

PRONOFA



PRONOFA ASA ANNUAL REPORT 2022

Pronofa ASA was established in 2021 as a «spin-off» from Denofa AS (est. 1912), a Norwegian industrial company that processes non-GMO, sustainable soybeans into soy meal, soy oil and lecithin for the food and feed industry.

The new company has rapidly managed to build a solid and professional organization, which has allowed for a commercial investment in the areas of tunicates and insects.

Pronofa is a trailblazer for new and sustainable protein sources.



Board of Directors Report

The evolution of Pronofa ASA (*«Pronofa» or the «Company», and with its subsidiaries the «Group»*) was further accelerated by a private placement at the start of 2022 of NOK ~150 M. This move allowed the Company to make pivotal investments and strategic hires:

Pronofa completed the acquisition of leading tunicate producer Marine Feed Sweden AB (*a.k.a. «Marine Taste»*). This was crucial both in terms of value creation and ensuring quick growth in the tunicate business area. With more than 10 years' experience, using this unexplored marine raw material for biogas and then animal feed, Marine Taste had ultimately discovered that tunicates also had very promising qualities as food. Thus, they had recently developed market-ready products such as the tunicate hamburger and Umami taste enhancers. In 2022, they even began supplying minced meat made from tunicates to local schools and local government canteens in Sweden.

The acquisition of Marine Taste gave Pronofa access to unique competence and an operative workforce, as well as local aquaculture permits in Sweden. The close cooperation across the border has worked well in terms of facilitating R&D and developing a marketing strategy for tunicates. Marine Taste has also served tunicate meat at various events and for political company visits in Norway, which helped Pronofa gain recognition as an innovative company.

In Norway, Pronofa completed the acquisition of the exciting start-up company Tunicat AS.



R&D: Testing efficient and non-intrusive aquaculture equipment.



Pronofa & Marine Taste excursion in August 2022.

In addition to aquaculture permits on the west coast, they had technical know-how that would benefit the Company's tunicate cultivation and harvesting techniques. Their permit area will be used to conduct R&D tests and provide a platform for future scaling. Also, Pronofa bought the remaining shares in Ecoprot to assume full ownership, as part of its R&D efforts for insect production.

Additionally, Pronofa made a series of strategic hires: A Chief Financial Officer (CFO) was put in charge of finance. The technical and operational team was

strengthened with a Chief Operating Officer (COO) and a Project Manager (recruited from Denofa).

The new Head of Sales & Marketing oversees Pronofa's commercial team, assisted by the new Head of Communications. All these additions have provided organizational structure to the company and complemented Pronofa's professional team in their day-to-day operations.

Over the last year, Pronofa has participated in various R&D programs with industrial partners and contributed to several research projects. For both tunicate- and insect production the Company plays a leading role within their respective professional environments. Pronofa's position as a trailblazer for new and sustainable protein sources has been firmly cemented on an academic and political level while the Group is gaining increasing interest from the public as well.

The outlook for 2023 at the time of publication looks promising. Notably, the Company is set to launch the World's first commercial tunicate products on the market for human consumption in Q3/Q4 this year. Additionally, Pronofa will continue to assess the market for insect products and analyze cost-benefit of constructing its first large-scale production facility for insects in the Nordics while meanwhile work with international insect partners with the aim to introduce products to the Norwegian market.

Business model and strategy

According to the U.N. the World's total population will increase by a staggering 2 billion by 2050. The agriculture industry is already struggling to produce enough feed and food with limited resources, and arable land is becoming scarce. Also, the agriculture industry is reportedly contributing to an estimated 20% of the total Green House Gas (GHG) emissions in the World, with mounting pressure to take action. The aquaculture industry is also experiencing major challenges related to over-fishing or fully exploited fishing areas. Fish farming is even becoming associated with polluting the sea and threatening marine biodiversity.

With this backdrop, Pronofa is positioned as a driver for more sustainable solutions within the agriculture, aquaculture, and biotech industries. The Group is dedicated to cultivating and processing tunicates and insects into sustainable ingredients which will improve nutrition and health in humans, animals, and plants.



Conducting lab tests on tunicates and Black Soldier Fly (BSF) larvae.

Pronofa was established in January 2021, and is headquartered in Fredrikstad, Norway. Pronofa is 30% owned by Denofa AS, a Norwegian industrial company which was founded in 1912. Denofa's main business is to refine non-GMO, deforestation-free and sustainable soybeans into soy meal, soy oil and lecithin which are sold to the feed market, mainly in Norway, Sweden, and Finland.

Pronofa is part of Denofa's ecosystem, which provides an industrial edge through alliances across a range of disciplines, access to expertise within R&D, operational and technical capabilities, and commercial synergies. Denofa's other business areas include running an ISPS commercial port, producing steam energy and real estate management.

Pronofa plan on producing tunicates on an industrial scale at sea. Tunicates (Sea Squirts) are marine animals that grow naturally and feed solely on plankton. As a feed and food resource they have a high content of protein and contain omega-3 fatty acids, cellulose and other nutrients. Tunicates also contain glucosamines which have pharmaceutical applications. The Group is working with several industrial partners and research agencies to drive this development.

Pronofa's long-term production goal for insects is to build industrial-scale production facilities for Black Soldier Flies (BSF), utilizing organic waste streams as substrate. This provides valuable nutrients for use in end-products such as protein meal, high-value oils, organic fertilizer, and chitin/chitosan.

The Company has concluded on the best partners for developing and building such a large-scale BSF facility, following extensive R&D work and a thorough vetting process of potential third-party providers. This means that Pronofa can proceed with constructing the facility – without further pilot development work – when the time is right.

Having established an organization to cover all its current business areas, Pronofa is well-positioned to take the next steps. The Company will continue to broaden its portfolio by exploring selective M&A opportunities and strategic partnerships.

Pronofa is already a leading company for new and sustainable protein source production and is likely to make a significant impact on agriculture, aquaculture, and biotech in the future.

Disrupting these industries is not only necessary to ensure a more sustainable way of life but can also lead to substantial value creation over time.



Tunicate is the most climate-friendly meat in the World (0,8 kg CO₂ EQ per kg protein)

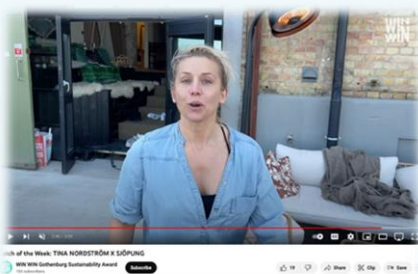
Key developments in 2022

The second full year in existence for Pronofa included numerous highlights or key developments:

A second private placement was completed at the beginning of 2022, resulting in NOK ~150 M of fresh capital for the Company. The Private Placement attracted interest from high quality institutional investors including Denofa AS, Canica AS, Reitan Capital in addition to other existing and new shareholders also participating in this financing round. This allowed for several big investments to position Pronofa as a leading company in the Nordics for new and sustainable protein sources.

In May, the Company acquired Marine Feed Sweden AB (full ownership). Following years of experimenting with tunicates for use in biogas and animal feed, their researchers had started using the promising marine raw material in food production, with great results. At their production facilities in Stenungsund they already produced enough volumes to supply tunicate meat to school cafeterias and local municipality canteens. They were also participating at local events, serving grilled tunicate burgers to promote the product and get feedback.

Under the brand Marine Taste, they also received an increasing amount of positive media coverage in 2022, including appearances on national TV and stories in national newspapers. The highlight was perhaps that tunicates were championed as *"The 10th most underrated ingredient"* by top chefs in an article by Svenska Dagbladet, one of Sweden's largest newspapers (*"Sjöpungen har makalös smak"*). The subsidiary works closely with



Tina Nordström and other celebrity chefs promoted tunicates in Swedish national media in 2022.

the Pronofa team in Norway to scale productions and finalize ready-to-market tunicate foods.

In June, Pronofa bought the remaining shares at Ecoprot to gain 100% ownership. The original plan was to expand operations at Meløy and build a pilot-facility at the same location. However, this was revised later in the year, following an assessment of Pronofa’s in-house technical ability and competence, combined with a vetting process of potential third-party providers. Subsequently, the Company concluded on the best roadmap and partners for developing and building a large-scale facility. In short, this process will enable Pronofa to decide on whether to proceed with building such a facility without further pilot development work.



BSF larvae from Pronofa’s R&D facility



R&D work with Tunicat AS



Political debate at Arendalsuka

Assessment of a detailed analysis of capex, revenue and costs related to a large-scale facility showed that a BSF facility economics currently involved several uncertainties. The main challenges include identifying a profitable market for insect frass (organic fertilizer), separating chitin more effectively and securing volumes of quality substrate at a low cost – all of which have potential solutions.

Due to the rapid developments of the insect industry, Pronofa will actively continue to evaluate when it is optimal to build its own production facility. Thus, the Company will keep a limited group of employees in the insect business to continue R&D, as well as work with 3rd party partners, to develop a cost-efficient business model for an industrial production of insects in Norway.

Also in June, Tunicat AS became another subsidiary to the Group. The company from Eide in the county Møre og Romsdal, had both aquaculture permits and a technical know-how which could prove useful for developing more effective harvesting techniques for tunicates. Shortly after the acquisition, Pronofa began testing a new method for harvesting tunicates, using nets instead of ropes. The test project also explored in theory whether Netpen cleaner could be used in the harvesting process.

In August, Pronofa hosted a separate event at Arendalsuka 2022 with Norwegian self-sufficiency as a theme. “The Sustainability Burger” (made with tunicate meat) was launched – as a gimmick – and served to passers-by at the docks in the evening.

Following the event in Arendal, several political figures were invited to Fredrikstad for company visits, where they also got to taste the tunicate hamburger, including Climate and environment minister Espen Barth Eide (Labor Party), Lene Westgaard-Halle (Conservative Party), and Rasmus Hansson (Green Party).

Members of Parliament from 5 different political parties held discussions with Pronofa about legislation concerning new and sustainable protein sources.

In November, environment-NGO Bellona invited Pronofa to serve tunicate burgers at their big event «Råvareløftet». This resulted in both media coverage in a national newspaper (Nationen) and a lot of positive feedback from those attending. The minister for Fisheries and Ocean Industry, Bjørnar Skjæran (Labor Party) even ate a burger on stage, with other panelists.



The tunicate burger was served at a number of events in 2022.

In October, Pronofa held a «Kick Off» for all employees in Fredrikstad. It was a great opportunity for everyone to meet each other and learn more about what each division was working on. Every division gave a presentation. CEO Hans Petter Olsen presented a new workflow matrix to promote efficacy and cooperation across projects, work tasks and locations. The seminar concluded with a nice dinner at the Beach Club Restaurant.

A Brand development process for the Group's upcoming tunicate product launch began in November 2022. The goal is to identify the main target groups for tunicate meat and then test different brands or messaging to find the perfect fit.

In December, Pronofa's researchers began setting up a new R&D facility at Denofa's grounds in Fredrikstad. The facility's two climate chambers will allow for extensive testing of all stages of the BSF larvae's life cycle in a controlled environment. The new facility also ensures that Pronofa can partake in research projects that are already underway.

Throughout the year Pronofa employees have participated in research projects and conferences, hosted by organizations such as IPIFF, NMBU, Nibio, Nofima and others.

Subsequent events

In early 2023, Pronofa started construction of a new production facility being in the vicinity of Marine Taste's current pilot facility in Stenungsund. When completed, it will be capable of producing up to 1.400 MT of tunicates per shift. The plant will utilize proven and tested equipment, thus minimizing risk. When completed in Q3/Q4 in 2023, Pronofa expects to launch its first commercial tunicate products. This will include minced meat and processed products such as burgers and meat balls, as well as taste enhancers.

In February 2023, Pronofa decided to discontinue further investments at Ecoprot and shut down operations. Pronofa will intensify its research at a new R&D facility for BSFs in Fredrikstad, as well as explore commercial partnerships for scaling up more rapidly or cut Time to Market (TTM) for Pronofas BSF products. This includes introducing and selling insect products from international partners on the Norwegian or Nordic market, as well as providing a gateway for other alternative protein companies to these markets.

This new business model aims at taking advantage of the skillset developed in the insect business (biology, protein profile development, testing, etc.) and access to the value chain (customers/partners). This strategic approach will allow Pronofa build the Norwegian market and continue to gain market knowledge, but at the same time generate revenue with limited investments.



Financial Performance – Going Concern

As of the end of the accounting year 2022, the equity ratio of the parent company was 93,7% with a cash balance of NOK 119,743,547. The board of directors believes the equity and liquidity are sufficient, given the company's future plans.

For this reason, the board of directors continues to adopt the going concern basis in preparing the financial statements in accordance with the Norwegian Accounting Act and the Norwegian Company Act.

Income statement

The Group had operating revenues of NOK 233,965 (NOK 83.220). Total operating expenses came in at NOK 51,480,433 (NOK 9,772,496). Expenses consisted mainly of personnel expenses, R&D, third-party consultants, as well as an impairment of assets (Ecoprot AS) of NOK 15,916,483

Depreciation and amortization amounted to NOK 1,896,525 (NOK 260,392).

Net financial expenses were NOK 761,894 (NOK 18,107).

Pre-tax profit (loss) of NOK (52,008,362) (NOK (9,707,383)) and profit (loss) for the period showed a loss of NOK (51,713,468) (NOK (9,707,383)).

The Company had NOK 0 (NOK 0) in revenues, NOK (23,172,624) (NOK (7,908,513) in operating expenses, NOK 177,087 (NOK 3,443) in depreciation, NOK (48,624,333) (NOK (8,305,395)) in Pre-Tax profit (loss) and a profit (loss) for the period of NOK (48,624,333) (NOK (8,305,395)).

Balance sheet

The Group's total assets amounted to NOK 179,294,825 (NOK 61,336,950). Total non-current assets ended at NOK 49,785,969 (NOK 8,358,467).

Current assets were NOK 129,508,856 (NOK 52,978,483). Cash position amounts to NOK 124,590,559 (NOK 47,019,229).

Current liabilities amounted to NOK 7,534,793 (NOK 8,572,548), while non-current liabilities totaled NOK 13,064,771 (NOK 522,091). The Group had interest-bearing debt of 661,708 (NOK 0).

The Group's equity ratio was 88.5 percent (85.2 percent).

The Company's total assets amounted to NOK 175,017,310 (NOK 53,519,713), total non-current assets ended at NOK 49,342,410 (18,417,597), current assets were NOK 125,674,900 (NOK 35,102,116) and the cash position amounts to NOK 119,743,547 (NOK NOK 34,171,738). Current liabilities amounted to NOK 5,558,626 (NOK 4,997,944), non-current liabilities of NOK 5,413,753 (NOK 0). The Company's equity ratio was 93.7% percent (90.7 percent).

Cash flow statement

The Group's cash balance was NOK 124,590,558 (NOK 47,019,299). The Group's net cash flow from operations amounted to negative NOK 41,112,804 (negative NOK 7,378,556). Net cash flow from investment activities totaled negative NOK 22,961,344 (negative NOK 2,305,109).

Net cash flow from financing activities amounted to NOK 141,654,408 (NOK 56,702,974). Cash flow for the year from financing activities are primarily attributable to proceeds from a private placement which raised NOK 150,000,000 in gross proceeds.

The Company's cash balance was NOK 119,743,547 (NOK 34,171,738). The Company's net cash flow from operations amounted to negative NOK 26,164,464 (negative NOK 4,031,805), net cash flow from investment activities of negative NOK 17,420,579 (negative NOK 18,421,040), net cash flow from financing activities amounted to NOK 129,156,851 (NOK 56,624,583).

Allocation of loss and dividend

The Board of Directors has not proposed payment of a dividend for 2022. The Company's net loss for the year of NOK 48,624,333 is allocated to retained earnings.

Management model, corporate governance, control, and compliance

Good corporate governance provides the foundation for long-term value creation, for the benefit of shareholders, employees, and other stakeholders.

Pronofa is a public limited liability company organized under Norwegian law and with a governance structure based on Norwegian corporate law, other regulatory requirements, and the guidelines of the Norwegian Corporate Governance Board (the Norwegian Code of Practice for Corporate Governance). Pronofa is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act.

Pronofa's Board of Directors consists of 7 members, two of whom represent Denofa AS. The majority of the shareholder-elected board members are independent of executive personnel and material business contacts. The Chair of the Board is elected by the General Meeting.

The directors and officers of Pronofa ASA are covered under a Director & Officer's Liability Insurance (D&O). The insurance covers personal legal liabilities including defense- and legal costs.

The Pronofa Board establishes the overall principles for governance and control in Pronofa through the adoption of governing documents.

Pronofa's corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance. The Company's practice is largely in accordance with these recommendations.

Board of Directors' activities

The Board prepares an annual plan for its work, which includes recurring key topics, such as strategy review, investment planning, risk and compliance oversight, financial reporting, and budget review. Pronofa's Board of Directors held 11 meetings in 2022.

Business and society

Pronofa is a planet-positive company that aims to create value for customers, shareholders, employees, partners, and society at large by developing a company that solves fundamental sustainability challenges. As such, sustainability is at the core of Pronofa's mission and business operations.

Sustainability comprises of Environmental, Social and Governance (ESG) factors and relates to how Pronofa creates long-term value by implementing strategies that incorporate ESG dimensions. These include environmental issues such as climate change and resource scarcity, social issues such as labor practices, and governance matters such as corporate governance and business ethics.

Pronofa is building its reputation as an attractive employer and a preferred partner for business relations, as well as a respected social actor and corporate citizen. Pronofa's most important contribution to society is to solve fundamental problems related to a sustainable existence, and to create value by developing a responsibly run company. Sustainability and profitability are prerequisites for achieving these goals.

Pronofa ASA will publish a statement of due diligence assessments in accordance with the Transparency Act on www.pronofa.no under "Environment and Sustainability before June 30, 2023.

People

Pronofa ASA in Fredrikstad had 8 employees as of 31 December 2022. Marine Taste had 5 employees. Ecoprot had 2 employees. The Group had a gender split of 89% men and 11% women. In addition to own employees, Pronofa has also leveraged Denofa's ecosystem through utilizing key personnel within management, finance, and R&D. All business between Pronofa and Denofa is done with arms-length agreements which are approved by the Board. Pronofa will continue to work systematically for equality, diversity, and inclusion throughout its business. During 2022 the Company had a no sick leave and no reported injuries.

Health, Safety, Security and Environment (HSSE)

Pronofa works to ensure a secure working environment, which provides a basis for healthy and meaningful working conditions and ensures complete safety from harmful physical and mental influences and a standard of welfare consistent with the level of technological and social development of society. Pronofa shall strive to ensure non-excessive working hours and safeguard employees' work-life balance. Moreover, the Group works systematically to promote health, safety, and wellbeing, and strive for zero harm and for continuous improvements throughout the value chain. As part of Denofa's ecosystem, Pronofa has adapted their high HSSE standards.

Risks and risk management

Pronofa is exposed to financial risk, including currency and interest rate risk and liquidity risk, in addition to market risks, legal and compliance risks, climate risk, and project and operational risks.

The company has established a process for risk management based on the assessment and monitoring of major financial, strategic, legal, climate-related and operational risk factors. Mitigating actions have been identified for key risks and their implementation is assured and monitored. Risks and how they are managed are reported to Pronofa's Board on a regular basis.

Pronofa is dependent on functioning debt and equity markets to fund future growth, and access to external financing may affect the liquidity situation. Pronofa seeks to reduce the risk by maintaining a solid liquidity reserve, by proactively planning and diversifying sources of funding.

Outlook

The agriculture industry is tasked with supplying nutrition to a rapidly growing global population with limited sustainable available land, while reducing GHG emissions. Balancing these two issues will be critical over the next decades. The world population is estimated to reach almost 10 billion by 2050. Government agencies estimate the need for 60-70% more food at the end of this period which will put further pressure on an already strained agriculture industry.

The transition towards an emissions-free world, exemplified by the UN-backed global campaign rallying non-state actors, including companies, cities, regions, financial institutions to reduce emissions across all scopes in line with the Paris Agreement, is a long-term and global development that drives sustainable investment technologies. Government policies, company emission reduction targets and private capital inflows are expected to continue to support this trend.

Government agencies are setting sustainable agriculture high on the agenda. EU Green Deal 2030 ambitions has stated focus areas and goals including (i) organic farming and sustainable farming models, (ii) food waste reduction and sustainable diets and (iii) reduction of chemical pesticides.

The USDA has its own stated Agriculture Innovation Agenda which cements the need for increased food production while dramatically reducing its global footprint; (i) cutting environmental footprint of US farmers in half by 2050 and (ii) increase agricultural production by 40 percent.

The Russian invasion of Ukraine in February 2022 triggered not only a humanitarian crisis but created a highly unstable political and financial situation across the globe. The heavy dependence on both Russian and Ukrainian agriculture products in the EU/ESA has become more and more evident throughout the year – another incentive to explore new and sustainable resources that can be produced locally.

Pronofa’s business model is set up to accelerate and scale the solution for sustainable agriculture while driving reductions in harmful emissions.



Fredrikstad 15 May 2023

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Bjørge Gretland Chair	Terje Andersen	Hege Buer
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Hans Martin Kjernsbæk	Hilde Christin Talseth	Haakon Morten Sæter
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Hege Rivedal Ødegaard	Hans Petter Olsen CEO	



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in NOK for the period ended 31 December</i>	Notes	2022	19.01-31.12.2021
Revenue	5	167 760	21 681
Other operating income		66 206	61 539
Total revenue		233 965	83 220
Raw materials and consumables used		426 856	57 327
Salaries and personnel expense	6	11 439 645	1 088 616
Depreciation and amortization expense	10, 11, 12	1 896 525	260 392
Other operating expense	7	21 800 925	8 366 162
Impairment of assets	3, 12	15 916 483	-
Total operating expenses		51 480 433	9 772 496
Operating profit		-51 246 468	-9 689 275
Interest income		14 572	85
Other financial income		58 120	4 030
Total financial income	8	72 692	4 116
Interest expense		-99 426	-22 223
Other financial expense		-735 159	-
Total financial expense	8	-834 586	-22 223
Profit before income tax		-52 008 362	-9 707 383
Income tax expense	9	232 357	-
Profit (loss) for the period		-51 776 005	-9 707 383
Other comprehensive income (will not be reclassified to P&L)		62 537	-
Total comprehensive (loss) for the year		-51 713 468	-9 707 383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Amounts in NOK</i>	<i>Notes</i>	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Property, plant and equipment	10	3 589 328	3 824 343
Research and development	12	26 733 491	1 866 667
Right-of-use assets	11	1 745 015	699 240
Goodwill	12, 16	17 718 135	1 968 218
Total non-current assets		49 785 969	8 358 467
Current assets			
Inventories	13	95 154	236 416
Receivables		4 823 144	5 722 768
Cash and bank deposits	14	124 590 559	47 019 299
Total current assets		129 508 856	52 978 483
Total assets		179 294 825	61 336 950

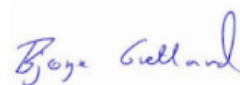
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Amounts in NOK</i>	<i>Notes</i>	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1 612 912	1 000 000
Other paid in capital	15	219 361 746	55 827 164
Share based compensation		909 548	-
Retained earnings		-63 188 947	-9 444 426
Minority Interests		-	4 859 573
Total Equity		158 695 260	52 242 311
Non-current liabilities			
Borrowings		661 708	-
Lease liabilities	11	1 157 367	522 091
Deferred tax	9	5 831 943	-
Provisions	16	5 413 753	-
Total non-current liabilities		13 064 771	522 091
Current liabilities			
Trade and other payables		5 841 943	8 234 216
Lease liabilities	12	609 937	184 749
Public duties payables		1 082 914	153 583
Total current liabilities		7 534 793	8 572 548
Total equity and liabilities		179 294 825	61 336 950

Fredrikstad, 15.05.2023



Hans Petter Olsen
CEO



Bjørge Gretland
Chairman



Haakon Mørtén Sæter
Board member



Terje Andersen
Board member



Hans Martin Kjærnsbæk
Board member



Hege Buer
Board member



Hege Rivedal Ødegaard
Board member



Hilde Christin Talseth
Board member

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK thousand

	Notes	Share capital	Other paid in capital	Retained earnings	Share based compensatio	Total majority	Minority interests	Total equity
Equity 01.01.2021		-	-	-	-	-	-	-
Deposit upon establishment of the company		50 000	-5 570	-	-	44 430	-	44 430
Capital increase february	15	16 667	9 970 835	-	-	9 987 502	-	9 987 502
Capital increase july	15	16 667	46 778 565	-	-	46 795 232	-	46 795 232
Conversion from AS to ASA	15	916 667	-916 667	-	-	-	-	-
Minority interest from business combinations		-	-	-	-	-	5 122 530	5 122 530
Profit/(loss) for the year		-	-	-9 444 426	-	-9 444 426	-262 957	-9 707 383
Other comprehensive income for the year		-	-	-	-	-	-	-
Equity 31.12.2021		1 000 000	55 827 164	-9 444 426	-	47 382 738	4 859 573	52 242 311
Capital increase january	15	553 846	141 444 023	-	-	141 997 869	-	141 997 869
Capital increase july	15	40 691	15 218 309	-	-	15 259 000	-	15 259 000
Buyout of non-controlling interests	15	18 375	6 872 250	-2 031 052	-	4 859 573	-4 859 573	-
Profit/(loss) for the year		-	-	-51 776 005	-	-51 776 005	-	-51 776 005
Other comprehensive income for the year		-	-	62 537	-	62 537	-	62 537
Share based compensation	6	-	-	-	909 548	909 548	-	909 548
Equity 31.12.2022		1 612 912	219 361 746	-63 188 946	909 548	158 695 260	-	158 695 260

CONSOLIDATED STATEMENT OF CASH FLOW

<i>Amounts in NOK for the period ended 31 December</i>	Notes	2022	19.01-31.12.2021
CASH FLOW FROM OPERATIONS			
Profit (loss) from continuing operations		-52 008 362	-9 707 383
Depreciation, intangible and fixed assets	10, 11, 12	1 896 525	260 392
Net interest expense		84 854	22 137
Impairment of assets	3, 12	15 916 483	-
Change in accounts receivable		-113 259	-525
Change in inventory	13	-	-28 560
Change in accounts payable		-	10 956
Change in other accruals		-6 889 045	2 064 417
Net cash flow from operations		-41 112 804	-7 378 566
CASH FLOW FROM INVESTMENTS			
Purchase of fixed assets	10	-6 486 466	-602 435
Purchase of intangible assets		-158 307	-
Investments in subsidiaries net of cash acquired	16	-16 316 571	-1 702 674
Net cash flow from investments		-22 961 344	-2 305 109
CASH FLOW FROM FINANCING			
Proceeds from capital contributions	15	141 997 869	56 827 165
Lease payments for the principal portion of lease liability	11	-267 607	-102 054
Interest payments		-84 854	-22 137
Net cash flow from financing		141 645 408	56 702 974
Net changes in cash for the period		77 571 260	47 019 299
Cash and cash equivalents as of 1.1		47 019 299	-
Cash and cash equivalents as of 31.12	14	124 590 558	47 019 299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Pronofa ASA is a limited liability company incorporated and domiciled in Norway, and the head office is in Fredrikstad, Norway. The company was incorporated 19.01.2021.

Pronofa ASA (“the Company”) and its subsidiaries Marine Feed AB, Tunicat AS and Flying Feed Fredrikstad AS (together the “Group”) specialize in the development and production of human and animal nutrition products from tunicates and insects. The Group is headquartered in Fredrikstad, where management, technical and R&D competence is centred. Within the tunicate division, the Group is developing its first production facility focused on consumer products at Marine Feed AB’s facility in Stenungsund Sweden. The Group is also focusing R&D efforts at Tunicat AS, located in Eide Norway, to improve cultivation and harvesting techniques, as well as develop products towards the feed market. Within the insect division, commercial, technical and R&D activities are undertaken at Pronofa’s headquarters in Fredrikstad.

The consolidated financial statements incorporate the financial statements of companies controlled (as set out below) by Pronofa ASA.

Company	Location	Ownership
Pronofa ASA	Fredrikstad	(Parent)
Marine Feed AB	Stenungsund	100 %
Tunicat AS	Eide	100 %
Flying Feed Fredrikstad AS	Fredrikstad	100 %
Ecoprot AS*	Meløy	100 %

*Ecoprot AS is declared dissolved in February 2023, thus net assets of Ecoprot AS is written off in the consolidated financial statements

NOTE 2 – ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and throughout the report. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS FOR PREPARATION

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and the Norwegian Accounting Act 1998.

Pronofa ASA was established in January 2021. The Company has adopted IFRS for its consolidated financial statements as of 19 January 2021.

New and revised standards that are adopted or not yet effective are not expected to have a material impact on the Group’s consolidated financial statements.

2.2 CONSOLIDATION

The consolidated financial statements are prepared using the historical cost approach, except for certain financial instruments measured at fair value. The consolidated financial statements are presented in NOK.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including intercompany loans, interest and

unrealized gains and losses on transactions between Group companies. Accounting policies of subsidiaries have been harmonized where necessary to ensure consistency with the policies adopted by the Group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

2.3 FOREIGN CURRENCY TRANSLATIONS

Each entity in the group determines its functional currency based on the economic environment in which it operates, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of Pronofa ASA, Flying Feed Fredrikstad AS and Tunicat AS is Norwegian kroner (NOK). The functional currency of Marine Feed AB is Swedish kroner (SEK).

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss. The presentation currency of the consolidated financial statements is NOK.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Group management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 CRITICAL JUDGEMENT IN DETERMINING VALUE OF R&D IN PPA

In determining the value of research and development through the acquisition of Marine Feed AB and Tunicat AS management have considered the replacement cost related to the prior activities. See note 16 – Business Combination for further information.

3.2 IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In late 2022 and early 2023 management has worked on a controlled liquidation of Ecoprot AS. The acquisition and ownership of Ecoprot has contributed significantly to the Group's competence within biology and technical processes towards the insect business. Nevertheless, a thorough technical and financial analysis concluded that further investments in Ecoprot, at the Meløy facility, would not add value to the Group's insect business going forward. The knowledge gained during the ownership of Ecoprot has been vital in the Group's ability to further develop the insect division. The Group believes this value remains, however, IFRS rules and regulations do not allow for retention of this value on the Group's balance sheet. In March 2023 it was decided to dissolve Ecoprot AS, hence net assets in Ecoprot AS is written down to 0 NOK per 31.12.2022. P&L effects for the 2022 operations in Ecoprot is included in the

consolidated financial statements and accounts for negative 5,5 MNOK. In addition, impairment of net assets equal to 15,9 MNOK is recognized in the P&L. The impairment in Ecoprot consists of Goodwill (1,3 MNOK), R&D (1,9 MNOK), PPE (7,0 MNOK), Inventory (0,2 MNOK) and other assets (5,5 MNOK).

NOTE 4 – FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

4.1 MARKET RISK

(i) *Foreign Exchange Risk:* The risk of changes in foreign currency relates primarily to the ongoing business transactions in different currencies and in connection with clinical trial runs in different countries. The impact on the Company's income statement is limited and not material.

(ii) *Interest risk:* The Group is equity financed and holds no long-term borrowings or bank deposits as of year-end 2022. The interest risk is therefore considered to be immaterial.

4.2 CREDIT RISK

The Group is in a R&D phase and turnover is immaterial. Other short-term receivables mainly consist of government grants with no or very limited credit risk. Cash is held at bank institutions with low credit risk. Therefore, the credit risk is considered immaterial.

4.3 LIQUIDITY RISK

Being in a development phase, the Company is reliant on capital contributions to finance its operations. Management monitors on a high frequency the liquidity forecasts to ensure that there is sufficient cash to meet the Company's strategic growth plans. As a part of the liquidity management, the Company received MNOK 150 (MNOK 60) in funding in 2022 (2021) through private placements.

The Group holds no long-term borrowings. The maturity profile (nominal values) of lease liabilities is presented in note 11. The Group holds short-term liabilities of (except lease liabilities) of 5.841.943 NOK (8.387.799 NOK) as of year end 2022 (2021), with a maturity of less than 12 months.

NOTE 5 – REVENUE

Revenue derives from the marine proteins and taste enhancers. As of 2022 the sales relate to low volume products deriving from the pilot facility in Stenundsund, Sweden and from the pilot facility in Meløy, Norway. In 2021, all sales was related to the pilot facility in Meløy.

The Group recognizes revenue at the time when the Group transfers the control of a product or service to the customer. Revenue is measured at the fair value of the consideration the Group expects to receive for goods transferred to the customer, net of discounts, returns and sales taxes. No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Sales revenue	2022	2021
Norway	44 126	21 681
Sweden	123 634	-
Total sales revenue	167 760	21 681

NOTE 6 – EMPLOYEE REMUNERATION

The salary mainly relates to the R&D activities in Marine Feed AB and remuneration to employees in the head office in Fredrikstad. The Group has allocated share options to certain key employees. A total of 1.400.000 share options have been granted at a strike price of 6-9 NOK per share. Vesting is set to 25 % each year with the condition of employment.

Salaries and payroll expense	2022	2021
Salary expenses including bonuses, vacation pay and other costs	8 028 481	947 094
Social security cost	1 357 601	138 209
Share based compensation	909 548	-
Pension benefit expense	142 096	-
Remuneration to board of directors	575 000	-
Other benefits	426 919	3 312
Total Personnel expenses	11 439 645	1 088 616
Average number of employees	9	2

The CEO of Pronofa ASA holds a 50 % position in the company and does not receive any remuneration directly from the Company. The CEO is outsourced from Denofa AS. In 2022 (2021), total invoiced amount for the CEO position from Denofa AS is 2.675.888 NOK (1.093.092 NOK) - ex. VAT.

The Board of Directors have received 575.000 NOK in remuneration in 2022 (no remuneration in 2021). No loans or guaranties is held toward the CEO nor any member of the Board.

NOTE 7 – OTHER OPERATING EXPENSES AND AUDIT FEE

A large part of the company's operating costs is related to R&D activities. In 2022, expenses relating to ongoing R&D activities have been recognized through profit and loss. Based on managements assessment it is concluded that the ongoing R&D activities do not meet the requirements in IAS 38 to be capitalized as intangible assets as it is not demonstrated that the intangible asset will generate probable future economic benefits. Management will continuously assess when the requirements for capitalization are satisfied.

Other operating expenses by nature	2022	2021
Legal/Consulting fees/Accounting/Audit	13 551 292	7 479 053
Repair and maintenance expense	634 379	41 049
Other operating expenses	7 615 253	846 060
Total other operating expenses	21 800 924	8 366 162
Auditor's remuneration	2022	2021
Audit services	261 514	134 550
Other assurance services	42 813	37 651
Tax advice	74 730	-
Other non-assurance services	400 490	24 450
Total auditor's remuneration	779 547	196 651

NOTE 8 – FINANCE INCOME AND FINANCE EXPENSES

Finance Income	2022	2021
Interest income	14 572	85
Other finance income	58 120	4 030
Total finance income	72 692	4 116

Finance Cost	2022	2021
Interest expense on lease liabilities	15 437	17 082
Fair value change on earn-out	313 753	-
Other interest expense	505 396	5 141
Total finance expense	834 586	22 223

NOTE 9 – CURRENT AND DEFERRED INCOME TAX

Tax expenses consist of the tax payable and changes to deferred tax. Tax is recognized in the accompanying consolidated financial statements of operations, except that it relates to items recognized in OCI or directly in equity.

Deferred tax assets are recognized in the statement of financial position based on expected utilization of tax losses carried forward and temporary differences. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available, against which the assets can be utilized. As of 31.12.2022 and 31.12.2021 no deferred tax asset has been recognized.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Tax expense/(income)	2022	2021
Tax payable	-	-
Change in deferred tax asset	-232 357	-
Total tax expense	-232 357	-

Deferred Tax	2022	2021
<i>(Amounts in NOK)</i>		
Tax loss carried forward Norway	-35 540 677	-13 916 504
Tax loss carried forward Sweden	-6 772 779	-
Temporary differences fixed assets	11 500	35 263
Temporary differences intangible assets	26 661 040	1 866 667
Other temporary differences	117 300	101 855
Temporary differences not recognized in the balance sheet	42 032 499	11 912 719
Basis for deferred tax / deferred tax asset (-)	26 508 883	-
Deferred tax / deferred tax asset (-)	5 831 943	-

Tax rate Norway	22,0 %	22 %
Tax rate Sweden	20,6 %	NA

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially stated at cost. Subsequent expenditures are included in the asset's carrying value when it is probable that the expenditure will provide a future economic benefit and can be measured reliably. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. For more information on useful life, see table below.

The Group considers the need for an impairment review when events occur that indicate the book value of a long-life asset may exceed its recoverable amount. Expenditures for repair and maintenance are charged to other expenses in the period incurred. Assets under construction are not depreciated until completed and ready for their intended use, at which point they are transferred to their own asset category.

	Assets under construction	Machinery, fixtures and fittings	Total
Cost 01.01.2022	3 575 246	266 200	3 841 446
Acquired through business combinations	-	1 080 144	1 080 144
Additions in period	-	3 168 623	3 168 623
Impairment / disposal	-3 575 246	-124 800	-3 700 046
Currency translation effects	-	-27 755	-27 755
Cost 31.12.2022	-	4 362 412	4 362 412
Accumulated depreciation 01.01.2022	-	17 103	17 103
Acquired through business combinations	-	428 565	428 565
Depreciation in period	-	345 468	345 468
Impairment / disposal	-	-9 000	-9 000
Currency translation effects	-	-9 053	-9 053
Accumulated depreciation 31.12.2022	-	773 084	773 084
Net book value 31.12.2022	-	3 589 328	3 589 328
Useful life	Idefinite	5-15 years	NA
Depreciation method	NA	Straight line	NA

See note 3.2 for information regarding impairment.

	Assets under construction	Machinery, fixtures and fittings	Total
Cost 19.01.2021	-	-	-
Acquired through business combinations	3 093 311	145 700	3 239 011
Additions in period	481 935	120 500	602 435
Cost 31.12.2021	3 575 246	266 200	3 841 446
Accumulated depreciation 19.01.2021	-	-	-
Depreciation in period	-	17 103	17 103
Impairments in period	-	-	-
Accumulated depreciation 31.12.2021	-	17 103	17 103
Net book value 31.12.2021	3 575 246	249 097	3 824 343
Useful life	Idefinite	5 years	NA
Depreciation method	NA	Straight line	NA

NOTE 11 – LEASE LIABILITY AND RIGHT-OF-USE ASSETS

The Group leases various offices, production facilities and other equipment. The Group recognizes a right-of-use (RoU) asset and a lease liability lease contracts that exceeds a rental period of more than 12 months. Payments associated with short-term leases and all leases of low-value assets are recognized through profit or loss.

The RoU is initially measured at cost, which includes the amount of lease liabilities recognized, plus initial direct costs towards the lease, less incentives received. The RoU is generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The RoU is adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of the future lease payments as of the commencement date, discounted using the interest rate implicit in the lease. If an implicit rate cannot be readily determined, the Group uses the incremental borrowing rate as the discount rate. The lease payments include fixed payments and variable payments that depend on an index or rate. Variable lease payments that do not depend on an index or rate are recognized as expenses. The lease liability is measured at amortized cost using the effective interest rate method. The lease liabilities are remeasured when there is a change in future lease payments arising from a change in index or rate, or a change in the assessment of whether to exercise an extension or termination option.

Right-of-use asset	Offices	Equipment	Total
Right-of-use asset (net) 01.01.2022	465 653	233 586	699 240
Additions	1 157 372	381 038	1 538 410
Depreciation charge	240 587	43 136	283 722
Impairment / disposal	-	-233 586	-233 586
Currency effects	18 831	5 843	24 674
Total right-of use asset (net) 31.12.2022	1 401 269	343 746	1 745 016

Lease liability	Offices	Equipment	Total
Lease liability 01.01.2022	471 861	234 979	706 840
Additions	1 157 372	381 038	1 538 410
Principal payment	261 131	46 464	307 595
Interest paid	33 907	6 081	39 987
Impairment / disposal	-	-234 979	-234 979
Currency effects	18 826	5 814	24 640
Total lease liability 31.12.2022	1 420 835	346 469	1 767 304

Lease liability	Offices	Equipment	Total
Current lease liability	485 159	124 778	609 937
Non-current lease liability	935 387	221 980	1 157 367
Total lease liabilities	1 420 546	346 758	1 767 304

Amount recognized in income statement	Offices	Equipment	Total
Interest expense	33 907	6 081	39 988
Expense relating to short-term leases	187 908	-	187 908
Expense relating to leases of low-value assets	-	227 179	227 179
Expense relating to variable lease payments	-	-	-

Contractual maturities (nominal values)	Offices	Equipment	Total
Less than 1 year	542 076	138 959	681 036
1-3 years	943 461	231 599	1 175 059
4-5 years	30 000	-	30 000
more than 5 years	-	-	-
Total contractual cash-flows	1 515 537	370 558	1 886 095

See note 3.2 for information regarding impairment

NOTE 12 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets have been recognized through the acquisition of subsidiaries Ecoprot AS and Flying Feed Fredrikstad AS in 2021, and Marine Feed AB and Tunicat AS in 2022. Goodwill was recorded based on the difference between the purchase price and the fair value of identifiable assets and liabilities of the companies. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

The majority of the Group's R&D per year end 2022 have been recognized through the acquisition of Marine Feed AB. Marine Feed gave Pronofa a "tunicate team" with experience from 2012 and experience from industrial feed trials and products. Thus, Marine Feed gave valuable input and footprint into the consumer/food market. The company has an operating processing pilot which Pronofa can utilize for studies.

Goodwill and intangible assets	Goodwill	R&D	Total
Cost 01.01.2022	1 968 218	2 000 000	3 968 218
Acquired through business combinations	17 052 419	27 947 964	45 000 383
Additions	-	158 307	158 307
Impairment / disposal	-1 302 502	-2 000 000	-3 302 502
Cost 31.12.2022	17 718 135	28 106 271	45 824 406
Accumulated impairment / amortization 01.01.2022	-	133 333	133 333
Amortization in period	-	1 372 780	1 372 780
Impairment / disposal	-	-133 333	-133 333
Accumulated impairment / amortization 31.12.2022	-	1 372 780	1 372 780
Net book value 31.12.2022	17 718 135	26 733 491	44 451 626

For impairment testing, goodwill acquired is allocated to each subsidiary that is expected to benefit from the synergies of the combination, representing the lowest level within the entity at which goodwill is monitored for internal management purposes. In 2022 the Group has performed impairment tests for CGU's Marine Feed AB and Tunicat AS by comparing business cases which was used in connection with the purchase price allocation to updated business cases per year end. Management has not identified any significant changes or events after the business combinations that indicates an impairment of the goodwill or intangible assets. See note 3.2 for information regarding impairment of Ecoprot AS. Goodwill related to Flying Feed Fredrikstad AS is considered immaterial, and no impairment testing is performed.

For more information on goodwill and intangible assets, please refer to note 16 – Business Combinations

NOTE 13 – INVENTORY

Inventories are measured at the lower of cost or net realizable value under the first-in-first-out (FIFO) principle. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes both the production and acquisition costs of goods and components. Booked value of inventory is 95.154 NOK (236.416 NOK) in 2022 (2021), and is held at cost (no write-downs recognized).

NOTE 14 – CASH AND CASH EQUIVALENT

For presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. As of year-end 2022 and 2021 the Group did not have any outstanding bank overdrafts.

Cash is initially recognized at fair value and subsequently measured at amortized cost.

Total cash in the Group is 124.590.559 NOK (47.019.299 NOK) per 31.12.2022 (31.12.2021) which of 546.026 NOK (113.406 NOK) are restricted cash in the form of employee tax deduction accounts

NOTE 15 – SHARE CAPITAL

See table below for movement in share capital and number of shares issued:

Share capital	# shares	Face value	Total face value
Incorporation of the parent company (19.01.2021)	5 000 000	0,010	50 000
Capital increase february 2021	1 666 667	0,010	16 667
Capital increase june 2021	1 666 667	0,010	16 667
Share split (5:1)	33 333 336	0,002	-
Conversion from AS to ASA	-	0,022	916 667
Capital increase january 2022	23 076 923	0,024	553 846
Capital increase july 2022	2 461 069	0,024	59 066
At 31.12.2022	67 204 662	0,024	1 612 912

In February and June 2021 Pronofa ASA raised a total of 60 MNOK through private placements. Further, a share split followed by a conversion from AS to ASA was carried out in June 2021. In January 2022 Pronofa ASA raised 150 MNOK through a private placement. In mid-2022 Pronofa ASA completed the acquisition of 100 % of the shares in Marine Feed AB and Tunicat AS, in addition to the remaining minority shares in Ecoprot. The Marine Feed AB and Tunicat AS transaction was partly settled by share consideration while the Ecoprot transaction was settled in its entirety by share consideration.

The top 20 shareholders per 31.12	# Shares	Ownership
DENOFA AS	20 070 511	29,86 %
KREANO AS	6 570 511	9,78 %
REITAN KAPITAL AS	6 474 360	9,63 %
CANICA AS	6 474 357	9,63 %
SILVERCOIN INDUSTRIES AS	6 250 000	9,30 %
MACAMA AS	3 423 081	5,09 %
FARVATN PRIVATE EQUITY AS	2 638 990	3,93 %
LANI INVEST AS	1 250 000	1,86 %
GODTHÅB HOLDING AS	1 164 746	1,73 %
Nordnet Bank AB	982 287	1,46 %
HORN, HANS HERMAN	917 325	1,36 %
ANDERSEN HOLDING AS	843 335	1,25 %
SINKABERGHANSEN AS	769 230	1,14 %
ROMAR INVEST AS	765 626	1,14 %
ARILD STEN LARSEN AS	753 095	1,12 %
DOMAREN I GÖTEBORG AKTIEBOLAG	734 615	1,09 %
SALTHAVN AS	615 384	0,92 %
SVENSKA HANDELSBANKEN AB	602 046	0,90 %
The Bank of New York Mellon	536 000	0,80 %
NORUS HOLDING DATTER AS	530 000	0,79 %
Other	4 839 163	7,20 %
Total	67 204 662	100,00 %

NOTE 16 – BUSINESS COMBINATIONS

(a) Marine Feed AB

The Group purchased 100 % of the outstanding shares of Marine Feed AB on May 25th 2022 for a purchase price of 34,2 MNOK. The purchase price consists of a cash payout, share consideration, and estimated earn-out calculated at fair value.

Marine Feed Sweden AB is a leading tunicate producer located in Stenungsund Sweden. With more than 10 years' experience, using tunicates for biogas and then animal feed, Marine Taste discovered that tunicates also had very promising qualities as food. From their pilot facility in Stenungsund they have developed market-ready products such as the tunicate hamburger and Umami taste enhancers. In 2022, they began supplying minced meat made from tunicates to local schools and local government canteens in Sweden. To gear up productions, a new plant is being constructed in the vicinity of Marine Taste's current pilot facility in Stenungsund. When completed, it will be capable of producing up to 1.400 MT of tunicates per shift.

See table below for the purchase price allocation.

Assets acquired and liabilities assumed	NOK
Cash aquired	-178 039
Research & Development	25 815 464
Trade and other receivables	252 237
Property plant and equipment	755 815
Trade and other payables	-564 295
Borrowings	-1 118 527
Paybles to previous owner	-1 682 857
Deferred tax (R&D)	-5 611 100
Net identifiable assets acquired	17 668 698
Goodwill	16 482 511
Consideration	34 151 209

Fair value of identified assets and liabilities is mainly based on booked value of the assets and liabilities, except from R&D. When estimating the fair value of R&D, management has applied the relief from royalty method. Future revenues, royalty rate and discount rate are the assumptions of most significance. Management has applied a discount rate of 13 %, a royalty rate of 6 % and future revenues in line with the business case.

Consideration	NOK
Cash consideration	14 792 208
Share consideration	14 259 001
Earn-out estimated at fair value	5 100 000
Total consideration	34 151 209
Cash aquired	-178 039
Cash consideration net of cash aquired	14 970 247

Turnover recognized in the Group's consolidated financial statement for the period 25.05-31.12.2022 is 123.634 NOK, and net profit contributed for the same period is -4.351.983 NOK.

(b) Tunicat AS

The Group purchased 100 % of the outstanding shares of Tunicat AS on June 15th 2022 for a purchase price of 2,1 MNOK (cash consideration and share consideration).

Tunicat AS, located in Eide Norway, focuses on the tunicate industry. The company has aquaculture permits on the west coast of Norway and is working to improve tunicate cultivation and harvesting techniques. Their permit area is being used to conduct R&D tests and provide a platform for future scaling towards the food and feed market.

See table below for the purchase price allocation.

Assets acquired and liabilities assumed	NOK
Cash aquired	9 797
Research & Development	2 132 500
Other assets	3 087
Borrowings	-126 712
Deferred tax (R&D)	-453 200
Net identifiable assets acquired	1 565 472
Goodwill	569 909
Consideration	2 135 381

Fair value of identified assets and liabilities is mainly based on booked value of the assets and liabilities, except from R&D. The key asset of Tunicat at the time of the transaction was its know-how and its developed R&D (as it was at the time of the transaction). Due to the early-stage nature of the company, and the relatively immaterial size of the investment, management allocated most of the excess value to R&D in respect of this transaction.

Consideration	NOK
Cash consideration	1 135 382
Share consideration	999 999
Total consideration	2 135 381
Cash aquired	9 797
Cash consideration net of cash aquired	1 125 585

Turnover recognized in the Group's consolidated financial statement for the period 15.06-31.12.2022 is 0 NOK, and net profit contributed for the same period is -265.338 NOK.

NOTE 17 – GOVERNMENT GRANTS AND OTHER GRANTS

Government grants are recognized in the financial statements when there is a reasonable assurance that the requirements of the grants will be complied with and that the grants will be received. Grants related are presented as reduction of expenses they are intended to compensate for. Government grants that relate to assets are recognized as a reduction in the acquisition cost of the asset. The grant reduces the depreciation of the asset.

The Group recognized 2.432.553 NOK (2 282 060 NOK) in government grants in 2022 (2021). Of this amount, 906.462 NOK (632 080 NOK) was recognized as reduced expenses, while 1.526.091 NOK was recognized as a short-term receivable in line with the progress of the related projects (2021: 1 649 980 NOK was recognized as a reduction of the acquisition cost of the asset concerned). The grants in 2022 are provided by Fredrikstad Kommune and Skattefunn on research and development projects (2021: the grants are provided by Innovasjon Norge, Norges Forskningsråd, Mabit and Skattefunn on research and development projects). In addition, Marine Feed AB expect to get approved the EU project Aquabioprofit in early 2023, amounting to approx. 800.000 NOK. No recognition is made in 2022 related to this project.

NOTE 18 – SUBSEQUENT EVENTS

In February 2023, Pronofa decided to discontinue further investments at Ecoprot and shut down operations. See note 3.2 for additional details.

PRONOFA ASA – STATEMENT OF PROFIT AND LOSS

<i>Amounts in NOK for the period ended 31 December</i>	Notes	2022	19.01-31.12.2021
Salaries and personnel expense	2	7 756 144	884 966
Depreciation and amortization expense	3	177 087	3 443
Other operating expense	4	15 239 393	7 020 105
Total operating expenses		23 172 624	7 908 513
Operating profit		-23 172 624	-7 908 513
Interest income		14 526	-
Other financial income		25 733	3 168
Total financial income		40 259	3 168
Other financial expense		-735 179	-49
Write down of investment in subsidiary	6	-24 756 790	-400 000
Total financial expense		-25 491 968	-400 049
Profit before income tax		-48 624 333	-8 305 395
Income tax expense	5	-	-
Net profit /(loss) for the year		-48 624 333	-8 305 395
Profit attributable to:			
Allocated to retained earnings	9	-48 624 333	-8 305 395
Total allocation		-48 624 333	-8 305 395

PRONOFA ASA – BALANCE SHEET

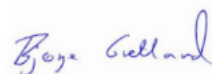
<i>Amounts in NOK</i>	<i>Notes</i>	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Property, plant and equipment	2	1 212 220	117 057
Investment in subsidiaries	6	48 130 190	18 300 540
Total non-current assets		49 342 410	18 417 597
Current assets			
Intercompany receivables	10	1 700 000	-
Other receivables		4 231 354	930 378
Cash and bank deposits	7	119 743 547	34 171 738
Total current assets		125 674 900	35 102 116
Total assets		175 017 310	53 519 713

<i>Amounts in NOK</i>	<i>Notes</i>	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1 612 912	1 000 000
Other paid in capital	8	219 361 746	55 827 164
Retained earnings		-56 929 728	-8 305 395
Total Equity	9	164 044 930	48 521 769
Non-current liabilities			
Provisions	11	5 413 753	-
Total non-current liabilities		5 413 753	-
Current liabilities			
Trade and other payables		4 606 789	4 670 632
Intercompany payable		-	197 418
Public duties payables		951 838	129 894
Total current liabilities		5 558 626	4 997 944
Total equity and liabilities		175 017 310	53 519 713

Fredrikstad, 15.05.2023



Hans Petter Olsen
CEO



Bjørge Gretland
Chairman



Haakon Morten Sæter
Board member



Terje Andersen
Board member



Hans Martin Kjærnsbæk
Board member



Hege Buer
Board member



Hege Rivedal Ødegaard
Board member



Hilde Christin Talseth
Board member

PRONOFA ASA – STATEMENT OF CASH FLOW

<i>Amounts in NOK for the period ended 31 December</i>	Notes	2022	19.01-31.12.2021
CASH FLOW FROM OPERATIONS			
Profit before income taxes		-48 624 333	-8 305 395
Depreciation, intangible and fixed assets		177 087	3 443
Write down of investment in subsidiary	6	24 756 790	400 000
Change in other accruals		-2 474 007	3 870 147
Net cash flow from operations		-26 164 464	-4 031 805
CASH FLOW FROM INVESTMENTS			
Purchase of fixed assets	3	-1 272 250	-120 500
Investments in subsidiaries	6	-16 148 329	-18 300 540
Net cash flow from investments		-17 420 579	-18 421 040
CASH FLOW FROM FINANCING			
Proceeds from capital contributions	9	141 997 869	56 827 165
Given intra-group loans	10	-12 841 018	-202 582
Net cash flow from financing		129 156 851	56 624 583
Net changes in cash for the period		85 571 809	34 171 738
Cash and cash equivalents as of 01.01 (19.01)	7	34 171 738	-
Cash and cash equivalents as of 31.12	7	119 743 547	34 171 738

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION AND ACCOUNTING POLICIES

Pronofa ASA is a limited liability company incorporated and domiciled in Norway, and the head office is in Fredrikstad, Norway.

1.1 GENERAL

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

1.2 USE OF ESTIMATES

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also requires management to apply assessments. In areas which either to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, these are described in the notes.

1.3 CLASSIFICATION OF BALANCE SHEET ITEMS

Assets intended for long-term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year instalments on long-term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

1.4 CURRENCY

The parent company accounts are reported in Norwegian kroner (NOK) which is also the Functional currency for the parent company. Monetary balance sheet items in foreign currency are recorded at year-end exchange rates. Realized currency exchange gains or losses are recorded at the time of payment in other financial income or expenses.

1.5 CASH FLOW STATEMENT

The cashflow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short-term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

NOTE 2 – EMPLOYEE REMUNERATION

Salaries and payroll expense	2022	2021
Salary expenses including bonuses, vacation pay and other costs	5 743 506	753 648
Social security cost	930 911	128 344
Pension benefit expense	112 957	
Remuneration to board of directors	575 000	
Other benefits	393 769	2 974
Total Personnel expenses	7 756 144	884 966
Average number of employees	5	1

The CEO of Pronofa ASA holds a 50 % position in the company and does not receive any remuneration directly from the Company. The CEO is outsourced from Denofa AS. In 2022 (2021), total invoiced amount for the CEO position from Denofa AS is 2.675.888 NOK (1.093.092 NOK) - ex. VAT.

The Board of Directors has received 575.000 NOK in remuneration in 2022 (no remuneration in 2021). No loans or guaranties is held toward the CEO nor any member of the Board.

NOTE 3 – PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment	Machinery, fixtures and fittings
Cost 01.01.2022	120 500
Additions in period	1 272 250
Cost 31.12.2022	1 392 750
Accumulated depreciation 01.01.2022	3 443
Depreciation in period	177 087
Impairments in period	-
Accumulated depreciation 31.12.2022	180 530
Net book value 31.12.2021	117 057
Net book value 31.12.2022	1 212 220
Useful life	5 years
Depreciation method	Straight line

NOTE 4 – OTHER OPERATING EXPENSES AND AUDIT FEE

Other operating expenses by nature	2022	2021
Legal/Consulting fees/Accounting/Audit	12 069 048	6 611 217
Office rental	253 620	112 500
Repair and maintenance expense	51 515	2 625
Other operating expenses	2 865 210	293 763
Total other operating expenses	15 239 393	7 020 105

Auditor's remuneration	2022	2021
Audit services	220 602	39 373
Other assurance services	42 813	37 651
Tax advice	74 730	-
Other non-assurance services	400 490	24 450
Total auditor's remuneration	738 635	101 474

NOTE 5 – CURRENT AND DEFERRED INCOME TAX

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at 22 % tax rate based on the temporary differences which exist between accounting and tax values, and any carry-forward losses for tax purposes at year-end. As of 31.12.2021 deferred tax asset is not recognized in the balance sheet.

Tax expense/(income)	2022	2021
Tax payable	-	-
Change in deferred tax asset	-	-
Total tax expense	-	-

Deferred Tax	2022	2021
Tax loss carried forward Norway	-34 740 774	-11 736 259
Temporary differences fixed assets	117 300	20 657
Temporary differences not recognized in the balance sheet	34 623 474	11 715 602
Basis for deferred tax / deferred tax asset (-)	-	-

Deferred tax / deferred tax asset (-)	-	-
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Tax rate	22 %	22 %
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NOTE 6 – INVESTMENTS IN SUBSIDIARIES

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/ group contributions from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividends from other companies are reflected as financial income when it has been approved.

Subsidiary	Location	Ownership	Woting rights
Marine Feed AB	Stenungsund	100 %	100 %
Flying Feed Fredrikstad AS	Fredrikstad	100 %	100 %
Tunicat AS	Eide	100 %	100 %
Ecoprot AS*	Meløy	76 %	76 %

*Ecoprot AS is declared dissolved in 2023 and therefore an impairment loss on investments in subsidiaries is recognized in 2022.

NOTE 7 – CASH AND CASH EQUIVALENT

For presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. As of year-end 2021 the Company did not have any outstanding bank overdrafts.

Total cash in the Company is 119.743.547 (34.171.738 NOK) per 31.12.2022 (31.12.2021) which of 546.026 NOK (76.245 NOK) are restricted cash in the form of employee tax deduction accounts

NOTE 8 – SHARE CAPITAL

The share capital of NOK 1.612.912 consists of 67.204.662 shares with a nominal value of NOK 0.024 each. Top 20 shareholders as of 31.12.22 was:

The top 20 shareholders per 31.12	# Shares	Ownership
DENOFA AS	20 070 511	29,86 %
KREANO AS	6 570 511	9,78 %
REITAN KAPITAL AS	6 474 360	9,63 %
CANICA AS	6 474 357	9,63 %
SILVERCOIN INDUSTRIES AS	6 250 000	9,30 %
MACAMA AS	3 423 081	5,09 %
FARVATN PRIVATE EQUITY AS	2 638 990	3,93 %
LANI INVEST AS	1 250 000	1,86 %
GODTHÅB HOLDING AS	1 164 746	1,73 %
Nordnet Bank AB	982 287	1,46 %
HORN, HANS HERMAN	917 325	1,36 %
ANDERSEN HOLDING AS	843 335	1,25 %
SINKABERGHANSEN AS	769 230	1,14 %
ROMAR INVEST AS	765 626	1,14 %
ARILD STEN LARSEN AS	753 095	1,12 %
DOMAREN I GÖTEBORG AKTIEBOLAG	734 615	1,09 %
SALTHAVN AS	615 384	0,92 %
SVENSKA HANDELSBANKEN AB	602 046	0,90 %
The Bank of New York Mellon	536 000	0,80 %
NORUS HOLDING DATTER AS	530 000	0,79 %
Other	4 839 163	7,20 %
Total	67 204 662	100,00 %

NOTE 9 – EQUITY

<i>Amounts in NOK thousand</i>	Share capital	Other paid in capital	Retained earnings	Total
Deposit upon establishment of the company (19.01.2021)	50 000	-5 570	-	44 430
Capital increase february 2021	16 667	9 970 835	-	9 987 502
Capital increase july 2021	16 667	46 778 565	-	46 795 232
Conversion from AS to ASA	916 667	-916 667	-	-
Profit/(loss) for the year	-	-	-8 305 395	-8 305 395
Equity 31.12.2021	1 000 000	55 827 164	-8 305 395	48 521 769
Capital increase january 2022	553 846	141 444 023	0	141 997 869
Capital increase july 2022	59 066	22 090 559	0	22 149 625
Profit/(loss) for the year	0	0	-48 624 333	-48 624 333
Equity 31.12.2022	1 612 912	219 361 746	-56 929 728	164 044 930

NOTE 10 – Related Party Transactions

Per 31.12.2022 Pronofa ASA provided a loan of 11.343.600 NOK to Marine Taste AB and 1.500.000 NOK against Tunicat AS (share capital contribution not yet registered). As of 31.12.2022 loan against Marine Taste AB is converted to equity, hence is added to the booked value of the investment. In addition, Pronofa ASA has an outstanding receivable against Flying Feed Fredrikstad of 200.000 NOK per 31.12.2022.

In 2022 (2021) Pronofa bought services from Denofa AS of 11.003.587 NOK (5.636.787 NOK). See note 2 regarding remuneration to the Board of Directors and the CEO.

NOTE 11 – Provisions

In relation to the acquisition of Marine Feed AB, Pronofa ASA has recognized an estimated value of the earn-out clause in the SPA amounting to 5.413.753 NOK as of 31.12.2022.

NOTE 12 – SUBSEQUENT EVENTS

Please refer to the consolidated financial statement for the Group for subsequent events.



To the General Meeting of Pronofa ASA

Independent Auditor's Report

Opinion

We have audited the financial statements of Pronofa ASA, which comprise:

- the financial statements of the parent company Pronofa ASA (the Company), which comprise the balance sheet as at 31 December 2022, the statement of profit and loss 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 Pronofa ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 financial statements give a true and fair view of the financial position of the Company 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 and practices generally 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 International Financial Reporting Standards as adopted by the EU.

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 and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. 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 nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to



consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. 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.

Our opinion on the Board of Director's report applies correspondingly to the statement on Corporate Social Responsibility.

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 the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 31 May 2023

PricewaterhouseCoopers AS

Geir Haglund
State Authorised Public Accountant



PRONOFA



PRONOFA ASA
ANNUAL REPORT 2022

Pronofa is a trailblazer for new and sustainable protein sources

For more information, please visit [Pronofa.com](https://www.pronofa.com)