Kvarv AS

Annual report 2022

Annual report 2022

When important decisions must be made or doubts arise, Kverva is the place we are drawn to. Here we stand, both feet planted in the rugged coastal landscape, with the ocean wind in our hair and the scent of the sea filling our nostrils. This is where our roots lie; every decision we take must accord with our values and our cultural heritage – which were established, right here, one December day in 1884.

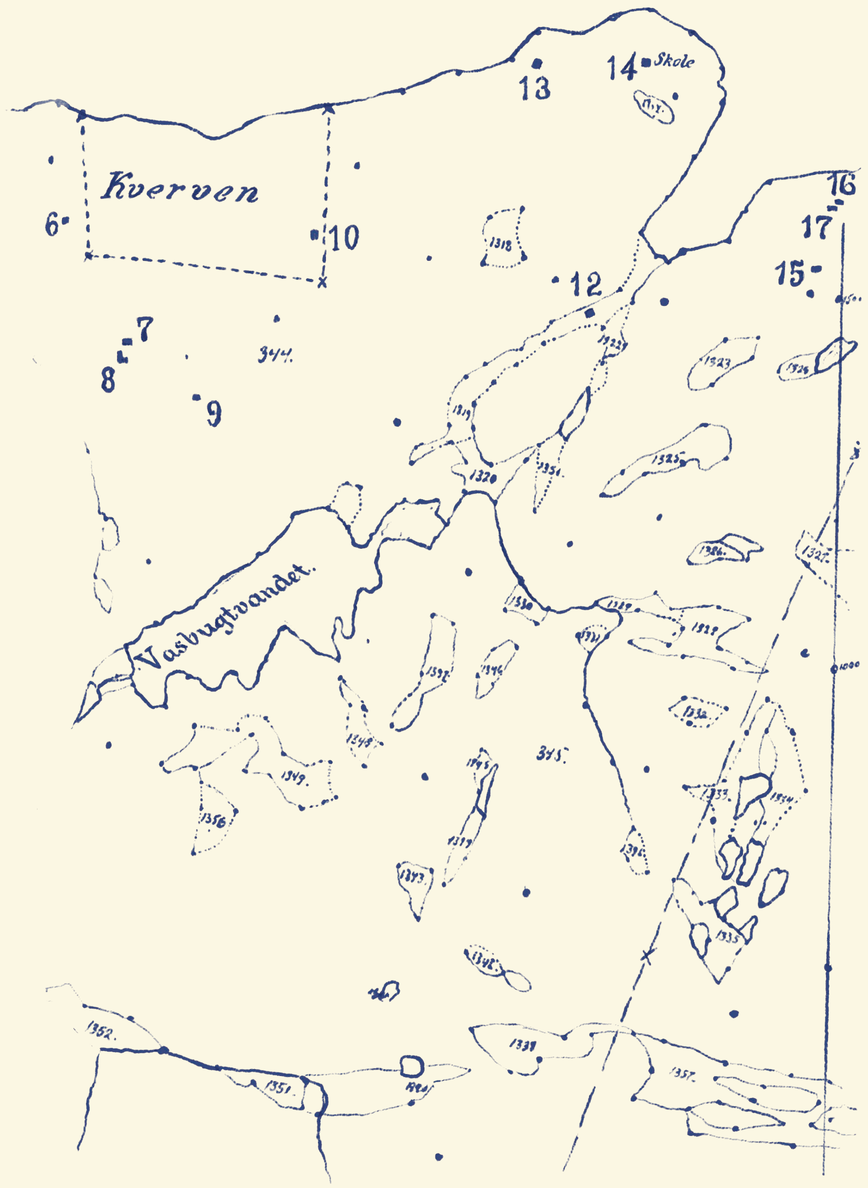
Contents

Roots

Horizon

Seed Corn

Annual report



Roots

Our home, Kverva

West of the entrance to the Trondheimsfjord, facing the icy North Atlantic Ocean, lies Frøya – a small weather-beaten island of around 5,000 inhabitants. Here, at the furthest point of the island, lies Kverva, our home.

Aerial photo of Kverva around 1959

Ingeborg og Karl Johansen

Ingeborg Johansen was a true Frøyaite and an extraordinary woman. She had a greater willingness and capacity for work than most people are endowed with, and a never-give-up attitude that many men on the island demonstrably lacked. These attributes were good to have when she and her husband, Karl, bought the Kverva farm in 1884.

On the third day of Christmas, the young couple had gone and bought the farmhouse and land, "with all amenities and rights", as Ingeborg herself is said to have noted. In reality, it was no more than a wind-blown cowshed and a rickety wharf. But Ingeborg and Karl were pleased. This could be a good place to settle down, couldn't it?

That, and more, as it turned out. In a short space of time, Kvarvagården had become a busy little trading centre. Ingeborg and Karl opened a general store, which was up and running even before they had organised a trading permit. In 1893, the farm became a scheduled stop on the ferry route from Trondheim, with a post office being established at the property two years later. In 1900, Kverva was linked to the national telephone network and the farm opened a telephone kiosk.

But Ingeborg and Karl didn't stop there. Soon, they had established a cod liver oil boiler and began exporting fish by steamship. You might imagine that Ingeborg had enough to keep her busy; you would be wrong. As the socially engaged woman she was, she also got herself elected to not one but three positions in the local community, serving as chair of the animal welfare board, the child welfare board and the school board in the municipality of South Frøya. At that time, it was not common for women to win elected office and she was probably the school board's first ever female chair.

A tragedy at Kverva

These were busy and profitable times for the Johansen family. The trading business was flourishing, and the family was growing. Two became three and so it continued until Ingeborg and Karl had seven children running about the farmyard.

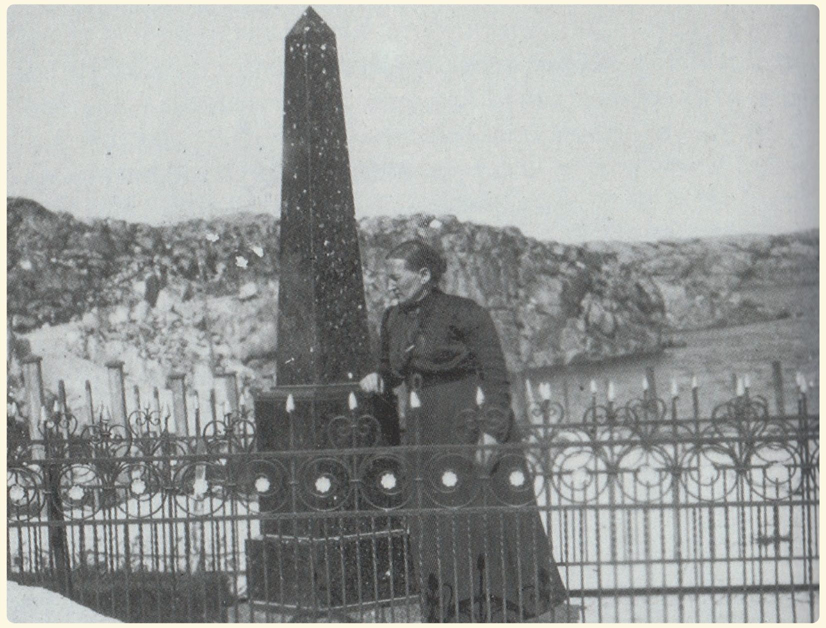
However, the family was soon to become one less.

On 14 May 1907, the first scheduled passenger ferry sailed from Kristiansund to Kverva. What should have been a milestone in Kverva's history became a tragedy instead.

The boat capsized and sank. Karl managed to get ashore, but not without consequences. Shortly after the accident, he fell ill with tuberculosis. It would remain with him for six years, until his death in 1913 at the age of just 49.

Karl's loss was a huge blow to Kverva. Ingeborg lost her husband, and their seven children lost their father. Despite this, Ingeborg carried on, seeking solace in hard work.

Now he is gone,
I will have him no more.
But in pursuit of his work
I have a friend.
In that, I'll continue to strive to the end,
So the watchword remains:
Keep steady and calm!"
- poem written by Ingeborg



Ingeborg beside Karl's grave

Ingeborg's export success

Now it seemed as though obstacles were coming thick and fast for Ingeborg. Scarcely a year after she had buried her husband, Word War I broke out – sending the whole country into an economic drought. Many of Frøya's inhabitants made a living from fishing, but they were forced to leave their boats tied up at the quayside until better times returned. For although there was enough fish in the sea, no one could afford to buy it.

So, there were naturally many who found it peculiar when the widow at Kverva decided to buy up all the fish she could lay her hands on. But Ingeborg had a plan. There may not have been buyers on Frøya, but there were elsewhere.

In a short space of time, she had single-handedly established an export system through which she shipped hundreds of tonnes of fish to a war-torn Europe. No one knows exactly how she did it. What is certain, is that it was good for business in Kverva. In no time, Ingeborg had expanded the operation, both on land and at sea.

Back home at Kverva, she produced both medicinal-grade and brown cod liver oil. She had a bark tannery, where islanders could dress their fishing nets, and commissioned the construction of a cargo quay at Kverva, enabling the scheduled boat service to dock there. The general store, the post office and telephone kiosk were still going strong under Ingeborg's management.

It is said that what goes up most come down, and Ingeborg's story is no exception. The war ebbed away in 1918, and with it Ingeborg's export business. Things took a turn for the worse. It had cost a lot to expand her business and she had taken on more debt than she could handle. Ingeborg Johansen was heading for bankruptcy.

In 1921, the trading business was closed down on Kverva. Bankruptcy was unavoidable and the family was about to lose the farm. Salvation would still come, in the form of a son-in-law from America.

Inga and Sigurd Witzøe

Towards the western tip of Frøya lies a small group of islands called Dola. It was here that Sigurd Witzøe was born in 1885, the same year that the trading business begun at Kverva. Three years later, in 1888, Ingeborg and Karl's first daughter was born. Her name was Inga Margrete,

In 1906 the young couple got engaged to be married. However, the wedding would have to wait, because shortly after their betrothal Sigurd left for America to work as a tram conductor in Minnesota. Life on Frøya was hard. Jobs were few and far between and many young Frøyaites felt they had no option but to cross the Atlantic to earn a living. Despite the distance, Sigurd sent letters home to his darling Inga as often as he could.

Sigurd Witzøe

"Yes, I must work and save for three or four years and then come home to you; who are dearer to me than both money and everything else, but apart from making money I don't do anything at Frøien, you understand, since it is you I love, and not Kverven with its prosperity as the folks from Flatvaling said."
– Letter from Sigurd to Inga, dated 13 January 1907

Sigurd returned home in 1911, and he and Inga finally celebrated their wedding on Kverva. Immediately after, the couple set up home in Bustvika, a few kilometres on. Sigurd invested his savings from America and built a house and a wharf. That same year, the couple also started a trading business. In 1916, they expanded into goods transport and fisheries, acquiring first a 40-foot motorised fishing smack called Trønderjenten and then a 62-foot fishing boat called Njål 2.

Things seemed to be going well for the young Witzøes. Before going bankrupt, Ingeborg asked her son-in-law to buy the Kverva farm from her, so that it would remain in the family. Yes, he could do that, but not until it had joined the rest of Ingeborg's assets in bankruptcy. Sigurd, it seems, was not without a business mind of his own. He knew that if he bought Ingeborg's bankrupt estate he would get it at a much better price and have greater control over the farm, even though this was not exactly what his mother-in-law had foreseen.

In 1922, one year after Ingeborg had been declared bankrupt, Sigurd bought the farm. However, it would take five or six years before he and Inga moved to Kverva from Bustvika, along with their five children.

Hard times in Frøya

Even after they had relocated to Kverva, Inga and Sigurd faced no shortage of challenges. The country was suffering hard times when the couple made the move in 1927/28. An economic slump and the after-effects of World War I had hit Frøya with full force. Most of the island's inhabitants were struggling to pay their taxes and make their loan repayments. In 1927, Sigurd travelled to Oslo as part of a three-man delegation to negotiate with the government and obtain funding for the island.

On 6th of December 1927, the newspaper Aftenposten published a reader's post written by Sigurd Witzøe and his fellow delegates, Hans Ruø and Enok Jørgensen. The piece carried the headline "South Frøya needs 6,000 kroner for Christmas" and described an island community that lacked both food and clothing.

"... We ask for contributions to mitigate the want in South Frøya, so no home will be without flour, bread, butter, coffee and maybe a little sugar for Christmas. Yes, and if it had been possible to buy some good winter shoes for the schoolchildren who must walk to school in the rain and mud in pitiful wooden clogs or ragged old leather shoes and sit there with soaking wet feet, it would be very welcome, and perhaps it would result in there being fewer cases of tuberculosis..."
– Extract from the letter to the editor published in the Aftenposten newspaper on 6 December 1927

Despite the economic slump, Inga and Sigurd set about expanding the general store. After several good years of trading in Bustvika, the couple had saved up enough money to extend the premises and install an electric generator. Soon Kverva could boast a farmhouse, shop, chapel, cowshed and wharf – all with electric lighting.

Kverva proved to be an important meeting place in times of crisis. The general store supplied the inhabitants with food, agricultural tools, work clothes and fabric by the metre. Every day, people arrived to collect or send letters and parcels, to use the telephone or travel by boat from the quayside. But despite all the hard work and an apparent bustling trading centre, the couple's income was nothing to boast about. The islanders were still struggling financially, and many purchased on credit. However, Inga and Sigurd were thrifty and careful about how they spent their money. Against all odds, they kept the business ticking for 25 years, until the next generation took over in 1953.

From the left: Sigurd Jr, Inga Witzøe, Sylvia, Arvid, Astrid, Sigurd Witzøe and Karl (Kalle)

View of the quayside at Kverva

Maren and Karl (Kalle) Witzøe

In 1953, eight years after the end of World War II, a new generation took over on Kverva. Ingeborg died at the age of 89, 40 years after her beloved husband, Karl. Inga and Sigurd, who were now 65 and 68 years old, transferred the running of the farm to their eldest surviving son, Karl (known to all as Kalle), and his wife Maren.

Maren Nordskag and Kalle Witzøe married in 1951, and Maren moved to Kverva the following year. Two years later, their second son, Gustav Witzøe, was born.

Despite the good times experienced in large parts of the country, the 1950s and 1960s were challenging for the people of Frøya in several ways. While the towns and cities grew, outlying rural districts became increasingly depopulated. The school at Kverva closed and it became increasingly difficult for Maren and Kalle to find people to work on the farm. Fewer people led to a reduction in trade, and the shop's turnover fell steadily. In addition, the house was starting to get old and draughty, and was badly in need of repair.

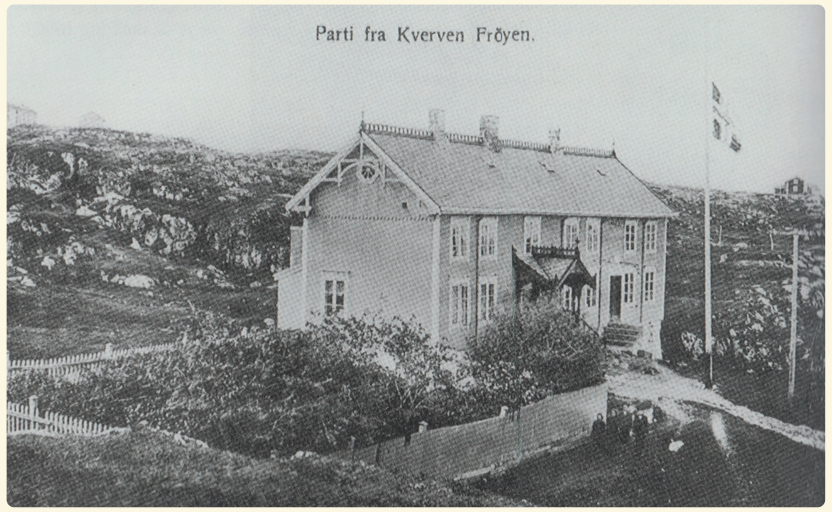
The trading centre that Kalle's parents and grandparents had established and developed became impossible to keep up. Nevertheless, the couple ran the place as best they could, with a shop, post office, telephone kiosk and taxi service, in addition to livestock. They had cows, sheep and a horse. The milk from the cows was sold to a dairy on the neighbouring island of Hitra, and, for a while, Kalle ran a dried kelp and salmon intake business. They also built a new house, just up the road, which they moved into with their five children. Inga and Sigurd stayed in the old house. Sigurd died in 1966, at the age of 81.

In 1963, they leased the general store to a man called Per Stenvik. He ran the shop until it closed down in 1965. The following year, Maren and Kalle's brother-in-law Georg Skatvold took over the trading business. Georg opened a new shop in newly built premises close to Maren and Kalle's house and ran it until 2001.

Oddny and Gustav Witzøe

Inga Witzøe died in 1974, eight years after her husband, Sigurd. In connection with Inga's funeral, a family council was held at Kverva. Maren and Kalle, who were now 43 and 56 years old, were not particularly interested in continuing to run the farm.

What had once been a bustling trading centre on the island was now a piece of land largely unsuitable for cultivation, with old buildings that required a lot of refurbishments. No protests were therefore voiced when Maren and Kalle's eldest son, Gustav, said he wanted to take over the property. But his claim was contingent on one immutable condition – the farm buildings would have to be either properly restored or demolished. That the Kverva farm should be left to crumble, as a shadow of its former self, was completely out of the question. That was quite alright as far as Gustav was concerned. In any case, he had big plans for his family's homestead.



The main house and garden at Kverva, around 1909

A new industrial success story

Every young person who grew up in Frøya in the 1960s knew that they would probably have to move to the mainland when they were to start a life on their own. There was not a lot to do on the island. At home on Kverva, there was nothing but old, draughty buildings, land that was unsuitable for cultivation and barely half a full-time job farming sheep. It was said that 'people left in droves' and the island suffered from a chronically falling population.

Even young Gustav Witzøe found himself obliged to relocate. Reluctantly and with a lump in his throat, he got in his car and left Frøya. On the ferry to the mainland, he could almost hear his father's words as an echo underneath the roar of the engine. "There's nothing here for you, Gustav. You must go to the city." That afternoon in 1972, a young man sat in his car and sobbed. He had left his heart on Kverva, and now he was off to the mainland to study.

Life in the city

The first stop on his journey was Trondheim, as it was for the majority of young people from Frøya. City life was not so bad, after all. Gustav trained to be a car mechanic at vocational college. He joined the amateur football club Ranheim, where he played goalie. Having completed his vocational studies, and with the right to call himself an engineer, Gustav moved to Oslo in search of work. He got a job at Isberg Personbil, which was then the Norwegian distributor of Volvo cars, while continuing his studies at the BI Norwegian Business School.

Gustav came to feel at home in Oslo, with all the opportunities the city had to offer. Here he could go to the cinema, watch boxing matches and play football for Grorud. Eventually, he also met a girl. Her name was Oddny Andersen and a Frøya(frøyling) now living in Oslo. Gustav and Oddny would go on to marry.

But despite enjoying life in Oslo, something pulled him back up north. He wanted to go home to Kverva.

Gustav worked late and did a lot of overtime in Oslo. He did not mind because it gave him time off in lieu that he could spend at home in Kverva. Whenever he had the opportunity, he jumped in his car and drove north. It was here, and only here, that he truly felt at home. Here, he could play football on home turf, surrounded by a windswept landscape while the forces of nature tugged at his hair as though welcoming a long-lost son.

The farmhouse in Kverva, 1997

The first smolt

When Gustav moved to Oslo in the mid-1970s, salmon farming was merely in its infancy on Frøya. He watched this new and burgeoning industry with great interest. In 1976, he tried, but failed, to acquire a licence to farm salmon off the quayside in Kverva. One weekend, when he was at home for a visit, he had the idea of taking fish from the salmon farmers on Frøya to sell in Oslo. It was a roaring success; people loved the salmon from Frøya. Eventually, he had to borrow a van from his job with Volvo to bring back enough salmon to meet the demand. Soon he was hauling many kilograms of salmon to Oslo every Sunday.

After the herring disappeared in the 1960s, it looked as though the fishing industry in Frøya was about to experience a renaissance in the mid-1970s. More people began farming salmon, and it seemed as though the island was once again developing into a place it was possible to live and work.

When Gustav was at vocational college in Trondheim, he received a warning and a word of wisdom from one of his teachers. The future would come, and there were three things he should watch out for: cars, fish and plastic. Gustav had already entered the world of cars. He was a trained car mechanic and worked as a representative for Volvo. Fish was in his genes; somewhere, deep in his soul, the family entrepreneur Ingeborg, exhorting him to seize emerging business opportunities. But first, he would see what could be done in the field of plastic. Or, more properly, packaging.

A brother-in-law with a good idea

Almost everyone who has grown up on Frøya has, at one time or another, worked in the fishing industry. As a fisherman, salesman, slaughterman, kelp cutter, packer, and so on. Brothers Svenn and Geir Bekken grew up on Frøya at more or less the same time as Gustav Witzøe. As children, they worked cutting out cod tongues. As young adults, they ran a hotel on the island. Svenn married Gustav's sister, Eli, and became his brother-in-law. Svenn had also noticed the emerging salmon farming industry that was establishing itself on Frøya. But what he noticed most, had to do with packaging. If you were going to pull fish out of the sea around Frøya, wouldn't it make sense for the boxes the fish would be transported in to be produced here, too? Gustav agreed that it did. There would, in any case, be a demand for such items in the future. That much was obvious to those who were engaged in this steadily growing industrial success story. No sooner said than done. In 1978, Gustav, Svenn and Geir started a packaging manufacturing company on Frøya, called BeWi.

With BeWi came a period of long days and hard work. But the boys did not mind. Work was what they wanted. Gustav moved into Oddny's bedsit, and they lived off her wages as a state enrolled nurse while the factory got on its feet. It would take five long years before BeWi made a profit. And when it did, it made a tidy profit of NOK 1 million to be exact. Gustav, Svenn and Geir kept BeWi operating until 1989, when the boss of Rena Kartong arrived in Frøya with an offer to buy the company. The Bekken brothers did not want to sell, but Gustav did. So Svenn bought him out for NOK 2.1 million. That became the beginning of the next chapter in the Witzøe family's story – a chapter with salmon at its core.

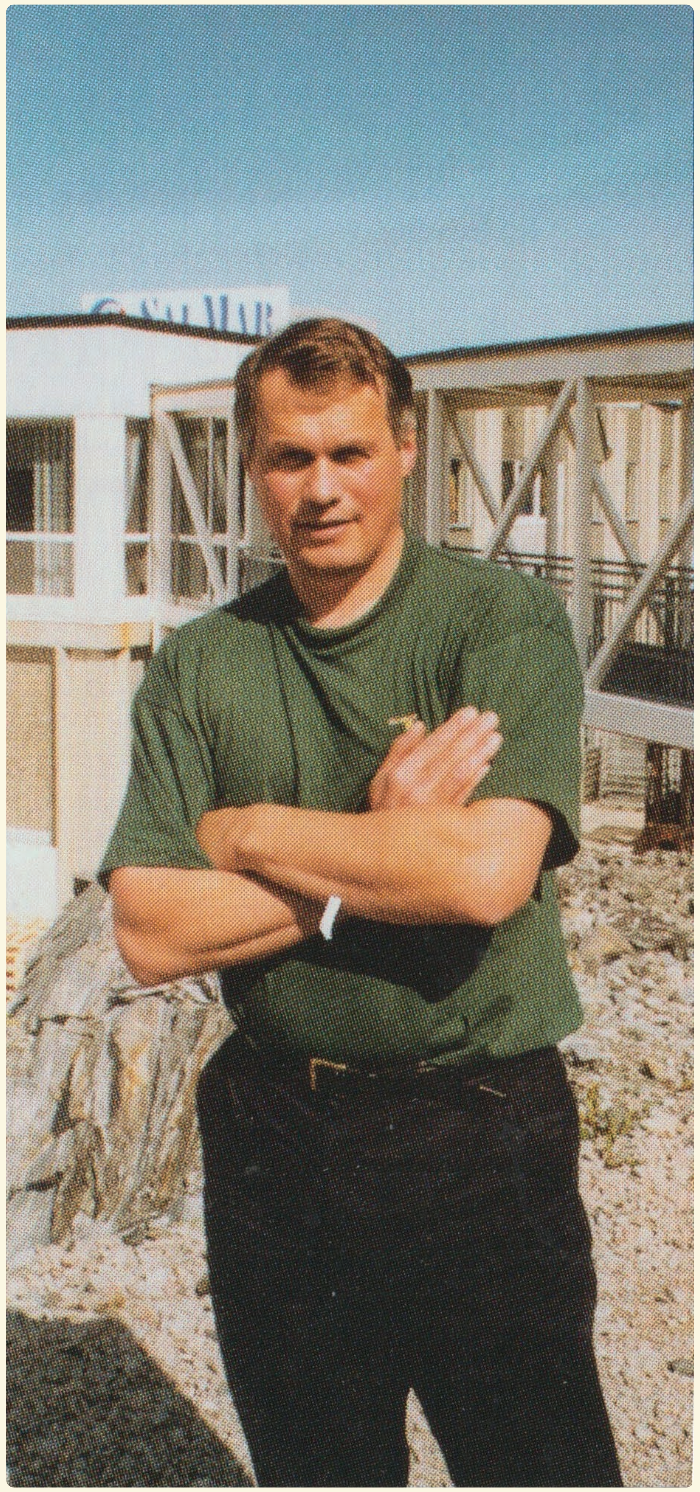
From bankrupt estate to industrial giant

It would take some time before Gustav entered the salmon farming business. First, he applied for a job with TiMar, with the aim of operating the aquaculture licence on Frøya's neighbouring island of Sula. But he was unsuccessful. After a while, he founded the company Kvarv AS, with the goal of acquiring a stake as soon as he had the chance. In the autumn of 1990, he took over the majority of the former cooperative Frøya Fiskeindustri, but it was a short-lived adventure. Some months later, the company was sold back to Frøya Fiskeindustri.

However, Gustav knew he was in the right business. He loved working around the net pens and enjoyed the role of fish keeper, farmer and jack of all trades. He knew he wanted to stay on Frøya, and for that, fish farming was key. Once again, the solution arrived in the form of a brother-in-law with a good idea. When the local fish farming company Nordskag-fisk was about to collapse into bankruptcy, Gustav's brother-in-law, Olav Klungreseth, aired a thought: What if they simply bought the company? Gustav agreed to this idea. Gustav and Olav consulted one of Nordskag-fisk's main shareholders, Karsten Måsøval. Would he like to join the venture? It transpired that he was more than willing. The bank and the administrators of the bankrupt estate had faith in these young, hard-working lads and let them buy the business, which would become SalMar in 1991.

Gustav had finally got a foot in the door of the salmon farming industry. And what a success story it would become. What started with 16 employees and the aquisition of a bankrupt estate became a livelihood for many inhabitants of Frøya. One should not underestimate the value a Frøyaite's longing for home.

In 1993, two years after SalMar's establishment, the Witzøe family had returned to Frøya. The great farmhouse at Kverva was fully renovated and repainted in gleaming white. And on the inside, Oddny and Gustav had set up a nursery. Here, the newly born Gustav Magnar would soon open his own chapter on the island.



Gustav Witzøe 1996

Our culture

Three books lie stacked on a desk cluttered with documents. At the bottom, Joy Jenkins' biography of Winston Churchill; in the middle, a tattered copy of the Askeladden folk tales; and on top, the legendary Norwegian football manager Nils Arne Eggen's book *Godfoten*.

We allow ourselves to be inspired by great personalities and strong stories. Together with our own story, these have helped shape who we are.

Like a great many others, we are inspired by Winston Churchill. We are grateful for our free country and the democracy he vastly contributed to as Norway's ally during World War II. Just as important for us are the Askeladden folk tales - particularly the story of his journey to Soria Moria Castle. Askeladden saw the value in people who others had turned their back on. He was generous with those he met, grateful for what he received and had an inexhaustible supply of energy and courage. We know of many such Askeladdens, but the greatest of them all was, perhaps, the unique football manager from Fannrem.

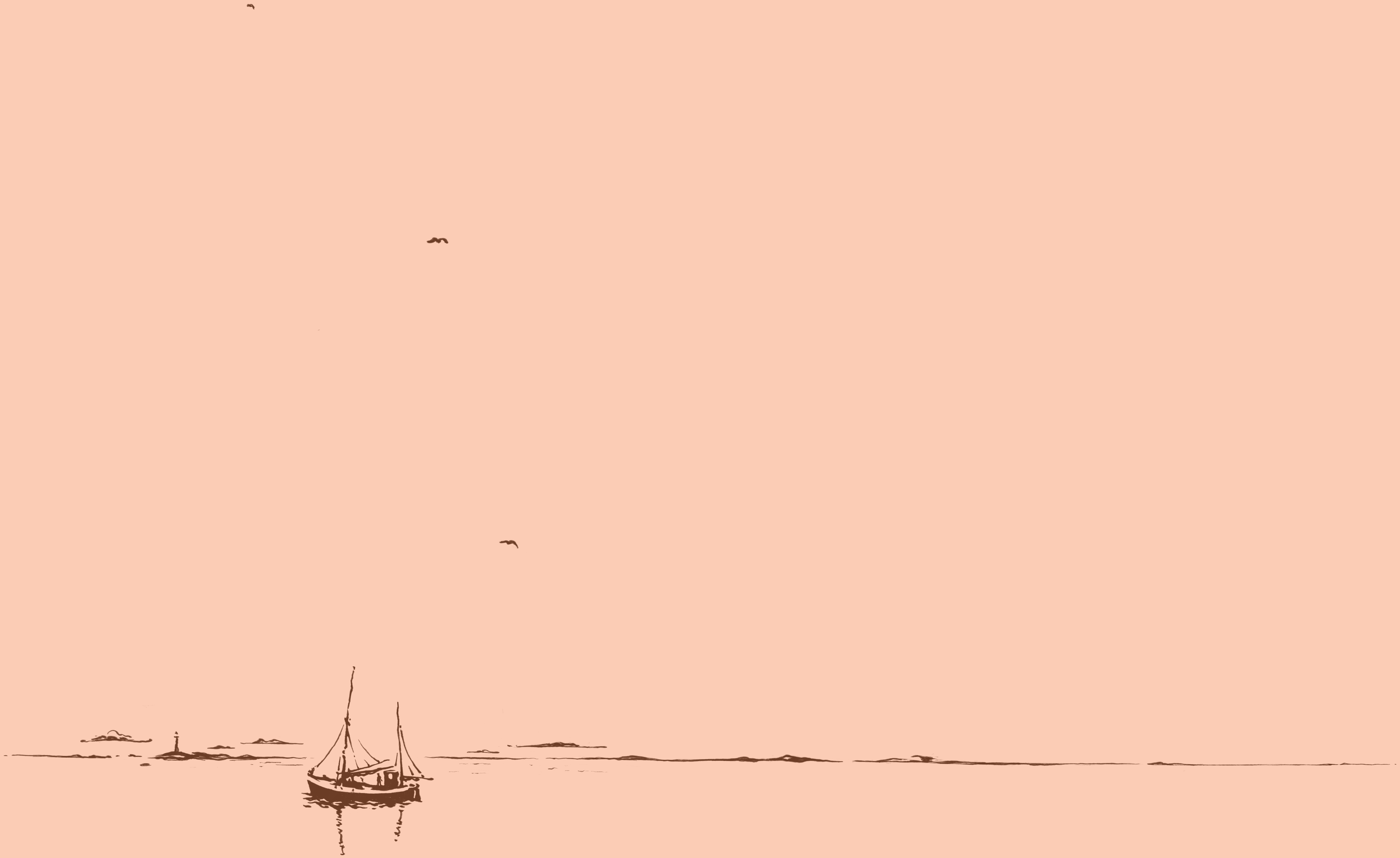
Nils Arne Eggen was a good football player, but it was as manager he really stood out. Not without cause. It was not only Eggen's tactical insights that resulted in him leading Rosenborg Football Club to 14 national league titles and to the group stages of the Champions League seven times. It was, first and foremost, his belief and desire to achieve the impossible, and his ability to inspire people to perform far beyond what they thought themselves capable of.

When we established SalMar in 1991, Nils Arne Eggen had returned to Trondheim after winning his third league title as manager of Rosenborg. We allowed ourselves to be inspired by his unique ability to bring people together around a project that was bigger than himself. And from SalMar's premises in Nordskaget, we followed his career with stars in our eyes.

19 January 2022 was a difficult day in Frøya. Nils Arne Eggen passed peacefully away, at the age of 80. The flags flew at half-mast on Kverva. Our role model from Fannrem was gone, but his memory lives on. Eggen's philosophy, culture and tenets are given new life in our operations.

With respect for our origins and inspiration from our role models, we are developing our own culture. We strive to be generous and down to earth, as Eggen taught us. We try to formulate ideas that generate creativity and enthusiasm, as Churchill did so well. We do our best to see the people around us and bring them with us on our journey, just as Askeladden did. And like Askeladden, we know that we will never reach our destination because the destination lies in the adventures we experience along the way. We hope those adventures will continue for generations.

Horizon



Vision and goals

In the same way our forebears on Kverva worked with nature to create a vibrant local community, the Kvarv Group will facilitate a better future through prudent management of resources and responsible ownership.

Because no one reaches their goals entirely by themselves, we will support the next generation of innovators in solving the challenges of tomorrow. Our heart lies in Kverva, but our engagement extends along the entire Norwegian coast and beyond - exceeding our national borders. Together, we will build vibrant local communities and help bring new expertise and ideas out into the world.

Respect for the past and responsibility for the future

When discussing the Kvarv Group's operations, the conversation often centres around money and numbers. Which isn't strange. The creation of economic value is important. That is how it has always been for my family on Frøya. As far back as 1884, hard work and belief in the future has contributed to a robust local community. My own family is equipped with the same entrepreneurial spirit as our ancestors. And, ably helped by my mother, my father has been a formidable builder of industry. Over the past few decades, considerable prosperity has been generated through the Kvarv Group, with Kverva AS and SalMar ASA as the most important engines for value creation and employment. From our roots on Frøya, Norway's largest onshore export industry has flourished along the coast. As the world's second largest producer of farmed salmon, SalMar now exports healthy seafood to 56 countries worldwide.

In doing so, it has created thousands of jobs. New life has been breathed into local communities, which are once again thriving. Schools that were threatened to close have pupils once again. Local sports clubs offer a welcome to those who come from afar. And the local shop is still a regular meeting place for owners and employees alike.

Now that I am joining Kvarv's board, it is natural for people to ask what the new horizon looks like. I find it to be a purposeful responsibility, but I am aware that I have big shoes to fill. As such, it is even more valuable to be rooted in values that are not solely financial. Values that have always bound the family together and that interweave past and present. Values like solidarity, generosity, respect and responsibility. Respect and responsibility for all those inhabitants whose livelihoods and security are directly or indirectly linked to Kvarv's activities, for the local communities in which we operate, and for the ocean itself.

I bring these values with me into Kvarv's boardroom, where they will have a central position.

The world changes. It always will. Kvarv's operations will therefore also have to change in the decades ahead. New challenges will emerge, as will new opportunities.

Managing a legacy demands a respectful look back to the past, but - primarily - a responsible look forward to the future. The ability to see new horizons while maintaining a steady course.

Taking the helm is a great responsibility. And it is a responsibility that I look forward to take part in.

Philanthropy at Kvarv

Volunteering and neighbourliness is as natural as autumn rain on Frøya. For the Witzøe family, philanthropy is about nurturing this volunteering spirit – both locally and globally.

As part of this, Gustav Magnar Witzøe has founded the W Initiative – a non-profit foundation whose aim is to support humanitarian initiatives, primarily those seeking to improve the quality of life of children and young people. By providing a better start in life and more equal opportunities for all children, we wish to help the next generation to build a secure future.

In 2022 the foundation received NOK 100 million, and will receive an additional NOK 100 million in 2023. The W Initiative is run by a six-person board, who devote their time voluntarily. Gustav Magnar Witzøe is the foundation's instigator and Chair, while Eirik Bøe Sletten is its Chief Executive.

Between its establishment in 2021 and by the end-of-year 2022, the W Initiative has provided a combined total of NOK 6,010,000 in financial support to four projects.

In 2022, the foundation's focus was the iWASH project – an undertaking in the Ugandan districts Isingiro, Kamwenge and Kyegegwa. The project, which was managed by Right To Play, aimed to improve access to safe, clean and gender-specific sanitation facilities for children, and provide education and knowledge on hygiene and diseases prevention. The project concluded in 2022, by which time 4,620 children attending 47 kindergartens and 12 primary schools had received better access to clean drinking water and safe sanitation facilities.

One of the foundation's key focus areas is to help give children and adolescents opportunities to engage in play and sports, regardless of their financial status. For this reason, the W Initiative established a local sports fund in 2022, with an endowment of NOK 1 million, which helped meet the club membership fees for low-income families or families who need support to participate in organised sports. To mark the establishment of the fund, the foundation organised a tennis festival with Casper Ruud. This took place in Lade Tennis Arena on 4th of December 2022. Entry free of charge, naturally.

The W Initiative has also provided support for, and works intensely to facilitate, the start-up of the project Norway Safe House, under the auspices of the Fijistiftelsen foundation. The Fijistiftelsen is a small, independent foundation based in Stavanger that aims to aid children, with special focus on education and help for self-help.

The purpose of the project is to build two evacuation centres for local communities in the Wainibuka area of Fiji, which is frequently hit by tropical cyclones. Outside of cyclone season, when the buildings will be used as evacuation centres, they will be utilised by the local schools and local communities. The main building will be a multipurpose space, including a library and toilet facilities, while the second building will enable local women to create their own workplaces, and will also contain a health facility.

During 2022, the foundation has entered into agreements with project managers in Fiji, completed technical drawings, carried out geotechnical evaluations and obtained the necessary permits and approvals. Construction work will be completed in 2023.

THE W INITIATIVE

The importance of youth sport

Youth sports are a pillar of Norwegian society, and have been since the 1970s. Since then, approximately 90 per cent of people from each generation has been involved in a sports club at some time during their youth. This trend is now reversing as costs of playing sports are on the rise.

Gustav Magnar Witzøe and Casper Ruud in Lade Tennisarena

We are in Trondheim's Lade Tennis Arena on 4th December 2022. Hundreds of children's feet are running around on the blue-coloured floor, accompanied by laughter and bouncing tennis balls. Children are throwing balls at targets; some are holding a racket in their hands for the very first time; others win a ball exchange and shouts ecstatically. Parents are watching from the stands. Some are contemplating who will drive the youngsters to the next sporting event. Others know that when they leave Lade Tennis Arena later that afternoon, it will be a long time until the next sporting event. There is simply not enough money to cover costs.

On this Sunday, over 400 children gathered in Lade Tennis Arena to take part in a tennis festival with tennis star, Casper Ruud, an event organised by W Initiative and free of charge. Children from Year 1 to Year 7 gather to play tennis with one of the world's top tennis players. They take with them home a tennis racket and, hopefully, fond memories. The reality is, outside of free events like this, that not everyone has the opportunity to take part in competitions or attend training.

"An event like this is one thing," says Gustav Magnar Witzøe. "It's fun and something to do, but it may not do more than introduce the youngster to a new sport. An event like this allows children to try something new, but we must work to ensure that sport and the love of sport is and can be available for all."

The W Initiative's aim is to support humanitarian initiatives, primarily those seeking to improve the quality of life of children and young people. Part of this is giving children and adolescents more equal opportunities to play and be active. To help achieve this, Gustav Magnar and the W Initiative have established a local sports fund that will help more children and adolescents have the chance to engage in sports in the Trondheim region, irrespective of their financial status.

More expencive than ever before

In recent years, Gustav Magnar has been seeing a worrying trend in society. More and more parents say that they have had to cut their children's leisure and sporting activities out of the family budget in order to prioritise food, electricity and other necessities. The statistics back this up. Since 2016, SpareBank 1 has monitored how much families are paying for their children to engage in sports. The figures for 2022 are concerning.

"Over the seven years we have performed this survey, we have never seen higher figures than in 2022," says Magne Gundersen, a consumer economist with SpareBank 1.

"Twenty per cent of the parents surveyed replied that they had chosen to take their children out of sports because they could no longer afford it. Thirty per cent have deliberately avoided introducing their children to sports for the same reason, while 22 per cent said they had to resort to credit to cover the costs associated with children's sports."

"This is not how it should be. It is important for children to engage in organised sports at an early age and be allowed to play and form friendships with other children. It is a great way to be included, and it is awful that a class divide is being created in sports because people on perfectly ordinary salaries can no longer afford to send their children to training sessions," says Witzøe.

The 2015 regulations covering children's sports state that "all children are entitled to participate in sports, irrespective of their family's financial situation or ties". But what happens when large portions of the younger generation are excluded on precisely these grounds?

Åse Strandbu is a professor at the Norwegian School of Sports Science and leads a research centre for youth sports.

She and her colleagues have examined all the studies concerning young people, sports and social class that have been carried out over the past 60 years.

"We see that sports institutions were good at casting a wide and inclusive net across different social groups in the 1980s and 1990s. But in recent years, we have gradually seen a growing class component in sports, with higher participation rates among affluent families with a high socioeconomic status than among families with a lower socioeconomic status," she says.

In other words, something has changed in the world of sports. Although the mantra remains "sport for all", as it has been since the 1970s, only a minority now have the financial wherewithal to let their children engage in organised sports.

More sedentary lifestyle

At the same time as sports clubs are experiencing a decline in membership, the level of activity among Norwegian children is also falling. A sedentary lifestyle is now considered a public health problem. As many as 78 per cent of Norwegian boys and 88 per cent of Norwegian girls do not get enough exercise, according to a survey carried out by the WHO in 2019. Are we dependent on youth sports to create and maintain good habits for exercise and physical activity in the population?

In 2021, the Norwegian School of Sports Science conducted a nationwide study of the impact physical activity has on the learning outcomes of children and adolescents. The results of the study leave little room for doubt: children and adolescents learn better if they are physically active. In addition, we know that one hour of physical activity per day can prevent a number of lifestyle illnesses and health issues - among both children and adults. In 2019, the Norwegian Public Health Association, the Norwegian Cancer Society, the Norwegian Olympic and Paralympic Committee and Confederation of Sports (NIF), the Norwegian Physiotherapist Association and the Norwegian Medical Association joined forces to demand the statutory provision of one hour of physical activity per day in primary and lower secondary schools. However, that initiative has yet to be implemented by the government.

According to Professor Strandbu, in addition to the physical health benefits and better learning outcomes, participation in sports at a young age can also help to prepare children for participation in society at large.

"Sport is a kind of public arena where, to some extent, children have to manage on their own, even though their parents are often there watching. They must compete, greet the referee, greet the opposing team, travel to a different part of the city or to a different city altogether to participate in matches and tournaments. And all such experiences help to build confidence and teach the child how to participate in society", she says.

Back at Lade Tennis Arena, hundreds of eager eyes watch the display match. Casper Ruud is preparing to make the afternoon's last serve against his opponent, Vincent Patry from Trondheim. Children sit squashed together in the stands, clutching their new tennis rackets tightly. The world's third-ranked tennis player is just metres away, so close you can feel the vibrations as he thunders across the floor to return a shot. After the match, the crowd spills out of the stands. Time for tennis balls to be signed and selfies to be taken. Casper Ruud gives high-fives right and left. The children jump to reach them. The whole hall is buzzing with admiration and awe.

Gustav Magnar remains in the stands watching the spectacle with a smile. At the same time, he knows that many of the children who gaze up at Casper Ruud with wide eyes, inspired to embark on their own sporting adventure, may not get the chance because it is, quite simply, too expensive.

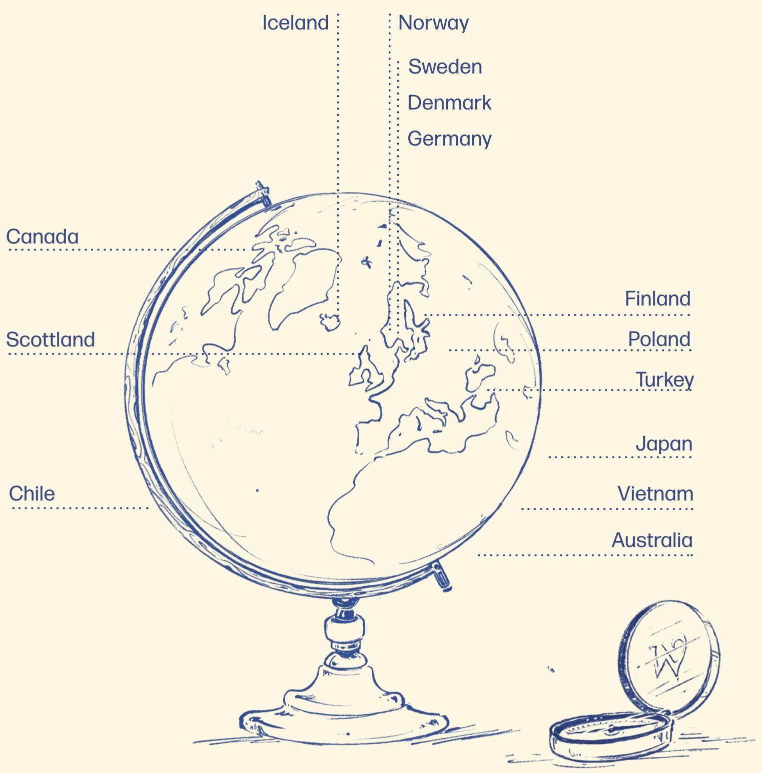
"I hope the sports fund can help ensure that children who want to engage in sports have the opportunity to participate. Sports has taught me an awful lot, both about society and myself. Being able to give others the same opportunity means a lot to me."

In brief

- The NOK 1 million sports fund will cover the 2023 club membership fees for low-income families or families who need support to participate in organised sport. Clubs/sports teams carry out their own needs assessment.
- All clubs registered with the NIF and located in Trøndelag County are eligible to apply.
- A maximum of NOK 20,000 may be awarded to each club.
- Sports clubs which receive support have a duty to report to the W Initiative the number of children who have received support, and repay any sums not used for this purpose.

Seed corn

What is the Kvarv Group?



Kverve (verb) [In English, it means to twist or distort]
kvarv, kvervet, kverving
[kvœ`rvə]

Kvarv AS is a family-owned company, and may also also be described as a holding company. Kvarv AS does not engage in any typical business activity, such as trading, aquaculture or industrial production. Instead, the Kvarv Group is the sum of all the activities operated under the parent company Kvarv AS.

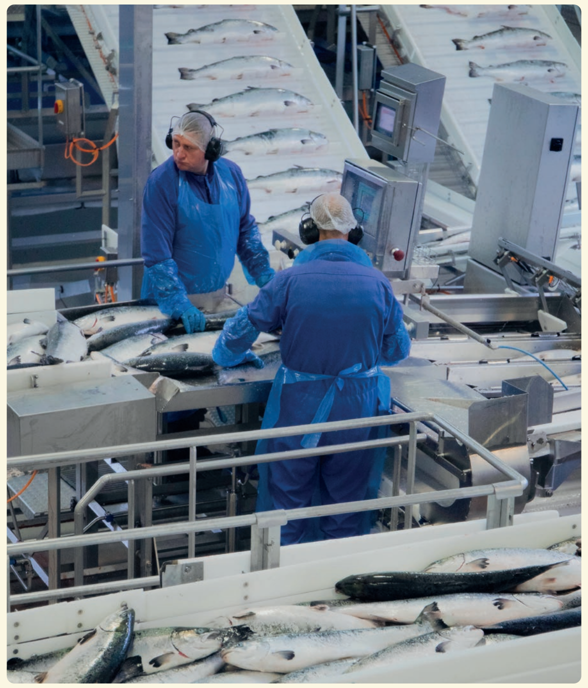
Kvarv AS is a shareholder in a number of companies, most of them located along Nordic coastal strips – just like us on Kverva. These companies are, however, not run by us. They are run by over 5,000 highly skilled employees in the various companies. Our role is to exercise responsible ownership.

For that reason, we have developed a corporate governance framework that will ensure processes are performed thoroughly and properly on behalf of ourselves and all the companies we are involved in. This way, we safeguard the family's values and cultural heritage, at the same time as we keep up with the changing times.

In the Kvarv Group, we create lasting value and good jobs. We also wish to help other people to realise their dreams. We have therefore developed a strategy for corporate philanthropy, which includes the establishment of the W Initiative foundation. We also hope to establish further initiatives in the years ahead.

The Kvarv Group has two subsidiaries. One is called Kverva AS and is named after our family homestead. Growing up on Kverva has taught us the importance and value of the sea. Through the subsidiary Kverva AS, we have therefore invested much of our capital in companies engaged in aquaculture.

Our other subsidiary, Forward Project AS, invests in other business sectors, forward-looking innovators and young entrepreneurs.



Important events 2022

19 January

Legendary football manager Nils Arne Eggen passes peacefully away, at the age of 80. One of the family's greatest role models is no more. He has inspired us by his vaulting ambition, fantastic achievements and boundless faith that anything is possible. Simultaneously, he kept his feet firmly on the ground and never forgot that he was but a man from Fannrem.

31 January

Three days after the world records 10 billion Covid-19 vaccinations given, the work-from-home injunction is lifted. We could finally get back to normal, meeting colleagues at work, sitting in the same room and developing ideas and solutions. We could resume the good social interactions that are such an important part of working life for the more than 5,000 people employed by our operations.

24 February

Russia invades Ukraine and starts a war that still is being fought today. The day after war broke, Kvarv and SalMar donate NOK 500,000 in aid to the victims of the hostilities and start a fundraising effort to provide humanitarian support. Ten days later, SalMar donates 20 tonnes of salmon to the Ukrainian people, worth a total of NOK 1.7 million.

24 March

The key interest rate was raised from 0.5% to 0.75%. This is the first of a total of six rises of the interest rate in 2022. Higher inflation, higher interest rates and a weaker exchange rate makes life hard for many people. But for export businesses like SalMar, where transactions are settled in EUR, the low NOK exchange rate has a positive impact. Around 30% of the increase in salmon prices over the past five years is due to the exchange rate.

Important events 2022

30 June

Annual General Meeting of Kvarv AS. The annual financial statements for 2021 are approved. We note a new record for the Group's revenues, which totalled NOK 23 billion, and decide to strengthen the W Initiative foundation through the allocation of a further NOK 100 million in funding in 2023.

11 July

The world's population passes 8 billion and the need for efficient and sustainable food production increases. SalMar expects to produce around 277,500 tonnes of seafood in 2023, corresponding to 2 billion individual meals.

12 September

In a letter to shareholders and employees of Aker ASA, Kjell Inge Røkke announces that he has emigrated to Switzerland. Looking solely at the financial benefits of emigration, our shareholders could have saved the Kvarv Group almost NOK 500 million in annual withdrawals if they had moved abroad – to Switzerland, for example. We disagree with the high level of taxation on private businesses and hope that this is moderated as quickly as possible, so that the issue of emigration can be rendered moot. Until further notice, we shall continue to create value in our local communities.

28 September

The Norwegian government resolves to impose a ground rent tax on the aquaculture industry. A massive breach of promise by the ruling Norwegian Labour Party and Centre Party which, only two years before, had concluded a broad agreement with the other parties in the Norwegian parliament (Storting) that the aquaculture sector should pay ground rent through the auctioning of production capacity increases and a production tax.

Important events 2022

31 October

The European Commission approves SalMar's acquisition of the majority of shares in NTS. This approval also applies to the merger with NRS, thereby making SalMar the second largest producer of farmed salmon in the world – beaten only by MOWI.

13 Desember

Casper Ruud, the world's third ranked tennis player and ambassador for the W Initiative foundation, visits Trondheim and plays tennis with 400 children at Lade Tennis Arena.

19 Desember

Kvarv invests in the communications collective Døgn AS, through its subsidiary Forward Projects AS.

31 Desember

Telenor turns off the landline telephone network in Norway – 122 years after Kverva installed its first telephone kiosk in the year 1900.

Insula: The complete works of traditional food

Norway's long and varied coastal landscape nurtures a host of small, vibrant local communities. One of them is Frøya. Another, some way north of the Arctic Circle, is Vestvågøy. Out here, almost at the furthest reach of the Lofoten archipelago, lies the village of Leknes.

What happens when two small island communities, at two different latitudes, join forces to create something unique?

Far out on its own little islet, as close to the sea as its address suggests (Havet 45), lies Insula – Lofoten's largest private employer. A long, snow-white factory building is reflected in the icy sea that surrounds all sides. Inside, the equivalent of around 40 million individual fish-based meals are produced each year. And here we find the story of the complete works of traditional food. The chapter on seafood at least.

CEO Sigvald Rist makes his way between the different production departments. He runs his fingertips over the wall panels while he explains how the different production rooms are closely interlinked. Every link in the chain must work if people are to get their fish dinners, if the factory is to keep employing people and, not least, if it is to be a pleasant place to work.

"Nowhere else in the world produces as many fish cakes and fish burgers as we do here," he says. He leads the way into the first production space, where white fish is ground into a farce and mixed with potato flour, seasoning, cheese and onion in a gigantic vat, where it is blended together by enormous knife blades. The entire process is the same as you might find in any household kitchen in Lofoten – just on a much larger scale. Sigvald chats with the woman standing beside the vats, making sure that everything is working as it should. He knows everyone who works here; it is almost as though he knows everyone on the entire island. Which is hardly surprising, when you were born and raised in an island community numbering some 11,000 people. In front of him, the fish cakes are now sizzling on a gigantic hot plate. It is a process he has been apart of since 1992. Sigvald tears a piece of kitchen paper from a dispenser and flips a newly fried, golden brown fish cake off the conveyor belt. It gives off the cosy smell of fried cod and fresh herbs – just like home made. The recipe for the fish cake Sigvald is holding in his hand is older than he is. But he has been a part of building the brand that sells it from the very beginning.

Lokal get-up-and-go

Before Insula became Insula, the company was called Lofotprodukt. And before that, its name was Lofot-Delikatesser.

Lofot-Delikatesser was founded in the early 1990s, with 10-15 employees working in a small factory in Stamsund, east of Leknes. The founders had gathered recipes from local mothers and grandmothers, and now the traditional fish cakes of Lofoten were going to be distributed in the shops. At the Stamsund factory, fish farce was still ground up and the fish cakes cooked by hand, just in larger quantities. It was heavy, manual work and the factory had little room. Margins were, well, marginal. In 1994, Lofot-Delikatesse went bankrupt.

Two years earlier, in 1992, 23-year-old Sigvald Rist graduated from the University of Nordland with a master's degree in aquaculture and a dream of becoming a salmon farmer. In 1992, however, the aquaculture industry was in crisis. Following the bankruptcy of the industry's sales organisation Fiskeoppdretternes Salgslag (FOS), large volumes of newly harvested fish from Norwegian fish farmers had to be frozen, since the system for selling it, which FOS had a statutory monopoly on, had come to a complete halt. Eventually, the volume of frozen fish grew into what became known as the "salmon mountain". Many Norwegian salmon farmers had not been paid for much of the fish they had already delivered, so creating more aquaculture jobs was certainly out of the question.

In other words, a career in fish farming was off the menu for Sigvald. Instead, he got a job as a salesman for the local fish food producer Lofot-Delikatesser AS. Then, two years into his new job, Lofot-Delikatesser went bankrupt. But the fish food entrepreneurs refused to accept defeat.

"We were well underway. We had succeeded in selling a fair amount of product, and we had acquired a good number of customers. But our operation were not profitable and we quite simply went bust. Sverre Christoffersen, one of the owners of Lofot-Delikatesser, said that it was too good an idea to simply disappear. There is a potential and an opportunity here," Sigvald recalls.

Lofot-Delikatesser went bankrupt on a Friday. Sverre rolled up his sleeves and mobilised the local community. By the following weekend, he and a group of local investors had raised NOK 950,000 in capital. The new, re-emergent company was named Lofotprodukt AS and was up and running Monday the following week.

"And then they asked if I would be CEO, and I said yes. I was, after all, 25 years old and confident I knew pretty much all there was to know in this world, so I took it as an exciting challenge," says Sigvald Rist with a smile.

A suitecase full of fish cakes

That Monday in 1994, they started again, with a new name and zero revenues, but with the same fish cakes. They continued to sell locally in Lofoten and gradually in the rest of Northern Norway. They grew out of their existing production facilities and into Meierigården, a new factory in the centre of Leknes. A decade later, in 2003, their sales revenues had grown to NOK 30 million. Now they had set their sights on joining the supermarket Premier League. They wanted sales to go national.

"To be successful, we needed to rethink our visual profile. What did we look like? What kind of image did we have? We knew that we had good products. We had recipes given to us by our grandmothers and local housewives. They were good – we had a high fish content and used natural ingredients – but we needed something more. We had to tell this story in a better way. Quite simply, we had to build a brand," says Sigvald.

So, he packed a suitcase full of Lofoten fish cakes and caught a plane to Oslo. Once there, he knocked on the door of Morten Throndsen of Strømme Throndsen Design, the brain behind the award-winning Farris bottle that was launched around the turn of the millennium.

"I said to Morten, you've created Norway's finest sparkling water bottle, here are Norway's best fish cakes. We need help to tell this story. Can you help us?

And that he could. On February 1 2003, Lofotprodukt became Lofoten. Along with a new name came a new logo and a new packaging design. And with that, the fish cakes were ready for supermarket shelves in southern Norway. "Our brand-building efforts meant that things really took off. We gained entry to the country's eastern region, to Oslo, and became a nationwide supplier. Our turnover increased, so did our production volume and the need for more production capacity surged."

Over the course of a few years, Lofoten had grown out of its factory in the centre of Leknes and needed to plan for a new chapter in its existence. "If we jump forward from 2003 to 2008, we had already started planning the factory we're sitting in now. And then we got to know Kverva. Or, more correctly, Kverva got to know us."

From salmon sausages to fish cakes

At the same time as Sigvald and his colleagues at Lofoten were designing the new factory that would occupy the address Havet 45, Gustav Witzøe sat in Kverva scratching his head over some unsuccessful salmon sausages. Kvarv AS had just invested millions of kroner in a collaboration with food producer Mills to make sausages out of salmon. The only problem was that no one wanted to buy them. Since then, many other companies (including Lofoten) have tried, but salmon sausages remain off Norwegian supermarket shelves, out of kitchens and unloved by consumers. While Gustav pondered why people did not want his salmon sausages, he came across an online video report on Sigvald Rist in the industry's trade journal Fiskeribladet. In the report, Gustav saw pictures of a busy factory and a group of people who really did know their business. Here, they were producing fish cakes, fish burgers and smoked salmon day and night. Gustav saw potential. A few days before Christmas in 2008, Sigvald received a phone call from Thomas Jessen, Kvarv's investment manager.

"He asked if we could meet and see if we might have something to talk about. And so we did," says Sigvald.

On the first working day of 2009, Thomas Jessen boarded a tiny little propeller driven Widerøe plane and took flight to Leknes. There he met some colourful people with an equally colourful vocabulary and tasted some stupendously good fish cakes. By the time he left, there was no doubt. This was something to invest in. Soon a comprehensive takeover process was underway at Lofoten. Tine, the vast Norwegian dairy cooperative which had been the major shareholder, with a 40 per cent stake, was to be bought out so that Kverva could come in and take over its role. But before any agreement could be signed, Sigvald needed assurance about one thing. He picked up the phone and dialled Gustav's number.

He remembers the conversation well. "I was in my living room at home and said to Gustav: 'Now we're going to sign this agreement, now this is in the can. But you must realise that you're buying more than just shares in a company. This is a bigger commitment than taking over a majority share. You are also taking over responsibility for a cornerstone of the community. The largest private employer in Lofoten. Many of us are completely dependent on this company continuing to do well. And it comes with a lot of pride attached. There are great expectations, and you must not do this if you intend to relocate production to Frøya and administrative functions to Trondheim.' Because that was what I was afraid of. But no, he was well aware of that, he said, he understood perfectly. And he had no other plans than that we should remain where we were and develop the Lofoten business in Lofoten."

A powerhouse in Lofoten

With the Kverva team on board, Sigvald and his colleagues at Lofoten gained, as promised, more than just a majority shareholder. Together they adopted a mantra of turning the factory in Leknes into a powerhouse in the Lofoten region, as Sigvald himself says. And Gustav, who had after all grown up on the coast and was already deep into the aquaculture sector, wanted to learn about how the factory operated.

"He was curious about operations, production, sales and margins. He was fascinated by raw material prices, seasonal fluctuations, market trends, innovation and everything that affected operations. When we met and began to get to know him, we saw his genuine interest. And it was affirming to see. Since then, it's been the same – we end up discussing the quality of the salmon filets and the efficiency of the machinery and operational challenges and the factory and production and logistics," says Sigvald.

The partnership worked. Sigvald remained CEO and the company continued to gain market shares. They developed new product lines and sold in ever greater quantities. Now they were on sale in supermarkets belonging to Coop, Ica and NorgesGruppen. But then, in 2015, something happened in the Norwegian supermarket sector. Ica was sold to Coop and Lofoten's three major sources of revenue had become two.

"At that time the company had recently invested NOK 150 million in the factory we are sitting in now. We were Lofoten's largest private employer. A huge responsibility in every way. Both economically and socially. And it just didn't feel safe having only two customers," recalls Sigvald.

What to do? After a strategy meeting, Lofoten's board of directors came to four conclusions.

–"We would continue to develop the Lofoten brand, but we would also start producing under private label. In other words, the chains' own-brand products. And then we would expand our geographic focus area to cover the entire Nordic region, and we would grow through the acquisition of other companies.

That is how the Insula Group came about. The Lofoten brand would now exist under the Insula umbrella, along with the supermarkets' own brands. So, if you have picked up a pack of Prima Fiskekaker from a REMA 1000 supermarket, you have bought fish cakes produced at Leknes.

In the same way Lofot-Delikatesser collected local recipes from the residents of Lofoten, Insula now collected the smaller fish foods producers under one umbrella. Vardøbruket, Båtsfjordbruket and Tobø Fisk in Finnmark, Nordic Group in Trondheim, Maritim Food in Gjerdsvika, First Seafood and Fiskcentralen in Oslo, Amanda Seafoods in Denmark, Marenor Seafoods in Sweden and Escamar in Finland were revitalised with the seafood group among their shareholders and were able to continue developing their businesses.

The important local communities

Today, Insula produces fish products based on white fish, salmon and trout. The raw materials are smoked, fermented, ground up and stamped out in heart-shaped fish cakes. Every day, approximately 150,000 fish-based meals are produced in Leknes alone, with annual revenues reaching some NOK 6 billion. The Group has 14 factories and eight sales and marketing offices dotted round the Nordic region, but its base remains in Leknes. This is where Sigvald sits, at the centre of the snow-white factory, managing the Norwegian part of the Group.

"We are well positioned for the future," he says. "It has cost blood, sweat and tears, but we have a good platform now. But it doesn't run itself. We have to step up and do our jobs every single day. We have what it takes to succeed, and that is down to good, long-term ownership combined with highly skilled and dedicated employees."

What would have happened if someone other than Kverva had come in as majority shareholder is difficult to say. If it hadn't been Kverva and Gustav, it would have been another "islander". For even though Insula's operations are spread to all points of the compass and turnover is high, it's heart beats for our local communities, the values they represent and the foundation this creates for long-term operations.

Today, just as as in 1994. And that is alpha and omega for a sustainable seafood industry, according to Sigvald.

"To observe what is happening in the local communities is extremely valuable, especially with the type of owner that Gustav Witzøe represents. And there are many of them up and down the coast, people who have generated considerable prosperity through the aquaculture industry. What is so valuable for rural and coastal communities in Norway is that this prosperity is managed by entrepreneurs and owners who have grown up in these environments and who want to see more value creation in their home districts. And that means we can continue to keep the lights on in every corner of the country and prepare Norway for a life after oil and gas. We can implement sustainable change in a safe way, maintain our level of social welfare and ensure that Norway remains a great place to be. That is important, and it goes far beyond individual companies or people.

Sigvald sees parallels between the island communities on the islands of Frøya and Vestvågøy.

"We have both spent our formative years on a small island far out at sea, far away from most people. We have been forced to see the potential and the opportunities in what surrounds us. When we were choosing a name for the new group, we quickly decided that Insula was an excellent name because it is the Latin word for island. But we've never actually discussed which island we were thinking of. Gustav probably thought of Frøya, while we thought of Vestvågøy. But that's okay. It works well both ways."

Annual report

Report of the Board of Directors of Kvarv AS

for the 2022 financial year

An everlasting perspective

2022 was an extremely eventful year, encompassing well planned and structured activities as well as major surprises that have affected us all through 2022 and far into 2023. We have listed some of these major global and national events in our overview of important events in 2022, but have also focused on ourselves by telling the story of our family here on Kverva and the cultural heritage we wish to preserve. We commenced in the autumn of 2021, but it is through 2022 that we have described in words much of our work and taken our first decisions. Some of which you can read about in this annual report.

On our cultural journey, we have endeavoured to gather a broad collection of stories, thoughts and ideas which, through our time here on Kverva, have become the family and its company's philosophy and culture. We have engaged in a kind of reverse process, where historic and everyday actions within the family and its businesses have been systemised and converted into everyday language. In this way, our philosophy will be simple and easy to understand, thereby enabling everyone in our sphere to learn and remember the key points.

One of these stories is when my father, wistfully and with a certain degree of resignation, once gave me the following piece of advice: "Get yourself into the city, young man, away from Frøya. There's no future for young people here. The sun is going down on us. No grand political words and promises can halt the inevitable." After some years in the city, where those who hold the reins of power are located, homesickness got the better of me. We were convinced that it must be possible to create a viable future in an exposed coastal district. Several of us from the younger generations returned home. We believed in something, animated by the thought that it must be possible to build a future by producing food along the Norwegian coast, with its myriad islets and skerries. We were inspired by the generations that came before us; the fisherman-farmer lived and died in the hinterland between green fields and ocean blue. It was about making the impossible possible.

Which is why Kvarv AS is more than just an ordinary holding company exercising ownership of several leading industrial and investment companies. Our purpose is to safeguard our family values, our history and our culture, and communicate this to the various parts of the Kvarv Group and, eventually, to coming generations. This is incredibly important for us, and a great responsibility, because it affects so many more people than ourselves, such as all our employees, their families and all the local communities in which we operate.

In recent years, Gustav Magnar has taken greater responsibility for parts of the business. He brings in new dimensions, new relationships, a long-term and caring perspective. He has also taken charge of our philanthropy strategy, an initiative and an accomplishment that we are extremely proud of. The purpose of the W Initiative foundation is to improve the quality of life of children and young people. We are proud of this initiative and propose that this year's AGM approve the allocation of a further NOK 100 million to fund the foundation's work. If approved, the foundation will have received funds totalling approx. NOK 300 million, the return on which can be used to support additional projects for the good of children and adolescents.

Our roots are deeply embedded out her on Kverva. It where we have a long and uplifting family history and cultural heritage, and we have an important task in exercising good and responsible ownership. These roots and this continuity are reinforced by Gustav Magnar's formal accession to the Kvarv AS board of directors. This position is a signal that Gustav Magnar will henceforth spend more time getting to know the business and vice versa. It has previously been announced that Gustav Magnar envisages a more administrative than an operative role in the production companies. This administrative role will be given a visible and formalised platform, which will be further developed going forward. Gustav Magnar will continue to be responsible for the increasingly important philanthropic aspect of our operations and will also have responsibility for the venture capital area and development of the family-owned company (Family Office) as a visible and coordinating tool for the cross-generational culture building that is important for the entire concern.

To supplement the team, the family's long-term adviser, Harald Ellefsen, will formally be appointed to the board of directors. At the same time, Knut-Olav Skjetne will carry on as the company's general manager. Knut-Olav has been part of our history since our first meeting in 1999. At that time, my mother, Maren, was a cleaner at SalMar's offices, and we both laugh when we think back to the telling off he got for the scuff marks his shoes left on the linoleum floor. This is another tiny example of the everyday actions that substantiates our culture, and Knut-Olav has literally been leaving his mark on it for almost 24 years.

We are rigging ourselves to meet the future and have an everlasting perspective on our work.

Our businesses

Our investment and industrial businesses have also had an eventful year. Through our ownership of Kverva AS, we are primarily exposed to aquaculture and seafood-related companies. The largest of these is the listed aquaculture company SalMar, which we ourselves helped to found in 1991. Last autumn, SalMar acquired the listed company NTS ASA and merged with the aquaculture companies NRS and SalmoNor. SalMar therefore became the world's second largest producer of Atlantic salmon.

During the present year, SalMar will serve two billion healthy salmon meals to people all around the world. In what is, in historical terms, a brief period, our little country, tucked away in the High North, has created a globally leading industry, with an innovative and robust supply sector that provides the majority of the input factors we need. No other Norwegian industry holds such a position, and the seafood industry is rightly described as the lifeblood of the Norwegian coast.

In this business sector, Norway has the competence and natural advantages required to remain in the forefront, in a world where the need for healthy seafood will only increase, and have an everlasting perspective. The coast's entrepreneurs and local patriots had faith and demonstrated that the impossible is possible. The men and women employed in aquaculture reversed the economic demise and depopulation experienced by remote coastal areas, revitalising local communities and giving young people once more the prospect of a bright future ahead.

The Kvarv Group, with Kverva AS and SalMar ASA as the most important industrial and financial pillars, is once again presenting an annual profit to be proud of. It started with the assets of a company gone bankrupt, a single production licence and a few highly skilled employees on a quayside on Kverva almost 33 years ago. A lot has happened since then.

In addition to SalMar, Kverva AS's other major investments have also performed well. This includes, for example, the equipment producer Scale Aquaculture, the fish food producer Insula, and one of the world's leading producers of pelagic fish products, Pelagia.

We have also established another financial pillar. Forward Project AS invests in other business sectors, forward-looking innovators and young entrepreneurs. One example is the communications collective Døgn AS, who provide services in the fields of PR, production and profile management. The company is run by young, creative entrepreneurs, with strong personal stories and a down-to-earth, non-traditional approach to the profession. Our collaboration has grown strong and has now resulted in Kvarv becoming a shareholder.

Kvarv AS is headquartered in Kverva, in the municipality of Frøya. A more detailed overview of the Group's businesses can be found in the notes to the financial statements. Visit the individual group companies' own websites for more information about their operations.

Norway – not like other countries

An insightful newspaper has calculated that Kvarv, and therefore SalMar's largest shareholder, must pay NOK 1 million per day in extra taxation for the privilege of living in Norway. For 2021, Kvarv decided to pay a dividend of NOK 1.25 billion in order to pay the taxes levied on Norwegian shareholders for a period of three years. Krone for krone, this is money that would otherwise have been spent on industrial expansion and investments. This draining of assets in a leading industrial cluster on the Norwegian coast means lost opportunities for Norway.

Other countries try as hard as possible to safeguard the interests of their own inhabitants and their own business enterprises in competition with those abroad. Norway has no such ambition. Rather the reverse – its government appropriates substantial sums that would otherwise be invested in Norwegian businesses. This results in reduced value creation, reduced welfare and lower tax revenues in the future.

Leading institutional supporters of the present government have given notice that Norwegian business owners are going to be "squeezed" and that they will be penalised if they choose to leave the country. So far, those who are meant to be our foremost elected representatives have not had the pleasure of driving any of the Kvarv Group's owners out of the country. However, no one knows what the future will bring nor what our owners' home address will be. It would be hugely beneficial for the finances of companies that have Kvarv as a shareholder if its owners left the country. NOK 1 million or more per day to safeguard jobs and build Norwegian industry would come in handy for the Kvarv Group and for Norwegian value creation and jobs. No one in our family has therefore given any promise to remain living in Norway in perpetuity. Nevertheless, here we remain for the time being, in hope of a new government and a new parliamentary majority after the general elections in two years' time. It puts our patience to the test, but we still have faith that the impossible is possible in the country we love so much, even though we currently have a government that is more interested in making the possible impossible.

It was a sad day for every value-creating environment in Norway when the Storting, 30. in May 2023, voted to introduce yet another tax exclusively targeting Norway's fish farmers. As adopted, the ground rent tax means a more than two-fold increase in tax on that part of Norwegian food production that is exposed to foreign competition. The level of taxation rose from 22 per cent to 47 per cent and was introduced with retroactive effect from 1 January 2023. Knowing full well that even a magician cannot spend the same money twice, the political majority has decided to appropriate large parts of the most important source of capital for value creation, innovation and jobs on the Norwegian coast. Three years ago, the partners in today's coalition government roundly rejected this tax and instead introduced a new and more moderate levy on the production of salmon in Norway.

Coastal dwellers should perhaps have been a little more sceptical when leading politicians (who are now running the country) visited ahead of the last general elections, looked us in the eye and promised that no ground rent tax would be introduced. Common sense indicated that they were telling the truth. No other country has subjected its food production sector to such a tax, and most countries are concerned with strengthening their industrial base, not bleeding it of capital. Nor was it credible that a party whose origins lie firmly in Norwegian agriculture and rural communities would take the lead in such an assault on the country's largest export-oriented primary industry. Now, however, reality has come back to bite both the coast and the rest of the country.

The Finance Minister defends the extreme rise in tax on the aquaculture sector by pointing out that it also affects non-Norwegian shareholders; as if undermining international trust in Norway was an especially honourable move. Anyway, it is of little help to Norwegian shareholders, including hundreds of thousands of Norwegian savers and pensioners, that international pension funds have a significant portion of their investment capital syphoned off. The government has, furthermore, imposed a double penalty on Norwegian shareholders. In addition to the ground rent tax, the other peculiarly Norwegian taxes on business ownership (wealth and dividend taxes) have increased by more than 100 per cent since this government took office.

In other words, the Norwegian government has appropriated Norwegian shareholders' return on investment in Norwegian seafood-producing companies from two sides. Firstly, through a massive drain on companies' finances through the ground rent tax, whose design and level none of our international competitors is subject to. Secondly, Norwegian-owned companies are being bled of working capital through taxation on domestic ownership of businesses that no other OECD countries have found fit to impose on their shareholders.

There is a tenaciously held myth that the extremely high ground rent tax was necessary to force Norwegian fish farmers to 'pay' for their use of publicly owned resources. No one pays as much for use of the inshore commons as the Norwegian aquaculture sector, with or without the ground rent tax. In addition to the ordinary corporation tax, which provides the government with more money the more profitable the industry is, licences for new production capacity are sold at auction to the highest bidder. In 2020, when the last auction was held before the ground rent tax was announced, central government and local councils received NOK 3.8 billion in consideration for use of inshore commons. The sector pays direct and indirect taxes and charges by the bucket load. These include research levies, marketing levies and property taxes. All this is topped off by the production tax which, after the latest increase, will generate NOK 1.2 billion in additional payment for the use of an area of sea totalling 94 km2. By way of comparison: the government has issued a consultation document concerning its proposal to devote up to 54,000 km2 of sea to offshore wind turbines. That is 574 times as large an area of sea as the aquaculture industry uses for food production.

No one is attacking potential offshore wind power investors for using these sea areas 'free of charge'. On the contrary, the Norwegian government is offering them a sweetener to the tune of over NOK 20 billion in the form of state subsidies to make use of just one of the planned areas designated for offshore wind power production.

About the annual financial statements

Parent company financial statements

Kvarv AS is a parent company that receives revenues in the form of dividends or group contributions from the Group's underlying entities. A key aspect of the parent company's financial statements is the amount of capital we are actually forced to withdraw from the Group's companies. This can be found on the line "Income from investments in subsidiaries". For us at Kvarv AS, this in no way constitutes an income. It represents a loss of jobs and a reduction in rural development, since the financial income is primarily a forced dividend imposed to pay the shareholders' wealth tax.

Kvarv As's balance sheet is reported in accordance with the historic cost method, in other words, what we once invested in the parent company's underlying entities. However, most readers of financial statements are interested in what the shares are actually worth today, and the market-based values have been significantly reduced as a result of the ground rent tax that was announced on 28 September 2022. Since our book values are still higher than the amounts we originally invested, it is not possible to find traces of this confiscation in our financial statements. Nevertheless, it is no secret that the government's proposed legislation of 28 September 2022 reduced SalMar's total market capitalisation by around NOK 20 billion (!) and that our total value was more or less halved.

As previously mentioned, Kvarv AS distributed a dividend of NOK 1.25 billion in 2021 to have sufficient funds to cover wealth and associated dividend taxes over a three-year period. This is money that reduces Kvarv Group companies' solvency and ability to bear risk, while the company's debt to its shareholders is reduced instead. No further amounts have been allocated to dividends in 2021. The company made a net profit for the year of NOK 458,826,000. The company's profit for 2022 is allocated as follows:

Overført til annen egenkapital	kr	458 826 000,-
Total disponert	kr	458 826 000,-

In the Board of Directors' assessment, the parent company's equity meets the Norwegian Limited Liability Companies Act's capital adequacy requirements.

Consolidated financial statements

Not many people make an in-depth study of the notes to companies' annual financial statements. I would nevertheless like to draw your attention to the consolidated financial statement's Notes 1 to 9, which list all the Group's subsidiaries and associates – around 130 companies in total. If we had also made a list that included all the companies that these, in turn, had investments in, the figure would be far higher. Several of these companies have leading positions either globally or nationally. They have a decisive impact on local communities along large parts of the Norwegian coast. No one named, no one forgotten. This extensive pool of value-creating activity illustrates the ripple effect a globally leading aquaculture company can have. Other companies within the sector can point to much of the same. It is the result of hard and systematic work at all levels. It is not something that can be built in a government office, only in a free and open market where companies and entrepreneurs have the opportunity to compete and retain sufficient capital to invest and expand.

The consolidated financial statements show that companies in the Kvarv Group must pay NOK 2.6 billion in tax for 2022. The bulk of this comes from SalMar which, like the rest of the Norwegian aquaculture sector, is one of the country's largest taxpayers. In addition, Norwegian fish farmers must pay other taxes and levies, including the production tax and property taxes, not to mention the substantial sums our employees pay in tax. In other words, the aquaculture sector already contributed it full share to the public purse, even before the introduction of the ground rent tax on fish farming activity in Norway.

Our annual report provides a picture of a multifaceted sector underpinned by cornerstone companies, innovation and industrial activity along much of the Norwegian coast. All told, our companies in Norway employ more than 5,000 people, who work hard every day to meet our fundamental tenet that everything we do today must be done better than yesterday.

At the close of the year, the Kvarv Group still had a substantial capital base, but the underlying value of our investment in SalMar was materially reduced by the government's proposed ground rent tax on the aquaculture industry. At Kvarv AS, we wish to reserve as much as possible of the Group's funds for new investments and innovation that create added value and new jobs. The Norwegian wealth tax, which most OECD countries have abolished, has been a limiting factor for many years. Legally, the tax is part of the overall personal tax liability of the owners of assets living in Norway. In reality, it is a tax on corporations because it must be paid for via dividends distributed by the company to shareholders who, in consequence, are then required to pay dividend tax. Norway's competitiveness and capacity for innovation are materially weakened by the sharp hike in this peculiarly Norwegian tax over the past few years. The damaging effects on Norway have only been intensified by the emigration of numerous highly successful entrepreneurs.

Being one of the key players in Norway's marine industry cluster remains the Group's strategy. We still see considerable potential for industrial and financial value creation in sea-based food production. All our investments and shareholdings are underpinned by an ambition to achieve high ethical standards and sustainability at all levels.

Kvarv Group companies have a presence in a total of 15 countries. Most of our operating revenues are generated by group companies in Norway and Europe. In 2022, the Group's operating revenues totalled NOK 28.1 billion, compared with NOK 23.0 billion in 2021. The increase derives primarily from SalMar. Of the Group's operating revenues, SalMar accounts for NOK 20.2 billion, Insula NOK 6.7 billion and Scale Aquaculture NOK 2.7 billion (all figures before eliminations).

The Group made a net profit for the year of NOK 2.4 billion in 2022, compared with NOK 2.7 billion in 2021. In 2022, only NOK 0.6 billion is attributable to Kvarv AS, compared with NOK 1.6 billion in 2021. The decrease is due to Kverva's write-down of market-based shares in BeWi ASA and Benchmark PLC, among others.

The Group's total balance sheet increased substantially as a result of SalMar's acquisition of NTS, including the merger with NRS. As at 31 December 2022, the Group had a total balance of NOK 69.9 billion, compared with NOK 36.5 billion on the same date the year prior. This corresponds to an increase of NOK 33.4 billion. Frøy ASA accounts for NOK 11.3 billion of this increase.

Frøy ASA was classified as held-for-sale as at 31 December 2022 and has been divested in 2023.

Including its financing and investing activities, the Group's holding of cash and cash equivalents rose by NOK 1.2 billion in 2022. At the close of the year, the Group had NOK 3.0 billion in liquidity. The liquidity of the parent company and the Group is considered good.

Variations in the market price of fish, as well as the value of shares, exchange rates and interest rates may be defined as the Group's market risks. The Group considers its overall risk to be moderate, and the Group's position is considered good in relation to its robust equity and operational performance. The conditions necessary for continuing as a going concern are well established and we are proud of our contribution to society.

The company's development, results and continued operation

In the opinion of the Board of Directors, the annual financial statements provide a true and fair view of the entity's development and results, and its position as at 31 December 2022. The Board confirms that the conditions necessary for continuing as a going concern are in place and the preparation of the financial statements has been based on this assumption. No circumstances have occurred after the close of the reporting year that could have an impact on an assessment of the company's position.

Working enviroment

Providing employees with a safe workplace where they can develop their talents is important for the Group. The Group's companies are working well in the area of occupational health, safety and environment. Skilled employees are critical for success and efforts are made to offer professional development opportunities for managers and other personnel. Please consult the subsidiaries' annual reports for a more detailed description of the working environment and related incidents.

In the Board's opinion, the Group had a good working environment in 2022. The Group employed a total of 4,072 full-time equivalents (FTEs) in 2022, compared with 3,867 FTEs in 2021. At the close of the year, the workforce totalled 5,153 people. However, the number of FTEs is somewhat lower since our new colleagues from NTS, NRS and SalmoNor only joined the team towards the end of the year.

Sickness absence came to 4.8 per cent of the total number of hours worked in 2022, compared with 5.5 per cent in 2021.

A total of 76 lost-time injuries were reported in 2022. The Group's operative units strive to achieve a safe workplace with no lost-time injuries and the number of incidents in 2022 was somewhat high. A good reporting culture is important if improvement measures are to be implemented. We see an improvement in this area, which we expect will have a positive impact in the form of a reduction in the number of lost-time injuries.

Equality

The Group aims to be a workplace in which there is complete equality between men and women. It is the Group's policy that no gender-based discrimination shall occur. The Group's companies work actively and systematically to promote equality and prevent discrimination, in accordance with Section 26 of the Norwegian Equality and Anti-Discrimination Act. Please see the individual companies' annual reports for further details.

As at 31 December 2022, the Group employed 3,659 men and 1,494 women, compared with 2,934 men and 1,015 women in 2021.

Discrimination

Pursuant to Section 1 of the Norwegian Equality and Anti-Discrimination Act, the Group offers equal opportunities and rights to all employees, irrespective of origin, skin colour, language, religion or philosophy of life. The Group works actively to promote the purpose of the Act within the companies' different business areas. Workplaces and tasks are individually adjusted to accommodate employees or job applicants with reduced functional capacity.

SalMar's large processing plant in Frøya, InnovaMar, has employees from 23 different nations. The Group places great importance on integration and on making those of our employees with a different background feel welcome in their new country. Culture, sports, leisure pursuits and language tuition are important initiatives. Our strategy is to help people thrive and foster a sense of community across national borders. Cohesion and solidarity were clearly evident when Russia attacked Ukraine. Our employees raised a significant sum of money for humanitarian aid for the war-ravaged Ukrainian people SalMar and Kvarv followed up with monetary donations and food supplies. In March, with the crucial help of good contacts in Kyiv, SalMar donated 20 tonnes of salmon to people in need. The shipment corresponded to 160,000 portions.

External environment

That portion of the Group which operates under licensing provisions and permits operates in compliance with the prevailing regulations. These Group companies are intended to be pioneers in the development of a sustainable seafood sector. For details relating to companies that operate under specific licensing provisions and permits, please see SalMar ASA's annual report.

Research and development

The Group works closely with educational and research establishments in connection with research and development (R&D). The R&D activities conducted by the Group include methods to improve fish welfare, lice control and the utilisation of crab; obtaining new insights into sustainable feed production, increased efficiency at production facilities and better solutions for packing and transportation. The bulk of the capitalised development costs relate to the Group's efforts in the area of offshore aquaculture.

The Group's R&D activities are expected to provide earnings which will, over time, exceed the associated costs.

Norwegian Transparency Act

An account complying with the requirements of the Norwegian Transparency Act will be made available on the website www.kvarv.no.

Insurance

At the close of 2022, no Directors and Officers (D&O) insurance had been taken out for members of the parent company's board of directors with respect to their potential liability to the company or any third parties. The company expects to establish such an arrangement during 2023. The company does not have a CEO.

Financial risk and risk management

An important part of our corporate governance strategy has been the evaluation and selection of an overarching and practical risk management framework. An important premise for our choice of such a framework is that it should have clearly established parallels with the framework for our business strategy. Strategy and risk go hand in hand. Implementation is well underway in the parent company Kvarv AS, and we will continue working to provide training on and implementing the frameworks within the corporate structure. This is part of our culture. A shared overarching framework will make it easier for the Group to share knowledge and experience. It will also provide confidence that everyone has a good methodological foundation and that processes are sufficiently thorough.

Through 2022, the follow-up of internal controls relating to financial reporting has been carried out by means of the day-to-day supervision of the individual sub-group's management team, as well as through each sub-group's follow-up and established internal control functions.

Non-conformances and improvement points are followed up and corrective measures implemented. Financial risk is managed in each of the sub-groups and the use of financial hedging instruments is considered where appropriate.

Operational risk

Kvarv As's largest investment is the subsidiary Kverva AS, which invests primarily in companies engaged in the seafood sector and associated industries. The largest operational risks to which the Group is exposed therefore derive from developments in biological production and the framework conditions applicable in the aquaculture and pelagic sectors. By means of a specific strategy for managing this risk, collaboration with the public authorities, collaboration with other aquaculture companies and related industry experts, considerable emphasis is placed on control and follow-up in these areas.

Foreign exchange risk

Changes in foreign exchange rates constitute, both directly and indirectly, a financial risk for the Group because the Group operates internationally. Foreign exchange gains and assets denominated in foreign currencies are partially hedged by means of forward currency contracts. The Group's cost-related foreign exchange exposure is, however, limited in that both purchases of input factors and salaries are paid largely in NOK.
The Group's interest-bearing debt is largely in NOK.

Interest rate risk

The Group's borrowing portfolio is currently at floating rates of interest, which means that the Group is affected by changes in interest rates. Interest rate hedging is undertaken in some parts of the Group.

Price risk

Since the Group's largest investments relate to salmon, the Group is directly or indirectly affected by changes in the price of salmon. The Group's profitability and cash flows are intimately linked to developments in salmon prices. Historically, the price of salmon has been subject to extreme fluctuations, in both an annual, quarterly and monthly perspective. To some extent, the Group makes uses of fixed-price contracts in relation to the sale of salmon.

Credit risk

Historically, the risk of the Group's counterparties not being able to meet their financial obligations has been considered low. The Kvarv Group has experienced very little in the way of bad debts. However, the Group's industrial companies have, in periods of financial and economic turbulence in segments of the market, emphasised low-risk delivery terms and have focused on following up outstanding trade receivables.

The Group has no material credit risk linked to one single counterparty or multiple counterparties that may be considered a single group due to similarities in their credit risk. The Group has guidelines in place to ensure that sales are made only to customers who have not previously had material payment problems and that outstanding amounts do not exceed predetermined limits.

The bulk of the amounts receivable are covered by credit insurance.

Liquidity risk

Liquidity risk is the risk of the Group not being able to meet its financial obligations when they fall due. Liquidity risk is managed through the maintenance of a flexible financial structure which is secured through established credit facilities. The Group engages in active liquidity management and draws up ongoing cash flow forecasts to ensure that the Group always has sufficient liquidity.

The Group's objective is to have sufficient cash, cash equivalents or medium-term lines of credit to meet its day-to-day financing requirements. The Group's equity ratio and significant holding of liquid assets, combined with the prospect of future positive financial results and ongoing credit facilities, means that the liquidity risk is considered low.

Future development

Without a dream – and belief – we would not be where we are today. Without dreams, the spark dies. An important milestone was reached when SalMar became the world's second largest producer of farmed salmon following the incorporation of NRS and SalmoNor into our industrial family. Our shared ambition is to reach the same heights as Casper Ruud when he plays tennis, or Erling Braut Haaland on the football pitch. Our sporting heroes are cheered on by a whole nation. Perhaps business practitioners will one day be similarly cheered on when they achieve success in the competitive international arena. In the past year, in any case, SalMar has taken a huge step towards reinforcing its position in the Champions League of global food producers.

2022 was also affected by severe inflationary pressure in the global economy. This was the result of several coincidental events and prompted central banks to substantially raise the key interest rate in response. Pre-pandemic measures intended to cool down a booming economy were suddenly thrown into reverse as substantial amounts of public money were channelled into stimulus packages during the pandemic. This resulted in a general upswing in global demand for many goods. At the same time, tight raw materials markets prompted a widespread and steep rise in global prices. The consequent inflationary pressure will fuel the wage inflation that is already being driven by tight labour markets. The concern is therefore that we will see a spiral of wage and price inflation that the central banks fail to get under control and must therefore continue to raise key rates higher and higher.

The Kvarv Group, as previously mentioned, is heavily exposed to the salmon farming sector through the listed company SalMar ASA. Norwegian aquaculture has also been significantly affected by a sharp rise in costs, which has been materially magnified by a weak NOK. Production growth has been moderate, which has in turn made it difficult to realise the benefits of increased efficiency. The fact that the salmon market has held strong on the back of low supply-side growth and inflationary pressures is poor consolation. The Group's operational challenges are, however, cast into the shade by the government's proposed introduction of a ground rent tax on the Norwegian aquaculture industry. In this, the government has elected to prioritise short-term, extreme taxation ahead of innovation and the sustainable development of aquaculture and industry along the Norwegian coast. This will undermine industrial development and put jobs, which are inherently sustainable, at risk. The Kvarv Group has, through multiple channels and in the strongest of terms, cautioned against the introduction of the ground rent tax on Norwegian aquaculture, which, in our view, will lead to lost opportunities for Norway. Norway has what it takes to remain a world leader in the further development of aquaculture in a global perspective, provided that development is sustainable, and the Norwegian authorities provide competitive framework conditions.

Considerable macroeconomic uncertainty, combined with a tense political and security situation between east and west, paints an unclear backdrop. At a time when resources are in short supply and the inflationary pressure is high, the marine sector is, in principle, well equipped to supply the global markets with healthy seafood. Safeguarding the opportunities afforded by marine resources and providing a still growing global population with efficiently produced protein has rarely been more important than now.

The Kvarv Group's businesses are exposed to the normal framework conditions within the fisheries and aquaculture sectors. Trade barriers, regulation of the salmon farming industry and a generally strong focus on food safety are material factors. In the Group's overall assessment, the companies in which it invests are well placed for the future. However, the Board of Directors points out that uncertainty normally attaches to any assessment of future conditions.

The Group has a strong financial position and sees interesting opportunities in 2023 and beyond. From the Board's view, both the parent company and the Group will be well equipped to meet both the potential challenges and opportunities they face, despite the weakened development capacity inflicted on the entire Norwegian sector of the aquaculture industry by the imposition of the ground rent tax.

Kverva, 30 June
2023

Gustav Witzøe
Board Chair

INCOME STATEMENT FOR KVARV AS

(Amounts in NOK '000)

OPERATING REVENUES AND EXPENSES	NOTE	PARENT COMPANY 2022	PARENT COMPANY 2021	NOTE	GROUP 2022	GROUP 2021
Operating revenues						
Sales revenues		402	0	2	27,880,687	22,436,634
Other operating revenues		0	0	3	180,737	497,959
Total operating revenues		**402**	**0**		**28,061,423**	**22,934,593**
Operating expenses						
Cost of goods sold		0	0		15,199,124	13,043,674
Payroll costs	2	21,062	14,877	4, 5	3,181,387	2,834,011
Depreciation of PP&E and amortisation of intangible assets	3	201	86	6, 7	1,157,349	966,910
Impairment of PP&E and intangible assets		0	0	6, 7	116,418	73,330
Other operating costs	2	13,522	6,327	3, 4, 8	4,439,421	3,551,290
Total operating expenses		**34,786**	**21,290**		**24,093,700**	**20,469,215**
Operating profit/loss		**(34,384)**	**(21,290)**		**3,967,723**	**2,465,377**
FINANCIAL INCOME AND EXPENSES						
Finance income						
Income from investments in subsidiaries	4	512,000	467,000		0	0
Income from investments in associates and joint ventures		0	0	9	495,818	315,637
Change in value of financial instruments measured at fair value		0	0	10	-1,059,655	607,098
Other interest income		1,839	617		84,964	27,992
Other financial income		0	0		585,559	289,580
Total financial income		**513,839**	**467,617**		**106,686**	**1,240,306**
Finance expenses						
Impairment of financial assets	4	18,643	112,200		13,294	6,879
Interest paid to group companies		0	2,155		0	0
Other interest expenses		11,114	195		499,073	229,519
Other financial expenses		8	0		297,979	263,996
Total financial expenses		**29,765**	**114,549**		**810,346**	**500,394**
Net financial items		**484,074**	**353,069**		**-703,660**	**739,912**
Net profit for the year from ongoing operations		**449,690**	**331,778**		**3,264,063**	**3,205,289**
Tax expense	5	(9,136)	(4,843)	11	838,284	512,477
Net profit for the year from ongoing operations		**458,826**	**336,621**		**2,425,780**	**2,692,813**
Net profit from operations being divested		0	0	23	21,351	0
NET PROFIT FOR THE YEAR		458,826	336,621		2,447,131	2,692,813
TRANSFERS AND ALLOCATIONS						
Transfers to other equity	6	458,826	336,621		0	0
Total transfers and allocations		**458,826**	**336,621**		**0**	**0**
Non-controlling interests' share of the year's net profit		0	0	16	1,893,528	1,051,239

BALANCE SHEET FOR KVARV AS

(Amounts in NOK '000)

ASSETS	NOTE	PARENT COMPANY 31.12.2022	PARENT COMPANY 31.12.2021	NOTE	GROUP 31.12.2022	GROUP 31.12.2021
Non-current assets						
Intangible assets Licences						
Licences		0	0	6, 19	14,851,110	7,408,112
Trademark		0	0	6	253,491	227,337
Development costs		0	0	6	454,983	333,973
Other intangible assets		0	0	6	270,897	339,869
Goodwill		0	0	6	1 946,659	569,404
Deferred tax assets	5	29,311	20,175	11	375,278	0
Total intangible assets		**29,311**	**20,175**		**18,152,418**	**8,878,694**
Property, plant & equipment						
Land, buildings and other real propert		0	0		6,147,172	4,781,189
Machinery and equipment		0	0		5,468,496	2,492,690
Vessels, rigs and aircraft		0	0		1,474,284	1,183,110
Operating consumables, fixtures & fittings, etc.		0	0		132,881	478,587
Facilities under construction	3	19,718	18,825		281,138	0
Total property, plant & equipment		**19,718**	**18,825**	7, 19	**13,503,972**	**8,935,576**
Non-current financial assets						
Investments in subsidiaries	4	1,740,284	1,616,365		0	0
Investments in associates		0	0	8	4,255,483	2,829,331
Investments in shares and securities	7	10,000	1,000		55,341	42,455
Loans to associates and joint ventures		0	0	12	12,469	67,955
Financial instruments		0	0		250,604	0
Other long-term recievables	8	53,307	10,371	12	339,410	201,578
		1,803,591	**1,627,737**		**4,913,306**	**3,141,588**
Total non-current financial assets		**1,852,620**	**1,666,737**		**36,569,696**	**20,955,859**
Current assets						
Inventory		0	0	13, 19	11,121,233	6,507,140
Receivables						
Trade receivables		502	0		2,125,050	1,836,320
Receivables in the consolidated financial statements	9, 10	31,904	291		0	0
Other receivables		0	3,574		941,104	613,192
Total receivables		**32,405**	**3,866**	19	**3,066,155**	**2,449,512**
Investments						
Market-based shares		0	0	10	4,846,627	3,613,915
Other market-based financial instruments		0	0	10	0	855,949
Other financial instruments		0	0		1,391	329,324
Total investments		**0**	**0**		**4,848,018**	**4,799,188**
Bank deposits, cash and cash equivalents	11	2,504	7,009	14	2,958,937	1,792,777
Total current assets		**34,910**	**10,874**		**21,994,343**	**15,548,618**
Assets held for sale		0	0	23	11,318,281	0
TOTAL ASSETS		1,887,530	1,677,611		69,882,320	36,504,477

BALANCE SHEET FOR KVARV AS

(Amounts in NOK '000)

EQUITY AND LIABILITIES	PARENT COMPANY NOTE	PARENT COMPANY 31.12.2022	PARENT COMPANY 31.12.2021	GROUP NOTE	GROUP 31.12.2022	GROUP 31.12.2021
Equity						
Paid-in-equity						
Share capital	12	279	279	15	279	279
Approved but not registered capital increase		359,721	0		359,721	0
Share premium		6	6		6	6
Total paid-in-equity		**360,006**	**285**		**360,006**	**285**
Retained earnings						
Other equity		1 143,155	684,329		14,827,262	12,420,652
Total retained earnings		**1,143,155**	**684,614**		**14,827,262**	**12,420,652**
Minority interests		0	0		12,943,069	7,053,934
Total equity	6	**1,503,161**	**684,614**	16	**28,130,337**	**19,474,870**
Liabilities						
Provisions						
Pension liabilities		0	0	5	20,132	0
Deferred tax		0	0	11	0	871,786
Other provisions		0	0	17	75,711	92,204
Sum avsetninger for forpliktelser		0	0		**95,843**	**963,990**
Other non-current liabilities						
Debt to credit institutions		0	0	18	20,374,193	7,119,896
Other long-term debt		0	0	18	11,314	498,759
Long-term lease liabilities		0	0	18	1,071,017	0
Total other non-current liabilities		0	0		**21,456,524**	**7,618,655**
Current liabilities						
Other financial liabilities		0	0		26,924	26,107
Debt to credit institutions		0	0		3,903,832	658,116
Short-term lease liabilities		0	0		13,618	0
Trade payables		518	214		3,901,605	2,940,538
Tax payable		0	0	11	2,618,673	546,802
Public charges payable		1,310	726		520,833	415,315
Devided		0	0		1,495,574	1,201,876
Current liabilities to group companies	9, 10	126,500	0		0	0
Other current liabilities	10	256,041	992,057		2,153,906	2,658,207
Total current liabilities		**384,368**	**992,997**		**14,634,964**	**8,446,962**
Liabilities relating to assets held for sale		0	0	23	5,564,652	0
Total liabilities		**384,368**	**992,977**		**41,751,983**	**17,029,606**
TOTAL EQUITY AND LIABILITIES		**1,887,530**	**1,677,611**		**69,882,320**	**36,504,477**

Kverva, 30 June
2023

Gustav Witzøe
Styrets leder

STATEMENT OF CASH FLOWS FOR KVARV AS

(Amounts in NOK '000)

CASH FLOW FROM OPERATING ACTIVITIES	PARENT COMPANY NOTE	PARENT COMPANY 2022	PARENT COMPANY 2021	GROUP NOTE	GROUP 2022	GROUP 2021
Net profit for the year from ongoing operations		449,690	331,778		3,264,063	3,205,289
Net profit for the year from businesses held for sale		0	0	23	91,098	0
Tax paid in the period		0	0	11	-559,664	-557,649
Ordinary depreciation and impairment of non-current assets	4	18,844	112,286	6, 7	1,287,061	1,040,240
Profit/loss from associates and joint ventures		0	0	8	-333,338	-315,637
Loss/gain on the sale of non-current assets		0	0	6, 7	-275,371	-207,920
Change in value of financial instruments		0	0	10	1,059,655	-607,098
Share-based payments in subsidiaries		0	0		54,267	0
Change in inventory		0	0		-1,377,204	-157,326
Change in trade receivables		-502	0		109,756	-552,798
Change in trade payables		304	51		-279,169	376,007
Change in other vurrent assets and other liabilities		908	270		1,046,088	355,763
Cash flow from operating activities in businesses held for sale		0	0	23	15,612	0
Net cash flow from operating activities		**469,244**	**324,385**		**4,102,855**	**2,578,872**
CASH FLOW FROM INVESTING ACTIVITIES						
Payments for the purchase of intangible assets		0	0	6	-253,423	-172,609
Receipts from the sale of intangible assets		0	0	6	0	3,086
Payments for the purchase of PP&E	3	-1,094	-300	7	-2,458,096	-2,368,230
Receipts from the sale of PP&E		0	0	7	120,690	64,852
Payments for the purchase of businesses	4	-25,061	-120,000	6, 7, 23	-2,293,344	-312,248
Receipts from the sale of businesses		0	0	6, 7	2,000,686	386,508
Change in intra-group balances		-31,612	75		0	0
Change in other cnon-urrent financial assets		0	0		-417,157	-313,546
Change in other current financial assets		-39,361	40,825		-1,021,158	188,944
Change in other investing activities		0	0		0	-93,193
Cash flow from investing activities in businesses held for sale		0	0	23	-79,927	0
Net cash flow from investing activities		**-97,129**	**40,600**		**-4,401,729**	**-2,616,436**
CASH FLOW FROM FINANCING ACTIVITIES						
Receipts from new long-term borrowings		0	0		12,555,664	5,163,594
Repayment of long-term debt		0	0		-5,424,278	-4,804,935
Net change in overdraft		0	0		-3,742,052	-1,222,992
Leases		0	0		-310,775	0
Receipts of paid-in equity		0	0	16	12,590	3,056,903
Dividend payments		0	0	16	-1,220,523	-1,135,067
Payments to shareholders		-376,620	-385,134		-376,620	-385,134
Other financing activities		0	0		0	-112,538
Cash flow from financing activities in businesses held for sale		0	0	23	-77,494	0
Net cash flow from financing activities		**-376,620**	**-385,134**		**1,416,512**	**559,831**
Net change in bank deposits, cash and cash equivalents		-4,505	-20,148		1,117,638	522,267
Effect of changes in exchange rates on bank deposits, cash and cash equivalents		0	0		-2,189	0
Bank deposits, cash and cash equivalents as at 1 Jan		7,009	27,157		1,792,777	1 270,507
Bank deposits, cash and cash equivalents from businesses held for sale as at 1 Jan		0	0		369,416	0
Bank deposits, cash and cash equivalents 31 Dec		**2,504**	**7,009**		**3,277,642**	**1,792,777**
Of this, bank deposits, cash and cash equivalents from businesses held for sale as at 31 Dec		0	0		318,705	0
Bank deposits, cash and cash equivalents as at 31 Dec, excluding businesses held for sale		**0**	**0**		**2,958,937**	**1,792,777**

Kvarv AS

Notes to the financial statements

Note 1 Accounting policies

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway.

Kvarv AS has a statutory obligation to prepare consolidated financial statements and a set of consolidated financial statements has been prepared for the 2022 reporting year.

Operating revenues
Income from the sale of services is recognised when it is earned, in other words when a claim for payment of consideration arises. This occurs when the service is provided, as and when the work is performed.

Assessment and classification of assets and liabilities Assets intended for permanent ownership or use are classified as non-current assets.
Other assets are classified as current assets. Receivables due for payment in less than one year are classified as current assets. The classification of current and non-current liabilities resets on equivalent criteria.

Non-current assets are valued at acquisition cost less a deduction for systematic depreciation. If the recoverable amount of a non-current asset is less than its book value and the impairment is not expected to be temporary, the asset is written down to the recoverable amount. Non-current assets with a finite economic life are depreciated systematically.

Current assets are valued at the lower of acquisition cost and fair value.

Other non-current and current liabilities are valued at their nominal amount.

Property, plant and equipment
Items of property, plant and equipment (PP&E) are recognised in the balance sheet at acquisition cost less a deduction for accumulated depreciation and impairment. When assets are sold or divested, their book value is derecognised and any loss or gain recognised in profit and loss.

Ordinary depreciation is performed from the date on which the operating asset goes into normal operation and is calculated on the basis of the operating asset's economic life. Depreciation is performed in a straight line over the asset's expected economic life.

The need to write down the asset's book value is assessed when the situation or circumstances indicate that the value cannot be recovered. If the recoverable amount of an item of PP&E is less than its book value and the impairment is not expected to be temporary, the asset is written down to the recoverable amount. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of future cash flows that the asset will generate.

Investments in subsidiaries
Subsidiaries are recognised in accordance with the cost method in the parent company's financial statements. The investment is valued at the acquisition cost of the shares less a minor write-down if necessary. A write-down to fair value is performed when the impairment cannot be expected to be temporary and such a write-down must be deemed necessary in accordance with good accounting practice.
Dividends and group contributions received from subsidiaries are recognised in the income statement under other financial income.

Other shares classified as non-current assets
Shares in companies over which the company has significant influence are valued in accordance with the cost method. Investments are written down to fair value in the event of an impairment that is not expected to be temporary.
Dividends received from such companies are recognised in the income statement under other financial income.

Receivables
Other receivables are recognised in the balance sheet at their nominal value less a provision for expected bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

Tax
The tax expense is matched against the recognised profit/loss before tax. The tax expense comprises tax payable (the tax on the year's direct taxable income) and any change in net deferred tax. Deferred tax in the balance sheet is a nominal amount, calculated on the basis of temporary differences between the carrying amounts for accounting and tax purposes, as well as any tax losses carried forward at the close of the reporting year.
Deferred tax assets are recognised in the balance sheet when it is probable that a future taxable income will make it possible to utilise the asset.

Bank deposits, cash and cash equivalents
Bank deposits, cash and cash equivalents include cash, bank deposits and other means of payment which fall due less than three months after their acquisition.

Statement of cash flows
The statement of cash flows has been prepared in accordance with the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term liquid investments.

All figures in the Notes are stated in whole thousands unless otherwise specified.

Note 2 Payroll costs, no. of employees, remunerations, loans to employees, etc.

Payroll costs

	2022	2021
Salaries	18,672	13,594
Employer's National Insurance Contributions (NICs)	2,806	1,084
Pension costs	480	138
Other benefits	10	61
Total	**21,968**	**14,877**

No. of full-time equivalents (FTEs) employed during the reporting year	4	4

Pension
The company has a statutory obligation to provide an occupational pension scheme pursuant to the Norwegian Mandatory Occupational Pensions Act. The company's pension schemes meet the requirements of this Act. As of 31 December 2022, three employees were covered by the company's pension scheme.

Benefits paid to senior company officers and members of the Board of Directors
During the year, no benefits were paid to board members.
No loans or securities were provided to employees or board members.

Auditor
The fees paid to the auditor break down as follows: (The fees are stated inclusive of VAT.)

	2022	2021
Statutory audit	739	809
Tax advisory services	891	83
Other assistance	53	1,209
Total	**2,101**	**2 101**

Note 3 Property, plant and equipment

	Fixtures and fittings and office equipment	Art	Total
Acquisition cost 1 Jan	507	18,500	19,007
Additions	1,094	0	1,094
Acquisition cost 31 Dec	1,601	18,500	20,101
Accumulated depreciation 1 Jan	-182	0	-182
Year's depreciation	-201	0	-201
Accumulated depreciation 31 Dec	-383	0	-383
Book value as at 31 Dec	**1,218**	**18,500**	**19,718**
Economic life	3 years	Perpetual	
Depreciation plan	Straight line	Not depreciated	

Note 4 Subsidiaries

Company	Registered office	Voting share/ shareholding	Profit/loss 2022	Equity 31.12.22	Book value
Kverva AS	Kverva	93,02%	258,604	2,966,619	1,624,457
Forward Project AS	Kverva	100,00%	-18,589	99,210	99,200
Kvarv Properties AS	Kverva	100,00%	-4	-4	43
Kvarv Assets AS	Kverva	100,00%	4,627	76	16,543
Kvarv Services AS	Kverva	100,00%	-66	-66	0
Kvema AS	Kverva	100,00%	105,205	98,810	43
Total					**1,740,284**

Acquisition cost comprises the cash consideration, purchasing expenses and group contributions paid. The book value is acquisition cost adjusted for impairment.

In 2022, the value of shares was written down by NOK 35.1 million, as a result of a reduction in recognised equity.

Note 5 Tax expense

The year's tax expense breaks down as follows:	2022	2021
Tax payable	0	0
Change in deferred tax	-9,136	-4,843
Tax on ordinary profit/loss	**-9,136**	**-4,843**

Calculation of the year's tax base	2022	2021
Profit/loss before tax	449,690	331,778
Permanent differences	-491,218	-353,792
Change in temporary differences	-204	-18
Change in tax loss carryforwards	41,733	22,032
Year's tax base	**0**	**0**

Breakdown of temporary differences	2022	2021
Operating assets	227	23
Other provisions	-1,992	-1,992
Tax losses carried forward	-131,466	-89,734
Total temporary differences	-133,231	-91,703
Deferred tax liability (+) / asset (-) *	**-29,311**	**-20,175**

The net deferred tax asset is recognised in the balance sheet since it is expected to be usable.

Note 5

Reconciliation from nominal to actual tax rate	2022	2021
Profit/loss before tax	449,690	331,778
Expected income tax at the nominal tax rate (22%)	98,932	72,991
Permanent differences (nominal tax rate)	-108,068	-77,834
Other changes	-1	-1
Calculated tax expense	-9,136	-4,843
Effective tax rate	-2%	-1%

Note 6 Equity

Equity	Share capital	Unregistered change in capital	Share premium	Other equity	Total equity
Equity 1 Jan	279	0	6	684,329	684,614
Debt-to-equity swap	0	359,721	0	0	359,721
Net profit for the year	0	0	0	458,826	458,826
Equity 31 Dec	**279**	**359,721**	**6**	**1,143,155**	**1,503,161**

The debt-to-equity swap was approved at an EGM on 30 November 2022

Registered in the Brønnøysund Register of Business Enterprises on 18 January 2023.

Note 7 Other non-current shareholdings

Shares in other companies	Registered office	Voting share/ shareholding	Book value 2022	Book value 2021
Blått Kompetansesenter AS	Sistranda	18.38%	1,000	1,000
Trøndelagsstiftelsen	Trondheim	40.91%	9,000	0
Total			**10,000**	**1,000**

Note 8 Receivables falling due in more than one year

Payroll costs

Payroll costs	2022	2021
Other receivables	53,307	10,371
Total	**53,307**	**10,371**

Note 9 Intra-group balances, etc.

		Other current receivables	
		2022	2021
Kverva AS	Subsidiary	229	291
Forward Project AS	Subsidiary	13,563	0
Kvarv Properties AS	Subsidiary	14,924	0
Kvarv Services AS	Subsidiary	1,549	0
LeppAir AS	Subsidiary's subsidiary	1,438	0
Digital Collective AS	Subsidiary's subsidiary	202	0
Total		**31,904**	**291**

			Other current liabilities	
			2022	2021
Forward Project AS	Subsidiary	Group contribution	110,000	0
Kvarv Services AS	Subsidiary	Group contribution	16,500	0
Total			**126,500**	**0**

Note 10 Details of related parties

Transactions with related parties:

Related party	Type of transaction	Interest expense/Group contribution	Balance
Shareholder	Size of balance	11,099	-254,512
Subsidiary	Group contribution received	467,000	0
Subsidiary	Group contribution paid	126,500	0

Note 11 Bank deposits

As at 31 December 2922, the item "Bank deposits, cash and cash equivalents" included restricted tax withholdings. Restricted tax withholdings amounted to NOK 876,000 as at 31 December 2022 and NOK 525,000 as 31 December 2021.

Note 12 Share capital and shareholder information

As of 31 December 2022, the company's share capital comprised:

	No.	Nominal value	Book value
A-shares	50	69.77	3
B-shares	3,950	69.77	276
Total	**4,000**		**279**

Ownership structure
The company's shareholders as at 31 December 2022:

	A-shares	B-shares	Shareholding	Voting share
Gustav Witzøe - Board Chair	40	0	1%	80%
Gustav Magnar Witzøe	9	3,871	97%	18%
Thomas Johan Jessen	1	79	2%	2%
Total no. of shares	**50**	**3,950**	**100%**	**100%**

Kvarv AS

Notes to the consolidated financial statements

Note 1 Accounting policies

The annual consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway.

Principles for consolidation
The consolidated financial statements include Kvarv AS and those subsidiaries over which Kvarv AS has a deciding influence as a result of legal or actual control. The consolidated financial statements show the overall financial results and the overall financial position of the parent company Kvarv AS and those entities over which Kvarv AS has direct or indirect control. Kvarv has control over an investment when Kvarv has the power to steer a company's financial and operational policies for the purpose of obtaining benefits from the company's activities.

Non-controlling interests in subsidiaries are shown as part of equity, but separate from the equity attributable to the shareholders of Kvarv AS.

Subsidiaries are consolidated with effect from the date on which the Group gains control and stop being consolidated when control is ceded. Any change in a shareholding in a subsidiary that does not result in any change in control is recognised as an equity transaction. The difference between the consideration paid and the recognised value of non-controlling interests is recognised directly in equity and attributed to the shareholders of Kvarv AS. When control is ceded, the subsidiary's assets, liabilities, non-controlling interests and, if relevant, accumulated translation differences are derecognised. Any remaining shareholding when control is ceded is measured at fair value and any gain or loss recognised correspondingly in equity.

Intra-group transactions, balances and unrealised profits are eliminated. Subsidiaries' financial statements are restated when necessary to comply with the Group's accounting policies.

Shares in subsidiaries are eliminated from the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are assessed at fair value on the acquisition date and any excess value beyond this classified as goodwill. For partly owned companies, only Kvarv AS's share of goodwill is included in the balance sheet. Deferred tax is recognised in the balance sheet to the extent that identifiable excess values are attributable to assets and liabilities that result in a higher or lower amount of tax payable when these differences are reversed in future periods. Deferred tax is recognised in the balance sheet and calculated using a nominal tax rate, without discounting.

In connection with the stepwise purchase of shares, the value of the assets and liabilities is that in effect on the date consolidation was triggered. Any subsequent purchase of shareholdings in existing subsidiaries will not affect the valuation of assets or liabilities, apart from goodwill, which is calculated for each purchase. In such cases, changes in the value of identifiable assets and liabilities are recognised in the controlling interest's equity.

In the consolidated financial statements, investments in companies over which the Group has considerable influence (joint ventures or associates) are treated in accordance with the equity method. Considerable influence normally exists when the Group owns 20-50 per cent of the voting capital. The Group's share of the investee's profit/loss is calculated on the basis of that company's net profit/loss less a deduction for internal gains and any depreciation of excess values that may be due to the cost price of the shares being higher than the acquired share of capitalised equity. In the income statement, the share of profit/loss is shown under financial items. In the balance sheet, the assets are recognised under non-current financial assets. The accounting policies for joint ventures and associates are amended where necessary to safeguard consistency with the policies used in the Group.

The consolidated financial statements for 2022 comprise the following subsidiaries:

Company	Owner	Country	Office	Shareholding 31.12.2022	Voting share 31.12.2022
Kvema AS	Kvarv AS	Norway	Kverva	100.00%	100.00%
Kvarv Properties AS	Kvarv AS	Norway	Kverva	100.00%	100.00%
Kvarv Assets AS	Kvarv AS	Norway	Kverva	100.00%	100.00%
Kvarv Services AS	Kvarv AS	Norway	Kverva	100.00%	100.00%
Leppair AS	Kvarv Services AS	Norway	Kverva	100.00%	100.00%
Forward Project AS	Kvarv AS	Norway	Kverva	100.00%	100.00%
Digital Collective AS	Forward Project AS	Norway	Kverva	100.00%	100.00%
Future Initiative AS	Forward Project AS	Norway	Kverva	100.00%	100.00%
Kverva AS	Kvarv AS	Norway	Kverva	93.13%	98.29%
Kverva Finans AS	Kverva AS	Norway	Kverva	100.00%	100.00%
Kverva Industrier AS	Kverva AS	Norway	Kverva	100.00%	100.00%
Friedrich Wilhelm Lübbert GmbH & Co KG	Kverva Industrier AS	Germany	Bremerhaven	45.00%	45.00%
Ytterskaget AS	Kverva Industrier AS	Norway	Kverva	100.00%	100.00%
Kverva Eiendom AS	Kverva Industrier AS	Norway	Kverva	100.00%	100.00%
Nutrimar Holding AS	Kverva Industrier AS	Norway	Trondheim	96.49%	96.49%
Nutrimar AS	Nutrimar Holding AS	Norway	Kverva	100.00%	100.00%
Nutrimar Harvest AS	Nutrimar Harvest AS	Norway	Kverva	100.00%	100.00%
Kvefi AS	Kverva Industrier AS	Norway	Trondheim	73.37%	73.37%
Insula AS	Kverva Industrier AS	Norway	Leknes	97.14%	97.14%
Lofotprodukt AS	Insula AS	Norway	Oslo	100.00%	100.00%
Fiskecentralen AS	Insula AS	Norway	Oslo	100.00%	100.00%
Keco Logistics AS	Fiskecentralen AS	Norway	Oslo	100.00%	100.00%
Anders Nilsen AS	Fiskecentralen AS	Norway	Oslo	100.00%	100.00%
Marenor AB	Insula AS	Sweden	Kungshamn	100.00%	100.00%
Marenor Norge AS	Marenor AB	Norway	Leknes	100.00%	100.00%
Marenor Varberg AB	Marenor AB	Sweden	Varberg	100.00%	100.00%
Tobø Fisk AS	Insula AS	Norway	Havøysund	100.00%	100.00%
Havøysund Egnesentral AS	Tobø Fisk AS	Norway	Havøysund	100.00%	100.00%
Frøya Salmon AS	Insula AS	Norway	Leknes	100.00%	100.00%
Sjøfrisk Norge AS	Insula AS	Norway	Leknes	100.00%	100.00%
Insula Produksjon AS	Insula AS	Norway	Leknes	100.00%	100.00%
First Seafood AS	Insula AS	Norway	Oslo	90.10%	90.10%
Båtfjordbruket AS	Insula AS	Norway	Båtsfjord	100.00%	100.00%
Merdedrift AS	Båtfjordbruket AS	Norway	Båtsfjord	100.00%	100.00%
Vardøbruket AS	Insula AS	Norway	Vardø	100.00%	100.00%
Nordic Group AS	Insula AS	Norway	Trondheim	100.00%	100.00%
Maritim Food Sweden AB	Insula AS	Sweden	Dingle	100.00%	100.00%
Maritim Food AS	Insula AS	Norway	Fredrikstad	100.00%	100.00%
Escamar Seafood OY	Insula AS	Finland	Kuopio	100.00%	100.00%
Amanda Seafoods A/S	Insula AS	Denmark	Fredrikshavn	100.00%	100.00%
Insula Hvide Sande AS	Amanda Seafoods A/S	Denmark	Hvide Sande	100.00%	100.00%
Insula Hanstholm AS	Amanda Seafoods A/S	Denmark	Hanstholm	100.00%	100.00%
Fiskeriet Sverige AB	Insula AS	Sweden	Stockholm	100.00%	100.00%
Conchilia AS	Insula AS/Kverva Industrier AS	Norway	Hitra	45%/33%	45%/33%
Seashell AS	Conchilia AS	Norway	Frøya	70.00%	70.00%
Teknofangst (tidligere Vikna Mat) AS	Conchilia AS	Norway	Hitra	100.00%	100.00%
HitraMat AS	Conchilia AS	Norway	Hitra	100.00%	100.00%
Titran Canning Co AS	HitraMat AS	Norway	Hitra	100.00%	100.00%
Åkra Sjømat	Conchilia AS	Norway	Karmøy	81.00%	81.00%
HitraMat Eiendom AS	Seashell AS	Norway	Hitra	100.00%	100.00%
SalMar ASA	Kverva Industrier AS	Norway	Kverva	41.29%	45.59%
SalMar Oppdrett AS	SalMar Farming AS	Norway	Kverva	100.00%	100.00%
SalMar Settefisk AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
SalMar Smolt AS	SalMar Settefisk AS	Norway	Kverva	100.00%	100.00%
SalMar Farming AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Hitramat Farming AS	SalMar ASA	Norway	Kverva	51.00%	51.00%
Nekton Havbruk AS	SalMar Farming AS	Norway	Kverva	51.00%	51.00%
Refsnes Laks AS*	SalMar Farming AS	Norway	Kverva	45.00%	45.00%
SalMar Aker Ocean AS	SalMar ASA	Norway	Kverva	85.00%	85.00%
Ocean Farming AS	SalMar Aker Ocean AS	Norway	Kverva	85.00%	85.00%
Mariculture AS	SalMar Aker Ocean AS	Norway	Kverva	85.00%	85.00%
NTS ASA	SalMar ASA	Norway	Rørvik	92.93%	92.93%
NRS Farming AS	SalMar ASA	Norway	Alta	100.00%	100.00%
NorSeafood AS	SalMar ASA	Norway	Botnhamn	82.49%	82.49%
Arctic Offshore Farming AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Salmotech AS	Salmonor AS	Norway	Bodø	100.00%	100.00%
Salmonor AS	NRS Farming AS	Norway	Rørvik	100.00%	100.00%
Salmonor Settefisk AS	Salmonor AS	Norway	Naustbukta	100.00%	100.00%
Osan Settefisk AS	Salmonor AS	Norway	Kolvereid	66.00%	66.00%
MNH Rederi AS	Salmonor AS	Norway	Rørvik	100.00%	100.00%
SalmoSea AS	Salmonor AS	Norway	Rørvik	74.31%	74.31%
Icelandic Salmon AS	SalMar ASA	Norway	Kverva	51.02%	51.02%
Arnarlax Ehf	Icelandic Salmon AS	Iceland	Bildudalur	51.02%	51.02%
Icelandic Salmon Ehf	Arnarlax Ehf	Iceland	Talknafjørdur	51.02%	51.02%
Fjallalax Ehf	Arnarlax Ehf	Iceland	Bildudalur	51.02%	51.02%
Eldisstødin Isthor hf	Arnarlax Ehf	Iceland	Thorlakshøfn	51.02%	51.02%
SalMar AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Vikenco AS	SalMar AS	Norway	Aukra	51.00%	51.00%
SalMar Japan KK	SalMar AS	Japan	Japan	100.00%	100.00%
SalMar Singapore PTE Ltd.	SalMar AS	Singapore	Singapore	100.00%	100.00%
SalMar Vietnam Co., Ltd	SalMar AS	Vietnam	Ho Chi Minh City	100.00%	100.00%
SalMar-Tunet AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Kve-en AS	Kverva Industrier AS	Norway	Kverva	100.00%	100.00%
Scale Aquaculture Group AS	Kve-en AS	Norway	Kverva	90.10%	90.10%
Moen Marin AS	Scale Aquaculture Group AS	Norway	Kolvereid	100.00%	100.00%
Scale Aquaculture Rental AS	Scale Aquaculture Group AS	Norway	Frøya	100.00%	100.00%
Scale Aquaculture AS	Scale Aquaculture Group AS	Norway	Frøya	100.00%	100.00%
Aqualine Chile LTD	Scale Aquaculture AS	Chile	Puerto Varas	100.00%	100.00%
Aqualine Australasia Pty Ltd.	Scale Aquaculture AS	Australia	Tasmania	100.00%	100.00%
Aqualine AS	Scale Aquaculture AS	Norway	Frøya	100.00%	100.00%
Steinsvik Chile Holding AS	Scale Aquaculture AS	Chile	Puerto Varas	100.00%	100.00%
ScaleAQ Chile SPA	Scale AQ Chile Holding AS /Scale Aquaculture AS	Chile	Puerto Varas	96%/4%	96%/4%
Scale Aquaculture North America Inc.	Scale Aquaculture AS	Canada	Campel River	100.00%	100.00%
Scale AQ Oceania Pty Ltd	Scale Aquaculture AS	Australia	Huonville	100.00%	100.00%
Scale Aquaculture UK LTD	Scale Aquaculture AS	Scotland	Fort William	100.00%	100.00%
Steinsvik Iceland ehf	Scale Aquaculture AS	Iceland	Hafnarfjördur	100.00%	100.00%
Steinsvik Polen Sp z.o.o	Scale Aquaculture AS	Poland	Gdynia	100.00%	100.00%
PanLogica Pty Ltd	Scale Aquaculture AS	Australia	Tasmania	100.00%	100.00%
Steinsvik Group AS	Scale Aquaculture Group AS	Norway	Tysvær	100.00%	100.00%
ScaleAQ Co Ltd	Steinsvik Group AS	Vietnam	Cam Lam	100.00%	100.00%
Steinsvik AS	Steinsvik Group AS	Norway	Tysvær	100.00%	100.00%
Steinsvik Mediterranean Ltda.	Steinsvik Group AS	Spain	Alicante	100.00%	100.00%
Steinsvik Diamond AS	Steinsvik Group AS	Norway	Tysvær	100.00%	100.00%
Aqua Optima Holding AS	Steinsvik Group AS	Norway	Trondheim	100.00%	100.00%
Aqua Optima AS	Aqua Optima Holding AS	Norway	Trondheim	100.00%	100.00%

Subsidiaries excluded from consolidation:
Insula Sverige AB
Insula Finland OY
Acri AS

These companies have been excluded from consolidation because they are not considered to be material for an assessment of the Group's financial position and results.

Translation of foreign currencies
Transactions undertaken in foreign currencies by group companies are recognised in the entity's concerned's functional currency on the date of the transaction. Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate in effect on the reporting date. Gains and losses resulting from changes in exchange rates are recognised in profit and loss.

The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the parent company. When consolidating subsidiaries which report in foreign currencies, items in the income statement are translated into NOK on the basis of a weighted average exchange rate for the year. For balance sheet items, including excess values and goodwill, the exchange rate in effect on the reporting date is used. Translation effects arising in connection with the consolidation of foreign entities are recognised in equity until the subsidiary is divested.

To some extent, the Group seeks to hedge against fluctuations in the currency market by means of forward currency contracts. Forward currency contracts are recognised in the balance sheet at fair value, with changes in value through profit and loss.

Assessment and classification of assets and liabilities
Assets intended for permanent ownership or use are classified as non-current assets. Other assets are classified as current assets. Receivables to be paid in less than one year are classified as current assets. The classification of current and non-current liabilities rests on equivalent criteria.

Non-current assets are valued at acquisition cost less a deduction for systematic depreciation. If the recoverable amount of a non-current asset is less than its book value and the impairment is not expected to be temporary, the asset is written down to the recoverable amount. Non-current assets with a finite economic life are depreciated systematically.

Current assets are valued at the lower of acquisition cost and fair value. Other non-current and current liabilities are valued at their nominal amount.

Revenues
The sale of goods is associated primarily with the sale of fish, either at spot price or under fixed-price contracts. The Group's largest business segment relates to the sale of fresh salmon and associated salmon products. Revenue from the sale of goods is recognised when it is earned, in other words, when both risk and control have largely been transferred to the customer. This will normally occur when the product is collected by a haulier, delivered to a goods terminal or to the customer. This depends on the delivery terms and can vary from customer to customer. The Group is also a major supplier of equipment to the aquaculture industry, which is typically contract based. The sale of goods alone follows the same principles as the sale of fish. However, this type of sales activity will often be combined with the sale of services, as described below.

Income from the sale of services is recognised when it is earned, in other words when a claim for payment of consideration arises. This occurs when the service is provided, as and when the work is performed. The sale of services may also include large-scale projects in which the sale of goods is part of the deliverable. Revenue is recognised in accordance with the percentage of completion method.

Revenues are recognised at the value of the consideration on the transaction date. Sales revenues are recognised less fees, rebates, bonuses and other sales costs.

Dividend is recognised in revenue when the shareholders' right to receive a dividend has been approved by the general meeting.

Government grants
Government grants are matched proportionally against the income they are intended to increase or the expense they are intended to decrease. Government grants relating to the acquisition of capitalised assets are recognised as a reduction in the asset's cost price. Grants are therefore recognised through reduced future depreciation.

Expenses
Expenses are normally recognised in the same period as the matching revenue. In those cases where there is no clear link between expenses and revenues, the allocation is performed on the basis of discretionary criteria. Other exceptions from the matching principle are specified where relevant.

The tax expense is matched against the recognised profit/loss before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable (the tax on the year's direct taxable income) and any change in net deferred tax.

Deferred tax in the balance sheet is a nominal amount, calculated on the basis of temporary differences between the carrying amounts for accounting and tax purposes, as well as any tax losses carried forward at the close of the reporting year. Deferred tax is not calculated on the difference between the carrying amounts for accounting and tax purposes of production licences.

Deferred tax assets are recognised in the balance sheet when it is probable that a future taxable income will make it possible to utilise the asset.

Intangible assets
Intangible assets that are purchased singly are recognised in the balance sheet at their acquisition cost. Intangible assets taken over in connection with the acquisition of businesses are recognised in the balance sheet at acquisition cost when the criteria for separate capitalisation have been met.

Intangible assets with a finite economic life are amortised systematically. Intangible assets are written down to their recoverable amount if the expected financial benefits therefrom do not cover their book value and any remaining production costs.

Expenses relating to research activities are recognised in the income statement as and when they are incurred. Expenses relating to development activities are recognised in the balance sheet when specific criteria have been met. Capitalised development costs are recognised at acquisition cost less accumulated depreciation and impairment. Capitalised development costs are depreciated in a straight line over the asset's estimated period of use.

In connection with the takeover of another business in return for a consideration that exceeds the fair value of the individual assets, the difference is recognised as goodwill in the balance sheet. Goodwill in connection with the acquisition of subsidiaries is included in intangible assets, while goodwill relating to the acquisition of associates is posted under shares in associates. Goodwill is recognised at historic cost less a deduction for accumulated amortisation. A goodwill amortisation period of up to 10 years is applied for certain acquisitions. In such cases, it is considered that the investment in the business will generate benefits over and above the assets' book value throughout the amortisation period.

Property, plant & equipment
Items of property, plant & equipment (PP&E) are recognised in the balance sheet at acquisition cost less a deduction for accumulated depreciation and impairment. Interest on building loans is part of the acquisition cost. When assets are sold or divested, their book value is derecognised and any loss or gain recognised in profit and loss. Ordinary depreciation is performed from the date on which the operating asset goes into normal operation and is calculated on the basis of the operating asset's economic life.

Depreciation is performed in a straight line over the asset's expected economic life. Material portions of an operating asset that have different depreciation periods are disaggregated and depreciated separately. The operating assets' obsolescence value, depreciation period and method of depreciation are assessed annually.

Facilities under construction are not depreciated. Depreciation is recognised in expenses when the asset is ready for use.

Expenses relating directly to the maintenance of operating assets are recognised under operating expenses, while upgrades and improvements that are expected to provide future financial benefits are added to the asset's cost price and depreciated in line with the asset.

The need to write down the book value of facilities and equipment is assessed when the situation or circumstances indicate that the value cannot be recovered. If the recoverable amount of a non-current asset is less than its book value and the impairment is not expected to be temporary, the asset is written down to the recoverable amount. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of future cash flows that the asset will generate.

Leases
Operating assets leased on terms that transfer material financial risk and control to the company (financial leases) are recognised in the balance sheet under property, plant and equipment, and the associated lease liability is included under non-current liabilities at the present value of the lease payments. The operating asset is depreciated systematically, and the

liability is reduced by the amount of the lease payment less a deduction for calculated interest expenses. The depreciation period is consistent with similar assets owned by the Group, or shorter if the leasing period is shorter.

Operational leasing agreements are classified as an operating expense and are recognised in profit and loss in a straight line over the contract period.

Other shares and securities classified as non-current assets

Shares in companies over which the company does not have a considerable influence are recognised in accordance with the cost method. Investments are written down to fair value in the event of an impairment that is not expected to be temporary. Dividends received from such companies are recognised in the income statement under other financial income.

Financial instruments and product derivatives

- Financial instruments, including shares and bonds, which
- are classified as current assets,
- are included in a trading portfolio with a view to onward sale,

are traded on an exchange, in an authorised marketplace or equivalent regulated market abroad, and have a good spread of ownership and liquidity, are recognised at fair value on the reporting date. Other investments are recognised at the lower of average acquisition cost and fair value on the reporting date.

The Group makes use of financial instruments for hedging purposes. The Group enters into forward currency contracts in order to reduce the foreign exchange risk associated with future sales, when customer contracts are denominated in foreign currencies. The Group also enters into futures contracts on Fish Pool to hedge prices relating to purchasing and sales contracts for the delivery of salmon. Interest rate swaps are also used for the purpose of hedging risk associated with floating interest rates. To the extent that the instrument is considered to have a hedging function, gains and losses are presented along with the underlying contracts under operating profit/loss. If an instrument is not considered to have a hedging function, it is presented under financial items.

Inventory

Inventory is recognised at the lower of acquisition cost in accordance with the FIFO method and net sales value. For raw materials and goods in progress, the net sales value is calculated to be the sales value of the finished item less any remaining production and sales costs. Self-produced items are valued at the lower of full production cost and fair value.

Inventory comprises feed, packaging, fry, live fish at sea farms, harvested and processed fish, raw materials, and self-produced items. Stocks of feed, packaging, fry, harvested and processed fish, live fish and raw materials are recognised at the lower of cost price and presumed sales value less sales costs. The cost price for self-produced items is full production cost. The FIFO principle is used when periodising the cost of inventory. A write-down is performed for expected obsolescence.

Contracts with customers

Revenue from contracts with customers is recognised in line with the project's progress (percentage of completion method). The percentage of completion is calculated on the basis of expenses accrued on the reporting date as a percentage of the estimated total cost. For contracts with customers that are expected to result in a loss, a provision for the net cost of the remaining contractually agreed production is made.

Receivables

Trade and other receivables are recognised at their nominal value less a provision for expected bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

Bank deposits, cash and cash equivalents
Bank deposits, cash and cash equivalents include cash, bank deposits and other means of payment which fall due less than three months after their acquisition.

Warranties and servicing

In connection with sales, the entire sales price, including that portion relating to future warranty and servicing obligations, is recognised in revenue on the date of sale. A provision is made for future warranty and servicing obligations.

Pensions

Contributions in respect of defined-contribution pension schemes are recognised in expenses as and when they arise. Apart from the annual contribution, the Group has no further liability. The period's net pension costs are included under salaries and

Defined-benefits pension schemes are recognised at the present value of future pension benefits that, for accounting purposes, are deemed to have been accrued on the reporting date. Pension assets are recognised at fair value. Changes in defined-benefits pension liabilities due to changes in pension plans are distributed over the presumed average remaining accrual period. Any gains arising in connection with unconditional plan changes are used to reduce unrecognised estimate deviations. Pension accruals, interest expenses and expected returns for the remaining portion of the reporting period are determined on the basis of assumptions on the date of the plan changes. The accumulated effect of changes in estimates and changes in financial and actuarial assumptions (actuarial gains and losses) amounting to less than 10 per cent of the larger of pension liabilities and pension assets at the start of the year are not recognised. When the accumulated effect exceeds the 10-per cent threshold at the start of the year, the surplus is recognised in profit and loss over the presumed average remaining accrual period. The period's net pension cost is classified as a payroll cost. Gains or losses arising in connection with the settlement or material curtailment of pension schemes are recognised in profit and loss when the settlement or curtailment takes place. Pension accruals, interest expenses and expected returns for the remaining portion of the accounting period are determined on the basis of assumptions on the date the curtailment takes place.

Businesses held for sale

The Group classifies a business as being held for sale when the value of the asset will likely be realised by means of its sale rather than continuing to operate it in the ordinary way. The business held for sale is measured at the lower of book value and fair value less expected sales costs. The held-for-sale assessment requires that a sale is highly likely and that the asset or business is available for sale in its present form. It is expected that a sale will be carried out no more than one year after classification.

Assets held for sale are not depreciated from the date on which they are classified as being held for sale. Assets and liabilities held for sale are classified separately as current items in the balance sheet. The financial results of businesses held for sale are classified separately in the income statement.

Note 2 Segment information and geographic distribution

Sales revenues

Business segments:	2022	2021
Fish farming	17,919,180	13,351,049
Other business activity within the seafood segment	9,961,507	9,583,543
Total	**27,880,687**	**22,934,593**

Geographic segments	2022	2021
Norway	5,485,973	6,288,512
Rest of Europe	12,063,917	9,255,035
North and South America	5,146,305	3,525,090
Asia and the rest of the world	5,184,492	3,865,955
Total	**27,880,687**	**22,934,593**

Note 3 Government grants

In 2022, group companies engaged in R&D projects that qualified for tax refunds under the Norwegian Skattefunn scheme, transport grants from Norges Råfisklag as well as grants from Innovation Norway and ENOVA. Group companies also received financial assistance from other public funding schemes. Some government grants are recognised gross while others are recognised net in the balance sheet, either as a reduction in the related expense in the income statement or asset in the balance sheet.

In 2022, the Group received NOK 34 million in government grants.

Note 4 Payroll costs, no. of employees, remunerations, loans to employees, etc.

Payroll costs

	2022	2021
Salaries	2,624,558	2,317,592
Employer's National Insurance Contributions (NICs)	229,348	207,133
Pension costs (see Note 5)	157,814	128,798
Share-based remuneration in subsidiaries	54,267	55,534
Other payroll costs	115,400	124,951
Total	**3,181,387**	**2,834,008**
No. of full-time equivalents (FTEs) employed during the accounting year	4,072	3,848

Benefits paid to senior company officers and board members

Kvarv does not have a CEO. No directors' fees have been paid.

Auditor

The fees paid to the auditor break down as follows: (The fees are stated exclusive of VAT.)

Group auditor	2022	2021
Statutory audit	7,666	9,197
Other certification services	291	1,026
Tax advisory services	2,054	1,693
Other non-audit-related services	9,182	28,931
Total group auditor	**19,192**	**40,847**

Other auditor	2022	2021
Statutory auditor	7,417	4,461
Other certification services	1,574	562
Tax advisory services	359	490
Other non-audit-related services	2,309	494
Total other auditor	**11,659**	**6,007**

Note 5 Pensions

The Group has previously switched from a defined-benefits pension scheme to a defined-contribution scheme. Only assets and liabilities relating to employees who were on sick leave or disabled remain in the defined-benefits scheme, in addition to the remaining pensioners. The Group pays in a contribution to an insurance company in connection with defined-contribution plans. The Group has no further payment liability once the contributions have been paid. The contributions are recognised as a payroll cost. Any prepaid contributions are recognised in the balance sheet as an asset, to the extent that the contribution may be refunded or reduce future contribution payments.

Since SalMar's merger with NRS in 2022, a defined-benefits pension scheme covering 30 employees has been added. The scheme entitles participants to defined future benefits. These are largely dependent on the number of accrual years, salary at retirement age and the size of the benefits paid out under the Norwegian National Insurance Scheme. These liabilities are covered via an insurance company. This liability is specified separately below.

The liability relating to the AFP pension scheme is not included in the Group's pension calculations. For accounting purposes, the scheme is deemed to be a defined-benefits multi-entity pension scheme. The Group is unable to identify its share of the AFP scheme's underlying financial position and result with sufficient reliability and therefore recognises the arrangement as a defined-contribution pension scheme. This means that the liabilities relating to the AFP scheme are not recognised in the balance sheet. Premiums relating to the scheme are recognised as a pension cost as they accrue.

The total pension cost for the Group is divided into a defined-contribution portion and a defined-benefits portion (including AFP). The breakdown is as follows:

Pension costs in the income statement	2022	2021
Expensed premiums, defined-contribution scheme	133,249	108,611
Costs, defined-benefits scheme	24,565	20,187
Year's pension cost	**157,814**	**128,798**

Pensions in the balance sheet	2022	2021
Prepaid pensions	2,802	8,655
Pension liabilities, defined-benefits plans (see below)	10,161	0
Pension liabilities abroad	7,956	0
Other pension liabilities	2,015	0
Pension liabilities in the balance sheet	**20,132**	**0**

Defined-benefits pensions	01.11.2022-31.12.2022
Present value of the year's pension accruals	715
Interest expenses on pension liability	59
Employer's National Insurance Contributions (NICs)	109
Net pension cost	**883**

Financial assumptions	Pr 31.12.22
Discount rate	3,0%
Expected salary growth	3,5%
Expected adjustment of the National Insurance Scheme's basic amount (G)	3,0%
Expected pension adjustment	1,5%

Demographic assumptions	
Disability tariff applied	IR02
Mortality table applied	K2013 BE

No. of employees in the scheme	
Active	22
Pensioners	8
Total no. of employees in the scheme	**30**

Paid into the scheme during the year	0
Amount expected to be paid into the scheme next year	5,619

Calculation of net pension liability	2022
Calculated pension liability as at 31 Dec	65,783
Pension assets (at market value) as at 31 Dec	-55,622
Net book value of pension liability	**10,161**

Percentage breakdown of pension assets	2022
Shares	10.2%
Bonds	14.6%
Money market	4.2%
Hold until-maturity bonds	38.1%
Loans and receivables	20.9%
Real property	11.0%
Other	1.0%
Total	**100%**

Note 6 Intangible assets

	Licences	Trademarks	Development costs	Goodwill	Other intangible assets	Other intangible assets
Acquisition cost 1 Jan	7,494,738	252,201	444,211	1,352,065	529,223	**10,072,439**
Additions from business takeover	7,265,892	0	487	1,512,699	1,791	**8,780,870**
Additions	52,812	500	129,864	0	70,247	**253,423**
Organisational changes/reclassification	-10,726	5,138	17,114	-125,298	-49,861	**-163,633**
Disposals	0	0	0	0	-256	**-256**
Translation differences	76,532	12,303	253	9,564	773	**99,424**
Acquisition cost 31 Dec	14,879,248	270,142	591,930	2,749,029	551,917	**19,042,267**
Accumulated depreciation, amortisation, impairment and reversed impairment 1 Jan	86,626	24,864	110,238	782,661	189,354	**1,193,743**
Year's depreciation/amortisation	7,137	-8,063	22,622	143,535	44,803	**210,034**
Additions from business takeover	0	0	0	0	0	**0**
Organisational changes/reclassification	-65,626	183	1,140	-125,298	25,562	**-164,039**
Disposals	0	0	0	0	-430	**-430**
Year's impairments	0	0	2,669	529	21,408	**24,606**
Translation differences	1	-333	279	943	324	**1,214**
Accumulated depreciation, amortisation, impairment and reversed impairment 31 Dec	28,138	16,651	136,947	802,370	281,020	**1,265,127**
Book value as at 31 Dec	**14,851,110**	**253,491**	**454,983**	**1,946,659**	**270,897**	**17,777,140**
Economic life	Undetermined/ 3-7,5 years	Undetermined/ 5 years	5-10 years	5-10 years	Undetermined/ 3-50 years	
Amortisation plan	Not amortised/ straight line	Not amortised/ straight line	straight line	straight line	Not amortised/ straight line	

Salmar ASA's core breeding stocks are depreciated over 50 years. The vast majority of fish farming licences have an unlimited term but are tested annually for impairment.

The Group works closely with educational and research establishments in connection with research and development (R&D). The R&D activities conducted by the Group include methods to improve fish welfare, lice control and the utilisation of crab; obtaining new insights into sustainable feed production, increased efficiency at production facilities and better solutions for packing and transportation. The bulk of the capitalised development costs relate to the Group's efforts in the area of offshore aquaculture.

The Group's R&D activities are expected to provide earnings which will, over time, exceed the associated costs.

Note 7 Property, plant and equipment

	Land, buildings and other real property	Machinery and equipment	Vessels, rigs and aircraft	Operating consumables, fixtures & fittings, etc	Facilities under construction	Total property, plant and equipment
Acquisition cost 1 Jan	5,158,102	5,210,754	1,944,030	798,765	0	13,111,652
Additions from business takeover	1,596,943	471,191	549,481	34,502	106,570	2,758,687
Additions	182,410	675,675	128,100	33,966	1,467,721	2,487,872
Organisational changes/reclassification	-240,237	2,232,228	-457,674	-361,495	-1,244,327	-71,505
Disposals	-155,797	-196,632	-40,130	-57,503	-55 746	-505,808
Disposals from business takeover	-97,772	-4,682	0	-7,640	-755	-110,849
Translation differences	4,039	15,292	24,488	7,188	7,675	58,683
Acquisition cost 31 Dec	6,447,688	8,403,826	2,148,295	447,784	281,138	17,728,731
Accumulated depreciation, amortisation, impairment and reversed impairment 1 Jan	569,004	2,890,830	760,920	320,179	0	4,540,933
Year's depreciation	155,835	520,848	144,242	41,954	0	862,880
Additions from business takeover	16,706	42,611	505	5,792	0	65,614
Organisational changes/reclassification	-161,026	211,466	-733	-32,679	0	17,027
Disposals	-57,887	-179,659	-12,623	-51,850	0	-302,019
Disposals from business takeover	-21,444	-4,434	0	-7,640	0	-33,519
Year's impairments	5,797	72,966	1,261	9,521	0	89,545
Year's reversed impairments	-100	0	0	0	0	-100
Translation differences	-2,865	231,323	-219,561	42,379	0	51,276
Accumulated depreciation, amortisation, impairment and reversed impairment 31 Dec	504,019	3,785,951	674,011	327,655	0	5,291,637
Book value as at 31 Dec	**5,943,669**	**4,617,875**	**1,474,284**	**120,129**	**281,138**	**12,437,094**
Economic life	0-50 years	3-20 years	3-14 years	3-10 years		
Depreciation plan	Not depreciated/ straight line	Straight line	Straight line	Straight line	Not depreciated	

Right-of-use assets (leased operating assets)

	Buildings	Machinery and equipment	Operating consumables, fixtures & fittings, etc.	Total right-to-use assets	Total property, plant & equipment and right -to-use assets
Acquisition cost 1 Jan	241,081	365,132	0	606,213	13,717,865
Additions from business takeover	12,725	403,712	0	416,437	3,175,124
Additions	91	253,380	0	253,470	2,741,342
Organisational changes/reclassification	91,248	81,260	24,726	197,234	125,729
Disposals	0	-9,401	0	-9,401	-515,209
Disposals from business takeover	0	0	0	0	-110,849
Translation differences	55	11,352	-26	11,382	70,065
Acquisition cost 31 Dec	345,201	1,105,435	24,700	1,475,335	19,204,066
Accumulated depreciation, amortisation, impairment and reversed impairment 1 Jan	48,990	192,366	0	241,356	4,782,289
Year's depreciation	15,955	66,483	1,997	84,435	947,314
Additions from business takeover	8,379	0	0	8,379	73,993
Organisational changes/reclassification	68,348	5,921	9,953	84,222	101,249
Disposals from business takeover	0	0	0	0	-33,519
Year's depreciation	0	219	0	219	89,764
Year's reversed impairments	0	0	0	0	-100
Translation differences	27	-6,803	-3	-6,779	44,497
Accumulated depreciation, amortisation, impairment	141,698	254,813	11,947	408,458	5,700,095
Book value as at 31 Dec	**203,503**	**850,622**	**12,753**	**1,066,877**	**13,503,972**
Economic life	0-50 years	3-20 years	3-10 years		
Depreciation plan	Straight line	Straight line	Straight line		

The annual cost of leasing off-balance sheet operating assets amounts to NOK 278 million. The bulk of the leases have a term ranging from one to 10 years.

Note 8 Operating expenses

Specification of other operating expenses

Other operating expenses	2022	2021
Local costs	834,045	631,959
Administration costs	176,074	119,768
Equipment & maintenance	546,172	402,632
Outbound transport	1,854,127	1,380,802
Fees for third-party services	105,259	168,434
Travel costs	307,961	170,063
Other operating expenses	615,784	677,633
Total other operating expenses	**4,439,421**	**3,551,290**

Note 9 Associates, joint ventures, etc.

Acquisition cost comprises consideration and transaction costs.

List of associates and joint ventures

Company	Registered office	Shareholding/voting share 1 Jan	Shareholding/voting share 31 Dec
Bodø Sentrumseiendom AS	Oslo	0,00%	50,00%
Fine Forest Food AS	Kirkenær	24,93%	24,93%
Flatanger Settefisk AS	Flatanger	0,00%	41,00%
Hellesund Fiskeoppdrett AS	Høvåg	0,00%	33,47%
Idunn Seafoods Ehf	Vestmannayejar, Island	45,00%	45,00%
Kd Invest AS	Avaldsnes	50,00%	50,00%
Kirkenes Processing AS	Kirkenes	50,00%	50,00%
Marine Globe	Sibenik, Kroatia	40,00%	40,00%
Maximus Harvester AS	Frøya	0,00%	35,00%
Nordnorsk Smolt AS	Hasvik	0,00%	50,00%
Norskott Havbruk AS	Bergen	50,00%	50,00%
Oppdretternes Miljøservice AS	Rørvik	0,00%	25,00%
Oslo Fiskehall SA	Oslo	64,00%	64,00%
Pecten Harvester AS	Frøya	0,00%	35,00%
Pelagia Holding AS	Bergen	50,00%	50,00%
Romsdal Processing AS	Molde	44,45%	44,45%
Rørvik Marina AS	Rørvik	0,00%	33,30%
SalMar Genetics AS	Rauma	50,00%	50,00%
Salvesen & Thams AS	Orkanger	33,34%	33,34%
Sikkerhetssenteret Rørvik AS	Rørvik	0,00%	21,26%
Skamik AS	Ottersøy	0,00%	24,88%
Sætervågen AS	Frøya	0,00%	49,00%
Tavan S/P	Leirvik, Færøyene	20,00%	20,00%
Waterline AS	Eidsnes	25,00%	25,00%
Wilsgård Fiskeoppdrett AS	Torsken	0,00%	37,50%
Yu Fish Ltd	Singapore	45,30%	45,30%

	Bodø Sentrums-eiendom AS	Flatanger Settefisk AS	Hellesund Fiskeoppdrett AS	Kd Invest AS	Nordnorsk Smolt AS	Norskott Havbruk AS
Registered office	Oslo	Flatanger	Høvåg	Avaldsnes	Hasvik	Bergen
Shareholding	50.00%	41.00%	33.47%	50.00%	50.00%	50.00%
Original acquisition cost	35,250	0	420,000	74,148	0	162,826
Book value of equity on acquisition date	35,250	0	181,621	61,348	0	162,826
Attributable excess values	0	0	238,379	0	0	0
Goodwill	0	0	0	12,800	0	0
Opening balance 1 Jan	0	0	0	84,073	0	1,057,620
- of which unamortised excess values	0	0	0	0	0	0
Purchase of shares/capital injection	35,250	89,689	420,000	0	41,345	0
Share of year's net profit/loss	6,773	-2,307	7,857	9,261	-1,216	52,390
Amortisation of excess values	0	0	-5,003	0	0	0
Translation differences	0	0	0	0	0	2,103
Disposals from exit of subsidiary	0	0	0	0	0	0
Other	-7,278	0	8,567	36	0	14,471
Dividend received	0	0	0	-65,000	0	0
Closing balance 31 Dec	**34,745**	**87,381**	**431,421**	**28,370**	**40,129**	**1,126,584**

Note 9

	Pelagia Holding AS	Salvesen & Thams AS	Wilsgård Fiskeoppdrett AS	YU Fish Ltd	Others	Sum
Registered office	Bergen	Orkanger	Torsken	Singapore		
Shareholding	50%	33%	38%	45%		
Original acquisition cost	369,228	506,128	559,000	24,025	140,318	2,290,923
Book value of equity on acquisition date	369,228	316,846	210,407	20,604	128,760	1,486,890
Attributable excess values	0	189,282	348,593	0	4,458	780,712
Goodwill	0	0	0	3,421	0	16,221
Opening balance 1 Jan	1,057,964	479,906	0	35,539	51,846	2,766,948
of which unamortised excess values	0	84,964	0	0	0	84,964
Purchase of shares/capital injection	0	0	559,000	189	54,120	1,199,593
Share of year's net profit/loss	367,238	29,640	24,428	6,806	6,262	507,131
Amortisation of excess values	0	0	-5,077	0	-1,233	-11,313
Translation differences	42,260	0	0	4,779	-1,653	47,490
Disposals from exit of subsidiary	0	0	0	0	-14,856	-14,856
Other	-6,647	468	0	0	-7,239	2,379
Dividend received	-125,000	-47,679	0	-2,865	-1,345	-241,889
Closing balance 31 Dec	**1,335,815**	**462,336**	**578,351**	**44,449**	**85,902**	**4,255,483**

Note 10 Investments

	Acquisition cost	Market value	Book value
Market-based current assets			
Market-based shares and other financial instruments	3,506,425	3,868,744	3,868,744
Bonds and bond funds	60,000	59,300	59,300
Total market-based current assets	**3,566,425**	**3,928,044**	**3,928,044**

Pursuant to Section 5-8 of the Norwegian Accounting Act, the Group has an obligation to assess which current assets in regulated markets are part of a trading portfolio with a view to onward sale, as well as having a sufficient spread of ownership and liquidity to enable them to be recognised at fair value. Closed positions with respect to financial derivatives are recognised at fair value in profit and loss on an ongoing basis. Short positions, bonds and unit trusts are recognised in profit and loss at their market value on 31 December.

The net change in value recognised in the period came to NOK -1,059,655

The Group has a shareholding exceeding 10 per cent in the following market-based investments:

Name/classification	Category	Shareholding	Acquisition cost	Market value	Book value
Benchmark Holdings PLC	Market-based shares	21.39%	743,356	664,046	664,046

	Acquisition cost	Book value
Non-market-based current assets		
Financial derivatives	180,025	180,025
Shares	781,974	739,948
Total non-market-based current assets	**961,999**	**919,973**

Note 11 Tax expense

The year's tax expense breaks down as follows:	2022	2021
Tax payable	2,637,166	674,073
Tax related to previous periods	4,576	0
Change in deferred tax	-1,855,945	-188,665
Other changes	52,487	27,068
Skattekostnad ordinært resultat	**838,284**	**512,476**

Calculation of the year's tax base	2022	2021
Profit/loss before tax	0	3,205,289
Permanent differences	455,100	-2,203,966
Change in temporary differences	7,788,216	388,293
Change in tax loss carryforwards	300,679	-102,913
Year's tax base	**11,808,059**	**1,286,704**

Tax payable in the balance sheet	2022	2021
Year's tax payable	2,597,837	534,117
Tax paid abroad	23,520	12,685
Effect on tax of group contributions	-2,684	0
Tax payable in the balance sheet	**2,618,673**	**546,802**

Breakdown of temporary differences	2022	2021
Intangible assets	-1,505,352	0
Operating assets	3,573,070	3,290,544
Non-current financial assets	39,999	29,645
Inventory	-1,338,520	4,136,414
Receivables	-19,696	-75,796
Other provisions	-78,729	-226,135
Liabilities	-247	0
Gains and losses account	15,127	-3,345
Other	146,995	-472,583
Tax losses carried forward	-2,871,480	-2,177,160
Temporary differences not recognised in the balance sheet	440,609	-291,236
Total temporary differences	**-1,598,224**	**4,210,347**
Deferred tax liability (+) / deferred tax assets (-)*	**-375,278**	**871,787**

* Tax rate in Norway 22.0%, Sweden 20.6%, Denmark 22.0%, Finland 20.0% and Iceland 20.0%.

Reconciliation from nominal to actual tax rate	2022	2021
Profit/loss before tax	3,264,063	3,205,289
Expected income tax at the nominal tax rate	849,274	705,164
Permanent differences (nominal tax rate)	-31,619	-251,906
Other changes	3,476	22,251
Change in deferred tax resulting from change in the tax rate	0	0
Unrecognised deferred tax assets	17,152	36,967
Calculated tax expense	**838,284**	**512,477**
Effective tax rate	26%	16%

Note 12 Receivables falling due in more than one year

	2022	2021
Other receivables	339,410	201,578
Loans to associates and joint ventures	12,469	67,955
Total other receivables	**351,879**	**269,533**

Note 13 Inventory

	2022	2021
Raw materials	1,045,459	639,358
Goods in progress	255,822	251,771
Biological assets	8,688,775	4,635,252
Finished goods	1,131,177	980,760
Total inventory	**11,121,233**	**6,507,140**

Note 14 Bank deposits

As of 31 December 2022, the item "Bank deposits, cash and cash equivalents" included restricted tax withholdings and other restricted funds totalling NOK 204 million for the Group.

Note 15 Share capital and shareholder information

As of 31 December 2022, the company's share capital comprised:

	No.	Nominal value	Book value
A-shares	50	69,77	3
B-shares	3,950	69,77	276
Total share capital	**4,000**	**0**	**279**

Ownership structure

The company's shareholders as at 31 December 2022:	A-shares	B-shares	Shareholding	Voting share
Gustav Witzøe - styrets leder	40	0	1.00%	80.00%
Gustav Magnar Witzøe	9	3,871	97.00%	18.00%
Thomas Johan Jessen	1	79	2.00%	2.00%
Total no. of shares	**50**	**3,950**	**100.00%**	**100.00%**

Note 16 Equity

As of 31 December 2022, the company's share capital comprised:

	Share capital	Share premium	Other equity	Non-controlling interests	Total equity
Equity 1 Jan 2022	279	6	12,420,652	7,053,934	**19,474,870**
Net profit for the year	0	0	553,602	1,893,528	**2,447,131**
Capital injection	0	0	1,443,783	1,783,766	**3,227,549**
Debt-to-equity swap*	359,721	0	0	2,348	**362,069**
Share-based payments in subsidiaries	0	0	-13	28,404	**28,391**
Dividend	0	0	1,979	-1,607,913	**-1,605,934**
Additions/disposals, merger	0	0	499,454	3,442,085	**3,941,539**
Additions/disposals, non-controlling interests	0	0	-498,156	498,156	**0**
Translation differences	0	0	483,260	-190,067	**293,193**
Other changes	0	0	-77,298	38,828	**-38,470**
Equity 31 Dec 2022	**360,000**	**6**	**14,827,262**	**12,943,069**	**28,130,337**

* The debt-to-equity swap was approved at an EGM on 30 November 2022. Registered in the Brønnøysund Register of Business Enterprises on 18 January 2023.

Note 17 Provisions

	2022	2021
Non-current		
Restructuring	33,453	0
Other	42,257	92,204
Total provisions for non-current liabilities	**75,711**	**92,204**
Current		
Current liabilities	113,747	229,259
Total provisions for current liabilities	**113,747**	**229,259**

Note 18 Non-current liabilities

Liabilities falling due for payment more than five years after the close of the reporting year	2022	2021
Debt to credit institutions	210,410	3,687,474
Other non-current liabilities	0	0
Lease liabilities	459 711	0
Total liabilities falling due for payment more than five years after the close of the reporting year	**670 121**	**3 687 474**

Lease liabilities	Nominal value	Present value
Total lease payments - first 12 months	125,651	121,816
Total lease payments - 2-5 years	349,739	320,266
Total lease payments - > 5 years	459,711	385,000
Total lease liabilities	**935,100**	**827,082**

Note 19 Mortgages, liens and guarantees, etc.

Recognised liabilities secured by means of mortgages, liens, etc.	2022	2021
Current liabilities	3,637,007	647,576
Debt to credit institutions	16,360,256	2,092,165
Lease liabilities Other non-current liabilities	1,507,920	1,004,519
Total secured liabilities	**21,505,183**	**3,744,260**

Book value of assets pledged as security for recognised liabilities	2022	2021
Licences	14,875,519	7,487,421
Operating assets	13,306,323	8,190,645
Shares	1,688,428	0
Inventory	12,485,164	5,794,959
Receivables	2,253,378	1,322,373
Bank deposits	0	41,014
Total value of assets pledged as security for recognised liabilities	**44,608,813**	**22,836,412**

Guarantee liabilities	2022	2021
Guarantee liabilities	84,433	154,211

Note 20 Other off-balance sheet liabilities

The Group has entered into a variety of operational lease agreements, which are expensed on an ongoing basis and are included under other operating expenses, see Note 7.

Note 21 Details of related parties

Transactions with related parties:

Related party	Interest expense	Liabilities
Shareholders of Kvarv AS	11,099	254,512

Note 22 Acquisitions in the reporting year

Company	Acquisition date	Shareholding acquired	Consideration	Excess values allocated
Conchilia AS *	31.05.2022	33.00%	162,394	111,948
Eldisstødin Isthor Ehf (Isthor) **	17.08.2022	50.00%	107,173	207,194
NTS ASA/NRS ASA***	10.11.2022	92.93%	14,009,788	8,729,152
Total			**14,279,355**	**9,048,294**

Specification of excess values

Company	Licences	Other excess values	Deferred tax	Goodwill	Total
Conchilia AS *	0	70,184	-15,440	57,204	**111,948**
Eldisstødin Isthor Ehf (Isthor) **	0	64,052	-12,810	155,952	**207,194**
NTS ASA/NRS ASA***	3,615,322	4,556,273	-738,159	1,295,715	**8,729,152**
Total	**3,615,322**	**4,690,510**	**-766,409**	**1,508,871**	**9,048,294**

* Group subsidiary INSULA AS owns 45 per cent of the shares in Conchilia AS. With the acquisition of a further 33 per cent, Conchilia's status changed from associate to subsidiary.

** Prior to the acquisition, Isthor was a 50-50 joint venture of SalMar ASA's subsidiary Arnarlax Ehf. Following the acquisition, Arnarlax Ehf owns 100 per cent of the shares and Isthor's status changed from associate to subsidiary.

*** In November 2022, SalMar ASA completed a major transaction involving the acquisition of 92.93 per cent of the shares in NTS ASA and a merger with Norway Royal Salmon (NRS) ASA.

Reference is made to the extensive information provided in SalMar ASA's annual report for 2022. Through its merger with NRS, SalMar ASA also obtained shares in Arctic Fish Holding AS. These shares had to be divested in order for the transaction to be approved by the Norwegian Competition Authority. The shares in Arctic Fish Holding AS were sold on 29 December 2022. Arctic Fish Holding AS was not consolidated during the period. Through its acquisition of shares in NTS ASA, SalMar also obtained a 72.11 per cent stake in Frøy ASA. On 13 January 2023, SalMar ASA announced that is was considering strategic alternatives for its shareholding in Frøy ASA. In its 2022 financial statements, the Group presents the shareholding in Frøy ASA as held for sale. The sale of this shareholding was announced on 5 June 2023, see Note 24.

All transactions have been granted approval by the Norwegian Competition Authority. The analysis of excess values is not considered to be final.

In connection with the acquisitions, deferred tax has not been calculated on goodwill and licences. Apart from this, deferred tax has been calculated on all excess values. Consideration is deemed to have been finally determined

Note 23 Businesses held for sale

On 13 January 2023, SalMar ASA announced that it would examine strategic alternatives with respect to the shareholding (72.11 per cent) it had obtained in Frøy ASA through its acquisition of NTS ASA. Given that SalMar ASA's board of directors took this decision in December 2022, the investment in Frøy ASA was classified as held for sale with effect from the acquisition of NTS ASA, see Note 22. The business's divestment was announced in 2023, see Note 24.

Note 24 Events after the reporting date

Acquisition of shares in Cape Fish AS
On 2 JANUARY 2023, Conchilia AS acquired 60 per cent of the shares in the seafood group Cape Fish AS in Honningsvåg.

Compulsory buyout of outstanding shares in NTS. On 3 JANUARY 2023,
SalMar ASA announced that it was performing a compulsory buyout of outstanding shares in NTS, thereby becoming the sole owner of all NTS shares. A total of NOK 674.3 million was paid for the shares in question.

Acquisition of shares in Skala Maskon AS
On 5 January 2023, Scale Aquaculturegroup AS announced that it was acquiring 100 per cent of the shares in Skala Maskon AS.

Sale of NRS's sales office
On 28 February 2023, NRS's sales office in Kristiansund was sold to Visscher Seafood.

Closure of operations at SalmoSea AS
On 10 March 2023, it was announced that operations at Salmonor AS in Rørvik would be closed down.

Introduction of ground rent tax
On 31 May 2023, the Norwegian government resolved to introduce an additional ground rent tax on aquaculture, to be levied at the rate of 25 per cent. This increases marginal taxation on aquaculture from 22 per cent to 47 per cent. The tax will be imposed retroactively from 1 January 2023. In addition to the increased costs this additional tax imposes, it is also expected that investments in the sector will be reduced. This, in turn, may have a negative ripple effect on other companies within the Kvarv Group.

Sale of Frøy ASA
On 5 June 2023, it was announced that SalMar ASA had sold its shares in Frøy ASA, corresponding to a shareholding of 72.11 per cent, to Falcon Bidco AS. A cash consideration of NOK 76.50 per share will be paid for the shares. This totals a consideration of approx. NOK 4,800 million for the Group. The sale of the shares is contingent on the approval of the Norwegian Competition Authority and is expected to be completed in the third quarter of 2023.

Auditor's report

pwc

To the General Meeting of Kvarv AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Kvarv AS, which comprise:

- the financial statements of the parent company Kvarv AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Kvarv AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,the consolidated
- the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generall accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards andpractices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors (management) is responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the 2 / 2 Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

PricewaterhouseCoopers AS, Brattørkaia 17B, Postboks 6365 Torgard, NO-7492 Trondheim
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

pwc

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
For further description of Auditor's Responsibilities for the Audit o f the Financial Statements reference is made to: https://revisorforeningen.no/revisjonsberetninger

Trondheim, 30 Juni 2023
PricewaterhouseCoopers AS

Kjetil Smørdal
State Authorised Public Accountant

Note: This is a translated document. For the original signed audit report see the Norwegian version.

TRYKT I NORGE
NO - 537

Kvarv AS

Design og illustrations: Jesper Engvold Langbråten, Døgn AS
Text: Gitte Paulsbo, Døgn AS
Translated by: Jill Franklin
Photo: Gitte Paulsbo, Aleksander Jakobsen of Magent Fotografer, Hans Ulrik Hammer

Paper: PaperWise Natural
Printed by H.B.O Nova Print AS

KVERVEN
ETB. 1884