



Extending the ocean potential

Q1 2023

SALMON
EVOLUTION®

Salmon Evolution – Extending the Ocean Potential

A Norwegian salmon farming company targeting a global leading position in sustainable production of high-quality salmon from land-based facilities.

- Utilizing a hybrid flow-through (“HFS”) system with 30%-35% fresh seawater intake, reducing complexity and biological risk and securing optimal growth at low cost
- 7,900 tonnes HOG Indre Harøy Phase 1 facility in operation – annual harvesting capacity of 31,500 tonnes HOG fully developed
- Joint venture with Dongwon Industries for a 16,800 tonnes HOG production facility in South Korea
- Launched North America expansion plan and established team of dedicated resources
- Clear roadmap for 100,000 tonnes HOG by 2032
- Listed on Oslo Stock Exchange main list from July 2021

SALMON EVOLUTION IS AIMING TO BE THE GLOBAL LEADER IN LAND-BASED SALMON FARMING

Salmon Evolution in a nutshell

<p>1</p> <p>Biology is our most important consideration</p>  <p><i>Our technology captures the benefits of both land-based and sea-based farming</i></p>	<p>2</p> <p>Born in Norway – the cradle of salmon farming</p>  <p><i>There is much to learn, even though we have decades of experience</i></p>	<p>3</p> <p>International expansion with strong local partners</p>  <p><i>We don't go solo on our first projects overseas</i></p>	<p>4</p> <p>First-mover aiming for technology leadership</p>  <p><i>Developing superior cost position & opportunities to capitalize on technology</i></p>	<p>5</p> <p>Premium position based on quality & ESG</p>  <p><i>Committed to quality & sustainability</i></p>
<p>Conservative approach in a disruptive industry</p>			<p>Long-term competitive advantage & profitability</p>	

Highlights in the quarter

- Continued production ramp up at Indre Harøy. Batch 5 stocked in February and all-time high biomass production in March.
- Focus on international expansion plans, both in South Korea and North America.
- Indre Harøy phase 2 preparations ongoing – clear signs of normalization in the construction market
- Signed agreement with DNB and Nordea for a new green debt financing package totaling NOK 1,550 million relating to phase 1 and 2 at Indre Harøy.
- Available liquidity of NOK 454 million per 31 March 2023 including committed undrawn credit facilities.

Subsequent events

- Completed takeover of the last two remaining tanks in phase 1 at Indre Harøy on the 17th of April 2023.
- Carried out NOK 525 million private placement on 18th April 2023 as part of the Indre Harøy phase 2 financing.
- On 29th April 2023 the Company reported that it was experiencing increased mortality in selected fish groups at Indre Harøy. The Company has taken swift and appropriate actions to remedy the situation and the situation is now stabilizing, with daily mortality back to normal levels post freshwater treatment.

Key figures

(figures in NOK 1000)	Q1 2023	Q1 2022	2022
IFRS main figures			
Operating Revenues	2 972	6 818	47 681
Operational EBITDA*	-22 361	-9 992	-68 481
Operational EBIT	-24 011	-11 035	-74 671
Profit / (loss) before taxes	-32 378	-1 570	-32 726
Cash flow from investment activities	-152 154	-278 167	-796 132
Cash flow from financing activities	76 522	167 000	645 471
Net cash flow	-107 407	-75 622	-226 785
Cash and cash equivalents	171 352	429 922	278 759
Net Interest-bearing liabilities	488 729	-43 612	
Total assets	2 295 736	1 882 793	
Equity	1 531 636	1 304 343	
Equity ratio	67 %	69 %	

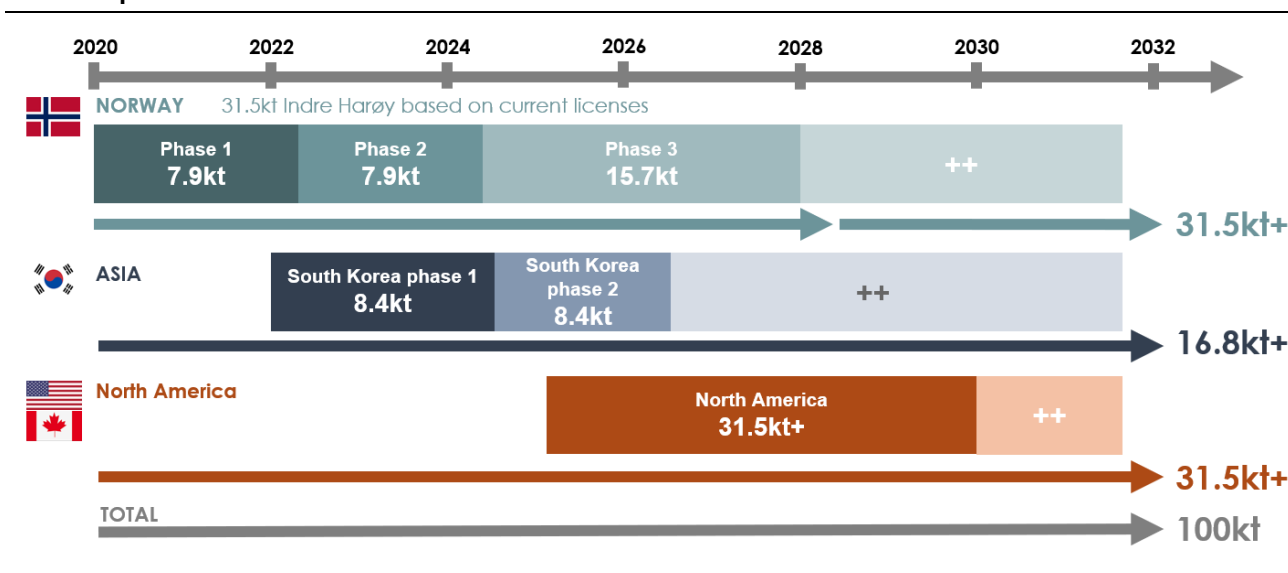
*Before fair value adjustment related to biological assets

Roadmap to 100,000 tonnes in 2032

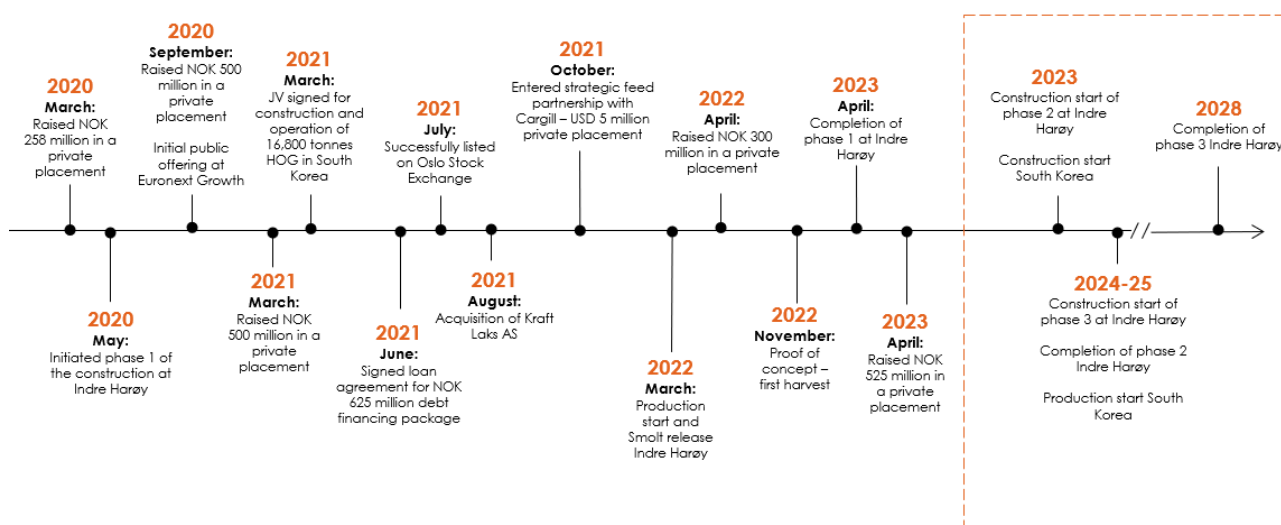
Salmon Evolution targets a leading position in the production of sustainable high-quality salmon from land-based facilities. In addition to its 31,500 tonnes project in Norway, the Company is expanding internationally through a JV in South Korea. Furthermore, the Company has initiated an expansion plan into North

America. Through utilisation of technology, competence and experience from domestic projects, Salmon Evolution aims to develop projects in targeted growth markets in collaboration with local partners. The Company has a clear road map towards 100,000 tonnes production capacity by 2032.

Roadmap towards 100kt HOG annual harvest



Key Company milestones



Source: Salmon Evolution

Important events

New debt financing package and private placement

On 29th of March 2023, the Company signed a NOK 1,550 million green debt financing package relating to phase 1 and 2 at Indre Harøy.

The financing package included refinancing of the Indre Harøy phase 1 construction loan, in addition to a NOK 250 million RCF facility available for general corporate purposes including Indre Harøy phase 2 capex and a NOK 775 million construction facility linked to phase 2 at Indre Harøy.

Additionally, on 18th of April 2023 the Company carried out a NOK 525 million private placement. The placement attracted strong interest from Norwegian, Nordic and international high-quality investors.

The net proceeds from the placement will be used to i) fund the currently estimated equity portion of Phase 2 at Indre Harøy, and ii) general corporate purposes.

Mortality event post quarter

On 29 April 2023 the Company reported that it was experiencing increased mortality in selected fish groups. The increased mortality is triggered by AGD, causing problems with gill health.

The Company has taken swift and appropriate actions to remedy the situation, including reduced temperatures and feeding, increased UV dosage on intake water, fast tracking harvest of batch 2 in a historically strong market and completed freshwater treatment of all remaining fish groups.

The freshwater treatment appears to have had a good effect, and the situation is now stabilizing

with daily mortality back to normal levels post freshwater treatment. The Company has also recommenced feeding across the farm and is closely monitoring the situation.

Furthermore, the Company has implemented a number of actions to minimize the risk of such event happening in the future. This includes inter alia on-site freshwater production capabilities to be installed over the next couple of weeks, reducing response time to a minimum going forward and also enabling precautionary freshwater treatments, for example in connection with fish transfers.

Norway

Operations

The Company has been operating the Indre Harøy facility since March 2022, stocked five batches of smolt and fully harvested out batch 1 in late 2022 with strong results, the latter being a major milestone for the Company.

Batch 1 was harvested in towards the end of 2022 with a total harvest volume of ~340 tonnes HOG with an average weight of ~3.75 kg HOG (~4,5 kg LW). The effective production cycle on batch 1 was around 7-8 month since stocking. The harvest showed a homogeneous weight profile across the batch with a very tight spread in weights, even though batch 1 had not been graded on size since stocking, indicating the feed distribution within the fish tanks working as intended.

Furthermore, batch 1 saw strong harvest weights, with the last out of three harvesting rounds seeing 80 % above 4 kg HOG and less than 2 % below 3 kg HOG. Total mortality for batch 1 ended at 5,8 % and 4,0 % if excluding customary first 30 days in the grow out facility. The harvest confirmed strong product quality, demonstrated by an industry leading superior share of 96%. Batch 1 was sold at a NOK ~3/kg premium to corresponding Nasdaq prices.

Entering the first quarter of 2023 the Company had three batches of fish in the facility, and in late February 2023 the fifth generation was successfully stocked. Batch 5 comprised of 257,000 smolt with an average weight of ~230 grams.

Splitting and grading fish groups using the highly automated fish logistics and distribution system has been identified as a key operational risk in the facility. The first run utilizing this system was in the fourth quarter of 2022 when batch 2 was successfully graded and split into two new fish groups with minimal registered mortality. During

the first quarter batch 2, 3 and 4 were successfully split into new fish groups in line with the production plan. The Company registered minimal mortality performing this essential operation, and time elapsed from initiation to close has been significantly reduced.

As per 31 March 2023 the Company had four batches of fish at Indre Harøy with about 945,000 individuals, spread over nine fish groups with an average weight of around 1,485 grams. Additionally, the Dale smolt facility had about 2.6 million smolt.

Batch 2, due for harvest in the second quarter of 2023, counted around 225,000 individuals with an average weight of around 3,450 grams representing about half of the Company's standing biomass.

Since initial stocking in late February batch 5 developed in line with expectations and had reached an average weight of around 370 grams at the end of the quarter.

The increase in biomass production continued in the first quarter with the Group having a net biomass production of around 740 tonnes during the quarter and all-time high biomass production of around 320 tonnes in March isolated. As per 31 March 2023 the Company had a standing biomass of almost 1,500 tonnes of which 69 tonnes being smolt.

On 29 April 2023 the Company reported that it was experiencing increased mortality in selected fish groups. The increased mortality is triggered by AGD, causing problems with gill health. The facility has otherwise been operating under stable conditions with relevant water quality parameters at normal levels.

The Company swiftly undertook a number of actions to remedy the situation. Temperatures and feeding were reduced and the UV dosage on the intake water was substantially increased.

Furthermore, the Company initiated harvest of batch 2 in accordance with the original plan, but fast tracked the process and fully harvested out batch 2 over 9 days as a precautionary step in a historically strong salmon market.

The harvest of batch 2 yielded about 600 tonnes HOG of harvest volume and confirmed good product quality, evidenced by a superior grade share of 93%. The high superior share also supported strong price realization and the average sales price ended at around NOK 95/kg. Similar as for batch 1, batch 2 also saw a tight weight concentration, although with a somewhat lower average harvest weight.

AGD is a common challenge for the conventional farming industry with proven treatment methods, namely by using freshwater. In parallel the Company therefore developed a plan for freshwater treatment of all remaining fish groups and managed to secure wellboat capacity with freshwater production capabilities.

The freshwater treatment was initiated on 14 May and by 19 May all five remaining fish groups had undergone treatment. The operation went according to plan and the Company has seen a sharp reduction in mortality shortly after completing the treatment and is pleased to see that the situation seems to be stabilizing with daily mortality back to normal levels post freshwater treatment.

With the situation stabilizing the Company has recommenced feeding across the farm while in parallel closely monitoring the situation.

Group biomass development

Batch	31 March 2023			21 May 2023			Current status
	Units (#)	Weight (g)	Biomass (tonnes, LW)	Units (#)	Weight (g)	Biomass (tonnes, LW)	
Batch #2 (Jul 22)	~225,000	~3,450	777				Fully harvested out in early May yielding ~600 tonnes HOG with 93% superior grade share.
Batch #3 (Oct 22)	~198,000	~1,385	275	~162,000	~1,650	270	Consisting of two groups with about same avg. weight. One of the groups affected by elevated mortality.
Batch #4 (Dec 22)	~264,000	~970	256	~185,000	~1,520	280	Consisting of one large group at ~1.8 kg and one small group at ~0.9 kg. Smallest group affected by elevated mortality. Figures also include culling of ~25k fish to alleviate the situation.
Batch #5 (Feb 23)	~257,000	~370	96	~255,000	~650	165	Normal mortality throughout the period, but completed freshwater treatment as a precautionary step
Total Indre Harey	~945,000	~1,485	1,403	~602,000	~1,185	715	
Smolt	~2,610,000	~26	69	~3,300,000	~25	83	Two smolt groups prepared for stocking in Q2-2023 according to production plan
Total Group	~3,555,000		1,472	~3,902,000		798	

As of 21 May 2023, and following the harvesting of batch 2, the Group had a standing biomass of about 800 tonnes LW including 83 tonnes at the smolt facility. This compares to a total biomass of 733 tonnes LW as per 31 December 2022.

As seen from the above table, one of the subgroups in both batch 3 and batch 4 has been affected by increased mortality.

Batch 3 consists of two subgroups with about the same average weight and one of these groups has seen elevated mortality, reducing the number of individuals from 198,000 per 31 March to 162,000 as per 21 May. In terms of biomass volume, the status is more or less unchanged.

Batch 4 also consists of two subgroups with one group being around 1.7 kg on average and one small group at around 0.9 kg on average. The smallest group has seen elevated mortality,

reducing the number of individuals from 264,000 per 31 March to 185,000 as per 21 May. This reduction also includes culling of around 25,000 of the presumed weakest and smallest individuals to alleviate the situation. In terms of biomass volume, this has increased with around 30 tonnes since 31 March due to continued growth of the largest group.

Batch 5 has seen low mortality and normal feeding throughout the period except for customary starvation in connection with freshwater treatment.

The Company is currently taking a number of actions to prevent such situation from happening again including maintaining a substantially higher UV dosage on intake water going forward.

Furthermore, the Company has secured a mobile freshwater production plant which is planned installed over the next couple of weeks. This will reduce response time to a minimum while at the same time enabling precautionary freshwater treatments, for example in connection with fish transfers.

Accumulation of external pathogens should normally be avoided through disinfection of intake water, but having the capability to carry out freshwater treatments in a swift manner is deemed to give the Company a very effective tool in handling such challenges going forward if needed.

The Company is now in the process of preparing for stocking of the next fish groups at Indre Harøy with two additional groups planned stocked during the second quarter and another three groups during the second half of 2023.

The Company currently assesses that the incident will have a limited impact on the Company's operations subject to the existing fish groups performing according to plan. Depending on the future performance of the existing batches, the Company do however see a risk of steady state production being pushed from late Q3 as originally expected to late Q4. The stocking of five additional batches throughout 2023 will contribute positively in this respect.

First harvest ready for shipment (December 2022)



Photo: Salmon Evolution

Project status - Indre Harøy phase 1

Phase 1 of Indre Harøy was finalized in April 2023 with the last two remaining tanks of a total of twelve tanks, handed over from the contractor.

With all the 12 tanks completed, this will allow for a streamlining of the production process with both "production lines" ready, each consisting of 6 tanks. The facility has a yearly steady state production volume of 7,900 tonnes HOG.

The accumulated capex to date from project initiation in 2019 was NOK 1,647 million. Included in this amount are also allowances for final contract settlements which are expected to take place during the second quarter. In addition, accumulated capitalized G&A amounted to NOK 125 million.

Indre Harøy phase 1 (February 2023)



Photo: Salmon Evolution

Indre Harøy phase 2

In the first quarter of 2023 the preparatory activities for phase 2 have continued. The main focus areas are implementing learning effects from phase 1, identifying savings and scaling effects from phase 1, defining a cooperation model designed at further optimizing the project management and develop a cost budget for phase 2.

Salmon Evolution is seeing clear signs of normalization in the construction market, evidenced by an increasing level of availability amongst various types of suppliers relevant for phase 2.

The Company has made no contractual commitments as to phase 2 but are in

advanced negotiations with contractors for phase 2 construction. The plan is to commence construction in the second half of 2023.

The Company has continued with blasting and excavation works for the fish tanks for phase 2 during the first quarter.

Phase 2 preparatory activities are moderate from a financial perspective. Upon a final investment decision, the Company intends to structure the projects in a similar way as for phase 1, with financing reservations for the various subcontractors. Finally, when phase 2 is formally initiated, the first 6-9 months are relatively capex light.

Indre Harøy phase 2 illustration

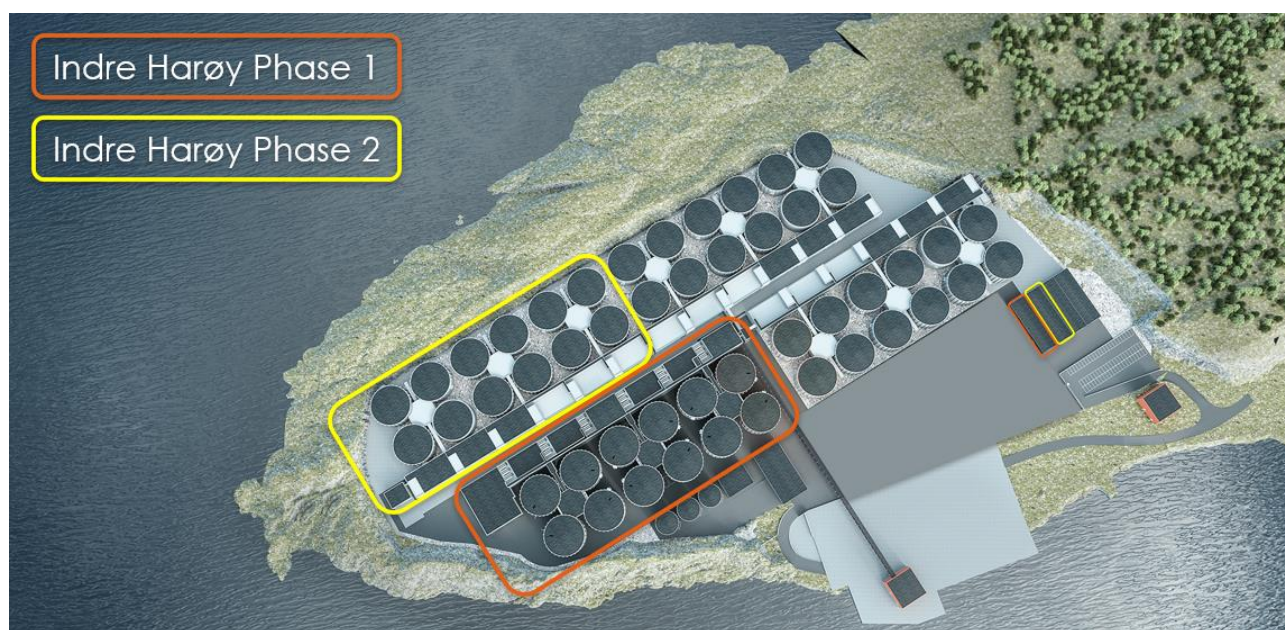


Illustration: Salmon Evolution

As part of the phase 2 project Salmon Evolution is also developing an expansion plan for our smolt facility so that the facility can serve the smolt needs for phase 2. This project is ongoing

but as it is interlinked with our Indre Harøy phase 2 project, no investment decision will be taken before we formally decide to initiate phase 2 construction at Indre Harøy.

Korea

Introduction to K Smart

The Company has a joint venture with the South Korean seafood giant Dongwon Industries where the plan is to develop, construct and operate a 16,800 tonnes HOG land-based salmon farming facility in South Korea, using Salmon Evolution's technology approach and competence.

The joint venture is named K Smart Farming ("K Smart"). The project will be completed in two phases, with each phase aiming to achieve an annual capacity of 8,400 tonnes HOG, 16,800 tonnes combined.

Under the terms of the Joint Venture agreement, Dongwon Industries will facilitate 75% debt financing for K-Smart's phase 1 project.

The parties have identified a production site in Yangyang on the northeast coastline of South Korea, with solid data points on water quality and temperatures. In addition, K Smart has also acquired an existing smolt facility in Jeongseon which will be upgraded and used for supplying

smolt to the grow out facility in Yangyang. The acquired smolt facility has been producing freshwater trout for many years.



Yangyang on-growing site



Jeongseon smolt site

Project status

During the first quarter focus continued to be centred around design and engineering activities in cooperation with Billund Aquaculture as design partner.

Salmon Evolution now have 4 FTEs based in Korea. K Smart has established an organization located in the Dongwon head office in Seoul. During the quarter K Smart also retained a dedicated CEO and CFO.

Significant progress has been made on the design for the smolt facility with 90% design review completed during Q1 2023.

Design work for the grow-out facility in Yangyang was intensified during the first quarter with focus on implementing learning effects from Indre Harøy alongside incorporating required site-specific changes.

K Smart is also working actively with the permitting processes and significant resources have been devoted to document the environmental effect of the project. Contrary to Norway, land-based salmon farming is a new industry in South Korea and regulatory processes takes time, but the company is continuing to experience strong support from both local,

regional and national stakeholders. K Smart has during the first quarter received important clarifications with respect to key permits and

expects continued progress on this over the coming months, expected to allow for construction start during 2023.

Illustration grow-out facility Yangyang



Illustration: Salmon Evolution

North America

Salmon Evolution has initiated a process with the aim of expanding its farming operations into North America and at the same time raising its production capacity target to 100,000 tonnes HOG by 2032.

Salmon Evolution continues to evaluate selected identified potential production sites in North America, both on the US and Canadian side of the border. As part of the site verification processes which include fatal flaws analyses of both water, biological, technical and regulatory aspects, the Company is currently in dialogue with various stakeholders, both public and private. The Company expects to use the next quarters for such site selection and initial site verifications.

It is expected that site verification and relevant regulatory approval processes will take around three years, allowing for construction start in 2025 or 2026, upon which the plan is to build a full scale 31.5 tonnes HOG "Indre Harøy" facility

drawing on the experiences learned in both Norway and Korea.

To facilitate this expansion, the Company has established a dedicated team of both in-house and external resources. Additionally, the Company has incorporated a US corporate structure under its full ownership.

The Company's strategy of pursuing accretive partnerships in overseas markets remains unchanged. As the project develops, Salmon Evolution aims to engage in partnership structures leveraging the human capital in our Group and maximizing shareholder value.

In April 2023 Tore-Jakob Reite started as Director Strategic Projects. The North America expansion plan will be his primary focus. He has over 25 years of experience from the aquaculture industry and comes from the position as CEO in Entec Brimer, a leading supplier a fish tanks to the land-based aquaculture industry.

Funding

Since 2020 the Company has secured both equity and debt financing on several occasions and Salmon Evolution is continuously seeking to optimize its capital structure.

In March 2021, the Company issued 83,333,333 shares at a subscription price of NOK 6.0 per share, raising gross proceeds of NOK 500 million.

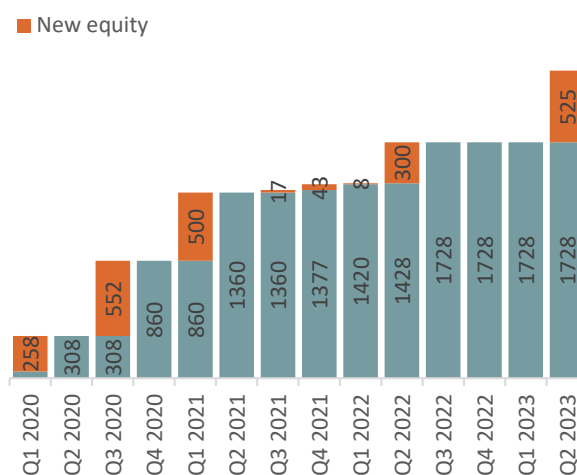
The group further raised NOK 16.6m in new equity in August 2021 as part consideration for the acquisition of Kraft Laks.

In October 2021 the Company also carried out a private placement of USD 5m (NOK ~43m) towards Cargill.

Further, in April 2022 the Company carried out a private placement raising gross proceeds of NOK 300 million at a subscription price of NOK 9.00 per share.

On 18th of April 2023 the Company carried out a private placement raising gross proceeds of NOK 525 million at a subscription price of NOK7,7 per share, bringing total raised equity to more than NOK 2.2 billion.

Development in paid-in equity (NOK million)



Source: Company data.

Funding Indre Harøy Phase 1 and 2

On 29th of March 2023, the Company signed a NOK 1,550 million green debt financing package relating to phase 1 and 2 at Indre Harøy, thus refinancing the existing senior secured debt financing package. The refinancing was completed on 25th April 2023.

The new debt financing package consists of the following credit facilities:

- NOK 525 million non-amortizing term loan facility which will refinance the Company's existing NOK 525 million construction loan relating to phase 1 described above. (the "Term loan")

- NOK 250 million RCF facility available for general corporate purposes including Indre Harøy phase 2 capex (the "RCF facility")
- NOK 775 million construction facility available for financing of capex relating to phase 2 at Indre Harøy (the "Construction Facility").

As per 31 March 2023, NOK 525 million was drawn under the existing senior secured debt financing package.

In addition, the Company has a NOK 100m overdraft facility for biomass and receivables financing of which NOK 74 million was drawn at the end of the quarter.

Funding K Smart Farming

The agreed funding structure of K Smart Farming is 25% equity and 75% debt, where Dongwon Industries is to facilitate debt financing at attractive cost levels (phase 1).

Funding Salmon Evolution Dale

At the date of the acquisition, Dale (formerly called Kraff Laks AS) had a net cash position with very limited financial debt. The NOK 35 million cash component of the purchase price was funded by cash at hand.

In December 2021 the Company announced that it had signed binding agreements for a debt financing package of NOK 52 million in relation to Salmon Evolution Dale. The Company deems the bank debt to be at favourable commercial terms, reflecting the solid operational and financial track record of Salmon Evolution Dale.

The bank debt package is split across three separate facilities and will be used as follows:

Salmon Evolution's total equity contribution into K Smart was initially estimated to about NOK 200 million on a fully funded basis, including phase 2. The equity contribution is split in milestone driven tranches where the Company executed its first tranche of NOK ~27 million in Q2 2021.

- General corporate purposes, hereunder financing of working capital
- Investments relating to facility upgrades
- Refinancing of existing NOK 25 million seller's credit with previous owners

As part of the Indre Harøy phase 2 build out, the Company plans to expand the capacity at Salmon Evolution Dale, into which parts of the April 2022 private placement proceeds is planned allocated. In such scenario further debt financing of Salmon Evolution Dale is expected.

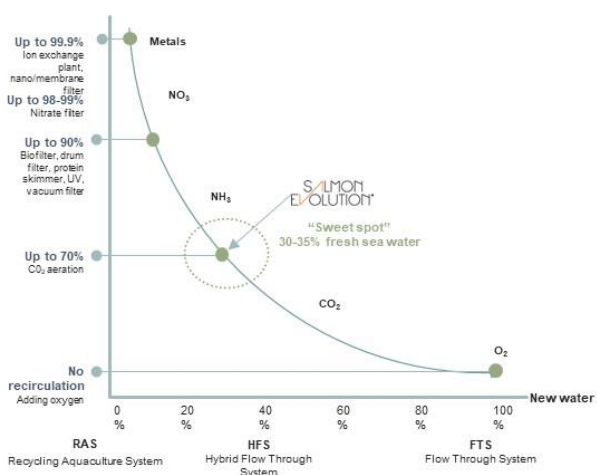
As per 31 March 2023 about NOK 45m of the NOK 52m debt financing package was drawn.

Extending the ocean potential

Our Technology – Hybrid flow through system (HFS)

Salmon Evolution is founded on the belief that good biology equals good economy. This belief has been essential when developing the production methods and technology that are to be applied in the Company's land-based salmon farming facilities.

Salmon Evolution's chosen hybrid flow-through system (HFS) technology ensures rich access of fresh filtered seawater while at the same time reducing energy consumption by reusing around 65% of the water.



A reuse level of around 65% is in the Company's view a "sweet spot" balancing cost and operational risk. Higher reuse levels require the introduction of more filtration and water treatment and lead to an exponential increase in risk. On the other side, a low level of reuse leads to significantly higher energy costs in connection with pumping and heating of water.

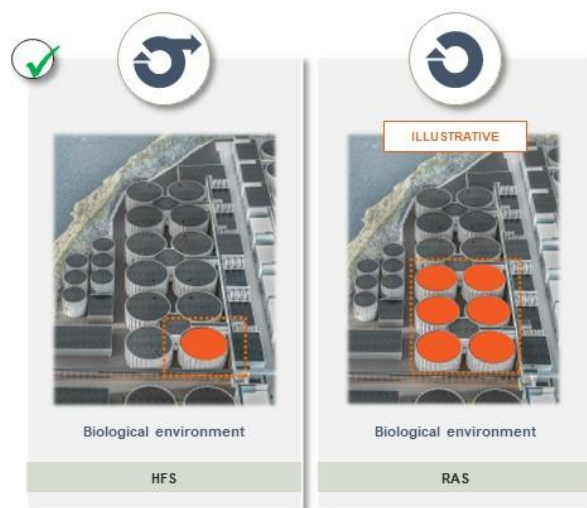
At Indre Harøy the seawater intake is based on two inlet pipes at 25 meters and 95 meters, respectively, enabling the Company to tap into

ideally tempered water and hence reducing energy costs relating to heating of seawater.

The water inlet is further filtered and treated with UV to eliminate parasites, sea lice, viruses, and particles. This ensures a rich flow of fresh and clean seawater into the fish tanks.

To ensure optimal biological and growth conditions in the fish tanks, oxygen and CO₂ levels are constantly monitored and adjusted.

Each of Salmon Evolution fish tanks represents an individual biological zone, meaning that water in one tank never mixes with water in the other tanks. This again serves as a significant risk reducing measure in case of diseases etc. where a potential outbreak in one tank never can contaminate the fish swimming in the other tanks.



As part of Salmon Evolution commitment to a truly sustainable production and circular economy, waste is filtered and collected, before being transported to a recirculation plant where it is converted into fertilizer, biogas or similar.

Financial review

(figures in NOK 1000)	Note	Q1 2023	Q1 2022	2022
Sales revenues	2	2 489	6 826	46 107
Other income		482	-8	1 574
Total operating revenue		2 972	6 818	47 681
Change in inventory	3,4	37 578	576	34 077
Cost of materials	3,4	-21 250	-2 685	-34 706
Personnel expenses	5	-17 976	-7 002	-49 996
Other operating expenses		-23 684	-7 698	-65 538
Operational EBITDA		-22 361	-9 992	-68 481
Depreciations	6	-2 197	-1 043	-6 190
Operational EBIT		-24 558	-11 035	-74 671
Fair value adjustment of biomass	3	547	0	11 740
Operating Profit (EBIT)		-24 011	-11 035	-62 931
Financial income	7	1 845	10 190	35 322
Financial expense	7	-9 141	-626	-4 170
Share of net income from associated companies	8	-1 071	-99	-947
Financial expense - net		-8 367	9 465	30 205
Profit/loss before tax	9	-32 378	-1 570	-32 726
Income tax expense	9		0	0
Profit/loss for the period	10	-32 378	-1 570	-32 726
Basic earnings per share (NOK)	10	-0,09	-0,01	-0,10
Diluted earnings per share (NOK)	10	-0,09	-0,01	-0,10
Statement of Comprehensive Income				
Profit/(loss) for the period		-32 378	-1 570	-32 726
Currency translation differences	8	-484	-758	1 363
Total comprehensive income for the period		-32 862	-2 328	-31 363

Q1 2023 results

The Group did not harvest any salmon during the first quarter of 2023. For the same period last year, the Group sold smolt to an external customer for approx. NOK 6.8 million.

Personnel expenses for the quarter totalled NOK 18.0 million. During the quarter approximately 2% of the total personnel expenses were

capitalized and allocated to the building project at Indre Harøy.

Other operating expenses totalled to NOK 23.7 million during the quarter and consisted mainly of operating expenses at our facilities in Dale and Indre Harøy, costs related to activities in North America, consultancy and legal fees, and other administration expenses.

After fair value adjustment related to the biomass (NOK 0.5 million), operating loss for the period ended at NOK 24.0 million.

Costs deemed to be part of the ongoing assets under construction are capitalized consecutively throughout the quarter.

Net financials for the quarter were negative at NOK 8.4 million, where most of the effect is

related to changes in value of the power supply contract.

Loss for the quarter was NOK 32.4 million.

Salmon Evolution's share of K Smart's net income is recognized in the profit and loss statement. The investment in K Smart is accounted for using the equity method where K Smart is regarded as an associated company

Cash flow

Consolidated net cash flow from operating activities was NOK -31.8 million in the first quarter of 2023 compared to NOK 35.5 million for the same period last year.

The Group is now seeing lower activity at Indre Harøy and as a result of this net cash flow from investment activities has decreased from NOK -278.2 million in Q1 2022 to NOK -152.2 million during Q1 2023 of which NOK -56.7 million was related to change in investment trade payables.

Cash flow from financing activities during the quarter was NOK 76.5 million, which mainly consist of drawdowns on the Construction facility and overdraft facilities.

Total net cash flow during the first quarter was NOK -107.4 million. The liquidity position at the end of the period was strong, with cash and cash equivalents of NOK 171.3 million and total available liquidity of NOK 454 million including committed undrawn credit facilities.

Cash flow summary

(figures in NOK 1000)

	Q1 2023	Q1 2022	2022
Net cash flow from operating activities	-31 774	35 546	-76 124
Net cash flow from investments activities	-152 154	-278 167	-796 132
Net cash flow from financing activities	76 522	167 000	645 471
Net change in cash and cash equivalents	-107 407	-75 622	-226 785
Cash and cash equivalents at start of period	278 759	505 545	505 545
Cash and cash equivalents at end of period	171 352	429 922	278 759

Financial position

The carrying amount of Salmon Evolution's total fixed assets as of 31 March 2023 was NOK 1,944 million, compared to NOK 1,359 million 31 March 2022. Fixed assets are mainly related to the construction work at Indre Harøy, comprising capitalized costs related to both personnel expenses and construction cost, land

acquisition and Dale smolt facility as well other smaller items.

Total equity amounted to NOK 1,531.6 million. With total assets of NOK 2,295.7 million, this corresponds to an equity ratio of 67%.

Consolidated interest-bearing liabilities totalled NOK 660 million.

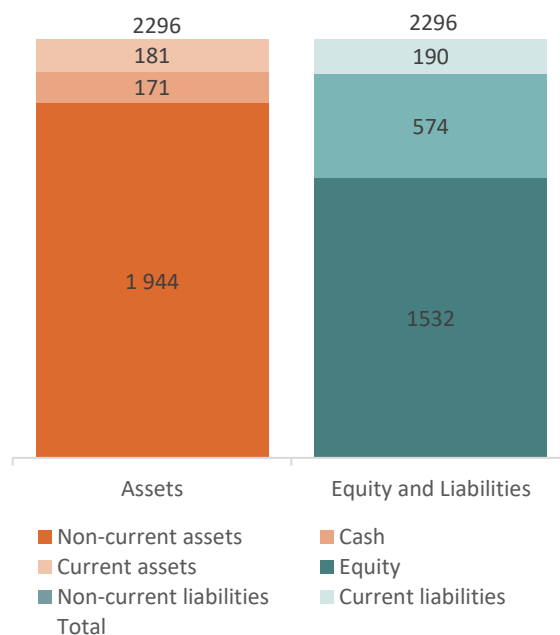
In October 2020, Salmon Evolution was granted NOK 14 million in funding from the Norwegian tax incentive scheme Skattefunn. The incentive scheme will be distributed over a three-year period and is designed to stimulate research and development (R&D).

Furthermore, in November 2020 the Company was granted NOK 96.8 million in a funding commitment from ENOVA. The commitment is a cash grant, and the funding will not require any material additional investment needs from Salmon Evolution. The proceeds from this grant is expected paid out in tranches over the course of Indre Harøy Phase 1 development.

Both grants are recognized in the financial accounts as a reduction of fixed assets. As of Q1 2023 the Company has recognized NOK 14.3 million in Skattefunn grants and NOK 96.8 million in Enova grants of which NOK 9.5 million and

NOK 96.8 million have been received by 31 March 2023, respectively.

Balance sheet as per 31.03.2023 (NOK million)



Source: Company data

Subsequent events

Completed takeover of phase 1 at Indre Harøy

On the 17th of April the two remaining tanks at Indre Harøy was handed over from the

contractor. This marks the completion of phase 1 at Indre Harøy

Completed NOK 525 million private placement

On the 18th April 2023 the Company successfully carried out a NOK 525 million private placement, through the allocation of 68,181,818 new shares each at a subscription price of NOK 7.7 per share.

The net proceeds from the Private Placement are intended to be used (i) to fund the currently estimated equity portion of Phase 2 of the salmon farming facility at Indre Harøy and (ii) for general corporate purposes.

Post quarter mortality event

On 29 April 2023 the Company reported that it was experiencing increased mortality in selected fish groups. The increased mortality is triggered by AGD, causing problems with gill health.

The Company has taken swift and appropriate actions to remedy the situation, including reduced temperatures and feeding, increased UV dosage on intake water, fast tracking harvest of batch 2 in a historically strong market and completed freshwater treatment of all remaining fish groups.

The freshwater treatment appears to have had a good effect, and the situation is now stabilizing

with daily mortality back to normal levels post freshwater treatment. The Company has also recommenced feeding across the farm and is closely monitoring the situation.

Furthermore, the Company has implemented a number of actions to minimize the risk of such event happening in the future. This includes inter alia on-site freshwater production capabilities to be installed over the next couple of weeks, reducing response time to a minimum going forward and also enabling precautionary freshwater treatments, for example in connection with fish transfers.

Transactions with related parties

During the ordinary course of business, the Company may engage in certain arm's length transactions with related parties.

There were no material transactions with related parties as per 31 March 2023.

Share information

As per 31 March 2023 Ronja Capital II AS was the Company's largest shareholder with 27,393,242 shares, corresponding to 7.9% of the total number of shares outstanding. The 20 largest shareholders held 56.6% of the shares in the Company.

The closing price for the Company's share was NOK 8.30 per share as per 31 March, which corresponded to a market capitalization of NOK ~2.9 billion.

During the quarter the average daily, traded volume was about 615,000 shares and the average daily traded value was about NOK 5.0 million (Oslo Børs).

Salmon Evolution ASA was listed on Oslo Børs on 9 July 2021.

20 largest shareholders 31 March 2023

Shareholder	# of shares	% share
Ronja Capital II AS	27 393 242	7,9 %
The Bank of New York Mellon SA/NV	22 310 787	6,5 %
Farvatn Private Equity AS	17 649 433	5,1 %
Dongwon Industries Co. Ltd	16 044 572	4,6 %
Rofisk AS	14 537 897	4,2 %
Stette Invest AS	11 569 338	3,3 %
Kjøllås Stansekniver AS	11 207 738	3,2 %
Mevold Invest AS	8 141 141	2,4 %
Lynghem Invest AS	7 994 252	2,3 %
Jakob Hatteland Holding AS	7 810 734	2,3 %
Bortebakken AS	7 548 460	2,2 %
Ewos AS	7 441 374	2,2 %
J.P. Morgan SE	6 584 449	1,9 %
Verdipapirfondet Dnb Norge	5 717 376	1,7 %
Nordnet Livsforsikring AS	5 074 088	1,5 %
Verdipapirfondet DNB SMB	4 568 731	1,3 %
VPF DNB Norge Selektiv	4 411 360	1,3 %
Salmoserve AS	3 782 921	1,1 %
Småge Eiendom AS	3 033 333	0,9 %
Clearstream Banking S.A	2 815 834	0,8 %
Total 20 largest shareholders	195 637 060	56,6 %
Other shareholders	150 117 762	43,4 %
Total number of shares	345 754 822	100,0 %

Source: VPS, Company

Risk and uncertainties

As described in the Annual Report for 2022, Salmon Evolution's business activities entail exposure to various types of risk, including risk related to project, market-, operational- and financial development. The Group's internal controls and risk exposure are subject to continuous monitoring and improvement, and efforts to reduce risk in different areas have a high priority. Below is a summary of some of the risks facing the Company.

Operational risk

The greatest operational risk relates to biological developments within the Group's aquaculture operations. Land-based salmon farming is a new industry and is subject to inherent risk by being an industry in the development phase, as well as the risk that the Company's commercialization strategy may fail. The Company is vulnerable to errors in technology,

production equipment and maintenance routines as well as diseases which may have a material adverse effect.

Further, challenges or incidents in connection with the upcoming production ramp up could also have adverse effects for the Company's ability to realize its business plan.

Project risk

Successful project execution and construction are decisive for the Company's business and comes with numerous risks, including risk for delays or cost overruns.

Due to the size of these construction projects, any material delay or cost overrun could have

adverse effects for the Company's ability to realize its business plan. The chosen entrepreneur for phase 1 of the construction project at Indre Harøy, Artec Aqua, has limited legal liability for cost overruns and delays.

Market risk

Having entered the operational phase, the Groups is exposed to the general development of salmon prices. Although salmon prices have remained strong, costs are also increasing. As of 31 March 2023, the Company has not entered into any hedging programs to reduce market risk.

Furthermore, the Group is exposed to changes in market prices for the input factors used in the production process, in particular feed prices and electricity prices. As to the latter, the Group has entered into hedging agreements for most of its expected electricity needs for 2023.

Interest Rate risk

The Group's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. Currently, the Group has entered into hedging programs to reduce this risk for only parts of its planned borrowings, thus the Group remains exposed to changes in the

interest rate. As of 31 March 2023, outstanding loans from credit institutions amounted to NOK 646 million (excluding financial leasing).

The Groups bank loans have an interest rate of NIBOR 3M plus an agreed margin. In order to reduce exposure to fluctuations in the interest

rate the Group has entered interest rate swap contracts for a total amount of NOK 200 million.

Foreign Currency risk

The Group's foreign currency risk relates to the Group's operating, investing and financing activities denominated in a foreign currency. This includes the Group's revenues, expenses and capital expenditures. From time to time the group utilizes financial instruments to hedge its

currency exposure. As per 31 March 2023 the Group did not have any exposure in foreign currency contracts.

The Group's presentation currency is Norwegian Kroner ("NOK").

Credit risk

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, and other receivables, the Group's exposure to credit risk arises from default of the relevant counterparty, with a maximum exposure equal to the carrying

amount of these instruments. The Group has procedures to ensure that products are only sold to customers with satisfactory creditworthiness where credit insurance is used when deemed necessary. This risk at 31st March 2023 is not considered to be material.

Liquidity risk

A lack of liquidity will entail a risk that the Group will not be able to pay its obligations on maturity. Management monitors rolling forecasts of the Group's liquidity reserve (comprising cash and cash equivalents) based on expected cash

flows. The Group's business plan and growth strategy is capital intensive, and the Group may be dependent upon future equity issues and/or debt financing in order to finance its current and long-term plans.

Summary and Outlook

On 17th of April 2023 another milestone was reached for Salmon Evolution by taking delivery of the two remaining tanks at Indre Harøy and thus closing the phase 1 construction project.

On 29th March 2023 the Company signed a NOK 1,550 million green financing package, securing refinancing of the existing construction facility related to phase 1 at Indre Harøy. This financing package, together with the NOK 525 million private placement carried out post quarter, secures funding for the phase 2 expansion plan at Indre Harøy.

Since initiating operations at the Indre Harøy facility about 14 months ago, the Company has gradually ramped up production and a total of five batches have been stocked at Indre Harøy of which the last two being "full size" batches. Two smolt releases are scheduled for second quarter, and throughout 2023 the Company expects to release smolt every second month ensuring that the regularity in harvest volumes will gradually increase over the coming quarters.

The Company harvested its first batch from early November to early December 2022 with strong results, demonstrating that it is possible to produce salmon on land all the way to full harvest weight, at industrial scale.

The increased mortality reported ultimo April is an important reminder of the biological aspect of the operation. Salmon farming is a complex operation and unexpected things can and will happen, stressing the importance of having a strong and capable organization.

Furthermore, this event has also demonstrated the value of being located in the heart of the aquaculture cluster with solid access to competent people and suppliers and relevant infrastructure. Although Salmon Evolution has significant international ambitions, the strategy has always been to start in Norway and expand

internationally on the back of first having a large and successful operation in Norway where the relevant learning can be incorporated.

The Company is pleased to see that the decisive actions taken over the last week seem to have stabilized the situation and enabled the Company to transition back to production modus.

Batch 2 was fully harvested out in a historically strong salmon market generating substantial revenues. The successfully completed freshwater treatment also gave invaluable operational experience that will greatly enhance the Company's capabilities to tackle challenges going forward.

Total Norwegian exports of salmon during Q1 2023 was 263,000 tons compared to 282,000 tons in the same quarter last year, a decrease of 6.7%.

Most analysts expect low single digit global supply growth in 2023 leading to an increased supply-demand discrepancy. This should support a scenario with strong salmon prices going forward. Going into the year prices have remained strong and forward prices in 2023 and beyond remain at historically high levels. With Salmon Evolution ramping up production over the coming quarters, the Company should be in a good position to benefit for this over the course of 2023.

Salmon Evolution continues to see a significant demand growth potential for salmon and the Company believes that land-based farming will need to play an important role alongside conventional farming for the industry to be able to utilize the demand potential. With phase 1 at Indre Harøy now completed and having a strong financial platform, Salmon Evolution has a unique platform to continue to lead and shape the development of this industry.

Responsibility Statement

Responsibility statement in connection with interim management report by the Board of Directors and CEO of Salmon Evolution ASA.

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 31 March 2023 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the Company's and group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the period and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties facing the group, and major related parties' transactions.

The Board of Directors of Salmon Evolution ASA
Aalesund/Molde 22 May 2023



Tore Tønseth
Chair



Peder Stette
Director



Anne Breiby
Director



Ingvild Vartdal
Director



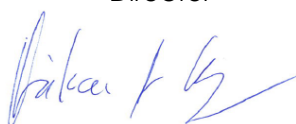
Janne-Grethe Strand Aasnæs
Director



Glen Allan Bradley
Director



Eunhong Min
Director



Håkon André Berg
Director



Trond Håkon Schaug-
Pettersen
CEO

Interim financial statements (IFRS)

Statement of Profit and Loss

(figures in NOK 1000)	Note	Q1 2023	Q1 2022	2022
Sales revenues	2	2 489	6 826	46 107
Other income		482	-8	1 574
Total operating revenue		2 972	6 818	47 681
Change in inventory	3,4	37 578	576	34 077
Cost of materials	3,4	-21 250	-2 685	-34 706
Personnel expenses	5	-17 976	-7 002	-49 996
Other operating expenses		-23 684	-7 698	-65 538
Operational EBITDA		-22 361	-9 992	-68 481
Depreciations	6	-2 197	-1 043	-6 190
Operational EBIT		-24 558	-11 035	-74 671
Fair value adjustment of biomass	3	547	0	11 740
Operating Profit (EBIT)		-24 011	-11 035	-62 931
Financial income	7	1 845	10 190	35 322
Financial expense	7	-9 141	-626	-4 170
Share of net income from associated companies	8	-1 071	-99	-947
Financial expense - net		-8 367	9 465	30 205
Profit/loss before tax	9	-32 378	-1 570	-32 726
Income tax expense	9		0	0
Profit/loss for the period	10	-32 378	-1 570	-32 726
Basic earnings per share (NOK)	10	-0,09	-0,01	-0,10
Diluted earnings per share (NOK)	10	-0,09	-0,01	-0,10
Statement of Comprehensive Income				
Profit/(loss) for the period		-32 378	-1 570	-32 726
Currency translation differences	8	-484	-758	1 363
Total comprehensive income for the period		-32 862	-2 328	-31 363

Statements of financial position

(figures in NOK 1000)	Note	31 March 2023	31 March 2022	31 Dec 2022
Assets				
Intangible assets	6	65 235	62 670	65 149
Deferred tax assets	9	2 077	1 026	2 077
Assets under construction	6	1 804 233	1 241 960	1 713 490
Property, plant & equipment	6	33 010	17 394	30 541
Right-of-use assets	6	14 062	10 746	13 001
Investment in associated companies	8	25 080	25 361	26 635
Total non-current assets		1 943 697	1 359 157	1 850 894
Inventory	3	3 510	787	1 941
Biological assets	3	95 483	14 839	58 927
Trade receivables	13	3 799	8 705	23 080
Other current receivables		59 258	58 732	66 951
Financial derivatives	7	18 637	10 651	25 622
Cash and cash equivalents		171 352	429 922	278 759
Total current assets		352 039	523 636	455 281
Total assets		2 295 736	1 882 793	2 306 174
Equity and liabilities				
Share capital	11	17 288	15 621	17 288
Share premium	11	1 627 073	1 342 007	1 627 073
Other reserves	5	8 911	6 454	8 320
Other equity		0	0	0
Uncovered losses		-121 636	-59 739	-88 774
Total equity		1 531 636	1 304 343	1 563 906
Long-term interest bearing debt	12	555 669	350 644	513 169
Lease liabilities - long term	12	10 142	7 626	9 676
Other long term liabilities	12	8 549	7 976	8 549
Total non-current liabilities		574 360	366 246	531 393
Short-term interest bearing debt	12	90 043	24 893	55 353
Trade payables	13	79 007	171 298	135 098
Social security and other taxes		5 591	4 671	7 086
Lease liabilities - short term	12	4 227	3 147	3 553
Other short-term liabilities		10 872	8 195	9 783
Total current liabilities		189 740	212 204	210 873
Total liabilities		764 100	578 450	742 267
Total equity and liabilities		2 295 736	1 882 793	2 306 174

Statement of cash flow

(figures in NOK 1000)	Note	Q1 2023	Q1 2022	2022
Cash flow from operations				
Profit/loss before tax		-32 378	-1 570	-32 726
Adjustments for:				
Depreciation	6	2 197	1 043	6 190
Net financials		8 367	-9 465	-30 205
Share based payment expenses		592	1 336	3 201
Changes in working capital:				
Change in trade receivables		19 281	-8 324	-22 698
Change in other current receivables		8 130	45 994	37 774
Change in inventory and biological assets	4	-37 578	-576	-34 077
Change in fair value of biomass	4	-547	0	-11 740
Change in trade payables		568	5 000	2 047
Change in social security and other taxes		-1 495	-275	2 139
Change in other current liabilities		1 088	2 382	3 971
Net cash flow from operations		-31 774	35 546	-76 124
Cash flow from investment activities				
Payments for fixed assets net of government grants	6	-95 409	-282 309	-763 498
Payments for intangible assets	6	-86	-84	-3 614
Change in trade payables investments		-56 660	4 226	-29 020
Net cash flow from investment activities		-152 154	-278 167	-796 132
Cash flow from financing activities				
Proceeds from issue of equity, net paid transaction costs		0	7 805	294 538
Proceeds from new borrowings	12	77 190	150 644	356 253
Repayment of borrowings		0	-733	-13 337
Net change in right of use assets and liabilities		81	8 644	210
Financial expenses paid		-2 122	-437	-15 079
Financial income received		1 373	1 077	22 886
Net cash flow from financing activities		76 522	167 000	645 471
Net change in cash and cash equivalents		-107 407	-75 622	-226 785
Cash and cash equ. at the beginning of the period		278 759	505 545	505 545
Cash and cash equ. at the end of the period		171 353	429 922	278 760

Statement of Changes in Equity

(figures in NOK 1000)		Share capital	Share premium	Other reserves	Other equity	Uncovered losses	Total equity
Balance at 1 January 2022		15 540	1 334 283	5 118	0	-57 411	1 297 530
Profit/loss for the period		0	0	0	0	-1 570	-1 570
Other comprehensive income		0	0	0	0	-758	-758
Total comprehensive income		0	0	0	0	-2 328	-2 328
Capital increase, net of transaction cost		81	7 724	0	0	0	7 805
Share based payments expenses		0	0	1 336	0	0	1 336
Share options exercised		0	0	0	0	0	0
Transactions with owners		81	7 724	1 336	0	0	9 141
Balance at 31 March 2022	11	15 621	1 342 007	6 455	0	-59 739	1 304 343
Balance at 1 January 2023		17 288	1 627 073	8 320	0	-88 774	1 563 906
Profit/loss for the period		0	0	0	0	-32 378	-32 378
Other comprehensive income		0	0	0	0	-484	-484
Total comprehensive income		0	0	0	0	-32 862	-32 862
Private placement, transaction costs		0	0	0	0	0	0
Share based payments expenses	5	0	0	592	0	0	592
Share options exercised		0	0	0	0	0	0
Transactions with owners	11	0	0	592	0	0	592
Balance at 31 March 2023	11	17 288	1 627 073	8 911	0	-121 636	1 531 636

Selected notes to the quarterly financial statements

Note 1 – Summary of significant accounting policies

General information

Salmon Evolution (the "Company", "SE" or "the Group") consists of Salmon Evolution ASA and its subsidiaries, including the Groups interests in associated companies. Salmon Evolution is a Norwegian business headquartered in Hustadvika kommune in Møre og Romsdal.

SE is building a land-based salmon farming facility at Indre Harøy, with a planned annual production of 31,500 tons HOG. The build-out at Indre Harøy consists of three phases, with the first one consisting of 12 large grow out tanks with corresponding infrastructure. Phase

1 was completed on 17th April 2023 and has an annual production of 7,900 tons HOG. SE is planning to build similar facilities in South Korea and North America.

SE is utilizing a hybrid flow-through (HFS) system, utilizing fresh seawater. The first smolt release at Indre Harøy was late March 2022 as per original timeline, and the Group completed its first harvest in November 2022.

These interim financial statements have not been audited.

Consolidation

These condensed consolidated statements for the period ended 31 March 2023 include Salmon Evolution ASA together with its subsidiaries Salmon Evolution Norway AS, Salmon Evolution International AS, Salmon Evolution Dale AS and Salmon Evolution Sales AS (Established in July 2022).

In 2022 the Group also established two new companies – Salmon Evolution North America Holdings LLC and Salmon Evolution North America LLC - that is not yet taken into operation. Both Companies is a subsidiary of Salmon Evolution International AS, owned 100%.

Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". These interim financial statements do not provide the same scope of information

as the annual financial statement and should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS.

Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. When assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows from existing customer contracts and other service

contracts, debt service and obligations. After making such assessments, management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Accounting policies

The accounting policies applied in these unaudited, condensed consolidated interim financial statements are the same as those applied in 2022 and implemented for 2023 as

Biological assets

Biological assets are, in accordance with IAS 41, measured at fair value unless the fair value cannot be measured reliably. For salmon in the grow-out facility, a present value model is

Borrowing costs

In accordance with IAS 23, the Group's loan agreements are subject to the following principles relating to borrowing costs:

General and specific borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is

communicated in the annual consolidated financial statements incorporated in Salmon Evolution's annual report for 2022.

applied to estimate the fair value. For roe, fry and smolt, historical cost is deemed to provide the best estimate of fair value, and hence applied. For further information, please refer to note 3.

required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

Note 2 – Segment

The Group has implemented segment reporting which consists of production of farmed salmon in Norway (Farming Norway), other activities, and Eliminations. The segment performance is monitored in order to assess performance and profitability at a strategic level.

The same accounting principles as described for the Group financial statements have been applied for the segment reporting. Intersegment transfers or transactions are entered into under normal commercial terms and conditions, and the measurement used in the segment reporting is the same as used for the actual transactions.

(In thousand NOK)	Farming Norway	Other	Eliminations	Group
Q1 2023				
Operating revenue	0	7 804	-4 832	2 972
Operational EBITDA	-9 210	-13 152	-0	-22 361
Operational EBIT	-10 667	-13 891	0	-24 558
Harvested volum (tonnes, HOG)	0			0
Operational EBITDA/kg (NOK)	N/A			N/A
Operational EBIT/kg (NOK)	N/A			N/A
Q1 2022				
Operating revenue	6 787	3 170	-3 139	6 818
Operational EBITDA	-5 779	-3 730	-483	-9 992
Operational EBIT	-6 678	-3 874	-483	-11 035
Harvested volum (tonnes, HOG)	0			0
Operational EBITDA/kg (NOK)	N/A			N/A
Operational EBIT/kg (NOK)	N/A			N/A
FY 2022				
Operating revenue	46 054	15 292	-13 665	47 681
Operational EBITDA	-34 135	-34 346	0	-68 481
Operational EBIT	-38 387	-36 284	0	-74 671
Harvested volum (tonnes, HOG)	340			
Operational EBITDA/kg (NOK)	N/A			
Operational EBIT/kg (NOK)	N/A			

Note 3 – Biological assets and inventory

Biological assets are, in accordance with IAS 41, measured at fair value unless the fair value cannot be measured reliably. For salmon in the grow-out facility, a present value model is applied to estimate the fair value. For roe, fry and smolt, historical cost is deemed to provide the best estimate of fair value, and hence applied.

The fair value of fish in the grow-out facility is calculated by multiplying the estimated biomass at the time of harvest with the estimated sales price at the same time and deducted for estimated costs to sell. For fish not ready for harvest, remaining production costs to grow the fish to harvest weight are deducted. The cash flow is further discounted by a discount rate taking into account both risk adjustment and time value.

When facility is at steady state production volumes, the Group considers that fish greater than 4.6 kg is ready for harvest (about 3.8 kg gutted weight) and such fish is thus classified as harvestable fish. Fish that have not achieved this weight are classified as non-harvestable.

BOOK VALUE OF INVENTORY	NOK 1000		
	Q1 2023	Q1 2022	2022
Raw materials	3 510	787	1 941
Biological assets	95 483	14 839	58 927
Finished goods	0	0	0
Total	98 992	15 626	60 867

BIOLOGICAL ASSETS	TONNES		
	Q1 2023	Q1 2022	FY 2022
Biological assets beginning of period	733	204	182
Increase due to production	742	0	1 131
Reduction due to harvest/sale	0	92	-580
Reduction due to incident based mortality	0	0	0
Fair value adjustment beginning of period	N/A	N/A	N/A
Fair value adjustment end of period	N/A	N/A	N/A
Biological assets end of period	1 475	141	733

BIOLOGICAL ASSETS	NOK 1000		
	Q1 2023	Q1 2022	FY 2022
Biological assets beginning of period	58 927	14 939	14 939
Increase due to production	36 008	6 726	70 238
Reduction due to harvest/sale	0	-6 826	-37 990
Reduction due to incident based mortality	0	0	0
Fair value adjustment beginning of period	-11 740	0	0
Fair value adjustment end of period	12 288	0	11 740
Biological assets end of period	95 483	14 839	58 927

Specification of biological assets

gical assets per 31.03.2023	Number of fish (1000)	Biomass (tonnes)	Cost of production (NOK 1000)	Fair value adjustment (NOK 1000)	Carrying amount (NOK 1000)
Smolt	2 608	69	12 681	0	12 954
Non-harvestable fish (<4.6 kg)	945	1 407	70 241	12 288	82 528
Harvestable fish (>4.6 kg)	0	0	0	0	0
Total	3 553	1 475	82 921	12 288	95 483

gical assets per 31.03.2022	Number of fish (1000)	Biomass (tonnes)	Cost of production (NOK 1000)	Fair value adjustment (NOK 1000)	Carrying amount (NOK 1000)
Smolt	2 515	111	12 162	0	12 162
Non-harvestable fish (<4.6 kg)	102	29	2 677	0	2 677
Harvestable fish (>4.6 kg)	0	0	0	0	0
Total	2 617	141	14 839	0	14 839

The estimated biomass volume is based on the actual number of individuals in the grow-out departments on the balance sheet date, adjusted for projected mortality up to harvest time and multiplied with the estimated harvest weight per individual at harvest time.

Sales price for the fish in the grow-out facility is based on forward prices from Fish Pool with relevant adjustments. The net sales value is adjusted for expected quality differences and harvesting, logistic and sales expenses.

The Company is still in a ramp-up phase and not yet at steady state production volumes for the grow-out facility at Indre Harøy, and hence the facility's production capacity is not fully utilized. Cost of production is therefore adjusted for unutilized production capacity. As per 31 March 2023 this adjustment amounted to NOK 5.5 million which has been expensed directly in the profit and loss statement.

The Company has not yet started depreciation of the grow-out facility at Indre Harøy. Accordingly, depreciation is not reflected in the cost of production. In the fair value adjustment figures, expected future depreciation is reflected.

Note 4 – Cost of Goods Sold

(numbers in thousand NOK)	Q1 2023	Q1 2022	FY 2022
Cost of goods sold	16 328	-2 109	-629

Composition COGS:

Inventory change	37 578	576	34 077
Raw material purchase	-21 250	-2 685	-34 706
Sum	16 328	-2 109	-629

Composition inventory change:

Change due to production	36 008	6 726	70 238
Change due to harvest/sale	0	-6 826	-37 990
Change due to incident-based mortality	0	0	0
Change inventory raw material	1 570	676	1 829
Sum	37 578	576	34 077

Composition - change due to production:

Raw material cost	19 680	2 009	32 877
Salaries	4 892	1 419	10 260
Other operating expenses	11 436	3 298	27 101
Sum	36 008	6 726	70 238

Note 5 – Share based payment expenses

Options

Effects on financial statement:	
NOK thousands	31.03.2023
Other paid-in capital	592
Net BS	592
31.03.2023	
Option cost	-592
Net PL	-592
31.03.2023	
Capitalized option cost	0
Allocated to CAPEX	0

Note 6 – Property, plant and equipment

(figures in NOK 1000)	Intangible assets	Assets under construction	Buildings	Fixtures and fittings	Right-of-use assets	Total
Cost 1 January 2022	62 586	971 122	7 607	8 966	3 997	1 054 277
Additions	84	270 838	0	2 262	9 287	282 471
Disposals						
Cost 31 March 2022	62 670	1 241 960	7 607	11 227	13 284	1 336 748
Accumulated depreciation 1 January 2021	0	0	-302	-670	-1 985	-2 957
Depreciation for the period	0	0	-162	-307	-553	-1 021
Net book value 31 March 2022	62 670	1 241 960	7 143	10 251	10 746	1 332 770

(figures in NOK 1000)	Intangible assets	Assets under construction	Buildings	Fixtures and fittings	Right-of-use assets	Total
Cost 1 January 2023	65 149	1 713 490	7 607	26 419	18 562	1 831 228
Additions	86	90 743	0	3 624	2 102	96 555
Disposals						
Cost 31 March 2023	65 235	1 804 233	7 607	30 044	20 664	1 927 783
Accumulated depreciation 1 January 2023	0	0	-951	-2 534	-5 561	-9 046
Depreciation for the period	0	0	-164	-992	-1 041	-2 197
Net book value 31 March 2023	65 235	1 804 233	6 492	26 518	14 062	1 916 540

Straight-line depreciation is applied over the useful life of property, plant, and equipment based on the asset's historical cost and estimated residual value at disposal. Depreciation is charged to expense when the property, plant or equipment is ready for use or placed in service.

As per 31 March 2023 the Company is still in a test- and verification phase for its Indre Harøy facility and the facility is therefore not deemed ready for intended use. As such, assets under construction are not depreciated.

Assets under construction per 31 March 2023 consisted mainly of capitalised costs related to the turnkey project with Artec Aqua for building a land-based salmon farming facility at Indre Harøy, Møre og Romsdal.

Note 7 – Finance income and finance cost

(figures in NOK 1000)

Finance income	Q1 2023	Q1 2022	2022
Interest income	12	1 074	8 730
Positive change in value of financial derivatives	472	9 113	25 547
Foreign exchange gains	1 340	2	1 035
Other finance income	20	0	10
Financial income	1 845	10 190	35 322
Share of net income from associated companies	-1 071	-99	-947
Total financial income	773	10 091	34 375

Finance expenses	Q1 2023	Q1 2022	2022
Interest on debts and borrowings	932	267	3 012
Foreign exchange losses	1 088	333	554
Reduced value of financial derivatives	7 019		
Other finance expenses	102	25	604
Total financial expenses	9 141	626	4 170

Net financial income/- expenses	-8 367	9 465	30 204
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Fair value adjustments - financial assets

(NOK thousand)	31.03.2023	31.03.2022	2022
Unrealised changes in the value of interest rate swap	35	8 589	10 455
Unrealised changes in the value of contract related to power supply	-7 019	525	13 629
Realised profit (loss) related to power supply contract	437	0	1 463
Fair value adjustments recognised in profit and loss	-6 547	9 114	25 547

The Group did not have any fair value adjustments of financial liabilities in Q1 2023, nor in 2022.

Note 8 – Investment in associated companies

The group has the following investments in associated companies:

(figures in NOK 1000)	Country	Ownership	Voting share
K Smart Farming Co., Ltd	Korea	49 %	49 %
Investment cost 31.05.21	27 413		
Share of net income 2021	-634		
Foreign currency translation gain/(loss) 2021	-560		
Net book value 31 December 2021	26 219		
Share of net income YTD 2022	-947		
Foreign currency translation gain/(loss) YTD 2022	1 363		
Net book value 31 December 2022	26 635		
Share of net income YTD 2023	-1 071		
Foreign currency translation gain/(loss) YTD 2023	-484		
Net book value 31 March 2023	25 080		

Investments in associated companies are recognized using the equity method.

Note 9 – Tax

(figures in NOK 1000)	Q1 2023	Q1 2022
Profit/loss before tax	-32 378	-1 570
Calculated tax (22%)	-7 123	-345
Tax payable	0	0
Change in deferred tax (asset)	-7 123	-345
Change in deferred tax not shown in the balance sheet	7 123	345
Tax expense	0	0

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period ended 31 March 2023 is 22%, compared to 22% for the period ended 31 March 2022.

Deferred tax benefit has not been recognised in the balance sheet as the Company is in its start-up phase and does not have any historical results to refer to when assessing whether future taxable profits will be sufficient to utilize the tax benefit.

Note 10 – Earnings per share

(figures in NOK 1000)	Q1 2023	Q1 2022
Loss attributable to the equity owners of the Company	-32 378	-1 570
Loss for calculation of diluted earnings per share	-32 378	-1 570
Weighted average number of shares outstanding ¹⁾	345 754 822	310 796 489
Dilutive options	0	0
Average number om shares and options used in calculation for diluted EPS	345 754 822	310 796 489
Basic earnings per share (NOK)	-0,09	-0,01
Diluted earnings per share (NOK)	-0,09	-0,01

Basic earnings per share are based on the weighted average number of common shares outstanding during the period.

Q1 2023: The Company have had 345,754,822 shares for the whole period.

Q1 2022: The Company have had 310,796,489 shares for the whole period.

Note 11 – Share capital and capital history

(figures in NOK 1000)	Date	Capital Increase	Share Capital After Change	Par Value	Subscription price per share	New shares	Total no. of outstanding shares
Opening balance 1 July 2020			5 375 159	0,05			107 503 182
Share options exercised	10 July 2020	30 000	5 405 159	0,05	3,33	600 000	108 103 182
Private placement	23 July 2020	581 395	5 986 554	0,05	4,30	11 627 906	119 731 088
Private placement	11 September 2020	5 000 000	10 986 554	0,05	5,00	100 000 000	219 731 088
Private placement	23 March 2021	4 166 667	15 153 221	0,05	6,00	83 333 333	303 064 421
Acquisition Kraft Laks	16 August 2021	109 535	15 262 756	0,05	7,58	2 190 694	305 255 115
Private placement	12 October 2021	277 068	15 539 824	0,05	7,71	5 541 374	310 796 489
Share options exercised	26 March 2022	81 250	15 621 074	0,05	4,80	1 625 000	312 421 489
Private placement	5 April 2022	1 666 667	17 287 741	0,05	9,00	33 333 333	345 754 822

The Company entered into an investment agreement with Dongwon Industries and completed a NOK 50 million private placement towards Dongwon Industries in July 2020.

The Company raised NOK 500 million in a private placement in connection with its initial public offering related to the admission on Merkur Market (now Oslo Børs) in September 2020. Further, the Company also raised another NOK 500 million in a private placement in March 2021.

In August 2021 the Company acquired 100% of the shares in Kraft Laks AS. As part of the settlement the Company issued 2,190,694 new shares of NOK 7.5775 per share, and thereby increased its equity by NOK 16.6 million. In October 2021 the Company carried out a private placement of USD 5m (NOK ~43m) towards Cargill.

Further, in April 2022 the Company carried out a private placement raising gross proceeds of NOK 300 million at a subscription price of NOK 9.00 per share, bringing total raised equity to more than NOK 1.7 billion.

Note 12 – Interest bearing debt

Long-term interest bearing debt

(NOK thousand)	31.03.2023	31.03.2022
Debt to credit institutions	555 669	350 644
Other long-term interest bearing debt	-	-
Other long-term liabilities (land and water rights)	8 549	7 976
Leasing liabilities	10 142	7 626
Total long-term interest-bearing debt	574 360	366 246

Short-term interest bearing debt

(NOK thousand)	31.03.2023	31.03.2022
Debt to credit institutions	90 043	-
Other short-term interest bearing debt	-	24 893
Leasing liabilities	4 227	3 147
Total short-term interest-bearing debt	94 271	28 040
		3 147
Total interest-bearing debt	668 630	394 286
Cash & cash equivalents	171 352	429 922
Net interest-bearing debt	497 278	-35 636

On 29th of March 2023, the Company signed a NOK 1,550 million green debt financing package with DNB and Nordea relating to phase 1 and 2 at Indre Harøy, thus refinancing the existing senior secured debt financing package. The new package consists of a NOK 525 million non-amortizing term loan facility which will refinance the Company's existing NOK 525 million construction loan relating to phase 1, a NOK 250 million revolving credit facility available for general corporate purposes including Indre Harøy phase 2 capex and a NOK 775 million construction facility available for financing of capex relating to phase 2 at Indre Harøy. Additionally, the Company has a NOK 100 million Overdraft Facility with Nordea. The refinancing was completed on 25th April 2023.

As per 31 March 2023, NOK 525 million was drawn under the previous senior secured debt financing package. In addition, the Company has drawn NOK 74 million of the Overdraft Facility.

The Group has also entered into loan agreements for a total of NOK 52 million relating to Salmon Evolution Dale AS of which around NOK 45 million was drawn as per 31 March 2023. This financing is for financing of working capital, investments in Salmon Evolution Dale as well as refinancing of the seller's credit from the acquisition of Salmon Evolution Dale AS.

The above table does not include other long-term liabilities of NOK 8 million related to property and water rights in Salmon Evolution Dale AS.

Financial covenants

The most important financial covenants for the new long-term financing of the Group are, respectively, a solvency requirement that the borrower's (Salmon Evolution Norway AS) book equity ratio (including intra-group loans) shall be minimum 45%. Further, there is a profitability requirement linked to the borrower's EBITDA which shall be greater than NOK 150 million on a last 12-month basis from Q4 2025. Quarterly EBITDA figures shall be measured from Q4 2023 with set minimum EBITDA levels reflecting the company's gradual ramp up of production volumes and profitability.

Finally, there is a minimum cash requirement that stipulates that the obligors (Salmon Evolution Norway AS, Salmon Evolution Sales AS and Salmon Evolution ASA) cash balance shall be greater than NOK 100 million at any time. Any undrawn and available amounts under the revolving facility and the overdraft is included in the calculation of the cash balance.

Security

The Group's bank debt facilities are fully guaranteed by Salmon Evolution ASA. The respective lenders also have a pledge over 100% of the shares in the borrower, Salmon Evolution Norway AS and Salmon Evolution Dale AS. Furthermore, the respective lenders have a pledge over all material operating assets of the Group, hereunder inter alia, land, plant and machinery, operating licenses, inventory and receivables.

Cash movements in financing activities (NOK thousand)	Interest bearing debt	
	Short term	Long term
Balance at January 1, 2023	28 041	366 246
Repayment of loans and borrowings	-12 841	-
Proceeds from new bank loan	90 043	205 025
Obligations due to land and water rights	-	-
Change in obligations under leases	1 087	2 517
Balance at March 31, 2023	106 330	573 787
Transaction cost related to loans and borrowings	15 600	
Capitalised borrowing cost	3 141	
Interest expense	776	
Financial costs paid in quarter	1 572	
Interest paid Q1 2023	21 089	

Note 13 – Transactions with related parties

During the ordinary course of business, the Company may engage in certain arm's length transactions with related parties.

There were no material transactions with related parties in Q1 2023.

Note 14 – Significant and subsequent event

Completed takeover of phase 1 at Indre Harøy

On the 17th of April the two remaining tanks at Indre Harøy was handed over from the

contractor. This marks the finalization of phase 1 of Indre Harøy.

Completed NOK 525 private placement

On the 18th of April 2023 the Company successfully carried out a NOK 525 million private placement, through the allocation of 68,181,818 new shares each at a subscription price of NOK 7.7 per share.

The net proceeds from the Private Placement are intended to be used (i) to fund the currently estimated equity portion of Phase 2 of the salmon farming facility at Indre Harøy and (ii) for general corporate purposes.

Post quarter mortality event

On 29 April 2023 the Company reported that it was experiencing increased mortality in selected fish groups. The increased mortality is triggered by AGD, causing problems with gill health.

with daily mortality back to normal levels post freshwater treatment. The Company has also recommenced feeding across the farm and is closely monitoring the situation.

The Company has taken swift and appropriate actions to remedy the situation, including reduced temperatures and feeding, increased UV dosage on intake water, fast tracking harvest of batch 2 in a historically strong market and completed freshwater treatment of all remaining fish groups.

Furthermore, the Company has implemented a number of actions to minimize the risk of such event happening in the future. This includes inter alia on-site freshwater production capabilities to be installed over the next couple of weeks, reducing response time to a minimum going forward and also enabling precautionary freshwater treatments, for example in connection with fish transfers.

The freshwater treatment appears to have had a good effect, and the situation is now stabilizing

ABOUT SALMON EVOLUTION

Salmon Evolution is a Norwegian land-based salmon farming company targeting a production capacity of 100,000 tonnes HOG by 2032. The Company's core focus is on extending the ocean's potential by transferring the best preconditions offered by the sea to farm fish on land through its chosen hybrid flow-through system technology (HFS). This secures a truly sustainable production process with controlled and optimal growth conditions and limiting operational and biological risk.

The Company's first production facility is strategically located at Indre Harøy on the Norwegian west coast with unlimited access to fresh seawater, renewable energy, established infrastructure, and an educated and experienced work force. Phase 1 is already in operation and will have an annual capacity of 7,900 tonnes HOG at steady state. Fully developed, the Indre Harøy facility will have an annual capacity of 31,500 tonnes HOG.

The Company has also entered into a joint venture with Dongwon Industries where the parties will develop, construct and operate a land-based salmon farming facility in South Korea with an annual production capacity of 16,800 tonnes HOG, using Salmon Evolution's chosen HFS technology.

Furthermore, the Salmon Evolution has initiated a process with the aim of establishing a land-based salmon farming operation in North America.

Salmon Evolution ASA is listed on Oslo Børs under the ticker SALME.

SALMON
EVOLUTION*

OFFICE ADDRESS

Target 5, 6440 Elnesvågen (HQ)
Keiser Wilhelms gate 22, 6003 Ålesund

PRODUCTION SITES

Grow-out: Indre Harøyvegen 88, 6430 Bud
Smolt: Dalsfjordvegen 2805, 6120 Folkestad

ORG NUMBER

NO 925 344 877 MVA

E-mail: post@salmone.no

Web: salmonevolution.no

BOARD OF DIRECTORS

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Chairman of the Board

Anne Breiby

Board Member

Ingvild Vartdal

Board Member

Peder Stette

Board Member

Janne-Grethe Strand Aasnæs

Board Member

Glen Allan Bradley

Board Member

Eunhong Min

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Director Strategic Projects

