaculture industry, ScaleAQ has a duty to ensure that a high level of sustainability is maintained in the products we supply and service".

Suzie Read

General Manager Canada, ScaleAQ



"Even discounting the ethical arguments, I believe that advocating sustainability will make us even more robust and ready for the demands of the future market".

Aleksander Vold Nordtvedt

Project Manager, Moen Marin

Read the full statements on scaleaq.com

Stakeholder engagement

Our success depends on our ability to build trust and maintain an open and transparent dialogue with our stakeholders. Even though we wrote in last year's report that a thorough stakeholder analysis will be published in this year's report, we are still working on that. We are now carrying out a full double materiality assessment involving both internal and external stakeholders. These results will be included in the next year's report.

In 2023, we maintained a close dialogue with our stakeholders and have updated the table with their input accordingly. A summary of the key findings is shown in the table.

Table: Stakeholder dialogue

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 animal welfare in developing technological solutions for the aquaculture industry.	Questionnaires for all employees conducted in 2021. A new and updated survey was conducted in Q1 2024. Information on intranet and webinars.
Business partners	Circular solutions including reuse and recycling of materials& equipment, environmental documentation, animal welfare issues.	One-on-one meetings, joint projects
Customers	Technology for improving animal welfare, reductions in greenhouse gas emissions, compliance with the transparency act, and reducing microplastic. Increasing circularity, including reuse and life extension of equipment and recycling of materials. Environmental documentations (EPD) of equipment.	One-on-one meetings, workshops, joint projects
Authorities	Extended Producer Responsibility scheme on plastic equipment from the aquaculture industry, biological documentation and risk assessments.	The Norwegian Directorate of Fisheries, the Norwegian Food Safety Authority and the Norwegian Environment Agency.
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 Stiiim Aqua. Member in several comitees developing standard for the aquaculture industry.
NGOs	Optimal feeding & 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 salmon tax.	Dialogue and participation in forums with business and local people, contributing to cleaning ocean and beaches
Media	Circular economy, animal welfare, lice, semi-closed and subsea 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, animal welfare	Close collaboration with the universities NTNU, UiT and Nord University (3 employees have Il'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.

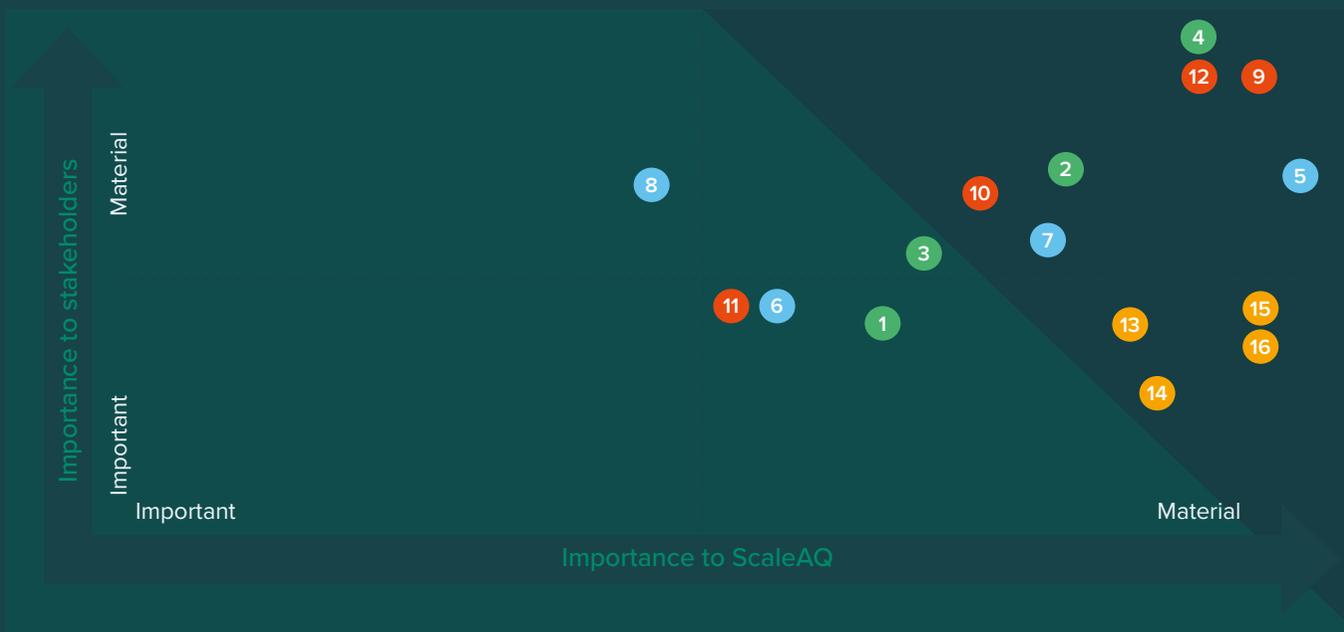


Figure: ScaleAQ Group most important value drivers. Moen Marin has included no. 1, 2, 5, 6, 9, 10 and 13 as the most important value drivers.

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 animal 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

Materiality assessment

ScaleAQ is now updating our materiality assessment. We are doing a full double materiality assessment in line with the EU directive CSRD. This will be published in next year report. A full materiality assessment was conducted in 2021 and completed in February 2022, involving internal and external stakeholders. In this year's report, the materiality assessment was updated by our management team in March 2024. There are some notable changes from last

year's report. **Reduction of greenhouse gas emissions in the aquaculture industry (no. 2)** and **Product design, material use and circularity (no. 10)** are even more important than earlier. With increased focus on circular economy through regulations and laws, we have identified no. 10 as material. **Reduction of plastic emissions (no. 3)** is still important, but now considered less material due to our increased focus on circularity (no. 10).

Value chain mapping

In line with previous years, ScaleAQ has carried out a mapping of the identified material aspects throughout our value chain, to find where our impact is significant, and where our attention should be directed. This mapping was updated for 2023 and shown in the table below.

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 animal 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

The development of the ESG strategy in 2022 was based on our materiality assessment and centred around three pillars Circular economy, Technology for zero emissions and good animal welfare, and People and interaction. For each of these pillars, specific targets, key performance indicators (KPIs), and measures have been established to enhance the Group's sustainability efforts. This year, we are introducing changes to some of the strategic KPIs going forward.

On Circular economy and the KPI regarding customer survey, we are using a scale from 0 to 10 (best performance) instead of yes/no. The KPIs regarding recycled materials used in plastic products, some adjustments in the calculations are made. Instead of using number of products we

use the total amount of recycled material used divided by the total amount of materials used in the production.

Under People and interaction, including safety and corporate governance, some clarifications are made for certain KPI's. The KPI *"% of our barges and collars that are sold with our safety package"* will include other safety features as well and is not limited to barges and collars, meaning that safety package definitions must be revisited in 2024. Our aim is to ensure that our products in more general terms are safer to use for our customers, third parties and own crews.

The KPI *"Proportion of locations certified/degree of certification (ISO 9001 & 14001)"* will include and broaden

the definition to also include other relevant types of certifications such as Global GAP and ISO27000 series for instance and not limited to ISO only. Our aim is to ensure that our locations and processes work either under certification or according to certification. For 2023 the baseline is slightly altered to include ISO certification in Moen Marin.

For the KPI *"Joint industry initiatives on safety that are implemented in ScaleAQ"*, our aim is to ensure that commonly driven and adopted solutions find their way into ScaleAQ practice. A natural starting point would be findings from the work being carried by the Norwegian Maritime Directorate around their "O-vision" for fatalities and injuries at sea.

Focus areas	Ambition	Goal	What are we working with?	KPI	Baseline 2022	Baseline 2023	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	Waste management at all our locations	Proportion of waste that goes to material recycling / Proportion of total waste	62 %	60 %	>70 %	>90 %
		Contribute to accelerating re-use in the aquaculture industry	Material recycling and return systems for our equipment	Discarded plastic products used to material recycling / Total share of plastic products	42 % (2021)	Ongoing 2024 – Scale Circular	>70 %	100 %
		Increase the proportion of plastic products (PE) containing recycled materials or non-fossil raw materials to 100% by 2030	Plastic products (PE) containing recycled materials or non-fossil raw materials (non bearing structures)	Amount (tons) of recycled or non-fossil raw materials / Total amount produced	3 products	23 %	>50 %	100 %
			Plastic products (PE) containing recycled materials or non-fossil raw materials (bearing structures)	Amount (tons) of recycled or non-fossil raw materials / Total amount produced	0	0	>10 %	100 %
		Take a leadership role in 'Re-think and redesign'	Circular product development	Share of our customers who experience ScaleAQ as a driver for circular product development (1=disagree, 10=fully agree)	NEW	7.4	8.0	9.0
		Reduce our climate emissions	Get a climate statement in place for the entire company	Measure scope 1 (direct emissions, scope 2 (energy) and scope 3 (indirect emissions) for the entire ScaleAQ Group	Partly	All divisions are included	All is included	
			Setting climate targets in terms of science-based targets	Set specific targets for scope 1, 2 and 3	Starting 2023	Ongoing	Target is defined	

Table: Overview of our goals, key performance indicators (KPI) and our performance for our three focus areas.

Continues on the following page

Focus areas	Ambition	Goal	What are we working with?	KPI	Baseline 2022	Baseline 2023	Goal 2025	Goal 2030	
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" development projects	% of development costs	30 %	94 %	60 %	80 %	
			Environmental declarations on our products (EPD)	Number of products	0	2	10	All	
			Zero emission vessel	Share of zero-emission vessels/total share of units sold	Today: hybrid vessels	Today: hybrid vessels	20 %	70 %	
	Protect bio-diversity, ecosystem and animal welfare		Prevent escapes as a result of equipment faults or deficiencies (not because of usage)	Number of notified and registered incidents that can be traced back to equipment/delivery errors	0	0	0	0	
			Reduce the number of lice treatments	Number of lice treatments in ScaleAQ's new production systems such as Vortex® and subsea	NEW	<3	<3 per production	0	
			Reduce the use of copper	Amount of copper impregnation used at our service station/ total impregnation used	53 %	33 %	<30 %	<10 %	
People and interaction	Ensure a safe, inclusive, developing and diverse workplace		Build a common and solid HSE culture	% of employees who completed mandatory HSE courses	75 % (Norway)	Ongoing 2024 (Group)	100 %	100 %	
			A combined total injury frequency (TRIF) derived from the number of LTI (lost-time-injury) and WRI (Work-Related Injuries)	TRIF global	18.8 (Norway) / 34 (Group)	22 (Group)	5	3	
			Sick leave	Total sick leave, long and short term	3 %	See table page 49 for short/long	<3.5 %	<3 %	
			Gender distribution in leading positions	Number of women in leading positions	24 %	38 % (Group)	30 %	40 %	
			Gender distribution among employees	Number of women/ total number of employees	17 %	17 % (Group)	25 %	35 %	
	People at the center – we will work long-term and systematically with our sustainability commitments	Take a leadership role in making the industry safer		Design of products that to a greater extent safeguard the safety of people throughout the product's entire life cycle - production, use and disposal	% of our deliveries that are sold with our safety package	NEW	Ongoing 2024	25 %	50 %
				In dialogue with stakeholders - bring the industry together and develop common good practices and raised standards on safety	Joint industry initiatives on safety that are implemented in ScaleAQ	NEW	Ongoing 2024	3	5
				Compliance with regulations	Number of compliance breaches	0	2 (Group)	0	0
		Control of the value chain and compliance with requirements		Recognized certification scheme (i.e ISO/ Global GAP, etc...)	Proportion of locations certified/or working in accordance to certification	Production Vietnam, HQ	Production Vietnam, HQ, Production Frøya/Hammarvika & Hitra, Moen Marin	HQ & selected production sites across ScaleAQ Group	All production sites within ScaleAQ Group
				Compliance with our Code of Conduct for employees	% of employees who have completed course within CoC	Planned 2023	Ongoing 2024 (Group)	100 %	100 %
				The Transparency Act – secure information about the value chain	Proportion of responses to Questionnaire / 100 prioritized suppliers	36 %	47 %	100 %	100 %

Table: Overview of our goals, key performance indicators (KPI) and our performance for our three focus areas.

Addressing the UN SDGs

The 17 UN Sustainable Development Goals (SDGs) cover the entire ESG. 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. 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. The goals shown here are considered particularly important to ScaleAQ's business and how we operate.



Figure: ScaleAQ UNs Sustainability Goals



Key achievements in 2023: Sustainability

This year's report is 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.*

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.

Key achievements in 2023	32
Circular economy	34
ScaleAQ – a global leader of circular economy in aquaculture technology	35
Reducing our climate emissions	39
Technology for zero emissions and good animal welfare	42
Protect biological diversity, ecosystems and animal welfare	43
Contribute to reducing climate emissions from the aquaculture industry	45
People and interaction	47
Taking a lead in growing a safe and responsible company and aquaculture industry	48
A transparent and compliant business	53

WEF framework

The reporting also contains disclosures from the World Economic Forum (WEF) Stakeholder Capitalism's core set of environmental, social and governance (ESG) metrics, 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 63–66](#) for further detail.

Circular economy

Reported on:

Way forward 2023

Actions taken in 2023

Expand our efforts to reduce amount of waste generated from our production facilities	The job of getting a joint strategy for waste treatment started in 2023. Work is now ongoing to coordinate agreements with waste handlers to get a comprehensive agreement that includes all our locations in Norway. Effective management of our waste streams is vital for achieving waste reduction goals.
Introduce a plastic calculator	The plastic calculator, which tracks the amount of material we return to our pipe producer, is in use at some of our locations and is important in the job of reducing wasted resources.
We will continue the work we have started with increasing the amount of recycled material in our fish farming equipment.	Our green platform project SirkAQ (www.sirkaq.com) is a key to succeed with the transformation from linear to circular value chain in our production. We are now offering sales of reused equipment, life extension of floating collars and recycled materials in new products. We have also established a receiving station for return of used equipment.
Increase granularity and data quality of our climate balance sheet.	The climate account for 2023 has been considerably enhanced with a larger proportion of quantity details replacing financial data. We have obtained quantity details for all our major emission sources in the Seabased division, as well as a portion of Moen Marin and Maskon. The work continues into 2024 to enhance data quality for all our divisions.
Overall goal on reducing our emissions in all three scopes throughout the value chain. Set targets and commit to the SBTi net-zero standard.	<p>A reduction plan is being developed for the entire company, which is scheduled to be finished during 2024. For us, this has been closely linked to the work of improving the granularity of our climate accounting. They are linked and the quality of the reduction plan is dependent on the granularity of our climate accounting. This has delayed our progress here, but we believe it is setting a higher standard on our reduction plan. Our emission has increased from 2022 as a result of data quality, as expected.</p> <p>By offering our customers lifespan extension of the floating collars, we have avoided emissions of 846 tons of CO₂ equivalent by not purchasing virgin plastic. Such circular initiatives will be crucial in our efforts to reduce our greenhouse gas emissions.</p>

Technology for zero emissions and good animal welfare

Reported on:

Way forward 2023

Actions taken in 2023

A rigorous testing and evaluation scheme is ongoing and will continue through 2023 for our new production and welfare monitoring systems.	Initiated, will be fully evaluated in 2024
We also expect to quantify effects on animal welfare through reduced or eliminated need for sea lice treatment operations in our new production systems,	KPI's for semiclosed systems reached in 2023 (<3 delousing treatments pr cycle), further improvements to be expected as our customers fully develop entire sites using the technology. For submerged systems, we expect data by end of 24.
Maintain a parallel focus also on further reductions of pollution and addressing issues such as Cu antifoulant, sludge collection and microplastic emission reductions.	Implemented in our strategy work and sustainability reporting for 2024
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.	The methodology of LCA was utilized for several of our products throughout 2023, laying the groundwork for EPDs that are ultimately to be published. Together, LCA methodology and EPDs for our products have provided us with insights into our products and enhanced our efforts by enabling us to analyse the production process of our equipment and implement measures to reduce our greenhouse gas emissions. For now two EPDs are published: floating collar and sinker tube.
Focus our investments on "green" development projects that promote sustainable practices, including circular economy, and contribute to reducing emissions.	ScaleAQ are involved in several projects that promote sustainable practices. We are also project manager and head of the green platform project SirkAQ.
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.	Moen Marin offers fully electric and zero emissions vessels for customers today, and almost all delivered vessels in 2023 were with hybrid solution and large battery packages. With available charging infrastructure and low steaming distance from shore to site, a lot of the vessels operate fully electric. In addition to test new green technology Moen Marin also explore more energy efficient technology for example like different hull formation. In 2023 they have one hydrogen (zero emission) vessel under construction and started construction of a flow bow flow stern vessel (lower emission).

Table: Key achievements in 2023

Continues on the following page

People and interaction

Reported on:

Way forward 2023

Actions taken in 2023

<p>We will continue to strengthen the company's general competence base, HSE awareness and culture.</p>	<p>ScaleAQ in collaboration with our partner, are taken in use a new training platform (LMS) to deliver consistent training across the organization. The solution will allow for ScaleAQ to a greater degree to produce and make available our own training material, track progress down to individual people and ensure that learning within critical topics has been carried out. Through our re-organisation in 2023 towards a Group structure, we are taking the necessary steps towards publishing Group policies to ensure a more consistent and equal approach and understanding of our expectations towards critical topics. On a division level, good progress has been made on key steering documentation and mapping of processes.</p>
<p>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.</p>	<p>We take a more structured approach towards quality and HSE.</p> <p>In 2023, some parts of the organization have been working on and piloting a scalable, better and more suited management system. User-driven approach combined with a better structure allows for, among other things, a better understanding of causality between incident, risk, mitigation and learning, also ensuring a better platform for learning and best practice sharing.</p>
<p>Bring the industry together and develop common good practices and raised standards on safety.</p>	<p>We've taken a lead on gathering the industry the last two years through ScaleAQ's HSE forum initiative. That initiative is now rewarded by being handed-over to continue to prosper and grow under the leadership of the Norwegian Seafood Federation and NCE Aquaculture cluster. The forum provides a platform for sharing and support the need for a more common business approach to HSE.</p> <p>We have also engaged in and provided input to research programs on the topic of safety.</p>
<p>Continue our due-diligence work towards our supply chain and ensure full compliance at all times.</p>	<p>Based on the findings last year, several important suppliers have been visited by several different ScaleAQ representatives and relevant topics from our queries and specific findings have been discussed and documented. We've in addition, implemented a software solution to increase control and monitoring of important and strategic suppliers.</p>

Table: Key achievements in 2023



Circular economy

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 in becoming circular in order to reduce climate emissions, to reduce the use of virgin raw materials, and to increase our value creation.

ScaleAQ – a global leader of circular economy in aquaculture technology

Why it matters

The UN's Global Resource Outlook 2024² highlights that excessive resource exploitation stands as the primary driver behind the world's environmental crises. Without more efficient and sustainable resource utilization, global natural resource extraction could increase by 60 percent by the year 2060. The Norwegian government has taken steps to promote a circular economy by proposing a new law for sustainable products and value chains³. The new legislation sets requirements regarding circular value chains including reuse, that products should last longer, be repaired more easily and be recyclable, reduced emissions of greenhouse gases and other pollution, and create less waste.

The circular economy is all about utilizing our resources in a smarter way, with waste becoming a valuable resource and products being reused repeatedly. In a report from Systemiq, Handelens Miljøfond and Mepex (2023)⁴ they are especially pointing at better waste collection, product design, new delivery models, and recycling for the Norwegian plastic system to achieve 77% circularity and reduce GHG emissions by 90% by 2040. Technology plays a key role in this because it enables us to create innovative solutions for utilizing our resources more efficiently.

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. Several projects and initiatives have had progress the last year within this focus area.

We are tracking our performance through the following KPIs:

- ▶ Proportion of waste that goes to material recycling / Proportion of total waste
- ▶ Discarded plastic products used to material recycling / Total share of plastic products
- ▶ Amount (tons) of recycled or non-fossil raw materials / Total amount produced (both bearing and non-bearing structures)
- ▶ Share of our customers who experience ScaleAQ as a driver for circular product development (1=disagree, 10=fully agree)

We are making good progress on our KPIs linked to increasing circularity in our value chain. The proportion of recycled material for non-bearing structures have increased to 23% in 2023 and is well on the way to the target in 2025. We also received a good score (7.4 out of a maximum of 10) from our stakeholders who perceive us as a driver of circular product development. The proportion of discarded products that go to material recycling after use has also increased since 2021.

Furthermore, we have had a slight decrease in the proportion of waste that goes to material recycling from our own production sites (from 62% in 2022 to 60% in 2023).



Table: Goal achievement of KPIs

KPI	Baseline 2023	Goal 2030
Proportion of waste that goes to material recycling / Proportion of total waste	60 %	>90 %
Discarded plastic products used to material recycling / Total share of plastic products	Ongoing 2024, Scale Circular	100 %
Amount (tons) of recycled or non-fossil raw materials / Total amount produced	23 %	100 %
Share of our customers who experience ScaleAQ as a driver for circular product development (1=disagree, 10=fully agree)	7.4	9.0

² GRO24 Summary for Policymakers.pdf (unep.org)

³ Prop. 69 LS (2023–2024) (regjeringen.no)

⁴ Systemiq, Handelens Miljøfond, and Mepex (2023). Achieving Circularity for Durable Plastics: a low-emissions circular plastic economy in Norway



Gathering in Rørvik with 35 representatives from all eight SirkaQ partner companies. The participants had the opportunity to increase their knowledge and understanding of SinkabergHansen's salmon production and Oceanize's recycling station.



Green platform project SirkaQ – Circular solutions for the aquaculture industry

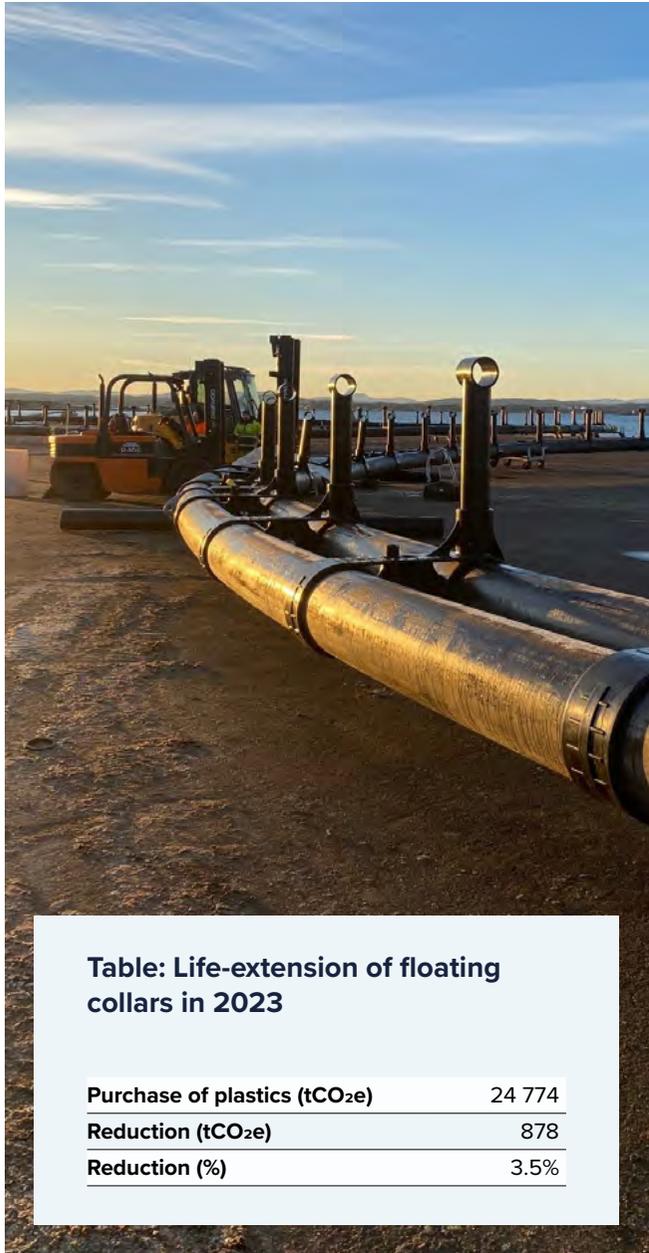
The project, funded by the Research Council of Norway, Innovation Norway and SIVA through the Green Platform programme, started in January 2023, and is a collaboration between eight companies; Hallingplast AS, SinkabergHansen AS, Oceanize AS, OsloMet, Norner Research AS, SINTEF Ocean AS, and Future Materials AS with ScaleAQ as the head of the project.

The aim of the SirkaQ project is to drive the transition from a linear to a circular economy in the aquaculture industry by establishing and implementing sustainable circular value chains for plastics from discarded equipment. Through reuse, repair, life extension and the use of recycled material in new products, we seek to optimize the use of resources and reduce the environmental and climate footprint of aquaculture.

The last year we have been making good progress. Here are some of the results:

- ▶ Identified barriers in Standards and Regulations for aquaculture constructions, related to the possible use of recycled plastic materials
- ▶ Completed an overview of plastic materials in Norwegian aquaculture facilities, including type of plastic and quantity
- ▶ Worked with and implemented life extension of selected products
- ▶ Developed environmental documentation for several products

You can read more about the project on the SirkaQ's own web page sirkaq.com.



Scale Circular – pioneering investment in sustainability

Our new venture, “Scale Circular”, represents a major step forward for sustainability in the aquaculture technology industry. With a focus on reuse and recycling of equipment from the pens, we aim to reduce waste and promote a more sustainable use of resources. ScaleAQ produces several hundred floating collars annually, and through “Scale Circular” we want to ensure that these materials are given new life, either through reuse, life extension or as recycled products. The investment is closely linked to the operationalization of results from the green platform project SirkAQ, where we work to close the loop by using the resources again.

In order to realize this ambitious project, we are upgrading our 800 square meter hall in Hammarvika (Frøya, Trøndelag) with advanced equipment. This will allow us to wash, dry, grind up, granulate and collect used equipment for reuse and recycling. By having control throughout the value chain, we have seen that the quality of recycled materials is as good as that of virgin plastic. Our approach will be characterized by efficiency and innovation, with handling and transforming used farming equipment.

ScaleAQ is committed to contributing to a more sustainable future. Through “Scale Circular”, we engage directly in the work to achieve the UN’s sustainability goals, especially the goals of responsible consumption and production, as well as combating climate change. We will also work to influence and improve regulations and standards to facilitate the transition to more reuse and recycling in the industry.

With the “Scale Circular”, ScaleAQ positions itself as a pioneer in sustainable practices in the fish farming industry. We look forward to not only expanding our business



Our 800 square meter hall in Hammarvika, Frøya.

with new jobs, but also to leading the way towards a more sustainable and responsible future for farming.

Life-extension of floating collars

ScaleAQ Seabased offers life extension of floating collars used in the pens. In practice, life extension means that the floating collar made of polyethylen is reused, together with both the handrail, the walkways and the styrofoam. Wear parts such as steel components are renewed for the pen to be certified.

During 2023, several life extension of floating collars were carried out. This is a significant contribution towards a circular economy, as it reduces the use of virgin plastic and hence greenhouse gas emissions. In 2023 we reduced our emission by 878 tCO₂e by doing this, which represents 3,5% of our emissions from plastic procurement.

Table: Life-extension of floating collars in 2023

Purchase of plastics (tCO ₂ e)	24 774
Reduction (tCO ₂ e)	878
Reduction (%)	3.5%



Table: Overview of the solid waste in our production for Seabased facilities located in Norway, IT waste and Maskon

Solid waste (tons)	Total amount	Material recycling	Energy recycling	Landfill
Total (tons)	1 093	653	426	15
Total (%)		60 %	39 %	1 %

Life-extension of vessels

Moen Marin offers several alternatives for life extension of vessels, such as the installation of an eBox (power bank) on deck, which is the easiest retrofit of all. The eBox eliminates idling on main engines when operating on location, which extends the life of main engines by 50 % (estimated number). The demand for this solution is growing globally.

Reducing waste in our production facilities

An effective management of our waste streams is vital for achieving waste reduction goals, and we have several ongoing initiatives for reducing waste at our production facilities. A unified waste treatment strategy commenced in 2023. Work is now ongoing to coordinate agreements with waste companies to get a comprehensive agreement

that includes all our locations in Norway. This year, the overview of the solid waste in our production facilities includes Maskon, IT waste and ScaleAQ Seabased facilities located in Norway.

The waste from our pen production is being returned to our pipe producer to be reused into new pipes. The introduction of the plastic calculator provided us with an overview of returned plastic to our pipe manufacturer, where in 2023, we returned 5.4 tons of plastic originating from pen production. The amount of waste that was used for material recycling went from 764 tons in 2022 to 653 tons in 2023. The reduction originates from our net service, where discarding of nets occurs in cycles, causing fluctuations in our material recycling statistics accordingly.

The amount of sludge and inorganic waste from our net service station was 125.5 ton (not included in the table above).

Way forward

In 2024, ScaleAQ will continue our efforts to reduce the amount of waste generated from our production facilities, in addition to increase the amount to material recycling. A particular focus will be on securing and improving data quality and management of the waste streams. Implementation of the results from SirkAQ in our value chains is crucial and we will further develop circular business models. We will also fully focus on succeeding with our new venture, "Scale Circular", and increasing the amount of recycled material used in our fish farming equipment.



Reducing our climate emissions

Circularity in our products and processes are crucial to address our total emissions. Due to this, we approach our climate emission reductions as logically belonging to our work on circular economy. For us these two are interconnected and aligned priorities. Our mapping and measurement of emissions across the entire value chain have been significantly enhanced throughout 2023, where a larger portion of the climate accounting now consists of quantity data, which has replaced financial data. This has resulted in an upgraded granularity of our data input for our climate accounting. By strengthening the quality of our data, we have established a better foundation for implementing appropriate measures to reduce our emissions and assessing the actual outcomes post-implementation. Data quality is an ongoing improvement process, and we strive to have the best possible data foundation at the most appropriate level of detail for various categories in the climate accounts, providing us with the insight needed to reduce our emissions.

Why it matters

2023 was the warmest year since humanity began systematic measurements of the Earth's surface temperature 170 years ago⁵. The average global temperature on Earth is directly linked to the concentration of greenhouse gases in the earth's atmosphere (IPCC). In order to prevent warming beyond 1.5°C, the emissions must be reduced by 7.6% every year until 2030⁶.

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 / Our climate accounting

We are 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 for the entire ScaleAQ Group

This year's climate report has undergone significant changes compared to previous years. New for this year is the inclusion of all divisions within the company. We have achieved a 100% coverage rate for ScaleAQ Software, Moen Marin, Maskon, ScaleAQ Chile, and ScaleAQ Seabased locations in Norway. The remainder of our business outside Norway and Chile are partially included as in last year's climate accounting. Due to this, there is not a full coverage for the entire ScaleAQ Group.

Even with a 100% coverage rate for most of our divisions, we acknowledge that there is work to be done before we can say that the data sources are 100 % accurate. There is still a large portion of the data foundation that relies on financial data. For some items in the climate report, financial data is sufficient, but where appropriate, we strive to incorporate quality-assured quantity data.

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 are categorized into three different scopes (Scope 1, 2 and 3) based on the source of emission.

Scope 1 is GHG emissions emitted directly from the company. For ScaleAQ Group this includes diesel, petrol, and gas. Our overview of scope 1 includes all our business units.

⁵ Utviklingen i global temperatur – Klimavakten (energiogklima.no)

⁶ Emissions Gap Report 2019 (unep.org)

Table: Overview of ScaleAQ Group's greenhouse gas emissions

Greenhouse Gas (GHG) emissions <i>(tonne CO_{2e})</i>	ScaleAQ Group		ScaleAQ Software		Moen Marin		Maskon		ScaleAQ Chile		ScaleAQ Seabased	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Scope 1 (Direct energy consumption)	N/A	Not detected	N/A	Not detected	115	14	N/A	14	1 721	692	N/A	1 099
Scope 2 (Indirect energy emission)												
Total net location-based	N/A	5	N/A	3	13	8	N/A	23	94	74	N/A	708
Total net marked-based	N/A	67	N/A	11	140	53	N/A	98	94	160	N/A	2 042
Scope 3 (Indirect energy emission)	N/A	233	N/A	445	N/A	23 555	N/A	3 077	6 681	3 522	N/A	124 358
Total GHG emissions Location-based	–	238	–	448	128	23 578	–	3 113	8 975	5 649	–	126 165
Total GHG emissions Market-based	–	300	–	456	255	23 622	–	3 188	8 975	5 735	–	127 499

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 mainly from the purchase of goods and services. The methodology used for carbon accounting for all divisions based in Norway, is the Klimakost model developed by Asplan Viak in Norway. For ScaleAQ Chile software from Morescope is used⁷. For the remainder of our business outside Norway and Chile, the greenhouse gas emissions are calculated using Ecoinvent 3.9.1 as the data source, facilitated through LCA.no software.

The data input varies between the business units, based on their activities and available data from last year. Most of the data input consists of quantity data (e.g., fossil fuel in liters), with some remaining financial data. The goal is to have 100% quantity data for scope 1, and we are approaching this goal.

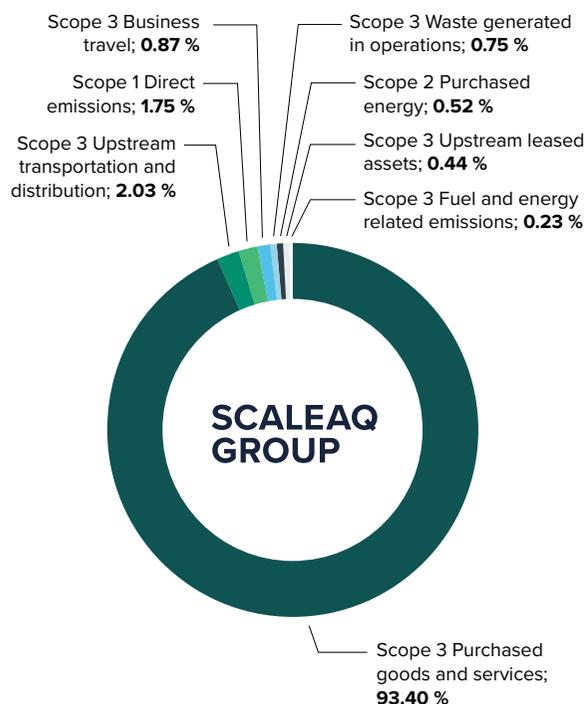
Scope 2 is indirect emissions from purchased energy used by the company. For ScaleAQ Group this includes electricity used in production and offices, with some central heating. Our overview of scope 2 includes all our business units. Most of the data input consists of quantity data (kWh), with some remaining financial data. The goal is to have 100% quantity data for scope 2, and we are approaching this goal. The reason we have not reached a 100% coverage rate on quantity data is due to our offices located within larger office buildings. Electricity is included

in the rent, and for some offices, we have received reported electricity consumption in kWh associated with us, but for others, we have had to rely on financial data.

Scope 3 includes upstream emissions from input factors such as purchased goods and services, in addition to including downstream emissions, such as sold goods and services. At present, our scope 3 encompasses upstream emissions. However, we are actively preparing to incorporate downstream emissions reporting in the near future. Our overview of scope 3 includes all our divisions, and business units. The data input for the Norwegian part of the whole ScaleAQ Group has a good coverage, and is more comprehensive than our accounting for 2022, reflecting our work on the granularity. For our ScaleAQ Seabased division, Maskon and Moen Marin, we have replaced a significant portion of the data input

on purchases with quantity data. We have focused on our largest product categories, such as plastic, steel, aluminium and concrete, and reported the kilograms of purchased raw materials. This has resulted in a considerable increase in emissions in scope 3. This picture is closer to reality and motivates us to continue replacing larger portions of financial data with quantity data in the future. We are particularly proud to use our Environmental Product Declaration (EPD) on floating collars, published in 2023, to obtain emission data on HDPE. This represents high-quality data as emissions are calculated all the way from oil extraction to plastic production, specifically for the plastic we use in assembling our floating collars.

⁷ MoreScope for companies



Emissions in tonnes of CO₂e

Scope 1 (1.75 %)	2 796.34
Scope 1 Direct emissions	2 796.34
Scope 2 (0.52 %)	833.75
Scope 2 Purchased energy	833.75
Scope 3 (97.73 %)	155 774.25
Scope 3 Purchased goods and services	148 889.34
Scope 3 Upstream transportation and distribution	3 242.81
Scope 3 Business travel	1 380.86
Scope 3 Waste generated in operations	1 194.85
Scope 3 Upstream leased assets	695.39
Scope 3 Fuel and energy related emissions	371.00
Total	158 043.34

Figure: Climate accounting for ScaleAQ Group

More information on the EPDs is available in Chapter “Contribute to reducing climate emissions from the aquaculture industry”.

For our international business entities, we have included data inputs on employees’ flights, and travels with bus and taxi. Scope 3 emissions for ScaleAQ Chile have significantly decreased. This is attributed to a decrease in orders in 2023 compared to 2022, also contributing to the decrease in Scope 1 emissions.

Our focus has been on scope 3 as it is our main source of greenhouse gas emissions, where the purchases of goods and services represent most of these emissions (94.40%). As for 2022, our main GHG emissions in 2023 is also from procurement and sourcing (plastic, concrete, and steel). Scope 3 shows a higher emission than for 2022, but with a more inclusive accounting this was expected.

Our focus has been to set up climate accounting for all divisions of the ScaleAQ Group. We have succeeded in doing so for all divisions with offices and production facilities in Norway. ScaleAQ Chile has been a test pilot for a new type of tool in our efforts to include all our international business entities for a comprehensive climate accounting. The total emissions show a significantly higher emission than reported in 2022. With a much larger proportion of quantity data compared to previous years, this was expected and is providing us with a more realistic picture. The only thing we can do to contribute to a climate-neutral world is to be transparent about our emissions and use this information to set ambitious reduction goals.

Way forward

The work to increase the quality and consistency in our climate accounting continues into 2024 to enhance data quality for all our divisions. The new tool, tested for ScaleAQ Chile in 2023, will be continued into 2024 to

facilitate our transition from annual to monthly greenhouse gas reporting, providing us with better insights throughout the year and enabling us to track results from integrated reduction measures.

A reduction plan is being developed for the entire company, which is scheduled to be finished during 2024. For us, this has been closely linked to the work of improving the granularity of our climate accounting. They are linked and the quality of the reduction plan is dependent on the granularity of our climate accounting. This has delayed our progress here, but we believe it is setting a higher standard on our reduction plan. Our emission has increased from 2022 because of data quality, as expected.

Technology for zero emissions and good animal welfare

Transitioning towards a truly sustainable aquaculture is a long-term ambition. We aim to contribute 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. Enhancing our emphasis on animal welfare will not only address crucial ethical concerns, but also yield significant benefits. Investing in the enhanced health, growth, and survival of our animals carries substantial implications for the industry's overall environmental footprint and financial sustainability. We recognize a large potential for improvement in this area that will benefit all aspects of sustainability.

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



Protect biological diversity, ecosystems and animal welfare



Product quality, lifetime and safety



R&D and technology development



Protecting biological diversity, ecosystems and animal welfare through technology development for the aquaculture industry

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 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 biocides 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

We are tracking our performance through the following KPIs:

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

Escapees from aquaculture may negatively impact wild salmon populations through genetic introgression⁸. In Norway, the number of reported incidents and observations of escapees in rivers have declined in recent years. However, the genetic impact remains a threat to many of the populations, with an estimated 31% displaying large genetic changes⁹. For 2023, no registered escape incidents were reported due to equipment or delivery failures on our products. We aim at maintaining this positive result through continued systematic focus and regulatory compliance in existing products as well as in development of new production systems.

Infestations with sealice (*Lepeophtheirus salmonis*) produced by, and dispersed from aquaculture, remain the single largest threat to wild populations of salmonid fish in Norway¹⁰. This issue is also considered a major sustainability issue in most salmon producing regions. With the advent of non-medicinal treatments against sealice infections about 10 years ago, a major problem with resistance development against the existing medicinal treatments

⁸ Rømt oppdrettslaks – risikovurdering og kunnskapsstatus 2023 | Havforskningsinstituttet (hi.no)

⁹ Genetisk påvirkning av rømt oppdrettslaks på ville laksebestander

¹⁰ Status of wild Atlantic salmon in Norway 2023.pdf (vitenskapsradet.no)

was alleviated. In addition, the issue of releases of these chemicals to the environment was abated. While effective in removing sealice¹¹ and environmentally benign, repeated treatments and associated handling operations have resulted in an undesired animal welfare situation. Current animal welfare assessments put non-medicinal delousing operations towards the top of the list of factors negatively impacting animal welfare in Norwegian aquaculture¹², and similar conditions are reported from other production regions. Thus, there is an urgent need for technological innovation that reduces the need for such operations. Sealice treatments in the Vortex[®] system during the first pilot-testing production cycles in 2023 were below our set KPI target of 3. We expect further improvements towards the long-term goal of eliminating the need for sealice treatments in the systems once they are located at specific sites using only this technology and not open production in adjacent units. For the submerged systems, we expect to report data on full production cycles in 2024/2025. Experience with similar systems suggest a zero-treatment goal is obtainable.

Biofouling in marine aquaculture is one of the main barriers to sustainable production. Traditionally, various plastic polymer nets are used as containment in the aquaculture industry, and it has been common to use copper oxide to reduce the biofouling on the nets. The negative environmental effects of copper released from nets are well known and documented, prompting increased focus on reducing the use and release to the environment of copper. Our KPI for reducing the use of copper-based impregnation was well underway to reach the 2025 goal of less than 30%, with 33% (on weight basis) in 2023. This represents a substantial reduction from previous years.

Way forward

Our newly developed production systems were rigorously tested and documented during 2023, and they will increasingly be phased in as part of regular production

during 2024 and onwards. We will continue to collaborate with our customers on documenting and improving animal welfare, optimizing feed utilization and reducing environmental impact in manufacturing, use and reuse/recirculation of our products. When transitioning part of the production volume into new production systems such as semi-closed (Vortex[®]), submerged systems and to more exposed locations, we continue to recognize and assess escapee risks continuously to avoid incidents. We maintain a zero-escape KPI.

We expect a rapid increase in production volume in our new production systems in the upcoming years, potentially significantly reducing the overall need for sealice-treatments both in the new production systems themselves, as well as in neighboring sites using traditional systems due to decreased infection pressure. Thus, going forward, we expect reduced impact of the industry has on wild salmon populations going forward. This may in turn allow for future industry volume growth through sustainable operations with regards to both ecosystem effects and animal welfare. Our commitment to document and improve performance in our production systems along all axis of sustainability remains our main focus going forward

We recognize the increased concern about environmental effects of the replacement biocide coatings containing Zinc pyrithione and tralopyrile¹³. Considering that one third of our coated/impregnated nets were treated with such products in 2023, we acknowledge the need to modify our goals in this area towards a reduction in use of all types of biocide-coated nets. This can be achieved through transitioning to biocide free coatings as well as increased use of net materials without coating requirements. We will therefore focus on defining and reporting on a new KPI encompassing these developments for 2024, while focusing on developing viable alternatives to biocide coatings/impregnation.

Impregnation used at our net station

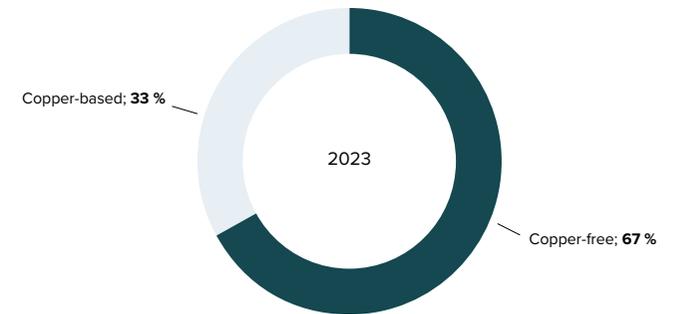
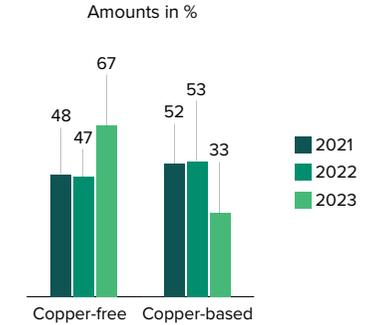


Figure: Copper-free and copper-based ratio used at our net station in 2023.

¹¹ Estimated effectiveness of treatments against salmon lice in marine salmonid farming

¹² Fiskehelse rapporten 2023 (vetinst.no)

¹³ Risikorapport norsk fiskeoppdrett 2024 | Havforskningsinstituttet (hi.no)

Contribute to reducing climate emissions from the aquaculture industry

Why it matters

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.

The Norwegian government has committed to a national target of 50 % reduction in CO₂e by 2030. At the same time the Norwegian aquaculture industry is aiming to make investments that will increase the production of fish in the years to come. In 2024, The Norwegian government has announced that regulations will be enforced with the aim to promote or introduce low- and zero-emission solutions for aquaculture barges and work- and service vessels. Furthermore, Norway has a national carbon pricing policy, which increased from 766 NOK/tCO₂e in 2022 to 952 NOK/ton until tCO₂e in 2023. As both Norway and EU are intensifying regulatory responses in attempt to mitigate climate change, similar and additional policies will force companies to choose low or zero emission solutions.

As stated in the last year ScaleAQ annual report, the main challenge for the sector is still not with vessel or barge

design, but in the related 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 along the Norwegian coastline.

What we are doing

We strive to become one of the leading suppliers of tomorrow's technology in aquaculture, including solutions that reduce emissions and promote a more sustainable approach to aquaculture.

We are tracking our performance through the following KPIs:

- ▶ Investment in “green” development projects / of the total development costs
- ▶ Number of products with environmental declarations (EPD)
- ▶ Share of zero-emission vessels/total share of units sold

R&D investment

Research and development are the basis for what we do at ScaleAQ, and essential for our value creation. It is similarly essential for achieving our ambitions in 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 and technology necessary for establishing and expanding sustainable and resource-efficient food production in our oceans.

In 2023 we invested 38 MNOK (94 % of our total development costs), on R&D activity which we define as “green”. The “green” projects are within our key strategic focus



Two published Environmental product declarations for floating collar and sinker tube.

areas as *Circular economy* and *Technology for zero emissions and good animal welfare*.

Environmental documentation (EPDs)

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 customers. In 2023 we published two EPDs: floating collar¹⁴ and sinker tube¹⁵. 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.

¹⁴ Floating Collar - FR560-157 (epd-norge.no)

¹⁵ Sinker tube for 157m fish farming pens (pipe ø400mm) (epd-norge.no)



Vessel with Moen Marin eBox retrofit solution.

Moen Marin: Pioneering Hybrid Vessels for a Sustainable Future

Since 2019, Moen Marin has predominantly focused on delivering hybrid vessels, marking a significant stride towards environmental stewardship. To date, the company has either delivered or is in the process of constructing 85 hybrid solutions, boasting a collective battery capacity of nearly 54 MWh. Annually, this transition is estimated to save approximately 17 million liters of fossil fuel and mitigate the emission of nearly 45 000 tons of CO₂.

Among Moen Marin's flagship hybrid vessels are the AQS Heimdal and AQS Saga, both completed at yard in late 2023. Representing a pinnacle in technological advancement, these vessels feature state-of-the-art design tailored for round-the-clock operation and crew comfort, bolstered by a substantial battery capacity of 1128 kWh.

In addition to its focus on new electric builds, Moen Marin extends its commitment to sustainability through retrofit solutions for existing vessels. These solutions offer the

flexibility of a full conversion from conventional fuel to electric power or the installation of batteries to eliminate idling on main engines when vessels are moored. The Moen Marin eBox solution stands out for its compact design and ease of installation, capable of reducing fuel consumption by 20 000 liters and cutting CO₂ emissions by 300 tonnes annually on average vessels. Beyond environmental benefits, this solution also prolongs the lifespan of main engines and fosters a quieter environment for crew and marine life around the vessel.

One of 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 2024. Based on this project, Moen

Marin is committed to provide our customers with innovative zero emission vessels to both the marine agriculture and fishery sector in the years to come.

Way forward

ScaleAQ will continue our work to establish environmental documentation of our products using Life Cycle Assessment (LCA) to ensure transparency and accountability in our environmental impact. We will continue to focus our investments in "green" development projects addressing reduced emissions and promote a more sustainable approach to aquaculture.

In 2024 Moen Marin has one hydrogen (zero emission) vessel and one energy efficient vessel with flow bow solution (lower emission) which will be in operation this year.



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

Employees health and safety, competence development and corporate governance are topics we are progressing positively on.



Taking a lead in growing a safe and responsible company and aquaculture industry

We work every day to ensure a compliant and injury free workplace where diverse skills and gender create the needed innovation to push robust, safe and secure solutions and products to the market.

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 (*see [page 28](#) – chapter “Our goals and KPI’s” – to be revisited in 2024)
- ▶ Joint industry initiatives on safety that are implemented in ScaleAQ (*see [page 28](#) – chapter “Our goals and KPI’s” – to be revisited in 2024.)

Why it matters

We re-iterate our motto: No sustainability in injuring people! An engaged and diverse ScaleAQ workforce in

collaboration with a compliant value-chain, will secure the best performances.

What we are doing

A positive trend on injury statistics

In 2023 we see an overall positive trend in the number of recordable injuries (25% decrease) and a decrease of more than 30% of the Total Recordable Injury Frequency from 34 to 22 in 2023 for the entire Group. Raised awareness in general, closer follow-up of incidents root-causes and specific measures around workplace safety have all contributed to that.

We see a clear decline in the number of injuries in the Norwegian part of the business and a 15% decrease in injury rate on the Chilean side. In addition, we see that whilst the injury rate in Chile remains high the severity of the incidents is declining measured as a total of 58% decrease in total day losses. A third-party review of the figures and benchmark in the Chilean industry show that we perform average among peers.

In both the Norwegian and Chilean divisions there are a solid understanding and good traceability of the causality around the incidents, meaning we have the necessary footing to design and implement targeted measures and foresee to improve our results on this front. We are constantly working on understanding and de-risking our work-environment, that being said we anticipate it will be challenging to achieve our stretched target by 2025 measured as per number of incidents, but severity will come down.

Main findings from employee survey 2023 – a strong people focused organization

Our employee survey for 2023 was sent out to all our employees in Norway in December 2023 (in addition a separate survey was conducted in Chile). 432 employees

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

Category	Holding	Fish farming technology	Vessels
Employment			
Total number of employees	39	839	56
Number of temporary employees	4	31	0
Total management positions	13	90	5
Number of Full Time Employment (FTE)	36	799	46
Gender balance			
Number (and percentage) of women	23 (59%)	127 (15%)	7 (12%)
Number (and percentage) of women in management positions	7 (54%)	33 (37%)	1 (25%)
Age distributions			
Age <30	9	201	16
Age 30–50	21	535	33
Age >50	9	103	7
Sick leave			
Short-term	1.52%	0–4.54*	0.44%
Long-term	2.25%	0–4.2%*	1.58%
Health and safety			
Number of Work Related Injuries (WRI), incl. LTI	0	38	0
Fatalities	0	0	0
Training offered			
HSE training (course)	N/A	98%	N/A
Corporate governance			
Number of compliance breaches	0	2	0

*Range among divisions/locations

responded to the employee survey in Norway, giving a response rate of 80.1%. We get the highest score for our work with customers and our work to build a good and safe working environment and culture, meaning employees experience a fair and free from harassment working environment and a strong empowerment to stop hazardous situations.

Positive work environment

Employees highlight the positive and friendly work atmosphere. There is a strong sense of togetherness, teamwork and mutual support, which creates a workplace that is both pleasant and motivating.

Innovation and forward-looking management

The company is recognized for its forward-looking management, actively involved in innovation. There is an emphasis on being dynamic, proactive and constantly looking for new solutions to stay ahead of the industry.

Freedom and trust

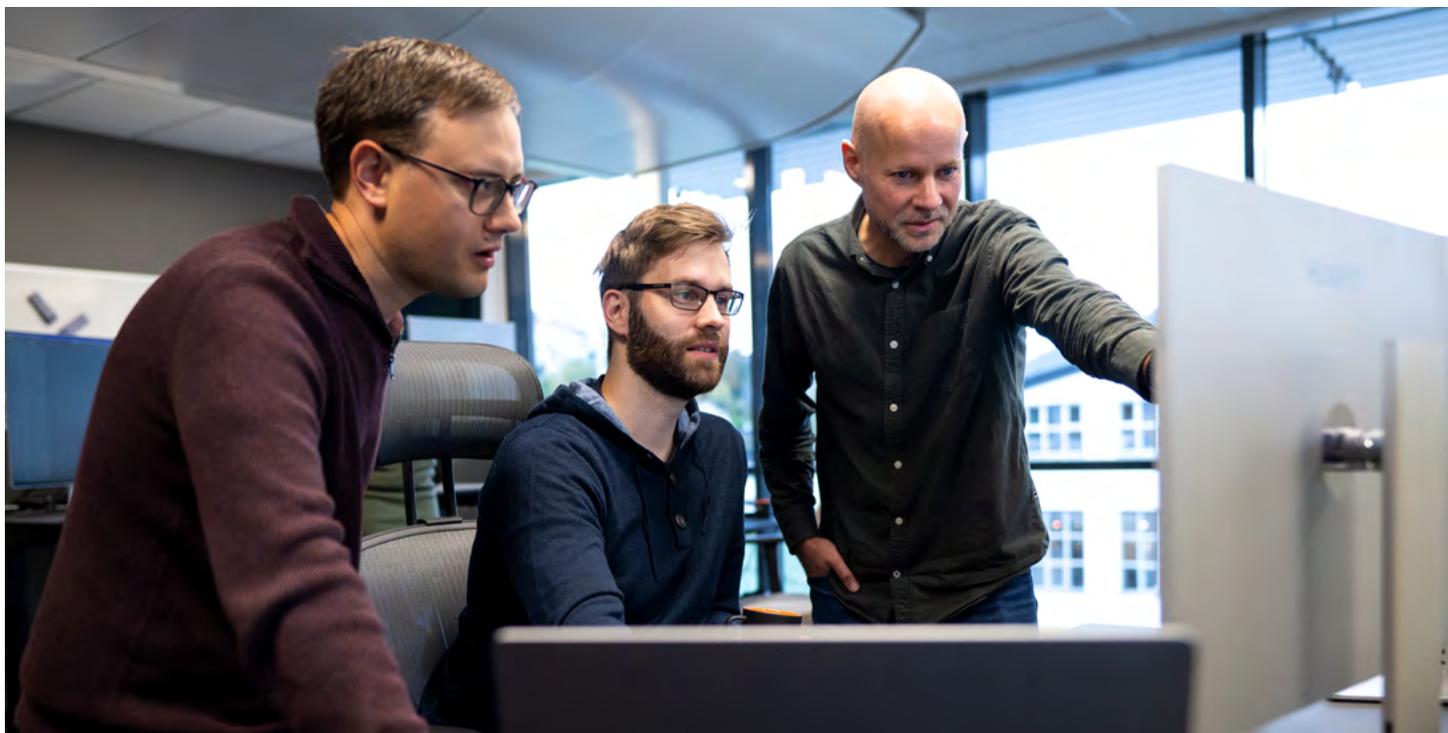
The trust from the management in the employees is an ongoing theme. The freedom to work independently is valued, creating an environment where individuals feel empowered to take initiative and contribute to the company's success.

Flexibility and focus on growth

The company is praised for its flexibility with working hours and options for remote work. There is a clear commitment to future growth, both in terms of business expansion and personal development opportunities for employees.

Customer Oriented Approach

ScaleAQ is recognized for prioritizing customer needs, delivering high quality products and maintaining good communication with customers. The customer-oriented approach contributes to a positive and cooperative atmosphere.



Commitment to Sustainability

Employees appreciate our commitment to making the aquaculture industry more sustainable. This is consistent with a broader sense of responsibility, including environmental concerns and concern for employee well-being.

Overall feedback

Overall, the feedback from our employees paints a picture of a company that is strongly committed to the development of Norwegian aquaculture.

Central themes are a positive and dynamic working environment characterized by freedom and trust in the employees. The organization is described as innovative, motivating and with a solid work ethic. Building teams and

culture based on shared values is still high on our agenda and we will continue with leadership development in 2024.

Good working conditions as a basis for a safe and including work space

In ScaleAQ we believe that competence, freedom with responsibility, a diverse competence environment and a good work life balance builds strong motivated employees who enable us to achieve our overall goals.

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. From our side this will provide safer solutions and products, which will be a strong contribution to a sustainable industry.

Overall, ScaleAQ has a low rate of sick leave to be an industrial company.

We now have a structured follow-up through closer dialogue in our department with the highest sickness absence. We offer physical adaptation and training in departments with sickness absence. The goal is to reduce sickness absence Norway to 3.5% by the end of 2025.

We set expectations and requirements around our working environment In ScaleAQ. Further, we have a personnel policy and a management policy that underpin our expectations that all our employees are working in an environment that is based on equality, free from harassment, sexual harassment, and gender-based violence. We measure how well we succeed in our safe and secure working environment goals through annual employee surveys. Working environment committees are also an important tool for us.

We expect equal pay for equal work. New structures to get insight into employees' salary developments were put in place in 2022. 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 work life balance, where employees can combine an active professional life with an active family life. Leaders have been involved in this work to create a structure and a culture that encourages 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 leading 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%. Today, we have 17% women overall in the company and 38% women in senior leading positions.

We value diversity and continuously seek out the best talents to contribute to our common goal of leading in aquaculture technology. Our organization's success relies on our ability to attract and retain skilled and engaged employees. Our successful student internships, project-based works in collaboration with academia and university lecturing, are all valued means to seek out new perspectives and provide in collaboration with future workforce the solutions of tomorrow.

We continue to invest in recruitment processes and strategies that ensure we have the right team in place to drive innovation and growth forward. 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*





We take a stand on social responsibility and inclusion

ScaleAQ Chile is rewarded in 2023 the Best Buddies Award from the Best Buddies Foundation for systematic work on diversity and inclusion.

“This seal represents recognition of the efforts and achievements in the field of inclusion during 2023. Workshops, talks and support for people with disabilities and workshops have been some of the activities that Best Buddies foundation, together with the ScaleAQ Organizational Development department in Chile, have ran through. New activity scheme being prepared for 2024.”



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 train our people

Training schemes and training budgets are allocated and locally followed-up. To the largest extent the mandatory HSE training is being fulfilled in our most operative parts of the business. In 2024 we are launching a Global HSE course and expect all employees to comply by 2024. ScaleAQ in collaboration with our partner, are implementing a new training platform (LMS) to deliver consistent training across the organization. The solution will allow ScaleAQ to produce and make available our own training material, track progress down to individuals and ensure that learning within critical topics has been carried out to a larger degree.

More common ground

Through our re-organisation in 2023 towards a Group structure, we are taking the necessary steps towards publishing Group policies to ensure a more consistent and equal approach and understanding of our expectations towards critical topics. On a division level, good progress has been made on key steering documentation and mapping of processes.

We take a more structured approach towards quality and HSE

In 2023, some parts of the organization have been working on and piloting a scalable, better and more suited management system. User-driven approach combined with a better structure allows for, among other things, a better understanding of causality between incident, risk, mitigation and learning.

We take a lead in promoting the importance of HSE

We’ve taken a lead on gathering the industry the last two years through ScaleAQ’s HSE forum initiative. That initiative is now rewarded by being handed over to continue to prosper and grow under the leadership of the Norwegian Seafood Federation and NCE Aquaculture Cluster. The forum provides a platform for sharing and support the need for a more common industry approach to HSE.

We’ve also taken the initiative through our own Pod broadcasting (ScaleAQ Podcast) to create a channel to convey our and some of the business’s key sustainability topics to a broader audience, hence ensuring a larger commitment to these.

Way forward

We will continue to de-risk our operations and sites and provide a strong HSE competence/training package so fewer gets injured and the severity trend of the incidents goes down.



A transparent and compliant business

We map our business risks and work every day to ensure that we and our value-chain run their business in full compliance and in according to strict business ethics.

We are tracking our performance through the following KPIs:

- ▶ Number of compliance breaches (compliance with regulations and Transparency Act and own standards such as Code of Conduct)
- ▶ % of employees who have completed course within CoC
- ▶ Proportion of locations certified/degree of certification (ISO/GlobalGAP)
- ▶ Proportion of responses to Questionnaire / 100 prioritized suppliers

Why it matters

Operating legally and transparently is fundamental in building trust. 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

Compliance breaches

We have registered two issues during 2023. Both have been handled according to procedures and are settled going into 2024.

We train our people

The launch of a mandatory CoC Group training course in 2023 – supporting the existing Code of Conduct – was amputated, partially due to the re-organization of the company in that same year. Some progress remains to be made on that topic in general terms, and we are therefore launching our 2024 Global Code of Conduct (CoC) course on a new LMS platform and expect to meet our target in 2024.

We work beyond compliance

Many external audits have been carried out by both customers and certification bodies. The feedback received from these audits has overall been positive, with findings of less criticality. Any comments made by the audit team last year have been included in improved processes and tools.

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. Our voluntary certification scheme will to a greater extent be routed towards Global GAP compliance as off the growing demand from the industry.

Proportion of responses to Questionnaire / 100 prioritized suppliers

As part of our due diligence related to the Transparency Act, we included topics beyond the requirements from

the Act. We have prioritized our top hundred suppliers which include most of our spend base and international suppliers.

To reduce manual follow-up and dependency on individuals, we implemented a software solution to increase control and monitoring of important and strategic suppliers.

We have found it challenging to get detailed feedback from all suppliers on the format we prefer. There are several reasons for this. Suppliers comment that it is quite time-consuming to gather and structure the requested information across several internal departments. Several companies have prepared standardized documents, referral to policies or web sites for the requested information – leaving us with more administration in order to puzzle it all together.

The proportion of responses is not as high as planned, currently at 47%.

More details in our due diligence assessment related to the Transparency Act can be found on our web page.

Based on the findings last year, several important suppliers have been visited by several different ScaleAQ representatives and relevant topics from the Questionnaire and findings have been discussed and documented.

To manage a sustainable supply chain and ensure supplier compliance, all suppliers and any subcontractors shall comply with the business ethics as stated in the Code of Conduct for suppliers. Our supplier contracts also include ESG responsibilities.

Risk management

Corporate risk management is an integrated part of our annual board and management reporting cycle.

Some findings from the Questionnaire to the suppliers

- ▶ Findings indicate an improved awareness and ability to respond to detailed questions.
- ▶ We find a certain reluctance to involve many people to be able to calculate, document and present measurement of environmental metrics. Many companies still do not have the structure in place for such measuring.
- ▶ Improved documentation of company policies related to anti-corruption, child labour and social principles.
- ▶ Improved targets and details related to emissions and environmental initiatives, but 38% of respondents still have no emission reduction targets
- ▶ 24% of respondents sell products where more than 80% of the products are recycled
- ▶ 30% of respondents still do not have a designated responsible for environmental strategy in place.
- ▶ 55% of respondents do not require its suppliers to measure and report emissions

The purpose is to identify, document and handle business critical risk and opportunity areas. For 2023 and moving into 2024 the following topics are highlighted:

- ▶ Climate impact and our ability to adapt is on our and on our customer's agenda (see also Chapter on climate-related risks). Rising sea temperature potentially changes farming production locations and form.
 - › Findings from our climate risk assessment are therefore translated into innovation and product development to counter those effects.
- ▶ Poor biology and animal welfare in more general terms challenge the potential for growth in the industry. In combination with increased focus and push, from both customers and 3. parties/stakeholders on these topics, this creates a reputational and business risk.
 - › This is at the core of our newly sat vision and strategy and the main purpose of our being as the company that will "shape a safe and sustainable aquaculture". Supported by a strong knowledge and understanding of our customer main challenges such as animal welfare, lice and disease management, we have increased and accelerated our commitment to innovation for better solutions to match these problems and therefore launched in our portefolio, solutions such as submerged and Vortex® systems.
- ▶ Disruptive technologies/environments and/or business models creates new opportunities.
 - › New solutions mean a shift in the overall technical risk picture that we meet by increased quality control of our product development processes and overall quality control of our deliveries. In addition, new business models require a different approach to cooperation and a will to invest that we address in our strategy work.
- ▶ Changes to the overall legal framework and operating conditions lay our client's foundations for willingness/ability to invest and hence our room for maneuver.

- › These moments mean we as a company (and business overall) need a higher degree of agility and a clear understanding of the competence and skills diversity needed moving forward. More and other types of competency and skills are required – to identify which and to close that gap remains a priority.
- ▶ Geopolitical risks that can impact on production sites and general input factors.
 - › We are constantly assessing our global value-chain for opportunities and threats to our input factors and our ability to deliver timely and within our code of conduct.

Way forward

We will 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.

Climate-related risks

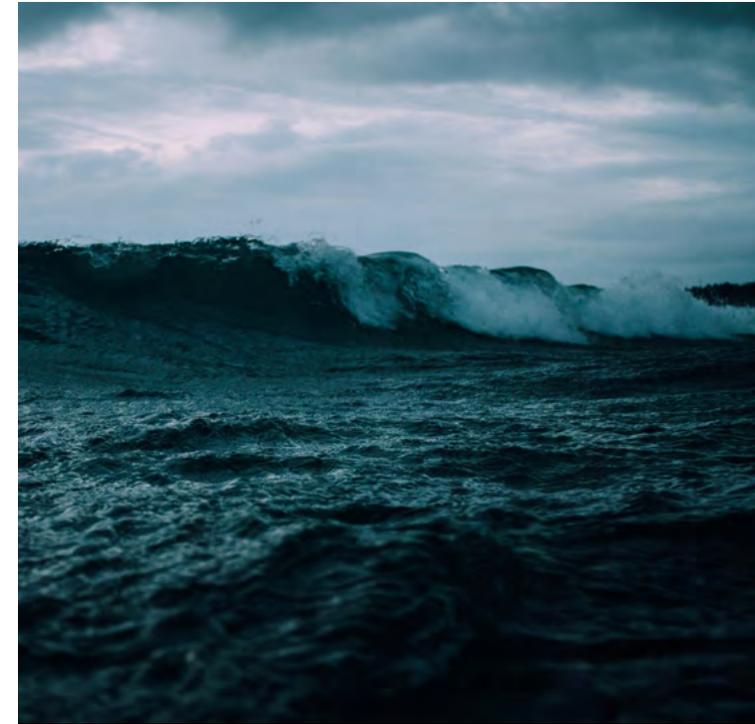
The effects of climate change can be seen all around the world, ranging from rising sea levels and ocean acidification to more extreme droughts and heatwaves¹⁶. The most significant of these effects are yet to emerge, as the frequency and intensity of extreme weather events are projected to increase as the climate continues changing¹⁷. The risks climate change pose for ScaleAQ will vary, as the timing and magnitude of climate change driven events are uncertain. We have therefore conducted a mapping and assessment of climate-related risks as a part of our sustainability work, to ensure that climate-related risks and opportunities are eventually included in our overall risk management.

To ensure our compliance with the EU Corporate Sustainability Reporting Directive (CSRD), the mapping and assessment of climate-related risks has been done in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures) framework. This report is not yet in line with TCFD methodology, but it is an important part of our work towards becoming TCFD compliant. It also works to increase our understanding of the climate-related risks we are facing and what actions we can take to adapt to and mitigate these risks.

The TCFD Framework

The Task Force on Climate-related Financial Disclosures (TCFD) was created to identify which information companies should disclose in order to help investors, lenders and insurance underwriters properly assess and price risks and opportunities¹⁸. The TCFD framework consists of recommended disclosures structured around the four thematic areas Governance, Strategy, Risk Management, and Metrics and Targets. These recommended disclosures include the description of climate-related risks and their impact on business, strategy, and financial planning.

The TCFD framework categorizes climate-related risks as either transition risks or physical risks¹⁹. Transition risks consist of reputation risk, market risk, technology risk, and policy and legal risk. These risks are a result of the transition to a lower-carbon economy, including mitigation and adaptation requirements. The physical risks regard the impact of changes in climate patterns due to climate change and consist of acute risk and chronic risk.



The risk assessment aims to estimate the financial and reputational implications of the transition risks and physical risks. These risks can affect us either directly, by causing harm to our employees and infrastructure, or indirectly, by causing changes or disruptions in the operations of our suppliers and customers. In accordance with the CSRD and the TCFD framework, we have used two existing scenarios to compare the potential implications of these risks under different future states.

A summary of the main impacts in each of the scenarios is given below. The scenarios are developed by the Intergovernmental Panel on Climate Change (IPCC) and are based on different emission pathways and correlated temperature projections²⁰. The IPCC's five scenarios, or

¹⁶ European Commission: Consequences of climate change (europa.eu)

¹⁷ NASA: Extreme Weather | Facts – Climate Change: Vital Signs of the Planet (nasa.gov)

¹⁸ Task Force on Climate-related Financial Disclosures (fsb-tcfd.org)

¹⁹ Recommendations of the Task Force on Climate-related Financial Disclosures. Pg. 5

²⁰ IPCC, 2021: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, 2391 pp. doi:10.1017/9781009157896.



pathways, differ in how quickly we are able to curb greenhouse gas emissions. Two scenarios are chosen to assess two significantly different pathways; one where measures are put in place to limit global warming (SSP1-1.9) and one where the environmental destruction and GHG emissions keep increasing (SSP3-7.0)²¹.

Methodology

The mapping of climate-related risks is done for our own operations, our suppliers and customers. This is to ensure that risks occurring in different parts of our value chain are not overlooked. Once the risks are mapped, they are evaluated based on likelihood and impact to identify the most critical risks. As there are geographical and regulatory differences in different parts of the world, the risks are mapped and evaluated for each country where ScaleAQ operates, as well as for key supplier countries, using publicly available sources.

New regulations are both a risk and an opportunity in a lower emission scenario

The first scenario we are considering, is one where the Paris Agreement goal of limiting the global temperature increase to 1.5° is reached (SSP1-1.9). The GHG emission level is comparatively low, reaching net-zero around 2050. This accomplishment is a result of a gradual global shift towards sustainability, increased efforts to even out social and economic inequalities, investments in education and health, and consumption with low material growth, resource intensity and energy intensity²².

To accomplish the net zero emissions by 2050 and reach the goal of the Paris agreement, **new regulations** and

changes to existing regulations are needed to constrain actions that negatively affect the climate²³. These regulations may include company reporting, increasing emissions taxes, emission efficiency requirements, circular economy requirements regarding products, credit requirements to fund products that make sustainable contributions, and so on.

There are currently 137 countries in the world that have committed to carbon neutrality²⁴. This includes most of the countries we operate in. These regulations, whether anticipated or not, present a risk to us, as adhering to them will demand considerable time and resources. The timing and nature of the regulations vary from region to region, and the risk picture therefore varies for each of our production areas.

In addition to increase the need for sustainability-oriented regulations, an increased focus on sustainability means that more resources will be put into developing **lower-emission technology**. We recognize that our customers and suppliers will be increasingly interested in reducing the emissions in their own value chains, and that our success depends on our continuous ability to provide the technology, products, and services that are needed by our stakeholders to reduce harmful climate emissions and environmental footprints.

At ScaleAQ, we consider the coming sustainability regulations and focus on lower-emission technology as an opportunity to continue developing solutions that reduce the climate and environmental footprint of the aquaculture sector. This is in line with our commitment to keeping our work with sustainability a high priority.

²¹ IPCC: Summary for Policymakers

²² Explainer: How 'Shared Socioeconomic Pathways' explore future climate change - Carbon Brief

²³ E06 - Climate related risks and opportunities.pdf (tcfhub.org)

²⁴ Race to Net Zero: Carbon Neutral Goals by Country (visualcapitalist.com)



Higher resource productivity may also become a part of the decarbonization strategy for reaching the Paris agreement goal²⁵. This means that the overall consumption of material inputs will have to be reduced, and we may experience changes in both availability and cost of the raw materials used in our products. This poses a risk to our operations, as it may affect delivery times and margins on fixed price contracts with customers. We are viewing the potential increased focus on resource productivity as an opportunity for us to increase our **circularity**. This will have the added benefits of reducing the amount of waste from the aquaculture industry and reducing our climate emissions.

Not all risks in the lower emission scenario are related to sustainability regulations. Among other things, we are aware of the increased focus on animal welfare, employee safety, ecosystem preservation, biological diversity, and so

on. We will continue our work to improve the health and safety conditions for our employees, as well as develop our technology to better animal welfare and protect biological diversity and ecosystems.

Physical changes wreak havoc in a higher emission scenario

In the SSP3-7.0 scenario, we consider a world with high GHG emissions, roughly double the current levels by 2100. The temperature increase is projected to reach 2.1°C by mid-century, before continuing to increase to 3.6°C by

the end of the century. This is caused by a flourishing of nationalism and regional conflicts, drawing attention away from global cooperation.

As the global temperature increases, we will experience increased precipitation in many of the areas we are operating in²⁶. This increases the risk of **flooding**, and the subsequent damage to infrastructure, delays in production, and dangers for employees. Our assessment of climate-related risks is an important step in identifying areas exposed to these risks and implementing risk reducing measures. The rise in global temperature also leads to **sea-level rise**²⁷. Even in a large-net-negative emissions scenario, the course of global mean sea level would take several centuries to millennia to reverse²⁸. It is therefore virtually certain, in both emission scenarios, that the global mean sea level will continue to rise throughout the century. Rising sea level may cause damage to infrastructure, delays in production, and dangers for employees. The amount of sea level rise is, however, dependent on the emission scenarios, and will therefore be more prominent in this scenario. The risk is most prominent at our locations close to the sea-level.

In addition to raising the global temperature, global warming also increases the occurrence of extreme weather events such as heat waves²⁹. The increased temperature poses a risk to our employees, as it can lead to, among other things, dehydration, heat strokes, and diseases³⁰. Other extreme weather events include **storms and strong winds**, which may increase both in occurrences and amplitudes. These events also pose a risk to our employees

²⁵ The Climate Change Impact of Material Use - Intereconomics

²⁶ IPCC. Climate Change 2021: The Physical Science Basis. Pg. 122-127

²⁷ Climate Change: Global Sea Level | NOAA Climate.gov

²⁸ IPCC. (2021). Climate Change 2021 The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change

²⁹ Klimaendringer (fn.no)

³⁰ Klimaendringer og helse - FHI

and our production, as they may lead to injuries among employees and damage to infrastructure.

Even if all human emissions were to stop today, it would still take a couple of decades before the Earth's temperature stopped rising³¹. The risk of **increasing water temperature** is therefore prominent in both scenarios. We recognize the risk this poses to our customers, as increasing water temperatures may increase the occurrence of sea lice and other parasites, as well as reduce animal welfare. This may also affect our own operations, and we must therefore adapt to the changes in our customer's needs by developing production technologies where the challenges with sea lice are reduced, and where the fish are kept at a submerged depth with lower, more even temperatures.

Risk-assessment of climate-change effects on salmon production at sea

The world's oceans are gradually warming, and ecosystems where salmon is produced are changing accordingly. The current production strategy in the sea phase, using surface based open net-pens, unavoidably exposes the fish to the prevailing temperature regimes at the sites. The production period from stocking smolts/post-smolts to harvesting at 4-6 kg size extends to more than a year in most cases, exposing most fish to maximum summer sea-temperatures at one point in their life. As almost all fish species, salmon body temperature is inevitably similar to temperature in their surrounding waters (they are ectotherms, or "cold blooded" animals). Temperature is the main regulating factor for growth and activity levels. This also means salmon have a "tolerance window" of temperatures they can cope with, as well as an optimum where growth potential is highest. When temperatures



get warmer than optimum (14-16 C for salmon), challenges arise with supplying the body with enough oxygen for energy generation, and this puts a strain on their circulatory system (gills, blood-vessels, heart) that results in cardiac failure and death in the most severe cases. In less severe conditions, reduced appetite and growth are observed. In addition, high water temperatures often coincide with reduced level of dissolved oxygen in the water, due to both lower physical solubility at higher temperatures and increased biological activity in the water-masses that consumes oxygen. Another factor increasing the challenges for the salmon, are poor gill health and suboptimal cardiac function, both conditions commonly observed in aquaculture. These factors may reduce the capacity to endure high temperatures. All these well documented facts, along with our commitment to understand and mitigate industry challenges through technology development, prompted us to develop a preliminary methodology and conduct a risk assessment of climate effects for salmon world-wide. On the scientific front, a lot

of work is being conducted to shed light on these issues, but often with a local or regional focus. We therefore aimed at a birds-eye view of our salmon producing world and conducted a simplified first attempt at a risk analysis, looking at current temperatures and projected changes using open publicly available data sources.

Methodology

We regionalized the salmon producing world and collected current baseline ocean surface temperature data, as well as short (2030-2040) and long (2050-2100) term projections for temperature change. We used the IPCC WGI Interactive Atlas³² to obtain baseline and projected ocean surface temperatures for all the main salmon producing regions. This resource combines prognoses from 24 predictive models to generate scenarios. For future projections, two SSP's as in the previous chapter were chosen to contrast an emissions reduction scenario (SSP1-2.6) with a more extreme continued emissions increase scenario (SSP3-7.0).

³¹ Can we slow or even reverse global warming? | NOAA Climate.gov

³² IPCC WGI Interactive Atlas

We based our evaluation conservatively on an extensive knowledge base on temperature tolerance levels and critical limits for salmon, and defined a simplified three level risk ladder, where:

- ▶ Low risk: Maximum summer surface temperatures likely lower than 16°C
- ▶ Medium risk: Maximum summer surface temperatures likely between 16° and 17°C
- ▶ High risk: Maximum summer surface temperatures likely higher than 17°C

The scale is a combination of scientific literature, applied knowledge based on e.g. growth models for salmon, and a generalization implying that all current models lack data and time resolution for picking-up extremes. In other words, the models are conservative with respect to days or weeks of extreme heat.

As seen from the figure, several regions are already in high-risk category today, while several more enter the high-risk category in the long term SSP1-2,6 (emissions reduction scenario) scenarios. For the short term SSP3-7,0 (continued emissions increase scenario) scenario (not shown), several regions enter a higher risk category. Only Iceland and Northern Norway maintain low risk category in most scenarios.

For Norway, location specific information on temperature (3-5 m depth) are weekly recorded and reported to government agencies and the public³³. This allowed for a more in-depth analysis, using the mean of the last 5 years (2018-2023) of data for each location, and choosing the average temperature of the warmest week of the year. Manual data curation for lack of adequate data removed

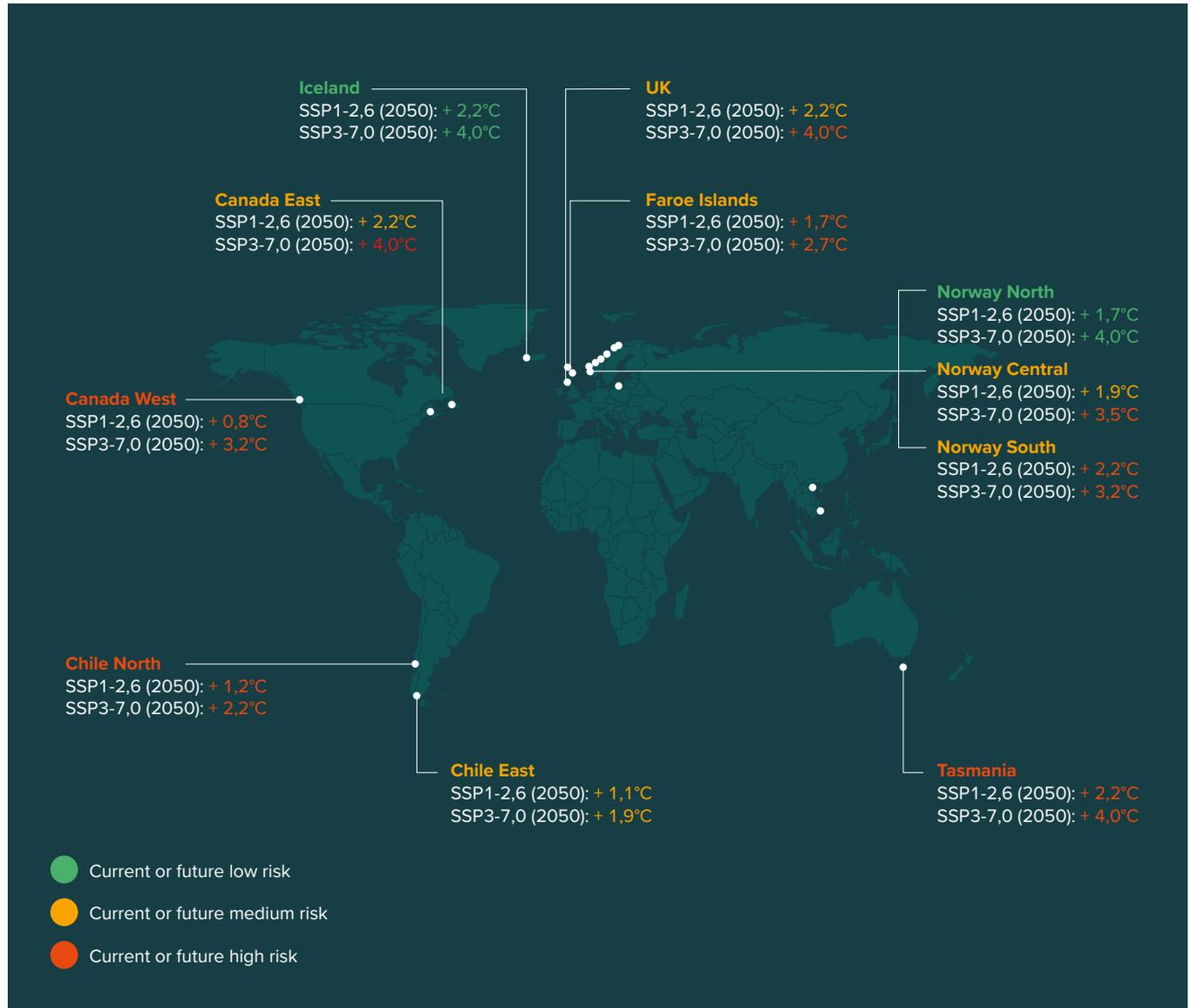


Figure: Risk assessment for salmon production at high summer temperatures in various world regions under current temperature regimes, and scenarios SSP1-2,6 (emissions reduction scenario) and SSP3-7,0 (continued emissions increase scenario) for 2050-2100. Numerical values indicate temperature increase from current average, coloration risk categories low, medium and high.

³³ Lusedata

Table: Percentage (%) of locations in Norway (n=906) in the three risk categories

Under current temperature conditions and two future scenarios (SSP1-2,6 - emissions reduction scenario and SSP3-7,0 - continued emissions increase scenario) for the time periods 2030-2040 and 2050-2100.

Scenario (%)	Low	Medium	High
Current risk (2018–2023)	75	14	11
SSP1-2,6-2040	63	17	20
SSP3-7,0-2040	58	16	26
SSP1-2,6-2100	56	17	27
SSP3-7,0-2100	21	24	55

10 sites from the dataset, leaving 906 locations for analysis. Adding the projected temperature increase of the two SSP's at the short and long term gave us a prognosis for future risk with geographical resolution equivalent to the 13 production zones (PO's) in Norway.

With our approach, we were able to quantify risk of direct temperature effects under current and future scenarios for ocean temperatures. This rather preliminary approach does not include the combined effects of increased temperature and low oxygen conditions, nor other biological effects such as algal blooms and mass occurrences of jellyfish. Both the latter are known to occur under rather specific environmental conditions not captured by general climate models, while the former lacks detailed worldwide

modelling³⁴. While several case-studies and modelling efforts address this, we are unable to fully utilize this in a general risk assessment at the present time. Nonetheless, we highlight the importance of including climate risk in future efforts to develop technical solutions³⁵ to mitigate temperature effects on world-wide and regional production potential for salmon.

Further work

Currently, our risk assessment has been conducted using a top-down approach. Moving forward, we are therefore planning to create a more location-specific assessment by conducting in-depth data collection, discussions and interviews with representatives from our different offices. To further supplement the risk assessment, we will also

implement nature-related risks into our risk assessment using the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

The mapping of climate-related and nature-related risks will work as a template for our continuous revision of the risk and opportunities we are facing. This will be used to create an action plan for ScaleAQ to seize opportunities and mitigate risks. This is in accordance with the CSRD and will ensure that sustainability and environmental issues are included in our overall risk management process.

We plan to continue our work with the other TCFD recommended disclosures, with the aim of making TCFD disclosure an integrated part of our annual reporting and ensuring transparency on our sustainability work.

³⁴ Living in a hypoxic world: A review of the impacts of hypoxia on aquaculture

³⁵ Insight into real-world complexities is required to enable effective response from the aquaculture sector to climate change | PLOS Climate

Key partnerships



Certifications



*ScaleAQ has been declared Global GAP compliant

World Economic Forum (WEF) matrix

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

WEF Metric: Governance

Theme	Metric	WEF Criteria	Reference
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.	This is ScaleAQ, 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.	Stakeholder engagement Materiality assessment
Ethical behaviour	Anti-corruption	<ol style="list-style-type: none"> 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; <ol style="list-style-type: none"> Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; Total number and nature of incidents of corruption confirmed during the current year, related to this year; Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption. 	Chapter: A transparent and compliant business
	Protected ethics advice and reporting mechanism	<p>A description of internal and external mechanisms for:</p> <ol style="list-style-type: none"> Seeking advice about ethical and lawful behaviour and organizational integrity; Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity. 	Chapter: A transparent and compliant business
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: Risk Management BoD report Annual accounts Materiality assessment

WEF Metric: Planet

Theme	Metric	WEF Criteria	Reference
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 ₂ e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Chapter: Reducing our climate emissions
	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.	TCFD is still not fully implemented. See chapter: Climate-related risks
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 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	<ol style="list-style-type: none"> 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. Report wherever material along the value chain, the valued societal impact of solid waste disposal, including plastics and other waste streams. 	Chapter: Circular economy

WEF Metric: People

Theme	Metric	WEF Criteria	Reference
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 (%)	<ol style="list-style-type: none"> Ratios of standard entry level wage by gender compared to local minimum wage. 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: A transparent and compliant business
Health and well-being	Health and safety (%)	<ol style="list-style-type: none"> 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. 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 (#,\$)	<ol style="list-style-type: none"> 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). 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

WEF Metric: Prosperity

Theme	Metric	WEF Criteria	Reference
Employment and wealth creation	Absolute number and rate of employment	<ol style="list-style-type: none"> Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. 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	<ol style="list-style-type: none"> 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: <ul style="list-style-type: none"> revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government, and community investment. 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 accounts
	Financial investment contribution	<ol style="list-style-type: none"> Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company’s investment strategy. Share buybacks plus dividend payments, supported by narrative to describe the company’s strategy for returns of capital to shareholders. 	BoD Report Annual accounts
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 accounts
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 accounts

03

Board and management

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Board of directors



Torgeir Johan Svae

Chair of the Board of Directors

Torgeir Svae is Investment Director at Kverva responsible for the seafood portfolio. Svae holds several director positions within aquaculture and seafood. He is the former CEO of OS ID AS. Svae has extensive global experience from finance and investments through different leading positions, and holds an MSc in Industrial Economics and Tech management from NTNU.



Geir Furberg

Member of the Board

Geir Furberg is special advisor in ScaleAQ. 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.



Mads Andersen

Member of the Board

Mads Andersen is an oilfield service industry veteran who started his career as international field engineer in Schlumberger (SLB) in 1989. He has held executive positions since 2002 in AkerSolutions, Cameron International and One-Subsea, now part of SLB and has been the CEO of Aibel ASA since 2017. Andersen holds a degree in engineering from the University of Glasgow and an associate degree from the Norwegian School of Management.

Board of directors



Morten Kristoffer Nordstad

Member of the Board

Morten Nordstad is an industry consultant working with technology development for aquaculture. Previously CEO of PHARMAQ and member of the International Executive Leadership Team of Zoetis. He has extensive international experience from establishing and operating commercial activities in over 20 countries, providing fish vaccines to 7 species. Before becoming CEO of PHARMAQ he was Vice President Manufacturing and Facility Design, overseeing fish health product production in Norway, The US, Germany, and France.



Tor Jakob Ramsøy

Member of the Board

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.



Trine Lotherington Danielsen

Member of the Board

Trine Danielsen is the CEO of Stim 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.

Management

Group level

Svein Vestermo

*Interim CEO and
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 &
Strategy 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



Lucie K. Eidem

*Chief HR and
Communication Officer*

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



Hanne Digre

*Chief Sustainability
Officer*

- ▶ Broad experience from various positions within the fisheries and aquaculture sector for more than 25 years, research, development and project management
- ▶ PhD Biotechnology / Aquaculture from NTNU
- ▶ Joined ScaleAQ in 2020



Management

Business areas

SCALE AQ
Seabased



Audun S. Fjeldvær

- ▶ 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

SCALE AQ
Software



Jon Arild Tørresdal

- ▶ Extensive practical and theoretical understanding of Agile software development, Cloud and DevOps
- ▶ Led the cloud platform initiatives at Sparebanken Vest, and Former Chief Software Architect at Frende Forsikring
- ▶ Bachelor in Computer Science from University of Technology Sydney and University of Bergen.
- ▶ Joined ScaleAQ in 2021

SCALE AQ
Chile



Carlos Arenas

- ▶ Strong background in technology and innovation
- ▶ Wide experience in the aquaculture in Chile collaborating to enhance production processes
- ▶ Extended experience in sales, introducing Norwegian technology in Chile
- ▶ Civil Engineer in Information Technology
- ▶ Joined ScaleAQ in 2006

 **Moen Marin**
A PART OF SCALEAQ



Terje Andreassen

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

MASKON
PART OF SCALEAQ



Jon Anders Leikvoll

- ▶ Central driver of innovation and development of Maskon products to the aquaculture industry for the last 15 years
- ▶ Extensive experience with automation, robotization and development
- ▶ CEO of Maskon since the beginning of the year 2000

Report of the Board of directors

In 2023, Scale Aquaculture Group (ScaleAQ) fired on all cylinders harvesting from the growth investments made in previous years, combined with a distinct focus on margins and cost control. The company achieved all time high operating income at NOK 3.318 million with a corresponding operating profit of NOK 145 million. This represents an increase in operating income and -profit of 22 % and 73 % respectively. Record high backlog of project orders at NOK 2.272 million at year-end, up from NOK 1.857 mill in 2022, provides a strong momentum into 2024. Despite entering 2023 with an unusual high level of uncertainty in the industry, the Group's performance is a direct result of positioning the Group as the preferred technology partner for its key customers in the global fish farming industry.



One of the key highlights in 2023 was the broadening of the Group's offering through the acquisition of Maskon, the global leader of automatized vaccination machines. Further, the launch of new operational technologies for fish farming at sea, and the initiation of SirkAQ, the Green platform project aiming to establish a circular supply chain for our products based on plastics, are other initiatives and activities proofing ScaleAQ passion for the industry and willingness to go beyond.

At the start of 2023, we launched a new organizational setup and introduced five strong divisions. The overall purpose was to strengthen our position as a world-leading supplier to the international aquaculture industry by moving even closer to our valued customers and to emphasize

operational focus. In our organization, the customers come first, and the structure is tuned to be able to offer better service and to align ScaleAQ to better understand our customers' needs. The individual customer centric division also benefits from sharing of world-class competences including sustainability, finance, marketing, business development, HSE, IT and HR in the Group. Building teams and culture based on one strong ScaleAQ and our shared values are a key strategic priority for the board.

Business and strategy

ScaleAQ offers a complete value chain of services, products and technology to the international aquaculture industry through five strong divisions: Seabased Norway, Seabased Chile, Software, Moen Marin and Maskon. The

challenges facing the industry has been accelerated in 2023. Sea lice, general fish health issues, raw material inflation and implicitly record high production costs, are challenges our customer face everyday. We believe technology will be the solution. More technology increases complexity. We see ourselves as a partner to the fish farmer and have products and solutions that support their business through the value chain from roe to the fish is ready for slaughter.

ScaleAQ has been supporting the industry for decades and will continue to do so even more going forward. We have unique experience, competence and insight into today's and tomorrow's technology. We understand customer needs and will take care of the technology so farmers can focus on what they are best at – biology. One of ScaleAQ's unique strength is its 900 dedicated and passionate employees that goes to work early everyday to build a strong aquaculture industry across the world.

To build ScaleAQ for the future, we have started a long-term strategy revision for the Group. We are proud of our position and appreciate the valuable customer feedback we receive. We have therefore allowed ourselves to set ambitious targets towards 2030. The market opportunities we see, indicate we should be able to more than double the topline and generate industry leading returns that will put us in a position to become the de facto industry leader in aquaculture technology. Our mission is to ensure that our customers have license to operate and succeed in making healthy and premium quality fish in an efficient and sustainable manner.

We strive to make sure that our products exceed our customers' expectations through extensive engineering and testing. Understanding and focus on customer needs imply continuous improvement of existing technology and development of new innovative products and solutions. We work hard every day to contribute to solving the

industry's major challenges including animal welfare, lower environmental footprint and more efficient operations in close cooperation with the fish farmer and other partners.

Our flagship project – SirkAQ aims to significantly change key value chains from linear to circular, offering a great potential to create an even more sustainable aquaculture industry. The project is funded through the Green platform program and has achieved important results in 2023, including reuse of equipment, life extension and the use of recycled material in new products such as feeding pipes and pen hand rails. Obviously, there is a greater potential including using recycled material in bearing constructions for pens, which will result in a fully circular value chain. SirkAQ, represents a major step forward for sustainability in the aquaculture technology industry.

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 income of NOK 3,318 million in 2023, compared to NOK 2,720 million in 2022. This represents an increase of 22 per cent. The increase is to some extent an effect of the acquisition of Maskon AS, which is included in the 2023 accounts with NOK 142 mill in operating income.

The Group had payroll costs of NOK 503 million in 2022, compared with NOK 394 million in 2022. The increase was mainly a result of higher activity including

the acquisition of Maskon. Overall, payroll costs relative to operating income increased; from 14.5 % to 15.2 %. The number of full-time equivalents (FTEs) in the Group increased by 3.2 per cent in 2023, from 854 FTEs at the close of 2022 to 881 FTEs at the close of 2023.

The Group had other operating expenses of NOK 232 million in 2023 compared to NOK 207 million in 2022. As for payroll costs the main driver was higher activity. The Group realized lower other operating expenses relative to operating income, from 7.6 % in 2022 to 7.0 % in 2023.

The Group made an operating profit of NOK 145 million in 2023 compared to NOK 84 million in 2022. First and foremost, driven by a strong performance in the Fish Farming Technology segment, increasing operating profit with NOK 103 million from 2022. The increase was attributable to higher operating income and lower share of cost of goods sold. The increase is to some extent an effect of the acquisition of Maskon AS, which is included in the 2023 accounts with NOK 37 million in operating profit. Final settlement of a project in Aquaoptima AS delivered prior to 2023 had a significant negative impact on the operating profit in 2023.

In 2023, net financial items amounted to NOK 84 million, a significant increase from NOK 11 million in 2022. This increase primarily stemmed from heightened interest expenses, driven by elevated interest rates, adverse value fluctuations in financial instruments and lower currency gains.

Specifically, total interest expenses surged from NOK 50 million in 2022 to NOK 100 million in 2023. This notable escalation is predominantly attributed to the rise in interest rates, exemplified by the nearly twofold increase in average NIBOR levels from 2.2 to 4.3. Meanwhile, NIBD was reduced from NOK 886 million in 2022 to NOK 786 million in 2023.

In 2023, fair value changes in financial instruments resulted in a net financial expense of NOK 20 million, contrasting with a gain of NOK 7 million in 2022. Net currency gains totaled NOK 3 million in 2023, in contrast to a gain of NOK 11 million in 2022.

The Group's profit before tax in 2023 totaled NOK 61 million, down from NOK 73 million in 2022. A tax expense of NOK 18 million has been calculated for 2023, up from NOK 8 million in 2022. The Group's net profit for the year totaled NOK 43 million in 2023, compared to NOK 66 million in 2022.

Consolidated Statement of Cash Flows

In 2023, the Group had positive cash flow from operating activities of NOK 319 million, which was a significant improvement from 2022, where the Group had a negative cash flow of NOK -73 million. Operating profit before depreciations and amortizations (EBITDA) ended at NOK 295 million. Higher realized cash flow from operations than reported EBITDA is mainly related to decreased working capital, driven among other things by lowering of operational working capital in the Vessel segment in 2023.

Cash flow from investing activities was minus NOK 409 million in 2023, compared to NOK 18 million in 2022. Acquisition of the shares in Maskon AS in 2023 and the divestment of the shares in Aqualine Eiendom AS in 2022 explains a major part of the change from positive to negative cash flow from investing activities.

Net cash flow from financing activities totaled NOK 293 million in 2023, compared to minus NOK 11 million in 2022. Increase in non-current borrowings and capital increase together with reduced bank overdraft explains the change. In total, this results in a positive cash flow for 2023 of NOK 203 million, which increased ScaleAQ's

cash and cash equivalents to NOK 255 million as of 31 December 2023.

Consolidated Statement of Financial Position

As of 31 December 2023, ScaleAQ had a total balance of NOK 3.959 million, an increase of NOK 797 million since the close of 2022. The total booked equity at 31 December 2023 was NOK 1.594 an increase of NOK 258 million, leaving a healthy equity ratio of 40.3 per cent.

At the close of the year, the value of the Group capitalized intangible assets stood at NOK 1.520 million.

The book value of the Group's property, plant and equipment was NOK 168 million on 31 December 2023, up from NOK 145 million at year end 2022.

The right of use assets was NOK 239 million at the end of 2023, up from NOK 238 million in 2022. The lease liability has increased from NOK 250 million to NOK 256 million.

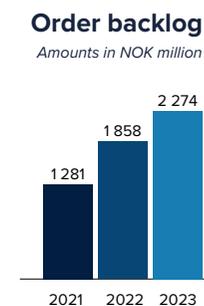
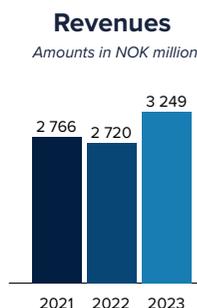
The total net interest bearing debt decreased from NOK 886 million to NOK 786 million.

Other assets and liabilities have increased mainly as a result of increased activity. Current assets increased from NOK 1.517 to NOK 1.820 million, and current liabilities have increased from NOK 1.059 million to NOK 1.279 million. The increase in other liabilities is mainly a result of a decrease in operating working capital.

The Parent Company

Income Statement

Other operating expenses of NOK 60 million in 2023, which was an increase from NOK 12 million in 2022. The increase is explained by the new organizational model, moving the Group functions to the parent company, of



which NOK 21.4 is recharged to other Group companies through management fee in operating revenue. Net finance items of NOK -39 million in 2023 against -12 million in 2022, show an increase in net finance cost of NOK 6.6 million. The increase is mainly due to a NOK 60 million decrease in Group contribution from companies outside the ScaleAQ Group; offset by a NOK 14.5 net increase in interest income and a NOK 18.7 million lower write-down of subsidiaries. As a result of the changes above, net loss after tax increased from NOK 21 million in 2022 to NOK 72 million in 2023.

Statement of Cash Flows

The company achieved a negative cash flow from operating activities of NOK -1.7 million in 2023. In the same period the company made a negative operating profit of NOK 38.8 million. The differences are related to higher provisions of operating items compared to 2022. Net negative cash flow from investment activities of NOK -185.5 million is mainly related to the acquisition of Skala Maskon of NOK 191.4 million (net); offset by the proceeds from the sale of other minor investments. The net positive cash flow from financing activities in 2023 was mainly driven by a capital increase of NOK 163.1 million and a new term loan of NOK 212 million related to the acquisition of Skala Maskon; offset by repayments of borrowings of NOK -50 million and changes in intercompany balances of net NOK -227.3 million. In total, this results in a positive cash flow for 2023 of NOK 8 million.

Statement of Financial Position

As of 31 December 2023, the company had a total balance of NOK 2.413 million, an increase of NOK 378 million since the close of 2022. The total booked equity at 31 December 2023 was NOK 1.271 million, an increase of NOK 92 million, leaving an equity ratio of 53 per cent. The increase in equity is due to a NOK 163 million capital emission as a part of financing the acquisition of Skala Maskon, which was partly offset by net profit after tax of NOK - 72 million.

Allocation of net profit and dividends

Scale Aquaculture Group AS made a loss for the year of NOK 72 million for the year ending 31 December 2023, which is proposed covered with other equity. The Board of Directors proposes not to pay any dividends for 2023.

Reporting Segments

Vessels

In 2023, the segment Vessels recorded operating revenues of NOK 641 million, an increase of NOK 63 million (17 per cent). The growth was partly based on a good starting point, entering 2023 with a significant order backlog and continued strong sales throughout the year. High market interest in hybrid solutions (diesel/electric) and a shift towards larger boats, were the main drivers for the achieved growth.

Operating profit (EBIT) for 2023 was NOK 29 million, a decrease of NOK 12 million compared to 2022 resulting in an EBIT margin of 4.5 per cent down from 7.5 per cent in 2023. The decrease in profitability is mostly due to reduced gross margin due to mix effect and increased number of FTEs to be able to meet future demand and deliver on a significant increased order backlog.

Fish Farming Technology

The segment Fish Farming Technology had total operating revenues of NOK 2.677 million in 2023 up from NOK 2.172 million in 2022. Higher revenues in Norway and Canada, compensate for lower activity in UK and Iceland. In Norway, revenues increased year over year on most product groups, especially revenues from Barge and feeding systems, camera, and service. Acquisition of Maskon contributed positively.

EBIT for 2023 was NOK 158 mill, NOK 103 mill higher than in 2022. Higher revenues and better achieved margins due to product mix combined with the absence of some

significant non-recurring effects recorded in 2022 were the main reasons for the increase in operating performance. Final settlement related to a project in Aquaoptima AS had a significant negative impact on the operating profit in 2023.

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 priority for the board and a key function of the management team. The Board has given the CEO the 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 organization as part of day-to-day operations and reported to the Board on a regular basis.

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 cyclicity. 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 out in time

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. The overall situation has improved during 2023, both in terms of availability and cost of goods stabilizing on a high level.

Risks are being carefully monitored and managed through general and continual awareness and specific attention during major contract negotiation. The Group seeks to fix 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, the Group target to include contractual rights to pass on cost price inflation driven by pandemic, war and other non-ordinary situations to the customers.

The Group is also exposed to changes in demand driven by the overall economic climate for the fish farmers. Changes in market prices for the farmed fish, increased production costs and changes in taxation, are examples of drivers that directly 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. The initial proposal was somewhat adjusted but approved by the parliament (No. Stortinget) in June 2023. The mid- and long-term effects remain to be seen. Thus, management closely monitor investment levels in the fish farming industry.

ScaleAQ is exposed to various risks related to environment and climate. These are further explained in the company's 2023 Sustainability report, see [page 56](#).

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 rate 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.

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. For larger contracts in the Group's non-functional currency where no natural hedge can be achieved, hedging arrangements are being established in order to safeguard contracted margins.

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

The Group is focused on constant development at all levels of the organization and is continuously optimizing its current and existing product portfolio. In addition, the Group runs targeted development programs for products based on existing solutions and long-term projects to bring new concepts to the aquaculture industry.

It is the Board of Directors view that the aquaculture industry is set for strong growth the coming years, which also is substantiated by the recent years industry focus on new production methods, such as farming in more exposed areas (offshore), closed systems in sea and on land. The Company's R&D efforts are in particular focused on these areas. Lately, the company has launched new and innovative solutions for semi-closed pens (Vortex®) and submerged set-up based on the well renowned Midgard sea pen product family.

Corporate responsibility

ScaleAQ is required to report on its corporate responsibility and selected related issues under § 3-3a and § 3-3c of the Norwegian Accounting Act. Detailed reporting on all relevant topics can be found in the Sustainability report, which is included in this Annual Report on [page 21](#).

Equality and anti-discrimination

ScaleAQ is committed to providing equal opportunities for all employees in an inclusive work culture. The Group appreciates and recognizes 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 51](#) in this annual report.

Employees, health, and safety

At the end of 2023, the Group had the equivalent of 881 full time employments (934 employees) in Norway, Chile, Vietnam, Canada, Oceania, UK, Poland and Iceland, of which 17% are women.

During 2023, we have encountered a total of 38 recordable injuries in the Group, down from 51 in 2022. We see an overall positive trend in the number of recordable injuries (25% decrease from year 2022) and a decrease of more than 30% of the Group Total Recordable Injury Frequency from 34 in 2022 to 22 in 2023. Raised awareness in general, closer follow-up of incidents root-causes and specific measures around workplace safety, have all contributed to that. The injury figures remain high and above targets, where our long-term ambition is to reduce

Total Recordable Injury Frequency to 5 or lower. We are constantly working on understanding the underlying drivers and de-risking our work environment. That being said, we anticipate it will be challenging to achieve our stretched target by 2025 measured as per number of incidents, but severity of type of incident will come down.

Overall, ScaleAQ has a relatively low rate of sick leave. We are constantly working and will prioritize to achieve reduced level by attacking the route cause in the departments where our ambitions are not met. As an example, we offer physical adaptation and training in departments with sickness absence. The goal is to reduce sickness absence Norway to 3.5% by the end of 2025.

A detailed overview of employment statistics, gender balance, age distribution, and health and safety are included in the 2023 Sustainability Report.

Shares and shareholders

As at the end of 2023, Scale Aquaculture Group AS has 15.084.122 shares outstanding at NOK 2 nominal value per share. The shares are held by Kve-en AS, Frøyaringen AS and Board of Directors, holding 13.404.654, 1.501.081 and 178.387 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. One of the board members is a woman.

The Board of Directors of the company comprises the following members: Torgeir Svae, Chair (elected for the term of two years, Tor Jakob Ramsøy (two years), Trine Lotherington Danielsen (two years), Morten Nordstad (two years), Mads Andersen (two years) and Geir Furberg (two years).

The management team consists of Svein Vestermo (Interim Chief Executive Officer and Group CFO), CSO Hanne Digre, CCO & Strategy Nina Olufsen, and HR and Communication Director Lucie Katrine Eidem. In addition, Group Division Managers are included in the extended management team.

The Board of Directors and full management are presented on [page 68–71](#) 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

The demand for healthy food with as low as possible CO₂ footprint is strong and expected to remain stronger in the coming decades. This bodes well for the aquaculture industry in general and for the fish farming industry in particular. In order to meet this demand, key challenges for the industry primarily related to animal welfare need to be solved, which call for new technologies and operational solutions.

ScaleAQ is well positioned to develop new solutions needed and to play an important role by shaping the future of sustainable aquaculture. ScaleAQ is aiming to stimulate growth in the sector and optimize the production methods on the premises of animal welfare and biology.

Boasting a global team, we are well-positioned to make a significant impact on the aquaculture industry and its future.

Consequently, the demand for the Group's products is expected to remain high and increasing over time. Its products and solutions are well known and sought after by some of the most demanding customers in this industry. ScaleAQ is also working closely with its customers to develop tomorrow's solutions. This places ScaleAQ in a good position to grow with its customers, and to capture market shares.

In the short-term perspective, a record high order backlog entering 2024 is expected to form a solid basis for growth in terms of both revenue and operating results.

Furthermore, new operational concepts including Vortex® and Subsea are expected to have a positive impact on the financials for 2024.

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 2023 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.

Trondheim, April 29, 2024

The Board of Directors and CEO of Scale Aquaculture Group AS



Torgeir Johan Svae
Chair of the Board



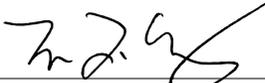
Geir Furberg
Member of the Board



Mads Andersen
Member of the Board



Morten Kristoffer Nordstad
Member of the Board



Tor Jakob Ramsøy
Member of the Board



Trine Lotherington Danielsen
Member of the Board



Svein Vestermo
Interim CEO

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Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December

<i>Amounts in NOK '000</i>	<i>Notes</i>	Year ended 31 December 2023	Year ended 31 December 2022
Revenue	27	3 248 962	2 654 309
Other operating income		69 333	65 544
Operating income	6, 12	3 318 294	2 719 853
Cost of materials	12, 17	2 287 133	1 913 168
Salaries and personnel cost	8	503 365	394 381
Depreciation and amortisation	7, 13, 14, 15	138 142	116 168
Impairment losses	7, 15	12 009	4 884
Other operating expenses	9, 12, 27	232 327	207 214
Operating expenses		3 172 974	2 635 814
Operating profit (loss)		145 320	84 038
Finance income	10, 27	76 726	82 616
Finance expense	10, 27	160 787	93 212
Profit (loss) before tax		61 259	73 442
Income tax expense	11	17 802	7 650
Profit (loss) for the year		43 457	65 792
Other comprehensive income for the year			
Items that may be reclassified subsequently through profit or loss:			
Foreign currency translation		776	8 071
Other comprehensive income for the year, net of tax		776	8 071
Total comprehensive income for the year		44 232	73 863
Profit (loss) for the year attributable to:			
– Owners of the parent company		39 553	65 832
– Non-controlling interest		3 903	-40
Total comprehensive income attributable to:			
– Owners of the parent company		776	8 071
– Non-controlling interest		0	0

Consolidated statement of financial position

as at 31 December

<i>Amounts in NOK '000</i>	<i>Notes</i>	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Goodwill	13	912 036	690 757
Other intangible assets	14	505 422	371 346
Deferred tax assets	11	102 216	104 457
Total intangible assets		1 519 675	1 166 560
Property, plant and equipment	15	167 735	145 014
Right-of-use assets	7	239 126	238 392
Non-current financial assets	12, 16, 21, 27	212 324	94 456
Total tangible assets		619 185	477 862
Total non-current assets		2 138 860	1 644 422
Current assets			
Inventories	17	790 813	812 938
Contract assets	6, 28	59 985	123 668
Trade receivables	12, 18, 21	496 333	435 408
Other current receivables	12, 21	217 344	91 906
Cash and cash equivalents	19, 21	255 246	53 084
Total current assets		1 819 721	1 517 005
Total assets		3 958 581	3 161 427

Amounts in NOK '000	Notes	31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
Equity			
Share capital	20	30 168	27 723
Share premium		1 375 732	1 215 087
Currency translation reserve		9 878	9 102
Retained earnings		134 209	84 064
Non-controlling interest		44 439	0
Total equity		1 594 426	1 335 975
Liabilities			
Non-current liabilities			
Borrowings	21, 22, 23, 27	832 368	549 893
Deferred tax liabilities	11	35 422	1 306
Lease liability	7, 21	217 411	214 657
Other non-current liabilities	12	120	120
Total non-current liabilities		1 085 321	765 976

Amounts in NOK '000	Notes	31 December 2023	31 December 2022
Current liabilities			
Borrowings	21, 22, 23	151 254	217 933
Provisions	26	59 443	43 313
Contract liabilities	6, 28	191 130	175 758
Trade payables	12, 21, 25	182 417	268 697
Income tax payable	11	13 121	11 291
Lease liability	7, 21	38 445	35 197
Other current liabilities	12, 21, 25, 28	643 022	307 287
Total current liabilities		1 278 833	1 059 476
Total liabilities		2 364 154	1 825 452
Total equity and liabilities		3 958 581	3 161 427

Trondheim, April 29, 2024

The Board of Directors and CEO of Scale Aquaculture Group AS



Torgeir Johan Svae
Chair of the Board



Geir Furberg
Member of the Board



Mads Andersen
Member of the Board



Morten Kristoffer Nordstad
Member of the Board



Tor Jakob Ramsøy
Member of the Board



Trine Lotherington Danielsen
Member of the Board



Svein Vestermo
Interim CEO

Consolidated statement of cash flows

for the year ended 31 December

<i>Amounts in NOK '000</i>	<i>Notes</i>	Year Ended 31 December 2023	Year Ended 31 December 2022
Cash flows from operating activities			
Profit/(loss) before tax		61 259	73 442
Income tax paid	11	-698	-2 883
Gain (loss) from sale of assets	15	-1 058	-21 922
Share in earnings from associated companies	16	-2 013	0
Net interest expense	10, 27	100 003	49 746
Interest received	10, 27	-30 925	-19 872
Depreciation and amortisation	7,13,14,15	138 142	116 168
Impairment losses	7	12 009	4 884
Change in inventories	17	22 125	-176 702
Change in trade receivables	18	-60 925	-43 941
Change in trade payables	25	-86 280	56 532
Change in contract assets and contract liabilities	6, 28	79 055	-12 334
Change in other receivables and payables	18, 25, 26	88 390	-95 725
Net cash flow from operating activities		319 083	-72 607
Cash flow from investing activities			
Receipts from sale of property, plant and equipment	14, 15	3 108	108 744
Payments for property, plant and equipment	15	-50 924	-37 521
Payment for aquisition of subsidiaries, net of cash	5	-304 285	-2 129
Receipt from sale of intangible assets	14	0	-582
Payment for development of intangible assets	14	-52 882	-50 328
Change in non-current financial assets		-3 706	0
Net cash flow from investing activities		-408 689	18 184

<i>Amounts in NOK '000</i>	Notes	Year Ended 31 December 2023	Year Ended 31 December 2022
Cash flow from financing activities			
Receipts from borrowings	22, 23, 27	366 304	18 763
Repayment of borrowings	22, 23, 27	-84 823	-23 036
Change in bank overdraft and short-term borrowings	22, 23, 27	-66 678	103 862
Principal elements of lease payments	7	-40 187	-80 283
Issue of ordinary shares	20	163 090	0
Receipt from non-controlling interest		24 176	0
Interest paid	10, 27	-69 078	-29 874
Net cash flow from financing activities		292 804	-10 568
Net change in cash and cash equivalents	19	203 199	-64 991
Net foreign currency translation difference		-1 038	-818
Cash and cash equivalents as at 1 January		53 084	118 894
Bank deposits, cash and equivalents as at 31 December		255 245	53 084

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 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	0	0	0	0	65 832	65 832	-40	65 792
Other comprehensive income for the year, net of income tax	0	0	0	8 071	0	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	0	0	0
Group contribution	0	0	0	0	69 505	69 505	0	69 505
Equity effect divestment of non-controlling interest	0	0	0	0	0	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
Balance at 1 January 2023	27 723	1 215 087	0	9 102	84 064	1 335 975	0	1 335 977
Profit (loss) for the year	0	0	0	0	39 553	39 553	3 903	43 457
Other comprehensive income for the year, net of income tax	0	0	0	776	0	776	0	776
Total comprehensive income for the year	0	0	0	776	39 553	40 329	3 903	44 232
Issue of ordinary shares	2 445	160 645	0	0	0	163 090	0	163 090
Group contribution	0	0	0	0	10 593	10 593	0	10 593
Dividend paid	0	0	0	0	0	0	0	0
Equity effect of non-controlling interest	0	0	0	0	0	0	40 535	40 535
Balance at 31 December 2023	30 168	1 375 732	0	9 878	134 209	1 549 988	44 439	1 594 426

Reference is made to [note 20](#) for information related to share capital.

Notes to the financial statements

For the period ended 31 December 2023

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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, Maskon Holding AS and subsidiaries. Scale Aquaculture Group AS is incorporated and domiciled in Norway, and the address of the registered office is Nordskog, 7266 Kverva, Norway.

These consolidated financial statements were approved for issue by the Board of Directors on date. 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 2023 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	Campel 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%
Scale AQ Iceland ehf	Scale Aquaculture AS	Hafnarfjörður, 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 Circular AS	Scale Aquaculture AS	Frøya, 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%
Scale Aquaculture Rental AS	Scale Aquaculture Group AS	Trondheim, Norway	100%
Scale Aquaculture Software AS	Scale Aquaculture Group AS	Bergen, Norway	100%
Maskon Holding AS	Scale Aquaculture Group AS	Frøya, Norway	81%
Maskon AS	Maskon Holding AS	Stjørdal, Norway	100%
Steinsvik Group AS	Scale Aquaculture Group AS	Trondheim, Norway	100%
Steinsvik AS	Steinsvik Group AS	Trondheim, Norway	100%
Steinsvik Mediterranean Ltda	Steinsvik AS	Alicante, Spain	100%
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 IFRS[®] Accounting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("IFRS"). 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 agent in Turkey. The Group divides its business into two segment; Fishfarming Technology (80.7% of total revenue) and Vessel (19.3% 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
Project sale within Fishfarming Technology	Project sales include the product lines Thermolicer®, Seaculture equipment, nets, feeding systems, mooring, barge and pens. 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 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.
Sale of products within Fishfarming Technology, including short-term small projects	The Group promises to transfer products to the customer including short-term small projects, as sale of camera, feeding systems, pumps and vaccine machines 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.

continues on the following page

Vessel	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
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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 considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best 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 use 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 2023 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 2023.

Management anticipates that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning 1 January 2024 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
Amendment to IFRS 16 Leases	<i>Lease Liability in a Sale and Leaseback</i>	September 2022	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 ¹	<i>Classification of Liabilities as Current or Non-current</i>	October 2022	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 ¹	<i>Non-current Liabilities with Covenants</i>	October 2022	1 January 2024

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 estimates. 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)

Maskon Holding AS

In January 2023, the Group acquired Maskon Holding AS. Maskon Holding AS is a holding company. 81% of the voting equity interest of the company was acquired by Scale Aquaculture Group AS. In February 2023, Maskon Holding AS acquired Maskon AS.

Total consideration paid comprises the following:

	Maskon Holding AS
Cash consideration	79
Total consideration	79

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

Current receivables	79
Total identifiable net assets	79

Maskon AS

Maskon AS is a global leader of a fully automated vaccination machines. 100 % of the voting equity interest of the company was acquired by Maskon Holding AS on 17 February 2023, and the Group thus has an ownership interest of 81%. A purchase price allocation has been performed as of this date. The non-controlling interest is based on the fair value of the identifiable net assets of the acquiree.

Total consideration paid comprises the following:

	Maskon AS
Cash consideration	399 301
Locked-box interest	6 284
Earn-out	0
Deferred cash consideration	0
Total consideration	405 585
Cash and cash equivalents in acquired business	101 379
Total cash flow	304 206

Assets assumed in connection with the business combination of Maskon AS have been recognised at the estimated fair value on the date of the business combination. Management has identified customer relationships and technology as major intangible assets.

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

Customer relationships	95 417
Technology	53 928
Property, plant and equipment *	7 913
Right-of-use assets *	22 500
Inventories *	657
Trade receivables *	8 381
Other current receivables *	1 468
Cash and cash equivalents *	101 379
Deferred tax liabilities	(34 092)
Lease liability non-current	(20 355)
Provisions *	(14 390)
Trade payables *	(8 071)
Income tax payable *	(6 736)
Lease liability current *	(2 145)
Other current liabilities *	(21 441)
Fair value of identifiable net assets acquired	184 414

Goodwill

Consideration transferred	405 585
Fair value of identifiable net assets acquired	(184 414)
Goodwill	221 171

*Fair value of other assets and liabilities acquired approximates their carrying value.

Goodwill originating from the business combination is related to anticipated synergies from on-going operations. No impairment has been recognised subsequent to the business combination. Goodwill that has arisen as part of the business acquisition is not tax deductible.

Acquisition related expenses of NOK 2 426 are recognised as other operating expenses in 2023.

The acquired unit has from the date of acquisition contributed to the Group's operating income and profit before tax by NOK 141 809 and NOK 36 171 respectively.

If the acquisition had occurred in the beginning of 2022, operating income for 2022 and profit before tax for the Group would have been NOK 128 285 and NOK 37 004 respectively. Comparable figures for 2023 are operating income NOK 155 406 and profit before tax NOK 38 979.

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 segment and by timing year ended 31 December 2023

	Fishfarming Technology	Vessel	Total
Project sale	1 707 195	0	1 707 195
Service	363 465	0	363 465
Software	54 886	0	54 886
Services transferred over time	2 125 546	0	2 125 546
Sale of products	553 489	639 259	1 192 748
Services transferred at a point in time	553 489	639 259	1 192 748
Total	2 679 035	639 259	3 318 294

Revenue per segment and by timing year ended 31 December 2022

	Fishfarming Technology	Vessel	Total
Project sale	1 391 698	0	1 391 698
Service	174 416	0	174 416
Software	45 539	0	45 539
Services transferred over time	1 611 653	0	1 611 653
Sale of products	560 107	548 093	1 108 200
Services transferred at a point in time	560 107	548 093	1 108 200
Total	2 171 760	548 093	2 719 853

Revenue by Geographical distribution

	Year ended 31 December 2023	Year ended 31 December 2022
Norway	2 647 118	2 058 874
Chile	220 823	237 785
UK	32 250	81 326
Canada	210 937	110 973
Iceland	162 589	184 542
Oceania	29 138	20 413
Rest of world	15 439	25 940
Total	3 318 294	2 719 853

Assets and liabilities related to contracts with customers

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

	31 December 2023	31 December 2022
Contract assets – accrued income	59 985	123 668
Contract liabilities – prepaid customer contracts	191 130	175 758
Revenue recognised in the period from:	Year ended 31 December 2023	Year ended 31 December 2022
Amounts included in the contract liability at the beginning of the period	175 758	172 419

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 2023	Land and buildings	Vehicles	Equipment	Sum
Cost at 1 January 2023	218 530	5 085	14 777	238 392
Additions in the year	16 287	4 537	2 890	23 714
Additions through business combinations	22 500	0	0	22 500
Depreciation in the year	-35 804	-2 432	-7 220	-45 456
Exchange rate differences	-24	0	0	-24
Net carrying amount at 31 December 2023	221 489	7 191	10 447	239 126

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

Lower of remaining lease term or useful life

Depreciation method Straight-line Straight-line Straight-line

We have entered into a new long term lease agreement in Stjørdal with the amount of NOK 22 500 and an adjustment of existing lease agreement in Bergen with the amount of NOK 6 718. Other additions consist mainly of rental of installation areas in Norway, Canada and Great Britain.

Lease liabilities

Maturity analysis of lease liabilities	31 December 2023	31 December 2022
Within 1 year	38 445	35 197
1–4 years	121 977	109 781
Over 5 years	95 434	104 876
Total	255 857	249 854

Amounts recognised in profit and loss	Year ended 31 December 2023	Year ended 31 December 2022
Deprecation expense on right-of-use assets	45 456	36 903
Interest expense on lease liabilities	16 061	4 664
	61 516	41 566

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

	Year ended 31 December 2023	Year ended 31 December 2022
Lease liability as at 1 January	249 854	171 325
Additions during the year	45 990	158 490
Repayments during the year	-56 047	-84 624
Interest	15 173	4 146
Currency effects	887	518
Lease liability as at 31 December	255 857	249 854

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 15 609 at 31 December 2023 (2022: NOK 37 465).

One of the leased properties is a leasehold land ("festekontrakt"). 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 2023.

		Sensitivity (increase/ decrease percentage point)	Sensitivity (increase) amount in NOK	Sensitivity (decrease) amount in NOK
Lease liability at 31 December 2023	255 857	+/- 1%	-8 658	9 276
Interest	15 173	+/- 1%	1 857	-2 023

NOTE 8 Payroll and related expenses

(Amounts in NOK'000)

	Year ended 31 December 2023	Year ended 31 December 2022
Salaries and personnel costs		
Salaries	443 576	337 522
Director's remuneration	829	1 340
Social security tax	50 705	34 323
Pension costs	16 386	14 607
Other allowances	20 698	21 290
Own work capitalised	(28 829)	(14 701)
Total	503 365	394 381
Number of FTE	881	854
Average number of FTE	868	807

Severance packages in 2023 totaling NOK 13 135 (2022: 3 056) are included in Salaries. See note 26 Provisions and contingent liabilities for further information.

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 2023

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

Year Ended 31 December 2023

Salary	Pension contribution	Other benefits	Total
29 495	1 055	11 005	41 555

Year Ended 31 December 2022

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

Other benefits consists of severance packages in 2023 totaling NOK 9 989 (2022: 3 056).

Remuneration to Board of Directors during the year ended 31 December 2023

Remuneration has been paid to the Board of Directors of Scale Aquaculture Group AS in 2023 totaling NOK 829 (2022: 1100).

The Group purchases management services from Kve-en AS to a amount of NOK 0 (2022: 13 851).

NOTE 9 Other operating expenses

(Amounts in NOK'000)

	Year ended 31 December 2023	Year ended 31 December 2022
Maintenance expenses	13 396	11 193
Equipment expenses	12 558	10 884
External services	61 104	83 258
Rental of machinery, fixtures, fittings, premises	20 197	16 464
Travel expense	31 777	25 549
Licenses	30 986	24 980
Marketing	14 973	10 386
Insurance	7 253	4 416
Impairment of trade receivables	-510	-5 801
Other operating expenses	40 593	25 885
Total other operating expenses	232 327	207 214

Auditor's fees

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

	Year ended 31 December 2023	Year ended 31 December 2022
Statutory auditing services	2 511	2 596
Other attestation services	88	322
Tax advisory services	288	692
Other services	1 946	806
Total fee to auditor	4 833	4 416

NOTE 10 Finance income and finance expense

(Amounts in NOK'000)

	Year ended 31 December 2023	Year ended 31 December 2022
Finance income		
Interest income	10 205	6 115
Interest income on other financial assets	20 720	13 757
Realised currency gains	29 518	29 415
Unrealised currency gains	13 136	24 440
Fair value change in financial instruments (note 21)	-0	7 355
Income from investments in associated companies (note 16)	1 080	24
Other financial income	2 067	1 510
Total	76 726	82 616
Finance expense		
Interest expense	28 771	15 196
Interest expense on debt to financial institutions	71 232	34 550
Realised currency losses	37 167	32 998
Unrealised currency losses	2 451	9 638
Fair value change in financial instruments (note 21)	19 727	0
Other financial expense	1 439	830
Total	160 787	93 212

Interest income on other financial assets include primarily interest income on financial assets related to sale and forward lease.

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 2023	Year ended 31 December 2022
Current income tax payable	10 921	11 291
Change in deferred tax	6 881	-3 641
Income tax expense	17 802	7 650
The foreign part of the tax expense amounts to	4 938	-1 678

Income tax payable (balance sheet)

The income tax payable on this year's result is calculated as follows:

	2023	2022
Profit before tax	61 259	73 442
Permanent and temporary differences	-18 032	-19 475
Basis for tax payable	43 227	53 967
Total tax payable on the year's result	10 921	11 291

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 2023	Year ended 31 December 2022
Profit/(loss) before income tax	61 259	73 442
Statutory income tax rate	22 %	22 %
Expected income tax expense/(benefit)	13 477	16 157
Tax effect non deductible expenses	8 426	5 278
Tax effect non-taxable income	-2 041	-13 866
Difference in tax rules and rates	1 079	790
Change in deferred tax asset not recognised	-3 138	-709
Income tax expense/income for the year	17 803	7 650
Effective tax rate	29 %	10 %

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	0	0	0	75 160	75 160
Chile	0	0	0	21 524	21 524
UK	0	0	0	1 678	1 678
Vietnam	0	0	0	0	0
Canada	0	0	10 667	0	10 667
Iceland	325	0	0	0	325

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 2023	Year ended 31 December 2022
Non-current assets	-12	-8
Property, plant and equipment	-38 643	-9 910
Trade receivables	510	5 149
Inventory	7 779	3 952
Other temporary differences	279	-2 334
Current assets	2 929	-340
Tax losses carried forward	75 160	82 424
Tax losses carried forward abroad	34 416	34 821
Total	82 418	113 754
Deferred tax assets / Deferred tax liabilities		
Deferred tax assets / Deferred tax liabilities not recognized	-15 623	-10 602
Recognized Deferred tax assets / Deferred tax liabilities	66 795	103 152

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	Year ended	Year ended	Year ended
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Arnarlax Ehf	110 947	86 342	0	45
Kve-en AS	3	403	0	13 851
Kvarv AS	0	0	234	137
Kverva AS	0	0	448	20
Kverva Eiendom AS	350	0	0	0
Ocean Farming AS	219	208	0	0
Salmar AS	2 728	1 304	0	0
Salmar Farming AS	362 063	312 050	897	0
Salmar Settefisk AS	20 717	1 034	0	0
Salmar Aker Ocean AS	0	9	0	0
Refsnes Laks AS	365	1 641	0	0
Hitramat AS	98	0	0	0
Osan Settefisk AS	643	0	0	0
SalMar Finnmark AS	13 380	0	0	0
SalMar Namdal AS	44 919	0	58	0

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 2023	31 December 2022	31 December 2023	31 December 2022
Arnarlax Ehf	21 336	14 343	0	0
Kve-en AS	3	1 255	0	21 781
Kvarv AS	0	0	0	171
Ocean Farming AS	0	168	0	0
Salmar AS	203	0	0	0
Salmar Farming AS	50 653	18 672	10 500	2
Salmar Settefisk AS	785	0	0	0
SalMar AkerOcean AS	56	0	0	0
	Loans to related parties		Borrowings from related parties	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Kve-en AS	0	4 623	0	0

NOTE 13 Goodwill

(Amounts in NOK'000)

31 December 2023	Goodwill
Carrying value at 1 January 2023	690 757
Additions in the year	221 171
Disposals in the year	0
Exchange rate differences	108
Impairment loss during the year	0
Carrying value at 31 December 2023	912 036

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

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 9.3% (2022: 9.3%).

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 2023, nor in 2022.

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

	31 December 2023	31 December 2022
Fishfarming technology	610 889	610 781
Vessel	79 976	79 976
Non allocated	221 171	0
Total	912 036	690 757

NOTE 14 Intangible assets

(Amounts in NOK'000)

	Customer relationships	Customer contracts	Technology	Trade name	Capitalized development cost	Other intangible assets	Total
31 December 2023							
Cost at 1 January 2023	305 200	12 500	48 752	89 501	71 913	50 969	578 835
Additions in the year	0	0	0	0	52 501	381	52 882
Additions through business combinations	95 417	0	53 928	0	0	0	149 345
Reclassifications	0	0	0	0	9 036	-9 036	0
Exchange rate differences	0	0	0	0	0	401	401
Disposals in the year	0	0	0	0	0	-1 065	-1 065
Cost at 31 December 2023	400 617	12 500	102 680	89 501	133 450	41 650	780 398
Accumulated amortisation and impairment at 1 January 2023	154 257	12 500	25 402	0	7 934	7 396	207 489
Amortisation in the year	36 351	0	8 171	0	6 447	5 602	56 571
Impairment loss in the year	0	0	0	0	12 009	0	12 009
Exchange rate differences	0	0	0	0	0	-29	-29
Disposals in the year	0	0	0	0	0	-1 065	-1 065
Accumulated amortisation and impairment at 31 December 2023	190 608	12 500	33 573	0	26 390	11 904	274 975
Net carrying amount at 31 December 2023	210 009	0	69 107	89 501	107 060	29 746	505 423

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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	0	0	0	0	17 232	33 096	50 328
Additions through business combinations	0	0	0	0	0	0	0
Exchange rate differences	0	0	0	0	0	685	685
Disposals in the year	0	0	0	0	0	-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	0	4 875	0	5 764	4 130	45 289
Impairment loss in the year	0	0	0	0	0	0	0
Exchange rate differences	0	0	0	0	0	277	277
Disposals in the year	0	0	0	0	0	-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

Estimated useful life and amortisation plan is as follows:

Estimated useful life	10–15 years	1 year	10–15 years	Indefinite	5–10 years	5–10 years
Amortisation plan	Straight-line	Straight-line	Straight-line	Not amortised	Straight-line	Straight-line

Customer relationships

Customer relationships identified and valued in business combinations are expected to have a useful life of 10–15 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 10–15 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.

Capitalized development cost

Capitalized development cost comprises mainly of internally generated intangible assets arising from development of the Group's technical platforms and software. Capitalized development cost 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. In 2023 an impairment loss of NOK 12 009 (2022: 0) have been incurred in relation to capitalized development cost.

Other intangible assets

The carrying amount of other intangible assets comprises mainly of software of NOK 25 523. 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.

Business combination

In February 2023 the Group acquired Maskon AS. See [note 5](#) for further details.

NOTE 15 Property, plant and equipment

(Amounts in NOK'000)

31 December 2023	Land and buildings	Plant and machinery	Total
Cost at 1 January 2023	132 758	206 879	339 637
Additions in the year	2 408	48 516	50 924
Additions/disposal through business combinations	2 620	17 452	20 072
Exchange rate differences	560	2 694	3 254
Disposals in the year	0	-5 399	-5 399
Cost at 31 December 2023	138 346	270 142	408 488
Accumulated depreciation and impairment at 1 January 2023	44 464	150 158	194 622
Depreciation in the year	8 778	27 314	36 092
Exchange rate differences	62	1 166	1 228
Additions/disposal through business combinations	271	11 889	12 160
Disposals in the year	0	-3 349	-3 349
Accumulated depreciation and impairment at 31 December 2023	53 575	187 178	240 753
Net carrying amount at 31 December 2023	84 771	82 964	167 735

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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
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

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 2023	31 December 2022
Investments in associated companies	9 529	7 628
Investments in shares	103	103
Sublease to end customer	170 826	70 114
Other non-current financial assets	31 866	16 611
Total	212 324	94 456

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 2023 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 AS

All associated companies are recognised according to the equity method.

Investments in associated companies	Rørvik Marina AS	Marine Globe d.o.o	Total
Book value at 1 January 2023	6 024	1 604	7 628
Share of profit after tax 2023	1 245	768	2 013
Currency adjustments	0	61	61
Dividends	-173	0	-173
Book value at 31 January 2023	7 096	2 433	9 529
Book value at 1 January 2022	0	1 100	1 100
Share of profit after tax 2022	24	0	24
Currency adjustments	0	504	504
Investment / disposals	6 000	0	6 000
Book value at 31 January 2022	6 024	1 604	7 628

The interest of Rørvik Marina AS was acquired during 2022.

NOTE 17 Inventories

(Amounts in NOK'000)

Inventory	31 December 2023	31 December 2022
Raw materials and work in progress	577 562	665 559
Finished goods	213 251	147 379
Total	790 813	812 938
Inventories at cost	810 988	833 564
Inventory write-down to net realisable value	-20 175	-20 626
Total	790 813	812 938
Carrying amount as at 1 January	812 938	636 236
Purchase of inventory	2 264 557	2 100 881
Recognised as expense	-2 287 133	-1 913 168
Impairment of obsolete inventory	-20 175	-20 626
Reversal of impairment of obsolete inventory	20 626	9 615
Carrying amount as at 31 December	790 813	812 938

There are securities pledged over inventories.

NOTE 18 Trade and other receivables

(Amounts in NOK'000)

	31 December 2023	31 December 2022
Trade receivables	497 629	450 884
Allowances for impairment (analysed below)	1 296	15 476
Total trade receivables	496 333	435 408
Prepayments	118 081	23 735
Accrued revenue	16 816	16 018
Value Added Tax (VAT) to be reclaimed	20 372	10 016
Financial instruments	0	4 432
Sublease to end customer	46 808	23 046
Other receivables	15 267	14 659
Total other receivables	217 344	91 906
Total trade and other receivables	713 677	527 314

Ageing of trade receivables	31 December 2023	31 December 2022
Not past due date	408 348	277 945
0–30 days	55 495	53 876
31–60 days	13 416	32 564
61–90 days	1 723	4 618
Over 90 days	18 647	81 881
Total	497 629	450 884

Movements in the provisions for impairment of trade receivables	31 December 2023	31 December 2022
Opening balance provision for bad debt as at 1 January	15 476	21 277
Change in provision for the year	-2 390	2 264
Receivables written off during the year	-11 790	-8 065
Closing balance provision for bad debt as at 31 December	1 296	15 476

NOTE 19 Cash and cash equivalents

(Amounts in NOK'000)

	31 December 2023	31 December 2022
Bank deposits, cash and cash equivalents	255 246	53 084
<i>of which restricted cash</i>	<i>19 315</i>	<i>15 008</i>

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 15 084 122 shares as at 31 December 2023, each with a nominal value of NOK 2 (amount in whole NOK). All shares have equal voting rights. Share capital increase in 2023 totaling NOK 2 445.

Ownership structure

The largest shareholders in % per 31 December 2023:	Organization number	Ordinary	Owner	Share of votes
Kve-en AS	990 996 830	13 404 654	88,9 %	88,9 %
Frøyaringen AS	977 374 677	1 501 081	10,0 %	10,0 %
Board of Directors and management		178 387	1,2 %	1,2 %
Total numbers of shares		15 084 122	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 2023
Financial assets at amortised cost:					
Cash and equivalents (note 19)	255 246	0	0	0	255 246
Trade receivables	496 333	0	0	0	496 333
Sublease to end customer	217 634	0	0	0	217 634
Other financial assets	211 931	103	0	0	212 034
Total	1 181 144	103	0	0	1 181 247
Financial assets at fair value:					
Financial instruments	0	0	0	0	0
Total financial liabilities at fair value	0	0	0	0	0
Financial liabilities	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	31 December 2023
Financial liabilities at amortised cost:					
Debt to financial institutions	983 622	0	0	0	983 622
Trade payables	182 417	0	0	0	182 417
Lease liability (note 7)	255 857	0	0	0	255 857
Accrued project expense	18 913	0	0	0	18 913
Other liabilities	606 638	0	0	0	606 638
Total financial liabilities at amortised cost	2 047 448	0	0	0	2 047 448
Financial liabilities at fair value:					
Financial instruments	0	17 591	0	0	17 591
Total financial liabilities at fair value	0	17 591	0	0	17 591

(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	0	0	0	53 084
Trade receivables	435 408	0	0	0	435 408
Sublease to end customer	93 160	0	0	0	93 160
Other financial assets	88 667	103	0	0	88 770
Total	670 320	103	0	0	670 423

Financial assets at fair value:

Financial instruments	0	4 432	0	0	4 432
Total financial liabilities at fair value	0	4 432	0	0	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	0	0	0	767 826
Trade payables	268 697	0	0	0	268 697
Lease liability (note 7)	249 854	0	0	0	249 854
Accrued project expense	52 039	0	0	0	52 039
Other liabilities	252 862	0	0	0	252 862
Total financial liabilities at amortised cost	1 591 277	0	0	0	1 591 277

Financial liabilities at fair value:

Financial instruments	0	2 506	0	0	2 506
Total financial liabilities at fair value	0	2 506	0	0	2 506

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 profit 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 2023. 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 hierarchy.

NOTE 22 Borrowings

(Amounts in NOK'000)

Interest-bearing liabilities are measured at amortised cost

	31 December 2023	31 December 2022
Non-current financial liabilities		
Debt to financial institutions	661 542	479 779
Financial liability related to sale and forward lease	170 826	70 114
Total borrowings	832 368	549 893
Current liabilities		
Debt to financial institutions*	104 446	194 887
Financial liability related to sale and forward lease	46 808	23 046
Total borrowings	151 254	217 933

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

The Group's interest bearing liabilities consists of:

	Maturity	Interest rate terms	Currency	Nominal value	31 December 2023	31 December 2022
DNB (Revolving Credit Facility)	15.03.2027	NIBOR + 1.80 % margin	NOK	500 000	450 000	500 000
DNB (Term Loan)	15.03.2027	NIBOR + 2.40 %	NOK	212 000	212 000	0
DNB (Overdraft Facility)*	20.07.2024	NOWA + 1,50 % margin	NOK	370 000	100 687	162 272
DNB (Financial liability related to sale and forward lease)	01.10.2025-01.10.2030	Nibor + variable margin	NOK	0	150 734	6 758
Nordea (Financial liability related to sale and forward lease)	28.11.2024 - 28.07.2028	Nibor + variable margin	NOK	0	66 900	86 402
Banco Santander 1 USD	07.12.2023	4,56 %	USD	500 000	0	1 264
Banco Santander 3 USD	15.05.2024	10,56 %	USD	1 361 000	3 759	12 005
Other					0	0
Total					984 080	768 701
Unamortised portion of loan cost					458	875
Total borrowings					983 622	767 826

* The Overdraft Facility is renewed annually.

The Group has received and confirmed an unconditional offer for renewal and prolongation of the existing financing agreement with DNB in 2023 for 3 years. This is adapted to the Group's financial goals and strategies. The effective interest rates of selected facilities with DNB are dependent on the leverage ratio.

Prior to 2024, the total commitments under the Company's long-term financing with DNB was NOK 712,000. The long term-debt had maturity in 2024. Based on the confirmed offer for renewal and prolongation in December 2023, the amendment and restatement agreement with DNB was signed and executed in March 2024 pursuant to which the total commitments were increased to NOK 725,000 and the maturity date extended to 2027. Interests in respect of the long-term debt are payable throughout the year. The Overdraft Facility are reduced to NOK 250 000 in 2024.

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

2023	1 January 2023	Net cash flows	New liabilities	Currency effect	Disposals	31 December 2023
Borrowings	767 826	-151 501	366 304	993	0	983 622
Lease liabilities (note 7)	249 854	-39 987	45 990	0	0	255 857

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

Debt covenants as of 31 December 2023

The Group has a NIBD/EBITDA and Equity Ratio covenant on its loan agreements. From 2024, the Group also has a minimum Liquidity requirement.

The effective interest rate of borrowings are dependent if the Groups leverage ratio is above 3.00, less than 3.00 or greater than 1.50 or less than 1.50.

The Group was in compliance with its loan covenants as of 31 December 2023.

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 facility 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 2023	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	1 174 542	983 622	56 978	52 693	103 052	932 467	29 352
Trade payables and other payables	825 559	825 559	666 759	151 800	3 500	3 500	0
Total liabilities	2 000 101	1 809 181	723 737	204 493	106 552	935 967	29 352

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	0	0	0
Total liabilities	1 406 858	1 343 930	554 027	94 274	708 275	46 824	3 458

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 2023 the company expensed bad debts corresponding to approximately 0.4% of revenue (2022: 0.3%) and has made impairment allowances for approx. 0.2% of total accounts receivable (2022: 3%).

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 2023 and 2022).

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

	2023	2022	2023	2022
	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	-7 672	-5 989	7 672	5 989
Interest on cash and cash equivalents	1 991	414	-1 991	-414
Sublease to end customer	1 134	0	-1 134	0
Other non-current financial assets	249	130	-249	-130

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, 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.

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 2023 and 31 December 2022. 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.

Amounts in NOK '000	31 December 2023			31 December 2022		
	CLP/NOK impact	VND/NOK impact	GBP/NOK impact	CLP/NOK impact	VND/NOK impact	GBP/NOK impact
Trade receivables	3 935	149	461	4 207	256	343
Trade payables	-1 421	-109	-9	-1 975	-688	-106
Borrowings	-475	0	0	-1 187	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 2022 and 2023.

NOTE 25 Trade payables and other liabilities

(Amounts in NOK'000)

	31 December 2023	31 December 2022
Trade payables	182 417	259 148
Trade payables to group companies	0	9 549
Total trade payables	182 417	268 697
Payroll tax, social security, VAT	67 916	64 677
Liabilities to group companies	10 500	12 405
Salary	62 564	42 227
Advance payment from customers	279 010	41 930
Accrued project expense	18 913	52 039
Accrued other expense	165 778	71 103
Financial instruments	17 591	2 503
Other current liabilities	20 750	20 403
Total other current liabilities	643 022	307 287

The Group has changed payment terms within Vessel segment in 2023 and these amounts are reflected in Advance payment from customers.

Accrued other expense consist of provision for remaining costs for delivered boats totaling NOK 121 894.

NOTE 26 Provisions and contingent liabilities

(Amounts in NOK'000)

In 2023 a final settlement related to a land-based project delivered prior to 2023 was reached.

The Group has recognised the following provisions:

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

Provisions 2023	Restructuring	Warranties	Earnout	Other	Total
Balance as of 1 January, 2023	1 170	42 144	0	0	43 313
Provisions acquired	0	14 390	0	0	14 390
Provisions changed during the year	7 533	-7 151	0	1 300	1 683
Currency translation differences	0	57	0	0	57
Balance as of 31 December 2023	8 703	49 440	0	1 300	59 443
Current portion	8 703	49 440	0	1 300	59 443
Non-current portion	0	0	0	0	0
Total	8 703	49 440	0	1 300	59 443

NOTE 27 Collateral and guarantees

(Amounts in NOK'000)

Liabilities secured by mortgages etc.	31 December 2023	31 December 2022
Non current liabilities to financial institutions	832 368	572 940
Current liabilities to financial institutions	151 254	194 886
Total	983 622	767 826

Book value of assets that form the basis of issued security	31 December 2023	31 December 2022
Shares in subsidiaries	1 783 712	1 303 428
Intra Group receivables	954 434	244 441
Land and buildings	51 215	32 664
Fixtures and office machinery	40 425	16 908
Inventories	654 595	655 563
Contract assets	59 985	123 668
Trade receivables	510 999	384 613
Cash and cash equivalents	139 036	0

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 inventory, operating assets and trade receivables, bank account claims, intra-group loans and shareholder loans made to an obligor, hedging claim and insurance claims are held as collateral.

As security for the loans and credit lines (limit NOK 1 550 000 (2022: NOK 1 550 000)) the Group has the following mortgages per asset type with a total limit of NOK 1 750 000 per material subsidiary defined as Guarantor to the cash-pool and loan agreement.

Prior to 2024, the maximum secured amount in respect of the securities was NOK 1 750 000. Pursuant to the amendment and restatement agreement, the maximum secured amount in respect of the securities (other than in respect of inventory, operating assets and trade receivables) was increased to NOK 3 500 000.

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, Scale Aquaculture AS, Scale Aquaculture Rental AS and Maskon Holding AS	First	
Maskon Holding AS	Shares in Maskon AS	First	

Guarantees secured by mortgages

The Group obtains bank guarantees given to their customers, primarily for long-term projects and rental guarantees. As of 31 December 2023 the amount of guarantees is NOK 0 (2022: NOK 26 623).

Parent guarantees issued by Kve-en AS

The Group obtains 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 0 (2022: NOK 35 000).

NOTE 28 Events after the reporting date

Russia's ongoing invasion of Ukraine and challenges with container vessels through Suez Canal led to increased prices and some disturbances in the supply chains.

The Group is also exposed to changes in demand driven by the overall economic climate for the fish farmers. Changes in market prices for the farmed fish, increased production costs and changes in taxation, are examples of drivers that directly 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. The initial proposal was somewhat adjusted but approved by the parliament (No. Stortinget) in June 2023. The mid- and long-term effects remain to be seen. Thus, management closely monitor investment levels in the fish farming industry.

Parent company accounts

Scale Aquaculture Group AS

Revenue statement

<i>Amounts in NOK '000</i>	<i>Notes</i>	2023	2022
Operating income and operating expenses			
Revenue		21 416	0
Total income		21 416	0
Operating expenses			
Employee benefits expense	1	43 857	1 255
Depreciation and amortisation expenses	2	5	0
Other expenses	1	16 318	10 883
Total expenses		60 180	12 138
Operating profit		-38 763	-12 138
Financial income and expenses			
Income from subsidiaries	3	0	60 179
Interest income from group companies	4	65 138	20 814
Other interest income		6 813	1 139
Other financial income		77	35
Write-down of financial assets	3, 4	49 900	68 623
Other interest expenses	5	60 297	25 285
Other financial expenses		682	208
Net financial items		-38 850	-11 949
Net profit before tax		-77 614	-24 087
Income tax expense	6	-5 955	-3 435
Net profit after tax		-71 658	-20 653
Net profit or loss	7	-71 658	-20 653
Attributable to			
Other equity		-71 658	-20 653
Total		-71 658	-20 653

Balance sheet

<i>Amounts in NOK '000</i>	<i>Notes</i>	2023	2022
ASSETS			
Non-current assets			
Intangible assets			
Concessions, patents, licences, trademarks, and similar rights	2	50	0
Deferred tax assets	6	13 863	7 907
Total intangible assets		13 913	7 907
Non-current financial assets			
Investments in subsidiaries	3	1 635 815	1 303 428
Loan to group companies	4, 8	693 500	657 552
Investments in associated companies		0	6 000
Loan to other companies	8	17 614	0
Other long-term receivables	8	0	1 366
Total non-current financial assets		2 346 928	1 968 345
Total non-current assets		2 360 841	1 976 253
Current assets			
Debtors			
Accounts receivables group companies	4	23 032	0
Other short-term receivables		2 151	2 351
Receivables from group companies	4	18 747	56 191
Total receivables		43 930	58 542
Cash and cash equivalents	9	8 226	0
Total current assets		52 156	58 542
Total assets		2 412 997	2 034 795

Amounts in NOK '000

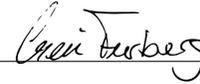
	Notes	2023	2022
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	10	30 168	27 723
Share premium reserve		1 375 732	1 215 087
Other paid-in equity		364 079	364 079
Total paid-in equity		1 769 979	1 606 889
Retained earnings			
Other equity		-499 477	-427 818
Total retained earnings		-499 477	-427 818
Total equity	7	1 270 502	1 179 070
Liabilities			
Other non-current liabilities			
Liabilities to financial institutions	5, 8	662 000	500 000
Total non-current liabilities		662 000	500 000
Current liabilities			
Liabilities to financial institutions		259 919	162 272
Trade payables		1 841	364
Trade payables to group companies	4	4 180	0
Public duties payable		4 010	0
Liabilities to group companies	4	187 544	186 423
Other current liabilities		23 001	6 665
Total current liabilities		480 495	355 724
Total liabilities		1 142 495	855 724
Total equity and liabilities		2 412 997	2 034 795

Trondheim, April 29, 2024

The Board of Directors and CEO of Scale Aquaculture Group AS



Torgeir Johan Svae
Chair of the Board



Geir Furberg
Member of the Board



Mads Andersen
Member of the Board



Morten Kristoffer Nordstad
Member of the Board



Tor Jakob Ramsøy
Member of the Board



Trine Lotherington Danielsen
Member of the Board



Svein Vestermo
Interim CEO

Indirect cash flow

<i>Amounts in NOK '000</i>	Notes	2023	2022
Cash flows from operating activities			
Profit/loss before tax		-77 614	-24 087
Ordinary depreciation	2	5	0
Change in accounts receivable		-23 032	0
Change in accounts payable		5 656	91
Items classified as investment or financing activities	3	24 000	8 444
Change in other accrual items		69 242	2 111
Net cash flows from operating activities		-1 742	-13 441
Cash flows from investment activities			
Payments to buy tangible assets	2	55	0
Proceeds from sale of shares and participations in other companies	3	10 127	106 323
Payments to buy shares and participations in other companies	3	195 589	6 000
Net cash flows from investment activities		-185 517	100 323
Cash flows from financing activities			
Proceeds from the issuance of new long-term liabilities	5	162 000	0
Net change in bank overdraft		97 647	103 944
Changes in group receivables/liabilities		-227 253	-190 875
Proceeds from equity	7	163 090	0
Net cash flows from financing activities		195 485	-86 931
Net change in cash and cash equivalents		8 226	-49
Cash and cash equivalents at the start of the period		0	49
Cash and cash equivalents at the end of the period		8 226	0

Notes to the parent company accounts

Scale Aquaculture Group AS

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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 tax increasing 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 fixed assets

Fixed assets consist of assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost less depreciation and write-downs. Long-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Plant and equipment is capitalised and appreciated over the economic lifetime of the asset. Significant items of plant and equipment that consist of several material components with different lifetimes are broken down in order to establish different depreciation periods for the different components. Direct

maintenance of plant and equipment is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset's cost price and depreciated in line with the asset. Plant and equipment is written down to the recoverable amount in the event of a fall in value that is not expected to be temporary. The recoverable amount is the higher of the net sales value and the value in use. Value in use is the present value of future cash flows related to the asset. The write-down is reversed when the basis for the write-down is no longer present.

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, remuneration to the chief executive, board and auditor

(Amounts in NOK'000)

Salary costs	2023	2022
Salaries	37 700	0
Employment tax	4 773	155
Pension costs	528	0
Other benefits	857	1 100
Total	43 857	1255

In 2023 the Company employed 42 FTEs.

Pension liabilities

The Company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The Company's pension schemes satisfy the requirements of this Act.

Remuneration of leading personnel	Chief Executive	Board
Salaries	3 285	733
Pension costs	106	0
Other remuneration	5 798	0
Total	9 189	733

Auditor

Audit fees expensed for 2023 amount to NOK 496 excl. VAT. In addition there is a fee for other services of NOK 51 excl. VAT.

NOTE 2 Intangible assets

(Amounts in NOK'000)

	Patents and licenses	Total
Cost at 01.01.2023	0	0
Additions in the year	55	55
Cost at 31.12.2023	55	55
Accumulated depreciations 31.12	5	5
Accumulated write-downs 31.12	0	0
Reversed write-downs 31.12	0	0
Net book value at 31.12.2023	50	50
Depreciation in the year	5	5
Write-downs in the year	0	0
Acc. depreciations and write-downs at 31.12.2023	5	5
Economic lifetime	3 years	
Depreciation plan	linear	

NOTE 3 Subsidiaries, associates, joint ventures

(Amounts in NOK'000)

	Municipality	Owner interest	Book value	Share of equity	Share of net profit
Moen Marin AS	Nærøysund	100 %	284 819	152 536	17 320
Scale Aquaculture AS	Frøya	100 %	954 905	308 655	88 170
Scale Aquaculture Rental AS	Trondheim	100 %	2 452	10 447	4 779
Steinsvik Group AS	Trondheim	100 %	153 258	40 649	-36 442
Maskon Holding AS	Frøya	80,99%	174 665	174 622	-3
Scale Aquaculture Software AS	Bergen	33 %	65 716	11 598	-16 809
Total			1 635 815	698 506	57 015

In 2023 group contributions without tax effect have been given to subsidiaries, increasing the book value of Scale Aquaculture AS of MNOK 111,3 (including group contribution of MNOK 1,3 to its subsidiary Aqualine AS), Moen Marin AS of MNOK 68 and Scale Aquaculture Rental AS of MNOK 2,4.

Historically the investment in Steinsvik Group AS has been written down by MNOK 221.

In 2023 there is an additional write-down of the investment in Steinsvik Group AS of MNOK 24 due to write-down of subsidiary Aquaoptima Holding AS, resulting in a total write-down per 31.12.2023 of MNOK 245.

Based on the overall impairment assessment for the year ending 31.12.2023 there are no indications of an additional need of write-down of other investments.

*Amounts based on preliminary financial reports for 2023 as reported by the company.

NOTE 4 Intercompany items between companies in the same group

(Amounts in NOK'000)

	2023	2022
Receivables		
Loans to companies in the same group	693 500	657 552
Customer receivables within the group	23 032	0
Other short-term receivables within the group	18 747	56 191
Total	735 278	713 743
Liabilities		
Loans from companies in the same group	0	0
Debt to suppliers within the group	4 180	0
Other short-term liabilities within the group	187 544	186 423
Total	191 723	186 423

The Company has written down long-term receivables from Group companies by NOK 256 405 in total, of which NOK 25 900 is related to write-down of long-term loan to Aquaoptima AS in 2023.

NOTE 5 Other long-term liabilities

(Amounts in NOK'000)

The Company has received and confirmed an unconditional offer for renewal and prolongation of the exciting financing agreement with DNB in 2023 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.

Prior to 2024, the total commitments under the Company's long-term financing with DNB was NOK 712 000. The long term-debt had maturity in 2024. Based on the confirmed offer for renewal and prolongation in December 2023, the amendment and restatement agreement with DNB was signed and executed in March 2024 pursuant to which the total commitments were increased to NOK 725 000 and the maturity date extended to 2027. Interests in respect of the long-term debt are payable throughout the year. The Overdraft Facility are reduced to NOK 250 000 in 2024.

The Company and certain other Group companies have granted security in favour of DNB over (i) shares in certain Group Companies, (ii) inventory, operating assets and trade receivables, (iii) bank account claims, (iv) intra-group loans and shareholder loans made to an obligor, (v) monetary claims under any derivative product agreement and (vi) certain insurances. Prior to 2024, the maximum secured amount in respect of the securities was NOK 1 750 000. Pursuant to the amendment and restatement agreement, the maximum secured amount in respect of the securities (other than in respect of inventory, operating assets and trade receivables) was increased to NOK 3 500 000.

Book value of assets held as collateral for the Group's financing agreement:

	Mortgage	Book value 31 December 23	Book value 31 December 22
Subsidiaries	1 750 000	1 635 815	1 303 428
Receivables from group companies	1 750 000	735 278	713 912
Bank		0	0
Total		2 371 093	2 017 340

NOTE 6 Tax

(Amounts in NOK'000)

	2023	2022
This year's tax expense		
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax assets	-5 955	-3 435
Tax expense on ordinary profit/loss	-5 955	-3 435
Taxable income:		
Result before tax	-77 614	-24 087
Permanent differences	50 544	8 474
Taxable income	-27 069	-15 613
Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	0	0
Calculation of effective tax rate:		
Profit before tax	-77 614	-24 087
Calculated tax on profit before tax	-17 075	-5 299
Tax effect of permanent differences	11 120	1 864
Total	-5 955	-3 435
Effective tax rate	7.7 %	14.3 %

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:

	2023	2022	Difference
Accumulated loss to be brought forward	-63 012	-35 943	27 069
Basis for deferred tax assets	-63 012	-35 943	27 069
Deferred tax assets (22 %)	-13 863	-7 907	5 955

NOTE 7 Equity capital

(Amounts in NOK'000)

	Share capital	Share premium	Other paid-in equity capital	Other equity	Total equity capital
Per 31.12.2022	27 723	1 215 087	364 079	-427 818	1 179 070
Result of the year	0	0	0	-71 658	-71 658
Capital increase	2 445	160 645	0	0	163 090
Per 31.12.2023	30 168	1 375 079	364 079	-499 477	1 270 502

NOTE 8 Receivables and liabilities

(Amounts in NOK'000)

	2023	2022
Receivables with a maturity later than one year		
Other short-term receivables	0	0
Other long-term receivables	711 114	658 918
Total	711 114	658 918
Long-term debt with a maturity later than 5 years		
Debt to credit institutions	0	0
Other long-term debt	0	0
Total	0	0

NOTE 9 Bank deposits

(Amounts in NOK'000)

Restricted funds are NOK 2 404.

The Company is included in the group account scheme.

NOTE 10 Shareholders

(Amounts in NOK'000)

The share capital in Scale Aquaculture Group AS pr. 31.12:

	Total	Face value	Entered
Ordinary shares	15 084	0,002	30 168
Total	15 084		30 168

Ownership structure

The largest shareholders in % pr. 31.12:

	Ordinary	Owner interest	Share of votes
Kve-en AS	13 405	88,9 %	88,9 %
Frøyaringen AS	1 501	10,0 %	10,0 %
Board members and management	178	1,2 %	1,2 %
Total number of shares	15 084	100 %	100 %

Independent auditor's report

To the General Meeting of Scale Aquaculture Group AS

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 2023, 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 2023, 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 material accounting policy information.

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 2023, and its financial performance and its cash flows for the year then ended in accordance with the 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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 and the Managing Director (management) are 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.



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Statsautoriserte revisorer, medlemmer
av Den norske Revisorforening og
autorisert regnskapsførerselskap

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 of the Company 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 of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU.

Management is responsible 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.

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, 29 April 2024

PricewaterhouseCoopers AS

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



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Revisjonsberetning

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
Larsen, Marius Fevaag	BANKID_MOBILE	2024-04-29 22:30

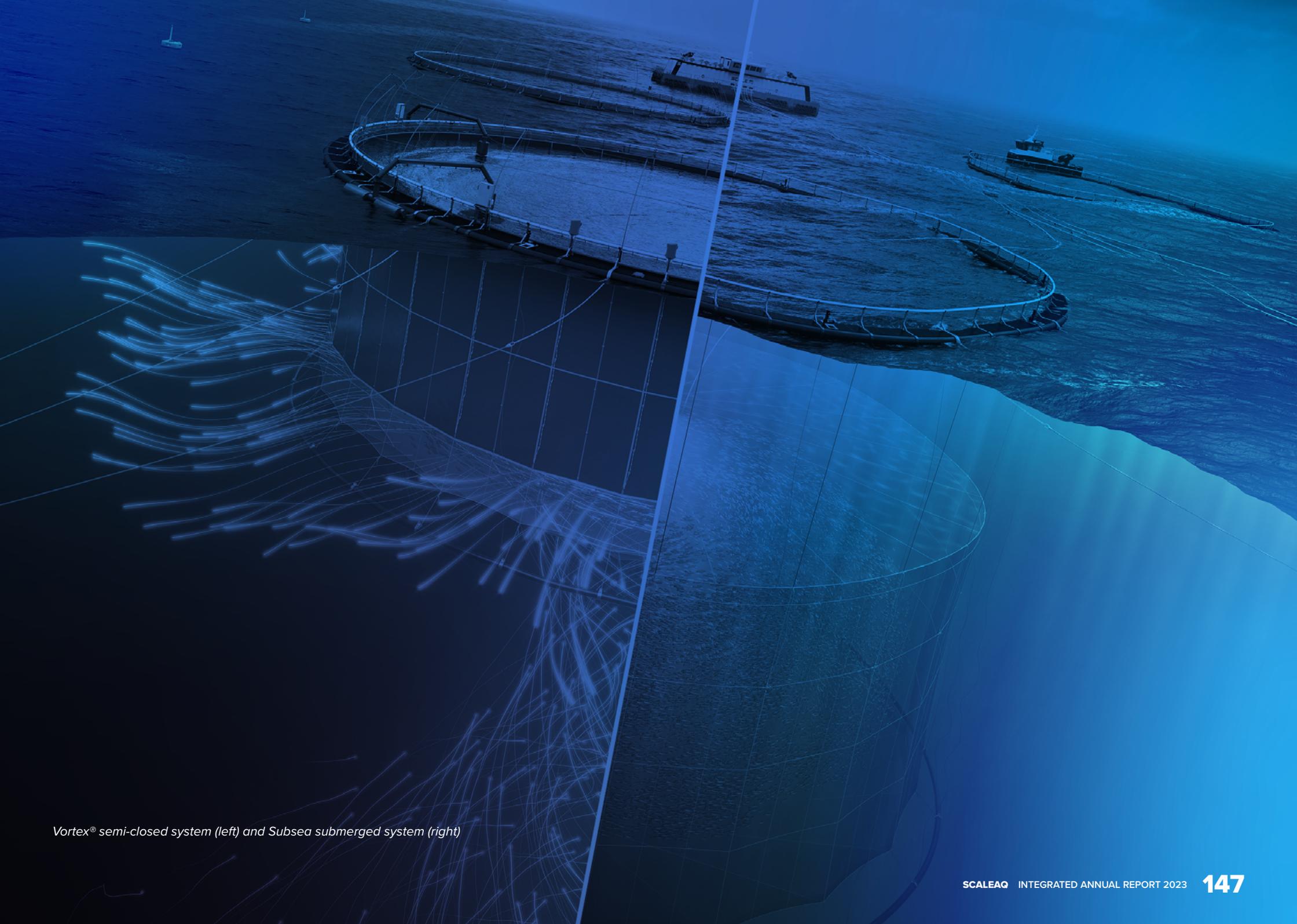


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