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Avansert søk

START

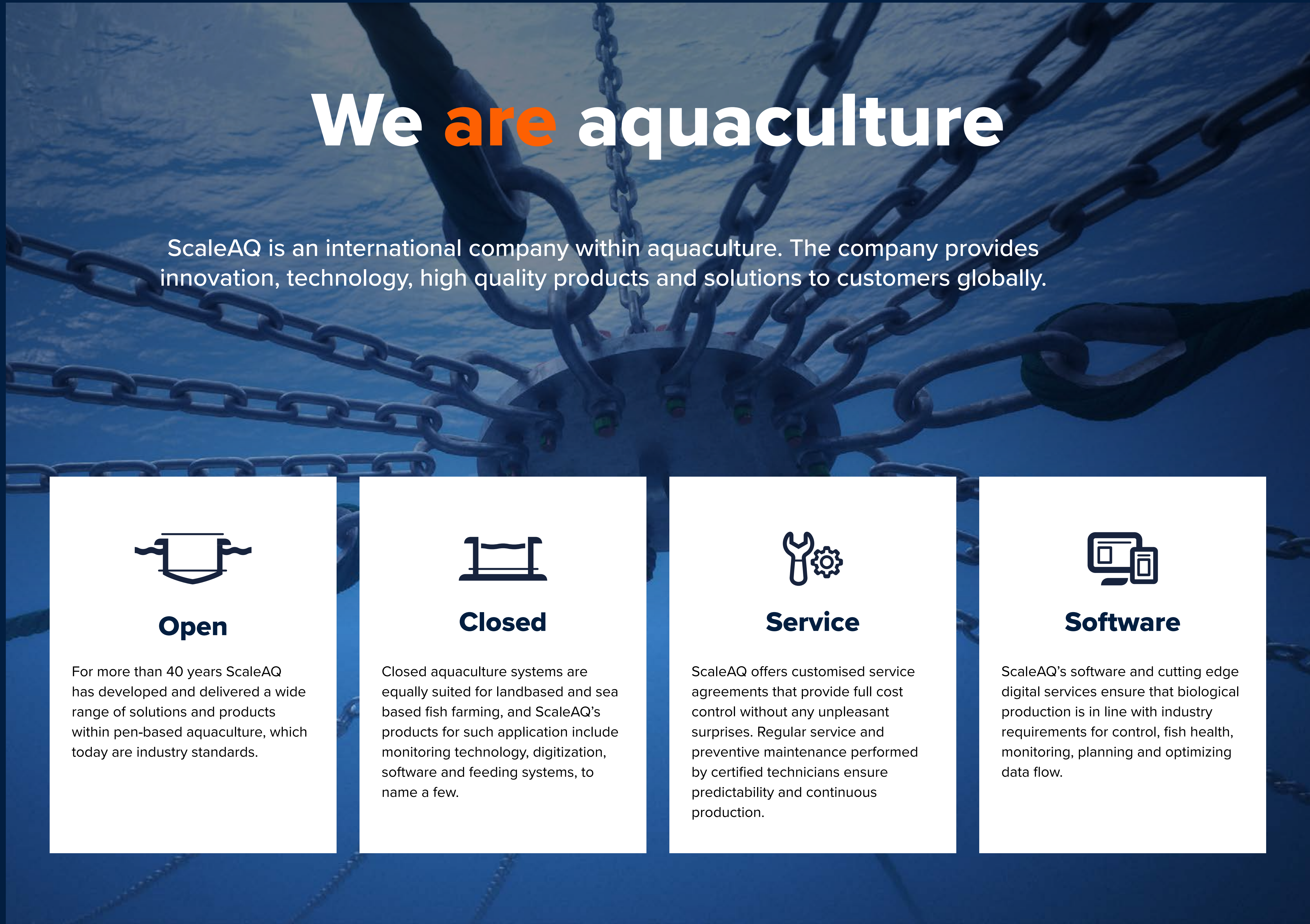
ANNUAL REPORT 2021

This is ScaleAQ

Sustainability report

Corporate Governance

Financial statements and results



We are aquaculture

ScaleAQ is an international company within aquaculture. The company provides innovation, technology, high quality products and solutions to customers globally.

Open

For more than 40 years ScaleAQ has developed and delivered a wide range of solutions and products within pen-based aquaculture, which today are industry standards.

Closed

Closed aquaculture systems are equally suited for landbased and sea based fish farming, and ScaleAQ's products for such application include monitoring technology, digitization, software and feeding systems, to name a few.

Service

ScaleAQ offers customised service agreements that provide full cost control without any unpleasant surprises. Regular service and preventive maintenance performed by certified technicians ensure predictability and continuous production.

Software

ScaleAQ's software and cutting edge digital services ensure that biological production is in line with industry requirements for control, fish health, monitoring, planning and optimizing data flow.

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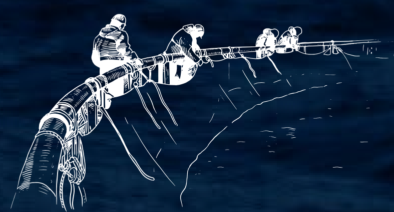
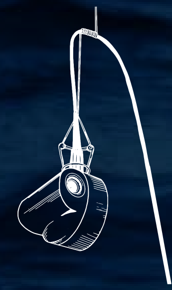
Company history - innovation at work



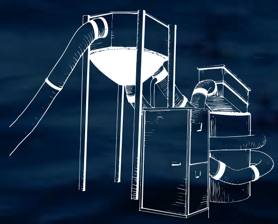
1980
We launched our first cage

1985
We launched our first central feeding system

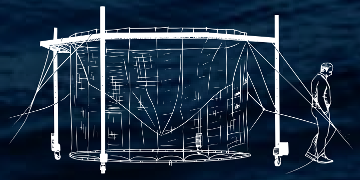


1996
Our first delivery of underwater cameras

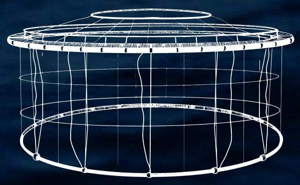
1999
We delivered our first feeding barge



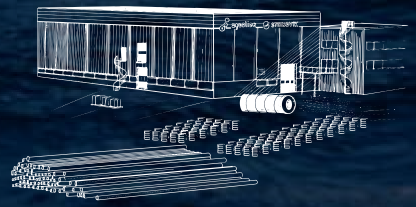
2009
We developed the world's first thermal delicer



2012
We began collaborating with Marintek to test our cage systems



2013
We launched Midgard®, the world's first escape-proof cage system



2018
We opened our new 120 decare facilities at Frøya

2019
We launched ScaleAQ at Aqua Nor and Moen Marin was aquired

2020
Integration
Consolidation
Fit for the future

2021
New launches: Cameras, Water feeding, Mercatus, SmartSpreader

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Total supplier for our customers

2021 at a glance

The year 2021 marked the completion of a successful restructuring of the ScaleAQ group. Operating profit (EBIT) turned to positive as quality of deliveries and overall performance improved. Financial performance the year before was marked by significant non-recurring costs.

Several new products were launched, including the SmartSpreader, the FeedStation, a new subsea and water-based feeding system, and a new cloud-based version of the Mercatus software.

In Scotland, ScaleAQ strengthened its team and opened a new product assembly area to better support its growing customer base. In Chile further steps were taken to strengthen the Group's organisation and team.

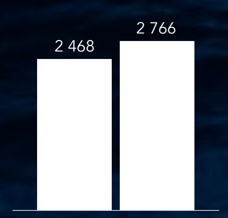
ScaleAQ intensified work and reporting efforts concerning sustainability aspects, and in 2021, the Group became a member of UN Global Compact.

To further broaden its offering, and in response to the growth of land-based aquaculture, ScaleAQ decided to sharpen efforts towards closed facilities on land and at sea, including smolt, post-smolt and grown out fish.

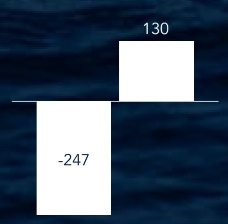
Key figures

(Amounts in NOK million)	**2021**	2020
Operating income	2 766	2 468
Operating profit (EBIT)	130	(247)
Operating profit (EBIT) margin	4.7 %	-10.0 %
Profit before tax	87	(279)
Total assets	2,902	2,796
Net interest-bearing debt	457	447
Equity ratio	41 %	37 %
Order backlog	1 281	1 250

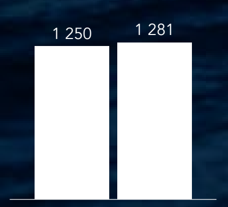
Operating income
Amounts in NOK million



Operating profit (EBIT)
Amounts in NOK million



Order backlog
Amounts in NOK million



800
employees

NOK 2.8 billion
revenues

NOK 1.3 billion
order backlog

9
countries

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Leading from the front

In ScaleAQ we have an ambition to create growth in aquaculture by providing high quality products and solutions. Being a reliable partner to our customers around the world is essential. We are a proud team of 800 competent and innovative brains with a broad range of expertise in aquaculture.

The year 2021 marked the completion of a successful restructuring of the ScaleAQ group and introduced a new and improved operating model. Group revenues increased by 12 percent from 2020 to 2021, and operating profit (EBIT) improved from negative NOK 247 million in 2020 to positive NOK 130 million in 2021.

Over the years, we have established ourselves as a reliable provider of total solutions and high quality products, becoming a partner to the leading aquaculture companies in the world. We are highly aware what it takes to deserve their trust. As a company and as individuals, we are committed to deliver on time and at agreed cost. ScaleAQ should always be the safe choice.

We also want to be seen as defining the future of aquaculture. That is one reason why we have made sustainability a part of all our business. As a global technology supplier, we can make a difference and change the premise for the aquaculture industry. New products and solutions should be developed on the back of biology and the environment.

We believe in *building trust* through strong and close relationships with our customers. From offices and other facilities in 9 countries, we take *responsibility* - always trying to understand and solve the challenges that our customers face. We *go beyond*, daring to be clear, vigorous, curious, visionary, and innovative on behalf of the entire aquaculture community.

Ready for growth

During the past couple of years, we have seen the fruits of our relentless efforts to integrate and streamline our business, improve our internal processes and quality in our products, and continually develop customer relations. We have built an organisation with consistent quality.

As we enter 2022, ScaleAQ is a robust company. Our products, technology, our culture, and our ability to innovate are strong pillars that support our further growth. We have continued to strengthen our position in Norway, which was our home base and main market for many years, and we are gradually extending our reach. We have won important contracts in the UK and in Iceland, and as the Chilean market now is in revival mode, our operations there are well prepared to support. We are all ready to take new important steps.

New frontiers

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

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

Geir Myklebust
CEO

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New solutions

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

Our current strategic initiatives fall into three main categories: We are developing next generation closed aquaculture systems, products specially designed for exposed waters, and equipment for landbased fish farming. In each of these areas, we are investing capital and deploying special competence and expertise to ensure that we continue to lead.

Digitalisation

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

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

Sustainability

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

In 2021 we decided to further strengthen our commitment to sustainability by becoming a member of UN Global Compact. This means that we will be following the guidelines and report annually on our work with the UN's social development goals and the UN Global Compact's ten principles for sustainable business operations. I hope you will find the sustainability section of this annual report interesting.

Collective achievements

As a company we want to use our position and insight in the industry to contribute on all levels. We believe in collecting ideas from our entire organisation, as well as from our customers and suppliers. In addition, competence and technology from academia, other industries and the authorities are key contributors.

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

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

Geir Myklebust
CEO

> *"Focus on sustainability and circular economy is, as I see it, crucial for value creation, economic growth and environmental management in the coming decades"*
>
> **Geir Myklebust, CEO**

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Local presence, personal engagement

- Our people represent the core of our brand. We employ 800 experienced and skilled workers, engineers, scientists and other staff, who are among the most competent and innovative in aquaculture.
- Solid people make solid and sustainable business, for our customers and for ScaleAQ.
- Local presence means close and lasting relations, first-hand knowledge of customer needs and requirements, and ability to solve challenges hands-on.
- Read more about our corporate responsibility in our Sustainability report.

Mission

ScaleAQ contributes to sustainable growth for the aquaculture industry.

Vision

ScaleAQ will be globally recognised as the market leading provider of technology, products, and solutions for the fish farming industry

Values

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

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

2. 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

3. 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.

Serving a global market

Faroe Islands
Klaksvik

Iceland
Reykjavik

Canada
Campbell River
New Brunswick
Newfoundland

UK & Ireland
Fort William
Shetland

Norway / Moen Marin
Trondheim

Poland
Gdynia

Chile
Puerto Natales
Puerto Varas

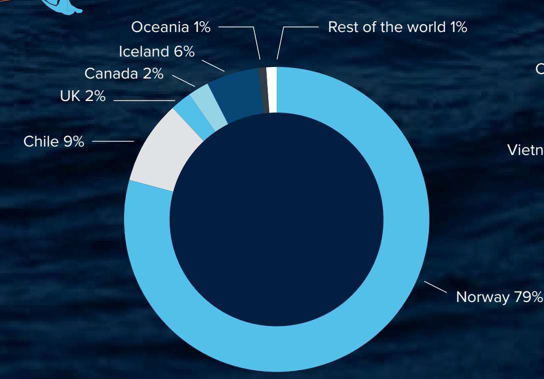
Norway
Alta
Bergen
Bodø
Bømlo
Florø
Frøya
Harstad
Haugesund
Hitra
Rørvik
Sandnessjøen
Skodje
Tovik
Tromsø
Trondheim

Vietnam
Hanoi
Nha Trang

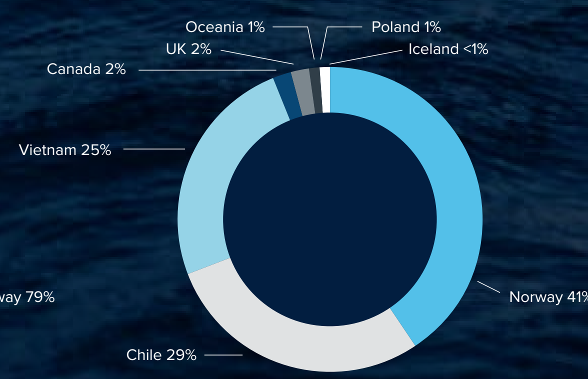
Oceania
Hobart

ScaleAQ's locations and main markets

Revenue by geography



Employees by geography



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Innovation and technology for sustainable growth

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

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

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

Collaboration is key

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

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

Components and total solutions

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

This is still the case, and it has led ScaleAQ to design and deliver advanced and robust quality products, as separate components or in total solutions. The Midgard® net pen system is an excellent example of how a wide range of components are brought together in one system to protect the fish as well as personnel (see next page).

Automation and integrated operations

Strategic growth areas for the industry and for ScaleAQ, such as landbased and sea based farming, share a number of common technologies. Equipment such as lights, feeding systems, cameras, CO_2 degassers, particle removal and silage systems, all come with sensors which can be deployed to feed data to increasingly intelligent systems.

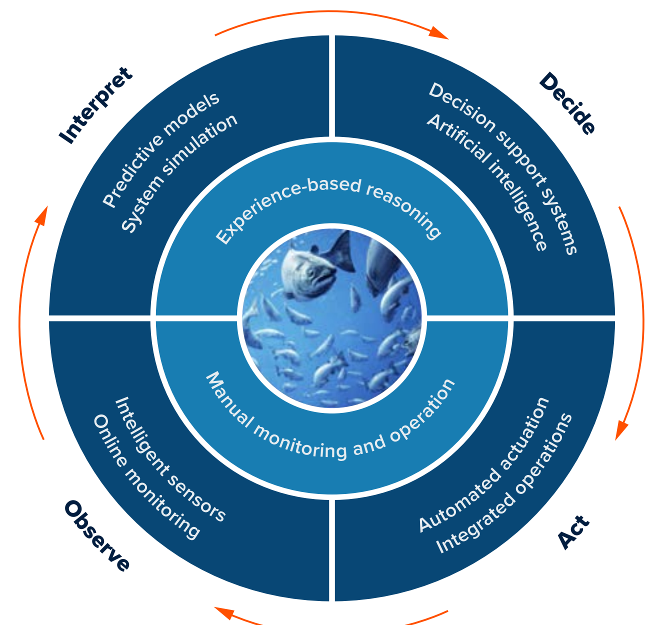
This is equipment which improves the industry's ability to observe, interpret, make decision – and ultimately move towards greater automation and integrated operations (see illustration).

Precision feeding

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

In 2021 and following close cooperation with a renowned farmer and customer in Norway, ScaleAQ launched its first water based feeder. Development now continues in close collaboration with one of the leading fish feed providers which has developed a new type of feed pellet for water based feeding.

Precision feeding. Water quality monitoring. Control of fish health and growth. Automated light regulation and cleaning. Together with its partners in the industry, ScaleAQ works relentlessly with technology and solutions that will enable sustainable growth of the aquaculture industry.



Føre et al., 2018

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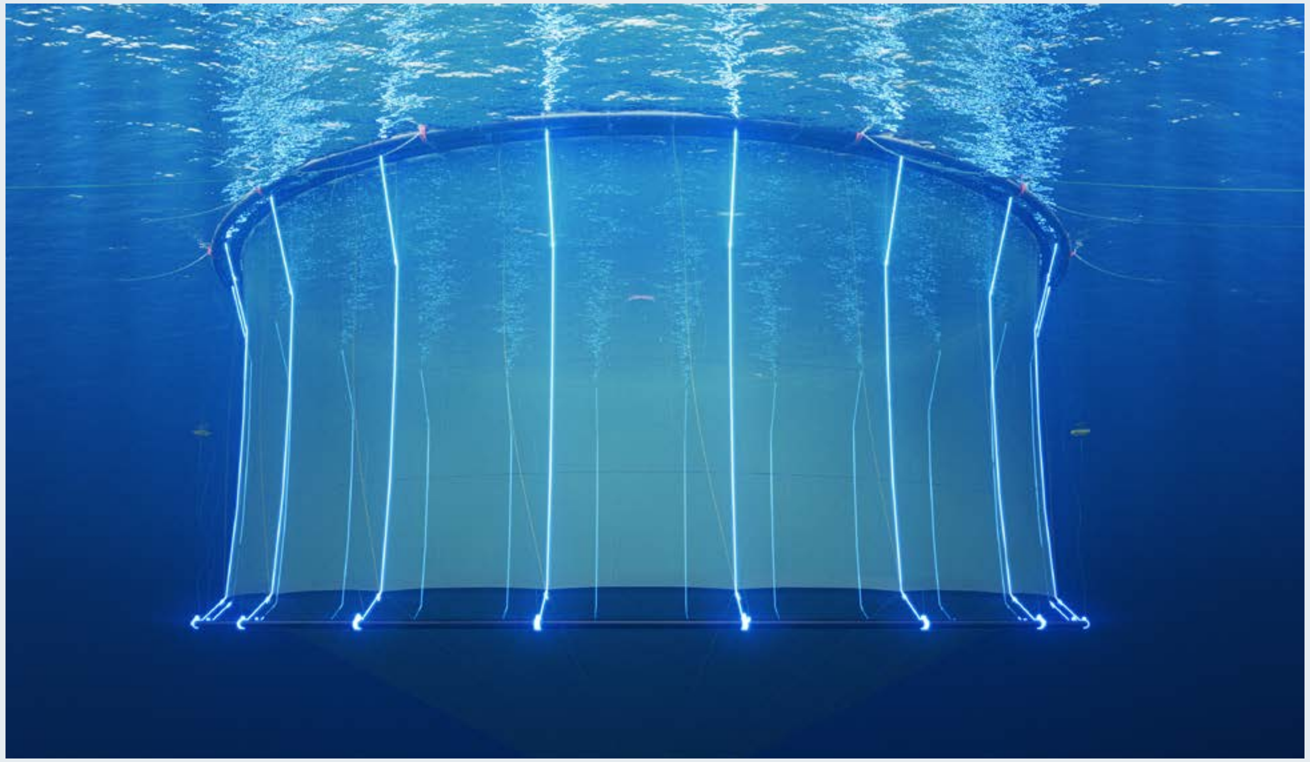
Case:

The Midgard® System



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

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

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

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

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

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

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

Segment information

Fish farming technology

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

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

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

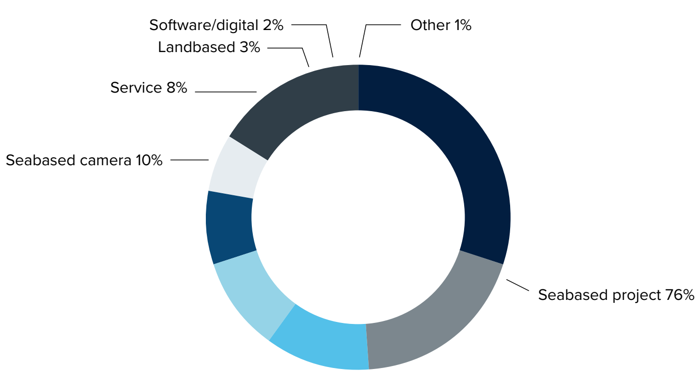
Service and after sales are also a key part of the fish farming technology segment. As a world class producer and supplier to the aquaculture industry, it is important for the company to offer reliable services to its customers worldwide. The company has service technicians located close to its customers.

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

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

Revenue per product line

Fish farming technology

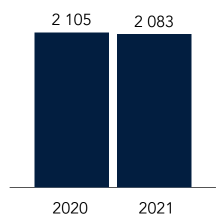


Key figures

(Amounts in NOK million)	2021	2020
Operating revenues	2 083	2 105
Operating profit (EBIT)	86	-226
EBIT margin	4,1%	-10,7%
Order backlog	651	720

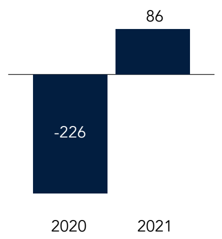
Operating revenues

Amounts in NOK million



Operating profit (EBIT)

Amounts in NOK million



Increased revenues in Norway and Chile, compensated for lower activity in Canada and UK.

Higher revenues and lower personnel costs combined with the absence of some significant nonrecurring cost recorded in 2020, were the main reasons for the increase in EBIT.

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Segment information

Vessels

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

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

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

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

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

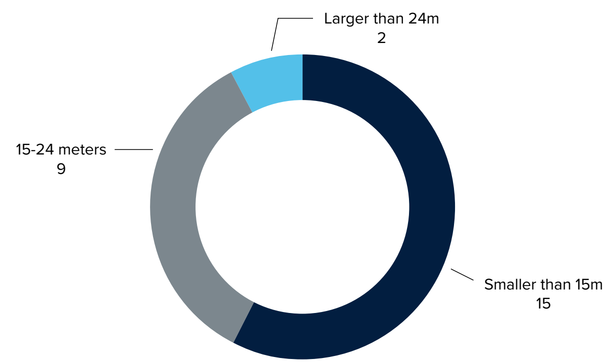
A true leader in environmental solutions, Moen Marin developed and has delivered around 40 green boats. All its designs can be delivered with electric and hybrid operation, and the company is involved in developing a next generation of hydrogen-hybrid vessels.

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

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

Number of vessels sold

In 2021 - by size

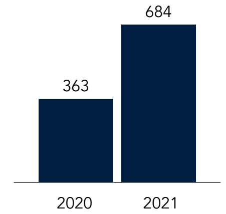


Key figures

(Amounts in NOK million)	2021	2020
Operating revenues	684	363
Operating profit (EBIT)	62	-18
EBIT margin	9.1%	-5,1%
Order backlog	630	530

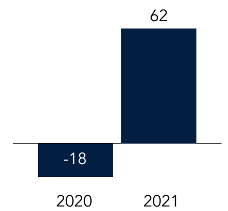
Operating revenues

Amounts in NOK million



Operating profit (EBIT)

Amounts in NOK million



The increase in revenues in 2021 were partly a result of a strong order backlog at the beginning of the year and continued good sales through the year, especially driven by demand for hybrid diesel-electric solutions and larger vessels.

The higher revenues and a favourable product mix gave a significant up-tick in performance.

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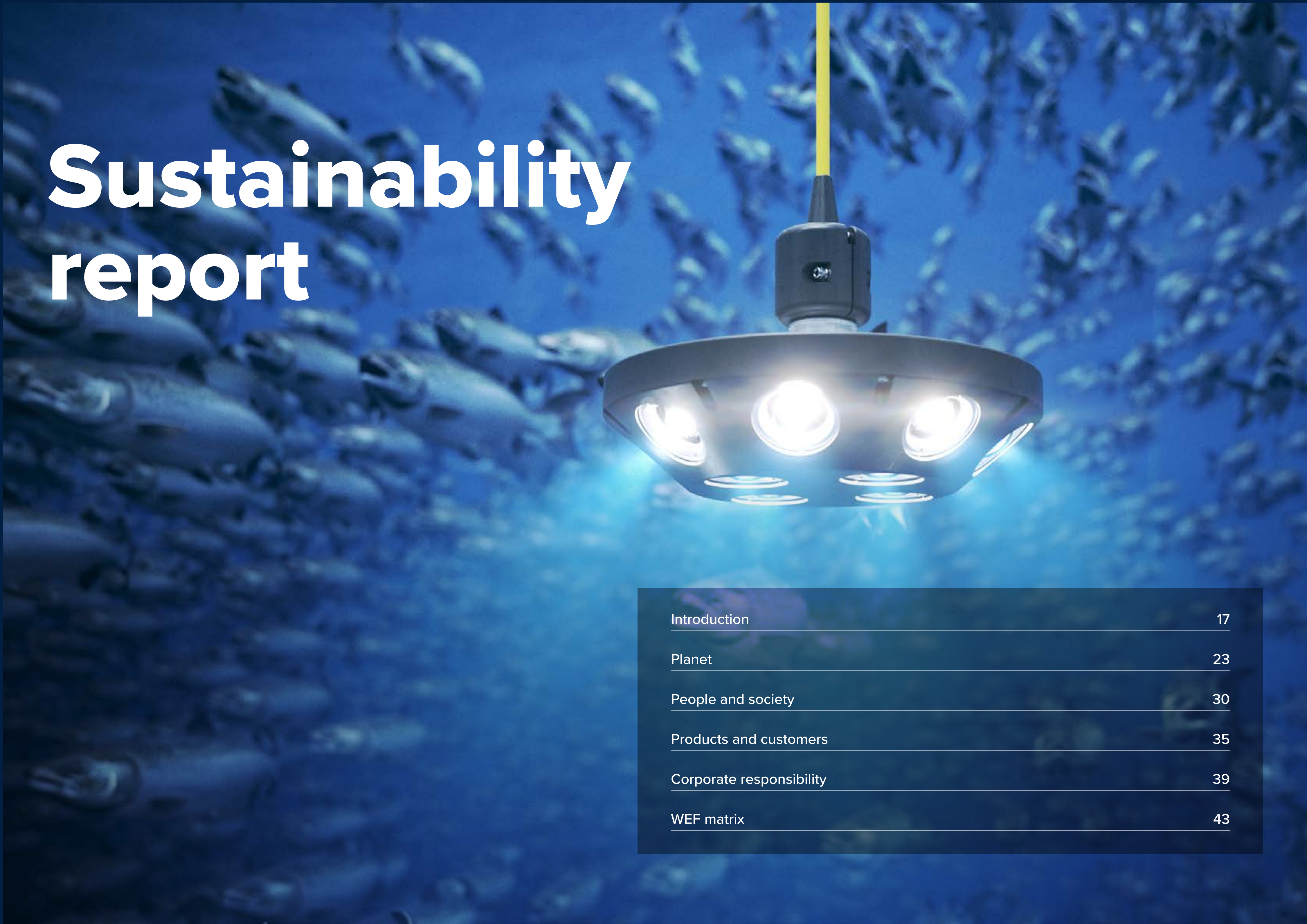

Sustainability report

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We are proud to deliver our first corporate sustainability report. The aim of the report is to provide relevant information on how ScaleAQ works with sustainability and ESG (Environmental, Social, Governance) topics.

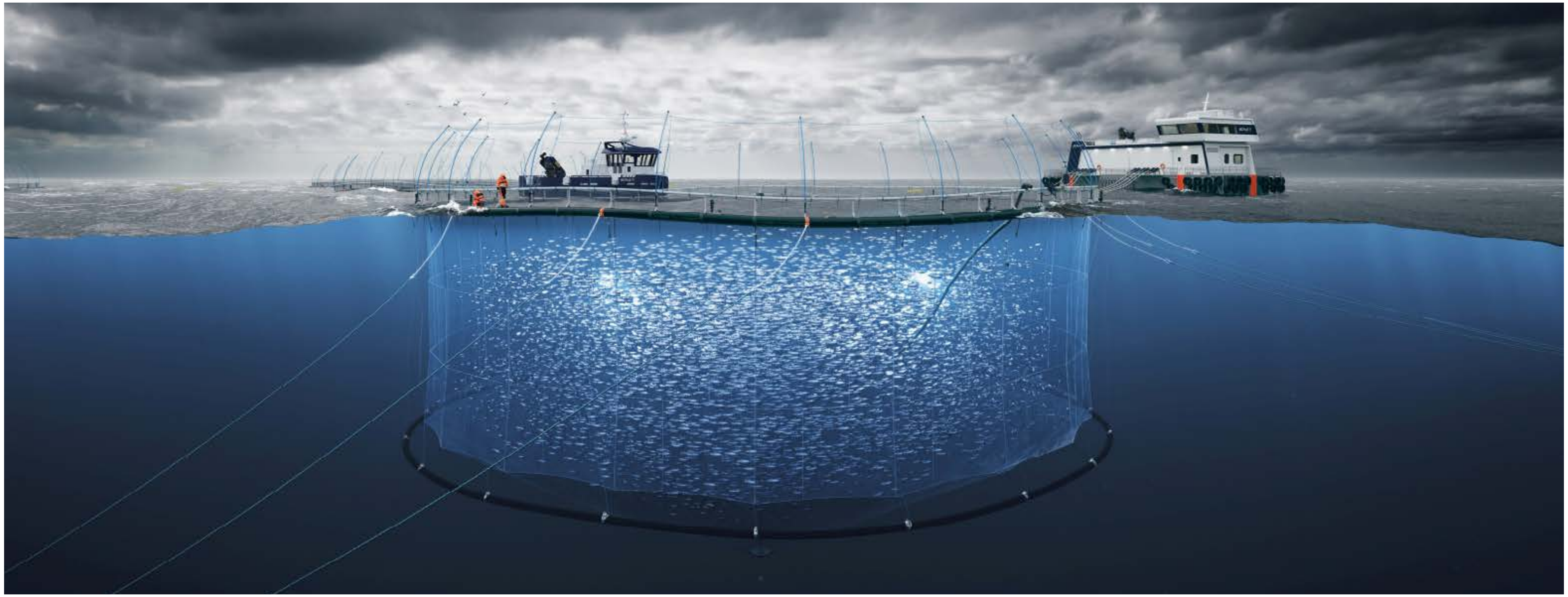
The report covers the required information and disclosures under the Accounting Act and the WEF (World Economic Forum) framework. It addresses topics that are important for our external stakeholders and our employees. All figures are related to the financial year 2021.

This report marks a first and important step for ScaleAQ towards integrating sustainability as a core concern and commitment for the entire company. We attempt to transparently demonstrate how we work with our long-term sustainability commitments. In this report, we highlight material challenges we need to address and actions that have been taken to contribute to improvements and new solutions.

ScaleAQ is a global company, and, as a result, this report has a worldwide scope. The subsidiary Moen Marin is not included now but will be part of a report the next years. The environmental data includes all our Norwegian units, and, as far as possible, also offices and production sites around the world. Our sustainability data will become more comprehensive as we continue our work.

This report is based on information obtained from various parts of the company. Accuracy and data quality in our reporting are areas of continuous improvement for ScaleAQ, and although complete and correct information is our target, some of the information will be based on estimates.

We have found 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.



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Our work with sustainability

The world is facing critical environmental challenges that we need to urgently address and continuously work on. One of these challenges is finding sustainable food sources for a rapidly growing world population.

Responsible aquaculture and salmon farming is part of the solution, even though there are a number of challenges that need to be solved within the current fish farming industry. We see ourselves as an active part of the need for improvements for a sustainable aquaculture sector for the future, so we embrace this as an opportunity.

We provide solutions, technology, products and services that safeguard eco-systems and fish welfare, reduce harmful climate and environmental emissions across the aquaculture industry.

During the past few years, ScaleAQ has taken steps to strengthen our control and management of sustainability matters. A Director of Sustainability was employed at the end of 2020 and an Advisor for Environment was recently recruited to further expand our capacity in this field.

To us, it is obvious that people, planet and profit can not only go hand-in-hand but also needs to go *hand-in-hand*. We believe in what we are doing and the industry we are part of, but we also recognise that change and improvement are necessary. ScaleAQ has a long-term commitment to sustainability and views this as a journey that has only just begun.

Our commitment is broad:

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

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

OUR INDUSTRY AND SOCIETY
We will assume a clear industry role and drive sustainability in the aquaculture sector.

UN Sustainability Goals that are considered particularly important to ScaleAQ's business and how we operate. Read more here.

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Stakeholder engagement activities

Our success depends on our ability to build trust and maintain an open and transparent dialogue with our stakeholders. We have carried out an analysis and identified material aspects of sustainability for our company and stakeholders. Key findings in our stakeholder dialogue are shown in the table below.

Table: stakeholder dialogue

Stakeholders	Stakeholder's expectations	Methodology and areas for dialogue
Own employees	Anchoring and active communication/training internally, alternative plastic materials and plastic solutions, choosing subcontractors with a focus on ESG, and life cycle analyses on our products (EPDs)	Questionnaires for all employees. Workshop for employees with a focus on sustainability. This continues in 2022 and will include all offices. Information on intranet and presentations at our "speak-up" seminars.
Business partners	Recirculation of plastic and other materials, reducing kg copper in nets	One-on-one meetings with some of our suppliers in 2021
Customers	Reductions in greenhouse gas emissions, respect for and compliance with human rights, employees' working conditions in Scale AQ and the supply chain, handling and follow-up of subcontractors, fish health, and fish welfare	One-on-one meetings with several of our customers in 2021
Authorities	Producer liability scheme on plastic equipment from the fisheries and aquaculture industry, electrification, greenhouse gas emissions, circular solutions, low-emission vessels, environmental documentation, action plan for plastics, fish welfare	The Norwegian Directorate of Fisheries, the Norwegian Food Safety Authority and the Norwegian Environment Agency. Submitted a consultation statement to the proposed new environmental technology scheme under the Ministry of Industry and Fisheries
Industry associations	Plastics strategy for the industry, EPD at the product level, fish health, and welfare issues	The Norwegian Seafood Federation - plastics strategy Membership in NCE Aquatech, Ocean Autonomy and Stiim Aqua
NGOs	Plastic littering, electrification of vessels, and impact on indigenous people	There has been some contact, but NGOs are stakeholders we want to have closer contact with, both nationally and globally.
Local communities	Dialogue concerning the impact on indigenous people, plastic littering, fish welfare, technology solutions for sustainable aquaculture	Dialogue and participation in forums with business and local people, contributing to cleaning ocean and beaches in Norway and Iceland
Media	Emissions to marine environment, plastic littering, fish welfare, lice, land use challenges, closed technology	ScaleAQ follows closely the aquaculture industry in the media both nationally and globally. We have had several coordinated initiatives addressing sustainability issues for the aquaculture industry.
R&D partners	Innovation and technological solutions for sustainable aquaculture, reporting, autonomy and digitalization	Close collaboration with the universities NTNU, UiT and Nord University (4 employees have II'er positions). R&D collaboration with several research institutes. Testing of our aquaculture constructions in the marine technical laboratories at SINTEF Ocean.

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Materiality assessment

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

The findings were systematised and subsequently discussed and prioritised in several workshops with our management and anchored by the Board of Directors. The materiality assessment will provide the basis for the continued development of our company strategy, governance, and management structures, as well as determining KPIs. The resulting material topics are provided in the following figure.

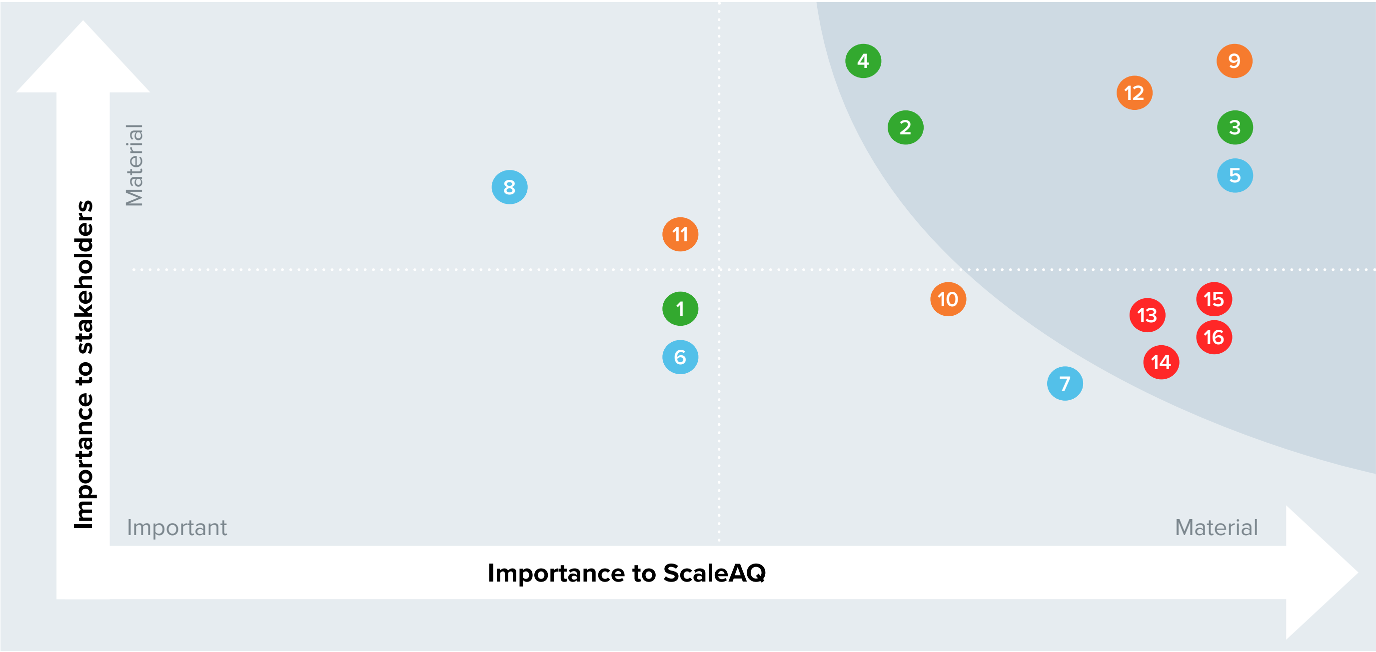

Figure: ScaleAQ most important material value drivers

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 fish welfare

People and society

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

Products and customer

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

Governance

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

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Value chain mapping

In addition to conducting a materiality assessment, we have also performed a mapping on the identified material aspects along our value chain. The mapping is done in relation to where the material aspect has an impact on a high, medium or low level. In the chart below, we have detailed each material aspect for each step in our value chain and whether the aspect has a high, medium or low impact:

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

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

Impact: High level of materiality · Medium level of materiality · Low level of materiality

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Addressing the UN SDGs

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

Goal 14: Life Below Water
Preventing marine pollution from our products by supplying products and services that safeguard fish welfare, reduce emissions of plastic in nature and protect marine and coastal ecosystems

Goal 13: Climate Action
Making reductions in our own greenhouse gas emissions and contributing to new technology and better solutions that reduce the carbon footprint of the aquaculture industry

Goal 12: Responsible Consumption and Production
Investing in R&D and technology development that promote circular approaches and increase resource efficiency in our products and services

Goal 17: Key Partnerships for the Goals
Partnering with all relevant stakeholders to ensure that sustainability is integrated as a key objective and concern in all the decision-making throughout our value chain

Goal 3: Good Health
Ensuring that universal and equitable health coverage is available for all of our employees

Goal 5: Gender equality
Ensuring an inclusive workplace, where we close the gender pay gap and ensure women's full and equal opportunities for leadership

Goal 8: Decent Work and Economic Growth
Operating with the highest standards of business ethics and ensuring a safe and healthy work environment with a "zero accident" objective

Goal 9: Industry Innovation and Infrastructure
Investing in R&D and technology development that promotes a sustainable aquaculture industry for the future

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Action and performance in 2021

Based on the materiality assessment conducted in 2021 and presented on page 19 of this report, the management and board decided that the company will concentrate its improvement and reporting efforts on selected topics, which are of most strategic importance to the company and its stakeholders.

In the following pages, actions and performance related to each of these topics are presented in further detail.

The chapters "Planet" and "Products & Customers" are closely connected, since the performance of our technology and solutions is also related to the impact on the environment, and the potential positive effect of developing better solutions. In the chapter "Planet", we are focusing on our value chain, but we are also showing examples of our technology that will give a positive impact on the environment and the aquaculture industry, of which we are a part.

WEF framework

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

The WEF framework consists of 21 core and 34 expanded indicators. ScaleAQ has decided to report on the 21 core indicators. See table on page 44 for further detail.

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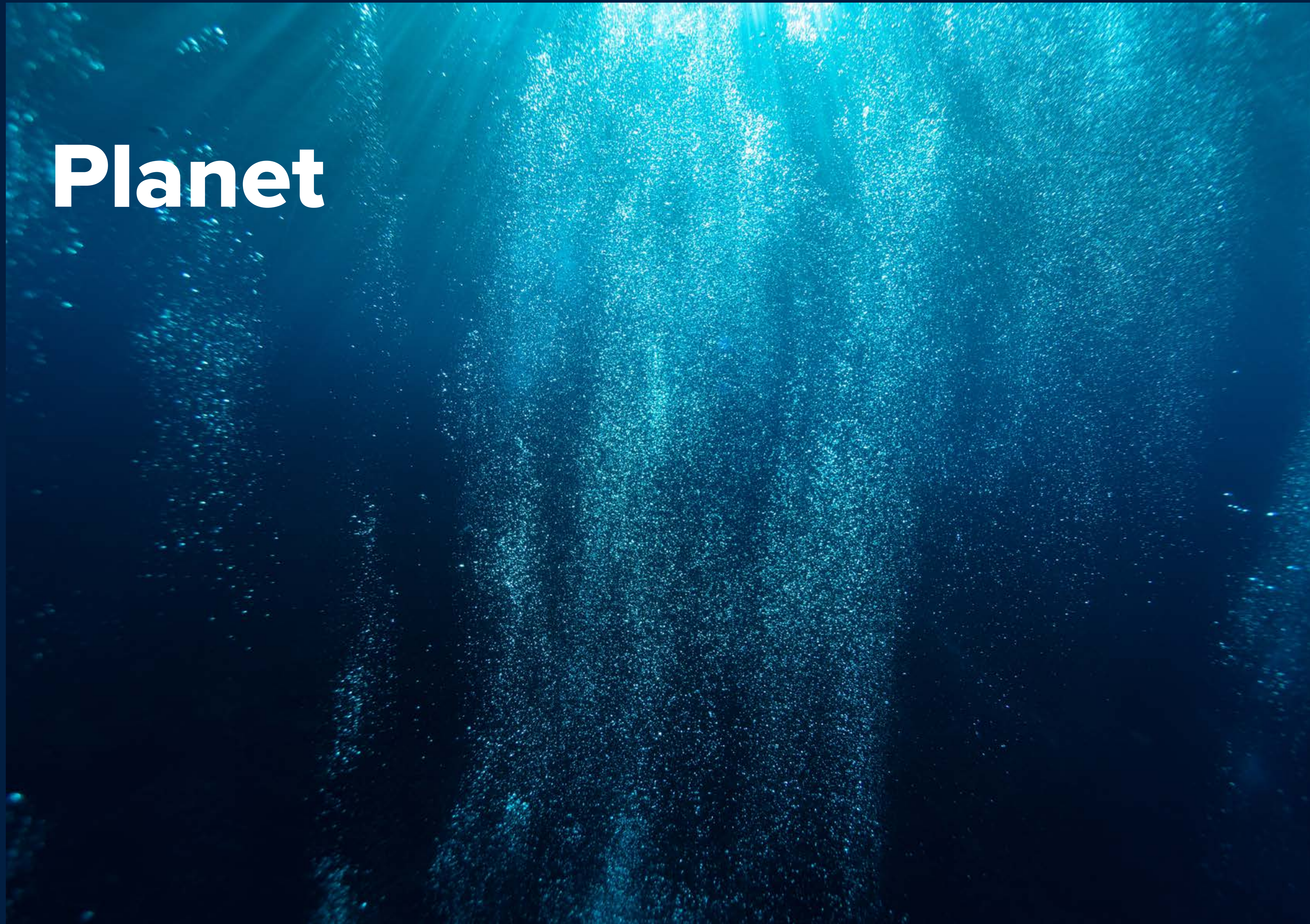
Planet



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Planet

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

Reduction of greenhouse gas emissions in the aquaculture industry

Reduction of plastic emissions

Protection of biodiversity, ecosystems and fish welfare

Table: overview of ScaleAQ's Greenhouse Gas emissions

Greenhouse Gas (GHG) emissions *(tonne CO2e)*	Norway 2021	Vietnam 2021	Chile 2021
Scope 1 (Direct energy consumption)	458,2	170,9	615,4
Scope 2 (Indirect energy emission)	43,9	712,9	303,7
Scope 3 (Indirect energy emission)	42 284,8	n/a	n/a
Total GHG emissions - scope 1 and 2 (tonne CO_{2e})	**502.1**	**883.8**	**919.1**
Total GHG emissions - scope 1, 2 and 3 (tonne CO_{2e})	**42 786.9**		

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

Our operations and long-term development depend on sustainable and environmentally responsible interactions with the natural environment. Our oceans provide great unexploited potential for more sustainable food production. Aquaculture and salmon farming constitute part of the solution to climate change and global resource scarcity and provide a significant benefit to human health. With our technology and solutions, we want to contribute both with reducing greenhouse gas emissions in the aquaculture industry, reducing plastic waste and microplastic emissions to nature and to the protection of biodiversity, ecosystems and fish welfare.

Greenhouse gas emissions

Why it matters

Climate change is a threat to human well-being and the health of the planet. Given the nature of the climate crisis, all industrial sectors and all businesses must consider themselves responsible to act. The climate balance sheet for the global aquaculture industry shows that fish feed represents the industry's largest source of greenhouse gas emissions, but to reach the net-zero goal it is also necessary to reduce the emissions in all parts of the value chain.

What we are doing

We have been working with our climate accounting since 2020, but in this report, we will be using data from 2021 as a basis since it contains a more complete accounting. For now, our analysis and overviews cover the Norwegian part of the company that make up about 64% of our activities. In addition, we have included scope 1 and 2 for our business units in Chile and Vietnam.

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Hybrid and electrical solutions

We aim to provide the solutions that can enable the sector to cut carbon emissions even further. Throughout 2021, we felt the market demand for our newly launched hybrid and fully electrical solutions for both feeding barges and service vessels. The line of hybrid and the electrical solution we now offer delivers up to a 60 per cent reduction in fuel consumption. This demand is not only noticeable in Norway. In 2021, we delivered the first two hybrid barges on the Scottish market, and demand for these solutions is noticeable also in Tasmania, Iceland, Canada and Chile.

Our climate assessment is "complete" in the sense that it covers:

- greenhouse gas emissions emitted directly from the company (Scope 1)
- indirect emissions from purchased energy used by the company (Scope 2)
- indirect emissions from input factors such as purchased products and services (Scope 3)

There is a share of the accounts that is not included. This share is part of the purchase of products and services. We will nevertheless claim that we have good scope 3 coverage, as more than 67% of our expenses are included in our climate accounting. There is also no reason to believe that if this share had been identified in more detail, it would have changed the conclusion that scope 3 is by far the largest part of our climate footprint. While we continue to improve on the granularity and data quality of our climate balance sheet, we consider that we have good coverage.

Procurement and sourcing

Our climate balance sheet tells us that the main source of our greenhouse gas emissions – by some margin – is our procurement and sourcing. Around 79 per cent of our greenhouse gas emissions come from the purchase of goods. Plastic, concrete and steel products represent the vast majority of these emissions, totalling 97%, where plastic, concrete and steel accounts for 17, 28 and 55% respectively.

To work on reducing the climate and environmental footprint of our purchases of plastic and metal materials, we focus on:

- Material efficiency, i.e., achieving more with less.
- Sourcing from producers that document low impact and that show an initiative to transition their production towards more use of recycled materials and renewable energy sources in their production.
- Circularity. We aim to design and produce products that can efficiently be reused and recycled and to increase our own use of recycled materials.

Way forward

In 2022, we will continue to the work on ensuring that our climate balance sheet is as inclusive and comprehensive as possible. We will include more business units and use our improved overview and data quality to set goals and KPIs for GHG emission reductions that are relevant and ambitious, both in the short and long term.

It will be important to establish an action plan for emissions reductions that identify more clearly how we can implement measures to reduce emissions throughout our value chain.

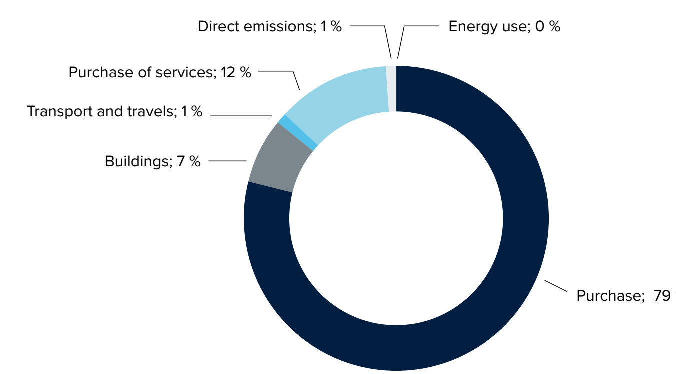

Figure: Climate accounting for Norway

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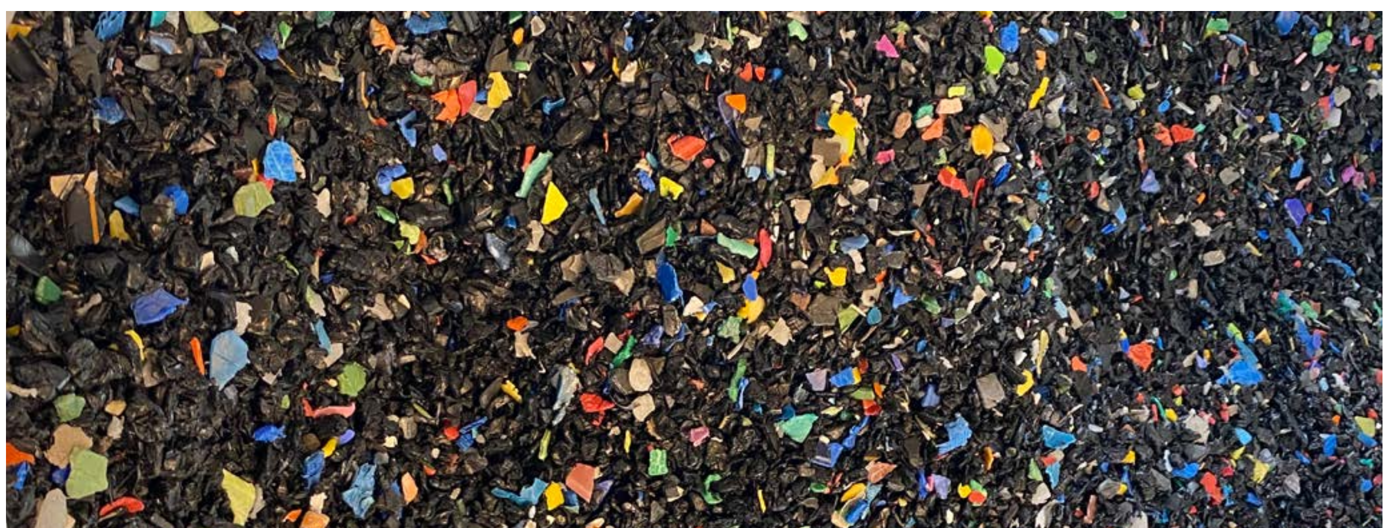

Plastic and circular economy

Why it matters

Plastic is extensively used in aquaculture. Its strength, durability, flexibility, tensile and waterproof properties, in addition to the low cost of this material, make plastic optimal for diverse applications in the industry. Today ScaleAQ put about 10 000 tons of plastic-based products on the markets yearly, which is a significant amount of the total volume of fish farming equipment.

However, we recognise that marine litter, and especially plastic pollution, is a major environmental problem. It is important for us to work with reducing emissions of plastic in nature and increasing the recycling of our products. We need to adopt a circular economy perspective and derive the most value from resources during their lifetime. We strive to ensure that the cradle-to-cradle principle on sustainable production is mainstreamed in all our development work. Additionally, we are focusing on reducing waste and optimising waste streams in our own value chain to secure responsible waste management.

What we are doing

In 2021, we established “Scale Circular” as an initiative for increased sustainability and circular economy, and we also signed SKIFT’s 10 principles for a more circular trade and industry. We encouraged our partners and customers to do the same.

Our waste streams mapped for our service stations in Norway show that we in total generate 415 tons of solid waste, where 244 tons went into material recycling (plastic and metals).

Circular economy

In 2021, we mapped out the material flows of plastics in the company’s value chain, all the way to post-use in the fish farm and subsequent recycling. Our estimates show that we currently recycle around 42% of our plastic equipment but we aim to increase this considerably over the next few years.

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Table: Overview of the amounts of nets, ropes and plastic bags that were sent to recycling from our net service station in 2021

Waste from the net service station in 2021		Treatment of the waste	
Ropes, nets	185 530 kg	Material recycling	191 430 kg
Copper-based nets	650 410 kg	Energy recovering	650 410 kg
Polypropylene bags	5 900 kg		
Total	**841 840 kg**	**Total**	**841 840 kg**

Discarded floating collars were sorted, ground and transported to mechanical production of recycled plastic pellets at Quantafuel in Kristiansund. An explicit focus here was on return schemes and increasing the use of recycled plastic in selected products.

Furthermore, a project known as “SPARE” (SAVINGS in English, for circular plastic products for sustainable aquaculture) was established at the end of 2021. The project is partly funded by Norwegian Retailers’ Environment Fund. The main objective is to increase the proportion of recycled plastic in several of our products used in the aquaculture industry. Collecting, recycling and creating value of plastic in the value chain requires a concerted effort from several players. Our main supplier Hallingplast AS is dedicated to this work and is collaborating closely with us.

From our net service station, we send treated nets to recycling. In the table here we show an overview of the amounts of nets, ropes and plastic bags that were sent to recycling from our net service station in 2021. Nets treated with copper above 0.25% (2500 ml per kg) are defined as hazardous waste, and accounts for 650 tons last year. The nets which don’t include copper or are below the limit value are used for material recycling. Our partner Oceanize deliver the copper treated nets to NORCEM, where they are used as an energy source for cement production. The nets are used as substitutes for coal in NORCEM'S production, since plastic in pure form has a higher energy potential than coal per kg. Ordinary combustion utilises approx. 40% of the energy potential, while this combustion utilises up to 90%.

Macro and microplastic emissions

We support projects that contribute to increased knowledge about the occurrence and consequences of macro-, micro- and nano-plastics in the ocean. We are engaged in a project (MICRORED, funded by FHF) studying how density and velocity impact the microplastic emission during the transport of the feed pellets through the air.

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Water-based feeding systems represent a key solution for the reduction of microplastic emissions. At the end of 2021, we developed and launched our new barge with subsea/water-based feeding technology in cooperation with Sinkaberg Hansen AS, a renowned farmer and customer in Norway. After testing subsea feeding through pilots in both Tasmania and Norway, we experienced promising results on a number of parameters such as no microplastic emissions, less noise, reduced energy consumption and increased feeding capacity.

ScaleAQ is a member of the non-profit association “Hold Norge Rent”. Our employees in Norway contributed to beach cleaning and collection of marine litter during the “strandryddeuka” last year. In Iceland, we hired students to do the same.

Way forward

In 2022, we will include more business units and use our improved overview and data quality to set goals and KPIs for reducing solid waste, increasing circularity and implementing actions to reduce plastic emissions that are relevant and ambitious, both in the short and long term.

A huge milestone will be to offer products with an increased proportion of recycled material. Continuing to work on implementing robust return systems for our products will also be an important priority.

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Protect biodiversity, ecosystems and fish welfare

Why it matters

The impact of Salmon lice and escaped fish on wild fish populations are currently considered the two most pronounced environmental challenges facing fish farming in Norway. Additionally, the negative impact on local eco-systems around salmon farms is also perceived as a critical factor globally. Many complex issues and impacts need to be addressed to reduce the footprint of aquaculture.

What we are doing

As a developer and technology supplier for aquaculture, we need to take responsibility for ensuring optimal construction and use in terms of the challenges the industry is facing. This includes fish welfare, environmental impact and biodiversity. For us, the commitment to deliver technological solutions that safeguard fish welfare and reduce the environmental footprint of our customers has a high priority.

At the end of 2020, we expanded our team at ScaleAQ with a Head of Biology position. This has triggered ground-breaking work that has led to the establishment of a biological performance documentation programme in all our technology development work. We have established a working methodology that includes biological and sustainability documentation. This means that in addition to technical documentation, scientific and empirical studies and evaluations will be included on fish growth and welfare, environmental impact, biodiversity and some standard parameters of sustainability, including circularity and GHG emissions.

Biofouling

Biofouling in marine aquaculture is one of the main barriers to efficient and sustainable production.

Traditionally, nylon and HDPE nets are used in the fish farming industry, and it has been common to use copper oxide to reduce the biofouling on the nets. Copper (Cu) is an essential micronutrient and is necessary for a wide range of metabolic processes in animals and plants. However, at elevated levels, copper becomes toxic. In order to minimise the use of Cu in salmon farms last year, we launched an HDPE net with built-in antifouling qualities as an alternative to copper treated nets. At our net station, we used a total of 404 000 litres of fouling protection, whereas 193 000 litres were copper-free. While we recognise the need to replace copper as an antifoulant, we also need to carefully and holistically consider all environmental aspects of replacement products to ensure optimal solutions.

Way forward

In 2022, we will further develop our biological performance documentation programme and continue our work to find appropriate alternatives to copper as an antifouling agent for nets and on improving net design and quality.

An important priority will be to define and establish relevant KPI frameworks.

Figure: Copper-free and copper-based ratio used at our net station in 2021.

People and society

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People and society

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

Employee's health and safety

A global technology company like ScaleAQ thrives and succeeds when it is run by a healthy, diverse and engaged workforce. We believe that diversity makes our company stronger and that we can fuel innovation and development by encouraging different ways of thinking. Ensuring that women have full and equal opportunities for leadership in ScaleAQ, for instance, is an important priority, and our goal is to close the gender pay gap and to increase the overall share of women both in management positions and in our overall workforce.

With operations on almost all continents of the planet, it is also important for ScaleAQ to ensure we build solid relationships with the local communities where we work. We are committed to making positive contributions through effective stakeholder engagement and meaningful social investments and actions in these communities. Respecting human rights is vital for us along our supply chain.

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Employee's health and safety

Why it matters

Providing decent work for all is a fundamentally important part of the SDG framework and ensuring a safe and healthy work environment nurtures the growth and development of our employees, which is an objective ScaleAQ see as essential to our company's corporate identity.

What we are doing

ScaleAQ operates with a firm "zero accident" objective. We have committed ourselves and our suppliers to the highest standards of business ethics and working conditions. Every day, we work to build a culture where we trust each other, are obliged to stop dangerous work and behaviour where we see the value of reporting, share learning from incidents and where we set aside time and plan our deliveries with the health and safety of our employees in focus.

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

Category	Norway[1]	Chile	Vietnam	Canada	Oceania	UK
Employment						
Total number of employees	292	225	194	12	9	13
Number of temporary employees	17	17	0	0	1	0
Total management positions	20	28	9	3	1	4
Gender balance						
Percentage of women	20%	9%	20%	25%	11%	15%
Percentage of women in management positions	20%	21%	33%	100%	0%	50%
Age distributions						
Age <30	54	76	95	3	3	2
Age 30-50	173	123	96	8	4	10
Age >50	65	26	3	1	2	2
Health and safety						
Sick Leave	4.15%	n/a	1.16%	n/a	1.63%	1.18%
Work-Related Injuries (WRI)	3	n/a	0	3	1	0
Lost Time Injuries – LTI (H1 in Norwegian)	2	n/a	n/a	n/a	n/a	n/a
Fatalities	0	0	0	0	0	0
Total Recordable Injury Frequency (H2 in Norwegian. WRI + LTI / million worked hours)	5,8	n/a	n/a	n/a	n/a	n/a

[1] Our office in Iceland has 3 employees and is not included in this overview

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Global HSE platform

2021 is the year when we focused on establishing a common HSE platform that binds us together and ensures better onboarding in this specific area. The platform is based on a common HSE Handbook which has been launched and is continuously updated. A mandatory joint HSE course (nano-based) has also been launched in the first instance for the Norwegian part of the business, with a clear goal of 100% participation. In addition, everyone in the Norwegian part of the company will be offered a first aid course in 2022 (most operatives already have it).

Based on the existing routines, we have conducted a lot of operational support, facilitation and implementation work on the HSE side, and used the opportunity to focus on the most operational parts of the company, including support to the service part of the business with routines, more and better safety equipment and requirements for additional safety courses.

Incidents and deviations

In 2021, we put in place a new and scalable non-conformance reporting system (EQS) and routines for non-conformance handling covering the whole Norwegian part of the business. The new system has been established in dialogue with the users, several departments and product lines are now part of the same system. Deviation reporting has also been made easier with available iPads installed on our production sites. The iPads contain our EQS reporting system, health, safety and environmental courses and handbook. This is to increase reporting and get easy access to these systems for our employees that work in the production. Courses focusing on the system and the importance of reporting have also been completed – all contributing to the reporting rate steadily going up and, with that, a greater degree of experience transfer.

We have also internationally established several reporting channels into the company, including 'incident@scaleaq.com'. This channel ensures that the information about, among other things, matters related to health and safety reaches the right decision-makers and that cases receive the necessary attention. About 10 cases with varying criticality were reported in 2021 for both action and information. Cases are handled continuously in a satisfactory manner.

We also used the end of 2020 and 2021 to put in place a system for incidents recording and have established logging and traceability around our injury statistics measured as TRIF (Total Recordable Injuries Frequency). We see a stable to positive development well in line with our goal. Overall, this gives an indication that what we are working on pays off. At the same time, we see several near-misses that, with minor changes in the circumstances, could have led to serious injuries, and these near-misses remind us that the work on health and safety commands our daily attention. The average TRIF Norway for the period December 2020 to December 2021 is 5.8 as a whole, well within our target of 8.8. (Norwegian Industry average).

Internal and external (customers and authorities) audits paint a picture in which the company largely appears to be in accordance with the external and internal requirements that are set. The revisions are characterised by a few findings of a minor nature.

On the technical side, we have had a strong focus on risk assessment in the design phase of our solutions and products with a particular view of the possible HSE effects in the production and operation phase.

The commitment of our offices around the world to our employees' well-being and safety is being rewarded. In Canada, for instance, we recently started using a Garmin inReach tool to ensure we have SOS messaging and GPS service in areas we travel to that have no cell service to ensure the safety of our staff. Our work and framework in Vietnam will be presented separately below.

Way forward

- Increased HSE awareness and culture in all aspects of our business and in all aspects of the hierarchy through training and putting HSE on the agenda on the existing meeting points
- Sustained operational HSE focus through priority towards the most risk-exposed part of our business
- More uniform HSE approach across the business, including sharing and implementing common good practice and basics requirements

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Employee safety first

In 2021 ScaleAQ was awarded for our commitment to the health and safety of our employees in Vietnam

ScaleAQ employees at our production facility in Vietnam.

ScaleAQ awarded for support to our employees in Vietnam

Our work and framework in Vietnam with local health campaigns, health checks, health insurance and close follow-up and management of the COVID-pandemic has earned us the recognition of the People's Committee for outstanding contributions to social security during the COVID-pandemic as well as the award for National & Provincial Safety.

ScaleAQ has been operational in Vietnam since 2012 and established our current production facility in 2016. Through our 6 years of production in Vietnam, ScaleAQ has worked systematically to ensure that we operate in accordance with our global performance standards and the sustainability priorities that we are committed to.

With an ever-growing young population looking for employment opportunities, Vietnam is faced with the challenge of generating an overwhelming number of new jobs every year, which causes pressure on salaries. The comparably low salary levels in Vietnam is one of the factors that attract a lot of foreign investments to the country. For ScaleAQ it has been a priority to ensure that our employees not only receive fair and equal pay but also that they have access to proper insurance and remuneration and can enjoy high standards in health, safety, and work environment.

During the years of the COVID-19 pandemic, Vietnam responded with great resolve and managed to keep infections at a minimum. The societal impacts of the COVID regulations, however, challenged the business community across all sectors. ScaleAQ has managed to keep production and deliveries ongoing throughout the pandemic and to avoid letting any of our co-workers go. Through a range of different actions and investments, we established solutions for accommodation, food provision, medical treatment and social activities within the ScaleAQ family. This enabled our workers to keep their jobs and income all through the lockdown period. These COVID-era policies were praised by our employees, as revealed by staff surveys and through awards from the Vietnamese government for our actions and practices.

Description of the context we operate in

Vietnam is a densely populated mid-income country with a young population. Its population is rapidly approaching 100 million, in an area roughly the size of Norway. Since the late 1980s, Vietnam has been transitioning from an agrarian society that was one of the world's poorest countries to an industrial economy with annual GDP growth rates between 6 and 8%.

The business environment in Vietnam offers stability for an investor like ScaleAQ, with relatively low inflation, a stable currency, a stable political system, and a well-developed infrastructure. At the same time, operating in Vietnam exposes a company to some sustainability-related challenges that are common in most other mid-income countries, related to social equity and working conditions but also with regard to constraints in governance capacity relating to issues like corruption and environmental regulations.

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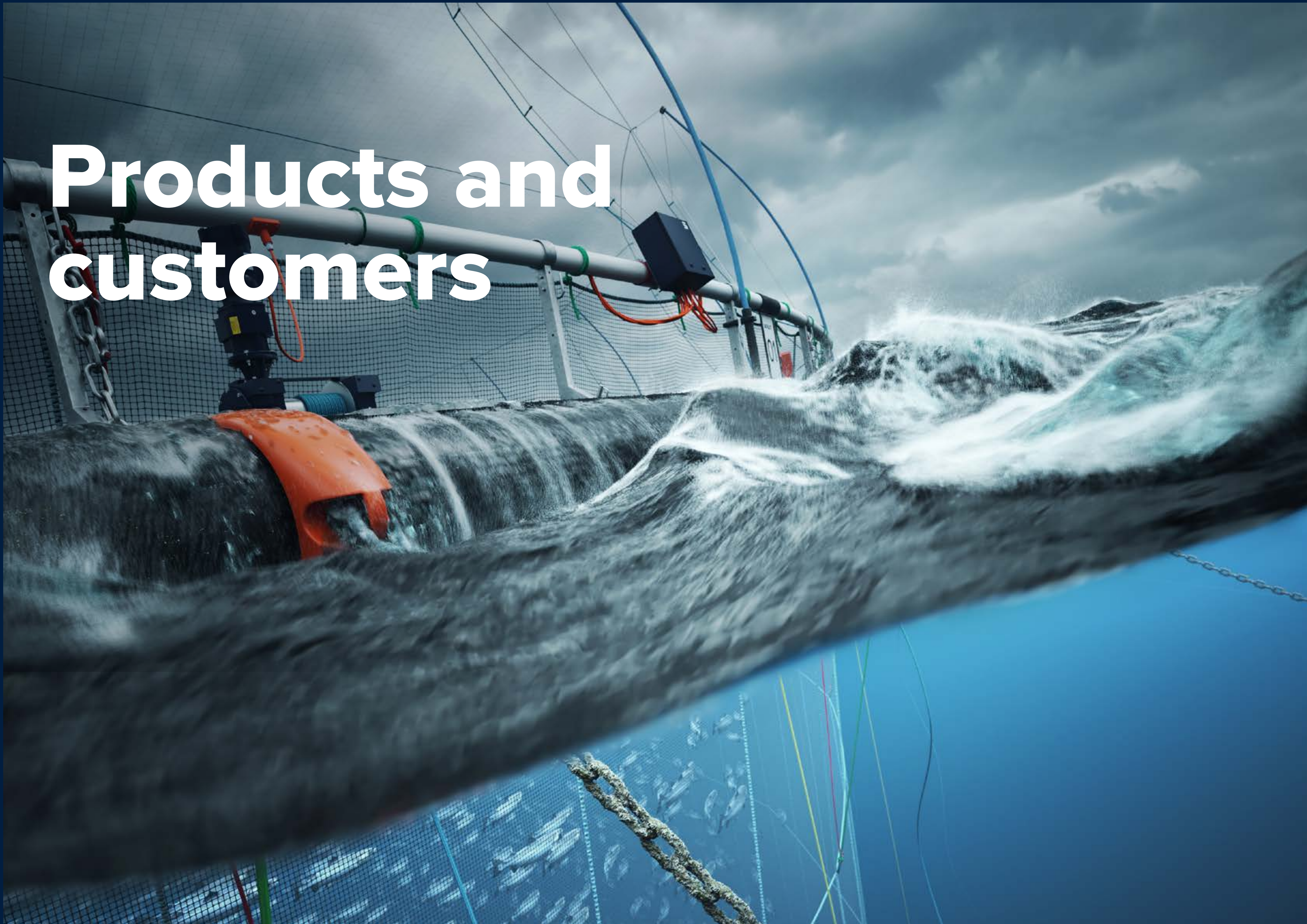

Products and customers

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Products and customers

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

Product quality, lifetime and safety

R&D and technology development

Our most significant and potentially positive impact on environmental sustainability comes from the products we deliver to our customers. Developing and delivering durable, green, quality technology to the aquaculture sector can contribute to resource efficiency and a reduction of the environmental footprint of our customers while making their food production even more sustainable. The fact that our work with products and customers has this impact is also mirrored by our reporting on actions and performance under the chapter covering “Planet” in this report.

> In this chapter, we further underline how our technology and solutions can contribute to all our material environmental sustainability aspects: reducing greenhouse gas emissions in the aquaculture industry, reducing plastic emissions in nature, and protecting biodiversity, ecosystems and fish welfare.

Product quality, lifetime and safety

Why it matters

Marine industries are associated with high levels of risk, and aquaculture is no exception. There are significant elements of risk involved in terms of structural stress and failure, fish escapes, biological stress and diseases, operational health and security, and risk towards the environment. Operating in these tough marine conditions sets high requirements for the equipment in use.

What we are doing

Throughout our 40 years of experience, we have always been dedicated to making robust solutions that never compromise on safety or operational integrity and stability. We have a continuous focus and dedicated effort to ensure product quality in all aspects. We take pride in working towards delivering the best possible solutions that maximise value and safety for farmers, their fish and the environment, and to secure sufficient documentation.

Testing and documentation

The bar has been raised when it comes to expectations and requirements for our products. It is imperative to be able to prove the product quality with sufficient documentation and references. This applies to all qualitative parameters, not only durability and lifetime value (and subsequent overall cost reduction for the customer), but also safety, GHG emissions, plastics emissions, gentle handling of feed and fish, operational improvements, feed conversion rate, and more. In a world of increasing global awareness, we see fish farmers putting responsible and sustainable products and value chains higher on the list of requirements. That is why we introduced a biology documentation programme in 2021, which is described in more detail in the “Planet” chapter.

In 2021, we identified several additional products to be given a thorough documentation program, including:

- Termolicer – thermal delousing
- Subsea Production Units
- Our new semi-closed net-pen Vortex®
- Our tube net (developed and delivered in close collaboration with a customer that has been using these nets in their development licenses)
- SmartSpreader™

Another example of our efforts is the collaboration with the research institute Sintef Oceans. Together with Sintef, we simulate real-life conditions in laboratory experiments that test our equipment in a down-scaled version. In 2021, ScaleAQ conducted thorough testing of some of our main products in Sintef Oceans’ ocean pool laboratory: the Midgard® net pen system, a feeding barge, a novel extraction mechanism for dead fish, and feed tubes that stretch on the water surface between the barge and the

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cage. This testing ensures solid documentation of the durability and technical limitations of products that need to withstand the forces of the ocean year after year and helps us to build safer fish farms with certified equipment.

In 2021, ScaleAQ also actively participated in the formulation and revision of new regulations/ standards (NS9415) to ensure increased safety margins towards equipment reliability and operational procedures.

In Canada, ScaleAQ has provided extensive information about the reliability, safety and quality of our products, including the benefits they bring to farmers. This has been to support the British Columbia Salmon Farmers Association with their Technology Report.

Zona de Esparcimiento project in Chile.

Lifetime

An increasingly important aspect of ensuring product lifetime value is the opportunity of enabling 'eternal' lifetime for their materials by offering reuse, recyclable products and recycling services. This is also closely connected to the goal of reducing GHG and plastics emissions. As part of this work, we entered into a partnership with the recycling company Oceanize last year. This is to make sure that our products are part of circular value chains. Our work in 2021 regarding the recycling of products is thoroughly described in the "Planet" chapter.

Circularity was also a focus in Chile in 2021, leading to the development of circular approaches, new solutions and new business models in a number of areas:

- Rental practice, instead of sales
- Mortex close cycle
- Sale of scrap and used structures
- Ensuring used plastic and steel products are recycled and re-purposed.

As a team initiative within the ScaleAQ in Chile, we've started an internal and collaborative project called "Zona de Esparcimiento", taking advantage of used structures and reusing these in a space available for free use, next to the offices. It is a space protected from the cold and rain but ventilated, with the ScaleAQ structures visible, of 40 square meters a few steps from the Offices, Warehouse and Production. Step by step, the team has become enthusiastic to give this second life to our products for the benefit of the internal community and motivate the company's sustainability programmes towards the community.

R&D and technology development

Why it matters

Current solutions to major aquaculture sustainability challenges do not solve the problems. Issues such as combating or avoiding sea lice epidemics, preventing fish escapes and reducing mortalities are the obvious areas where new solutions are needed. In addition, there is a need for new solutions to reduce overfeeding and emissions of microplastics, and to make circularity possible both for products and materials. Solving these challenges requires concerted efforts, collaboration and targeted R&D.

What we are doing

R&D is essential for achieving our ambitions in the area of sustainability. Research and development involve a broad spectrum of activities, from research, experimental development and testing, and documentation of acquired knowledge and results. Our starting point is our role as a company that designs, builds and installs the infrastructure necessary for establishing and expanding sustainable and resource-efficient food production in our oceans.

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In 2021, we used NOK 18.5 million related to research and development work at ScaleAQ. Our efforts are yet to reach the level we are aiming for, but will increase in the years to come. Our priority R&D focus in 2021 was:

- Precision feeding including subsea feeding
- Closed Aquaculture systems (CAS) both land-based and at sea
- Semi-closed fish farming systems

ScaleAQ focuses on developing high-value solutions, which include the highest possible quality, safety and redundancy, including documentation. This has been manifested in several development activities last year:

Feeding systems

For a typical farmed Atlantic salmon, more than 70% of the climate impact per unit of salmon harvested fish comes from the production of the feed. The optimisation of feeding and the minimalisation of feed waste are, therefore, a critical part of sustainable aquaculture, and feeding technology is on the top priority list for ScaleAQ. This includes improvements for feeding barges, feed distribution systems (at sea and on land – our work with subsea feeding is described in planet), monitoring of feeding, and support systems (software).

In Scotland, solving feed waste problems becomes especially important, as waters are not as deep as in Norway. ScaleAQ solutions that minimise feed waste here has the potential to significantly reduce the negative impact on ecosystems and seabeds as well.

Semi-closed fish farming systems - Vortex

Semi-closed systems target the prevention of sea lice infections through physical barriers. The prototype developed and tested in 2021, VORTEX, aims at achieving this while maintaining a low footprint. Importantly, pilot testing and further work aims at maintaining an optimal production environment with regards to temperature and oxygen content, thus maintaining the maximum potential for fish welfare improvements.

Way forward

In 2022, we will start working on establishing environmental documentation of our products using Life Cycle Assessment Analysis (LCA). In addition to continuing to roll out our recycling program (described in planet). The years ahead will involve increased investments in R&D, and in 2022 we will define KPIs that will help us ensure that we meet our ambitions in this area.

In 2021, we launched a new product known as the SmartSpreader™ which will contribute to better feed distribution in the cage, increased feeding capacity and fewer lost feeding opportunities (can be fed under strong currents and winds), in addition to having the potential for reduced fuel consumption and feed waste. All factors that will contribute to reducing the environmental footprint of aquaculture.

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Corporate responsibility

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Corporate Governance

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

Compliance with supplier requirements	Transparency and ethics	Development of business models	Systematic risk management

In ScaleAQ, our corporate culture is rooted in the principles of honesty and respect for others. We adhere to good governance standards and will at all times seek to ensure that the company complies with the Norwegian Code of Practice for Corporate Governance of October 2021 issued by the Norwegian Corporate Governance Board (NUES). These standards include disclosure and transparency in all our business dealings in order to provide shareholders and stakeholders with precise and accurate information concerning all aspects of our business.

Why it matters
Ethical business practices, transparency and accountability are fundamental prerequisites for sustainable development, which are linked to fraud, bribery and corruption, as well as to the protection of personal data and the open disclosure of tax payments. Sound governance reduces risk in the value chain and maintains trust in a company's commitment to SDG impact.

What we are doing
We believe that a systematic approach is necessary in order to incorporate the different aspects of sustainability in our value chain. Ensuring that our board and top management level oversee and lead our work on sustainability is imperative to fulfilling our commitments.

At the management level, the CEO monitors the implementation of the sustainability strategy and is responsible for ensuring that climate-related risks and opportunities are integrated into the company's long-term business strategy. The CEO also oversees the management's progress in our key strategic sustainability-related objectives and reports this progress to the Board of Directors. At the operational level, the Director for Sustainability Officer is responsible for managing sustainability.

The company strengthened the governance of its sustainability work in 2021. Environmental, social and governance concerns are now embedded as part of the reporting structure. The management team reviews specific sustainability topics, including procurement, stakeholder engagement, health environmental and safety, in addition to social impacts in all our business units.

Risk management
Risk management is part of our annual cycle at ScaleAQ. The purpose is to identify and document the most important risk areas that can potentially threaten the business, its goals, and its objectives.

The risk assessments are conducted on both group level and per location, including risk exposures for all business units. Key risk areas that are identified, and the associated mitigating actions, are reported and discussed annually.

Group policies
Several group policies are available on the company's intranet sites, including the authorisation matrix, the

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employee handbook (including country-specific versions), ethical and harassment guidelines, the General Data Protection Regulation (GDPR) policy, and more.

In addition, each department and subsidiary within the group has established relevant management systems and processes, according to local legislation and practice.

We operate within well-known standards for quality and environmental management, and the core aspects of our company are ISO 9001:2015 certified. We are also starting on our ISO 14001 certification path in 2022.

Business conduct

It is crucial for us to comply with and promote ethical business conduct across our organisation. The safeguarding and development of our reputation require a high degree of loyalty, teamwork and the ability to find good and rational solutions. We must take precautions and active steps to make sure that no operations connected to our business are entangled in fraud or corruption. To achieve this, we must also follow up and manage our supply chains and ensure compliance with our code of conduct, which covers human rights, workers' rights, the environment, and corruption.

Our code of conduct covers regulations and requirements for the following:

- Personal behaviour
- Equality
- Conflict of interest and integrity
- Compliance with applicable laws, rules and guidelines
- Basic principles of code of conduct
- Health and safety
- Work environment
- External environment
- Implementation of the Code of Conduct

Our Code of Conduct applies to all employees – including temporary personnel at ScaleAQ worldwide, as well as the employees of our subsidiaries. All line managers are

The following are the main areas identified in the 2021 risk assessment:

- ✓ COVID and delivery precision, including our ability to deliver on our contractual obligations and the financial risk associated with our ability to reflect an increased cost base on several parts of the value chain.
- ✓ Human capital, including the ability to deliver through job satisfaction and development, avoid loss of core competencies, ensure the adequacy of resources and balance of workload in a landscape characterized by recent restructuring, consolidation and merging aspects in the company
- ✓ Product control and safety, including the quality and safety of our deliveries, especially towards escape-critical equipment such as nets
- ✓ Business modelling, innovation and our ability to both meet the existing market but also shape the future ones with innovative, sustainable and profitable solutions
- ✓ Compliance with the future obligations in coming taxonomy and frameworks around corporate governance in general

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responsible for communicating the Code of Conduct and monitoring compliance.

We wish to actively stimulate open discussions about responsible conduct in a non-bureaucratic way that leads to improvement. All employees have the right and responsibility to use whistleblowing if they, in any case, witness unacceptable behaviour in the workplace.

Anti-corruption

We are committed to complying with anti-corruption laws and regulations, and to conducting our business activities openly and transparently, thus supporting efforts to fight corruption worldwide. Corruption undermines legitimate business activities, distorts competition, jeopardizes reputation, and exposes companies and individuals to great risk. We include guidance on anti-corruption in our employee ethical guidelines, and any violations of these can lead to termination of employment.

Supply chain engagement

Our suppliers are also included in our commitment to delivering the highest standards of ethics, business ethics and working conditions through our Code of Conduct. All suppliers and any subcontractors shall comply with the same business ethics as stated in the Code of Conduct for Scale Aquaculture AS.

Our supplier contracts include ESG responsibility and suppliers shall, upon request, document their work within these areas. Our Code of Conduct is an important tool in all our purchasing/RFx processes. The Code of Conduct is a mandatory document in the tender process and also a standard document in all our contracts.

Development of business models

Our business model is based on delivering high-quality and long-lasting robust products. We also offer services that ensure the maintenance of the products we deliver. Additionally, we have established models for leasing services both in Norway and globally, which provide wide-ranging opportunities. We will continue to develop our business model for increasing resource efficiency and ensuring a circular economy.

2021 Activities

In 2021, we included the Code of Conduct in all agreements and integrated it as part of our supplier audits. In 2021, we also integrated the Code of Conduct as a standard appendix in all new agreements.

A mandatory joint course on our code of conduct, including anti-corruption training (nano-based), was conducted during Spring 2021, with a clear goal of 100% participation.

Scale AQ registered no incidents of corruption in 2021.

Way forward

An important aspect of our Code of Conduct is to integrate standards and obligations for our companies and their suppliers, making them comply with the expectations and regulations of the Transparency Act which will come into force in Norway in July 2022. In addition to our Code of Conduct, employees and suppliers can find information and guidance about our standards and procedures for ethical business conduct in our manual for ethical principles and guidelines for communication, which is available on our intranet. New employees are presented with our standards for business conduct during their onboarding.

In order to follow up both Code of Conduct areas and sustainability requirements, we will prepare questionnaires for suppliers to help us get a better understanding of their status, which will be used as a basis for conducting audits. ESG responsibility as detailed in the contracts will be monitored more closely.

WEF matrix

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World Economic Forum (WEF) matrix

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

	Theme	Metric	WEF Criteria	Reference
WEF Metric: Governance	Governing Purpose	Setting purpose	The company's stated purpose is to provide solutions to economic, environmental and social issues. This corporate purpose should create value for all stakeholders, including shareholders.	Chair Letter This is Scale AQ 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 of the governance body; the number of each individual's other significant positions and commitments and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	Our team, board composition, our values, and principles. BoD report.
	Stakeholder Engagement	Impact of material issues on stakeholders	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	ScaleAQ materiality assessment
	Ethical Behaviour	Anti-corruption	1. Total percentage of governance body members, employees and business partners who have received training on the organisation's anti-corruption policies and procedures, broken down by region. 2. (a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years. (b) Total number and nature of incidents of corruption confirmed during the current year that are related to this year. 3. 3. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture in order to combat corruption.	Chapter: Governance
		Protected ethics advice and reporting mechanism	A description of internal and external mechanisms for: 1. Seeking advice about ethical and lawful behaviour and organisational integrity; 2. Reporting concerns about unethical or unlawful behaviour and lack of organisational integrity.	Chapter: Governance
	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: Governance BoD report Annual accounts

	Theme	Metric	WEF Criteria	Reference
WEF Metric: Planet	Climate Change	Greenhouse Gas (GHG) emissions	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tons of carbon dioxide equivalent (tCO2e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Chapter: Planet
		TCFD implementation	Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline for a maximum of 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 planned for implementation in 2023
	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
	Freshwater Availability	Water consumption and withdrawal in water-stressed areas	Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	Considered insignificant
	Solid Waste	Impact of solid waste disposal	1. Report wherever material along the value chain: estimated metric tons of single-use plastic consumed. Disclose the most significant applications of single-use plastic identified, the quantification approach used, and the definition of single-use plastic adopted. 2. Report wherever material along the value chain, the valued societal impact of solid waste disposal, including plastics and other waste streams.	Chapter: Planet

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 society
		Pay equality (%)	The 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 next year
		Wage level (%)	1. Ratios of standard entry-level wage by gender compared to local minimum wage. 2. The 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 next year
		Risk of incidents of child labour, or forced or compulsory labour	An explanation of the operations and suppliers considered to have significant risk for incidents of child labour or 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: Governance
	Health and Well-being	Health & safety (%)	1. The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked. 2. An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	Chapter: People and society BoD report.
	Skills for the Future	Training provided (#,$)	1. Average hours of training per person that the organisation's employees have undertaken during the reporting period, by gender and employee category (total number of training sessions provided to employees divided by the number of employees). 2. Average training and development expenditure per full-time employee (total cost of training provided to employees divided by the number of employees).	Some data is included but it will be more thoroughly described in next year's report

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	Theme	Metric	WEF Criteria	Reference
WEF Metric: Prosperity	Employment and Wealth Creation	Absolute number and rate of employment	1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. 2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	Chapter: People and society
		Economic contribution	1. 1. Direct economic value generated and distributed (EVG&D) – on an accruals basis, covering the basic components for the organisation's global operations, ideally split out by: a. revenues, b. operating costs, c. employee wages and benefits, d. payments to providers of capital, e. payments to the government, and f. community investment. 2. Financial assistance received from the government: total monetary value of financial assistance received by the organisation from any government during the reporting period.	BoD Report Annual accounts
		Financial investment contribution	1. Total capital expenditures (CapEx) minus depreciation, supported by the narrative to describe the company's investment strategy. 2. Share buybacks plus dividend payments, supported by the 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: Products and Customers BoD Report Annual accounts
	Community and Social Vitality	Total tax paid	The total global tax is 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

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Corporate Governance

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Board of Directors

Atle Eide
Chair of the Board of Directors

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

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), Tor Jakob 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, Tor Jakob worked as a senior partner in Accenture.

Trine Danielsen
Member of the Board

Trine Danielsen is the former CEO, now Chief Commercial Officer of BluePlanet Academy. BluePlanet is a leading global knowledge cluster for the aquaculture industry. 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 Zoologi from NTNU, the Norwegian University of Science and Technology.

Morten Grongstad
Member of the Board

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

Gunnhild Thorsen
Member of the Board

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

Geir Furberg
Member of the Board

Geir Furberg is special advisor in Scale AQ and part of the Group management. Geir is also shareholder in Frøyaringen AS which holds 9,9 % of the shares in Scale Aquaculture Group AS. Geir has extensive experience from the fish farming industry both as fish farmer and supplier of equipment. In 1997 he founded Frøyaringen which subsequently acquired Aqualine. Aqualine was sold to Kverva in 2018.

Management

Geir Myklebust
Chief Executive Officer

Nina Olufsen
Chief Commercial Officer

Bård Skjelstad
Chief Technology Officer

Ståle Sæther
Chief Operational Officer

Per Ivar Lund
VP Digital

Svein Vestermo
Chief Financial Officer

Lucie Katrine Sunde-Eidem
Chief HR Officer

Audun Sivertsen Fjeldvær
VP Product Solutions

Kai Karstensen
VP AquaOptima & Floating Contructions

Terje Andreassen
General Manager
Moen Marin

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Report of the Board of Directors

ScaleAQ recorded revenues of NOK 2,766 million in 2021, with a corresponding operating profit of NOK 130 million. The backlog of project orders was NOK 1,281 million. The revenue represents an increase of 12.1 per cent from 2020. The Group's profitability is a direct result of the reorganisation, focus on core business and positioning the Group as the preferred technology partner for its key customers in the global fish farming industry.

During 2021 several initiatives have been made to further strengthen the Group's strategic position, with focus on both product development, applying the broad range of competence in close cooperation with our customers and streamlining the operations overseas. The Board of Directors notes that the ongoing pandemic and Russia's invasion of Ukraine causes disturbances in global supply chains and world economy, potentially impacting prices, and delivery times, but remains confident in the market outlook, and in the long-term demand and growth in the aquaculture sector.

Business and strategy

ScaleAQ is an international group of companies (the Group) wholly owned by Scale Aquaculture Group AS, the parent company. The Group operates within aquaculture, and provides innovation, technology, and equipment to customers globally. Its customers are among the leading aquaculture companies and salmon farmers of the world. ScaleAQ's strength is based on the combined competence and experience of its people and organisation. As of today, the Group employs around 800 employees.

Constant development is required at all levels of the organisation. ScaleAQ is continually tweaking and optimising its existing products. At the same time, targeted development of new products based on existing solutions and long-term projects to bring brand new concepts to the aquaculture industry is ongoing.

ScaleAQ's insight in the industry means that it will contribute on all levels alongside its customers and partners. The Group's R&D department collects ideas across its entire organisation as well as from customers to establish strong development projects, often in collaboration with academic institutions.

From strategically located offices and facilities in nine countries, ScaleAQ experts work together across all areas within aquaculture to support the Group's customers.

Key events 2021

- The year 2021 marked the completion of a successful restructuring of the ScaleAQ group. A new corporate structure was established, and the Group management team and operations were adjusted accordingly, resulting in notable improvements in quality of deliveries and overall performance.
- Several new products were launched, including the *SmartSpreader,* a motorised feed spreader which allows the operator to control the feeding process more accurately, and the *FeedStation*, which enables customers to synchronise data directly to ScaleAQ's cloud-based data platform UniteAQ.

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- A new subsea and water-based feeding system was launched. The system has shown promising results on several parameters such as no microplastic emissions, less noise, reduced energy consumption and increased feeding capacity.
- A new cloud-based version of the Mercatus software was launched. This unique portfolio of closely integrated applications supports all production related operations that aquaculture operators engage in.
- In Scotland, ScaleAQ strengthened its team and inaugurated a new product assembly area to better support its growing customer base in the UK. In Chile, which is its second largest marked after Norway, further steps were taken to strengthen the Group's organisation and team.
- In accordance with its ambition to lead the industry in a more sustainable direction, the Group intensified work and reporting efforts concerning sustainability aspects. In 2020, it recruited its first Sustainability Director, in 2021 it become a member of UN Global Compact and, in 2022, the Group published its first Sustainability report.
- Several initiatives were taken to reduce the amount of plastic waste and increase the use of recirculated plastics in net pens and cages. The company established "Scale Circular" and signed Skift's ten principles for a more circular trade and industry.
- To further broaden its offering, and in response to the growth of land-based aquaculture, ScaleAQ decided to sharpen efforts towards closed facilities on land and at sea, including smolt, post-smolt and fish grown in recirculating aquaculture systems.

Financial performance

Going concern

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

Consolidated Income Statement

The Group generated operating revenues of NOK 2,766 million in 2021, compared to NOK 2,468 million in 2020. This represents an increase of 12.1 per cent.

The Group had payroll costs of NOK 369 million in 2021, compared with NOK 358 million in 2020. The number of full-time equivalents (FTEs) in the Group decreased by 2.5 per cent in 2021, from 785 FTEs at the close of 2020 to 766 FTEs at the close of 2021.

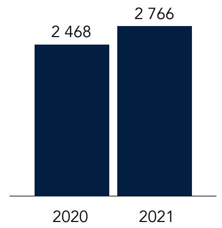
The Group had other operating expenses of NOK 158 million in 2021 compared to NOK 193 million in 2020. Operating expenses in 2020, were impacted by significant non-recurring costs including data-hacking and re-structuring.

The group made an operational profit of NOK 130 million in 2021, compared to negative NOK 247 million in 2020. The increase is largely attributable to a change in business model related to closed aquaculture systems on land, where the Group suffered significant losses in 2020, growth in revenues across both business segments and lowering the cost base.

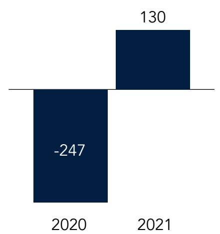
Net financial items in 2021 totalled NOK 43 mill compared with NOK 32 million in 2020. The change is largely due to currency losses.

The group's profit before tax in 2021 totalled NOK 87 million, up from negative NOK 279 million in 2020. A tax expense of NOK 16 million has been calculated for 2021, up from negative NOK 59 million in 2020. The Group's net profit for the year totalled NOK 72 million in 2021, compared to a net loss of NOK 220 million in 2020.

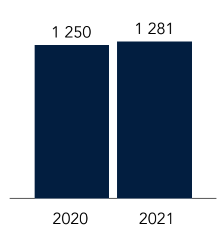
Revenues



EBIT



Order backlog



Consolidated Statement of Cash Flows
In 2021, the Group had positive cash flow from operating activities of NOK 57 million and an operating profit before depreciations and amortizations (EBITDA) of NOK 237 million. Lower realized cash flow from operations than reported EBITDA is mainly related to a substantial provision associated to loss-making contracts in landbased projects in 2020 where the negative cash flow materialized in 2021.

ScaleAQ achieved a negative cashflow of NOK 63 million in 2020. ScaleAQ made an EBITDA of minus NOK 69 million in 2020. Negative cash flow from investing activities was NOK 66 million in 2021, compared to NOK 115 in 2020. The Group settled a debt related to the acquisition of subsidiaries in 2019. Investments are being made in accordance with established plans.

Net cash flow from financing activities totalled NOK 13 million in 2021, compared to NOK 77 million in 2020. The company has refinanced its debt during the year.

In total, this results in a positive cash flow for 2021 of NOK 4 million, which increased ScaleAQ's cash and cash equivalents to NOK 119 mill as of 31 December 2021.

Consolidated Statement of Financial Position
As of 31 December 2021, ScaleAQ had a total balance of NOK 2,902 million, an increase of NOK 106 million since the close of 2020. The total booked equity at 31 December 2021 was NOK 1,190 million an increase of NOK 162 mill, leaving a healthy equity ratio of 41 per cent.

At the close of the year, the value of the Group capitalised intangible assets stood at NOK 1,056 million.

The book value of the group's property, plant and equipment was NOK 223 million on 31 December 2021, down from NOK 257 million at year end 2020. The decrease is mainly due to sale of the operation in Sykkylven.

The right of use assets has decreased from NOK 168 million to NOK 116 million. The lease liability has decreased from NOK 230 million to NOK 171 million. The company's right to use assets and liabilities has been reduced through an early termination of a significant lease agreement.

The total net interest bearing debt has increased from NOK 447 million to NOK 457 million. The company has refinanced its debt during the year.

Other assets and liabilities have increased mainly as a result of increased activity. Current assets increased from NOK 1,127 million to NOK 1,281 million, and other current liabilities have decreased from NOK 358 million to NOK 334 million.

The Parent Company

Income Statement
The company had other operating expenses of NOK 18 million in 2021, compared with NOK 0.23 million in 2020. The increase is due to the parent company being charged with additional ownership costs.

Net finance amounts to NOK 369 million against 16.2 million. A significant write-down of subsidiaries has been made. This is due to the fact that group contributions have been made from the subsidiaries to other group companies that are not owned by Scale Aquaculture Group.

Net profit has therefore changed from NOK -17 million to NOK -382 million

Statement of Cash Flows
The company achieved a negative cash flow from operating activities of NOK 24 million in 2021. In the same period the company made an EBITDA of NOK 18 million. The differences are related to larger provisions in 2020.

Net cash flow from financing activities totalled NOK 26 million in 2021, compared to NOK –3 million in 2020. The company has refinanced its debt during the year.

In total, this results in a negative cash flow for 2021 of NOK 76 thousand, which reduced the company's cash and cash equivalents to NOK 49 thousand as of 31 December 2021.

Statement of Financial Position
As of 31 December 2021, the company had a total balance of NOK 1,814 million, a decrease of NOK 88 million since the close of 2020. The total booked equity at 31 December 2021 was NOK 1,252 million an increase of NOK 23 mill, leaving a healthy equity ratio of 63 per cent.

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

Allocation of net profit and dividends
Scale Aquaculture Group AS made a loss for the year of NOK 383 million for the year ending 31 December 2021. The board proposes to cover the loss for the year with other equity. The Board of Directors proposes not to pay any dividends for 2021.

Reporting Segments

Vessels
In 2021, the segment Vessels recorded operating revenues of NOK 682 million, an increase of NOK 319 million (88 per cent). The growth was partly based on a good starting point, entering 2021 with a significant order backlog and continued good sales throughout the year. High market interest in hybrid solution (diesel/electric) and a shift towards larger boats, were the main drivers for the achieved growth.

Operating profit (EBIT) for 2021 was NOK 67 million, an increase of NOK 63 million compared to 2020 resulting in an EBIT margin of 9.8 per cent up from 1.1 per cent in 2020. Higher revenues combined with a more favourable product mix hereunder provisions for delousing equipment gave a significant up-tick in performance.

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Fish Farming Technology

The segment Fish Farming Technology had total operating revenues of NOK 2,054 million in 2021 up from NOK 1,959 million in 2020. Higher revenues in Norway and Chile, compensate for lower activity in Canada and UK. The fish farming industry in Canada has faced issues related to operational conditions on the East-Coast and governmental restrictions in British Colombia.

In Norway, revenues increased year over year on most product groups except for delousing equipment which was negatively impacted by the communicated ban for thermal treatment. This ban was lifted by the Norwegian "Mattilsynet" in the first half of 2021, which bodes well for increased sales going forward.

EBIT for 2021 was NOK 107 mill, NOK 89 mill higher than in 2020. Higher revenues and lower personnel costs combined with the absence of some significant non-recurring cost recorded in 2020, were the main reasons for the increase in operating performance. Reduction of the cost base came as a result of various measures to integrate and harvest synergies between the former Steinsvik Group and Aqualine.

Risk and risk management

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

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

The Group is subject to several risks, including operational and financial risks, which are summarised below.

Operational risk

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

The Group is exposed to changes in cost of goods and availability of raw materials used for some of the main products. This risk has significantly increased as a result of the ongoing war in Ukraine, through higher actual costs than expected. This potentially impacts margins on fixed price contracts with the customers, longer delivery times pushing expected delivery date for some contracts from 2022 to 2023 and shortage of key components. Such risks are being carefully monitored and managed through general and continual awareness and specific attention during major contract negotiation. The Group seeks to agree the cost of goods and raw materials with the suppliers as soon as possible after signing contracts with the customers, thus mirroring prices and terms to the largest possible extent. Further, to include contractual rights to pass on cost price increase driven by pandemic, war and other non-ordinary situations to the customers.

ScaleAQ is exposed to various risks related to environment and climate. These are further explained in the company's 2021 Sustainability report, see page 40.

Financial risk

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

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

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

The Group is exposed to *interest rate risk*, as its interest-bearing borrowings carry floating interest rates. The Group has not entered into hedge arrangements at this time (both 2021 and 2020).

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

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

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Research & Development

The Group is focused on constant development at all levels of the organisation and is continuously optimising 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 brand 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 is in particular focused around these areas. Lately, the company has launched new and innovative solutions for feeding systems, such as the SmartSpreader and FeedStation as further described below.

The Smart Spreader

In September 2021, ScaleAQ launched The Smart Spreader, which is a motorised spreader designed to spread feed in a more controlled and optimal way. The operator can select a pre-defined throwing length or can allow the spreader to follow a specific pattern that ensures an even distribution of pellets across the entire pen surface.

FeedStation

Early 2021 released its new FeedStation, which enables customers to synchronise data directly to ScaleAQ' s cloud-based data platform UniteAQ. The long-term plan is to include all relevant data and logging to cloud, making a true IoT device-twin for FeedStation in UniteAQ.

The Company is also involved in R&D projects with some of its customers, such as Sinkaberg Hansen, where a new under-water feeding system was launched with great success.

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. The detailed reporting on all relevant topics can be found in the Sustainability report, which is included in this Annual Report on page 40.

Equality and anti-discrimination

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

The Group seeks to provide equal employment opportunities and treat all employees – and job seekers fairly. The company has well-established policies and practice to ensure that there is no discrimination. The policy and established practises 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 31 in this annual report.

Employees, health, and safety

At the end of 2021, the Group had 786 employees in total in Norway, Chile, Vietnam, Canada, Oceania, UK, Poland and Iceland, of which 16 per cent are women.

During 2021, seven work related injuries were recorded in the Group. Comparable data for Chile was not available. In the Group's Norwegian operation, two lost time injuries were reported, and the total recordable injury frequency for Norway was 5.8 per one million work hours. This is well within the Group's target of 8.8, which is the Norwegian industry average. Sick leave in the Group's Norwegian business was 4.15 per cent.

A detailed overview of employment statistics, gender balance, age distribution, and health and safety is included in the 2021 Sustainability Report.

Shares and shareholders

As at the end of 2021, Scale Aquaculture Group AS has 12,888,889 shares outstanding at NOK 2 nominal value per share. The shares are held by Kveto AS and Frøyaringen AS, holding 11,612,889 and 1,276,000 shares, respectively. Share capital increase in 2021 not registered is NOK 89 million. After the share capital increase the total shares outstanding is 13,861,443 with NOK 2 in nominal value per share, where Kveto AS and Frøyaringen AS own 12,489,160 and 1.372,283 respectively.

Corporate governance

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

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

The management team consists of among others Geir Myklebust (Chief Executive Officer) and Svein Vestermo (Chief Financial Officer). The Board of Directors and full management are presented on page 49 and 50 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

In most areas of the world, the aquaculture industry is growing in order to meet demand for sustainably produced and healthy marine food. It is in constant search for better technology and solutions to meet the requirements and expectations of regulators, authorities, and end-consumers. This represents a large and growing market for ScaleAQ.

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 past, Norway and Chile were ScaleAQ's main markets, with deliveries also to other aquaculture regions of the world. A recent frame agreement with a key customer in Scotland forms a good platform for growth in UK. In Norway, a steady increase in requests has materialised for our delousing technology following The Norwegian Food Safety Authority (Mattilsynet) lifting its ban for thermal treatment. In addition, we see increased interest in equipment and solutions for fish farming at more exposed sites. Scale is well positioned to take part in that development.

In the short-term perspective, the ongoing covid pandemic and Russia's invasion of Ukraine, will cause disturbances in the global supply chains potentially impacting prices and delivery times. This on top of a continued high price level on key components and freight have led to increased prices on our products which again could prolong and push contract signing dates for some customers hoping for a reduction in price level post covid and war.

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 2021 have been prepared in accordance with applicable accounting standards and that the information in the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. We confirm that the financial statements give an accurate and fair view of the development, profit, and position of the company, as well as a description of the principal risks and uncertainties it is facing.

Kverva, 24 May 2022
The Board of Directors and CEO of Scale Aquaculture Group AS

Atle S. Eide
Chair of the Board

Tor Jakob Ramsøy
Member of the Board

Morten Grongstad
Member of the Board

Trine L. Danielsen
Member of the Board

Gunnhild Ø. Thorsen
Member of the Board

Geir Furberg
Member of the Board

Geir Myklebust
Chief Executive Officer

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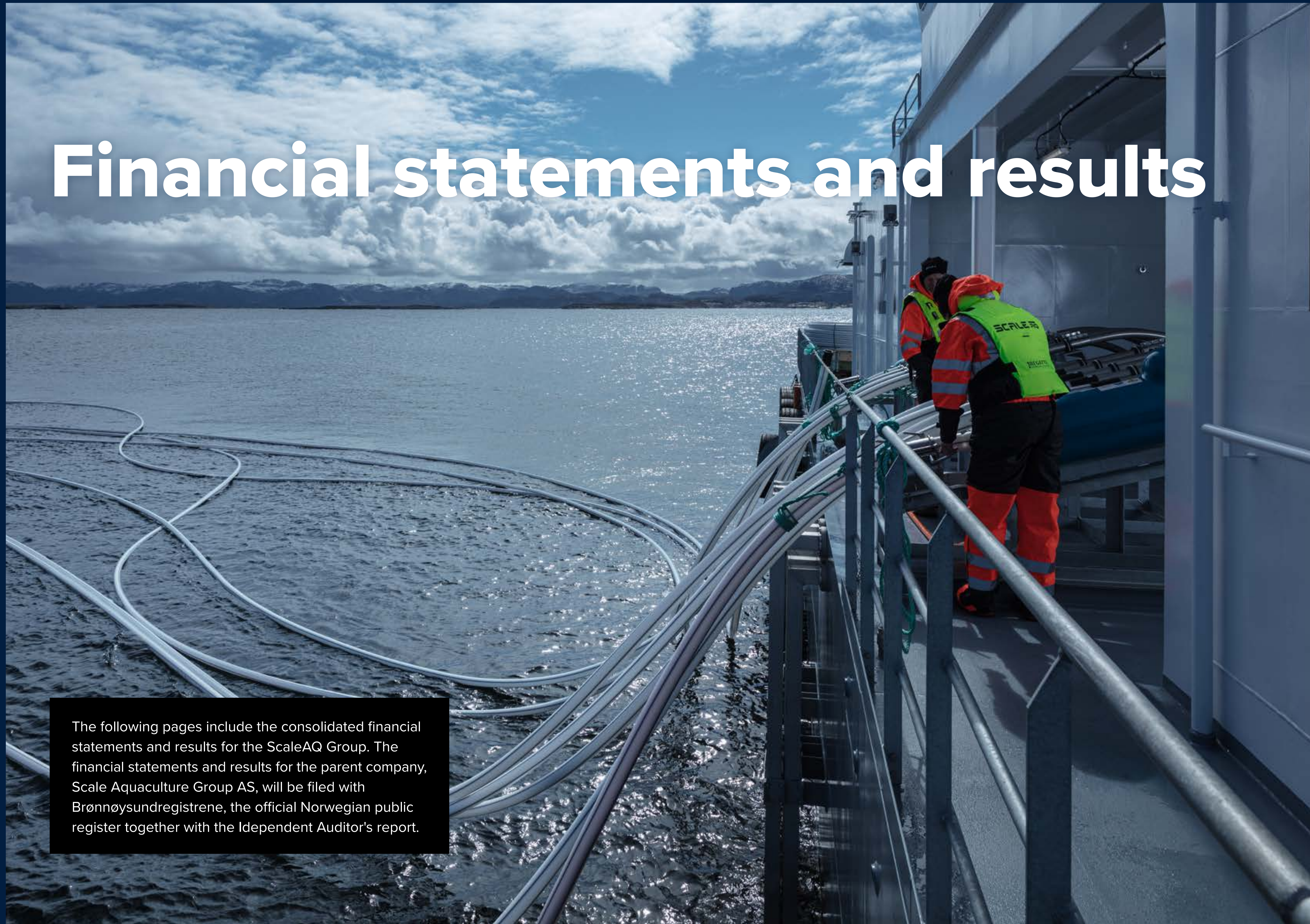
Financial statements and results



The following pages include the consolidated financial statements and results for the ScaleAQ Group. The financial statements and results for the parent company, Scale Aquaculture Group AS, will be filed with Brønnøysundregistrene, the official Norwegian public register together with the Idependent Auditor's report.

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SCALE AQUACULTURE GROUP AS

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December

Amounts in NOK 1 000	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	27	2 713 107	2 454 172
Other operating income		53 222	13 543
Operating income	6, 12	**2 766 330**	**2 467 715**
Cost of materials	12, 17	2 002 194	1 985 972
Salaries and personnel cost	8	369 392	358 282
Depreciation and amortisation	7,13,14,15	110 888	131 187
Impairment losses	7	-4 217	46 659
Other operating expenses	9, 12, 27	157 738	192 555
Operating expenses		**2 635 995**	**2 714 655**
Operating profit (loss)		**130 335**	**-246 940**
Finance income	10, 27	59 495	30 484
Finance expense	10, 27	102 438	62 219
Profit (loss) before tax		**87 392**	**-278 675**
Income tax expense	11	15 632	-58 738
Profit (loss) for the year		**71 760**	**-219 937**
Other comprehensive income for the year			
Items that may be reclassified subsequently through profit or loss:			
Foreign currency translation		1 211	971
Other comprehensive income for the year, net of tax		**1 211**	**971**
Total comprehensive income for the year		**72 970**	**-218 966**
Profit (loss) for the year attributable to:			
– Owners of the parent company		72 832	-219 173
– Non-controlling interest		-1 072	-764
Total comprehensive income attribuable to:			
– Owners of the parent company		1 211	971
– Non-controlling interest		-	-

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SCALE AQUACULTURE GROUP AS

Consolidated statement of financial position

as at 31 December

Amounts in NOK 1 000	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Goodwill	13	690 619	690 619
Other intangible assets	14	365 725	350 931
Deferred tax assets	11	119 231	124 069
Property, plant and equipment	15	222 521	257 332
Right-of-use assets	7	116 482	168 190
Non-current financial assets	12, 16, 27	106 216	77 878
Total non-current assets		**1 620 794**	**1 669 020**
Current assets			
Inventories	17	636 236	558 890
Contract assets	6, 28	107 995	128 149
Trade receivables	12, 18	391 467	312 826
Other current receivables	12	26 594	11 841
Cash and cash equivalents	19	118 894	114 942
Total current assets		**1 281 186**	**1 126 646**
Total assets		**2 901 980**	**2 795 666**

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Amounts in NOK 1 000	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	20	25 778	25 778
Share premium		1 128 032	1 128 032
Share capital not registered		89 000	-
Currency translation reserve		1 031	-180
Retained earnings		-51 273	-124 104
Non-controlling interest		-2 503	-1 431
Total equity		**1 190 065**	**1 028 096**
Liabilities			
Non-current liabilities			
Borrowings	22, 23, 27	591 352	81 340
Deferred tax liabilities	11	23 643	79 979
Lease liability	7	95 474	196 074
Other non-current liabilities	12	4 725	82 091
Total non-current liabilities		**715 195**	**439 484**

Amounts in NOK 1 000	Notes	31 December 2021	31 December 2020
Current liabilitites			
Borrowings	22, 23	76 302	534 148
Provisions	26	53 838	41 167
Contract liabilities	6, 28	172 419	95 068
Trade payables	12, 25	212 165	244 689
Income tax payable	11	72 388	21 014
Lease liability	7	75 851	34 235
Other current liabilities	12, 25, 28	333 757	357 764
Total current liabilities		**996 720**	**1 328 085**
Total liabilities		**1 711 915**	**1 767 570**
Total equity and liabilities		**2 901 980**	**2 795 666**

Kverva, 24 May 2022
The Board of Directors and CEO of Scale Aquaculture Group AS

Atle S. Eide
Chair of the Board

Tor Jakob Ramsøy
Member of the Board

Morten Grongstad
Member of the Board

Trine L. Danielsen
Member of the Board

Gunnhild Ø. Thorsen
Member of the Board

Geir Furberg
Member of the Board

Geir Myklebust
Chief Executive Officer

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SCALE AQUACULTURE GROUP AS

Consolidated statement of cash flows

for the year ended 31 December

Amounts in NOK 1 000	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities			
Profit/(loss) before tax		87 392	-278 675
Income tax paid	11	0	0
Gain (loss) from sale of assets	15	433	-727
Net interest expense	10, 27	14 957	23 416
Interest received	10, 27	-2 759	-1 672
Depreciation and amortisation	7, 13, 14, 15	110 888	131 187
Impairment losses	7	-4 217	46 659
Change in inventories	17	-77 347	-33 026
Change in trade receivables	18	-78 641	70 207
Change in trade payables	25	-32 524	-5 940
Change in contract assets and contract liabilities	6, 28	97 505	47 814
Change in other receivables and payables	18, 25, 26	-58 757	-61 807
Net cash flow from operating activities		**56 929**	**-62 564**

Amounts in NOK 1 000	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Cash flow from investing activities			
Receipts from sale of property, plant and equipment	14, 15	15 231	747
Payments for property, plant and equipment	15	-23 784	-54 316
Payment for aquisition of subsidiaries, net of cash	26	-4 499	-61 043
Receipt from sale of intangible assets	14	1 177	634
Payment for development of intangible assets	14	-54 134	-1 180
Net cash flow from investing activities		**-66 009**	**-115 158**
Cash flow from financing activities			
Receipts from borrowings	22, 23, 27	539 035	-129 707
Repayment of borrowings	22, 23, 27	-545 279	0
Change in bank overdraft and short-term borrowings	22, 23, 27	58 410	261 893
Principal elements of lease payments	7	-35 871	-32 618
Issue of ordinary shares	20	8 811	0
Interest paid	10, 27	-12 198	-21 744
Net cash flow from financing activities		**12 908**	**77 824**
Net change in cash and cash equivalents	19	3 829	-99 898
Net foreign currency translation difference		123	974
Cash and cash equivalents as at 1 January		114 942	213 866
Bank deposits, cash and equivalents as at 31 December		**118 894**	**114 942**

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SCALE AQUACULTURE GROUP AS

Consolidated statement of changes in equity

for the year ended 31 December

Amounts in NOK 1 000	Share capital	Share premium	Share capital increase not registered	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2020	25 778	1 128 032	0	-1 151	95 069	1 247 728	-667	**1 247 061**
Profit (loss) for the year					-219 173	-219 173	-764	**-219 937**
Other comprehensive income for the year, net of income tax				971		971	0	**971**
Total comprehensive income for the year	**0**	**0**	**0**	**971**	**-219 173**	**-218 202**	**-764**	**-218 966**
Balance at 31 December 2020	**25 778**	**1 128 032**	**0**	**-180**	**-124 105**	**1 029 526**	**-1 431**	**1 028 096**
Balance at 1 January 2021	**25 778**	**1 128 032**	**0**	**-180**	**-124 105**	**1 029 525**	**-1 431**	**1 028 096**
Profit (loss) for the year					72 832	72 832	-1 072	**71 760**
Other comprehensive income for the year, net of income tax				1 211		1 211	0	**1 211**
Total comprehensive income for the year	**0**	**0**	**0**	**1 211**	**72 832**	**74 043**	**-1 072**	**72 970**
Issue of ordinary shares			89 000			89 000		**89 000**
Balance at 31 December 2021	**25 778**	**1 128 032**	**89 000**	**1 031**	**-51 273**	**1 192 568**	**-2 503**	**1 190 065**

Refer to note 20 for information related to share capital.

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

These consolidated financial statements were approved for issue by the Board of Directors on 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 2021 are listed below:

Company name	Owned by	Location	Ownership and voting share interest
Moen Marin AS	Scale Aquaculture Group AS	Trondheim, 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	Scale Aquaculture AS	Tasmania, Australia	100%
Aqualine AS	Scale Aquaculture AS	Trondheim, Norway	100%
Aqualine Eiendom AS	Scale Aquaculture AS	Trondheim, Norway	100%
Steinsvik Iceland ehf	Scale Aquaculture AS	Hafnarfjördur, Iceland	100%
Panlogica Pty Ltd	Scale Aquaculture AS	Tasmania, Australia	100%
Scale Aquaculture North America Inc.	Scale Aquaculture AS	Campbell River, Canada	100%
Steinsvik Poland S.A	Scale Aquaculture AS	Gdynia, Poland	100%
Steinsvik Oceania Pty Ltd	Scale Aquaculture AS	Huonville, Australia	100%
Scale Aquaculture UK Ltd	Scale Aquaculture AS	Fort William, Scotland	100%
Scale Aquaculture Rental AS	Scale Aquaculture Group AS	Tysvær, Norway	100%
Steinsvik Group AS	Scale Aquaculture Group AS	Tysvær, Norway	100%
Steinsvik AS	Steinsvik Group AS	Tysvær, Norway	100%
Steinsvik Mediterranean Ltda	Steinsvik AS	Alicante, Spain	100%
Steinsvik Turkey	Steinsvik AS	Izmir, Turkey	70%
Steinsvik Diamond AS	Steinsvik Group AS	Tysvær, Norway	100%
Steinsvik Chile Holding AS	Scale Aquaculture Group AS	Trondheim, Norway	100%
ScaleAQ Chile SPA	Scale Aquaculture AS	Puerto Varas, Chile	4%
ScaleAQ Chile SPA	Steinsvik Chile Holding AS	Puerto Varas, Chile	96%
ScaleAQ CO Ltd	Steinsvik Group AS	Cam Lam, Vietnam	100%
Aquaoptima Holding AS	Steinsvik Group AS	Trondheim, Norway	100%
Aquaoptima AS	Aquaoptima Holding AS	Trondheim, Norway	100%

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Note 2 Summary of significant accounting policies

2.1 Basis for preparation

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

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

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

The consolidated financial statements have been prepared on a going concern basis. The COVID-19 pandemic continues to impact the Group, where a strict Covid regime in China results in delays and uncertainties in the supply of key components. In addition, the war in Ukraine has caused further unbalances in the supply chains leading to higher prices, longer lead-times and scarcity on raw materials such as steel.

Significant higher prices on raw materials and freight have proven to be challenging to fully pass through to the market especially on fixed price contracts. This has had a negative effect on the 2021 results. We have also noticed, postponed investments in the Seabased segment due to the significant upward shift in product prices during 2021 continuing into 2022, whereas the Boat segment entered 2022 with an all-time high order back log.

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

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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 subsidiary companies in Norway, Iceland, UK, Poland, Canada, Chile, Vietnam, and Oceania (Australia). Additionally the Group has agents in the Faroe Islands and Dubai. The Group divides its business into three product areas; First farming technology (74.4% of total revenue), landbased (2.4% of total revenue) and Vessels (23.2% of total revenue).

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

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

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

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

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

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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 cases 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

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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.

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

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

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

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

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

2.11 Property, Plant and Equipment

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

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

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

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

2.12 Impairment of non-financial assets

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

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

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

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

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

2.13 Inventories

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

2.14 Provisions

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

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

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

2.13 Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.14 Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits.

2.15 Cash Flow statement

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

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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

These consolidated financial statements are the first consolidated financial statements issued by the Group. All relevant new and revised IFRSs and IFRIC interpretations that are mandatory for periods commencing 1 January 2021 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 2021.

Management anticipates that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning 1 January 2022 or later. Management considers that the impact of the adoption of these new and revised/amended Standards and Interpretations on the Group will not be significant.

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
Amendments to IAS 1 Presentation of Financial Statements[1]	*Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date*	January 2020 and July 2020	1 January 2023
Amendments to IFRS 3 Business Combinations	*Reference to the Conceptual Framework*	May 2020	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment	*Proceeds before intended use*	May 2020	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	*Onerous Contracts — Cost of Fulfilling a Contract*	May 2020	1 January 2022
Annual Improvements 2018-2020	*Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41*	May 2020	1 January 2022
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors[1]	*Definition of Accounting Estimates*	February 2021	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2[1]	*Disclosure of Accounting policies*	February 2021	1 January 2023

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.

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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 2021 and 2020 reporting periods, the recoverable amount of the operating segments (group of cash-generating units) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and business plans approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 13. These growth rates are consistent with industry growth expectations.

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

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

Note 5 Business combinations

There were no business acquisitions during 2021 and 2020.

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Note 6 Revenue

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

Revenue per product line	Year ended 31 December 2021	Year ended 31 December 2020
Seabased project sale	1 595 277	1 592 987
Seabased camera	212 130	133 027
Service	158 549	143 666
Software/Digital	46 681	42 848
Boats	683 560	362 602
Landbased	67 131	156 113
Other	3 002	36 472
Total	**2 766 330**	**2 467 715**
External revenue by timing of revenue		
Services transferred over time	1 867 638	1 935 614
Services transferred at a point in time	898 692	532 101
Total	**2 766 330**	**2 467 715**
Revenue by Geographical distribution		
Norway	2 193 992	1 716 557
Chile	248 627	217 247
UK	61 113	112 497
Canada	61 931	161 242
Iceland	148 200	173 286
Oceania	27 811	20 444
Rest of world	24 656	66 442
Total	**2 766 330**	**2 467 715**

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

	31 December 2021	31 December 2020
Contract assets - accrued income	107 995	128 149
Contract liabilities - prepaid customer contracts	172 419	95 068

Revenue recognised in the period from:	Year ended 31 December 2021	Year ended 31 December 2020
Amounts included in the contract liability at the beginning of the period	95 068	81 626

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.

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Note 7 Leases

Amounts in NOK 1 000

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 2021	Land and buildings	Vehicles	Equipment	Sum
Cost at 1 January 2021	132 382	7 701	28 108	168 190
Additions in the year	9 860	2 627	2 537	15 024
Reclassifications	1 506	0	-1 506	0
Disposals in the year	-38 127	83	-92	-38 136
Depreciation in the year	-20 383	-4 505	-9 008	-33 897
Impairment loss	5 302	0	0	5 302
Net carrying amount at 31 December 2021	**90 539**	**5 905**	**20 039**	**116 482**

Year ended 31 December 2020	Land and buildings	Vehicles	Equipment	Sum
Cost at 1 January 2020	186 384	10 741	17 719	214 845
Additions in the year	17 390	1 535	17 225	36 150
Depreciation in the year	-25 560	-4 576	-6 836	-36 971
Impairment loss	-45 833	0	0	-45 833
Net carrying amount at 31 December 2020	**132 382**	**7 701**	**28 108**	**168 190**

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

A reversal of an impairment loss of NOK 5 302 has been recognised in 2021 (2020: MNOK -45 833) on the right-of-use assets related to a property lease expiring in 2034 according to the original lease contract. The Group has terminated this property lease contract in 2021. According to the termination contract, the Group will pay a termination fee and the new expiring date of the property lease contract is November 2022. The recoverable amount of the right-of-use asset is NOK 1 138 (2020: NOK 25 611) and is based on a value-in-use calculation for the asset, calculating the difference between expected future cash inflows and the cash outflows associated with the lease, utilising a pre-tax discount rate of 6.8%.

Maturity analysis of lease liabilities	31 December 2021	31 December 2020
Within 1 year	75 851	34 235
1-4 years	72 265	103 202
Over 5 years	23 209	92 872
Total	**171 325**	**230 309**

Amounts recognised in profit and loss	Year ended 31 December 2021	Year ended 31 December 2020
Deprecation expense on right-of-use assets	33 897	36 971
Impairment expense on right-of-use assets	-5 302	45 833
Interest expense on lease liabilities	11 366	12 810
	39 961	**95 614**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Lease liability as at 1 January	230 309	226 778
Additions during the year	15 007	36 094
Disposals	-39 093	0
Repayments during the year	-46 264	-45 371
Interest	11 428	12 703
Currency effects	-62	107
Other	0	-1
Lease liability as at 31 December	**171 325**	**230 309**

Extension and purchase options
The Group's lease of land and buildings have lease terms that vary from 2 to 17 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 39 429 at 31 December 2021 (2020: NOK 73 940).

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

Sensitivity analysis
The below table summarises the impact a change in discount rates of 1 percentage point would have on the lease liability as at 31 December 2021.

		Sensitivity (increase/ decrease percentage point)	Sensitivity (increase) amount in NOK	Sensitivity (decrease) amount in NOK
Lease liability at 31 December 2021	171 325	+/- 1%	-2 792	2 927
Interest	11 428	+/- 1%	1 538	-1 675

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Note 8 Payroll and related expenses

Amounts in NOK 1 000

Salaries and personnel costs	Year ended 31 December 2021	Year ended 31 December 2020
Salaries	299 334	310 310
Social security tax	34 612	29 230
Pension costs	17 152	10 678
Other allowances	18 293	8 063
Total	**369 392**	**358 282**
Average number of FTE	766	785

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 2021
Key group employees are defined as employees who are part of group management. Some of these individuals are employed by Kve-en AS and remuneration to the management group and CEO is not included in total salaries and personnel cost.

Salary	Pension contribution	Other benefits	Total
23 214	**2 320**	**1 899**	**27 433**

Remuneration to Board of Directors during the year ended 31 December 2021
No remuneration has been paid to the Board of Directors of Scale Aquaculture Group AS in 2021.

The group purchases management services from Kve-en AS to a amount of NOK 16 100 (2020: 17 466)

Note 9 Other operating expenses

Amounts in NOK 1 000	Year ended 31 December 2021	Year ended 31 December 2020
Maintenance expenses	7 059	10 895
Equipment expenses	10 130	10 806
External services	60 814	59 198
Rental of machinery, fixtures, fittings, premises	8 845	5 666
Travel costs	10 401	12 530
Licenses	15 822	14 551
Marketing	9 425	5 423
Insurance	3 491	4 364
Impairment of trade receivables	7 187	-8 459
Other operating expenses	24 563	77 581
Total other operating expenses	**157 738**	**192 555**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Statutory auditing services	1 513	1 235
Other attestation services	28	99
Tax advisory services	674	27
Other services	73	2 914
Total fee to auditor	**2 288**	**4 274**

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Note 10 Finance income and finance expense

Amounts in NOK 1 000	Year ended 31 December 2021	Year ended 31 December 2020
Finance income		
Interest income	2 759	1 672
Interest income on other financial assets	5 371	6 396
Currency gains	45 950	16 612
Other financial income	5 415	5 804
Total	**59 495**	**30 484**
Finance expense		
Interest expense	14 957	17 119
Interest expense on debt to financial institutions	20 156	21 032
Currency losses	59 422	21 495
Fair value change in financial assets (Note 16)	2 000	-
Fair value change in financial instruments (Note 21)	5 517	-
Other financial expense	386	2 573
Total	**102 438**	**62 219**

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

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Note 11 Deferred tax and tax expense

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

Amounts in NOK 1 000	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax payable	72 388	21 015
Change in deferred tax	-56 756	-79 752
Income tax expense	**15 632**	**-58 738**
The foreign part of the tax expense amounts to	-2 760	-2 652

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

	2021	2020
Profit before tax	87 392	-278 675
Permanent and temporary differences	212 721	374 195
Basis for tax payable	300 113	95 521
Total tax payable on the year's result	72 388	21 015

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 2021	Year ended 31 December 2020
Profit/(loss) before income tax	87 392	-278 675
Statutory income tax rate	22%	22%
Expected income tax expense/(benefit)	19 226	-61 308
Tax effect non deductible expenses	16 732	778
Tax effect non-taxable income	-16 057	-
Difference in tax rules and rates	-863	-151
Change in deferred tax asset not recognised	-3 406	1 943
Income tax expense/income for the year	**15 632**	**-58 738**
Effective tax rate	18%	21%

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	-	-	-	19 428	**19 428**
Chile	-	-	-	19 194	**19 194**
UK	-	-	-	1 382	**1 382**
Vietnam	-	499	-		**499**
Canada	-	-	9 531	-	**9 531**
Iceland	927	-	-		**927**

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 2021	Year ended 31 December 2020
Non-current assets	-	
Property, plant and equipment	-9 422	-72 574
Trade receivables	5 095	3 288
Inventory	6 412	6 782
Other temporary differences	53 069	68 703
Tax losses carried forward	21 077	19 830
Tax losses carried forward abroad	31 533	27 012
Total	**107 764**	**53 039**
Deferred tax assets/Deferred tax liabilities		
Deferred tax assets/Deferred tax liabilities not recognized	-12 176	-8 949
Recognized Deferred tax assets/Deferred tax liabilities	95 588	44 090

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Note 12 Related parties

Balances and transactions between Kvetre AS and its subsidiaries, which are related parties of Kvetre 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	
Amounts in NOK 1 000	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Aqualine AS	-	-	-	3
Arnarlax AS	47 267	63 156	-	-
Kveen AS	-	-	8 729	8 396
Kverva Eiendom AS	25	-	25	-
Kverva Industrier AS	455	-	-	-
Kveto AS	-	50	-	3 059
Nutrimar Harvest AS	0	141	-	-
Ocean Farm Ltd	80	7 035	-	-
Ocean Farming AS	0	11	-	-
Salmar AS	1 843	526	-	-
Salmar ASA	381	201	-	-
Salmar farming AS	255 871	154 128	-	-
Salmar Ocean AS	-	42	-	-
Salmar Settefisk AS	-	218	-	-
Salmar Smolt AS	-	1 198	-	-

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

The group purchases management services from Kve-en AS.

Payment to Kveto relates to interest on loans

At 31 December, the Company 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)	
Amounts in NOK 1 000	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Arnarlax	5 511	16 281	-	-
Kve-en AS	-	-	5 827	-
Kverva Eiendom AS	-	-	25	-
Kverva Industrier AS	44	-	-	-
Ocean Farming AS	80	3	-	-
Salmar AS	5	143	-	-
Salmar Farming AS	20 025	8 755	229	-

	Loans to related parties		Borrowings from related parties	
Amounts in NOK 1 000	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Kve-en AS	268	16 102	1 878	15 458
Kveto AS	-	-	4 605	66 627

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Note 13 Goodwill

Amounts in NOK 1 000

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

31 December 2020	Goodwill
Carrying value at 1 January 2020	690 620
Additions in the year	0
Disposals in the year	0
Impairment loss during the year	0
Carrying value at 31 December 2020	**690 620**

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

Goodwill is not amortised but tested for impairment on an annual basis at a cash generating unit level, and more frequently if there are indications that amounts may be impaired. In accordance with IAS 36 Impairment of assets, the carrying amount of the cash-generating unit (CGU) to which the goodwill has been allocated is compared with the recoverable amount of the cash generating unit. The recoverable amount is determined based on value-in-use calculations. These calculations use cash flow projections approved by management covering a five year period. Subsequently a growth rate of 1% is used for the purpose of determining the terminal value. The pre-tax discount rates applied to the cash flows for both CGUs is calculated based on the weighted average cost of capital (WACC) is 9.6% (2020: 9.6%).

A sensitivity analysis has been performed for key assumptions, which are the terminal growth rate and the discounts rates. Any reasonable possible change in the key assumptions (1% increase in discount rate or 1% decrease in the terminal growth rate) would not cause a requirement for an impairment charge.

Based on the calculations referred to above, it has been concluded that the recoverable amount exceeds the carrying amount of the CGUs. Consequently, no impairment charge has been recognised for 2021, nor in 2020.

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

	31 December 2021	31 December 2020
Seabased	617 190	617 190
Boats	73 430	73 430
Total	**690 620**	**690 620**

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Note 14 Intangible assets

Amounts in NOK 1 000

31 December 2021	Customer relationships	Customer contracts	Technology	Trade name	Other intangible assets	Total
Cost at 1 January 2021	305 200	12 500	48 752	89 501	94 433	550 386
Additions in the year					54 134	54 134
Exchange rate differences					99	99
Disposals in the year					-76 537	-76 537
Cost at 31 December 2021	**305 200**	**12 500**	**48 752**	**89 501**	**72 129**	**528 082**
Accumulated amortisation at 1 January 2021	93 217	12 500	15 652	0	78 086	199 455
Amortisation in the year	30 520		4 875		2 768	38 163
Exchange rate differences					99	99
Disposals in the year					-75 360	-75 360
Accumulated amortisation at 31 December 2021	**123 737**	**12 500**	**20 527**	**0**	**5 593**	**162 357**
Net carrying amount at 31 December 2021	**181 463**	**0**	**28 225**	**89 501**	**66 536**	**365 725**

31 December 2020	Customer relationships	Customer contracts	Technology	Trade name	Other intangible assets	Total
Cost at 1 January 2020	305 200	12 500	48 752	89 501	94 283	550 236
Additions in the year					1 180	1 180
Disposals in the year					-1 030	-1 030
Cost at 31 December 2020	**305 200**	**12 500**	**48 752**	**89 501**	**94 433**	**550 386**
Accumulated amortisation at 1 January 2020	62 697	1 042	10 777	0	74 959	149 475
Amortisation in the year	30 520	11 458	4 875		2 695	49 548
Impairment loss in the year					827	827
Disposals in the year					-395	-395
Accumulated amortisation at 31 December 2020	**93 217**	**12 500**	**15 652**	**0**	**78 086**	**199 455**
Net carrying amount at 31 December 2020	**211 983**	**0**	**33 100**	**89 501**	**16 347**	**350 931**

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Estimated useful life and amortisation plan is as follows:	Customer relationships	Customer contracts	Technology	Trade name	Other intangible assets
Estimated useful life	10 years	1 year	10 years	Indefinite	5 - 10 years
Amortisation plan	Straight-line	Straight-line	Straight-line	Not amortised	Straight-line

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

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

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

Other intangible assets
The carrying amount of other intangible assets comprises licences of NOK 9 157 and capitalised development costs of NOK 57 379.

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Note 15 Land, property, plant and equipment

Amounts in NOK 1 000

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

31 December 2020	Land and buildings	Plant and machinery	Total
Cost at 1 January 2020	207 896	195 750	403 646
Additions in the year	12 118	42 198	54 316
Additions/disposal through business combinations	0	0	0
Disposals in the year	390	531	921
Cost at 31 December 2020	**219 624**	**237 417**	**457 041**
Accumulated depreciation at 1 January 2020	39 133	116 809	155 942
Depreciation in the year	11 539	33 128	44 667
Reversed depreciation	-370	-531	-901
Accumulated depreciation at 31 December 2020	**50 302**	**149 406**	**199 708**
Net carrying amount at 31 December 2020	**169 322**	**88 011**	**257 332**

Estimated useful life and depreciation plan is as follows:

Useful life	25-50 years	3-10 years
Depreciation plan	Straight-line	Straight-line

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

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Note 16 Non-current financial assets

Amounts in NOK 1 000

Non-current financial assets	31 December 2021	31 December 2020
Investments in associated companies	1 100	1 169
Investments in shares	104	2 116
Sublease to end customer	92 237	53 202
Other non-current financial assets	12 775	21 391
Total	**106 216**	**77 878**

A fair value change of NOK -2 000 has been recognised in 2021 (2020: 0) on investments in shares, refer to note 10.

The sublease to end customer is a financial lease for lessors, and a manufacturing lessor, where the normal revenue is recorded for the sale. See note 27 Reclassifications for further information.

Other non-current financial assets consists of receivables.

As at 31 December 2021 the Group has investments in the following associated companies:

Company name and location	Ownership share	Shares owned by
Marine Globe (Sibenik, Croatia)	40%	Moen Marin AS

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

Note 17 Inventories

Amounts in NOK 1 000

Inventory	31 December 2021	31 December 2020
Raw materials and work in progress	511 555	487 648
Finished goods	124 681	71 241
Total	**636 236**	**558 890**
Inventories at cost	645 850	570 140
Inventory write-down to net realisable value	-9 615	-11 250
Total	**636 236**	**558 890**
Carrying amount as at 1 January	558 890	525 864
Purchase of inventory	2 077 904	2 021 112
Recognised as expense	-2 002 194	-1 985 972
Impairment of obsolete inventory	-9 615	-11 250
Reversal of impairment of obsolete inventory	11 250	9 136
Carrying amount as at 31 December	**636 236**	**558 890**

There are securities pledged over inventories.

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Note 18 Trade and other receivables

Amounts in NOK 1 000

	31 December 2021	31 December 2020
Trade receivables	412 744	326 916
Allowances for impairment (analysed below)	21 277	14 090
Total trade receivables	**391 467**	**312 826**
Other receiveables	26 594	11 841
Total trade and other receivables	**418 061**	**324 666**

Ageing of trade receivables	31 December 2021	31 December 2020
Not past due date	300 856	199 636
0-30 days	46 185	62 349
31-60 days	19 468	35 359
61-90 days	2 554	9 772
Over 90 days	43 681	19 800
Total	**412 744**	**326 916**

Movements in the provisions for impairment of trade receivables	31 December 2021	31 December 2020
Opening balance provision for bad debt as at 1 January	14 090	21 658
Change in provision for the year	11 541	5 187
Receivables written off during the year	-4 354	-13 646
Translation differences	0	891
Closing balance provision for bad debt as at 31 December	**21 277**	**14 090**

Note 19 Cash and cash equivalents

Amounts in NOK 1 000

	31 December 2021	31 December 2020
Bank deposits, cash and cash equivalents	118 894	114 942
of which restricted cash	**14 246**	**13 740**

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

Note 20 Share capital and shareholders

The share capital of Scale Aquaculture Group AS consisted of 12 888 889 shares as at 31 December 2021, each with a nominal value of NOK 2 (amount in whole NOK). All shares have equal voting rights. Share capital increase in 2021 not registered is NOK 89 000.

As at 31 December 2021, 90,1 % of the shares were owned by Kveto AS, located in Norway. Frøyaringen AS owned 9,9%. There was no change in ownership during the year.

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Note 21 Categories of financial assets and liabilities

Amounts in NOK 1 000

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

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

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Amounts in NOK 1 000

Financial assets	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	31 December 2020
Financial assets at amortised cost:					
Cash and equivalents (note 19)	114 942	-	-	-	114 942
Trade receivables	312 826	-	-	-	312 826
Sublease to end customer	53 202	-	-	-	53 202
Other financial assets	34 400	2 116	-	-	36 516
Total	**515 370**	**2 116**	**-**	**-**	**517 486**

Financial liabilities	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	31 December 2020
Financial liabilities at amortised cost:					
Debt to financial institutions	615 488	-	-	-	615 488
Trade payables	244 689	-	-	-	244 689
Lease liability (note 7)	230 309	-	-	-	230 309
Accrued project expense	192 853	-	-	-	192 853
Other liabilities	54 148	-	-	-	54 148
Total financial liabilities at amortised cost	**1 337 487**	**-**	**-**	**-**	**1 337 487**
Financial liabilities at fair value:					
Financial instruments	-	-	-	-	-
Total financial liabilities at fair value	**-**	**-**	**-**	**-**	**-**

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

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

The carrying amounts of financial assets and liabilities approximate their fair value as at 31 December 2021. Arrangements with financial institutions are entered into on market terms, and the carrying value at the reporting date has been assessed as approximating fair value.

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

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable input).

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

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Note 22 Borrowings

Amounts in NOK 1 000

Interest-bearing liabilities are measured at amortised cost

	31 December 2021	31 December 2020
Non-current financial liabilities		
Debt to financial institutions	499 115	28 138
Financial liability related to sale and forward lease	92 237	53 202
Total borrowings	**591 352**	**81 340**
Current liabilities		
Debt to financial institutions*	76 302	534 148
Total borrowings	**76 302**	**534 148**

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

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The Group's interest bearling liabilities consists of:

	Maturity	Interest rate terms	Currency	Nominal value	31 December 2021	31 December 2020
DNB (Revolving Credit Facility)	28.06.2024	NIBOR + 2.20% margin	NOK	500 000	500 000	0
DNB (Overdraft Facility)*	20.07.2022	NOWA + 1.50 % margin	NOK	250 000	58 410	0
Nordea (Financial liability related to sale and forward lease)	28.01.2022 - 28.07.2028	Nibor + variable margin	NOK		92 237	53 202
Nordea NOK (Facility B Term Loan)	30.04.2021	NIBOR + 3.00% margin	NOK	200 000	0	125 000
Nordea (Overdraft Facility)	30.04.2021	NIBOR + 3.00% margin*	NOK	350 000	0	286 659
Banco Santander 1 USD	07.12.2023	4.56 %	USD	500 000	2 336	3 789
Banco Santander 2 USD	28.09.2022	3.48 %	USD	3 000 000	16 129	36 327
Nordea USD	30.04.2021	NIBOR + 3.00% margin	USD	2 641	0	9 201
Nordea NOK	30.04.2021	NIBOR + 3.00% margin	NOK	19 500	0	12 289
Danske Bank (Overdraft Facility construction loans/letters of credit)	30.04.2021		NOK	80 000	0	80 447
Danske Bank (Overdraft Facility)	30.04.2021		NOK	10 000	0	7 648
Other					0	925
Total					669 112	615 487
Unamortised portion of loan cost					1 458	246
Total borrowings					**667 654**	**615 241**

* The Overdraft Facility is renewed annually.

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

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

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

2020	1 January 2020	Net cash flows	New liabilities	Disposals	31 December 2020
Borrowings	430 099	132 186	0	0	562 285
Lease liabilities (note 7)	226 778	-32 563	36 094	0	230 308

New financial agreement in 2021 and debt covenants as of 31 December 2021
The Group has entered into a new long-term financing agreement in the third quarter of 2021, with the following loan covenants:

There is a minimum equity ratio covenant in 2021. Starting 31 December 2021, the Group has a NIBD/EBITDA and Equity Ratio covenant on it's loan agreements.
The effective interest rate of borrowings are dependent if the Groups leverage ratio is above or below 3,00 or less than 1,50.
The Group was in compliance with its loan covenants as of 31 December 2021.

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Note 23 Maturity analysis financial liabilities

Amounts in NOK 1 000

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

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

As at 31 December 2020	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	632 890	615 487	538 749	11 185	48 787	29 729	4 440
Trade payables and other payables	491 690	491 690	368 768	122 923	-	-	-
Total liabilities	**1 124 580**	**1 107 177**	**907 517**	**134 108**	**48 787**	**29 729**	**4 440**

Debt to financial institutions includes Lease liability related to sale and forward lease, see note 28 for further information.

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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 2021, the company expensed bad debts corresponding to approximately 0.2% of revenue (2020: 0.6%) and has made impairment allowances for approx. 5% of total accounts receivable (2020: 4%).

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. The Group has entered into a new financing arrangement during the third quarter of 2021, refer to note 22 and 23 for more details.

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 2021 and 2020).

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 1 000	2021	2020	2021	2020
	Effect on income (loss) after tax/equity if 1% increase in interest rate	Effect on income (loss) after tax/equity if 1% increase in interest rate	Effect on income (loss) after tax/equity if 1% decrease in interest rate	Effect on income (loss) after tax/equity if 1% decrease in interest rate
Interest bearing liabilities	-5 004	-3 870	5 004	3 870
Interest on cash and cash equivalents	912	1 282	-912	-1 282

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

However, as the Group's overall financial reporting is presented in NOK, changes in foreign exchange rates in relation to NOK affect the Group's overall revenue, profit or loss and financial position. Based on exposure throughout the year and balances at the year-end, the Group assesses that fluctuations in CLP/NOK, VND/NOK and GBP/NOK have the most significant impact on the financial reporting of financial assets and liabilities. The table below summarises the impact a change in these currencies will have on profit after tax and on equity as at 31 December 2021 and 31 December 2020. The analysis is based on the assumption that the foreign exchange rates increase or decrease by 10%, all other variables held constant. Positive numbers indicate an increase in profit and other equity where NOK strengthens against the relevant currency and negative numbers indicate a decrease. For a weakening of NOK against the relevant currency there would be a reverse impact.

	31 December 2021			31 December 2020		
Amounts in NOK 1 000	CLP/NOK impact	VND/NOK impact	GBP/NOK impact	CLP/NOK impact	VND/NOK impact	GBP/NOK impact
Trade receivables	3 562	545	420	5 460	271	520
Trade payables	-2 527	-598	-21	-1 998	-255	-10
Borrowings	-1 487	0	0	-4 985	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 2020 and 2021. The Group has, however, re-financed its borrowings in 2021, see note 22 for further details.

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Note 25 Accounts payable and other liabilities

Amounts in NOK 1 000	31 December 2021	31 December 2020
Trade payables	206 084	244 689
Trade payables to group companies	6 081	-
Total trade payables	**212 165**	**244 689**
Payroll tax, social security, VAT	77 893	46 229
Liabilities to group companies	-	56 087
Salary	31 374	29 394
Accrued project expense	114 586	192 853
Other current liabilities	109 904	33 201
Total other current liabilities	**333 757**	**357 764**

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Note 26 Provisions and contingent liabilities

The Group is not involved in any disputes or trials at the balance sheet date or at the date of the approval of these financial statement, that would lead to recognition of a liability or require disclosure.

Management and the Board are not aware of any such incidents that may have a negative impact on the Group.

The Group has recognised the following provisions:

Provisions 2020	Restructuring	Warranties	Earnout	Total
Balance as of 1 January, 2020	4 466	31 442	61 157	97 065
Provisions changed during the year	-1 129	2 116	-56 885	-55 898
Balance as of 31 December 2020	3 338	33 558	4 271	41 167
Current portion	3 338	33 558	4 271	41 167
Total	**3 338**	**33 558**	**4 271**	**41 167**

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

Regarding to the change in the earnout obligation, MNOK 2 129 consists of payments.

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Note 27 Collateral and guarantees

Liabilities secured by mortgages etc.	31 December 2021	31 December 2020
Non current liabilities to financial institutions	591 352	81 340
Current liabilities to financial institutions	76 302	534 147
Total	**667 654**	**615 487**

Book value of assets that form the basis of issued security	31 December 2021	31 December 2020
Shares in subsidiaries	1 267 511	1 246 971
Intra Group receivables	12 577	90 315
Land and buildings	20 010	121 727
Fixtures and office machinery	39 614	34 301
Inventories	498 158	342 354
Contract assets	20 863	-
Accounts receivable	300 014	110 128
Cash and cash equivalents	41 014	125

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

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

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

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

Guarantees secured by mortgages
The Group optains bank guarantees given to their customers, primarily for long-term projects and rental guarantees. Since the Group has entered into a new financing agreement in 2021, we have some bank guarantees for open contracts to previous main bank. As of 31 December 2021 the amount of guarantees is NOK 107 401 (2020: NOK 87 672).

Parent guarantees issued by Kve-en AS
The Group optains parent guarantees to their customers, primarily for long-term projects. As at 31 December the amount of parent guarantees issued by Kve-en AS is NOK 25 000 (2020: NOK 40 419).

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Note 28 Reclassifications

The Group has changed the presentation of sale and leaseback between a financial institution and sublease to end customer in 2021. The sale and leaseback transaction within the Group against the financing institutions is now 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 is a financial lease for lessors, and a manufacturing lessor, where the normal revenue is recorded for the sale.

In the Financial Statement for the Group in 2020, accrued project expenses was included in contract assets and contract liabilities. In 2021 the Group har changed the presentation so that accrued project expenses are presentet as other current liabilities.

As a consequence of these changes we have reclassified 2020 with the following amounts:

Consolidated statement of profit or loss and other comprehensive income:	**Year ended 31 December 2020**	**Sale and leaseback and sublease to end customer**	**Reclassification contract assets and contracts liabilty**	**Year ended 31 December 2020 after reclassification**
Revenue	2 469 234	-15 061	-	2 454 172
Other operating income	13 543	-	-	13 543
Operating income	**2 482 777**	**-15 061**	**-**	**2 467 715**
Cost of materials	1 985 972	-	-	1 985 972
Salaries and personnel cost	358 282	-	-	358 282
Depreciation and amortisation	131 187	-	-	131 187
Impairment losses	46 659	-	-	46 659
Other operating expenses	206 636	-14 081	-	192 555
Operating expenses	**2 728 736**	**-14 081**	**-**	**2 714 655**
Operating profit (loss)	**-245 959**	**-981**	**-**	**-246 940**
Finance income	25 088	5 396	-	30 484
Finance expense	57 803	4 416	-	62 219
Profit (loss) before tax	**-278 675**	**0**	**-**	**-278 675**
Income tax expense	-58 738	-	-	-58 738
Profit (loss) for the year	**-219 937**	**0**	**-**	**-219 937**
Other comprehensive income for the year				
Items that may be reclassified subsequently through profit or loss:				
Foreign currency translation	971	-	-	971
Other comprehensive income for the year, net of tax	**971**	**-**	**-**	**971**
Total comprehensive income for the year	**-218 966**	**0**	**-**	**-218 966**

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Conscolidaed statement of financial position	31 December 2020	Sale and leaseback and sublease to end customer	Reclassification contract assets and contracts liabilty	2020 after reclassification
ASSETS				
Non-current assets				
Goodwill	690 619	-	-	690 619
Other intangible assets	350 931	-	-	350 931
Deferred tax assets	124 069	-	-	124 069
Property, plant and equipment	257 332	-	-	257 332
Right-of-use assets	168 190	-	-	168 190
Non-current financial assets	24 675	53 202	-	77 878
Total non-current assets	**1 615 817**	**53 202**	**-**	**1 669 019**
Current assets				
Inventories	558 890	-	-	558 890
Contract assets	79 649	-	48 500	128 149
Trade receivables	312 826	-	-	312 826
Other current receivables	11 841	-	-	11 841
Cash and cash equivalents	114 942	-	-	114 942
Total current assets	**1 078 146**	**-**	**48 500**	**1 126 646**
Total assets	**2 693 963**	**53 202**	**48 500**	**2 795 666**

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Conscolidaed statement of financial position	31 December 2020	Sale and leaseback and sublease to end customer	Reclassification contract assets and contracts liabilty	2020 after reclassification
EQUITY AND LIABILITIES				
Equity				
Share capital	25 778	-	-	25 778
Share premium	1 128 032	-	-	1 128 032
Currency translation reserve	-180	-	-	-180
Retained earnings	-124 104	-	-	-124 104
Non-controlling interest	-1 431	-	-	-1 431
Total equity	**1 028 096**	**-**	**-**	**1 028 096**
Liabilities				
Non-current liabilities				
Borrowings	28 138	53 202	-	81 340
Deferred tax liabilities	79 979	-	-	79 979
Lease liability	196 074	-	-	196 074
Other non-current liabilities	82 091	-	-	82 091
Total non-current liabilities	**386 282**	**53 202**	**-**	**439 484**
Current liabilitites				
Borrowings	534 148	-	-	534 148
Provisions	41 167	-	-	41 167
Contract liabilities	239 421	-	-144 353	95 068
Trade payables	244 689	-	-	244 689
Income tax payable	21 014	-	-	21 014
Lease liability	34 235	-	-	34 235
Other current liabilities	164 910	-	192 853	357 764
Total current liabilities	**1 279 585**	**-**	**48 500**	**1 328 085**
Total liabilities	1 665 867	53 202	48 500	1 767 570
Total equity and liabilities	**2 693 963**	**53 202**	**48 500**	**2 795 666**

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Note 29 Events after the reporting date

The COVID-19 pandemic continues to impact the Group, where a strict Covid regime in China results in delays and uncertainties in the supply of key components. In addition, the war in Ukraine has caused further unbalances in the supply chains leading to higher prices, longer lead-times and scarcity on raw materials such as steel.

Significant higher prices on raw materials and freight have proven to be challenging to fully pass through to the market especially on fixed price contracts. This has had a negative effect on the 2021 results. We have also noticed, postponed investments in the Seabased segment due to the significant upward shift in product prices during 2021 continuing into 2022, whereas the Boat segment entered 2022 with an all-time high order back log.

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