

The logo for ScaleAQ, featuring the word "SCALE" in white and "AQ" in orange, with a horizontal line above the "AQ" part.

SCALE AQ

One ScaleAQ

Monthly report March 2023



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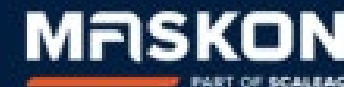
Finance



CEO update

Dear employees,

It is gratifying that you have welcomed the restructuring that will set us up for further growth and professionalization. With our five divisions, we have become a complete value chain that will support the industry with solutions for the sustainable aquaculture of the future. We are now the world's largest equipment supplier to the salmon farming industry. The new resource rent tax still creates negative ripple effects in our markets, but it is good to see that we are focusing on what we can do something about. As you will read in the monthly report, we have had several goods sales processes in all market areas recently. If we continue with this, we will be extra stable when the framework conditions for the industry are decided. The Norwegian Storting must consider the government's proposal for a new resource rent tax by June.

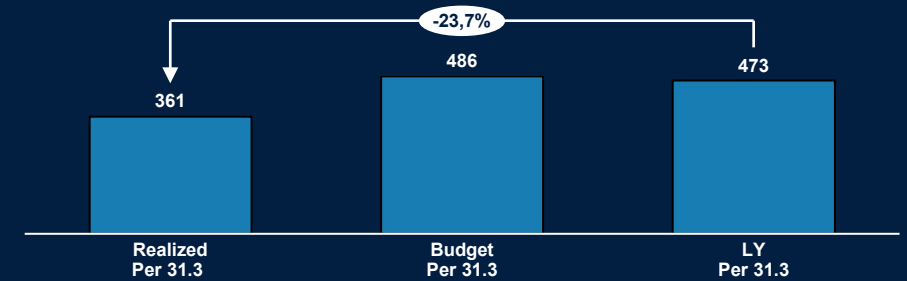




Marketing and sales

- After a strong start to the year, we are seeing an increasingly greater effect of the resource rent proposal in the Norwegian market. Our customers are restrained in their investment decisions, which affects sales in a negative direction. As of March, we are just over 20% behind both the budget and last year.
- However, we are up to budget for most products, but when we do not reach the sales budget on feeding barges, there is a big negative impact. However, this may even out somewhat over time. We currently have several larger processes on barges ongoing and greater activity in the market than for a long time for Thermolicer.
- There is nothing to suggest that ScaleAQ has lost market share, this is an effect of the overall market slowing down. With the best products on the market, and with the industry's most professional sales team and service apparatus backed by the entire ScaleAQ team, we are in a unique position when investment levels return to a new normal.
- The focus of the sales team now is to maintain and increase the level of activity towards customers in all channels, both towards central decision makers and towards workers out on the pens.
- At the same time, we have had several good sales processes recently, e.g., with 10 FR560 pens for Lerøy, several feeding conversions, a contract of NOK 20-25 million with SSF for pens, nets and mooring, and pens for Sikaberg Hansen for NOK 11 million.
- We have several large offers in progress that will contribute positively to the coming months, with more processes on barges, as well as both new, and rebuilds of, pens and cameras. At the same time, we have gained a foothold in Scotland on silage systems, where they are increasingly looking towards Norway.
- A strategy gathering has been carried out for Region Midt, with broad representation from Operations and Sales. We have a fantastic position in the region, which is our locomotive in the Norwegian market. The focus going forward is to preserve this position while looking at new opportunities for growth.
- In March, a very successful customer event was held in Sandnessjøen, where we attracted the most important decision makers in the Helgeland region. Sales has also been represented at operations managers' meetings for Mowi Agder and Lerøy Midt.

Order intake ScaleAQ AS (Excluding. Moen Marin)*



Room to fail and commitment during the strategy meeting for Region Midt



Skilled Conor Foster runs the training of 300 operating technicians and management from Lerøy



Frederik Andersen and Jonas Bergman in media reports in HavPuls in connection with the customer event in Sandnessjøen

*Legal Norway – Numbers excluding Chile, locale revenues and Moen Marin



Operations

- The activity in deliveries across ScaleAQ Seabased is good with more than 9% higher than budgeted so far in 2023. This is thanks to a job well done by taking advantage of a good and solid order backlog.
- Deliveries of mooring so far this year have been more than expected. We saw slower sales from mid-February, but after Easter sales activity picked up again and we are now training production staff on pens in the south of Norway for mooring work in the region to meet future demand.
- Deliveries in the barge segment brought high activity into the year and this is expected to be high for the rest of the year. We have a large availability and can make large deliveries of cameras and pens in the periods ahead.
- Activity in the service segment is good and is expected to stay this way the rest of the year.
- We are carrying out significant work to reduce our inventory values in Vietnam and Norway, especially on components for the segment's camera, mooring, pens and nets.
- Challenges: Although the delivery situation in terms of access is stable, it is not reflected in «normalization» of costs or drastic improvement of lead times. We are still affected by high costs of raw materials and semi-finished products for our products as well as long delivery times for components. Since January, the price of steel in Europe has increased by approx. 6.5% . A historically weak exchange rate reinforces the effect of the changes in the market. The price increase in Q1 2023 has eaten up the reduction we saw in Q3 and A4 2023 (indices), where the current price level is on par with summer 2022.





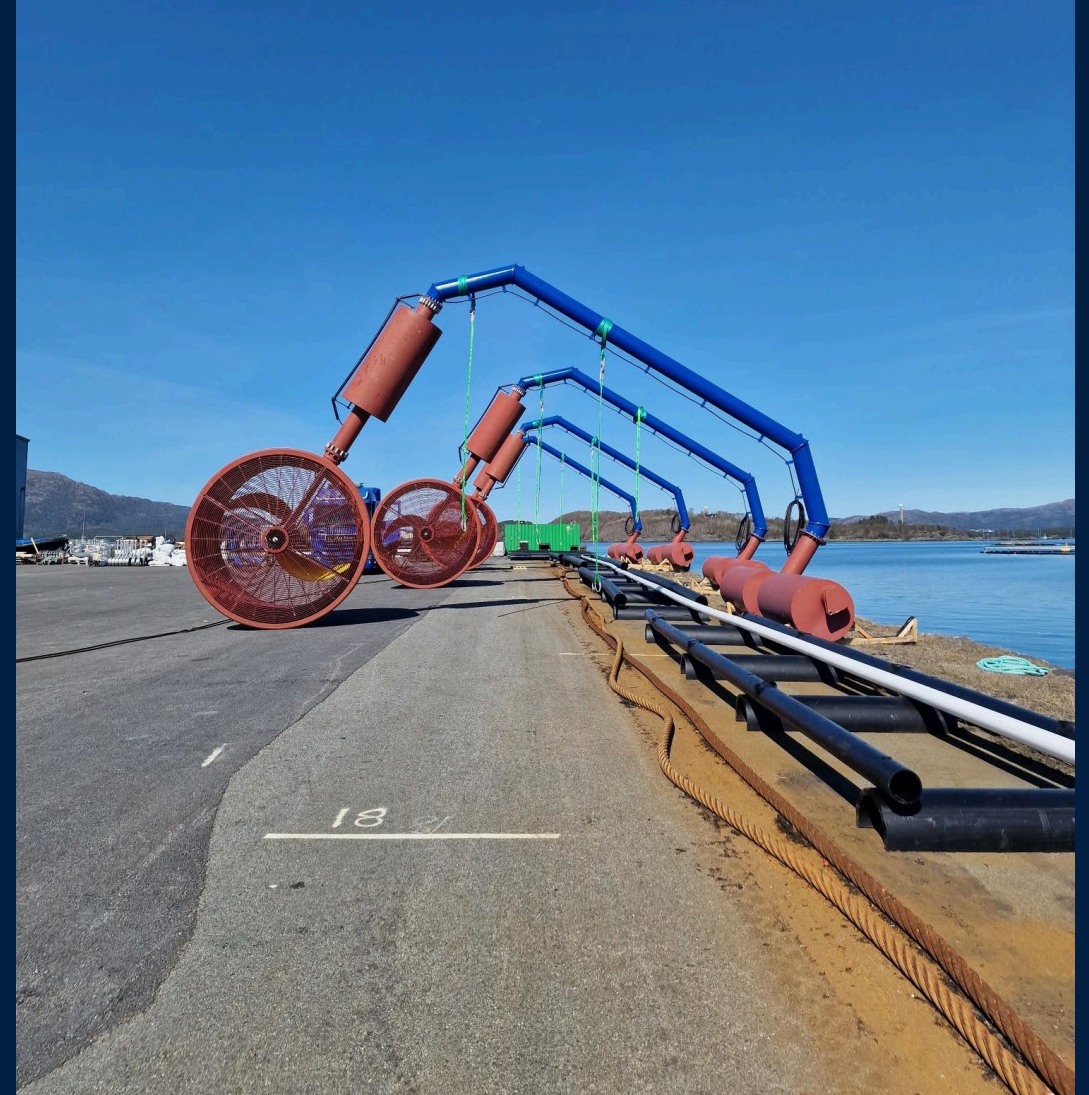
Innovation and development

Vortex

The first delivery to Lerøy Vest is ongoing. The pen is in place, the thrusters are going out and being installed today. Net with canvas is now being assembled at Frøya and will be put out next week. Shortly afterwards, the pen will be equipped with various measuring equipment that will contribute to control over functionality and water behavior with a view to later documentation for the solution. Delivery 2 to Lerøy Midt is scheduled to be mid-June.

Subsea

Work with an external company in the design and development of the air dome is ongoing. The air dome is the main key in further development and testing, and today's resources are directed towards this. Testing of the subsea net without fish will only be possible when a new air dome prototype has been designed and manufactured. The timeline is still uncertain, but we are still aiming for testing during the summer.





ESG (Environmental, Social and Governance)

- The ESG team with new organization: Hanne (CSO), Jerome (HSEQ Director), Torstein (Head of Biology), Astrid (Head of fish welfare), June (Advisor environment) and the sustainability ambassadors.
- Microplastics: Start-up meeting in the SMARTER FHF project where we will put numbers on emissions of microplastics from nets and ropes with focus on optimizing material selection and washing strategies to minimize emissions. SINTEF (project manager), Brynsløkken and Watboats are collaborating with us on this, and there will be activity at our locations on Hitra and Frøya for the next two years of the project.
- Pilot customer for water feeding on land, Hofseth Aqua, is closely monitored in relation to optimization of design and dispersion. Stig Nilsen does a great job. Hofseth experiences great interest in the water feeding industry and receives many inquiries regarding visits. They open for this after the summer.
- Nano courses for sustainability have been sent out to all employees in ScaleAQ. Lessons are sent out every other week. The course is compulsory, and we encourage everyone to complete it.
- ScaleAQ has been certified according to ISO 14001.
- Start-up meeting with SirkAQ on Frøya. Great tour of both Hestnes and Nordhammarvik by Faruk, Audun, Frode and Bent Einar ☺ More about the project can be found here: <https://sirkaq.no/>
- Gathering for the sustainability ambassadors on Frøya with a very informative visit to Mausund field station about marine littering. In addition, we had a meeting with Måsøval and Åkerblå to hear how they work with sustainability. Input is used in our further work around ESG.





HSEQ – We take responsibility together

Every month raises HSE a «voice of the employees» to gain more insight into our strengths and potential for improvements. This month is Jan Erik Kvingedal, Supply Chain Director, the employee's voice.



«Good focus on HSE, we must continue to have HSE on the agenda. In meetings, in coffee talks, in everyday life. This is what creates our HSE culture. We have many colleagues who are on the move, at sea, in a car etc. Everyone is going home safely. Plan a good travel, without stress and plan the jobs for success both in terms of HSE and quality.»

- In general, greater focus on HSE in the organization – from the use of protective equipment, HSE courses and HSE risk assessments.
- No personal injuries among ScaleAQ in March, but personal injuries among subcontractors . We continue to work in dialogue with them to extract learning.
- ScaleAQ has had its ISO 9001 certificate renewed in March and is now, as of the same month, ISO 14001 certified – this means that our processes, routines, production facilities and planning ALL follow strict requirements to ensure that customers for the products they need and have ordered and that our production meets requirements for the external environment. We can also show a declaration of conformity on Global GAP.
- The work with the production manual will form the updated and unified «template» for how we produce in the company. Implementation of this will be important regarding quality and productivity – contact Faruk/Roger/Ellen or Gro if you have any questions.
- We see greater and better use of Safe Job Analysis (SJA) – either in connection with new operations, start-up of activities or unknowns when using new concepts. Important points appear! The template can be found in EQS/FS – contact Roger Anglevik or Ellen Fossbakk if you have any questions.
- Work to de-risk our solutions – in this case work with HAZOP for VORTEX – an analysis that points out (and manages) the different risks of installing, using and maintaining the product is ongoing.
- Work is ongoing around the assessment and sourcing of a new documentation/quality system – For questions and/or wishes, contact Gro Berg Stenhaus.



«We are getting better and better at reporting improvements. That's good, but we have some work to do in terms of getting them through the «system» and creating the changes that are being proposed»

- Still high injury rate – everyone must help to bring it down! From planning, to risk assessments, to the visible presence of managers are some key words – where and how will you contribute?
- It is important to have strengthened control over product changes and final control before dispatch to the customer – be conscious of the assessment and documentation of changes, even seemingly minor ones.
- A lot of resources are allocated to the follow-up of product complaints about nets with the aim of enhanced functionality.
- Transfer of experience from project to project – must find shape and form to take out learning to a greater extent. Proposals are sent to Roger Anglevik.
- We need more protection rounds – an important tool!



Software

As a result of the new divisional structure, the following changes have been implemented in Software:

- New sales manager - Christian Hope has taken on the role as Sales Manager with primary responsibility for Mercatus and reports to Pål Herstad.
- New Product Director - Nikolas van Etten has taken on a new role as Product Director with responsibility for all Mercatus products and Knowledger.
- With Nikolas in a new role, Pål Herstad is refining his commercial role across our digital products in Software and Seabased.

Commercially:

- Price changes – all software contracts are index-regulated by 6% and implemented price increases are effective from 1 of April.
- Budgeted increase in income by approx. 20% in 2023.

Other:

- Beginning a strategy process as a result of new organizational structure and product responsibilities.
- Continued positive trend with several support cases as a result of good work on support and an indicator of increasing software quality.



HR

New employments in March:

Assel Ryspayeva	Team Lead Mechatronics	Haugesund
Katrine Bjerkestrand	Lønnsmedarbeider	Trondheim
Fredrik Tobias Årvik	Servicetekniker	Frøya
Jonas Bergman	Servicetekniker	Finnsnes
Dieter A. Müller	Servicetekniker	Haugesund

Employees terminating in March:

Arezoo Solatian	Software Developer	Bergen
Kristian Katla	Leder Inspeksjon og Support	Bømlo
Per Ivar Lund	CDO	Trondheim
Stian Strand	Servicetekniker	Haugesund

Information regarding the salary settlement 2023

Based on the level of the lead sector model, our results and our market prospects, we will arrive at a framework for this year's salary settlement in ScaleAQ during the spring. This year's regulation will apply from 1 of July. Those who, for various reasons, have recently been regulated or others who have been employed in the current year, are not included in this year's salary settlement. It is HR together with our managers who handle this year's salary settlement, as in the past.

Holiday:

Main holidays/summer holidays must be registered in Proplan by 1 of May. This applies to all employees.

Travel booking in Travelnet:

The current solution is being discontinued. All employees must register their own payment card or Eurocard through the company, referring to email from HR dated 13/04/2023.

Unifon Vipps-claim:

Content services of private nature are not covered by the employer. You receive the following month's Vipps claim via SMS which must be paid immediately. Check [strex.no](https://www.strex.no) for what the requirement applies to.

Contact:

HR: hr@scaleaq.com

Payroll: lonn@scaleaq.com

IT support: itsupport@scaleaq.com



Moen Marin

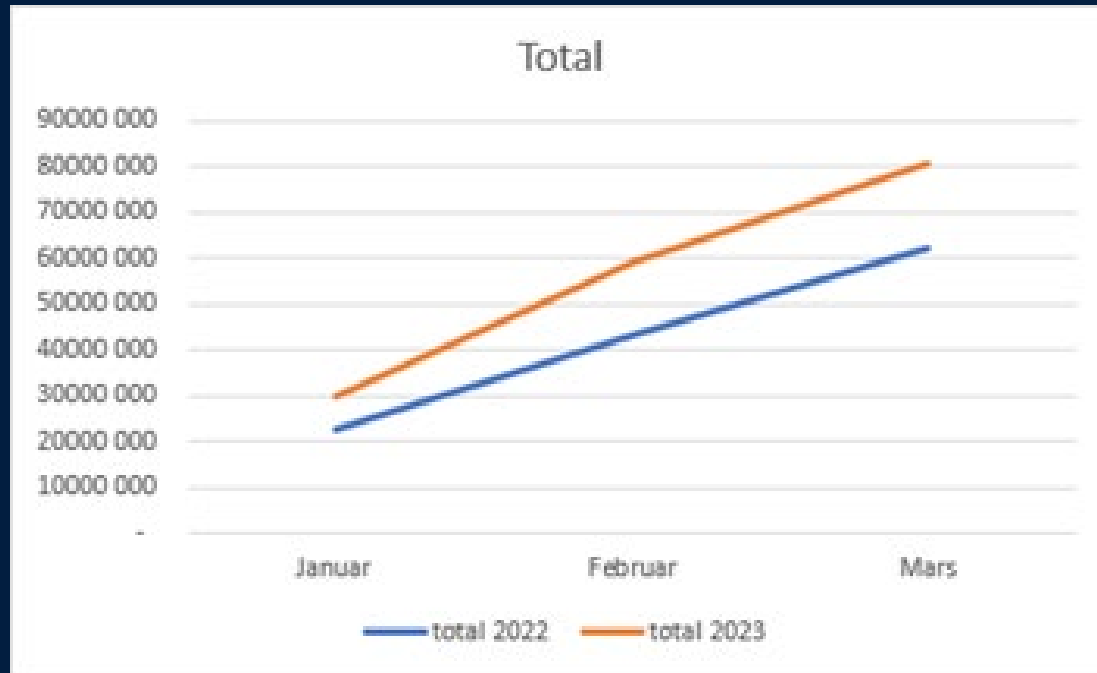
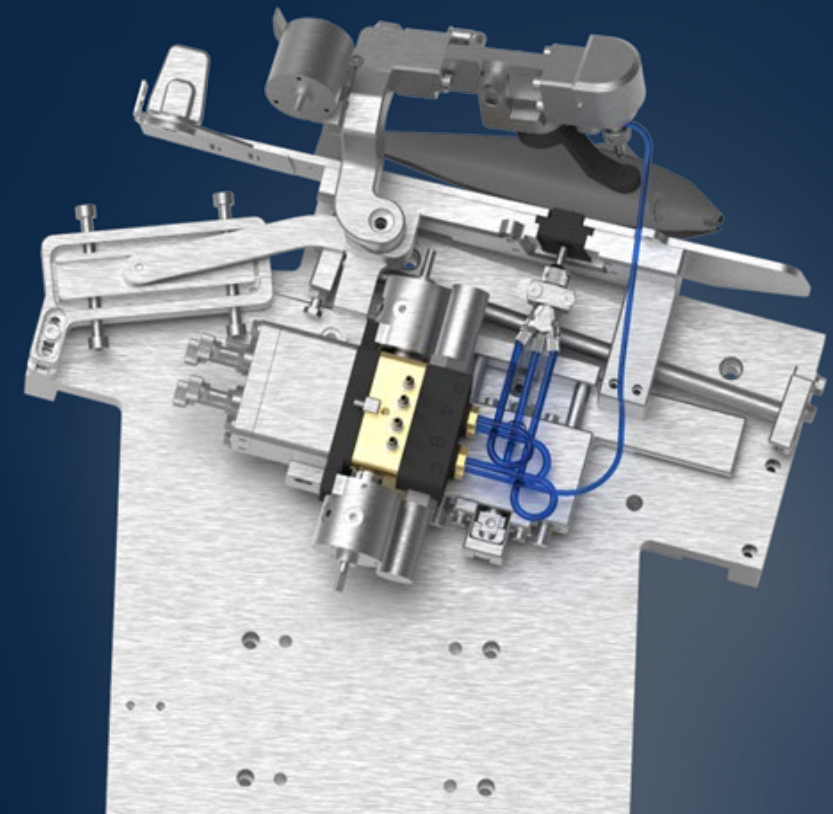
- We and the rest of the market have experienced the impact of an unclear resource rent taxation and the discontinuation of incentive schemes for «battery in vessels» from Enova at the start of 2023. Despite several pending investments, there are no clear signs of reduced activity, both breeders and service companies has needs that must be covered for boats and equipment, and we know that now in the spring season there is a shortage of boats in the industry. We have experienced an increase in interest for service boats compared to previous years at this time, which can partly be explained by the fact that we have relatively few unsold boats available in the short term.
- We have and will continue to maintain a high level of activity and stay close to our customers. We see that the needs are there and require investments regardless of external influences. This applies to both vessels and equipment.





Maskon

March was a good month for Maskon. High activity with good sales of approx. NOK 7.5 million. Several larger deliveries of vaccine machines to Iceland and Canada, among others. Assembly and commissioning, as well as service on many of the vaccine machines. The graphs show the development of vaccination fish run on our vaccine machines.



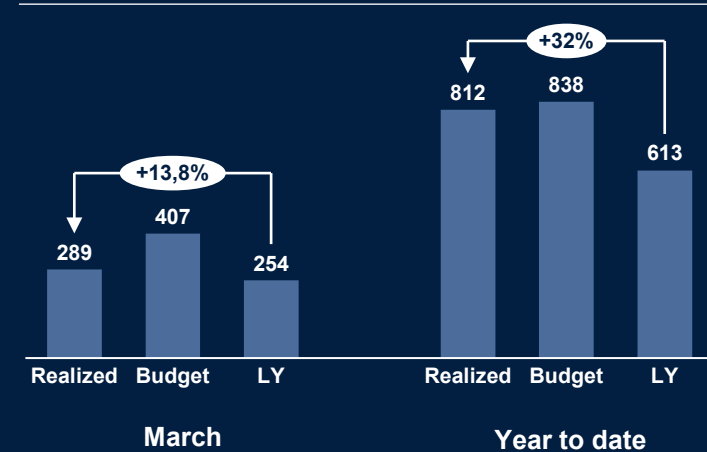
First sale of Quattro dozer, as shown in the picture. With this we inject 4 doses, each of which is 0.025 mL. This layout shows 3 doses and 1 in the muscle of the fish.



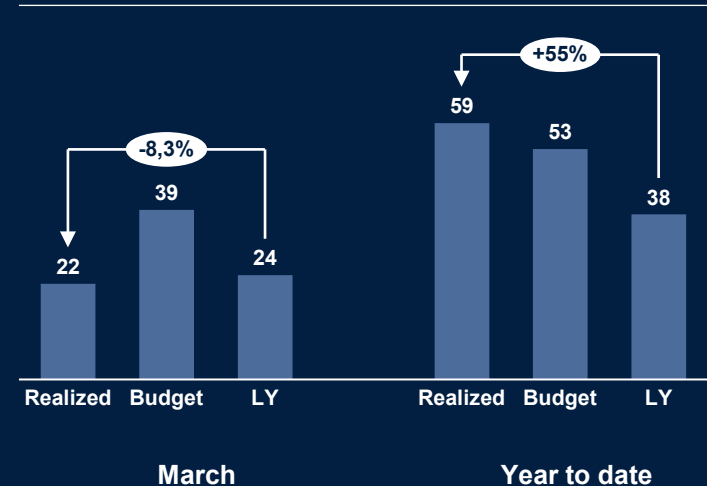
Finance

- The activity was high in all divisions, except for Boats where changed delivery schedule for two boats already sold returned lower revenues than budget.
 - The delivery planned for March of two of the sold boats has been re-scheduled resulting in lower revenues than budgeted for the month in Moen Marin. These shifts between periods are a normal part of the business.
 - High revenues in Seabased resulted in a good contribution to the bottom line. Seabased delivered higher results than both last year and budget
 - In Chile higher gross margins compensated lower revenues. Operating profit came in line with last year and budget for the month.
 - Maskon continued its good performance with revenues and profit ahead of both last year and budget.
- A good month for Barges, Cameras and Feeding compensated lower activity for Cages and nets for Seabased
- The order backlog for the Group is still at a record high, but order intake was slower than the month before – fish farmers seem to minimize investments due to the proposal for resource tax
- Service revenues were in line with last year in March, whereas revenues from product sales came in higher

Revenues (mill)



Operating profit (mill)





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