



One ScaleAQ

Monthly report for
ScaleAQ Norway

NOVEMBER / DECEMBER 2022



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Orientation from the CEO

2022 is coming to an end and I want to thank all of you for solid efforts throughout the year.

We have a huge number of great achievements and deliveries to look back on.

After a turbulent period in the market with reduced order intake, we had a positive development in November with increased signings.

We are in close dialogue with our customers and have secured several important agreements. It is also very gratifying that we are receiving positive feedback on our work on lifetime extension. This has resulted in signings with increased activity at Bømlo.

November became a good month for Moen Marin, who is expected to have a strong end to the year.

The order book is still at a high level and with further increases throughout November for both sea-based and Moen Marin. We have a solid platform that we will build on in 2023.

2023 is going to be the year of opportunities for ScaleAQ, we have a lot of exciting things ahead of us.

I wish you all a very merry Christmas.



Marketing and sales

Norway - Strong sales figures in November after a very challenging October - We are steering towards reaching the sales budget for the Norwegian market

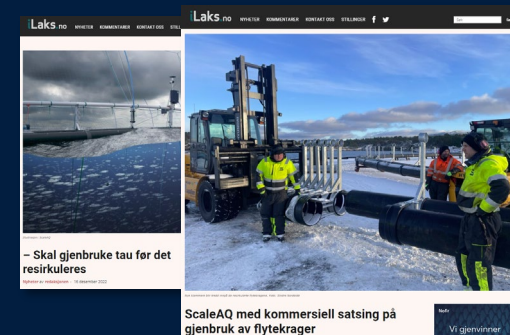
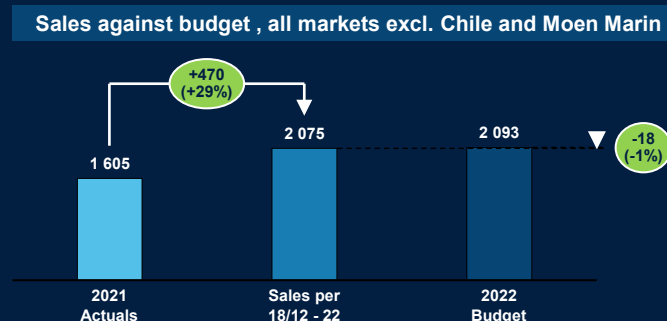
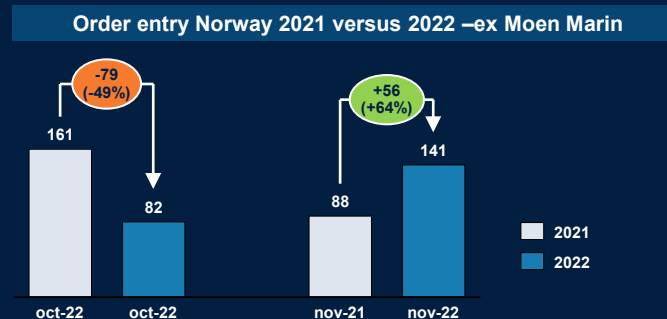
- After a reduction in order intake of almost 50% in October compared to last year, order intake in November has been almost 60% higher compared to last year
- The positive trend continues in December with several important processes in the final phase of signing, including:
 - Signed national net agreement with Mowi – Already received orders for 135 nets in December alone!
 - Signed six pens with winch to Bjørøya, barge expected to be signed before the new year
 - Confirmation of 50 HD cameras for Salmar Nord, which now is being signed
 - High activity on conversion of feeding systems with multiple processes in the final phase, most recently the signing of 11 barges for Mowi

All markets - We realize an extraordinary growth in order intake compared to last year of almost 30%, with steady course towards the budget for this year

- We still expect significant sales from the Norwegian market in December which have not yet been reported, which will reduce the gap against the total budget for the year
- After a demanding market in Iceland due to disease outbreaks and following on the east coast, we have had a strong sales month in December with signing of pens (40MNOK) for Arnarlax. Nevertheless, there are several processes that now seem to be moved over the New Year (pens to Arctic and a barge to Haafell)
- Canada has demanding regulatory conditions on the west coast. However, opening on the east coast has given us new opportunities with strong sales figures for the year, among other things Grieg (high order intake this year, expectations of investment also next year), Mowi (offer on pens) and Cooke (Signed four barges with delivery in 2023)
- UK has major biological challenges. This, combined with a canceled agreement on delivery of pens with associated capacity conversion, means that the budget targets for 2022 will not be met
- With positive contributions from Norway and Iceland at the end of the year, we expect to reach the total budget for the year

Positive signals in the market around new product launches and our investment in Scale Circular

- Several customer meetings this autumn with presentation of semi-closed solution (Vortex) have given good response
- Lifetime extensions of pens will be commercialized as an investment area, where we hold the same margin, the customer saves costs, and we save the environment from large amounts of plastic – A kinder egg!



Scale Circular creates positive publicity (source: llaks.no)



Operations

- Patric Witting, GM Vietnam and responsible for our supply team, is leaving ScaleAQ a couple of months into 2023. Under Patric's leadership we have become a robust organization in Vietnam, which is ready to take the activity forward.
- During the year, the Vietnam factory was ISO 900 and 14001 certified by DNV. We are in the final discussions about barge sales to Australia. Several improvements in production have been carried out, which increases efficiency and solutions for restructuring personnel.
- Mooring analyzes is the foundation for the majority of what ScaleAQ does in its Seabased activity. Team lead for mooring analysis, Kasper Wåsjør, does an excellent job of ensuring that these accredited analyzes are done in a thorough and professional manner. This helps to ensure that our installations at sea are as robust as possible. The team has undergone audits from Norsk Akkreditering the last month and the feedback is: «Impressed. The team has a formidable expertise in the field that stands out in the industry»
- We still have an all-time-high order backlog of barge deliveries. The team makes formidable efforts to, as best as possible, ensure predictability for our customers.
- In the last quarter, we have focused on reducing our inventories. It is a demanding task to ensure a balanced inventory nine months into the future.
- Our activity will continue at several of our production sites through Christmas and right up to the new year.
- The operations team is ready to support the sustainability work ScaleAQ takes responsibility for in 2023.
- Throughout ScaleAQ, we have skilled personnel that we are proud of!



Kasper Wåsjør
Team lead mooring analysis



Focus area – reduce inventory



Snow present challenges that are handled well



Patric Witting



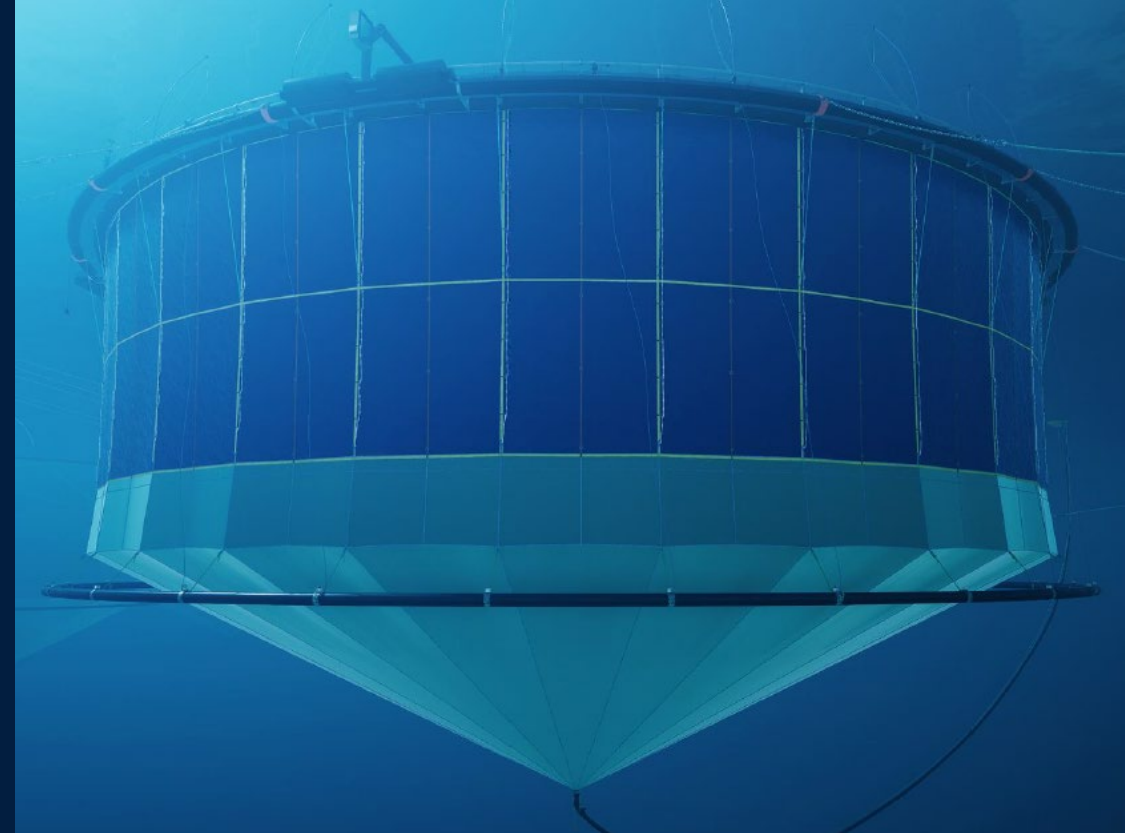
Our employees in Nha Thrang, after having completed ISO certification



Innovation and development

We enter the Christmas with several exciting courses ahead of us:

- The Vortex deliveries are going according to plan. There is also a good process for sensor solutions for the first pen, which should give us a good basis for answering questions from customers about pen environment when sales dialogue is initiated.
- Tank test of the subsea solution is coming quickly in February, and we have great interest from customers on our solution. This provides opportunities to quickly start testing at sea after the tank test is finished.
- Our solution for handling dead fish from the cage bottom to ensilage tank has undergone testing on counting and biomass measurements, which unfortunately did not work as intended. This is being worked on, with several customers wanting to be involved in the development of the solution going forward.
- Overall, these courses give us good opportunities to announce exciting news for next year's AquaNor.





Sustainability

Lifetime extensions of pens at Bømlo

- We offer lifetime extensions of pens which make a significant contribution to reducing emissions. By not producing a new pen, around 42 tons of CO₂ is saved per pen.
- We have carried out LCA analyzes of feed pipes made from recycled material. The analyzes show approximately a 50% reduction in CO₂ emissions compared to feed pipes made from virgin material.
- Global G.A.P: We are working on becoming an approved equipment supplier to Global G.A.P certified facilities. An auditor visited the head office at the beginning of December, and we can soon show a declaration of conformity at two of our service stations. This is the beginning of the work to get all service stations approved according to Global G.A.P.
- Projects that Scale AQ is involved in: 1) Impact on climate, environment and nature by different forms of salmon farming, 2) Microplastic: Surveying microplastic release from aquaculture nets and ropes using different technologies for emission reduction, 3) Recycling and recertification of ropes. Projects where we work together with farming companies and R&D within important topics regarding the future sustainable aquaculture industry. Funding from FHF and the Norwegian Retailer's Environment Fund.
- One-on-one meetings with Lerøy and Grieg with focus on sustainability (current topics: reduction of energy consumption, recycling of plastics, lifetime extension, feeding technology and water feeding, environmental documentation, climate accounting and sludge collection).
- Meeting with Bellona (current topics: plastic, sludge, green energy carriers, hybrid systems etc.). Bellona has several collaborative projects with the farming industry, e.g., electrification with Bremnes Seashore and reduction of plastic pollution with Greig Seafood.





HSE – we take responsibility

OCT/NOV

Every month raises HSE a «voice of the employees» to gain more insight into our strengths and potential for improvement. This month is Sven Ove Kjerpeseth, Electrical Installer, the employee's voice.



- *“As a relatively newly employed Electrical Installer, one of my first tasks was to familiarize myself with the HSE system. It is therefore nice to record that a solid piece of HSE work has been done, despite the merger of different companies. In addition, it is pleasing to see that Scale AQ is in the driver’s seat in terms of sustainability and in finding innovative solutions for our customers.”*
- First aid courses are held at various locations. Sign up and let us know if there are any needs! Leaders, lead the way and sign up too!
- We have an increasing trend in reporting +43% - BRAVO! The increase means that we uncover and solve more!
- HSE gathering at Hestnes and Hamarvik – lots of good input from you.



- *“In the HSE work, there will always be improvements that can be made. By submitting improvement proposals in the EQS system, you can help influence development in a positive direction. Therefore, I encourage all my great colleagues to submit HSE and improvement suggestions. In this way, YOU help make everyday life safer and easier, both for yourself and your colleagues. We all have a common responsibility!”*
- *EVERYONE can and should stop dangerous situations - do you see something? Don't pass by!*
- We had an electricity incident during an indoors service (Oct) – all is good with the employee, and we have learned from it.
- Our injury statistics are too high, and with activity now entering the winter season, it is extra important to focus on HSE – be on the lookout!



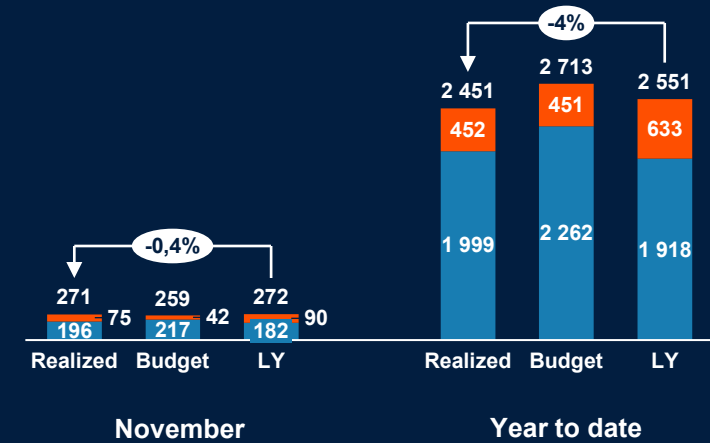


Finance

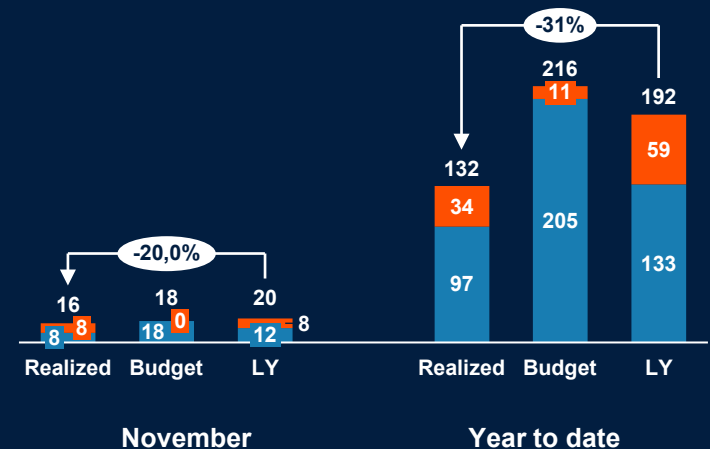
- Profit improvement in November.
 - Another good month for Moen Marin.
 - Higher activity in Seabased gave a positive result for the month – significantly better than in October.
- High activity in mooring and barges, compensated for lower activity in pens, cameras and nets – revenues in line with the same period last year.
- Lower operating costs this month compared to previous periods.
- Increased assembly capacity and several investments for further growth have resulted in increased cost levels.
- The order backlog is still at a record high – November was a positive month in terms of order intake given the uncertainty in the market as a result of the proposed resource rent – order intake in line with last year.

Boat
Seabased

Revenues (mill)



Operating profit (mill)





Digital

Price increases on all software from 01.01.23:

- In line with general price increases and continuous product improvement, are we increasing the prices of all software products from 01.01.2023. Customers will be informed, as will sales, service and support. All customer relationships will be affected, apart from fixed price agreements.

Great interest in conversions to Feedstation:

- We notice great interest in conversion from old feeding facilities to our newest feeding system Feedstation. The interest is due both to the increasing risk of problems with old systems, but also to the fact that our message about integrations and data flow seems to be hitting home.



New employments:

Emil Abelsen	Production controller	Frøya
Steven Klæhaug	Automation engineer	Haugesund

Ended:

Edgaras Kavaliauskas	Crane operator	Hestnes



Moen Marin: Sales and market

November and December can be characterized by high travel activity both at home and abroad in Moen Marin. The investments that has been made, and is being made, with hybrid vessels and retrofit solutions gives us a high standing among customers.

High activity has yielded returns in the form of six signed contracts for new vessels in the last period. The signings is with both breeders and service companies in Norway.

Compared to YTD 2021, we are ahead both in terms of number and sum signed this year, with a record high order backlog.

We experience high interest in our data driven services within our core values of energy efficiency, sustainability and operational optimization. Moen Marin has a digital platform that is well adapted to the needs we see, and the expectation is that the investments will materialize in agreements and increased service sales.

Merry Christmas!

