



# One ScaleAQ

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Monthly report for ScaleAQ Norway

JANUARY 2023



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# Orientation from the CEO

We are putting a hectic January behind us. Last year ended with good results after a strong performance improvement in December.

A brilliant effort is being made by all employees throughout the value chain. It is rewarding to see that our value chain and our overall expertise now is strengthened with Maskon as a part of the team.

The consultation deadline for the government's proposal for a new resource rent tax for aquaculture expired on the 4th of January. The Ministry of Finance received 414 consultation statements with a total of 14 000 pages. 330 of the consultation responses were negative to the proposal. The government will now prepare a parliamentary bill which will be sent to the Stortinget for processing before Easter.



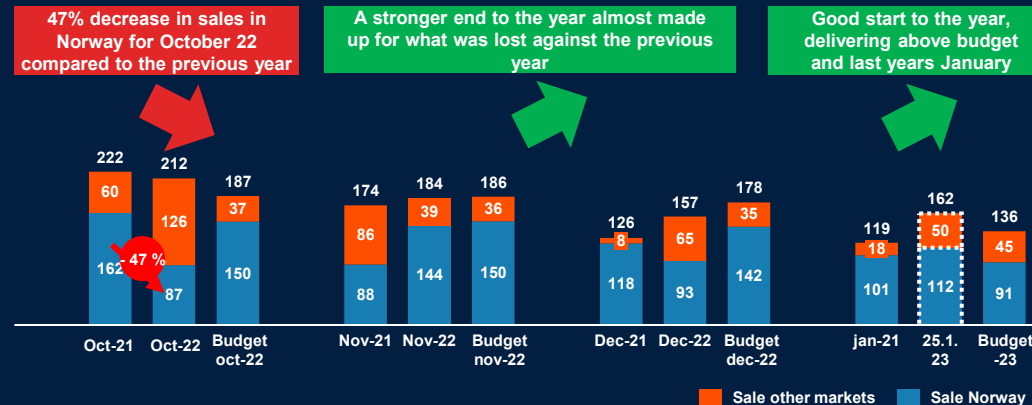
*Welcome to the people in Maskon*



# Marketing and sales

- We have had a good start to the year in terms of sales – Despite high uncertainty related to the resource rent tax, we also brought in much of what was lost in October, through November and December, when we compare with 2021 for Norway
- There is still a high activity level among customers, and demand for rebuilding of feeding facilities and operation-critic equipment such as pens and nets, while there is a more wait-and-see attitude towards all investments beyond what is perceived as strictly necessary (e.g. camera) – It is now being performed several measures to close sales processes that are open due to the resource rent proposal
- Two of the life span extensions of pens that were sold last year are now completed. The result of this looks very good and gives us the basis for more sustainable projects in the future
- Artic Sea Farm in Iceland have signed a contract for pens with a value of around 35 MNOK. Together with the signing of pens for Arnarlax in December, a total of 26 pens, worth around 80 MNOK, have now been sold to Iceland in a short time span.
- A barge and pens to Bjørøya have also been signed, worth around 60 MNOK
- We have been represented at both the New Year's Conference in Tromsø and the AqKva Conference in Bergen during January
- A strategy meeting for the northern region was held on the 24th of January, with broad participation from Sales, Supply Chain, Finance and several other key functions – Speed and direction is now being set for our largest growth market in 2023
- Equivalent gatherings will be carried out for other market areas throughout Q1
- We are starting to see the effect of the structuring processes in the advisory team, where we through 2022 have achieved a higher signing percentage in our sales processes.

## Order entry Norway and Scale AQ AS (Excl. Moen Marin)\*



Presence on New Year's Conference in Tromsø



Strategy meeting Nord

\*Legal Norway – Numbers excl. Chile, local revenues and Moen Marin



# Operations

- The Transparency Act will help companies to promote respect for basic human rights and decent working conditions in connection with the production of goods and services. This requires control of our value chains. We have now carried out the first survey and created a preliminary risk profile of our most important suppliers, which covers NOK 1 billion in expenditure. This work will continue throughout the year, including follow-ups and audits.
- High activity in the net segment in connection with the framework agreement with MOWI. Full production throughout April in Asia.
- High activity in deliveries in many product segments, surpassing previous years.
- Subsea concept is being tested at Marintek in mid-February. First pilot wanted in May/June. Many customers are now expressing their interest.
- Vortex will be deployed at 3 facilities by May. Components are now at place in Norway.
- Net day held 25.01 at Frøya. The topic was processes, trends, competence, procedures and other subjects. Good discussions and feedback. Standardization has improved and will have an even higher focus. We will apply the same scheme for the southern region in February.
- Vidar Skarpnes is ready as product manager for Nets. Vidar will be given responsibility for the net segment and apply his long experience against nets and pens.
- Anders Sletten and Martin Søreide are responsible for 2 out of 6 work packages in the Green platform project.





# Innovation and development

- Vortex deliveries to LSG are progressing as planned, equipment arrived in Norway
- Testing of ovalization at SalMar on existing Vortex pens will provide answers to design adjustments on the pens going to LSG
- Sensor solutions for documentation of Vortex during the test at Lerøy is now under order and implementation, before and after fish deliveries to the facility.
- Subsea testing at Marintek is approaching fast. Dimensioning and design is notified to Sintef and everything should be ready for conducting a good test in the tank.
- Further development of the design of the dead fish point and handling is in progress. We are approaching a final design for the pilot solution.
- Dialogue with potential customers on the pilot for Subsea, evaluation of the best candidate is an ongoing process.
- Equipment, crew and machinery is ready for testing of the air dome at sea for observation of behavior. Testing set for 27.01.2023.
- Meeting regarding exposed barge adapted to subsea operations with Sinkaberg Hansen. Good action points on design elements for optimal adaption to this type of operation. Work in progress.





# Sustainability

- We are approved by Global Gap as a subcontractor for aquaculture (see picture). Contact the sustainability department in SclaeAQ if you need a certificate of approval in sales processes etc.
- The project SirkAQ – circular solutions for the aquaculture industry, was financed through the green platform scheme. The duration of the project is 3 years. Eight partners are involved, including Hallingplast and Sinkaberg Hansen. ScaleAQ leads the project which will implement circular value chains for plastics from discarded equipment through reuse, repair, life span extension and use of recycled material in new products. The aim is to optimize the use of resources and reduce the environmental and climate footprint of aquaculture, where the vision is «zero plastic waste by 2030».
- Training – nano course for sustainability will be launched in a few weeks. Six digital lessons that everyone in the company must complete will be sent out soon.
- Overview of physical and biological data for all locations in Norway has been collected for sustainability assessments for our technology initiatives (Submerged and Vortex).



## SUBCONTRACTOR ASSESSMENT

### DECLARATION OF COMPLIANCE

According to GLOBALG.A.P. General Regulations v. 5.2/ CPCC # AF 5.2

Proof of Assessment No  
C587598

Date of Assessment  
12-01-2023

Declaration valid  
12-01-2023 – 11-01-2024

Issued to

### Scale Aquaculture AS

Beddingen 16, 7042 Trondheim  
Norway

### QUALIFIED SUBCONTRACTOR

Standard	CPCC Scope	Product
GLOBALG.A.P. IFA version 5.2	Aquaculture	Finfish
GRASP v 1.3_july 2020		

With regard to the Subcontracted Service :  
Service of equipment for aquaculture industry  
The Annex 1 contains the applicable Control Points and Compliance Criteria that were assessed and documented in the CPCC check list.

Place and date:  
Vimercate (MB), 16-01-2023

Ken Ståle Lindberg  
Lead auditor



For the issuing office:  
DNV - Business Assurance  
Via Energy Park, 14 - 20871 Vimercate (MB) - Italy

*Sabrina Bianchini*

Sabrina Bianchini  
Management Representative



# HSEQ – HSEQ for the year 2022



## What you in ScaleAQ have achieved on the HSEQ front in 2022.

- You have reported more, which means that we know more and can find good measures together. Keep it up!
- Many more operations have been risk assessed and measures are in place. Industrial protection has also been introduced at NHV. Help us find the activities or workplaces that are not sufficiently risk assessed yet!
- Work processes are to a large degree documented. Surely there are more that should have been – which ones?
- The quality of deliveries has remained high throughout the year despite war and COVID. New technical regulations, the desire for more exposure at sea, requirements from the Transparency Act and more sustainability are just some of the many areas you have encountered with good initiatives.
- We have organized ourselves more correctly in terms of quality. The position as Manager supporting operational improvement and quality has been created, an electrical installer is in place, new product managers, strengthened capacity in logistics and segment forums are just a few examples. The protection service has become more visible and does an important job. Contact them!
- Better control and management of product development and changes with the help from e.g., standardization, quality control of active products in the portfolio, change checklists and better processes/ more control activities.
- In 2022, ScaleAQ has taken the initiative for an industry gathering with the theme of HSE, called HSE forum. With over 40 participants from the entire industry, it shows us that this meeting point is important and in demand.
- Many external audits from both customers and certification services. Overall positive feedback, with findings of lower criticality.

Every month raises HSE a «voice of the employees» to gain more insight into our strengths and potential for improvements. This month is Jerome Cieza (on behalf of the HSEQ department), HSEQ Director, the employee's voice.



## What we must improve together in 2023:

- We see a sharp increase in our injury statistics, well above the target. The development follows the general development in reporting. It is reasonable to imagine that some of the reported injuries are injuries that would not previously have been reported, which has been confirmed verbally. We therefore do not assume that our work operations have become any riskier. Anyway, the damage rate is too high. We must continue to report, we need increased visible leadership in the field and together extract more learning from deviations and incidents.
- Test regimes and validation of solutions (qualification technology/product) must become even better. The regime for testing and validating solutions (and changing solutions) and general quality assurance of the innovation needs more time for testing and quality assurance activities.
- High costs related to complaints. We need a more critical look at the basis for complaints from our customers (is it a complaint?), better routines and systematics around the handling itself internally (methodology, traceability and documentation).

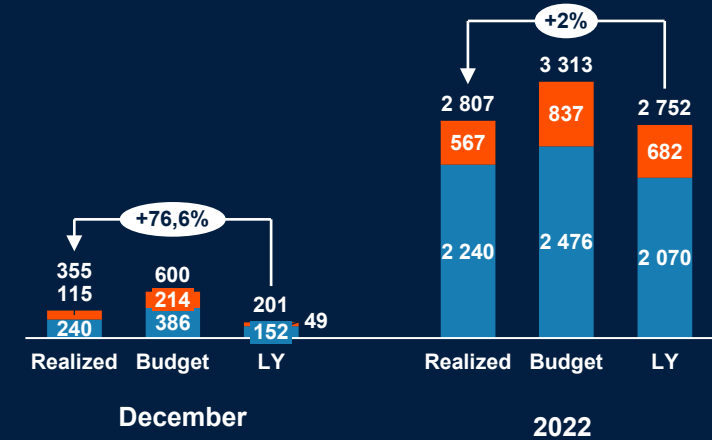


# Finance

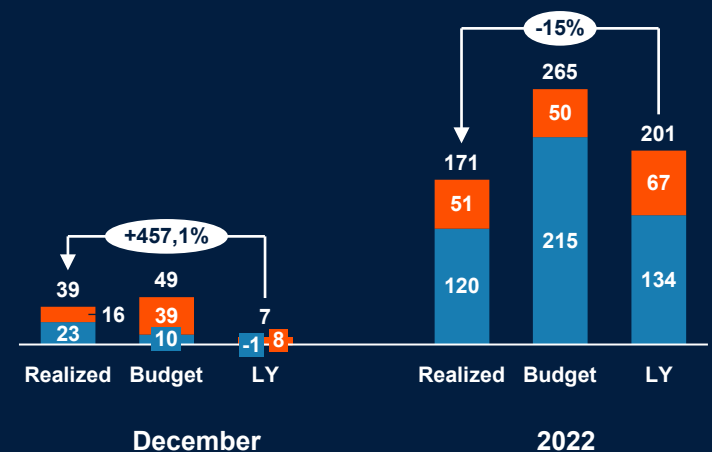
- Very strong end to the year – strong profit improvement in December
  - Very good month for Moen Marin – delivery of several boats – good profitability
  - Higher activity in Seabased gave positive results for the month in most of the companies
- High activity on barges, pens and nets contributed to the income ending above same period in 2021
- The income for the whole year came in line with 2021, but lower than budget – increased costs resulted in a decrease in profit of 15%
- The order backlog is still at a record high – good order intake in December, very positive given the stress among our customers related to the proposed resource rent taxation

Boat  
Seabased

## Revenues (mill)



## Operating profit (mill)





# Digital

## Prices and contracts:

- Mercatus customer contracts are being lifted and we are renewing / renegotiating 40 agreements during Q1 2023. This could provide an annual revenue increase of 3-5 MNOK
- Current contracts on Mercatus, Feedstation and Vision have in 2023 increased by SSB's CPI 5.9%
- Feedstation and Vision have received new indicative prices per month. (2.900,- and 2.400,- NOK)
- Mowi is finally ready to sign a global operational software agreement (Feedstation and Vision)

## Mercatus:

- The resource rent tax led to many customers moving their farming concessions over into sub companies. This led to a lot of unplanned extra work around new year. Otherwise, average time spent, and number of support cases are even.
- Arve Midtbø, who for many years has worked with sale of Mercatus, is leaving the company. We wish Arve the best of luck in the future.
- In February, we will soon be ready to release Feedmanager, a cloud-based service that calculates actual feed consumption and communicates this to Feedstation and Farmer. Feedmanger will save our Mercatus / Feedstation customers a lot of extra work and will be another argument for customers to choose us.

## Feedstation:

- A major milestone has been reached for Feedstation: We now have water feeding system in full swing at Hofseth Aqua.

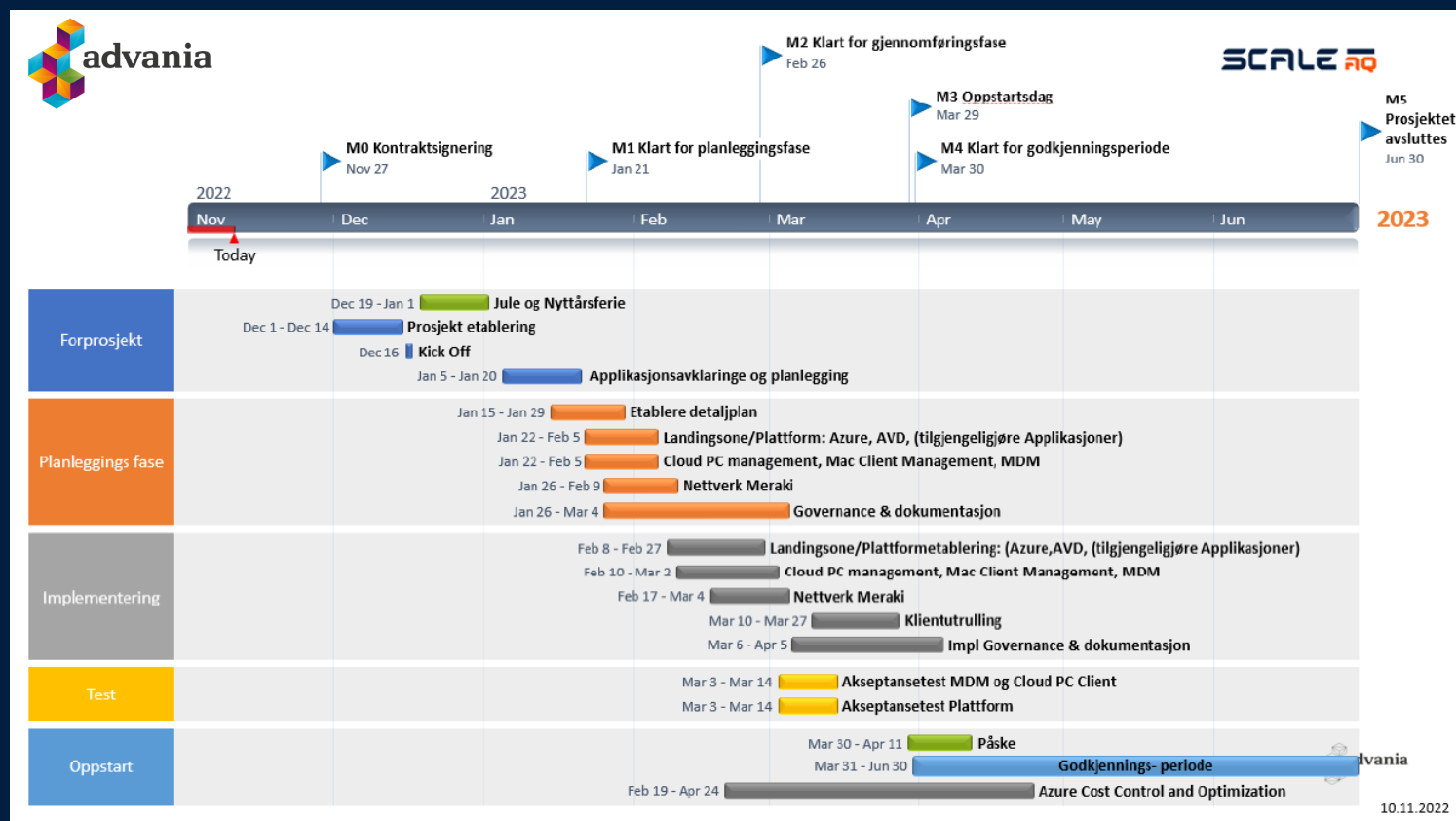
## Vision:

- Soon we will release an integration with Akva cameras and winches, which means that Vision now can control newer Akva winches and cameras. This means that we can offer customers to control all their feeding cameras through one software (but of course in the long run hopefully motivate a change from Akva cameras to Scale cameras).



# Digital - IT

- We have signed an operational delivery from Advania where the project starts now in January and will be completed in April. This means that PC deployment, patching, security, license management, backup and network will be handled externally by a larger team. The plan is increased security and better accessibility on IT.





## New employments:

Gro Berg Stenhaug	Document Controller	Trondheim	01.01.2023
Frode Larsen	Site Manager	Hitra	01.01.2023
Aleksandar Kuyrkchiev	Installer	Frøya	01.01.2023
Vidar Furberg	Service technician	Frøya	01.01.2023
Godtfred Lodden	Production worker	Bømlo	01.01.2023
Reza Nimarad	Senior Software Developer	Bergen	01.01.2023
Morten Kristiansen	Procurement. Director	Bergen	01.01.2023
Fredrik Torsvik	Startup technician	Haugesund	01.01.2023

## Vacation 2023

ScaleAQ encourages all employees to take the given number of holiday days throughout the working year. The purpose is to ensure good health by taking a break from work.

- All transferred holiday days from 2022 must be used by 1st of May 2023. Any transferred holiday must be used before compensatory time.
- Planned holidays in 2023 must be entered into Proplan by 1st of May 2023. This particularly applies to the main holiday period during the summer.

## AON info meeting:

AON invites to an information meeting for all ScaleAQ employees to make us familiar with the pension scheme and the various insurances we are covered by.

The meeting is voluntary and is held on TEAMS.

**Date/time:** 2. February at 12:00

## New HR-system: SIMPLOYER



Easy management of personal data and documents, now also in the «Simployer» app.

- Check that ScaleAQ has correct information about you and your closest relations registered. Make updates/changes.
- Documents relating your employment is available to you and your manager.
- Managers get the option of easier follow-up of sickness absence.



# Moen Marin:

2022 ended strong. We signed 3 new contracts for boats close to Christmas, which these days are handed over to customers from Kolvereid.

The start of 2023 can be characterized by high travel and trade fair activity in the sales department- from north to south along the coast. We are experiencing good interest in both vessels, equipment and digital.

In January, Moen Marin announced a collaboration with SES-X Marine Technologies and the news of a 100% electric high-speed boat with 40nm range at 20 knots! An important investment for our goal of contributing to a more sustainable farming industry.

We have signed a contract with Frøy for a new design of the Mekon washing raft, which is designed for washing and inspection of Ø630 200m pens.

We are noticing a big increase in digital and mLink - we have signed a contract with a new farming customer on digital and are involved in an exciting tender process where a significant delivery of digital services and data capture is the scope.





# Maskon

New sales in December:

- Two 6" automatic fish pumps for SalMar Tjuin, one 6" automatic fish pump for Sundsfjord Smolt,
- Bindalsmolt one 6" automatic fish pump, Fish egg sorter to Bakkafrost.

2022 ended in total with 373 233 344 vaccinated fishes.

This is about 56 million more vaccinations than in 2021.

Breaks down to 86 mill IM, 41 mill Trippel, the rest single/duo

Great focus on development projects in Maskon.

